

City of Bothell

The Roadmap:

◆ *Setting the Course* ◆

A Strategic Financial Plan



July 2005



City of Bothell

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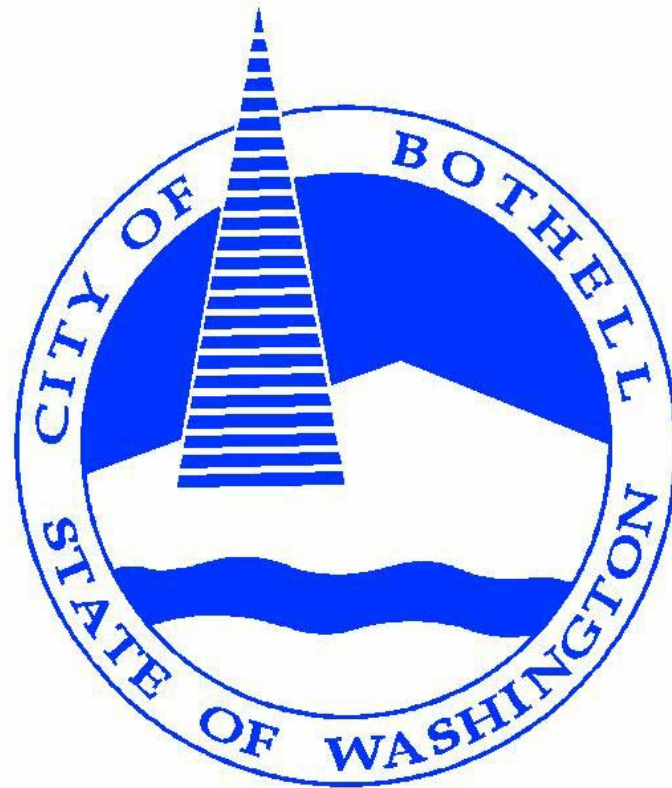
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City of Bothell

June 29, 2005

Honorable Mayor and Council Members
City of Bothell, Washington

I am pleased to submit to you the next version of the City's Roadmap document, a strategic financial plan, entitled "Setting the Course". This document represents a comprehensive examination of practical, prudent, and realistic methods or courses of action available to sustain services that are of value and provide for significant capital investments back into the community.

The development of this document is meant to facilitate discussion and decisions that will have a lasting and positive influence on those who live, work and visit Bothell. We will have the opportunity to discuss the information and recommendations listed in the new Roadmap document during the July 11 and July 25, 2005 Council workshop sessions. Prior to the development of the document, we outlined the following objectives for the workshop sessions:

- ▶ Council review and acceptance of the City's base financial model and identification of various revenue and expense scenarios.
- ▶ Decision regarding regional fire service vs. local fire service or a levy lid lift to offset expenses associated with fire service.
- ▶ Decision regarding use of reserves – percentage or amount to utilize for capital needs and establish method of allocation between various capital needs.
- ▶ Initiate development of Capital Facilities Finance Strategies.
- ▶ Initiate development of an Action Plan to sustain local governmental services.

Despite the financial challenges that lie ahead for Bothell's government, it is also an exciting time and place to be. The enthusiasm around redevelopment in the City's downtown core, the capital investment opportunities, and the desire to continually improve upon the way service is provided to our community, are just a few aspects that make our situation and place in time unique and positive.

The City is positioned to meet the challenges head-on and with foresight. Each of the recommended options contained in this report, if implemented, will create financial stability by improving the alignment of revenues and expenditures. Each option also includes a commitment to continuously examine expenses, seeking appropriate reductions through greater efficiencies, finding innovative ways to improve service and reduce costs, and at the same time, carefully examine and cultivate new sources of revenue.

I am excited about the opportunities we have to make Bothell the premier place to live, work and raise a family.

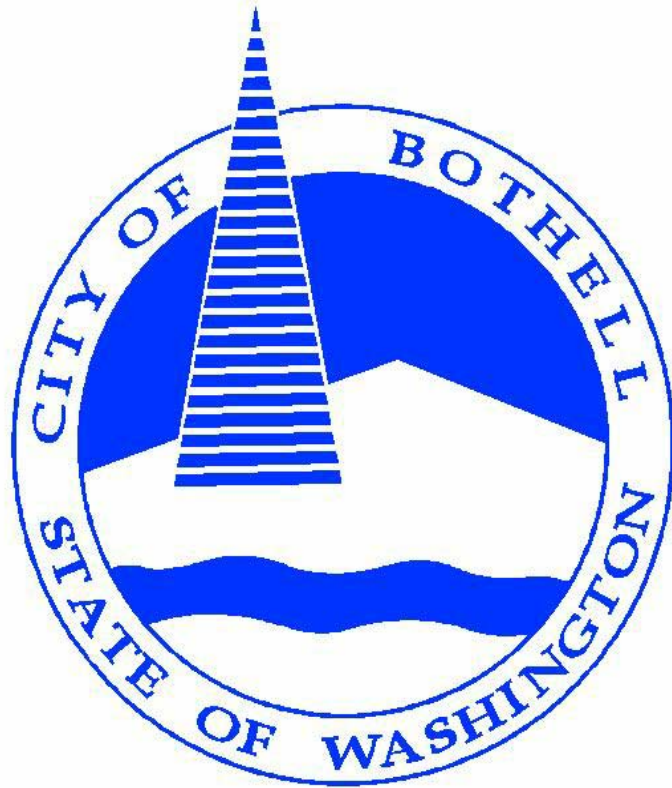
Respectfully submitted,

Robert S. Stowe
City Manager

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INTRODUCTION

During 2004, the City started a strategic planning process to identify possible alternatives or actions in order to sustain City services, long term. Last year's process was called "The Roadmap: Planning for the City of Bothell's Future." During the first half of 2005, City staff has been refining, updating, and enhancing the City's initial work product into an action / business plan for Council to consider. Thus changing this year's theme to "The Roadmap: Setting the Course."

Long-term sustainability of City services is within reach of Bothell's municipal leaders through implementation of the actions described in this updated Roadmap. This update provides six-year projections using a strategic financial planning process for both operational needs within the City's General Fund and capital needs within the City. The document further provides background information, development projections, financial scenarios/options, and a capital facilities element to assist the City Council in selecting a course of how to sustain desired level of services. The purpose of the Roadmap discussions is, therefore, to visualize the preferred future outcome for our City through 2010, and to implement decisions today to ensure that vision is attained.

Local, regional, national, and global factors affecting the community have been analyzed including economic and financial factors, demographic trends, legal or regulatory issues, physical changes (development), intergovernmental issues and technological change. Staff has worked together to analyze these elements to generate projections for development, City facility needs, revenue and expenditure forecasting, staffing needs, and potential outcomes over the next five years.

This document contains the following sections:

- Background - This section provides:
 - an overview of the major changes the City has experienced over the last five years
 - financial/policy decision outcomes
 - public and private development constructed over the last five years
 - city tax comparisons
- 2005-2010 Development Projections - This section outlines the basic assumptions and projections for future development utilized to provide realistic but attainable revenue estimates and staffing levels for the years 2005-2010.
- Financial Options - A summary of financial options that have previously been identified for consideration are presented with updated information.
- Long-Range Financial Plan - Multiple scenarios have been compiled and the long-range financial impacts of implementation of each scenario are summarized.
- Capital Facilities and Opportunities - Outlines the City's facility and infrastructure needs and opportunities, and potential funding sources.
- Recommended Action/Business Plan - Recommendations to sustain City services.

BACKGROUND

The wonderful thing about looking back over a period of time is that you can see how past decisions have impacted where we are today and how some changes are made with the mere passing of time. Putting this knowledge to use in projecting the City's future is very valuable.

Starting in 1998, a consulting firm provided the initial projections of revenues and expenditures for the City. The projections showed that expenditures would increase higher than the available revenues. These projections were updated in 2001 and again in 2003 projecting the same trends.

In 2003, the City Council held a workshop where staff presented the five-year forecast with some very startling news. Even after eliminating 29 positions in 2002 and a 5% reduction in operating expenses, the City's long-range financial position was still heading in a downward trend. The General Fund's reserves would be depleted in less than five years if subsequent action was not taken.

Outcomes of the 2003 workshop included Council's direction to:

- Implement an E.M.S. Transport Fee
- Analyze and Increase Where Applicable Fees For Services
- Analyze Business License Fees
- Analyze Feasibility of a Property Tax Levy Lid Lift
- Conduct Feasibility Study to Annex City's Fire & E.M.S. Department into an Adjacent Fire District
- Have the Parks & Recreation Board Make a Recommendation Regarding Feasibility of Creating a Metropolitan Parks District
- Research Reductions in Service Levels

Over the past five years, the Council and City staff have implemented numerous changes to improve the City's financial situation. The financial projections provided in 2003 indicated the City's fund balance in the General Fund would be depleted in less than five years. The following chart demonstrates how past decisions and policy changes made since 2002 have improved the City's financial position.

Description	Beginning Year	Annual Impact on Budget	Total Projected Impact (2002-2010)
Reductions in Expenses			
Reduced Operating Expenses 5% Annually	2002	\$ 300,000	\$ 2,700,000
Additional reduction in operating expenses of 11% over 2 year period by:	2005/2006	\$ 1,800,000	\$ 4,500,000
<ul style="list-style-type: none"> ▪ Revamping the fleet and equipment rental costing program ▪ Creating a non-departmental contingency allocation ▪ Detailed analysis of future needs ▪ Comprehensive, City-wide evaluation of Bothell's first biennial budget 			
Elimination of 29 Positions	2002/2003	\$ 1,700,000	\$13,600,000
Total Reduction in Expenditures		\$3,800,000	\$20,800,000
Increases in Revenue			
Increased Fees for Services	2004	\$ 377,000	\$ 2,639,000
Secured funding for new employees without impacting General Fund	2005	\$ 540,000	\$ 3,240,000
Total Increases in Revenue		\$ 917,000	\$ 5,879,000
Total Positive Impact on City Projections		\$ 4,717,000	\$26,679,000

Without the timely implementation of the above actions, the City would have already depleted its General Fund fund balance.

These decisions have not all come without consequences. Due to the reduction in personnel in 2002/2003, many City services have been eliminated or reduced, such as:

- Elimination of community recreation programs, including Ramblin Rec, Jr. High Bash, Open Mic, Skate Park competitions, Eagle Watch trips, and Bothell Beautiful
- Reduced RiverFest from two days to one day
- Eliminated or reduced fire safety and emergency response programs, such as, number of citizen emergency response training (CERT) classes, home safety checks, automatic defibrillator training to the business community, fall prevention services and training

- Eliminated several crime prevention programs
- Increased wait times for building permit reviews from 6 weeks to 9 weeks
- Reduced passport issuance hours from 24 hours per week to 8 hours per week
- Decreased public outreach activities and reduced staff attendance for community events
- Elimination of proactive code enforcement and reduced code enforcement response on minor violations reported, such as alleged illegal businesses, minor nuisances such as vegetation, abandoned vehicles, etc.

In the City of Bothell's 2004 Services Priorities and Funding Survey, respondents rated all services tested as high priority. Seventy-seven percent of respondents felt that the City of Bothell provides "about the right amount of services". When queried about maintaining or expanding service levels, 56% were conceptually willing to increase taxes if current revenues were not enough to maintain current service levels.

Although there have been reductions, Bothell continues to grow, and a long-range financial plan is necessary to ensure fiscal sustainability.

A sampling of private and public development that has occurred over the past five years include:

Private Development

- Staples Office Supply Store and adjacent strip mall
- Walgreen Drug Store and adjacent strip mall
- Public Storage at Wayne's Curve
- Three new Senior Housing Projects
- Six Commercial Buildings in North Creek Business Park
- Four Commercial Buildings in Canyon Park Business Center
- Twelve Housing Developments plus miscellaneous individual single residences
- Canyon Park Restaurants, including Outback, Bonefish Grill, Jack-in-the-Box, Wendy's, Arby's, and Applebee's

Public Development

- Police Station and Court Facility
- Phase 1 of Cedar Grove Park
- Relocation of Public Works Shops and Park Maintenance to the Northshore School District Property
- Town/Gown Loop
- Veteran's Memorial at the Park at Bothell Landing (developed and built by Boy Scouts as an Eagle Award Project)
- SR524/SR527 Intersection Improvements
- City Hall Remodel
- 102nd Street Bridge Sidewalk Improvement
- Maltby Pedestrian Trail
- New Playground at the Park at Bothell Landing
- Decant Facility at Shop 1
- North Creek Ballfield Lighting and Synthetic Turf Installation
- Signal Installed at 228th & 35th Ave.
- Walking Bridge over Wetlands at Stipek Park (developed and built by Girl Scouts as a Gold Award project)
- University of Washington, Bothell/Cascadia Community College Campus
- Northshore Senior Health and Wellness Center (opening soon)

The City's assessed valuation increased by 55% over the past five years, housing units increased by 20%, and the City gained over 200 new employers. Due in large part to Initiative 747, the City's property tax levy rate decreased from \$1.78 per \$1,000 assessed valuation in 2000 to \$1.51 per \$1,000 assessed valuation in 2005. However, due to increases in assessed valuation, the City anticipates collecting \$1 million more in property tax in 2005 than in the year 2000.

2005-2010 DEVELOPMENT PROJECTIONS

In order to provide a realistic financial forecast, the following City and private development projections were compiled through discussions with local developers, staff and regional stakeholders. The construction sales tax, new on-going sales tax revenue, development fees and increases in assessed valuation assumptions were established utilizing these projections. This information provides the backbone for the financial forecasting model, referred to as the 2010 Financial Forecast. By including these assumptions a more accurate projections of future revenues than trend data is achieved. This information also provides insight into the City's future infrastructure needs that are projected to occur during this six year period.

The City's Infrastructure Improvement Program (IIP) outlines the major street, parks, and utility projects along with their funding sources through 2010. By mapping out the City's capital projects for a six year period, funding options were maximized, staffing needs identified and a multi-year capital program was created. The IIP is a very aggressive program and demonstrates the advantages of long-term strategic planning.

Following is a short recap of some of the major IIP projects identified to be completed by 2010:

- SR 524\SR 527 to 9th Avenue SE
- Portions of North Creek Trail
- Annual Pavement Preservation Program
- 102nd Avenue NE Bridge Rehabilitation
- SR 527 Signal Intelligent Transportation System Improvements
- NE 180th Street/132nd Avenue NE Traffic Signal Project
- Sammamish River Education Kiosks
- Annual Drainage Pond Rehabilitation
- Storm Water/Sewer/Water Replacement

- Park at North Creek
- Replacement of Blyth Park Large Shelter

Numerous other projects will be proceeding through the project pipeline in environmental and design phases. Prominent among them are:

- SR 522 Wayne Curve Improvements
- SR 527 Widening at Country Village
- Beardslee Boulevard/Ross Road Interconnect
- 195th Street/I-405 Interchange Feasibility Study
- Main Street Intersections (Kaysner Way, 102nd Avenue NE, 101st Avenue NE)
- 39th Avenue SE Extension (Bothell Connector)
- Thrasher's Corner Regional Park

In addition to the IIP, other public projects, such as SR-522 re-alignment (Gateway), Brightwater, and the University of Washington, Bothell/Cascadia Community College South Access will also be underway within this timeframe.

Private sector development has been forecasted based upon projects currently underway, projects currently in the pre-application process, and discussions between City staff with developers regarding planned future development.

Residential Development

Approximately 800 dwelling units are currently permitted or in the pipeline to be constructed in the 2005/2007 timeframe. These units are of all types - homes in subdivisions, detached condominiums, town homes, and traditional apartments. The 800 units translate into 2,000 new residents. In addition to these non-specialized dwellings, there are two senior housing developments proposed with a total of approximately 300 units. An additional 200 housing units are expected to be built between 2008 and 2010. This anticipated drop-off in activity between 2008 and 2010 due to the scarcity of developable land in Bothell.

Over the next five years, the residential development noted above is expected to generate one-time development revenues of \$4 million. The increase in assessed valuation would be approximately \$272 million.

Office / Technology Development

The downturn in the technology sector in the last four to five years hit the business parks hard. A number of businesses either ceased operations, moved or downsized. It is estimated that there is currently 1.3 million square feet of vacant office space in Bothell.

There are signs that this situation may improve soon. Both Seattle and Bellevue report downtown vacancies dropping, and in Bellevue in particular, downtown office projects that were abandoned have been revived and new projects have been proposed. Even so, it's likely to take until 2010 to re-fill 1.3 million square feet, and for the most part developers are not likely to build (nor are lenders likely to loan money) unless they are confident they can rent the space.

The exception may be Teachers Insurance, which owns a substantial amount of the Canyon Park Business Park. Teachers Insurance may elect to build one or more office / technology buildings on speculation so that they have space available when the market turns around.

To the south, Schnitzer has done the site work for a permitted two-story office building on NE 195th Street, but has not started construction. In the same vicinity, there is a proposed 7,000 square foot two-story office building.

University of Washington-Bothell/Cascadia Community College

Under the terms of the approved UWB/CCC Planned Unit Development, an interchange connecting the campus with SR 522 (South Access) must be constructed before the campus can grow beyond a combined enrollment of 3,000 full time equivalent students. The campus is currently very near that enrollment cap.

The money to build the interchange was approved in the 2005 legislative session and the interchange is expected to be completed in 2007 or 2008. Once the interchange is constructed, the institutions may now commence planning for additional buildings to accommodate enrollment above 3,000 FTEs. Projected build-out enrollment is 10,000 FTEs.

While the legislature has funded the South Access, it has not yet appropriated funding for design and construction of any new buildings. UWB/CCC staff's best guess is that the next new building will be a technology building of around 70,000 square feet, and will be completed in 2009.

Auto Dealership(s)

Motor Vehicle Sales Overlay Zones have been established at Thrasher's Corner, Canyon Park, Downtown and in the North Creek Valley near Home Depot and Staples. One limitation to attracting auto dealerships to Bothell is the close proximity to other auto dealers in the area, as State law prohibits dealers from selling the same brand vehicle within eight miles of each other.

One additional new-car auto dealer is anticipated to be in operation by 2010. An auto dealership would generate one-time development revenues of \$40,000. Annual revenues range from an estimated \$120,000 to \$150,000, subject to the size of a dealership.

Retail Development Outside of Downtown

Canyon Park and Thrasher's Corner areas are projected to be built out by 2010 (subject to future redevelopment). The proposed Red Barn Village neighborhood will be partially developed and the property across SR 527 from Country Village could also be developed by 2010.

At Thrasher's Corner, an additional small multi-tenant center and/or one or two medium-box stores will likely be developed on the properties along SR-527 between Fred Meyer and the north end of the Canyon Park Business Park.

At Canyon Park, Bank of America will likely redevelop the northwest corner of SR 527 and 228th Street SE, and a First Mutual Bank and multi-tenant retail space will be constructed on the southwest corner.

These projects are projected to add 100,000 square feet in retail development outside of Downtown by 2010 and would generate one-time development revenues of \$250,000. Annual on-going revenues are expected to be \$120,000.

Downtown Redevelopment

Two major redevelopment opportunities exist Downtown - the Gateway realignment of SR 522 and connecting streets and the Northshore School District property. Because of the magnitude and complexity of these issues, it is difficult to pinpoint when these projects will occur or exactly how much land will be occupied by each project. The realignment of SR 522 creates 3+ acres of land in the interior of the realignment that would be available for redevelopment. Although this design necessitates the removal of some existing businesses, the overall gain from new businesses, in conjunction with the Northshore School District property, would result in a major economic development opportunity for future development in our City. The Northshore School District site consists of 26 acres with some portion of that area, possibly up to 50%, dedicated to public uses.

The type of development anticipated for these areas can be fairly specifically described, based on current zoning and how other similarly situated and zoned properties elsewhere in the region have developed. These areas are expected to redevelop in a combination of single purpose one- and two-story retail businesses and restaurants and up to five-story buildings containing first-floor shops, services and possible upper-floor residences. By 2010, redevelopment of the Downtown core area is expected to result in 500,000 to 600,000 square feet of new retail, office and residential construction.

Along Beardslee Boulevard, the Comprehensive Plan designations have changed to allow retail, office and residential development. Mixed-use buildings up to five stories are allowed at the north end of Beardslee. The area is termed the Campus Corridor in

the Plan to give it an identity as a sub-district of Downtown. By 2010, redevelopment of this area is estimated to result in around 200,000 square feet of mixed uses.

Outside of these sizable development and redevelopment opportunities, incremental redevelopment of smaller properties is expected to continue, as older homes are converted to businesses or replaced with office buildings, shops, restaurants and townhouses. Some older commercial buildings could be replaced with larger new buildings.

Redevelopment of the Gateway project, a portion of the Northshore School District property and the Campus Corridor is expected to be under way by 2010, with a total of 700,000 to 800,000 square feet of new building completed or under construction at that time in the entire Downtown area. This activity would generate one-time development revenues of \$1.6 million. The redevelopment of the Downtown area is projected to be fifty percent complete by 2010 and generating approximately \$445,000 in on-going revenue. When the redevelopment projects are complete, it is estimated the City will receive \$1 million in new on-going revenues each year.

Annexations

During the 4th quarter of 2005, the City will retain a consultant to prepare an annexation fiscal analysis for the entire unincorporated territory within the City's Planning Area - both in King and Snohomish Counties to determine service costs and revenues for several different annexation scenarios. This information will help the Council evaluate future proposed annexations.

It is difficult at this stage to gauge the breadth and depth of annexation interest across the unincorporated Planning Area. For the reasons mentioned previously, no annexation revenue or expenditure projections are included in the 2005-2010 fiscal analysis.

Operational Impacts

With the increase in housing units, commercial development and major redevelopment of the Downtown area, additional demands will impact our ability to continue to provide the services to our citizens at the same level. Although all of the impacts have not been analyzed, the expenses associated with six new personnel are included in the financial projections of this report.

Summary

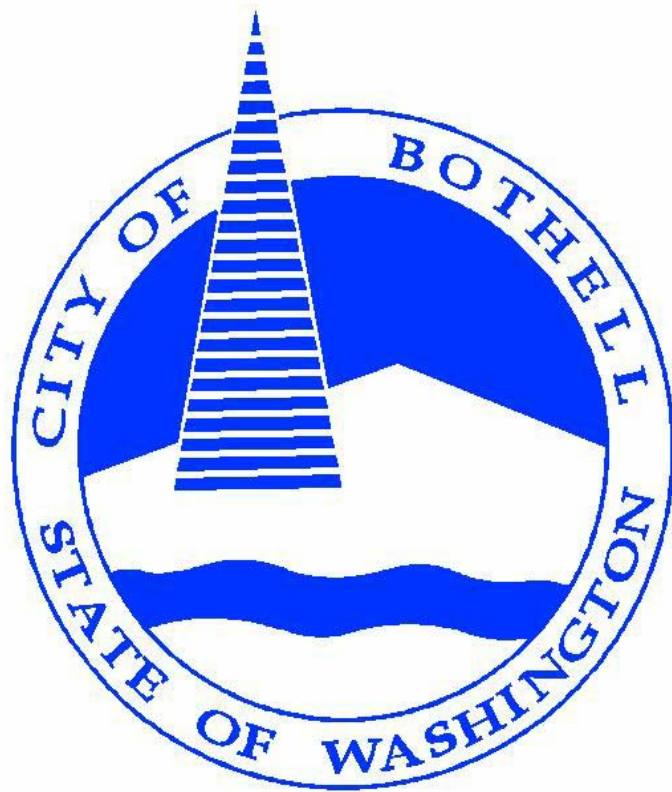
The following chart shows the effects on the City's statistics and demographics with the above assumptions built into the City's growth.

City of Bothell Statistics		
	2005 Est.	2010 Est.
Assessed Valuation (in millions)	\$4,451	\$6,100
City of Bothell Property Tax Levy Rate (per \$1,000 AV)	\$1.51	\$1.20
Property Tax Collected (in millions)	\$6.9	\$8.1
Sales Tax Collected (in millions)	\$9.5	\$12.0
Number of Business Licenses	2,250	2,600
General Fund Budget (in millions)	\$28.9	\$36.5
Personnel Cost % of General Fund	73%	79%
General Fund Employees	220	226

City of Bothell Demographics		
	2005 Est.	2010 Est.
Population	30,930	33,730
Number of Housing Units	12,400	13,700
UW-B/CCC Total Student Enrollment	2,570	6,400

The above projections increase the City's assessed valuation by \$302 million. This includes an increase in property tax of \$1.1 million over the next six years, a total of \$6,740,000 for construction sales tax and \$2,164,000 in permit fees resulting in an overall increase to the General Fund revenues of \$10,004,000.

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FINANCIAL OPTIONS

This section provides background and updated information in the following items that were identified by the City Council in 2003 and reconfirmed in 2004.

- Implementation of an E.M.S. Transport Fee
- Analysis of All Fees For Services
- Analysis of Business License Fee
- Feasibility of a Property Tax Levy Lid Lift
- Conduct Feasibility Study to Annex City's Fire & E.M.S. Department into an Adjacent Fire District
- Recommendation from the Parks & Recreation Board to Initiate a Metropolitan Parks District
- Research Reductions in Service Levels

Implementation of E.M.S. Transport Fee

In October 2003, the City implemented a city-wide emergency medical services transport fee. The Fire & EMS Department conducted an aggressive outreach program to provide the citizens with details regarding the transport fee and to reduce fears of Bothell citizens that they would need to decide prior to calling 911 if they had the money to pay the fee. This outreach program was very successful and dispelled many misconceptions. The annual revenue from this fee is approximately \$200,000.

Fees For Service

All fees were analyzed in 2003 and several fees were increased that provided an additional \$377,000 in revenues annually (includes the EMS transport fee revenues). Staff monitors current fees for services to ensure best business practices for cost recovery are utilized. This is an on-going program and a vital part of each budget cycle.

During the 2005-2006 budget analysis, no new fees were established and only minor increases to the existing fees were made. The analysis showed the adopted fees resulted in full cost recovery, except on parks and recreation fees for which Council had adopted a policy of less than full recovery for specific fees.

Business License Fee

The proposed 2005/2006 Biennial Budget included an increase of business license fees to provide funding for new staff positions. As part of this proposal, staff also recommended restructuring the fee. In most cases the restructuring of business license fees had a greater impact on the businesses than the increase of the per employee element. Council decided not to increase the fees at that time because of a lack of support for the positions identified and their direct impact on the business community. As proposed, a fifty cent per employee increase would generate approximately \$120,000 per year.

Property Tax Levy Lid Lift

With voter approval, Bothell can raise its property tax levy with a levy lid lift. There are two methods to lift a levy lid, although there are significant differences between them as the following table illustrates. In 2006 dollars, revenues would increase approximately \$1.2 million for each 25 cent increase to the City's levy rate to provide new funds to fill the gap between revenues and expenditures. The City's current property tax levy rate is \$1.51 per \$1,000 assessed valuation.

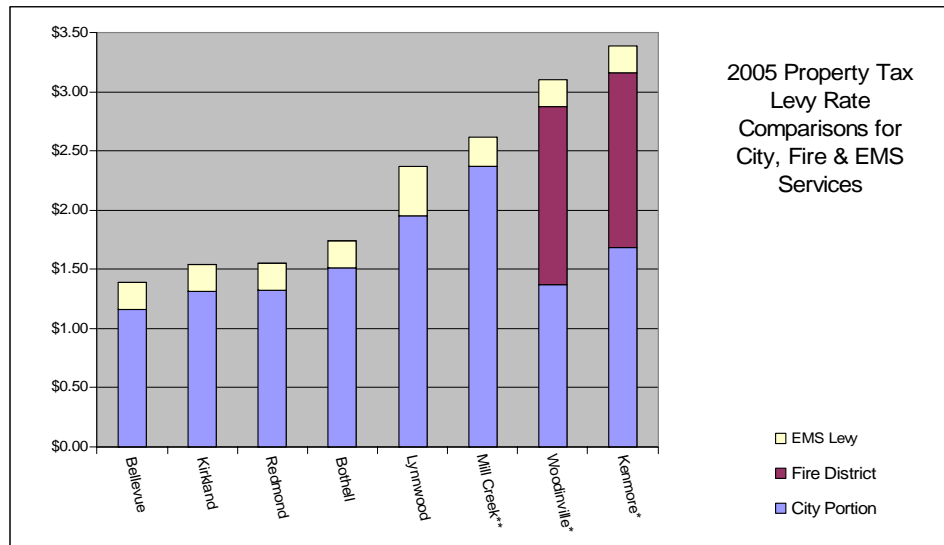
Submitting a levy lid lift to the voters allows citizens to determine how much they are willing to pay for different service levels. The following chart shows the differences between the two options available to the City.

METHODS FOR LIFTING LEVY LID		
ELEMENT	METHOD A	METHOD B
PURPOSE	any purpose	<ul style="list-style-type: none"> any purpose may not supplant current spending
BALLOT TITLE	purpose optional	purpose required
LENGTH OF TIME	<ul style="list-style-type: none"> any time period specific time period not required, except for servicing bond debt 	6 years maximum
EFFECT ON BASE RATE	<ul style="list-style-type: none"> after first year, levy subject to 1% lid upon expiration of time-limited lift, base set at what it would have been without levy lid lift 	may include language setting base rate upon expiration at whatever the base rate is during last year of levy lid lift
VOTES REQUIRED	<ul style="list-style-type: none"> Simple majority 	<ul style="list-style-type: none"> Simple majority
ELECTION DATE	<ul style="list-style-type: none"> September primary election November general election other special election date 	<ul style="list-style-type: none"> September primary election November general election

Timing is important in considering a levy lid lift, given the need to provide information to the public, the lead time required to place it on the ballot, and the timeframe when revenues would be received by the City depending on the election date selected. The City of Bothell's ordinance or resolution to submit the measure to the voters must be received by the county auditor 45 days before the election date. The process from decision to collection of tax receipts could take up to twelve months. Voters must approve a property tax levy lid lift prior to the end of February in order for property taxes to be collected for that year.

Following is a chart that compares the City of Bothell's 2005 property tax levy rate with that of eight nearby cities. Three of these cities do not provide fire and emergency medical services but either contract with a fire district to provide these services or have annexed into a fire district that levies property taxes for funding these services. This chart includes each city's property tax levy rate, the regional or local EMS levy rate and,

if the service is provided through a fire district that levies the citizens for that service, their property tax levy rate. The range of the combined levy rate is \$1.39-\$3.39/\$1,000 assessed value (AV). Only three cities have a lower combined municipal and fire district property tax levy rate than the City of Bothell.



*Fire Districts provide fire & emergency medical services

**The City of Mill Creek contracts with Snohomish County Fire District 7 for fire & emergency medical services.

Annex City's Fire & E.M.S. Department into an Adjacent Fire District

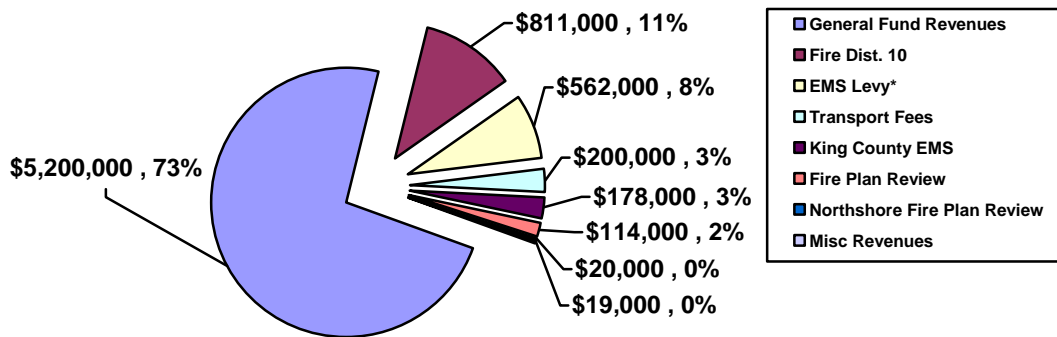
The City contracted with Emergency Services Consulting inc. (ESCI) to conduct a Fire and Emergency Medical Service Delivery Study and presented their findings to the City Council in May of 2004. The report identified five options to consider -- four options for annexation to adjacent fire districts and one option to continue with the status quo.

Although the study did not produce a recommendation, it did note that each of the jurisdictions are well managed and that the overall level of emergency service in King and Snohomish County communities is consistently excellent. They also noted that the City and adjacent fire districts are leaders in interagency collaboration with major cooperative programs and regional training with emphasis on fire prevention and public education.

The study concluded that the City of Bothell could shift expenses and free other resources from the City of Bothell by annexing to one of the fire districts rather than

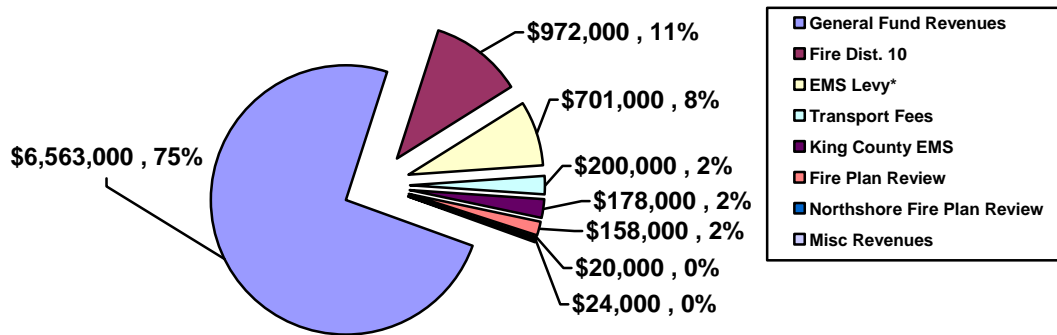
providing services itself. Using 2006 funding levels, the net reduction in expenses would equate to \$5.2 million annually or 16% of the total General Fund revenues. By 2010, the net reduction would increase to \$7.1 million, including additional projected staffing needs, which equates to 18% of the General Fund revenues. The savings from cost-avoidance resulting from annexation to a fire district increases over time as the cost of municipal fire protection services continues to rise. If the City of Bothell continues to provide these services itself, the escalating cost to provide these services will require a larger share of the General Fund budget as will several other City services.

2006 Fire & EMS Funding Sources



* Assumes an EMS Levy in Snohomish County in 2006

2010 Fire & EMS Funding Sources



* Assumes approval of an EMS Levy in Snohomish County in 2006

The study also noted that financial considerations, while very significant, are not the only basis on which to evaluate annexation to a fire district. Other considerations include legal, governance, operational, and customer service issues. Some city residents may

see improved responses due to neighboring fire station locations. Administrative capability of two departments provides an opportunity to make more specialized management assignments by possibly increasing fire prevention, EMS and specialty training opportunities. The consultant noted that a unified command and control system provides management with the ability to make rapid adjustments to the emergency workforce, thereby fine-tuning the emergency response system. The issue of governance or loss of control is a common issue when a city decides to transfer a service it has provided to a Special Purpose District. However, due to the high cooperation and standardization of fire and EMS services in this region, the loss of local control by designing and providing services in a customized manner is largely mitigated. The City of Bothell has interlocal agreements with adjacent fire districts that respond on a regular basis inside the Bothell city limits when necessary. The Bothell citizens would also be eligible to run for any open fire commissioner positions to participate in the governance of that organization.

When comparing costs to provide these services to Bothell's citizens, the two King County Fire Districts have a property tax levy rate of \$1.50 per \$1,000 assessed valuation. The portion of non-direct revenues designated from General Fund (\$5.2 million) equates to a property tax levy of \$1.06 in 2006 and increasing to \$1.16 by 2010 including additional projected staffing needs.

If Council wishes to continue to investigate this possibility, staff would need to work with the adjacent fire districts to determine which district would provide the "best fit" for the citizens of Bothell. Once that is determined, the City would enter into discussions with the designated district. The district and City would need to work together on the election process. A 60% majority approval would be required by the Bothell citizens. Staff estimates that this process could take approximately 12-24 months to complete.

Since the study was completed, a new opportunity for providing fire and emergency medical services has been created by the State Legislature. In 2004 the opportunity to form a regional fire protection service authority was approved. This gives the opportunity for two or more adjacent fire jurisdictions to create a regional fire and EMS agency independent of the jurisdiction but can be formed to retain joint authority over the policy decisions by having three elected officials from each jurisdiction be part of the planning

committee who establishes the plan for operation. There have been some preliminary discussions in this region to investigate this option.

Either option would transfer the financial responsibilities to another entity by a vote of the citizens. At that time the City could determine if they wanted to keep their property tax levy rate at the current rate, reduce the levy rate or reduce other taxes and fees such as decrease the utility tax for services. If the Council reduced the property tax levy rate, due to Initiative 747, the City would only be able to increase the rate by 1% annually, thus limiting their options in the future should the need arise. The other option would be to lower the City's utility tax rates for services within the City limits. The advantage of reducing the utility tax over the property tax levy rate is that the Council has more control to make small modifications, if needed, to the utility tax rate as future circumstances arise. This allows the citizens to capture the reduction of taxes but does not limit future revenue opportunities if future unforeseen needs arise.

The decision to either maintain the City's Fire and EMS Department or to move towards transferring the Department to another entity is critical. Other elements of the Roadmap and operational stability hinge on this one decision. These include the decisions to:

- assist with the funding of Queensborough Firehouse
- hire a "permanent" Fire Chief
- plan for future staffing and facility needs.

All of these decisions have large impacts on the City's financial future.

Establish a Metropolitan Parks District

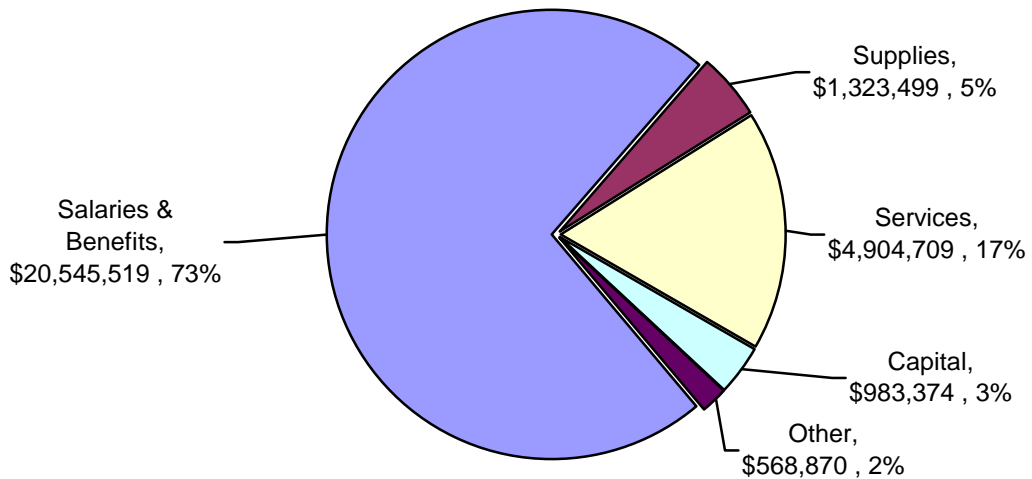
The Parks and Recreation Board presented the City Council with their recommendation to create a Metropolitan Park District (MPD) in September of 2003. The creation of an MPD would establish a specific and stable funding source for parks and recreation services and relieve some financial pressure on the General Fund. The Parks & Recreation Board recommended that the MPD's boundaries be the same as the Bothell city limits. If the MPD is wholly within the City limits, the Bothell City Council can serve as the ex-officio legislative body. The creation of an MPD larger than the current City

limits has the advantage of collecting revenue over a larger population base and serving a regional population but would be governed by a separate Board elected by the citizens within the Metropolitan Park District. The Parks & Recreation Board recommended a levy assessment of \$0.45-0.55 per \$1,000 assessed valuation to restore services to 2002 levels and continue to work on capital projects. The same levy assessments of \$0.45-0.55 per \$1,000 assessed valuation would still be sufficient to provide funding to restore services to 2002 levels and continue to work on capital projects through 2010.

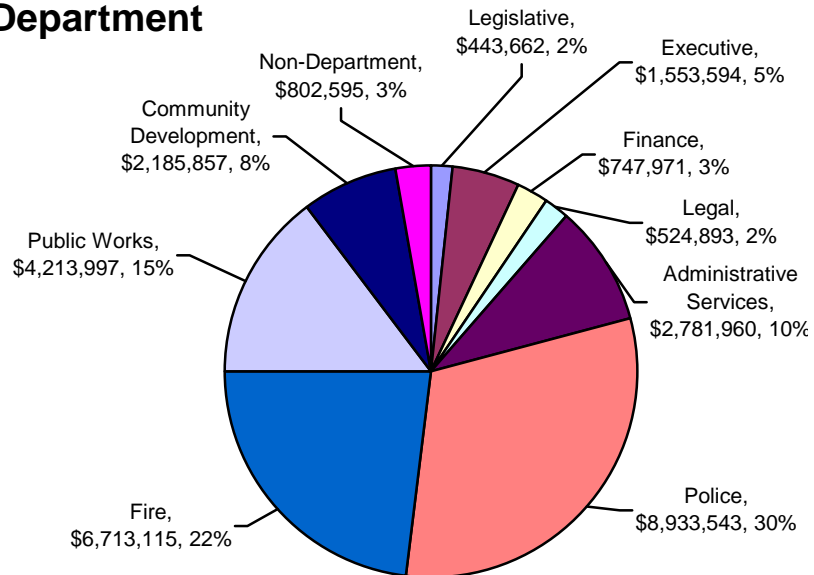
Research Reductions in Service Levels

A reduction in services and service levels is a hard subject to approach but it is an option that should not be ignored just because it is difficult. Understanding the components of the City's General Fund expenses helps to provide useful insight into how to begin discussions of expenditure reductions. The following chart illustrates the size of each expenditure category:

**2005 General Fund
Budget by Categories**
Excluding Transfers



2005 General Fund Budget by Department



An overall reduction of 5% of the 2005 General Fund, excluding transfers, equals \$1.4 million. To illustrate the effect of a \$1.4 million reduction, using the percentages shown in the 2005 General Fund Budget by Categories graph, there would be reductions of \$1 million in personnel, \$66,000 in supplies, \$245,000 in services, \$49,000 in capital and \$28,000 in other expenses. Of course, actual reductions would not equally fall within these categories. In addition to reducing the expenditures to provide services, staff continually examines potential cost savings created by staff efficiencies, utilization of new best business practices, and re-analyzing our internal financial policies. However, these techniques will not be sufficient to eliminate the projected gap between revenues and expenditures.

One method to identify potential services for reduction or elimination is to first identify City services by the following categories:

Priority Services - Represents those services that are of top priority to the City and should be protected from possible reductions or eliminations. Examples of services in this category could be mandated by law, generate revenue above the cost to provide the service, or is of utmost importance to the City. Priority services can include both core and quality of life services.

Core Services - Represents those services that are basic or serve the core reason for the City's existence.

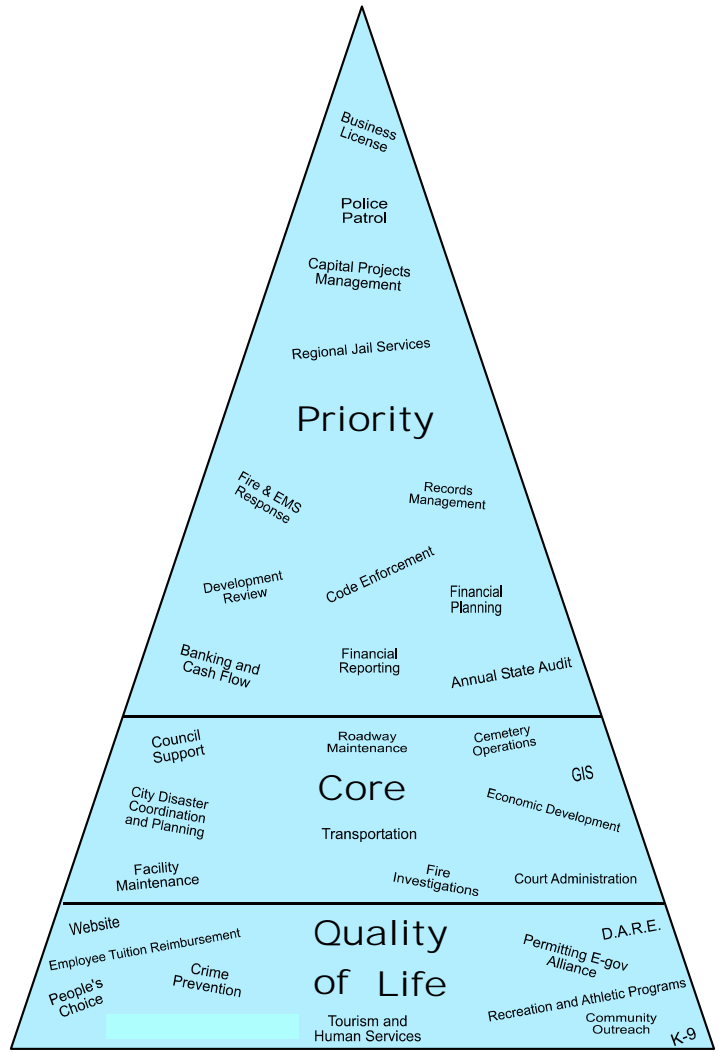
Quality of Life Services - Represents those services that may not be essential or core to the City's existence but will enhance the community by providing desired but discretionary services.

By identifying City services by the above categories, a jurisdiction can then objectively evaluate where to direct its limited funds by allocating revenues first to priority services; second to core services; and third to quality of life services. Every attempt should be made to fund the priority services within the City.

For purposes of evaluating the impact upon service level expense reductions as part of the option available to sustain City services long-term, a listing of services has been summarized and placed within the categories identified above. Dollar values associated with each of the 89 identified City services have also been included. It is important to note that assigning City services within each of three categories is a subjective task and before any action is taken in regards to possible funding decisions, the Council must decide upon the relative service level assignments to the identified category.

The above assignment of services does not take into account the City's desire or ability to reduce a particular service rather than eliminating it entirely. In addition, consideration should also be given to the cause and effect relationship that exist when reducing or eliminating a particular service. For example, elimination of the school resource officer program would require additional patrol officer support to respond to various police issues occurring in the schools.

The following chart illustrates the types of services within the designated categories:



The services within the above categories are for illustrative purposes only.

City of Bothell Governmental Services Pyramid Diagram

The information listed below simply indicates what services might be considered for reduction or elimination under the scenario of reducing the General Fund by five percent (\$1.5 million) based upon the subjective assignment of service levels to the three categories mentioned above.

CITY SERVICES	ANNUAL COST
PRIORITY SERVICES	
Annual State Auditor Audit	37,000
Banking and Cash Flow Management*	22,000
Building Plan Review and Inspections*	427,800
Capital Project Engineering*	781,300
Leadership and Management (City Manager's Office)	597,500
City Wide Records Management	48,500
Citywide Commute Trip Reduction*	48,000
Community Development and Public Works Records Management	115,800
Comprehensive Plan, Shorelines Master Plan and Code Updates	345,800
Criminal Prosecution	81,900
Engineering Development Review & Inspection	386,900
Financial Planning, Forecasting and Budget Administration	120,000
Financial Reporting including the City's CAFR	75,000
Fire and EMS Call Response	6,379,500
LEOFF-1 Benefits Administration - Mandated	265,000
Personnel Payroll	76,000
Planning Development Review and Inspections	243,700
Police Communications (911)	1,391,500
Police Records Management	515,000
Primary Police Response (Patrol)	4,186,000
Safety Program - Legislated	27,000
Business License*	18,300
Citywide Financial Oversight incl. System Administration	477,700
Personnel Benefits Administration	83,000
Regional Jail Services	297,700
Priority Services Total	17,047,900

CORE SERVICES	
Administrative Hearings/Appeals	14,700
Annexations	19,600
Capital & Attractive Asset Tracking & Management	10,000
Cemetery Operations	29,200
City Computer Network Infrastructure & Hardware Maintenance	245,700
City Disaster Coordination and Planning	125,500
Code Enforcement	107,000
Computer, Printer, & Phone Maintenance (Hardware & Software)	728,100
Council Meeting Support	95,300
Court Administration/Management	316,400
Development Project Coordination	323,100
Economic Development Program	142,500
Employee Training	37,000
Facility Maintenance & Management	752,900
Fire Investigation and Hazard Prevention	574,600
General Case Detectives (Criminal Investigations)	810,400
General Legal Advice	98,500
GIS Addressing Function	48,100
Insurance and Risk Management Program	629,100
Labor Union Relations	64,000
Legislative Liaison	14,400
Narcotic Detective	108,300
Neighborhood Traffic Enforcement and Investigation	675,500
Parks and Municipal Grounds Maintenance	244,400
Personnel Policy Development and Maintenance	30,000
Personnel Recruitment and Retention	120,000
Plan and Code amendments not req'd by law	93,200
Police Special Response Teams (SWAT and Crisis Intervention)	58,900
Police Training Program Management	110,600
Prisoner Transport & Patrol Support	269,400
Public Safety Computer System Support	182,000
Regional / Interjurisdictional Planning Activities	37,490
Roadway Maintenance	615,300
Roadside Maintenance*	547,100
Sidewalk Replacement Program	51,200

Snow Removal	176,900
Sportsfield Operations	119,900
Street Cleaning (Phase II NPDES Requirement)	170,900
Transportation Engineering & Planning	353,600
Core Services Total	9,150,790
QUALITY OF LIFE SERVICES	
City Website Administration (Incl. COBNET)	165,500
Civil Disturbance Unit	33,800
Community and Employee Outreach (BCTV, Bylines, Bothell PRIDE)	190,200
Community Event Administration and Operations	69,200
Council Administrative Support	38,700
Crime Prevention Program	6,700
Crisis Intervention	5,000
D.A.R.E. Program	127,100
Employee Retention Programs	29,000
Employee Tuition Reimbursement	40,000
Fire Community Relations and Planning	112,200
GIS Graphics Production for General Public Use	18,600
Hardware and Software Testing and Development	70,000
ITT Tech Internship Program	33,600
Landmark Preservation	27,600
Passport Support*	28,500
Permitting E-gov Alliance	20,800
Police Special Event Support	15,600
Recreation and Athletic Programs	452,900
Residential Recycling Event*	40,000
School Resource Officers	473,900
Police Special Response Team	53,900
GIS Graphics Production for Internal Departments	146,800
Police K-9*	1,200
Tourism and Human Services Program Administration	16,000
Quality of Life Services Total	2,212,300
TOTAL FROM ALL CATEGORIES	\$28,410,990

* Indicates services that include revenue of equal or greater value than the cost of the service.

LONG RANGE FINANCIAL PLAN

A Long-Range Financial Plan (LRFP) is designed to provide financial projections that anticipate future economic conditions along with evaluating various fiscal trends and scenarios to guide prudent financial decision making.

The City's LRFP also serves as a communication tool. It illustrates the City's ability to respond to anticipated changes in service levels, revenues and expenditures in a proactive manner.

Long-Range Financial Planning involves:

- a panoramic, "big picture" point of view;
- a focus geared toward viewing the effects of today's decisions on the organization's financial position several years into the future; and
- an understanding that the City's LRFP is not meant to replace the comprehensive revenue and expenditure estimates detailed in the City's biennial budget process.

To create a long-range financial plan for the City a 2010 financial forecast has been created. This section of the "Roadmap" includes documentation of each major revenue and expenditure included in the 2010 financial forecast along with the assumptions made in preparing the LRFP.

Financial Scenarios

Financial scenarios provide a means to analyze and weigh the advantages and disadvantages of implementing fiscal policies and action plans through graphically viewing the effects of today's decisions on the organization's financial position several years into the future.

Several revenue and expenditure scenarios have been created to enhance proactive financial decision making. These scenarios are presented in both a graphic and narrative format and can be evaluated individually or in varied combinations to illustrate their potential impact on the City's future fiscal position.

2010 Financial Forecast

The 2010 Financial Forecast is built on the following major revenue and expenditure projections, actions and assumptions. Each of these is discussed below.

Revenue Base

The City of Bothell's three main revenue categories are property tax, sales tax, and business taxes. In 2005, these revenue categories make up 74% of the City's General Fund revenues. Combined property tax, sales tax and utility tax are forecasted to increase approximately 5% annually through the remainder of the analysis period (2007-2010) while the remaining 26% of General Fund revenues are projected to increase less than 2% each year. Overall, General Fund revenues are expected to increase 4% in each year of the ensuing two bienniums.

Property Tax Revenues

Between 2005 and 2010, property tax revenues are projected to increase 1% annually in addition to new construction added to the property tax roll. During the analysis period, a 1% increase in property tax revenues equates on average to \$75,000 in annual General Fund property tax receipts.

Based on the 2005-2010 development categories previously outlined in this document, new construction is expected to add an additional 2-3% to the City's property tax receipts in 2006, 2007 and 2008, an additional 1% in 2009 and 2% in 2010.

Major new residential construction projected in 2005-2007 is expected to increase the City's property tax receipts from just over \$7 million in 2006 to \$8 million in 2010 resulting in an average annual increase of 3%.

Assessed value will increase between 6 and 10% annually plus new construction. For this analysis, a conservative 6% was used due to the uncertainty of rising interest rates, speculation on job security, and inflation indicators.

The City's current 2005 property tax levy rate is \$1.51 per \$1,000 of assessed property value. In 2010, the City's property tax levy is expected to be as low as \$1.20 per \$1,000 of assessed property value. This projection is based on a conservative 6% annual increase in property value.

No annexation revenues or expenditures are included in this analysis.

Sales Tax Revenues

In both 2002 and 2003, sales tax receipts decreased. Receipts went from \$8.2 million in 2001 to less than \$7.7 million in 2003. In 2004, sales tax receipts again reached the \$8 million mark.

Sales tax receipts are expected to maintain a positive growth trend throughout this analysis period due to major new residential construction producing one-time construction sales tax dollars and on-going regular sales tax receipts resulting from an increase in the City's population. By the end of this decade, 1,000 new non-specialized residential units are expected to be built and occupied. As the City reaches build-out, construction sales tax dollars will diminish.

The City's annual sales tax per capita figure in 2004 was \$260. By 2010, the City's annual sales tax per capita figure is forecasted to near \$365. These figures include both on-going and one-time sales tax revenue receipts. The City's annual sales tax per capita figures excluding construction sales tax receipts was \$221 in 2004 and forecasted to be \$274 by 2010.

Regular sales tax will increase by Consumer Price Index (CPI) annually and one-half percent (.5%) for growth plus any projected increases in the City's sales tax per capita receipts. The City's population is forecasted to climb by 2,800 citizens by 2010. A near 5% average annual increase in regular sales tax is expected during the analysis period. Regular sales tax is forecasted to reach \$7.2 million in 2005 and \$9.1 million by 2010.

Construction sales tax includes some one-time revenues which are distinguished from the standard base by plotting spikes in receipts and analyzing permitting trends. The construction sales tax base (currently \$1.2 million) is increased by CPI annually throughout the analysis period.

The City maintains a policy of using its one-time revenues for one-time expenditures. The 2010 financial forecast transfers all one-time development revenues to the Capital Projects Fund to be used for one-time expenditures. It is estimated the City will receipt \$6.4 million between 2005 and 2010 in one-time revenues resulting from residential and commercial building.

Utility Tax Revenues

Utility tax is collected from utility providers that operate in Bothell. Utility tax revenue is expected to rise over 30% by the end of the six-year analysis period (2005-2010). This dramatic 5 plus percent average annual increase is mainly due to service delivery increasing by 1,300 new residential units over the analysis period.

Additionally, natural gas prices have risen significantly, cable rates rose, basic telephone service rates are increasing 30% during 2005 and City of Bothell sewer rates increased 9% in 2005. Sanitation rates could decrease slightly in 2005.

The above adjustments equate to an over 5% average annual increase in utility tax revenues received from utility providers rather than the less than 3% previously forecasted - thus resulting in an increase in expected receipts of \$374,000 in 2005 to a projected \$1.4 million in 2010.

2010 Financial Forecast Revenue Actions

- Transfer all one-time General Fund revenues to the Capital Projects Fund for one-time capital expenditures.
 1. **Construction Sales Tax Revenues over \$1.2 million plus annual CPI:**
\$1.2 million equates to the City's average annual on-going construction sales tax receipts and therefore this figure is used to distinguish one-time construction sales tax spikes from regular on-going construction sales tax revenues.
 2. **Building Permit Fees over \$600,000 plus annual CPI:**
\$600,000 is used as the base figure to distinguish one-time building permit fees because it equates to the City's average annual building permit fee receipts.
- Implement a 25 cent EMS Levy in Snohomish County portion of Bothell in 2006 equating to \$562,000 in revenues to the General Fund.
- Transfer \$3.36 million from "Residual fund balance in the closed Facilities Fund" designated fund balance in the General Fund to the Capital Projects Fund for City facility needs.
- Transfer \$10 million in undesignated/unreserved General Fund fund balance to the Capital Projects Fund for land acquisition and City facility needs. The remaining General Fund, fund balance equals restricted and designated fund balances (including the City's 10% operating reserve) or \$8.6 million as outlined in the 2005-2006 biennial budget document.
- Transfer the annual Waste Management Administrative Fee of \$250,000 to \$300,000 to the Street Fund to fund the Annual Street Overlay Program.

2010 Financial Forecast Revenue Assumptions

- Designate \$650,000 in General Fund, fund balance for EMS utility refunds.
- Include the new Gas Tax Street Fund revenues totaling \$140,000 annually in 2006 dollars. Reducing the General Fund subsidy accordingly.
- Downtown redevelopment will influence this analysis beginning in 2009. The City anticipates its General Fund will receive one-time development revenues amounting to \$500,000 in 2009, along with an additional \$1.1 million in 2010.

One-time development revenues are transferred to the City's Capital Projects Fund and earmarked for one-time capital expenditures. Additionally, the City expects to see on-going revenues associated with downtown redevelopment amounting to \$200,000 in 2009 and \$445,000 in 2010.

- Any possible Streamlined Sales Tax legislation would be mitigated by Internet Sales Tax legislation.
- No annexation revenues are included in this analysis.

EXPENDITURE BASE

The City of Bothell's three main General Fund expenditure categories are personnel costs, maintenance and operating costs (office/operating supplies and professional services), and capital costs. Excluding operating transfers, a near 6% average annual expenditure increase is projected for the remaining two biennium analysis period.

Personnel Costs

In the 2005-2006 biennium, General Fund salaries make up 75% of the General Fund expenditure appropriation. This is nearly an 18% increase compared to the City's 2003-2004 General Fund salary appropriation. Over the analysis period, personnel costs are projected to increase on average 6.7% per year.

Salary and benefit projections were compiled by projecting the costs of each employee's current salary and factoring in annual step increases, current union contract obligations and retirement benefit contributions (based on each individual's plan and union benefits).

Annual increases in medical, dental and vision premiums were based on an increase of 12.5%, 6%, and 3% respectively. Cost of living projections average between 3% and 4.2% depending on current contract obligations and projected future CPI increases.

Maintenance and Operating Costs

General Fund maintenance and operating (M&O) costs are included in this analysis as appropriated in the adopted 2005-2006 budget. From 2007 through 2010, maintenance and operating costs are forecasted on average to increase annually by 3% to accommodate inflation.

One-time expenditures in 2005 and 2006 have been removed from the General Fund M&O line-items to determine base figures for allocating inflation for years 2007 through 2010. One-time expenditures amounted to nearly \$1.4 million in 2005 and \$650,000 in 2006.

A placeholder of \$500,000 is included annually in this analysis for one-time expenditures. Including this half-million dollar placeholder increases the 2007 through 2010 M&O forecast from 3% to 4.2% annually.

In the 2005-2006 Biennium Budget, excluding operating transfers, M&O costs are appropriated to make up 22% of the General Fund budget.

Capital Costs

General Fund capital spending is appropriated for \$983,374 in 2005 and \$532,471 in 2006. Less than \$100,000 is forecasted annually in years 2007 through 2010 and this is mainly for computer/technology equipment.

As stated under the Maintenance and Operating Costs section, a placeholder of \$500,000 is included annually in this analysis for one-time expenditures. One-time expenditures could also include capital items.

Most of the City's capital spending takes place in designated Funds outside of the General Fund:

- Capital Projects are budgeted in the Capital Projects Fund
- Capital Asset Replacement is budgeted in the Asset Replacement Fund

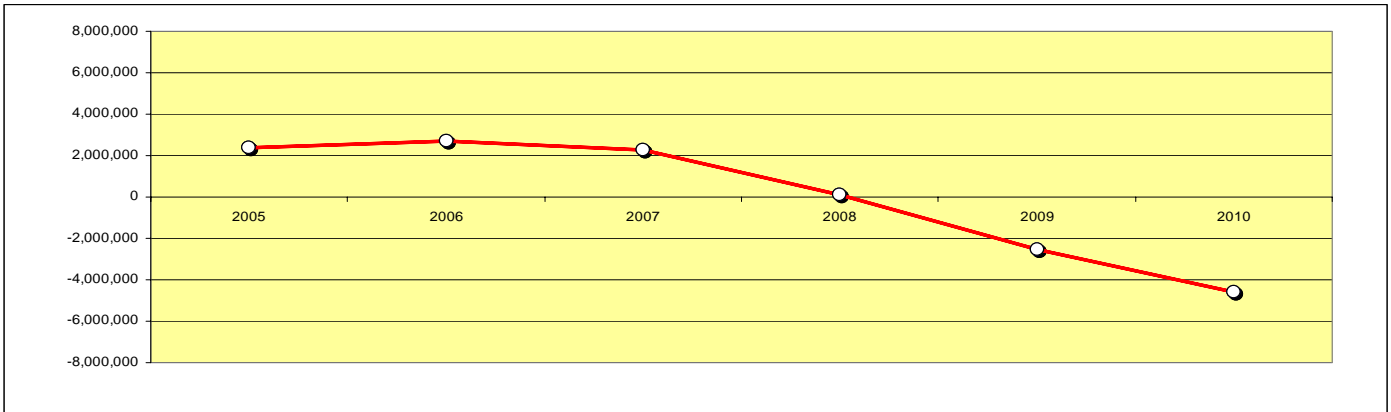
2010 Financial Forecast Expenditure Actions

- Include a fully-funded Asset Replacement Fund including all current facilities, equipment, and fleet needs.
- Continue providing an on-going Street Fund subsidy of approximately \$560,000 annually (\$700,000 average subsidy minus \$140,000 in new revenues in 2006). Increase subsidy by CPI annually.

Expenditure Assumptions

- Include personnel necessary to accommodate projected growth. The following 12 positions have been identified by department directors to accommodate projected growth: 4 firefighters, 1 fire lieutenant, 1 crime prevention officer, 1 police officer, 1 PW construction inspector, 1 PW office specialist, 1 PW engineer technician, 1 PW street maintenance worker, and 1 PW traffic signal technician. These additional positions may not become necessary until the latter part of this analysis period or beyond. Fifty percent of the Director's personnel requests were included in the expenditure base for purposes of the 2010 Financial Forecast.
- Levels of Service (LOS) remain at current standards. Additional staffing is included to meet projected growth needs.
- Downtown redevelopment will have no material influence on General Fund expenditures other than the cost of the master plan budgeted in 2005 and the additional personnel listed above.
- No annexation expenditures are included in this analysis.

2010 Financial Forecast



Base Scenario	2005*	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Revenue/Expenditure Gap	\$931,062	\$307,925	(\$397,227)	(\$2,194,934)	(\$2,626,950)	(\$2,071,574)

*The deficit (gap) in 2005 is due to the appropriation of "restricted" fund balance.

It is important to note the points on the first graph depict the City's financial position at year end.

The graph of the 2010 Financial Forecast illustrates the average annual \$2.3 million gap between projected General Fund revenues and expenditures beginning in 2008.

During the 2007 through 2010 timeframe, General Fund expenditures, the cost of maintaining current service levels for our citizens is projected to increase approximately 6% per year, while revenues are only expected to increase 4% per year.

To present an accurate projected revenue versus expenditure gap picture on an annual basis, restricted and designated fund balance (including the City's 10% operating reserve) is not included in the base scenario.

The 2005-2006 General Fund budget appropriated spending of the following restricted and carry-forward funds:

Restricted Fund Balance	Total
Tourism (Hotel/Motel Tax Reserve)	\$500,000
Thrashers Corner (Mitigation)	576,471
Sanitation Fund Reserve	115,260
Ball Fields (Mitigation)	605,000
Fire Donated Funds	10,000
Total Restricted Fund Balance:	\$1,806,731

Restricted funds can only legally be appropriated for their intended purpose.

Carry Forward Projects	Total
Police CAD/RMS Implementation	\$142,000
Eden Financial System Upgrade	160,000
Fire Mobile Data Radios	96,000
Peoples Choice	40,000
Total Carry Forward:	\$438,000

The 2005-2006 General Fund Biennial Budget re-appropriated 2004 designated funding for projects which were not entirely completed by the end of the 2003-2004 biennium.

The 2005 revenue and expenditure figures presented in the forthcoming scenario graphs include the above restricted and designated dollars.

The following scenarios:

- Include a description of the scenario
- Addresses the positive points of implementing
- Addresses potential obstacles or negative aspects
- Explains the fiscal impact on the revenue / expenditure gap
- Illustrates the fiscal impact of the scenario on the 2010 financial forecast

Scenario Numbers 1 and 2

Scenario Name

25 and 50 Cent Levy Lid-Lift

Narrative

Implement a Levy Lid-Lift during the analysis period, which requires a positive public vote. In 2006, a 25 cent Levy Lid-Lift would provide approximately \$1.2 million in new revenues. (Scenario 2: \$2.4 million)

Advantages

Provides new funds to fill gap between revenues and expenditures.

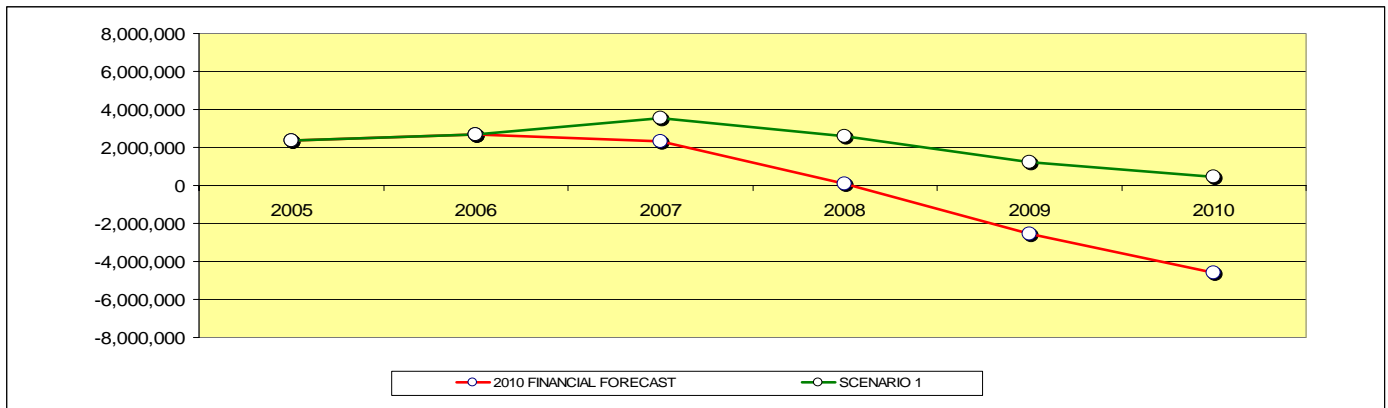
Disadvantages

Increased taxation and risk of a failed public vote.

Net Influence on 2010 Financial Forecast

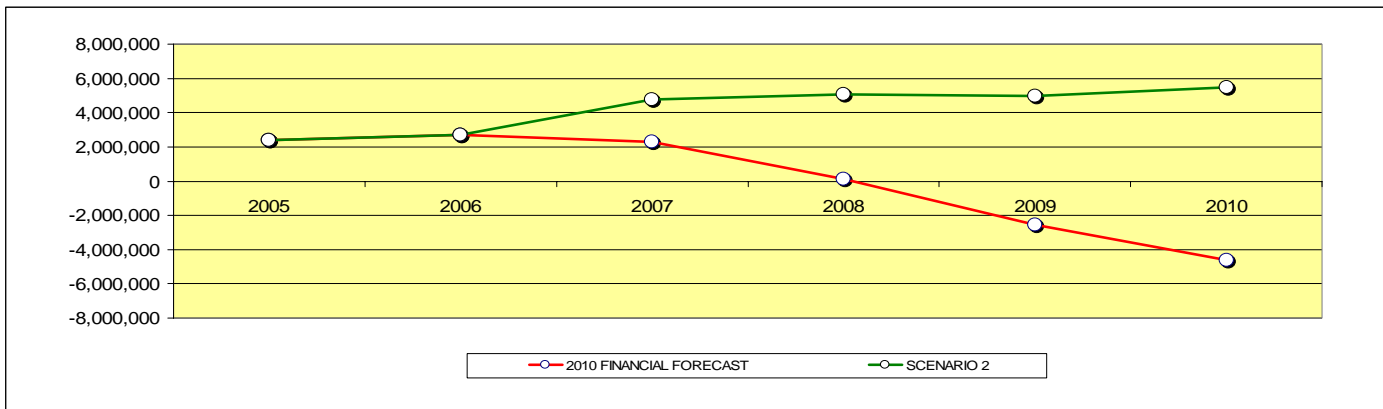
Increases General Fund revenues in 2006 dollars by approximately \$1.2 million for each 25 cents levied.

Scenario 1: \$.25 Levy Lid Lift



Scenario 1	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues			1,240,000	1,256,000	1,262,000	1,279,000
Total Revenues	\$32,936,308	\$33,086,361	\$36,024,748	\$35,915,349	\$37,546,750	\$40,956,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures						
Total Expenditures	\$32,005,246	\$32,778,436	\$35,181,975	\$36,854,283	\$38,911,700	\$41,748,773
Annual Rev/Exp Gap	\$931,062	\$307,925	\$842,773	(\$938,934)	(\$1,364,950)	(\$792,574)
Biennium Rev/Exp Gap	\$1,238,987		(\$96,161)		(\$2,157,524)	

Scenario 2: \$.50 Levy Lid Lift



Scenario 2	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues			2,480,000	2,512,000	2,524,000	2,558,000
Total Revenues	\$32,936,308	\$33,086,361	\$37,264,748	\$37,171,349	\$38,808,750	\$42,235,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures						
Total Expenditures	\$32,005,246	\$32,778,436	\$35,181,975	\$36,854,283	\$38,911,700	\$41,748,773
Annual Rev/Exp Gap	\$931,062	\$307,925	\$2,082,773	\$317,066	(\$102,950)	\$486,426
Biennium Rev/Exp Gap	\$1,238,987		\$2,399,839		\$383,476	

Scenario Number 3

Scenario Name

Metropolitan Park District

Narrative

Creation of a Metropolitan Park District (MPD) within the Bothell city limits during the analysis period, which requires a positive public vote.

Advantages

Provides a way to supplant General Fund revenues currently being spent to provide park and recreation services and allows citizens to decide how much they invest in Bothell parks and recreation.

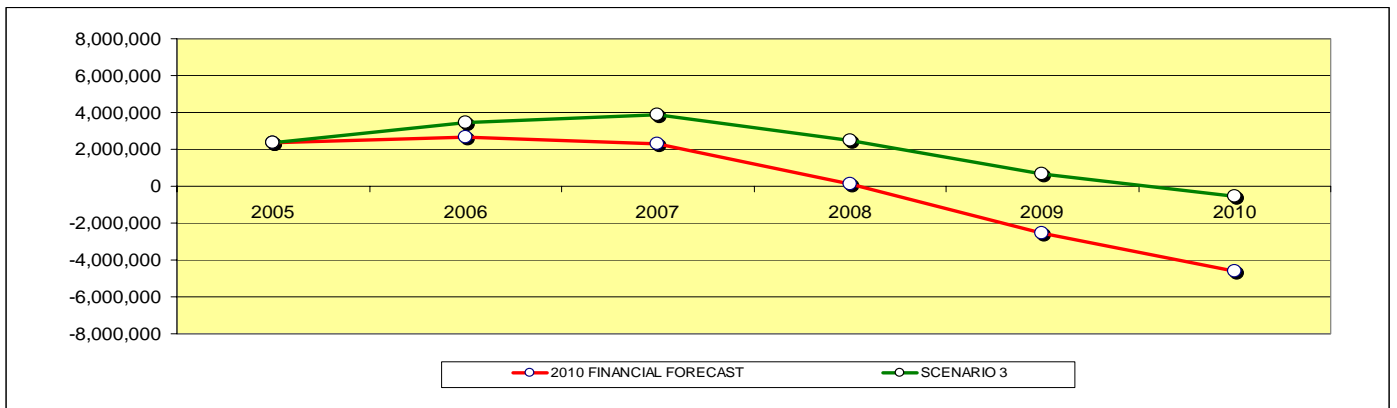
Disadvantages

Could increase taxation by up to 75 cents per \$1,000 of assessed property value. The City's Park Board recommended a 45 to 55 cent levy.

Net Influence on 2010 Financial Forecast

In 2006 dollars, this scenario decreases General Fund expenditures by an estimated \$789,400 (\$1,220,000 in expenditures minus \$430,600 in dedicated park and recreation revenues). This figure does not include budgeted park capital spending. New revenues generated by the MPD would not be part of the General Fund.

Scenario 3: Metropolitan Park District



Scenario 3	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues		(430,600)	(438,800)	(446,400)	(454,600)	(464,100)
Total Revenues	\$32,936,308	\$32,655,761	\$34,345,948	\$34,212,949	\$35,830,150	\$39,213,099
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures		(1,220,000)	(1,240,000)	(1,256,000)	(1,262,000)	(1,279,000)
Total Expenditures	\$32,005,246	\$31,558,436	\$33,941,975	\$35,598,283	\$37,649,700	\$40,469,773
Annual Rev/Exp Gap	\$931,062	\$1,097,325	\$403,973	(\$1,385,334)	(\$1,819,550)	(\$1,256,674)
Biennium Rev/Exp Gap	\$2,028,387		(\$981,361)		(\$3,076,224)	

Scenario Number 4

Scenario Name

Annex to a Fire District or Create a Regional Fire Authority and Reduce City Taxes by \$5.33 Million

Narrative

Depicts a near breakeven point between City revenue and expenditure losses if the Fire Department annexed into a Fire District or a Regional Fire Authority was created. This scenario equates to reducing the City's property tax levy to approximately 37 cents per \$1,000 of assessed property value (current levy set at \$1.50) or reducing the City's utility tax rate from 6% to 1.35%.

Advantages

Reduces the General Fund's annual expenditures dramatically in the first year but the savings is reduced to approximately \$470,000 due to the reduction in City tax (approximately \$5.33 million based on 2006 dollars) and would most likely provide purchasing, training and staffing efficiencies for the fire agency. This scenario more importantly, limits the City's exposure in future years to escalating Fire Department personnel and equipment costs.

Disadvantages

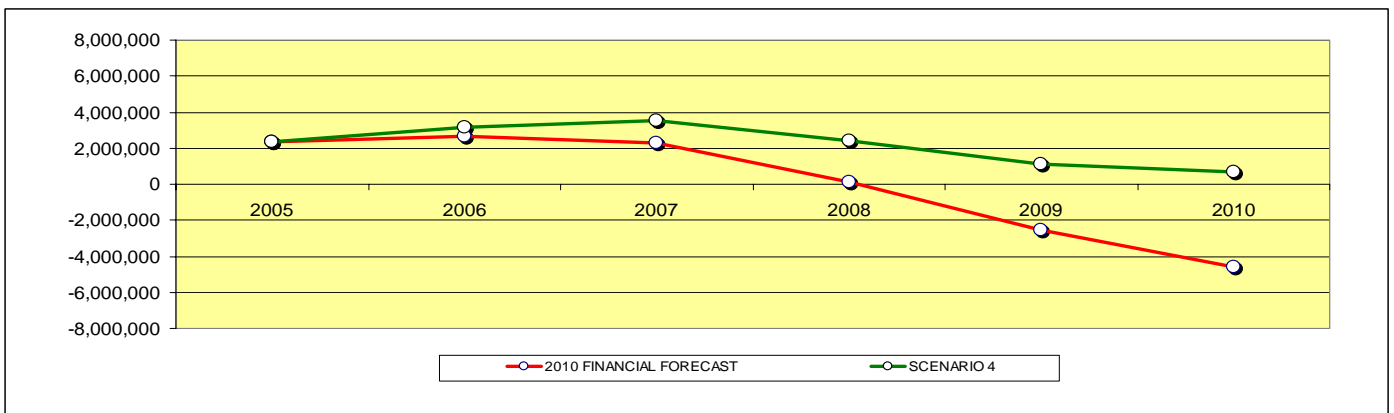
Annexing to a Fire District would increase taxation of our citizens by approximately 37 cents per \$1,000 of assessed value or a 1.35% utility tax rate increase.

If the City reduces its property tax levy, it will decrease the initial base. With the passage of I-747, cities are limited to a 1% increase per year. Thus, future needs should be considered when initially establishing the levy.

Net Influence on 2010 Financial Forecast

Net annual decrease in expenditures of approximately \$470,000 in 2006. This figure was derived by subtracting 2006 Fire Department revenues estimated at \$1,900,000 and \$5,330,000 in City tax from the Fire Department's expenditures and overhead costs which are forecasted to total \$7.7 million in 2006. The 2010 financial forecast does include an EMS levy in 2006.

Scenario 4: Annex to a Fire District or Create a Regional Fire Authority and Reduce City Taxes by \$5.33 Million



Scenario 4	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues		(7,231,750)	(7,507,500)	(7,760,600)	(7,970,450)	(8,246,763)
Total Revenues	\$32,936,308	\$25,854,611	\$27,277,248	\$26,898,749	\$28,314,300	\$31,430,436
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures		(7,700,000)	(8,300,000)	(8,800,000)	(9,300,000)	(9,900,000)
Total Expenditures	\$32,005,246	\$25,078,436	\$26,881,975	\$28,054,283	\$29,611,700	\$31,848,773
Annual Rev/Exp Gap	\$931,062	\$776,175	\$395,273	(\$1,155,534)	(\$1,297,400)	(\$418,337)
Biennium Rev/Exp Gap	\$1,707,237		(\$760,261)		(\$1,715,737)	

Scenario Number 5

Scenario Name

Reduce Annual General Fund Spending by 5% (\$1.5 million)

Narrative

Reduce annual General Fund Maintenance and Operating (M&O) spending by 5% annually. M&O spending does not include capital spending or operating transfers.

Advantages

Reduces the revenue and expenditure gap to a workable figure.

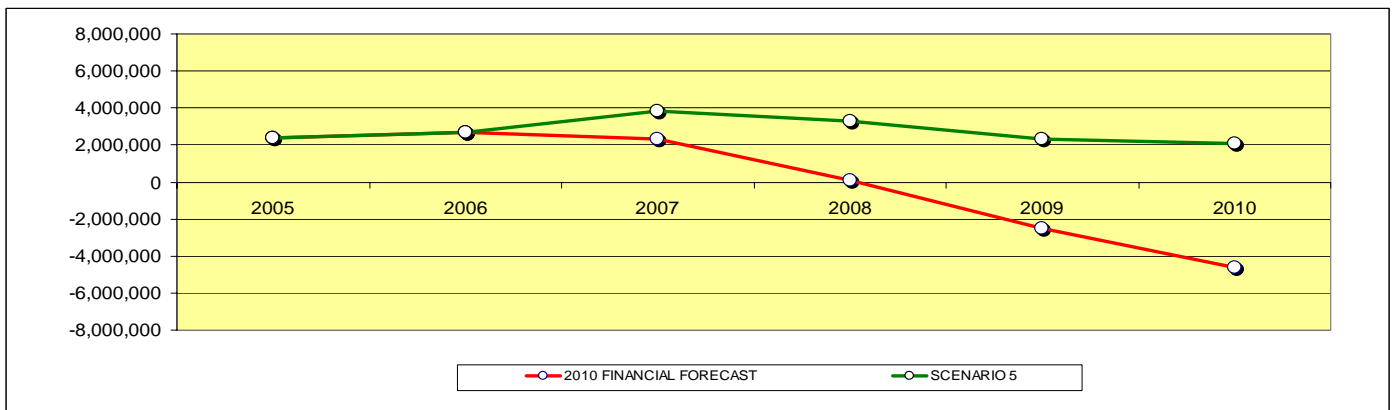
Disadvantages

Requires elimination of both programs and staffing, which equates to a reduction in the City's current level of service standards.

Net Influence on 2010 Financial Forecast

Reducing General Fund M&O spending by 5% annually beginning in 2007 would result in revenue exceeding expenditures until approximately December of 2008.

Scenario 5: Reduce Annual General Fund Spending by 5%



Scenario 5	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues						
Total Revenues	\$32,936,308	\$33,086,361	\$34,784,748	\$34,659,349	\$36,284,750	\$39,677,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures			(1,523,974)	(1,636,338)	(1,710,951)	(1,794,775)
Total Expenditures	\$32,005,246	\$32,778,436	\$33,658,001	\$35,217,945	\$37,200,749	\$39,953,998
Annual Rev/Exp Gap	\$931,062	\$307,925	\$1,126,747	(\$558,596)	(\$915,999)	(\$276,799)
Biennium Rev/Exp Gap	\$1,238,987		\$568,151		(\$1,192,798)	

Scenario Number 6

Scenario Name

Eliminate All One-Time Revenue Transfers Out

Narrative

This scenario is designed using one-time revenues for on-going expenditure.

Advantages

Removes the need for additional taxation and/or expenditure cuts and maintains a positive fund balance throughout the analysis period 2005-2010.

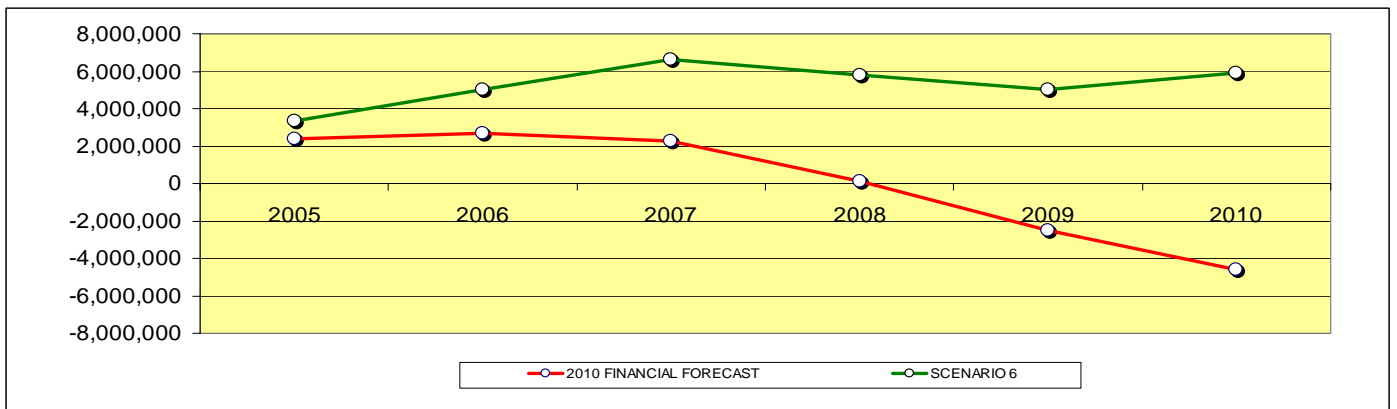
Disadvantages

Needed capital could not happen, the City's credit rating would plummet, and the City would not be consistent with its own sound fiscal policy of using one-time revenues for one-time expenditures.

Net Influence on 2010 Financial Forecast

Adds \$1.75 million on average each year from 2005 through 2010 for on-going General Fund operating expenditures.

Scenario 6: Eliminate All One-Time Revenue Transfers Out



Scenario 6	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues						
Total Revenues	\$32,936,308	\$33,086,361	\$34,784,748	\$34,659,349	\$36,284,750	\$39,677,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures	(958,900)	(1,347,800)	(1,996,600)	(1,362,700)	(1,867,400)	(2,965,600)
Total Expenditures	\$31,046,346	\$31,430,636	\$33,185,375	\$35,491,583	\$37,044,300	\$38,783,173
Annual Rev/Exp Gap	\$1,889,962	\$1,655,725	\$1,599,373	(\$832,234)	(\$759,550)	\$894,026
Biennium Rev/Exp Gap	\$3,545,687		\$767,139		\$134,476	

Scenario Number 7

Scenario Name

Reduce Interest Transfer by Nearly \$2 Million

Narrative

Appropriate nearly \$2 million in General Fund interest (forecasted to be earned between 2006 and 2010) for on-going operating expenditures. These funds were originally earmarked to be transferred from the General Fund to the Capital Projects Fund.

Advantages

These funds could be used in correlation with other scenarios to help reduce the gap between revenues and expenditures in late 2008 through 2010.

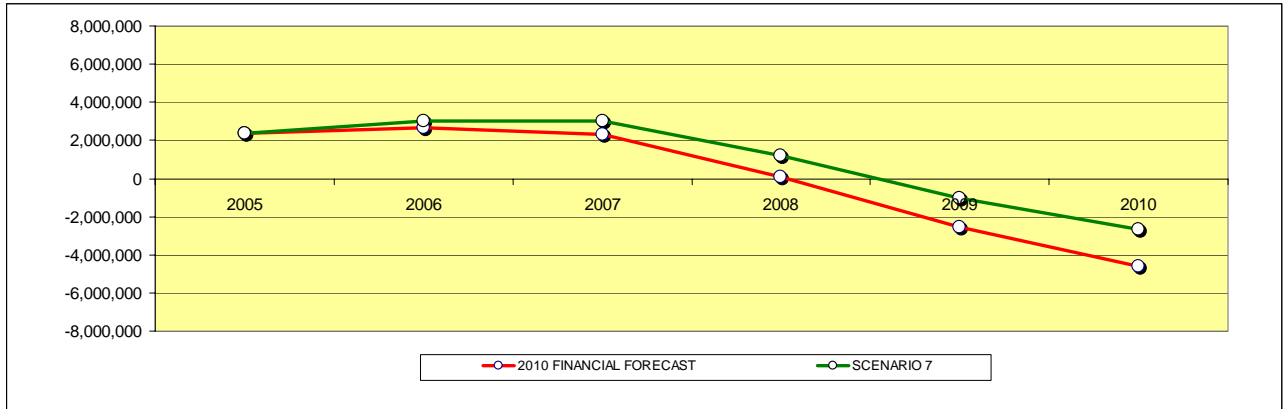
Disadvantages

The funds would not be available for needed City capital projects. City Council would be choosing to use one-time revenues as an interim measure to bridge the gap between revenues and expenditures.

Net Influence on 2010 Financial Forecast

Adds nearly \$400,000 annually from 2006 through 2010 for on-going General Fund operating expenditures. This scenario does not bridge the gap in 2008 or beyond.

Scenario 7: Reduce Interest Transfer by Nearly \$2 Million



Scenario 7	2005	2006	2007	2008	2009	2010
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues						
Total Revenues	\$32,936,308	\$33,086,361	\$34,784,748	\$34,659,349	\$36,284,750	\$39,677,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures		(325,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total Expenditures	\$32,005,246	\$32,453,436	\$34,781,975	\$36,454,283	\$38,511,700	\$41,348,773
Annual Rev/Exp Gap	\$931,062	\$632,925	\$2,773	(\$1,794,934)	(\$2,226,950)	(\$1,671,574)
Biennium Rev/Exp Gap	\$1,563,987		(\$1,792,161)		(\$3,898,524)	

Scenario Number 8

Scenario Name

Reduce Interest Transfer by Approximately \$2 Million and Appropriate \$2 Million of Fund Balance

Narrative

This scenario appropriates an additional \$4 million for operational purposes in order to plug the revenue/expenditure gap.

Reduce transfers by appropriating nearly \$2 million in General Fund interest (forecasted to be earned between 2006 and 2010) for on-going operating expenditures. These funds were originally earmarked to be transferred from the General Fund to the Capital Projects Fund.

In addition, reduce the \$10 million transfer included in the 2010 financial forecast to the Capital Projects Fund to \$8 million, therefore appropriating another \$2 million towards on-going General Fund operating expenditures.

Advantages

This scenario is a compromise between allocating all one-time revenues towards one-time expenditures and utilizing one-time revenues along with spending down fund balance for on-going operating costs. This spending plan eliminates the gap between General Fund revenues and expenditures out to 2009 allowing for economic development to take place.

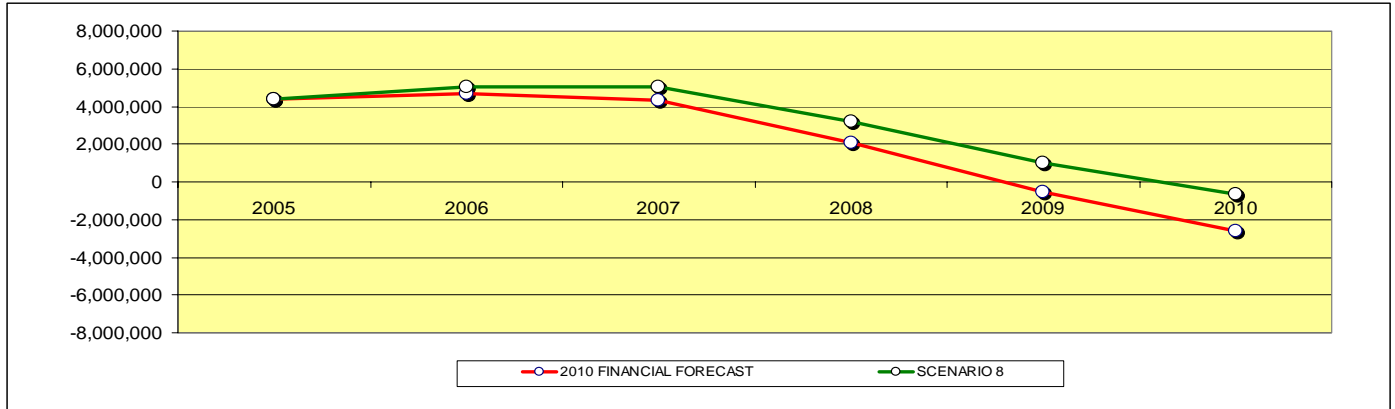
Disadvantages

The funds used as a stop-gap between revenues and expenditures would not be available for needed City capital projects. City Council would be choosing to use one-time revenues as an interim measure to bridge the gap between revenues and expenditures.

Net Influence on 2010 Financial Forecast

Completely eliminates the gap between General Fund revenues and expenditures until near the end of 2009.

Scenario 8: Reduce Interest Transfer by Approximately \$2 Million and Appropriate \$2 Million of Fund Balance



Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199
Scenario Revenues				2,000,000		
Total Revenues	\$32,936,308	\$33,086,361	\$34,784,748	\$36,659,349	\$36,284,750	\$39,677,199
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773
Scenario Expenditures		(325,000)	(400,000)	(400,000)	(400,000)	(400,000)
Total Expenditures	\$32,005,246	\$32,453,436	\$34,781,975	\$36,454,283	\$38,511,700	\$41,348,773
Annual Rev/Exp Gap	\$931,062	\$632,925	\$2,773	\$205,066	(\$2,226,950)	(\$1,671,574)
Biennium Rev/Exp Gap	\$1,563,987		\$207,839		(\$3,898,524)	

*Scenario 8 utilizes \$2 million in fund balance towards on-going expenditures, which are presented in this graph as revenues.

CAPITAL FACILITIES AND OPPORTUNITIES

The purpose of this Capital Facilities and Opportunities section is to demonstrate the capital facility needs of the City and how decisions regarding sustaining desired service levels affect the capital facilities that can or should be built. For example, a strategy that proposes to use General Fund reserves for on-going operational functions will affect the City's ability to fund services and would eliminate up to \$10,500,000 for needed one-time capital investment opportunities.

This section does not attempt to prioritize the various capital facility projects nor does it include projects identified within the City's Transportation Improvement Program (TIP) or the City's Infrastructure Investment Program (IIP). It is recommended that the City use much of the information contained in this document, the TIP, and the IIP to develop a comprehensive capital facilities plan that combines all the projects with available funding opportunities.

The City of Bothell has accumulated a large General Fund balance as a result of not distinguishing and appropriating one-time revenues towards one-time capital expenditures. A portion of the current General Fund balance therefore should be allocated to capital projects, such as improvements to or expansion of municipal facilities, parks, sidewalks/trails and transportation needs.

The objective of the Roadmap process is to establish a sustainable funding plan that affords adequate City services to our citizens. Without current revenues meeting current expenditure needs, a reluctance exists to spend fund balance on capital needs "just in case" it ever became necessary to pay for on-going operating expenditures with these funds. This conservative approach to spending creates another dilemma because the cost of construction continues to rise at a much faster rate than interest earned on fund balance. Over a period of only a few years, construction costs have increased significantly, 4% - 6% per year, but over the same period the City only received a 1-2%

return on its invested fund balance. The City's buying power is decreasing annually. Compounding the situation, the City's facilities continue to age and major repairs and/or expansion is becoming unavoidable.

Capital facilities identified in this report include the following: public works shops, City Hall and Dawson building, parks/fields, and sidewalks/trails. These projects represent approximately \$53 million in one-time expenses. In addition, the City's TIP and IIP includes approximately \$100 million in projects that are in need of funding assistance. The two most notable of these projects are the Downtown Gateway Realignment Project and the Bothell Connector Project. These two projects account for \$73.9 million in unfunded capital needs.

FUNDING SOURCES

Six major funding sources are available for the capital projects identified in this section:

- Real estate excise tax
- General Fund reserves
- One-time revenue transfers
- Bonds
- Brightwater mitigation
- Other sources

Funding sources and the assumptions used to build potential financing scenarios are described below.

Real Estate Excise Tax

The Real Estate Excise Tax (REET) is a tax levied on the sale of real estate as measured by the full sale price.

The City of Bothell collects REET funds at the maximum amount allowed by law--0.5% on real estate sales in Bothell. REET receipts are subject to wide variations due to volatility in the local housing market. Between 2000 and 2004, receipts fluctuated from

\$1.1 million to \$2.3 million. Total receipts for the 5 year period were \$7.3 million. REET is forecasted to generate \$2 million annually from 2006 through 2010. \$1,510,000 has been earmarked for IIP projects and \$825,000 for debt service on the City's 1995 GO Bond.

State law restricts the first and second one-quarter percent ($\frac{1}{4}\%$) of REET funds to the following uses:

- planning, acquisition, construction, re-construction, repair, replacement, rehabilitation or improvement of: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water system and storm and sanitary sewer systems.
- planning, construction, reconstruction, repair, rehabilitation or improvement of park and recreation facilities.

However, state law allows the first one-quarter percent ($\frac{1}{4}\%$) to also be used for:

- acquisition of parks and recreation facilities.
- planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation or improvement of: law enforcement or fire protection facilities, trails, libraries and administrative and judicial facilities.

The City of Bothell does not have a formal policy for allocating REET resources other than its current practice of paying the annual debt service on the City's 1995 GO Bond and funding its Street Overlay Program. It is recommended that the City develop a REET allocation policy as part of a comprehensive capital facilities plan.

REET revenues can be leveraged long-term (10 to 20 years) through the issuance of bonds. Currently \$1.1 million annually in REET revenue can service approximately \$10 million in bond debt for 10-years.

General Fund Balance

There are three categories of fund balance: reserved, designated, and undesignated/unreserved.

- "Reserved" fund balance is legally restricted for a specific purpose;

- "Designated" fund balance is earmarked for a specific use but can be reallocated by the City Council; and
- "Undesignated/Unreserved" fund balance is available for appropriation.

Bothell designates an operating reserve within its General Fund balance equal to 10% of its annual General Fund expenditures. Based upon 2005 expenditures, a 10% reserve calculates to \$3 million. Maintaining an operating reserve is vital to financial solvency because it protects against unanticipated revenue shortfalls and/or expenditure obligations. The current undesignated/unreserved General Fund balance is \$14.8 million and represents nearly 50% of annual General Fund expenditures.

The 2010 Financial Forecast described in the Long-Range Financial Plan (LRFP) section, includes an operating transfer of \$10 million in General Fund undesignated/unreserved fund balance and \$3.36 million from the General Fund designated fund balance (residual fund balance from the Facilities Fund, which was closed in 2002) to the Capital Projects Fund for a total operating transfer of \$13.36 million.

One-Time Revenue Transfers

The City's adopted financial policy is to use one-time revenue for one-time expenditures such as capital. In the Long-Range Financial Plan section, the 2010 Financial Forecast includes the transfer of all one-time General Fund revenues to the Capital Projects Fund over any amount needed to support a 10% operating reserve level. One-time revenues include construction sales tax and permit fees revenues in excess of a specified base figure (see LRFP section for further details). Over the span of this analysis (2005-2010), \$10,500,000 in one-time revenues is expected to be transferred from the City's General Fund to its Capital Projects Fund.

Since this funding source is dependent on private development within the City, projects relying on this funding source would not be scheduled until after the funding was received.

Bonds

Bond revenue is available from two sources: general obligation bonds and revenue bonds. General obligation bonds are backed by the value of the property within the jurisdiction and repayment can be made from any unrestricted revenue source. General obligation bonds are either Councilmanic or voter-approved. Under Washington State law, government debt is restricted to 2.5% of the taxable value of property for general purpose bonds. Of this amount, 1.5%, or over \$56 million, may be in the form of Councilmanic bonds. Councilmanic bonds are authorized by the jurisdiction's legislative body without the need for voter approval. Principal and interest payments come from general government revenues, without an increase in taxes; for instance, REET revenue can be designated to pay for a Councilmanic bond. A \$10 million bond would have a repayment schedule of approximately \$1.1 million per year for 10 years. Voter-approved bonds increase the property tax rate proportionate to the annual debt service and interest on the bond so these funds are considered "new money".

Revenue bonds are secured by a specific revenue source, usually a user fee or charge and do not require voter approval. This type of bond is generally used for utilities.

Brightwater Mitigation

The City of Bothell will receive \$2.5 million from King County to mitigate the effects of the new Brightwater wastewater treatment facility. These funds are restricted for capital projects. The City is required to use a public involvement process to allocate the funds.

Other Sources

Revenues from other sources include a variety of known or potential funding sources, mainly one-time revenues. Specifically, six other sources of funds are included in this analysis.

- Northshore Youth Soccer Association: The soccer association may contribute \$900,000 towards multipurpose sport fields at two City parks.

- King County: The remaining \$800,000 from King County to mitigate the effects of a wastewater storage facility is available; this money is restricted to projects at the North Creek sports complex.
- IAC grants: The City of Bothell will apply to this state agency for grants to support park capital projects. (Estimated grant funds to be \$600,000)
- Senior adult housing: Partnering with a senior adult housing facility to build an on-site emergency medical services aid station.
- Sale of property: If the Anderson building is remodeled for use as City Hall, both the current City Hall site and the Dawson building can be sold for a combined estimated selling price of \$3.5 million.
- Federal, state, and local transportation grants: It is anticipated that federal, state, and local transportation grants will fund a large part of the Downtown Redevelopment Project.

Summary of Available Funds

The following chart summarizes the funds currently available as well as those funds expected to be received by 2010.

General Fund	
Undesignated / Unreserved Fund Balance	\$10,000,000
Designated Fund Balance	3,400,000
One-time Revenue Transfers	10,500,000
Capital Projects Fund	
Fund Balance (at 12/31/2006)	5,600,000
2007-2010 Revenues	5,700,000
Brightwater Mitigation	2,500,000
Potential Outside Funds	
Northshore Youth Soccer Association	900,000
King County Wastewater Storage Facility Mitigation	800,000
IAC Grants	600,000
Senior Adult Housing for EMS Aid Station	TBD
Federal State and Local Transportation Grants	<u>TBD</u>
TOTAL FUNDS AVAILABLE	\$40,000,000

Additional funding could also be secured through Councilmanic bonds and dedicating REET funds towards payment of the annual debt service and interest.

Individual Project Details

The following project details outline the projects identified that do not have funding identified. Following the project details is a matrix of all the projects listed plus potential funding sources.

CITY HALL

DESCRIPTION

There are three project alternatives identified to address administrative space needs.

- Purchase and remodel the Northshore School District's Anderson building complex and sell current City Hall and Dawson buildings
- Construct a new City Hall and Council Chamber on current site
- Purchase a building in one of the existing business parks and remodel



The City Hall building was remodeled in 2003 and 2004 to address some deficiencies. It does not, however, comply with accessibility regulations and has several environmental problems, such as inadequate heating and cooling systems. The Dawson building was remodeled in 1996, but the structure still has many deficiencies; including the need for additional restrooms and meeting space, improvements to the heating and cooling systems, lighting, sound barriers, carpet, and paint. The two buildings total approximately 20,000 square feet not including the temporary structure that houses engineering and fire prevention staff at the Dawson site.

Remodel of City Hall and Dawson buildings would still not be able to accommodate current identified needs. This type of project is very expensive for the minimal return achieved thus was not considered as an alternative.



Remodel of the Anderson building on the downtown Northshore School District property for use as a City Hall is attractive because of its highly visible location, ease of access to downtown Bothell, and the historic nature of the building. The Anderson site also includes a cafeteria and gymnasium that the City may

want to consider upgrading for Council Chambers or recreational use. The cost for these upgrades have not been included in the project costs at this time. A significant disadvantage of this alternative is the cost of renovating a building which was designed for a different use. The Anderson building is approximately 38,000 square feet not including the cafeteria and gymnasium. Also, the Anderson site is the center of several parcels that, as a package, could be key to the City of Bothell's downtown economic development plan. Siting of City Hall here uses space potentially available to revenue-producing businesses. However, relocating City Hall here frees up the current City Hall and Dawson sites for economic development. Proceeds from the sale of the current City Hall site and Dawson building would offset part of the acquisition and development costs associated with the Anderson site.

Constructing a new City Hall facility on the existing site offers several advantages: The City of Bothell owns the land needed to co-locate municipal offices here, and City Hall would remain in a location familiar to its citizens. It is easily accessible from downtown and across the street from the Police Department thereby completing the City's original vision for a municipal campus. City Hall staff may need to temporarily relocate their offices during construction, which will be disruptive to ongoing city operations. A new City Hall, with room for expansion, would be approximately 40,000 square feet and include a dedicated Council Chambers.

Ensuring sufficient parking is available is also an issue that needs to be analyzed for both sites.

Purchase of a building in one of the existing business parks is a possible solution. There are currently vacant buildings in the existing business parks. Generally, purchasing and remodeling of an existing office building is less expensive than remodeling an older facility or constructing a new building. This option has not been analyzed for potential structures that would accommodate the needs of the City.

JUSTIFICATION

Housing administrative employees in separate locations results in redundant costs and is a drain on productivity as well as being inconvenient for our citizens. There are approximately 30 employees at City Hall and over 50 employees at the Dawson facilities.

The City of Bothell incurs costs for managing two facilities instead of a single one, and there is a well-worn path between the two buildings on which employees, mail, money, and citizens travel frequently. To accommodate current needs, recreation and facilities staff have recently been relocated from Dawson to separate facilities. Originally, when the Dawson building was occupied by the City in 1996, it was projected to be a short-term solution. The space needs, restroom facilities, and employee and customer parking are inadequate for the current staffing levels.

STATUS

Anderson: Staff from the City of Bothell and the Northshore School District have had preliminary discussions about using the Anderson site. The Anderson building is expected to be available for physical renovation in the summer of 2006, although design work could begin prior to that time. To proceed with any of these options, funding for additional studies would be necessary.

New City Hall: No recent work has been accomplished. Based on previous analysis, the current City Hall site will accommodate a larger building to house the staff within the existing City Hall and the Dawson Building. Utilizing costs for similar municipal projects within the Puget Sound area, per square foot costs have been estimated.

Purchase Existing Building in Business Parks: Cost analysis or potential availability of suitable structures in one of the business parks has not been investigated.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS	
	LOW (Anderson without Council Chambers)	HIGH (new building with Council Chambers)
Predesign	NA	NA
Land acquisition	4,000,000	0
Design	1,000,000	3,000,000
Construction	7,000,000	12,500,000
TOTAL ESTIMATED COSTS	\$12,000,000	\$15,500,000
POTENTIAL FUNDING SOURCES		
REET		X
General Fund Reserves		X
One-time Revenue Transfers		X
Councilmanic Bonds		X
General Obligation Bonds		X
Utility Revenue Bonds		
Brightwater Mitigation		
Other Funds		X
• Sale of City Hall and Dawson sites		

PUBLIC WORKS SHOPS

DESCRIPTION

There are two project alternatives to site the public works shops.

- Partner with Northshore School District for a joint use facility
- Consolidate operations at a stand-alone facility



One option is to partner with the Northshore School District for a joint shop and transportation facility at the current downtown site or at a new site should the District relocate their transportation facility. Co-location of District and City shops could reduce overall costs through economies of scale gained. The School District's current downtown site is desirable because it is centrally located and appropriately zoned; however, locating a shops facility here limits the future redevelopment of the property. However, the limited size of the site makes it challenging to operate efficiently from this location. If this option is selected, the public works site on Brickyard Road would continue to be used for storage of materials and equipment.

Consolidating City operations at a stand-alone facility allows the City of Bothell to build a facility that meets its current needs and allows for expansion. The main disadvantage is the difficulty of locating a site due to a limited supply of appropriately zoned property.

JUSTIFICATION



Currently the City of Bothell houses public works shop operations in two locations--on the downtown Northshore School District site and at the original site on Brickyard Road--and three other sites are used for materials storage. This results in inefficient operations as staff, materials, and equipment must travel between different facilities. In addition, the lease on the

Northshore School District site expires in December 2006; the site may be redeveloped or may be available for joint operations as described above.

Based on a recent space needs study, approximately 5.5 acres of land with a shop building of 41,000-47,000 square feet is needed to provide services in 2010 and beyond.

STATUS

Co-location with District: A preliminary space needs study has been completed. City and District staffs have engaged in discussion about the proposal and are in the process of gathering and exchanging information in an effort to explore the feasibility.

Stand-Alone Shop: No work has begun on this effort to date. Pending the outcome of the Roadmap discussions, a site search may commence this fall.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS	
	LOW (co-locate with NSD)	HIGH (stand-alone site)
Predesign	NA	NA
Land acquisition	2,000,000	3,000,000
Design	1,100,000	1,100,000
Construction	9,400,000	12,400,000
TOTAL ESTIMATED COSTS	\$12,500,000	\$16,500,000
POTENTIAL FUNDING SOURCES		
REET		X
General Fund Reserves		X
One-time Revenue Transfers		
Councilmanic Bonds		X
General Obligation Bonds		X
Utility Revenue Bonds		X
Brightwater Mitigation		
Other Funds		

QUEENSBOROUGH FIREHOUSE

DESCRIPTION

Snohomish County Fire District 10 (Fire District) has identified the need to build a new firehouse on the current Queensborough Firehouse site.



JUSTIFICATION

The Queensborough Firehouse was built in 1980 as a facility for volunteer firefighters. In response to increased population and call volume, 24-hour staffing was instituted. The firehouse is staffed with 3 firefighters per 24-hour shift, who provide emergency response, public education, and fire prevention services. The facility - one office, one multipurpose room that serves as the kitchen/day room/work space, and semi-private sleeping quarters - does not meet current standards for work space, sleeping quarters, exercise area, or training needs. For example, the sleeping area is essentially one room, with lockers pushed together to form a visual barrier between individual beds. This area is served by two small windows, which are not compliant with the building code for bedroom windows.

Remodeling efforts over the last 10 years - fixed a continually leaking flat roof by placing a pitched roof on the building, reduced the rodent population inside the building, and eliminated a toxic mold that caused upper respiratory ailments--have been insufficient to address all its deficiencies. Also, remodeling cannot adequately address current and future space needs. The firehouse cannot accommodate additional firefighters or additional pieces of apparatus to meet future needs for emergency response services in this area, plus the parking lot area is not adequate for training needs. Call volume to this firehouse increased 6% from 2003-2004 and can be expected to continue increasing.

STATUS

The City of Bothell and the Fire District have held preliminary discussions regarding the construction of a new fire house. The Fire District is working with the federal government

to acquire additional federal land adjacent to the current site in order to construct a new station and amenities.

A decision regarding the appropriate level of financial participation from the City toward the Queensborough firehouse project should be considered in the context of the future of its municipal fire department. If the City of Bothell Fire Department annexes to a fire district or joins a regional fire authority, the Fire District will be solely responsible for construction and maintenance of the Queensborough Firehouse. If the City of Bothell continues to provide municipal fire services, the City of Bothell's funding share needs to be determined.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

For illustrative purposes only, a City of Bothell contribution of 50% of total construction costs is assumed in the "no annexation" or fire authority option.

ITEM	ESTIMATED COSTS	
	LOW (annexation)	HIGH (no annextn)
Predesign	0	NA
Land acquisition	0	NA
Design	0	NA
Construction	0	1,750,000
TOTAL ESTIMATED COSTS	\$0	\$1,750,000
POTENTIAL FUNDING SOURCES		
REET		X
General Fund Reserves		X
One-time Revenue Transfers		X
Councilmanic Bonds		X
General Obligation Bonds		X
Utility Revenue Bonds		
Brightwater Mitigation		
Other Funds		

EMS STATION

DESCRIPTION

This project would allow for construction of a facility to house an EMS aid vehicle and two firefighter/paramedics, including an apparatus bay, kitchen, living room, office, 2-storage rooms, laundry room, restroom with shower, and sleeping quarters. Facility options include the following:



- Partner with a senior adult housing facility
- Co-locate at City Hall or public works shops
- Co-locate at the Riverside shop site

JUSTIFICATION

The Downtown Firehouse was constructed in 1979-1980 and has been remodeled several times to allow for additional staffing and apparatus. As call volumes continue to increase, an additional aid vehicle and personnel will be needed. The Downtown Firehouse is not large enough to accommodate another aid car and associated staff, and expansion is impractical.

STATUS

This project has only recently been discussed internally by City staff. If a new City Hall is constructed at its current location, this would be the preferred location for response purposes. The concept of partnering with a senior adult housing facility has not been researched but may be a viable option.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS	
	LOW (partnership)	HIGH (City Hall)
Predesign	NA	NA
Design	100,000	100,000
Construction	300,000	700,000
TOTAL ESTIMATED COSTS	\$400,000	\$800,000
POTENTIAL FUNDING SOURCES		
REET		X
General Fund Reserves		X
Brightwater Mitigation		
One-time Revenue Transfers		X
Councilmanic Bonds		X
General Obligation Bonds		X
Utility Revenue Bonds		
Other Funds		X
• Senior Adult Housing Partnership		

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	170,000
ROW (including administration)	NA
Construction	1,380,000
TOTAL ESTIMATED COSTS	\$1,500,000
Less Funding Allocated in 2005-2006	-696,000
TOTAL ESTIMATED COSTS	\$804,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• IAC Grant	

THRASHER'S CORNER REGIONAL PARK, PHASE II

DESCRIPTION

Phase II improvements include building permanent restroom facilities, an education/interpretation center, trails, limited boardwalk area, landscaping enhancements, a naturalized par course and climbing rock.

JUSTIFICATION

The site was purchased in 1997 with Conservation Futures funding and will be limited to passive recreation usage. This park site is on the northern boundary of the City of Bothell, which lacks public recreation facilities. A master plan for the property was adopted in 1998.



STATUS

This project will be designed in conjunction with Phase I. No specific funding has been identified for construction.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	NA
ROW (including administration)	NA
Construction	1,500,000
TOTAL ESTIMATED COSTS	\$1,500,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• IAC Grant	

NORTH CREEK--FIELD 2

DESCRIPTION

This project replaces a natural turf multipurpose sportsfield with a synthetic surface, similar to that recently completed on North Creek--Field 1 and proposed for North Creek--Field 4, to increase the facility's capacity. The project includes upgrading the drainage system, replacing the sand base with a permeable gravel base, installing synthetic turf and fencing, and upgrading the backstop.



JUSTIFICATION

The City's adopted Parks, Recreation, and Open Space Plan (PROSAP) identifies a community need for year-round youth and adult recreation facilities.

STATUS

While the synthetic turf improvements are consistent with the PROSAP and long range plans for the North Creek Sports Field Complex, funding for such improvements has been difficult. To date, no funding has been allocated for design and engineering or construction for this project.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	100,000
ROW (including administration)	NA
Construction	1,000,000
TOTAL ESTIMATED COSTS	\$1,100,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
<ul style="list-style-type: none"> • King County wastewater treatment mitigation • Northshore Youth Soccer Association 	

NORTH CREEK--FIELD 4

DESCRIPTION

This project replaces a natural turf multipurpose sportsfield with a synthetic surface, similar to that recently completed on North Creek--Field 1, to increase the facility's capacity. The project includes upgrading the drainage system, replacing the sand base with a permeable gravel base, and installing synthetic turf and fencing, and upgrading the backstop. It also includes building restroom facilities.



JUSTIFICATION

The City's adopted Parks, Recreation, and Open Space Plan (PROSAP) identifies a community need for year-round youth and adult recreation facilities.

STATUS

The synthetic turf improvements proposed are consistent with the PROSAP and long range plans for the North Creek Sports Field Complex. Design funds have been allocated in the City's 2005/2006 budget. The project is under design and bid documents are being prepared, so when the funding becomes available construction can begin as soon as possible.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	105,000
ROW (including administration)	NA
Construction	1,095,000
TOTAL ESTIMATED COSTS	\$1,200,000
Less Funding Allocated in 2005-2006	-105,000
TOTAL ESTIMATED COSTS	\$1,095,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
<ul style="list-style-type: none"> • King County wastewater treatment mitigation • Northshore Youth Soccer Association 	

HAYNES PROPERTY

DESCRIPTION

This 4.7 acre parcel was purchased in 2003 with a competitive King County Conservation Futures grant and is restricted to passive recreation activities.



JUSTIFICATION

The site is located in a sub-area that has no recreation space.

STATUS

Master planning for the project is to be completed in 2007.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	40,000
ROW (including administration)	NA
Construction	160,000
TOTAL ESTIMATED COSTS	\$200,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• IAC grant	

KAYSNER IMPROVEMENTS

DESCRIPTION



This parcel, along with the two properties to the east, represents the final link on the north side of the Sammamish River to create a trail from the Park at Bothell Landing to the Burke Gilman Trail. Easements on three additional undeveloped parcels are needed to complete the link. The project plan is to develop this parcel as a "way station" with picnic tables and benches to enjoy the river and wildlife on the site.

JUSTIFICATION

This parcel is a missing link in developing the north trail link along the Sammamish River.

STATUS

The property was acquired through a competitive grant award of King County Conservation Futures funds in 2004. Funding for the design is included in the 2005-2006 Budget.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	40,000
ROW (including administration)	NA
Construction	160,000
TOTAL ESTIMATED COSTS	\$200,000
Less Funding Allocated in 2005-2006	-20,000
TOTAL UNFUNDED COSTS	\$180,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• IAC grant	

CEDAR GROVE, PHASE II

DESCRIPTION

This project includes grading and developing sportsfields--backstops, infield and outfield surfaces--expanding the parking lot, and renovating the maintenance building.



JUSTIFICATION

These improvements will complete development of the park under the adopted master plan. There has been considerable support for the sportsfield facility from the local leagues due to the limited number of sportsfields in the area.

STATUS

The project will be designed and engineered and bid documents prepared, so when the funding becomes available construction can begin as soon as possible. Staff has submitted an application for an IAC Grant.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	40,000
ROW (including administration)	NA
Construction	960,000
TOTAL ESTIMATED COSTS	\$1,000,000
Less Funding Allocated in 2005-2006	-40,000
TOTAL ESTIMATED COSTS	\$960,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
<ul style="list-style-type: none"> • Youth sports organizations • IAC Grant 	

DEPARTMENT OF NATURAL RESOURCES PROPERTY

DESCRIPTION

The site is heavily forested and includes informal trails, ravines, and streams.



JUSTIFICATION

This is an area (Shelton View neighborhood) that has no parkland. This site is for sale and the City of Bothell has been offered the opportunity to purchase it. Private investors would likely build housing on the site.

STATUS

This property has been held by the Department of Natural Resources (DNR) as part of the trust for public schools and must be sold at fair market value. The City Council has approved an intent to purchase agreement with DNR for the purpose of obtaining an appraisal for the property. The appraisal is expected to be completed in September 2005.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Acquisition	3,800,000
Design	20,000
ROW (including administration)	NA
Construction	180,000
TOTAL ESTIMATED COSTS	\$4,000,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• IAC Grant	

NORTH CREEK TRAIL

DESCRIPTION

The North Creek Trail is a regional seven-mile long trail connecting with the regional Burke Gilman/Sammamish River Trail in King County and the Interurban Trail at McCollum Park in Snohomish County. This project is for the construction of the missing portions of the shared use trail between the NE 195th Street/I-405 Interchange and SR 524 at Thrashers Corner.

JUSTIFICATION

This trail promotes and supports recreational opportunities by linking other regional trails as well as providing for other modes of transportation for commuters to employment in the area and the co-located college campus of Cascadia Community College and University of Washington Bothell Branch. The portions within the City of Bothell will connect residential, commercial, and business parks.

STATUS

City Council adopted the preferred alternative for the trail route alignment in 2004, and design work is underway for the initial section between 240th and 228th Street SE. Due to funding limitations, the project has been phased and construction of the critical missing sections between 240th and 228th



Street SE will be constructed in 2005 and 2006 with available federal funds. The remaining missing sections will be programmed and constructed as funds become available.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	800,000
ROW (including administration)	200,000
Construction	3,500,000
TOTAL ESTIMATED COSTS	\$4,500,000
Less Funding Allocated in 2005-2006	-1,500,000
TOTAL ESTIMATED COSTS	\$3,000,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• Federal Transportation Grant	

SIDEWALK/ WALKWAY PROGRAM

DESCRIPTION

This project is to provide sidewalk and walkway improvements to complete missing links in and around residential neighborhoods, schools, and businesses to create walkable communities. A list of prioritized sidewalk/walkway projects has been identified in the



Comprehensive Plan and reflected in the Six Year Transportation Improvement Plan; in some locations, substantial drainage work is necessary to accommodate the sidewalk improvements, and some right of way acquisition will be required.

JUSTIFICATION

The City of Bothell's Comprehensive Plan stipulates that sidewalk/walkway improvements be constructed on one side of arterials, and highest priority be given to areas where elementary schools are located. In some cases, asphalt pavement will be used instead of concrete where appropriate.

STATUS

Funding for sidewalk/walkway improvements have been difficult to come by due to shortage of grant funding. This proposal would begin an annual appropriation of funds for walkway projects.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	750,000
ROW (including administration)	250,000
Construction	4,000,000
TOTAL ESTIMATED COSTS	\$5,000,000
Less Funding Allocated in 2005-2006	-80,000
TOTAL ESTIMATED COSTS	\$4,920,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	
One-time Revenue Transfers	X
Brightwater Mitigation	X
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Other Funds	X
• State Grant (Safe Schools Walk Program)	

BOTHELL DOWNTOWN GATEWAY PROJECT

DESCRIPTION

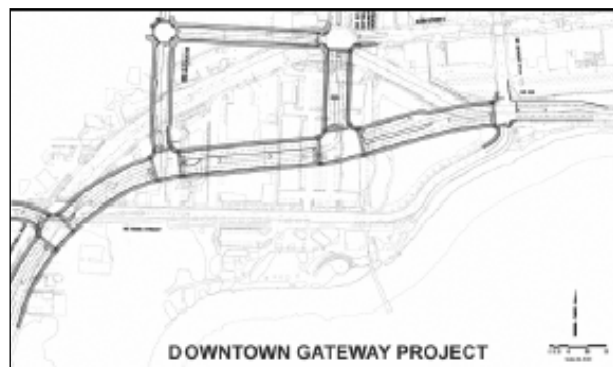
This project is part of the SR 522 multi-modal corridor project to reduce congestion, improve freight mobility, transit reliability, and pedestrian mobility. The preferred alternative is for re-orientation of the street network to provide a local downtown grid pattern to distribute traffic flow effectively and efficiently. The intersection of SR 522 and SR 527 and Main Street will be reconfigured and converted to a simple "T" intersection. SR 522 will be realigned to the south and Main Street will be extended to the west from its current terminus at the SR 527 and SR 522 intersection.

JUSTIFICATION

This project is a result of extensive collaborative efforts with a citizen advisory group, City of Bothell staff and a consultant; the recommended preferred alternative was endorsed by the City Council in 2004. In addition to improvement in congestion relief, freight mobility and overall mobility, it provides opportunity for economic redevelopment in the downtown area.

STATUS

The conceptual design was adopted by City Council in 2003. Additional traffic modeling in conjunction with a downtown traffic circulation study will begin in 2005.



ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	500,000
Design	2,700,000
ROW (including administration)	36,000,000
Construction	10,800,000
TOTAL ESTIMATED COSTS	\$50,000,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Arterial Street	X
Other Funds	X
<ul style="list-style-type: none"> • Grants from Regional Transportation Improvement District • Federal and State Transportation Funds • Sound Transit Phase II • Resale of Surplus Property from ROW Acquisition 	

BOTHELL ARTERIAL CONNECTOR

DESCRIPTION

This project will construct the missing link of the north-south arterial corridor of 39th Avenue SE between 240th & 228th Streets SE. Improvements include a 3-lane roadway with bicycle lanes, planting strips, sidewalks, and traffic signals. Additional turn lanes are included at the intersections of 240th & 228th Streets SE.

JUSTIFICATION

The project completes a vital missing link on the north-south arterial roadway network between Woodinville and Everett. The project provides the needed capacity, mobility, and improved safety for this north-south corridor. The proposed improvement will provide the needed roadway infrastructure to support the traffic volumes projected for the local areas of Bothell and south Snohomish County.



STATUS

A preferred alternative with a direct north-south connector between 240th & 228th Street SE was adopted by City Council in 2005. A draft EIS was issued jointly of the City of Bothell and Snohomish County in 2004. The Final Environmental Impact Statement will be completed by the end of 2005.

ESTIMATED COSTS AND POTENTIAL FUNDING SOURCES

ITEM	ESTIMATED COSTS
Predesign	NA
Design	2,200,000
ROW (including administration)	11,000,000
Construction	20,800,000
TOTAL ESTIMATED COSTS	\$34,000,000
Less Funding Allocated in 2005-2006	-10,000,000
TOTAL ESTIMATED COSTS	\$24,000,000
POTENTIAL FUNDING SOURCES	
REET	X
General Fund Reserves	X
One-time Revenue Transfers	X
Brightwater Mitigation	
Councilmanic Bonds	X
General Obligation Bonds	X
Utility Revenue Bonds	
Arterial Street	
Other Funds	X
<ul style="list-style-type: none"> • Grants from Regional Transportation Improvement District • Federal and State Transportation Funds • City of Bothell Surface Water Management Utility • Snohomish County 	

CAPITAL PROJECTS, 2006-2010: COSTS AND FUNDING SOURCES

PROJECT	ESTIMATED COST--Low (2005 dollars)	ESTIMATED COST--High (2005 dollars)	POTENTIAL PERMITTED FUNDING SOURCES						
			CAPITAL FACILITIES FUND including REET ⁽¹⁾	GENERAL FUND RESERVES (unrestricted)	BONDS			BRIGHT-WATER MITIGATION	OTHER SOURCES
					ONE-TIME REVENUE TRANSFERS	COUNCIL-MANIC OR VOTER-APPROVED	UTILITY REVENUE		
PROJECTED REVENUES	40,000,000		11,300,000	13,400,000	10,500,000			2,500,000	2,300,000
Facilities Projects	24,900,000	34,550,000							
City Hall	12,000,000	15,500,000	X	X	X	X			X
Shop	12,500,000	16,500,000	X	X	X	X	X		
Queensborough Firehouse	0	1,750,000	X	X	X	X			X
EMS Aid Station	400,000	800,000	X	X	X	X			
Park Projects⁽²⁾	12,739,000	12,739,000							
Thrasher's Corner Park Phase I	804,000	804,000	X	X	X	X		X	X
Thrasher's Corner Park Phase II	1,500,000	1,500,000	X	X	X	X		X	X
North Creek--Field 2	1,000,000	1,000,000	X	X	X	X		X	X
North Creek--Field 4	1,095,000	1,095,000	X	X	X	X		X	X
Haynes	200,000	200,000	X	X	X	X		X	X
Kaysner	180,000	180,000	X	X	X	X		X	X
Cedar Grove II	960,000	960,000	X	X	X	X		X	X
DNR property	4,000,000	4,000,000	X	X	X	X		X	X
North Creek Trail	3,000,000	3,000,000	X	X	X	X		X	X
Transportation Projects	78,920,000	78,920,000							
Sidewalk/Walkway Program	4,920,000	4,920,000	X	X	X	X		X	X
Gateway Redevelopment	50,000,000	50,000,000	X	X	X	X		X	X
Bothell Connector	24,000,000	24,000,000	X	X	X	X		X	X
Bonded Debt Service			X	X	X				
TOTAL ESTIMATED COSTS	116,559,000	126,209,000							

⁽¹⁾Includes \$2.0 million/year from 2007-10

CITY MANAGER RECOMMENDED ACTION / BUSINESS PLAN

The scenarios presented in the Long Range Financial Plan demonstrate the various opportunities the City of Bothell has in responding to its widening gap between revenues and expenses. The only option many jurisdictions within Washington State have is to reduce or eliminate services. Bothell is fortunate as it has several viable alternatives for sustaining the majority of its services. The recommended Action/Business Plan provides three feasible, realistic, and prudent options to consider in terms of maintaining the bulk of current City services well into the future. Each option provides for a significant capital investment back into the community using development revenues and other one-time revenues for the benefit of citizens today.

All the recommended options require the City to continue to seek efficiencies in service delivery to control, and possibly reduce or eliminate lower priority services to create additional savings. Unfortunately, implementing efficiencies and reducing or eliminating lower priority City services merely results in cost trimming and cannot alone match revenues to expenditures and create financial stability. Each of the recommended options also includes an aggressive economic development program aimed at recapturing sales tax leakage.

Financial stability is achievable through the pursuit of efficiencies, reduction up to elimination of some lower priority services, economic development and one of the three recommended options presented below.

The first option requires the City to ask voters to approve annexation of the City's Fire Department to an adjacent fire district, thereby relieving the City's General Fund of paying for this service. If this option is selected, a reduction of City taxes is also proposed. Fire service, unlike police service has become very standardize among agencies resulting in transparent service delivery regardless of the entity that provides the governance for the service. The other two options maintain the City's governance

and financial responsibility for fire service. The second option asks voters to consider additional property taxes through a levy lid lift in 2007. The third option may ask voters to consider a levy lid lift in 2011 subject to the success of the City's economic development and efficiency/cost saving efforts. This last option also requires the use of some City reserves as an interim measure to balance revenues and expenses.

The City could consider additional revenue options/scenarios listed in this report to help balance revenues and expenses. For example, the City could further examine the benefits of a Metropolitan Park District to provide some financial relief for the General Fund and provide a higher level of parks and recreation service for residents. These options were not selected individually due to the relatively low impact on reducing the gap between revenues and expenses long-term. Alternatively, the City could consider only service level reductions or eliminations as a means to create long-term financial stability. While this last option was not selected in its entirety, due to the service level impact upon the community, each of the proposed options includes approximately \$500,000 of on-going expenditure reductions starting in 2007.

Option 1:

This option asks the voters to annex to a local fire district in 2007 and simultaneously reduces the City utility tax rate from 6% to 1.5%. Alternatively, the City could join a Regional Fire Authority whereby two or more jurisdictions would form a new fire service entity. This alternative is not being recommended due to a lack of interest from other agencies. In future years, it may be necessary to make minor adjustments to the City's utility tax rate subject to the City's ability to close its revenue and expense gap from economic development efforts and future expense reductions. Property owners in the City would likely experience an increase in annual property tax from the fire district of \$1.50 per \$1,000 of assessed property value. This equates to an increase of \$450 per year for owners of property valued at \$300,000. Under this option, utility taxes (based upon total average annual utility bills of \$5,520) would be reduced by \$250 per year for most residents, resulting in a net increase of \$200 per year.

Option 1A:

If utility tax rates were increased by 1% in 2010, another \$31 would be added to the net cost.

Listed below are the advantages and disadvantages of Option 1 and 1A:

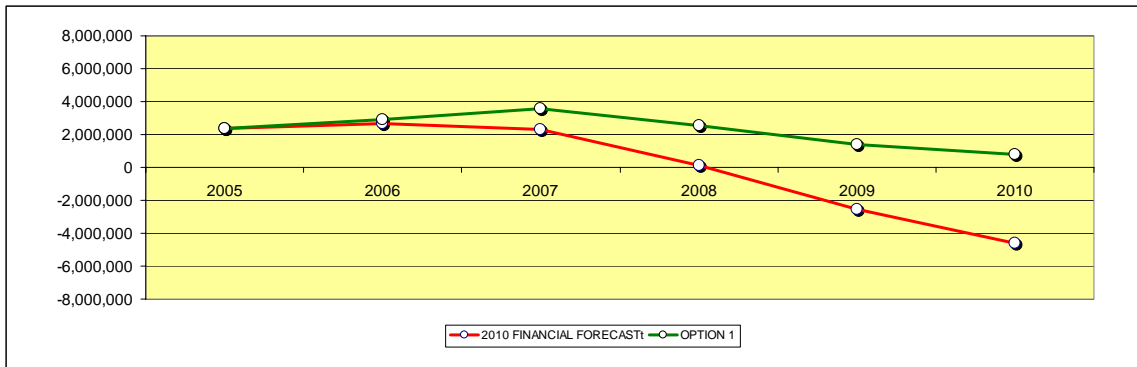
Advantages:

- Removes a service from the City's General Fund that historically has grown at a faster pace than other City services.
- Reduces utility taxes by approximately \$250 for most residents. A greater proportional reduction in utility taxes would be experienced by commercial businesses based upon usage of utilities.
- Eliminates administrative overhead.
- Creates a larger or more regional service provider that would likely be better prepared to address multiple call responses, fire prevention, training, and specialty training requirements of the fire agency.
- Provides a direct link between taxes collected and specific services.
- Transfers \$23,900,000 from the General Fund to the Capital Projects Fund to construct needed capital improvements and facilities for the benefit of Bothell residents and businesses. Selection of the actual projects would occur at a later date as part of a Comprehensive Capital Facilities Plan process.

Disadvantages:

- Requires an increase in property tax for Bothell property owners. The increase is partially offset by the reduction of City utility taxes.
- Bothell's local government would transfer governance of fire service to another entity. Although this disadvantage is largely mitigated by the standardization that exists among fire agencies, citizens would have to address governance issues to a larger regional governing body as opposed to Bothell's City government.

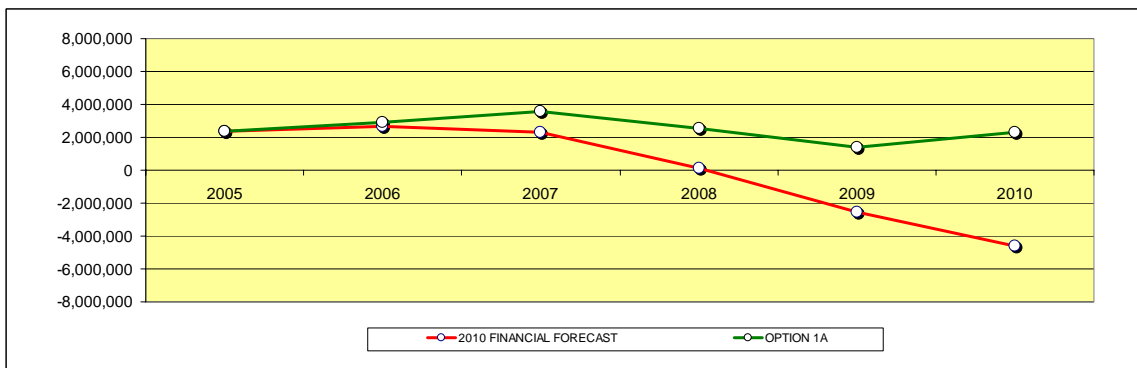
Option 1: Annex to a Fire District and Decrease Utility Tax From 6% to 1.5%



	2005	2006	2007	2008	2009	2010	Total
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199	211,428,715
Option 1 Revenues			(7,770,375)	(8,133,800)	(8,330,300)	(8,923,674)	(33,158,149)
Total Revenues	32,936,308	33,086,361	27,014,373	26,525,549	27,954,450	30,753,525	178,270,566
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773	217,480,413
Option 1 Expenditures			(8,800,000)	(9,300,000)	(9,800,000)	(10,400,000)	(38,300,000)
Total Expenditures	32,005,246	32,778,436	26,381,975	27,554,283	29,111,700	31,348,773	179,180,413
Annual Rev/Exp Gap	\$931,062	\$307,925	\$632,398	(\$1,028,734)	(\$1,157,250)	(\$595,248)	\$(909,847)
Biennial Rev/Exp Gap	\$1,238,987		(\$396,336)		(\$1,752,498)		\$(909,847)

- Option 1 produces a \$909,847 revenue/expenditure gap for the 6-year analysis period (2005-2010) which equates to approximately a week and a half of expenditures in 2010.
- Option 1 revenues include removal of \$8,411,000 in Fire Department revenues and a \$24,747,149 reduction in Utility Taxes.
- Option 1 expenditures include removal of \$36,300,000 in Fire Department expenditures and \$2,000,000 in additional General Fund expenditure reductions.

Option 1A: Annex to a Fire District and Decrease Utility Tax from 6% to 1.5% in 2007; Increase Utility Tax by 1% in 2010



	2005	2006	2007	2008	2009	2010	Total
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199	211,428,715
Option 1A Revenues			(7,770,375)	(8,133,800)	(8,330,300)	(7,434,674)	(31,669,149)
Total Revenues	32,936,308	33,086,361	27,014,373	26,525,549	27,954,450	32,242,525	179,759,566
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773	217,480,413
Option 1A Expenditures			(8,800,000)	(9,300,000)	(9,800,000)	(10,400,000)	(38,300,000)
Total Expenditures	32,005,246	32,778,436	26,381,975	27,554,283	29,111,700	31,348,773	179,180,413
Annual Rev/Exp Gap	\$931,062	\$307,925	\$632,398	(\$1,028,734)	(\$1,157,250)	\$893,752	\$579,153
Biennial Rev/Exp Gap	\$1,238,987		(\$396,336)		(\$263,498)		\$579,153

- Option 1A produces revenues in excess of expenditures by \$579,153 for the 6-year analysis period 2005-2010.
- Option 1A revenues include removal of \$8,411,000 in Fire Department revenues and a \$23,258,149 reduction in Utility Taxes.
- Option 1A expenditures include removal of \$36,300,000 in Fire Department expenditures and \$2,000,000 in additional General Fund expenditure reductions.

Option 2:

This option asks voters within the City to consider raising property taxes through a Levy Lid-Lift of \$0.25 per \$1,000 of assessed valuation in 2007. This levy equates to \$75 annually in property taxes for property valued at \$300,000. If this option is selected, it is recommended a specific service be linked to the new tax revenue. In 2007, for example, the Fire Department is projected to receive dedicated revenues that cover 24% of their expenses. The levy lid lift could be dedicated towards City fire expenses providing an additional 17% funding source. The remaining 61% would be funded through other City taxes (regular property tax, sales tax, utility taxes, etc.). Fire service would remain under the jurisdiction of the City of Bothell.

Listed below are the advantages and disadvantages of Option 2:

Advantages:

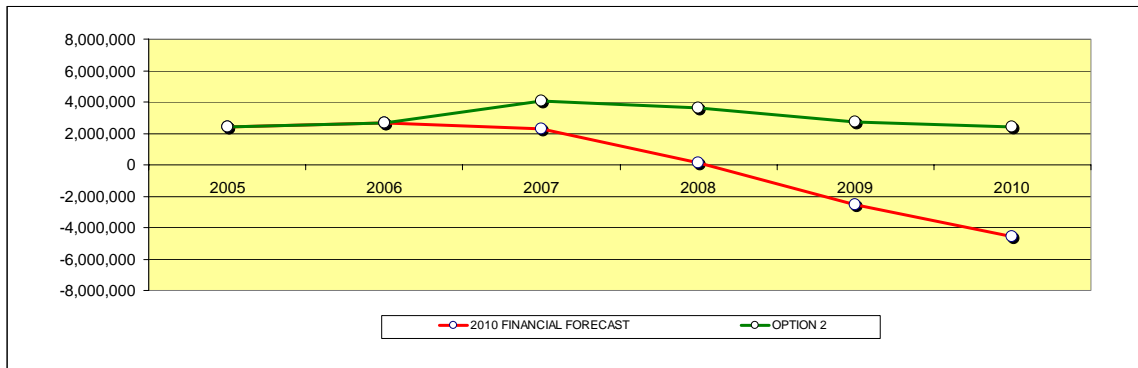
- Provides additional tax revenue to support a specific and priority service.
- Maintains the existing local governance structure for fire service.
- Transfers \$23,900,000 from the General Fund to the Capital Projects Fund to construct needed capital improvements and facilities for the benefit of Bothell

residents and businesses. Selection of the actual projects would occur at a later date as part of a Comprehensive Capital Facilities Plan process.

Disadvantages:

- Requires an increase in property taxes for Bothell property owners.
- Retains a service from the City's General Fund that historically has grown at a faster pace than other City services making it difficult to balance revenues with expenses in the long-term.

Option 2: 25 Cent Levy Lid Lift



	2005	2006	2007	2008	2009	2010	Total
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199	211,428,715
Option 2 Revenues			1,240,000	1,256,000	1,262,000	1,279,000	5,037,000
Total Revenues	32,936,308	33,086,361	36,024,748	35,915,349	37,546,750	40,956,199	216,465,715
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773	217,480,413
Option 2 Expenditures			(500,000)	(500,000)	(500,000)	(500,000)	(2,000,000)
Total Expenditures	32,005,246	32,778,436	34,681,975	36,354,283	38,411,700	41,248,773	215,480,413
Annual Rev/Exp Gap	\$931,062	\$307,925	\$1,342,773	(\$438,934)	(\$864,950)	(\$292,574)	\$985,302
Biennial Rev/Exp Gap	\$1,238,987		\$903,839		(\$1,157,524)		\$985,302

- Option 2 produces revenues in excess of expenditures by \$985,302 for the 6-year analysis period 2005-2010.
- Option 2 revenues include \$5,037,000 in Levy Lid-Lift receipts.
- Option 2 expenditures include \$2,000,000 in expenditure reductions.

Option 3:

Under this option the City would utilize approximately \$4 million of “one-time” revenues collected up to year 2011 as an interim measure to continue City services and implement a property tax levy lid lift, if needed, after 2010. A significant amount of the City’s current and projected reserve would still be available for capital investment. This option, like the previous two, requires the City to diligently pursue economic development opportunities and cost saving measures as available or needed.

The use of some capital reserves for operational purposes will allow the City to maintain the bulk of its services while attempting to create new on-going economic development revenue, seek efficiencies and identify possible service level reductions prior to asking voters to consider a levy lid lift.

Annexation to a local fire district would also be an option at the end of this analysis period (2005-2010). However, revisiting this option in 2010 is discouraged due to the impact on the organization to continually deliberate whether fire services will be provided by the City or another entity.

Listed below are the advantages and disadvantages of Option 3.

Advantages

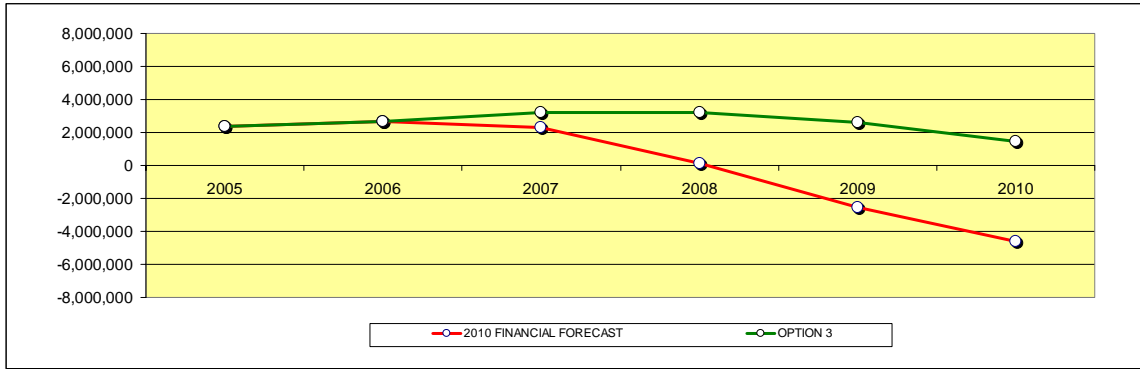
- No additional or new taxes unless determined necessary after 2010.
- Maintains the existing local governance structure for fire service.
- Transfers \$19,900,000 from the General Fund to the Capital Projects Fund to construct needed capital improvements and facilities for the benefit of Bothell residents and businesses. Selection of the actual projects would occur at a later date as part of a Comprehensive Capital Facilities Plan process.

Disadvantages:

- Uses \$4 million of the City’s current or projected capital reserves for on-going operational expenses as an interim measure to balance revenues with expenses.

- Reduces the number of financial options available after 2010 if a levy lid lift is determined necessary.

Option 3: Spend Down
Approximately \$4 Million of Reserves to
Align Revenues and Expenditures



	2005	2006	2007	2008	2009	2010	Total
Base Revenues	32,936,308	33,086,361	34,784,748	34,659,349	36,284,750	39,677,199	211,428,715
Option 3 Revenues			400,000	1,700,000	1,552,000	400,000	4,052,000
Total Revenues	32,936,308	33,086,361	34,784,748	35,959,349	37,436,750	39,677,199	215,480,715
Base Expenditures	32,005,246	32,778,436	35,181,975	36,854,283	38,911,700	41,748,773	217,480,413
Option 3 Expenditures			(500,000)	(500,000)	(500,000)	(500,000)	(2,000,000)
Total Expenditures	32,005,246	32,778,436	34,281,975	35,954,283	38,011,700	40,848,773	215,480,413
Annual Rev/Exp Gap	\$931,062	\$307,925	\$502,773	\$5,066	(\$574,950)	(\$1,171,574)	\$302
Biennial Rev/Exp Gap	\$1,238,987		\$507,839		(\$1,746,524)		\$302

- Option 3 utilizes \$2,452,000 of reserves for operating expenditures and \$1,600,000 of interest earnings over the 6-year analysis period (2005-2010) to align revenues and expenditures.
- Option 3 expenditures include elimination of \$2,000,000 in expenditure reductions.

Summary

The following charts illustrate the financial impacts of each option in a side-by-side comparison over a six year period. Figure 1 shows how the City's fund balance changes with each option as compared to the ending fund balance projection in the 2010 Financial Forecast. Figure 2 indicates the differences between total revenues and expenses for each option as compared against the 2010 Financial Forecast.

Figure 1 - Comparison of Ending Fund Balances

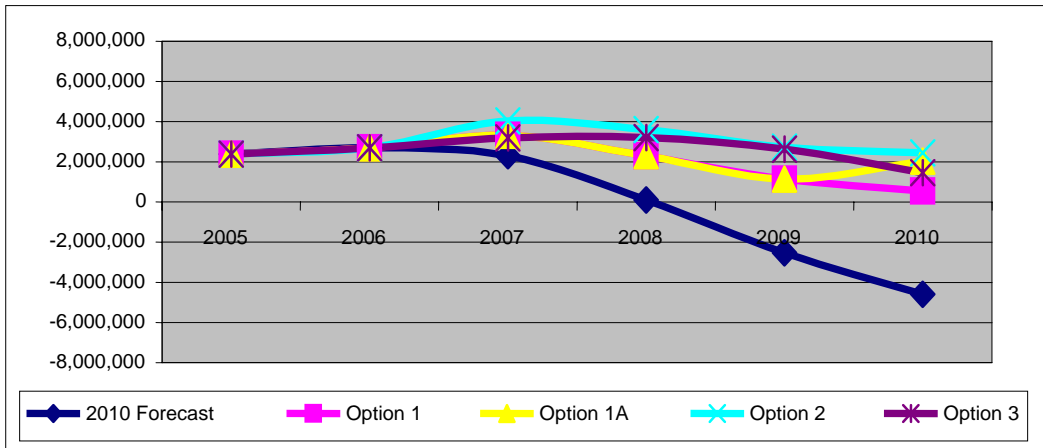
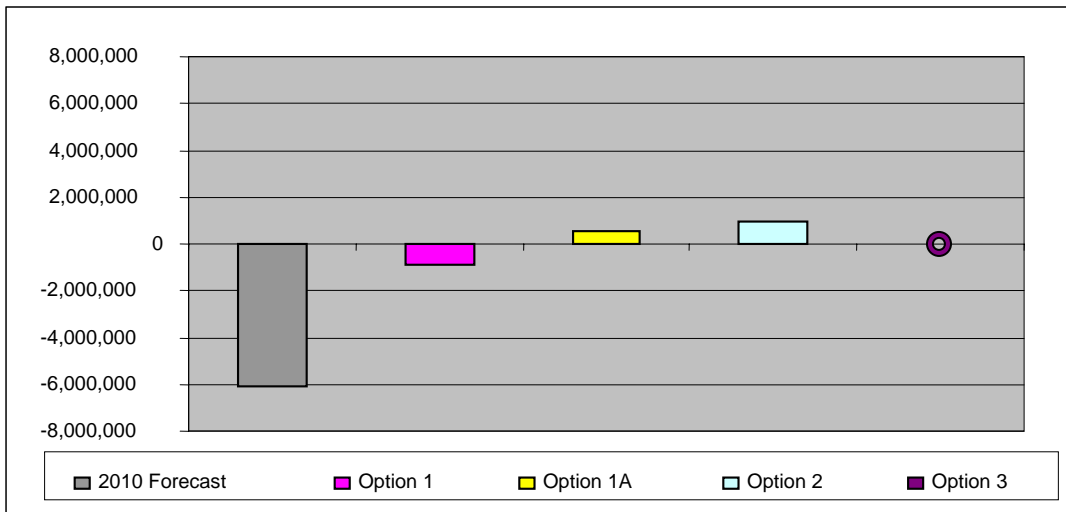


Figure 2 - 2005-2010 Revenues vs. Expenditures



If implemented, each of the recommended options will create financial stability by improving the alignment of revenues with expenditures and providing a significant capital investment back into the community. Improvements to the City's facilities and infrastructure will have a lasting positive impact to all citizens.

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