

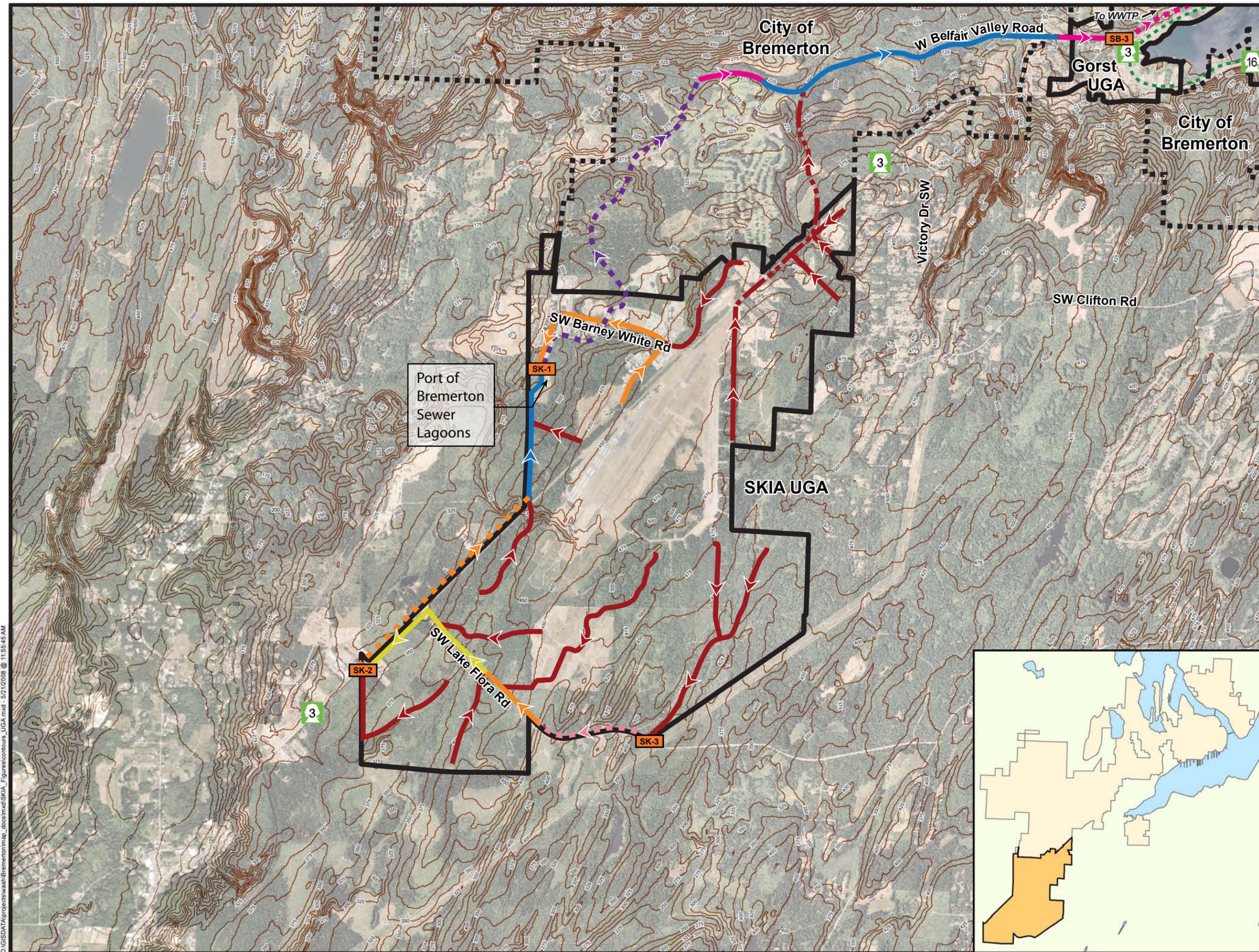
SKIA Annexation Financial Assessment
June 2008

Part IV of IV

Scenario C “SKIA Sub Area Plan Growth”

SKIA SUB-AREA SCENARIO

FIGURE X



Legend

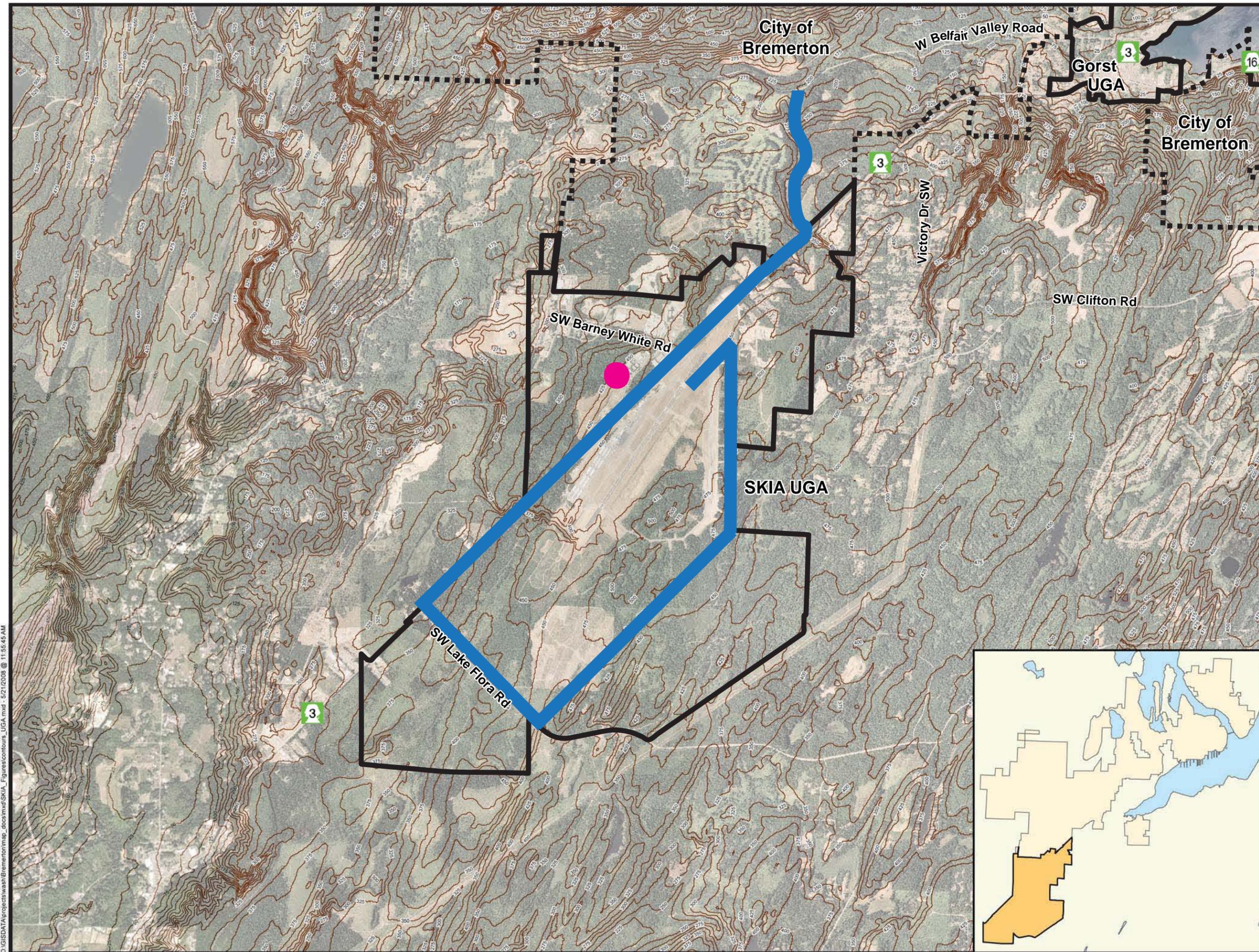
- — — 6" Force Main
- — — 8" Gravity Main
- — — 8" Gravity Main (Developer Installed)
- — — 10" Force Main
- — — 10" Gravity Main
- — — 12" Gravity Main
- — — 14" Force Main
- — — 15" Gravity Main
- — — 18" Gravity Main
- — — 18" Force Main
- - - - Existing Bremerton Sewer Force Main
- UGA Boundary
- City Boundary
- PS Pump Station



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SKIA WATER SUB-AREA PLAN SCENARIO

FIGURE X



Legend

-  16" Water Main
-  1 Million Gallon Reservoir
-  UGA Boundary
-  City Boundary



0 750 1,500 3,000 4,500
Feet



**Financial Impacts Scenario
Annexation ("SKIA Sub Area Plan")**

Last Updated
June 6, 2008

**City of Bremerton - SKIA Area Annexation
Financial Assessment**
Financial Impacts Scenario - Annexation ("SKIA Sub Area Plan")

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Net Financial Impacts Carried Forward (1)	\$ -	\$ 378,504	\$ 827,337	\$ 1,306,058	\$ 1,572,346	\$ 125,162	\$ 446,678	\$ 4,512,537	\$ 3,647,466	\$ 2,216,854	\$ 2,019,784	\$ 1,991,474	\$ 607,466	\$ 944,972	\$ 1,435,857	\$ 2,057,683	\$ 2,751,059	\$ 3,661,469	\$ 4,727,266	\$ 5,959,149	
Receipts:																					
GF Property Tax Revenue (2)	76,608	147,319	220,835	297,248	376,651	459,141	544,817	633,783	726,144	822,010	921,492	1,024,707	1,131,774	1,242,816	1,357,961	1,477,338	1,601,083	1,729,335	1,862,236	1,999,935	
GF Leasehold Tax Revenue (3)	51,161	56,656	62,315	68,145	74,149	80,334	86,704	93,265	100,023	106,983	114,153	121,538	129,144	136,978	145,047	153,359	161,920	170,737	179,819	189,174	
GF Admissions Tax Revenue (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GF Parking Tax Revenue (5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GF Sales Tax Revenue (6)	276,701	290,647	308,090	323,322	342,276	358,898	379,483	397,609	419,952	439,703	463,944	485,449	511,736	535,137	563,628	589,077	619,943	647,601	681,027	725,486	
GF B&O Tax Revenue (7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GF Per Capita Revenue Distributions from State (8)	95	98	100	103	107	110	113	116	120	124	127	131	135	139	143	148	152	157	161	166	
GF Real Estate Excise Tax on Property Sales (9)	-	-	-	-	6,713	-	16,616	-	-	7,782	-	-	-	20,436	9,021	-	-	-	-	-	10,458
GF Utility Tax Revenue - Elec/Telephone/Solid Waste (10)	18,373	23,078	26,540	30,189	34,033	38,081	42,340	46,821	51,533	56,485	61,688	67,152	72,889	78,910	85,226	91,850	98,795	106,073	113,700	121,689	
UT Utility GFC Payments (Water/Wastewater/Storm) (11)	259,503	267,288	275,307	283,566	292,073	300,836	309,861	319,156	328,731	338,593	348,751	359,213	369,990	381,089	392,522	404,298	416,427	428,919	441,787	455,041	
GF Developer Payment (12)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
UT Developer Payment (12)	-	-	-	-	-	-	-	-	-	609,063	627,335	2,621,773	2,700,426	2,781,439	2,864,882	2,950,829	3,039,354	3,130,534	3,224,450	-	
UT Utility Local Improvement District (ULID) Payment (13)	-	-	-	-	255,742	511,484	511,484	511,484	511,484	555,585	650,676	1,000,527	1,000,527	1,000,527	1,000,527	1,000,527	1,000,527	1,000,527	1,000,527	1,000,527	
UT Grants - Water Reuse, EDA, Capital Contributions (14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
UT Utility Rate Revenues - Water (15)	43,003	46,680	50,539	54,587	58,833	63,285	67,951	72,839	77,960	83,323	88,937	94,813	100,962	107,394	114,121	121,155	128,509	136,195	144,226	152,616	
UT Utility Rate Revenues - Wastewater (15)	75,319	86,198	97,662	109,737	122,448	135,823	149,891	164,680	180,222	196,548	213,691	231,686	250,569	270,375	291,145	312,918	335,735	359,639	384,675	410,890	
UT Utility Rate Revenues - Stormwater (15)	98,258	112,451	127,407	143,159	159,742	177,191	195,543	214,836	235,111	256,410	278,774	302,250	326,883	352,723	379,818	408,222	437,988	469,173	501,834	536,034	
GF Payment in Lieu of Tax - Water Utility (16)	3,655	3,968	4,296	4,640	5,001	5,379	5,776	6,191	6,627	7,082	7,560	8,059	8,582	9,128	9,700	10,298	10,923	11,577	12,259	12,972	
GF Payment in Lieu of Tax - Wastewater Utility (16)	6,402	7,327	8,301	9,328	10,408	11,545	12,741	13,998	15,319	16,707	18,164	19,693	21,298	22,982	24,747	26,598	28,537	30,569	32,697	34,926	
GF Payment in Lieu of Tax - Stormwater Utility (16)	8,352	9,558	10,830	12,169	13,578	15,061	16,621	18,261	19,984	21,795	23,696	25,691	27,785	29,981	32,285	34,699	37,229	39,880	42,656	45,563	
GF Bond Proceeds - GO Bonds (17)	-	-	-	-	-	-	3,880,000	-	-	-	-	-	-	-	-	-	-	-	-	-	
UT Bond Proceeds - Revenue Bonds/Loans (17)	-	-	-	1,808,130	11,363,437	-	-	-	443,623	1,827,726	1,313,084	9,009,240	-	-	-	-	-	-	-	-	
Total Receipts	917,429	1,051,267	1,192,222	3,144,322	13,115,190	2,157,167	6,219,941	2,493,039	3,116,833	4,736,855	5,113,799	13,377,485	6,574,047	6,889,042	7,187,330	7,495,368	7,828,597	8,169,736	8,528,139	8,919,927	
Expenditures:																					
GF Payment to Kitsap County - Revenue Sharing Agmt (18)	56,806	37,870	18,935	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GF Fire/EMS Service Expense (19)	57,000	58,710	60,471	62,285	64,154	66,079	68,061	70,103	72,206	561,188	578,023	595,364	613,225	631,622	650,570	670,087	690,190	710,896	732,223	754,189	
GF Police Service Expense (20)	173,143	267,506	367,374	378,396	389,747	401,440	413,483	425,887	438,664	451,824	465,379	479,340	493,720	508,532	523,788	539,502	555,687	572,357	589,528	607,214	
GF Public Works & Utilities - Streets & Electronics (21)	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535	
UT Public Works & Utilities - Water Expense (22)	41,498	45,046	48,770	52,676	56,774	61,070	65,573	70,290	75,231	80,407	85,824	91,495	97,428	103,635	110,127	116,915	124,011	131,428	139,178	147,274	
UT Public Works & Utilities - Wastewater Expense (22)	62,138	71,113	80,571	90,533	101,020	112,054	123,660	135,861	148,683	162,152	176,295	191,141	206,719	223,059	240,195	258,157	276,981	296,702	317,357	338,984	
UT Public Works & Utilities - Stormwater Expense (22)	97,767	111,889	126,770	142,443	158,943	176,305	194,565	213,762	233,935	255,128	277,380	300,739	325,249	350,959	377,919	406,181	435,798	466,827	499,325	533,354	
GF Capital Costs - General Fund (police & fire) (23)	40,574	-	-	-	-	47,036	479,761	1,468,069	1,891,644	54,528	-	-	-	-	63,213	-	-	-	-	-	
GF Capital Costs - Streets & Electronics (24)	-	-	-	-	28,138	28,982	29,851	30,747	31,669	32,619	33,598	34,606	35,644	36,713	37,815	38,949	40,118	41,321	42,561	43,838	
UT Capital Costs - Water System (25)	-	-	-	450,204	1,854,839	-	-	-	521,909	2,150,266	609,063	627,335	646,155	665,539	685,506	706,071	727,253	749,071	771,543	794,689	
UT Capital Costs - Wastewater System (25)	-	-	-	1,677,008	11,513,910	-	-	-	-	-	1,544,805	10,599,106	1,975,618	2,034,887	2,095,934	2,158,812	2,223,576	2,290,283	2,358,992	2,429,761	
UT Capital Costs - Stormwater (25)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GF Debt Service on GO Debt (17)	-	-	-	-	-	163,905	-	163,905	327,809	327,809	327,809	327,809	327,809	327,809	327,809	327,809	327,809	327,809	327,809	327,809	
UT Debt Service on Revenue Bonds/Loans (17)	-	-	-	13,561	383,594	767,188	767,188	767,188	793,027	899,484	975,966	1,500,716	1,500,716	1,500,716	1,500,716	1,500,716	1,500,716	1,500,716	1,500,716	1,500,716	
Total Expenditures	538,925	602,434	713,501	2,878,034	14,562,374	1,835,651	2,154,083	3,358,110	4,547,446	4,933,925	5,142,110	14,761,493	6,236,541	6,398,157	6,565,504	6,801,992	6,918,186	7,103,939	7,296,256	7,495,363	
Annual Net Cash Flow	378,504	448,833	478,721	266,288	(1,447,184)	321,516	4,065,858	(865,071)	(1,430,612)	(197,069)	(28,310)	(1,384,008)	337,505	490,885	621,826	693,376	910,411	1,065,796	1,231,883	1,424,564	
Ending Cumulative Financial Impact (26)	\$ 378,504	\$ 827,337	\$ 1,306,058	\$ 1,572,346	\$ 125,162	\$ 446,678	\$ 4,512,537	\$ 3,647,466	\$ 2,216,854	\$ 2,019,784	\$ 1,991,474	\$ 607,466	\$ 944,972	\$ 1,435,857	\$ 2,057,683	\$ 2,751,059	\$ 3,661,469	\$ 4,727,266	\$ 5,959,149	\$ 7,383,713	
General Fund Net Financial Impact	103,824	164,264	183,917	293,535	369,620	249,514	3,982,114	(960,965)	(1,434,957)	92,182	138,047	301,460	418,687	557,147	672,650	728,226	928,731	1,067,017	1,215,411	1,389,784	
Utilities Net Financial Impact	274,680	284,569	294,804	(27,247)	(1,816,805)	72,002	83,744	95,895	4,345	(289,252)	(166,357)	(1,685,467)	(81,181)	(66,262)	(50,824)	(34,850)	(18,321)	(1,220)	16,472	34,779	
GF = General Fund Item																					
UT = Utility System Item																					

See "Notes to the SKIA Area Annexation (annexation - SKIA Sub Area Plan scenario) - Financial Impact Assessment" for key assumptions and explanations.

BASE ANNEXATION SCENARIO - SKIA SUB AREA PLAN

RETAIL SALES, B&O, AND PROPERTY TAX INCREASES ESTIMATION

Year	(note 1)		Total	(note 2)		0.85% Bremerton Sales Tax	0.125% Bremerton Retail B&O Tax	(note 3) Development Construction Costs	0.85% Bremerton Sales Tax on Construction	0.125% Bremerton Retail B&O on Construction	Total Bremerton Sales Tax Rev	Total Bremerton B&O Tax Rev	(note 4) Property Tax Increase from Const	3% Escalation Factor
	# of Businesses w/ Revenues Subject To Sales Tax	# of Businesses w/ Revenues Not Subject To Sales Tax		Average Taxable Retail Sales Per Business	Estimated Taxable Retail Sales									
2009	25	20	45	\$ 322,434	\$ 8,060,840	\$ 68,517	Exempt	\$ 30,615,200	\$ 208,183	Exempt	\$ 276,701	Exempt	\$ 67,908	1.0000
2010	27	23	50	332,107	8,966,879	76,218	Exempt	31,533,656	214,429	Exempt	290,647	Exempt	69,945	1.0300
2011	30	25	55	342,070	10,262,095	87,228	Exempt	32,479,666	220,862	Exempt	308,090	Exempt	72,043	1.0609
2012	32	28	60	352,332	11,274,621	95,834	Exempt	33,454,056	227,488	Exempt	323,322	Exempt	74,204	1.0927
2013	35	30	65	362,902	12,701,565	107,963	Exempt	34,457,677	234,312	Exempt	342,276	Exempt	76,431	1.1255
2014	37	33	70	373,789	13,830,190	117,557	Exempt	35,491,408	241,342	Exempt	358,898	Exempt	78,723	1.1593
2015	40	35	75	385,003	15,400,104	130,901	Exempt	36,556,150	248,582	Exempt	379,483	Exempt	81,085	1.1941
2016	42	38	80	396,553	16,655,212	141,569	Exempt	37,652,834	256,039	Exempt	397,609	Exempt	83,518	1.2299
2017	45	40	85	408,449	18,380,216	156,232	Exempt	38,782,419	263,720	Exempt	419,952	Exempt	86,023	1.2668
2018	47	43	90	420,703	19,773,028	168,071	Exempt	39,945,892	271,632	Exempt	439,703	Exempt	88,604	1.3048
2019	50	45	95	433,324	21,666,190	184,163	Exempt	41,144,269	279,781	Exempt	463,944	Exempt	91,262	1.3439
2020	52	48	100	446,324	23,208,823	197,275	Exempt	42,378,597	288,174	Exempt	485,449	Exempt	94,000	1.3842
2021	55	50	105	459,713	25,284,228	214,916	Exempt	43,649,955	296,820	Exempt	511,736	Exempt	96,820	1.4258
2022	57	53	110	473,505	26,989,764	229,413	Exempt	44,959,453	305,724	Exempt	535,137	Exempt	99,725	1.4685
2023	60	55	115	487,710	29,262,586	248,732	Exempt	46,308,237	314,896	Exempt	563,628	Exempt	102,716	1.5126
2024	62	58	120	502,341	31,145,146	264,734	Exempt	47,697,484	324,343	Exempt	589,077	Exempt	105,798	1.5580
2025	65	60	125	517,411	33,631,734	285,870	Exempt	49,128,409	334,073	Exempt	619,943	Exempt	108,972	1.6047
2026	67	63	130	532,934	35,706,553	303,506	Exempt	50,602,261	344,095	Exempt	647,601	Exempt	112,241	1.6528
2027	70	65	135	548,922	38,424,515	326,608	Exempt	52,120,329	354,418	Exempt	681,027	Exempt	115,608	1.7024
2028	75	65	140	565,389	42,404,197	360,436	Exempt	53,683,939	365,051	Exempt	725,486	Exempt	119,076	1.7535

(note 1) there are 40 total estimated businesses currently in the proposed annexation area based on data compiled from the WA Dept of Revenue, the Port of Bremerton, and the Kitsap Economic Development Alliance. Of this total, the WA Dept of Revenue has indicated that 22 businesses in the proposed annexation area (all located in the South Petition area) had revenues subject to sales tax of \$7.1 million in 2007. The remainder represent businesses that produce products or services that are not subject to the retail sales tax.

Future business growth is assumed to maintain this same approximate relationship of sales taxable to non-sales taxable businesses - in that it is assumed that every other business added to the area is subject to sales tax.

(note 2) initial value of \$235,353 average retail taxable sales per business in Kitsap County per "Washington State Almanac 2006-2007" increased by a factor of 1.37 in recognition of the type of businesses anticipated to locate in this area - then escalated by 3% in each year thereafter. The WA State Dept of Revenue confirmed there were 22 businesses in the proposed annexation area which had revenues subject to sales tax of \$7.1 million in 2007. This computes to an average of \$322,727 per business which is just slightly more than the results provided by using the average retail taxable sales per business in Kitsap County per "Washington State Almanac 2006-2007" increased by a factor of 1.37.

(note 3) Development of twentyfive 5.5 acre industrial/retail business sites on average is assumed every five years adding 25 businesses - each having a 77,000 Sq Ft commercial building. The assessed value of these projected business site developments is assumed to be \$6,123,040 (in 2008 dollars) per site.

This is based on \$79.52/Sq Ft average cost for industrial facility structures per the International Code Council Building Valuation Data - published January-February 2008. Taxable construction costs are assumed to be 80% of the assessed value for purposes of computing sales tax and B&O tax impacts.

(note 4) Property tax increase for construction is held to today's dollar rate per \$1,000 AV - ignoring decreases in the dollar rate per \$1,000 of AV related to property value increases while also ignoring the City's permitted 1% annual property tax amount increase.

BASE ANNEXATION SCENARIO - SKIA SUB AREA PLAN

LEASEHOLD TAX ESTIMATION

Escalated at 3%

Year	(note 1)	(note 2)	4.00%	Cumulative	Total Estimated	3%
	Leasehold Tax Existing Businesses	Land Development Subject to Port Lease Agreements	Bremerton Leasehold Tax Additional Leases	Leasehold Tax Additions From New Development	Bremerton Leasehold Tax Rev	Escalation Factor
2009	\$ 47,201	99,000	\$ 3,960	\$ 3,960	\$ 51,161	1.0000
2010	48,617	101,970	4,079	8,039	56,656	1.0300
2011	50,075	105,029	4,201	12,240	62,315	1.0609
2012	51,578	108,180	4,327	16,567	68,145	1.0927
2013	53,125	111,425	4,457	21,024	74,149	1.1255
2014	54,719	114,768	4,591	25,615	80,334	1.1593
2015	56,360	118,211	4,728	30,343	86,704	1.1941
2016	58,051	121,758	4,870	35,214	93,265	1.2299
2017	59,793	125,410	5,016	40,230	100,023	1.2668
2018	61,587	129,173	5,167	45,397	106,983	1.3048
2019	63,434	133,048	5,322	50,719	114,153	1.3439
2020	65,337	137,039	5,482	56,200	121,538	1.3842
2021	67,297	141,150	5,646	61,846	129,144	1.4258
2022	69,316	145,385	5,815	67,662	136,978	1.4685
2023	71,396	149,746	5,990	73,652	145,047	1.5126
2024	73,538	154,239	6,170	79,821	153,359	1.5580
2025	75,744	158,866	6,355	86,176	161,920	1.6047
2026	78,016	163,632	6,545	92,721	170,737	1.6528
2027	80,356	168,541	6,742	99,463	179,819	1.7024
2028	82,767	173,597	6,944	106,407	189,174	1.7535

(note 1) Leasehold tax revenue is a state excise tax of 12.84% on rent or lease payments to a public lessor for the right to use publicly owned tax-exempt property for private purposes. The purpose of the tax is to have private users of public tax-exempt property share with fee simple property owners who pay property taxes – the costs of providing governmental services. Of the 12.84% tax imposed by the state, the City receives an allocation of a 4% portion (or 31% of the total) for areas within the incorporated City. According to the Department of Revenue, the Port of Bremerton paid \$151,515 for leasehold excise taxes in 2007. The calculated amount that would have been apportioned to the City had this area been incorporated is \$47,201. For purposes of this analysis it is assumed that 2009 revenues from leasehold excise taxes is the same as the amount calculated for 2007 and then escalated by 3% each year thereafter.

(note 2) Per Port of Bremerton staff, new development on the Port property would most likely be lease arrangements for the use of Port owned land with the developer paying for the improvements directly - paying property taxes on the improvements portion and the Port withholding leasehold taxes on the land lease payments. New building construction is therefore included in the calculated estimates of future property taxes, while the leasehold tax estimates include an expectation of new land lease arrangements for each new business development in the projected period. Only the number of new businesses modeled in the "High Growth" scenario are considered to be developed on Port of Bremerton Industrial Park properties - the additional business growth beyond that amount in this "SKIA Sub Area Plan" scenario are assumed to be developed outside of the Port of Bremerton properties and therefore are not subject to lease agreements or leasehold tax payments accordingly. Per Port staff the current lease payment amount for unimproved property is \$6,000 per year per acre and \$12,000 per year per acre for sites that are "pad ready" or improved to a limited extent. For

ANNEXATION - "SKIA SUB AREA PLAN" SCENARIO
Water System Estimated Capital Improvements and Costs
(Expressed in 2008 Dollars)

Item	Quantity	Unit	Unit Cost	Total Cost
16" TRANSMISSION MAIN FROM GOLF COURSE TO RESERVOIR	13400	LF	100	\$1,340,000
Mobilization	1	LS	5.0%	\$67,000
Temporary Erosion/Sedimentation Control	1	LS	3.0%	\$40,200
Traffic Control	1	LS	5.0%	\$67,000
Subtotal				\$1,514,200
Construction Contingency	1	LS	20.0%	\$302,840
Subtotal Construction Costs				\$1,817,040
Sales Tax	1	LS	8.6%	\$156,265
Construction Budget - Preliminary Design Estimate				\$1,973,305
Engineering Design			15.0%	\$23,440
Total Estimated Project Budget				\$1,996,745
Item	Quantity	Unit	Unit Cost	Total Cost
NEW STORAGE RESERVOIR	1000000	gal	1.2	\$1,200,000
Mobilization	1	LS	5.0%	\$60,000
Temporary Erosion/Sedimentation Control	1	LS	3.0%	\$36,000
Traffic Control	1	LS	5.0%	\$60,000
Subtotal				\$1,356,000
Construction Contingency	1	LS	20.0%	\$271,200
Subtotal Construction Costs				\$1,627,200
Sales Tax	1	LS	8.6%	\$139,939
Construction Budget - Preliminary Design Estimate				\$1,767,139
Engineering Design	1	LS	15.0%	\$265,071
Total Estimated Project Budget				\$2,032,210
Item	Quantity	Unit	Unit Cost	Total Cost
16' DISTRIBUTION LOOP AROUND SOUTH END	29500	LF	100	\$2,950,000
Mobilization	1	LS	5.0%	\$147,500
Temporary Erosion/Sedimentation Control	1	LS	3.0%	\$88,500
Traffic Control	1	LS	5.0%	\$147,500
Subtotal				\$3,333,500
Construction Contingency	1	LS	20.0%	\$666,700
Subtotal Construction Costs				\$4,000,200
Sales Tax	1	LS	8.6%	\$344,017
Construction Budget - Preliminary Design Estimate				\$4,344,217
Engineering Design	1	LS	15.0%	\$51,603
Total Estimated Project Budget				\$4,395,820

ANNEXATION - "SKIA SUB AREA PLAN" SCENARIO
Wastewater System Estimated Capital Improvements and Costs
PHASE 1 - SKIA SUB AREA PLAN
(Expressed in 2008 Dollars)

SKIA SK-1 Pump Station and Force Main to Gorst

Item	Quantity	Unit	Unit Cost	Total Cost
Trench Safety System	28,400	LF	\$2	\$56,800
15-in Gravity PVC Pipe	10,200	LF	\$170	\$1,734,000
18-in Gravity PVC Pipe	5,600	LF	\$180	\$1,008,000
14-in HDPE Sewer Force Main	12,600	LF	\$170	\$2,142,000
48-in Manhole	50	EA	\$4,500	\$225,000
SK-1 Pump Station	1	LS	\$1,700,000	\$1,700,000
Mobilization/Demobilization	1	LS	5%	\$343,290
Temporary Erosion/Sedimentation Control	1	LS	3%	\$205,974
Traffic Control	1	LS	3%	\$205,974
Subtotal				\$7,621,038
Construction Contingency	1	LS	20%	\$1,524,208
Subtotal - Construction Costs				\$9,145,300
Sales Tax	1	LS	8.6%	\$786,496
Construction Budget - Preliminary Design Estimate				\$9,932,000
Engineering Design	1	LS	15%	\$1,490,000
Total Estimated Project Budget				\$11,422,000

Assumptions/Notes:

- 1) Pipe prices per linear foot include all bedding, backfill, excavation, soil removal, surface restoration, existing utility relocation/avoidance allowance, and pipe costs.
- 2) No easements or land acquisition costs included. Pipelines and pump stations assumed in public rights of way.

ANNEXATION - "SKIA SUB AREA PLAN" SCENARIO
Wastewater System Estimated Capital Improvements and Costs
PHASE 2 - SKIA SUB AREA PLAN
(Expressed in 2008 Dollars)

SB-3 Pump Station and Gorst to WWTP Force Main

Item	Quantity	Unit	Unit Cost	Total Cost
Trench Safety System	11,100	LF	\$2	\$22,200
18-in HDPE Sewer Force Main	11,100	LF	\$235	\$2,608,500
SB-3 Pump Station	1	LS	\$2,600,000	\$2,600,000
Mobilization/Demobilization	1	LS	5%	\$131,535
Temporary Erosion/Sedimentation Control	1	LS	3%	\$78,921
Traffic Control	1	LS	10%	\$263,070
Subtotal				\$5,704,226
Construction Contingency	1	LS	20%	\$1,140,845
Subtotal - Construction Costs				\$6,845,100
Sales Tax	1	LS	8.6%	\$588,679
Construction Budget - Preliminary Design Estimate				\$7,434,000
Engineering Design	1	LS	15%	\$1,116,000
Total Estimated Project Budget				\$8,550,000

Assumptions/Notes:

- 1) Pipe prices per linear foot include all bedding, backfill, excavation, soil removal, surface restoration, existing utility relocation/avoidance allowance, and pipe costs.
- 2) No easements or land acquisition costs included. Pipelines and pump stations assumed in public rights of way.

ANNEXATION - "SKIA SUB AREA PLAN" SCENARIO
Wastewater System Estimated Capital Improvements and Costs
PHASE 3 - SKIA SUB AREA PLAN
(Expressed in 2008 Dollars)

SKIA Sewer

Item	Quantity	Unit	Unit Cost	Total Cost
Trench Safety System	39,700	LF	\$2	\$79,400
8-in Gravity PVC Pipe	8,400	LF	\$150	\$1,260,000
10-in Gravity PVC Pipe	9,800	LF	\$155	\$1,519,000
12-in Gravity PVC Pipe	5,900	LF	\$160	\$944,000
15-in Gravity PVC Pipe	4,400	LF	\$170	\$748,000
6-in HDPE Sewer Force Main	3,600	LF	\$125	\$450,000
10-in HDPE Sewer Force Main	7,600	LF	\$150	\$1,140,000
48-in Manhole	88	EA	\$4,500	\$396,000
SK-2 Pump Station	1	LS	\$1,100,000	\$1,100,000
SK-3 Pump Station	1	LS	\$450,000	\$450,000
Mobilization/Demobilization	1	LS	5%	\$404,320
Temporary Erosion/Sedimentation Control	1	LS	3%	\$242,592
Traffic Control	1	LS	3%	\$242,592
Subtotal				\$8,975,904
Construction Contingency	1	LS	20%	\$1,795,181
Subtotal - Construction Costs				\$10,771,100
Sales Tax	1	LS	8.6%	\$926,315
Construction Budget - Preliminary Design Estimate				\$11,698,000
Engineering Design	1	LS	15%	\$1,755,000
Total Estimated Project Budget				\$13,453,000

Assumptions/Notes:

- 1) Pipe prices per linear foot include all bedding, backfill, excavation, soil removal, surface restoration, existing utility relocation/avoidance allowance, and pipe costs.
- 2) No easements or land acquisition costs included. Pipelines and pump stations assumed in public rights of way.

**Financial Impact Assessment – SKIA Annexation
SKIA Sub Area Plan Growth Scenario Notes**

The City of Bremerton management has prepared projected financial impact assessment information for the described annexation area with an assumption of high future growth in the area in the amount Kitsap County modeled in the SKIA Sub Area Plan. In the preparation of this financial analysis, the City has made certain assumptions with respect to conditions that may occur in the future. It is the City’s belief that the projected financial information was prepared on a reasonable basis. The City staff believe this analysis reflects the best currently available estimates and judgments, and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial impacts of the proposed annexation with the assumptions of Kitsap County’s SKIA Sub Area Plan in the area. It should be understood that this analysis is dependent upon future events - actual conditions may (and are likely to) differ from those assumed herein.

The following pages represent explanatory notes for individual elements of the financial assessment analysis, as well as principal considerations and assumptions made by the City in the preparation of the financial impact information.

The following are the base and growth assumptions for the SKIA Sub Area Plan Growth Scenario:

Existing Businesses	40 total estimated current businesses in the proposed annexation area based on data compiled from the Washington State Department of Revenue and the Port of Bremerton. Of this total, the Washington State Department of Revenue has indicated that 22 businesses in the proposed annexation area (all located in the South Petition area) had revenues subject to sales tax of \$7.1 million in 2007
Existing Households	+/- 1 total current residential households in the annexation area
Existing Residential Population	Assuming 2.5 people on average per household this equates to a population in the proposed annexation area of approximately 2.5 +/- currently
Future Development Assumption: Acres & Businesses Increased	Assumed development of 25 parcels of 5.5 acres each of industry every five years. This results in the addition of twenty five new businesses on average every five years.
Future Development Assumption: Location	Development in the “High Growth” scenario was assumed to be primarily located on Port of Bremerton industrial park property with limited development in the north petition area. Development in this scenario that is over and above the amount modeled in the “High Growth” scenario is assumed to be primarily located outside of the Port of Bremerton industrial park property in areas currently generally designated as open space or forest land status.

**Summary table of Business Growth and Acres Developed
over the 20-year time horizon for the SKIA Sub Area Plan Growth Scenario:**

Year	Businesses	² Employees	Commercial Sq Ft	⁴ Acres Developed
2008	40	438	361,217	493.89
2009	45	905	746,217	521.39
2010	50	1,371	1,131,217	548.89
2011	55	1,838	1,516,217	576.39
2012	60	2,305	1,901,217	603.89
2013	65	2,771	2,286,217	631.39
2014	70	3,238	2,671,217	658.89
2015	75	3,705	3,056,217	686.39
2016	80	4,171	3,441,217	713.89
2017	85	4,638	3,826,217	741.39
2018	90	5,105	4,211,217	768.89
2019	95	5,571	4,596,217	796.39
2020	100	6,038	4,981,217	823.89
2021	105	6,505	5,366,217	851.39
2022	110	6,971	5,751,217	878.89
2023	115	7,438	6,136,217	906.39
2024	120	7,905	6,521,217	933.89
2025	125	8,371	6,906,217	961.39
2026	130	8,838	7,291,217	988.89
2027	135	9,305	7,676,217	1016.39
2028	140	9,771	8,061,217	1043.89
20 year growth*	100	9,333	7,700,000	550
<i>*This modeling is intended to as closely match Kitsap County SKIA Sub-Area Plan Data of 550 Acres Developed and 9,350 employees</i>				
All data compiled to include North and South petitions and requests				
1 The SKIA Sub Area Plan scenario assumes that each new business will develop on an average parcel size of 5.5 acres. Data from KEDA 2007-2008 recruitment leads indicate strongest interest for land development in the 5 acre and below size category but in order to model closely to the growth in the Kitsap County SKIA Sub Area Plan a slightly larger parcel size of 5.5 acres is necessary to yield the same total development expectations over the 20 year period of time.				
2 Puget Sound Regional Council assigns Manufacturing and Industrial employment growth at an average of 1/ 825 SF. (A Range of 550-1100)				
3 Records of typical industrial development indicate about 12,000 sq ft per acre - for this high scenario it was assumed that there is increased opportunity for more intense multi-story buildings to be accommodated on a site and therefore an average of 14,000 sq ft per acre is assumed.				
4 Acres developed were analyzed using 2006 aerial photos with City of Bremerton GIS and includes the airport runway facilities.				

Notes to SKIA Sub Area Plan Growth Financial Assessment spreadsheet:

- (1) Net financial impacts carried forward represents the prior year's ending cumulative net financial impact.
- (2) Property tax revenue for 2009 is based upon current assessor information for parcels in the proposed annexation area (2008 valuations and tax rolls). Taxable assessed values in 1,000's of dollars is then multiplied by \$2.2181 (City of Bremerton regular levy rate for 2008 of \$1.9032/\$1,000 AV and EMS levy rate for 2008 of \$0.3149/\$1,000 AV). The property tax revenue is then increased by 1% each year thereafter starting from the base 2009 year. The property tax amounts in the base annexation area are generally quite low for such a large land area but this is due to the public properties in existence there (Port of Bremerton) which are not subject to a property tax levy – and due to the large proportion of remaining properties being designated as open space or forest land status which substantially reduces the property taxes on those parcels. As buildings are constructed in the forecast period property tax is increased as described in note (3). In this scenario growth does occur in areas that are currently designated as open space or forest land status but this financial impact analysis conservatively ignores the potential positive impacts of these lands converting out of these substantially property tax exempt statuses to a fully taxable status. There is insufficient data available to meaningful project the property valuations that would be applied at that time and so it is conservatively ignored in this analysis.
- (3) Leasehold tax revenue is a state excise tax of 12.84% on rent or lease payments to a public lessor for the right to use publicly owned tax-exempt property for private purposes. The purpose of the tax is to have private users of public tax-exempt property share with fee simple property owners who pay property taxes – the costs of providing governmental services. Of the 12.84% tax imposed by the state, the City receives an allocation of a 4% portion (or 31% of the total) for areas within the incorporated City. According to the Department of Revenue, the Port of Bremerton paid \$151,515 for leasehold excise taxes in 2007. The calculated amount that would have been apportioned to the City had this area been incorporated is \$47,201. For purposes of this analysis it is assumed that 2009 revenues from leasehold excise taxes is the same as the amount calculated for 2007 and then escalated by 3% each year thereafter. In addition, Port of Bremerton staff indicates that new development on the Port property would most likely be lease arrangements for the use of Port owned land with the developer paying for the improvements directly and paying property taxes on the improvements portion - and the Port withholding leasehold taxes on the land lease payments. New building construction is therefore included in the calculated estimates of future property taxes, while the leasehold tax estimates include an expectation of new land lease arrangements for each new business development in the projected period. Only the number of new businesses modeled in the "High Growth" scenario are considered to be developed on Port of Bremerton Industrial Park properties - the additional business growth beyond that amount in this "SKIA Sub Area Plan" scenario are assumed to be developed outside of the Port of Bremerton properties and therefore are not subject to lease agreements or leasehold tax payments accordingly. Per Port staff the current lease payment amount for unimproved property is \$6,000 per year per acre and \$12,000 per year per acre for sites that are "pad ready" or improved to a limited extent. For purposes of this analysis it is assumed that there are three 5.5 acre new developments each year on Port of Bremerton industrial park properties in the forecast period and that it is unimproved

- property therefore the rate of \$6,000 per acre per year in 2008 dollars is used and then escalated by 3% each year thereafter.
- (4) Admissions tax revenue is assumed to be zero. The City is not aware of any current sources of admission revenues that exist or which would be anticipated to be developed - which would be subject to the City's Admission tax.
 - (5) Parking tax is assumed to be zero. The City is not aware of any parking facilities existing in the area or proposed to be developed in the future - which charge for such services and would be subject to the City's Parking tax.
 - (6) Sales tax revenue includes revenues from existing (22 businesses currently reporting taxable retail transactions to the DOR) and projected additional businesses. It is assumed that fifteen businesses on average every five years will be added. There are 40 total estimated businesses currently in the proposed annexation area based on data compiled from the WA Dept of Revenue, and the Port of Bremerton. Of this total, the WA Dept of Revenue has indicated that 22 businesses in the proposed annexation area (all located in the South Petition area) had revenues subject to sales tax in 2007. The remainder represents businesses that produce products or services that are not subject to the retail sales tax. Future business growth is assumed to maintain this same approximate relationship of sales taxable to non-sales taxable businesses - in that it is assumed that every other business added to the area is subject to sales tax. 2009 tax revenues are computed using the assumption that taxable revenues would be the same as the DOR reported occurred in 2007 for the area. As growth is modeled to occur in the forecast period, the new businesses assumed to be subject to sales tax are assumed produce taxable revenues equivalent to 1.37 times the average taxable retail sales per business for Kitsap County (\$235,353) per the "Washington State Almanac 2006-2007" then escalated by 3% in each year thereafter. Actual results for the 22 businesses verified by the DOR for 2007 - validate the use of this calculated value of retail sales revenue per business as the DOR actual average computes to an average of \$322,727 per business in the area - and 1.33 times the Washington State Almanac information results in an average of \$313,019. The City tax rate is .00085 (1% less .15% administrative fee to the County). The sales tax on construction of future development in the proposed annexation area assumes the projected new businesses result in the addition of a 77,000 square foot Commercial structure on a 5.5 acres parcel per business with construction costs estimated to be \$6,123,040 in 2008 dollars based on an average cost of \$79.52/Sq Ft for industrial facility structures as published in the January-February 2008 International Code Council Building Valuation Data - of which the taxable construction costs is assumed to be 80% of this amount. Construction values are escalated at 3% per year.
 - (7) B&O tax revenue is assumed to be zero. Recent changes to the City's B&O tax code exempt businesses from the tax if they are located on industrially zoned Port properties and all areas annexed into the City are exempt from B&O tax for a period of three years for businesses located in the area at the time of annexation. This analysis conservatively assumes that either the projected growth is occurring on Port of Bremerton owned property and would therefore be exempt from the City B&O tax or that the growth is occurring far enough in the projection period that a substantially higher B&O tax "exemption" level for all entities would be then applied Citywide in accordance with the City's current program of steady and measured increases in amounts exempted from B&O tax.
 - (8) Washington State distributes gas tax, liquor tax, and criminal justice funds to the City on a per capita basis. The City's share of this distribution will increase with any population added by this proposed annexation. The budgeted combined rate for 2008

is \$37.88 per the State Department of Revenue. This amount is multiplied by the population initially estimated to be included in the proposed annexation area (2.5). The dollar amount per capita is then increased by 3% each year thereafter. No further population growth is assumed as it is not expected that future development would be residential.

- (9) Real Estate Excise Tax (REET) revenue in this high growth scenario is assumed to come from limited sales transactions of privately owned buildings situated on land leased from the Port of Bremerton. Per Port of Bremerton staff, historical experience suggests that approximately 2 such transactions occur in every 10 year period. For this SKIA Sub Area Plan scenario it is assumed that in addition to the amount projected in the low growth scenario that one additional larger building is sold in each 10 year period. The 0.5% tax is applied to an assumed sale of a 15,000 square foot building every fifth year in the forecast period with the value estimated conservatively to be \$1,192,800 and one 35,000 square foot building every 7 years with the value estimated conservatively at \$2,783,200 in 2008 dollars based on an average cost to construct of \$79.52/Sq Ft for industrial facility structures as published in the January-February 2008 International Code Council Building Valuation Data as then escalated by 3% in each year thereafter.
- (10) Utility taxes are based on average annual power bills of \$2,760 in 2008 dollars for a typical business enterprise located on Port property (per Port of Bremerton staff) and an estimated telephone service annual cost of \$1,200 in 2008 dollars, and (per Waste Management staff) an annual solid waste disposal service cost of \$80,851 in 2008 dollars for existing businesses located in the proposed annexation area with an average annual rate of \$2,995 in 2008 dollars as then each multiplied by the number of businesses projected to be added in future periods of the forecast and escalated by 3% each year thereafter. Utility tax rates are 6% for electricity and telephone, and 9.5% for solid waste disposal services. No revenue estimate is made for utility taxes on services to residential accounts or for cable television services due to lack of residences identified in the proposed annexation area and no expectation of residential development in the area in the future.
- (11) In accordance with Bremerton Municipal Code (BMC) 15.06.020(a) – A general facility charge (GFC) shall be charged on all new or expanded service connections to the water, wastewater, and storm water utility systems. The calculation of the general facility charge for water shall be based on the meter size to be installed for a new or expanded water utility service. The calculation for the general facility charge for wastewater shall be based on the number of equivalent residential unit(s) (ERU) served. The calculation for general facility charges for stormwater shall be based on the number of impervious surface units (ISUs) as defined in BMC 15.01.020. The number of ISUs charged shall be based on the total impervious area divided by the amount of impervious area in an ISU. The rates applied are per the current BMC.

The Port of Bremerton currently owns and operates its own wastewater utility. Under this SKIA Sub Area Plan scenario the capacity of the existing system will be exceeded and additional conveyance and treatment facilities are required. It is assumed that the City of Bremerton will assume ownership of the Port of Bremerton wastewater system in 2009 and the City will begin to receive wastewater GFC's. This will allow the City to receive revenue in years prior to any capital expenditures. The calculation of GFC's are based on the following assumptions.

- Water GFC's are based on the GFC for a 1" water meter.

- Wastewater GFC's are based on the Commercial 1 GFC with an estimated average of 6 ERU's per customer.
 - Stormwater GFC's are based on 55,000 SF of billable impervious area or 22 ISU's per customer.
 - All GFC's escalated at 3% per year.
- (12) This analysis assumes that Phase 1 and Phase 2 water and wastewater infrastructure improvements are funded utilizing a combination of utility rate revenues and ULID contributions (see Note 13). Phase 3 water and wastewater infrastructure improvements are funded through mitigation costs to be paid by the Developer as determined through the development review process and the BMC or as needed. The level of build-out that this SKIA Sub Area Plan scenario describes will require at least one, and perhaps several, much larger businesses to be recruited into SKIA. These would be significantly bigger in size, have a greater number of employees, and higher projected water and wastewater requirements than the current tenants at the Port of Bremerton. It is expected that for projects this size a detailed plan for accommodation would be developed during the SEPA review process and that project specific financial mitigation would be required. This would result in direct payments from specific projects to pay for the expansion of the Phase 3 water and wastewater infrastructure needed between 2019 and 2028. The Sub-Area Plan scenario assumes these contributions would begin in 2019 and extend throughout the balance of the planning period.
- (13) This analysis assumes that Phase 1 and Phase 2 water and wastewater infrastructure improvements are funded utilizing a combination of utility rate revenue and ULID contributions. Phase 3 improvements will be funded by Developer payments as described in Note (12). For Phase 1 and 2 this analysis assumes the assumption of low interest state loans offered by the Public Works Trust Fund (PWTF) and the Department of Ecology. It is assumed that the City's utility systems would provide a 15% local cash match from rate revenues for each of these loans with the remainder then financed for 20 years at an interest rate of 1.5%. See Note 17 for additional discussion of the projected debt financings. Of the amount financed, it is expected that a ULID will be formed covering all unserved properties benefited by the related capital improvements. It is assumed that 2/3rds of the amount financed is expected to be provided for by the ULID assessments.
- (14) No grants or other capital contributions other than developer payments as noted in (12) above are assumed in this SKIA Sub Area Plan scenario.
- (15) Utility system rate revenues are computed in accordance with Chapter 15.06 of the BMC which establishes current utility fees, rates, and other charges. The Port of Bremerton currently owns and operates its own wastewater utility. Under this SKIA Sub Area Plan scenario it is assumed the City of Bremerton will assume ownership of the Port of Bremerton wastewater system in 2009. At that point the City will begin to receive wastewater rate revenues. The utility rates in this analysis are based on the following assumptions:
- Water rates are based on the fixed rate for a 1" water meter and an average annual water usage of 270 HCF which is 1.5 times the current average annual usage per customer within the Olympic View Industrial Park.
 - Stormwater rates are based on 55,000 SF of billable impervious area or 22 ISU's per customer.

- Wastewater rates are based on the fixed rate for a Commercial 1 account and an average annual wastewater usage of 270 HCF.
 - All fixed fees and commodity charges are escalated at 3% per year.
- (16) The City General Fund imposes on its internal utility systems a payment in lieu of tax – similar to the utility tax imposed on external utilities. The current rate is 8.5% of utility system rate revenues for water, wastewater, and stormwater. This amount represents revenue to the General Fund and is added to annual expenses of the utility systems as noted in (22) below. This is an internal transfer between the City’s utility systems and the City’s General Fund and is thus shown as both a receipt and an expense in this analysis.
- (17) This analysis assumes the issuance of government obligation (GO) municipal bond debt (par amount of \$4,000,000) mid year in 2015 to cover the allocated portion of capital costs to construct and purchase a new fire station and fire equipment as described in note (21). Proceeds are assumed to be approximately 97% of the par amount. The GO bonds are assumed to be 20 year maturity bonds with an interest rate of 5.25%. Debt service is assumed to be level payments over the life of the bonds with the first year assumed to be a ½ year payment. This analysis assumes the assumption of low interest state loans offered by the Public Works Trust Fund (PWTF) and the Department of Ecology for the utility system (water and wastewater) capital improvements. It is assumed that the City’s utility systems would provide a 15% local cash match from rate revenues for each of these loans with the remainder financed for 20 years at an interest rate of 1.5%. Low-interest loans from the state are competitive and there is no guarantee of continued availability. There is also no certainty that subsidized rates will remain at currently available levels. The City has been very successful in recent years in getting support from these programs and our assumption is that will continue. The back up option to subsidized loans for capital projects in this SKIA Sub Area Plan scenario would be revenue bonds issued by the combined Utility System of the City. The rates on this type of debt vary but could be assumed for this analysis to be approximately 5.75% compared to 1.5% for subsidized loans. For each million in par amount of loan this potential interest difference results in an additional annual expense of \$27,177. Loans in the amount of \$1,808,130 and \$11,363,437 mid year in 2012 and 2013 respectively, and \$443,623, \$1,827,726, \$1,313,084, and \$9,009,240 mid year in 2017, 2018, 2019, and 2020, respectively, are undertaken to cover the City’s portion of capital costs incurred net of payments by the Developer as described in note (12), and other grants or capital contributions as described in note (14). Proceeds are assumed to be approximately 100% of the par amount.
- (18) Payment to Kitsap County for revenue sharing in accordance with the interlocal agreement concerning revenue sharing upon annexation. Revenue Sharing payments are based on three sources of revenue: 1) County’s portion of the local retail sales tax levied; 2) Ad Valorem property tax levied by the County pursuant to RCW 36.82.040 for establishment and maintenance of county transportation systems; and 3) Admission tax levied by the County pursuant to Chapter 36.38 RCW. The combined total of the County’s collections from all three sources within the annexation area during the calendar year preceding annexation net of the same for the first full calendar year following annexation = “County’s Lost Revenue”. The amount of payment from Bremerton to the County is based on a three-year soft landing approach with the year 1 payment equal to 75% of the County’s Lost Revenue, year 2 payment equal to 50%, and the third and final year being 25%. The estimated amount of

County lost revenue for these items is \$71,000 of sales tax revenue based on the DOR's reported taxable retail sales in this area of \$7,100,000 in 2007, \$4,741 in ad valorem property tax levied for County roads per the County 2008 property tax assessments for parcels in the proposed annexation area, and zero dollars for admission tax as the City is not aware of any current sources of admission revenues that exist.

- (19) Fire and Emergency Medical Service (EMS) assumed to be covered by an Interlocal Agreement between the Bremerton Fire Department and the South Kitsap Fire and Rescue ('SKFR') during the first several years of the forecast period. Per information provided by South Kitsap Fire and Rescue dated April 15, 2008, the total annual estimated impacts of the proposed annexation would be a loss of revenue of \$57,000 in 2008 dollars. This analysis assumes that the City would negotiate an agreement for continued coverage of this area by SKFR setting an initial compensation level at the estimated lost revenue amount of \$57,000 and then providing for cost of living increases in years thereafter (which is assumed to be 3% each year thereafter in this analysis). By 2015 it is assumed that the growth in the proposed annexation areas under this "SKIA Sub Area Plan" scenario would be significant enough and spread over a greater geographical area than in the "High Growth" scenario that the City would need to return to service provisioning directly by City of Bremerton Fire Department staff and results in the need for a new station in that general area and staffing of that station with one engine and one paramedic unit. The engine would be staffed with a lieutenant and a firefighter. The paramedic unit would be staffed with one firefighter/paramedic and one firefighter. This is the current configuration at Bremerton's other stations. Total personnel needed would be 12 for this staffing at a total annual cost (salary and benefits) of \$1,090,311 (2008 dollars). The projected growth in this "SKIA Sub Area Plan" scenario occurs much sooner than the "High Growth" scenario and demand for services is not only greater overall but spread out over a much greater area within the proposed annexation area. In this scenario it is expected that the demand from this area and from the anticipated large residential development in the existing South Bremerton would result in approximately 1/3 of the time and costs being allocated to the proposed annexation area and 2/3rds to the more residential areas that would be served by this new station. For the purposes of this analysis, 1/3rd of the cost of the added personnel is assumed to be attributed to this proposed annexation area and 1/3rd of the estimated \$200,000 (in 2008 dollars) of additional related supplies and operating expenses for those personnel is assumed to be incurred beginning in 2018 upon completion of the construction of the required new fire station. The computed annual expense is then increased by 3% each year thereafter. 1/3rd of the estimated cost to build the new fire station and to purchase the fire engine, paramedic ambulance, and equipment is included in the capital expenditures as noted in (21) below.
- (20) Police service and coverage of the current south Bremerton area, watershed area, and the proposed annexation area is expected in combination to require an increase in staffing of a sector patrol unit – requiring 7 positions at a total annual cost (salary and benefits) of \$592,571 (2008 dollars) plus \$100,000 in annual estimated associated operational expenses. The proposed annexation area in this scenario while large geographically is expected to generally be low in demand for these services due to the type of development in the area. A smaller geographical area but an expected higher demand will come from the anticipated large residential development in the existing South Bremerton area. Given those expectations for the purposes of this analysis, 50% of the cost of the added personnel and operational expenses are assumed to be

- attributed to this proposed annexation area for this higher growth scenario. The computed annual expense is then increased by 3% each year thereafter. 50% of the estimated cost to purchase 2 vehicles and computer equipment for these additional personnel in the years 2009 and the replacement cost of those vehicles every five years thereafter (escalated at 3% per year) is included in the capital costs as noted in (21) below. It is expected that the additional personnel would be based out of the existing police department building. Bringing new police officers on line requires a period of time to recruit and train. It is assumed that in the first year (2009) a ramp up to 50% of this annual expense will occur, rising to 75% in the second year (2010), coming to full new operational levels by the beginning of the third year (2011).
- (21) An estimate of \$10,000 per year for electronics and street maintenance costs was provided by the City Engineer. This amount is then escalated by 3% per year for future years in this analysis.
- (22) Utility system expenses are estimated based upon the 2008 budget relationship of operating expenses to rate revenues charged. For the water, wastewater, and stormwater system this computes to 88%, 74%, and 91%, respectively. In addition to the computation of operation and maintenance expense the total utility expense was increased in each year by the amount of utility PILOT taxes computed to be transferred to the General Fund.
- (23) General Fund capital costs include the allocated portion of police and fire vehicle and equipment purchases and the allocated portion of the building of a new fire station necessary to support the additional staffing needed to provide adequate service levels in the proposed annexation area in combination with expanded service demands in the south Bremerton area - as described more fully in note (17) and (18) above. Two police vehicles and computer equipment are assumed to cost \$81,148 (2008) in total (of which 50% is allocated to this proposed annexation area) and are shown being replaced every fifth year thereafter at an escalated price of 3% per year. Fire vehicles and equipment are assumed to cost \$918,387 in 2017 in total based on current prices to purchase as escalated at 5% per year. A higher escalation factor is used for these equipment purchases due to known upcoming EPA requirements that will drive up the costs in excess of normal inflationary pressures. 1/3rd of the fire equipment cost is attributed to this scenario in 2017. In addition in 2015 - 2017 a total cost of \$6,046,618 is estimated for construction of a new fire station in this general area. This is based upon the assumption of constructing a 12,000 square foot facility using \$325 a square foot (excludes land purchase) plus \$900,000 for the land acquisition costs (all 2008 dollars) – escalated by a factor of 8% per year as recommended by the architectural firm Rice Fergus, Miller for building costs. 1/3rd of the cost of the new fire station is attributed to this proposed annexation area. The cost of construction is spread over the three year period with 15% for design & planning in 2015 and the balance of construction occurring evenly over the following two years (2016 & 2017).
- (24) The proposed SKIA annexation area is served by transportation facilities currently owned, operated and maintained by the State of Washington DOT (SR3), internal streets owned and managed by the Port of Bremerton, and Lake Flora Road which is under County jurisdiction. SR3 was recently reworked and widened by DOT to add additional length to left turn lanes in the vicinity of the Port. The Belfair Bypass project is expected to address the intersection of Lake Flora Rd. and SR3 within SKIA and is a state project. The Port is pursuing the construction of the Cross-SKIA connector Road to link SR3 and the north SKIA properties to Lake Flora Road east of the airport. The first phase of that project is under design and the Port is planning to

pursue the issuance of bonds to support the \$3.72 M cost of constructing the first phase in 2010 or 2011. It is assumed the final phase of this improvement would be financed using a similar approach and that no City money would be necessary for completion. Kitsap County is designing an upgrade of Lake Flora Road from SR3 to J.M. Dickenson Road SW. This 3.6 mile improvement includes widening, paving shoulders, and re-surfacing in addition to re-aligning the intersection at J.M. Dickenson. This is an estimated \$6.4 M project primarily addressing safety issues and is not being pursued to increase capacity. Funding is expected to come from state contributions, Transportation Impact Fees, and County gas tax. Recent discussions with Kitsap County indicate they would continue to pursue this project independent of potential annexation due to on-going safety concerns and accident history. The County is not expecting contribution of City revenues to be required on this project. This “SKIA Sub Area Plan” scenario includes \$25,000 (in 2008 dollars) per year in Street and Electronic Capital to finance any improvements to city streets within SKIA after 2014. This amount is escalated by 3% per year for these future years in the analysis. The length of Lake Flora Road from SR3 to the SKIA boundary may be the only city street within the proposed annexation at the outset. The Cross SKIA connector may become a city street once completed. The \$25,000 is a placeholder for any required capital on these facilities..

(25) Capital costs for growth related infrastructure improvements are included as follows:

- WATER

The SKIA Sub Area Plan scenario rapidly accelerates demand and requires a significant amount of additional water infrastructure capital improvements. These capital improvements are projected to occur in three phases. Phase 1 requires the construction of a water transmission main from the golf course to Reservoir 10 in 2013. Phase 2 provides for the construction of a 1 MG reservoir to provide additional storage in 2018. Phase 3 provides for the construction of a water distribution system around the south end of the airport between 2019 and 2028. Costs were estimated in 2008 dollars and have been escalated at 3%. The total cost of these improvements is approximately \$8.4M in 2008 dollars.

- WASTEWATER

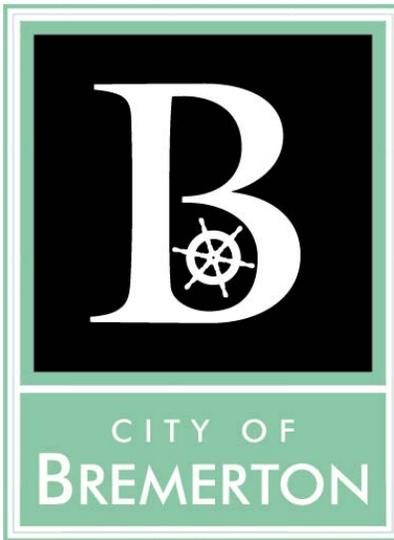
This SKIA Sub Area Plan scenario includes very rapid growth throughout the entire twenty-year planning horizon. To accommodate that pace of development a rapid expansion of wastewater (and water) infrastructure is required. The ability to handle peak wastewater flow of 3.7 MGD from SKIA alone changes the initial direction away from an on-site MBR option with re-use and infiltration (as described in the “High Growth” scenario). Without developing significant amounts of new information regarding soil types, infiltration rates, hydrogeology, and regulatory direction it is not obvious that 3.7 MGD peak flow could be accommodated on-site or within a reasonable distance from SKIA. At these flow rates building a piped system to the City’s Westside WWTP appears to be the most cost effective option and one that could, with reasonable certainty, be implemented. This scenario assumes Phase 1 construction of a raw wastewater pump station located at the Port and a force main/gravity main to Gorst in 2013. Phase 2 includes a pump station built in Gorst and an additional force main to the Westside WWTP to be constructed in 2020. The force main from Gorst to Bremerton would be built when and if needed. Flow projections in the Southwest Bremerton sewer suggest it does not have the ultimate capacity to take flows from

a full build-out of the Gorst UGA, the Anderson Hill area of the City and the Sub-Area plan flows from SKIA without an additional force main being constructed from Gorst to Bremerton. Phase 3 provides for the expansion of the wastewater collection system throughout the SKIA UGA between 2019 and 2028. The total cost of these improvements is approximately \$33.4M in 2008 dollars.

- **STORMWATER**

It is not anticipated that there will be any stormwater capital improvements required for this annexation area. There are existing Stormwater facilities in place that are owned by either the Port of Bremerton or WSDOT. Individual development projects will be required to mitigate their on-site stormwater impacts through the use of both standard and low impact development techniques. There is no apparent need for large-scale regional stormwater conveyance, treatment or detention facilities. Under all anticipated growth scenarios it is assumed that stormwater GFC's and rate revenues would be sufficient to support the City's NPDES Phase II compliance requirements for this new area.

- (26) Ending cumulative financial impact represents the beginning net financial impact for the period carried forward from prior periods plus the current period receipts less current period expenditures.



SKIA Annexation Financial Assessment
June 2008

This is the end of
Part IV of IV

Please see city website for parts I, II, III