

**Legislative Department  
Seattle City Council  
Memorandum**

**To:** All Councilmembers  
**From:** Christa Valles Central Staff  
**Subject:** Potential Annexation of North Highline  
**Date:** February 23, 2011 (**Revised**)

On January 18<sup>th</sup>, 2011, the Executive submitted a report to the City Council entitled *Analysis of the Potential Annexation of North Highline into the City of Seattle* (Annexation Report). The Executive submitted the Annexation Report in response to Resolution 31198, which Council adopted in April 2010. The resolution requested the Executive provide the following information related to the possible annexation of North Highline:

- An in-depth analysis of potential revenues and expenditures, both on-going and one-time.
- Assessment of potential capital infrastructure costs.
- Recommendations for service delivery options currently provided by special taxing districts in North Highline, e.g. fire, water, sewer.
- Recommendations on service delivery options currently provided by King County, e.g. parks, law enforcement, drainage, garbage.

The Annexation Report largely contains the requested information<sup>1</sup> and should help inform Council's decision on whether to hold an annexation election in North Highline in 2011. Seattle designated North Highline a potential annexation area in 2006, along with the City of Burien. Burien annexed the southern portion of North Highline in 2010 but agreed to allow Seattle to pursue annexation of the northern portion, without interference from Burien, until 2011. The tentative schedule for a Council decision-making process on this issue is as follows<sup>2</sup>:

February 22: Full Council briefing on the Executive's annexation report.

March 1: Regional Development and Sustainability Committee (RDSC) discussion.

March 18: RDSC discussion and possible vote on "Intent to Annex" Resolution.

March 22 or 28: Full Council vote on Intent to Annex Resolution.

April 1: City Clerk submits resolution and Intent to Annex application packet to King County Boundary Review Board (BRB).

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<sup>1</sup> There are a few exceptions to this: the Executive did not develop preliminary agreements with the Special Districts and King County as requested in Reso. 31198 (referred to as "Term Sheet" agreements in the resolution), and SPU did not assess the condition of water, sewer, and drainage infrastructure.

<sup>2</sup> This schedule is partially driven by the King County Boundary Review Board process, which must commence by April 1 for a November 2011 election.

## Summary

Under all scenarios contemplated in the Annexation Report, the City’s anticipated operating expenditures will exceed revenues by at least \$1.8 million per year and could be as high as \$16.8 million. The Annexation Report further estimates net one-time expenditures could range from \$4.7 million- \$91.3 million.

### Summary of Financial Estimates (in millions \$)<sup>3</sup>

	Best Case Scenario		Worst Case Scenario	
	High-End Revenues; Low-End Expenditures		Low-End Revenues; High-End Expenditures	
	On-Going	One-Time	On-Going	One-Time
Anticipated Revenues	17.4	1.2	11.9	1.2
Anticipated Expenditures	19.2	5.9	28.7	92.5
<b>Anticipated Gap</b>	<b>1.8</b>	<b>4.7</b>	<b>16.8</b>	<b>91.3</b>

The City Budget Office (CBO) calculated these ranges by developing “low” and “high” estimates for both revenues and expenditures. The lower annual operating gap of \$1.8 million assumes the City’s expenditures will fall on the low-end of the range and the revenues it receives will fall on the high-end. The higher annual operating gap of \$16.8 million is based on the inverse assumption, i.e., the City’s expenditures will fall on the high-end, while the revenues it receives will fall on the low-end. In terms of one-time expenditures, the range is based entirely on a difference in expenditure levels and is not impacted by varying revenues assumptions<sup>4</sup>. The Annexation Report refers to the lower operating and one-time expenditure gaps as the “Best Case Scenario” and the higher annual operating and one-time expenditure gaps as the “Worst Case Scenario”. (See attachments from Annexation Report.)

The Best Case and Worst Case Scenarios help illustrate the range of potential revenues and expenditures associated with annexation but the Annexation Report does not attempt to determine where along the continuum the City may fall. This reality will depend on any number of issues, including policy decisions made by the City regarding expenditures, as well as factors that fall outside the City’s control, such as revenues that may fluctuate for any number of reasons (or are controlled by other jurisdictions). Given this, any attempt to narrow the range is only as valid as the underlying assumptions. A different set of assumptions will lead to different estimates that may be more or less optimistic. Ultimately, it will be up to Councilmembers to determine what assumptions to work from; the main purpose here is to illustrate how this might be approached.

### An “Alternative Case Scenario”

With the caveats directly preceding this section, the following discussion endeavors to refine the analysis presented in the Annexation Report. It is intended to develop a reasonable ballpark number to help Councilmembers make a high-level decision on whether Seattle can afford to annex North Highline and does not pre-suppose the outcome of specific budget decisions Councilmembers will need to make at a later date.

<sup>3</sup> Excerpted from p.19 *Analysis of the Potential Annexation of North Highline into the City of Seattle*.

<sup>4</sup> Based on an earlier agreement between the City and the King County Library System, the Annexation Report assumes Seattle will receive \$1.2 million from KCLS.

The starting point for this exercise is the low-end expenditure gaps of \$1.8 million in annual operating costs and \$4.7 million in one-time costs. Assuming these lower-end expenditure gaps can be managed within the City’s budget forecast (and this is a big assumption that can only be answered by considering a broader context of issues not addressed here), the next question is, how likely is it that the Best Case Scenario can be achieved?

*An analysis of the particulars indicates the City could manage to the annual operating expenses indicated on the lower-end of the range, though a more realistic planning estimate might result in an annual operating gap in the \$4.5- \$5 million range. In terms of one-time costs, the Executive estimates net one-time expenditures could range between \$4.7 million- \$91.3 million. A large percentage of these expenditures are transportation related, comprising 29% of the low-end one-time expenditure estimate and 90% of the high-end estimate. While it’s unrealistic that the City would commit to making the one-time expenditures indicated on the higher-end of this range, there are some one-time expenditures that cannot be avoided in the short-term (such as the need to buy more police vehicles as new police are hired) and the City may want to plan for approximately \$9 million in one-time “start-up” costs in the first and second years of annexation. This estimate includes the \$4.7 million in one-time costs included in the Executive’s low-end estimate (of which only \$1.8m is capital) and an additional \$4 million contingency.*

As described, this “Alternative Case Scenario” is contrasted with the Best and Worst Case Scenarios as follows:

**Financial Estimates (In millions \$)**

	Best Case Scenario		Alternative Case Scenario		Worst Case Scenario	
	On-going	One-time	On-going	One-time	On-going	One-time
Revenues	17.4	1.2	16.9	1.2	11.9	1.2
Expenditures	19.2	5.9	21.5	9.9	28.7	92.5
Gap	<b>1.8</b>	<b>4.7</b>	<b>4.6</b>	<b>8.7</b>	<b>16.8</b>	<b>91.3</b>

This Alternative Scenario is based on the following assumptions:

1. The City receives \$5 million in state sales tax revenue.

Comments: The Worst Case Scenario assumes the State will revoke the \$5 million in sales tax credit the City is entitled to under current state law. If this were to occur, however, Seattle could decline to follow through on annexing North Highline. The larger problem would be if the State rescinded the sales tax credit *after* Seattle officially annexed North Highline (though this risk is ever present for any number of revenues the State is empowered to revoke).

2. The City can provide an adequate level of service to North Highline based on the low-end expenditure estimates.

Comments: The low-end expenditure estimates associated with the Best Case Scenario are not actually “low” in terms of service levels. The low expenditure estimates would provide a comparable level of service in the annexed North Highline area as is currently provided to Seattle residents. And in many cases, the services provided in the low range estimate represent a greater level of service than what North Highline residents currently receive. In the case of the Seattle Department of Transportation (SDOT), however, providing a comparable level of service in North Highline as is currently provided in Seattle is still less than ideal.

3. On-going and one-time expenditures related to the transition do not include \$39 million in deferred arterial street maintenance in North Highline.

Comments: SDOT estimates North Highlines’ arterials have a deferred maintenance need of \$39 million, in contrast to \$600 million in Seattle. The Alternative Case Scenario assumes North Highlines’ backlog will be added to Seattle’s and dealt with accordingly but the cost of this backlog is not reflected in “one-time” costs since Seattle does not budget deferred maintenance projects by neighborhood. In addition, the Alternative Case Scenario does not include \$37 million for non-arterial paving in North Highline since SDOT does not currently budget for non-arterial paving work in Seattle (but for some reason, SDOT included this cost in its high-end cost estimate for North Highline).

4. The City chooses not to grandfather in the two card rooms in North Highline, reducing revenues by \$450,000.

Comments: The Worst Case Scenario also assumes the City will not allow two card rooms in North Highline to continue operating. While Councilmembers may ultimately decide otherwise, it seems appropriate to err on the more conservative side of this issue until a formal decision on this matter is made; therefore, I did not include card room revenues in the Alternative Case Scenario.

5. One-time expenditure estimates are for a fixed point in time; specifically, the first year or two of annexation.

Comments: Obviously, there will be on-going major maintenance needs and capital improvement projects that arise in North Highline over time. The one-time expenditure estimate \$9 million is merely my best guess at what the City may want to budget for the first two years of annexation and are for costs associated with hiring new staff or expanding existing city programs along with some unavoidable capital expenses, such as fire station improvements.

6. The Executive’s methodology, approach, and underlying assumptions for the low and high range revenue and expenditure estimates are sound.

Comments: For the most part, the department estimates in the Annexation Report appear to be well-considered, but the theoretical nature of this exercise, and the uncertainty about the region's economic status in the coming years, requires some level of guess work. In addition, the report includes a number of assumptions that cannot be wholly counted upon until written confirmation is provided (e.g. King County will continue to operate Steve Cox Memorial Park as a regional park).

7. The City can manage expectations in North Highline and can hold service levels to those provided for in the lower-range.

Comments: Given the City's financial situation, if a decision is made to move forward with annexing North Highline, it's unlikely it will be in a position to provide more service than what is included in the low-end estimates, so clarity on this point will be important to prevent future confusion over what the City may or may not have promised.

8. King County does not provide any financial assistance to Seattle.

Comments: According to the Annexation Report, King County communicated to CBO that it is not in a position to provide any financial assistance to Seattle if it annexes North Highline. However, given that King County would be relieved of numerous responsibilities in North Highline upon annexation by Seattle, including public safety and parks<sup>5</sup>, it does not seem unreasonable for Seattle to request some assistance for transition costs. However, short of a written commitment from King County stating as much, the City should assume no assistance will be forthcoming.

9. Approximately \$2 million in contingency is added to the low-end on-going annual expenditures and \$4 million is added to the low end one-time expenditures.

Comments: While the low-end department estimates would provide a comparable level of service in North Highline as is currently provided to other City residents, it would be prudent to budget for some level of contingency to account for uncertainties, as well as for the potential desire to provide funding for some additional expenditures included in the high-end estimates.

The above assumptions collectively form the basis for the Alternative Case Scenario. With regards to the last assumption, #9, the specific amount of the contingency is somewhat arbitrary. There is, however, a strong case for building in contingencies given all the uncertainties noted above, along with some specific issues arising from the department estimates.

As displayed in the tables below, the differences between most departments' low and high expenditure estimates are negligible or moderate. It stands to reason that the greater risk in encountering unforeseen expenses would be with the departments that had the largest swing between low and high expenditure estimates. In this case, three departments that serve core

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<sup>5</sup> The Annexation Report notes King County was spending approximately \$4.3- \$4.7 million in North Highline for Sheriff services in 2009.

City functions, Seattle Fire Department (SFD), Seattle Police Department (SPD), and Seattle Department of Transportation (SDOT), account for 87% of the overall difference between the low and high expenditure estimates<sup>6</sup>.

Departments with negligible difference between low & high O&M estimates (<\$100k)	Difference between low & high O&M estimates
Office of Economic Development	\$0
Finance and Administration	\$36k
Seattle Public Libraries	\$5k
Department of Parks and Recreation	\$59k
Seattle Public Utilities	\$0
Planning and Development	\$0
<b>Total</b>	<b>\$100k</b>
Departments with moderate difference between low and high O&M Estimates (\$100k- \$300k) <sup>7</sup>	Difference between low & high O&M estimates
Law	\$138k
Municipal Court	\$188k
Human Services	\$212k
Office of Housing	\$226k
Department of Neighborhoods	\$300k
<b>Total</b>	<b>\$1.1 million</b>

Departments with significant difference between low and high O&M estimates (>\$1m)	Difference between low & high O&M estimates
Seattle Fire Department	\$1.4m
Seattle Police Department	\$1.8m
Seattle Department of Transportation	\$5.2m
<b>Total</b>	<b>\$8.4 million</b>

\*Comparative detail for each of these e departments is excerpted from the Annexation Report and attached to this memo.

After reviewing the differences between SFD’s, SPD’s, and SDOT’s low and high expenditure estimates (see table below), I assumed the operating and one-time expenditures indicated in SPD’s and SDOT’s low range estimates would suffice, but there are questions about some expenditures included in SFD’s high-end estimates that are not included in its low-end. It is these questions around SFD that form the basis of my contingency estimate.

<sup>6</sup> Overall operating expenditures range from \$19.1m- \$28.7m, for a difference of 9.6m, of which SFD, SPD, and SDOT make up \$8.4m.

<sup>7</sup> Note: While the difference in expenditures for departments with a moderate swing between low and high estimates may not be significant, the collective difference adds up.

*In millions, rounded*

	Low vs. High Annual Operating Expenditures	Low vs. High One-time Expenditures
SFD	2.7- 4.1	2.1- 6.2
SPD	6.9- 8.7	1.5- 2
SDOT	3.5- 8.7	1.4- 82.1

*\*see attached excerpts from Annexation Report for more comparative detail.*

### *Seattle Fire Department*

Under both SFD’s low and high operating estimates, fire response times would not be negatively impacted and in fact, response times to Seattle’s Arbor Heights neighborhood are projected to improve by one minute if Seattle annexes North Highline. The primary difference between SFD’s low and high operating estimates is a paramedic unit. CBO did not include a paramedic unit in the low-end estimate because annexing North Highline does not appear to add a sufficient number of medic calls—650- to justify adding another unit<sup>8</sup>.

While it’s impossible to project what actual call volumes will be in Seattle and North Highline in 2013 (call volumes in Seattle have actually dropped in the last couple of years), if call volumes remain consistent with projections, overall Advanced Life Support Service response times could increase by 31 seconds throughout the City. This would not be the case in all instances; it is simply a possibility if various medics are called out simultaneously. However, first-in response times, which are the critical factor for survival rates in heart attack victims and usually involve an engine crew, will not be negatively impacted.

- Adding a medic unit would increase Seattle’s on-going operating expenses by \$1.4 million and one-time expenses by \$200,000.

Another question associated with SFD is the one-time capital improvement costs needed to retrofit the fire station. The low one-time cost estimate for fire station improvements is \$1.3 million and assumes the station will be retrofitted to provide for gender separation facilities at the station. The high one-time cost estimate is \$3.7 million and includes the cost of making life-safety improvements to the station. Placing life-safety improvements in the high-end category might suggest they are optional, but this is not the case, at least in the long-run, and Council may want to assume the City will eventually need to make these improvements and incur the associated costs.

- Providing life-safety improvements to the existing North Highline Fire Station would require an additional \$2.4 million to be added to the low-end one-time costs.

### *Seattle Police Department*

Both of SPD’s low and high operating estimates, \$6.9 million and \$8.7 million respectively, would enable the City to implement the goals of the neighborhood policing plan in North Highline. I did not see anything in the Annexation Report that suggests SPD would need to

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<sup>8</sup> Using 2010 call volumes, adding 650 calls would produce 19,045 calls, slightly less than the ten year average of 19,861.

provide a higher level of service than what is contemplated in the low-end annual operating or one-time expenditure estimates. SPD’s high-end operating estimate includes thirteen more FTE than its low-end estimate (66 vs. 53) and would add 6 additional dispatchers, 3 additional non-patrol officers, 3 additional detectives and a PEO.

*Seattle Department of Transportation*

SDOT is one department where budgeting for a comparable level of service in North Highline may be insufficient, if only because the current level of service in Seattle is insufficient. A large portion of SDOT’s on-going maintenance work is related to street paving. Seattle has 1,543 arterial lane miles and SDOT budgets approximately \$22 million annually to repave or reconstruct 20- 25 arterial miles each year. Annexing North Highline would add 118 lane-miles of street pavement and 286 block-face equivalents of sidewalks to Seattle, which represents 3% of SDOT’s system. Of the 118 lane-miles in North Highline, 31 miles are arterial streets. (While SDOT’s high-end estimate for North Highline includes \$37 million for non-arterial paving work, SDOT does not generally repave or reconstruct non-arterial streets, so it’s somewhat misleading to include this number in SDOT’s estimate or present it as a consideration.)

SDOT’s low-end estimate for arterial paving in North Highline includes \$350,000 in operating costs and \$869,500 for arterial paving activities (based on the proportional increase in paving needs). SDOT’s high-end estimate for arterial paving includes \$2.23 million for arterial paving activities (based on the general condition of North Highlines’ arterials, which SDOT has determined are poor) and \$39 million in deferred maintenance costs.

The table below compares the condition of Seattle’s streets with North Highlines’, using an industry measure called the Pavement Condition Index (PCI). The rating system is from 0- 100 with a higher rating corresponding with better street conditions. Seattle’s estimated deferred maintenance is based on the number of streets that have a 55 PCI or lower.

	Seattle	North Highline
Total arterial miles	1,543	31.7
Number of streets with arterials with a PCI rating 40 or less.	197	17.6
Number of streets with a PCI rating between 40- 55	230	2.8
Overall PCI Average	68.3	37.4

While North Highlines’ arterials are, on average, in worse condition than Seattle’s, Seattle has a far greater number of arterials with a similarly low PCI rating. In terms of dollars, SDOT’s estimates it would cost \$600 million to repave or reconstruct Seattle’s arterials with a PCI lower than 55 and \$39m for North Highlines. Annexing North Highline would, obviously, add to Seattle’s overall deferred maintenance for arterial streets.

For the purposes of this exercise and creating an Alternative Case Scenario, I assumed SDOT’s low-end operating and one-time expenditure estimates of \$3.5 million and \$1.3 million



respectively would suffice for the first year or two of annexation and that, when North Highlines’ street system is incorporated into Seattle’s, work on its arterials would be prioritized against other, similarly rated arterials in Seattle for funding.

**Conclusion**

In order to determine whether the City can afford to annex North Highline, it’s important to understand the potential costs of such a decision, along with the attendant risks and uncertainties involved in estimating such costs. The above discussion is intended to illustrate some of the policy decisions the City will eventually face and why it might make sense to inflate the expenditure estimates provided in the low-end range when determining whether Seattle can afford to annex North Highline. Based on the assumptions noted earlier, along with the expenditure and revenue estimates provided by the Executive, the table below summarizes the Alternative Case Scenario for on-going operating expenditures:

**Alternative Case Scenario**

<b>On-going Operating Costs</b>		<b>One-Time Costs<sup>9</sup></b>	
Low-end on-going expenditure estimate	19,154,446	Low-end one-time expenditure estimate	5,869,111
Add increment for medic (or other costs)	1,400,000	Add increment for fire station life-safety improvements	2,000,000
Contingency	1,000,000	Contingency	2,000,000
<b>Total</b>	<b>21,554,446</b>	<b>Total</b>	<b>9,869,111</b>
Best Case Scenario Revenues minus gambling tax revenues	16,895,034	One-time revenues	1,200,000
<b>Gap</b>	<b>(4,659,412)</b>	<b>Gap</b>	<b>(8,669,111)</b>

At this time, no specific budget decisions need to be made. Ultimately, Councilmembers should determine what comprises a reasonable set of working assumptions from their perspective and if, based on these assumptions, annexing North Highline appears feasible and should be pursued.

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<sup>9</sup> This table does not include \$39 million in deferred maintenance costs SDOT has estimated is needed for North Highlines’ arterials.

**2010 Phase 2 Expenditure Calculations**  
**(2010 Dollars)**  
 North Highline Annexation (Area Y)

**Low-Revenue Option**

*DRAFT WORKING DOCUMENT*  
*DELIBERATIVE USE*

**EXPENDITURES**

Dept	Low		High	
	Ongoing	One time	Ongoing	One time
Criminal Justice Contracted Services	\$1,225,228	\$0	\$1,225,228	\$0
Economic Development	\$299,971	\$50,750	\$299,971	\$50,750
Education*	\$0	\$0	\$0	\$0
Finance General	\$300,000	\$0	\$300,000	\$0
Finance & Administrative Services	\$0	\$0	\$36,368	\$0
Fire Department	\$2,733,435	\$2,181,010	\$4,150,800	\$6,220,890
Housing	\$442,430	\$0	\$668,758	\$0
Human Services	\$1,731,024	\$88,900	\$1,943,262	\$138,900
Law Department	\$138,500	\$5,000	\$277,000	\$10,000
Library	\$488,000	\$347,000	\$493,000	\$347,000
Municipal Court	\$293,185	\$0	\$481,252	\$0
Neighborhoods	\$131,725	\$0	\$431,644	\$179,790
Parks & Recreation	\$431,619	\$280,238	\$490,894	\$1,087,738
Planning & Development	\$103,400	\$69,600	\$103,400	\$369,600
Police Department	\$6,920,170	\$1,483,113	\$8,691,137	\$1,979,431
Public Utilities	\$363,020	\$0	\$363,020	\$0
Transportation	\$3,552,739	\$1,363,500	\$8,707,566	\$82,089,500
<b>Expenditure Totals</b>	<b>\$19,154,446</b>	<b>\$5,869,111</b>	<b>\$28,663,299</b>	<b>\$92,473,599</b>

**REVENUES**

General Subfund	\$9,593,917		\$9,593,917	
Gas Tax	\$732,198		\$732,198	
Vehicle Licensing Fees	\$204,000		\$204,000	
Street Use Fees	\$222,000	\$40,000	\$222,000	\$40,000
Gambling Taxes (Card Rooms)**	\$0		\$0	
King County Library System agreement***		\$1,200,000		\$1,200,000
CDBG and HOME Funds	\$1,009,278		\$1,009,278	
REET Revenues	\$172,281		\$172,281	
State Sales Tax Credit****	\$0		\$0	
<b>Revenue Totals</b>	<b>\$11,933,674</b>	<b>\$1,240,000</b>	<b>\$11,933,674</b>	<b>\$1,240,000</b>

**GAP ESTIMATE**

<b>Ongoing O&amp;M Gap</b>	<b>(\$7,220,772)</b>	<b>(\$16,729,625)</b>
<b>One-time Gap</b>	<b>(\$4,629,111)</b>	<b>(\$91,233,599)</b>

\*OFE is listed without costs to indicate that there are programs that could potentially be placed in Highline School District schools. The City's levy program has not yet been determined for 2013.

\*\*Will require ordinance to allow gambling establishments to operate in city of Seattle.

\*\*\*Agreement has been negotiated with the King County Library System to make a payment of approximately \$1.2 million to assist Seattle in the operation of the Greenbridge Library. Optional payment methods are in one lump sum or twice-yearly payments of approximately \$300,000 over two years.

\*\*\*\*Existing State law would allow Seattle a \$5 million annual tax credit for ten years if the annexation is approved.

**2010 Phase 2 Expenditure Calculations**  
**(2010 dollars)**  
 North Highline Annexation (Area Y)

**High-Revenue Option**

*DRAFT WORKING DOCUMENT*  
*DELIBERATIVE USE*

**EXPENDITURES**

Dept	Low		High	
	Ongoing	One time	Ongoing	One time
Criminal Justice Contracted Services	\$1,225,228	\$0	\$1,225,228	\$0
Economic Development	\$299,971	\$50,750	\$299,971	\$50,750
Education*	\$0	\$0	\$0	\$0
Finance General	\$300,000	\$0	\$300,000	\$0
Finance & Administrative Services	\$0	\$0	\$36,368	\$0
Fire Department	\$2,733,435	\$2,181,010	\$4,150,800	\$6,220,890
Housing	\$442,430	\$0	\$668,758	\$0
Human Services	\$1,731,024	\$88,900	\$1,943,262	\$138,900
Law Department	\$138,500	\$5,000	\$277,000	\$10,000
Library	\$488,000	\$347,000	\$493,000	\$347,000
Municipal Court	\$293,185	\$0	\$481,252	\$0
Neighborhoods	\$131,725	\$0	\$431,644	\$179,790
Parks & Recreation	\$431,619	\$280,238	\$490,894	\$1,087,738
Planning & Development	\$103,400	\$69,600	\$103,400	\$369,600
Police Department	\$6,920,170	\$1,483,113	\$8,691,137	\$1,979,431
Public Utilities	\$363,020	\$0	\$363,020	\$0
Transportation	\$3,552,739	\$1,363,500	\$8,707,566	\$82,089,500
<b>Expenditure Totals</b>	<b>\$19,154,446</b>	<b>\$5,869,111</b>	<b>\$28,663,299</b>	<b>\$92,473,599</b>

**REVENUES**

General Subfund	\$9,593,917		\$9,593,917	
Gas Tax	\$732,198		\$732,198	
Vehicle Licensing Fees	\$204,000		\$204,000	
Street Use Fees	\$222,000	\$40,000	\$222,000	\$40,000
Gambling Taxes on Card Rooms. (Low: current KC tax rate of 11%. High: State allowable tax limit of 20%.)**	\$451,360		\$491,982	
King County Library System agreement***		\$1,200,000		\$1,200,000
CDBG and HOME Funds	\$1,009,278		\$1,009,278	
REET Revenues	\$172,281		\$172,281	
State Sales Tax Credit (annual for 10 years)****	\$5,000,000		\$5,000,000	
<b>Revenue Totals</b>	<b>\$17,385,034</b>	<b>\$1,240,000</b>	<b>\$17,425,656</b>	<b>\$1,240,000</b>

**GAP ESTIMATE**

<b>Ongoing O&amp;M Gap</b>	<b>\$ (1,769,412)</b>	<b>\$ (11,237,643)</b>
<b>One-time Gap</b>	<b>\$ (4,629,111)</b>	<b>\$ (91,233,599)</b>

\*OFE is listed without costs to indicate that there are programs that could potentially be placed in Highline School District schools. The City's levy program has not yet been determined for 2013.

\*\*Will require ordinance to allow gambling establishments to operate in city of Seattle.

\*\*\*Agreement has been negotiated with the King County Library System to make a payment of approximately \$1.2 million to assist Seattle in the operation of the Greenbridge Library. Optional payment methods are in one lump sum or twice-yearly payments of approximately \$300,000 over two years.

\*\*\*\*Existing State law would allow Seattle a \$5 million annual tax credit for ten years if the annexation is approved.

North Highline Annexation (Area Y)  
Annexation Summary – Estimated Costs (2010 dollars)

**FIRE**

*DRAFT WORKING DOCUMENT  
DELIBERATIVE USE*

Low Range of Estimated Expenditures				High Range of Estimated Expenditures			
Activity	FTE	Ongoing Costs	One-Time Costs	Activity	FTE	Ongoing Costs	One-Time Costs
<b>Capital - Fire Station 18</b>				<b>Capital - Fire Station 18</b>			
Station @ SW 112th St 7,600 sf		\$64,600	\$1,311,000	Station @ SW 112th St 7,600 sf		\$64,600	\$3,661,000
Maintenance Facilities 3,000 sf		\$25,500	N/A	Maintenance Facilities 3,000 sf		\$25,500	N/A
Small Garage 300 sf		\$2,550	N/A	Small Garage 300 sf		\$2,550	N/A
<b>Fire Service</b>				<b>Fire Service</b>			
1 engine apparatus		\$94,340	\$0	1 engine apparatus		\$94,340	\$0
Captain	1.0	\$147,274	\$37,615	Captain	1.0	\$147,274	\$37,615
Lieutenants	3.0	\$402,871	\$75,212	Lieutenants	3.0	\$402,871	\$75,212
Firefighters	15.0	\$1,734,621	\$344,373	Firefighters	15.0	\$1,734,621	\$344,373
Training		\$23,376	\$168,550	Training		\$23,376	\$168,550
<b>Medic One</b>				<b>Medic One</b>			
1 medic truck				1 medic truck		\$56,532	\$203,000
Paramedics	0.0			Paramedics	10.0	\$1,342,930	\$0
Training				Training		\$12,303	\$1,430,408
<b>Other</b>				<b>Other</b>			
Equipment / Supplies		\$33,071	\$172,000	Equipment / Supplies		\$38,671	\$228,472
Information Systems		\$12,232	\$72,260	Information Systems		\$12,232	\$72,260
<b>Fire Pension</b>				<b>Fire Pension</b>			
LEOFF I retirement and healthcare liability		\$193,000		LEOFF I retirement and healthcare liability		\$193,000	
<b>TOTAL</b>	<b>19.0</b>	<b>\$2,733,435</b>	<b>\$2,181,010</b>	<b>TOTAL</b>	<b>29.0</b>	<b>\$4,150,800</b>	<b>\$6,220,890</b>

**Assumptions - Low Estimate**

o In order for SFD to occupy, the station will need major tenant improvements to configure the bunkrooms, bathrooms, locker rooms, and officers' quarters. Assumes full finishes with no new electrical system and no new roof. Size of station is 3,800 square feet.

**Assumptions - High Estimate**

o The upgrade that is assumed has major tenant improvements to configure the bunkrooms, bathrooms, locker rooms, and officers' quarters. Facility will also need seismic upgrades, roofs, new electrical service, and a standard generator. What is not costed in these tables is SFD's desire to perform a review that would determine the feasibility of a new 3-bay station located at an optimum location for response coverage. Using Fire Levy station modeling, that structure would cost approximately \$13 million.

o A medic unit of two on-duty positions (10 FTE) is added. This would be the eighth medic unit in the city. PAA would add 650 calls per year compared to a citywide total of 19,556 in 2009.

o The one-time medic unit cost for acquisition of the truck could be paid from the Medic One Gift & Trust Fund but that source is not assumed in this analysis.

o Equipment and supplies are for the new firefighters and engine.

o Equipment and supplies needed for new firefighters, paramedics and two new vehicles.

o Training costs are for transfers from North Highline who will staff the new engine company.

o Training costs are for transfers from North Highline, paramedics and new recruits.

**Assumptions Applicable to Both Low and High Estimates**

o Responsibility for fire service assumed by SFD and continues to be provided by an engine company working out of the existing station in PAA, but the crew adds one on-duty firefighter to the existing three-person crew. The company's workload is approximately 2,400 calls per year. In 2009, the average number of emergency responses per engine company in Seattle was 1,976.

o One-time costs for the "Fire Service" positions represent the cost of transferring benefits of 19 firefighters from the North Highline Fire District. These are unlikely to be 2013 costs, as they will not have to be paid until the firefighter retires from active duty.

o Information systems costs will connect station and new staff to the City's systems.

o Under State law, Seattle would be required to pay a share of the retirement and healthcare costs of ten LEOFF I members from the North Highline Fire District. The amount assumed per retiree is the same as that budgeted for SFD LEOFF I retirees.

North Highline Annexation (Area Y)  
Annexation Summary – Estimated Costs (2010 dollars)

**POLICE**

*DRAFT WORKING DOCUMENT  
DELIBERATIVE USE*

Low Range of Estimated Expenditures				High Range of Estimated Expenditures			
Activity	FTE	Ongoing Costs	One-Time Costs	Activity	FTE	Ongoing Costs	One-Time Costs
<b>Patrol &amp; Specialty Units</b>				<b>Patrol &amp; Specialty Units</b>			
Patrol officers	34.00	\$4,389,437	\$284,969	Patrol officers	34.00	\$4,389,437	\$284,969
Sergeants	3.00	\$414,075	\$25,144	Sergeants	3.00	\$414,075	\$25,144
CPT	1.00	\$135,398	\$29,374	CPT	1.00	\$135,398	\$29,374
Other - Traffic	1.00	\$126,859	\$8,381	Other - Traffic, SWAT, Canine, etc	4.00	\$507,436	\$134,288
<b>Burglary</b>				<b>Burglary</b>			
Burglary/Juv Sgt	1.00	\$138,025	\$11,175	Burglary/Juv Sgt	1.00	\$138,025	\$11,175
Burglary/Juv Det	1.00	\$124,866	\$11,175	Burglary/Juv Det	3.00	\$374,597	\$33,525
<b>Centralized Detectives</b>				<b>Centralized Detectives</b>			
Auto Theft, DV, Gangs, Robbery, Sexual Assault	5.00	\$634,295	\$167,859	Youth Outreach, Auto Theft, DV, Gangs, Robbery, Sexual Assault	6.00	\$1,268,590	\$335,718
<b>Other</b>				<b>Other</b>			
Dispatcher I	0.00	\$0	\$0	Dispatcher I	3.00	\$220,692	\$12,288
Dispatcher II	7.00	\$584,672	\$28,672	Dispatcher II	10.00	\$835,245	\$40,960
Overtime		\$100,000					
PEOs	0.00			PEOs	1.00	\$80,589	\$52,353
Patrol vehicles		\$272,544	\$516,364	Patrol vehicles		\$327,053	\$619,637
<b>Capital</b>				<b>Capital</b>			
Facility/space: lockers and locker space, buildouts, bathroom improvements and expansion, related precinct improvements, new equipment			\$400,000	Facility/space: lockers and locker space, buildouts, bathroom improvements and expansion, related precinct improvements, new equipment			\$400,000
<b>TOTAL</b>	<b>53.00</b>	<b>\$6,920,170</b>	<b>\$1,483,113</b>	<b>TOTAL</b>	<b>66.00</b>	<b>\$8,691,137</b>	<b>\$1,979,431</b>

### **Assumptions - Low Estimate**

- o Traffic officer, likely assigned to PM Traffic Squad, added to address workload in PAA without diminishing service to the rest of the city.
- o Burglary/juvenile sergeant and detective added to address workload increase in areas of burglary and youth crimes and provide supervisory staffing available in other four precincts.
- o Centralized detectives added to address projected workload needs to prevent and follow up on criminal activity.
- o Smaller unit created in dispatch, supplemented by overtime to meet 24/7 responsibilities of the 9-1-1 center.

### **Assumptions - High Estimate**

- o Traffic officers, added to PM Traffic and DUI Squads, would increase numbers of those units to equal that of AM Traffic Squad.
- o Additional detective beyond that proposed in low estimate would provide a full-time detective to add to both burglary/theft and juvenile units.
- o Centralized detectives are proposed for youth outreach in addition to those proposed in the low estimate.
- o New radio zone created and fully staffed with dispatchers to cover the 24/7 responsibilities of the 9-1-1 center.

### **Assumptions Applicable to Both Low and High Estimates**

- o PAA is a new sector in SW Precinct, patrol officers and CPT are on existing shift schedule and their numbers are equal to those available in most other sectors of the city.
- o The cost of providing the King County Sheriff's existing level of service was not known because City staff received no information from the Sheriff's Office to make this determination. KC OMB 2009 estimate of costs in PAA were in the range of \$4.3 million to \$4.7 million. The analysis was unable to identify the staffing and services that were being provided.
- o One-time officer costs include costs for equipment and testing required before job offer extended. Except for patrol, which has its own separate row near the bottom of the spreadsheet for vehicles, one-time and ongoing costs include vehicle acquisition and the FAS cost of leasing. One patrol vehicle is budgeted for every three new officers.
- o Facility/space costs assume build-out at the Southwest Precinct to accommodate new patrol officers and sergeants, CPT officers, ACT officers (in high option only) and burglary/juvenile detective/s.

North Highline Annexation (Area Y)  
Annexation Summary – Estimated Costs (2010 dollars)

**TRANSPORTATION**

*DRAFT WORKING DOCUMENT  
DELIBERATIVE USE*

Low Range of Estimated Expenditures				High Range of Estimated Expenditures			
Activity	FTE	Ongoing Costs	One-Time Costs	Activity	FTE	Ongoing Costs	One-Time Costs
<b>Capital</b>				<b>Capital</b>			
Arterial Asphalt and Concrete Program (AACP)	5.50	\$839,500		Arterial Asphalt and Concrete Program	9.50	\$2,230,000	\$77,000,000
Arterial Major Maintenance		\$30,000		Arterial Major Maintenance		\$30,000	
Non-arterial Asphalt Street Resurfacing		\$19,500		Non-arterial Asphalt Street Resurfacing		\$2,780,000	
Sidewalk Safety Repair		\$80,000		Sidewalk Safety Repair		\$200,000	
Bike/Pedestrian Master Plan	2.00	\$347,700	\$20,000	Bike/Pedestrian Master Plan	2.00	\$875,250	\$20,000
Retaining Walls	0.50	\$53,000	\$11,000	Retaining Walls	0.50	\$53,000	\$11,000
New Traffic Signals	0.00	\$0	\$0	New Traffic Signals	0.00	\$0	\$600,000
<b>Operating</b>				<b>Operating</b>			
Routine Street Maintenance		\$350,000		Routine Street Maintenance		\$350,000	
Bike/Pedestrian O&M Costs		\$18,300		Bike/Pedestrian O&M Costs		\$46,500	
Maintain inventory of pavement and sidewalks			\$40,000	Maintain inventory of pavement and sidewalks			\$40,000
Street-use inspections	2.00	\$222,000	\$40,000	Street-use inspections	2.00	\$222,000	\$40,000
Stairways		\$27,000	\$11,500	Stairways		\$130,500	\$11,500
Traffic Signal Maintenance	1.00	\$491,828	\$157,000	Traffic Signal Maintenance	1.00	\$491,828	\$157,000



Low Range of Estimated Expenditures				High Range of Estimated Expenditures			
Activity	FTE	Ongoing O&M	One-Time Costs	Activity	FTE	Ongoing O&M	One-Time Costs
Parking, curb-space mgmnt, temp traffic control, special event traffic planning	0.50	\$225,880	\$100,000	Parking, curb-space mgmnt, temp traffic control, special event traffic planning	0.50	\$225,880	\$100,000
Commercial Vehicle Permitting and Enforcement		\$12,180		Commercial Vehicle Permitting and Enforcement		\$12,180	
Commute Trip Reduction		\$45,000		Commute Trip Reduction		\$45,000	
Traffic Operations	2.00	\$472,196	\$111,000	Traffic Operations	2.00	\$472,196	\$111,000
Traffic Data and Records	0.50	\$48,000	\$26,000	Traffic Data and Records	0.50	\$48,000	\$126,000
Urban Forestry	2.00	\$260,655	\$187,000	Urban Forestry	3.00	\$385,232	\$263,000
Transportation Plan Updates			\$100,000	Transportation Plan Updates			\$600,000
Update City Travel Demand Model		\$10,000		Update City Travel Demand Model		\$10,000	
<b>Outstanding Data Items</b>				<b>Outstanding Data Items</b>			
SPU drainage costs for sidewalks				SPU drainage costs for sidewalks			
Interconnecting traffic signals and connecting them to the TMC			\$100,000	Interconnecting traffic signals and connecting them to the TMC			\$1,000,000
Major systems integration			\$200,000	Major systems integration			\$1,000,000
Asset management data collection			\$250,000	Asset management data collection			\$1,000,000
Tracking developer fee payments			\$10,000	Tracking developer fee payments	1.00	\$100,000	\$10,000
<b>TOTAL</b>	<b>16.00</b>	<b>\$3,552,739</b>	<b>\$1,363,500</b>	<b>TOTAL</b>	<b>22.00</b>	<b>\$8,707,566</b>	<b>\$82,089,500</b>

**Assumptions - Low Estimate**

**Assumptions - High Estimate**

o AACP arterial paving commensurate with what occurs elsewhere in Seattle. North Highline street conditions decline, as elsewhere in the city.

o AACP is accounted for as a one-time expenditure. This would begin making initial progress to reduce the \$77 million in current paving needs (\$39 million arterial, \$37 million non-arterial and \$1 million for sidewalks) identified in the King County pavement management database.

o The \$969,000 annual CIP expenditure for AACP, Arterial Major Maintenance, Non-arterial Resurfacing, and Sidewalk Repair would allow some limited paving on arterial streets in North Highline and little or no paving on non-arterials. This level of service is as is provided elsewhere in the city. The condition of North Highline streets would continue to decline from the current 37.4 Pavement Condition Index (PCI) level (according to King County data), which is already well below the 2007 Seattle arterial average of 68.3.

o The annual paving investment of \$5.24 million (\$2.26 million arterial, \$2.78 million non-arterial and \$0.2 million sidewalk) stabilizes the condition of the North Highline streets, putting them on a regular maintenance cycle, but does not address the \$77 million in current needs/deferred maintenance. This scenario would bring existing North Highline streets and sidewalks up to a condition level closer to other parts of Seattle and hold them at that level over time. This scenario, however, would not improve streets to modern standards by developing new sidewalks, curbs, drainage systems, etc.

o Two new traffic signals are warranted but would be constructed as prioritized with other warranted locations in Seattle.

o Bike/Ped Master Plan capital costs assume there would be some limited sidewalk repairs and very limited new sidewalk construction.

o Bike/Ped Master Plan capital costs assume some new additional sidewalk construction.

o Stairway inspection and maintenance based on site drive-bys, as no inventory exists.

o Includes the rehabilitation of one stairway per year.

o Urban forestry staff will add a 1.0 FTE lead tree trimmer and a 1.0 FTE tree trimmer to provide direct tree maintenance to address public safety and work to bring condition of existing street trees into parity with City. When that's achieved, SDOT will be able to plant, water and establish, maintain landscape and respond to storm emergencies. Costs include a pick-up truck, chipper truck, tools and equipment.

o An additional 1.0 FTE tree trimmer and an aerial lift truck is added to the crew.

o Update each City transportation plan (Transportation Strategic Plan, Transit, Bicycle, Pedestrian and Freight to include Area Y.

o Transportation plan updates include the completion of a Subarea Transportation Plan for the annexation area.

o Interconnect traffic signals and connecting them to the Traffic Management Center.

o Integrate major systems.

o Asset management data collection.

o Tracking developer fee payments.

### **Assumptions Applicable to Both Low and High Estimates**

- o Annexation will add approximately 118 lane-miles of street pavement and 286 block-face equivalents of sidewalks to SDOT's system. This represents a 3% increase in street system size, based on Seattle's current 3,946 lane-mile street pavement network.
- o The majority of the CIP work would be contracted.
- o Inspect and maintain an estimated 52 retaining walls annually, based on KC identification of their linear feet. KC information did not document the condition of the retaining walls, so current SDOT average applied.
- o Routine street maintenance calculated as a 3% increase in the street system size.
- o One-time cost to integrate 118 lane-miles of roadway into SDOT's existing database. Ongoing tri-yearly condition rating surveys are assumed to be nominal, commensurate with 3% increase of annexation assets.
- o Street-use estimate based on the size of the geographic area.
- o Traffic signal maintenance assumes adding 18 signals and 16 flashing beacons that have been regularly maintained in the City inventory. One-time costs include changing signals to LED, adding signal inventory data to SDOT's system, and equipment.
- o Support temporary traffic control for construction and special event traffic planning, respond to customer requests for curb-space change, no new parking meters or pay stations assumed.
- o Commercial vehicle and permitting calculated on 3% increase in current budget.
- o Traffic operations add will maintain signs and markings, neighborhood traffic control, safety improvements, and crash cushions/guardrails.
- o Traffic data and records costs will update and maintain collision and traffic data in the area.
- o Area Y transportation network will be added to the City Travel Demand Model.
- o No costs are assumed for the South Park Bridge or adjacent property.