

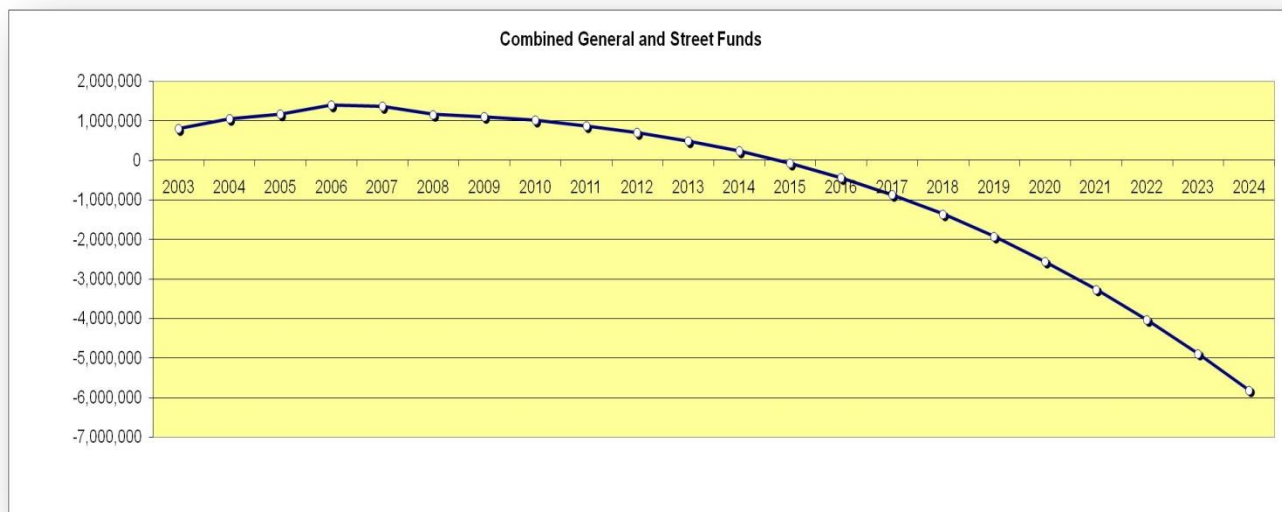


June 29, 2009

On August 18, you will find two important Woodway issues on the primary ballot. The purpose of this letter is to provide you with background and factual information regarding both measures. We believe that it is critical that everyone is provided with complete and accurate information so that voters can make educated decisions about these important community issues. Please vote!

OPERATIONS LEVY

The first measure, Proposition 1, is a Town operations levy. Last year, the Town completed a thorough long-range financial projection as part of the budget process. The results of the financial projections showed that the Town cannot sustain its limited Town services with existing revenues. Beginning in 2010, Town expenditures will exceed Town revenues, and the deficit is anticipated to grow each year until the Town's reserves are depleted in 2015. The chart below illustrates the problem.



The primary cause for this shortfall is the State's statutory limitation on the growth rate of the Town's primary revenue source, property taxes, compared to the inflationary increases in the Town's expenditures. Specifically, the Town's property tax revenue grows 1% each year (approximately \$6,000 per year), while the Town's expenditures grow on average at a little over 3% per year. For example, the Town's contract with the City of Edmonds to provide fire services, the Town's largest single expense, has increased on average over 5% per year. As a result, the Town must periodically seek voter approval raise revenue more than 1% to maintain existing services.

Proposition 1 is a property tax levy that will fund existing Town services, such as police, fire, road maintenance, permitting and administration. This levy also will replace the Town's existing six-year Emergency Medical Services levy, which expires at the end of the year. The 2009 property tax levy rate, which is \$7.17 per \$1,000 in assessed value, would be increased by \$0.50 per \$1,000 and will cost a homeowner with a 2009 assessed value of \$1 million an additional \$500 per year. Proposition 1 requires 50% plus one vote for voter approval.

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ROSARY HEIGHTS BOND MEASURE

The second measure, Proposition 2, is a bond measure in the amount of \$6,150,000. This 30-year bond would be used to purchase Rosary Heights, located at 23120 Woodway Park Road. The property is 23 acres (including 8 acres of tidelands). Proposition 2 requires 60% voter approval.

Over the last two years, the Town has had general discussions with the Sisters about the future of Rosary Heights and the Town's desire to see the property preserved. In January 2009, Mayor Nichols had a meeting with the Sisters to discuss a potential partnership. The partnership would have provided public access to the facilities and property, while allowing the Sisters to continue their mission. At the meeting, however, the Sisters informed the Mayor of their intent to close Rosary Heights and sell the property.



As a result, over the next several months, the Mayor held a series of eight neighborhood meetings to gather public input on a number of important community issues, including the Town's finances and the proposed purchase of Rosary Heights. Simultaneously, the Town began negotiations with the Sisters on the details of a proposed purchase and sale agreement. The Sisters and the Town reached an agreement on a purchase price of \$5.9 million, including the property, the buildings and all furniture, furnishings, equipment and vehicles. The assessed value of Rosary Heights is approximately \$8.7 million.

After receiving feedback from participants in the neighborhood meetings, the Town Council voted in May to place a bond issue for the purchase of Rosary Heights on the August 18 primary ballot.

WHAT ARE THE PROPOSED USES FOR THE PROPERTY?

The proposed uses for the property include Town Hall, a park and public meeting space. Other potential uses could include a community center and an environmental education center. The primary intent in purchasing the property, however, is to provide public access and to preserve it from future development.

HOW MUCH WILL THIS COST ME?

The cost of the bond to individual homeowners will depend on the assessed value of your home. The chart below illustrates the estimated tax on homes based on 2009 assessed values:

Assessed Value	Annual Property Tax Increase
\$500,000	\$270
\$750,000	\$405
\$1,000,000	\$540
\$1,250,000	\$675
\$1,500,000	\$810
\$1,750,000	\$945
\$2,000,000	\$1,080

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When new properties (or the value of property improvements) are added to the Town's overall assessed value, the bond levy will be distributed proportionately to these new properties. As a result, the above listed tax levels will be reduced for existing properties.

HOW WILL THE TOWN PAY TO MAINTAIN THE PROPERTY?

In 2007, the Sisters hired a consulting firm that conducted a very thorough evaluation of the condition of the property. The report found that the property was in very good condition, but identified several areas of needed improvement. The Sisters have completed the majority of the items outlined in the report, including repairs to the masonry facade, installing new copper gutters, repairing the slate roof, installing new electrical lines, and replacing the thermostats. The Town will obtain an independent update of the inspection.

For any needed repairs, the bond issue includes not only the purchase price of \$5.9 million, but also \$250,000 to fund maintenance, operations and capital improvements. The Town also anticipates that it would use proceeds derived from the eventual sale of the Town's existing Town Hall, as well as revenue from grants and donations, to establish a fund of at least \$500,000 for capital improvements.

The Town has completed a detailed analysis of operating expenses (which are available for review at Town Hall), outlining the anticipated cost to maintain the building and grounds as a park and Town Hall. Assumptions within this analysis were based on operating costs and revenues provided by the Sisters, modified to reflect anticipated Town operations. While our analysis is preliminary, we believe that it is possible to operate the facility with little if any impact on the Town's existing general fund budget.

CONCLUSION

Finally, as your Town Council and Mayor, we urge each of you to consider these proposals and, regardless of your decision, please exercise your right to vote. It is in everyone's best interest that these community proposals be decided by all of the community, not just a handful of residents. Please vote!

If you have questions about these ballot measures, please do not hesitate to contact Eric Faison, our Town Administrator, at (206) 542-4443 or by email at eric@townofwoodway.com.

Sincerely,



Carla Nichols
Mayor



Bill Anderson
Mayor Pro Tem



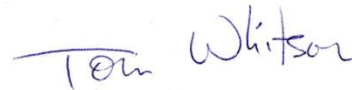
Kent Saltonstall
Council Member



Mike Quinn
Council Member



Elizabeth Mitchell
Council Member



Tom Whitson
Council Member