



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Michael Olson, Director of Finance and Administration
Tom Mikesell, Financial Planning Manager

Date: February 5, 2016

Subject: FIRE AND EMERGENCY SERVICES FUNDING OPTIONS

RECOMMENDATION:

City Council receives information and provides direction on funding options for construction and renovation of fire and emergency services facilities.

BACKGROUND:

At its October 20, 2015 Regular Meeting, the City Council approved Resolution 5163, which adopts a plan for improving Fire/EMS services in North Kirkland and for new, renovated or enhanced fire stations throughout the City. This resolution is a significant step in providing improved Fire/EMS service to all of Kirkland. This discussion began prior to the 2011 annexation and continued in successive years through a Standard of Cover study and Fire Strategic Plan.

The resolution included specific action items for 2015 and 2016 to accomplish its goal, as detailed in **Attachment A**. A number of the 2015 action items related directly to the use of existing financial resources to begin work on the plan. These existing resources include \$5.2 million from Fire District 41 and \$3 million from the General Fund set aside for North End Fire Station purposes.

This resolution directs the use of these existing resources as follows:

- Renovate Station 25 with a portion of \$5.2 million from Fire District #41 (estimated cost of \$3.8 million);
- Purchase property for a new Station 24 (estimated cost of up to \$2.5 million) near Juanita Elementary School using the remainder of the Fire District #41 money and a portion of the \$3 million the City has budgeted for the North End Fire Station;
- Move the Barrier Removal project from funded to unfunded in the Capital Improvements Program (CIP); and,
- Reallocate funds from the Road Barrier Removal project to purchase land for a new Station 27 East of I-405, and allocate any additional money needed for the purchase as part of CIP adoption.

Based on this direction, these amounts and uses are included as funded projects PS 3001 through PS 3003 in the recently approved 2015-2020 Capital Improvements Program.

Attachment B shows the timing and amounts for these projects in the adopted six year CIP.

The resolution also provides actions items for 2016. Specifically, the resolution calls on the City to:

- **Evaluate placing a Fire Station Bond Measure on the ballot that may include:**
 - **Construction of a new Station 24 near Juanita Elementary on purchased property; Construction of a new Fire Station 27 east of I-405 on purchased property; and,**
 - **Renovation and/or expansion of Stations 21, 22 and 26 as identified in the unfunded CIP. (Emphasis added)**

Attachment C details the specific financial requirements to accomplish the construction and renovation projects covered by the resolution, based on an assessment conducted by TCA. The estimates were developed in June 2015 and are inflated to determine the resource needs at potential future construction dates. Based on the June estimates, \$48,980,778 would be needed to accomplish the construction work plan covered by Resolution 5163. As previously discussed, a portion of this amount is covered by existing resources, as shown in the following table:

Station 25 Modernized	\$ 3,787,149
Station 24 Land	2,500,000
Station 27 Land	2,500,000
Total	\$ 8,787,149

After accounting for these funding commitments, a total of \$40,193,629 will be required to complete the Resolution’s work plan. Of this amount, \$23,731,759 is for building new Stations 24 and 27 in April 2018, and \$16,461,871 is for renovating Stations 21, 22 and 26 beginning in April 2020.

Prior to evaluating any ballot measure, the Council needs to assess whether it is possible to fund the investments out of existing resources instead. As the background information in this memo will highlight, the City’s current financial program does not have sufficient resources to support the remaining \$40.2 million without significant reallocation of operating funds and future revenues and major changes to the adopted CIP, including deep reductions to park, street and sidewalk projects. However it is possible to fund some portions of the fire capital program with some significant reprioritization of future revenues and some changes to the CIP.

Therefore the next section of this memo discusses potential capital funding options as alternatives.

Capital Funding Options

Large capital projects require significant financial outlays at irregular intervals. As such, the available funding mechanisms are limited. One method involves reserving resources over a number of years to generate sufficient balances to begin project construction. An alternate method commonly used is the issuance of debt, which is repaid from future revenues. A third option would be a hybrid approach, which relies on accumulated resources to 'buy-down' the amount of debt needed. As discussed at the February 2, 2015 Council Retreat, Washington state law provides for three debt financing options, with specific requirements as to the term, and in the case of voter-approved mechanisms, minimum voter participation and approval thresholds.

Debt options

Unlimited Tax General Obligation Debt

One of the debt options is Unlimited Tax General Obligation (UTGO) Bonds. This type of debt is also commonly called 'Excess Levy' debt or 'Voter-Approved'. This debt must be approved by voters for a specific purpose and is repaid from a new dedicated property tax revenue stream. It can be issued for any length of time, but must be authorized by 60% of the voters, with a validation provision of 40% of voters that participated in the last general election. The City currently has a very small amount of UTGO debt outstanding in relation to total capacity.

Levy Lid Lift

"Levy Lid Lift" debt is another form of voted debt which is repaid from a temporary increase to the property tax levy. This form of debt must be approved by 50%+1 of the voters, and is limited to 9 years. The City does not currently have any debt of this type outstanding.

Limited Tax General Obligation Debt (Councilmanic Bonds)

Limited Tax General Obligation (LTGO) debt is also called Councilmanic debt, in that it can be authorized by the City Council without voter approval. This type of debt can be issued for any length of time (Kirkland's fiscal policy limits the term to 30 years, unless otherwise approved by Council). The debt is repaid from general revenues of the City, meaning that the ability to issue this type of debt is largely limited by the ability to find an ongoing revenue stream to support it in the operating budget. The City currently has a few outstanding debt issues of this type, the largest of which supported the Kirkland Justice Center project. The recently adopted CIP uses an additional \$5.8 million of this type of debt in 2015 to cover a portion of the City Hall renovation project.

The City's contracted financial advisor, Public Financial Management, developed a set of scenarios for debt issued under each financing term described above. Each scenario assumes the station construction and remodeling plan would require \$23.7 million in 2018 and \$16.5 million in 2020. The following table shows the annual debt service requirements for each scenario; the true interest cost includes both cost of issuance and a 100 basis point (1%) mark-up to market rates to allow for future rate uncertainty. The table also includes the annual property tax impact for the median home in Kirkland, which is estimated at \$480,000 in 2016 according to the King County Assessor.

	Levy Lid Lift 9 years	UTGO/LTGO 20 years	UTGO/LTGO 30 years
True Interest Cost	2.44%	3.56%	4.07%
Amount Financed	\$ 40,200,000	\$ 40,200,000	\$ 40,200,000
Annual Debt Service ^{1/}	\$4,800,000	\$2,970,000	\$2,400,000

Property Tax Impacts ^{2/}			
Rate per \$1,000 AV to Repay Debt	\$ 0.24	\$ 0.15	\$ 0.12
Annual Impact Median Home	\$ 113.76	\$ 70.39	\$ 56.88
Monthly Impact Median Home	\$ 9.48	\$ 5.87	\$ 4.74

Annexation Sales Tax Credit Expiration and LTGO Debt

As the Council is aware, the general fund operating budget is currently balanced using approximately 4 million dollars per year annually of the state authorized annexation sales tax credit. This sales tax credit expires in 2021. To balance the budget after 2021, the City must either generate 4 million in new ongoing revenue, reduce expenditures by a similar amount, or find a combination of increased revenues and reduced expenditures that total 4 million annually. For this reason, funding the fire station capital plans with Councilmanic LTGO debt is not recommended by staff until after 2021. Any additional debt service incurred prior to 2021 will increase the annual budget gap that must be addressed when the sales tax credit expires. After 2021 the Council will be able to assess the economic situation and the revenues available and could consider issuing debt at that time.

The remaining portion of this memorandum covers various options to generate cash that can reduce the total amount of fire station-related debt.

Cash options

A number of options exist to generate cash to build and renovate fire stations, and ultimately reduce the need for debt. However, generating amounts identified in excess of current, unallocated reserve balances will require adjustments to current financial policy and/or budget/CIP decisions. These include the following:

- A number of REET 1 options, as follows;
 - Existing REET 1 balances;
 - Increase REET forecast in 2016-2020 above current projections;
 - Reprogramming REET 1 revenue programmed in the CIP;
- Programming Sales Tax Revenues above modified two-year lag amount during 2016 through 2020;
- Extending planned reserve replenishments;
- Existing Fire Station 24 and Station 27 land sales proceeds.

Each alternative is discussed in greater detail below.

REET 1 Options

Real Estate Excise Tax (REET) consists of two 0.25% excise taxes levied by the City against real estate sales (referred to as REET 1 and REET 2, for a total of 0.5%). As shown is **Attachment D**, traditionally only the REET 1 portion can be used for fire facility construction costs. REET 2 is primarily used for streets, sidewalks and parks purposes. However, due to recent changes to state law affecting REET Operations and Maintenance flexibility, it is now possible to use a portion of REET 2 for purposes that were previously only eligible for REET 1. According to the Municipal Research Services Center (MRSC):

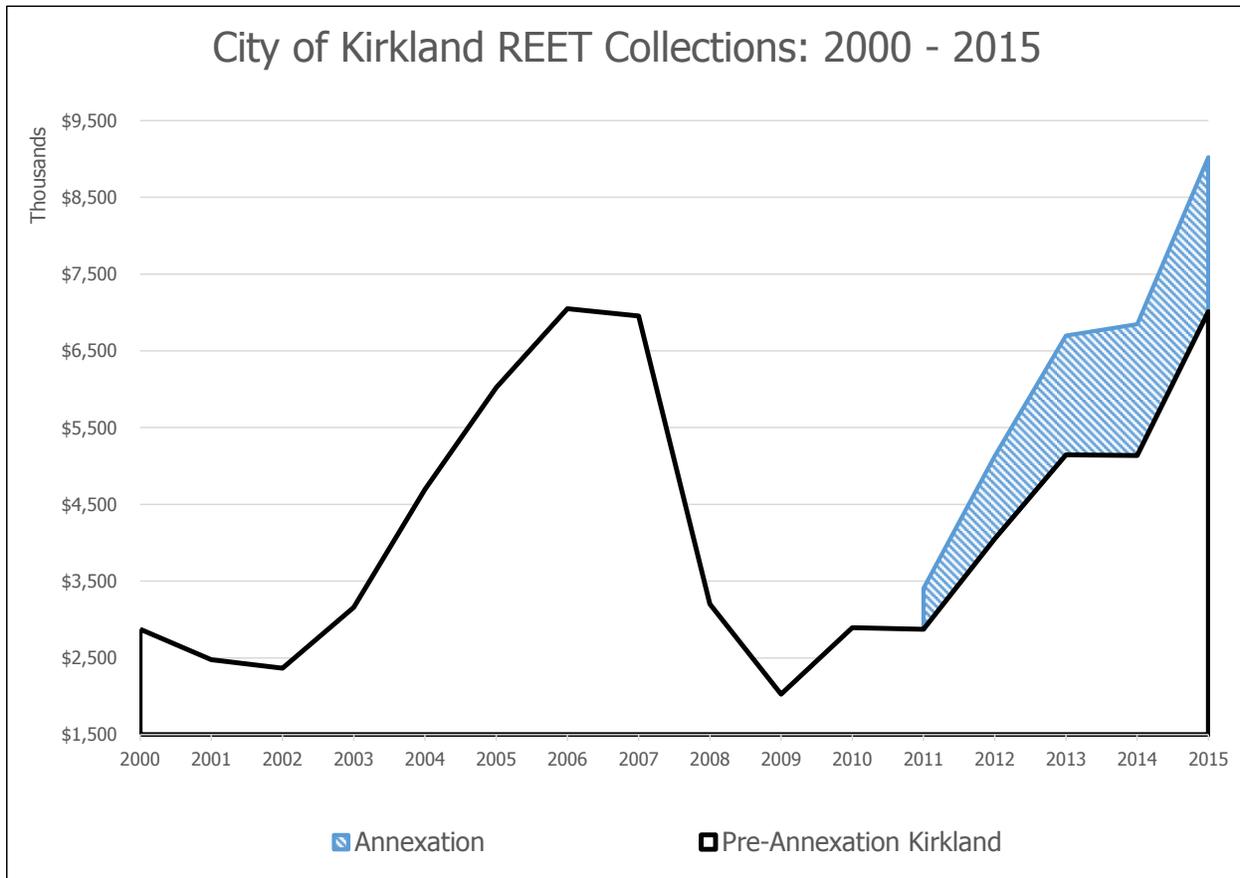
“As of September 2015, under limited circumstances, REET 2 funds may be used for those capital projects that qualify as REET 1 projects, including acquisition of land for parks, recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative facilities, judicial facilities, and river flood control projects. The dollar limit on the use of REET 2 funds for such purposes is the greater of \$100,000 or 25% of available funds, not to exceed \$1 million per year. The use of REET 2 funds for these purposes also requires additional reporting requirements.”

While this would indicate that there may be avenues by which REET 2 could be directed to fire capital purposes, up to a maximum of \$1 million annually, it is with the caveat of additional reporting requirements. One of these requirements is that all item listed in a jurisdiction’s Capital Facilities Plan be shown as fully funded. It is unclear at this point whether a fully funded plan allows for an unfunded list. As such, this additional use of REET 2 to directly fund fire capital projects is not considered for this memorandum, although the amounts of REET 2 potentially available are highlighted in the memo. Staff is seeking guidance from MRSC on this expanded use provision.

The following represent potential REET 1 resources that could be programed for fire station construction/renovation:

Existing REET 1 reserve balances – As described in the information presented to Council at the November 17, 2015 Study Session, approximately \$4.3 million of reserve balances is available. This amount is net of current and projected uses, and also factors out \$1.7 million that is targeted as a matching amount for unanticipated, near term grant opportunities. This amount held for grant matching could be redirected for other uses as well.

Increase REET 1 Forecast – Recent REET collections have been strong, consistent with the economic and real estate market recoveries since the recession ended in mid-2009. Recent REET collections have approached their previous high point reached in 2006, though it is worth noting that collections now include sales activity in annexed neighborhoods. Historically, total REET has been very volatile, as evidenced by the drop from its prior peak collections of \$7.1 million in 2006 to \$2 million in 2009 after the collapse of the housing bubble. The following graph from the May 2015 Council retreat displays this volatile growth trend, updated to include 2015 actual values.



In light of the volatility shown in the graph, the CIP relies on a conservative REET forecast that programs approximately \$2.4 million per year, consistent with its low point in 2009 (accounting for the impact of annexation) to ensure that the current levels are sustainable for the coming six-year cycle. These base allocations to the CIP are increased annually at a rate of 3.0 percent to recognize a relatively conservative projected growth in real estate transaction values. The current budgeting strategy programs revenues above the forecast in years after they are collected. This conservative approach reduces the need to make changes to the capital program if revenue targets are not met.

An alternative option would raise the 2017-2020 forecast to a higher level, and dedicate the higher projected revenues to fire station construction and remodeling. The September 2015 REET forecast from the King County Office of Economic and Financial Analysis projects 2016-2020 REET revenue at roughly 2015 levels. Kirkland's REET revenue history is highly correlated with King County's; if their forecast for future revenue stability holds, it would follow that Kirkland would realize similar collections trend.

To test this assumption, staff developed an elasticity forecast model based off Puget Sound Homes Sales historical data from the Puget Sound Economic Forecaster (PSEF). This model suggests that for every 1 percent change in homes sales, there is a 1.06% change in REET collections in pre-annexation Kirkland. Recent projections from PSEF indicate stable, moderate growth in home sales through 2020. Based on historical collections proportions, REET revenue from the annexation area is 27-33% of the amounts collected in the City prior to the 2011 annexation.

If the trend forecasted by PSEF is correct, Kirkland could collect more than \$1.5 million in additional REET over forecast in 2016. Of this amount, \$750,000 would be REET 1, and thereby eligible for the purposes described in this memo. For 2017 through 2020, the amount above current projections would be approximately \$5 million per year, of which \$2.5 million per year would be REET 1. However, this is an optimistic projection that assumes continued economic growth.

The last recession ended in June 2009 and, based on data from the National Bureau of Economic Research, in the post-war era the average expansion has lasted a little under 5 years. Based on this metric, it is not unreasonable to anticipate a recession between now and 2020. Near term uncertainty in financial markets, and weakness in the global economy put a finer point on this risk. This risk would discourage using the full amount of potential revenue from a higher REET forecast based on continued growth. However, the underlying conditions that led to the last recession and made it so severe (excess leverage in housing, collateralized debt obligations with these underlying 'toxic' assets) are not present at this time. In contrast, the current housing market is characterized more by the frequency of cash-only sales rather than zero principal loans.

To acknowledge the inherent risk of national recession in the future, but recognize the fundamental difference between the last recession and the current local housing environment, yet also build upon third party forecasts that call for continued future growth in home sales, a reasonably conservative forecast would be to adopt a future projection that adds an additional \$1.5 million in total REET revenue in 2016 (\$750,000 REET 1), and \$2.5 million per year for 2017 through 2020 (\$1.25 million REET 1). This would add an additional \$5.75 million in REET 1 for fire station construction/renovation purposes. In raising the forecast, Council could also adopt a policy that revisits the higher level in future years once the \$5.75 million threshold is met.

Reprogram REET 1 and General Fund in 2015-2020 CIP– The 2015-2020 CIP includes \$11.4 million of funding from REET 1 and REET 1 Reserves, as shown in **Attachment E**. Of this amount, \$8.2 million is for projects in 2016 through 2020. All or a portion of these future resources could be reprogrammed for fire station purposes. In some cases these resources are used as a match for external funding. To continue to receive this external funding an alternative match would need to be identified. In addition, as the 2015-2020 CIP was based on the Kirkland 2035 planning efforts, redirecting all or a portion of these monies would put the CIP out of sync with longer term plans, most notably the Transportation Master Plan and the Parks Recreation and Open Space Plan. In addition there are some projects receiving general fund dollars that could be considered for reprogramming. Staff can suggest changes to the CIP depending on the amount of money that needs to be identified.

Programming Sales Tax Revenues above modified two-year lag – The adopted budget for 2016 budgets sales taxes based on a modified two-year lag approach. This method sets the 2016 level equal to the actual collections in 2014. In a growing economy, this approach is conservative, as actual collections will likely exceed the flat growth assumption. To bear this out, it is useful to compare the collections for 2015 with the budget for 2016, as shown in the following table:

General Fund Sales Taxes	
2015 Actual	\$18,943,810
2016 Budgeted	\$17,963,747
Difference	\$980,063

If sales taxes are stable and do not grow in 2016 from their 2015 levels, actual revenues will be \$980,063 higher than budgeted. In the event that sales taxes grow in 2016, this difference becomes more pronounced. For example, applying 3% growth, which is conservative compared to levels forecasted by King County (4.5%) and Seattle (4.5%), the difference in 2016 between actual collections and the modified two year lag would grow to \$1,548,377, as shown in the following table:

General Fund Sales Taxes	
2015 Actual + 3% growth	\$19,512,124
2016 Budgeted	\$17,963,747
Difference	\$1,548,377

The financial forecast bases future sales tax revenue growth off the 2016 budgeted sales tax level. As such, the projections do not include this additional revenue in 2016 or the following years. Assuming \$1.5 million per year in 2016 through 2020, this represents \$7.5 million that is not in the forecast, and could be programmed towards fire station construction.

However, it is worth noting that the forecast indicates a \$2.3 million General Fund shortfall in the 2017-2018 biennium, growing to \$18.2 million in 2021-2022 when the Annexation Sales Tax Credit expires if no changes are made to align revenues and expenditures. In addition, there are a number of factors that may increase this shortfall when the forecast is fully updated for the May retreat, including the new debt service associated with the recently issued debt for the City Hall project, weakness in utility tax collections and the pending decision to fund the 4th firefighter at Station 25 on an ongoing basis.

Under the current practice, recognizing the resources above the lagged value during the budget process helps offset all or a portion of the projected deficit in 2017-2018. Sales tax revenues are also traditionally used to add new levels of service such as additional public safety personnel or Council-directed programs. A decision to redirect these resources to fire station construction would require alternative strategies to balance the 2017-2018 and future biennial budgets. In addition, as noted in the REET 1 discussion, a recession in the near term could remove any excess revenue from this approach, and pose additional challenges.

For these reasons, staff does not recommend using the sales tax revenues above projections to fund fire station capital projects but to reserve it for operating needs.

Extending planned reserve replenishments

The 2015-2016 budget and 2015-2022 financial forecast assume regular reserve replenishments each year through 2020. The 2015-2016 Operating Budget assumes a reserve replenishment of \$809,371 in 2016, which would bring the General Purpose reserves to within \$2.3 million of target at year end. At the current rate of replenishment, reserve targets will be fully met in 2019. The 2015-2022 financial forecast assumes a similar level of replenishment until 2021, at

which time it ends with the expiration of the Annexation Sales Tax Credit (ASTC). These reserve replenishments could be reduced to a lower amount and the time of the replenishments extended, freeing up resources. For example, if the replenishments were reduced by 50% in 2016 through 2020, an additional \$2 million could be reallocated in the financial plan. This would delay progress towards meeting the reserve target and might add to the challenge posed by the expiration of the ASTC. However if the remaining 50% were dedicated to reserve replenishment through 2021, reserve targets would still be met. At the end of 2020, the reserve would be approximately \$1 million below target, based on current projections. Extending the 50% reserve replenishment through the 2021/2022 budget (over \$400K per year) would bring the reserves very close to target.

Existing Fire Station 24 and Station 27 land sales proceeds

A final option involves using resources from the sale of land currently occupied by the old Station 24 and the current Station 27, which are roughly valued at \$500,000 and \$1.5 million, respectively. While these resources would not be available until after the new stations are fully constructed, they would be reasonably expected to be available to help reduce the amount needed from other sources for station renovations.

Summary

The following table summarizes the potential cash funding options discussed above. It is worth noting each represents the maximum amount that could be allocated. There are varying levels of difficulty with each option, including opportunity costs and added risk from economic uncertainty, so staff is only presenting the total for reference in the policy discussion.

Option	Amount
REET 1	
Existing REET 1 Reserve Balances	4,300,000
Increase REET 1 Forecast	5,750,000
Extending Planned Reserve Replenishments	2,000,000
Existing Fire Stations 24 and 27 land sales proceeds	2,000,000
Total	14,050,000
Other options	
Reprogram REET 1 in 2015-2020 CIP	8,200,000
Increase REET 2 forecast ^{1/}	5,750,000

^{1/}Assumes that additional REET 2 from a higher revenue forecast assumption, up to a maximum of \$1 million, can be directed to REET 1 uses, pursuant to recent changes to state law.

The table demonstrates that while existing and projected City revenues are not sufficient to pay for the entire fire station capital program, it does appear that funds can be found to pay for Station 24 construction (\$10.1 million). Station 22 expansion and renovation (the next highest priority at \$5.8 million) might also be achieved if some changes were made to the 2015-2020 CIP or the use of REET 2.

It is important to note that dedicating such large amounts of REET 1 (and potentially REET 2) to fire stations over the next 5 years has a significant opportunity cost to parks, streets and sidewalk projects that also use REET funding. It would also limit the Council's ability to contribute REET to other city facility needs in the future. New or unfunded projects in any these categories would not likely receive REET contributions unless the strong economy continues through 2021.

Debt Reduction Impacts of Using Cash

Each \$1 million of cash that is available for fire and emergency facilities construction 'buys-down' the amount of debt that would be required. This translates into lower annual debt service, and, in the case of debt backed by property taxes, lower property tax levy requirements. The following table shows the debt service and property tax reductions for a median value home that would be realized from each \$1 million in cash resources dedicated to the project, under the 9, 20 and 30 year debt scenarios described in the first section of this memo.

Annual Debt Service With Full Debt Funding			
	9 years	20 years	30 years
Debt Service	4,800,000	2,970,000	2,400,000
Annual Property Tax Impact *	\$ 113.76	\$ 70.39	\$ 56.88
Impact per \$1 million Reduction in Debt Issuance			
	9 years	20 years	30 years
Debt Service Reduction	119,400	73,900	59,700
Annual Property Tax Impact *	\$ 2.83	\$ 1.75	\$ 1.41

*Median value home; Scenarios shown to illustrate property tax impacts for UTGO Debt under different maturities. Debt issued as LTGO/Councilmanic would be paid from existing revenues, and would not have an additional property tax impact.

Operating Costs

While this memo covers options for financing construction and renovation of fire stations, there may be additional operating funding requirements beyond current levels. Council has discussed in the past considering a companion operating levy to go with a capital measure. The exact operating needs depends on the capital projects chosen. Staff is proposing to develop potential operating costs after Council provides direction at the retreat. Further, there may be short term operational considerations during station remodel, up to and including temporary displacement of City of Kirkland personnel from existing facilities. It is likely that these costs can be included as part of the total project costs, but would be additive to the figures discussed above.

Fire Station Priority Investments (Attachment F – Fire Station Map)

Optimally, to improve response times and provide equitable service throughout Kirkland, all of the fire station construction and renovation should occur by 2020. However if Council elects not to proceed with a comprehensive ballot measure and the projects need to be phased in over time, staff is proposing prioritizing the investments in the following order:

1. Construct Station 24 to fulfill commitment to reduce response times on Finn Hill in accordance with the modified ILA with Fire District #41.
2. Expand and renovate Station 22. This station will provide most first responses to the new Kirkland Urban development. Expansion is needed to be able to house a new ladder truck and staffing to serve the downtown when Kirkland Urban is completed.
3. Construct Station 27 to balance the call volume with Station 24, provide another fire station east of I-405 and to cover the response time gaps in Kingsgate caused by the closure of Woodinville Fire and Rescue's Station 34 after annexation.
4. Modernize Station 26 and Station 21. These are newer stations and the recommended actions are not as time-sensitive.

Funding Options

Based on the ballot measure information and potential revenue sources provided in this memo, staff is proposing the following funding options for the Council's consideration:

- a. November 2016 ballot measure for full funding of all construction and renovation costs. (Total Cost: \$40.2 million.)
- b. November 2016 ballot measure for Station 24 construction and renovation and expansion of Station 22 as a first phase. (Total Cost: \$15.9 million.) Consider a second phase ballot measure for construction of Station 27 and renovation/expansion of Station 26 and Station 21 after first phase is complete. (Remaining Cost: \$24.2 million)
- c. November 2016 ballot measure for Station 27 construction and renovation/expansion of Station 26 and Station 21. (Total Cost: \$24.2 million) Fund Station 24 construction and Station 22 renovation/expansion with city funds (Total Cost \$15.9).
- d. Fund Station 24 construction and Station 22 renovation/expansion with city funds. (Total Cost: \$15.9 million.) Evaluate options for remaining investments when 24 and 22 are complete.
- e. Fund Station 24 construction only and evaluate options for remaining investments when complete. (Total Cost: \$10.1 million)

Any selected ballot measure option can be either a levy lid lift (50%+1 voter approval) or UTGO bonds (60% voter approval). Each of the ballot measure options can also be placed on the August 2016 primary election, special elections in the spring of 2017, or future primary or general election dates.

Conclusion

Staff is seeking direction from Council on which, if any, of the above capital options should be explored further. Staff will be asking the following questions at the retreat:

- Is the Council interested in any of the November 2016 ballot measure options? If so, which one?
- If the Council wants to explore a 2016 ballot measure, does the Council wish to consider a bond measure or a levy lid lift?
- If the Council does not wish to consider a 2016 ballot measure, does the Council wish to explore future dates for ballot measures? If so, which dates?
- Does the Council wish to explore financing Station 24 construction and/or Station 22 expansion/renovation with City funds?
- Is there any additional information the Council needs to make a decision?

Once Council has provided direction, staff can return with final financing plans for the option selected.

RESOLUTION R-5163

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND ADOPTING A PLAN FOR IMPROVING FIRE/EMS SERVICES AND FOR NEW, RENOVATED OR ENHANCED FIRE STATIONS THROUGHOUT THE CITY.

1 WHEREAS, the City Manager has developed a plan that outlines
2 short and long term strategies for improving fire and emergency medical
3 services (EMS) in Kirkland, sets the foundation for improved fire and
4 emergency medical services and facilities throughout the entire city, and
5 which continues the implementation of recommendations contained in
6 the Kirkland Fire Strategic Plan and Standards of Cover study; and
7

8 WHEREAS, the City Manager is recommending that the existing
9 six firefighters at Station 27 be retained at that station to serve Juanita
10 and Kingsgate; and
11

12 WHEREAS, the City Manager is further recommending that the
13 current staffing of a fourth firefighter at Station 25 continue to provide
14 improved fire and EMS services to Finn Hill until the new Station 24 can
15 be constructed; and
16

17 WHEREAS, the City Manager is further recommending that the
18 Road Barrier Removal project proposed in the Preliminary 2015-2020
19 Capital Improvement Program be moved to "unfunded" and the funding
20 be repurposed to support property acquisition for the Station 27
21 relocation project; and
22

23 WHEREAS, the City Council concurs with the plan recommended
24 by the City Manager and desires to formally adopt and have staff
25 implement the plan to improve fire and EMS services in Kirkland and fire
26 stations throughout the City.
27

28 NOW, THEREFORE, be it resolved by the City Council of the City
29 of Kirkland as follows:
30

31 Section 1. The plan recommended by the City Manager for
32 improving fire and EMS services in Kirkland and fire stations throughout
33 the City which is attached as Exhibit A and incorporated by this
34 reference is adopted.
35

36 Passed by majority vote of the Kirkland City Council in open
37 meeting this 20th day of October, 2015.
38

39 Signed in authentication thereof this 20th day of October, 2015.

R-5163

Amy White
MAYOR

Attest:

Kate Anderson
City Clerk

EXHIBIT A

Goal: Invest Fire District #41 and City resources to fulfill response time commitments to Finn Hill, maintain and improve service to Juanita and Kingsgate, and set the foundation for improved fire and emergency medical services and facilities throughout the entire city.

Immediate Actions (2015)

- Approve the Fire District #41 Interlocal Agreement "clarification" to retain Station 25 and Station 24 without financial penalty.
- Renovate Station 25 with a portion of the \$5.2 million from Fire District #41 (estimated cost of \$3.8 million).
- Purchase property for a new Station 24 (estimated cost of up to \$2.5 million) near Juanita Elementary School using the remainder of the Fire District #41 money and a portion of the \$3 million the City has budgeted for the North End Fire Station.
- Continue staffing the 4th firefighter at Station 25 until the new Station 24 is built. Convert the temporary funding of the 4th firefighter to on-going funding as resources allow to begin to provide funding for staffing at the new Station 24 when it is completed.
- Leave existing six firefighters at Station 27.
- Include Fire Station renovation and expansion projects in the Capital Improvement Program as the basis for potential ballot measures or councilmanic debt in 2016 or subsequent years.
- Move the Road Barrier Removal project from funded to unfunded in the CIP.
- Reallocate the remaining portion of the City's \$3 million from the Road Barrier Removal project to purchase land for a new Station 27 East of I-405, and allocate any additional money needed for the purchase as part of the CIP adoption.

Next Steps (2016 and beyond)

- Evaluate placing a Fire Station Bond Measure on the ballot that may include:
 - Construction of new Station 24 near Juanita Elementary on purchased property.
 - Construction of a new Fire Station 27 east of I-405 on purchased property.
 - Renovation and/or expansion of Stations 21, 22, and 26 as identified in the CIP.
- During the evaluation the Council should consider multiple options for accomplishing the capital facilities objectives, ranging from a single, comprehensive ballot measure to phased approaches, use of Councilmanic debt and strategic partnerships.
- Evaluate a companion operating levy to help staff the new Station 24 and other identified operating needs.
- Move the 4th firefighter from Station 25 to the new Station 24 when it is completed.

**City of Kirkland
2015-2020 Capital Improvement Program**

PUBLIC SAFETY PROJECTS

Funded Projects:

Project Number	Project Title	Prior Year(s)	2015	2016	2017	2018	2019	2020	2015-2020 Total	Funding Source			
										Reserve	Debt	External Source	
FIRE													
<i>PS 0062</i>	<i>Defibrillator Unit Replacement</i>							176,900	176,900	176,900			
<i>PS 0066</i>	<i>Thermal Imaging Cameras</i>						76,500		76,500	76,500			
<i>PS 0076</i>	<i>Personal Protective Equipment</i>						573,100		573,100	573,100			
PS 0078	Power Cots		234,300						234,300	138,500		95,800	
PS 0080	Emergency Generators			60,000		60,000		60,000	180,000	180,000			
<i>PS 2000</i>	<i>Fire Equipment Replacement</i>		26,100	46,700	19,500	55,700	20,900	25,000	193,900	193,900			
POLICE													
<i>PS 1000</i>	<i>Police Equipment Replacement</i>		144,000	118,200	92,200	77,500	71,500	177,500	680,900	680,900			
FACILITIES													
PS 3001	Fire Station 25 Renovation				3,787,000				3,787,000	3,787,000			
PS 3002	Fire Station 24 Property Acquisition			2,500,000					2,500,000	2,500,000			
PS 3003	Fire Station 27 Property Acquisition				2,500,000				2,500,000	2,500,000			
Total Funded Public Safety Projects			0	404,400	2,724,900	6,398,700	193,200	742,000	439,400	10,902,600	10,806,800	0	95,800

Notes

Italics = Modification in timing and/or cost (see Project Modification/Deletion Schedule for more detail)

Bold = New projects

+ = Moved from unfunded status to funded status

" = Moved from funded status to unfunded status

	Station 25 Modernized	Station 24 New ^{1/}	Station 27 New	Station 21 Modernized	Station 22 Modernized	Station 26 Modernized
Acres	NA	TBD	TBD	NA	NA	NA
Land	NA	2,500,000	2,500,000	NA	NA	NA
Site Dev	338,794	1,720,000	2,032,132	444,185	304,797	687,973
Building	2,054,924	4,233,730	5,957,592	1,686,728	2,883,052	2,433,694
Storage Bldg						870,073
Total	2,393,718	8,453,730	10,489,724	2,130,913	3,187,849	3,991,740
Soft Costs 48%	1,148,985	2,857,790	3,835,068	1,022,838	1,530,168	1,498,400
Escalation	244,446	1,321,728	1,773,719	731,670	1,094,580	1,273,713
Escalation/ Date	(6.9%) April 2016	(15%) April 2018	(15%) April 2018	(23.2%) April 2020	(23.2%) April 2020	(23.2%) April 2020
Grand Total	\$ 3,787,149	\$ 12,633,248	\$ 16,098,510	\$ 3,885,422	\$ 5,812,596	\$ 6,763,853

Total w/o Station 25 \$ 45,193,629

Total w/ Station 25 \$ 48,980,778

1/ Land costs modified from \$2,000,000 to \$2,500,000 based on revised estimates.

Real Estate Excise Tax (REET) allowable expenditures

Project types	REET 1 Authorized for all cities/counties*	REET 2 Authorized for GMA planning cities/counties only*
Streets, roadways, highways	Yes	Yes
Sidewalks	Yes	Yes
Street lighting	Yes	Yes
Traffic signals	Yes	Yes
Bridges	Yes	Yes
Domestic water systems	Yes	Yes
Stormwater and sanitary sewer	Yes	Yes
Parks	Yes	Yes (no land acquisition)
Recreational facilities	Yes	No
Law enforcement facilities	Yes	No
Fire protection facilities	Yes	No
Trails	Yes	No
Libraries	Yes	No
Administrative or judicial facilities	Yes	No

*Restrictions for capital investments: Under REET 1, the requirement that projects fit within the eligible project types AND be listed in the capital facilities plan element of their comprehensive plan applies only to cities fully planning under GMA with a population over 5,000. Under REET 2, the requirement applies to cities of all sizes.

Project Number	Project Name	2015		2016		2017		2018	2019	2020	TOTAL	
		REET 1	REET 1 Reserves	REET 1	REET 1 Reserves	REET 1	REET 1 Reserves	REET 1	REET 1	REET 1	REET 1 Funding	REET 1 Reserves
ST 0087	6th Street South Corridor Study	17,400	-	-	-	-	-	-	-	-	17,400	-
ST 9999	Regional Inter-Agency Coordination	82,000	-	82,000	-	82,000	-	82,000	82,000	82,000	492,000	-
NM 0012	Crosswalk Upgrade Program	70,000	-	-	-	-	-	-	-	50,000	120,000	-
NM 0012 001	NE 116th Street Crosswalk Upgrade	-	-	-	-	116,000	-	148,000	-	-	264,000	-
NM 0057	Annual Sidewalk Maintenance Program	200,000	-	70,000	-	-	-	-	102,000	150,000	522,000	-
NM 0084	South Kirkland TOD/CKC Multi-Modal Connection	5,600	-	-	-	-	-	-	-	-	5,600	-
NM 0086 001	NE 124th St/124th Ave NE Pedestrian Bridge Design	-	-	234,000	-	-	-	-	-	-	234,000	-
NM 0087+	Citywide School Walk Route Enhancements	-	-	-	-	-	-	180,000	-	-	180,000	-
NM 0092	Active Transportation Plan Update	-	-	-	-	15,000	-	-	-	-	15,000	-
NM 0095	124th Avenue NE Sidewalk Improvements	-	-	95,200	-	142,800	-	-	-	-	238,000	-
NM 0109 002	Lake Front Promenade Design Study	-	-	-	-	-	-	-	-	75,000	75,000	-
NM 0114	CKC Bridge Connecting to Houghton Shopping Center	-	175,000	-	-	-	-	-	-	-	-	175,000
NM 0115	CKC Emergent Projects Opportunity Fund	-	-	-	100,000	-	-	-	-	-	-	100,000
NM 0116	Rose Hill Pedestrian Path	-	100,000	-	-	-	-	-	-	-	-	100,000
TR 0118	General Parking Lot Improvements	-	-	-	720,000	-	100,000	-	-	-	-	820,000
TR 0119	Kirkland Citywide Intelligent Transportation System Study	-	-	-	-	35,000	-	-	-	-	35,000	-
TR 0120	Kirkland Intelligent Transportation System Phase 3	-	-	-	-	-	-	-	-	78,000	78,000	-
PT 0001 000	Citywide Transit Study	-	-	-	-	150,000	-	-	-	-	150,000	-
PT 0001 100	Sound Transit 3 Project Study	-	250,000	-	-	-	-	-	-	-	-	250,000
GG 0037 002	Maintenance Center	-	1,000,000	-	-	-	-	-	-	-	-	1,000,000
PS 3003	Fire Station 27 Property Acquisition	-	-	-	-	-	772,153	-	-	-	-	772,153
PK 0049	Open Space, Pk Land & Trail Acq Grant Match Program	-	100,000	-	-	-	-	-	-	-	-	100,000
PK 0066	Park Play Area Enhancements	50,000	-	50,000	-	40,000	-	40,000	60,000	60,000	300,000	-
PK 0087 100	Waverly Beach Park Renovation	-	468,015	-	-	-	-	-	-	-	-	468,015
PK 0119 002	Juanita Beach Park Development Phase 2	-	-	-	-	100,000	-	578,000	-	-	678,000	-
PK 0121	Green Kirkland Forest Restoration Program	75,000	-	75,000	-	75,000	-	75,000	75,000	75,000	450,000	-
PK 0123	Peter Kirk Pool Liner Replacement	-	-	-	125,000	-	-	-	-	-	-	125,000
PK 0133 401	Edith Moulton Park Renovation Phase 2	-	-	135,000	-	-	-	-	-	-	135,000	-
PK 0134	132nd Park Playfields Renovation	509,600	-	-	-	-	-	-	-	-	509,600	-
PK 0135 200	Juanita Heights Park Expansion	-	-	-	200,000	-	-	-	-	-	-	200,000
PK 0138	Everest Park Restroom/Storage Building Replacement	-	-	-	-	-	-	-	708,000	-	708,000	-
PK 0139 200	Totem Lake Park Master Plan & Development (Phase I)	125,000	-	535,000	-	-	-	-	-	-	660,000	-
PK 0147	Parks Maintenance Center	-	-	-	-	-	-	175,000	500,000	750,000	1,425,000	-
	Subtotal	1,134,600	2,093,015	1,276,200	1,145,000	755,800	872,153	1,278,000	1,527,000	1,320,000	7,291,600	4,110,168
	Total REET 1 and Reserves		3,227,615		2,421,200		1,627,953					11,401,768

Project includes external funding, which could be reduced or forfeited if REET 1 revenue is withdrawn and not replaced with alternate funding.

2016-2020 total	8,174,153
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