

**May 2008**

**Financial Challenges Place Next Phase of Annexation  
On Hold**

*Special meetings scheduled for budget deliberations.*

After nearly two years of study, the Kirkland City Council signaled its intent to suspend the City's annexation efforts. During deliberations at the May 20 meeting, the City Council chose to defer a final decision on annexation due to the financial challenges the City is now facing.

Throughout the study, the financial challenges of annexation were the primary concern for the City Council and the residents of the City and potential annexation residents. Over the past six months, the City's own financial picture has worsened as sales tax revenue has fallen and inflation increased. In late 2007 several events came to light that will directly impact the City's financial projections. The anticipated opening of two new Costco stores in Bellevue and Redmond and the relocation of the Toyota of Kirkland dealership outside the city limits will result in a further drop in the sales tax revenue that is already showing the effects of the current economic slowdown. As a result, the City is projecting a significant gap between revenue sources and expenses for the coming budget and into the future. Given the seriousness of the City's own problems, the City Council indicated that it will defer a decision on an annexation vote until the City's budget process is completed later this year. The Council expects to reassess the financial implications of annexation at that time.

The general sentiment expressed by the City Council was that while annexation is clearly the right thing to do from a growth management perspective, the timing is not favorable.

Deliberations have begun on the 2009–2010 Biennium Budget. For information on City Council meetings and agenda items, go to [www.ci.kirkland.wa.us](http://www.ci.kirkland.wa.us) or call 425-587-3190.