

Comprehensive Fiscal Study

of the

The Klahanie Area PAA

City of Sammamish
November 30, 2014



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Charting a course for success...

Prepared by:

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Part I: The Big Picture

Executive Summary

The Klahanie annexation area was recently transferred from Issaquah's Potential Annexation Area (PAA) to Sammamish's PAA. In accordance with standard practice, a study was ordered to determine if the annexation of the Klahanie area to Sammamish would be financially viable. Butkus Consulting, Inc., was retained to coordinate the study and provide a written report. The study had three purposes:

- To assist Sammamish in meeting the requirements of the Growth Management Act and the Boundary Review Board.
- To show Klahanie-area residents what impact annexation to Sammamish would have on their services and taxes, specifically in comparison to the services and taxes currently experienced under King County.
- To show current residents of Sammamish what impact, if any, the annexation would have on their services and taxes.

A "Final Report on the Klahanie Area PAA Fiscal Determination" was completed in July 2014, made available to the public, and provided to the BRB for an informal review. The BRB indicated the report would be stronger if it contained more information on service delivery and major transportation projects in the area. Those suggested additions have been included in this document: "Comprehensive Fiscal Study of the Klahanie Area PAA" (hereinafter "study"). In a related change, at the suggestion of Sammamish staff, the short-term capital needs for streets and surface water management have now been included in first year costs.

This study is designed to accompany the Notice of Intent (NOI) to be submitted by the City of Sammamish to the King County Boundary Review Board. The study shows:

- If the Klahanie PAA were to be annexed to Sammamish, Klahanie-area property owners would pay less property tax than they do now (Table 18).
- Police, road maintenance, surface water management and parks service levels would increase. Emergency medical and fire service delivery would remain the same.

- Klahanie-area residents would see minimal change or no change to other public and private services.
- There would be no change to service levels for Sammamish citizens.

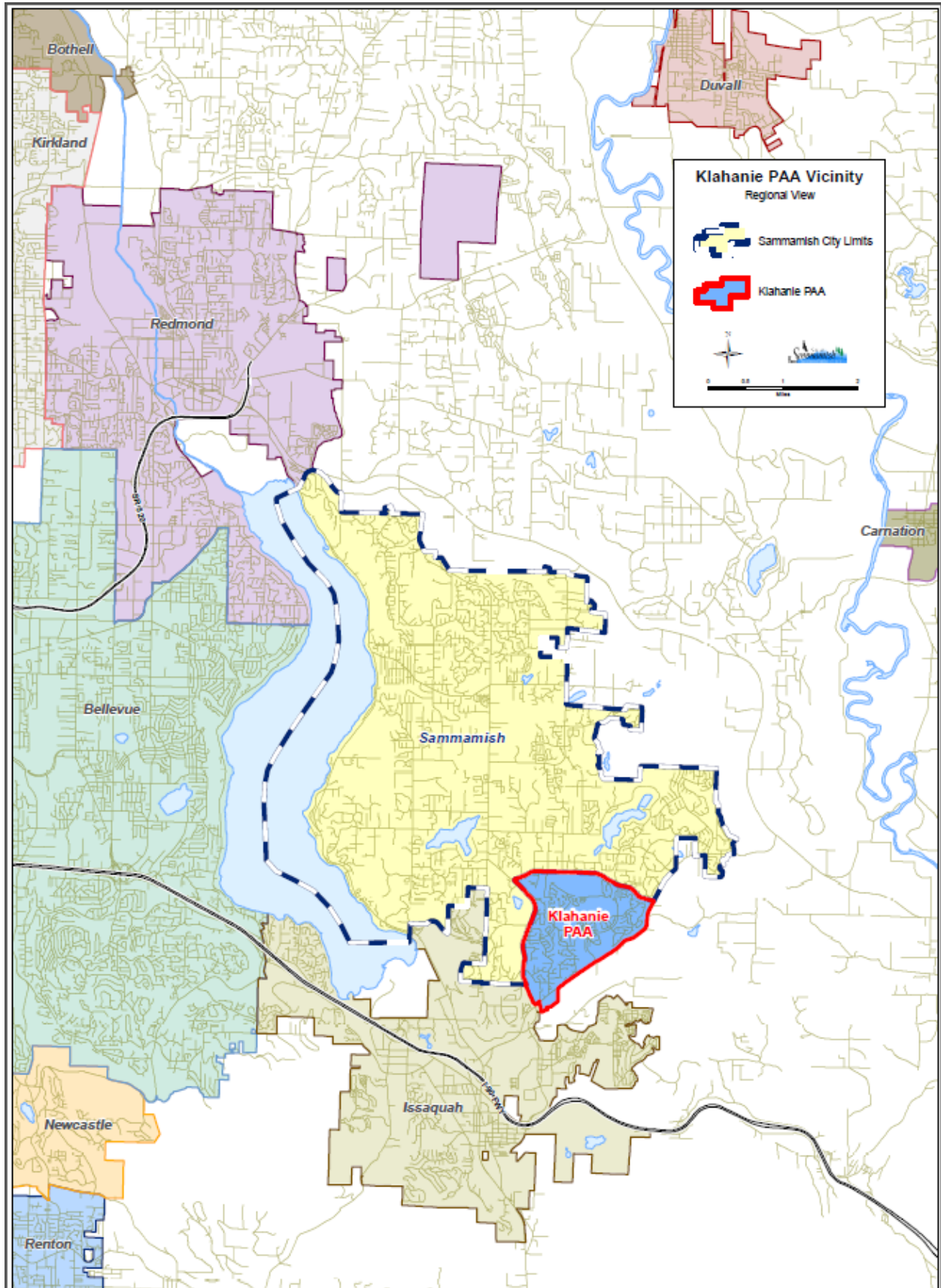
Introduction to the Klahanie PAA

The Klahanie Potential Annexation Area (PAA) has been in existence since the early 1990's. The PAA includes a commercial area and over 25 subdivisions, many of which do not contain "Klahanie" in their names. The Klahanie PAA, triangular in shape, is located north of Issaquah and south of Sammamish. See the Klahanie PAA Vicinity map on the following page. The PAA has an estimated population of 10,939.

This area, along with Issaquah and the then-unincorporated Sammamish Plateau, was originally included within the Urban Growth Area (UGA) boundary of King County. Sammamish itself was not incorporated until 1999. In 2008 a minor modification was made to the King County Comprehensive Plan concerning the UGA. The modification brought three tax parcels on the south side of SE Issaquah-Fall City Road, east of Highlands Drive NE, inside the UGA.

For many years, it was considered likely that the Klahanie area would be annexed by Issaquah. In fact, in November 2005 a majority of Klahanie area voters expressed a desire to annex to Issaquah. But on a related ballot issue, the voters declined to assume their share of existing voter-approved city debt. The Issaquah City Council considered the results of the two ballot issues and declined to annex the area. Then, in November 2013, a second vote was taken regarding annexation to Issaquah. This time, a majority of the voters declined to be annexed to Issaquah.

In the months that followed, city officials from Issaquah and Sammamish, in consultation with King County representatives, took the necessary steps to transfer the Klahanie annexation area into the Sammamish PAA. See Appendix F for an Interlocal Governmental Agreement relating to this transfer.



Simplified Critical Path for Annexation

Here are the steps, some already completed, which are required to give Klahanie residents an opportunity to annex to Sammamish:

- **Transfer Klahanie PAA from Issaquah to Sammamish**
 - Who: Issaquah, Sammamish & King County
 - How: Comprehensive Plan Amendments for all three entities
 - When: By end of 2014

- **Boundary Review Board of King County (BRB) process ***
 - Who: BRB; Sammamish provides Notice of Intent (NOI)
 - How: Sammamish submits NOI, BRB has a set legal process to follow
 - When: Early 2015

- **Start election process (assuming approval of annexation by BRB)**
 - Who: Sammamish City Council
 - How: Pass Resolution setting election date (April 2015 is likely)
 - When: Early 2015

- **After election (assuming a positive vote to annex)**
 - Who: City Council sets date of Annexation; staff arranges asset transfers
 - How: Council by Ordinance; staff by negotiation & fiscal review
 - When: 2015

- **Annexation**
 - Who: Klahanie residents
 - How: Following above process
 - When: On the date set in the Council Ordinance

*This Study is a key part of providing information to the BRB as a part of the NOI

Methodology Notes

If comparisons are made between the most recent Issaquah annexation study (Nesbitt) and the current Sammamish study, a number of differences will emerge. But these differences should not detract from either work. They merely show that a variation in cost factors will produce a variation in results.

For example:

- A different base year for revenues and expenditures was used.
- Governance changes took place between the two study time frames. A new Interlocal agreement regarding fire and emergency services is one example.
- The Sammamish City Council made a policy decision that six police officers would be assigned to the Klahanie annexation area if Klahanie area residents voted to annex to Sammamish. The Nesbitt study assumed a lower number.
- Different service standards will lead to different costs.

Here are some notable differences between the two fiscal reviews:

- Nesbitt concluded that incorporating a special state sales tax revenue sharing program would be necessary to make an Issaquah annexation financially viable. Sammamish does not need this state revenue sharing to make an annexation viable.
- Given the unclear future of Eastside Fire & Rescue (EF&R) at the time, Nesbitt examined the impacts of various outcomes. Since then, EF&R partners have come to a new seven-year agreement (effective January 2015) that will leave fire and emergency services to the Klahanie area unchanged. Service delivery will continue through EF&R with costs to be transferred to Sammamish upon annexation.
- The Nesbitt study estimated an additional 4.9 commissioned police officers would be needed in the annexation area. The Sammamish City Council made a policy decision that 6 new officers would be assigned to the Klahanie area.
- Streets, Surface Water Management and Parks services provided by the two cities have different service levels and cost assumptions.
- The current Sammamish study includes a broader, more in-depth analysis of long-term capital expenditures.

- Determining appropriate staffing levels and costs for development services - planning, building and code compliance - benefited by the fact that the Klahanie PAA is largely built out. Further, many of the existing cost drivers in Sammamish are directly related to a higher level of development activity. Thus, the modest cost of a Klahanie annexation in these arenas is reflective of the existing development levels.
- Other services, like related criminal justice costs (Courts and Domestic Violence Advocate, as examples) and other general government functions (Clerk and Social Services as examples) used a simple population percentage gain (23% rounded up to 25%) to estimate costs of an annexation.
- The Nesbitt study contemplated a local government in existence for over 120 years that has relatively complex financial accounting and budgeting practices, and responsibility for three utilities. Sammamish (incorporated in 1999) strives for fiscal simplicity and has only one utility – Surface Water Management.

This study uses 2014 as the baseline to ensure continuity and consistency with comparison of population, revenue and service delivery costs. In the limited cases where data from another year is used, it is clearly stated.

In future years the revenue assumptions and the cost of delivering services are likely to change. Since an annexation, if there is one, will not take place until 2015 or later, the estimates provided herein could benefit from updated information at that time.

The estimates of service delivery costs upon annexation were developed jointly by Butkus Consulting and the City of Sammamish. Sammamish staff utilized their internal processes to provide the consultant with basic information (roadway lane miles and park acreage, as examples) costs of equipment (trucks and mowers, as examples), supplies, personnel, and the cost of fire, emergency and police services.

While the City of Sammamish purchased the rights to Issaquah data for the Klahanie PAA, including information from the 2013 Annexation Fiscal Analysis by Nesbitt, this study independently updates the majority of that information to reflect the timeline change and the different service delivery standards of Sammamish. Data sources varied, according to need and availability. Most are footnoted to document sources. In the limited areas where Nesbitt data was used it has been clearly identified.

Operations and maintenance delivery costs are based on providing the full range of services Sammamish offers, including one-time or start-up costs in personnel, materials and equipment. This study also identifies the need to bring the Klahanie area's existing street and surface water management systems up to current Sammamish standards. It is noted that in many cases the below-standard infrastructure conditions in the Klahanie area are due to seriously deferred maintenance. These projects have been identified as needed capital improvements and are illustrated in this study as occurring in a single year. This may or may not occur, but their inclusion clearly illustrates that even if all were to be accomplished in one year, the net effect of an annexation would still be a positive cash flow for the City of Sammamish.

Based on feedback from the earlier informal examination of the report by the Boundary Review Board, this study also includes estimates of major transportation system costs and briefly identifies several ways to fund such improvements. Based on the practices of the City of Sammamish since incorporation in 1999, it is reasonable to anticipate that future major capital investments will be phased over several years after professional examination, public input to the planning process, and the securing of funding.

Part II:

Klahanie Fiscal Base

Population

Population information was provided by the Washington State Office of Financial Management (OFM). OFM provides annual population estimates for all counties, cities and towns each April 1. These estimates are the official population figure that can be used by those local governments to develop the following year's budget estimates. A population estimate of April 1, 2013, would be the estimate used to develop the budget for calendar year 2014. In some cases, there are Small Area Estimates (outside of cities and towns) that are updated less than once a year. Population information provided in this study is based on the annual update for the City of Sammamish, and the update for the Klahanie Area PAA based on the last Small Area Estimate as provided by OFM. As the Klahanie area is largely built out, the lack of an annual update from the state does not significantly affect the Fiscal Base, the Revenue Base or service delivery.

Using the United States Census Tract and Block information, OFM has established the population of the Klahanie Area PAA as shown in Table 1 on the following page.

Table 1: Klahanie Population by Census Tract					
Census Tract	Block	Total	Total	Total	Occupied
	Group	Population	Population	Hsg Units	Hsg Units
		2010	2013	2013	2013
322.11	2	1,499	1,520	537	523
322.11	3	1,388	1,420	515	499
322.12	1	2,468	2,502	864	845
322.12	2	995	1,043	347	337
322.12	3	1,515	1,596	511	501
322.12	4	2,809	2,856	1,154	1,099
322.10	3	2	2	1	1
	Total	10,676	10,939	3,929	3,805
Notes:					
1. Source: OFM April 2013 (for 2014 use)					
2. Tract 322.10 is a small area to the south of Issaquah-Fall City RD SE with only one residence, as per Nesbitt.					

Klahanie Demographics

In addition to population, other factors are useful in understanding the Klahanie PAA. Putting population together with the land area, housing units and the density determination results in the larger demographic picture, as shown in Table 2 on the following page.

Table 2: Klahanie Demographics	
Estimates, April 1, 2013 (for 2014 use)	Klahanie PAA
Population	10,939
Area (Sq Miles)	1.98
Area (Acres)	1,264
Population Per Square Mile (rounded)	5,538
Population Per Acre	8.65
Housing Units	3,929
Notes:	
1. Population for Klahanie PAA from OFM estimates of population for census block groups-Small Area Estimate Program.	
2. Klahanie PAA area from City of Sammamish GIS.	
3. Klahanie PAA housing units from OFM-Small Area Estimate Program	

Real Estate - Value Determination

Real Estate (property and its improvements), but not Personal Property, serves as a base for determining the total amount of Assessed Value (AV). This AV determines property tax calculations and, should annexation take place, impacts King County Fire District #10 and the King County road fund. Both of the latter would have a reduced revenue base upon annexation. Table 3 illustrates the AV determination.

Table 3: Basis for Klahanie Property Tax Prediction	
Property Type	Klahanie PAA Value
Land - Taxable Value	\$ 692,381,500
Improvements - Taxable Value	\$ 785,478,500
Total Taxable Value	\$ 1,477,860,000
Notes:	
1. Property Type value is for taxes to be paid in 2014	
2. Source: King County Assessor's Office	

Real Estate Sales

Real Estate Sales determine the amount of Real Estate Excise Tax (REET) that will be generated.

Sammamish, following state law, has elected to use REET funds largely for capital improvements. A small amount has been budgeted for maintenance and operation for capital facilities. Under state law, this use of REET monies for maintenance and operations sunsets at the end of 2016.

Real Estate Sales in the Klahanie PAA for the most recent three years are illustrated in Table 4.

YEAR	Total of Sale Price		
	LAND WITH NEW BUILDING	LAND WITH PREVIOUS USED BUILDING	TOTAL SALES
2011	\$ 2,542,900	\$ 73,532,640	\$ 76,075,540
2012	\$ 5,161,529	\$ 65,158,050	\$ 70,319,579
2013	\$ 13,962,330	\$ 106,070,518	\$ 120,032,848
3 Yr. Average	\$ 7,222,253	\$ 81,587,069	\$ 88,809,322
	New Construction	Recurring Sales	
<u>Notes:</u>			
1. Source: King County Assessor's Office			
2. Data differs from Nesbitt, more recent King County information used for this Study			

Sales Tax

If the PAA were to be annexed, the state sales tax, general local sales tax, as well as certain county-wide voter-approved sales taxes, would not change. What would change is that the base of Klahanie area general local sales tax (not voter approved) for King County would now be largely directed to Sammamish. The Klahanie Sales Tax Base is illustrated in Table 5.

Taxable Retail Sales - Klahanie PAA		Taxable	Adjusted Taxable
NAICS2	Sector	Retail Sales	Retail Sales
23	Construction	\$ 1,543,052	\$ 2,314,579
31	Manufacturing	Confidential	Confidential
32	Manufacturing	Confidential	Confidential
33	Manufacturing	\$ 81,846	\$ 122,770
42	Wholesale Trade	\$ 920,528	\$ 1,380,793
44	Retail Trade	\$ 2,965,963	\$ 4,488,944
45	Retail Trade	\$ 1,217,739	\$ 1,826,608
48	Transportation/Warehousing	Confidential	Confidential
49	Transportation/Warehousing	Confidential	Confidential
51	Information	\$ 273,778	\$ 410,667
52	Finance and Insurance	\$ 61,683	\$ 92,525
54	Prof., Scientific, Technical Services	\$ 763,082	\$ 1,144,623
56	Admin, Supp, Remed Svcs	\$ 45,518	\$ 68,277
61	Educational Services	\$ 16,939	\$ 25,408
62	Health Care Social Assistance	\$ 15,365	\$ 23,048
71	Arts, Entertainment, Recreation	\$ 1,276,447	\$ 1,914,671
72	Accommodations and Food Svcs	\$ 4,703,196	\$ 7,054,793
81	Other Services	\$ 3,170,266	\$ 4,755,400
	Total for all businesses in the Klahanie PAA	\$ 17,297,620	\$ 25,946,431
	Adjustment factor recommended by DOR for businesses out	1.5	
	Total rounded		\$ 25,946,000

Notes:

1. Source: WA Department of Revenue (DOR).
2. Adjustable Taxable Retail Sales are 1.5 times the listed Taxable column, as DOR to account for out of area sales (Nesbitt similar).
3. Estimates based on multiple data by DOR, including merging of state employment data.
4. Gross income and taxable retail sales based on CY 2012-13 data.
5. Employment data merge was based on most recent information available: CY 2012.
6. Totals for all businesses includes the "confidential" sales data.
7. NAICS2: North American Industry Classification System (2 digit)
8. If only one business in a sector, or a very few, the state makes the data "confidential"

Utility Tax

Unlike Issaquah and many other cities in King County, Sammamish has no Utility Tax. Therefore, utility tax base data was not collected.

Street Inventory

Klahanie Area PAA roadway lane miles are illustrated in Table 6.

Functional Class	Lane Miles
Arterial	6
Collector	6
Local	42
Total	54
Source: Sammamish Public Works	

Surface Water Utility Inventory

The Surface Water Utility inventory determines the number of catch basins, vaults and stormwater ponds that exist. Please see Table 7 for the Klahanie area's numbers, as determined by the Sammamish Public Works Department.

Facility Type	Klahanie #
Catch Basins	1250
Vaults	9
Ponds	35
# of catch basins is approximate	
Source: Sammamish Public Works	

Parks Inventory

The cost of parks maintenance depends on the size and use of park facilities. Parks featuring sports fields, picnic shelters and restrooms, for example, require greater investment than more passive parks. Please see Table 8 to for the Sammamish Parks Department’s inventory of Klahanie Park.

Table 8: Klahanie Park Inventory

Park Property Name	Parcel #	Acreage	Rounded Acreage	Picnic Shelters	Playground	Restroom	Tennis	Basketball	Skate Park	Spray Park	Swimming	Soccer	Baseball	Lacrosse	Dog Park	Parking
Klahanie Park	1124069013	30.61	31		1	1						2	1			Y
	1124069106	33.78	34													
Notes:	1. The 31-acre area is maintained and has natural (not artificial) turf/playing surfaces															
	2. The 34-acre area is native vegetation and is not anticipated to incur maintenance															
Source: Sammamish Parks & Recreation																

Fiscal Base Summary

The Klahanie Area PAA factors to be considered in Parts III and IV are summarized as shown in Table 9.

Table 9: Summary of Klahanie PAA Key Fiscal Base Information		
Group	Specific Area	Amount
Population & Area-Based	Population	10,939
	Area (Square Miles)	1.98
	Area (Acres)	1264
	Population/Sq. Mile	5538
	Population Per Acre	8.65
Property-Based	Total Housing Units	3929
	Taxable Assessed Valuation	\$1,477,860,000
	Real Estate Sales (3-yr. average)	\$88,809,322
Sales Tax-Based	Taxable Retail Sales	\$25,946,000
Street	Lane Miles	54
Surface Water Utility	Catch Basins	1250
	Vaults	9
	Ponds	35
Park	Acres (Improved)	31

PART III:

Revenue Base

Introduction to Revenues

Nesbitt used the existing Issaquah Budget (2013) as a point from which to tailor the Revenue Report for his Klahanie PAA Fiscal Analysis. Similar use is being made of the Sammamish Budget (Calendar Year 2014, the second year of a 2-year Budget) in this Study.

Information provided in table format in Part III places existing Sammamish budget revenue information side-by-side with estimated Klahanie PAA revenues. Klahanie revenue bases were established in Part II: Klahanie Fiscal Base. In determining multipliers, such as a per capita revenue source, the City of Sammamish uses the publication: 2014 Budget Suggestions © August 2013 by the Municipal Research and Services Center, Seattle, WA. This same publication was used to estimate Klahanie Area PAA revenues. The document can be found in Appendix A of this Study.

Revenue Estimates – The Real Dollars

Table 10 and Table 11 on the following pages show existing Sammamish revenue predictions as well as estimated Klahanie PAA revenues for 2014. The revenue lines are identified by the Fund to which they are designated as well as specific revenue source by name.

Table 12 on page 23 shows the total of estimated Klahanie revenues for 2014.

Table 10: Major Revenue Comparision - Sammamish & Klahanie

	Revenue in Sammamish 2014 Budget			Revenue Projected for Klahanie				
	Fund	Line Item Name	Amount	Revenue Name	Fiscal Base Name	Fiscal Base	Rate	Revenue
Metrics - Major Revenues	General	Property Tax	\$ 22,280,000	Property Tax	Taxable Assessed Valuation	\$ 1,477,860,000	\$2.41/1000	\$ 3,561,643
	General	Local Option Sales Tax	3,100,000	Local Option Sales Tax	Taxable Retail Sales-Klahanie	\$ 25,946,000	0.008415	\$ 218,336
	Street	State Shared Revenues (Gas Tax)	910,000	State Shared Revenues (Gas Tax)			20.40	\$ 223,156
	General	State Shared Revenues (Liquor Profits)	427,000	State Shared Revenues (Liquor Profits)			8.89	\$ 97,248
	General	State Shared Revenues (Liquor Excise Tax)	57,000	State Shared Revenues (Liquor Excise Tax)	Population	10,939	1.19	\$ 13,017
	General	State Shared Revenues (Criminal Justice Population)	12,500	State Shared Revenues (Criminal Justice Population)			0.26	\$ 2,844
	General	State Shared Revenues (Criminal Justice Contract Services)	67,900	State Shared Revenues (Criminal Justice Contract Services)				\$ 15,449
	General	State Shared Revenues (Criminal Justice Special Program)	41,700	State Shared Revenues (Criminal Justice Special Program)			0.87	\$ 9,517
	General	Criminal Justice Sales Tax	1,000,000	Criminal Justice Sales Tax	Population/Crime Rate			\$ 227,611
	General	Cable Franchise Fees	550,000	Cable Franchise Fee	Gross Revenue-Cable			\$ 125,186
	CIP	Real Estate Excise Tax (REET)	3,500,000	Real Estate Excise Tax	Real Estate Sales	\$ 88,809,322	0.00495	\$ 439,606
		Total Major Revenues	\$ 31,946,100					\$ 4,933,613

Notes:

1. Sammamish's share of sales tax is 1%. For every dollar collected, the City receives 85 cents and the County 15 cents, less a state collection fee.
2. State shared revenue per capita rates from Municipal Services and Research Center.
3. Criminal Justice Contract Services per capita estimated by dividing Sammamish budget by population and then using Klahanie population
4. Criminal Justice Sales Tax is distributed partially on crime rates. Used same procedure as Note 3.
5. Cable revenue and customers not available for Klahanie; assumed same ratio of cable customers as Sammamish
6. REET average of 2011-1013 from Table 4

Table 11: Minor Revenue Comparison - Sammamish & Klahanie

Revenue in Sammamish 2014 Budget				Revenue Projected for Klahanie				
Fund	Line Item Name	Amount	Revenue Name	Fiscal Base Name	Fiscal Base	Rate	Revenue	
Metrics- Miscellaneous Other Revenues	General	Business Licenses	\$ 50,000	Business Licenses	Number of businesses	200	\$ 15.00	\$ 3,000
	General	Building Permits	975,000	Building Permits	Actual History-Nesbitt			127,000
	General	Plan Check Fees	750,000	Plan Check Fees	Actual History-Nesbitt			5,000
	General	Other Licenses & Permits	517,050	Other Licenses & Permits	Actual History-Nesbitt			38,000
	General	Other Dev. Review/Inspections	927,100	Other Dev. Review/Inspections	None?			-
	General	Field Use/Recreation Fees	340,000	Field Use/Recreation Fees	Estimate-Sammamish Parks Director			15,000
	General	Court Fees	118,250	Court Fees	Population	10,939	2.46	26,910
	Surface Water	Stormwater Charges for Services	3,392,491	Stormwater Charges for Services	Households	3,929	204.00	801,516
	Park CIP	Park Impact Fees	700,000	Park Impact Fees	New homes-Nesbitt estimate	32	2,697.00	86,304
	Transportation CIP	Transportation Impact Fees	2,705,000	Transportation Impact Fees	New homes-Nesbitt estimate	32	14,204.27	454,537
	Various	Miscellaneous and not applicable to Klahanie	5,111,840	Miscellaneous and not applicable to Klahanie				
		Total Minor Revenues	\$15,586,731					\$ 1,557,267

Note:

Park CIP and Transportation CIP revenues are based on all 32 undeveloped lots developing in one year.

Major Revenues (from Table 10)					\$4,933,613
Minor Revenues (from Table 11)					\$1,557,267
Grand Total					\$6,490,880

Revenue Notes

In addition to the specific notes accompanying Table 10 and Table 11 the following information is provided to assist the reader in understanding the revenue sources – as actually budgeted for Sammamish and estimated for the Klahanie PAA:

- Accounting by Fund – Sammamish under guidance from the State Auditor and as further set forth in the Budgeting, Accounting, and Reporting System–GAAP Manual uses Fund-based accounting. This Manual is one of several generally called “BARS.” GAAP is the abbreviation for “Generally Accepted Accounting Principles.”
- Property tax in Sammamish is allocated 100% for operations of the City. There is no set-aside for bond payments as Sammamish has no bonded debt. The City does have a \$10 Million State Public Works Board (Public Works Trust Fund) loan with \$3.7 Million outstanding or remaining to be repaid. It will be paid off in 2021.
- Retail Sales Tax – Local Option. Sales Taxes in Sammamish are set at 9.5%, a combination of state, local option and specific purpose sales taxes that are voter-approved like the King County sales tax dedicated to fingerprint automation systems. A full 1% (the local option tax) of the total 9.5% tax goes to general-purpose local governments, King County and the City of Sammamish. When counties and cities both levy the local option the tax revenue in cities is split – 85% going to the city and 15% going to the county – less a state fee for the collection and distribution service provided. The net for every dollar collected for local

sales taxes in Sammamish is 84.15 cents. This figure is expressed as 0.008415 in the revenue tables.

- Readers may notice that Sammamish budgeted revenue under the Street Fund, State-Shared Gas Tax, does not relate to the figure of \$20.40 per capita used for the Klahanie PAA revenue estimation. Sammamish operates on a two-year (biennial) budget. Concerned with a still-sluggish economy in mid-2012 when the 2013-14 budget was being developed, a more conservative figure was used by the Sammamish Financial and Technology Services Department than was proposed in the 2013 Budget Suggestions (MRSC). Time has brought a more robust economic recovery than earlier predicted so the suggested \$20.40 per capita has been used for the 2014 gas tax revenue estimate for the PAA as per the 2014 Budget Suggestions (MRSC). Note: The common term “gas tax” is used herein. Technically it is a “motor vehicle fuel tax” and applies to gasoline and diesel fuel as well.
- Unlike the Nesbitt work for an earlier Issaquah potential annexation, an annexation of the Klahanie Area PAA by Sammamish does not qualify for the State’s limited use sales tax credit in annexation areas. Therefore, there is no line item for this revenue source in the Tables.
- Sammamish does not levy a Utility Tax (a Business & Occupation Tax on utility gross revenues). Therefore, there is no line item for this revenue source in the Tables.
- Real Estate Excise Tax (REET) is collected in two one-quarter percent increments on the sale or transfer of certain real estate less a King County collection fee. The average annual sales, as illustrated in Table 4 is used to estimate the PAA revenue. State law limits how these funds may be expended.
- Court fees are those anticipated and budgeted by Sammamish. As court services are provided through an Interlocal Governmental Agreement

(contract) with King County, a simple projection for the existing Sammamish Budget on a per capita basis was made for the PAA.

- Park and Transportation Impact Fees for new development are based on Sammamish's philosophy that growth should pay for growth to the greatest extent possible. The PAA, largely built out and with only 32 undeveloped lots remaining, is not expected to be a significant revenue source in these two categories.
- The "Miscellaneous and Not Applicable to Klahanie" line item information was furnished by the City of Sammamish Financial and Technology Services Department.

Part IV: The Cost of Klahanie

Service Delivery

General Service Area Information

Throughout Part IV the term "FTE" is used. This stands for Full-Time Equivalent (employee). Special attention is paid to how cost assumptions were developed. Cost assumptions vary and are based on analysis and by discussion with staff of the affected City of Sammamish Departments. This results in the best available method to determine each department's costs and their allocation.

During the preparation of this study special attention was given to identifying and describing seriously deferred maintenance in the service areas of streets and storm water management. There are three ways to describe these needed projects: (1) as a form of capital improvement, (2) as made necessary by seriously-deferred maintenance and, (3) as reconstruction of the existing infrastructure to meet Sammamish standards. For the purpose of this Study the projects are described as a "capital improvement." These costs are clearly identified as capital and for fiscal simplicity illustrated as being addressed in the first year following annexation.

Other major capital improvements to surface transportation systems are identified and discussed as to options for financing. See the detailed explanation under "Streets."

Finally, in a few instances costs as a result of an annexation are not detailed, as they are very small, or "de minimis." For the purposes of this study, an expenditure of less than \$5,000 was considered "de minimis."

Specific Service Area Details

Emergency Medical and Fire

On January 1, 1999, the consolidation of several agencies created a new fire and emergency medical services agency called Eastside Fire & Rescue (EF&R). The agencies joining in this consolidation were King County Fire Districts #10 and #38, as well as the cities of Issaquah and North Bend. The City of Sammamish joined the consolidated organization in January 2000. EF&R continues to serve the region in 2014 and is expected to continue to do so in 2015 through 2021 under the most recent Interlocal Governmental Agreement.

EF&R provides the following emergency medical, fire and rescue services:

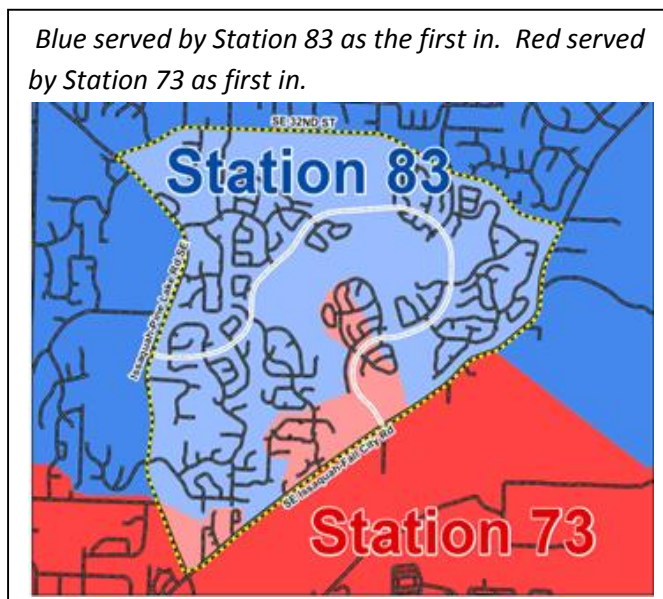
- Emergency Medical Aid
- Fire Protection and Suppression
- Fire and Life Safety Inspections
- Fire Investigation Services
- Fire Code Construction Plan Reviews
- Specialized Technical and Swift Water Services
- Hazardous Materials and Confined Space Services
- Wild Land Fire Services
- Public Education for Fire Safety and Prevention
- Disaster Preparedness and Education
- Community Relations and Events

Paramedic services are provided by King County Medic One through a service agreement with the Bellevue Fire Department. The annexation of the Klahanie area will have no impact on the provision of all of the currently provided services, including Medic One.

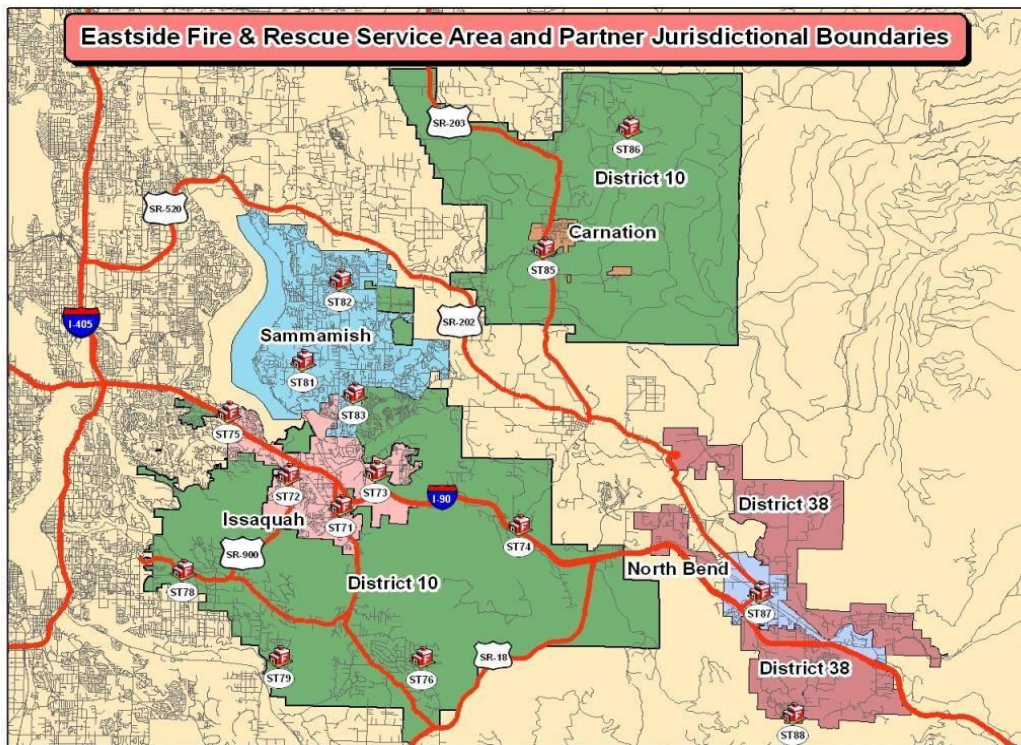
In the illustration immediately below “first due” is the responding station that would be first on the scene when multiple stations are dispatched, under normal circumstances. EF&R uses travel time software to determine which areas are first due for each of its staffed stations. First due is a key factor in understanding emergency service delivery to the Klahanie area.

STATION	Assignment	Address
83	First due to majority of Klahanie	3425 Issaquah- Pine Lake RD, SE, Sammamish
73	First due to a portion of Klahanie and second due for a majority. Bellevue Medic 14 housed here.	1280 NE Park Drive, Issaquah
81	Second due for a portion on the north	2030 212th Ave. SE, Sammamish
71	Third due	190 E. Sunset Way, Issaquah

For larger emergency events, units from Fall City and Bellevue may also respond via mutual aid agreements that are in place. These agreements will remain in place if Klahanie is annexed. See the illustration on the following page for a mapped projection of first due areas.



The Complete service area of Eastside Fire & Rescue and jurisdictional boundaries as of 2014 (no annexation) is shown below.



Advanced Life Support (ALS) or paramedic services are completely funded by the King County Emergency Medical Services Levy, of which EF&R receives a small amount to assist with offsetting some costs of providing Basic Life Support (BLS) emergency medical response. As this levy is already countywide and equally assessed to all properties within the county, it will be unchanged by an annexation.

The funding allocation for fire stations in 2014 is established by using the Assessed Valuation (AV) of each jurisdiction within the first due area. AV does not include Personal Property values. The AV of Klahanie was estimated to be \$1,486,976,000 at the time of development of the 2014 EF&R Budget.

Fire districts are primarily reliant on AV to provide revenues via the fire protection levy. An annexation would reduce District #10's tax base. The District also collects a Benefit Charge, which is based on square footage served and property classification. Revenue to the District from the Benefit Charge would also decrease as a result of annexation.

EF&R, serving as Fire District #10's fiscal agent, has estimated the fiscal impact to the District if the annexation were to become effective in 2014 would be:

Decreased cost of Station 83	\$ 932,923
Decreased Property Tax & Benefit Charge	\$2,204,582
Net Loss	\$ (1,271,659)

A 2012 voter approved bond issue for Fire District #10 will remain in effect within the PAA until it is paid off in late 2026.

To determine the new cost of Klahanie medical and fire services if the PAA were to be annexed to Sammamish is a simple transfer of costs to provide service through Eastside Fire & Rescue (EF&R) through the organization's funding formula. As with other services, the basis for cost estimation is 2014. It should be noted that the funding formula for this service will change in 2015. In 2015 calls for service will be a small portion of the funding allocation. See Appendix B for a copy of the Interlocal Governmental Agreement under which Eastside Fire & Rescue now operates. See Appendix C for a copy of the new Interlocal Governmental Agreement that takes effect on 01 January 2015.

In order to provide emergency medical and fire services to the Klahanie area the following are required:

- Equipment: None, same as currently under EF&R

- Personnel: None, same as currently assigned by EF&R; EF&R personnel are NOT city employees.
- Cost to bring the service to Sammamish standards: None
- Other costs: None, the figure below is all-inclusive
- Fiscal determination: \$932,923 (Sammamish Operating Funds)

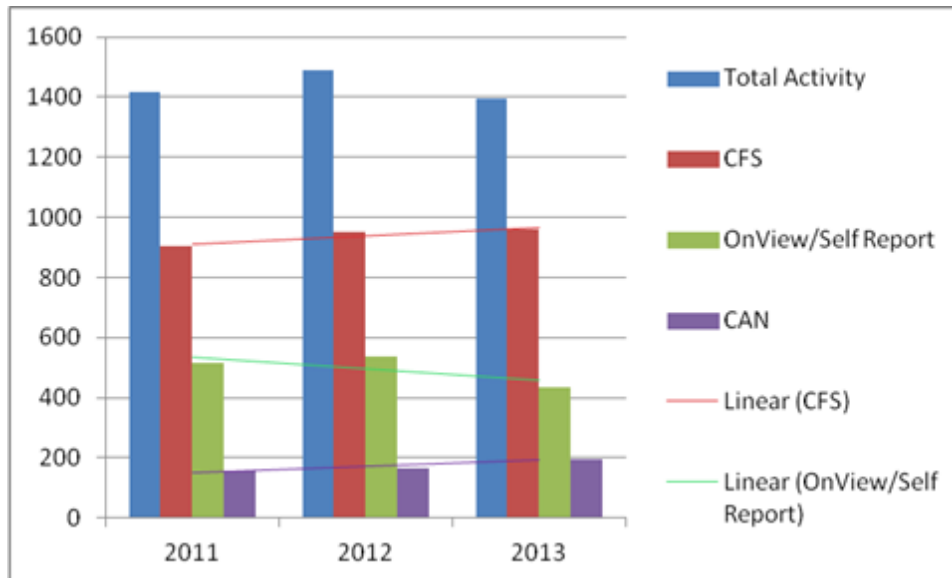
Note: Assessed Value for Klahanie in this section is the same figure used by EF&R in development of the 2014 Budget. It reflects the estimated 2014 property tax revenue to accrue to District #10 as determined in mid-2013. This figure differs from the Sammamish GIS determination of 19 MAY 14, which is used elsewhere in this Report. The Sammamish GIS figure is based on the date of inquiry to the King County GIS which is several months later than the EF&R figure.

(All information on Emergency Medical and Fire Services information in this section - except for the paragraph immediately above - was provided by Eastside Fire & Rescue.)

Police Services

Law enforcement services (criminal and civil) in the Klahanie PAA are currently provided by the King County Sheriff's Office (KCSO). If the PAA were to be annexed to Sammamish, law enforcement services would be provided by the Sammamish Police Department. NOTE: Through an Interlocal Governmental Agreement, Sammamish has contracted with the KCSO for its law enforcement services. Although Sammamish police wear Sammamish uniforms, they are, in fact, KCSO employees.

Police activity in the Klahanie PAA for the 2011-1013 period is shown in the following illustration from KCSO.



This chart represents all activity in the Klahanie PAA for the past three years. It includes Calls for Service (CFS), activity observed by the deputies (often called On-View) as well as incidents where reports were filed by victims online and over the phone (Self Report), and calls that were cancelled prior to arrival (CAN).

Summary for this chart:

- Dispatched calls for service (red) in Klahanie have trended upward over the past three years
- On View/Self-Report activity (green) has declined in 2013. This is likely related to a reduction of staffing in the Sheriff's Office throughout unincorporated King County.
- The number of cancelled calls (purple) has increased over the past three years. This too is likely related to reduction of staffing in the Sheriff's Office and the resulting increased response times.

Nesbitt, exploring the potential Issaquah annexation of Klahanie in 2013, determined that an additional 4.9 commissioned police officers would be needed to provide law enforcement services to the PAA. Sammamish, before the initiation of this fiscal study and the report that preceded it, established the number of new commissioned officers at 6 by Council policy in Resolution No. R2014-563 (see Appendix H for a copy).

Sammamish Police Chief Nathan Elledge has stated that the 6 new officers would be assigned to patrol duties. Further, Chief Elledge said that there would be some adjustment of existing patrol districts and that if annexed the Klahanie PAA would become part of the patrol district that serves the nearby Trossachs, Aldarra and Montaine neighborhoods. Six officers will provide a sufficient level of service, as shown in the chart that follows. This new level of service will exceed the service currently provided by the KCSO.

Butkus Consulting, using 2013 data from the KCSO, compared the major felony crimes and misdemeanor thefts (defined as Part I crimes by the FBI) for the Klahanie PAA and the city of Sammamish. The chart below also shows the number of officers assigned to patrol duties and the ratio of officers to Part I crimes, for comparison purposes.

Area	Part 1 Crimes	# patrol officers actual/proposed	Crime/Officer Ratio
Sammamish	297	15	19.8/1
Klahanie PAA	94	6	15.7/1

For Sammamish, "patrol" does not include the Chief, an Administrative Sergeant and two investigators – all of whom would serve the existing City and any annexed area. Given the similar ratios between Sammamish and the Klahanie PAA, it appears that the planned addition of 6 police officers will generate a level of police services for the Klahanie PAA similar to that now existing for Sammamish. After an annexation the planned inclusion of the nearby Trossachs, Aldarra and Montaine neighborhoods in a Klahanie area police patrol district would bring the two crime/officer ratios identified above closer together.

Nesbitt (Cost Report, page 10) also raised an issue with the potential for increased calls for service if the Klahanie area was annexed to Issaquah. Butkus Consulting wanted to specifically vet this matter and asked the KCSO to look at similar cases where a portion of the county was annexed into a city that used the KCSO for police services. KCSO research staff did so and replied: "It is estimated that dispatched calls for service will increase by 5-8% over the current level if the area is annexed to Sammamish."

Given the figure of 6 commissioned officers, some may note the costs per officer are substantially higher than the Issaquah costs as determined by Nesbitt. On the surface this is true. However, under the contracting model with the KSCO, all costs to Sammamish are included. This figure includes direct and indirect costs for providing six commissioned police officers. Under the structuring of the police services contract, all costs – initial and in-service training, supplies, vehicles, fuel, salary and benefits – are included. In estimating 2014 costs, the Sheriff's Office also included a proportionate share of dispatch and shared supervision costs, as per the contracting model. If you take the projected amount for police service costs and divided by 6, you would have the true cost of providing a single commissioned officer to the community. In short, full cost accounting. See Appendix D for a copy of the

Interlocal Governmental Agreement under which the King County Sheriff's Office provides service to Sammamish.

For the purposes of this Study the costing data for 6 FTE's is based on one Sergeant and 5 deputies/police officers. If the decision is made to instead add 6 deputies/police officers (no Sergeant) the cost identified herein is about \$20,000 less. The figure is based on adopted 2014 costs together with estimated shared supervision & dispatch costs. See Appendix E for a listing of the cost factors used by the Sheriff's Office staff for this Study.

In order to provide service to the Klahanie area the following are required:

- Equipment: None, equipment costs are included in the cost for each officer, as per existing Agreement
- Personnel: 6 FTE commissioned officers/deputies; these are County, NOT City Employees
- Cost to bring the service to Sammamish standards: None
- Other costs: None, the figure below is all-inclusive
- Fiscal determination: \$1,228,836 (Operating Funds)

(All information in the preceding section - except the City of Sammamish Resolution - was provided by KCSO: Sammamish Chief Nathan Elledge, research staff of Precinct Two and the Central Contracting Unit.)

Court

Adjudication of civil infractions (Example: lower level traffic infractions) and misdemeanor crimes (Example: major traffic crimes and crimes like domestic violence and theft) are managed for the Klahanie area by the King County District Court with several offices in the county. Klahanie area cases are currently separated by the District Court: traffic infractions go to the District

Court in Issaquah, misdemeanor cases go to District Court in Redmond and domestic violence cases to the Regional Justice Center in Kent.

Under the current Interlocal Governmental Agreement for court services with Sammamish, all city cases originating in Sammamish, including the Klahanie area, if annexed, would be managed by the Issaquah District Court. The Superior Court workload for Sammamish (felony crimes and major civil cases) would not change, as it is a responsibility of King County.

Costs for this service has historically varied from year to year. Therefore the basis for cost determination was population growth if an annexation occurred. The population growth would be 23%. This figure was then rounded up to 25% as the basis for the fiscal determination, below.

In order to provide District Court services to the Klahanie area after annexation, the following are required:

- Equipment: None
- Personnel: None (County staff)
- Cost to bring the service up to Sammamish standards: None
- Other Costs: None, the figure below is all-inclusive
- Fiscal determination: \$42,500 (Operating Funds)

City Prosecutor

As police activity increases and arrests rise in the Klahanie area, the case load of the contracted City Prosecutor can be expected to increase. As was used for the court services analysis, the additive costs for the Prosecutor were estimated at an additional 25% of the existing budget.

In order to provide service to the Klahanie area following are required:

- Equipment: None
- Personnel: None (contracted professional service)

- Cost to bring the service up to Sammamish standards: None
- Other costs: None, the figure below is all-inclusive
- Fiscal determination: \$22,500 (Operating Funds)

Public Defense Screener

Criminal defendants who need but are not able to afford the services of an attorney may be eligible to receive legal assistance from the Public Defender. The Public Defense Screener reviews an individual's income and asset levels to determine eligibility for Public Defense services. The process to determine eligibility is performed by a professional services contractor. In 2013 these services cost \$1,500. Any increase in case load as a result of the annexation of the Klahanie area would likely be de minimis and is not determined for this Report.

Public Defender

As with court services and the prosecutor costs, the added costs for the contracted Public Defender are estimated at an additional 25% of the existing budget.

In order to provide public defender services to the Klahanie area the following are required:

- Equipment: None
- Personnel: None (contracted professional service)
- Cost to bring the service up to Sammamish standards: None
- Other costs: None, the figure below is all-inclusive
- Fiscal determination: \$10,500 (Operating Funds)

Street System

Using a cost projection based on lane miles for public roadways in the PAA. The operating costs provided include equipment, personnel and contracted services necessary to provide maintenance of the street system. T Using a he Public Works Department has identified several areas where deferred maintenance coupled with an accelerated pavement breakup has caused the area to not meet Sammamish standards for pavement condition. These costs are short-term capital improvements and are identified as “Capital Costs (First Year Only)” in Table 15.

Street lane miles for the PAA as earlier illustrated in Table 6 and summarized in Table 9 are shown in a side-by-side comparison with Sammamish lane miles in Table 13.

Functional Class	Sammamish Lane Miles	Klahanie PAA Lane Miles		
Arterial	51	6		
Collector	26	6		
Local	265	42		
Total	342	54		

Data from Sammamish Public Works Department - numbers rounded to full mile

Klahanie area transportation systems, largely streets with some sidewalks, were designed and constructed to the standards in place at the time of development. The systems are in generally fair to poor condition. The pavement conditions in the PAA were reviewed by Sammamish Public Works staff and their general conditions are below the standards set within the existing Sammamish city limits. For example, Sammamish’s pavement management goal is to maintain a pavement condition rating of 70 or above

on the 100 point scale. A similar 1-100 scale assessment is not available for Klahanie pavements.

There is a justified concern by city staff over the deteriorated pavement conditions that are evident in some parts of the PAA. Based on field observations by the consultant, the majority of the streets in the Klahanie PAA fall into one of the four following categories as developed by city staff: (1) oxidized pavement waiting to develop cracks (2) pavement beginning to crack (3) pavement beginning to fail and (4) pavement that has failed. It is recognized that street surface conditions vary from subdivision to subdivision.

It is noted that the median age of pavement within the Klahanie area is 25 years. This age is consistent with the four categories of pavement condition identified in the previous paragraph. There are sections with deep alligator patterned cracking and potholing. These areas have been identified as needing reconstruction, which is capital-level work, as opposed to normal maintenance. These areas are addressed as short-term capital projects in Table 15.

Currently, the City of Sammamish budgets \$3 million per year for pavement management (or just under \$10,000 per lane mile per year). Investment in the Klahanie area would be similar to this figure.

General maintenance costs would include sidewalk repairs, street sweeping, roadway signage & posts, traffic & crosswalk signals, and crosswalk & roadway striping. To develop the cost estimates, Public Works staff used general costs associated with maintaining similar type roadways within Sammamish and extrapolated the costs for the Klahanie PAA. As with Sammamish streets, this work would be performed by a mix of employed staff with city equipment and contracted services.

To provide an idea of how current Sammamish level-of-service standards would translate to the Klahanie area, the following major tasks and their scheduling are outlined below:

- Street sweeping
 - Arterials & Collectors (Issaquah-Pine Lake Road SE, SE Issaquah-Fall City Road and SE Klahanie Blvd.)
 - January through April: one time every other month
 - May through September: one time per month
 - October through December: 3 times per week
 - Local Streets
 - January through April: 2 times total
 - September through December: 2 times total
- Snow and Ice Response
 - Priority 1 Routes (Issaquah-Pine Lake Road SE, SE Issaquah-Fall City Road) 2 times per hour
 - Priority 2 Routes (SE Klahanie Blvd.) 2 times per day
 - All other streets plowed/cleared within 2 to 3 days after the last snow
- Traffic signal and crosswalk light maintenance
 - Twice per year inspection (contracted)
 - Complaint/concern response as needed
- Roadway patching/sidewalk repair (other than asphalt overlay or major replacement project)
 - As needed
- Complaint/concern response
 - As needed

In order to provide street services to the Klahanie area the following are required:

- Equipment (one time): \$106,579 (Streets share) Note: equipment is shared with Surface Water and Parks; all equipment is listed here and costing to the three service areas is reflected in the respective service area description.
 - One Utility truck, snow plow & sander
 - 2 pickups; light & medium duty
 - One Ford Escape or similar (engineering)
 - Equipment shed for added park
 - Equipment trailer
 - "Gator" or similar utility vehicle for added park
 - Infield groomer for added park
- Personnel (permanent)
 - 1.0 FTE Maintenance worker
 - 0.5 FTE Engineering technician/inspector
- Other costs: \$851,300 (includes personnel & contracts)
- Fiscal determination (total): \$957,879 (Operating Funds)

Street System – Short-Term Capital Costs

Short-term capital costs which would address pavement deterioration through deep patching and asphalt overlays (beyond the normal year's activities) or total reconstruction of some roadway sections are estimated to cost \$250,000 in the first year of annexation. This amount shown in Table 15. It is noted that a similar situation of deteriorated infrastructure existed in Sammamish prior to incorporation.

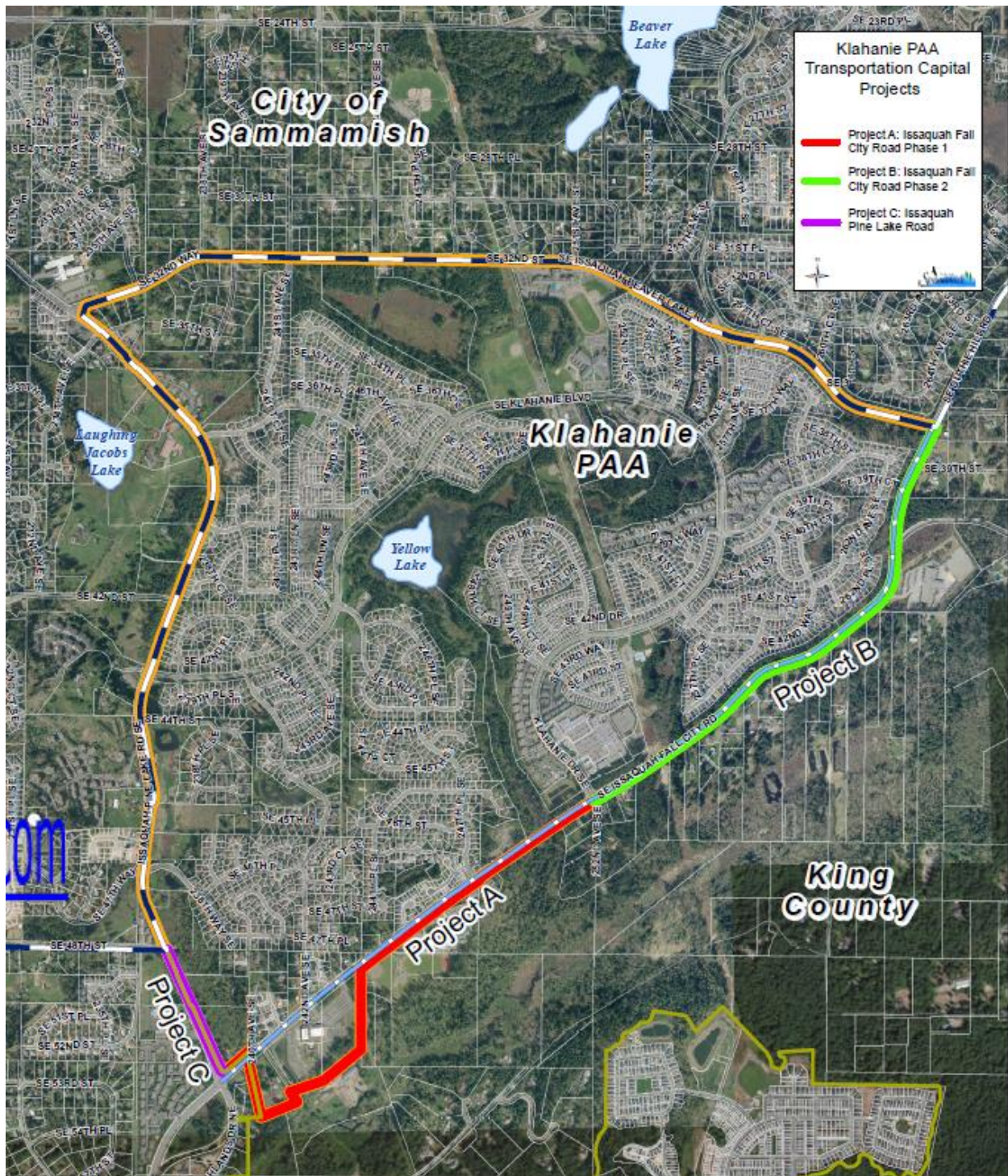
Street System – Long-Term Capital Costs

Long-term capital costs, those necessary to address existing transportation system safety and congestion issues are also identified and discussed in this Study. Actual costs and project timing will be determined by future planning, design and budget decisions. It seems clear that this potential improvement

to the roadways is one of the main reasons many residents are enthusiastic about annexation to Sammamish.

Three roadway segments related to the potential annexation have been identified as long-term capital improvements. They are shown below in the illustration provided by the Sammamish Public Works Department.

A description of each of the three projects identified follows the illustration.



- Project A: SE Issaquah-Fall City Road from the 4800 Block and then generally east to SE Klahanie Drive. \$14 million. Design and construction is planned 2015-2022 depending on the availability of funding. Proposed work would include:
 - Widening to 5 lanes with bike lanes, planting strip and sidewalks on both sides
 - Pavement overlay in selected sections
 - A new traffic signal @ SE Klahanie Blvd
 - Retaining walls
 - Surface water detention & water quality treatment
 - Street lighting

Sammamish staff have estimated this work would cost \$14 million. Sammamish has already committed \$3 million towards the preliminary design of this roadway section through an Interlocal Governmental Agreement with Issaquah. See Appendix F for this document.

While included as a project that is a part of a potential annexation, this section of roadway is also used by existing Sammamish residents to gain access to employment, homes, shopping and recreational opportunities in the region. While current usage data is not available, the use of the City's traffic concurrency forecasting model indicates that if the roadway improvements as described above are completed by 2019, about 25% of the traffic would be attributable to Sammamish residents who do not live in the annexation area.

Project B: SE Issaquah-Fall City Road from SE Klahanie Drive generally east to SE Issaquah-Beaver Lake Road. \$9 million. Design and construction is planned 2022-2025 depending on the availability of funding and traffic forecasts.

Proposed work would include:

- Widening to 3 lanes with wide shoulders on both sides
 - Pavement overlay
 - Retaining walls
 - Storm water detention & water quality treatment
 - Street lighting
- Project C: Issaquah-Pine Lake Road SE from SE 48th Street and then generally south to the existing improvements near the intersection of SE Issaquah-Fall City Road. \$3 million. Proposed work consists of:
 - Widening to 5 lanes with bike lanes, planting strips and sidewalks
 - Pavement overlay in selected sections
 - Retaining walls
 - Surface water detention & water quality treatment
 - Street lighting

While included in this study as a project that is a part of a potential annexation, this section of roadway is already in the Sammamish Comprehensive Plan as a project necessary to meet concurrency standards. The project needs to be addressed even if the PAA is not annexed to Sammamish. This roadway is also used by existing Sammamish residents to gain access to employment, homes, shopping and recreational opportunities in the region. While current usage data is not available, the use of the City's traffic concurrency forecasting model indicates that if the roadway improvements as described above are completed by 2019 then about 69% of the total traffic would be attributable to Sammamish residents who do not live in the annexation area.

Timing of these three long-term capital projects is not firm. Funding availability is key to project completion. Sammamish has a history of using a mixture of general funds, grants and debt financing to accelerate similar major transportation projects. Project phasing, doing part of a project as opposed to the entire envisioned project, is always a possibility. See Appendix G for information relating to Sammamish debt capacity based on Klahanie PAA revenues after 2014, a sample general obligation debt amortization schedule and a State Public Works Board (Public Works Trust Fund) loan amortization schedule. Both of the sample amortization schedules show a possible debt issuance of \$10 million.

Sammamish is working to make project design and construction a reality. King County as the current local government responsible for Klahanie has not progressed to this point in its transportation planning. The Issaquah work of 2013 did not provide the level of project design and cost detail that this study does.

Source: Sammamish Public Works Department. Cost data for the three long-term capital projects was provided by WHPacific. Field observation and confirmation of conditions by Butkus Consulting.

Surface Water Management (SWM)

The Klahanie area SWM consists of several different water management systems that were designed and built to the standards in place several decades ago. It also includes three dams as water impoundment structures that are regulated by the state. Sammamish intends to maintain these systems as designed with updates to meet changes in state and federal water quality standards.

Surface Water Management analysis uses a cost projection based on the number of catch basins, vaults and ponds to be maintained. The operating costs provided include equipment, personnel and contracted services

necessary to provide maintenance of the system. The Public Works Department has identified several areas that do not meet Sammamish standards due to deferred maintenance. These costs are identified as short-term capital improvements and are included in Table 15.

Table 14, below, identifies the facilities to be maintained for the PAA as earlier illustrated in Table 7 and summarized in Table 9. The facility listing is shown in a side-by-side comparison with comparable Sammamish Facilities.

Basic maintenance and operation of the SWM systems would be done by a mix of city personnel and contracted work forces, as is done currently in Sammamish.

To give an idea of how current Sammamish level of service standards would translate to Surface Water Management, the following major tasks and their scheduling are outlined below:

- All stormwater dams, vaults and ponds inspected annually
- All stormwater ponds mowed annually
- All catch basins cleaned out at least once every two years
- Complaints/concerns response as needed

In order to provide surface water management services to the Klahanie area the following are required:

- Equipment (one time): \$110,579 (SWM share) See list in streets, above
- Supplies (one time): \$30,000 (included in above total)
- Personnel (permanent)
 - 1.0 FTE Maintenance worker
 - 0.5 FTE Engineering technician/inspector
- Other costs: \$443,200 (includes personnel & contracts)

- Fiscal determination (total): \$ 553,779 (Surface Water Management Fund)

Surface Water Management – Short-Term Capital Costs

Deficient SWM facilities believed to be caused by long-term deferred maintenance have been identified. Removing trees and mowing or otherwise managing brush and tall grass as well as inspection of inflow and outflow facilities at existing treatment sites have been identified as the needed corrective actions to bring the system to Sammamish standards. This work is estimated to cost \$100,000 and is included in Table 15.

Source: Sammamish Public Works Department. Field observation/confirmation of conditions by Butkus Consulting.

Parks & Recreation

Sammamish owns and operates an extensive park system but does not currently provide community recreation services, with the exception of special events. Recreation services are provided by not-for-profit and for-profit groups, sometimes in rented city facilities. The City may in the future choose to relocate one or two existing special events to Klahanie Park. There is no anticipation of adding new events. No costs were included for these types of activities as they would not be unique or additive to the municipal budget if Klahanie were annexed. Maintenance costs for the adjacent trail system are not included, as they are currently maintained by the Home Owners Association or King County as a part of the Regional Trail System.

Sammamish parks are currently budgeted at approximately \$3,760 per acre for annual operations and maintenance. When examining the sole public park in the PAA, Klahanie Park, it was determined that operation and maintenance costs would slightly exceed this amount per acre. This number was derived using the public access area of the park and does not include the substantial

acreage classified as a natural area for which there are limited operational costs. The natural area will be left as is according to Park Department managers.

Table 15 below shows the various services offered at Sammamish parks and incorporates the Klahanie Park information as found in Table 8 and summarized in Table 9.

Table 15: Sammamish and Klahanie Park Inventory

Park Name	Rounded Acreage	Picnic Shelters	Playground	Restroom	Tennis	Basketball	Skate Park	Spray Park	Soccer	Baseball	Lacrosse	Dog Park
Klahanie Park	31		1	1					2	1		
All Sammamish Parks	260	11	7	7	4	3	1	1	5	9	4	1
Notes:												
1. This Table uses only rounded acreage												
2. Parcel #'s not listed												
3. This Table lists only improved parks												
4. Undeveloped or natural areas not included												
Data provided by Sammamish Parks & Recreation												

Sammamish park staff have indicated that, if annexed, the Klahanie Park will experience a higher level of park maintenance than currently experienced under King County. Butkus Consulting visited several local parks and verified the difference in maintenance as performed between existing Sammamish parks and the County-owned Klahanie Park. The ball field and other open public areas at Klahanie Park and the ball fields and open public areas at two

Sammamish facilities, Beaver Lake Park and East Sammamish Park, were inspected. The visits confirmed that the Sammamish investment model would yield a higher level of maintenance than currently exists in Klahanie Park.

It may also be useful to compare and contrast the anticipated Sammamish investment in Klahanie Park, if annexed, at \$321,769 annually for maintenance and operation with that of Issaquah. The Nesbitt work (Issaquah) determined that the annual investment for Klahanie Park operations would be \$66,280. Both cost figures exclude one-time purchases. The Sammamish figure is based on 2014 costs, while the Issaquah figure is based on 2013 costs.

Parks costs are based on costs per acre. Undeveloped areas or nature preserves are not included in the per acre cost analysis. The costs identified are for equipment, personnel and contracted services necessary to operate the park facility. The Department has identified that the current irrigation system controls and park furniture (tables, etc.) need to be replaced to bring Klahanie Park to Sammamish standards. These costs are included as one-time expenses.

Maintenance of Klahanie Park would generate the need for additional full-time personnel. Maintenance would also involve some contracted services, as is now done throughout the Sammamish park system.

To give an idea of how current Sammamish level of service standards would translate to the Klahanie Park the following major tasks and their scheduling are outlined below:

- Daily activities
 - Playground maintenance (city)
 - Ball field Maintenance-seasonal (city)
 - Park inspection (city)

- Litter and garbage (city)
- Restroom janitorial (contracted)
- Weekly activities
 - Mowing ball fields-seasonal (city)
 - Playground inspections (city)
 - Irrigation-seasonal (city)
 - Non-ball field mowing-seasonal (contracted)
 - Landscaping-not ball fields (contracted)
- As needed
 - Ball field preparation-seasonal (city)
 - Fence repairs (contracted)

In order to provide services to the Klahanie area the following are required:

- Equipment (one time) \$138,929 (Parks share) See list in streets, above.
- Irrigation and furniture replacements/upgrades (one time): \$22,350 (included in above total)
- Personnel (permanent)
 - 1.0 FTE Maintenance worker
- Other costs: \$321,769 (includes personnel & contracts)
- Fiscal determination (total): \$460,698 (Operating Funds)

Sources: Sammamish Parks & Recreation. Field observation/confirmation of conditions by Butkus Consulting.

Community Development

The Department developed some basic service delivery assumptions regarding the proposed annexation area and what service delivery under Sammamish might look like. Given the differences of Sammamish and King County in their management of land-use activities the following factors were considered:

- Sammamish has a higher level of permitting: tree removal, re-roofing and similar permits.
- Code compliance is a high priority and is vigorously addressed in Sammamish.
- King County data reported no land use cases (Example: variances, reasonable use exceptions, etc.) Given the near-ultimate development of the Klahanie area a very limited number of these types of cases are expected to occur if the area were to be annexed.
- There will likely be an increase in long-term planning activities, public participation and general front counter service.
- Consistent with Sammamish service delivery practices, some effort would likely be made to provide enhanced public information outreach to the residents of the PAA to inform them of new standards. Tree removal reviews and business signage compliance are provided as examples.
- Front counter/customer service at City Hall will increase with higher population. The proximity of city offices will likely generate more walk in customers for general and planning questions.

The anticipated additional work load could be addressed by providing in-house staff assistance in several areas: planning, building/permits and code compliance. At this time, the exact nature of the split in duties over these three areas is undetermined. For the purposes of this Study, the one FTE allocated was designated as an Associate Planner. In order to provide

community development services to the Klahanie area the following are required:

- Equipment: None
- Personnel: 1.0 FTE Associate Planner
- One-time costs: None
- Cost to bring up to Sammamish standards: None
- Other costs (personnel, contracts, materials, supplies, etc.) \$106,578
- Fiscal determination \$106,578 (Operating Funds)

Source: Sammamish Community Development

Emergency Management

There are no needed additions to existing emergency management resources as a result of annexation of the area. Emergency operations at the city level utilize the National Incident Management System (NIMS) for guidance. Under NIMS, city efforts would largely be related to coordination of services and securing additional resources for field operations. Field operations like police, emergency medical and fire as well as public works functions are carried out by already employed staff members. Once field staff determine the need for additional resources the city emergency management responsibility is to make such requests through King County to the State of Washington and from that level to the national government, if needed.

Source: Sammamish Emergency Manager

Finance & Technology Services

Annexation of the Klahanie area to Sammamish would not significantly affect current finance operations. Revenue collection is generally performed by other governments, including city surface water utility fees. The potential modest increase in solicitor licensing, building and permitting activity would be a very small part of the over-all finance function.

Technology Services is largely a function of the number of city employees, electronic document storage needs and public access features. Existing resources are sufficient to meet the projected demand from additional employees and public access features. Electronic document storage resources are frequently being upgraded and would continue with upgrades with or without an annexation of Klahanie.

Source: Sammamish Finance & Technical Services

Clerk (Administrative Services)

- City Clerk management has five identified work load areas that would potentially be affected by a Klahanie annexation. A sixth area - Social Services - is covered separately in this Study.

Those areas are:

- Public records requests
- Business licenses
- Solicitor licenses
- Claims management (against the city - a part of risk management)
- Hearings Examiner support.

Public records requests currently mandate over 600 hours per year of staff time.

Business licenses are jointly managed by the city and the State of Washington. Interestingly, the request to initiate a business license program evolved from the local Chamber of Commerce. The purpose of business licensing in Sammamish is focused on having information on what services are offered and by whom. The licensing function is not designed to be regulatory or fee-generating beyond the cost to manage the function.

Sammamish was one of the first local governments to partner with the state to manage real-time electronic business licensing through the state web portal. This is expected to continue. However, some public information and referral work is still handled by the Clerk. It is estimated that the Clerk's Office dedicates about 50 hours per year to this function. There may be additional investment in a larger public information campaign to advise businesses of the Sammamish licensing standard beyond that performed by the state.

Solicitor License duties involve application, performing criminal background checks, issuance and responding to public inquiries. Like business licenses, this is estimated to take about 50 hours per year. Similar to business licenses, there may be a need for additional investment in a larger public information campaign to advise solicitor firms of the Sammamish licensing standards. The Clerk also noted that based on recent experience, once solicitor firms learn of the licensing and accompanying criminal background checks some will not complete the process, electing to not do business in the city.

Claims against the city, a part of the over-all risk management and insurance function, currently consume about 50 hours of staff time per year. This function is also expected to grow if Klahanie citizens vote to annex to Sammamish.

Hearing Examiner staff support currently consumes about 80 staff hours per year. Annexation is anticipated to add to this work. Included would be an estimated additional \$10,000 in Hearing Examiner professional services fees.

Using the same 23% population growth rounded up to 25% for community development functions, it appears that the five areas above generate the following fiscal needs:

- Public Records: 600 hours now; 25% equals 150 hours additional needed.
- Business Licenses: 50 hours now, 25% equals 12 hours additional needed.
- Solicitor Licenses: 50 Hours now, 25% equals 12 hours additional needed.
- Claims Management: 50 hours now, 25% equals 12 hours additional needed.
- Hearing Examiner: 80 hours now, 25% equals 20 hours additional hours needed and \$10,000 in professional services fees for the Hearing Examiner.

While each one of these individual functions would be considered de minimis or modest as far as staff investment of time and cost, together they total over a full month of work. Discussion with the Sammamish Administrative Services Director (City Clerk functions are a part of Administrative Services) revealed that potential position changes and the filling of a currently vacant Administrative Assistant position (0.5 FTE) may allow these work items to be addressed without adding a FTE to the city's total authorized staffing.

In order to provide services to the Klahanie area, the following are required:

- Equipment: None
- Personnel: None (note above explanation)

- Cost to bring service up to Sammamish standards: None
- Other costs (added staff time, contracts, materials, supplies, etc.)
\$16,000
- Fiscal determination: \$10,000 for Hearing Examiner; miscellaneous staff time listed above for \$ 6,000; Total of \$16,000 (Operating Funds).

Source: Sammamish City Clerk and Sammamish Administrative Services

Social Services (Administrative Services)

Human Service Grants, managed by the City Clerk, are subject to the biennial budget process and may vary from year to year. At the current level, the grant program is based on approximately \$3.50 per city resident per year. If the Klahanie area annexation took place the increase would be in the range of \$38,000. Factoring in the slight change in demographics as measured by household income levels the Clerk believes that a figure of \$40,000 is an appropriate level.

This figure is incorporated in this Report and it is noted that there is no anticipated significant increase in staff time to manage the program.

- Equipment: None
- Personnel: None
- Cost to bring service up to Sammamish standards: None
- Other costs(employees, contracts, materials, supplies, etc.) \$40,000
- Fiscal determination: \$40,000 for grants (Operating Funds).

Source: Sammamish City Clerk

Human Resources (Administrative Services)

The addition of city staff will create an increased workload on Human Resources (HR) that is both one-time (hiring and orienting new employees)

and on-going in nature (processing performance reviews, periodic payroll change notices, and other maintenance activities). The greatest impact would come from the one-time obligations. Proposed additional police FTE's are County employees and do not impact City HR functions.

However, some of the HR workload challenges exist with or without annexation. Depending on how these workload challenges are addressed, Administrative Services may or may not need additional resources in the event of annexation. Given the fluid nature of this service area and the qualifications noted above, no direct costs were identified at this time.

Source: Sammamish Administrative Services

Communications

This function, a part of the City Manager's Office, has identified specific costs related to publication and distribution of the monthly city newsletter if the PAA were to be annexed.

- Equipment: None
- Personnel: None
- Cost to bring service up to Sammamish standards: None
- Other costs (employees, contracts, materials, supplies, etc.) \$24,912
- Fiscal determination: \$24,912 (Operating Funds).

Future costs for special notification to the Klahanie area, if annexed, have not been determined as the specific information to be delivered and form of delivery have not been established.

Source: Sammamish Communications Manager

Summary of anticipated costs

Based on the narrative and fiscal determinations above, Table 16 on the following page summarizes the operations and short-term capital costs if Klahanie were to be annexed.

The three long-term capital (transportation projects) identified and discussed on pages 44-48 of this Study are not included in this Table. Funds available for debt payments in the second year following annexation as well as two potential debt financing repayment schedules for these three projects are shown in Appendix G.

NOTE: Unlike the earlier proposed annexation by Issaquah (Nesbitt, Final Report, page 16) there will be no need to amortize major one-time expenses over 5 years. Sammamish will be able to pay for these one-time expenses (Examples: new equipment, supplies and first-year capital investments) in the first year.

Service Area	FTE add	One-time Equipment Costs	Annualized Operations & Maintenance	Capital Costs (First Year Only)	Funding Sources	
					Operating Funds	Surface Water (Utility)
EMS/Fire		\$ -	\$ 932,923		\$ 932,923	\$ -
Police	6	\$ -	\$ 1,228,836		\$ 1,228,836	\$ -
Court		\$ -	\$ 42,500		\$ 42,500	\$ -
Prosecutor		\$ -	\$ 22,500		\$ 22,500	\$ -
Public Defender		\$ -	\$ 10,500		\$ 10,500	\$ -
Streets	1.5	\$ 106,579	\$ 851,300	\$ 250,000	\$ 1,207,879	\$ -
Surface Water	1.5	\$ 110,579	\$ 443,200	\$ 100,000		\$ 653,779
Parks	1	\$ 138,929	\$ 321,769		\$ 460,698	
Clerk			\$ 16,000		\$ 16,000	\$ -
Community Development	1		\$ 106,578		\$ 106,578	\$ -
Human Resources			\$ -		\$ -	\$ -
Social Services			\$ 40,000		\$ 40,000	
Communications			\$ 24,912		24,912	
Totals	11	\$ 356,087	\$ 4,041,018	\$ 350,000	\$ 4,093,326	\$ 653,779
Grand Total - 2014		\$		4,747,105	\$	4,747,105
Notes:						
1. Operating Funds are the combined General Fund and Street Fund						
2. Although included in the total FTE's, Police FTE's are County, NOT City Employees						
3. Surface Water equipment includes \$30,000 in one-time supplies						
4. Parks equipment includes \$22,350 in one-time improvements						

Part V:

Impacts to Other Local Services

The annexation of the Klahanie area to Sammamish, if it takes place, may have an impact on other government and private sector services. This portion of the study identifies those impacts and quantifies them for the reader.

King County General Fund

The amount of property tax revenue flowing to the King County general fund will not change as the result of annexation. But the County will see a reduction in revenue from general sales tax and miscellaneous other sources, such as the franchise fee from Cable TV. After an annexation, local government general sales taxes collected would be split between the County at 15% and the City at 85%. Using these figures and the Sales Tax Base from Part III of this study, the annual sales tax revenue reduction for King County is estimated to be \$218,335. Additionally, King County will no longer collect \$103,155 in Liquor Profits & Liquor Excise Tax, and won't collect \$255,421 in Criminal Justice Sales Tax. Taken together, these reductions amount to \$576,911. This is a relatively small figure compared to the entire County budget with General Fund revenues totaling \$697.5 Million.

King County Road Services

Following annexation, the King County Road Levy will not be collected in the PAA. King County government road services to the PAA will be discontinued. There is no similar property tax, other tax or fee levied by Sammamish for roadway purposes. Upon annexation, Sammamish will assume the responsibilities for planning, design and construction for new roadway projects or improvements as well as the maintenance of all public roadways within the

PAA. The annual reduction in road tax revenue going to King County is estimated at \$3,325,185 (based on the AV identified in Table 3, times the road levy rate of \$2.25/\$1000 value).

King County Sheriff

There is no specific tax set-aside that applies to the Sheriff's Office that is unique to the PAA. There are two related county-wide tax set-asides: (1) the 9-1-1 tax on telephone service, and (2) the regional Automated Fingerprint Identification System (AFIS) from a voter-approved property tax levy. These two taxes would continue at their present rate and be dedicated to these county-wide purposes if the PAA were to be annexed by Sammamish.

Law enforcement services would be provided as a part of the General Fund budget of Sammamish. Since Sammamish contracts with the Sheriff's Office for services, there will be no change in 9-1-1 or dispatch procedures. Service levels will increase, however, as Sammamish has committed to increasing police presence in the PAA upon annexation.

Klahanie is currently part of a much larger patrol district within the King County Sheriff's Office that provides 24/7 coverage. The Sheriff's Office does not anticipate any staff reductions as a result a Klahanie annexation. Existing personnel providing services to the PAA will be reallocated to other patrol areas.

King County Fire District #10 (Special Purpose District)

King County Fire Protection District #10 levies a property tax as well as a Fire Benefit Service Charge within the PAA. If the PAA were to be annexed, these two revenue sources would no longer be collected within the PAA. This, as illustrated earlier in this Study on page 33, would result in an estimated reduction of \$1,271,659 to the District, based on 2014 assumptions. At the

same time, since District 10 and the City of Sammamish are both members of Eastside Fire & Rescue, the City would be responsible to pay the EF&R planned operational cost of emergency medical and fire services. Thus, service delivery to residents and business owners in the PAA would remain at the same level if annexed.

In the short term, the District could continue to operate despite the reduced revenue triggered by annexation. Over the longer term, however, the fire district may need to make financial and service delivery adjustments.

Annual Surface Water Management Fee

In the event of annexation, the annual Surface Water Management fee will increase by \$32.50 annually for a residential parcel. The King County fee is currently \$171.50, while Sammamish's is \$204.00.

Other Public Services

Other public services in the PAA will not be affected by a PAA annexation to Sammamish. These services are as shown on the following page:

Service	Provided by	Details
Cable & Broadband (PVT)	Comcast	No change
Cellular Communications & Broadband (PVT)	Various	No change
Cemetery District	None in PAA	No change
Conservation	King County Conservation District	No change - PAA and Sammamish both served by the District
Electricity & Natural Gas (PVT)	Puget Sound Energy	No change
Hospital District	None in PAA	No change
Lake Protection	None in PAA	No change
School	Issaquah School District	No change – Klahanie and the southern part of Sammamish are both served by the District
Port	Port of Seattle	No change – PAA and Sammamish both in the Port District.
Telephone & Broadband (PVT)	Century Link	No change
Water-Sewer	Sammamish Plateau Water & Sewer District	No change - PAA and Sammamish both served by the District
Solid Waste & Recycling (PVT)	Rabanco/Republic	No change for basic residential, commercial or recycling rates. In Klahanie there is a King County administrative fee and in Sammamish there is a charge for rental of a recycling cart. Essentially no difference with annexation.

Key sources: Port of Seattle and Municipal Research & Services Center web pages, Washington Utilities and Transportation Commission, Rabanco/Republic and King County iMAP

PVT = private, or investor-owned

Part VI:

Costs vs. Revenue

Given that services would expand and improve, and net taxes would go down, annexation to Sammamish would be positive for the Klahanie area. Residents in the PAA would see better road maintenance, more investment in arterial roadways, improved surface water management, better parks maintenance, and much improved police coverage. Fire and emergency medical services levels would remain the same, as would the provider – Eastside Fire and Rescue.

These increased services for the Klahanie area would not require a subsidy from existing Sammamish residents. The numbers in Table 17 speak for themselves. Counting park and transportation impact fees, annexation-related revenues would exceed annexation-related expenses by \$1,743,775 annually. Without park and transportation impact fees, revenues would exceed expenses by \$1,202,934,

Table 17: Klahanie Projected Revenue and Proposed Expenditure Summary							
<u>Projected Revenue - 2014</u>		<u>Projected Expenditures - 2014</u>					<u>Difference</u>
Fund Name	Amount	Fund	One-time (equipment, supplies, etc.)	Operations & Maintenance	Short-term Capital (First Year Only)	Total	Rev/Exp
Operating Funds	\$ 4,708,917	Operating Funds	\$ 245,508	\$ 3,597,818	\$ 250,000	\$ 4,093,326	\$ 615,591
Surface Water (Utility)	\$ 801,516	Surface Water (Utility)	\$ 110,579	\$ 443,200	\$ 100,000	\$ 653,779	\$ 147,737
CIP-General (REET)	\$ 439,606	CIP-General	\$ -	\$ -			\$ 439,606
CIP-Parks	\$ 86,304	CIP-Parks	\$ -	\$ -			\$ 86,304
CIP- Transportation	\$ 454,537	CIP- Transportation	\$ -	\$ -			\$ 454,537
Total	\$ 6,490,880	Total	\$ 356,087	\$ 4,041,018	\$ 350,000	\$ 4,747,105	\$ 1,743,775
		Revenue/Expense without Park and Transportation Impact Fees					\$ 1,202,934
<u>Notes:</u>							
1. Projected Revenues from Tables 10, 11 & 12.							
2. Projected Klahanie Expenditures from Table 16.							
3. Operating Funds includes the General Fund and the Street Fund.							
4. CIP-General is REET revenue; CIP-Parks and CIP-Transportation are Impact Fee revenue							
5. CIP-General is equally divided between Parks and Transportation purposes by Budget transfer							
6. Note on positive balance - see potential use for debt service as per Appendix G							

Part VII: Summary

If voters in the Klahanie Area PAA indicate their desire to annex to Sammamish, and Sammamish accepts that request, then residents, businesses and property owners in the Klahanie area can expect Sammamish to provide government services and service levels comparable to those currently enjoyed by Sammamish residents. And those service levels would be greater than those currently provided by King County. Despite their enjoyment of improved service levels, property owners in the Klahanie PAA would also experience a reduced property tax rate upon annexation.

A summary of changes in the Property Tax is shown in Table 18 on the following page.

Table 18: Klahanie PAA - Relevant Property Tax Changes		
Relevant Property Tax <u>Changes</u>	Klahanie PAA	
	2014	
Levy Code Area	6993	6825
Current Levy Rates per \$1,000 of AV [2014 Roll]	13.27195	13.17905
Fire District 10 Levy (operating)	(1.00)	(1.00)
King County Road Levy	(2.25)	(2.25)
Sammamish City Levy (operating)	2.40692	2.40692
Sammamish City Levy (voted debt)	-	-
Net Change in Levy Rate	(0.84308)	(0.84308)
Levy Rates per \$1,000 of AV After Annexation	12.42887	12.33597
Property Tax Change per \$100,000 of AV	(84.31)	(84.31)
Property Tax Change on \$500,000 Residence (example)	(421.54)	(421.54)
Notes:		
1. AV = Assessed valuation		
2. Klahanie PAA residents will continue to pay the Fire District Bond of \$.08643 per \$1,000 of AV		
3. No change to other levy rates-i.e., school, library, etc. These taxes not illustrated.		