



KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

September 27, 2004

Motion 12018

Proposed No. 2004-0381.2

Sponsors Phillips

1 A MOTION setting forth the vision and goals for an
2 initiative to help sustain vital government services to the
3 citizens of King County by promoting the annexation or
4 incorporation of remaining urban unincorporated areas of
5 King County.

6
7

8 WHEREAS, the state Growth Management Act requires cities and counties to
9 plan collaboratively for orderly growth and development, and

10 WHEREAS, the state Growth Management Act recognizes that counties are
11 regional governments within their boundaries and cities are primary providers of urban
12 governmental services within urban growth areas, and

13 WHEREAS, pursuant to the state Growth Management Act, the cities and the
14 county jointly developed and adopted the countywide planning policies, which identify
15 cities as the appropriate providers of local urban services to urban areas and identify the
16 long-term role of the county to serve as provider of regional services and rural local
17 services, and

18 WHEREAS, the county is currently the local urban service provider for over two
19 hundred eighteen thousand residents living outside city boundaries in urban areas, as well
20 as the regional service provider for over one million seven hundred thousand residents,
21 and is also the local service provider for over one hundred thirty-four thousand residents
22 of rural King County, and

23 WHEREAS, the countywide planning policies set forth a goal for all urban areas
24 to be annexed to cities or incorporated by the year 2012, but there is no penalty for failing
25 to achieve this vision in said policies or in state law, and

26 WHEREAS, over time, most of the commercial urban areas in King County have
27 been annexed to cities and the remaining urban unincorporated areas are primarily
28 residential in nature, and

29 WHEREAS, cities have resisted proposals by the county to increase the density of
30 permitted development in potential annexation areas in order to facilitate economic
31 activity and revenue generation, and

32 WHEREAS, cities and communities have recently or are now undertaking
33 extensive studies of the largest remaining urban unincorporated areas for purposes of
34 determining the cost of providing city services to these areas were they to be annexed or
35 incorporated, and

36 WHEREAS, at the rate that annexations have occurred over the last nine years, it
37 will be twenty-five to thirty years before all remaining urban areas are annexed to cities,
38 far later than the year 2012 goal identified in the countywide planning policies, and

39 WHEREAS, under current state law, the power to achieve or prohibit annexations
40 lies with the residents of areas proposed to be annexed and the cities to which these areas
41 may be annexed, and

42 WHEREAS, under current state law, the powers of the county related to
43 annexation are essentially ministerial, and

44 WHEREAS, the annexation process is time consuming and may take several
45 years to accomplish in any one community, and requires both the active participation of a
46 city willing to annex an area and the support of residents of the area to be annexed, and

47 WHEREAS, the King County Comprehensive Plan establishes the county's
48 preference for annexation over incorporation, and

49 WHEREAS, under current state laws, the powers of the county related to
50 incorporation are also largely ministerial; however, the county has funded studies in
51 support of incorporation in many instances in recent years, and

52 WHEREAS, the process of incorporation, like annexation, is time consuming and
53 may take several years to accomplish, and

54 WHEREAS, most of the county's mandated regional services (including, but not
55 limited to, public health, superior court, felony detention, juvenile detention, public
56 defense, prosecutor, elections, records and property assessment) and mandated local
57 government services (including, but not limited to, the sheriff, misdemeanor detention
58 and misdemeanor offender adjudication) are funded by the county's general fund, with
59 the major exceptions of local roads, land-use permitting, certain criminal justice services
60 and local surface water management functions that are not funded by the current expense
61 fund, and

62 WHEREAS, over the last three budget years county general fund programs have
63 been cut by nearly one hundred million dollars and over ten percent of the full time
64 equivalent employee positions in said programs have been eliminated in order to balance
65 the general fund budget, and

66 WHEREAS, general fund budget shortfalls in the range of eighteen to twenty-two
67 million dollars are projected by the office of management and budget to be required in
68 each future budget year, assuming current revenues and service responsibilities remain
69 unchanged, and

70 WHEREAS, over the last three budget years, the general fund program cuts have
71 occurred primarily in discretionary service budgets such as parks and human services, as
72 well as overhead functions, but the general fund budget cannot be balanced in future
73 years without significant cuts in mandatory service programs, and

74 WHEREAS, programs that may be impacted by these ongoing budget cuts
75 include both mandatory regional general government services as well as mandatory local
76 government services provided by the county in both urban and rural areas, and

77 WHEREAS, significant county general tax property and sales tax revenues are
78 now expended to provide local government services in urban unincorporated areas, and

79 WHEREAS, county regional services funded in the general fund are competing
80 with local services for limited tax dollars, and

81 WHEREAS, counties lack the revenue tools that cities have to provide urban
82 services, specifically, the ability to impose utility taxes and business and occupations
83 taxes, and

84 WHEREAS, the disparity between cities' and counties' financial options and tax
85 bases contributes to the likelihood that over time, given current service responsibilities
86 and revenues, cities will be better able to provide quality urban services to urban areas
87 than will the county, and

88 WHEREAS, the council adopted Motion 11820 in September 2003
89 acknowledging the work of the budget advisory task force ("KCBATF") and adopting
90 policies to guide development of the 2004 budget and county operations, including the
91 specific direction to the executive to develop a plan to promote the annexation of urban
92 unincorporated areas as soon as practicable to help bring county general fund expenses in
93 alignment with general fund revenues, and

94 WHEREAS, the KCBATF, in its June 2003 report, concluded that "absent
95 dramatic changes in the way King County does business, and the availability of new
96 revenues, every year in the future, county general government service budgets will be cut
97 and service levels will suffer...[and] are not sustainable," and

98 WHEREAS, the KCBATF further concluded that "the longer the county remains
99 in the urban service business, the longer the budget crisis will continue," and

100 WHEREAS, the KCBATF recommended that the county launch a major effort of
101 at most three years in length to encourage annexation, noting that such an effort "may be
102 the single most important step the county can take to address its fiscal challenges," and

103 WHEREAS, the King County Municipal League, in its November 2003 report
104 entitled "Shortchanged: King County's Fiscal Crisis" stated that "King County is
105 experiencing a fiscal crisis, which cannot be addressed adequately without a major
106 change in the county's responsibilities and focus," and further stated that "[A]lthough

107 there have been deep budget cuts in recent years, revenues available to fund expenses of
108 the county's general fund continue to be insufficient to support the level of services
109 previously established," and

110 WHEREAS, a major recommendation of the King County Municipal League in
111 its November 2003 report was that in response to the fiscal crisis, "[a]ll land within the
112 urban growth boundary should be incorporated or annexed to the cities or cities within
113 each areas' sphere of influence through a collaboration between King County, existing
114 cities and citizens," and

115 WHEREAS, the King County commission on governance ("governance
116 commission"), in its March 2004 report, identified the "inability to resolve issues
117 associated with incorporations and annexations" as a key governance challenge facing the
118 region, and

119 WHEREAS the governance commission, as one of its core recommendations
120 stated: "[T]he current system for annexations and incorporation has not addressed
121 remaining urban unincorporated areas . . . King County must take leadership and create
122 the partnership necessary to fulfill the commitments made under the Growth
123 Management Act ten years ago, or seek state clarification of service and funding
124 responsibilities in partnership with the cities. By the end of 2005, King County and other
125 jurisdictions should move toward annexation or incorporation of urban islands with the
126 participation of those communities," and

127 WHEREAS, the Executive proposed and the Council approved in the 2004
128 Adopted Budget reserve funds and appropriation authority for an annexation initiative
129 designed to respond to the recommendations of the KCBATF and the King County

130 Municipal League and to aid in accelerating the pace of annexations and incorporations,
131 and

132 WHEREAS, in the 2004 Adopted Budget Ordinance the council stated its intent
133 that the subsequent appropriation of any reserve funds for the purpose of expediting
134 annexations or incorporations would be subject to the council's review of an analysis of
135 the short-term and long-term fiscal and service impacts of the annexation or
136 incorporation, and

137 WHEREAS, during the past year the executive has taken the following steps to
138 promote annexations:

139 A. Identified the ten largest remaining urban unincorporated areas in the county
140 and reviewed plans by cities or communities for annexing or incorporating such areas;

141 B. Conducted outreach to citizens living in these areas or in cities adjacent to
142 these areas who are seeking to promote action to transition these remaining areas to city
143 status, either by annexation or in some cases incorporation;

144 C. Begun work to identify costs and revenues associated with county local urban
145 service delivery, collectively and for each of the ten largest urban unincorporated areas,
146 and the associated fiscal and operational impacts of annexation and incorporation;

147 D. Briefed county department staff, councilmembers, council staff, union
148 leadership and independently elected officials on the annexation initiative and its
149 implications for the county;

150 E. Monitored and, as deemed appropriate, intervened in annexation proceedings
151 filed at the King County boundary review board;

152 F. Briefed state legislators on the fiscal challenges posed by the county's
153 continued responsibility to provide urban local services and advocated for changes in
154 state law related to annexation during the 2004 state legislative session, consistent with
155 the county's adopted state legislative agenda, and

156 WHEREAS, the executive is continuing to refine the analysis to determine the
157 impact of annexation or incorporation of each of the ten largest urban unincorporated
158 areas on the county's expenditures and revenues and the county's provision of local
159 services, and

160 WHEREAS, the county's adopted 2004 Budget Ordinance included a requirement
161 that the executive submit a vision and goals statement for the proposed annexation
162 initiative for the council's consideration, articulating what policy goals the annexation
163 strategy will achieve, providing an implementation plan, and calling for subsequent
164 council action to endorse a vision statement and goals for the initiative, and

165 WHEREAS, although annexation or incorporation of remaining urban areas will
166 not resolve all general fund budget problems engendered by the county's overwhelming
167 dependence on property taxes to meet a broad array of service mandates and address cost
168 of services issues, annexation or incorporation of remaining urban unincorporated areas is
169 nevertheless viewed by the council and the executive as a necessary step along any
170 reasonable path to fiscal stability for the county and of particular assistance in stabilizing
171 the general fund, as well as fulfilling the area's growth management goals, and

172 WHEREAS, the council and the executive recognize that the success of the
173 annexation initiative depends, in part, on achieving budget savings by making necessary

174 budget reductions in the direct services impacted by an annexation or incorporation and
175 in overhead services to reflect a smaller county government, and

176 WHEREAS, the executive has transmitted a vision and goals statement, a policy
177 framework for use of incentive funding, guidelines for negotiation of annexation
178 agreements, and a background report and implementation plan as requested by the
179 council;

180 NOW, THEREFORE, BE IT MOVED by the Council of King County:

181 A. Mission and Vision Statement. The council hereby approves the following
182 annexation initiative mission and vision statement: In order to further the mission of the
183 county in providing sustainable and efficient government services that protect the public
184 safety, health, welfare and quality of life of all residents of King County, the county seeks
185 to ensure annexation or incorporation of all remaining urban unincorporated areas of the
186 county within the 2012 timeline established in the countywide planning policies.

187 Moreover, the county will work to secure the annexation or incorporation of significant
188 urban unincorporated areas within four years. The long-term vision for the county is to
189 be a regional service provider, a rural local service provider, and a contract service
190 provider when mutually beneficial to the county and the contracting jurisdiction.

191 B. Goals. The council hereby approves the following goals of the annexation
192 initiative:

193 1. Preserve the quality of local services to urban communities by transferring
194 governance responsibility for these areas to cities, which have more revenue options
195 available for funding urban local services than does the county;

196 2. Preserve the quality of county regional and rural local services by providing
197 financial relief to these budgets dependent on general county tax revenues;

198 3. Ensure the smooth transition of services from the county to the cities for
199 citizens as well as county employees and departments.

200 C. Means. The primary means for accomplishing the vision and goals are
201 through the dedication of county staff and financial resources working to accelerate the
202 pace of annexations and incorporations and planning for the transition of county services
203 affected by annexation or incorporation. The county commits to dedication of the
204 following resources:

205 1. Human resources. Activities related to and planning for annexations and
206 incorporations shall be coordinated through the office of management and budget.
207 County departments and separately elected officials shall work with the office of
208 management and budget to ensure that staff throughout county government are dedicated
209 to accomplish the following tasks with respect to the ten largest remaining urban
210 unincorporated areas of King County as identified in Attachment A to this motion:

211 a. Categorize services as regional, rural local, or urban local and
212 determine the types and levels of these services provided in each of the ten areas;

213 b. Determine the costs associated with provision of urban local services in
214 each of the ten areas by either or both county fund and appropriation unit;

215 c. Determine the revenue impacts associated with annexation or
216 incorporation of each of the ten areas by county fund and ensure that these are reflected
217 appropriately in fund financial plans;

- 218 d. Establish priorities and anticipated timelines for annexation or
219 incorporation of each of the ten areas, with higher priority given to those areas whose
220 annexation or incorporation would result in the largest fiscal benefit to the county;
- 221 e. Establish target reductions by appropriation unit prior to finalizing
222 negotiations on specific agreements to annex or incorporate significant urban
223 unincorporated areas;
- 224 f. Assess the impact of annexations or incorporations on county
225 employees and work with employees and unions to develop transition plans for employee
226 groups;
- 227 g. Determine which local services in what areas would provide a mutual
228 benefit to the cities and the county if after annexation or incorporation the city were to
229 contract for those services with the county;
- 230 h. Assess the impact of annexations and incorporations on the county's
231 contracts and indirect services;
- 232 i. Ensure that county business plans and master planning processes
233 anticipate annexations and incorporations;
- 234 j. Conduct community outreach and communication in order to promote
235 an environment supportive of annexations and incorporations;
- 236 k. Facilitate, conduct, or review studies of specific annexation or
237 incorporation proposals;
- 238 2. Financial resources. The 2004 adopted budget includes the following
239 incentive funds for the annexation initiative:

240 a. The general fund financial plan includes a reserve of \$10 million for
241 the annexation initiative. The annexation initiative reserve was created in the 2004
242 adopted budget from one-time savings of current expense funds. If by the end of each
243 year, any portion of these funds is not appropriated for purposes of the annexation
244 initiative, the funds shall remain in the annexation initiative reserve and be available for
245 the purposes of the annexation initiative in the following year. If any funds in reserve
246 remain unencumbered at the end of 2006, the council will evaluate whether the funds
247 should be reprioritized for other use in 2007.

248 b. The Real Estate Excise Tax 1 (REET 1) financial plan includes a
249 reserve of \$2 million for the annexation initiative. If, by the end of each year, any portion
250 of these funds is not appropriated for purposes of the annexation initiative, the funds shall
251 remain in this annexation initiative reserve and be available for the purposes of the
252 annexation initiative in the following year. If any funds remain unencumbered at the end
253 of 2006, the council will evaluate whether the funds should be reprioritized for other use
254 in 2007. In proposing any appropriation of these funds, the executive shall provide
255 sufficient detail such that the council can ascertain that the proposed use of these funds
256 falls within REET 1 uses as prescribed in state law and county code.

257 c. The county's Roads Capital Improvement Program includes a \$70,000
258 Road-Related Annexation Incentives capital project, funded with receipts from the
259 unincorporated area roads property tax levy. If any of this appropriation authority
260 remains unencumbered at the end of 2006, the council will evaluate whether the funds
261 should be reappropriated for other use in 2007.

262 D. Use of Incentive Funds. The council hereby approves the following
263 guidelines for the use of annexation initiative incentive funds:

264 1. Annexation initiative incentive funds are intended to provide financial
265 incentives to cities and unincorporated urban communities for annexation or
266 incorporation. Incentive funds are not intended to fully compensate a city or community
267 for the costs incurred as a result of annexation or incorporation. Rather, the incentive
268 funds are intended to offset a portion of the transition costs a city or urban unincorporated
269 community may incur as a result of annexation or incorporation. The incentive funds
270 may be used by cities for on-going operating expenses, including but not limited to
271 contracting with the county to provide services, or for one-time capital purposes
272 associated with annexation or incorporation.

273 2. Incentive funds may only be made available to cities or urban
274 unincorporated communities upon annexation or incorporation of a significant majority
275 of any one of the ten largest remaining urban unincorporated areas as identified in
276 Attachment A to this motion.

277 3. Incentive funds may only be made available to cities upon annexation or to
278 urban unincorporated communities upon incorporation under terms of an interlocal
279 agreement between the county and an annexing or incorporating city. The interlocal
280 agreements and the transfer of incentive funds to cities shall be subject to the review and
281 approval of the council by ordinance. In proposing the agreements and transfers, the
282 executive should include sufficient information so that the council may ascertain that the
283 agreements are structured such that proposed transfers of incentive funds meet the
284 requirements of the state Local Government Accounting Act, chapter 43.09 RCW.

285 4. Incentive funds may only be made available to cities that assume ownership
286 of all local county facilities within the area annexed or incorporated, including, but not
287 limited to, local surface water management facilities and local parks and recreation
288 facilities. However, this condition shall not apply to local service facilities that the
289 county deems it must retain in order to effectively deliver regional or local services to
290 other areas.

291 5. The share of incentive funds to be made available to a city or an urban
292 unincorporated community shall be greater, the greater are the general fund savings that
293 can be realized annually by the county upon the annexation or incorporation of the area,
294 as estimated by the office of management and budget. Moreover, the share of incentive
295 funds will be greater for those cities and urban unincorporated communities reaching
296 agreements with the county in 2005 and 2006 that achieve annexation or incorporation on
297 an accelerated timeline.

298 6. Incentive funds may also be used by the county for the purposes of
299 promoting annexations and/or incorporations to support tasks delineated in subsection
300 C.1. of this motion.

301 E. Negotiation of Interlocal Agreements. The council hereby approves the
302 following general principles to guide negotiation of interlocal annexation or incorporation
303 agreements with cities or urban unincorporated communities:

304 1. Interlocal agreements shall incorporate specific, enforceable annexation or
305 incorporation timelines and commitments by cities or urban unincorporated communities.

306 2. Interlocal agreements regarding the transfer of incentive funds shall be
307 consistent with the general criteria set forth in subsection D. of this motion.

308 3. Where mutually beneficial, interlocal agreements shall incorporate
309 provisions for the contracting of services from the county by the newly incorporated or
310 annexed area.

311 4. Interlocal agreements should secure commitments from annexing or
312 incorporating cities to provide favorable consideration for county employees who may be
313 laid off as a result of the transfer of service responsibility to cities.

314 5. Interlocal agreements shall provide for the transfer of all local county
315 facilities within the annexed or incorporated territory to the city, or other local service
316 provider, immediately upon annexation or incorporation, excluding those facilities which
317 the county deems it must retain in order to serve remaining county service areas.

318 6. Interlocal agreements shall provide for the transfer of incentive funding
319 upon the effective date of annexation or incorporation.

320 7. Interlocal agreements may allow for short-term phasing of very large
321 annexation areas and associated allocation funding.

322 8. Before final negotiation of an interlocal agreement, the executive shall have
323 established timelines and amounts for target reductions to county expenditures and
324 revenues by county fund and appropriation unit such that the financial benefit to the
325 county of specific annexations and incorporations can be known and realized.

326 9. Interlocal agreements regarding annexation and incorporation shall be
327 subject to the council's review and approval by ordinance. In proposing such interlocal
328 agreements, the executive shall provide sufficient information, including the timelines
329 and amounts for target reductions referenced in Section E.8. of this motion, for the
330 council to ascertain that such agreements and the transfers of funds incorporated therein

331 meet the provisions of the state Local Government Accounting Act and provide a
332 financial benefit to the county.

333 F. Work Program. By January 15 of each year, beginning in 2006, the executive
334 shall file with the clerk of the council, for distribution to each councilmember, fifteen
335 copies the annual work program of the annexation initiative for the council's review. The
336 2005 work program appears as Attachment B to this motion and is hereby approved.
337 Beginning in January 2005 and by the end of every other month thereafter, the office of
338 management and budget shall submit to the councilmembers by letter a summary of

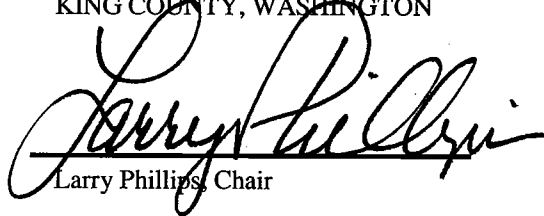
Motion 12018

339 annexation initiative activities undertaken in the previous two months and anticipated in
340 the following two months.
341

Motion 12018 was introduced on 8/16/2004 and passed by the Metropolitan King County Council on 9/27/2004, by the following vote:

Yes: 12 - Mr. Phillips, Ms. Edmonds, Mr. von Reichbauer, Ms. Lambert, Mr. Pelz, Mr. McKenna, Mr. Ferguson, Mr. Hammond, Mr. Gossett, Mr. Irons, Ms. Patterson and Mr. Constantine
No: 0
Excused: 1 - Ms. Hague

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON



Larry Phillips, Chair

ATTEST:



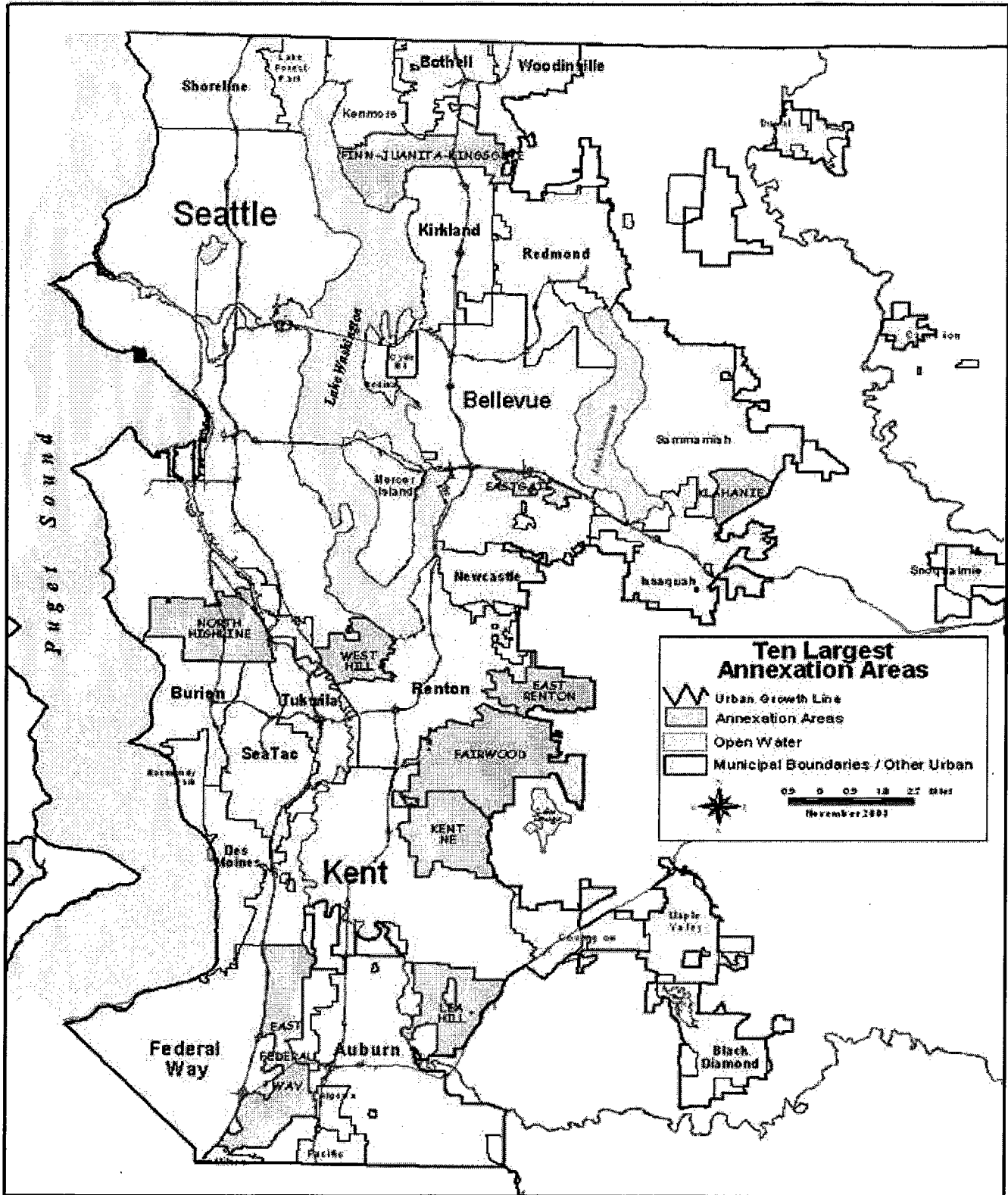
Anne Noris, Clerk of the Council

Attachments A. Ten Largest Urban Unincorporated Areas dated 9-22-04, B. Annexation Initiative Work Program dated 9-22-04

Attachment A 12018

King County's Ten Largest Urban Unincorporated Areas

9/22/04



**Annexation Initiative
Executive's 2005 Work Program 9/22/04**

<i>Communication, Outreach, and Negotiation Activities</i>
<ul style="list-style-type: none"> • Continue to engage regional leaders regarding the importance of the County's Annexation Initiative.
<ul style="list-style-type: none"> • Expand citizen/community outreach efforts on community-by-community basis to increase awareness regarding the importance of annexation in addressing the sustainable and efficient provision of local services.
<ul style="list-style-type: none"> • Work with King County workforce and unions to identify ways to manage any staff/departmental transitions associated with annexation or incorporation..
<ul style="list-style-type: none"> • Establish a reporting mechanism to the King County Council on initiative activities.
<ul style="list-style-type: none"> • Consistent with the county's adopted state legislative agenda, actively engage in state level activities regarding annexation methods, related policies, and additional funding: <ul style="list-style-type: none"> ○ Testify in State Legislature
<ul style="list-style-type: none"> ○ Pursue State Legislation to increase options to address remaining small urban unincorporated islands if they are not being annexed in a timely fashion.
<ul style="list-style-type: none"> ○ Develop joint legislative agenda on annexation with cities in preparation for 2005 legislative session.
<ul style="list-style-type: none"> ○ Continue to seek additional sources of state funding to support city annexation/incorporation efforts.
<ul style="list-style-type: none"> • Participate in Boundary Review Board proceedings as appropriate to advance Annexation Initiative.
<ul style="list-style-type: none"> • Negotiate Interlocal Agreements for highest priority areas.
<i>Fiscal Analysis, Budget and Transition Planning</i>
<ul style="list-style-type: none"> • Continue to refine and improve financial model and database for unincorporated area revenue and expenditures to support both external outreach needs and internal budget and transition planning work: <ul style="list-style-type: none"> ○ Refine the identification of services by type (regional, local, urban, rural, contract). ○ Identify services, costs, and revenues for each of the ten largest urban unincorporated areas and by County fund or department. ○ Develop methodology to identify fiscal impacts of annexations on the county overhead allocation and internal service fund rate models. ○ Develop target reductions for each department/division prior to final negotiation of any specific agreements for annexation or incorporation.
<ul style="list-style-type: none"> • Establish a workgroup among affected executive departments and divisions as well as the sheriff's office, prosecuting attorney's office, and the district court, for development of department/division specific annexation transition plans for operations and budget. <ul style="list-style-type: none"> ○ Assess the impact of annexations on the County's contract services and identify opportunities for contracting with cities for service delivery in newly annexed areas. ○ Review target reductions for each department/division prior to the finalization of any specific agreements for annexation or incorporation.

<ul style="list-style-type: none"> ○ Assess the impact of annexations and incorporations on county employees and work with employees and unions to develop transition plans for impacted employee groups. ○ Integrate annexation effort and associated transition planning into all operational master plan efforts. ○ Develop framework for examining post-annexation changes in service delivery and budget savings scenarios for both direct and indirect costs.
<ul style="list-style-type: none"> • Prioritize the ten largest urban unincorporated areas for accelerated annexation efforts based on refined financial analysis and city/resident interest.
<ul style="list-style-type: none"> • Develop area-specific strategies based on outreach efforts and refined financial analysis.
<ul style="list-style-type: none"> • Develop and implement “island” strategy to address the 10% of remaining unincorporated urban areas (approximately sixty islands less than 100 acres in size).