
Olympia Annexation Feasibility Analysis SE Urban Growth Area Scenarios

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Prepared for: City of Olympia

Final Report



ECONorthwest

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Executive Summary

The City of Olympia engaged ECONorthwest to assist with analyzing the fiscal impacts associated with annexing its Southeast Urban Growth Area (SE UGA). The City would like to measure impacts under two scenarios: (1) City assumes responsibility for all services, including fire service provision, and (2) a Regional Fire Authority (RFA) assumes the City's fire service provision (formed with the City of Tumwater), which results in lower property tax revenues and lower service delivery costs in the annexation area.

Annexation will increase the City's revenue by expanding its tax base, but it will add substantial service delivery costs in the areas of transportation, police, fire, stormwater and solid waste provision. Annexation would result in a significant population gain. In the first year following annexation, the City's population will grow by an estimated 7,950 residents and the City will add about 3,150 housing units. This represents about a 14 percent increase in the City's population. Population and housing gains will result in a larger tax base but will place proportionate demands on city services.

Impacts to the General Fund

Annexation would result in net costs to the General Fund under both scenarios, with revenue increasing gradually over time but expenses increasing at a faster rate.

In Scenario 1 (no RFA), the General Fund would begin to experience a deficit in 2025 and it would continue to grow each year as police and fire services are phased in over time, particularly in 2029 when the contract for service with Fire District 6 would sunset and Olympia Fire Department would add a new engine company to service the annexation area. In 2025, the revenue for Olympia's General Fund is projected to be \$2.7 million while the expenses are projected to be \$3.3 million, resulting in a deficit of about \$590,000. In 2035, revenue is projected to reach \$3.3 million with expenses exceeding \$7.8 million, resulting in a deficit of about \$4.4 million. By 2045, the revenue is projected to be almost \$4.4 million while expenses are projected to be \$12.7 million, resulting in a deficit of \$8.4 million that year.

In Scenario 2 (an RFA is formed, and a lower property tax rate is levied), the General Fund would experience a deficit in the first year (2024) and would continue to grow each year at a steadier pace than Scenario 1 (No RFA), Scenario 2 does not include the major investment in an additional fire engine company. It is estimated that in 2025, the General Fund's revenue in Olympia would be \$1.3 million, but expenses are expected to be approximately \$2.1 million, resulting in a deficit of roughly \$800,000. By 2035, revenue is projected to reach \$1.8 million, with expenses totaling about \$3.2 million, resulting in a deficit of approximately \$1.4 million. In 2045, revenue is expected to be \$2.5 million, but expenses are anticipated to exceed \$5.2 million, resulting in a deficit of approximately \$2.7 million that year.

Exhibit 1: General Fund Revenue and Expenses, No RFA, 2024 - 2045 (Nominal Dollars)

Source: ECONorthwest

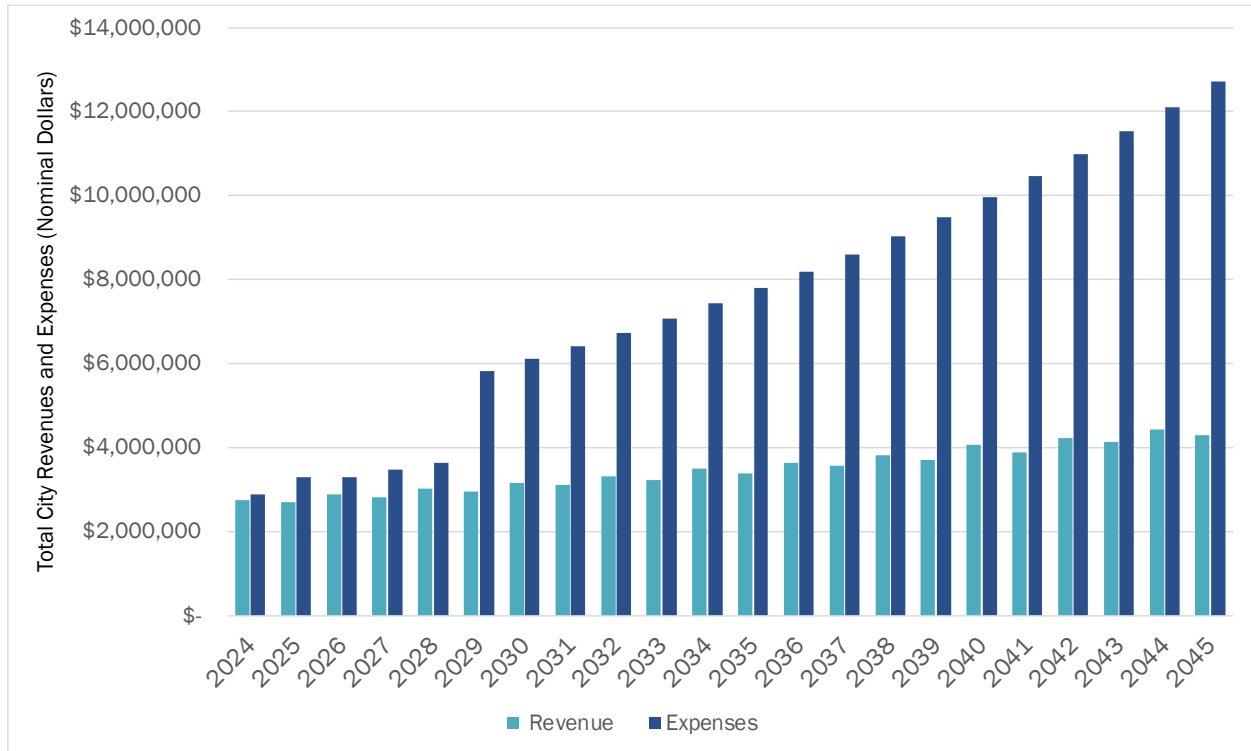
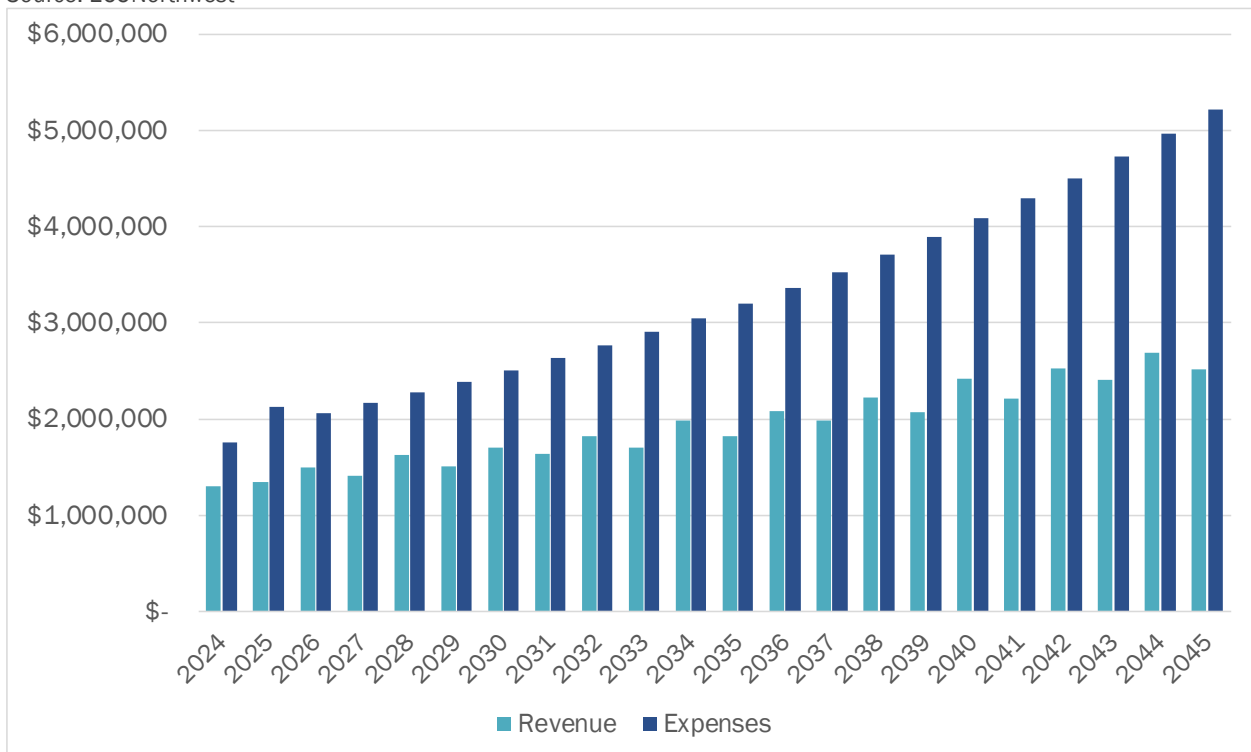


Exhibit 2: General Fund Revenue and Expenses, RFA Scenario, 2024-2045 (Nominal Dollars)

Source: ECONorthwest



General Fund Service Delivery Impacts

Due to the substantial increase in population and square mileage, there will be a greater need for expanded fire and police services, as well as impacts to the City's Public Works operations, specifically the transportation division. Each of these services are supported by the City's General Fund and are included in the costs shown in Exhibit 2. A summary of anticipated impacts is provided below.

- The City of Olympia is considering the formation of a Regional Fire Authority (RFA) with the City of Tumwater. If the RFA is formed, the City will see a reduction in property tax revenue, but it will no longer incur ongoing costs of maintaining a local fire department. However, if the RFA is not approved by voters, the Olympia Fire Department will provide services to the area. This would require a new fire station, estimated at around \$21 million in 2029, and about \$94 million in ongoing costs for a new engine company over the 20-year period.
- Olympia Police Department will need to add another patrol area with 6 officers to service the SE UGA, which is included in the ongoing costs to the General Fund. This study assumes officers will be phased in over a two-year period following annexation. Total upfront and ongoing costs are approximately \$51 million over the 20-year period.
- The miles of roadway the City is responsible for maintaining will increase by about 12 percent, from 527 miles to 589 miles. The increase will impact the City's Public Works Department, more specifically its transportation division, in two categories: road maintenance and road replacement. Costs to the General Fund include the cost of maintaining additional roadway based on estimated average cost per mile.

Utility Impacts

There are two city-provided utilities impacted as a result of annexation, stormwater and solid waste (Waste ReSources), which are supported by the Utility Fund and not included in General Fund expenditures. A summary of anticipated impacts is provided below.

- The City will assume responsibility for the stormwater utility in the SE UGA and will incur one-time capital costs and ongoing costs to service the area. The utility is largely funded through the collection of user fees, which are considered in the analysis. In the first year of service to the SE UGA, the City will realize a net revenue of approximately \$37,000. It is assumed the City will continue to adjust its user fees to cover costs as necessary, therefore they are not included in the 20-year revenue and cost summary.
- Waste ReSources, the City's solid waste utility will also incur one-time capital costs and ongoing costs to service the area. Similar to stormwater, the utility is primarily funded through user fees. It is assumed the City will take responsibility for providing solid waste services to the area beginning in 2034 and it is estimated the utility will incur a net revenue of about \$1.3 million. However, the utility will also require about \$1.5 million

upfront to deploy services to the SE UGA. It is assumed Waste ReSources will adjust its user fees to help plan for the capital investments during the required 10-year transition period.

1. Introduction

The City of Olympia engaged ECONorthwest to assist with analyzing the fiscal impacts associated with annexing its Southeast Urban Growth Area (SE UGA). The City would like to measure impacts under two scenarios: (1) City assumes responsibility for all services, including fire service provision, and (2) a Regional Fire Authority (RFA) assumes the city's fire service provision (formed with the City of Tumwater), which results in lower property tax revenues and lower service delivery costs in the annexation area.

This report provides background information on the annexation process, describes relevant current conditions in the City of Olympia and the SE UGA, measures the impacts to service provision, estimates incremental taxes, and presents the results of the fiscal impacts to the City if annexation of the SE UGA were to occur in 2024. Fiscal impacts are measured in terms of both revenues and service delivery costs through 2045.

Annexation & Fiscal Sustainability

The City of Olympia seeks an analysis of how the annexation of the SE UGA would affect the City's future revenues and service costs. However, fiscal impacts are only one subset of all benefits and costs, and it is typically limited to an evaluation of government revenues and expenditures. Fiscal impacts do not include an evaluation of all economic impacts of potential development patterns, such as the number of jobs created or additional spending in the local economy.

ECONorthwest's study is intended to provide a reasonable estimate of potential future costs and revenues for the City of Olympia associated with annexation. Specifically, the analysis estimates both the incremental tax revenues generated by the residential development in the SE UGA over the next 20 years (2024-2045) and the additional administrative, fire, police, and public works costs related to the increased level of service required to meet the needs of the additional residents over the same period.

If the City proceeds with annexation, this analysis provides a basis from which the City can begin the process of planning for any higher service demands a larger city and population might require. However, the actual implementation will be accomplished through the City's regular budget process wherein City management will revisit the balance of costs and revenues in light of updated information and the overall needs of the City at that time.

Annexation Process and Procedures for Washington State

Annexation by cities and towns in Washington state is a process defined in statute, with the Growth Management Act (GMA) providing the framework for cities located in counties subject to GMA requirements. The annexation process may be initiated by the city or town's council or by individual property owners. Annexation methods vary by city classification. Olympia is

classified as a code city and must follow the annexation procedures outlined RCW 35A.14. Cities and towns located in counties that plan under the Growth Management Act may only annex property that is located within their designated urban growth areas. This applies to the City of Olympia, as Thurston County fully plans under the Growth Management Act.

The most commonly used method for annexation is the 60 percent petition method, which requires signatures of property owners that represent 60 percent of the assessed value of the area to be annexed. The process is initiated by a notice of intent to annex, signed by property owners that represent ten percent of the assessed value of the area. If accepted, the process can move on to the 60 percent notice of intent to annex. If the city or town council accepts the petition to annex, the process may move to the County's Boundary Review Board (BRB) for approval. Once BRB approval is obtained, the City Council may move to annex by passing an ordinance. Council decisions on annexations are not appealable.

The City of Olympia has already collected signed annexation agreements from a large share of the households in the SE UGA, as property owners in unincorporated Thurston County were required to sign annexation agreements to receive city-provided sewer and/or water service. The City of Olympia will sign the annexation petition on behalf of those property owners.

The City of Olympia has undergone 6 annexations since 2007, the latest of which was in 2016.¹

Summary of 2019 Draft Feasibility Report

In 2019, the City completed its first annexation feasibility analysis for the SE UGA. The study provided a rich background and overview of anticipated impacts to the City if annexed, and served as a foundation for this report.

2019 Results

The report found an overall net loss of \$636,948 for the total study area, when calculating the total revenues against the total costs. These values are reflected in Exhibit 3.

¹ <https://www.co.thurston.wa.us/permitting/boundary/boundary-proposals-past.html>

Exhibit 3: Summary of 2019 Feasibility Study Results

Source: Southeast Urban Growth Area Annexation Feasibility Analysis, 2019

	North	South	Total Study Area
Revenues			
Property Tax	\$ 1,299,836	\$ 1,303,162	\$ 2,602,988
OMPD Assessment	\$ 262,385	\$ 263,507	\$ 526,342
Stormwater Utility	\$ 261,330	\$ 224,912	\$ 486,242
Transportation Benefit Dist	\$ 70,040	\$ 51,040	\$ 121,120
Utilities and Franchise Fee	\$ 432,989	\$ 371,133	\$ 804,122
State Shared Revenues	\$ 111,792	\$ 96,988	\$ 208,780
Development Fees	\$ 274,679	\$ 235,440	\$ 510,119
Total Revenues	\$ 2,713,051	\$ 2,546,182	\$ 5,295,713
Costs			
Police	\$ 1,018,728	\$ 912,854	\$ 1,931,582
Roads & Transportation	\$ 884,642	\$ 313,124	\$ 1,197,776
Stormwater	\$ 461,000	\$ 75,000	\$ 536,000
Community Development	\$ 284,475	\$ 243,836	\$ 528,311
Street Lights	\$ 27,337	\$ 23,431	\$ 50,768
Fire	\$ 909,044	\$ 779,180	\$ 1,688,224
Total Costs	\$ 3,585,226	\$ 2,347,425	\$ 5,932,661
Net Revenue	\$ (872,175)		\$ (636,948)

Impact on Services - 2019 Annexation Study

Fire Department

Upon annexation, the City of Olympia's Fire Department would become the service provider, and so the transfer of fire protection and emergency services to the city has the potential to impact both the city and the fire district. The three main potential impacts to the affected fire districts are 1) loss of property tax revenue, 2) loss of assets through a required transfer to the annexing city, and 3) a loss/transfer of personnel.

Police Department

In a similar vein, annexation would also impact the level of service for police protection. The City would need to hire additional commissioned officers in addition to significant initial investment for equipment, training, and vehicles in order to maintain the same level of service currently experienced by the City of Olympia (1.41 commissioned officers per 1,000 residents).

Utilities

Utilities would also be impacted, with annexation increasing the number of catch basins that must be cleaned every year by slightly over 10%. However, as there is already infrastructure in place for this to be done, the costs would be marginal in comparison to the fire and police departments.

Construction and Infrastructure

While most of the roads in the annexation area are in good shape, there were 25 sections within the County's data set that had a pavement condition index (PCI) rating below 80 and would thus need repairs to be done. Repairs and additional staffing are estimated to total costs of \$1.2 million. Because the city already owns and maintains the park lands within its Urban Growth Areas, annexation would not result in any increased costs.

Updates on 2019 Assumptions

Since the 2019 annexation study was completed, a few assumptions have changed. The City of Olympia has acquired a large site within the SE UGA with plans for a future school and park. Taxes captured on the value of the construction for both the school and the park are factored into the results of this report. However, since the park is already planned for and will move forward regardless of annexation, the capital cost of the park development is not included in this report.

The City is also in the midst of evaluating the feasibility of forming a Regional Fire Authority (RFA) with the City of Tumwater. The decision will go to vote in Spring 2023. ECONorthwest's analysis considers the two scenarios for annexation.

2. Community Characteristics and Budget Overview

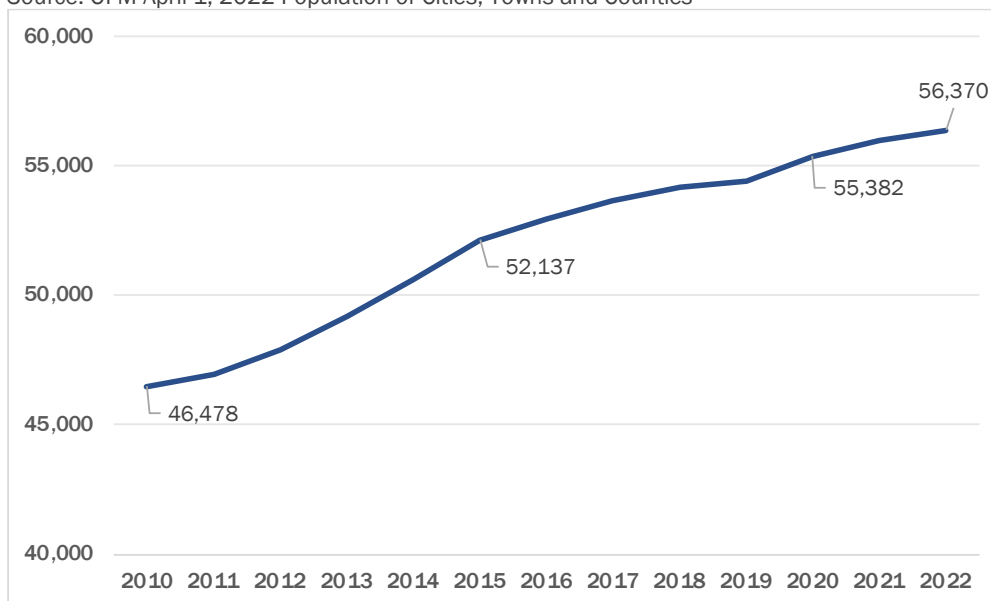
Population and Housing Overview

Olympia is located in Thurston County, along the Interstate 5 corridor. As of 2022, the City is estimated to have approximately 56,370 residents². Olympia borders Tumwater to the south and Lacey to the east and occupies approximately 20 square miles.

Exhibit 4 shows Olympia's population growth since 2010. The City's population has grown by about 21 percent since 2010, at about 1.8 percent each year.

Exhibit 4: Population, City of Olympia, 2010-2022

Source: OFM April 1, 2022 Population of Cities, Towns and Counties



As of 2020, Olympia had approximately 23,031 households with an average of 2.2 persons per household, which is slightly lower than Thurston County overall (2.5 persons per household). The median household income is around \$63,185, substantially lower than the County overall (\$81,659)³. About 56 percent of the City's housing stock is single-family and 53 percent of the housing stock is renter-occupied.

² Washington State Office of Financial Management April 1 Population Estimate, 2022.

³ 2020 ACS 5-year Estimates

Assessed Value

The total assessed value of the City of Olympia is about \$11.9 billion as of 2022. The majority of the taxable value comes from residential properties (approximately \$8.7 billion), and almost \$3 billion comes from commercial property.

Exhibit 5: Total Assessed Value, City of Olympia, 2022

Source: City of Olympia Assessor Data; ECONorthwest Calculations

	Parcel Count	Total Assessed Value
Agriculture	1	\$ 490
Commercial	1,429	\$ 2,770,408,900
Condominium	629	\$ 234,875,800
Conventional Family	13,026	\$ 6,154,328,020
Manufacturing	72	\$ 215,071,100
Mobile Home	50	\$ 46,681,300
Multi-Family	827	\$ 2,176,023,000
Other Residential	17	\$ 159,299,600
Vacant (Commercial)	1,342	\$ 139,190,100
Total \$ (Billions)	17,393	\$ 11.9

Regional Growth and Annexation History

Thurston County’s growth is influenced by two primary factors: 1) natural increase, or the difference between births and deaths, and 2) migration, or the difference between people moving to the region and people moving away from the region. Natural increase tends to be fairly steady, while migration is heavily dependent on the local economy.

Olympia has had five annexations since 2013, with three of them in 2013, one in 2014, and one in 2016.

- 2013: The City annexed a total of 36.19 acres across the three annexations.
 - Cooper Point Road: 8.69 acres
 - Division Street: 8.5 acres
 - Olympia Regional Learning Academy: 19 acres
- 2014: 192.2 acres were annexed under the Boulevard/I-5 Annexation
- 2016: 8.5 acres were annexed under the Hulbert, Hong, and Slater Annexation

Budget Summary

The City of Olympia 2022 Operating Budget is \$177.1 million. The General Fund, which funds general government operations such as parks and police, is \$96.5 million. Olympia’s largest expenditures are for Public Works and Public Safety, accounting for almost 67 percent of total

expenditures. The City’s largest revenue sources are from taxes and licensing, which includes property, sales, business and occupation, and licenses and permits and then charges for services – including solid waste, drinking water, and wastewater fees among others.⁴ Exhibit 6 below shows a summary of main taxes the City uses to fund its general fund.

Exhibit 6: City Olympia Tax Revenue 2021 Budget Summary

Source: City of Olympia 2022 Final Operating Budget

General Fund Tax Revenues	2021 Actuals
Property Tax	\$ 16,022,819
Retail Sales & Use Tax	\$ 27,544,444
Business & Occupation Tax	\$ 18,303,641
Other Taxes	\$ 277,076

Olympia has two other taxing authorities, the Olympia Metropolitan Park District (OMPD) and Transportation Benefit District (TBD), that each go through separate budget processes. While their revenues from the SE UGA annexation are provided, they are not included in the summary of General Fund revenues and expenditures.

City of Olympia 2023 Operating Budget

Olympia Metropolitan Parks Fund

The Olympia Metropolitan Parks District Fund is used to account for the property tax funds received from the Olympia Metropolitan Parks District (OMPD), a separate taxing authority. For accounting purposes, OMPD is a blended component unit. Property taxes received by the OMPD are used to provide capital acquisition and development of City parks and their operations.

Transportation Benefit District (TBD)

The Transportation Benefit District (TBD) Fund is used to account for the funds received from the Transportation Improvement District, a separate taxing authority. For accounting purposes, TBD is a blended component unit. Fund collected via a \$40 per vehicle registration fee are used to support the preservation, maintenance, capacity, safety and operation of the City streets.

Taxes and Rates

Exhibit 7 below shows Olympia’s General Fund and other operating taxes and their associated rates. Olympia also collects a Real Estate Excise Tax that can only be used for capital investments per state law. The City also has other dedicated sales taxes can only be used for specific purposes like criminal justice and public safety.

⁴ City of Olympia 2022 Final Operating Budget

Exhibit 7: General fund and Other Operating Tax Rates

Source: City of Olympia 2022 Final Operating Budget

Property Tax	Rates
	\$1.73 per
City of Olympia	\$1,000

Retail Sales & Use Tax	Rates
City of Olympia	1.00%
Housing and Related Services	0.10%
Public Safety	0.10%

Business and Occupation	Rates
Service and Other	0.002%
All other businesses	0.001%

Utility Taxes	Rates
Telephone Utility Service	9%
Gas Utility Service	9%
Electric Utility Service	6%
Cable TV	6%
Steam Utility	1%
Water, Sewer, Solid Waste, Stormwater	6%

Regional Fire Authority

Olympia is currently evaluating the feasibility of creating a Regional Fire Authority (RFA) with the City of Tumwater, which will go to a vote of the people in Spring 2023. The SE UGA is currently served by two fire districts: Fire District 3 primarily services the area north of Yelm Highway and a portion to the south, and Fire District 6 primarily serves the area south of Yelm Highway.

In Scenario 1, the City of Olympia assumes responsibility for the SE UGA to the north of Yelm Highway and contracts with Fire District 6 to serve the area to the south until 2029 when the City assumes full service of the SE UGA. In Scenario 2, the RFA is approved, and the SE UGA is annexed and included within the RFA's jurisdictional boundary. Tax impacts for each scenario are presented later in this report.

Utility Service Providers

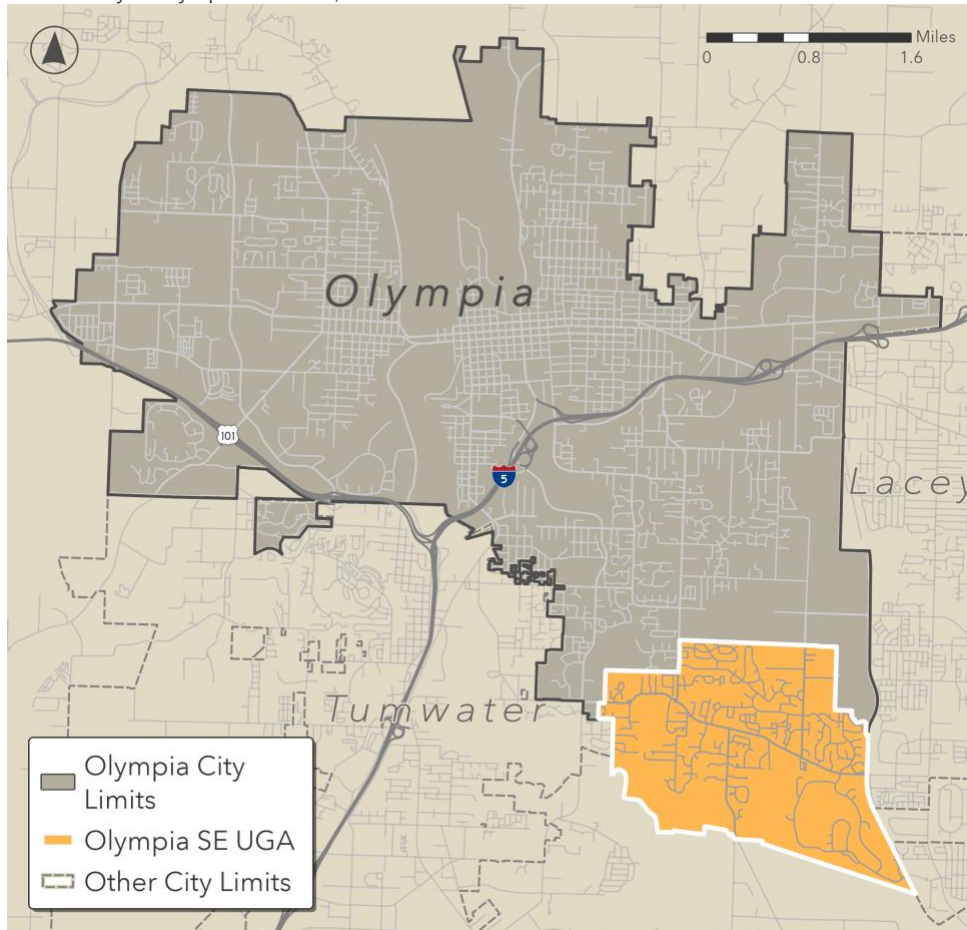
The City of Olympia owns and operates four major utilities: water, wastewater, stormwater and Waste ReSources (solid waste).

3. Southeast Urban Growth Area

The SE UGA is located just to the southeast of Olympia’s City limits and is split by Yelm Highway which runs roughly east-west through the center of the area. The SE UGA is primarily residential, with a small amount of commercial uses. The area is largely built out, with limited vacant lands, encompassing approximately 3 square miles.

Exhibit 8: Olympia's SE UGA, Thurston County

Source: City of Olympia GIS Data; ECONorthwest



Population Estimates and Growth Assumptions

Thurston County Regional Planning Council (TRPC) provided population and dwelling unit forecasts through 2045 for the SE UGA. ECONorthwest used TRPC 2022 estimates and 2045 projections as the baseline assumptions for the fiscal analysis and applied TRPC assumed housing unit mix to SE UGA parcels.

As of 2022, the SE UGA is estimated to have approximately 7,950 residents and 3,150 housing units. By 2045, it is expected to grow to a total of 8,900 residents and 3,810 housing units, representing an almost 12 percent increase over the 23-year period.

Exhibit 9: SE UGA Population Assumptions

Source: Thurston County Regional Planning Council

	Population			Housing Units		
	2017	2022	2045	2017	2022	2045
SE UGA	7,620	7,950	8,900	3,000	3,150	3,810

As previously mentioned, the SE UGA is largely residential in nature. About 72 percent of the housing units are single-family and 28 percent of the units are multifamily. TPRC’s growth projections assume the housing mix will remain the same unless a major change in policy or zoning in the SE UGA occurs.

Exhibit 10: SE UGA Housing Mix Assumptions

Source: Thurston County Regional Planning Council

	Mix of Housing Units			
	2022		2045	
Single Family	2,261	72%	2,731	72%
Multifamily	873	28%	1,064	28%
Manufactured Homes	20	0.6%	16	0.4%
Total	3,154		3,810	

Assessed Value

The total assessed value of the SE UGA was \$1.5 billion as of 2022. Nearly all of the taxable value comes from residential properties. Exhibit 11 shows the breakdown of the SE UGA’s taxable value.

Exhibit 11: Total Assessed Value, SE UGA, 2022

Source: City of Olympia Assessor Data; ECONorthwest Calculations

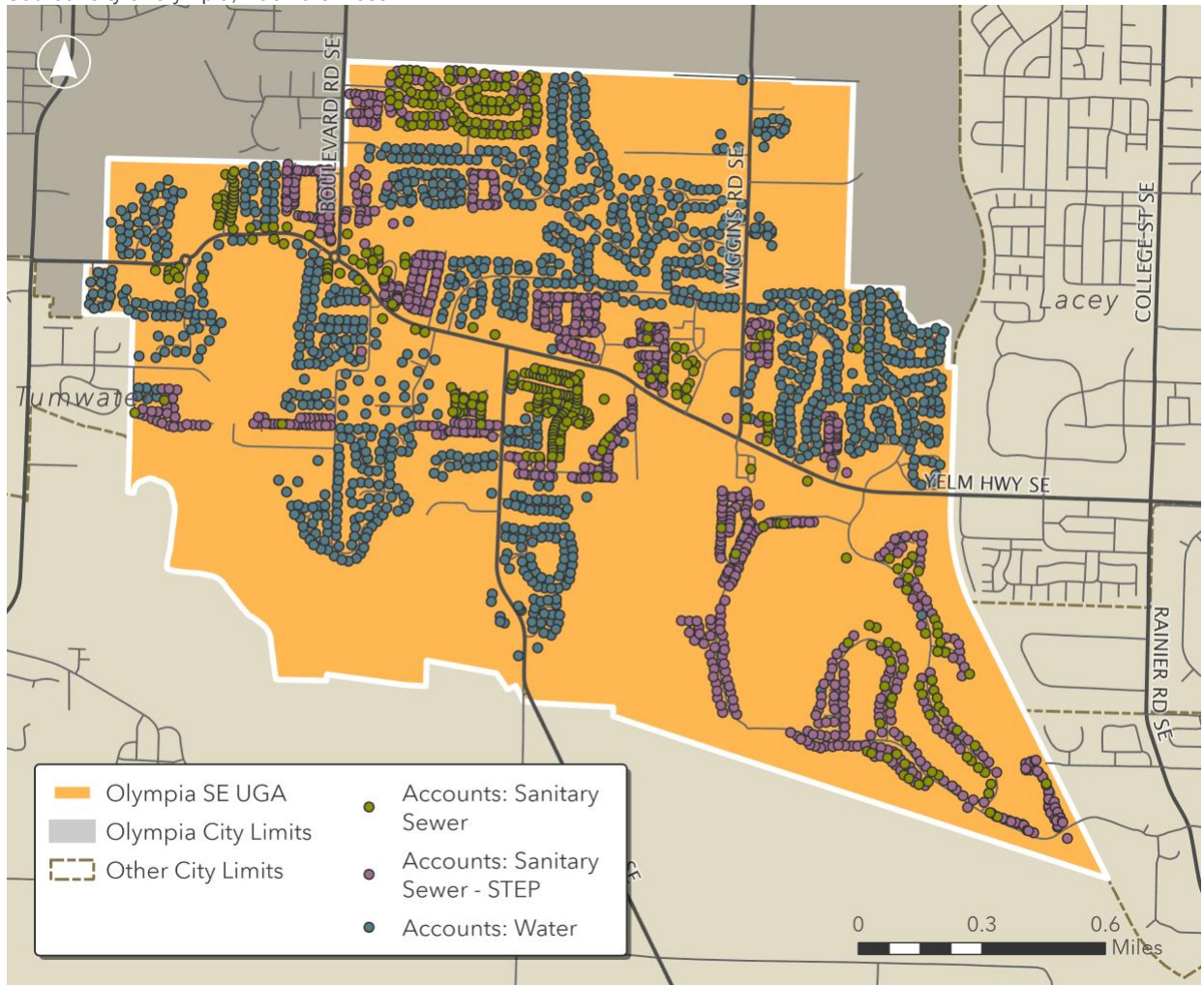
	Parcel Count	Building Value	Land Value	Total Assessed Value
Commercial	10	\$ 24,591,600	\$ 3,709,500	\$ 28,301,100
Condominium	195	\$ 31,388,600	\$ 12,266,400	\$ 43,655,000
Conventional Family	2,361	\$ 1,009,844,100	\$ 287,101,170	\$ 1,296,945,270
Manufacturing	6	\$ 11,911,900	\$ 1,631,900	\$ 13,543,800
Mobile Home	9	\$ 1,388,000	\$ 1,378,000	\$ 2,766,000
Multi-Family	62	\$ 128,458,600	\$ 25,171,400	\$ 153,630,000
Other Residential	2	\$ 1,308,000	\$ 280,400	\$ 1,588,400
Vacant (Commercial)	4	\$ -	\$ 2,500,900	\$ 2,500,900
Vacant (Residential)	170	\$ -	\$ 7,905,590	\$ 7,905,590
Total	2,819	\$ 1,208,890,800	\$ 341,945,260	\$ 1,550,836,060

Service Provider Summary

The City of Olympia currently provides both water and wastewater services within the SE UGA. Exhibit 12 shows where service accounts for both utilities are active within the SE UGA.

Exhibit 12: City of Olympia Water and Wastewater Service, SE UGA

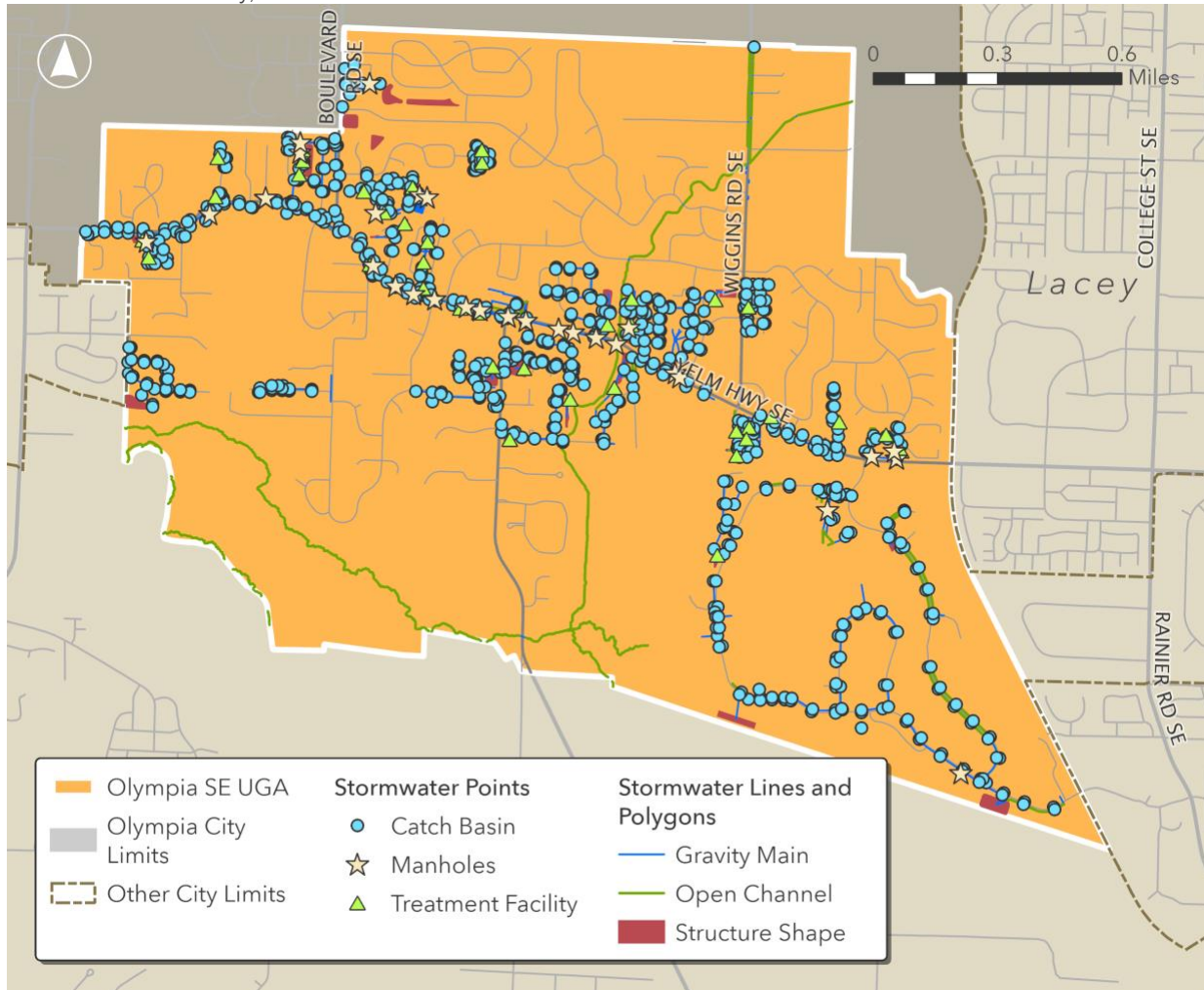
Source: City of Olympia; ECONorthwest



The City does not currently manage stormwater services and facilities in the SE UGA, but there are stormwater facilities existing within the SE UGA. The City of Olympia would assume responsibility of the operation and maintenance of those facilities once annexation occurred. Exhibit 13 shows where existing facilities are concentrated within the SE UGA.

Exhibit 13: Existing Stormwater Facilities, SE UGA

Source: Thurston County; ECONorthwest



4. Summary of Fiscal Impact Analysis

Annexation will have fiscal impacts to the City of Olympia in terms of growth in tax revenues generated within the annexed area, and growth in expenditures due to increased service demands. This report considers both types of impacts over the period 2024 through 2045. Because of the 20-year planning horizon under consideration, assumptions about growth and inflation are incorporated into the fiscal models used as the basis of this analysis.⁵

- Growth in tax bases are assumed to grow at a rate of inflation of 3.5%
- Growth in service costs are assumed to grow at a rate of inflation of 5%

The fiscal impacts of proposed annexation are considered under two scenarios:

- (1) The City assumes responsibility for all services, including fire service provision
- (2) A regional fire authority is formed, which results in lower property tax revenues and lower service delivery costs in the annexation area.

Fiscal Impacts Considerations

An annexation impact analysis is simple in concept but challenging to execute in practice. Here are some issues to keep in mind:

Costs and revenues included in this analysis: This analysis specifically focuses on Olympia's major tax streams and service costs. Population growth will impact major tax streams as well as intergovernmental revenues. User fees and other revenue sources will also be impacted, but because cities have the ability to change them to cover costs of the services they are designed to purchase, they are not included in this analysis.

Economies of Scale. Olympia will experience economies of scale following annexation – meaning that the average cost-per-resident of providing many city services decreases as the city grows. In practical terms, the analysis framework reflects economies of scale by assuming that administrative functions will not be affected by annexation.

Dealing with time. An annexation impact analysis that spans years or even decades presents challenges:

- **Timing of new growth.** The timing of development affects fiscal impacts. When development occurs it generates new revenue and creates a need for new services and infrastructure improvements. This analysis assumes a growth pattern consistent with Thurston County Regional Planning Council's growth estimates as outlined in Section 3.

⁵ The long-term inflation rate used for revenues and costs is 3.5 percent. ECONorthwest November 2022 forecast.

- **Future changes in rates for taxes and fees.** Future changes in rates for taxes and fees, or how future governments choose to allocate their more fungible resources, will impact levels of revenue and the sources of funding for specific activities. The analysis usually assumes that the basic funding framework remains the same for the duration of the forecast period.
- **Dealing with inflation.** Conducting an annexation impact analysis requires an examination of both the short-run and long-term impacts. During the current economic climate, inflation adds another degree of uncertainty and difficulty that affects revenues and costs.

Summary of Fiscal Impacts

Annexation would have a net negative revenue impact on the City under Scenario 1 (No RFA) and a net positive revenue impact under Scenario 2 (RFA is approved). Scenario 1, in which no RFA is formed and Olympia Fire Department assumes service of the SE UGA, will result in a net cost totaling \$67.9 million over the 20-year period. Scenario 2 in which an RFA is formed with the City of Tumwater, will result in a net revenue gain to the City totaling around \$14.1 million.

Exhibit 14 below provides a breakdown of General Fund and other tax revenue impact, net of ongoing General Fund cost impacts (fire, police and public works). It also includes one of the largest capital investments the City will need to plan for, a new fire station in 2029 under Scenario 1. Relevant capital revenues (REET) resulting from the annexation that can help pay for this investment is also included to show a more comprehensive net impact under both scenarios. Further explanation of all impacts is provided below.

Exhibit 14: Revenues and Cost Impacts, 2024 – 2045

Source: ECONorthwest

	Nominal (\$ millions)	
	No RFA Scenario	RFA Scenario
General Fund & Other Operating Tax	\$76.5	\$42.6
General Fund Cost Impact	(\$167.0)	(\$72.1)
Net Cost	(\$90.5)	(\$29.5)
OMPD Revenue	\$24.7	\$24.7
TBD Revenue	\$4.0	\$4.0
REET Revenue	\$14.9	\$14.9
Capital Cost (Fire Station)	(\$21.0)	
Net Revenue	\$22.6	\$43.6
Overall Net Cost/Revenue	(\$67.9)	\$14.1

Note: Capital cost does not include any off-setting revenues such as a voter-approved bond.

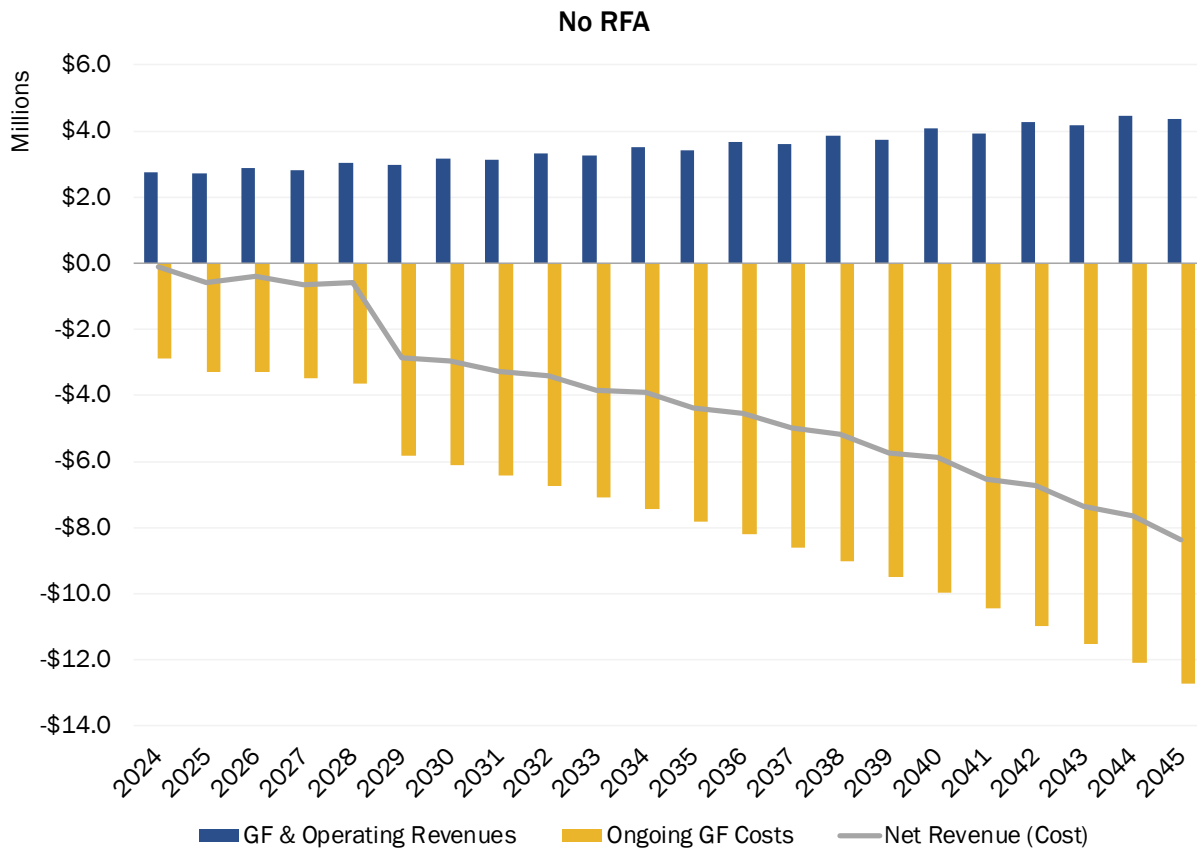
General Fund Revenues and Expenditures Summary

The following exhibits (Exhibit 15 and Exhibit 16) show the ongoing net costs to the General Fund, which occur under both scenarios. The General Fund summary shows a net cost under both scenarios because it does not account for other tax revenues that would be deposited into special funds (e.g., the TBD or the OMPD), and only includes the ongoing costs for impacted services that are funded through the General Fund; police, fire, and public works. It does not include the anticipated fire capital investments.

In Scenario 1 (no RFA), there would be a net cost (\$134,000) to the General Fund in the first year of annexation (2024), and would continue to grow as police and fire services are phased in. The major increase in the net cost observed in 2029 is due to the additional engine company the Olympia Fire Department (OFD) would need to service the entire SE UGA. The contract with Fire District 6 for services would end in 2028, and OFD would begin servicing the area. Details regarding the phasing in of fire services are provided further below. Scenario 1 would result in a net cost to the General Fund over the next 20 years (Exhibit 15), totaling approximately \$77 million in revenue and \$167 million in expenditures.

Exhibit 15: Annual General Fund Fiscal Impact Scenario 1 (No RFA), 2024 - 2045

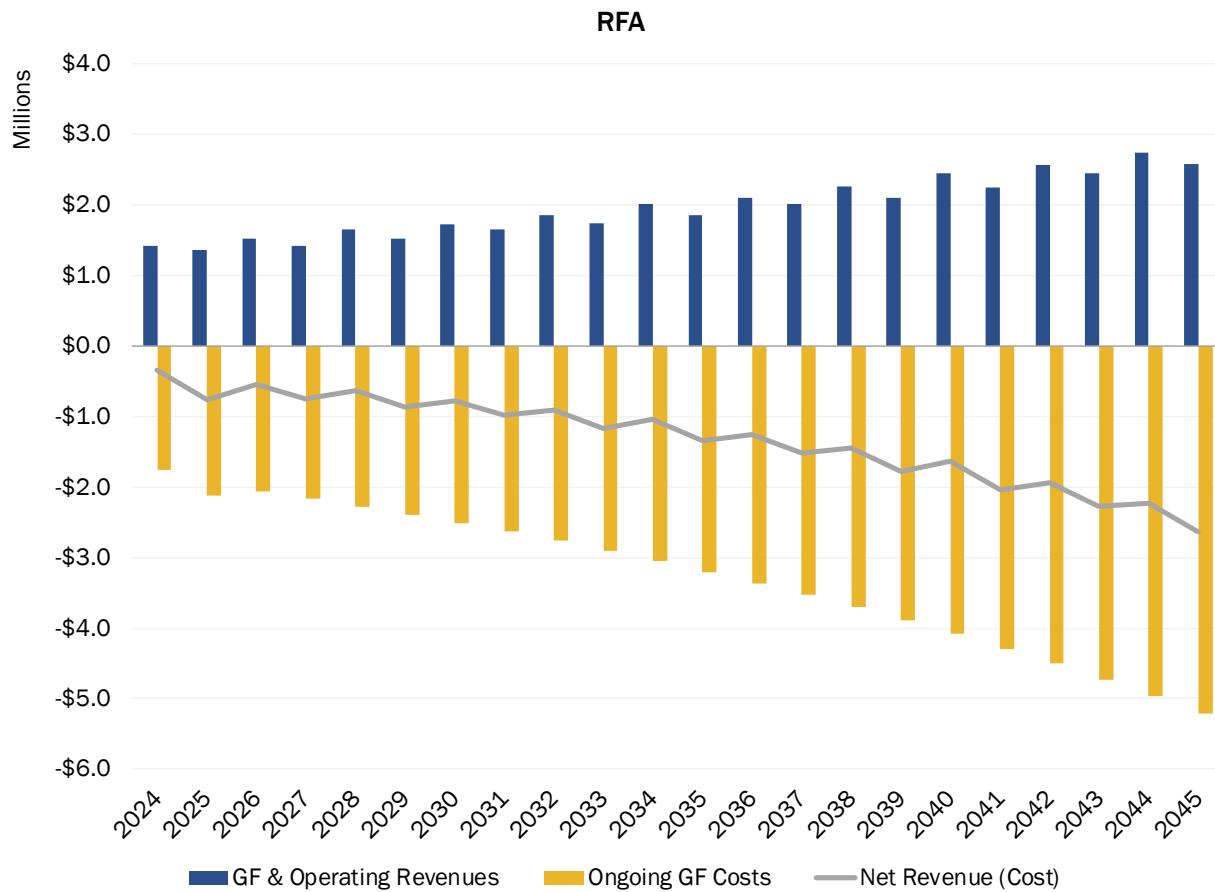
Source: ECONorthwest



In Scenario 2 (an RFA is formed and a lower property tax rate is levied), there would be a net cost (\$353,000) for the General Fund in the first year of annexation (2024), and would continue to grow at a steadier pace than Scenario 1, as Scenario 2 does not include the major investment in an additional fire engine company. Scenario 2 would result in a net cost to the General Fund over the next 20 years (Exhibit 16), totaling approximately \$43 million in revenue and \$72 million in expenditures.

Exhibit 16: Annual General Fund Fiscal Impact Scenario 2 (RFA), 2024 – 2045

Source: ECONorthwest



5. City Revenues

Annexation will increase City tax revenues due to an increase in the property tax base, sales tax from e-commerce, sales and business and occupation (B&O) from construction within the area, real estate excise taxes, utility taxes, and state-shared revenues due to the absorbed population. The City will also realize a negligible (less than \$10,000) increase in ongoing B&O taxes from the limited commercial presence in the annexation area. Primary revenue impacts come from property taxes. The assessed value of the annexation area is \$1.6 billion in 2022, a 13 percent increase over City totals.

Property Tax

Because of potential lag issues associated with property tax, this analysis assumed annexation would be official before August 1, 2023 and property tax revenues would begin flowing to the City in 2024 (after August 1 of a given year and property taxes collection would begin two years after). For the annexed area, the property tax impact is twofold. First, annexed properties would begin paying property taxes to the City as its local service provider depending on the timing mentioned above. This process resets the City's maximum allowable levy by and amount of the application of the city levy to these annexed properties. Second, once these properties are annexed and construction activities are assessed as new construction, the new construction value is added to the City's "add-on" value to its levy limit calculation.

The analysis models the City's property tax so that it conforms to the levy limit factor and adjusts for changes to new construction and assessed value growth. Specifically:

- A limit factor of 1% plus an add-on value of new construction is assumed in calculating the city's maximum allowable levy.
- New construction of 213 conventional single-family homes is assumed every 10 years within the annexation area.
- New construction at the city level is capped at 0.75% of the city's overall assessed value base.
- Assessed value growth in the city and annexation area is assumed to be revalued at 2% a year.

The effect of these assumptions results in property tax revenue growth in the annexation area at approximately 2.1% over the study period. Much of this effect is explained by the structural legislative parameters explained above but is best represented by the steady lowering of the city's levy rate which is estimated to fall at -1.0% a year over the study period.⁶

Utility Taxes

Olympia's utility tax is a tax imposed on the gross income of various utility services. Olympia imposes a tax on external utilities, such as telecommunication, natural gas, and electric at a rate of 9 percent. State statute limits the maximum tax on these utilities, without voter approval, at 6 percent. According to the City's 2023 Operating Budget, in 2004 City voters approved a 3 percent increase in the tax to be used for Parks and Pathways purposes; the combined tax is now 9 percent, but only 4.5% is available for the City's General Fund. Beginning in 2015 the 6

⁶ The analysis does not impose any policy choices by elected officials or voters such as "banking" levy capacity or voter-approved levy lid lifts. It is important to note that the analysis does not assume any city-entitled county road district taxes when the road district taxes that have been levied but not yet collected on property within the annexed territory.

percent utility tax was applied to Cable TV to support major maintenance in the Capital Facilities Plan, so none of the cable tax is allocated for General Fund purposes.

The City imposes a tax on assessed on revenue of the City's Drinking Water, Wastewater, Storm and Surface Water and Waste ReSources utilities generated from customers (12.5%). However, only 12% is allocated for General Fund use, and the remaining 0.5% is allocated to the City's Home Fund. Since the City already provides water and sewer services to the majority of residents in the SE UGA, utility tax revenue from these utilities is primarily stormwater and solid waste.

Other Revenues

The City will also realize revenue from other taxes that are not included in the General Fund, including fees for the Transportation Benefit District, Olympia Metropolitan Parks District, Share of State Criminal Justice Sales Tax, City of Olympia Housing Sales Tax, City of Olympia Public Safety Sales Tax, and a Real Estate Excise Tax (REET).

Exhibit 17 and Exhibit 18 below show total anticipated annual revenues, over the 20-year period for both scenarios. Scenario 1 totals approximately \$122 million and Scenario 2 totals \$88 million.

Exhibit 17: All City Revenues, Scenario 1 (No RFA), 2024 - 2045 (Nominal Dollars)

Source: ECONorthwest

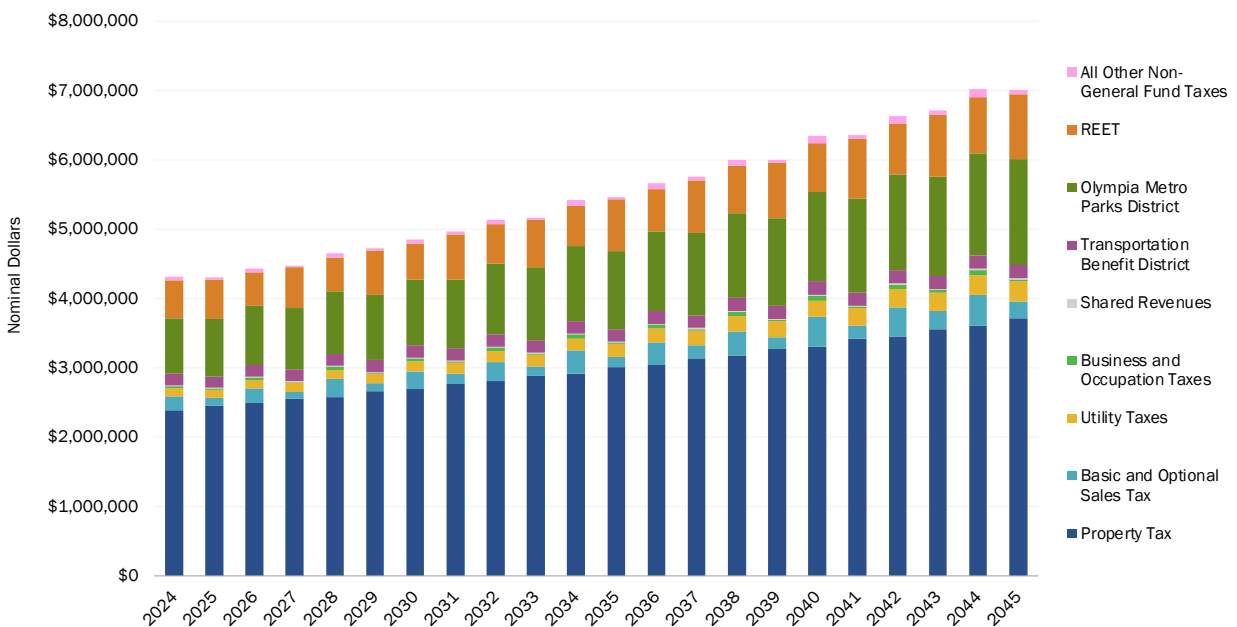
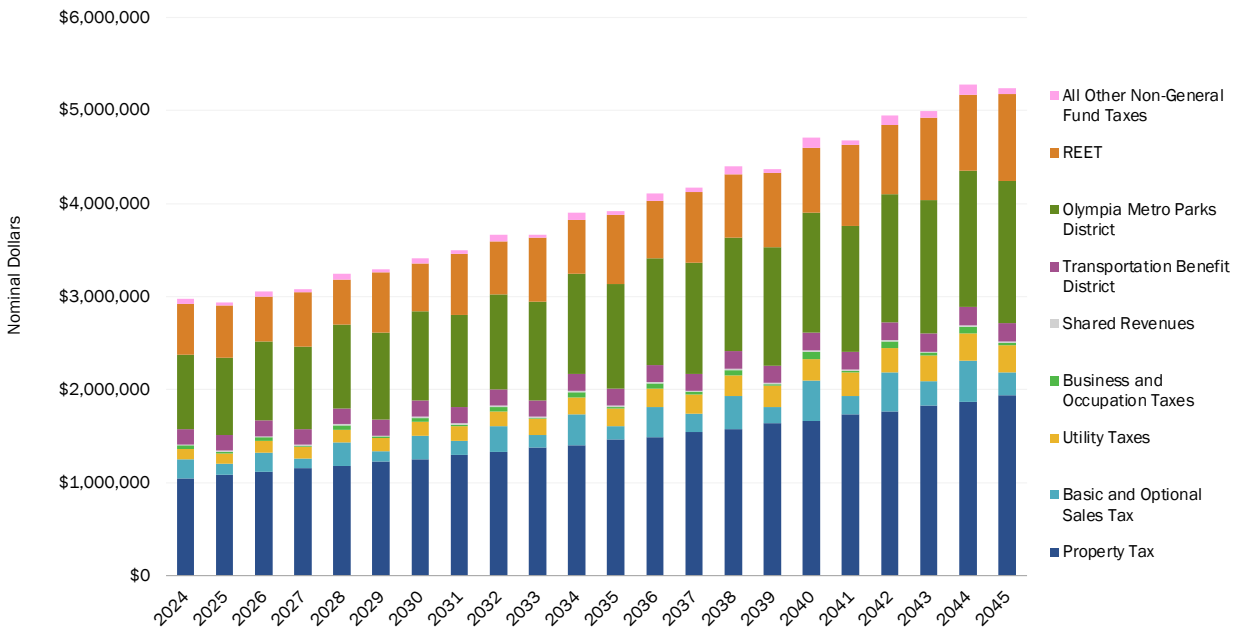


Exhibit 18: All City Revenues, Scenario 2 (RFA), 2024 - 2045 (Nominal Dollars)

Source: ECONorthwest



General Fund and Other Operating Taxes

Annexation of the SE UGA would result in an approximately \$77 million in General Fund revenue under Scenario 1 (No RFA) and about \$43 million in Scenario 2 (RFA) over the 20-year planning horizon. As previously mentioned, property taxes are the primary revenue source and are the only differentiator between the two scenarios due to the lower tax rate if an RFA is formed.⁷

Exhibit 19: 20-year General Fund and Operating Taxes, No RFA versus RFA

Source: ECONorthwest

General Fund & Other Operating Tax Component	Nominal (\$ millions)	
	No RFA	RFA
Property Tax	\$65.9	\$32.0
Basic and Optional Sales Tax	\$5.3	\$5.3
Utility Taxes	\$4.2	\$4.2
Business and Occupation Taxes	\$0.8	\$0.8
Shared Revenues	\$0.3	\$0.3
Total	\$76.5	\$42.6

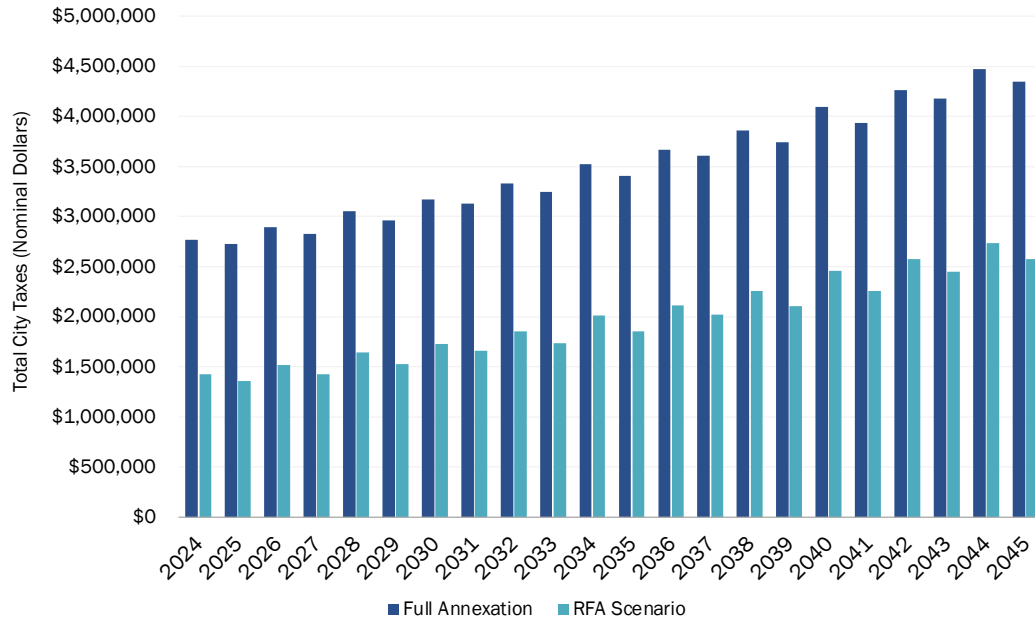
The first year following annexation would have considerable influx of revenue, with marginal increases in years following once the annexation area is absorbed into the tax base. If the SE

⁷ In 2018, Olympia community members voted to raise property taxes for Public Safety initiatives with an initial levy of \$2.8 million. Revenues for the Public Safety initiatives are included in the property tax calculations in this report. Of note, the City of Olympia also maintains a Public Safety sales tax show in Exhibit 21.

UGA were annexed, the first year yields an estimated \$2.7 million in General Fund Revenue in Scenario 1 where no RFA is formed. In Scenario 2 where an RFA is formed and the City's property tax levy decreases, the first year yields an estimated \$1.4 million in General Fund Revenue. Exhibit 20 below compares 20-year General Fund and other operating revenues of the two scenarios resulting from annexation of the SE UGA between 2024-2045.

Exhibit 20: General Fund & Other Operating Tax Comparison, No RFA and RFA, 2024 - 2045 (Nominal)

Source: ECONorthwest



Other Tax Revenues

As previously mentioned, the City could also anticipate revenue generated from taxes that are not included in the General Fund or other operating funds. These revenues would occur under both scenarios. Non-General Fund revenues total nearly \$45 million over the 20-year period. While these funds are will not be deposited into the General Fund, they can be used to offset some cost impacts associated with annexation. For example, the City will incur costs associated with road maintenance given the additional road mileage. The Transportation Benefit District (TBD) is a separate taxing authority, but funds can be used for maintenance of the City's streets.

Exhibit 21: 20-year Non-General Fund Revenues, 2024-2045

Source: ECONorthwest

Other Tax (Non-General Fund) Component	Nominal (\$ millions)
Transportation Benefit District (TBD)	\$4.0
Olympia Metro Parks District (OMPD)	\$24.7
Share of State Criminal Justice Sales Tax	\$0.1
City of Olympia Housing Sales Tax	\$0.6
City of Olympia Public Safety Sales Tax	\$0.6
City of Olympia Cultural Access	\$0.0
REET	\$14.9
Total	\$44.9

Note: Olympia's Cultural Access Tax would result in an increase of just over \$6,000 for the 20-year period.

One-Time Tax Revenues

Annexation of the SE UGA will result in approximately \$4.5 million in one-time tax revenues, primarily due to construction that would support the assumed population growth within the area over the next 20 years. These revenues would occur under both scenarios. Exhibit 22 below provides a breakdown of the one-time tax revenues. These one-time taxes would be assessed annually as build out of the SE UGA is assumed to occur, and are included in the totals shown in Exhibit 21.

Exhibit 22: One-Time Tax Revenue, 2024-2045

Source: ECONorthwest

One-Time Tax	Nominal Dollars
Basic and Optional Sales Tax	\$2,051,692
Business and Occupation Taxes	\$483,604
City of Olympia Housing Sales Tax	\$241,802
City of Olympia Public Safety Sales Tax	\$241,802
REET	\$1,571,554
Total	\$4,590,454

Impact Fee Revenue

New residential construction in Olympia is subject to impact fees for parks, transportation, and schools. Impact fees typically pay for new or expanded facilities necessary due to the increased demand for services generated by new development. School impact fees are not summarized in this study as they are not a city-provided service.

Exhibit 23 summarizes the anticipated revenue generated through impact fees between 2024-2045. The SE UGA is expected to grow by an additional 661 housing units by 2045; 470 single-

family units and 191 multifamily units. Impacts fees were assessed on a per unit basis using the City’s 2022 impact fee schedule. Over the 20-year period, the City could realize \$5.4 in impact fees.

Exhibit 23: Impact Fee Revenue, 2024-2045

Source: ECONorthwest

Impact Fee Revenue	2022 Dollars
Parks	\$3,345,556
Transportation	\$2,131,568
Total	\$5,477,124

6. Impacts to Service Provision

With its General Fund, the City funds general services that benefit the whole community, such as planning services and cultural facilities, as well as administrative functions that support city-wide operations such as courts, finance, and elected leadership. Olympia will experience economies of scale following annexation – meaning that the average cost-per-resident of providing many city services decreases as the city grows. Therefore, administrative functions are unlikely to be measurably impacted by increased population or land area and are not included in this analysis. Additionally, given that the annexation area is largely developed, the City does not anticipate an increase in permit activity as a result of annexation.

However, due to the substantial increase in population and square mileage, there will be a greater need for expanded fire and police services in particular. Since both services are supported through the General Fund, a substantial increase in expenditures will be required. The other service supported by the General Fund that should anticipate impacts is Public Works (transportation). The two city-provided utilities impacted are stormwater and solid waste (Waste ReSources), which are supported by the Utility Fund and not included in General Fund expenditures.

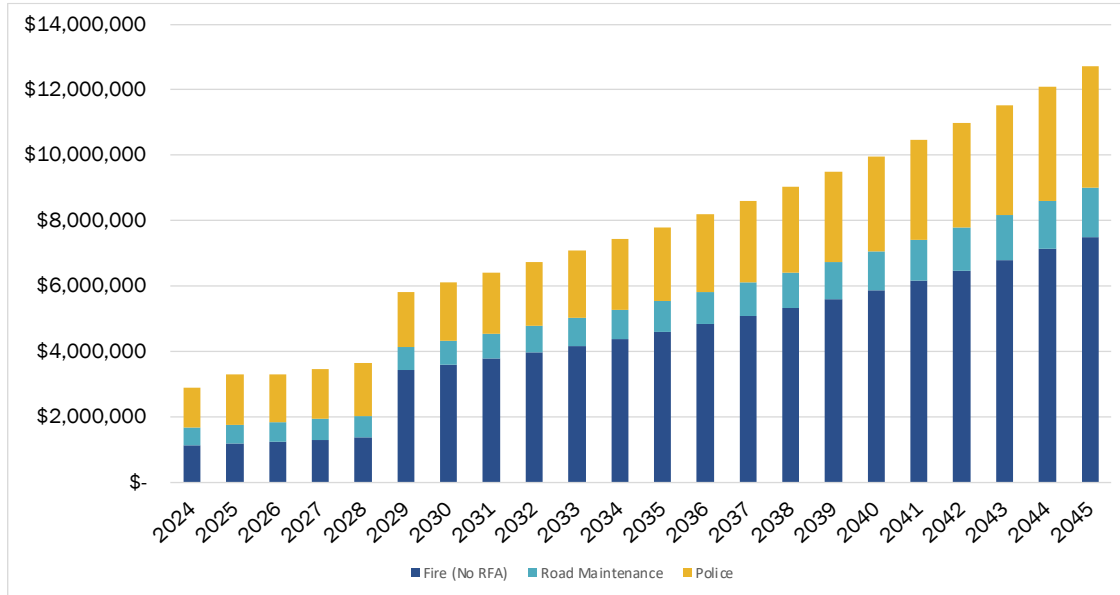
Exhibit 24 and Exhibit 25 shows a summary of the estimated annual costs to the General Fund for police, fire, and road maintenance services in the SE UGA. The key differentiator between the two scenarios is the elimination of city-provided fire service in Scenario 2 if an RFA is formed. The SE UGA would be served by the RFA.

Impacts to the General Fund will total \$167 million in Scenario 1. A substantial increase is observed in 2029 when the contract for service with Fire District 6 ends and OFD’s new engine company begins to service the area. More details regarding the transition of fire service in Scenario 1 are provided further below. Approximately \$72 million in ongoing costs to the General Fund will occur in Scenario 2. Scenario 2 results in a substantial decrease in costs compared to Scenario 1, as the RFA would assume fire service of the SE UGA.

Ongoing costs for the two utilities, stormwater and solid waste are not forecasted out beyond one year, as it is assumed the City will adjust user rates to recover additional costs incurred upon annexation. Capital costs, including the fire station and the new park on the Spooner Farms site are also not included in the summary provided in Exhibit 24 and Exhibit 25.⁸

Exhibit 24: Summary of Service Delivery Costs Scenario 1 (No RFA), General Fund, 2024-2045

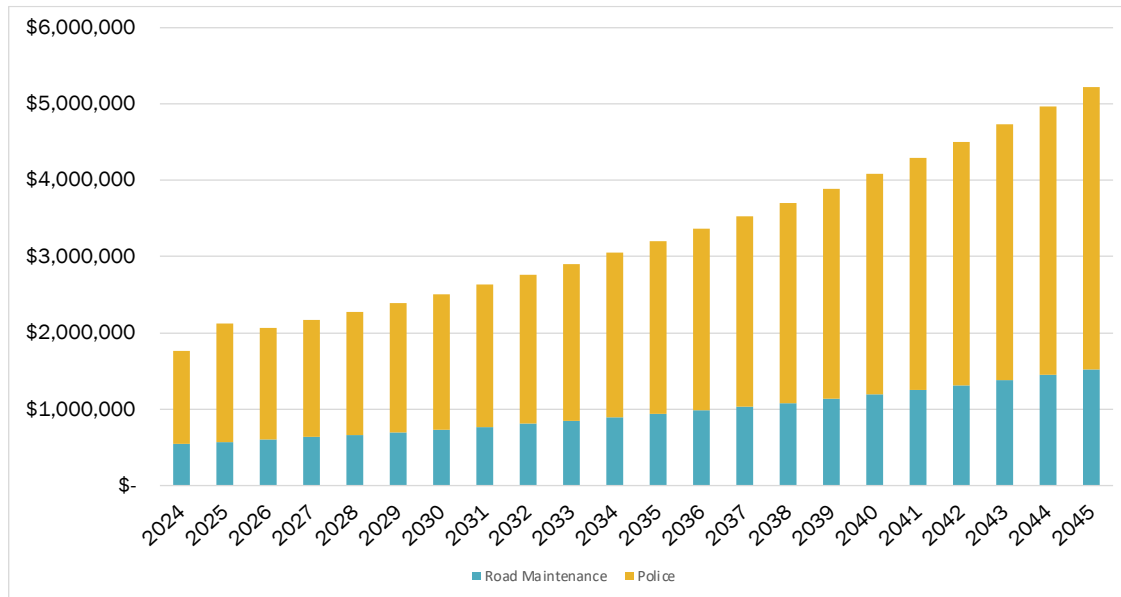
Source: ECONorthwest



⁸ The Spooner Farms site will be developed regardless of annexation, so its capital cost is not considered as part of this report.

Exhibit 25: Summary of Service Delivery Costs Scenario 2 (RFA), General Fund, 2024-2045

Source: ECONorthwest



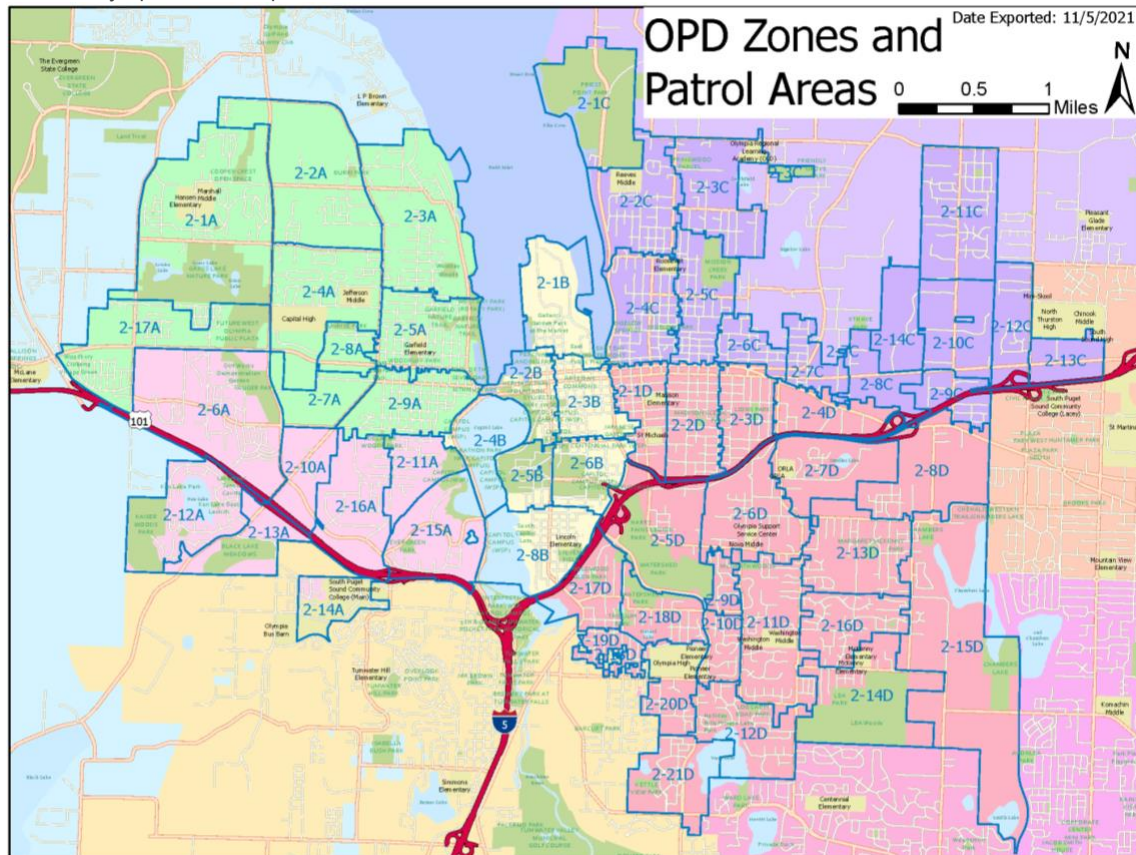
General Fund Services

Olympia Police Department

ECONorthwest met with members of the Olympia Police Department (OPD) to discuss future service demand in the annexation area. The incorporated area surrounding the SE UGA is known as the David Patrol Area, and it is currently one of the City's largest patrol areas. It would be unable to absorb the SE UGA. OPD would need to create an additional patrol area for the SE UGA, which would require six additional Police Officers.

Exhibit 26: OPD Patrol Areas

Source: Olympia Police Department



Upfront costs for hiring new officers, plus training and equipping them will be a substantial investment for the City. Due to anticipated impacts to the General Fund upon annexation, the City has discussed the feasibility of phasing in services to the area, including police service. It could be possible to annex the SE UGA and contract back with the Thurston County Sheriff's Department in an agreement to continue servicing the area until a chosen sunset date. However, this is not a preferred method for Olympia PD and would require further discussions with Thurston County Sheriff's Office to determine the intricacies of a phased in approach.

Instead, for the purposes of this study, the City has opted to phase in hiring of the additional police officers over a two year period and cover the gap in service during Year 1 with overtime. Therefore, three officers would be hired in Year 1 and additional overtime costs will be included until Year 2 when the final three officers are hired. Assumed overtime rate is \$ \$73.22 per hour (provided by Olympia PD). As previously mentioned, the hiring of new officers will require new equipment and training, including two additional patrol vehicles. These costs have been phased in over the same two-year period. Exhibit 27 includes the summary of anticipated upfront costs for Year 1 and Year 2.

Exhibit 27: Year 1&2 Upfront Costs for OPD

Source: Olympia Police Department and ECONorthwest

Upfront Costs (Year 1 & 2)	Year 1 (2024 Dollars)	Year 2 (2025 Dollars)
FTEs	\$597,775	\$1,318,094
Patrol Vehicle	\$83,790	\$92,378
Training	\$32,975	\$72,709
Maintenance	\$59,535	\$65,637
Overtime	\$516,893	
Total, Upfront Costs (Year 1 & 2)	\$1,290,968	\$1,548,819

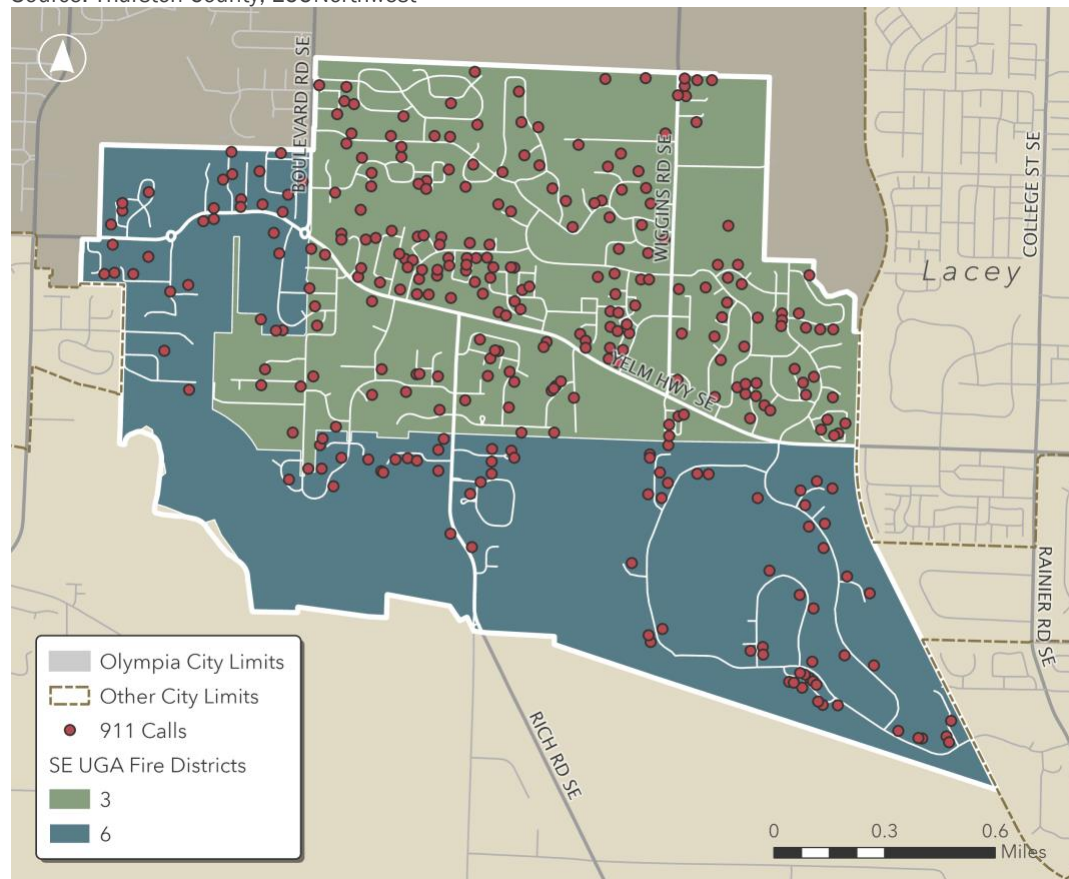
Beginning in 2026, OPD will realize approximately \$1.4 million in ongoing annual salaries of the six new officers and ongoing annual maintenance of the two new patrol vehicles.

Olympia Fire Department

Olympia is evaluating the feasibility of creating a Regional Fire Authority (RFA) with the City of Tumwater, which will go to a vote of the people in Spring 2023. The SE UGA is currently served by two fire districts shown in Exhibit 28. This study analyzes two scenarios for fire service.

Exhibit 28: Existing Fire District Boundaries, Fire Districts 3 and 6

Source: Thurston County; ECONorthwest

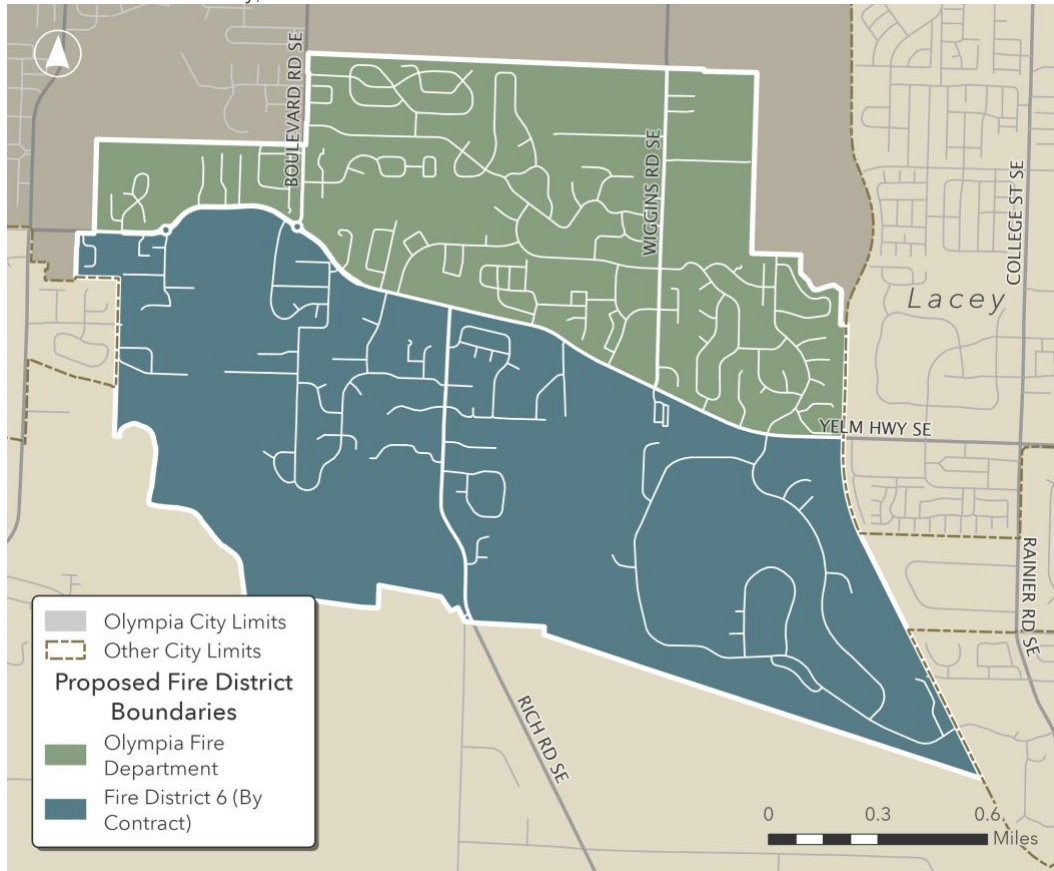


Scenario 1 - No RFA is Formed

In Scenario 1, no RFA with Tumwater is formed and Olympia's Fire Department (OFD) assumes responsibility for fire service for the entire area north of Yelm Highway and contracts with Fire District 6 to service the area south of Yelm Highway until 2029 (proposed boundaries shown in Exhibit 29).

Exhibit 29: Proposed Fire Service Area Boundaries, 2024-2028

Source: Thurston County; ECONorthwest



This phased in approach is necessary since OFD does not have the current staff capacity or facilities to service the entire annexation area. OFD would only be able to service the area north of Yelm highway with its existing capacity in Station 3, located at the intersection of 22nd Ave SE and Boulevard Road SE, just north of the SE UGA. To service the entire area, OFD would need a new station and engine company.

The contract with Fire District 6 to service the area south of Yelm Highway is based on the area's assessed value and 2022 Fire District 6 rate of \$1.356 per \$1,000. In 2024, the contract amount is assumed to be approximately \$1.12 million, sunsetting after 2028. After the contract with Fire District 6 ends, it is assumed OFD will service the entire SE UGA with a new station and company in place (Exhibit 30) New FTEs include four lieutenants and 13 firefighters. Total ongoing costs for OFD FTEs begin in 2029 at approximately \$3.4 million.

Exhibit 30: OFD New Engine Company Costs, 2029

Source: Olympia Fire Department; ECONorthwest

New Engine Company Costs 2029	2022 Dollars	2029 Dollars
New Station	\$15,000,000	\$21,000,000
4 Lieutenants	\$620,000	\$872,402
13 Firefighters	\$1,820,000	\$2,560,923
Total Ongoing Costs	\$2,440,000	\$3,433,325

Scenario 2 - RFA is Formed

In Scenario 2, the RFA with the City of Tumwater is approved by voters and the SE UGA (if annexed) is included within the RFA's jurisdictional boundary. There are no anticipated impacts to expenditures under this scenario, as the City will transfer OFD's budget to the RFA. Instead, the fiscal impact of this scenario is realized as a reduction in property tax revenues compared to Scenario 1, as previously discussed.

Transportation

The City of Olympia contains 527 miles of road, and the SE UGA contains 62 miles, thus annexation would result in a 12 percent increase to the City's current road mileage. The increase will impact the City's Public Works Department, more specifically its transportation division, in two categories; road maintenance and road replacement.

Road Replacement

Pavement backlogs are notoriously hard to quantify in terms of costs to taxpayers or degradation of current service levels. Further analysis by the City (in particular, of road condition) is needed to better understand how this increase will ultimately affect the City's current pavement backlog. In coordination with the City's transportation team, it was decided a simple method of analysis would be appropriate for this annexation study. Since the City's pavement backlog currently stands at \$1 million, it is assumed that a 12 percent increase would increase the backlog to \$1.12 million. Road replacement is a capital cost, and therefore not included as ongoing cost to the General Fund.

Road Maintenance

Adding lane miles to the City's existing inventory would increase maintenance demand on the Public Works Department. Public Works staff informed ECONorthwest that 2.0 FTE in traffic and street operations would be needed to service the SE UGA and keep staff per lane mile at baseline levels (see Exhibit 31 below)⁹.

⁹ Staff costs are based on average salary, benefit, and overhead costs across all positions in Traffic Operations and Street Operations except for supervisor and director roles.

Exhibit 31: Impacts to Road Maintenance

Source: City of Olympia; Calculations by ECONorthwest

Road Maintenance	Pre-Annexation	Post Annexation	
Traffic Operations Staff		7.5	8.5
Street Operations Staff		11.5	12.5
Staff Total		19.0	21.0
Lane Miles		527.0	589.0
Staff per Lane Mile		0.04	0.04

ECONorthwest used City-provided data and information on current road maintenance costs to estimate costs of maintaining roads in the annexation area (see Exhibit 32 below). Per City staff, the area will have minimal traffic signals but does have street lighting, of which the City will assume responsibility. Public Works was unable to determine the cost of street lighting maintenance apart from signals, as they are paired within the budget. ECONorthwest utilized the 2018 estimated costs for street lighting documented in the 2019 annexation study as a baseline. They are shown below in 2024 dollars. The increase in road mileage will increase the City's existing road maintenance budget by about \$547,000 in the first year after annexation.

Exhibit 32: Road Maintenance Costs

Source: City of Olympia; Calculations by ECONorthwest

	Pre-Annexation (2022)	Pre-Annexation (2024)	Post-Annexation (2024)	2024
Street Surfaces and ROW Maintenance	\$1,155,197	\$1,310,000	\$1,467,000	\$157,000
Street Lights	\$933,085	\$1,058,000	\$1,116,000	\$58,000
Signs	\$351,678	\$399,000	\$447,000	\$48,000
Staff Costs	\$2,717,598	\$2,996,152	\$3,280,000	\$284,000
Total				\$547,000

Utility Fund Impacts

Stormwater

The City will assume maintenance and operations of existing stormwater facilities located within the SE UGA, including but not limited to catch basins, drain pipes, and retention facilities. Public Works staff anticipate the need for the purchase of an additional construction truck and an excavator with trailer in order to extend stormwater operations to the SE UGA, resulting in a one-time cost of approximately \$214,000 (see Exhibit 33).

Exhibit 33: Stormwater One-Time Costs, 2024

Source: Southeast Urban Growth Area Annexation Feasibility Analysis, 2019; ECONorthwest

One-time Costs	2019 Annexation Report	2024 Estimated
Construction Truck	\$90,000	\$116,977
Excavator with Trailer	\$75,000	\$97,481
Total, One-Time Costs	\$165,000	\$214,458

The City will need two additional FTEs and will incur costs related to sediment removal and disposal. Ongoing costs are estimated at \$642,000 in 2024 dollars. The City supports the provision of stormwater service through the collection of user fees. ECONorthwest estimated the annual revenue that would be collected in the SE UGA. Stormwater revenues were estimated using the 2023 flat monthly rate for single-family units (\$17.12), using the number of single-family housing units in the SE UGA as of 2022. Stormwater fees for multifamily are also expressed in equivalent residential units (ERUs). ECONorthwest used the City’s Category II monthly rate (\$12.84) for multifamily units since it is assumed the majority of multifamily sites maintain some level of stormwater management.¹⁰

See Exhibit 34 below for ongoing costs and revenue impacts for stormwater management. The City will realize a net revenue of about \$37,000 in the first year following annexation. Costs and revenues are not included in the 20-year revenue and expenditure summary because it is assumed the City will adjust rates annually (or as needed) as needed to cover costs.

Exhibit 34: Stormwater Maintenance Costs and Revenues

Source: Southeast Urban Growth Area Annexation Feasibility Analysis, 2019; City of Olympia, 2022 cost adjustments; 2024 inflationary adjustments and revenue estimates by ECONorthwest

	Assumptions	2022	2024
Stormwater Maintenance	\$276,439	\$276,439	\$304,774
Sediment Removal and Disposal (adjusted from 2019 report)	\$121,000	\$161,333	\$209,692
Environmental Service	\$65,800	\$65,800	\$72,545
Vegetation Management	\$50,300	\$50,300	\$55,456
Total, Ongoing Costs	\$513,539	\$553,873	\$642,467
Estimated Revenues	\$486,242	\$599,012	\$680,000
Net Revenue			\$37,533

Waste ReSources

The City of Olympia provides solid waste services through its utility, Waste ReSources. Upon annexation, Waste ReSources would assume responsibility for providing solid waste services to the area. However, since the SE UGA is currently serviced by a private hauler, there is a

¹⁰ The City of Olympia maintains three categories of non-residential rates (multifamily is considered “non-residential when calculating stormwater rates); Category I - Sites with Low Impact Development (50% discount), Category II - Sites with any stormwater management: flow control or treatment (25% discount), and Category III - Sites with no stormwater management (same rate as single-family).

required transition period of 10 years from the date of annexation¹¹. Once the transition occurs, there will be financial and operation impacts to the utility.

Waste ReSources provided a memo outlining financial assumptions for assuming service of the SE UGA after the 10-year period following annexation. This memo was in response to the 2019 annexation feasibility study, as impacts to Waste ReSources were not included in the report. Cost assumptions from the memo have been updated to reflect 2034 dollars, when service is assumed to begin in the SE UGA. Cost assumptions include:

- Upfront capital costs
 - Residential collection truck
 - Deployment of carts and containers (materials, labor, and equipment)
 - Dumpsters for commercial and multifamily properties
- Ongoing costs
 - Truck driver

Waste ReSources is largely funded through the collection of user fees and assuming service of the SE UGA would generate additional revenue. According to the City of Olympia 2022 Operating Budget, the typical user fee for basic 65-gallon service for single family households that participate in the recycling program is \$27.03 per month. ECONorthwest applied that rate to the number of housing units within the SE UGA estimate additional revenue for Waste ReSources.

Exhibit 35 below shows the ongoing annual cost beginning in 2034 when service is expected to begin in the SE UGA compared to annual revenue generated from user fees from new customers in the SE UGA.

Exhibit 35: Ongoing Costs and Revenues, SE UGA, 2034

Source: Waste ReSources 2019 Annexation Report; ECONorthwest

Ongoing Costs and Revenues	2022	2034 (Year Service Begins)
Truck Driver	\$115,763	\$207,893
Estimated Revenues	\$849,174	\$1,524,995
<i>Net Revenue</i>	<i>\$733,412</i>	<i>\$1,317,103</i>

Exhibit 36 shows the one-time costs Waste Resources would incur to expand services to the SE UGA. Assumptions made in the 2019 report were updated to reflect 2034 dollars. However, it

¹¹ According to state law, there is a minimum 7-year transition period. However, previous case law, and an agreement between the City and Lemay/Waste Connections, set the transition period to 10 years from date of official annexation for when the city assumes solid waste collection. Relevant RCWs include 35.02.160 and 81.77.020.

may be possible for Waste ReSources to begin planning for the one-time costs much earlier given the 10-year transition period.

Exhibit 36: One-Time Costs, SE UGA, 2034

Source: Waste ReSources 2019 Annexation Report; ECONorthwest

One-time Costs	2034	
	2019 Report	Estimated
Residential Collection Truck	\$400,000	\$846,860
Deployment of Carts	\$463,386	\$832,175
Deployment of Commercial Containers	\$100,000	\$179,586
Total, One-Time Costs	\$963,386	\$1,858,620

According to Waste ReSources 2019 memo, the utility would begin planning for the added costs of equipment and staff beginning with the date of annexation by adjusting user fees to account for necessary capital costs. Therefore, they are not included in the 20-year revenue and expenditure summary.

Other Services

Parks

There are currently no developed parks in the SE UGA. Therefore, there are no additional costs the City will incur related to the operation and maintenance of parks when annexation occurs. However, the Olympia Parks and Recreation Department has been actively planning for the annexation of the SE UGA and has acquired land at the former Spooner Berry Farm site with the intent on developing a future park. For the purposes of this study, construction costs for the park are estimated at around \$20 million, which will yield \$250,000 in one-time sales tax revenues. The construction of the park is planned regardless of whether annexation occurs or not, so the capital cost is not included in the impact summary.

As previously mentioned in this report, the City of Olympia has a separate taxing authority that collects property taxes used by the Olympia Metropolitan Parks District (OMPD) to fund acquisition, development, and operations of the City’s park system. Revenue between 2024-2045 for the OMPD resulting from annexation of the SE UGA is estimated to be around \$24 million. Revenues generated by the OMPD are not included in the General Fund.

Other Utilities

Water and sewer service provision will not be impacted by annexation, as the City currently provides these services within the SE UGA.