

**City of Renton - Potential Annexation Area (PAA) Fiscal Analysis**  
**February 26, 2009**

**Overview**

- Purpose of analysis: determine how Renton would fund services to annexation areas if major Potential Annexation Areas (PAAs) chose to annex to Renton. What are anticipated costs and revenues for the general fund and enterprise funds?
- Estimates were made by City Departments of the cost to extend Renton’s existing level of service into the annexation area based on PAA characteristics (population, demographics, topography, lane miles, crime rates, surface water facilities, park acres).
- Renton has now satisfied the "commencement" requirement of all three of its large annexation area.
- With acceptance of the Fairwood and West Hill petitions, the City could move forward on one of these two major annexations and will exhaust the maximum two-tenths of one cent state sales tax credit under current law.
- Without State Legislative action, Renton can only leverage state sales tax credit for one area. (\*)

**Preliminary Fiscal Impacts** (additional detail attached)

<b>First Year (2012)</b>	<b>West Hill</b>	<b>Fairwood</b>
Operating Costs (\$M)	(13.1)	(7.3)
Operating Revenues	6.9	6.6
State Sales Tax Credit*	2.5	2.5
<b>Net General Fund</b>	<b>(4.4)</b>	<b>0.9</b>

Enterprise Fund Costs	(0.9)	(1.1)
Enterprise Fund Revenues	0.5	0.8
<b>Net Enterprise Funds</b>	<b>(0.4)</b>	<b>(0.3)</b>

<b>One-time costs</b>	<b>(3.3)</b>	<b>(3.1)</b>
<b>Annual capital costs</b>	<b>(4.1)</b>	<b>(4.9)</b>
Parks	(0.8)	(0.7)
Transportation/Streets	(2.8)	(3.2)
Surface Water	(0.5)	(1.0)

**Summary of Assumptions**

- All cost estimates are subject to change due to inflation and economic conditions.
- Costs are assumed to grow 4% per year, and revenues in the aggregate at 1.5% per year, with specific revenue sources growing with Renton’s historical average rates.
- The analysis does not include assumptions about new residential or commercial development or the potential for new revenue from the PAAs.

- Enterprise funds would need to use rates and fees to fund expanded services.
- Sales tax credit: Current authority is for 1/10th of 1 cent of the state sales tax for each 10,000 people annexed, up to a maximum of 2/10ths of one cent for 20,000 people. This source is not available for capital. Yield is ~\$2.5M/year.
- King County Annexation Initiative Funding re-purposed to urban parks (not available for one-time costs).
- Streamlined sales tax: assumes in-store sales 60%, 40% from community and new construction (some part of that is SST).
- All salaries are assumed to start at 2012 levels, with 40% benefits factor, at the C step of the range.
- It is assumed that staff positions held open from Benson Hill will be filled and proposed staff additions are above 2009 unfunded levels.

### **Assumptions: West Hill**

- Population increase = 14,012 or 16% increase from 2008 Renton population of 82,067
- Annexation timing:
  - Renton City Council sends annexation to BRB in July 2009.
  - Boundary Review Board process takes 6 months (complete by January 2010).
  - Renton City Council approves the matter to go to election; City is required to place the question on the next election, May 2010.
  - Voters approve annexation to the City in November 2009.
  - Renton accepts the election results and annexes the area effective January 1, 2011.  
(Extended time allows for hiring, purchasing and transition.)
- Estimates for 2011 include lags in revenues and costs, and 2012 is the first steady-state year, representative of the full-year cost of service. Refined estimates for out years can be made if annexation moves forward or to sequence the effective date.
- Police Services: two patrol districts with two-person patrol staffing, which could be phased back to staffing with one-person patrols after 10 years, and support for Special Operations. Additional command, traffic, animal control, investigations, evidence, records and training costs. Associated equipment, uniforms, vehicles and supplies, jail, and communications costs.
- Renton recommends annexation to KCLS and places the question before City of Renton voters in late 2009 or early 2010. Renton residents vote to join the King County Library System in 2009 and no change to library services for annexation areas is expected.
- Fire services are provided by the City of Renton from the Fire District 20 headquarters station. The Bryn Mawr station is not needed for response. Fire & Emergency Services are provided today by Fire District 20, staffed with 8 on-duty FTEs and volunteer response. 2005 assumption was that Renton would staff the Skyway station with one engine and one aid car, bringing greater capacity to respond to emergencies during the day, and that no response would be provided from the Bryn Mawr station. 2009 assumption is that a 4-person engine company would serve West Hill from the Skyway station. One inspector would be needed to serve the area.

- King County would transfer Skyway Park (play fields and restrooms) and Bryn Mawr Park (undeveloped) to Renton. Community Services would not extend after school programs into area schools or expand special events staff.
- Total Public Works Maintenance costs are not complete until building and yard expansion cost can be determined. Maintenance and Transportation staff have done a cursory survey of street and surface water facilities and conditions to propose staffing for street and surface water maintenance and generate an estimated annual capital cost. For Transportation, signal upgrades, supplies, associated vehicles and planning for transportation improvements would be needed.
- Skyway Water & Sewer District would continue to provide water and sewer utility service. Renton's policy is not to assume independent water and sewer districts.
- Power provider and utility pole ownership remains with Seattle City Light.
- Community & Economic Development assumes economic development support for the West Hill business district, additional current and long-range planning needs, and code enforcement and building inspections.
- Finance & Information Services would experience growth in business licensing, particularly for home businesses, solid waste utility account growth, additional animal control and licensing work. Internally, FIS would need to provide additional Print/Mail services based on growth in City staff; computer and telecommunications setup costs and user licenses; and would add information technology staff to support computer; phone and service desk demands. Neither annexation assumes an expansion of fiberoptic network, and that facility-related improvement costs (i.e. wiring, added server, switches) are part of facilities budget.
- Human Resources and Risk Management would need to address recruitment and selection; classification and compensation; employee training and development; risk management - property and liability insurance; and the potential for increased claims. In addition, HR/RM would provide employee benefits, and per-employee training costs
- Administrative and Judicial Services costs include voter registration, additional support for records management, proportional increases in public defense and prosecutor costs. In the Municipal Court, a second municipal court judge is assumed with the addition of both annexation areas.
- Facility assumptions: The addition of staff for West Hill would necessitate creating additional office and work space. The Renton/GVA Kidder Matthews study presented to the City Council in mid-2008 assumed that several alternatives could create capacity for approximately 100 additional staff at an approximate cost of \$25M. Annual debt service for 30 years on a \$25M principal totals \$1.7M.
  - Alternative 2: Construct additional space on existing City Hall site (\$20-25M gap); or
  - Alternative 1B: Construct new buildings downtown near garage (+/- \$20M gap)

#### **Assumptions: Fairwood**

- Population increase of 26,729 = 33% increase from 2008 Renton population of 82,067
- Annexation timing:

- Renton City Council sends annexation to BRB in July 2009.
- Fairwood incorporation vote fails at the ballot in November 2009.
- Boundary Review Board process takes 6 months (complete by January 2010).
- Renton City Council sets the Fairwood election in July 2010 and voters approve annexation to the city at the November 2010 general election.
- Renton accepts the election results and annexes the area effective July 1, 2011.  
(Extended time allows for hiring, purchasing and transition.)
- Police Services: One patrol district . Additional command, traffic, animal control, investigations, evidence, records and training costs. Associated equipment, uniforms, vehicles and supplies, jail, and communications costs.
- Renton recommends annexation to KCLS and places the question before City of Renton voters in late 2009 or early 2010. Renton residents vote to join the King County Library System and no change to library services for annexation areas is expected.
- Renton Fire & Emergency Services continues as service provider, currently on contract to FD 40. This contract would end if Renton annexed. Fire & Emergency Services costs would shift to Renton's general fund. Assume that Renton Fire & Emergency Services would be the service provider to Fire District 40. The 2009 estimated contract cost to serve FD 40 is \$4.6M, representing a revenue loss to Renton. The City of Renton would then need to provide services funded from Renton's General Fund, with overhead and Citywide overhead rates currently charged to the district no longer included, bringing Renton's cost to provide services to roughly \$4.0 M per year. Assume one four-person engine company would serve the area 24 hours, 7 days per week. With end of contract with FD 40, assume ongoing savings of 3 positions currently funded by contract.
- Estimates for 2011 are partial year, and 2012 is the first steady-state year, representative of the full-year cost of service. Refined estimates for out years can be made if annexation moves forward.
- King County transfers Petrovitsky Park, Boulevard Lane Park, Renton Park, and maintenance for Soos Creek Trail to the City of Renton. Community Services would not extend after school programs into area schools or expand special events staff.
- Public Works, CED, AJS, FIS staffing and costs are similar to the functions added for West Hill.
- Electric and natural gas provider is Puget Sound Energy.
- Facility assumptions: If Fairwood annexed, staffing needs would not warrant the construction of additional space, and the City would work to accommodate added staff into existing City Hall, 200 Mill Building, and other City facilities.

#### **Needed to complete analysis**

- Appropriate assumptions about phasing and timing of annexation
- Baseline financial assumptions about Renton's financial condition through the year 2025
- Fleet additions and cost of replacement plan
- Allocate 1% fund balance for Human Services