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

Sponsors: Larry Phillips

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Date	Ver.	Action By	Action	Result
9/27/2004	2	Metropolitan King County Council	Passed	Pass
9/22/2004	2	Budget and Fiscal Management Committee		
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8/16/2004	1	Metropolitan King County Council	Introduced and Referred	

Clerk 09/23/2004

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

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

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

areas, and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, the KCBATF further concluded that "the longer the county remains in the urban service

business, the longer the budget crisis will continue," and

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

WHEREAS, the King County Municipal League, in its November 2003 report entitled "Shortchanged: King County's Fiscal Crisis" stated that "King County is experiencing a fiscal crisis, which cannot be addressed adequately without a major change in the county's responsibilities and focus," and further stated that "[A]lthough there have been deep budget cuts in recent years, revenues available to fund expenses of the county's general fund continue to be insufficient to support the level of services previously established," and

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

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

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

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

the KCBATF and the King County Municipal League and to aid in accelerating the pace of annexations and incorporations, and

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

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

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

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

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

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

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

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

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

and the county's provision of local services, and

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

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

WHEREAS, the council and the executive recognize that the success of the annexation initiative depends, in part, on achieving budget savings by making necessary budget reductions in the direct services impacted by an annexation or incorporation and in overhead services to reflect a smaller county government, and

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

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

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

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

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

1. Preserve the quality of local services to urban communities by transferring governance responsibility for these areas to cities, which have more revenue options available for funding urban local services than does the county;
2. Preserve the quality of county regional and rural local services by providing financial relief to these budgets dependent on general county tax revenues;
3. Ensure the smooth transition of services from the county to the cities for citizens as well as county employees and departments.

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

1. Human resources. Activities related to and planning for annexations and incorporations shall be coordinated through the office of management and budget. County departments and separately elected officials shall work with the office of management and budget to ensure that staff throughout county government are dedicated to accomplish the following tasks with respect to the ten largest remaining urban unincorporated areas of King County as identified in Attachment A to this motion:
 - a. Categorize services as regional, rural local, or urban local and determine the types and levels of these services provided in each of the ten areas;
 - b. Determine the costs associated with provision of urban local services in each of the ten areas

by either or both county fund and appropriation unit;

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

d. Establish priorities and anticipated timelines for annexation or incorporation of each of the ten areas, with higher priority given to those areas whose annexation or incorporation would result in the largest fiscal benefit to the county;

e. Establish target reductions by appropriation unit prior to finalizing negotiations on specific agreements to annex or incorporate significant urban unincorporated areas;

f. Assess the impact of annexations or incorporations on county employees and work with employees and unions to develop transition plans for employee groups;

g. Determine which local services in what areas would provide a mutual benefit to the cities and the county if after annexation or incorporation the city were to contract for those services with the county;

h. Assess the impact of annexations and incorporations on the county's contracts and indirect services;

i. Ensure that county business plans and master planning processes anticipate annexations and incorporations;

j. Conduct community outreach and communication in order to promote an environment supportive of annexations and incorporations;

k. Facilitate, conduct, or review studies of specific annexation or incorporation proposals;

2. Financial resources. The 2004 adopted budget includes the following incentive funds for the annexation initiative:

a. The general fund financial plan includes a reserve of \$10 million for the annexation initiative.

The annexation initiative reserve was created in the 2004 adopted budget from one-time savings of current expense funds. If by the end of each year, any portion of these funds is not appropriated for purposes of the

annexation initiative, the funds shall remain in the annexation initiative reserve and be available for the purposes of the annexation initiative in the following year. If any funds in reserve remain unencumbered at the end of 2006, the council will evaluate whether the funds should be reprioritized for other use in 2007.

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

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

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

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

2. Incentive funds may only be made available to cities or urban unincorporated communities upon

annexation or incorporation of a significant majority of any one of the ten largest remaining urban unincorporated areas as identified in Attachment A to this motion.

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

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

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

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

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

communities:

1. Interlocal agreements shall incorporate specific, enforceable annexation or incorporation timelines and commitments by cities or urban unincorporated communities.
2. Interlocal agreements regarding the transfer of incentive funds shall be consistent with the general criteria set forth in subsection D. of this motion.
3. Where mutually beneficial, interlocal agreements shall incorporate provisions for the contracting of services from the county by the newly incorporated or annexed area.
4. Interlocal agreements should secure commitments from annexing or incorporating cities to provide favorable consideration for county employees who may be laid off as a result of the transfer of service responsibility to cities.
5. Interlocal agreements shall provide for the transfer of all local county facilities within the annexed or incorporated territory to the city, or other local service provider, immediately upon annexation or incorporation, excluding those facilities which the county deems it must retain in order to serve remaining county service areas.
6. Interlocal agreements shall provide for the transfer of incentive funding upon the effective date of annexation or incorporation.
7. Interlocal agreements may allow for short-term phasing of very large annexation areas and associated allocation funding.
8. Before final negotiation of an interlocal agreement, the executive shall have established timelines and amounts for target reductions to county expenditures and revenues by county fund and appropriation unit such that the financial benefit to the county of specific annexations and incorporations can be known and realized.
9. Interlocal agreements regarding annexation and incorporation shall be subject to the council's review and approval by ordinance. In proposing such interlocal agreements, the executive shall provide

sufficient information, including the timelines and amounts for target reductions referenced in Section E.8. of this motion, for the council to ascertain that such agreements and the transfers of funds incorporated therein meet the provisions of the state Local Government Accounting Act and provide a financial benefit to the county.

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

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