

Sewer System Development

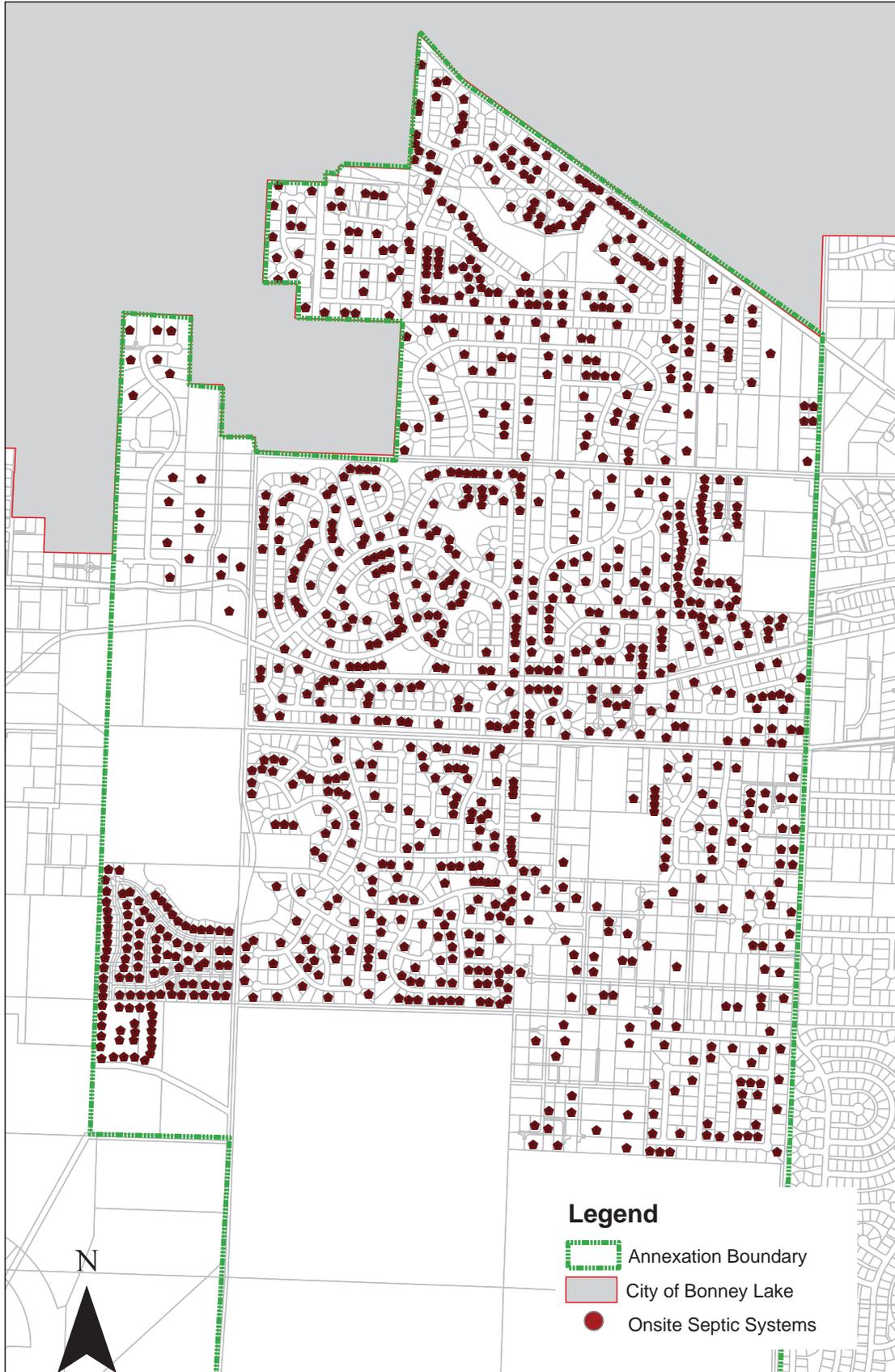
The Bonney Lake Comprehensive Plan for the Southern Sewer Service Area requires a satellite Waste Water Treatment Facility (WWTF) using MBR (Membrane Bio-Reactor) technology. This MBR plant is being developed by the Plateau 465 developer. Alternatively, this development may connect to the Sumner Sewer WWTF, but would require at least two new tanks to be added to the current Sumner WWTF and potentially a totally new WWTF built adjacent to the current Sumner WWTF. The CASCADIA MBR WWTF is breaking ground for use of this satellite WWTF concept and should be useful in expediting the Plateau 465 MBR design.

The Service Response System (SRS)

The SRS system was originally designed by Pierce County to track and coordinate response to drainage problems reported by citizens. However, the SRS data was later expanded to track calls for the following County departments; Road Maintenance, Development Engineering, County Executive, County Council Offices, and Code Enforcement for Staff and Planning and Land Services (PALS). Therefore the data reflected in Figure 22 reflects a myriad of issues, including but not limited to: Junk vehicles, building without a permit, occupancy of an RV, and drainage problems, among many others.

In addition, SRS data is updated on a regular basis (approximately monthly) and represents data collected between 1994 and 2007. Therefore, each data point can represent more than one call or issue for that location. Currently, 1,327 SRS issues are represented in the data points showed in Figure 19. Due to the diversity of issues represented, we did not attempt to tabulate results by issue, but rather by the status of the problem. In sub-areas 1-3, there are 57 'Active Problems', 176 problems 'Closed with no Resolution', 1001 problems 'Closed with Resolution', and 47 that were 'No Problem'.

The problems shown in Cascadia are technically not within the study area, as they are within separate tracts from the Employment Based Planned Community. Pierce County notes that "the information in SRS should be used for a general reference to where problems occur and should be confirmed" before taking any action.

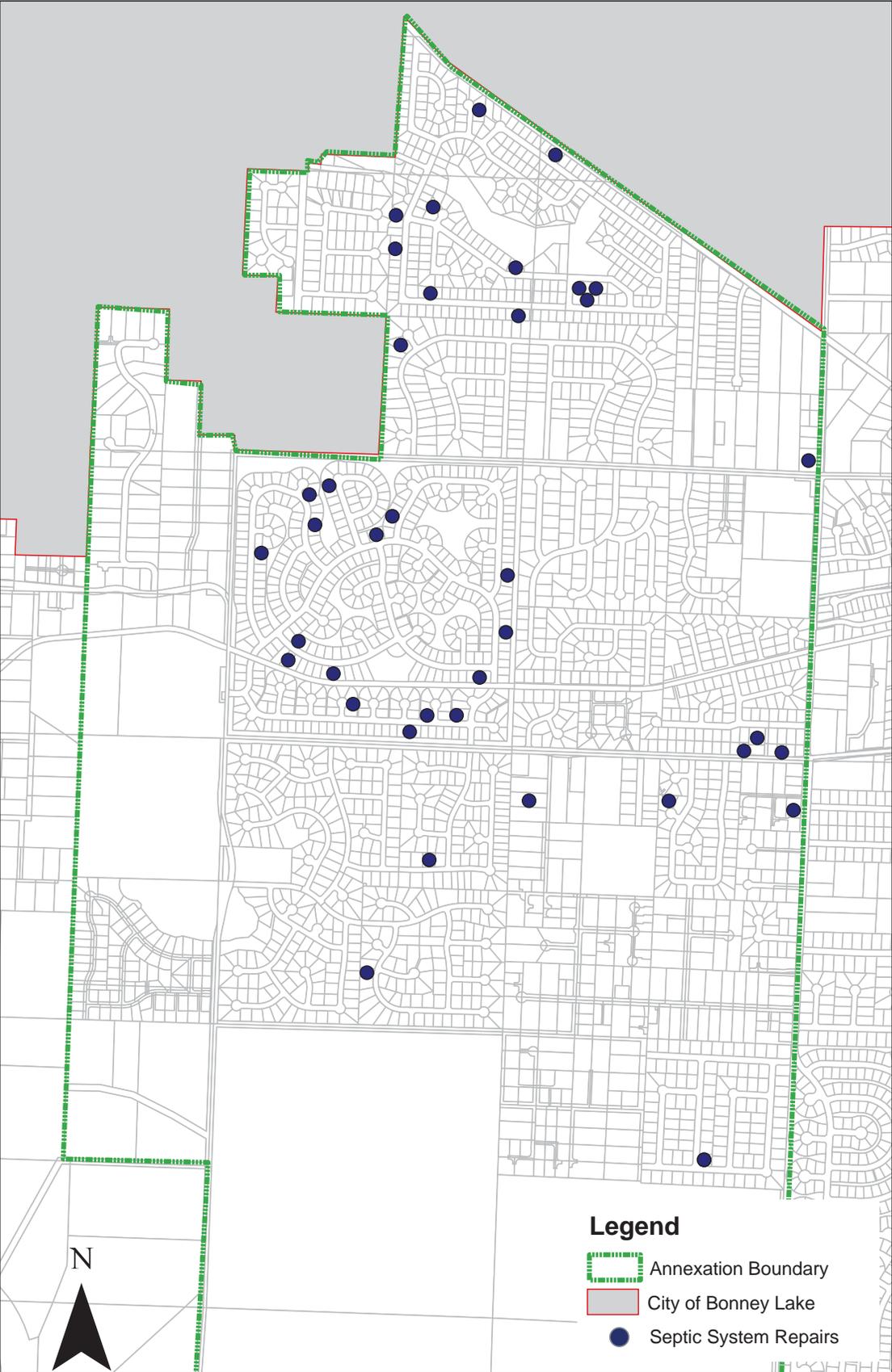


Data: Pierce County, CountyView GIS

Figure 20: On-Site Septic Systems

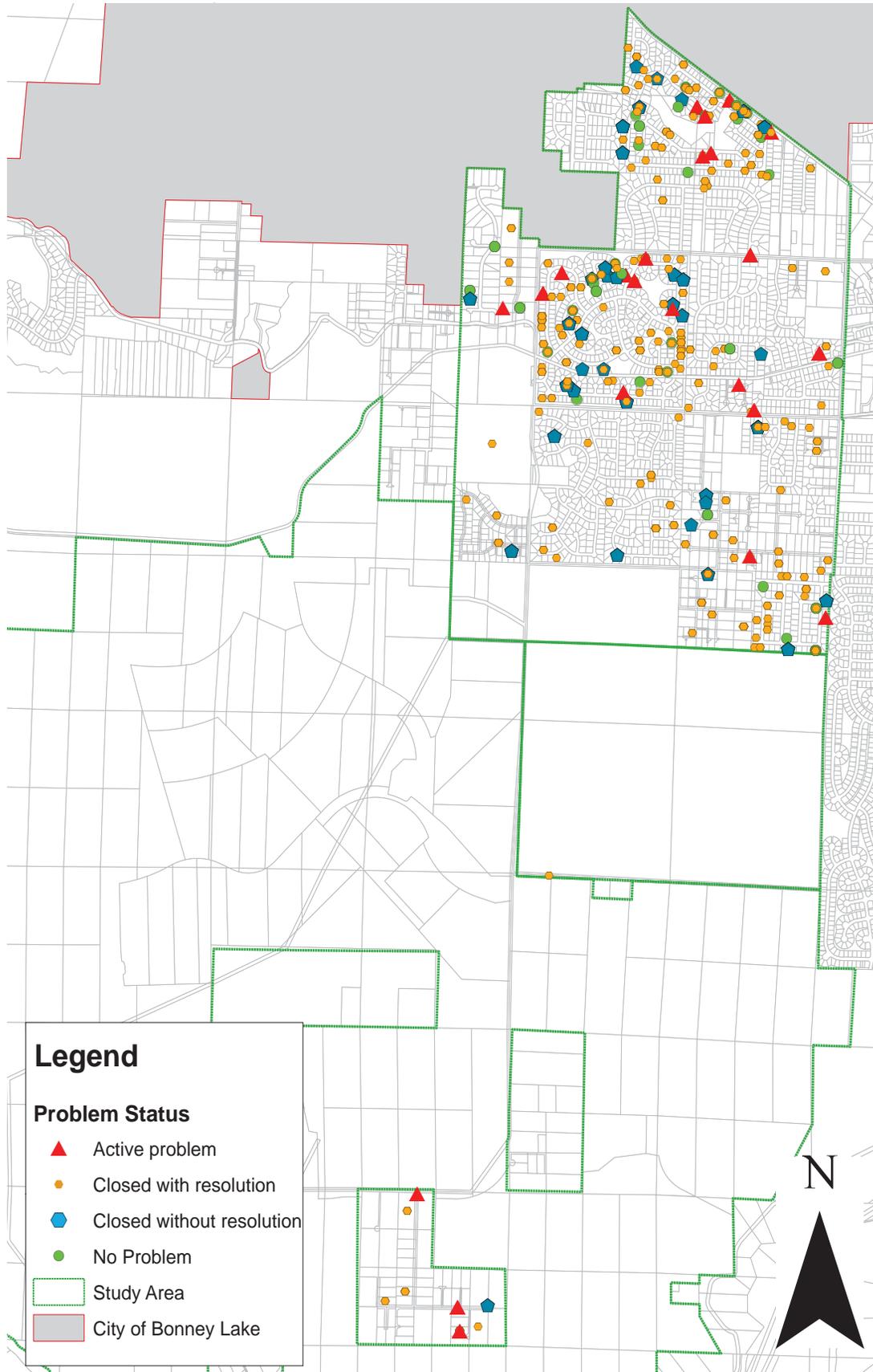
INFRASTRUCTURE INVENTORY AND ANALYSIS

Storm Water and Septic



Data: Pierce County, CountyView GIS

Figure 21: Septic System Repairs



Data: Pierce County, CountyView GIS

Figure 22: Service Response System-Problem Status

PARKS AND OPEN SPACE

Within Sub-Areas 1-3, there are nine existing parks and one proposed park (See Figure 23). Additional proposed park space that is part of the Cascadia masterplan is not included in this inventory. Table 9 shows that the existing parks range in size between approximately 0.32 acres and 6.49 acres, with an average size of 1.7 acres for the three sub-areas. The proposed Buckley-Bonney Lake Plateau Park, located in Sub-Area 3 and part of the Plateau 465 development, would be the largest park in the area

Table 9: Parks Summary Table

PARK	LOCATION	SIZE (sq.ft)	SIZE (acres)	IMPROVED (Y/N)
P1	107 th St E-Ponderosa Estates Div No. 30	85,795.67	1.97	N
P2	206 th Ave Ct E-Tract C	68,250	1.57	N
P3	117 th St E-Rhododendron Park	108,769.5	2.50	N
P4	204 th Ave Ct E	27,187.93	0.62	Y
P5	Liberty Ridge Elementary	116,828.1	2.68	Y
P6	(Private) 126 th St E	15,316.53	0.35	Y
P7	198 th Ave E-Tract C	14,151.18	0.32	Y
P8	127 St Ct E-Track B	15,000	0.34	Y
P9	212 Ave Ct E	282,644.7	6.49	N
Buckley-Bonney Lake Plateau Park (proposed)	Proposed – 80 acre Pierce County Regional Park	3,484,800	80	N

Note: Park sizes are estimates based on data from Metro-Scan.

at 80 acres. The Buckley-Bonney Lake park would serve as a local and regional park and is intended to provide a mixture of passive and active recreation space.

Based on field observation and investigation via aerial photographs (Figures 24-26), five of the nine existing parks appear to be improved with recreational facilities (Table 9) such as Liberty Ridge Elementary. In addition to the existing and proposed park areas, there are also four tracts of open space within Sub-Areas 1-3 (Figures 27 and 28). These tracts can generally be categorized as vegetated, passive open space.



*Data from Pierce County MetroScan and Field Observation.

Figure 23. Existing Parks



P1 - 107th St E- Ponderosa Div No.3



P2 - 206th Ave Ct E- Tract C



P3 - 117th St E- Rhododendren Park



P4 - 204th Ave Ct E

Figure 24. Parks Detail

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Parks and Open Space



P5 -Liberty Ridge Elementary



P6 - (Private) 126th St E - Tract B



P7 - 198th Ave E - Tract C



P8 - 127 St Ct E - Track B

Figure 25. Parks Detail

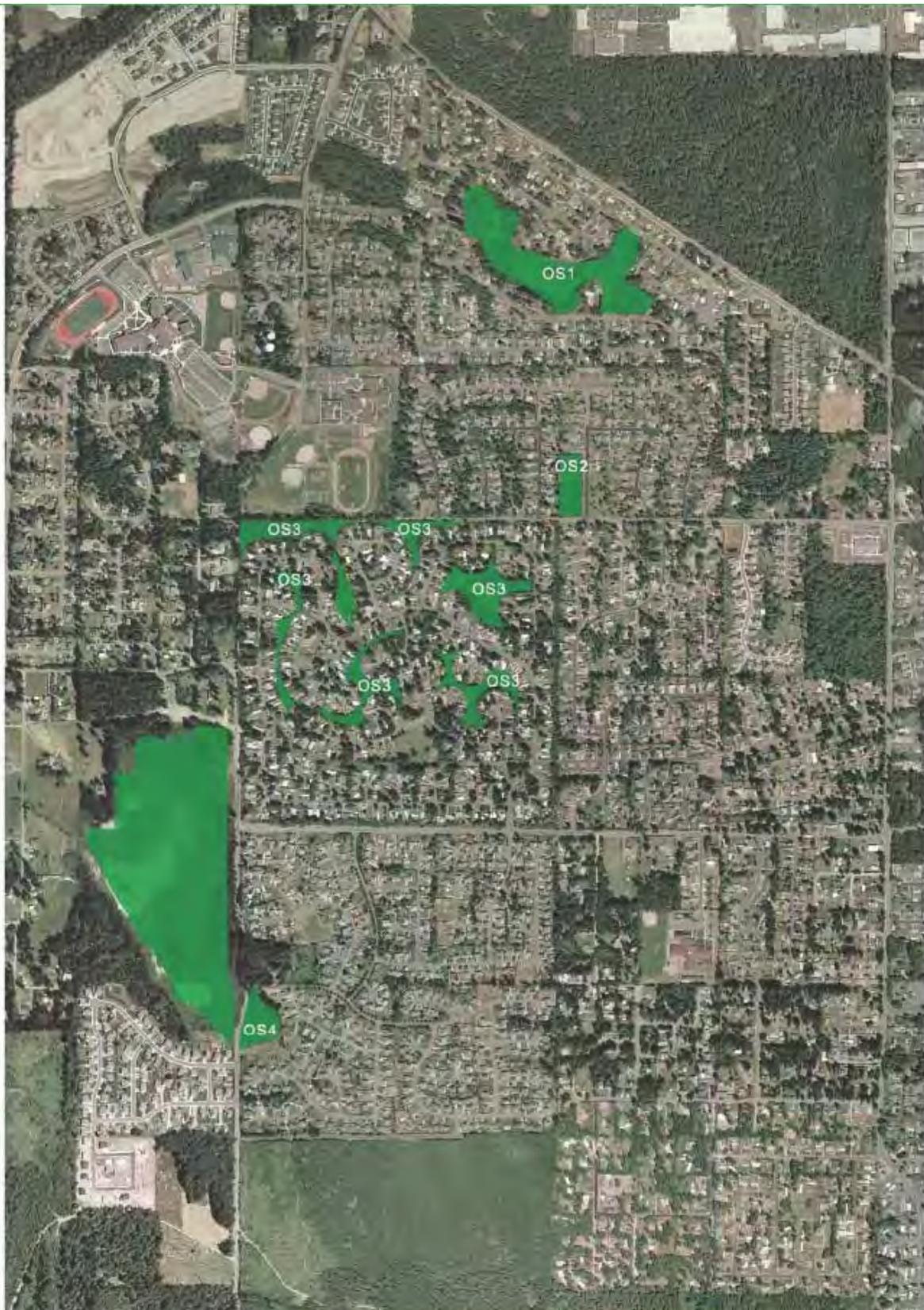


P9 - 212th Ave Ct E



(Proposed) Buckley-Bonney Lake Plateau Park

Figure 26. Parks Detail



*Data from Pierce County MetroScan and Field Observation.

Figure 27. Open Space/Critical Areas

INFRASTRUCTURE INVENTORY AND ANALYSIS

Parks and Open Space



OS1 - 107th St E - Ponderosa Estates
Div No. 3



OS2 - 206th Ave Ct E - Tract B



OS3 - Rhododendren Park Development-
Tract A



OS4 - 198th Ave E - Tract B & D

Figure 28. Open Space Detail

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Police, Fire, and Other Utilities

CRIME DATA

Figure 29 shows the combined crime data for Sub-Areas 1-3 (upper left corner), as well as crime data for each individual Sub-Area for 2007. The definition of crime is divided into two categories: 1) Crimes committed against persons, and 2) Crimes committed against property. In this data set, crimes committed against people includes aggravated assault, homicide, rape, and robbery. Crimes against property include arson, burglary, theft, and motor vehicle theft.

As a whole, Sub-Areas 1-3 had an average of 1.42 person-to-person offenses for every 1000 people during the year. Crimes committed against private property averaged 12.47 crimes per 1,000 people. The total crime for all three Sub-Areas averaged 13.89 incidents per 1,000 people for the year 2007, which is lower than the total crime rate in Sub-Areas 1 and 2, at 15.39/1,000 and 16.35/1,000, respectively. Sub-Area 2 has the highest rate of crimes against persons at 2.72/1,000, while Sub-Area 1 has the

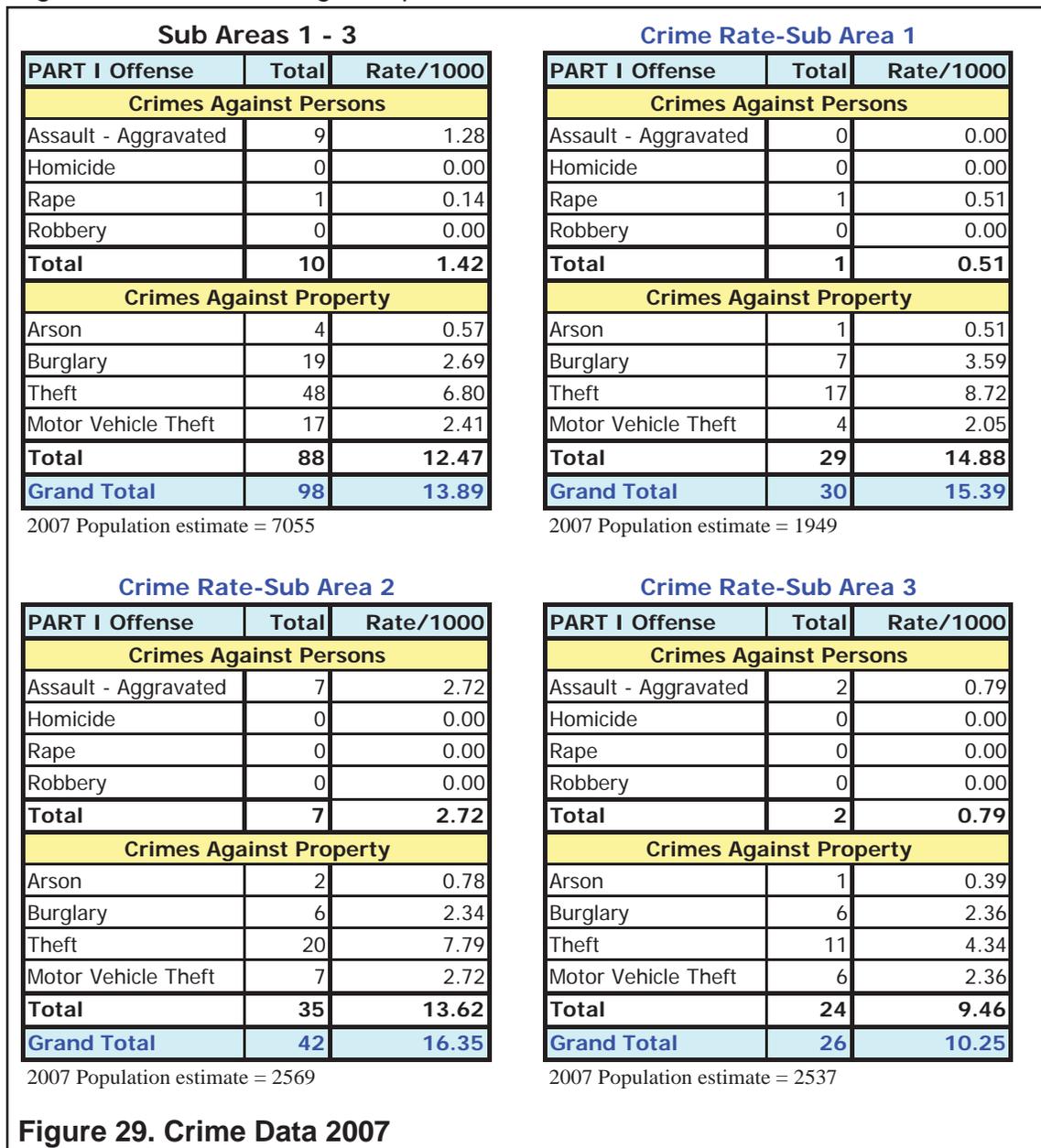


Figure 29. Crime Data 2007

INFRASTRUCTURE INVENTORY AND ANALYSIS

Police, Fire, and Other Utilities

highest rate of crimes committed against property at 14.88/1,000.

FIRE SERVICE AND INFRASTRUCTURE

The entire study is served by the East Pierce County Fire District, with the exception of a very small area along the eastern edge of Cascadia which is within the Orting Fire District Service Area (Figure 30). The nearest fire stations are at the southeast corner of Sub-Area 2 near the intersection of 120th Street East and 214th Avenue East, northwest of the study area on Old Buckley Highway in Bonney Lake, and southwest of the study area in the City of Orting. Figure 31 shows the fire hydrants within the potential annexation area, nearly all of which are encompassed within Sub-Areas 1-3. Cascadia has five existing fire hydrants that border the southwest corner of Sub-Area 3.

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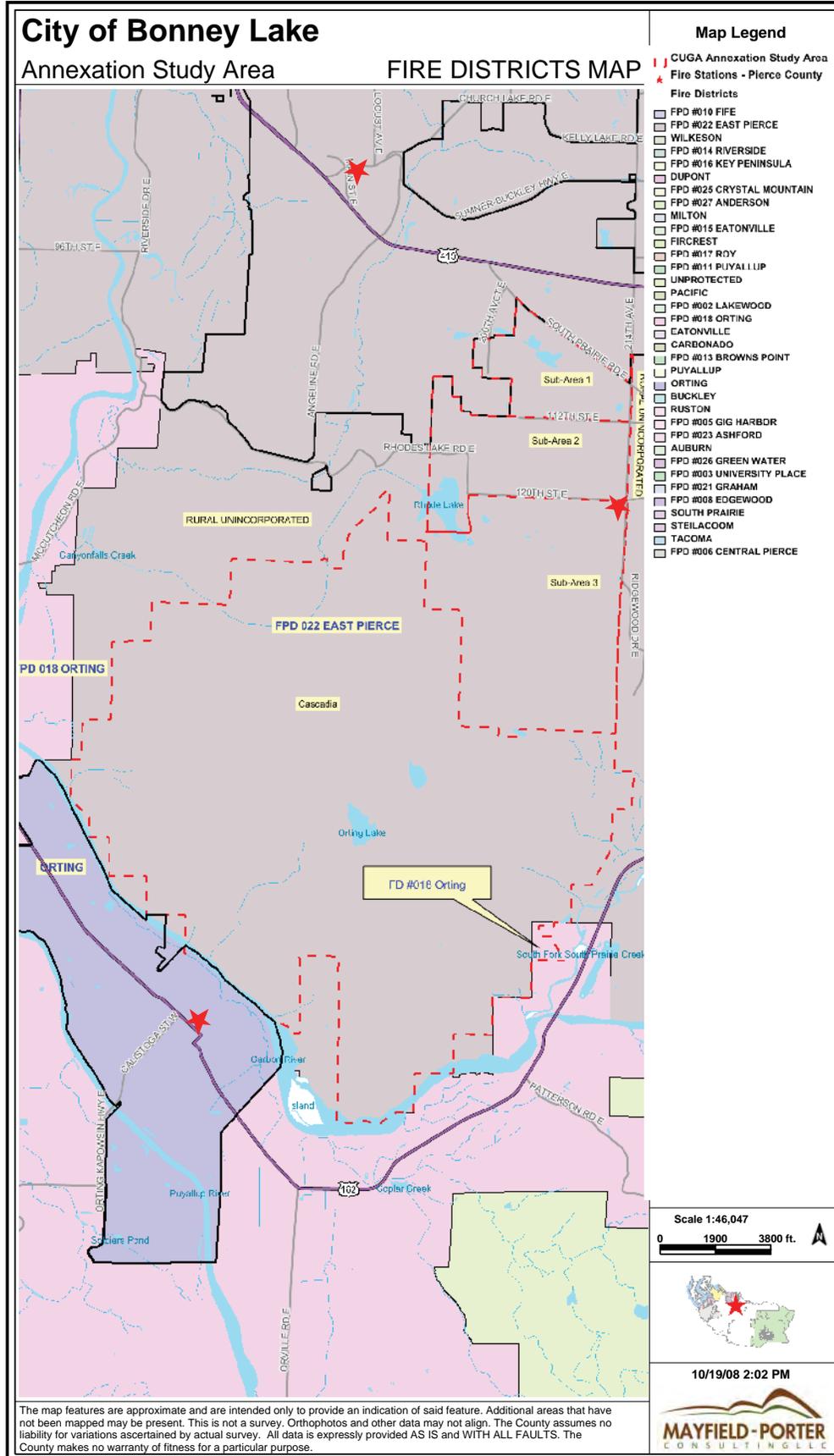


Figure 30. Fire Districts

INFRASTRUCTURE INVENTORY AND ANALYSIS

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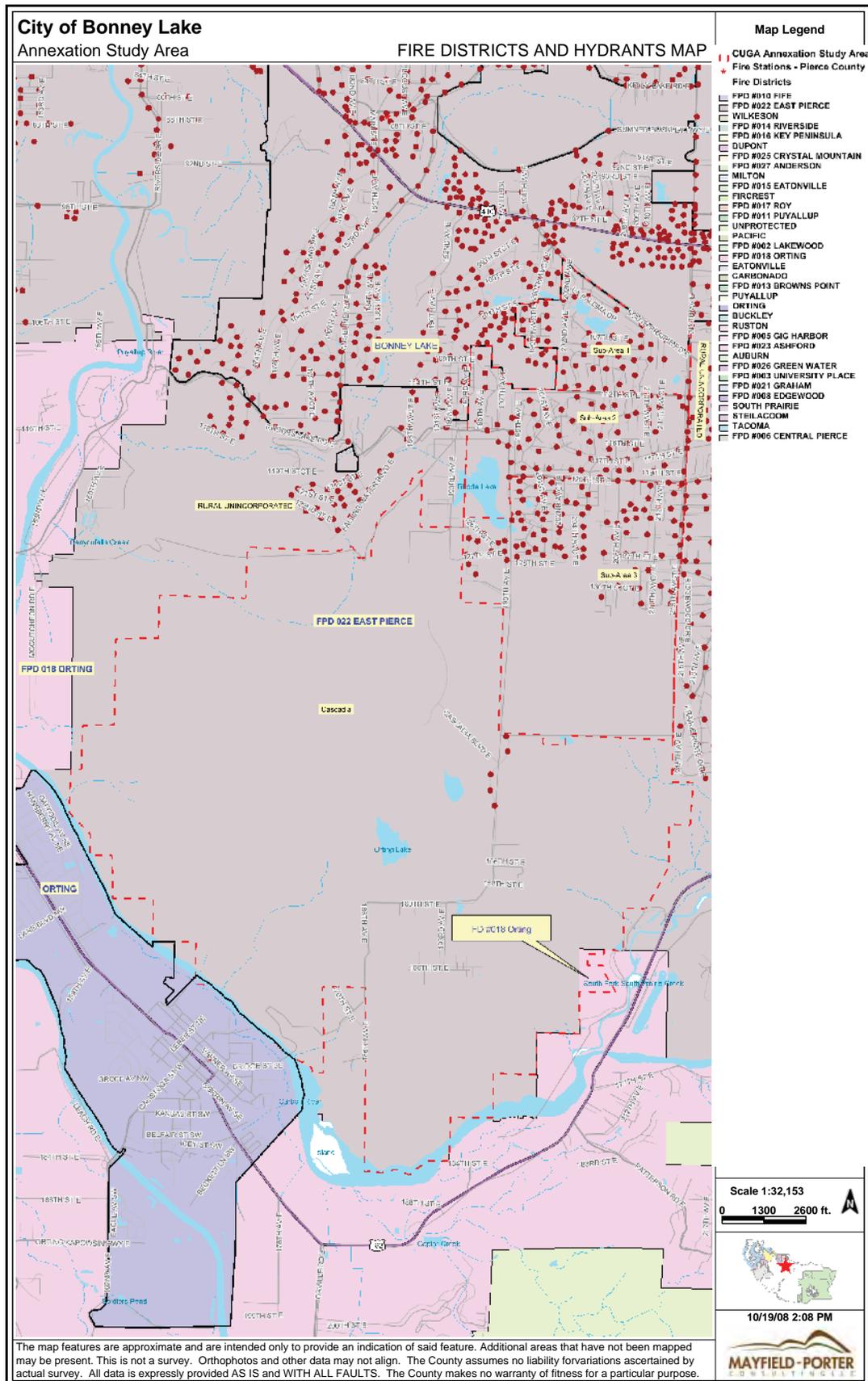


Figure 31. Fire Districts and Hydrants

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OTHER UTILITIES

Franchise Data

Franchise data for Telecom Cable, Water, and Gas/Power within the study area is shown in Table 10. The respective city associated with the franchise purchase, expiration dates, bond amounts, and insurance amounts are also listed. Data was obtained from Pierce County, CountyView GIS database between August and September 2008. The potential annexation area is covered by six cable franchises including: AT&T, Electric Lightwave, Rainier Cable (Marshall Telecom), TCI Cablevision of Washington, Telephone Utilities of Washington, and US West Communications. It would appear that some of the expiration dates for the cable franchises are not up to

Table 10: Franchise Data

Franchise - Telecom Cable					
Name	City	Expiration Date	Bond Amount	Insurance Amount	Comments
AT&T Communications	Morristown		\$5,000	\$0	Franchise is continuous, no expiration.
Electric Lightwave	Vancouver	10/15/1999	\$25,000	\$2,000,000	
Rainier Cable, Inc.	Eatonville	5/12/2011	\$25,000	\$1,000,000	Also Marshall Telecom
TCI Cablevision of Washington, Inc.	Tacoma	3/14/2006	\$25,000	\$1,000,000	
Telephone Utilities of Washington, Inc.	Gig Harbor	8/12/2000	\$5,000	\$10,000,000	
US West Communications	Tacoma		\$31,000	\$1,000,000	Franchise does not expire, is continuous.
Franchise - Water					
Name	City	Expiration Date	Bond Amount	Insurance Amount	Comments
Bonney Lake, City of	Bonney Lake	3/27/2020	\$25,000	\$10,000,000	
Rainier View Water Co.	Tacoma	11/9/2019	\$25,000	\$3,000,000	
Tacoma Public Utilities-Water	Tacoma	4/26/2015	\$25,000	\$1,000,000	
Valley Water District	Puyallup	11/29/2019	\$25,000	\$2,000,000	
Washington Water Service Company	Gig Harbor	4/9/2021	\$25,000	\$2,000,000	Was Harbor WaterCompany, now expanded
Pierce County Water Programs	University Place				
Franchise - Gas/Power					
Name	City	Expiration Date	Bond Amount	Insurance Amount	Comments
Puget Sound Energy	Tacoma	2/6/2003	\$25,000	\$0	Self-Insured

date, as some have no expiration date listed while Telephone Utilities of Washington and UW West Communications supposedly expired in 2006 and 2000, respectively.

The water franchise data shown in Table 10 is partially incorrect, as it shows that the potential annexation area is served by a number of water franchises. However, Pierce County CountyView GIS and County staff confirmed that the majority of the study area is served by two water purveyors: the Tacoma Water Division and the City of Bonney Lake (as shown in Figure 32). Sub-Area 1, and part of Sub-Area 2 are served by the City of Bonney Lake, while Sub-Area 3 and Cascadia are surveyed by Tacoma Water. Gas and Power service to the area is through Puget Sound Energy.

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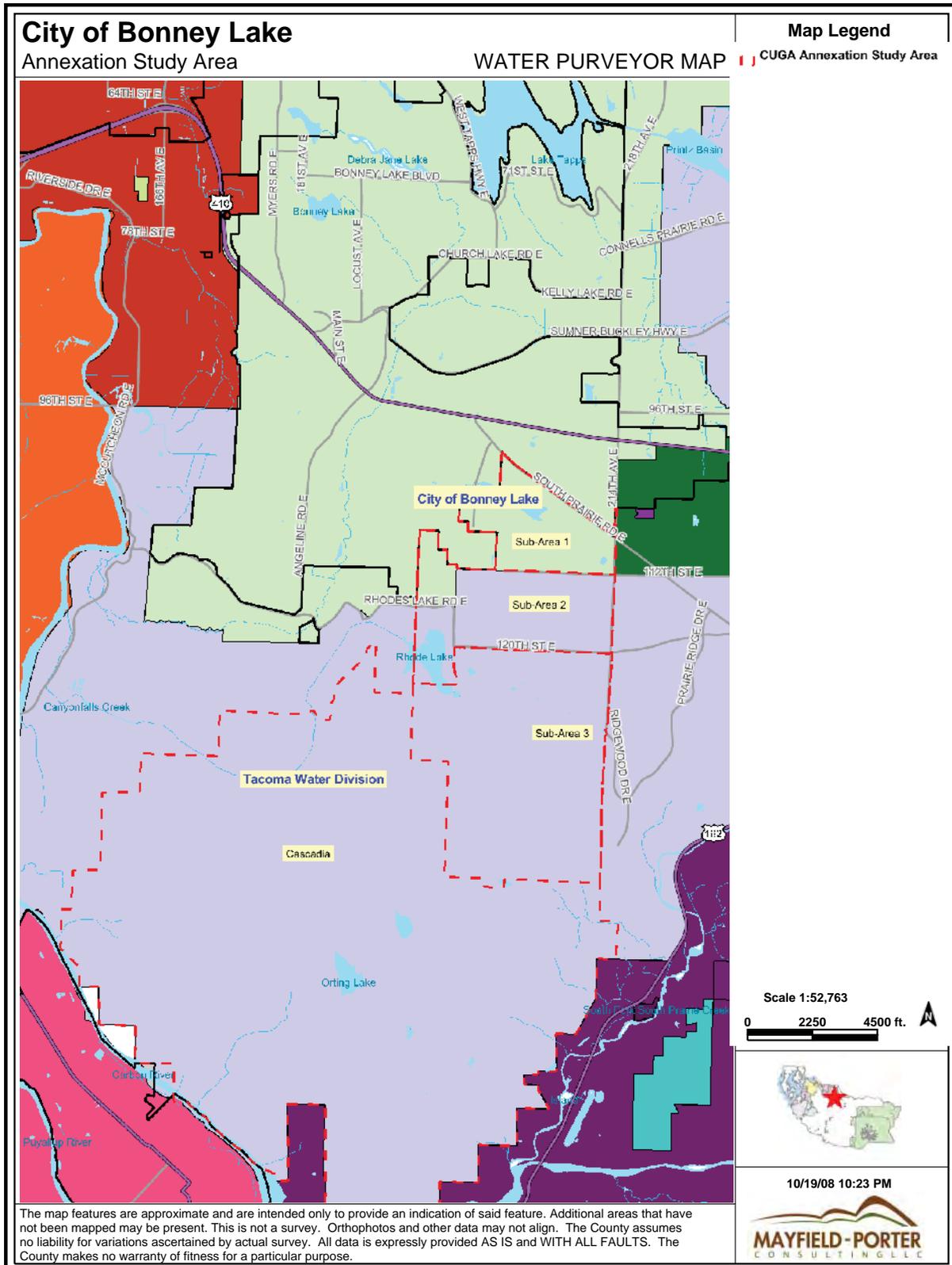


Figure 32. Water Purveyors

ECONOMIC ANALYSIS

OVERVIEW

Economic Consulting Services (ECS) is part of a consulting team lead by AHBL that was retained by the City of Bonney Lake to provide information, analysis and planning for potentially large annexations to the city. This section of the report summarizes ECS's work as a part of the AHBL team.

ECS responsibilities were to analyze two fiscal issues related to potential expansion of the City's Urban Growth Area (UGA) and future annexations. Generally, fiscal issues surrounding annexations relate to comparing the possible tax and other revenues to the City and potential expenditures that would result from public service demands from the annexed areas. The specific objectives for the work of ECS for this project were limited. The two objectives that framed the scope of ECS services are:

1. To examine an existing fiscal analysis model that the City of Bonney Lake has for its appropriateness and usefulness to analyze the fiscal issues related to annexations for the City. Large annexations could have significant implications for the City of Bonney Lake's budgets.
2. To provide information and assess new legislation in Washington State that changes how the sales and use tax is collected and the implications of such changes for the annexations being considered.

The City of Bonney Lake is considering expanding its UGA to allow for the future annexation of all or part of a large area south of the City. For the purposes of the study, this area has been divided into four sub-areas. Table 11 indicates the potential size of the annexations and sub-areas. The size of these potential annexations is potentially dramatic. Increases in the size of the City will provide significant increases the tax and other revenues. Annexations will also result in the increased need to provide public

Table 11. Possible Annexation Areas 2008

Area	Population Estimate - 2008	Dwelling Units	Land Area (Square Miles)	Potential Population at Build-out Estimated 2028	Potential Dwelling Units at Build-Out Estimated 2028	Percent Increase to Build-out Estimated 2028
Current City	16,220	5,828	9.21	--	-	
Sub-area 1	2,104	685	0.46	2,411	785	14.60%
Sub-area 2	2,741	938	?	3,185	1,090	16.20%
Sub-area 3	2,589	890	1.67	12,320	4,236	475.90%
Sub-area 4 Cascadia	315	120	7.98	23,069	8,486	7323.50%
Total of All Sub -areas	7,749	2,633		40,985	14,597	528.90%
Total All Sub-areas and Current City	23,969	8,461		57,205*		238.7%*
Total % increase from Current City	47.80%	45.20%				

Note: * does not include increases from build out within the current city area

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Fiscal Model For Analysis of Annexations

facilities and services. The possible net impact of these two compensating flows will be important to the City's financial future. That is a primary issue when cities consider large annexations.

The economic analysis is divided into two parts that address with the two objectives listed above. The first section that follows this "Overview" considers the model that the City has. The second part of the memorandum considers the changes in the sales & use tax collected in Washington State and the implications for Bonney Lake and the possible annexations.

In summary, the City of Bonney Lake should consider developing a fiscal model of the potential fiscal implications of large annexations. The current model is useful for budget purposes, but not the significant and long-term financial implications of large annexations. When annexations to the City are approved, the changes in the sales and use tax will tend to have a positive impact on city finances. More of the destination-sales areas of the Bonney Lake market trade area will be contained in the City. However, the new tax collection policy passed by the 2008 Legislature will mean that potential sales and use tax collections will likely be less for Bonney Lake. At least initially, the State has provided a process so that jurisdictions in these same situations will have their potential losses mitigated by payments from the state general fund budget. During the transition in 2008 and 2009, the exact affects of the tax policy change will be less than clear, until the Department of Revenue makes a calculation and estimate of the affect of the new policy on each city.

PART ONE: FISCAL MODEL FOR ANALYSIS OF ANNEXATIONS

Introduction

The City of Bonney Lake currently uses a spreadsheet model in its annual budget estimation process. The challenges for analyzing the implications for annexations on the city's finances include the following.

- The changes are likely to occur over a longer term, any number of years, five, ten or more as the annexed areas are added to the City's responsibilities,
- It is likely that significant changes will result in the basic structure of the city's finances, the revenue streams and public service demands, and
- There will be a need to have flexibility (in the model) to consider alternative annexation scenarios and configurations. In addition, such a model could be used to monitor the effects of annexations over time.

The model will be useful to run "what if..." scenarios or 'experiments' to illustrate the potential impacts on the City's budgets and finances. Currently the City uses the existing fiscal model to estimate the next year's budget needs.

In order to make an assessment and recommendations about the usefulness and appropriateness of the City's current fiscal model, ECS used the following steps in its methodology.

- Relied on the 40 years experience of the Senior Economist/Principal with the State of Washington's state and local public finance system; that experience

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Fiscal Model For Analysis of Annexations

includes municipal budget analysis and development, revenue forecasting, expenditure estimation and financial feasibility analysis for plans, programs, public projects, and investments for many types of land use actions, including annexations,

- Utilized specific ECS experience providing fiscal analysis of potential large annexations in eight communities in Western Washington, and also for several smaller annexations, in addition ECS has been retained to review the fiscal annexation studies of other consultants, and
- Utilized the 'manuals' for the fiscal impact analysis developed by the planning and academic community, and funded by the federal government for use in these types of situations.¹ There are other good sources that could be used, but the two manuals cited below are the standard, especially since they describe several different methods that are appropriate in different budget/public service capacity delivery situations and for communities in different types of growth situations.

In addition, we met with and interviewed the City's Finance Director, and reviewed the City's budget and economic situation.

Current City Fiscal Model

The City of Bonney Lake Finance Department currently has a fiscal spreadsheet model that it uses in the annual budget process. The spreadsheet model applies a constant one year percentage increase in revenues applied to past budget expenditures to estimate the amount of spending needed in the next year. The percentage increase is the same for each budget/departmental function. The percentage increase is presumably related to the increase in the service population of the city and the regional rate of price changes, i.e., the 'regional inflation rate'. This latter amount is published by an agency of the federal government, the Bureau of Labor Statistics, for the Seattle-Tacoma-Bremerton metropolitan area.

The City's fiscal model is contained in the spreadsheet. There is no written report that explains and documents the process, assumptions or methods that are incorporated in the model.

The model implicitly assumes several things:

- That the increase of budget amounts are small increments in addition to the current levels,
- That the increase in need for budget amount is uniform and the same for each department or budget function of the City,
- That the regional inflation rate (overall price increases) apply to all goods, services and materials that the City utilizes; and that this is an appropriate amount for labor cost increase, as well as for other components of the City's spending, and
- That there is a direct linear relationship between small annual percentage population increases and demands/needs for services and is the same for all of the services or facilities that the City utilizes to meet community needs.

¹ See Robert W. Burchell, David Listokin, and William R. Dolphin [The Fiscal Impact Handbook](#); Center for Urban Policy Research, Rutgers, New Jersey 1977; Robert W. Burchell, David Listokin, and William R. Dolphin, [The New Practitioners Guide to Fiscal Impact Analysis](#); Center for Urban Policy Research, Rutgers, New Jersey 1985.

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Fiscal Model For Analysis of Annexations

These may be appropriate assumptions for annual budget process; at least as a starting point for the annual budget process before departmental ‘negotiation’, and the policy function of the Mayor and City Council is experienced and without public input.

The potential annexations pose complex challenges for the City’s fiscal functions. The challenge results from the magnitude of the potential change in population, in the character of the neighborhoods being considered for annexation that vary from existing modest older sub-divisions to a very large master planned residential community that currently does not exist. It also is possible that there are levels of deferred maintenance for existing public facilities or that the previous standards for facilities and services are quite different from those current for the City. The need for or demand for levels of public services and service demands maybe very different between the existing city community and the inhabitants of the annexed communities.

In addition, it is possible that among the cities in the State of Washington that demands for services and the cost structures or service standards vary with the size of the

Table 12. Fiscal Impact Methods for Annexations

	NAICS* Category	1997	2002	2007
Total Taxable Retail Sales	all	\$92,263,320	\$167,148,961	\$350,573,839
Taxable Sales in Retail Businesses		48,877,402	91,896,390	205,663,336
Percent of Total Taxable Sales				
Bonney Lake		53.00%	55.00%	58.70%
Washington State		45.30%	45.20%	43.40%

Source: Robert W. Burchell, David Listokin, and William R. Dolphin, The New Practitioners Guide to Fiscal Impact Analysis; Center for Urban Policy Research, Rutgers, New Jersey 1985), page 8.

Notes: Methods Include: Per capita Multiplier, Case Study, Service Standard, Comparable City, Proportional Valuation, and Employment Anticipation approaches.

community. When the City of Bonney Lake grows to a much larger size then the current city, existing cost and service standard relationships may not be appropriate. Some public services cost functions do not grow in a linear pattern. For an example, in some communities police patrol officers are added three or four at a time (one for each of the three shifts in a typical day. Such local service functions do not grow in a lineal relationship but more in a ‘step-like’ pattern.

For all of the previous reasons the simple linear model that the City uses for its annual budget process may not be as useful for the purpose of estimating and forecasting the fiscal relations and implications of significantly large annexations. In addition, the City should have a model that has the potential to consider the net fiscal balance for each sub-area, as well as the City’s overall fiscal balance with and without annexations.

ECONOMIC ANALYSIS

Fiscal Model For Analysis of Annexations

The estimation of potential tax revenues to a jurisdiction because of an annexation are relatively straight forward, once a very detailed description of economic and market values for real estate are determined or available for the annexation area. State laws, regulations and policy set the rates and bases of tax sources for revenues. The more difficult part is to determine the local services needs, demands and local policies and then make appropriate estimates of the amounts that will be required in the budget. Table 12 organizes the approaches to estimating the future patterns of budget expenditures that will result from different types of local service delivery system capacity, the community's situation and the appropriate methods to be applied in a fiscal analysis. For the proposed annexation of large areas into the City of Bonney Lake, and depending on an assessment of the capacity in the City's local public service delivery systems, three methods are recommended for use: the per capita multiplier, the case study and the services standard. In ECS's experience, and as limited by data and resource availability, it is often necessary and appropriate to use a combination of these methods, especially for large and complex annexations.

In addition, it is prudent in this type of fiscal analysis to base estimates on two other methods and techniques:

- An adequate analysis of the recent past trends of the city's budgets (revenues and expenditures) as it has added population or major developments; and
- Extensive interviews with local service providers, of staff in similar and/or comparable sized-jurisdictions, and contact with national, regional organizations that have established standards for specific types of local public services.

The fiscal analysis required for providing adequate information for decisions about annexations is similar to constructing a scientific experiment. Perhaps the most important characteristic is to be very clear and explicit in all assumptions, methods and calculations so that the city's staff, city policy makers and the community may examine the reasonableness of each.

PART TWO: IMPLICATIONS OF RECENT CHANGES IN SALES AND USE TAX

Introduction

This section describes the new changes in the collection of the State of Washington's sales and use tax, and summarizes the impacts of the change in the tax policy from one based on collection at point of sale (sales origin) to a destination-base (site of use/consumption). The assessment of these impacts includes:

- A review of the recent legislative changes resulting in the tax code,
- Implications for the City of Bonney Lake's tax revenues, and
- Implications with the proposed annexations.

The effects of the changes in the sales and use tax are not clear for the State as a whole or for the various jurisdictions within the State. The legislation provides for estimation of the effects on jurisdictions and mitigation of the estimated effects, though specific estimates for each city are not available.

In order to assess the implications of the recent legislative changes ECS used the following methods:

- Familiarization with the current business climate in Bonney Lake,

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- Review of the legislation, publications and reports of the State of Washington's Department of Revenue,
- Description of the mitigation of negative effects for jurisdictions,
- Interviewed staff representatives of the State's Department of Revenue and a small sample of local officials familiar with the impacts of the new methods, and
- Attendance at a public workshop organized by the Department of Revenue (DOR).

The remainder of this memorandum reports the findings and results of these activities.

Sales Tax Collection Policy Change

The change from an origin-based to a destination-based sales and use tax method on July 1, 2008 in the State of Washington results from a decision during the last session of the legislature. One reason for the change was to participate in the national Streamlined Sales and Use Tax Agreement (SSUTA). This state policy change is the final step to become a full member. This agreement, currently with 23 member states, is part of a national effort to preserve the state and local tax base and reduce the competitive disadvantage of many 'main street' or local businesses have been experiencing as a result of the growth of the catalog and internet sales. Specifically, according to the DOR, untaxed catalog and Internet sales have:

- Increased 25% annually eroding the sales tax revenues Washington and other states, who rely on this tax to fund essential public services, and
- Reduced the competitiveness of local business with losses to Washington businesses estimated at \$10 billion per year.

The destination-based sales tax will reduce or eliminate these distortions.

The amended laws and regulations are the following:

- The legislature has enacted a new law creating destination-based sales and use tax-RCW 82.32.730,
- The Department of Revenue has amended its regulations to conform to the new Washington State Law-WAC 458-20-145 (Local Sales and Use Tax), and in addition
- Local jurisdictions that experience a net loss in sales tax revenues because of the change to destination-based tax collections are eligible for mitigation-Chapter 6, Laws of 2007 (SSB 5089) includes the provision to mitigate losses in sales tax revenue.

In the State of Washington, under the old origin-based tax sales tax method, the tax on a retail transaction was collected at the tax rate for the location (store or warehouse) from which the goods were delivered. For example, under the old law, sales tax on a sofa purchased from a Tacoma store and delivered to a home in Bonney Lake would be taxed at the rate applicable to the store in Tacoma, 8.4%. Under the new law with the new destination-based sales tax, retailers must collect sales tax using the rate for the location where the customer receives the goods. Thus, in the example used above, the sofa delivered from the store in Tacoma to a home in Bonney Lake would be taxed at the rate applicable to Bonney Lake, 8.8%. The change from origin-based to a destination-based sales tax rates will shift revenues among jurisdictions and result in a net increase or decrease in tax revenue for jurisdictions. In this example, revenue from