



**CITY OF KIRKLAND**  
City Manager's Office  
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## **MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Deputy City Manager  
Marilynne Beard, Deputy City Manager  
Kathy Brown, Public Works Director  
George Dugdale, Sr. Financial Analyst

**Date:** May 12, 2016

**Subject:** EMERGING ISSUES

### **RECOMMENDATION:**

It is recommended that the City Council receives an introduction and provides feedback on emerging issues that will be part of the upcoming 2017-2022 Capital Improvement Program and 2017-2018 Budget processes.

### **BACKGROUND AND DISCUSSION:**

The 2017-2022 Capital Improvement Program (CIP) and 2017-2018 Budget processes are currently underway and staff wanted to provide an introduction on several issues that will be prominent discussion items:

- Fire Station Funding
- Police Strategic Plan
- The potential impacts of the proposed Critical Areas Ordinance and updated Surface Water Design Manual to the CIP
- Council Items of Interest identified at the February 24, 2016 Council Retreat.

Staff will present additional background on these issues at the May 24, 2016 Council Retreat.

### ***Fire Station Funding***

At the February 24th Council Retreat, staff presented options for funding fire station facility improvements, including options to use current revenues to "buy down" the debt required for the entire capital program ([click here for 2-24-16 Fire Station Funding Options packet](#)). Council requested that staff proceed with a funding plan for the construction of a new Fire Station 24 that did not include debt, which is an estimated \$10.1 million. This recommended option is presented in the table on the following page, followed by a description of each funding source.

Source	Amount
Existing Station 24 Land Sale	471,000
2015 REET 1 revenue above forecast	200,000
2016 REET 1 revenue over Budget	1,500,000
2017-2018 Increased REET 1 revenue	2,500,000
2015 General Fund Balance	1,763,000
REET 1 Reserves	3,700,000
<b>Total</b>	<b>10,134,000</b>

*Existing Station 24 Land Sale (\$471,000)*

In February 2016, the City received an estimate for the land value of the current Fire Station 24 site. The estimate provided a high, medium, and low value. The table above uses the medium figure.

*REET 1 Revenue above 2015 Forecast (\$200,000)*

At the November 17, 2015 study session, staff presented a revised estimate of 2015 REET 1 revenues. Actual revenue collection in 2015 was higher than this estimate, resulting in an additional \$200,000 in unobligated revenue.

*REET 1 Revenue above 2016 Estimate (\$1.5 million)*

REET revenue for the first four months of 2016 was 31% (approx. \$775,000) higher than in the same period of 2015. Revenue is also currently at 65% of the full year budget for 2016. Using a conservative forecast, and assuming revenues will fall back in line with 2015, would still generate approximately \$1.5 million in additional REET 1 revenue in 2016.

*Increased REET Revenue in 2017-2018 (\$2.5 million)*

The staff memo for the February 24th Council Retreat presented the option of increasing the budget for total REET revenues to \$5 million for the next two biennia (2017-2018 and 2019-2020). This increase would put the budget level with the 2015-16 budget. As the Station 24 rebuild is planned for 2017-2018, this plan assumes the adopted REET budget for the 2017-18 biennium is increased to \$5 million, generating \$1.25 million in additional REET 1 revenue each year or \$2.5 million for the biennium (with the REET 2 share of the revenue left available for transportation or other eligible projects).

*2015 General Fund Balance and REET 1 Reserves (\$5.5 million)*

Through higher than budgeted revenues, and lower than budgeted expenses, the City was left with approximately \$2.6 million in one-time General Fund balance in 2015. In addition, prior to the February 24th Council Retreat, staff identified approximately \$4.3 million in REET 1 reserves over programmed levels. Combining approximately \$1.8 million of the one-time General Fund cash with \$3.7 million of the REET 1 reserves, completes the proposed funding plan.

This funding plan would allow Council to fully fund Fire Station 24 without the issuance of debt. In addition, no reprioritization of other CIP areas would be required, and reserve replenishments can continue as currently planned, assuming that REET 1 receipts meet or

exceed assumed levels. Note that the figures shown do not include the \$2.5 million already funded for land acquisition. If land acquisition for the station is above the budgeted figure, staff will bring back a supplemental budget request for land acquisition.

At the February 24 Retreat, Council also asked staff to return with options for funding the balance of capital improvements through a ballot measure (possibly for 2018) along with a possible companion operating levy. The Council wanted to use a process similar to that used for the 2012 Park Ballot measure by convening a group similar to the Parks Funding Exploratory Committee (PFEC). Attachment A is a memo describing the PFEC process and how this might pertain to a similar process for fire system improvements. Deputy City Manager Marilynne Beard will present this information for further discussion at the upcoming Retreat.

### ***REET 2 Revenues Above Projections***

REET 2 revenues are substantially above forecasts just like REET 1. Staff is evaluating options for effectively investing these REET 2 revenues to accomplish Council priorities. One key priority will be to reserve a significant portion of these funds to help mitigate potential cost increases associated with new stormwater regulations as discussed later in the memo. Staff is also exploring the concept of further pedestrian safety investments in street lights and rapid flashing beacons, perhaps by utilizing the Neighborhood Safety Program as a model for engaging the community and prioritizing the projects. Staff will be seeking preliminary feedback on REET 2 options at the retreat.

### ***Police Strategic Plan***

In early 2016, the City engaged the services of BERK Consulting to conduct a Police Strategic Plan. A Steering Committee comprised of management and staff from the City Manager's Office and from functions across the Police Department has been convened to guide the project. The consultants have completed their initial data gathering, which included:

- Meeting with the Strategic Plan Steering Committee
- Interviews with City of Kirkland Councilmembers, city administration, and department directors.
- A community panel with representatives from the Kirkland community, including residents, business owners, the faith community, and the social service community.
- Employee engagement, including nine shift meetings and one command meeting with staff from across the organization.
- Review of the City's Comprehensive Plan and analysis of readily available data.

The consulting team has provided a draft Baseline Assessment Report summarizing their findings to date that was reviewed by the Steering Committee and that will be presented to the Public Safety Committee at their May 19 meeting. This report provides the basis for the beginning of a conversation with the department to validate and/or clarify the consultant's findings. The consultant's work continues with a staffing level analysis and evaluation of the records functions. Draft findings and recommendations are expected in mid-summer, with presentation of the results scheduled for presentation to the full Council at the August 16 Study Session. The outcome of this process will form the basis for options and recommendations for funding consideration as part of the 2017-2018 budget process.

## ***CAO and Surface Water Manual CIP Impacts***

At the June 21, 2016 Study Session, the Council will receive an update on the development of the draft Critical Areas Ordinance (CAO) and the updated Surface Water Design Manual (SDM). At the regular meeting on June 21, the Council will also receive the Preliminary 2017-2022 CIP. A cross-departmental staff group (including Planning, Public Works, Finance, and CMO) has been working to evaluate the impacts of the CAO and SDM on the City's capital improvement projects.

Both the CAO and the SDM represent regulatory frameworks required of the City by the Washington State Department of Ecology and other State and Federal regulators. Adoption of these regulations is required by Ecology and the intent is for adoption to occur no later than December 31, 2016. The proposed regulations strengthen the protection of the environment and sensitive areas and the mitigation of impacts from surface water run-off. However, they will, in some cases, increase the cost of City capital improvements and the maintenance of those improvements. Required environmental and surface water studies may also add to project design costs and extend the schedule for completing some projects.

The focus of current staff efforts is to identify opportunities and strategies to meet environmental policy objectives in the course of CIP work, while minimizing impacts to CIP project costs and schedules. Staff is exploring strategies that will foster success in all policy arenas: habitat protection; surface water management; parks; transportation; utilities. Permitting tools, such as mitigation banking, programmatic permits, and outcome-based best management practices (BMPs), could provide a means to this end. Including such tools in the CAO and SDM could substantially enhance environmental outcomes, while also minimizing cost and schedule impacts to the CIP and maintenance work.

While the full extent of the impacts cannot be known with certainty until the regulations are finalized and detailed estimating work can be completed at the project level, staff is working on an order of magnitude assessment of the impacts on funded projects in 2017-2018 and identifying potential funding strategies as part of the CIP process. One such strategy will likely be to set aside significant REET 2 revenues above current projections as a reserve to help pay for cost increases to already approved transportation projects.

Public Works Director Kathy Brown and Deputy City Manager Tracey Dunlap will present additional background information, including information on strategies used by other jurisdictions, for discussion at the May 24 Retreat.

## ***February Council Retreat Items of Interest***

At the February 24, 2016 Council Retreat, the Council brainstorming session resulted in a long list of Council topics of interest. To refine the list, the Councilmembers placed "dots" on items they considered priorities, resulting in the following list of priority topics that received at least one dot:

### **Top Priorities**

Three Dots

- New NE transfer station in Kirkland and options for lease of old transfer station\*\*\*

	<ul style="list-style-type: none"> <li>• What to do with Lake &amp; Central***</li> </ul>
Two Dots	<ul style="list-style-type: none"> <li>• Encourage tiny homes and mobile homes**</li> <li>• Community task force affordable housing strategies**</li> <li>• Council regional reports— make more efficient**</li> <li>• Council liaison to Boards &amp; Commissions**</li> <li>• Increase outreach to different ethnicity and religious groups**</li> </ul>
One Dot	<ul style="list-style-type: none"> <li>• Community conversation re: housing and labor market (i.e., lack of affordable housing)*</li> <li>• Review affordable housing requirements in CBD and other gaps*</li> <li>• Civility—Items from the audience*</li> <li>• Improve community perception of “bang for the buck”*</li> <li>• Two town hall meetings/year citywide not topic-specific*</li> <li>• Update social media strategy*</li> <li>• Federal reform of marijuana taxation laws*</li> <li>• Mandate residential sprinklers*</li> <li>• Moving the quad dots*</li> </ul>

Two themes emerged from the larger list of topics: Affordable Housing and Communications. An alternate summary of topics related to those two themes is provided below (the asterisks denote how many dots the item received).

<p><b>Theme: Affordable Housing</b></p> <ul style="list-style-type: none"> <li>• Building affordable housing above south parking lot at City Hall</li> <li>• Community conversation re: housing and labor market (i.e., lack of affordable housing)*</li> <li>• Community task force affordable housing strategies**</li> <li>• Encourage tiny homes and mobile homes**</li> <li>• Review affordable housing requirements in CBD and other gaps*</li> <li>• Street camping regulations</li> </ul>
<p><b>Theme: Communications</b></p> <ul style="list-style-type: none"> <li>• City blog: conversations– answers</li> <li>• Civility—Items from the audience*</li> <li>• Council host/serve underserved groups (e.g., strawberry short cakes)</li> <li>• Council liaison to Boards &amp; Commissions**</li> <li>• Council regional reports— make more efficient**</li> <li>• Improve community perception of “bang for the buck”*</li> <li>• Increase diversity on Boards &amp; Commissions</li> <li>• Increase outreach to different ethnicity and religious groups**</li> </ul>

- Integrate religious organizations with neighborhood associations
- Joint meeting with Boards & Commissions/Council Committee
- Moving the quad dots\*
- Open collective bargaining sessions to public
- Televisе all Boards & Commissions meetings. All packets available before meeting
- Two town hall meetings/year citywide not topic-specific\*
- Update social media strategy\*
- Video recording of Council Retreat

Staff would like to discuss further the Council interests in the priority and theme areas to help identify strategies and resource needs to help inform the upcoming budget process. In particular affordable housing has risen as a priority for both Kirkland and the region. The Council has discussed the idea of a facilitated stakeholder process to engage Kirkland residents around the need for affordable housing and to build support for local and state efforts to create more housing. This was also highlighted as a potential initiative in the Mayor's State of the City Addresses to the business community and the neighborhoods. If the Council is interested in pursuing such a stakeholder process, staff recommends allocating funding for that process in the June budget update so that a process can take place this fall to inform both the Kirkland budget and the state legislative agenda.

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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Marilynne Beard, Deputy City Manager

**Date:** May 5, 2016

**Subject:** COMMUNITY PROCESS TO SUPPORT POTENTIAL 2018 FIRE BALLOT MEASURE

At their February 2016 retreat, the City Council was presented with a staff report describing Fire and Emergency Services Funding Options. The funding options were based on system improvements outlined in Resolution 5163 describing short and medium-term steps recommended to improve fire services. The resolution included a provision for considering a ballot measure:

- *Consider 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-4015 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.*

The memo recommended that "Prior to evaluating any ballot measure, the Council needs to assess whether it is possible to fund the investments out of existing resources instead." At the end of the retreat, the City Council agreed to renovate Station 25, purchase land for two new stations (new station 24 and relocated 27) and construct station 24 using existing resources. They asked staff to return with options for funding the balance of capital improvements through a ballot measure along with a possible companion operating levy. The Council wanted to use a process similar to that used for the 2012 Park Ballot measure by convening a group similar to the Parks Funding Exploratory Committee (PFEC) to explore both capital and operating measures. The purpose of this memo is to describe the PFEC process and how this might pertain to a similar process for fire system improvements.

## PFEC Charter and Process

The PFEC was established by the City Council to consider and make recommendations for possible future park funding ballot measures as well as a funding model to support ongoing park maintenance and operations.

The 2011 annexation of the Finn Hill, Juanita and Kingsgate neighborhoods prompted an update of the Parks, Recreation and Open Space Plan (PROS Plan). The PFEC was asked to update the City's vision for the PROS plan and to develop recommendations for investments in the parks and open space system.

The City Council appointed a group of nearly 50 members representing a cross-section of stakeholders (see Attachment I for a roster of members). They also appointed Councilmember Amy Walen to serve as the chair of the committee and to be a liaison to the City Council.

The committee's work was conducted in four phases:

- Phase 1 – Information gathering and evaluation
- Phase 2 – Define, refine and develop cost investments
- Phase 3 – Development of options and gauging public support
- Phase 4 – Developing and presenting recommendations

The Committee was supported by staff from the Parks and Community Services Department, the Finance and Administration Department and the City Manager's Office.

Shortly after their formation, an on-line open access survey was conducted to ascertain the public's perspectives and use of the current park system and whether or not there were perceived unmet needs. There were 725 responses and the PFEC used the results as one data source for their work.

Early-on, the PFEC developed underlying principles for how their recommendations would be considered and presented. The list of possible projects could be categorized as preservation, expansion or enhancement. The committee was also concerned with ongoing maintenance and believed appropriate maintenance support needed to be part of their recommendation.

The PFEC ultimately developed a recommendation for the City Council over a series of eight meetings that spanned six months. Their recommendation included a discussion of the timing and size of the ballot measure, underlying principles to consider in developing and updating a PROS Plan and a ballot measure, and recommendation regarding the content and size of the ballot measure and type of debt. The City Council received the PFEC's report in March 2012. In May 2012, the City contracted with EMC Research to conduct a statistically valid random sample survey of the public's attitudes and priorities for the park system.

The PFEC met one more time to discuss three ballot measure options that were developed following the Council's receipt of their report and the survey. They prepared a recommendation for the City Council. A ballot measure was approved by the City Council for the November 2012 election as was approved by the voters.

## Possible Process and Timing for Fire Ballot Measure

Although the process for consideration of a fire service ballot measure does not need to follow the exact same timeline or format, the PFEC process did have the advantage of a collaborative and inclusive process that helped gain early community support and advocates for the measure. If the Council wanted to consider a fire ballot measure for the 2018 General Election using a similar process, it is recommended that a stakeholder group be appointed by early to mid-2017 and asked to complete their work by the first quarter of 2018. This group would evaluate both potential capital measures, as well as potential companion operating measures that would add staffing. This timeline would provide adequate time for the Council to consider their recommendation, conduct a survey (if desired) and to develop a ballot measure, while still maintaining an informed and engaged group of advocates for the measure.

The deadline for approving a ballot measure for the November 2018 General Election is in early August. If the Council wanted to consider the August primary election, a ballot measure would need to be approved in mid-May. If the measure is going to include a General Obligation Bond element for capital improvements, it will require a 60% majority approval with 40% of the voters who voted in the last general election to vote. Since 2016 is a presidential election year, the validation requirement may be more achievable.

Staff recommends engaging the services of a consultant to design and facilitate the stakeholder process. If Council agrees, a service package will be prepared for the 2017-2018 Budget.

## **Park Funding Exploratory Committee Roster**

### **Board/Advisory Group**

<b>Name</b>	<b>Organization Represented</b>
Amy Walen, Chair	City Council
Bhaj Townsend	Cultural Council
Nona Ganz	Green Kirkland Partnership
Robert Kamuda	Park Board
Barbara Ramey	Park Board
Jay Arnold	Planning Commission
Lauren Bolen	Senior Council
Sandeep Singhal	Transportation Commission
Chris Norwood	Youth Council

### **Institution/Business Group**

Laurene Burton	Evergreen Hospital Medical Center
Rick Smith	Finn Hill Park & Recreation District
Vince Armfield	First Baptist Church of Kirkland
Val Gurin	Greater Kirkland Chamber of Commerce
Loita Hawkinson	Kirkland Heritage Society
Don Jury	Kirkland Kiwanis Club
Rick Ostrander	Kirkland Rotary Club
Jackie Pendergrass	Lake Washington School District
Paul Banas	Northwest University

### **Neighborhood Group**

Lisa McConnell	Central Houghton Neighborhood Association
Scott Morris	Denny Creek Neighborhood Alliance
Jill Keeney	Everest Neighborhood Association
Kathy Schuler	Finn Hill Neighborhood Association
Mary Shular	Highlands Neighborhood Association
Mark Dunphy	Juanita Neighborhood Association
Kevin Hanefeld	Juanita Neighborhood Association
Craig Dulis	Kingsgate Neighborhood Association
Georgine Foster	Lakeview Neighborhood Association
Tom Reichert	Market Neighborhood Association
Bonnie McLeod	Moss Bay Neighborhood Association
Don Schmitz	North Rose Hill Neighborhood Association

Attachment I

**Neighborhood Group (cont.)**

<b>Name</b>	<b>Organization Represented</b>
Suzanne Kagen	South Rose Hill/Bridle Trails Neighborhood Association
Anne Anderson	South Rose Hill/Bridle Trails Neighborhood Association
Lynda Haneman	Totem Lake Neighborhood Association

**Park User/Advocate Group**

Sants Contreras	Citizen at-large
Lynn Stokesbary	Citizen at-large
Laura Caron	Citizen at-large
Cindy Balbuena	Eastside Audubon
John Rudolph	Kirkland American Little League
Chuck Bartlett	Kirkland Dog Off-Leash Group
Steve Lytle	Kirkland Lacrosse
Ken McCumber	Kirkland National Little League
Curt Bateman	Lake Washington Youth Soccer Association

**City Staff**

Kurt Triplett	City Manager
Marilynne Beard	Assistant City Manager
Jennifer Schroder	Director of Parks & Community Services
Tracey Dunlap	Director of Finance & Administration
Michael Cogle	Deputy Director
Linda Murphy	Recreation Manager
Jason Filan	Park Operations Manager
Cheryl Harmon	Administrative Assistant