Meeting Date: February 3, 2026

CITY COUNCIL AGENDA SUMMARY

City of Mill Creek, Washington

AGENDA ITEM: **ANNEXATION FEASIBILITY STUDY FINDINGS WITH SME CONSULTING, LLC**

KEY FACTS AND INFORMATION SUMMARY:

Background

In 2024, City Council adopted the 2040 Vision and the City's 3–5-year Strategic Plan. A core element of the 2040 Vision is achieving long-term financial health and economic vitality. Consistent with this direction, the strategic priorities include developing a comprehensive strategy to ensure the City's financial viability in both the near and long term. As part of these priorities, annexation was identified as a potential pathway toward financial sustainability.

In Summer 2025, Council authorized the City Manager to enter into an agreement with SME Consulting to analyze how potential annexation scenarios could impact the City's financial position. The study evaluated five annexation scenarios, focusing on financial feasibility. While the analysis primarily addresses fiscal impacts, it does not account for other benefits such as enhancing quality of life, strengthening Mill Creek's premium brand, or other non-quantifiable factors. The purpose of this study is to determine whether annexation could support or hinder Council's pursuit of greater financial stability.

The findings will inform Council's Strategic Retreat discussions in February 2026, scheduled for 2/10/2026 and 2/24/2026. While this initial meeting is meant as an opportunity to receive data, the strategic retreat will serve to provide strategic context for any annexation decisions and to create alignment around determining a potential strategic timeline for annexation, as well as appropriate rationale.

Key Findings

The analysis utilized data from City leadership and regional partners, including Sno911, Snohomish County, the Department of Revenue, and other cities in the region. Each scenario assessed potential revenues (property tax, sales tax, and other streams) and costs (staffing, infrastructure maintenance, and law enforcement) to maintain high-quality services and public safety.

Impact by Scenario

- **All Annexation Areas**
  Annexing all areas within the Mill Creek Urban Growth Area (MUGA) provides both near-term and long-term financial benefits, while advancing Council priorities for a clean, safe environment and stronger community engagement with the understanding that there are many unknown factors such as rapid capacity changes and below-ground infrastructure questions. Under the high growth development assumptions, this scenario yields a **net positive** impact.

- **Mill Creek East**
  This area, immediately east of City boundaries, offers modest revenue potential in initial years with minimal added costs, resulting in a **net positive** impact under initial development assumptions. This area is estimated to end up as a **net negative** by 2044.

- **Mill Creek South**
  Located south of current boundaries, this area presents high revenue potential and moderate costs, still producing a **net positive** impact under **all** development assumptions.

- **Larch Way**
  Bounded by I-5 to the west and North Creek to the east, this primarily low-density residential area offers moderate revenue and costs, resulting in a **net positive** impact under the growth development assumptions.

- **Martha Lake**
  This area includes the 164th commercial corridor and two future light rail stations. In the near term, Martha Lake shows moderate revenue but elevated costs, creating a **net negative** impact under low development assumptions. However, with planned high-density zoning and transit-oriented development, the long-term outlook is **strongly positive**, offering significant revenue potential despite higher expenditures.

Summary and Next Steps

All annexation scenarios provide varying degrees of financial benefit over time. Some areas deliver immediate gains, while others require a longer horizon to realize positive impacts.

Ultimately, annexation decisions must consider more than financial viability. SME Consulting's analysis demonstrates that annexation can be a strategic pathway to financial stability, while supporting the City's commitment to high-quality services, public safety, and exceptional quality of life.

In the coming weeks, City Council will work with consultant Rob Fenty to evaluate potential annexation scenarios through a broader, more comprehensive lens—considering both fiscal and nonfiscal impacts as part of the overall assessment.

ATTACHMENTS:

(PP)Mill Creek Annexation Impacts FINAL3
Ongoing Surplus (Deficit) - 2027 Dollars

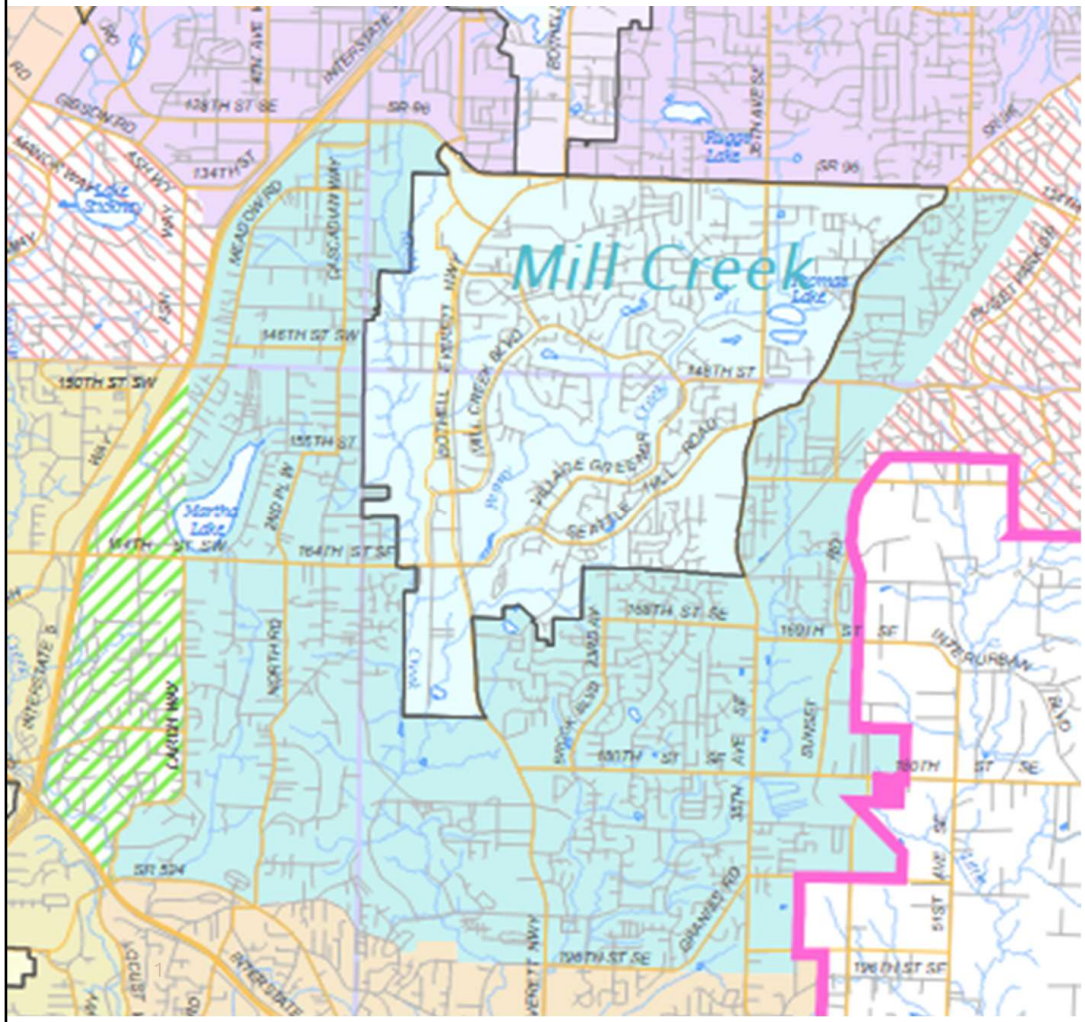
Cost Scenarios (All Funds) FINAL
FTE Scenarios (All Departments)
Assumptions FINAL

Respectfully Submitted:

Martin Yamamoto

_____

City Manager



City of Mill Creek

Fiscal Impacts of Annexation

February 3, 2026

SME Consulting

Key Findings

The Mill Creek annexation area is a **high population growth area**, especially Martha Lake and Larch.

These subareas have **high incomes and high home values** (relative to the County) and have fewer calls to Police per 1,000 residents than the City itself.

When the **population grows, cities must spend more** (add more staff) to maintain service levels.

The City of Mill Creek is **significantly understaffed**, with staffing levels below benchmarks compared to small and large cities.

Under baseline conditions, the **annexation of all areas yields an operating deficit** for the City.

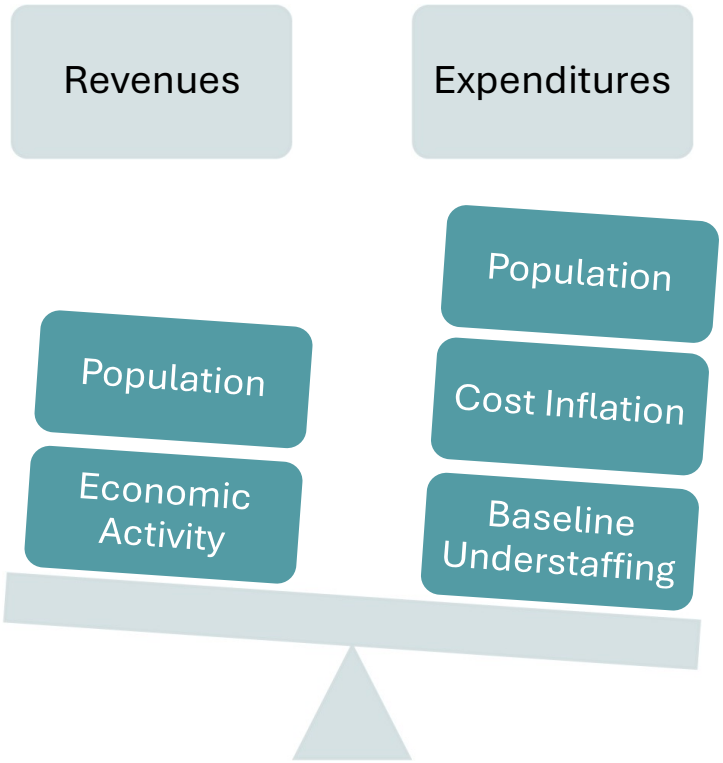
Expected **increases in construction and retail activity in Martha Lake and Mill Creek South could more than offset** the operating deficit.

Implementation phasing and **achieving growth** are key for fiscal feasibility.

SME Consulting

Annexation Bottom Line

For the fiscal analysis to pencil out, **economic activity** (primarily construction and retail sales activity) **must grow faster** than the factors compounding expenditures.



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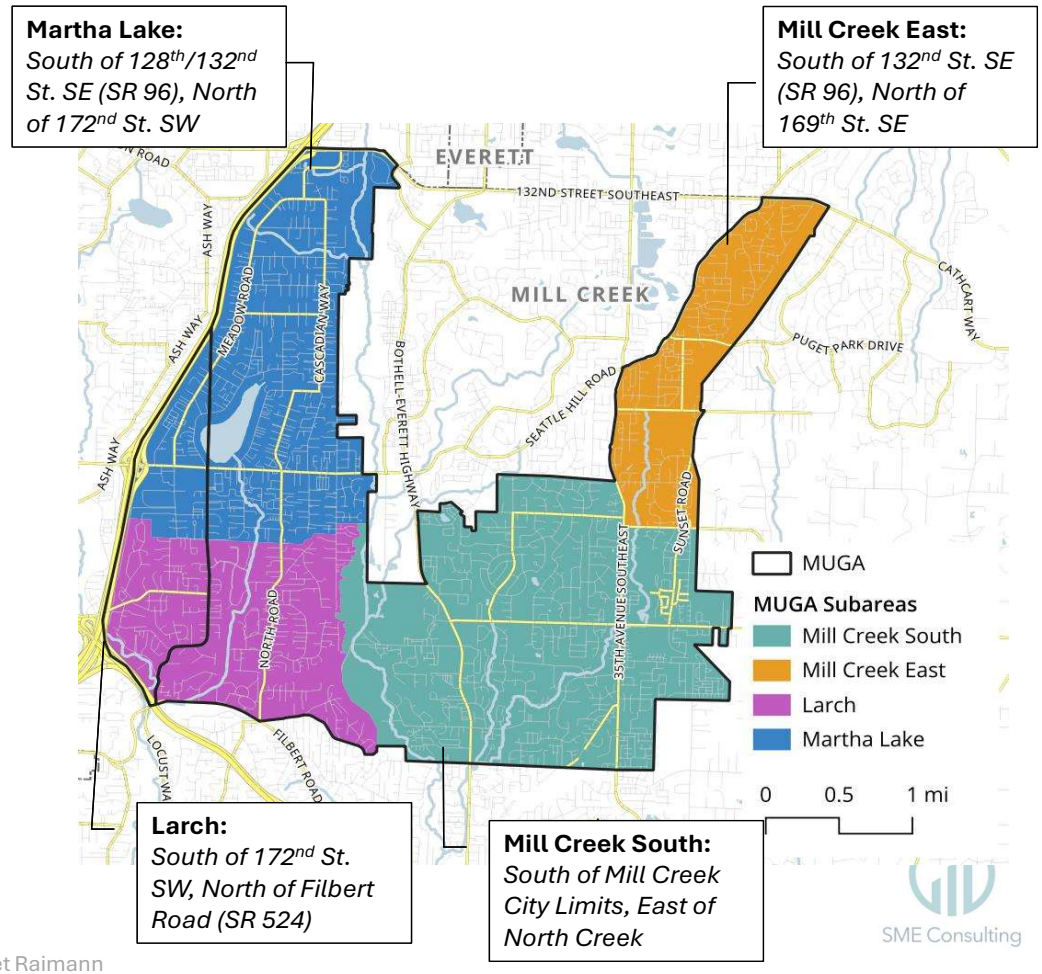
Mill Creek and the UGA subareas

	Current Population	Square Miles
Mill Creek City	21,787	4.7
Martha Lake	17,968	3.0
Larch	8,126	2.0
Mill Creek East	7,993	1.3
Mill Creek South	26,684	4.1
Total MUGA	**60,771**	**7.9**
Total All Areas	**82,557**	**12.0**



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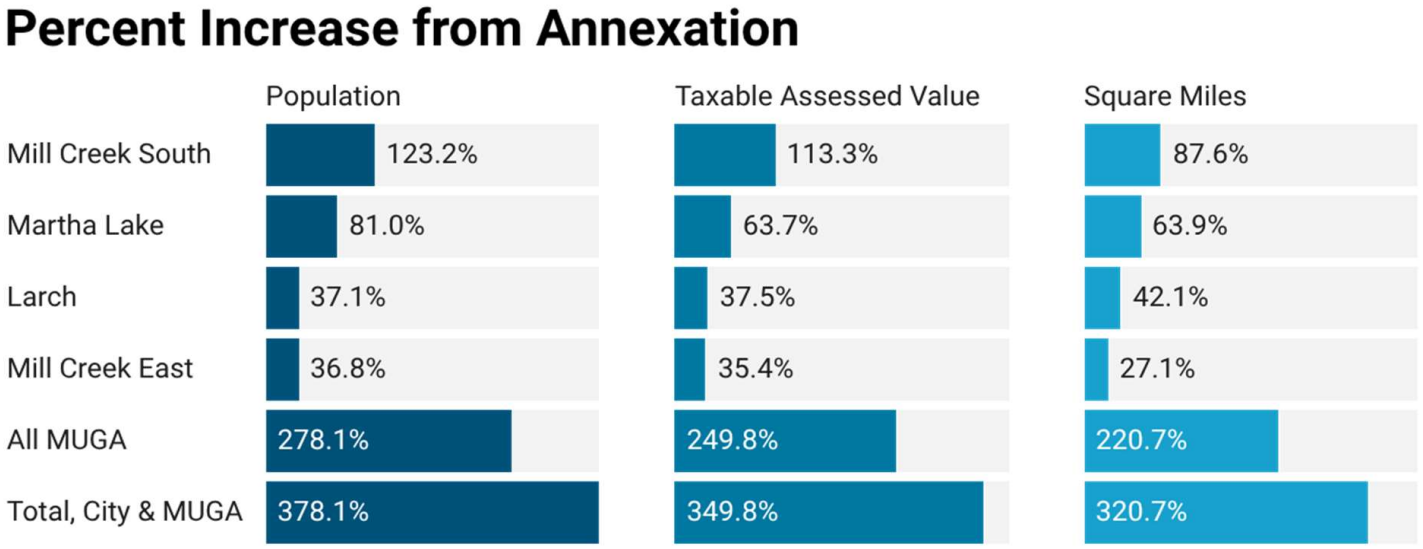
Source: OFM Population Estimates. Snohomish County, Margaret Raimann

MUGA Subareas Relative to Mill Creek



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Outline

01 Overview of MUGA Sub Areas

02 Community Characteristics

03 Infrastructure and Services

04 Existing Fiscal Conditions

05 Scenario Modeling Assumptions

06 Other Considerations

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01

Overview of MUGA sub areas

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Mill Creek and the UGA subareas

	Current Population	Square Miles
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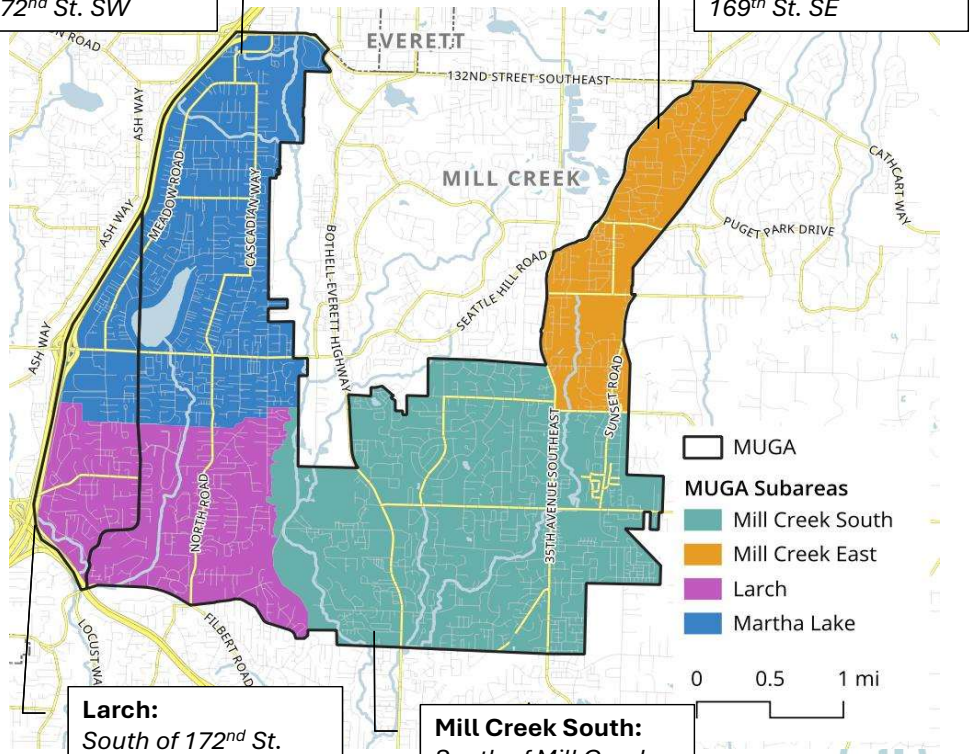
Total MUGA	**60,771**	**7.9**
Total All Areas	**82,557**	**12.0**

Martha Lake: *South of 128th/132nd St. SE (SR 96), North of 172nd St. SW*

Mill Creek East: *South of 132nd St. SE (SR 96), North of 169th St. SE*



Larch: *South of 172nd St. SW, North of Filbert Road (SR 524)*

Mill Creek South: *South of Mill Creek City Limits, East of North Creek*

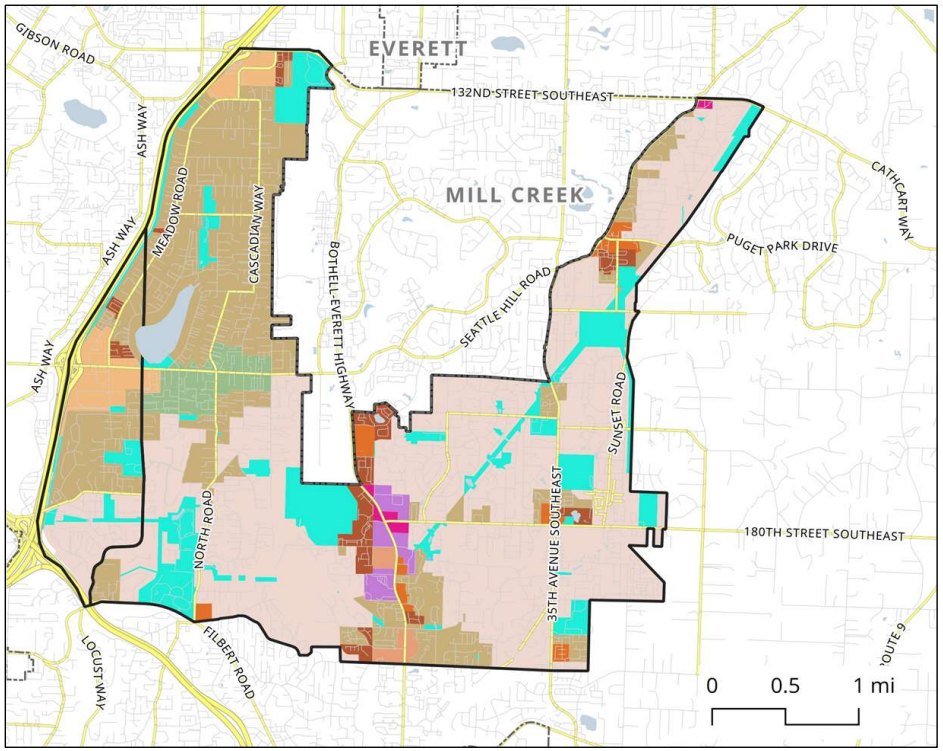
Source: OFM Population Estimates. Snohomish County, Margaret Raimann

Future Land Use

MUGA

Future LU

- Clearview Rural Commercial
- Light Rail Community
- Mixed Use Corridor
- Public Institutional Use
- Riverway Commercial Farmland
- Rural Residential (1 DU 5 Acres Basic)
- Urban Center
- Urban Commercial
- Urban High Density Residential
- Urban High Density Residential Urban Industrial (overlapping designations)
- Urban Industrial
- Urban Low Density Residential
- Urban Medium Density Residential
- Urban Village



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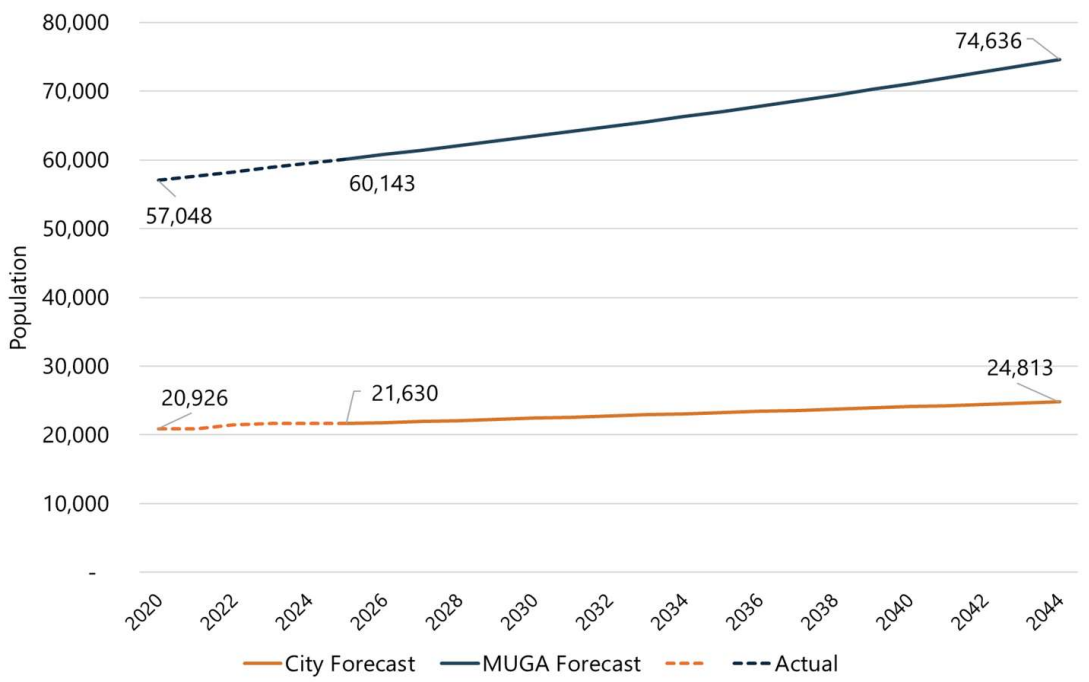
9 Source: Snohomish County, Margarat Raimann

Population & Population Growth

The **total MUGA** will be **3x** the population of Mill Creek in 2044.

Solid line reflects County's updated land use policy in 2024.

Population, City of Mill Creek and MUGA



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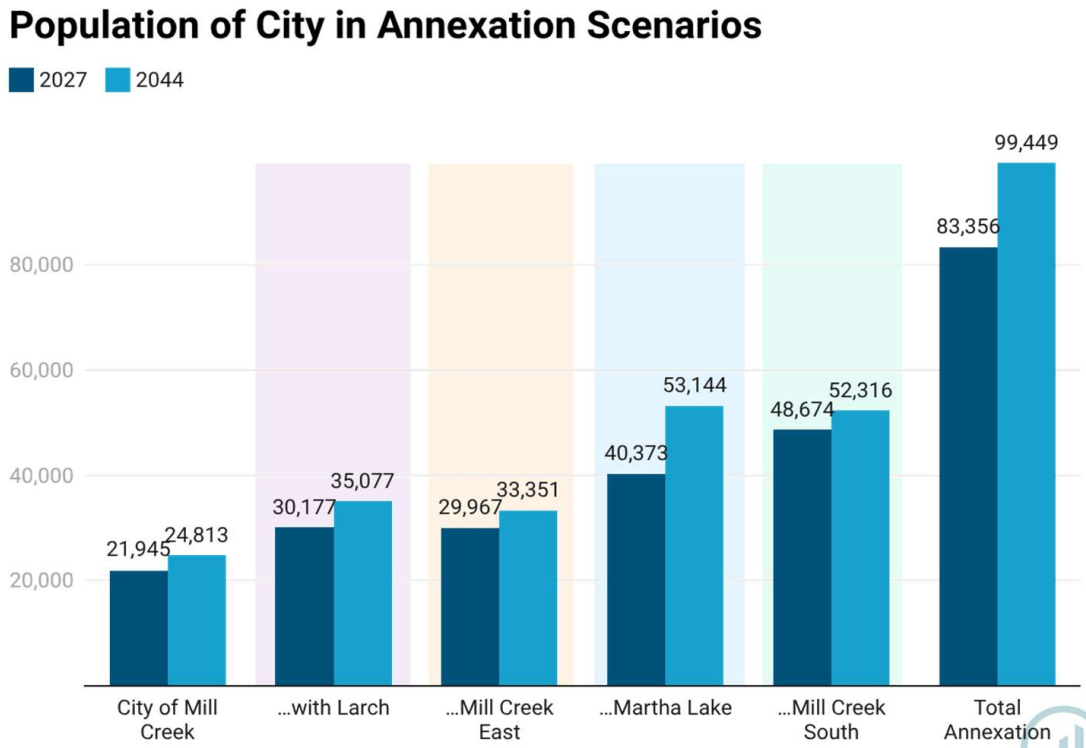
Source: OFM Population Estimates. Snohomish County Growth targets, 2022 and 2024.

Population & Population Growth

Total annexation would make Mill Creek the **second largest city** in Snohomish County behind Everett (ahead of Marysville).

A significant portion of this growth is expected to occur in **Martha Lake**.



Source: Snohomish County Growth targets, 2022 and 2024.

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County Planning Impacting Martha Lake

"The Light Rail Community (LRC) zone is proposed for areas generally within a 0.5-mile radius of the future Ash Way, Mariner, and SR 99/Airport Road stations. These areas are currently zoned Urban Center (UC) and are proposed to transition to the new LRC zone."

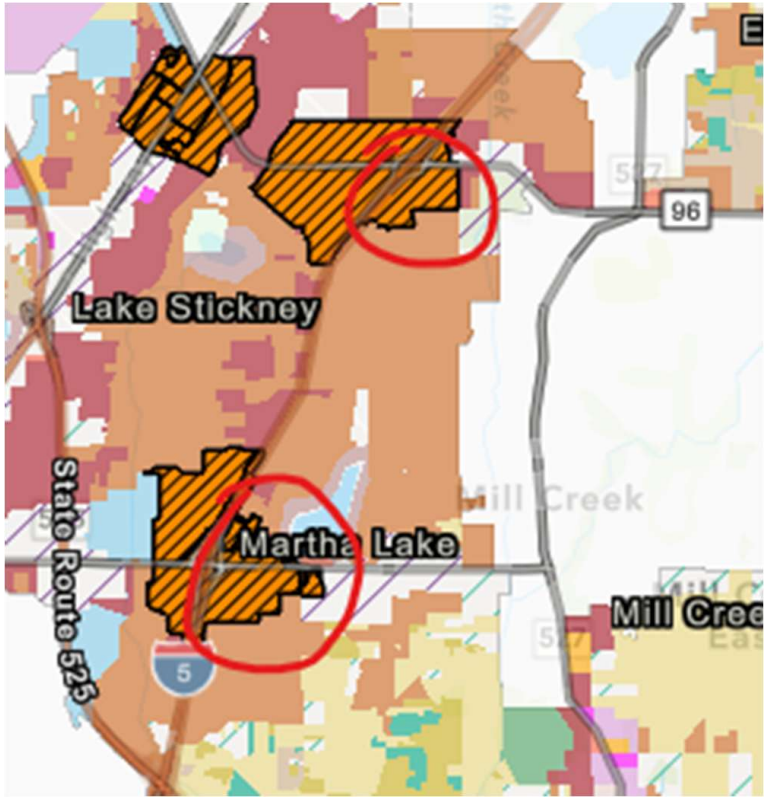
Proposed LRC acreage:

Ash Way: 379.03 acres

Mariner: 389.7 acres

SR 99/Airport Road: 214.44 acres

Total = **983.17 acres**



Snohomish County Light Rail Communities

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02
Community characteristics

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Community characteristics

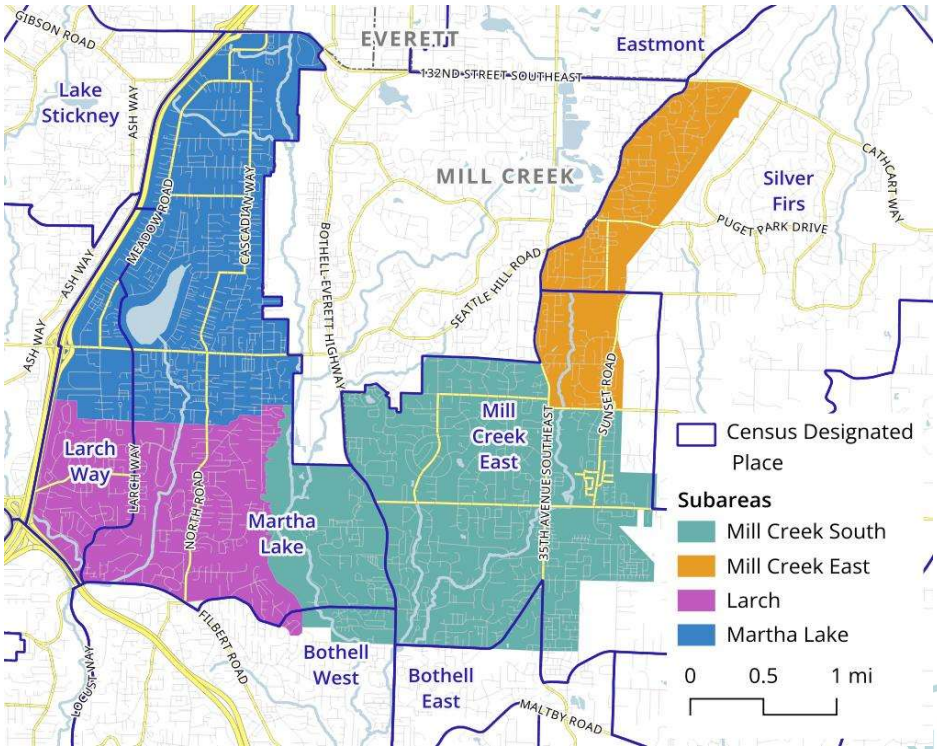
The Mill Creek UGA overlaps with four Census designated places (CDPs) as shown at right. We can use these to better understand the characteristics of the community within each area.

2020 population estimates:

- Mill Creek: 20,926
- Larch Way (west of Larch Way): 4,993
- Martha Lake (and Larch): 21,660
- Mill Creek East (Mill Creek South in UGA): 24,912
- Silver Firs CDP* (Mill Creek East in UGA): 22,174

*Only a very small portion of Silver Firs is included in the UGA.

Census Designated Places in the Mill Creek UGA



Findings

All areas have **high incomes** and **high home values** (compared to the County).

City of Mill Creek: lower income and employment than other areas, more renters and lower rents, relatively high home values.

Area **west of Larch Way**: larger share of retirement-age population and smaller child population (though the sample size is very small).

Mill Creek South & East: higher incomes, higher home values, higher rents, larger family sizes, significantly larger child populations.

Martha Lake and Larch: lower homeownership, lower home values and rent, lower incomes than other areas, larger family sizes, larger child populations.

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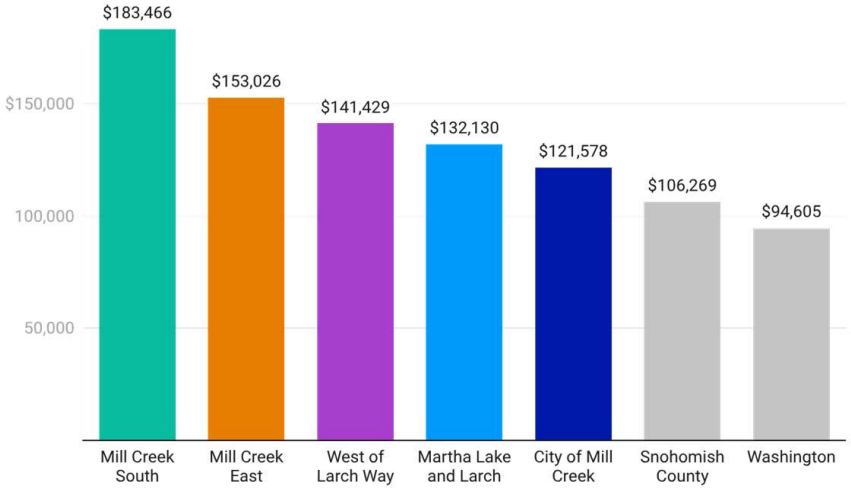
Income and Poverty

Median incomes in MUGA areas are **higher** than in Mill Creek.

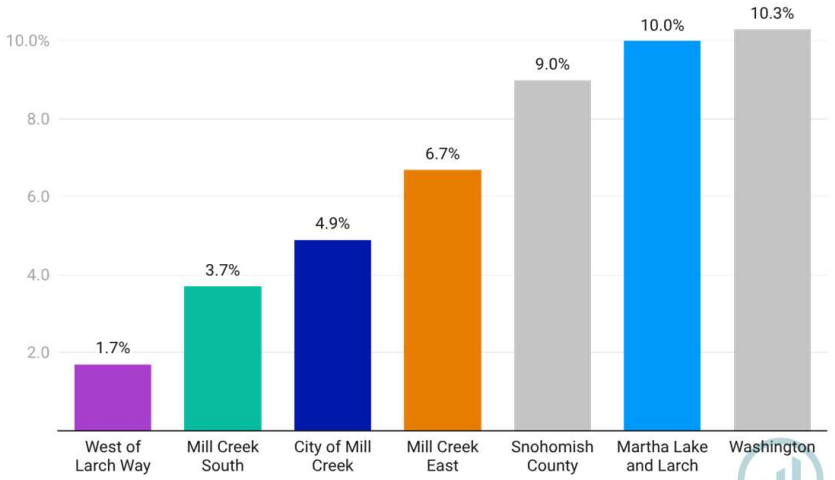
For most areas, the share of residents living in poverty is significantly **below** the County and State.

Median Income



Source: US Census Bureau 2023 ACS, SME

Share in Poverty



Source: US Census Bureau 2023 ACS, SME

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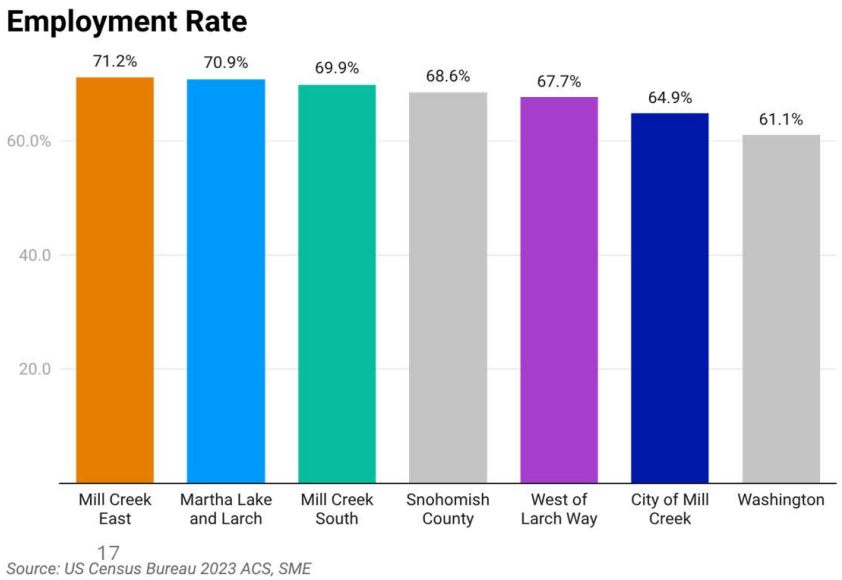
Employment and Higher Education

The City's and the other areas' **employment rates are above** the State and County.

Higher ed attainment is significantly higher in Mill Creek South than other areas.



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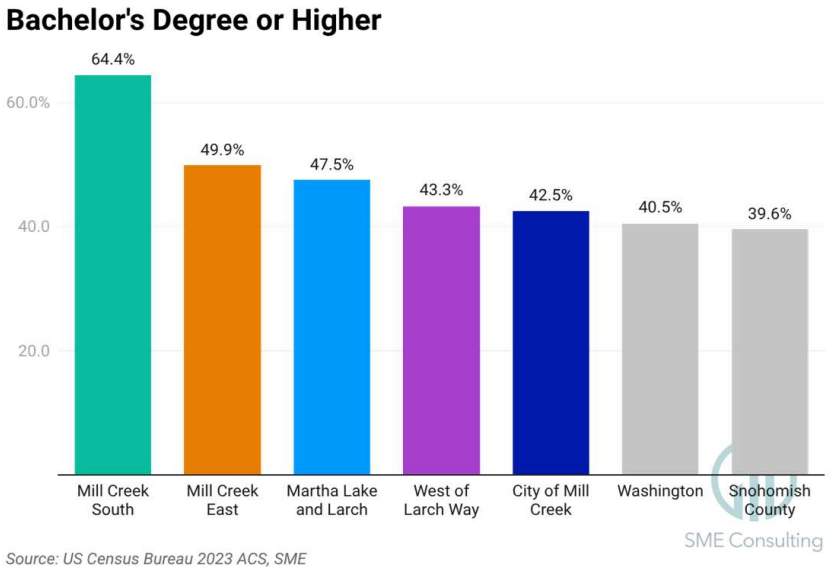
Source: US Census Bureau 2023 ACS, SME



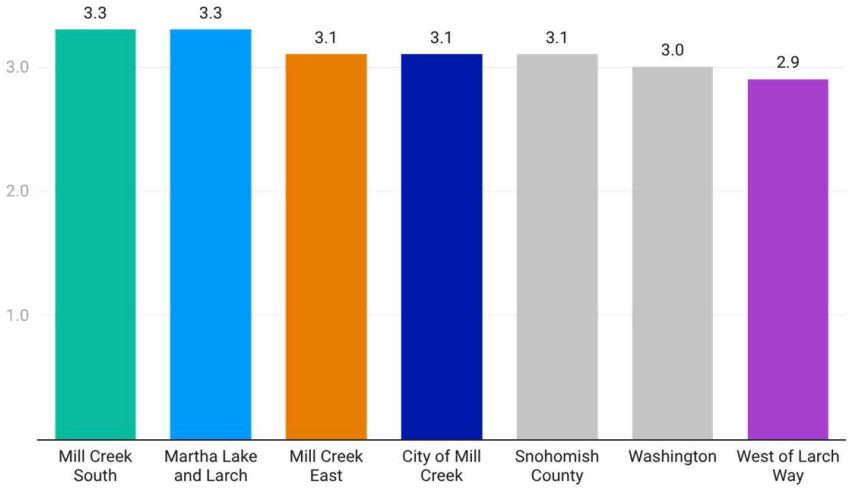
Source: US Census Bureau 2023 ACS, SME

Age & Family Size

Family sizes are larger in Mill Creek South, Martha Lake, and Larch (east of Larch Way) than in the City…

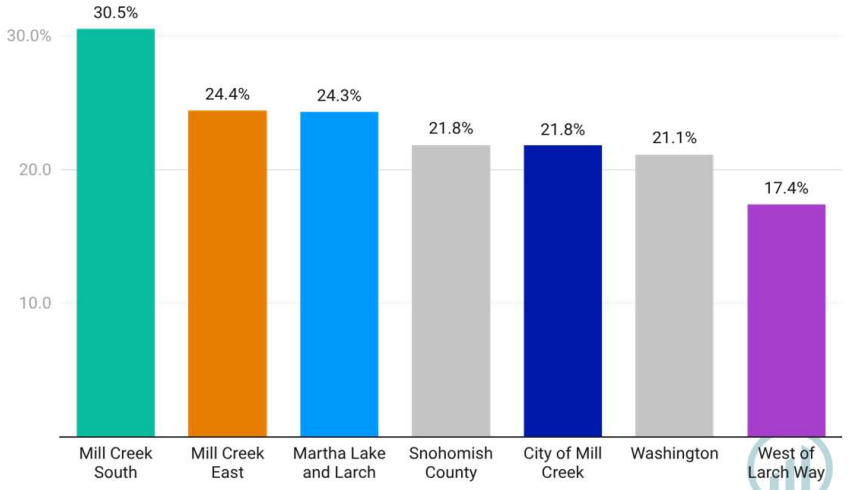
…reflecting that there are **more children** in these areas.

Family Size



Source: US Census Bureau 2023 ACS, SME

Share Children Under 18



Source: US Census Bureau 2023 ACS, SME

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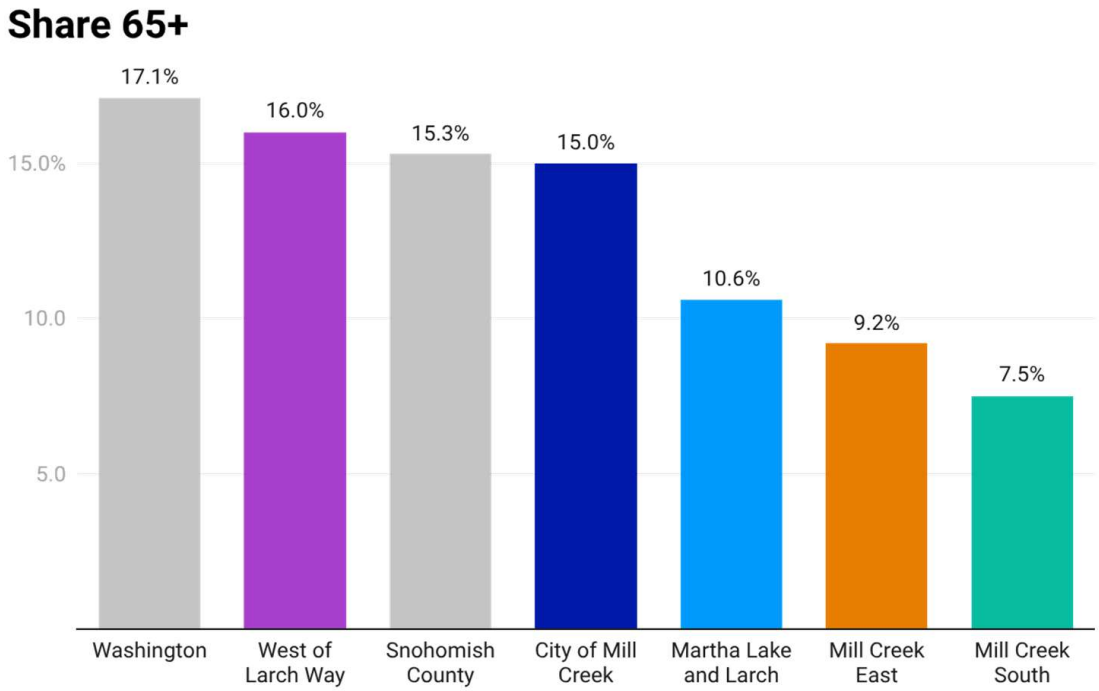
Age

Martha Lake, Mill Creek East, and Mill Creek South have **fewer people of retirement age** than the City and the area west of Larch Way.

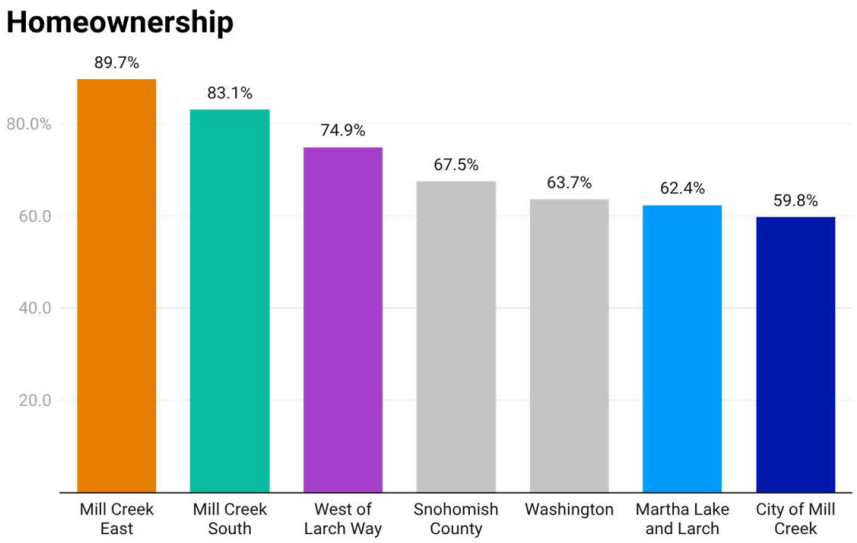


Source: US Census Bureau 2023 ACS, SME

SME Consulting

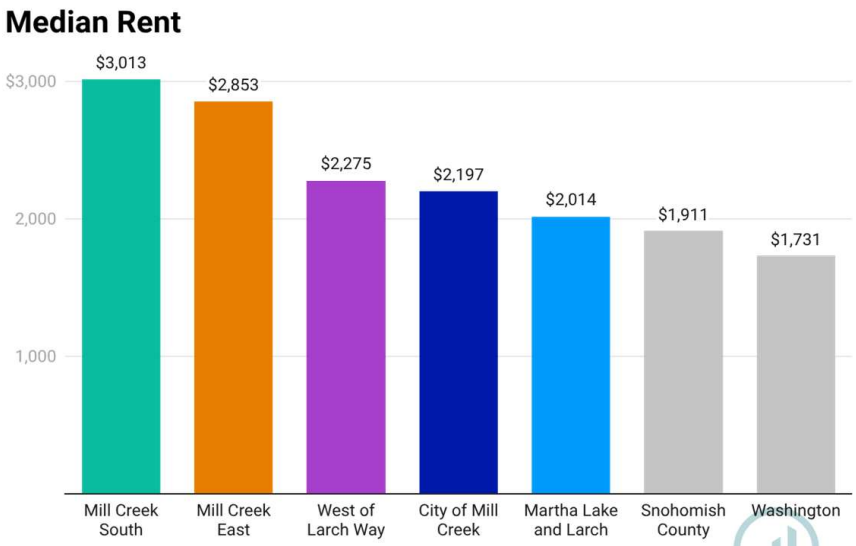
Homeownership and Rent

The City has **more renters** than the other areas.



Source: US Census Bureau 2023 ACS, SME

The **median rent is lower** in the City than in most of the other CDPs in the area.



Source: US Census Bureau 2023 ACS, SME

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03
Infrastructure and Services

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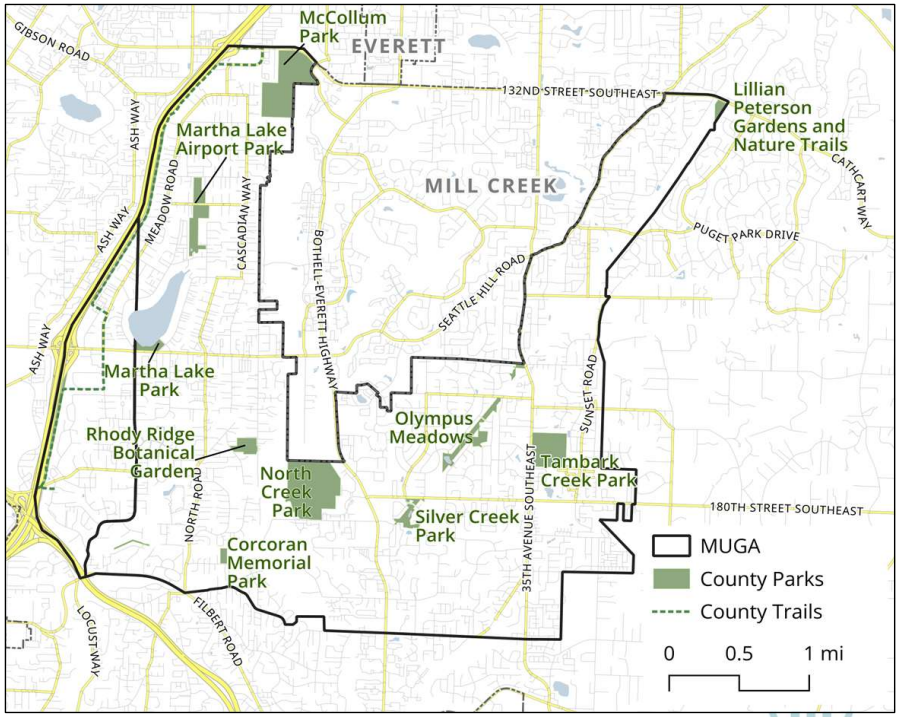
Parks & Recreation

MUGA Parks and Open Spaces

Source: Snohomish County GIS Analysis

Area	Park Name	Type of Park	Acres
Mill Creek South	Silver Creek	Community	10.1
	Tambark Creek	Community	39.0
	North Creek	Regional	87.6
	Transmission Line Properties	Open Space / Preserve	18.6
Mill Creek East	Lillian Peterson Gardens and Nature Trails	Open Space / Preserve	4.7
Larch	Corcoran Memorial	Neighborhood	3.4
	Rhody Ridge Botanical Garden	Regional	11.3
Martha Lake	Martha Lake Airport	Community	27.2
	Martha Lake	Community	6.7
	McCollum	Regional	72.3
Total Acres			**280.9**



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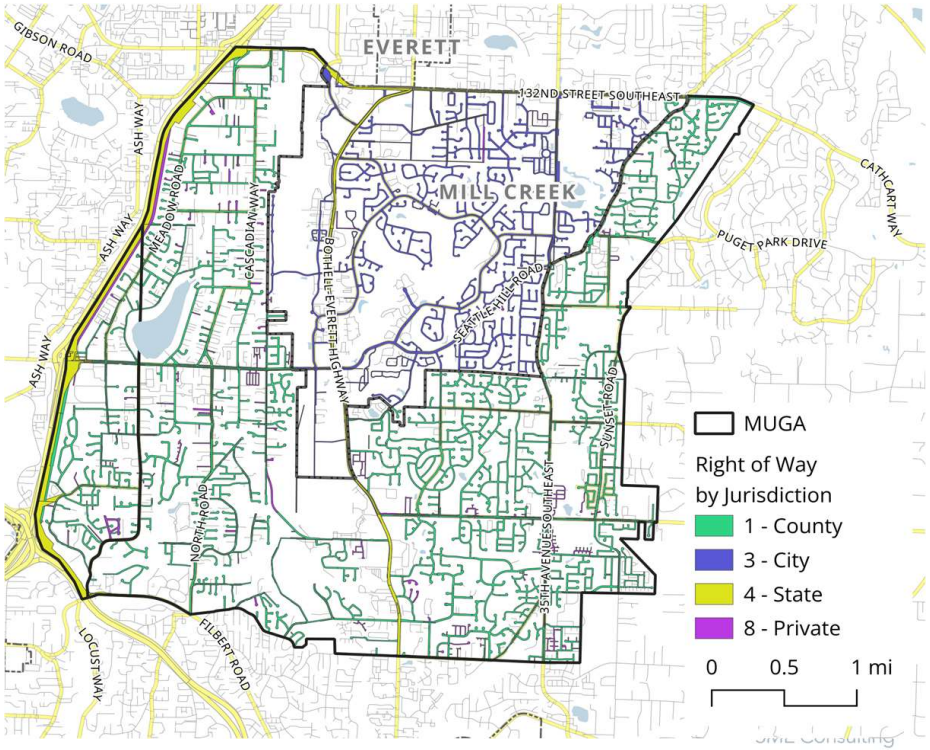
Road & Sidewalk Maintenance

Mill Creek and MUGA Road Mileage by Ownership

Source: Analysis of Snohomish County GIS Data.

Scenario Area	Road Miles	County	City	State	Private
City of Mill Creek*	77.6	1.1	62.4	5.9	8.3
Larch	35.2	32.0	-	0.7	2.6
Martha Lake	56.8	47.2	-	0.9	8.7
Mill Creek East	24.6	24.2	0.1	0.4	-
Mill Creek South	72.2	64.7	-	1.3	6.1

**City of Mill Creek contains portions of SR-96 and SR-527. City of Mill Creek estimated 100 lane miles of streets within the City. SME & Margaret Raimann analysis above shows road miles.*



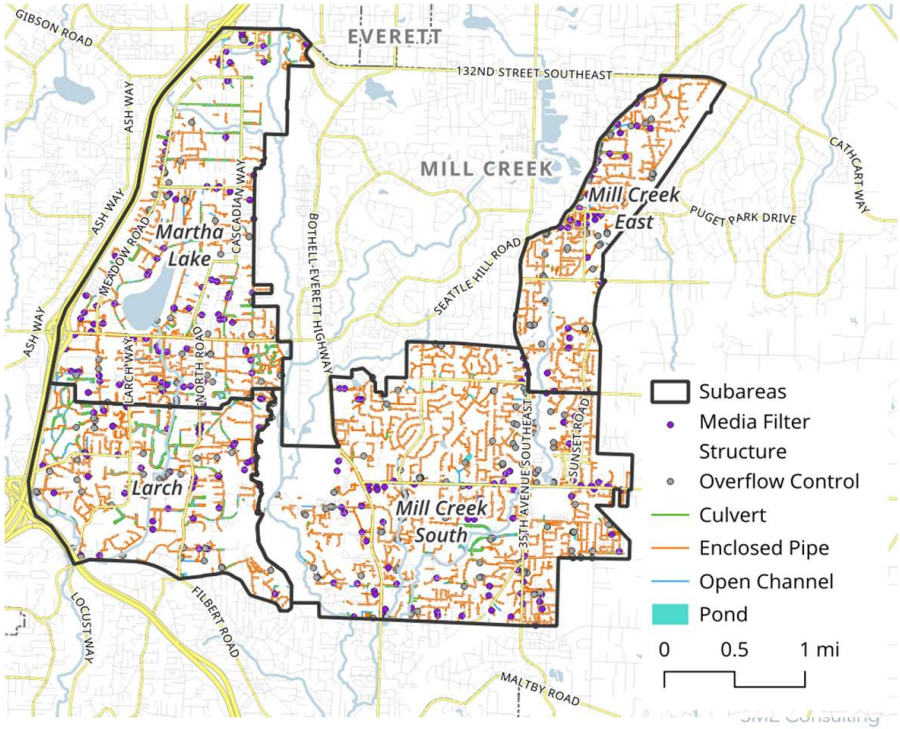
Surface Water Management

Of the infrastructure types listed below, the annexation areas hold about 9% of county-wide infrastructure. (We'll come back to this when we talk about the model.)

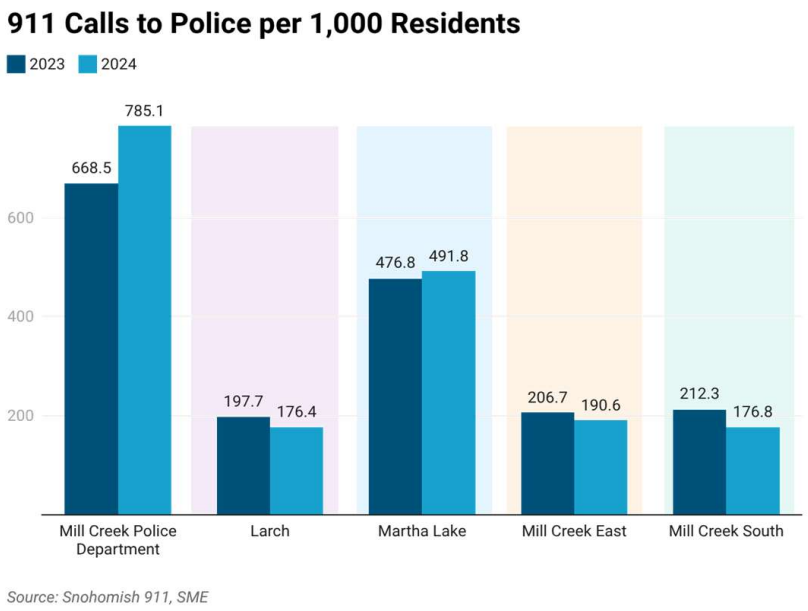
Surface Water Infrastructure

Area	Culvert Miles	Enclosed Pipe Miles	Open Channel Miles	Pond Acres
Snohomish County	191	1,033	968	358
Mill Creek South	2	70	5	22
Mill Creek East	0	29	1	6
Larch	2	30	6	5
Martha Lake	4	44	10	8

Source: Margaret Raimann GIS analysis of Snohomish County data; Snohomish County staff

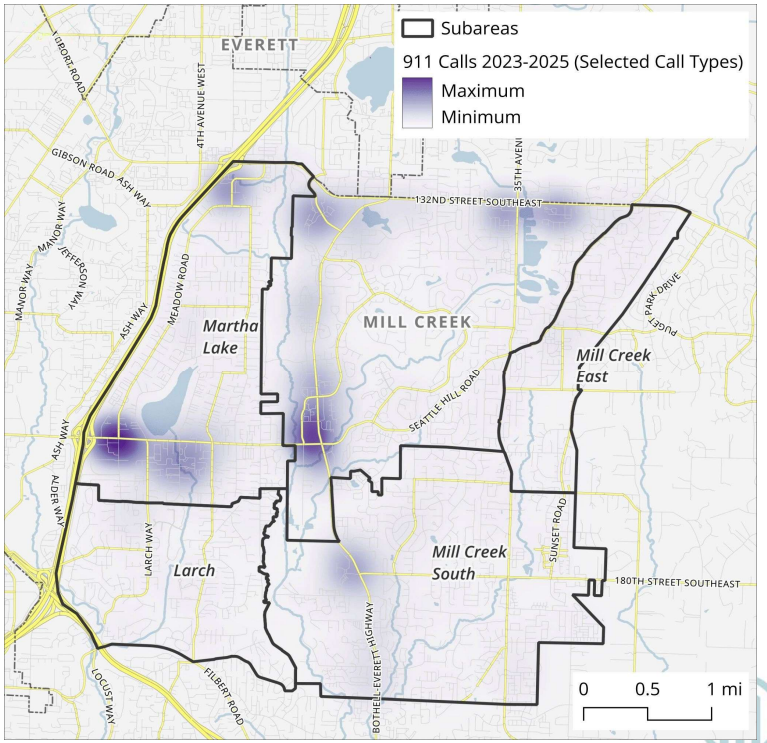


Public Safety



Source: Snohomish 911, SME

911 CALLS FOR POLICE SERVICES



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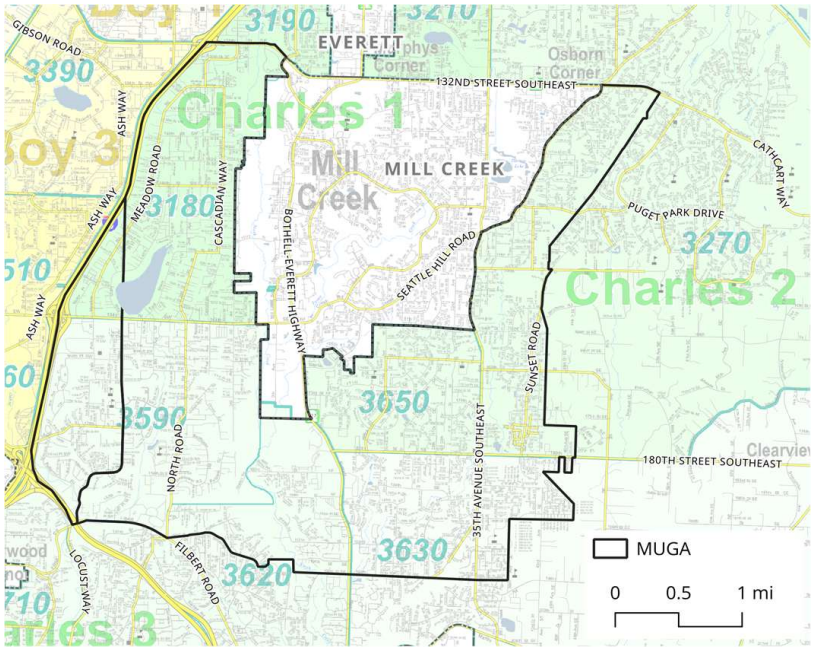
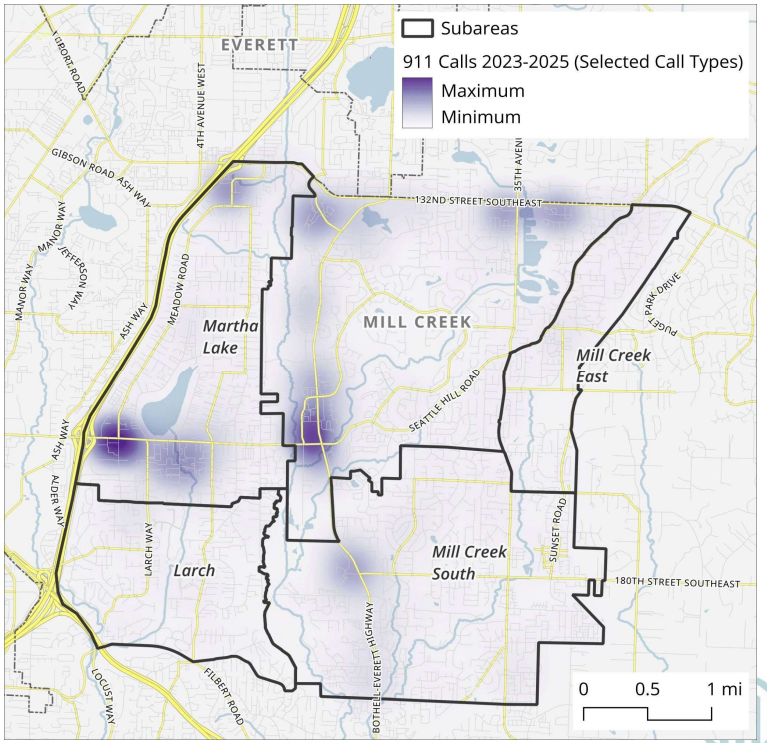
Sources: SME and Margaret Raimann analysis of Snohomish 911 data.

Public Safety

COUNTY SHERIFF BEAT MAP



911 CALLS FOR POLICE SERVICES



Sources: Snohomish County Sheriff (left) and Margaret Raimann analysis of Snohomish 911 (right)

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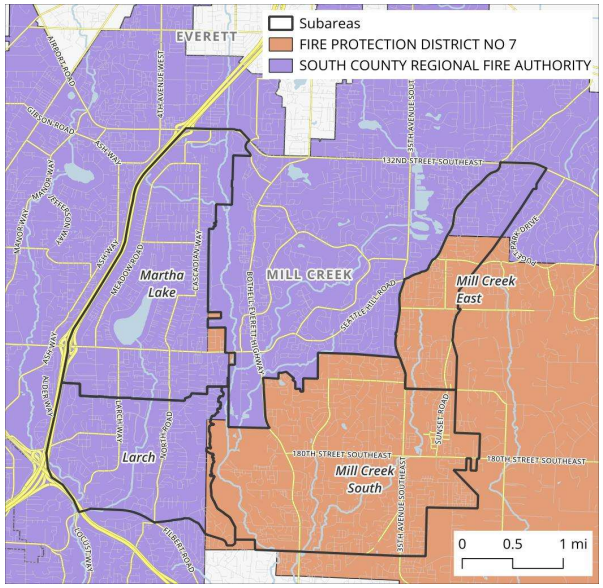
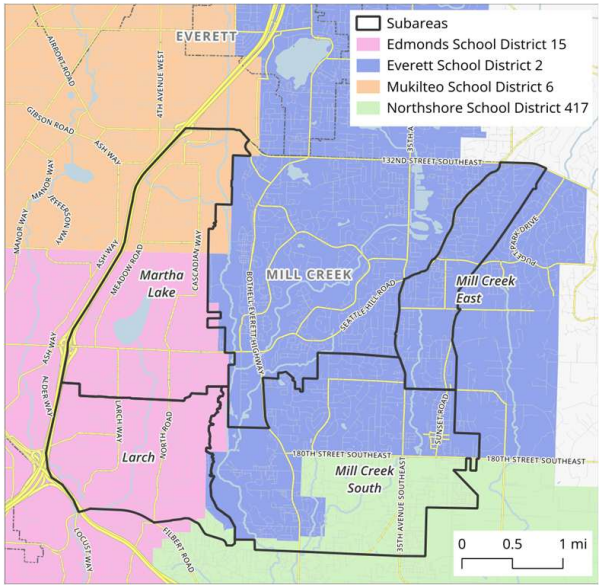
Other Service Providers

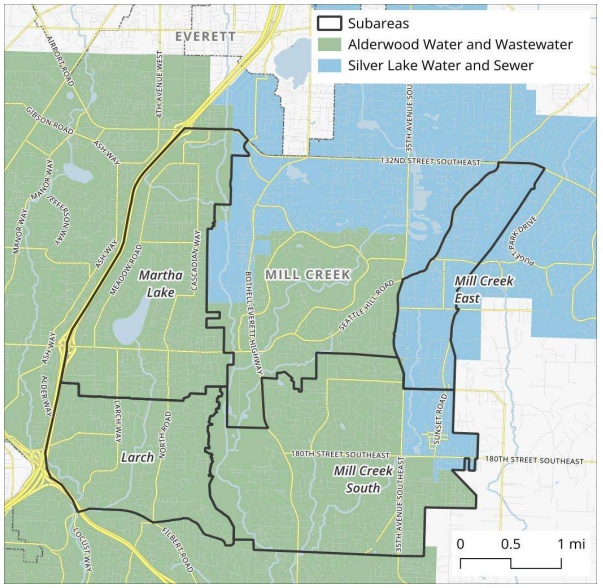
Fire Districts



School Districts



Water/Sewer Districts



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Annexation Service Impacts (1 of 2)

City Service Impact

	City of Mill Creek	MUGA	Annexation Service Impact
General Government	City	County	Yes
Legislative	City	County	No
Public Safety	Mill Creek PD	County Sheriff	Yes
Community Development & Planning	City Community Development	County	Yes
Stormwater Management	City Public Works	County	Yes
Road & Sidewalk Maintenance	City Public Works	County	Yes
Parks Maintenance & Operations	City Public Works	County	Yes

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Annexation Service Impacts (2 of 2)

	City of Mill Creek	MUGA	Annexation Service Impact
Solid Waste Disposal	WM (contract)	Private providers	No
Jail, Court, Public Defender	County	County	Yes
911 Dispatch	Snohomish County 911	Snohomish County 911	Yes
Fire	South County Fire	South County Fire, Snohomish County F&R, Fire District 10	Minimal (coordination)
Water	Alderwood WWD / Silver Lake Water Sewer District	Alderwood WWD / Silver Lake Water Sewer District	Minimal (coordination)
School districts	Everett	Mukilteo, Edmonds, Everett, Northshore	No
Other utility providers	Private Providers		Revenue

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04

Existing Fiscal Conditions – Tax Base Analysis

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Findings from Tax Base Analysis

Total UGA contains **$17 billion** in market value (City = $6.9 billion).

Property tax rates may decrease for some areas under annexation. City levy rate < County road rate.

Mill Creek South alone would **more than double** the taxable value in the City.

Single-family residential (SFR) **home values are higher in the City** than all other areas and dominate the housing supply in Larch and Mill Creek East.

Mill Creek South and Martha Lake have **more condominiums, multifamily housing, and multiplex housing** – and the shares will likely grow with County changes related to density.

Mill Creek South and Martha Lake have significant **construction-related and in-store taxable retail sales** activity.

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Property Tax Base

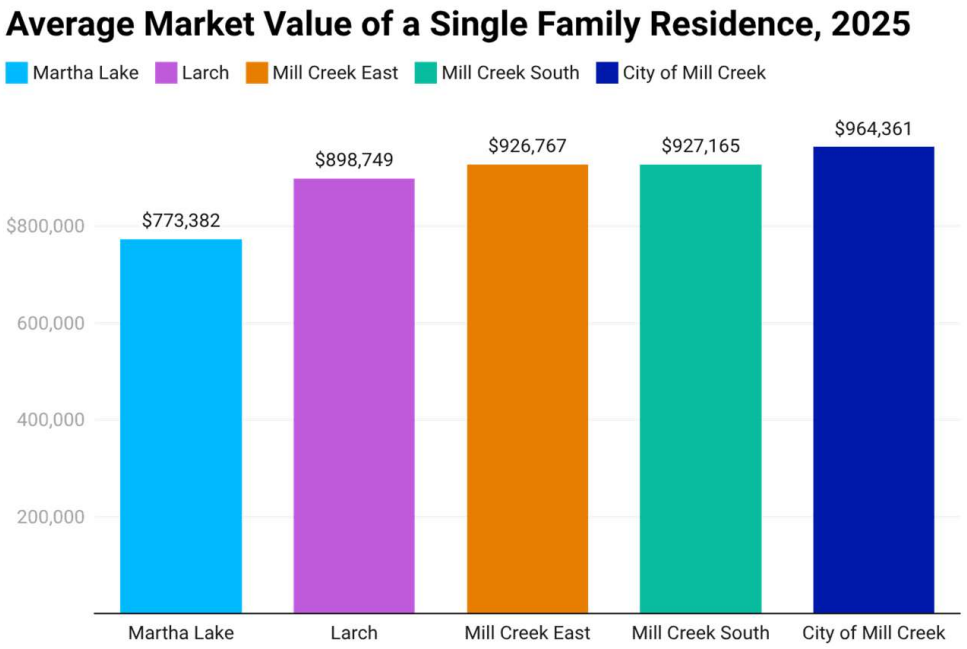
Mill Creek and MUGA Subarea Parcel Summary (2025)

	Parcels	Total Market Value	Total Taxable Value
Mill Creek City	6,436	$6.9B	$6.3B
Mill Creek South	8,309	$7.7B	$7.3B
Martha Lake	5,281	$4.4B	$4.1B
Larch	2,931	$2.7B	$2.4B
Mill Creek East	2,569	$2.3B	$2.2B
Total MUGA	19,090	$17.0B	$16.0B
Total All Areas	**25,526**	**$23.9B**	**$22.4B**

Source: Snohomish County Assessor, Margaret Raimann, SME

SME Consulting

Average Taxable Value Single Family Residence – Mill Creek and UGA Subareas (2025)



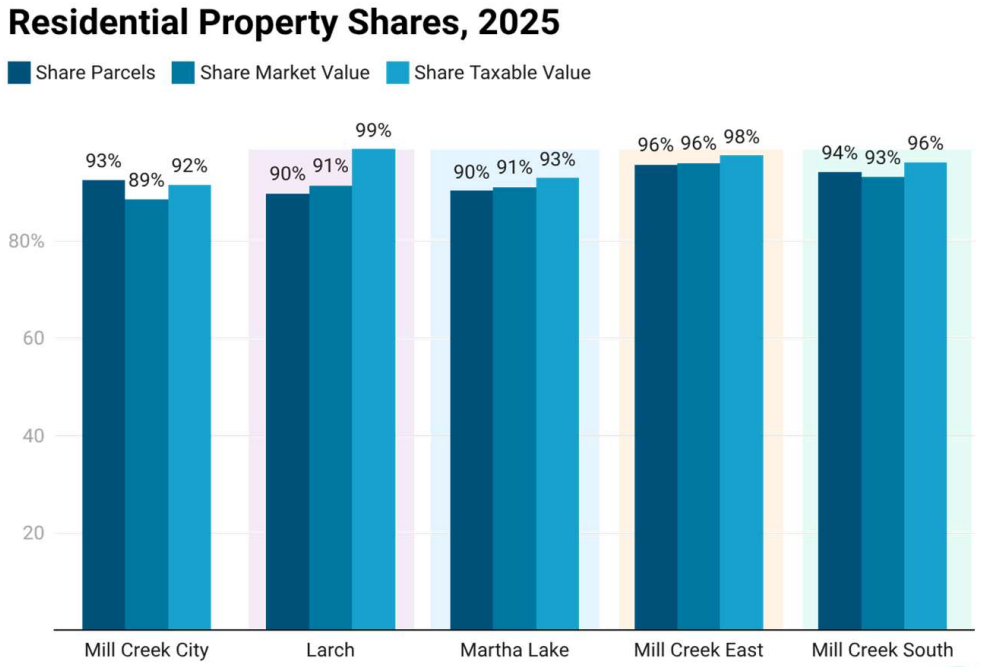
33

Source: Snohomish County Assessor, SME

SME Consulting

Residential Property

Residential property is a greater share of the property tax base in all areas than in Mill Creek.



Source: Snohomish County Assessor, SME. Residential property as a share of all property in each area.

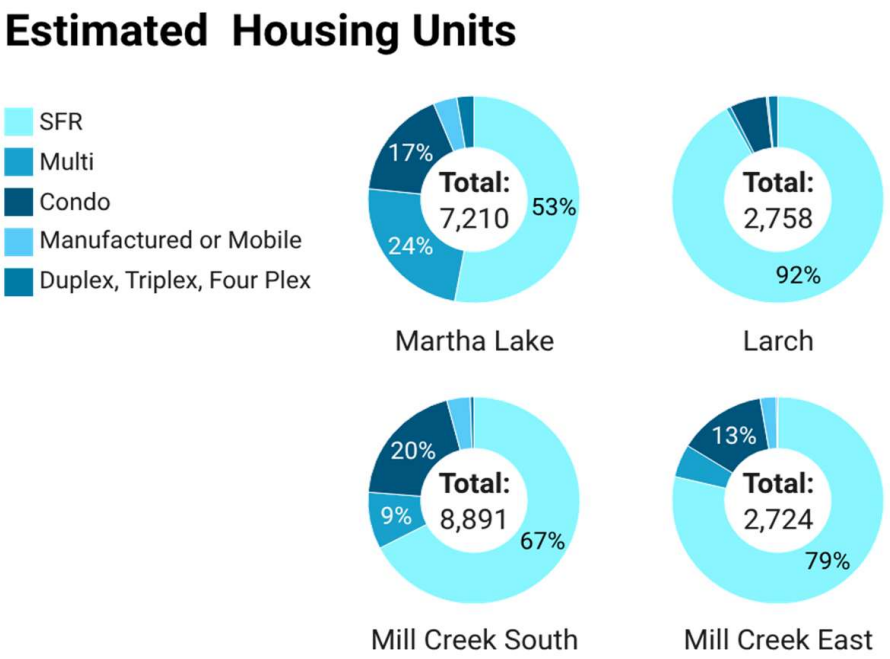
SME Consulting

Residential Property

The residential property is primarily SFR in Larch and Mill Creek East.

Mill Creek South and Martha Lake have greater shares of multifamily housing, duplex, triplex, or four plex housing, and condominiums.

With land use and density changes in Martha Lake and Mill Creek South, SFR will likely decrease.



Source: Snohomish County Assessor data, Snohomish County Growth Targets, SME, Margaret Raimann

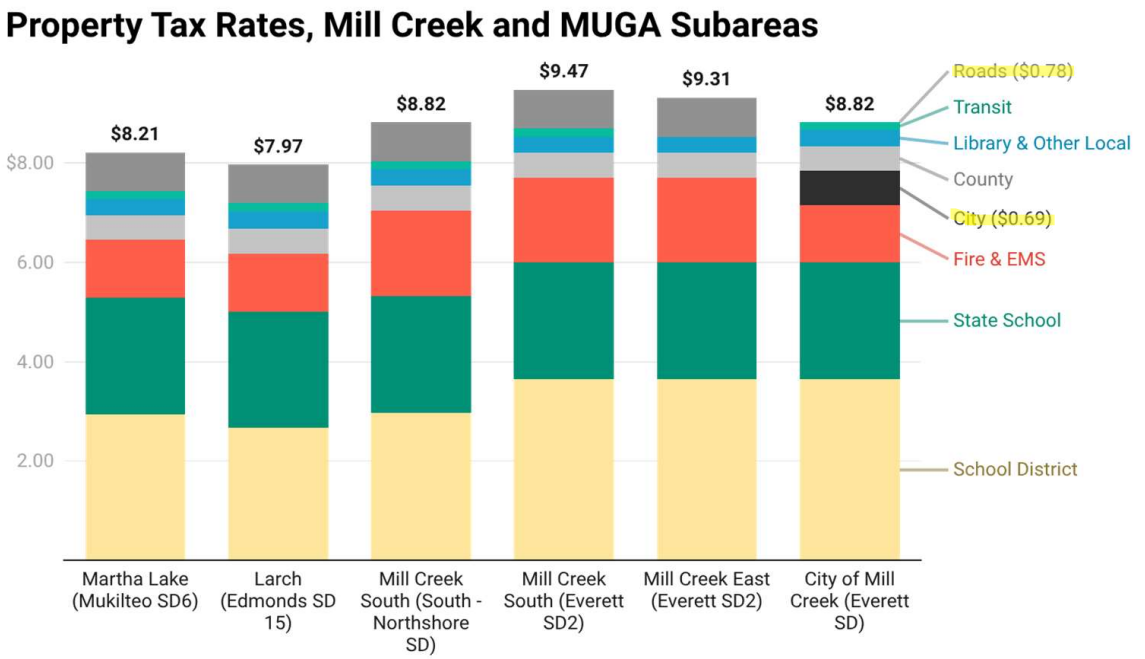
SME Consulting

Property Tax Rates

In Mill Creek South and Mill Creek East, **property tax rates would be lower** under annexation.

City levy: $0.69 per $1,000

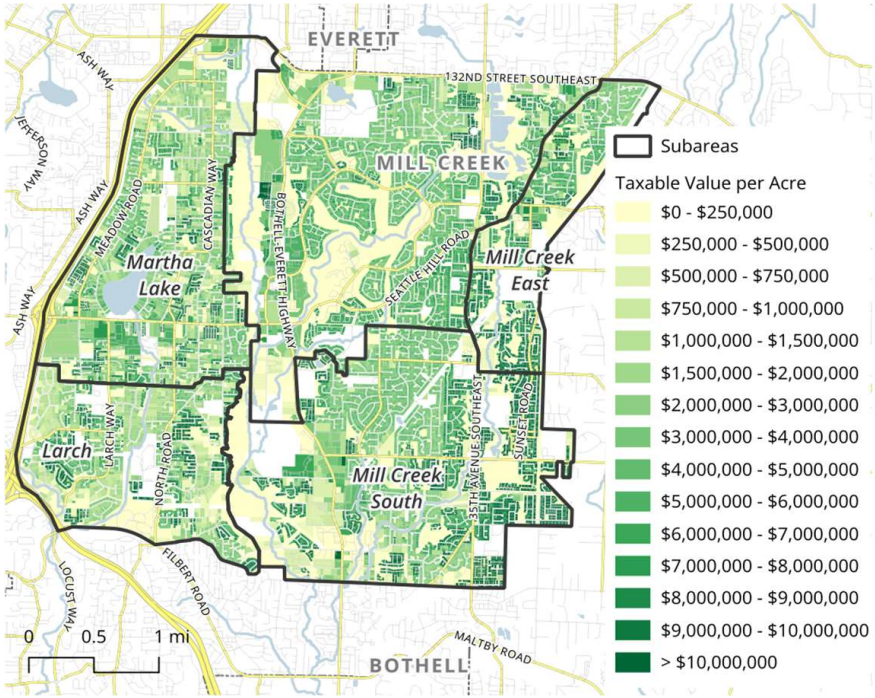
County road levy: $0.78 per $1,000

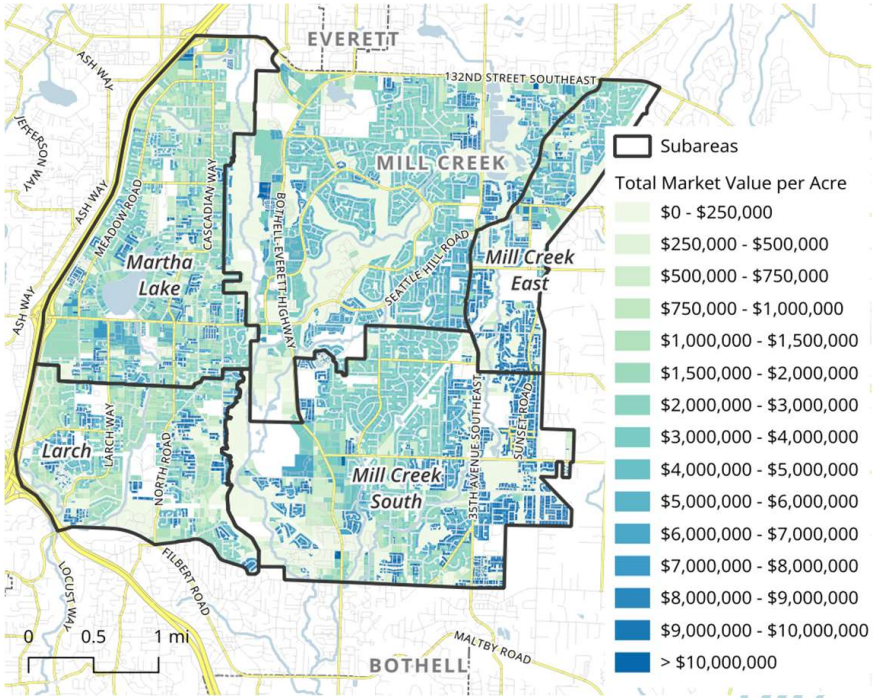


Source: Snohomish County Assessor tax bills; SME

SME Consulting

2025 Taxable (Left) and Market Value (Right)





SME Consulting

Taxable Retail Sales

Martha Lake and Mill Creek South have almost identical mixes of taxable retail sales activity (42 percent in-store), but Mill Creek South has **higher TRS per square foot**.

Retail Area and Taxable Sales per Square Foot

	Retail, Service, Sales Sq Ft	Taxable Sales / Sq Ft
Martha Lake	632,491	$122
Larch	118,048	$136
Mill Creek South	679,100	$258
Mill Creek East	55,321	$170

Source: Snohomish County Assessor, WA DOR, SME, Margaret Raimann

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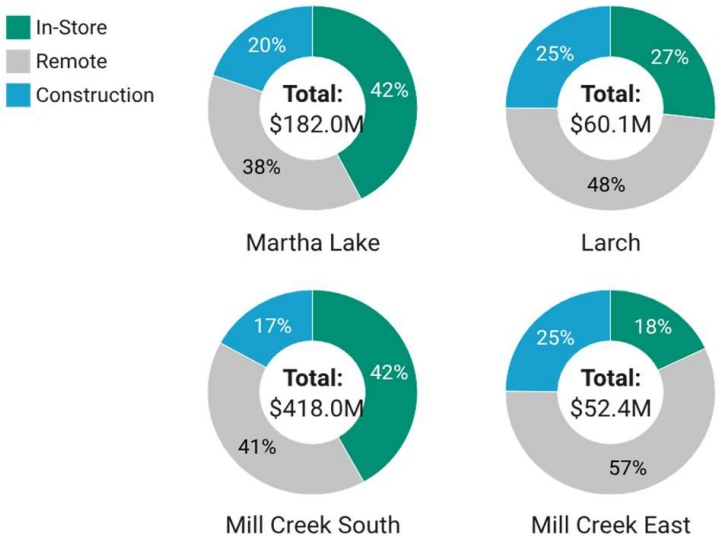
Taxable Retail Sales by Type (2023)



Source: Washington Department of Revenue, SME

SME Consulting

04

Existing Fiscal Conditions – City Financial Overview

SME Consulting

Fiscal Conditions Findings

City has a $71 million biennial budget; $42 million operating budget.

General fund budget is $31.5 million; Police comprises around 40% of budget.

Salaries are about 60% of general fund expenditures.

The City is significantly understaffed compared to small and large cities.

Taxes are about 76% of general fund revenues, almost evenly split between property and sales tax.

SME Consulting

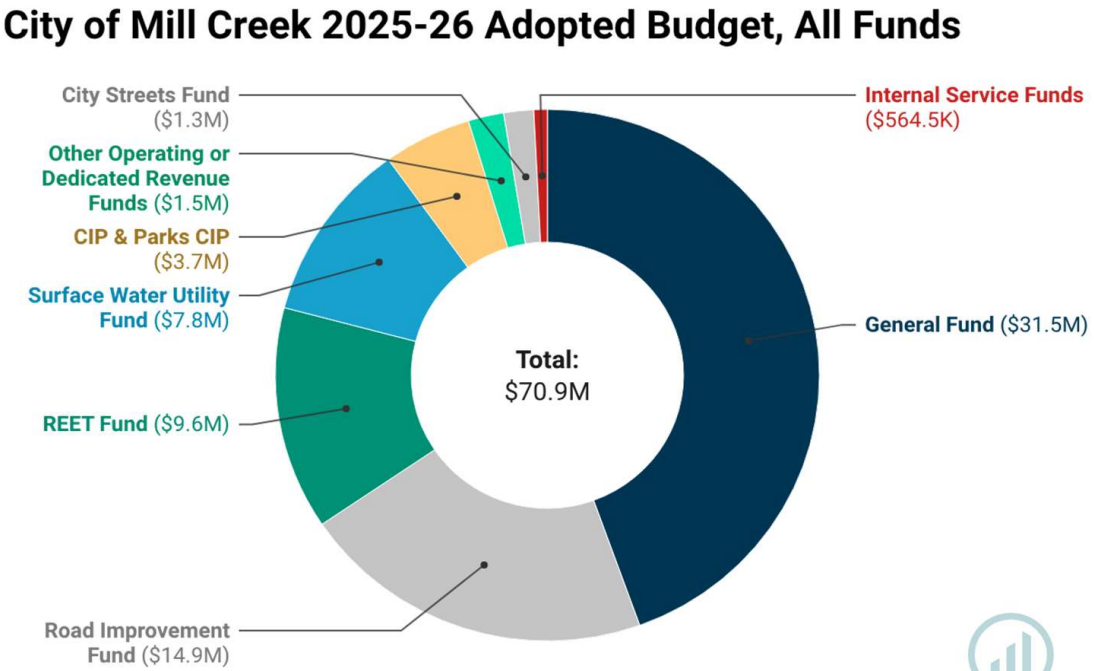
City 2025-26 Adopted Budget

City has a **$71 million total biennial budget,** and about a $42 million total operating budget including stormwater.

Annexation modeling focuses on operating budget impacts and impacts on large revenue sources (such as REET).

Primary funds of interest:

- General Fund (101)
- Streets Fund (103)
- REET Fund (314)
- Stormwater Fund (401)

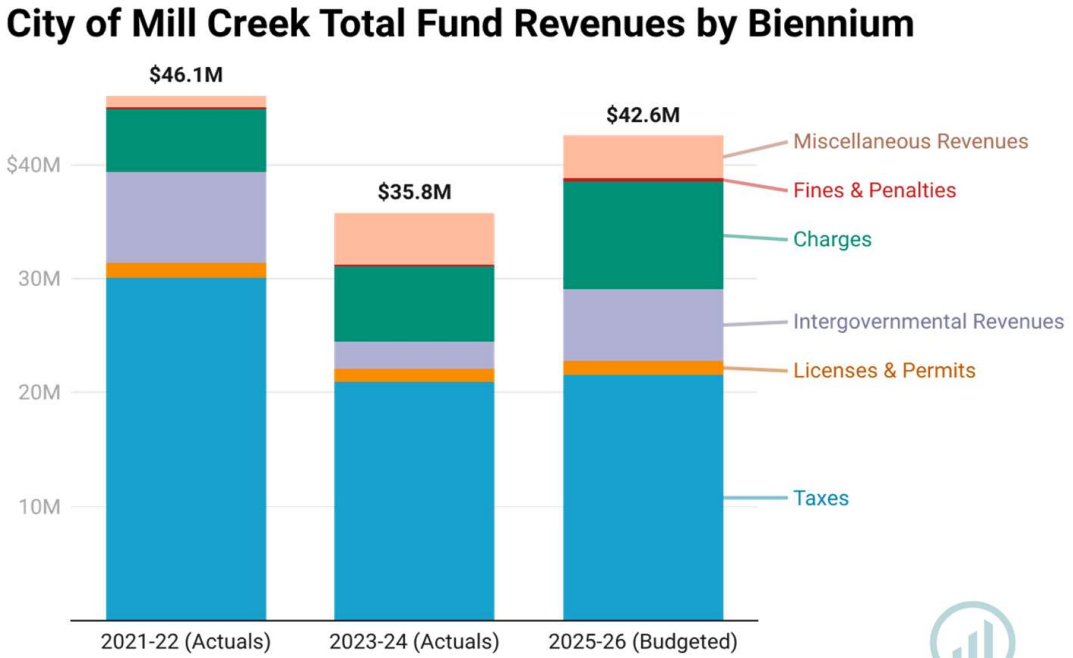


Source: City of Mill Creek Adopted 2025-26 Biennial Budget.

City Total Fund Revenue Overview

2023-24:
- Tax declines due to annexation into fire district
- Intergovernmental declining due to expiration of COVID funding.
- Miscellaneous revenues reflect high-interest environment.

2025-26
- Increases in Charges for goods and services (Law Enforcement, Surfacewater)
- $2.1 million charge in Road Improvement Fund



Source: State Auditor's Office (2020 – 2024). City of Mill Creek Adopted 2025-26 Biennial Budget. (Excludes transfers.)

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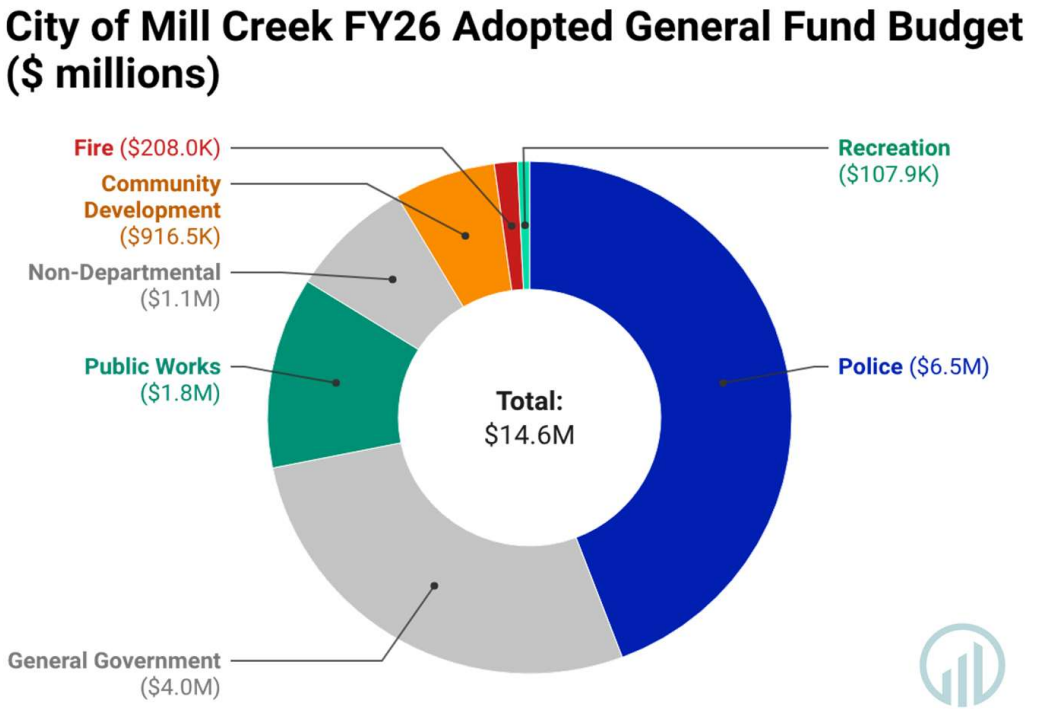
City General Fund Expenditure Overview

City has a **$31.5 million** general fund budget in 2025-26 (annualized data shown at right).

Annexation modeling will focus on impacts to Police, Public Works, Community Development, and Recreation.

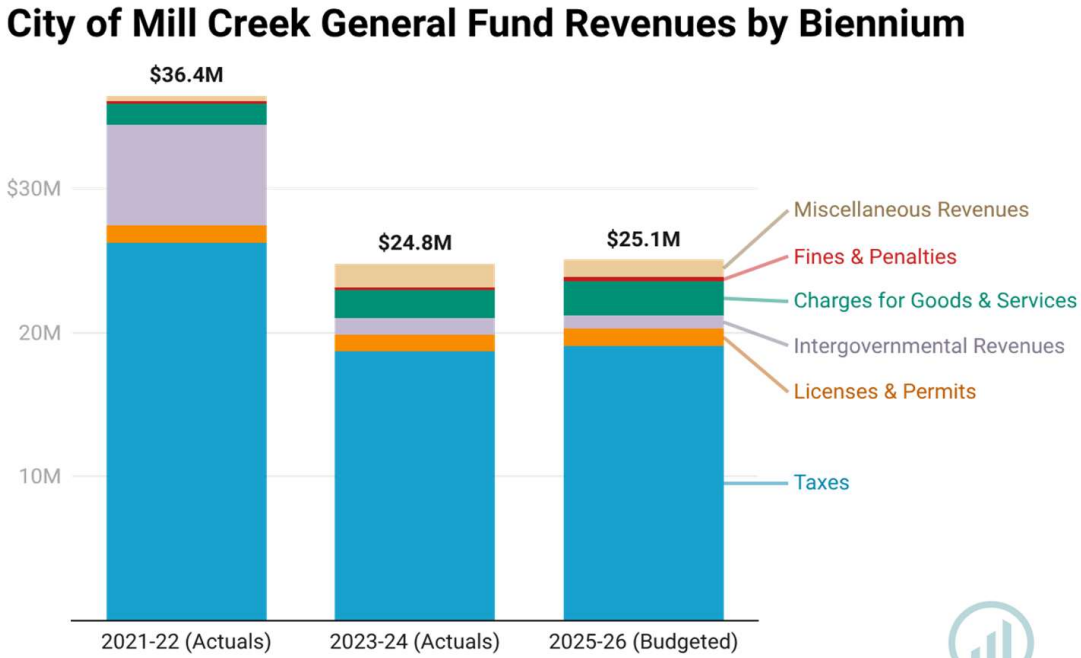
Internal services are scaled with these primary impacts.



City General Fund Revenue Overview

2023-24:
- Tax declines due to annexation into fire district
- Intergovernmental declining due to expiration of COVID funding.
- Miscellaneous revenues reflect high-interest environment.

2025-26
- Increases in Charges for goods and services
- Increases in Fines & Penalties (Civil Traffic Infractions)
- New: Utility Tax (not shown here)



Source: State Auditor's Office (2020 – 2024). City of Mill Creek Adopted 2025-26 Biennial Budget. (Excludes transfers.)

SME Consulting

04

Existing Fiscal Conditions – City Staffing

SME Consulting

City Staffing

City of Mill Creek Population, Full-Time Equivalents (FTE), and FTE per 1,000 Residents

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Executive	2.8	2.8	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.5
Clerk	2.0	2.0	-	-	1.0	1.0	1.5	1.5	1.5	1.5
Information Technology	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Human Resources	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Communications and Marketing	-	-	3.0	3.0	1.0	1.0	3.0	3.0	3.0	3.0
Recreation	4.9	4.9	2.9	2.9	3.8	3.8	-	-	-	-
Finance	5.3	5.3	6.4	6.4	5.6	5.6	7.2	7.2	7.2	7.2
Public Safety	29.0	29.0	29.0	29.0	28.0	28.0	29.0	29.0	29.0	29.0
Community Development	7.0	7.0	5.0	5.0	3.0	3.0	5.0	5.0	4.0	4.0
Public Works	10.2	10.2	12.0	12.0	8.0	8.0	12.8	12.8	13.8	13.8
Total	**62.2**	**62.2**	**62.3**	**62.3**	**54.4**	**54.4**	**65.0**	**65.0**	**65.0**	**65.0**
Population	*20,238*	*20,723*	*20,898*	*20,926*	*20,930*	*21,510*	*21,630*	*21,630*	*21,630*	*21,787*
FTE per 1,000 residents	3.1	3.0	3.0	3.0	2.6	2.5	3.0	3.0	3.0	3.0

SME Consulting

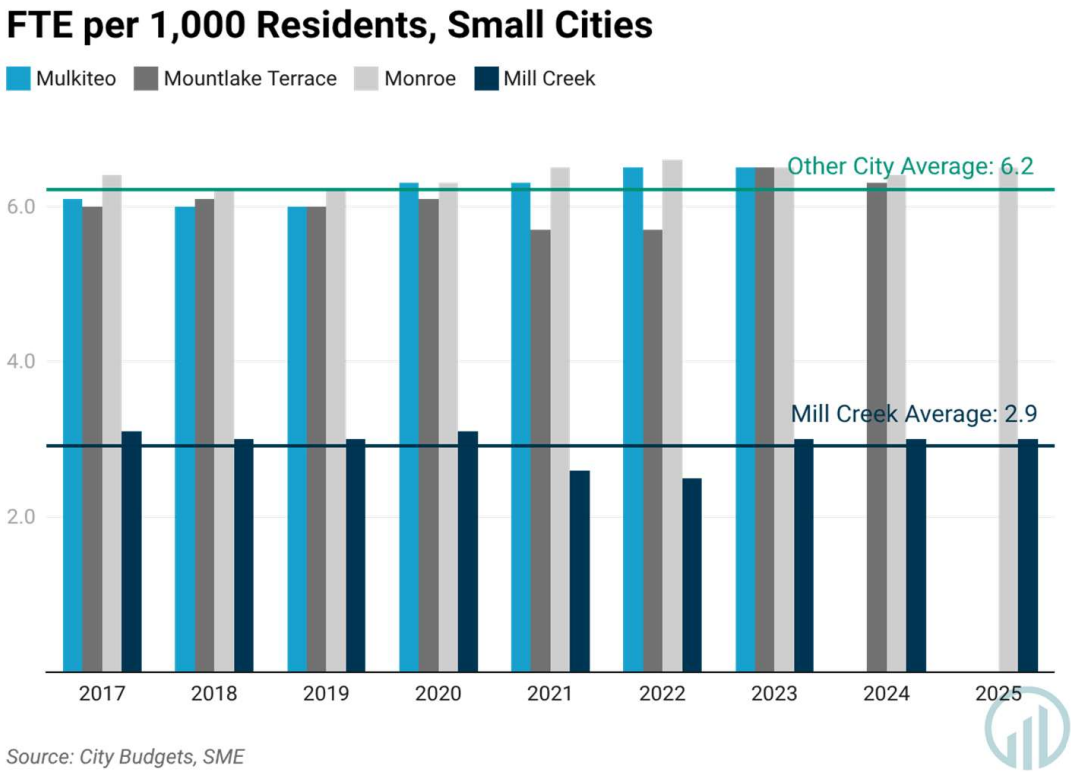
FTE per 1,000 Residents

Mill Creek **operates leanly** compared to similarly sized cities.

2025 populations (OFM)

- Mill Creek: 21,630
- Mukilteo: 21,600
- Mountlake Terrace: 24,640
- Monroe: 20,960

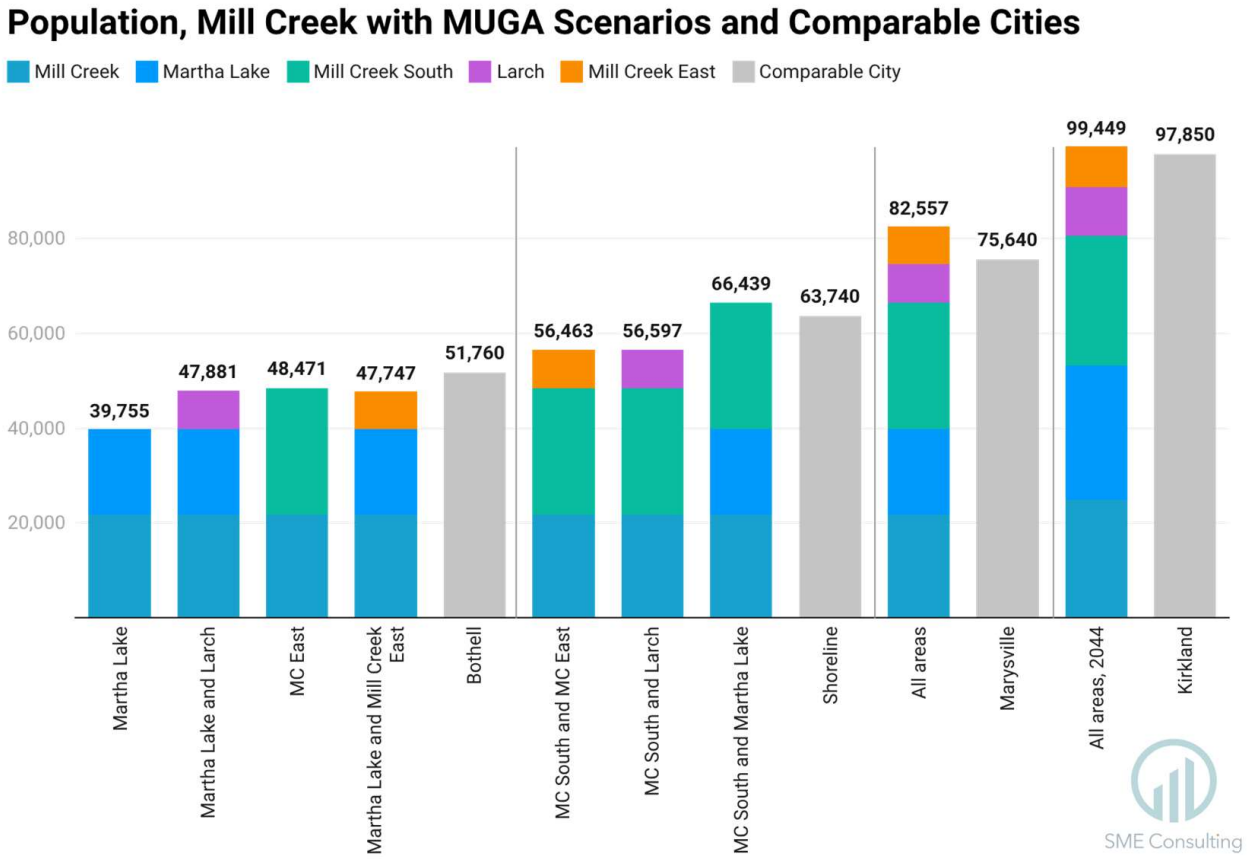
Of these cities, only Mukilteo has a fire department.



Source: City Budgets, SME

Comparable Cities

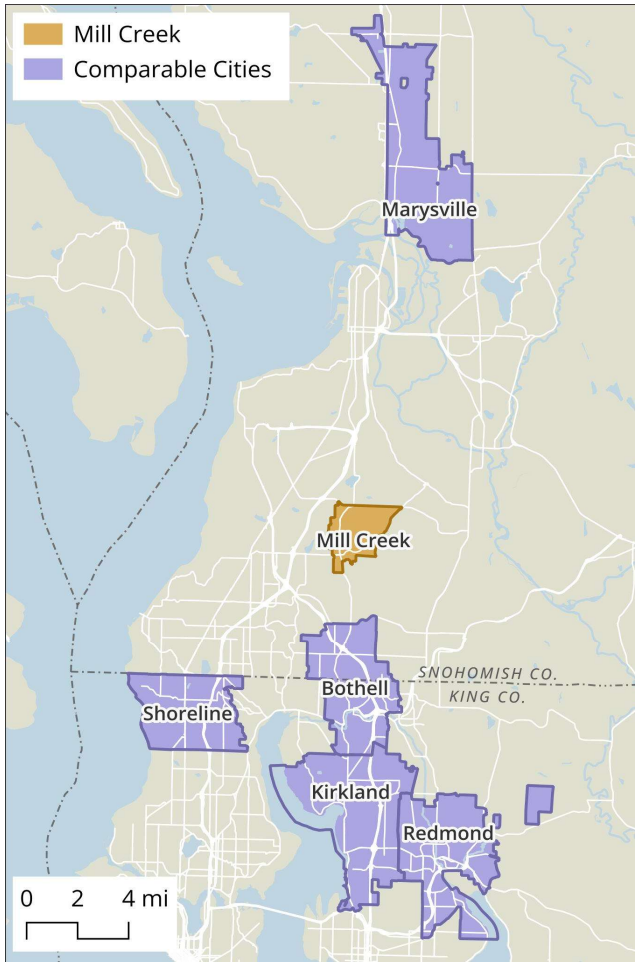
Under various annexation scenarios, the City would be approximately the size of Bothell, Shoreline, Marysville…and eventually Kirkland (total annexation, 2044).



Comparable Cities

Analysis of these cities' budgets reinforced that **Mill Creek is a very lean organization**, and provided assumptions used in the fiscal modeling.

- Bothell: 391.9 FTE
- Shoreline: 276.6 FTE
- Marysville: 389 FTE
- Redmond: 748.6 FTE
- Kirkland: 764.3 FTE



SME Consulting

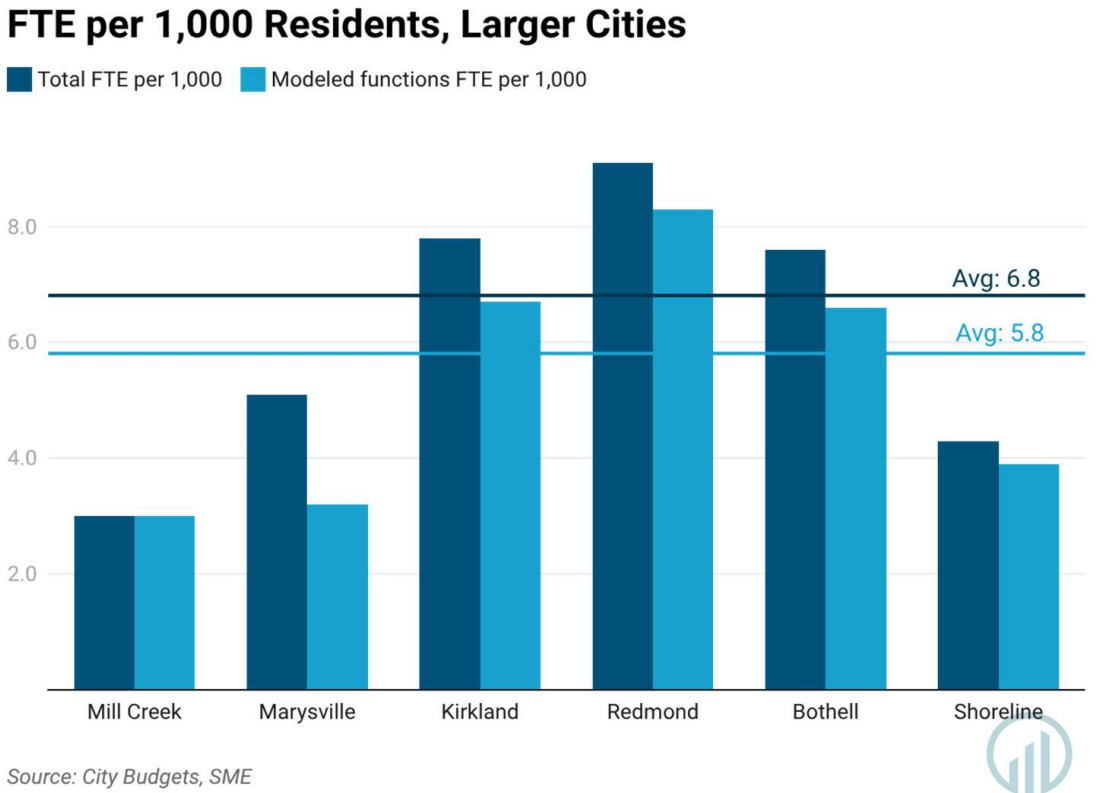
FTE per 1,000 Residents

Mill Creek operates **VERY leanly** compared to larger sized cities.

2025 populations (OFM)

- Mill Creek: 21,630
- Bothell: 51,760
- Shoreline: 63,740
- Marysville: 75,640
- Kirkland: 97,580

Modeled functions exclude utilities except for surface water, fire services, large development environmental service funds, environment, city attorney, and dedicated DEI staff.



05
Scenario Modeling Assumptions

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Fiscal Model Assumptions



Expenditure assumptions:

Staffing scales with inputs (e.g., FTE per mileage, park acreage) and with population (e.g., commissioned staff per 1,000)

Non-personnel costs scales personnel costs (e.g., FTE per vehicles, professional services as a share of personnel)

Comparable cities provide staffing level targets

City and Snohomish County staff provided inputs and feedback

Snohomish 911 provided dispatch cost estimates

Model assumes personnel inflation of 3% and non-personnel inflation of 4%



Revenue assumptions:

Property tax rate is assumed to mirror the City's; property tax base is from GIS analysis of assessor data

Valuation growth is based on historical (baseline)

Department of Revenue provided sales tax data for 2020 – 2023

Real estate excise tax (REET) is based off County assessor data (transactions as a % of market value per year)

Intragovernmental revenue primarily scales off population

City budget is the basis for other revenue (including utility tax, car tabs)

SME Consulting

City Expenditure Impacts, Year 1

General Fund Expenditures by Annexation Subarea and Department, Year 1

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Annexation Areas	ALL AREAS
Police	$5,636,000	$5,468,000	$2,632,000	$7,949,000	$2,229,000	$18,278,000	**$23,914,000**
Jail, Judicial Services, Snohomish 911	$1,038,000	$553,000	$186,000	$625,000	$184,000	$1,548,000	**$2,586,000**
Parks	$497,000	$786,000	$351,000	$1,140,000	$192,000	$2,469,000	**$2,966,000**
Parks M&O	$678,000	$1,542,000	$1,055,000	$1,542,000	$81,000	$4,220,000	**$4,898,000**
Planning & Development	$1,004,000	$1,345,000	$604,000	$1,948,000	$589,000	$4,486,000	**$5,490,000**
Fleet and Facilities		$388,000	$197,000	$506,000	$138,000	$1,229,000	**$1,229,000**
Central Services	$2,871,000	$1,924,000	$971,000	$2,200,000	$718,000	$5,813,000	**$8,684,000**
General Fund Expenditures	**$11,724,000**	**$12,006,000**	**$5,996,000**	**$15,910,000**	**$4,131,000**	**$38,043,000**	$49,767,000

SME Consulting

City Staffing Impacts, Year 1

Annexation Staffing Model

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Police	29.2	25.7	12.0	37.4	10.8	**85.9**	**115.0**
Public Works - Administration	2.4					-	**2.4**
Public Works - Streets	3.8	7.8	3.9	7.8	3.0	**22.6**	**26.4**
Public Works - Surface Water	3.9	5.7	2.6	8.3	2.5	**19.1**	**23.1**
Public Works - Parks M&O	2.9	7.1	4.8	7.1	0.3	**19.3**	**22.2**
Parks and Recreation	3.0	4.6	2.1	6.7	1.1	**14.5**	**17.5**
Community Development	4.0	7.4	3.3	10.7	3.2	**24.6**	**28.6**
Fleet & Facilities		2.0	1.0	2.7	0.7	**6.4**	**6.4**
Central Services	15.2	8.2	4.0	9.3	2.9	**24.5**	**39.7**
Total	**64.4**	**68.6**	**33.8**	**90.0**	**24.5**	**216.8**	**281.2**

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At full staffing levels, the City would need **217 additional FTE** to provide services at the average staffing levels of the comparable cities in the departments considered by this model.

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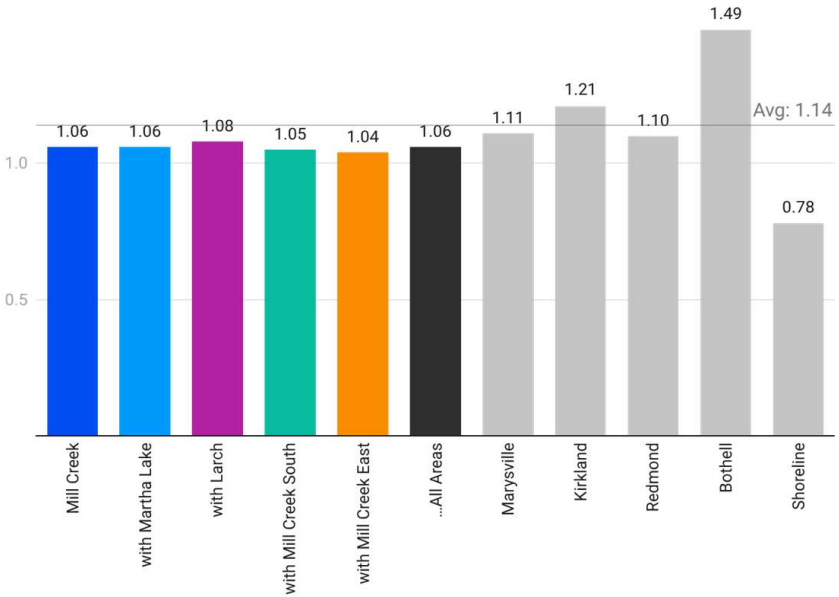
Police Expenditure Assumptions

Commissioned Staff per 1,000 Residents

Gray line is average of comparable cities.



Source: SME, City budgets

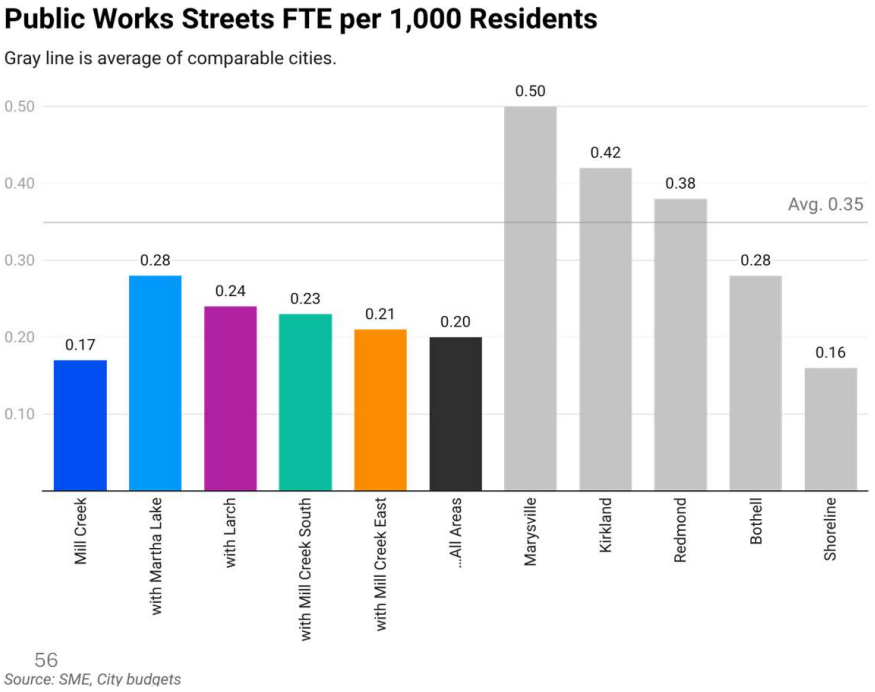
Fiscal model assumes roughly the same staff ratio of commissioned staff per 1,000 residents as the baseline.

For all annexation areas, brings on an additional 65 commissioned officers.

Assumes 33 additional vehicles, plus training, equipment, overhead, etc.

SME Consulting

Public Works Streets & Transportation Expenditure Assumptions



Maintenance FTE are costed based on comparable city averages.

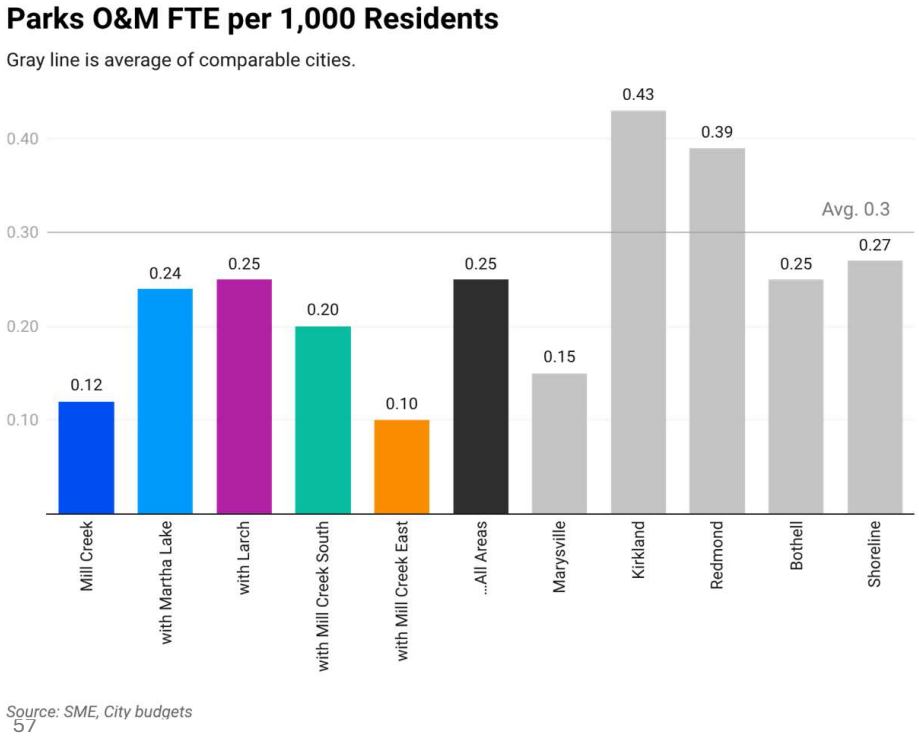
- City: 33 miles per worker, 1 supervisor for 7 workers, 77.6 miles per engineer
- Model: 15.4 miles per worker, 1 supervisor for 5.5 workers, 25.8 miles per engineer, 1 additional Streets PW manager
- Adjustments for asset list provided by County

Assumes purchase of $3.1 million in vehicles and equipment based on comparable city fleet analysis.

Road, sidewalk repair, capital needs are costed separately in a road fund budget.

SME Consulting

Public Works Parks O&M Expenditure Assumptions



Maintenance FTE are costed based on comparable city averages.

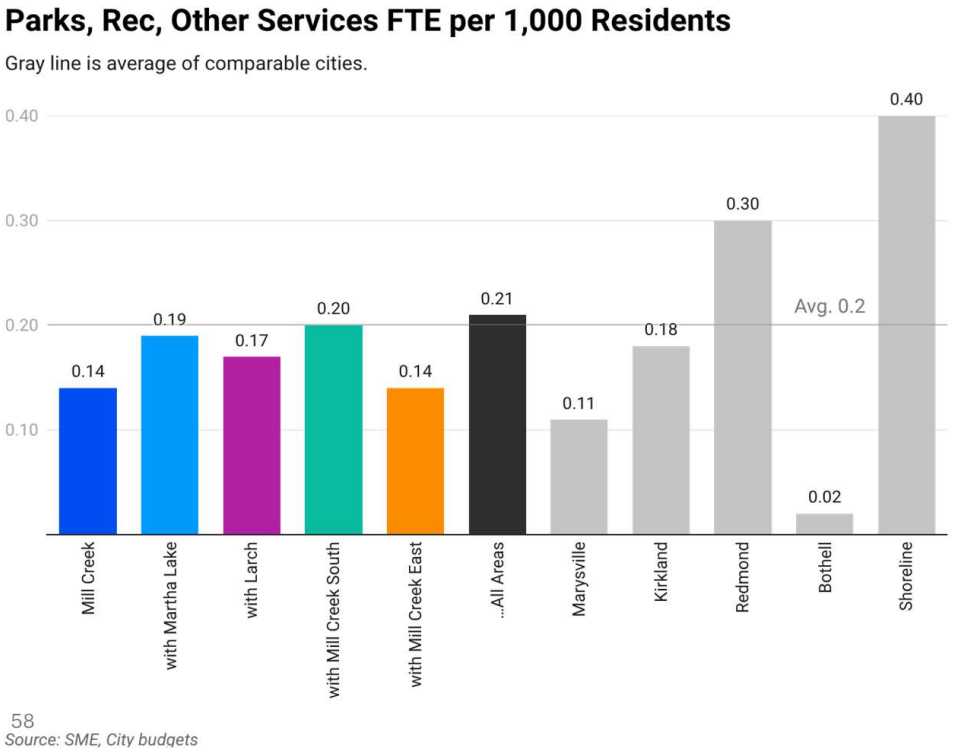
- City: 4 parks per worker, 1 supervisor for 7 workers
- Model: 2 parks per worker, 1 supervisor for 5.5 workers, 1 additional Parks PW manager

Assumes purchase of $1 million in vehicles and equipment based on comparable city fleet analysis.

Does not consider County's plans for parks capital projects.

SME Consulting

Parks and Recreation (and Arts, Culture, Tourism, Human Services...)



Comparable cities have **varying levels of staff investments** in Parks and Recreation, plus other services like culture, tourism, arts, and human services.

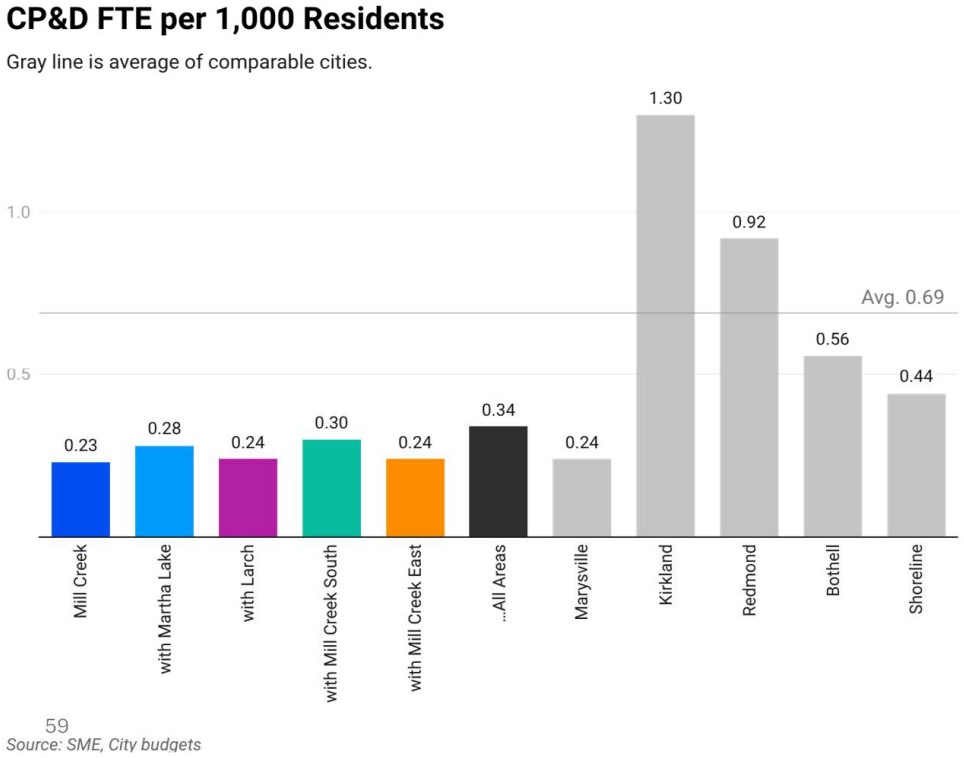
Costed on a per 1,000 resident basis.

- City: 0.14 FTE per 1,000, 0.5 manager per FTE
- Model: 0.2 FTE per 1,000, 1 manager for 7 FTE

There are opportunities for cost recovery with staffing in this department, depending on services offered.

SME Consulting

Community Planning and Development



Comparable cities have much more **robust planning and development services**.

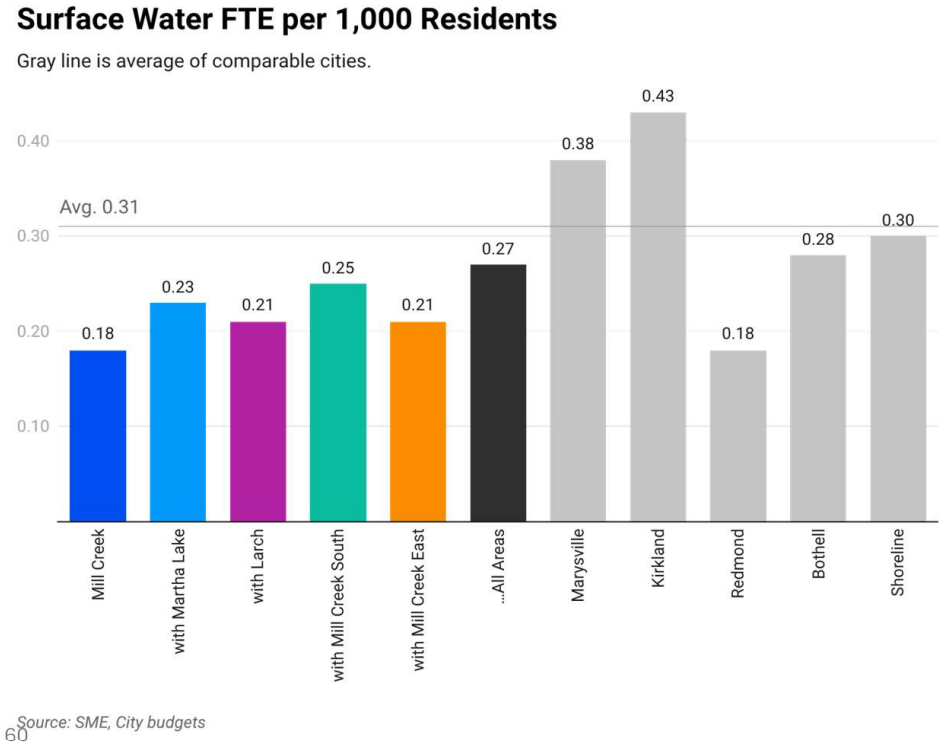
Costed on a per 1,000 resident basis.

- City: 0.23 FTE per 1,000
- Model: 0.4 FTE per 1,000, including full-time code enforcement, building official, plans examiner, and SEPA environmental planner.

There are opportunities for cost recovery with staffing in this department, depending on fee structure.

SME Consulting

Expenditures – Surface Water



The Surface Water Utilities of comparable cities take on **more responsibilities in-house** rather than contracting out as smaller cities do.

Detailed stormwater infrastructure for all comparable cities was not available, so a per 1,000 resident basis was used.

We produced a separate surface water revenue and expenditure model for this analysis.

SME Consulting

Central Services, Fleet & Facilities (Internal Staff)

Mill Creek is above benchmark staffing in Executive and Finance (likely because of its small total FTE count).

Model uses average for all functions.

These costs are spread across funds.

Citywide FTE per Program FTE

For every one FTE in each program below, there are XX number of city-wide FTE. Example: for every 65 FTE in Mill Creek, there is one FTE in Human Resources. Citywide FTE for other cities include only departments impacted by annexation.

	Mill Creek	Marysville	Kirkland	Redmond	Bothell	Shoreline	Average
Fleet		27	54	78	55	91	*61*
Facilities		27	60		39	79	*51*
Executive (incl. Clerk)	13	25	43	68	21	10	*33*
Finance	9	22	16	32	33	26	*26*
Human Resources	65	41	66	38	62	62	*54*
Information Technology	33	19	21	16	21	18	*19*

SME Consulting

City Revenue Impacts, Year 1 (Baseline)

General Fund Revenues by Annexation Subarea and Type, Year 1 (Baseline)

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Annexation Areas	ALL AREAS
Property Taxes	$4,520,000	$2,809,000	$1,654,000	$5,289,000	$1,536,000	$11,288,000	**$15,808,000**
Sales Tax	$4,723,000	$2,467,000	$1,055,000	$6,175,000	$884,000	$10,581,000	**$15,304,000**
Other Taxes	$3,414,000	$2,906,000	$1,532,000	$2,442,000	$1,174,000	$8,054,000	**$11,468,000**
Total Taxes	$12,657,000	$8,182,000	$4,240,000	$13,907,000	$3,594,000	$29,923,000	**$42,580,000**
Licenses & Permits	$616,000	$534,000	$295,000	$741,000	$252,000	$1,822,000	**$2,438,000**
Intragovernmental	$476,000	$525,000	$235,000	$772,000	$229,000	$1,761,000	**$2,237,000**
Charges	$1,206,000	$454,000	$83,000	$333,000	$74,000	$944,000	**$2,150,000**
Fines & Penalties	$150,000	$126,000	$57,000	$184,000	$55,000	$422,000	**$572,000**
General Fund Revenues	**$15,105,000**	**$9,821,000**	**$4,910,000**	**$15,937,000**	**$4,204,000**	**$34,872,000**	**$49,977,000**

SME Consulting

Revenue Assumptions - Baseline

Property tax growth is primarily driven by **new construction**.

Sales tax growth is driven by **population growth, assumed new retail activity, construction**, and the state forecast (inflation + ~1%).

Most other revenues grow with population (state shared revenues) and development (utility taxes, development fees).

Revenue Assumptions (Baseline)

	Housing Units, 2027-2044	Remote Sales per Parcel	Taxable Retail Sales Sq Ft (Total)	Growth in TRS Sq Ft (Annual)	Market Valuation Growth (Annual)	Population Growth (Annual)
Martha Lake	3,500	$15,810	632,491	3%	5.0%	2.6%
Larch	670	$12,103	118,048	3%	5.0%	1.3%
Mill Creek South	550	$38,609	679,100	3%	5.0%	0.4%
Mill Creek East	300	$12,211	55,321	3%	4.5%	0.2%

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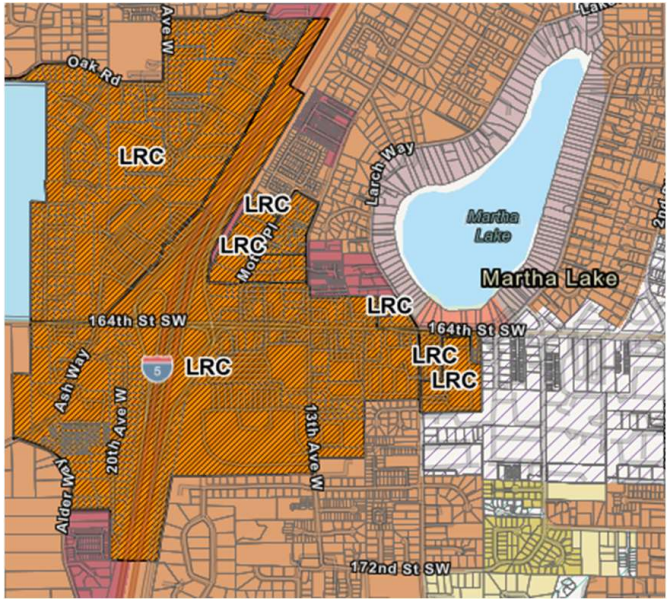
High Growth Scenario

Assume increase in square footage and taxable retail sales (TRS) per square foot



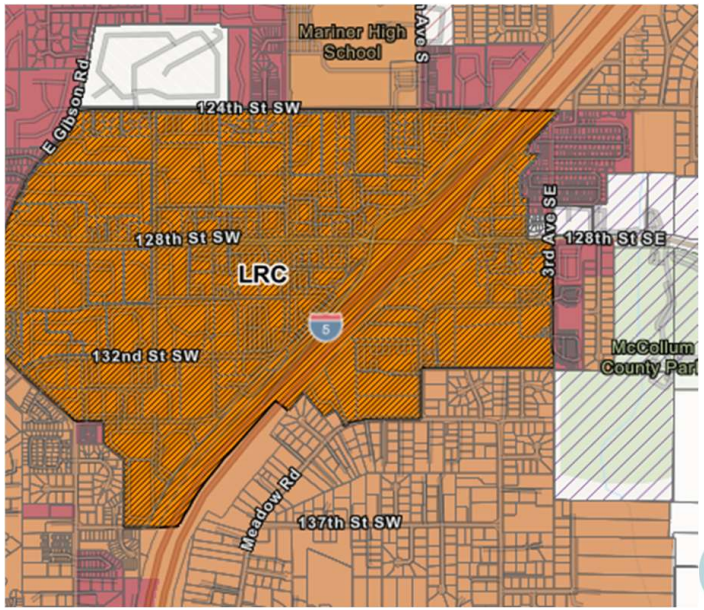


SME Consulting

High Growth Scenario

Assume increase in square footage and taxable retail sales (TRS) per square foot





SME Consulting

Revenue Assumptions - Growth

High growth scenario assumes **more new development** of housing and commercial square footage.

Taxable retail sales per square foot are assumed to increase.

Property **values grow** at historical average.

Annexation **sales tax credit** is utilized (2027 – 2037).

Revenue Assumptions (High Growth)

Gray denotes no change from baseline. Annual growth in TRS is applied above inflation.

	Housing Units, 2027-2044	Taxable Retail Sales Sq Ft (Total)	Growth in TRS Sq Ft (Annual)	Remote Sales per Parcel	Market Valuation Growth (Annual)	Population Growth (Annual)	Growth in TRS per Sq Ft (Annual)
Martha Lake	5,400	632,491	6%	$15,810	8.0%	2.6%	3.5%
Larch	1,629	118,048	3%	$12,103	7.0%	1.3%	2.9%
Mill Creek South	2,300	679,100	5%	$38,609	8.0%	0.4%	2.7%
Mill Creek East	300	55,321	3%	$12,211	4.5%	0.2%	0.0%

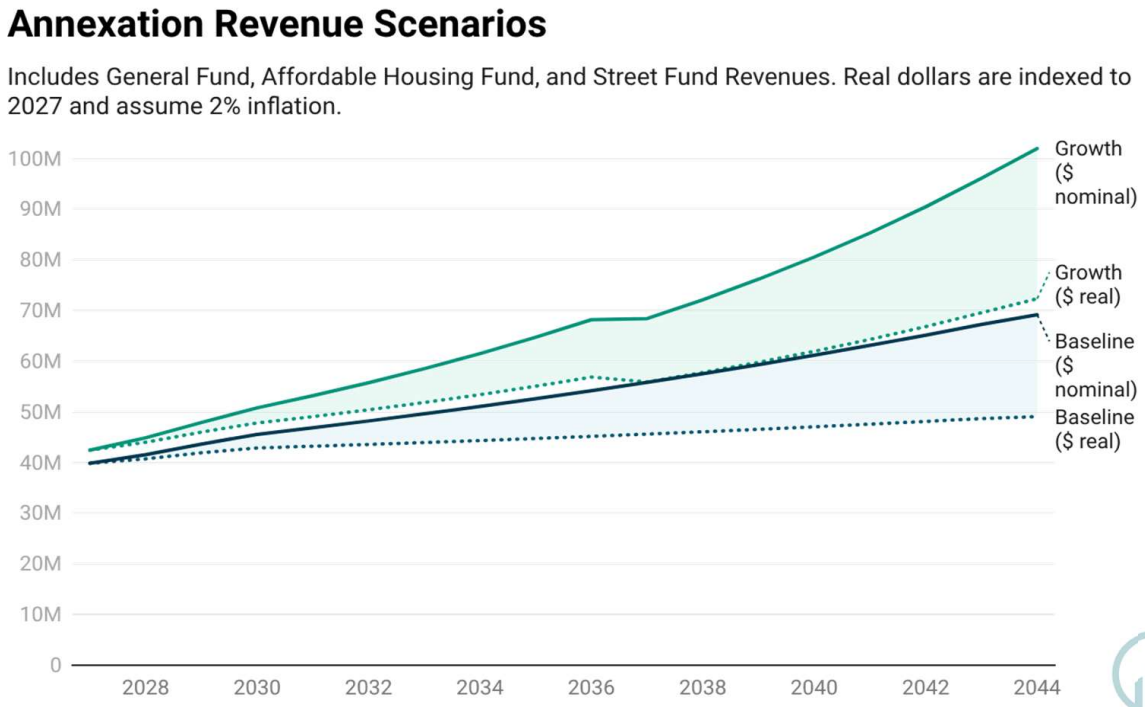
SME Consulting

Revenue Scenarios

Baseline: roughly **1.3 percent above inflation** over the time period.

Growth: roughly **3.2 percent above inflation** over the time period.

- Potentially more realistic given the growth anticipated in the Martha Lake area.



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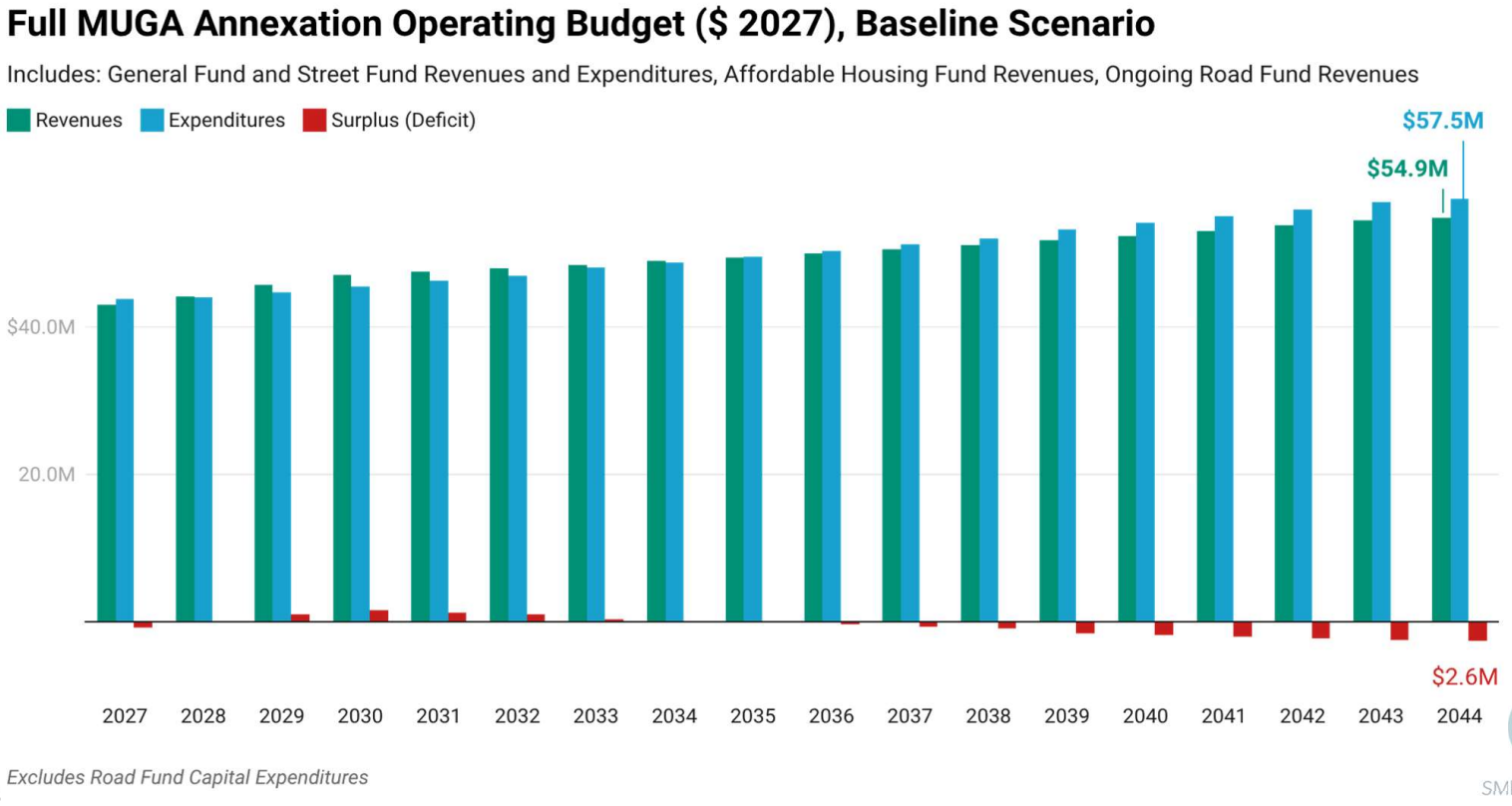
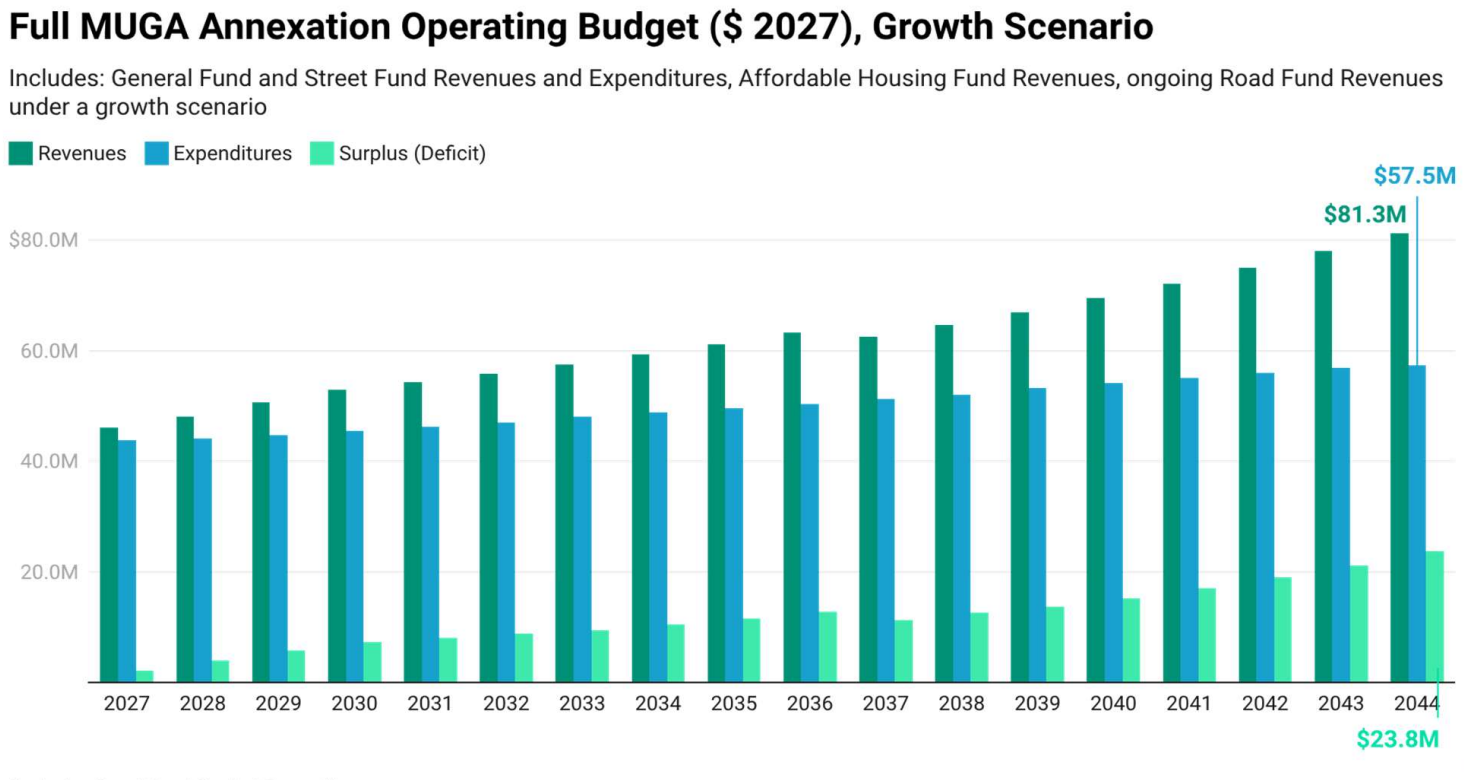
Baseline Scenario



Growth Scenario



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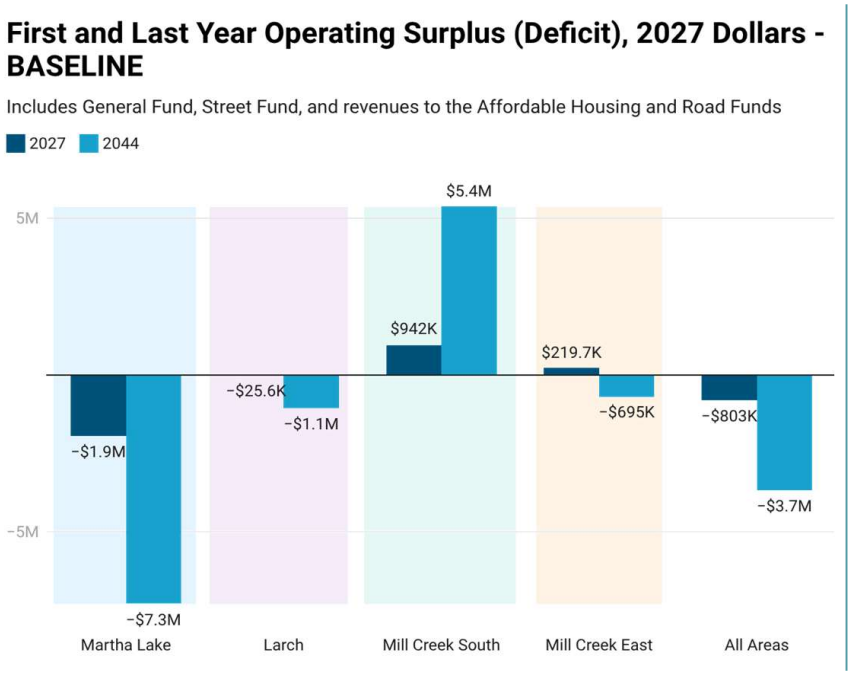
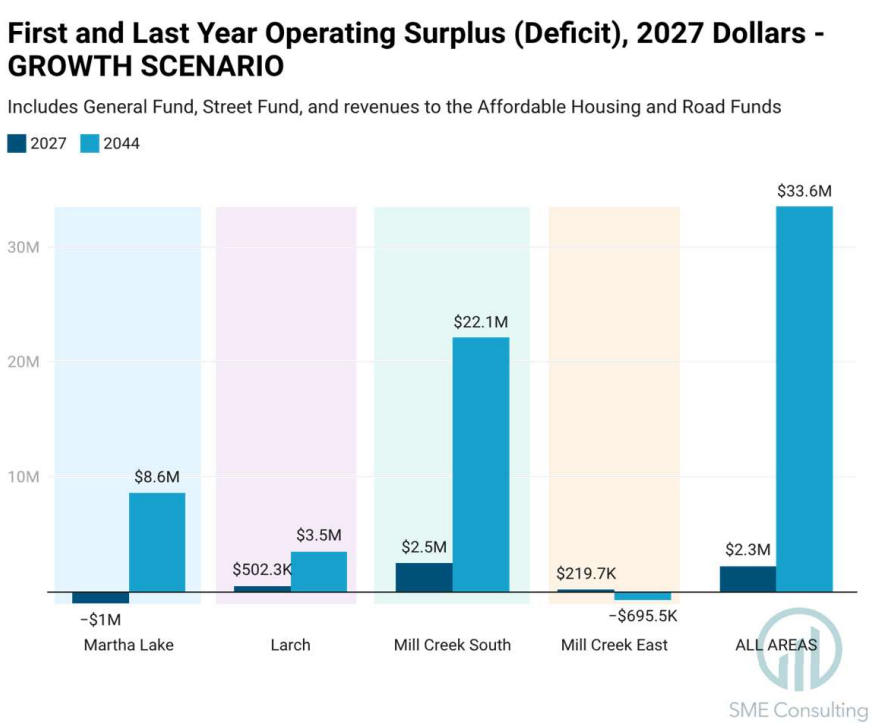
Excludes Road Fund Capital Expenditures

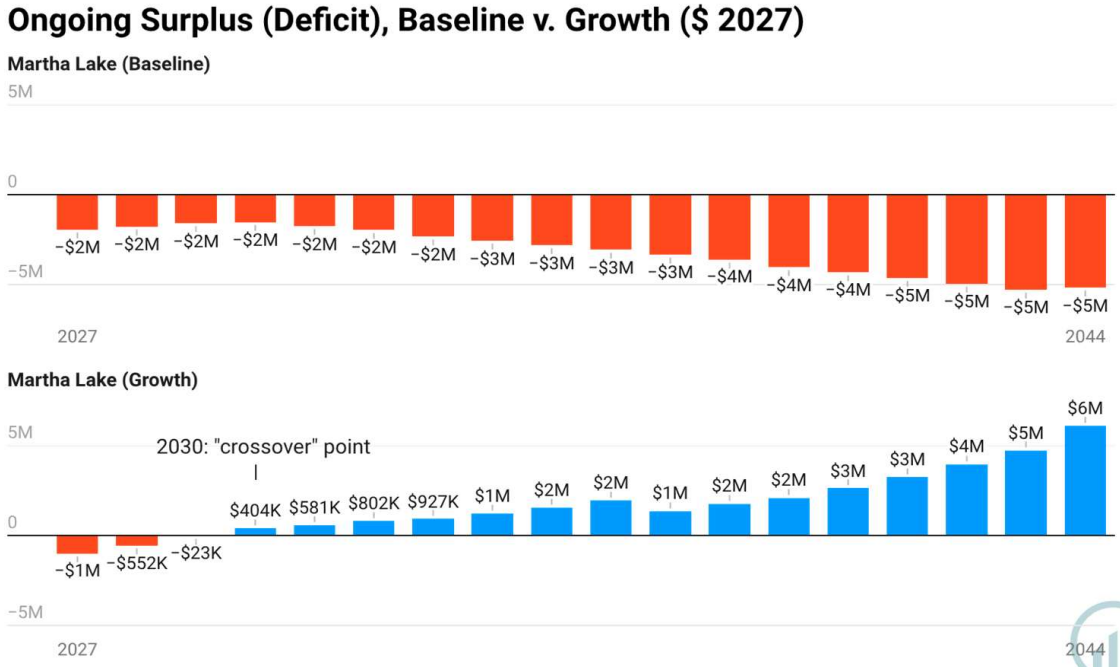
All Areas – Year 1 and 2044 Surplus (Deficit)





Martha Lake Considerations

Annexation bottom line pencils out if Martha Lake **achieves growth** in new development, housing units, and taxable retail sales activity, and/or experiences increased property values.



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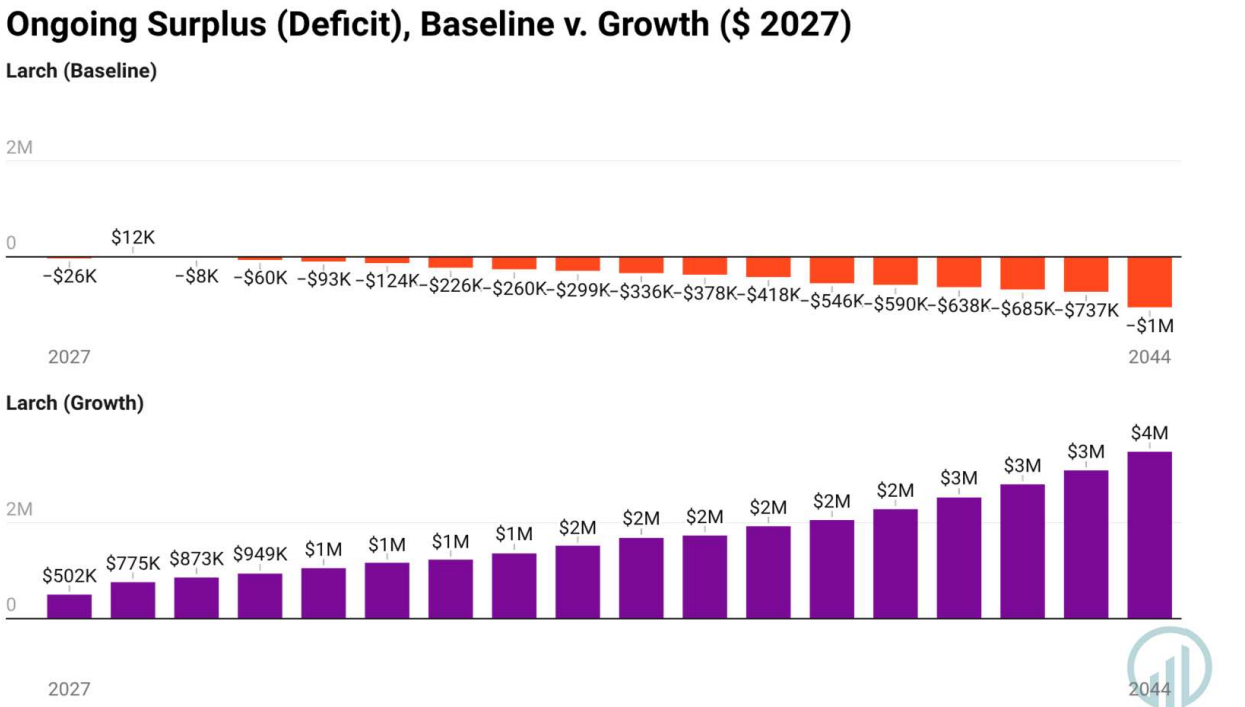
Larch Considerations

To a lesser extent, Larch also has an implication for the bottom line of annexation.

Growth assumptions here are primarily assumed **spillover** from activity in the Martha Lake area.



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Other Considerations

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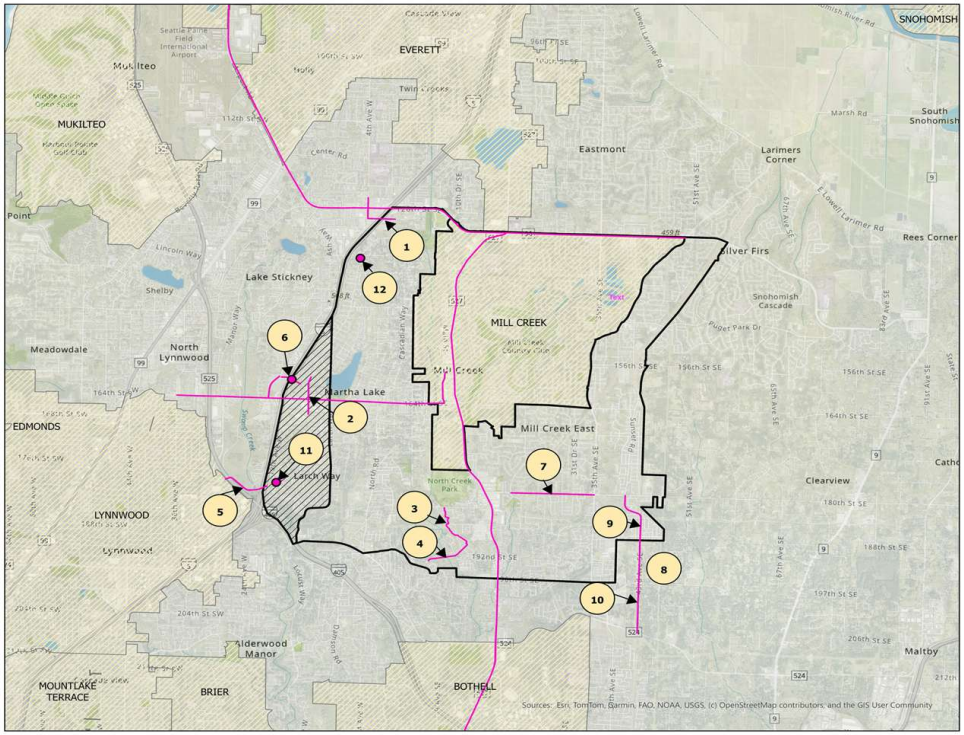
Transportation Capital



Snohomish County 2026-2031 TIP projects within the Municipal Urban Growth Area

No.	SnoCo TIP#	Project Name
1	A.21.03	128th St SW / 130th St SW High Capacity Transit Access Study
2	C.41	Interurban Trail Improvements: 167 Pl SW to 160 St SW
3	C.42.02	North Creek Trail Phase 2: Waxen Rd to 183rd St SE
4	C.42.03	North Creek Trail Phase 3: Sprague Dr to Waxen Rd
5	C.43	Interurban Trail / Maple Rd at I-5 Overcrossing Improvements
6	C.57	I-5 / 164th St SW Direct Access Improvements
7	E.41.06	180 St SE Phase 2: Brook Blvd to 35 Ave SE
8	E.59	43rd Ave SE: SR 524 to 180th St SE
9	E.59.01	43rd Ave SE Phase 1: 188th St SE to 180th St SE
10	E.59.02	43rd Ave SE Phase 2: SR 524 Roundabout to 188th St SE
11	E.62	Maple Rd / Butternut Rd Intersection Improvements
12	G.10.04	Meadow Rd Culvert Replacement at 13632

Mill Creek MUGA AREAS
- MILL CREEK
- MILL CREEK MUGA
- OVERLAP AREAS CLAIMED BY MORE THAN ONE CITY
- Cities
- SnoCo TIP project location
- SnoCo TIP project corridor

0 0.25 0.5 1 1.5 2 Miles

Snohomish County

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Total one-time cost of all projects is **$28.8 million** (about $6.4 million / year spread over five years).

Additional **$6.8 million per year** in road repavement, sidewalk maintenance.

SME Consulting

Surface Water

Surface Water Revenues and Expenditures, Year 1

Estimated revenues under Mill Creek charges. Estimated expenditures under annexation model assumptions. Annualized cost of capital projects shown at bottom of table.

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Annexation Areas	ALL AREAS
Revenues	$2,347,000	$2,433,000	$979,000	$3,681,000	$997,000	$8,090,000	$10,437,000
Expenditures	$3,872,000	$1,696,000	$771,000	$2,449,000	$754,000	$5,670,000	$9,542,000
Net Surface Water Revenues (Expenditures)	*−$1,525,000*	*$737,000*	*$208,000*	*$1,232,000*	*$243,000*	*$2,420,000*	*$895,000*
Surface water capital		$897,000	$897,000	$897,000	$897,000	$3,588,000	$3,588,000

Note: $5.7 million in operating costs is about 7% of County operating spending (assets were about 9%).

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Surface water program would more than break even under model assumptions, in the first year.

County estimates $43 million in **known** fish culverts (shown at left) and an additional $180 million in **unknown** culverts (not shown at left).

SME Consulting

One-Time Costs, Unknowns, Other Considerations

- Additional ~$10.1 million/year in capital costs related to road resealing, pavement management, and transportation improvement projects.
- Larger cities have a level of investments in services that aren't currently offered at as robust a level in Mill Creek (specifically, recreation, development, planning).
- Larger cities have a more mature surface water utility (though the City has more flexibility here to phase implementation of responsibilities, and to recover costs with rate setting).
- Larger cities have different fee structures and revenue structures that can defray some costs.
- Timing and implementation phasing would allow the City to scale assumed responsibility (and costs).

SME Consulting

BASELINE SCENARIO: ANNEXATION REVENUE, EXPENDITURE, AND NET SURPLUS (DEFICIT), ALL YEARS (2027 DOLLARS)

Martha Lake	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$12,181,725	$12,543,797	$13,100,885	$13,577,264	$13,747,517	$13,920,166	$14,099,632	$14,281,819	$14,471,165	$14,663,576	$14,863,510	$15,066,872	$15,278,144	$15,493,229	$15,716,635	$15,944,263	$16,180,649	$16,421,694
Expenditures	$14,120,839	$14,316,320	$14,686,283	$15,105,006	$15,499,710	$15,891,315	$16,428,862	$16,844,239	$17,290,026	$17,733,339	$18,208,565	$18,681,665	$19,319,411	$19,821,658	$20,359,138	$20,895,381	$21,468,631	$21,592,516
Surplus (Deficit)	*-$1,939,114*	*-$1,772,523*	*-$1,585,398*	*-$1,527,742*	*-$1,752,193*	*-$1,971,149*	*-$2,329,231*	*-$2,562,420*	*-$2,818,861*	*-$3,069,763*	*-$3,345,055*	*-$3,614,793*	*-$4,041,267*	*-$4,328,429*	*-$4,642,503*	*-$4,951,117*	*-$5,287,981*	*-$5,170,822*

Larch	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$6,959,283	$7,047,235	$7,143,659	$7,233,083	$7,325,902	$7,418,661	$7,516,530	$7,614,526	$7,717,732	$7,821,258	$7,930,104	$8,039,471	$8,154,276	$8,269,811	$8,390,911	$8,512,957	$8,640,708	$8,534,961
Expenditures	$6,984,906	$7,035,286	$7,151,650	$7,289,823	$7,411,613	$7,531,045	$7,716,436	$7,840,157	$7,971,816	$8,101,246	$8,238,777	$8,374,137	$8,583,000	$8,723,216	$8,871,899	$9,018,568	$9,173,884	$9,284,431
Surplus (Deficit)	*-$25,623*	*$11,949*	*-$7,991*	*-$56,740*	*-$85,711*	*-$112,384*	*-$199,906*	*-$225,631*	*-$254,084*	*-$279,988*	*-$308,673*	*-$334,666*	*-$428,724*	*-$453,405*	*-$480,988*	*-$505,611*	*-$533,176*	*-$749,470*

Mill Creek South	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$18,834,230	$19,371,603	$20,203,218	$20,852,277	$21,016,725	$21,191,621	$21,382,524	$21,584,471	$21,802,928	$22,033,136	$22,280,476	$22,540,395	$22,818,196	$23,109,531	$23,419,638	$23,744,376	$24,088,926	$24,449,357
Expenditures	$17,892,206	$17,821,209	$17,968,241	$18,166,303	$18,318,717	$18,457,775	$18,736,004	$18,877,759	$19,037,544	$19,184,570	$19,349,417	$19,501,774	$19,807,346	$19,962,385	$20,134,899	$20,295,509	$20,473,400	$20,639,649
Surplus (Deficit)	*$942,024*	*$1,550,394*	*$2,234,977*	*$2,685,973*	*$2,698,009*	*$2,733,847*	*$2,646,520*	*$2,706,712*	*$2,765,383*	*$2,848,566*	*$2,931,059*	*$3,038,621*	*$3,010,850*	*$3,147,146*	*$3,284,739*	*$3,448,867*	*$3,615,526*	*$3,809,707*

Mill Creek East	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$5,102,159	$5,196,225	$5,367,829	$5,500,201	$5,505,739	$5,510,219	$5,517,515	$5,523,820	$5,532,923	$5,541,105	$5,552,069	$5,562,183	$5,575,069	$5,587,176	$5,602,049	$5,616,217	$5,633,146	$5,445,386
Expenditures	$4,882,465	$4,918,914	$4,973,290	$5,023,767	$5,079,977	$5,132,345	$5,230,175	$5,283,675	$5,342,883	$5,398,379	$5,459,562	$5,517,093	$5,624,846	$5,683,560	$5,747,940	$5,808,804	$5,875,317	$5,938,372
Surplus (Deficit)	*$219,694*	*$277,311*	*$394,539*	*$476,434*	*$425,762*	*$377,874*	*$287,340*	*$240,145*	*$190,040*	*$142,725*	*$92,507*	*$45,090*	*-$49,777*	*-$96,383*	*-$145,892*	*-$192,587*	*-$242,171*	*-$492,986*

All Areas	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$43,077,397	$44,158,860	$45,815,590	$47,162,824	$47,595,883	$48,040,668	$48,516,201	$49,004,636	$49,524,748	$50,059,075	$50,626,159	$51,208,921	$51,825,684	$52,459,747	$53,129,232	$53,817,814	$54,543,429	$54,851,398
Expenditures	$43,880,416	$44,091,729	$44,779,464	$45,584,899	$46,310,016	$47,012,480	$48,111,478	$48,845,830	$49,642,269	$50,417,535	$51,256,322	$52,074,669	$53,334,603	$54,190,819	$55,113,876	$56,018,262	$56,991,231	$57,454,969
Surplus (Deficit)	*-$803,019*	*$67,131*	*$1,036,126*	*$1,577,925*	*$1,285,867*	*$1,028,188*	*$404,723*	*$158,806*	*-$117,522*	*-$358,460*	*-$630,162*	*-$865,748*	*-$1,508,919*	*-$1,731,071*	*-$1,984,644*	*-$2,200,448*	*-$2,447,802*	*-$2,603,571*

GROWTH SCENARIO: ANNEXATION REVENUE, EXPENDITURE, AND NET SURPLUS (DEFICIT), ALL YEARS (2027 DOLLARS)

Martha Lake	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$13,118,053	$13,764,500	$14,663,534	$15,508,627	$16,080,608	$16,693,350	$17,355,553	$18,067,909	$18,840,211	$19,674,355	$19,560,191	$20,446,160	$21,410,567	$22,457,436	$23,600,370	$24,845,459	$26,208,655	$27,698,651
Expenditures	$14,120,839	$14,316,320	$14,686,283	$15,105,006	$15,499,710	$15,891,315	$16,428,862	$16,844,239	$17,290,026	$17,733,339	$18,208,565	$18,681,665	$19,319,411	$19,821,658	$20,359,138	$20,895,381	$21,468,631	$21,592,516
Surplus (Deficit)	*-$1,002,786*	*-$551,820*	*-$22,749*	*$403,621*	*$580,899*	*$802,035*	*$926,690*	*$1,223,670*	*$1,550,184*	*$1,941,016*	*$1,351,627*	*$1,764,496*	*$2,091,156*	*$2,635,778*	*$3,241,232*	*$3,950,079*	*$4,740,024*	*$6,106,135*

Larch	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$7,487,216	$7,794,333	$7,989,812	$8,183,259	$8,384,498	$8,592,076	$8,810,374	$9,035,567	$9,272,024	$9,516,597	$9,669,217	$9,930,673	$10,205,415	$10,489,867	$10,788,406	$11,098,215	$11,423,354	$11,769,103
Expenditures	$6,984,906	$7,035,286	$7,151,650	$7,289,823	$7,411,613	$7,531,045	$7,716,436	$7,840,157	$7,971,816	$8,101,246	$8,238,777	$8,374,137	$8,583,000	$8,723,216	$8,871,899	$9,018,568	$9,173,884	$9,284,431
Surplus (Deficit)	*$502,310*	*$759,047*	*$838,162*	*$893,437*	*$972,886*	*$1,061,031*	*$1,093,937*	*$1,195,410*	*$1,300,208*	*$1,415,351*	*$1,430,440*	*$1,556,536*	*$1,622,415*	*$1,766,652*	*$1,916,507*	*$2,079,646*	*$2,249,470*	*$2,484,673*

Mill Creek South	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$20,425,079	$21,344,518	$22,627,806	$23,748,215	$24,415,816	$25,129,880	$25,901,039	$26,725,536	$27,614,403	$28,564,716	$27,817,129	$28,795,307	$29,847,194	$30,971,053	$32,178,953	$33,470,223	$34,857,728	$36,342,012
Expenditures	$17,892,206	$17,821,209	$17,968,241	$18,166,303	$18,318,717	$18,457,775	$18,736,004	$18,877,759	$19,037,544	$19,184,570	$19,349,417	$19,501,774	$19,807,346	$19,962,385	$20,134,899	$20,295,509	$20,473,400	$20,639,649
Surplus (Deficit)	*$2,532,873*	*$3,523,310*	*$4,659,565*	*$5,581,911*	*$6,097,099*	*$6,672,106*	*$7,165,034*	*$7,847,778*	*$8,576,859*	*$9,380,146*	*$8,467,712*	*$9,293,534*	*$10,039,848*	*$11,008,667*	*$12,044,054*	*$13,174,714*	*$14,384,328*	*$15,702,363*

Mill Creek East	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$5,102,142	$5,196,191	$5,367,776	$5,500,129	$5,505,648	$5,510,110	$5,517,386	$5,523,671	$5,532,753	$5,540,914	$5,551,857	$5,561,950	$5,574,813	$5,586,898	$5,601,747	$5,615,892	$5,632,798	$5,445,013
Expenditures	$4,882,465	$4,918,914	$4,973,290	$5,023,767	$5,079,977	$5,132,345	$5,230,175	$5,283,675	$5,342,883	$5,398,379	$5,459,562	$5,517,093	$5,624,846	$5,683,560	$5,747,940	$5,808,804	$5,875,317	$5,938,372
Surplus (Deficit)	*$219,677*	*$277,276*	*$394,486*	*$476,363*	*$425,672*	*$377,765*	*$287,211*	*$239,996*	*$189,871*	*$142,535*	*$92,295*	*$44,856*	*-$50,033*	*-$96,661*	*-$146,193*	*-$192,911*	*-$242,519*	*-$493,359*

All Areas	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
Revenues	$46,132,490	$48,099,542	$50,648,928	$52,940,231	$54,386,571	$55,925,416	$57,584,351	$59,352,683	$61,259,391	$63,296,582	$62,598,395	$64,734,090	$67,037,989	$69,505,254	$72,169,477	$75,029,789	$78,122,534	$81,254,781
Expenditures	$43,880,416	$44,091,729	$44,779,464	$45,584,899	$46,310,016	$47,012,480	$48,111,478	$48,845,830	$49,642,269	$50,417,535	$51,256,322	$52,074,669	$53,334,603	$54,190,819	$55,113,876	$56,018,262	$56,991,231	$57,454,969
Surplus (Deficit)	*$2,252,074*	*$4,007,813*	*$5,869,464*	*$7,355,332*	*$8,076,555*	*$8,912,936*	*$9,472,873*	*$10,506,853*	*$11,617,122*	*$12,879,048*	*$11,342,074*	*$12,659,421*	*$13,703,386*	*$15,314,436*	*$17,055,600*	*$19,011,527*	*$21,131,303*	*$23,799,812*

BASELINE SCENARIO: ANNEXATION REVENUE, EXPENDITURE, AND NET SURPLUS (DEFICIT), YEAR 1

The tables below show the estimated ongoing revenue, expenditure, and net revenue or (expenditure) impacts of annexation for eachoperating fund, and known capital expenditures for one year. For the General Fund, the table lists impacts by type of revenue and the expenditure impacts by department for each area (City, each MUGA subarea, total MUGA, and the total City plus total MUGA). For other funds, revenues, expenditures, and net revenues or (expenditures) are shown. General Fund, Street Fund, REET fund, ongoing revenues in the Road Fund (including vehicle tabs), and Affordable Housing fund revenues are shown together above Surface Water, which is an enterprise fund and is assumed to have less cross-reliance than the tax-supported funds. These are the costs in Year 1 assuming full annexation at full service level (e.g., assuming that immediately upon annexation, the City was at full staffing levels necessary to provide services at the level assumed in the model). Expenditures are the same under both baseline and growth scenarios. For the City of MIll Creek, total expenditures do not equal adopted budget totals; these are the total expenditures in the departments and programs that are included in the financial model.

General Fund

	Creek	Martha Lake	Larch	South	Mill Creek East	Areas	ALL AREAS
Property Taxes	$4,520,000	$2,809,000	$1,654,000	$5,289,000	$1,536,000	$11,288,000	$15,808,000
Sales Tax	$4,723,000	$2,467,000	$1,055,000	$6,175,000	$884,000	$10,581,000	$15,304,000
Other Taxes	$3,414,000	$2,906,000	$1,532,000	$2,442,000	$1,174,000	$8,054,000	$11,468,000
Total Taxes	$12,657,000	$8,182,000	$4,240,000	$13,907,000	$3,594,000	$29,923,000	$42,580,000
Licenses & Permits	$616,000	$534,000	$295,000	$741,000	$252,000	$1,822,000	$2,438,000
Intragovernmental	$476,000	$525,000	$235,000	$772,000	$229,000	$1,761,000	$2,237,000
Charges	$1,206,000	$454,000	$83,000	$333,000	$74,000	$944,000	$2,150,000
Fines & Penalties	$150,000	$126,000	$57,000	$184,000	$55,000	$422,000	$572,000
General Fund Revenues	$15,105,000	$9,821,000	$4,910,000	$15,937,000	$4,204,000	$34,872,000	$49,977,000
General Fund Expenditures							
Police	$5,636,000	$5,468,000	$2,632,000	$7,949,000	$2,229,000	$18,278,000	$23,914,000
Jail, Judicial Services, Snohomish 911	$1,038,000	$553,000	$186,000	$625,000	$184,000	$1,548,000	$2,586,000
Parks	$497,000	$786,000	$351,000	$1,140,000	$192,000	$2,469,000	$2,966,000
Parks M&O	$678,000	$1,542,000	$1,055,000	$1,542,000	$81,000	$4,220,000	$4,898,000
Planning & Development	$1,004,000	$1,345,000	$604,000	$1,948,000	$589,000	$4,486,000	$5,490,000
Fleet and Facilities		$388,000	$197,000	$506,000	$138,000	$1,229,000	$1,229,000
Central Services	$2,871,000	$1,924,000	$971,000	$2,200,000	$718,000	$5,813,000	$8,684,000
General Fund Expenditures	$11,724,000	$12,006,000	$5,996,000	$15,910,000	$4,131,000	$38,043,000	$49,767,000
Net General Fund Revenues (Expenditures)	***$3,381,000***	***-$2,185,000***	***-$1,086,000***	***$27,000***	***$73,000***	***-$3,171,000***	***$210,000***

Affordable Housing Fund

Revenues	$50,000	$228,000	$78,000	$500,000	$63,000	$869,000	$919,000

REET, Street, Road Fund

Revenues	$1,892,000	$2,133,000	$1,972,000	$2,398,000	$835,000	$7,338,000	$9,230,000
PW Streets Expenditures	$903,000	$2,115,000	$989,000	$1,981,000	$752,000	$5,837,000	$6,740,000
Net REET, Street, Road Revenues (Expenditures)	*$989,000*	*$18,000*	*$983,000*	*$417,000*	*$83,000*	*$1,501,000*	*$2,490,000*

General Fund and Other Ongoing Net Revenues (Expenditures): A + B + C	***$4,420,000***	***-$1,939,000***	***-$25,000***	***$944,000***	***$219,000***	***-$801,000***	***$3,619,000***
Surface Water Fund							
Revenues	$2,347,000	$2,433,000	$979,000	$3,681,000	$997,000	$8,090,000	$10,437,000
Expenditures	$3,872,000	$1,696,000	$771,000	$2,449,000	$754,000	$5,670,000	$9,542,000
Net Surface Water Revenues (Expenditures)	*-$1,525,000*	*$737,000*	*$208,000*	*$1,232,000*	*$243,000*	*$2,420,000*	*$895,000*
Net Ongoing Revenues (Expenditures): D + E	***$2,895,000***	***-$1,202,000***	***$183,000***	***$2,176,000***	***$462,000***	***$1,619,000***	***$4,514,000***
Capital Expenditures (Annualized)							
Surface water capital	$1,790,000	$897,000	$897,000	$897,000	$897,000	$3,588,000	$5,378,000
Road Fund Capital	$5,118,000	$1,932,000	$1,197,000	$2,456,000	$837,000	$6,422,000	$11,540,000
Transportation Improvement Projects (2026-2031)	$5,074,500	$4,314,000	$716,000	$1,433,000	$0	$6,463,000	$11,537,500
Total Capital	$11,982,500	$7,143,000	$2,810,000	$4,786,000	$1,734,000	$16,473,000	$28,455,500

GROWTH SCENARIO: ANNEXATION REVENUE, EXPENDITURE, AND NET SURPLUS (DEFICIT), YEAR 1

The tables below show the estimated ongoing revenue, expenditure, and net revenue or (expenditure) impacts of annexation for eachoperating fund, and known capital expenditures for one year. For the General Fund, the table lists impacts by type of revenue and the expenditure impacts by department for each area (City, each MUGA subarea, total MUGA, and the total City plus total MUGA). For other funds, revenues, expenditures, and net revenues or (expenditures) are shown. General Fund, Street Fund, REET fund, ongoing revenues in the Road Fund (including vehicle tabs), and Affordable Housing fund revenues are shown together above Surface Water, which is an enterprise fund and is assumed to have less cross-reliance than the tax-supported funds. These are the costs in Year 1 assuming full annexation at full service level (e.g., assuming that immediately upon annexation, the City was at full staffing levels necessary to provide services at the level assumed in the model). Expenditures are the same under both baseline and growth scenarios. For the City of MIll Creek, total expenditures do not equal adopted budget totals; these are the total expenditures in the departments and programs that are included in the financial model.

General Fund

Revenue	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Annexation Areas	ALL AREAS
Property Taxes	$4,520,000	$2,889,000	$1,821,000	$5,289,000	$1,536,000	$11,535,000	$16,055,000
Sales Tax	$4,723,000	$2,796,000	$1,193,000	$6,686,000	$884,000	$11,559,000	$16,282,000
Other Taxes	$3,414,000	$2,906,000	$1,532,000	$2,442,000	$1,174,000	$8,054,000	$11,468,000
Annexation		$434,000	$69,000	$974,000		$1,477,000	$1,477,000
Total Taxes	$12,657,000	$9,025,000	$4,615,000	$15,391,000	$3,594,000	$32,625,000	$45,282,000
Licenses & Permits	$616,000	$534,000	$295,000	$799,000	$252,000	$1,880,000	$2,496,000
Intragovernmental	$476,000	$525,000	$235,000	$772,000	$229,000	$1,761,000	$2,237,000
Charges	$1,206,000	$454,000	$252,000	$333,000	$74,000	$1,113,000	$2,319,000
Fines & Penalties	$150,000	$126,000	$57,000	$184,000	$55,000	$422,000	$572,000
General Fund Revenues	$15,105,000	$10,664,000	$5,454,000	$17,479,000	$4,204,000	$37,801,000	$52,906,000
Expenditures							
Police	$5,636,000	$5,468,000	$2,632,000	$7,949,000	$2,229,000	$18,278,000	$23,914,000
Jail, Judicial Services, Snohomish 911	$1,038,000	$553,000	$186,000	$625,000	$184,000	$1,548,000	$2,586,000
Parks	$497,000	$786,000	$351,000	$1,140,000	$192,000	$2,469,000	$2,966,000
Parks M&O	$678,000	$1,542,000	$1,055,000	$1,542,000	$81,000	$4,220,000	$4,898,000
Planning & Development	$1,004,000	$1,345,000	$604,000	$1,948,000	$589,000	$4,486,000	$5,490,000
Fleet and Facilities		$388,000	$197,000	$506,000	$138,000	$1,229,000	$1,229,000
Central Services	$2,871,000	$1,924,000	$971,000	$2,200,000	$718,000	$5,813,000	$8,684,000
General Fund Expenditures	$11,724,000	$12,006,000	$5,996,000	$15,910,000	$4,131,000	$38,043,000	$49,767,000
A. Net General Fund Revenues (Expenditures)	***$3,381,000***	***-$1,342,000***	***-$542,000***	***$1,569,000***	***$73,000***	***-$242,000***	***$3,139,000***
Affordable Housing Fund							
B. Revenues	$50,000	$281,000	$91,000	$548,000	$63,000	$983,000	$1,033,000
REET, Street, Road Fund							
Street Revenues	$1,892,000	$2,172,000	$2,033,000	$2,398,000	$835,000	$7,438,000	$9,330,000
Street Expenditures	$903,000	$2,115,000	$989,000	$1,981,000	$752,000	$5,837,000	$6,740,000
C. Net REET, Street, Road Revenues (Expenditures)	*$989,000*	*$57,000*	*$1,044,000*	*$417,000*	*$83,000*	*$1,601,000*	*$2,590,000*
D. General Fund and Other Ongoing Net Revenues (Expenditures): A + B + C	***$4,420,000***	***-$1,004,000***	***$593,000***	***$2,534,000***	***$219,000***	***$2,342,000***	***$6,762,000***

Surface Water Fund							
Revenues	$2,347,000	$2,433,000	$979,000	$3,681,000	$997,000	$8,090,000	$10,437,000
Expenditures	$3,872,000	$1,696,000	$771,000	$2,449,000	$754,000	$5,670,000	$9,542,000
E. Net Surface Water Revenues (Expenditures)	*-$1,525,000*	*$737,000*	*$208,000*	*$1,232,000*	*$243,000*	*$2,420,000*	*$895,000*
F. Net Ongoing Revenues (Expenditures): D + E	***$2,895,000***	***-$267,000***	***$801,000***	***$3,766,000***	***$462,000***	***$4,762,000***	***$7,657,000***
Capital Expenditures (Annualized)							
Surface water capital	$1,790,000	$897,000	$897,000	$897,000	$897,000	$3,588,000	$5,378,000
Road Fund Capital	$5,118,000	$1,932,000	$1,197,000	$2,456,000	$837,000	$6,422,000	$11,540,000
Transportation Improvement Projects (2026-2031)	$5,074,500	$4,314,000	$716,000	$1,433,000	$0	$6,463,000	$11,537,500
Total Capital	$11,982,500	$7,143,000	$2,810,000	$4,786,000	$1,734,000	$16,473,000	$28,455,500

ANNEXATION STAFFING IMPACTS

The tables below show FTE impacts by department and by area (City, each MUGA subarea, total MUGA, and the total City plus total MUGA). These are year 1 FTE at full staffing levels (e.g., assuming that immediately upon annexation, the City was at full staffing levels necessary to provide services at the level assumed in the model). After Year 1, FTE grow with population.

Table 1. Citywide

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Police	29.2	25.7	12.0	37.4	10.8	**85.9**	**115.0**
Public Works - Administration	2.4					**0.0**	**2.4**
Public Works - Streets	3.8	7.8	3.9	7.8	3.0	**22.6**	**26.4**
Public Works - Surface Water	3.9	5.7	2.6	8.3	2.5	**19.1**	**23.1**
Public Works - Parks M&O	2.9	7.1	4.8	7.1	0.3	**19.3**	**22.2**
Parks and Recreation	3.0	4.6	2.1	6.7	1.1	**14.5**	**17.5**
Community Development	4.0	7.4	3.3	10.7	3.2	**24.6**	**28.6**
Fleet & Facilities		2.0	1.0	2.7	0.7	**6.4**	**6.4**
Central Services	15.2	8.2	4.0	9.3	2.9	**24.5**	**39.7**
Total	**64.4**	**68.6**	**33.8**	**90.0**	**24.5**	**216.8**	**281.2**

Table 2. Police

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Chief	1.0	0.0	0.0	0.0	0.0	0.0	1.0
Patrol Officers	13.1	13.5	6.0	19.3	5.9	44.7	57.8
Corporal	4.0	2.4	1.1	3.4	1.0	8.0	12.0
Sergeant	5.0	2.6	1.2	3.8	1.2	8.8	13.8
Additional Command	0.0	1.0	1.0	2.0	0.0	4.0	4.0
School Resource Officer	2.0						2.0
Non-Commissioned	4.0	6.2	2.8	8.8	2.7	20.5	24.5
Total	**29.2**	**25.7**	**12.0**	**37.4**	**10.8**	**85.9**	**115.0**

Table 3a. Public Works - Streets Maintenance and Operations (M&O)

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Manager*	0.3	0.3	0.3	0.3	0.3	1.0	1.3
Engineer	1.0	2.5	1.2	2.5	0.9	7.2	8.2
Maintenance Supervisor	0.3	0.8	0.4	0.8	0.3	2.2	2.5
Maintenance Worker	2.3	4.2	2.1	4.2	1.6	12.1	14.4
Total	**3.8**	**7.8**	**3.9**	**7.8**	**3.0**	**22.6**	**26.4**

**Assume 1 manager under any annexation scenario. All other positions scale.*

Table 3b. Public Works - Surface Water

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Manager*	0.3	0.3	0.3	0.3	0.3	1.0	1.3
Maintenance Supervisor	0.3	0.4	0.2	0.6	0.2	1.4	1.7
M&O	2.3	2.3	1.0	3.3	1.0	7.6	9.9
All Other	1.0	2.8	1.1	4.2	1.1	9.2	10.2
Total	**3.9**	**5.7**	**2.6**	**8.3**	**2.5**	**19.1**	**23.1**

**Assume 1 manager under any annexation scenario. All other positions scale.*

Table 3c. Public Works - Parks M&O

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Manager*	0.3	0.3	0.3	0.3	0.3	1.0	1.3
Maintenance Supervisor	0.3	0.9	0.6	0.9	0.0	2.3	2.6
Maintenance Worker	2.3	6.0	4.0	6.0	0.0	16.0	18.3
Total	**2.9**	**7.1**	**4.8**	**7.1**	**0.3**	**19.3**	**22.2**

**Assume 1 manager under any annexation scenario. All other positions scale.*

Table 4. Parks and Recreation*

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Manager	1.0	0.8	0.3	1.1	0.2	2.4	3.4
Coordinator	2.0	3.8	1.7	5.6	0.9	12.1	14.1
Total	**3.0**	**4.6**	**2.1**	**6.7**	**1.1**	**14.5**	**17.5**

**Benchmark staffing levels for this department included other programs like arts, culture, tourism, and human services.*

Table 6. Community Planning and Development

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Associate Planner	1.0					0.0	1.0
Director	1.0					0.0	1.0
Senior Planner	1.0					0.0	1.0
Building official	1.0	0.3	0.3	0.3	0.3	1.0	2.0
Code official		0.3	0.3	0.3	0.3	1.0	1.0
Plans examiner		0.3	0.3	0.3	0.3	1.0	1.0
SEPA Environmental Planner		0.3	0.3	0.3	0.3	1.0	1.0
All other		6.4	2.3	9.7	2.2	20.6	20.6
Total	**4.0**	**7.4**	**3.3**	**10.7**	**3.2**	**24.6**	**28.6**

**Assume 1 building official, code official, plans examiner, or SEPA environmental planner under any annexation scenario. All other positions scale.*

Table 7. Internal Services (Fleet, Facilities, Central Services)

	City of Mill Creek	Martha Lake	Larch	Mill Creek South	Mill Creek East	Total MUGA	Total, All Areas
Fleet	0.0	0.9	0.5	1.2	0.3	**3.0**	**3.0**
Facilities	0.0	1.1	0.5	1.5	0.4	**3.5**	**3.5**
Executive	3.5	1.8	0.9	2.3	0.6	**5.6**	**9.1**
Finance	7.2	2.3	1.1	1.4	0.8	**5.6**	**12.8**
Human Resources	1.0	1.1	0.5	1.4	0.4	**3.5**	**4.5**
Information Technology	2.0	3.1	1.5	4.1	1.1	**9.8**	**11.8**
	13.7	**10.2**	**5.0**	**12.0**	**3.7**	**30.9**	**44.6**

The tables below show the assumptions and inputs used to develop the annexation expenditure and revenue models.

GENERAL INFORMATION

Population	2025	2044	Annual Growth, 2024 - 2044	Notes
City of Mill Creek	21,630	24,813	0.73%	*Office of Financial Management*
MUGA Forecast	60,143	74,636	1.1%	*Snohomish County*
Martha Lake	17,519	28,331	2.6%	*Snohomish County*
Larch	8,021	10,264	1.3%	*Snohomish County*
Mill Creek East	7,963	8,538	0.4%	*Snohomish County*
Mill Creek South	26,639	27,503	0.2%	*Snohomish County*

Transportation Assets	Road Miles	Signalized Intersections	Bridges	Notes
Martha Lake	56.8	8.0		*Snohomish County*
Larch	35.2	6.0		*Snohomish County*
Mill Creek East	72.2	18.0		*Snohomish County*
Mill Creek South	24.6	5.0	6.00	*Snohomish County*

Parks Assets	Parks	Park Acreage	Trail Miles	Notes
City of Mill Creek	10		25.0	
Martha Lake	3	106.2	3.7	*Snohomish County*
Larch	2	14.7	0.8	*Snohomish County*
Mill Creek East	1	4.7		*Snohomish County*
Mill Creek South	4	145.3		*Snohomish County*

Surface Water Infrastructure	Culvert (mi)	Enclosed Pipe (mi)	Open Channel (mi)	Pond Acres	Notes
Martha Lake	1.46	69.63	4.65	22.3	*Snohomish County*
Larch	2.07	29.84	6.36	6.4	*Snohomish County*
Mill Creek East	0.24	28.85	1.31	5.2	*Snohomish County*
Mill Creek South	3.78	44.40	9.84	8.3	*Snohomish County*

911 Call for Police	2023	2024	Notes
City of Mill Creek	14,460	16,981	*Snohomish 911*
Martha Lake	8,074	8,401	*Snohomish 911*
Larch	1,517	1,397	*Snohomish 911*
Mill Creek South	5,596	4,701	*Snohomish 911*
Mill Creek East	1,637	1,512	*Snohomish 911*

EXPENDITURE ASSUMPTIONS

General Assumptions	Assumption	Notes
Personnel cost inflation	3%	*City budget*
Other cost inflation	4%	*City budget*

Overhead	10%	*Assumption*
Amortization, replacement of capital equipment	6 years	*Assumption*

Police	**Assumption**	**Notes**
Commissioned staff per 1,000 residents	0.73	*Comparable city benchmark*
Officers per sergeant	5.10	*Comparable city benchmark*
Officers per corporal	5.60	*Comparable city benchmark*
New command staff	4.00	*City staff input*
Civilian staff per commissioned	0.18	*City staff input*
Vehicle per police officer	0.74	*City staff input*
Police vehicles and patrol equipment, total cost	$2,939,000	*Comparable city fleet cost scaled to model FTE*
Benefits and overtime as a % of salary	53%	*City base budget analysis*
Non-personnel costs as a share of personnel	15%	

Other Public Safety	**Jail**	**Judicial**	**Dispatch**	**Notes**
Martha Lake	$170,457	$205,913	$176,258	*Jail, judicial costs scale on a blended ratio of population increase and 911 call*
Larch	$57,337	$69,263	$59,698	*increase. Dispatch estimate provided by Sno911 staff.*
Mill Creek South	$190,462	$230,078	$204,911	
Mill Creek East	$56,695	$68,487	$58,831	

Public Works	**Assumption**	**Notes**
Workers per supervisor	5.5	*Comparable city benchmark*
Manager	4.0	*1 per division (Roads, Parks, Surface Water, Fleet & Facilities).*
Miles per road maintenance worker	15.4	*Comparable city benchmark*
Road, parks non-personnel as share of personnel	25%	*Reduced from 40% in City budget due to staff taking on more in-house*
Street and road vehicles & equipment, total cost	$3,068,000	*Comparable city fleet cost scaled to model FTE*
Developed parks per parks maintenance worker	2.0	*City staff in-put*
Parks O&M vehicles and equipment	$968,000	*Comparable city fleet cost scaled to model FTE*
Surface water FTE per 1,000	0.3	*Comparable city benchmark*
Surface water non-personnel as share of personnel	80%	*Reduced from 180% in City budget based on comparable city budget analysis*

Other FTE	**Assumption**	**Notes**
Community, Planning and Development per 1,000	0.40	*Comparable city benchmark*
Parks and Recreation per 1,000	0.31	*Comparable city benchmark*
Fleet: citywide FTE per fleet FTE	62.80	*Comparable city benchmark*
Facility: citywide FTE per facility FTE	53.30	*Comparable city benchmark*
Executive: citywide FTE per exec. FTE	33.30	*Comparable city benchmark*
Finance: citywide FTE per finance FTE	25.70	*Comparable city benchmark*
Human Resources: citywide FTE per HR FTE	53.80	*Comparable city benchmark*
Information Technology: citywide FTE per IT FTE	19.00	*Comparable city benchmark*

REVENUE ASSUMPTIONS

Property Tax Assuptions - Baseline	**Martha Lake**	**Larch**	**Mill Creek S**	**Mill Creek East**	**Notes**
2025 Market Value ($B)	$4.4	$2.7	$7.7	$2.3	*Assessor*

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AGENDA ITEM #H.

2025 Assessed Value ($B)	$4.1	$2.4	$7.3	$2.2	*Assessor*
Valuation growth	5.0%	5.0%	5.0%	4.5%	*Conservative; 3% over inflation*
New construction as a share of AV (for sales tax calc)	0.9%	0.6%	0.9%	0.6%	*Baseline, historical*
REET taxable transactions as share of market value	5.7%	11.0%	2.7%	4.0%	*Baseline, historical*

Property Tax Assuptions - Growth	**Martha Lake**	**Larch**	**Mill Creek S**	**Mill Creek East**	
2025 Market Value ($B)	$4.4	$2.7	$7.7	$2.3	*Assessor*
2025 Assessed Value ($B)	$4.1	$2.4	$7.3	$2.2	*Assessor*
Valuation growth	8.0%	7.0%	8.0%	4.5%	*Baseline, historical; 5-6 percentage points over inflation*
New construction as a share of AV (for sales tax calc)	2.0%	1.5%	1.5%	0.6%	*0.5-1 percentage point over historical*
REET taxable transactions as share of market value	5.7%	11.0%	2.7%	4.0%	*Baseline, historical*

Sales Tax Assumptions	**Martha Lake**	**Larch**	**Mill Creek S**	**Mill Creek East**	
Remote sales per parcel	$15,810	$12,103	$38,609	$12,211	*Calculation from Department of Revenue, Assessor*
TRS per square foot (2023)	$122	$136	$258	$170	*Calculation from Department of Revenue, Assessor*
Taxable retail sales square footage	632,491	118,048	679,100	55,321	*Calculation from Department of Revenue, Assessor*
Annual growth in TRS PSF (over inflation)	3.5%	2.9%	2.7%	-	*SME assumption based on Heartland analysis*
Annual growth in TRS square footage (growth scenario)	5.7%	2.2%	5.3%	-	*SME assumption*

Intergovernmental Revenues	**Statutory Factor**	**Assumption**	**Notes**
Local Criminal Justice (County 10%, scale on population)	Per capita	population	
City Criminal Justice Assistance - Innovative Programs	Per capita	population	
City Criminal Justice Assistance - Population	Population & Violent Crime	population	*911 data indicate population is the larger scale factor*
City DUI Enforcement Assistance	Population & Crime Rate	population	*911 data indicate population is the larger scale factor*
Leasehold Excise Tax Sharing	Location	not included	*data not available*
Liquor Excise Tax Sharing	Per capita	population	
Liquor Profits Sharing	Per capita	population	
Motor Vehicle Fuel Tax Additional Sharing - City	Per capita	population	
Motor Vehicle Fuel Tax Sharing - City	Per capita	population	
Multimodal Transportation Account Sharing - City	Per capita	population	
PUD Privilege Tax	Location	not included	*data not available*

Other Revenues	**Assumption**
Utility tax	% of parcels that are customers; applied City assumptions
Surface water	% of parcels that are customers; applied City assumptions
Development fees and charges	Scaled based on number of parcels and development assumptions
Charges	County assumption re. parks and recreation charges