

3.19 Fiscal Analysis

The *Cle Elum City Heights Fiscal Analysis* (Property Counselors 2010) prepared as a technical appendix to this Environmental Impact Statement addresses the potential financial impacts to local governmental entities and other public service providers of operating the services and providing capital facilities necessary to increase their capacity to serve the City Heights Planned Mixed-Use development. The report was prepared by Property Counselors, an economic consulting firm that specializes in addressing issues related to land use and facilities development. The scope of the analysis includes an evaluation of the on-going operating impacts of the City Heights development as well as the impacts on required capital facilities. The analysis addresses costs during construction and in the developed-condition of the project (including a mid-point analysis to check the temporary lag between revenue and requirements for service), available sources of funds to address these costs, and methods to fund identified shortfalls. The results of the *Fiscal Analysis* are summarized below. Interested reviewers are encouraged to also review the complete technical report.

AFFECTED ENVIRONMENT: CURRENT FISCAL CONDITIONS

Taxing Districts

Five taxing districts currently collect property taxes within the City of Cle Elum. If the majority of the City Heights site (330 acres) were to remain in the County (i.e., not annexed to the City of Cle Elum), Kittitas County Fire District 7 and Kittitas County Road District 1 would replace the City as a provider of fire protection and road maintenance services. Existing taxing districts and their 2009 tax rates are summarized in Table 3.19-1 below.

Table 3.19-1 Existing taxing districts and property tax rates (\$2009).

| | City Jurisdiction | County Jurisdiction |
|---------------------------------|--------------------|---------------------|
| State | \$ 2.018444 | \$ 2.018444 |
| Kittitas County Current Expense | 0.892025 | 0.892025 |
| Kittitas County Road | | 1.102931 |
| City of Cle Elum | 1.297042 | |
| Kittitas County Fire District 7 | | 0.54545 |
| Cle Elum Roslyn School-Levy | 0.254811 | 0.254811 |
| Cle Elum Roslyn School-Bond | 0.624122 | 0.624122 |
| Hospital District 2 | 0.325838 | 0.325838 |
| Total | \$ 5.412282 | \$ 5.763621 |

Service Providers

City of Cle Elum. The City of Cle Elum provides the following governmental services: General Government, Law Enforcement (including a Municipal Court), Fire Protection (through a volunteer fire department), Community Development Services, Street Maintenance, Parks and Recreation. Water and sewer service are provided as “enterprise” functions, intended to be funded by charges for service. These functions are accounted for in separate funds, and rates are set to assure that operating costs are funded,

and that capital costs are recovered. These services are described in more detail in other Draft EIS sections (Section 3.14 Parks, Recreation and Open Space; Section 3.17 Public Services; and Section 3.18 Utilities). Fiscal aspects of City water and sewer services are described below.

City revenues and expenditures are summarized in Table 3.19-2 for the years 2007 through 2009. The operating position of the City is reflected in a revenue and expense comparison for the General Fund and Special Revenue funds. (Special revenue funds are used for operating functions, such as street maintenance, and are funded from sources other than general taxes.) The City's operating revenues increased by 20 percent between 2007 and 2008. Budgeted revenues for 2009 were 4.5 percent less than actual revenues in 2008. The City's actual revenues in 2009 have fallen short of budgeted levels. The City has reduced budgeted expenditures, but still faces a shortfall.

The City's budget challenges are related to the structure of the local tax base. The largest source is retail sales tax at approximately 30 percent of total operating revenues in 2008. Taxable retail sales are related to both household spending and construction activity. Table 3.19-3 summarizes the trends in retail sales activity over the last five years. (The sales data by sector are reported by the Washington Department of Revenue by the month of sale. Distributions to the City occur two months later. This lag creates some inconsistencies in the growth rates shown in Table 3.19-2 and Table 3.19-3.)

As shown, total taxable sales grew from \$65.5 million in 2005 to \$117.4 million in 2007, an average annual growth rate of 33.9 percent. Taxable sales declined by 4 percent in 2008, and declined further by 29.9 percent in the first nine months of 2009 compared to the same period in 2008. This decline represents a dramatic reduction in the City's major source of operating revenue. The major contributor to this decline is taxable sales in the construction sector. As shown, this sector grew from \$13.2 million in sales in 2005 to \$49.4 million in 2008, an average annual increase of 93 percent. Construction sales revenue then declined by 7 percent in 2008, and 49 percent in the first nine months of 2009 compared to the same period in 2008.

Other revenues are relatively stable, particularly property taxes that can grow at 1 percent per year (plus collections related to new construction) somewhat independent of any dramatic increases or decreases in underlying property values.

In summary, the primary cause of the City's budget shortfalls are related to the loss in revenues associated with the slowdown in development.

Table 3.19-2. City of Cle Elum operating revenue and expenditures: general fund and special revenue funds (compiled by Property Counselors 2010).

| Operating Revenue | | | |
|---------------------------------|--------------------|------------------|--------------------|
| | 2007 | 2008 | 2009 |
| | Actual | Actual | Budget |
| General Property Taxes | 392,688 | 400,951 | 413,655 |
| Sales and Use Taxes | 1,032,288 | 1,107,902 | 975,000 |
| Business and Utility Taxes | 297,190 | 325,481 | 338,900 |
| Other Local Taxes | 176,276 | 125,600 | 197,000 |
| Licenses and Permits | 148,383 | 54,244 | 140,350 |
| Business Licenses and Permits | 15,955 | 16,992 | 18,000 |
| Francise Fees | | | 37,290 |
| Building Permits | 131,117 | 36,204 | 120,850 |
| Animal Licenses/Other | 1,311 | 3,446 | 1,500 |
| Subtotal | 148,383 | 56,642 | 177,640 |
| Charges and Fees for Service | 44,912 | 59,027 | 58,500 |
| Development Fees/Charges | 7,443 | 17,320 | 10,000 |
| Other Fees/Charges | 37,469 | 39,310 | 48,500 |
| Subtotal | 44,912 | 56,630 | 58,500 |
| Interest and Investment Earning | 89,747 | 36,143 | 124,825 |
| Fines and Forfeits | 73,322 | 68,454 | 78,000 |
| Rents, Premiums, Other etc. | 362,152 | 592,486 | 314,095 |
| Intergovernmental | 456,143 | 905,966 | 872,205 |
| Total | 3,073,101 | 3,676,255 | 3,512,530 |
| Operating Exenditures | | | |
| | 2007 | 2008 | 2009 |
| Law and Justice | \$776,310 | 918,343 | \$1,029,495 |
| Fire and Emergency Services | 178,431 | 188,620 | 281,015 |
| Health and Human Services | - | | 0 |
| Transportation | 291,139 | 439,438 | 352,825 |
| Physical Environment | 40,550 | 50,372 | 46,700 |
| Economic Environment | 167,166 | 208,123 | 191,990 |
| Culture and Recreation | 78,473 | 139,231 | 171,880 |
| General Government | 319,931 | 496,527 | 541,200 |
| Capital | 1,205,215 | 1,024,832 | 558,900 |
| Other | | 99,087 | 303,875 |
| Total | \$3,057,215 | 3,564,573 | \$3,477,880 |

Source: State Auditor's Office, Local Government Financial Reporting System.
City of Cle Elum, Annual Financial Report 2008. City of Cle Elum, 2009 Budget.

The largest category of City expenditures is law and justice, followed by general government, transportation, and fire and emergency services

Table 3.19-3. City of Cle Elum taxable retail sales trends (compiled by Property Counselors 2010).

| | 2005 | 2006 | 2007 | 2008 | 2008 Q1-3 | 2009 Q1-3 | Ann. Growth | | |
|----------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------|---------------|
| | | | | | | | 2005-2007 | 2007-2008 | 2008-2009 |
| Total Retail Trade | 23,604,490 | 26,966,914 | 31,337,526 | 31,974,048 | 23,708,029 | 20,284,244 | 15.2% | 2.0% | -14.4% |
| Construction | 13,226,675 | 26,464,021 | 49,424,608 | 45,974,048 | 34,839,529 | 17,656,461 | 93.3% | -7.0% | -49.3% |
| Other Taxable Sales | 28,679,050 | 30,610,598 | 36,661,022 | 34,726,352 | 27,537,759 | 22,439,919 | 13.1% | -5.3% | -18.5% |
| Total Taxable Sales | 65,510,215 | 84,041,533 | 117,423,156 | 112,674,448 | 86,085,317 | 60,380,624 | 33.9% | -4.0% | -29.9% |
| Construction as % of Total | 20.2% | 31.5% | 42.1% | 40.8% | 40.5% | 29.2% | | | |

Source: Washington Department of Revenue, Quarterly Business Review, and Property Counselors

There are two aspects of the City's current fiscal condition that are relevant to projecting future conditions. First, current conditions are largely a result of the slowdown in development activity, and increased development in projects like City Heights would lead to increased revenues. These revenues are estimated based on the characteristics of the projected development. Second, use of current expenditure factors for projecting the future understates the future cost of providing services. The *Fiscal Analysis* is based on 2007 cost factors (with adjustments for inflation) for services related to the requirements of development like City Heights. Such service levels should be sustainable over time.

City of Cle Elum revenue and expenditure patterns can be compared to cities with similar profiles. The Association of Washington Cities (AWC) has classified all cities in the State of Washington according to their size, rate of growth, the personal income level of residents, and amount of commercial activity. Cle Elum is presently classified as a Tourism Hub. Revenue and expense data for cities in this category are derived from a database called Local Government Financial Reporting System (LGFRS) compiled by the Washington State Auditor's office. The data in the system are adjusted to exclude any double counting, and are presented in a format that can be compared across jurisdictions. The most recent data available are from 2007.

Cle Elum is similar to the other cities categorized as Tourism Hubs, in terms of both revenues and expenses on a per capita basis. The distinguishing characteristics of the Tourism Hub cities are the visitor traffic and commercial activity and associated demand for public services to serve this non-resident population in addition to local citizens. The costs related to serving the residential population are only a part of the total service requirements. The per capita costs of service are inflated by the service demands by visitors and commercial activity.

The City of Cle Elum operates a water treatment and distribution system, and a sewage treatment facility (through a contractor). Both facilities are paid for, but both currently operate below capacity. While Suncadia pays for 69 percent of the hookups under the terms of their agreement to fund the original facility, the additional hookups resulting from City Heights would spread the fixed operating costs over a larger base.

Flows to the City of Cle Elum wastewater treatment facility at the time of this writing (based on data provided by Gregg Hall, City Administrator, for the period 2006 through 2008) are approximately 630,000 gallons per day. The capacity of the trunk line and treatment plant is reported in the *Grading, Drainage and Utilities Technical Engineering Report* to be 10.5 million gallons per day (Encompass Engineering and Surveying 2009).

Kittitas County. Within the area that includes the City Heights site, Kittitas County provides similar services to those provided by the City of Cle Elum (with the exception of water and sewer service): General Government (including Assessor and Auditor), Law and Justice (Kittitas County Sheriff and the court system), Fire Protection and Emergency Medical Aid (Kittitas County Fire Protection District 7, Kittitas Hospital District 2, Upper Kittitas County Medic One), Community Development Services, Road Maintenance, and to a limited extent – Parks and Recreation. These services are discussed in Draft EIS Sections 3.7, 3.14 and 3.17. The fiscal analysis of these services is described below. Table 3.19-4 summarizes the revenue and expense for the Kittitas County General Fund and Special Revenue funds in 2007.

Table 3.19-4. Kittitas County operating revenue and expense general fund and special revenue funds (\$2007).

| Revenues | | |
|----------------------------------|---------------------|-------------------|
| | 2007 | % of Total |
| General Property Taxes | \$7,952,527 | 23.0% |
| Sales and Use Taxes | 5,748,086 | 16.6% |
| Other Local Taxes | 449,402 | 1.3% |
| Licenses and Permits | 2,468,163 | 7.1% |
| Charges and Fees for Service | 2,966,657 | 8.6% |
| Interest and Investment Earnings | 1,782,498 | 5.2% |
| Fines and Forfeits | 1,966,935 | 5.7% |
| Rents, Premiums etc. | 1,412,823 | 4.1% |
| Intergovernmental | 9,831,781 | 28.4% |
| Total | 34,578,872 | 100% |
| Expenses | | |
| Law and Justice | \$9,588,432 | 37.6% |
| Fire and Emergency Services | 1,195,696 | 4.7% |
| Health and Human Services | 2,896,622 | 11.4% |
| Transportation | 5,041,198 | 19.8% |
| Natural Resources | 2,458,238 | 9.6% |
| General Government | 4,215,191 | 16.5% |
| Other | 121,953 | 0.5% |
| Total | \$25,517,330 | 100.0% |

Source: Washington State Auditor's Office, Local Government Financial Reporting System.

The largest source of County revenue is general property taxes. This amount includes the property tax levy from all properties in the County and the road tax levy in unincorporated areas. The retail sales and use tax is the next largest source of revenue and includes the 1.5 percent on taxable transactions in unincorporated areas and 0.6 percent on transactions in the incorporated areas. The County is not authorized to collect business and utility taxes.

Similar to the City of Cle Elum, Law and Justice is the largest category of County expenditures. It includes the Sheriff's Department, courts, and detention facilities. The Sheriff's Department operations expenditures are largely devoted to the unincorporated areas and total \$2,218,305 or 23 percent of total Law and Justice expenditures. Transportation expenditures represent street fund expenditures in unincorporated areas. Street fund expenditures totaled \$5.0 million in 2007.

Of the total expenditures, \$7.3 million was spent for direct services to unincorporated areas, at a cost equivalent to \$440 per capita; while \$18.3 million was spent on County-wide services, at a cost equivalent to \$477 per capita.

Cle Elum-Roslyn School District 404. The Cle Elum-Roslyn School District serves a total resident population of approximately 8,300, estimated by the State Office of Financial Management for 2008. District enrollment during the 2008-2009 school year was 895 students: 363 elementary, 215 middle school, and 317 high school (not including the alternative high school enrollment). The District operating budget for the 2008-2009 school year is summarized in Table 3.19-5.

Table 3.19-5. Cle Elum-Roslyn School District No. 404 summary of general fund budget: 2008-2009.

| Revenues | |
|---------------------|-------------|
| Local Support | \$1,999,678 |
| State Support | 6,169,778 |
| Federal Support | 552,353 |
| Total | \$8,721,809 |
| Expenditures | |
| Instruction | \$6,447,047 |
| Support Services | 2,199,447 |
| Total | \$8,646,494 |

Source: State Office of Superintendent of Public Instruction, Form F 195.

State support includes apportionment dollars for basic and special education, as well as special purpose funding for specific programs and services. Federal support includes funding for various stimulus titles and special services and programs. State funding may be affected by the current State budget challenges, but any reductions will affect local revenues and expenses regardless of what happens with City Heights.

Most of the local support is from the District's operating levy. But the amount of additional taxes collected is determined more by the limits on local support, rather than increases in the local tax base. State law limits the portion of total District funding that is provided by local sources. In Cle Elum, the local sources cannot exceed 24 percent of non-local revenues. As State funding increases with enrollment growth according to State apportionment formulas, the maximum amount of local support can increase proportionately. As long as the District has voter authorization to collect an operating levy, it will be able to collect sufficient local revenues to maintain operating expenditures. For example, with State and Federal funding in 2008/2009 at \$7,511 per each additional student, the 24 percent limitation allows for \$1,803 in local funding per additional student, thereby maintaining total expenditures at \$9,314 per student.

Kittitas County Fire District 7. Kittitas County Fire District 7 (KCFPD 7) serves an area roughly equivalent to the school district excluding the City of Cle Elum and the Town of Roslyn. Estimated population is 5,500 within the Fire District service area. The District operates with a volunteer force out of three stations. The primary source of revenue for KCFPD 7 is property taxes. Total collections for 2009 are projected to be \$993,000.

Kittitas County Hospital District 2. Kittitas County Hospital District 2 serves the Upper Kittitas Valley (roughly from Thorp to Snoqualmie Pass), provides the emergency medical services, and owns the community hospital and urgent care facilities with services provided by Hospital District 1. The operating budget for Hospital District 2 is summarized in Table 3.19-6.

Table 3.19-6. Kittitas County Hospital District 2 summary of 2009 budget (Property Counselors 2010).

| Revenues | |
|-----------------------------|--------------------|
| EMS Tax Levy | \$475,000 |
| General Tax Levy | 530,000 |
| Facility Rent | 271,097 |
| Ambulance Revenue | 666,764 |
| Subtotal | 1,942,861 |
| Less Deductions | (172,081) |
| Total | \$1,770,780 |
| Expenditures | |
| Salaries and Wages | \$519,352 |
| Benefits | 114,919 |
| Supplies | 75,810 |
| Utilities | 18,224 |
| Professional Services | 72,654 |
| Clinic Management & Subsidy | 125,000 |
| Depreciation and Interest | 464,183 |
| Other | 45,852 |
| Total | \$1,435,394 |

The Hospital District is funded largely by the general District levy and the Emergency Medical Services (EMS) levy, as well as charges for ambulance services. The District currently responds to approximately 1,000 EMS calls per year. The resident population of the service area is approximately 10,000, but a portion of the calls are for visitors or travelers on Interstate and State highways through the District's service area.

POTENTIAL OPERATING IMPACTS

The City Heights conceptual land use alternatives are basically residential communities with a small amount of supporting commercial development. The per capita costs of service for these alternatives was estimated based on the characteristics of Natural Resource/Light Industrial Hubs (Category 4) described in the Association of Washington Cities data provided in the *Fiscal Analysis* (Table 7 in that technical report).

The fiscal analysis considers the impact of each of the prospective City Heights development alternatives at full build-out. The operating impact is expressed as the difference between annual operating revenues and operating expenses on an ongoing basis, in constant 2009 dollars. One-time revenues associated with construction are also expressed in 2009 dollars and are presented in both cumulative and average annual levels over the construction period. Impacts were also considered for the mid-point of construction in order to show the effect of lags in the receipt of revenues. These one-time revenues can be utilized by the City of Cle Elum to offset temporary costs associated with construction activities and imbalances between ongoing revenue and operating expenses that may be associated with a growing population base.

The estimates are intended to capture the relationship between direct revenue generated by the project and marginal changes in expenditures for the provision of public services. The changes to expenditures reflect possible economies of scale, and possible changes in service levels. The estimates are based on

assumptions that are inherently subject to uncertainty and variation depending upon evolving events. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results will vary from those described in this report, and the variations may be material.

Revenue Assumptions

The revenue assumptions for any City Heights conceptual land use alternative are summarized below.

- The average sale price is assumed to be \$382,000 for single-family detached homes, \$186,000 for single-family attached, \$115,000 for single-family detached lots, and \$41,000 for attached unit lots, based on information provided by the proponent. These prices are similar to prices in recent new single-family detached home projects within the study area. Mechanisms for dealing with revised revenues as a result of project price points differing from assumptions will be negotiated in a Development Agreement between the City and the project proponent if Alternative 1 or 2 is selected, or as specified by the County in conditions of approval if Alternative 3A or 3B is selected.
- The average incremental assessed valuation beyond the existing value is assumed to be the full assessed value of the finished development. The incremental assessed value for the single-family detached and attached units is assumed at 95 percent of average sale price. Assessed values of recently-sold homes varied from moderate discounts to premiums over assessed value. Assumed values are \$363,000 for single-family detached and \$177,000 for single-family attached units. The incremental assessed value for convenience retail and professional office is assumed at \$130 and \$165 per square foot respectively, based on comparable development.
- Taxable retail sales reflect likely purchases by project residents within the City. They are estimated by using Consumer Expenditure Survey data to adjust State-wide household spending figures to account for local income levels. Spending for retail goods and related services is estimated to be \$12,900 per household. Of that, \$7,900 is estimated to be taxable. Not all of that spending will be captured locally, as spending for certain goods will occur outside of the local area. Approximately \$6,900 per household is estimated to be captured locally for each year-around dwelling unit, and \$2,300 is estimated for each seasonal unit (assuming four months of use per year). The number of seasonal units is assumed to be 10 percent of total units for these revenue estimates, consistent with all other estimates.
- Taxable construction cost is estimated at approximately 75 percent of the incremental assessed valuation for each use (single-family detached homes, attached dwelling units, neighborhood retail, and professional offices).
- Utility charges are based on estimates from US Census Consumer Expenditure Survey data: \$2,500 per unit for single-family detached and \$2,000 for single-family attached units. Utility charges are assumed at \$2.50 and \$2.00 per square foot for retail and office use based on Building Owners and Managers Association data (BOMA 2006).
- Per capita distributions (State shared revenues) are estimated at \$36 per capita for cities as estimated by the Municipal Research Services Center (MRSC 2009).

The estimated increased tax base for each of the conceptual land use alternatives is summarized in Table 3.19-7.

Table 3.19-7. Comparison of estimated tax base impacts of the City Heights conceptual land use alternatives (in \$2009).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|-------------------------------|-------------------------------------|---|---|--|---------------------|
| Assessed Value | 305,388,500 | 258,600,000 | 258,600,000 | 181,300,000 | - |
| Taxable Retail Sales | 6,345,504 | 5,637,126 | 5,637,126 | 3,219,900 | - |
| Utilities Charges | 2,221,700 | 1,977,500 | 1,977,500 | 1,175,000 | - |
| Property Sales (Cumulative) | - | - | - | - | - |
| Lot Sales | 91,100,000 | 74,462,500 | 74,462,500 | 57,250,000 | - |
| Home Sales | 318,361,000 | 265,632,500 | 265,632,500 | 190,850,000 | - |
| Ongoing Annual Property Sales | 39,795,125 | 33,204,063 | 33,204,063 | 23,856,250 | - |
| Taxable Construction Value | 170,435,000 | 146,150,000 | 146,150,000 | 99,000,000 | - |

Alternative 1 would generate the largest increase in tax base for all measures as a result of having the most housing units and population. Alternative 2 or 3A would have the same tax base impacts because the amount and type of development would be the same with either of these alternatives. The difference would be that under Alternative 3A, the majority of the City Heights site (330 acres) would not be annexed to the City, and therefore would generate tax revenues and a need for services within the County.

Tax rates are assumed at current (2009) levels for all taxes. All of the jurisdictions considered in this analysis collect property tax. Cities and counties are also authorized to collect retail sales tax. Of the total 8.0 percent sales tax, 1.5 percent is collected by local jurisdictions. Within the City, 0.85 percent goes to the City, 0.15 percent goes to the County for general purposes, and 0.5 percent goes to the County for criminal justice. In unincorporated areas, the entire 1.5 percent goes to the County.

Cities are also authorized to collect a Business and Occupation (B&O) tax on gross business receipts, and a utility tax on public and private utility charges. The City of Cle Elum collects a 6 percent tax on utilities, but no B&O tax.

Real estate sales are subject to a 1.28 percent State tax and 0.5 percent local tax. The local tax is restricted to capital facilities.

Tax rates are assumed at 2009 levels as summarized in Table 3.19-8.

Table 3.19-8. Assumed tax rates (Property Counselors 2010).

| | |
|-----------------------------------|------------|
| Property Tax (\$/\$1000AV) | |
| State | \$2.018444 |
| Kittitas County-Current Expense | 0.892025 |
| Kittitas County-Road District | |
| City of Cle Elum | 1.297042 |
| Fire District 7 | |
| School District 404-Levy | 0.254811 |
| School District 404-Bond | 0.624122 |
| Hospital District 2 | 0.325838 |
| Total | \$5.412282 |
| Gross Receipts Tax | |
| Retail Sales Tax | |
| State | 6.50% |
| Kittitas County | |
| Share of City/Unincorporated | 0.15% |
| Criminal Justice | 0.50% |
| City of Cle Elum/Unincorporated | 0.85% |
| Juvenile Corrections | |
| Total | 8.00% |
| Utilities Tax | 6.00% |
| Hotel Tax | |
| Real Estate Excise Tax | |
| State | 1.28% |
| City or County | 0.50% |
| Total | 1.78% |

Operating Expense and Other Revenue Assumptions

City of Cle Elum. As a Tourism Hub, the City of Cle Elum serves a population much larger than its residents alone. Similar sized communities without a tourism base (Resource and Industrial Hubs) spend significantly less on services. Because the proposed City Heights development would be largely a year-around residential development, its service requirements should be comparable to the operating cost patterns of Resource cities (described in the *Fiscal Analysis* technical report). For the purpose of this analysis, the per capita expense and certain non-development related revenue items were derived from the Resource and Industrial Hub cities category. The expenditure factors should reflect the range and level of services likely for the population of the size and type anticipated with City Heights.

Table 3.19-9 summarizes the factors used in the analysis of operating expense and revenue assumptions for the City. The factors shown are derived from the 2007 figures for Resource and Industrial Hub cities by applying a 5.5 percent increase to reflect changes in the Consumer Price Index between 2007 and 2009. The total operating expenditure factor is \$596 per capita, of which \$255 per capita is for Law and Justice. While there are few delivery standards for City services, a factor of 2.0 police officers per 1,000 population is a commonly accepted ratio. With average salary of \$5,000 per month, a benefit rate of 43 percent, and an annual equipment allowance of \$10,000, the average cost of a police officer in Cle Elum is approximately \$95,000 per year. Two officers per 1,000 population is equivalent to \$195,000 per 1,000 population, or \$195 per capita. These factors are less than the assumed rate of \$255, therefore indicating that the assumed rate should be adequate to cover the cost of increased service requirements for

police officers, the municipal court, and dispatch/communications charges that would result from the City Heights project if developed under Alternative 1 or 2. Funding for increased police officers would ramp up to the level required at full build-out and occupancy of the City Heights development (also taking into account other growth within the City during that same period of time).

Table 3.19-9. City of Cle Elum per capita revenue and expense factors (Property Counselors 2010).

| | |
|--|---------------|
| Other Revenue Factors (\$/Capita) | |
| Permits Non-Development | \$10.55 |
| Charges Non-Development | 21.10 |
| Fines | 12.66 |
| State Distributions | 35.00 |
| Other Intergovernmental | 95.00 |
| Earnings/Rents Etc. | 56.00 |
| Operating Expense Factors (/Capita) | |
| Law and Justice | \$255.31 |
| Fire and Emergency Services | 77.02 |
| Health and Human Services | 2.11 |
| Transportation | 64.36 |
| Natural Resources | 74.91 |
| General Government | 101.28 |
| Other | 21.10 |
| Total | 596.08 |

The expenditure categories shown are the Budgeting Accounting and Reporting System (BARS) categories used by the Washington State Auditor’s Office. The Natural Resources category includes Planning and Community Development, and Parks. The Other category includes Libraries.

Costs for Planning and Community Development in the Natural Resources category do not include the costs associated with development review and permitting. These costs are assumed to be offset by permit fees and charges for service. These revenue items are also excluded in order to be consistent.

Kittitas County. Revenue and expense factors are specified for both County-wide functions and municipal services in the unincorporated area if Alternative 3A or 3B were selected for implementation. The County-wide service factors are summarized in Table 3.19-10. These figures are derived from 2007 figures shown earlier in Table 3.19-4. The 2007 figures are escalated to 2009 levels using a 5.5 percent Consumer Price Index (CPI) increase.

Table 3.19-10. Kittitas County per capita revenue and expense factors (Property Counselors 2010).

| | |
|--|----------|
| Other Revenue Factors (\$/Capita) | |
| Permits Non-Development | \$55.75 |
| Charges Non-Development | 13.89 |
| Fines | 54.18 |
| Intergovernmental | 270.82 |
| Earnings/Rents Etc. | 88.02 |
| Operating Expense Factors (/Capita) | |
| Law and Justice | |
| County-wide | \$203.02 |
| Law Enforcement-Uninc. | 255.31 |
| Health and Human Services | 79.79 |
| Transportation | 64.36 |
| Natural Resources | 67.71 |
| General Government | 116.11 |
| Other | 3.36 |

The expense factors for municipal services to the unincorporated area of Kittitas County are assumed at the same levels as for City per capita expenditures for Law and Justice and Transportation. It is assumed that the level of service and the method of service delivery would not differ from that provided by the City for Alternative 1 or 2. The factors used are \$255 per capita for law enforcement (patrol only) and \$64.36 for Transportation (road maintenance).

Cle Elum-Roslyn School District 404. Future expenditures by the School District will be determined by the level of non-local revenue with local funding at approximately 24 percent of that amount in order to keep the level of local support within the State-mandated limits. In effect, any new students will be funded by non-local sources as determined by the State and Federal governments, with local sources capped by RCW 84.52.0531 at a percentage of that amount. Expenditures per student will match available sources, with no incremental operating impacts.

Kittitas County Fire District 7. Fire District 7 would serve the City Heights development under Alternative 3A or 3B. The cost of service is assumed at the same per capita amount as for City Fire and Emergency Services to Alternative 1 or 2. The level of service and method of delivery should not differ. The assumed per capita factor is \$77.02 per capita in 2009 dollars.

Kittitas County Hospital District 2. The Kittitas County Hospital District currently experiences a volume of approximately 100 calls per 1,000 population. Excluding expenditures for clinic management and subsidy, and depreciation and interest, the average cost per call can be estimated as \$846. The City Heights development under any conceptual land use alternative would likely generate calls at a rate lower than the current average of 100 calls per 1,000 population. As described for the City of Cle Elum, current service requirements are generated by visitors and through traffic as well as local residents. The District doesn't have figures on the break-out between resident and non-resident calls. Retail sales data for the City indicate that off-season economic activity is approximately 70 percent of the average for the entire year. It is reasonable to suggest, therefore, that the resident service demands reflect no more than 70 percent of total demand. Accordingly, the service demand for the City Heights development would not be expected to exceed 70 calls per 1,000 population. While Hospital District staff do not have the data to confirm this assumption, they indicate that it appears reasonable (personal communication with Mark Raaka, EMT-P, Operations Manager, Upper Kittitas County Medic One, September 10, 2009). The

mechanism for monitoring the level of year-around development and estimating actual service demands will be negotiated in a Development Agreement between the City and the project proponent if Alternative 1 or 2 is selected, or as specified by the County in conditions of approval if Alternative 3A or 3B is selected.

The District would recover a portion of its expenses through charges for ambulance services. This factor is assumed at the current annual average of \$667 in ambulance revenues per total calls. Property tax collections are available to fund the remaining expenses.

Potential Operating Impacts of the City Heights Alternatives

City of Cle Elum Operating Impacts. Table 3.19-11 summarizes the City of Cle Elum operating impact for the five City Heights conceptual land use alternatives. Since only Alternative 1 or 2 would be developed within the City limits, the City is projected to collect additional revenues, incur costs for public services, and collect an operating surplus if either of these two alternatives is implemented. Under Alternative 2, the surplus would be smaller because of the reduced number of dwelling units and lower property values related to a larger number and proportion of single-family attached dwelling units. For either of these alternatives, the City would receive one-time tax revenues of \$2.9 million to \$3.5 million associated with construction and initial property sales. These one-time revenues would average \$350,000 per year over a 10-year construction period for Alternative 1, or \$294,000 for Alternative 2.

The largest sources of recurring revenues would be property taxes, intergovernmental revenue, recurring real estate excise taxes (from resales), and utility taxes. Retail sales taxes from resident purchases would be a relatively small source of revenue.

Major City operating expenditures include Law and Justice, General Government, and Natural Resources. Under Alternative 1, the Law and Justice expenditures of \$526,000 would be sufficient to fund four full-time-equivalent officers (at an annual cost of \$95,000 per officer for salary, benefits, and equipment), doubling the City's Municipal Court budget of \$40,800 (including increasing the services of the Municipal Court judge from 0.3 to 0.6 FTE), as well as \$105,000 for jail and dispatch costs. The Fire and Emergency Services expenditures of \$159,000 under Alternative 1 would be sufficient to fund the additional cost of 20 additional volunteer members (at an annual cost of \$4,200 per member for insurance, equipment and training) and fund a portion of the cost of the salary of a full-time Chief in the amount of approximately \$50,000 plus benefits. Transportation expenditures under Alternative 1 of \$138,000 could fund two additional Public Works staff at \$65,000 plus benefits.

Annual fiscal impacts during the construction period would be proportionately higher than in the developed condition of the project. Property tax revenues tend to lag development by an average of 18 months. At the mid-point of an assumed 10-year construction period, the value of property on the tax rolls would be approximately 72 percent of the nominal value of construction in-place on the City Heights site. Further, it is unlikely that there would be many resales of property during the initial year, so there would not be much recurring real estate excise taxes. (There would, however, be one-time taxes from initial sales.) The estimated operating deficit at the mid-point of site development would be approximately \$140,000 per year for Alternative 1, or \$130,000 per year for Alternative 2. The estimated one-time revenues of \$350,000 or \$294,000 for Alternative 1 or 2 respectively are reasonably calculated to be adequate to fund these early deficits, as well as one-time purchases for equipment, or special construction-period service demands.

It is important to note that the results of the operating impact analysis may vary over time. Property tax revenues are subject to a limit on annual increases. Voter-approved Initiative 747 limited annual property tax increases to 1 percent plus taxes on new construction. While the courts found this initiative

unconstitutional, the Legislature reinstated the 1 percent limit. Future property tax collections are likely to grow at a lower rate than expenses; thus, the fiscal balance may change over time. In the absence of new development, property tax revenues can grow at no more than 1 percent per year, while expenditures will grow with inflation, likely to be 2 percent or more per year. This factor would affect the fiscal balance of jurisdictions over time. Eventually, jurisdictions may choose to go to the voters for approval to lift the tax levy lid.

Table 3.19-11. Comparison of potential operating impacts to the City of Cle Elum in \$2009 of the City Heights conceptual land use alternatives (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|-------------------------------------|--------------------------|--------------------------------|------------------------------------|---------------------------------------|--------------|
| Recurring Tax Revenues | | | | | |
| Property Tax | 396,102 | 335,415 | - | - | - |
| Retail Sales Tax | 53,937 | 47,916 | - | - | - |
| Utilities Tax | 133,302 | 118,650 | - | - | - |
| Real Estate Excise (recurring) | 198,976 | 166,020 | - | - | - |
| Permits Non-Development | 21,734 | 19,135 | - | - | - |
| Charges Non-Development | 43,468 | 38,270 | - | - | - |
| Fines | 26,081 | 22,962 | - | - | - |
| State Distributions | 72,103 | 63,482 | - | - | - |
| Other Intergovernmental | 195,709 | 172,307 | - | - | - |
| Earnings/Rents Etc. | 115,365 | 101,571 | - | - | - |
| Total | 1,256,776 | 1,085,728 | - | - | - |
| Operating Expenses | | | | | |
| Law and Justice | 525,962 | 463,071 | - | - | - |
| Fire and Emergency Services | 158,658 | 139,687 | - | - | - |
| Health and Human Services | 4,347 | 3,827 | - | - | - |
| Transportation | 132,577 | 116,725 | - | - | - |
| Natural Resources | 154,311 | 135,860 | - | - | - |
| General Government | 208,646 | 183,698 | - | - | - |
| Other | 43,468 | 38,270 | - | - | - |
| Total | 1,227,970 | 1,081,137 | - | - | - |
| Estimated Net Annual Surplus | 28,806 | 4,591 | - | - | - |
| One-Time Revenues | | | | | |
| Retail Sales on Construction | 1,448,698 | 1,242,275 | - | - | - |
| Real Estate Excise Tax on Sale | | | | | |
| Lots | 455,500 | 372,313 | - | - | - |
| Homes | 1,591,805 | 1,328,163 | - | - | - |
| Subtotal | 2,047,305 | 1,700,475 | - | - | - |
| Total | 3,496,003 | 2,942,750 | - | - | - |
| Avg Annual One-Time (over 10 yrs.) | 349,600 | 294,275 | - | - | - |

City of Cle Elum Sewer and Water System Impacts. The City Heights *Grading, Drainage, and Utilities Technical Report* (Encompass Engineering and Surveying 2009) explores several options for sewer service to the City Heights conceptual land use alternatives (described in Draft EIS Section 3.18.2). There is capacity in Cle Elum’s wastewater collection and treatment system to accommodate the proposed City Heights development if agreement could be reached with one of the Sewer Parties not presently using all of the capacity allocated to it for development that has not yet occurred. *Peak volumes* for City Heights projected in the technical report range from 931,000 gallons per day with Alternative 1 (8 percent of design flows for the facility), to 454,000 gallons per day (4.3 percent of design flow) with Alternative 3B (if Alternative 3B could be served by City sewer outside the City limits). The corresponding *average flows* are projected to range from 213,000 gallons per day with Alternative 1 to 104,000 gallons per day with Alternative 3B.

The additional flows from City Heights would significantly increase the efficiencies of the treatment plant. According to projections (spreadsheet provided by Gregg Hall, City Administrator) prepared by Veolia, the contract operator for the plant, an increase of 230,000 gallons per day in average flows between 2009 and 2012 would result in only \$46,650 in increased cost of operation. Of that, only \$8,600 would be a real increase (after subtracting an assumed 3 percent annual inflation). That increased volume is approximately equal to the increased flows that would be associated with City Heights Alternative 1. Using that figure as a base, the incremental treatment cost is interpolated for the other alternatives. Based on 2008 cost data with an adjustment to 2009 levels, the average cost of collection and clerical is \$.74 per gallon per day. Assuming the entire collection and clerical cost is variable (a conservative assumption), increased collection and clerical costs can be estimated for each City Heights alternative. Applying current utility rates, the net revenue impact on the system is estimated as shown in Table 3.19-12.

Table 3.19-12. Projected operating impact of the City Heights conceptual land use alternatives to the City of Cle Elum wastewater treatment facility (Property Counselors 2010).¹

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|---------------------------------|---------------------------------|---------------------------------------|---|--|---------------------|
| Residential Units | 985 | 875 | 875 | 500 | - |
| Total Estimated Daily Flow | 212,834 | 192,834 | 192,834 | 103,758 | |
| Average Monthly Charge | 39.82 | 39.82 | 39.82 | 39.82 | |
| Annual Cost Increase-Treatment | 8,001 | 7,249 | 7,249 | 3,900 | - |
| Cost/GD Collection and Clerical | 0.74 | 0.74 | 0.74 | 0.74 | 0.74 |
| Increased Annual Revenue | 470,672 | 418,110 | 418,110 | 238,920 | - |
| Increased Annual Expense | | | | | |
| Treatment | 8,001 | 7,249 | 7,249 | 3,900 | - |
| Collection and Clerical | 157,430 | 142,636 | 142,636 | 76,748 | - |
| Total | 165,430 | 149,885 | 149,885 | 80,648 | - |
| Net Operating Income | 305,242 | 268,225 | 268,225 | 158,272 | - |

¹ Until such time as the City adopts a capital facilities element of its Comprehensive Plan, a Capital Improvements Plan, and/or phasing policies that specify when and where urban services (such as water and sewer) will be available within the UGA, it cannot be assumed that the City could or would provide urban services to the 330 acres of City Heights if this area were to remain outside the City limits under Alternative 3A or 3B.

The projected increase in revenues at current rates would greatly exceed the projected increase in cost. The surplus could be used to fund reserves, pay for improvements or could allow the City to reduce rates to all sewer service customers.

The City's existing water distribution, storage, and treatment system would require expansion to serve City Heights. The potential impact to the City's water treatment system to serve City Heights (with one or more sources of supply to be provided by the project proponent at no cost to the City) would likely be similarly positive to that reported above for the sewer system. The additional flows would increase the efficiency of the water treatment facility. The City's records do not provide the same level of detail for water system costs compared to those provided for sewer system costs; therefore, it is not possible to compute the same marginal cost analysis as that shown for the sewer system in Table 3.19-12. Therefore, the net potential impact to the City's water system operations is not quantified.

Kittitas County. Table 3.19-13 summarizes the Kittitas County operating impact for the five City Heights conceptual land use alternatives. Under any of the four build alternatives, the County would collect revenues and incur expenses for County-wide functions. Under Alternative 3A or 3B, the County would collect a road district property tax levy and incur additional expenses for Sheriff's patrol and road maintenance.

Table 3.19-13. Comparison of potential operating impacts to Kittitas County in \$2009 of the City Heights conceptual land use alternatives (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|-------------------------------------|--------------------------|--------------------------------|------------------------------------|---------------------------------------|--------------|
| Recurring Tax Revenues | | | | | |
| Property Tax-Current Expense Fund | 272,414 | 230,678 | 230,678 | 161,724 | - |
| Property Tax-Street Fund | - | - | 285,218 | 199,961 | - |
| Retail Sales Tax | 41,246 | 36,641 | 84,557 | 48,299 | - |
| Utilities Tax | - | - | - | - | - |
| Real Estate Excise (recurring) | - | - | 166,020 | 119,281 | - |
| Permits Non-Development | 114,849 | 101,116 | 101,116 | 59,838 | - |
| Charges Non-Development | 28,619 | 25,197 | 25,197 | 14,911 | - |
| Fines | 111,617 | 98,271 | 98,271 | 58,154 | - |
| Intergovernmental | 557,921 | 491,208 | 491,208 | 290,683 | - |
| Earnings/Rents Etc. | 181,324 | 159,642 | 159,642 | 94,472 | - |
| Total | 1,307,990 | 1,142,754 | 1,641,907 | 1,047,322 | - |
| Operating Expenses | | | | | |
| Law and Justice | | | | | |
| County-wide | 418,230 | 368,221 | 368,221 | 217,902 | - |
| Law Enforcement | - | - | 463,071 | 274,032 | - |
| Health and Human Services | 164,374 | 144,719 | 144,719 | 85,640 | - |
| Transportation | 132,577 | 116,725 | 116,725 | 69,074 | - |
| Natural Resources | 139,497 | 122,817 | 122,817 | 72,679 | - |
| General Government | 239,198 | 210,596 | 210,596 | 124,625 | - |
| Other | 6,920 | 6,093 | 6,093 | 3,606 | - |
| Total | 1,100,797 | 969,170 | 1,432,242 | 847,558 | - |
| Estimated Net Annual Surplus | 207,194 | 173,583 | 209,666 | 199,763 | - |
| One-Time Revenues | | | | | |
| Retail Sales on Construction | 1,107,828 | 949,975 | 2,192,250 | 1,485,000 | - |
| Real Estate Excise Tax on Sale | | | | | |
| Lots | - | - | 372,313 | 286,250 | - |
| Homes | - | - | 1,328,163 | 954,250 | - |
| Subtotal | - | - | 1,700,475 | 1,240,500 | - |
| Total | 1,107,828 | 949,975 | 3,892,725 | 2,725,500 | - |
| Avg Annual One-Time (over 10 yrs.) | 110,783 | 94,998 | 389,273 | 272,550 | - |

The County is likely to experience an annual surplus under Alternative 1, 2, 3A, or 3B. However, the surplus would be less under Alternative 1 or 2, as these alternatives would be developed within the City. The additional costs of municipal services in unincorporated areas are lower than the incremental tax revenues from the roads levy.

The estimated cost of law enforcement under Alternative 3A, would fund 3.4 additional officers at an annual rate of \$135,000 per officer, fully equipped, the rate reported by Sheriff Department staff (personal communication with Sergeant Steve Pannatoni, Kittitas County Sheriff's Department. November 23, 2009).

The County would receive one-time tax revenues from construction and property sales within the City Heights development. With Alternative 1 or 2, the County would receive a share of the local retail sales tax, while with Alternative 3A or 3B, it would receive the entire local share, as well as real estate excise tax on property sales.

The annual impact at the mid-point of construction would be less favorable to the County because of lags in property tax collection and property resales. The County would incur operating deficits at the mid-point of development under Alternative 3A or 3B. The estimated one-time revenues are reasonably calculated to be more than adequate to fund these early deficits.

As with the City, the 1 percent restriction on the rate of growth in property tax revenues within the County (as a result of RCW 84.55.010) will likely result in revenues growing more slowly than expenditures. The fiscal balance may change over time.

Cle Elum-Roslyn School District 404. Table 3.19-14 summarizes the operating impacts of the City Heights conceptual land use alternatives on the School District. Because of the lid on local tax revenues (imposed by RCW 84.52.0531), the District can effectively fund the cost of additional students by collecting proportionately more funds locally to fill the gap between expenditures and non-local support. As enrollment grows, non-local support would grow by approximately \$1.7 million under Alternative 1, local funding would be allowed to increase by approximately \$400,000 under the lid, and total funding would be adequate to support the \$2.1 million in additional spending at existing spending levels. In addition, City Heights would generate a larger tax base over which to spread the fixed cost of bond repayment. The Annual Contribution to Bond line in Table 3.19-14 reflects the amount of money that would be contributed by the City Heights development, which would reduce the debt service burden on the remainder of School District taxpayers.

Table 3.19-14. Comparison of potential operating impacts to the Cle Elum-Roslyn School District in \$2009 of the City Heights conceptual land use alternatives (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|-------------------------------------|---------------------------------|---------------------------------------|---|--|---------------------|
| Assumptions | | | | | |
| Student Population | 228 | 199 | 199 | 121 | - |
| Operating Cost per Student | 9,314 | 9,314 | 9,314 | 9,314 | - |
| State Funding per Student | 6,894 | 6,894 | 6,894 | 6,894 | - |
| Federal Funding per Student | 617 | 617 | 617 | 617 | - |
| Local Share as Percent of Other | 0 | 0 | 0 | 0 | - |
| Levy Rate-Operating | 0.254811 | 0.254811 | 0.254811 | 0.254811 | - |
| Levy Rate-Bond | 0.624122 | 0.624122 | 0.624122 | 0.624122 | - |
| Projected Operating Revenue | | | | | |
| Local Funding | 411,003 | 359,249 | 359,249 | 218,599 | - |
| State Funding | 1,571,836 | 1,373,909 | 1,373,909 | 836,007 | - |
| Federal Funding | 140,676 | 122,962 | 122,962 | 74,821 | - |
| Total | 2,123,515 | 1,856,121 | 1,856,121 | 1,129,426 | - |
| Operating Expense | 2,123,515 | 1,856,121 | 1,856,121 | 1,129,426 | - |
| Estimated Net Annual Surplus | - | - | - | - | - |
| Annual Contribution to Bond | 190,600 | 161,398 | 161,398 | 113,153 | - |

Kittitas County Fire Protection District # 7. Table 3.19-15 summarizes the operating impacts on the Fire District to serve City Heights Alternative 3A or 3B. Increased property tax revenues are estimated to slightly exceed operating expenses (projected surplus equivalent to 1 percent of projected revenues). Property tax revenues will probably grow more slowly than expenditures. The impact of restrictions on the growth in property tax collections (as a result of RCW 84.55.010) is particularly great on jurisdictions that rely almost exclusively on those revenues. Eventually, the Fire District may choose to go to the voters for approval to lift the tax levy lid.

Table 3.19-15. Comparison of potential operating impacts to Kittitas County Fire Protection District 7 in \$2009 of the City Heights conceptual land use alternatives (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|-------------------------------------|-----------------------------|-----------------------------------|---------------------------------------|---|--------------|
| Resource Assumptions | - | - | - | - | - |
| Assessed Valuation | - | - | 258,600,000 | 181,300,000 | - |
| Property Tax Rate | 0.54545 | 0.54545 | 0.54545 | 0.54545 | - |
| Expenditure Assumptions | - | - | - | - | - |
| Expenditure Per Capita | 77 | 77 | 77 | 77 | - |
| Population | - | - | 1,814 | 1,073 | - |
| Projected Revenue | - | - | - | - | - |
| Property Tax Revenue | - | - | 141,053 | 98,890 | - |
| Operating Expense | - | - | - | - | - |
| Fire and Emergency Services | - | - | 139,687 | 82,662 | - |
| Estimated Net Annual Surplus | - | - | 1,367 | 16,228 | - |

Kittitas County Hospital District 2. Table 3.19-16 summarizes the operating impacts of the City Heights conceptual land use alternatives on the Hospital District. The District would be likely to experience an operating surplus as increased tax collections and ambulance charges should exceed the incremental costs of services. However, because of the restrictions on the rate of growth in property tax revenues (due to RCW 84.55.010), revenues may grow more slowly than expenditures, and the fiscal balance may change over time. Eventually, the Hospital District may choose to go to the voters for approval to lift the tax levy lid.

Table 3.19-16. Comparison of potential operating impacts to Kittitas County Hospital District 2 in \$2009 of the City Heights conceptual land use alternatives (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|-------------------------------------|--------------------------|--------------------------------|------------------------------------|---------------------------------------|--------------|
| Revenue and Expense Factors | | | | | |
| Avg Annual Year-round Population | 2,060 | 1,814 | 1,814 | 1,073 | - |
| Average Calls per 1000 population | 70 | 70 | 72 | 74 | - |
| Projected Calls | 144 | 127 | 131 | 79 | - |
| Average cost per Call | 846 | 846 | 846 | 846 | - |
| Incremental Assessed Value | 305,388,500 | 258,600,000 | 258,600,000 | 181,300,000 | - |
| Tax Rate (\$/\$1000) | 0.325838 | 0.325838 | 0.325838 | 0.325838 | - |
| Ambulance Revenues (/call) | 667 | 667 | 667 | 667 | - |
| Projected Revenue | | | | | |
| Property Tax Revenue | 99,507 | 84,262 | 84,262 | 59,074 | - |
| Ambulance Revenue | 96,151 | 84,654 | 87,073 | 52,958 | - |
| Subtotal | 195,658 | 168,916 | 171,334 | 112,033 | - |
| Projected Expenditures | | | | | |
| EMS and Transport | 121,999 | 107,411 | 110,480 | 67,195 | - |
| Estimated Net Annual Surplus | 73,660 | 61,505 | 60,855 | 44,838 | - |

POTENTIAL CAPITAL IMPACTS

Comparison of the capital impacts of the City Heights conceptual land use alternatives is based on estimates of facility needs, available funding sources, and funding gaps. The impacts are discussed in general terms in this section, with the exception that the impact on the School District is quantified. The mechanisms for funding capital cost impacts will be negotiated between the City and project proponent if Alternative 1 or 2 is selected, or between the County and the project proponent if Alternative 3A or 3B is selected.

City of Cle Elum. With Alternative 1 or 2, the City would experience growth in staff as well as demands for facilities such as parks. The City is authorized to impose impact fees for roads, parks, schools, and fire protection facilities, but does not currently impose such fees. The City Heights project will include parks and open space in amounts that exceed the project’s proportionate share suggested by City’s proposed Level of Service standards (see Draft EIS Section 3.14).

Kittitas County. The County would experience increased demands for County-wide services as well as Sheriff's protection and road maintenance in unincorporated areas if Alternative 3A or 3B were selected for implementation. The increased staff associated with the County-wide services would be small in comparison to total staffing, and could be accommodated in existing facilities. Additional law enforcement services would require approximately four additional officers (four full-time-equivalent officers spread over 24 hours seven days per week) with City Heights Alternative 3A (or three officers with Alternative 3B due to approximately 40 percent fewer dwelling units and residents). Additional road maintenance services could be provided out of existing facilities.

Cle Elum-Roslyn School District 404. School District facilities are currently under-utilized on an overall basis with 895 students and a capacity for 970, according to the Washington State Office of the Superintendent of Public Instruction formula. Over the long term, the City Heights student population under any of the conceptual land use alternatives would create the need for additional school capacity. Table 3.19-17 provides a comparison of the capital cost impact of the facilities required to accommodate additional enrollment under full build-out and 90 percent occupancy of each alternative.

Table 3.19-17. Comparison of potential capital impacts to the Cle Elum-Roslyn School District in \$2009 for the City Heights conceptual land use alternatives (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential Density | 3A. No Annexation Single Ownership | 3B. No Annexation Multiple Ownerships | 4. No Action |
|---|-----------------------------|-----------------------------------|---------------------------------------|---|--------------|
| School Enrollment | | | | | |
| Elementary | 92 | 81 | 81 | 25 | |
| Middle | 55 | 48 | 48 | 15 | |
| High | 81 | 71 | 71 | 21 | |
| % of School Capacity | | | | | |
| Elementary | 20.5% | 17.9% | 17.9% | 5.5% | |
| Middle | 15.7% | 13.7% | 13.7% | 4.2% | |
| High | 16.1% | 14.1% | 14.1% | 4.3% | |
| Square Feet Required | | | | | |
| Elementary (@ 117 sq. ft.) | 10,810 | 9,449 | 9,449 | 2,875 | |
| Middle (@ 157 sq. ft.) | 8,618 | 7,533 | 7,533 | 2,292 | |
| High (@ 161 sq. ft.) | 12,995 | 11,359 | 11,359 | 3,456 | |
| Cost per Square Foot | | | | | |
| Elementary | \$210 | \$210 | \$210 | \$210 | |
| Middle | \$210 | \$210 | \$210 | \$210 | |
| High | \$255 | \$255 | \$255 | \$255 | |
| Additional Buses (@ 65 students) | | | | | |
| Average Cost per Bus | 3.5 | 3.1 | 3.1 | 0.9 | |
| | \$85,000 | \$85,000 | \$85,000 | \$85,000 | |
| Estimated Capital Impact | | | | | |
| Buildings | | | | | |
| Elementary | \$2,270,082 | \$1,984,232 | \$1,984,232 | \$1,207,381 | |
| Middle | 1,809,750 | 1,581,865 | 1,581,865 | 962,545 | |
| High | 3,313,848 | 2,896,566 | 2,896,566 | 1,762,525 | |
| Subtotal | 7,393,680 | 6,462,664 | 6,462,664 | 3,932,451 | |
| School Buses | 298,155 | 260,611 | 260,611 | 158,578 | |
| Total | 7,691,835 | 6,723,275 | 6,723,275 | 4,091,029 | |

As shown in Table 3.19-17, the capital cost impact to the School District would be approximately \$7.7 million with Alternative 1, \$6.7 million with Alternative 2 or 3A, or \$4.1 million with Alternative 3B. At this time, the District has the lowest factor for State matching funds. District representatives estimate the effective match rate under current conditions would be 8 percent (personal communication with Brian Twardoski, Director of Operations and Finance, Cle Elum-Roslyn School District, July 14,

2009). If the District is over-capacity at the time of City Height's construction, the match factor could be significantly higher and the cost impact lower.

The estimated City Heights student enrollment represents facility capacity in a range of 8.3 percent of the capacity of a middle school with Alternative 3B to 20.5 percent of the capacity for an elementary school with Alternative 1.¹ Given that the actual student population generated by the City Heights development will differ somewhat from these projections, and that phased development of the project is proposed over 6 to 12 years, it may be necessary for the School District (in coordination with the project proponent) to evaluate the actual projected impact on classroom capacity on an annual basis. The School District capital impact estimate is correlated to the assumption (for the purpose of the EIS impact analysis) that 90 percent of homes within City Heights under any alternative would be occupied on a year-around basis. Once it is clear that building capacities will be reached, the optimal solution will be to implement the District's Long-Range Facilities Plan; specifically, to embark on a capital improvement and expansion plan with voter approval of a bond measure (personal communication with Brian Twardoski, Director of Operations and Finance, Cle Elum-Roslyn School District, December 10, 2009).

Other options to accommodate the additional students such as adding classrooms to the existing facilities or utilizing modular units to accommodate expansion would result in lower costs. The City Heights proportionate-share cost impact of adding classrooms is compared for each alternative in Table 3.19-18. The average cost per classroom is assumed to be \$300,000 reflecting 1,425 square feet plus a 20 percent circulation factor, and a unit cost of \$175 per square foot. It is assumed that new facilities could be developed on the existing School District properties adjacent to SR 903. As shown in Table 3.19-18, the capital cost impact would be approximately \$2.4 million for Alternative 1, \$2.1 million for Alternative 2 or 3A, and \$1.3 million for Alternative 3B. As with the estimates in Table 3.19-17, the impacts would be lower if the proportion of City Heights homes that are occupied year-around is less than 90 percent, and/or if the State match factor is higher at the time of construction.

¹ The capacities of elementary, middle, and high schools are assumed at 450, 350, and 500 students, respectively.

Table 3.19-18. Comparison of the potential capital impact costs of the City Heights conceptual land use alternatives for additional classrooms and school bus capacity in \$2009 (Property Counselors 2010).

| | 1. Preferred Alternative | 2. Reduced Residential | 3a. No Annex Single Owner | 3b. No Annex Multi-Owners | 4. No Action |
|----------------------------------|---------------------------------|-------------------------------|----------------------------------|----------------------------------|---------------------|
| School Enrollment | | | | | |
| Elementary | 92 | 81 | 81 | 49 | - |
| Middle | 55 | 48 | 48 | 29 | - |
| High | 81 | 71 | 71 | 43 | - |
| % of School Capacity | | | | | |
| Elementary | 20.5% | 17.9% | 17.9% | 10.9% | 0.0% |
| Middle | 15.7% | 13.7% | 13.7% | 8.3% | 0.0% |
| High | 16.1% | 14.1% | 14.1% | 8.6% | 0.0% |
| Classroom Cost Factors | | | | | |
| | \$300,000 | \$300,000 | \$300,000 | \$300,000 | |
| Additional Buses (@ 65 students) | 3.5 | 3.1 | 3.1 | 1.9 | |
| Average Cost per Bus | \$85,000 | \$85,000 | \$85,000 | \$85,000 | |
| Match Percentage | 8% | 8% | 8% | 8% | |
| Estimated Capital Impact | | | | | |
| Buildings | \$2,097,605 | \$1,833,473 | \$1,833,473 | \$1,115,646 | - |
| School Buses | 298,155 | 260,611 | 260,611 | 158,578 | - |
| Total | 2,395,759 | 2,094,084 | 2,094,084 | 1,274,224 | - |

Capital costs under this option could be financed through impact fees. The City and County are authorized to impose school impact fees on behalf of the District; however at the present time, neither the City nor County does collect these fees from new development. These fees could take the form of a per lot payment or a per student payment at the time actual development occurs.

Requirements for additional buses are estimated assuming that the elementary, middle, and high schools would continue on the same bell schedule, and that buses would not make multiple runs.

The Development Agreement to be negotiated between the City of Cle Elum and the project proponent with Alternative 1 or 2 (or conditions of approval that would be imposed by Kittitas County with Alternative 3A or 3B) will provide for funding options satisfactory to the School District to provide a means to finance the facilities needed to accommodate the growth in student population attributable to City Heights.

Kittitas County Fire District 7. Fire District 7 currently operates seven stations and responded to 488 calls in 2008. Assuming a service area population of approximately 5,500, the number of calls per 1,000 population was 89 in 2008. Applying this factor, the number of additional calls attributable to City Heights would range from approximately 160 annually under Alternative 3A, to 93 under Alternative 3B. The District's three existing stations (Bullfrog Road, Upper Peoh Point, and Airport Road) and South Cle Elum that would provide immediate response to the City Heights development under Alternative 3A or 3B have adequate capacity to serve this increased volume of calls.

Kittitas County Hospital District 2. The additional demand for services under any of the City Heights conceptual land use alternatives could be accommodated in existing Hospital District facilities.

MITIGATION MEASURES

It is not possible to precisely identify the probable fiscal impacts, either positive or negative, from a development the scale of City Heights given the myriad of possibilities about the timing of development, the types of residential units to be built within the development, and the ultimate population growth that will result. Inherent in any growth is the possibility that not all costs can be foreseen. Many benefits, both quantitative and qualitative, are derived to a community from well-planned growth. All known potential costs will be addressed and all revenue sources and benefits to the community will be considered when evaluating appropriate mitigations to be provided by the project. If Alternative 1 or 2 is selected for implementation, it is the intention of the City to create a mechanism within a Development Agreement that will provide for enforceable incremental mitigation to be provided by the project at various key trigger points that will reimburse the City for costs directly associated with the impacts of this development. These mitigations will take into account both capital costs (such as Public Works, Police and Fire equipment) and operational costs, such as the cost of staffing for the Police Department, Fire Department, and City Hall. Every attempt will be made for mitigation measures to be provided in anticipation of costs rather than after their occurrence. If Alternative 3A or 3B is selected, similar negotiations would occur with Kittitas County and public service providers within the unincorporated area.

While not directly addressed in this section, it is also the intention of the City (if Alternative 1 or 2 is selected) to require the project to bear the costs of all improvements associated with public infrastructure (wastewater, water, stormwater and road improvements) by enforceable requirements to be stipulated in the Development Agreement associated with the project. These mitigations may take the form of one-time or periodic cash payments, or other means of providing a funding mechanism.

SIGNIFICANT UNAVOIDABLE ADVERSE IMPACTS

The projected revenue and expense analysis prepared for the project identified no significant unavoidable adverse fiscal impacts to the City of Cle Elum, Kittitas County, or public service providers. Inherent in any growth, however, is the possibility that not all costs can be foreseen. There may be short-term lags in the early stages of development between the need for service and the receipt of revenues. Efforts will be made through the terms of the Development Agreement between the City and the project proponent (with Alternative 1 or 2), or through Kittitas County conditions of project approval (with Alternative 3A or 3B) to provide mechanisms for bridging potential short-term gaps.