CITY OF KIRKLAND

CITY COUNCIL

Amy Walen, Mayor • Penny Sweet, Deputy Mayor • Jay Arnold • Dave Asher
Shelley Kloba • Doreen Marchione • Toby Nixon • Kurt Triplett, City Manager

Vision Statement
Kirkland is an attractive, vibrant, and inviting place to live, work and visit.
Our lakefront community is a destination for residents, employees and visitors.
Kirkland is a community with a small-town feel, retaining its sense of history,
while adjusting gracefully to changes in the twenty-first century.

123 Fifth Avenue • Kirkland, Washington 98033-6189 • 425.587.3000 • TTY Relay Service 711 • www.kirklandwa.gov

2015 KIRKLAND CITY COUNCIL RETREAT II
Friday, May 29, 2015
10:00 a.m. – 5:00 p.m.

Peter Kirk Room
123 5th Avenue
Kirkland, Washington 98033

AGENDA

PLEASE CALL 48 HOURS IN ADVANCE (425-587-3190) if you require this content in an alternate format or if you need a sign language interpreter in attendance at this meeting.

1. Call to Order	10:00 a.m.
2. Roll Call	
3. Agenda Overview	
4. Financial Update	10:00 – 10:20 a.m.
5. Capital Improvement Program Introduction and Funding	10:20 – 11:30 a.m.
6. Executive Session to Discuss Property Acquisition – Rose Hill Room	11:30 – 12:30 p.m.
7. Lunch	12:30 – 1:00 p.m.
8. Police Strategic Plan Scope	1:00 – 1:30 p.m.
9. Council Policies and Procedures: a. Council Committee Meetings b. Review of Public Safety Committee Agenda Items c. Petitions and Initiative/Referendum	1:30 – 3:00 p.m.
10. Break	3:30 – 3:15 p.m.

11. Council Brainstorming Session, including items previously referred by Council for discussion at the Retreat: 3:15 – 5:00 p.m.
    a. Sustainability Advisory Committee
    b. Human Services Advisory Committee Enhanced Role
    c. Other Items as Identified at the Retreat

12. Adjournment 5:00 p.m.

Times provided are our best estimate.
The order of items is subject to change during the Retreat.

CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Tom Mikesell, Financial Planning Manager

Date: May 18, 2015

Subject: CITY COUNCIL RETREAT – FINANCIAL UPDATE

The purpose of this memo is to provide a brief overview of the year-to-date 2015 financial results and an update of the City's Price of Government using actual revenue data and update personal income growth rates.

FINANCIAL STATUS

The Financial Management Report (FMR) provides a review of revenue and expenditure performance for the first quarter of 2015 (Attachment A). The April dashboard report provides high level monitoring of the General Fund revenues and expenditures status and a few key revenue and expenditure indicators across funds that are especially important to watch. The following are a few highlights from the April dashboard report (Attachment B):

- Total **General Fund revenues** are at 35 percent of the budget through April, one third of the way through the year. Overall revenue trends are positive; total General Fund revenue through April is 10.4 percent ahead of the same period last year. Sales tax revenues are marginally ahead of forecast and last year's number, while utility taxes are lagging due to lower usage of electricity and gas during the mild winter. Development fees are outperforming budget and prior year levels and business license fees are similarly outpacing last year's results. Gas taxes, which are collected on a per gallon basis, are slightly below target at 31.5 percent of budget, though they are 1.4 percent ahead of 2014.

- Overall, **General Fund expenditures** are 32.4 percent of budget through April. This is slightly under the tracking percentage of 33.33 percent for the first four months of the year. This margin is considered within the expected range for budget monitoring.

The April sales tax memo (Attachment C) includes an analysis of sales tax revenue trends by business sectors and compares monthly and year-to-date data to last year. Year-to-date revenue is up 2.4 percent compared to the same period in 2014, with increases in the service, and retail sectors (particularly automotive sales) leading the way. In contrast, the Contracting category has yet to find its footing this year and is 3.7 percent below last year's collection through April. This is at least partially due to the impact of large payments received in the first quarter of last year. As discussed above, development activity remains strong, so it is possible that Contracting will turn positive in the months ahead.

Based on current financial status through the first four months of the year, trends we are tracking include:

- Utility tax collections underperforming due to lower usage during the mild winter; and,
- Fire Suppression overtime exceeding expected amounts due to the impact of ensuring minimum staffing while 5 recruits are in the fire academy and backfill of two battalion chiefs that have been on medical leave/light duty. The five new firefighters started in April, so this backfill cost will not continue. Note that $200,000 has been set aside in reserves that can be used to mitigate the impacts if the overage is not covered with salary savings by year end.

Looking ahead, we are currently assessing the mid-term impacts of the Totem Lake and Park Place redevelopment projects, with particular attention to assessing and balancing the revenue impacts during construction, including:

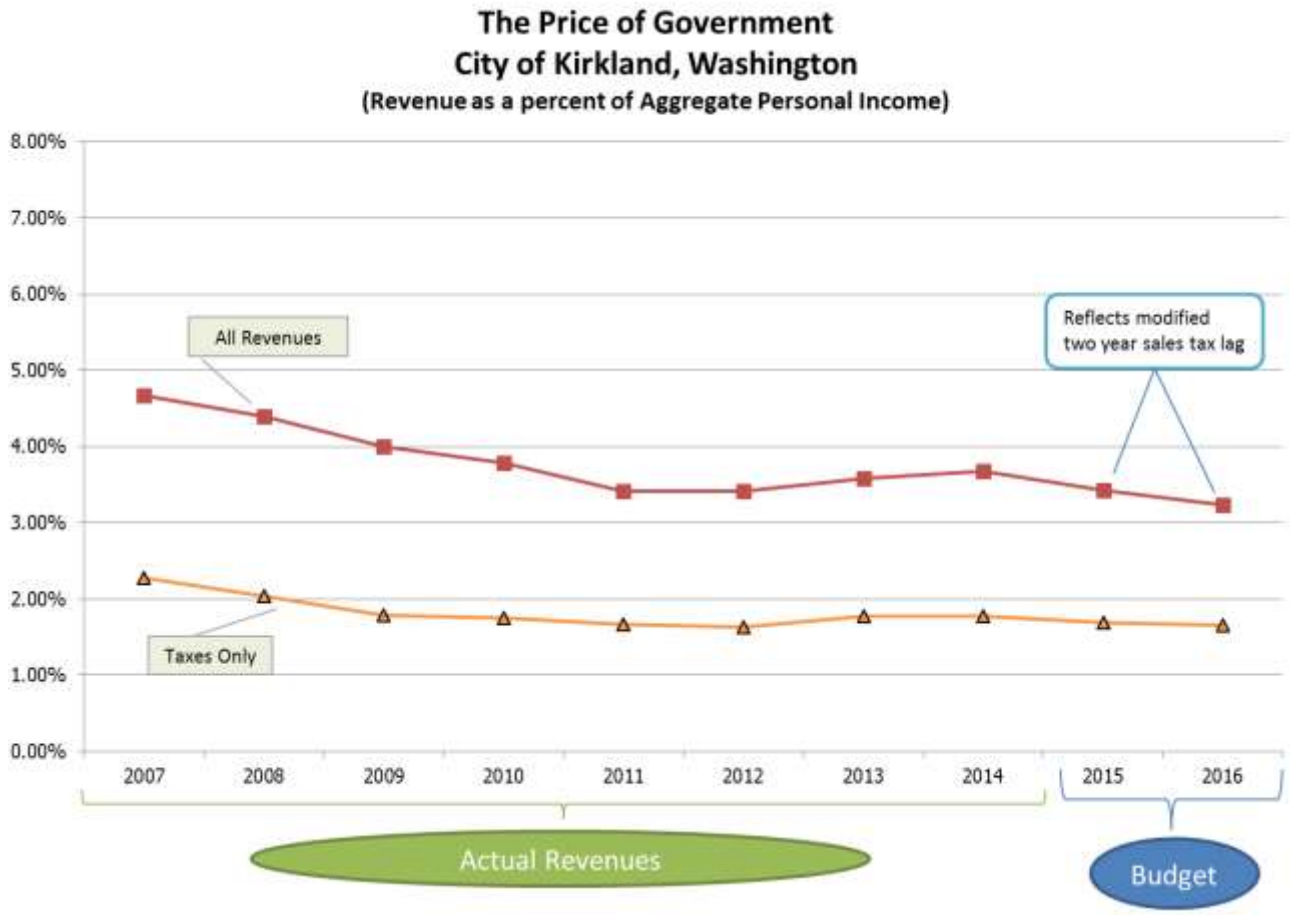
- Revenue impacts from lost activity from existing businesses during construction, and;
- Potential one-time REET and construction sales tax revenues.

Staff will bring back recommendations on setting aside one-time revenues to help mitigate the short term revenue losses and or risks related to Totem Lake debt as part of the mid-biennial budget process.

PRICE OF GOVERNMENT UPDATE

The Price of Government chart was included in the 2015-2016 budget process as a measure of affordability. It is a comparison of the revenues from taxes and fees of the government to the aggregate personal income level of the City's constituents. In general terms, the calculation is used to help define a band in which residents are willing to pay for government services. The typical range for local governments is between 5 percent and 6 percent. The Price of Government graph in the Budget Message reflected actual revenue data for 2007-2013, 2014 estimates, and the 2015-2016 preliminary budget. The personal income data reflected projections based on the Washington State Economic and Revenue Forecast Council personal income growth forecast. The adopted 2015-2016 budget and 2014 actual revenues are now available, as well as a new personal income growth forecast.

The overall result has not changed significantly. The projections remain just above 3 percent, well below the 5 to 6 percent normal range cited in the literature. Note that 2015 and 2016 include the modified two-year lag for sales taxes, which means actual results are likely to be higher if current trends continue. Also, if actual revenues exceed the budget due to economic recovery, the price of government will go up without any increase in tax rates or fees. Similarly, if personal income growth exceeds revenue growth the price of government will go down. As a result, this broad metric should be viewed as a trend indicator and in context with other measures, such as the quadrant chart and the forecast.



CONCLUSION

Overall financial performance is positive. Total revenue growth is within expected ranges, and expenditures are below budget. Sales taxes are no longer growing at the rapid pace seen in recent years, and have now settled into more moderate growth. Items to track in the months ahead include fire suppression overtime and utility tax collections trends. Affordability, as measured by the Price of Government, remains below 4 percent. The next major financial review by the Council will be the mid-biennial budget process that will begin in September and result in an amendment to the budget by the end of 2015.

Financial Management Report as of March 31, 2015

AT A GLANCE:

Kirkland receives an award for constructing a more environmentally friendly road (page 2 sidebar)

2015 first quarter general fund revenues increased 5% over 2014 (page 3)

Sales tax revenue grew slightly in the first quarter (page 5)

Unemployment continues to decrease, inflation is low and the housing market continues to improve (pages 7-8)

Inside this issue:

Expenditure Summary	2
General Fund Revenue	3
General Fund Expenditures	4
Sales Tax Revenue	5-6
Economic Environment	7-8
Investment Report	8-9
Reserve Summary	10-11

Summary of All Operating Funds: *Revenue*

- **General Fund** revenue ended March **4.6 percent ahead** of 2014, an increase of $902,069. Most of the increase came from Charges for Services which were 39.6 percent higher due to increased collections for Engineering Services, Plan Check fees, and Planning Fees. Actual revenues finished the first quarter **at 22.2 percent** of budget, 25 percent of the way through the year. This is expected because of the seasonal nature of property tax payments which are received largely in April and October. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.

- **Other General Government Funds** revenue finished the quarter **2.3 percent higher** than 2014, up $103,763. The Facilities Maintenance Fund led the way with 30.4% year over year, primarily due to the impact of new internal service charge revenue from operations at the Kirkland Justice Center. Lodging tax followed with an increase of 24.1. Actual revenue for total other general government operating funds, excluding interfund transfers was **17.1 percent** of budget. Street Operating, Parks Levy, and Parks Maintenance revenues from property taxes are primarily collected in April and October. Equipment Rental revenues were down 0.9 percent from 2014. This is likely due to the timing of rental fees paid to fleet that will pay for large purchases. The equipment rental revenue budget was also increased 33.5 percent for 2015 to include the purchase and maintenance of a fire truck.

- **Water/Sewer Operating Fund** first quarter revenue is **up 9.9 percent** over 2014. Actual revenue for the quarter was **23.5 percent of budget** which is higher than the last two years. This is primarily due to increased water/sewer rates which were 4.9 and 4.1 percent respectively. In addition to the rate increase, water connections are also up 1 percent over 2014.

- **Surface Water Management Fund** revenues finished March at **7.9 percent of budget**. Revenues in the first quarter of 2015 were **29.0 percent higher** than they were in 2014. Both residential and commercial surface water fees are collected with property tax payments, and will therefore be primarily received in the second and fourth quarters.

- **Solid Waste Fund** finished the quarter with **25.3 percent of budgeted revenues**. This is **4.2 percent higher** than 2014, due to growth in commercial collections.

Overall, first quarter utility fund revenues were **up 8.7 percent** compared to 2014, and finished March at **21.3 percent of budget.**

	Year-to-Date Actual			Budget			% of Budget	
Resources by Fund	**3/31/2014**	**3/31/2015**	**% Change**	**2014**	**2015**	**% Change**	**2014**	**2015**
General Gov't Operating:								
General Fund	18,135,679	18,970,247	4.6%	78,716,413	85,638,564	8.8%	23.0%	22.2%
Other General Gov't Operating Funds	4,448,751	4,552,513	2.3%	24,773,970	26,611,765	7.4%	18.0%	17.1%
Total General Gov't Operating	**22,584,429**	**23,522,761**	**4.2%**	**103,490,383**	**112,250,329**	**8.5%**	**21.8%**	**21.0%**
Utilities:								
Water/Sewer Operating Fund	5,647,484	6,204,436	9.9%	24,341,974	26,406,995	8.5%	23.2%	23.5%
Surface Water Management Fund	586,545	756,565	29.0%	9,460,539	9,559,416	1.0%	6.2%	7.9%
Solid Waste Fund	4,023,092	4,190,927	4.2%	15,898,408	16,412,340	3.2%	25.3%	25.5%
Total Utilities	**10,257,120**	**11,151,928**	**8.7%**	**49,700,921**	**52,378,751**	**5.4%**	**20.6%**	**21.3%**
Total All Operating Funds	**32,841,550**	**34,674,688**	**5.6%**	**153,191,304**	**164,629,080**	**7.5%**	**21.4%**	**21.1%**

Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures (excluding transfers) finished the first quarter of 2015 **up 6.1 percent** from the year before. Actual expenditures finished at **25.2 percent of budget.** Services spending, which **grew by 30.1%** over 2014 actuals, contributed the largest share of the total fund increase. A more detailed analysis of General Fund expenditures by department can be found on page 4 and 5.

- **Other General Government Operating Funds** actual expenditures were **0.4 percent lower** than 2014 due to savings in Equipment Rental and Information Technology expenditures offsetting higher spending in all other categories. Equipment Rental has lower expenses due to a decline in the number of vehicle replacements scheduled during this time and a decrease in the price of oil and fuel. Information Technology expenditures were 3.6 percent lower than 2014 due to the rental rates decreasing as a result of multiple hires which drive the per FTE rental cost down. Street operating had the highest increase in expenditures due to payments being processed in the first quarter for delayed PSE billing related to street lighting.

  In aggregate, other general government operating funds finished March at **27.5%** of budgeted funds spent which is 4.5 percent higher than 2014. This increase is due to increased spending in facilities maintenance which resulted from an increase in the Facilities Life Cycle Model contributions. In addition, maintenance for the Kirkland Justice Center has been added to the model.

- **Water/Sewer Operating Fund** actual expenditures were **6.8 percent lower** than in 2014. The decrease in expenditures was primarily a result of the timing of the King County Metro Sewer payment which did not post until April. If this payment had posted for March Water/Sewer Operating Funds would have finished the first quarter 1.3 percent lower than 2014. In total, the Water/Sewer fund finished March at **23.8 percent of budget**.

- **Surface Water Management Fund** expenditures at the end of the first quarter were **11.1 percent higher** than 2014. Year over year growth was due mostly to the Department of Ecology permit billed in the first quarter and an increase in IT rental rates due the addition of 6.5 departmental FTEs. Expenditures at the end of March were **lower than budgeted, at 13.6 percent** of the yearly budget. All spending categories finished below budget, with under-expenditures for other services contributing the largest share due to the utility services budget being increased in order to increase environmental stewardship activities such as building rain gardens and invasive species mitigation.

- **Solid Waste Fund** expenditures were **1.7 percent higher** in 2015 than in 2014. Small increases in expenditures for the waste disposal contract, personnel, and external taxes were the cause of the overall increase. Expenditures in the fund finished the first quarter at **25.1 percent of budget** which is in line with expected budget expenditures.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2014	3/31/2015	% Change	2014	2015	% Change	2014	2015
General Gov't Operating:								
General Fund	19,068,405	20,230,105	6.1%	78,255,751	80,222,012	2.5%	24.4%	25.2%
Other General Gov't Operating Funds	4,809,683	4,789,883	-0.4%	21,225,949	23,483,364	10.6%	22.7%	20.4%
Total General Gov't Operating	**23,878,089**	**25,019,988**	**4.8%**	**99,481,700**	**103,705,376**	**4.2%**	**24.0%**	**24.1%**
Utilities:								
Water/Sewer Operating Fund	5,777,618	5,382,950	-6.8%	20,601,544	22,623,571	9.8%	28.0%	23.8%
Surface Water Management Fund	1,293,001	1,435,943	11.1%	6,353,316	10,549,379	66.0%	20.4%	13.6%
Solid Waste Fund	3,908,664	3,974,439	1.7%	15,668,380	15,857,007	1.2%	24.9%	25.1%
Total Utilities	**10,979,283**	**10,793,332**	**-1.7%**	**42,623,240**	**49,029,957**	**15.0%**	**25.8%**	**22.0%**
Total All Operating Funds	**34,857,371**	**35,813,320**	**2.7%**	**142,104,940**	**152,735,333**	**7.5%**	**24.5%**	**23.4%**

Achievement for More Environmentally Friendly Roads

Greenroads, an international environmental organization based in Seattle formed in 2010 to advocate for more sustainable roads and bridge construction practices, awarded the City of Kirkland on April 24 with the highest rating it has ever administered. Kirkland's Northeast 120th Street project received the silver certification for earning 46 out of the organization's 118 total points.

"Other projects have rated Greenroads Silver, but no project has earned 46 points," said Dr. Jeralee Anderson, Executive Director of Greenroads. "The City of Kirkland made a commitment right from the start to make this as green as possible and it shows. That's a testament to Kirkland's commitment to sustainability."

Kirkland earned 46 points by leveraging several opportunities to reduce the 880-foot road extension's environmental burden. Examples include L.E.D. street lighting, reused pavement for backfill, and using warm-mix asphalt rather than hot-mix asphalt. To protect Totem Lake from the gushes of stormwater, Kirkland used trees to soak up some of that stormwater and also built a 270,000-gallon concrete vault to capture and slowly release stormwater.

One of the best ways to reduce the environmental burden of road construction is to build and repave roads less often. Therefore Kirkland chose to use 40-year pavement rather than 20 year pavement at no extra cost to the City. The primary difference between 40-year pavement and 20-year pavement is the pavement's thickness.

The street will also help reduce vehicle emissions by offering residents a variety of ways to travel. The extension features bike lanes and sidewalks on both sides, as well as nearby bus stops.

General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in the first quarter of 2015 was **2.2 percent higher** than it was in 2014. The increase is partially due to the $270,000 street allocation now being taken from business license fees. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished March **14.2 percent lower** than 2014 due to property tax payments normally received in March being received in April. Most property tax payments are receipted to the City in April and October, therefore this number will likely normalize during the second quarter of 2015.
- **Utility tax** collections finished March 2.7 percent lower than March 2014 at **26.0 percent** of budget due to mild weather which resulted in a decline in electricity usage and gas.
- **Other taxes** actual revenues was **24.2 percent lower** than in 2014. This is due mainly to increased 2014 revenues from a higher level of card game winnings being receipted to the City. Punch board and pull tabs and leasehold tax were also elevated in 2014.
- The **business licenses (base fee) and franchise fees** were **1.3 percent** higher than in 2014 and finished March **at 24.9 percent.**
- Collections from the **revenue generating regulatory license fee** were **3.4 percent higher** than in 2014. Revenues were at **30 percent of budget**. This fee is charged to employers on a per-employee basis, and it can fluctuate based on the timing of when businesses submit their payments.
- **Plan check fees** finished the quarter **up 101.2 percent** and **Building, Structural and Equipment permits** were **down 9.4 percent** compared to 2014. **Planning fees** revenue **increased 98.6 percent**, while **Engineering Services** collected **221.5 percent more** than 2014. High gains are present in planning fees and engineering services this quarter due to the Google Campus Phase 2 Expansion. Building permit revenue valuations do not reflect this project yet due to the order sequence of city planning, engineering, and building permit processes.
- **Fines and Forfeitures** were **down 9.8 percent from 2014** due to a decrease in civil traffic fines. This revenue source finished March **at 15.7 percent.** However, traffic infraction penalties are not receipted in January, so the budget is collected in 11 months from February to December. Therefore this category will be close to budget by year end if past trends hold for the current year.
- **Miscellaneous** revenue finished March **6.0 percent down** from 2014 due to last year having a larger insurance recovery payment than normal. This category was **below budget projections at 22.9 percent of budget**. The underperformance in this category will continue to be monitored. The expectation is that revenue will increase as insurance recoveries are received as well as various other miscellaneous revenues that cannot be categorized into other revenue streams.

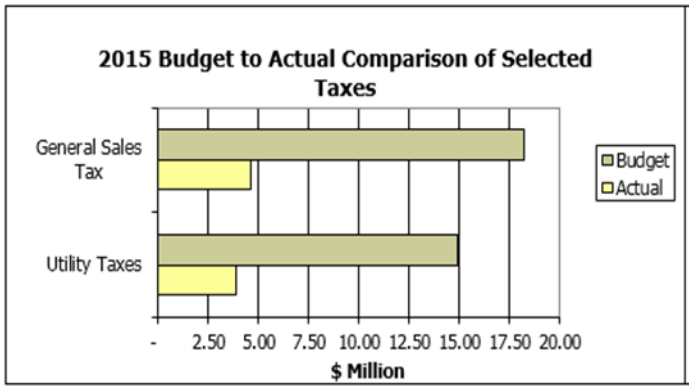
General Fund revenues ended the first quarter $902,069 higher than in 2014 largely due to growth in charges for services.

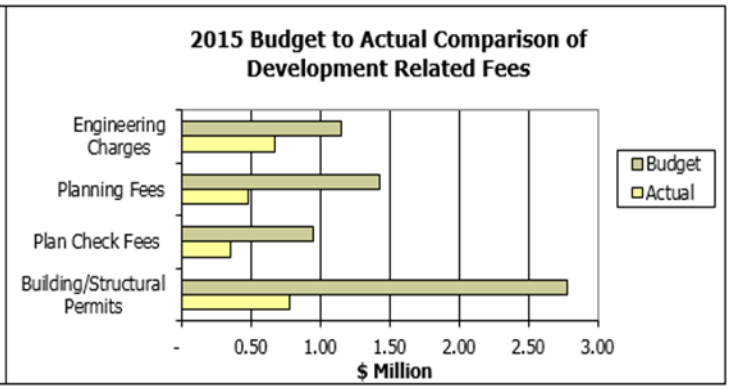
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

- **Many significant General Fund revenue sources are economically sensitive, such as sales tax and development–related fees.**
- **About 436 of the City's 574 regular employees are budgeted within the general fund this year.**

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	3/31/2014	3/31/2015	% Change	2014	2015	% Change	2014	2015
Taxes:								
Retail Sales Tax: General	4,482,143	4,581,769	2.2%	15,263,571	18,230,397	19.4%	29.4%	25.1%
Retail Sales Tax Credit: Annexation	1,054,952	1,081,700	2.5%	3,415,626	3,792,500	11.0%	30.9%	28.5%
Retail Sales Tax: Criminal Justice	481,247	517,827	7.6%	1,666,973	2,036,370	22.2%	28.9%	25.4%
Property Tax	1,129,825	969,224	-14.2%	16,953,959	17,456,855	3.0%	6.7%	5.6%
Utility Taxes	3,983,547	3,877,205	-2.7%	14,779,443	14,895,606	0.8%	27.0%	26.0%
Rev Generating Regulatory License	678,254	701,424	3.4%	2,351,285	2,338,315	-0.6%	28.8%	30.0%
Other Taxes	469,097	355,358	-24.2%	1,073,303	1,063,075	-1.0%	43.7%	33.4%
Total Taxes	**12,279,065**	**12,084,506**	**-1.6%**	**55,504,160**	**59,813,118**	**7.8%**	**22.1%**	**20.2%**
Licenses & Permits:								
Building, Structural & Equipment Permits	865,707	784,160	-9.4%	2,029,631	2,778,063	36.9%	42.7%	28.2%
Business Licenses/Franchise Fees	1,114,872	1,129,482	1.3%	4,297,593	4,532,649	5.5%	25.9%	24.9%
Other Licenses & Permits	163,503	165,925	1.5%	327,848	379,955	15.9%	49.9%	43.7%
Total Licenses & Permits	**2,144,082**	**2,079,567**	**-3.0%**	**6,655,072**	**7,690,667**	**15.6%**	**32.2%**	**27.0%**
Intergovernmental:								
Grants and Federal Entitlements	13,899	75,074	440.1%	54,421	127,815	134.9%	25.5%	58.7%
State Shared Revenues & Entitlements	292,580	279,502	-4.5%	1,237,172	1,098,514	-11.2%	23.6%	25.4%
EMS	-	-	N/A	884,645	902,338	2.0%	N/A	N/A
Total Intergovernmental	**306,479**	**354,576**	**15.7%**	**2,176,238**	**2,128,667**	**-2.2%**	**14.1%**	**16.7%**
Charges for Services:								
Internal Charges	1,273,223	1,441,417	13.2%	5,717,970	6,072,987	6.2%	22.3%	23.7%
Engineering Services	208,880	671,540	221.5%	689,483	1,156,000	67.7%	30.3%	58.1%
Plan Check Fee	174,123	350,410	101.2%	1,189,607	951,346	-20.0%	14.6%	36.8%
Planning Fees	243,036	482,681	98.6%	775,550	1,427,149	84.0%	31.3%	33.8%
Recreation	402,560	475,681	18.2%	1,160,300	1,195,800	3.1%	34.7%	39.8%
Other Charges for Services	472,203	450,240	-4.7%	2,190,907	1,980,204	-9.6%	21.6%	22.7%
Total Charges for Services	**2,774,026**	**3,871,969**	**39.6%**	**11,723,817**	**12,783,486**	**9.0%**	**23.7%**	**30.3%**
Fines & Forfeits	380,788	343,446	-9.8%	1,929,999	2,189,359	13.4%	19.7%	15.7%
Miscellaneous	251,239	236,184	-6.0%	727,127	1,033,267	42.1%	34.6%	22.9%
Total Revenues	**18,135,679**	**18,970,247**	**4.6%**	**78,716,413**	**85,638,564**	**8.8%**	**23.0%**	**22.2%**
Other Financing Sources:								
Interfund Transfers	-	-	N/A	270,323	333,760	23.5%	N/A	N/A
Total Other Financing Sources	**-**	**-**	**N/A**	**270,323**	**333,760**	**23.5%**	**N/A**	**N/A**
Total Resources	**18,135,679**	**18,970,247**	**4.6%**	**78,986,736**	**85,972,324**	**8.8%**	**23.0%**	**22.1%**

General Fund Revenue *continued*





General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	3/31/2014	3/31/2015	% Change	2014	2015	% Change	2014	2015
Non-Departmental	318,882	558,983	75.3%	1,447,774	2,856,258	97.3%	22.0%	19.6%
City Council	196,192	198,670	1.3%	457,470	461,013	0.8%	42.9%	43.1%
City Manager's Office	491,044	430,510	-12.3%	1,951,468	1,909,431	-2.2%	25.2%	22.5%
Municipal Court	553,705	603,751	9.0%	2,301,428	2,410,401	4.7%	24.1%	25.0%
Human Resources	331,764	364,995	10.0%	1,451,068	1,428,029	-1.6%	22.9%	25.6%
City Attorney's Office	341,352	337,596	-1.1%	1,384,479	1,212,975	-12.4%	24.7%	27.8%
Parks & Community Services	1,695,767	1,832,467	8.1%	7,752,416	7,785,508	0.4%	21.9%	23.5%
Public Works (Engineering)	1,127,375	1,270,884	12.7%	5,079,098	5,072,721	-0.1%	22.2%	25.1%
Finance and Administration	1,290,816	1,127,345	-12.7%	4,874,055	4,780,910	-1.9%	26.5%	23.6%
Planning & Community Development	886,832	1,117,946	26.1%	3,871,077	4,042,360	4.4%	22.9%	27.7%
Police	5,919,658	6,086,378	2.8%	24,447,897	24,628,920	0.7%	24.2%	24.7%
Fire & Building	5,915,019	6,300,580	6.5%	23,237,521	23,633,486	1.7%	25.5%	26.7%
Total Expenditures	**19,068,405**	**20,230,105**	**6.1%**	**78,255,751**	**80,222,012**	**2.5%**	**24.4%**	**25.2%**
Other Financing Uses:								
Interfund Transfers	622,200	533,011	-14.3%	4,915,588	6,879,142	39.9%	12.7%	7.7%
Total Other Financing Uses	**622,200**	**533,011**	**-14.3%**	**4,915,588**	**6,879,142**	**39.9%**	**12.7%**	**7.7%**
Total Expenditures & Other Uses	**19,690,605**	**20,763,116**	**5.4%**	**83,171,339**	**87,101,154**	**4.7%**	**23.7%**	**23.8%**

Comparing 2015 and 2014 expenditures:

In 2015, excluding interfund transfers, General Fund expenditures were **6.1 percent higher** than 2014, however, this increase was anticipated for the first quarter as expenditures were **25.2 percent** of budget. Specific reasons for increased expenditures are highlighted below:

2015 General Fund actual expenditures (excluding "other financing uses") were 6.1 percent higher than they were in 2014.

- Expenditures for **Non-departmental** were **up 75.3 percent** due to a large legal settlement payment to AT&T mobility. Despite this increase, Non-departmental finished the first quarter below **budget expectations at 19.6 percent.** This is due to a re-categorization of legal services into the non-departmental budget. Currently public defense services are being paid out of the City Attorney's Office.
- Actual **Interfund Transfers** finished the first quarter down **14.3 percent** from 2014 because of significantly lower debt service due to the retirement of the parking garage General Obligation Bond.
- Actual 2015 expenditures for the **City Council increased 1.3 percent** from 2014. Increased spending for car allowances, as authorized by the Salary Commission beginning in 2015, is partially offset by a decrease in IT rental charges.
- The **City Manager's Office** finished the first quarter **down 12.3 percent** from 2014 with 22.5 percent of budget expended. This is 1.9 percent lower than 2014 mostly due to a decrease in spending on professional services and neighborhood planning as well as a decrease in interdepartmental IT rental payments due to lowered per FTE IT rental rates.
- First quarter expenditures for the **Parks & Community Services Department** were **up 8.1 percent** from 2014 due mainly to increases in human service expenditures as well as increases in parks maintenance costs. Parks and Community Services finished the first quarter below expected expenditures at **23.5 percent of budget**.
- **Planning and Community Development** finished the quarter **26.1 percent above** 2014, with 27.7

Continued on page 5

percent of the budget expended. Savings in benefits were completely offset by higher expenditures in Rental and Insurance. The Services and Charges subcategory is currently 53.2 percent expended due to liability insurance being paid in full at the beginning of the year. WCIA increased liability insurance for a claims reserve in relation to a land use moratorium.

- **Public Works - General Fund** expenditures were **12.7 percent above 2014**. This large increase is mainly due to the impact of the vacant Public Works Director position in 2014 which is now filled. This year also includes an increase in professional services due to the Slalom LLC Consulting project for the development services website architecture.

- **Police** expenditures ended the quarter **2.8 percent above** 2014. Jail contract costs ended the quarter 11.4 percent less than 2014 with 22.0 percent of budget expended. The decrease was due to due to reduced need to house inmates at third party facilities.

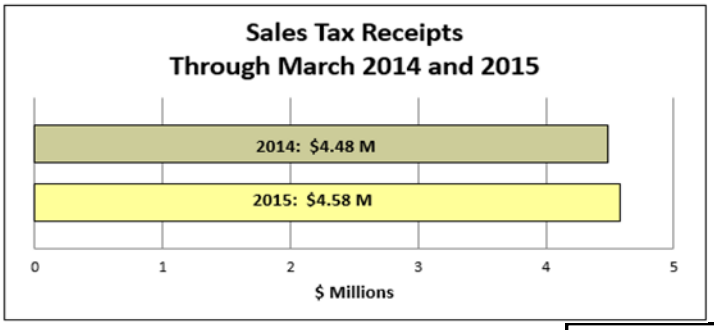
- Expenditures for the **Fire & Building Department** finished the first quarter **6.5 percent above** 2014. However, expenses are only slightly above budget. The increase in expenditures over last year is due to the cost of backfilling five vacant firefighter positions, which are expected to be filled in April by recruits that are currently in the firefighter academy. There are no current vacancy related salary savings since the recruits attending the academy are on the City's payroll during their training. In addition, two Battalion Chiefs are on medical leave and/or light duty and are expected to return to active duty in May.

Summary of Fire District 41 Funds	
2015 Revenues & Expenditures	
Beginning Balance	5,196,781
Investment Interest	-
Expenditures	2,695
Current Balance	**$ 5,194,086**

Sales Tax Revenue Analysis

Beginning in 2015, a $270,000 transfer of sales tax revenue to the Street Operating Fund has been replaced by a transfer of business license fees. As such, the collections comparisons discussed in this section will be skewed slightly since the 2014 figures include the impact of this transfer.

First quarter sales tax revenue was **2.2 percent** higher in 2015 than 2014. This growth in revenue was concentrated in auto/gas retail, services, and general merchandise with auto/gas retail making up the largest single increase. Sales tax revenue received through March is from sales activity between November 2014 and January 2015.



Review by business sectors:

- **Contracting ended down 2.8 percent** through March compared to 2014. Construction trends were slower than 2014, due to several large commercial and multi-family projects in the first quarter of last year.
- Sales tax from the retail sectors was collectively **up 6.0 percent** compared to 2014.
- **Auto/gas retail** sector was **up 7.2 percent** compared to 2014.
- **General merchandise/miscellaneous retail** sector was **up 6.3 percent** in 2015 compared to 2014 due to positive gains from retailers across the city.
- **Retail eating/drinking** sector performance was **up 7.4 percent** compared to 2014. Revenue increases can be attributed to improved sales at many established restaurants along with the opening of some new establishments over the course of the year.
- **Other retail** was **up 2.9 percent** compared to 2014 due to positive performance across most categories, including internet sales, building & garden stores and food & beverage retailers.
- The **services** sector was **up 6.4 percent** compared to 2014. This increase can be attributed to growth from Administration Support, Accommodation, and Healthcare.
- **Wholesale** revenues were **up 6.4 percent** in 2015, outpacing retail sales in general.
- The **miscellaneous** sector was **down 25.9 percent** in 2015, largely due to a one-time payment received in early 2014.

Regional Sales Tax
Bellevue was up 10.8 percent, Redmond was down 6.0 percent through March 2015 compared to March 2014.

King County
King County's sales tax receipts were up 0.7 percent through the end of the quarter compared to 2014.

Business Sector Group	YTD 2014	YTD 2015	Dollar Change	Percent Change	Percent of Total 2014	Percent of Total 2015	Percent of $ Change
Services	567,735	603,927	36,192	6.4%	12.7%	13.2%	36.3%
Contracting	663,803	645,482	(18,321)	-2.8%	14.8%	14.1%	-18.4%
Communications	125,912	126,960	1,048	0.8%	2.8%	2.8%	1.1%
Auto/Gas Retail	1,078,636	1,156,481	77,845	7.2%	24.1%	25.2%	78.1%
Gen Merch/Misc Retail	558,764	593,799	35,035	6.3%	12.5%	13.0%	35.2%
Retail Eating/Drinking	340,801	366,141	25,340	7.4%	7.6%	8.0%	25.4%
Other Retail	613,687	631,666	17,979	2.9%	13.7%	13.8%	18.0%
Wholesale	193,202	205,518	12,316	6.4%	4.3%	4.5%	12.4%
Miscellaneous	339,603	251,795	(87,808)	-25.9%	7.6%	5.5%	-88.1%
Total	**4,482,143**	**4,581,769**	**99,626**	**2.2%**	**100%**	**100%**	**100%**

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to "North American Industry Classification System" or NAICS). Nine business sector groupings are used to compare 2014 and 2015 sales tax receipts in the table to the left.

Month	2014	2015	$ Change	% Change
January	1,390,304	1,406,662	16,358	1.2%
February	1,800,690	1,783,689	(17,001)	-0.9%
March	1,291,149	1,391,418	100,269	7.8%
Total	**4,482,143**	**4,581,769**	**99,626**	**2.2%**

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

- Sales tax revenues for the first quarter of 2015 were 2.2 percent higher than the first quarter of 2014.
- Growth has been sporadic in the early months. In January revenues were up 1.2 percent then fell 0.9 percent in February. March Sales tax rebounded with 7.8 percent month to month growth.

Sales tax revenue growth in the first quarter is primarily due to growth across all sectors but contracting and miscellaneous. Retail/Eating and Drinking saw the largest percentage increase followed closely by Auto/Gas Retail and Services. These growth sectors are heavily dependent on consumer spending and can be sensitive to the wider economic environment.

Miscellaneous and Contracting were collectively down 10.6 percent from 2014. The miscellaneous category is sensitive to delayed tax payments and refunds. Declines in Contracting are due to the timing of large projects in the early months of 2014. The building department reports high levels of permit applications in the first quarter of 2015, so it is possible that the trend will improve in the months ahead.

Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.

Comparing to the same period last year:

Totem Lake, which accounted for 29.8 percent of the total sales tax receipts in the first quarter, was **up 11.4 percent** from 2014 due to the continued sales growth in the automotive/gas retail sector and repairs & maintenance with mixed results in other sectors. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which made up 14.1 percent of the total sales tax receipts in 2015, was **up 2.6 percent** compared to 2014. This area's sales grew due to improving auto retail and general retail sales. These two retail sectors contribute 82.8 percent of this business district's revenue.

Downtown, which accounted for 6.6 percent of first quarter sales tax receipts, was **down 1.8 percent.** Information revenues grew the most out of any sector downtown in 2015, with other sectors being mixed.

Carillon Point & Yarrow Bay, which account for 1.6 percent of the total sales tax receipts, were **down 1.5 percent** compared to 2014. About 64.7 percent of this business district's revenue came from retail eating/drinking and accommodations.

Houghton & Bridle Trails, which has produced 2.5 percent of the total sales tax receipts in 2015, were **down 0.2 percent** due to a drop in Retail Eating & Drinking and Personal Services.

Juanita, which generated 1.4 percent of the total 2015 sales tax receipts, was **down 8.8 percent** compared to 2014. Revenues were down for retail/eating & drinking and other retail.

North Juanita, Kingsgate, & Finn Hill accounted for 3.0 percent of the total sales tax receipts in 2015 and were **down 0.7 percent** over 2014. With growth in Kingsgate and North Juanita being offset by a decline in Finn Hill. Overall, Kingsgate grew the most out of these neighborhoods with growth of 6.4 percent, with North Juanita increasing modestly at 2.9 percent. Finn Hill revenues, however, decreased 10.0 percent; this is due to a one-time impact in 2014.

Year-to-date tax receipts by business district for 2014 and 2015 are compared in the table on the next page.

When reviewing sales tax receipts by business district, it's important to be aware that 45.4 percent of the revenues received in 2015 were in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - Mar Receipts		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Totem Lake	1,226,477	1,365,877	139,400	11.4%	27.4%	29.8%
NE 85th St	631,912	648,147	16,236	2.6%	14.1%	14.1%
Downtown	305,582	300,229	(5,353)	-1.8%	6.8%	6.6%
Carillon Pt/Yarrow Bay	76,354	75,207	(1,147)	-1.5%	1.7%	1.6%
Houghton & Bridle Trails	114,922	114,719	(203)	-0.2%	2.6%	2.5%
Bridle Trails	47,121	43,339	(3,782)	-8.0%	1.1%	0.9%
Houghton	67,801	71,380	3,579	5.3%	1.5%	1.6%
Juanita	68,934	62,857	(6,077)	-8.8%	1.5%	1.4%
Kingsgate	48,473	51,588	3,115	6.4%	1.1%	1.1%
North Juanita	59,665	61,376	1,711	2.9%	1.3%	1.3%
Finn Hill	28,882	26,005	(2,877)	-10.0%	0.6%	0.6%
Unassigned or No District:						
Contracting	662,403	642,798	(19,605)	-3.0%	14.8%	14.0%
Other	1,258,537	1,232,965	(25,572)	-2.0%	32.6%	31.4%
Total	**4,482,142**	**4,581,769**	**99,627**	**2.2%**	**100.0%**	**100.0%**

Sales Tax Revenue Outlook Sales tax growth slowed between the fourth quarter of 2014 and first quarter of 2015 after growing quickly during the first three quarters of 2014. This slowing trend has continued into 2015. However, revenues have remained at record setting levels in dollar terms. Retail and wholesale trade have been the highest contributors to sales tax growth so far this year making up 32.3 percent of first quarter receipts.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the first quarter of 2015 was 2.2 percent, significantly lower than the Puget Sound total vacancy rate of 13.0 percent, and an improvement from 2014's vacancy rate of 4.5 percent. Overall the Eastside has become the strongest office market in the Puget Sound region, with an office vacancy rate of 11.1 percent, now equal with downtown Seattle's vacancy rate.

The region currently has 1.7 million square feet of office space under construction, nearly 2.5 times less than this time last year. This includes projects on the Eastside, with over 1.5 million square feet planned in Bellevue and 180,000 in Kirkland. Facebook is contributing 274,000 square feet of new office space in Seattle's Dexter Station.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2014, finishing the quarter up 24.1 percent, an increase of $10,401. This meant revenues finished the first quarter at 20.7 percent of budget.

Economic Environment Update The Washington State economy continued to expand, adding 31,600 nonfarm jobs in the first quarter of 2015, according to the February 2015 update from the Washington State Economic and Revenue Forecast Council. Migration into Washington is currently the strongest on record according to Department of Licensing data.

The Conference Board's **Consumer Confidence Index** decreased from 103.8 in January to 96.4 in February but rebounded to 101.4 in March. A rating of 100 equals the 1985 consumer confidence level. Consumer confidence is expected to remain flat in upcoming months as consumers observe the soft labor market with caution. The Confidence Board found that the labor market is a concern to consumers as there are a large number of jobs available but the perception that competition for these jobs is high.

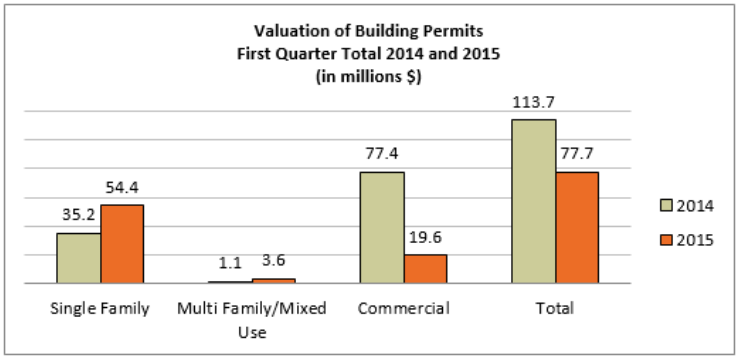
The Bureau of Labor Statistics **unemployment data** from March show the seasonally adjusted national rate remained steady at 5.5 percent. Washington State unemployment ended the quarter at 5.9 percent , decreasing from 6.3 percent in February 2015. Local unemployment rates declined for King County, moving from 4.9 percent in February 2015 to 4.1 percent in March 2015. Kirkland's unemployment rate increased slightly from 4.1 percent in January 2015 to 4.2 percent in February 2015. March numbers are not yet available as unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Western Washington Purchasing Manager Index indicated continued growth in economic activity in March 2015. The index was at 61.6 in March, which is positive; an index reading greater than 50 signals an expanding economy. While the index shows growth, it is worth noting that the March index was 3.8 points lower than forecasted.

(Continued on page 8)

Economic Environment Update *continued*

Local **building permitting activity** has dropped 31.7 percent compared to March 2014 largely due to impact of the Google Phase I expansion which was in the first quarter of 2014. Permitting activity has increased in residential building, but dropped significantly in the commercial category. The Google Phase 2 project has gone through the engineering and plan check phase, contributing to revenue growth in those categories. Permit valuation revenue for Google Phase 2 will be reflected in the second quarter report as permitting was obtained in April of this year.



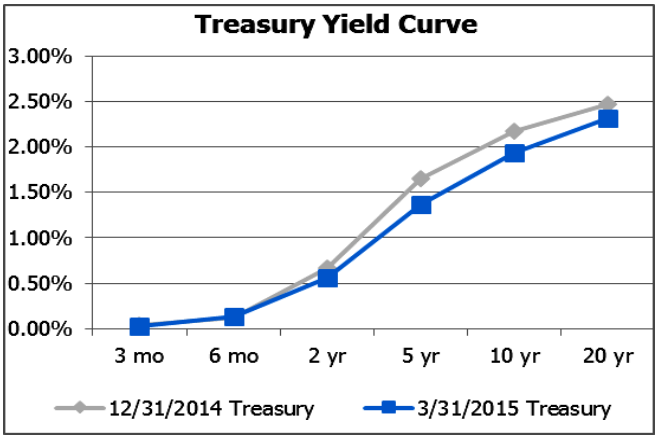
The **housing market** was strong and stable in the first quarter of 2015 with the Case-Shiller housing index for the Seattle metro area remaining at 170.33. The pre-recession peak index score was 192.3 in July 2007. There were 161,000 new housing permits issued in the first quarter of 2015 according to the Washington State Economic and Revenue Council. The sale prices of existing home have remained robust over the past year and were stable during the first quarter, although prices were still 11.4 percent below their 2007 peak.

Inflation in the Seattle area remained low. In February 2015, the Seattle core CPI increased 1.1 percent compared to the previous February while the national CPI remained steady with 0% year-to-year growth.

Investment Report

MARKET OVERVIEW

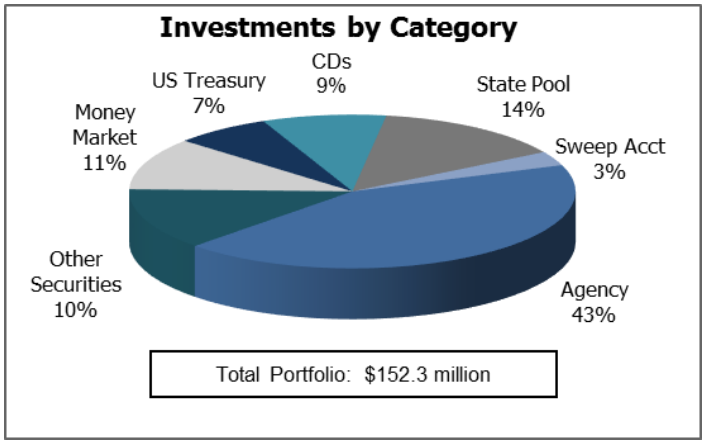
The economic growth continued at current low levels, very similar to the first quarter in 2014, affected by poor weather in much of the country. The Fed Funds rate remains at 0.25 percent, where it is expected to stay until the fall of 2015. The yield curve flattened slightly as rates in the long end of the curve declined and the short term rates remained nearly unchanged.



CITY PORTFOLIO

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

The City's portfolio decreased $4 million in the first quarter of 2015, moving from $156.5 million on January 1, 2015 to $152.3 million on March 31, 2015. This is primarily due to increasing the balance in the City's General Bank Account by $4 million to cover bank service charges. All funds deposited in the bank are 100% collateralized and covered by the Public Deposit Protection Commission.



Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Government Obligations, State and Local Government bonds, Bank CDs, Money Market Account, the State Investment Pool and an overnight bank sweep account. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

2015 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy looks the same as that of three months ago, according to 39 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 3.2 percent in 2015 and 2.9 percent in 2016. CPI inflation is expected to average 1.9 percent in 2015 and 2.10 percent in 2016. The unemployment rate is expected to average 5.4 percent in 2015 and fall to 5.1 percent in 2016. The Fed Funds rate, currently at 0.25%, is expected to remain at this level into late 2015.

The City's investment advisor, Government Portfolio Advisors (GPA) is currently recommending that the duration of the portfolio be kept unchanged in relation to the benchmark. They believe that the Fed may be slow to raise Fed Funds and will recommend security purchases when opportunities to capture higher returns are available as economic conditions should continue to be strong. GPA also suggests that the portfolio position their maturities for a flattening yield curve. They expect rates to rise modestly with the two year rising more than the five year note.

The State Pool is currently at 0.16% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2015 is $922,000.

Investment Report *continued*

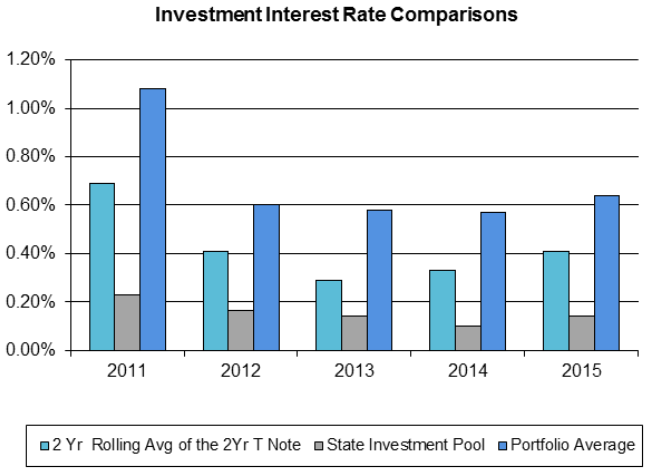
Liquidity

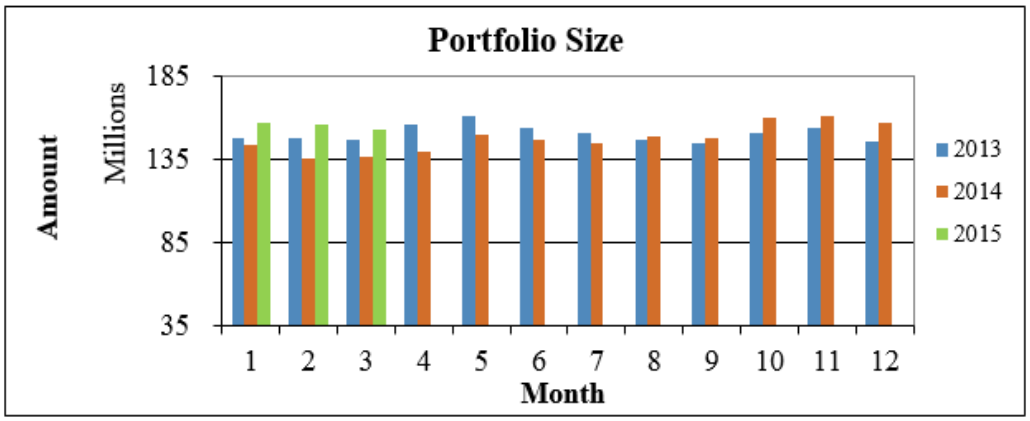
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.44 years on December 31, 2014 to 1.36 years on March 31, 2015 as the securities in the portfolio move closer to maturity.

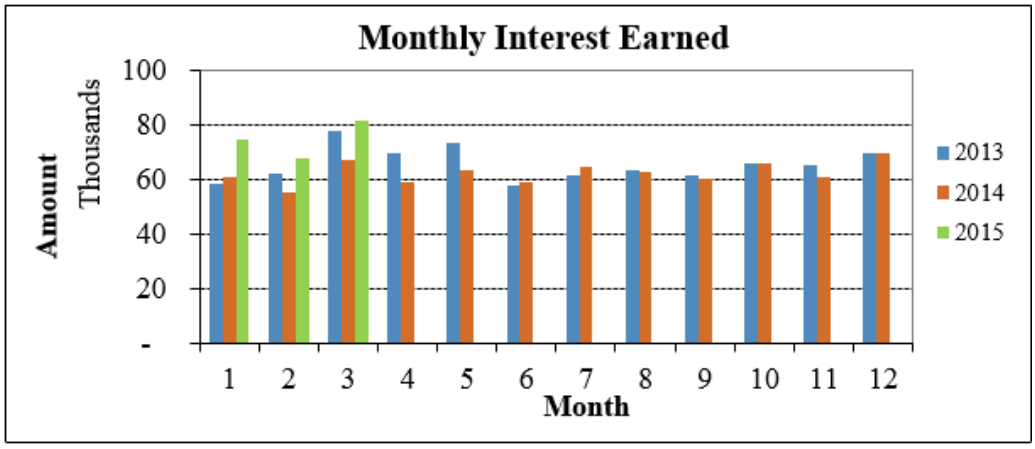
Yield

The City Portfolio yield to maturity increased from 0.62 percent on December 31, 2014 to 0.65 percent on March 31, 2015. Through March 31, 2015, the City's annual average yield to maturity also increased to 0.64 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.41 percent on March 31, 2015.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.







***Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of December 31, 2014 These amounts will be reconciled with actual results as part of the April 2015 budget adjustments and will be reflected in the second quarter FMR.*

Reserve Analysis

- Positive General Fund performance in 2013-2014, along with planned contributions to reserves in 2015-2016 has allowed the City to plan to replenish many of the general purpose reserves to target levels by the end of 2016 as indicated in the table below. The City's fiscal policy is to set at least 1 percent of the General Fund adopted budget toward reserve replenishment toward 80 percent of the target level (100 percent for the Revenue Stabilization Reserve). Unplanned amounts available at the end of a biennium should help replenish to target faster, which is what happened at the end of 2014. Adequate fund balance and reserve levels are a necessary component of financial management strategy and a key factor in the external agencies' measurement of the City's financial strength (Standard and Poor's: AAA and Moody's Aa2).

General Capital Reserves

- Real estate activity has been steady for the first quarter of 2015. **Real Estate Excise Tax (REET)** collections finished the quarter **28.7 percent ahead of 2014**. Revenue through the end of the quarter was **29 percent of budget**, so the current budgeted ending balance does not reflect actual revenue trends. This budget amount was adjusted upward for the 2015-2016 biennium.
- Reflecting continued high level of development activity, **Impact fees** are significantly ahead of the first quarter of 2014. **Park Impact fees** are already **209 percent of budget** and **Transportation Impact fees** are at **99 percent of budget** and they are **278 percent and 107 percent ahead** of the same quarter last year respectively. As with REET, the ending balances below do not reflect the current revenue trends.
- The City is currently in the process of updating the 2015-2020 Capital Improvement Program (CIP) after the recent completion of several master plans. The balances available in REET and Impact Fees will be considered for funding projects identified in these processes.

Reserves	Est. 2015 Beginning Balance	Adopted 2016 Ending Balance	Revised 2016 Ending Balance	2015-16 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	4,797,472	4,797,472	4,797,472	0
Revenue Stabilization Reserve	2,570,090	2,848,220	2,848,220	2,848,220	0
Building & Property Reserve	571,579	600,000	600,000	600,000	0
Council Special Projects Reserve	250,000	250,000	250,000	250,000	0
Contingency	2,426,425	4,036,425	4,036,425	5,536,076	(1,499,651)
General Capital Contingency	3,729,946	4,923,789	4,923,789	5,701,001	(777,212)
General Purpose Reserves with Targets	**12,404,553**	**17,505,906**	**17,505,906**	**19,782,769**	**(2,276,863)**
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	150,000	150,000	150,000	150,000	0
Firefighter's Pension Reserve	1,493,687	1,227,072	1,227,072	933,405	293,667
Health Benefits Fund:					
Claims Reserve	2,058,311	2,058,311	2,058,311	2,058,311	0
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	1,000,000	0
Excise Tax Capital Improvement:					
REET 1	5,843,876	8,361,750	8,361,750	1,732,329	6,629,421
REET 2	4,888,788	6,629,264	6,340,021	2,436,255	3,903,766
Water/Sewer Operating Reserve:	2,414,471	2,659,932	2,659,932	2,659,932	0
Water/Sewer Debt Service Reserve:	498,591	501,024	501,024	501,024	0
Water/Sewer Capital Contingency:	1,107,600	613,300	613,300	613,300	0
Surface Water Operating Reserve:	893,306	893,306	893,306	893,306	0
Surface Water Capital Contingency:	391,380	391,380	391,380	391,380	0
Other Reserves with Targets	**20,740,010**	**24,485,339**	**24,196,096**	**13,369,242**	**10,826,854**
Reserves without Targets	**44,427,607**	**48,986,784**	**48,220,278**	**n/a**	**n/a**
Total Reserves	**77,572,170**	**90,978,029**	**89,922,280**	**n/a**	**n/a**

The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.

General Purpose reserves are funded from general revenue and may be used for any general government function.

All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).

The summary to the right details all Council authorized uses and additions in the 2015-16 biennium.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2015-16 Council Authorized Uses		
REET 2 Reserve	$270,000	Juanita Drive 'Quick Wins'
Surface Water Construction Reserve	$204,700	100th Avenue NE Corridor
Surface Water Construction Reserve	$125,200	Decant Facility Upgrade
Surface Water Construction Reserve	$59,683	Park Lane Pedestrian Improvements
Water/Sewer Construction Reserve	$5,000	Park Lane Pedestrian Improvements
Surface Water Construction Reserve	$388,000	99th Place Emergency Storm Drain Replacement
REET 2 Reserve	$19,243	NE 68th Street/108th Avenue NE Intersection
2015-16 Council Authorized Additions		
Surface Water Construction	$16,077	NE 68th Street/108th Avenue NE Intersection

Financial Management Report as of March 31, 2015

General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.

Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.

General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.

Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.

Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.

Reserves	Description	Est. 2015 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2016 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	**50,000**		**50,000**
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	**4,797,472**		**4,797,472**
Revenue Stabilization Reserve	Temporary revenue shortfalls	2,570,090	**2,848,220**		**2,848,220**
Building & Property Reserve	Property-related transactions	571,579	**600,000**		**600,000**
Council Special Projects Reserve	One-time special projects	250,000	**250,000**		**250,000**
Contingency	Unforeseen expenditures	2,426,425	**4,036,425**		**4,036,425**
Total General Fund/Contingency		**8,674,607**	**12,582,117**	**0**	**12,582,117**
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	150,000	**150,000**		**150,000**
Labor Relations Reserve	Labor negotiation costs contingency	74,928	**64,608**		**64,608**
Police Equipment Reserve	Equipment funded from seized property	50,284	**60,284**		**60,284**
Police Equipment Reserve			**0**		**0**
Fire OT & Equipment Reserve	Contingency for overtime and equipment	200,000	**200,000**		**200,000**
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	**618,079**		**618,079**
LEOFF 1 Police Reserve			**0**		**0**
LEOFF 1 Police Reserve			**0**		**0**
Facilities Expansion Reserve	Special facilities expansions reserve	150,982	**150,982**		**150,982**
Development Services Reserve	Revenue and staffing stabilization	2,572,520	**2,487,837**		**2,487,837**
Development Svcs. Technology Reserve	Permit system replacement	1,040,324	**931,586**		**931,586**
Tour Dock	Dock repairs	206,271	**272,121**		**272,121**
Tree Ordinance	Replacement trees program	56,267	**66,267**		**66,267**
Revolving/Donation Accounts	Fees/Donations for specific purposes	940,331	**813,430**		**813,430**
Lodging Tax Fund	Tourism program and facilities	310,420	**155,688**		**155,688**
Cemetery Improvement	Cemetery improvements/debt service	736,215	**734,728**		**734,728**
Off-Street Parking	Downtown parking improvements	259,161	**389,811**		**389,811**
Fire Equipment Life Cycle	20-year fire equipment costs	418,326	**1,102,826**		**1,102,826**
Police Equipment Life Cycle	20-year police equipment costs	343,114	**680,714**		**680,714**
Technology Equipment Life Cycle	20-year technology equipment costs	663,600	**1,265,117**		**1,265,117**
Firefighter's Pension	Long-term care/pension benefits	1,493,687	**1,227,072**		**1,227,072**
Total Special Purpose Reserves		**10,284,509**	**11,371,150**	**0**	**11,371,150**
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	5,843,876	**8,361,750**		**8,361,750**
REET 2	Transportation and other capital projects	4,888,788	**6,629,264**	**(289,243)**	**6,340,021**
Impact Fees					
Roads	Transportation capacity projects	3,663,839	**4,017,985**		**4,017,985**
Parks	Parks capacity projects	1,727,746	**1,882,062**		**1,882,062**
Street Improvement	Street improvements	995,958	**995,958**		**995,958**
General Capital Contingency	Changes to General capital projects	3,729,946	**4,923,789**		**4,923,789**
Total General Capital Reserves		**20,850,153**	**26,810,808**	**(289,243)**	**26,521,565**
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	**2,659,932**	**0**	**2,659,932**
Water/Sewer Debt Service Reserve	Debt service reserve	498,591	**501,024**	**0**	**501,024**
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	**613,300**	**0**	**613,300**
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	10,051,937	**10,591,907**	**(5,000)**	**10,586,907**
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	893,306	**893,306**	**0**	**893,306**
Surface Water Capital Contingency	Changes to Surface Water capital projects	391,380	**391,380**	**0**	**391,380**
Surface Water Construction Reserve	Trans. related surface water projects	5,656,579	**7,828,203**	**(761,506)**	**7,066,697**
Total Utility Reserves		**21,013,864**	**23,479,052**	**(766,506)**	**22,712,546**
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve	Health benefits self insurance claims	2,058,311	**2,058,311**	**0**	**2,058,311**
Rate Stabilization Reserve	Rate stabilization	1,000,000	**1,000,000**	**0**	**1,000,000**
Equipment Rental:					
Vehicle Reserve	Vehicle replacements	10,068,738	**8,455,734**	**0**	**8,455,734**
Radio Reserve	Radio replacements	59,463	**74,764**	**0**	**74,764**
Information Technology:					
PC Replacement Reserve	PC equipment replacements	459,063	**630,049**	**0**	**630,049**
Major Systems Replacement Reserve	Major technology systems replacement	656,200	**872,000**	**0**	**872,000**
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	**550,000**	**0**	**550,000**
Facilities Sinking Fund	20-year facility life cycle costs	1,897,262	**3,094,044**		**3,094,044**
Total Internal Service Fund Reserves		**16,749,037**	**16,734,902**	**0**	**16,734,902**
Grand Total		**77,572,170**	**90,978,029**	**(1,055,749)**	**89,922,280**

The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual and year over year comparisons** for year-to-date revenues and expenditures for all operating funds.
- The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
- **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
- The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
- The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.

- Tracey Dunlap, Deputy City Manager
- Michael Olson, Director of Finance & Administration
- Tom Mikesell, Financial Planning Manager
- Neil Kruse, Senior Financial Analyst
- George Dugdale, Senior Financial Analyst
- Kyle Butler, Budget Analyst
- Alyshia Saltman, Budget Analyst

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Economic Environment Update References:

- The Conference Board Consumer Confidence Index Press Release April 15, 2015
- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, March, 2015
- Quarterly Economic & Revenue Forecast, March 2015—Washington State Economic & Revenue Forecast Council
- Monthly Economic and Revenue Publication, February 2015—Washington State Economic & Revenue Forecast Council
- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2015
- S&P/Case-Shiller Seattle Home Price Index
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department

April 2015 Financial Dashboard Highlights

May 15, 2015

- The dashboard report reflects the 2015 share of the biennial budget adopted by the City Council on December 9, 2014. The actual revenues and expenditures summarized reflect results through April 30, 2015, 33.3 percent through the year.
- Total General Fund revenues received through April were at 34.9 percent of budget. Collections are slightly higher than expected due largely to strong development fee revenues.
  - Sales tax revenues at the end of April were up 2.4 percent compared to April 2014 and were 32.9 percent of budget. Last year's collections through the first four months included a number of one-time transactions, including a large manufacturing sales tax receipt, making the prior year comparison higher than normal. Sales tax is up 4.4 percent if those transactions from 2014 are excluded. The sales tax revenue reflects activity from February 2015 due to the two month lag in receipt of the funds from the Department of Revenue.
  - Utility tax receipts were $5,157,597 in April, which is 34.6 percent of the budget. This is 4.0 percent lower than April 2014. This decrease is a result of lower usage due to a mild winter.
  - April business license revenues are 39.0 percent of budget; this is higher than last April's revenue by $85,115, an increase of 8.0 percent.
  - Development fees through the end of April were at 39.0 percent of budget. This is due to a high level of development activity to start the year. This is 37.2 percent higher than last year due to strong collections of building and engineering fees.
  - Gas taxes finished April at $527,816, which is 31.5 percent of the annual budget. This is slightly higher than April 2014 by 1.5 percent. The gas tax collection trend has been mostly flat for the past two years.
- Total General Fund expenditures were 32.0 percent of budget at the end of April.
  - General fund salaries and benefits were $18.47 million, which is 32.4 percent of the annual budget, with one third of the year completed. Salaries and benefits are 4.2 percent higher than in 2014, due to one time and ongoing positions added as part of the 2015-16 budget to increase service levels and meet the needs of the citizens.
  - Fire suppression overtime expenditures were $373,929 at the end of April, which is 45.0 percent of budget, and $105,949 higher than in 2014. The overtime through April is a combination of two factors. One has been the cost of backfilling five vacant firefighter positions, which were filled beginning in April by recruits that were in the firefighter academy, so this backfill cost will not continue. There are no current vacancy related salary savings since the recruits attending the academy did so on the City's payroll. In addition, two Battalion Chiefs have been on medical leave and/or light duty and are expected to return to active duty in May. This budget was increased by $100,666 in the adopted April budget adjustments as part of the Fire Prevention Staffing service package and filling this internal posting will require overtime backfill while a new firefighter is trained.
  - The 2015-16 one-time service package for $465,944 of additional overtime funding to staff Fire Station #24 is shown separately on the Dashboard. Expenses are on track, with 32.2 percent spent on overtime staffing for the station in April.
  - Contract jail costs were 18.8 percent of budget at the end of April. This budget covers the costs of housing inmates that cannot be kept at the Kirkland Justice Center jail for medical reasons.
  - Fuel costs ended April at $124,336 or 17.0 percent of budget. This is $64,511 lower than 2014, due to lower oil costs and the timing of fuel deliveries. The yearly comparison is expected to remain lower as long as oil prices are down, and variances due to delivery schedules should normalize as more months of data are received.

  Attachments: April Dashboard, Development Services Report

City of Kirkland Budget Dashboard

Date Completed 5/15/2015

Annual Budget Status as of **4/30/2015** (Note 1)

Percent of Year Complete **33.33%**

	2015 Budget	Year-to-Date Actual	% Received/ % Expended	Status: Current Report	Status: Last Report	Notes
General Fund						
Total Revenues (2)	86,319,586	30,101,451	34.9%			
Total Expenditures	87,529,927	28,039,126	32.0%			
Key Indicators (All Funds)						
Revenues						
Sales Tax	17,963,747	5,905,706	32.9%			Prior YTD = $5,767,946
Utility Taxes	14,895,606	5,157,597	34.6%			Telephone Utility Tax Audit = $119,475
Business License Fees	2,955,769	1,152,722	39.0%			
Development Fees	7,263,391	2,854,413	39.3%			
Gas Tax	1,675,751	527,816	31.5%			
Expenditures						
GF Salaries/Benefits	57,086,054	18,471,900	32.4%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	830,758	373,929	45.0%			Excludes FS 24 Overtime
F.S. #24 Overtime Staffing	465,944	150,208	32.2%			
Contract Jail Costs	431,172	80,944	18.8%			
Fuel Costs	731,927	124,336	17.0%			

Status Key

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range

Note 1 - Report shows annual values during the first year of the biennium (2015).

Note 2 - Total budgeted expenditures in 2015 exceed budgeted revenues due to planned use of reserves

n/a - not applicable

Development Services Report – April 2015

Development Services is comprised of the Building, Planning, Public Works and Fire Departments. The Building Department reports on all building construction related permits including electrical, mechanical and plumbing trade permits, signs and grading permits. The Planning Department revenue is the result of land use permits and the Public Works Department revenue is generated from infrastructure improvement permits. The Fire Department permits are not reported on since they are tracked separately. A review of the April, 2015 permit data allows us to offer the following:

- The April, 2015 Building permit related statistics continues the upward trend that we witnessed throughout 2014. New single-family residential permit applications for April were up with 38 applications received compared to 30 last year. In addition, there was a 6% increase in commercial tenant improvement permits and single-family remodel permits with 51 applications received compared to 48 last April.

- The monthly average of total building related permits received so far this year (514) exceeds the monthly average for 2014 (461) with the total number of permits received in April (591), exceeding April 2014 (561) by 5%.

- Building Department revenue for April, 2015 was $347,827 which is $13,420 above the average monthly projected revenue of $334,407 (38% of the budgeted annual revenue of $4,012,880 has been collected).

- Public Works Department development revenue for April, 2015 was $99,203 which is $26,631 less than the average monthly projected revenue of $125,833 (59% of the budgeted annual revenue of $1,510,000 has been collected).

- Planning Department revenue for April, 2015 was $139,809 which is $54,312 above the average monthly projected revenue of $85,497 (38% of the budgeted annual revenue of $1,025,959 has been collected).

Attachment C

CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
Tom Mikesell, Financial Planning Manager
Alyshia Saltman, Budget Analyst

Date: April 29, 2015

Subject: April Sales Tax Revenue

Sales tax revenue through April was **up 2.4 percent** compared to the same period last year. The increase was driven by Retail Eating/Drinking, Auto/Gas Retail, and Services, which were up 7.3, 6.8, and 6.5 percent, respectively. In aggregate, all other sectors decreased by 1.14 percent, with growth being outweighed by a 21.1 percent decline in the miscellaneous category. Results this month reflect sales activity in February, due to the two month lag in reporting sales tax data.

Comparing April 2015 to April 2014

Comparing collections from the month of April this year and last provides insight into business sector performance controlling for seasonal cycles in sales.

2014-2015 Sales Tax Receipts by Business Sector-Monthly Actuals

Business Sector Group	April		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	157,721	168,582	10,862	6.9%	12.3%	12.7%
Contracting	216,501	202,513	(13,988)	-6.5%	16.8%	15.3%
Communications	40,248	39,800	(448)	-1.1%	3.1%	3.0%
Retail:						
Auto/Gas Retail	315,176	331,880	16,704	5.3%	24.5%	25.1%
Gen Merch/Misc Retail	145,508	151,900	6,392	4.4%	11.3%	11.5%
Retail Eating/Drinking	104,075	111,026	6,951	6.7%	8.1%	8.4%
Other Retail	156,866	168,506	11,639	7.4%	12.2%	12.7%
Wholesale	59,503	62,395	2,892	4.9%	4.6%	4.7%
Miscellaneous	90,205	87,335	(2,871)	-3.2%	7.1%	6.6%
Total	**1,285,803**	**1,323,936**	**38,133**	**3.0%**	**100%**	**100%**

Comparing month to month, April sales tax collections this year are $38,133 **(3.0 percent) higher** than April 2014. The 3.0 percent growth is a slowdown from last month's sales tax growth of 7.8 percent. This

month's performance is in part due to decreases in Contracting, Miscellaneous, and Communication sectors. This month Auto/Gas Retail has continued to rebound with an increase of 5.3 percent. Declines in Contracting are due to the timing of large projects in the early months of 2014. The building department reports high levels of permit applications in the early months of 2015, so it is possible that the trend will improve in the months ahead. Declines in Miscellaneous tax revenues (**3.2 percent**) are the result of a 64.2 percent drop in the Unknown category related to miscellaneous taxes. As described in earlier reports, last year the miscellaneous category included a large one-time purchase which resulted in an inflated amount for 2014.

Year-to-Date Business Sector Review

Year-to-date sales tax totals are useful for comparing revenues received so far this year with last year's totals through the same period. This information gives context on a sector's longer term performance and allows developing trends to be identified.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	725,139	772,489	47,350	6.5%	12.6%	13.1%
Contracting	880,628	848,002	(32,626)	-3.7%	15.3%	14.4%
Communications	166,199	166,791	592	0.4%	2.9%	2.8%
Retail:						
Auto/Gas Retail	1,393,812	1,488,361	94,549	6.8%	24.2%	25.2%
Gen Merch/Misc Retail	704,272	745,692	41,420	5.9%	12.2%	12.6%
Retail Eating/Drinking	444,867	477,167	32,300	7.3%	7.7%	8.1%
Other Retail	771,153	800,605	29,453	3.8%	13.4%	13.6%
Wholesale	252,718	267,963	15,246	6.0%	4.4%	4.5%
Miscellaneous	429,159	338,635	(90,524)	-21.1%	7.4%	5.7%
Total	**5,767,946**	**5,905,706**	**137,759**	**2.4%**	**100%**	**100%**

Through the end of April, sales tax is **2.4 percent** higher compared to last year, however this includes one-time factors in 2014 that have been reported previously. Excluding these factors, sales tax collections would be up **4.4 percent** through the end of April compared to last year.

Sales tax growth is being led by Auto/Gas, Services, and General Merchandise. In general, all consumer categories are showing moderate to strong growth. Weakness in miscellaneous is due to one-time factors and does not appear to be indicative of a trend. Contracting is coming off a high reading from last year, but is poised to rebound as strong permitting activity transitions into contracting activity.

National and Regional Economic Context:

Information about wider trends in the economy provides a mechanism to help understand current results in Kirkland, as well as predict future performance. The table on the following page provides a summary of the most current information available.

2014-2015 Wider Economic Indicators

Indicator	Most recent month of data	Unit	Month			Yearly Average	
			Current	Previous	Change	2014	2015
Consumer Confidence							
Consumer Confidence Index	April	Index	***95.2***	101.4	*-6.2*	86.9	99.2
Unemployment Rate							
National	March	%	**5.5**	**5.5**	0	6.2	5.6
Washington State	March	%	***5.9***	6.3	*-0.4*	6.0	n/a
King County	March	%	***4.1***	**4.9**	*-0.8*	4.7	n/a
Kirkland (pre annex boundaries)	February	%	**4.2**	**4.1**	0.1	4.7	n/a
Housing							
New House Permits	February	Thousands	**59.6**	**59**	0.6	34.4	n/a
Seattle Area Home Prices	February	Index	**170.3**	**168.8**	1.5	167	n/a
Inflation (Core CPI)							
National	March	% Change	**0.6**	*0.5*	0.0	1.6	*-0.18*
Car Sales							
New Vehicle Registrations	March	Thousands	**24.4**	24.1	0.3	23.4	24.1

Bold numbers indicate data point is highest or lowest in that year.
Numbers in *italics* indicate a negative movement from the previous month's data.

At the time of this publication, new data for many of the economic indicators have been updated. The **Consumer Confidence** Index decreased from 101.4 in March to 95.2 in April. This index score remains higher than it was at any point in 2014, but is the lowest point this year. The Conference Board reported that the month's decline was prompted by slow performance in the labor market. Consumer confidence is currently expected to remain stagnant in the months ahead as consumers continue to be disappointed in the ability to gain new employment. **National Unemployment Rates** remained flat from February to March at 5.5 percent. Unemployment nationwide has been declining steadily. The **Washington State Unemployment Rate** has fallen 0.4 percent from 6.3 percent in February to 5.9 percent in March, which is the third largest drop in the nation behind California and Florida. **King County** continues this trend with the lowest unemployment rate in the state at 4.1 percent. **Kirkland Unemployment Rates** are slightly higher at 4.2 percent. The low unemployment rates are encouraging, but they are partially due to "underemployment" and a relatively low labor participation rate of 62.7 percent (compared to the pre-recession high of 66.4 percent), so they should be interpreted with some caution.

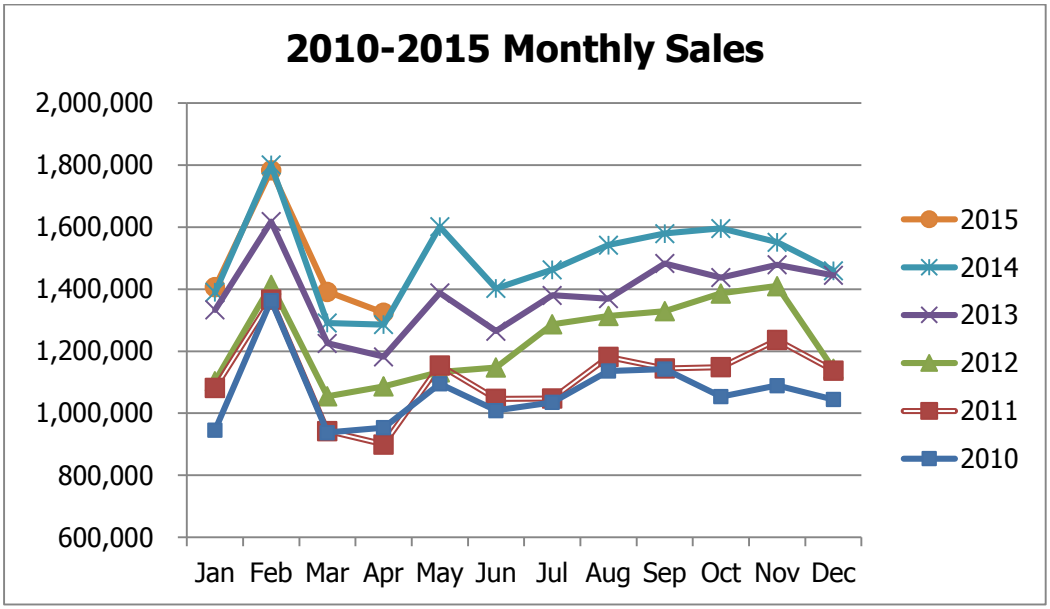
National inflation data (Consumer Price Index) shows continued low inflation with a national CPI of 0.6 percent from February 2015 to March 2015. This is due to slow rising gas prices. The Federal Reserve's target inflation rate is 2 percent.

Analysis of statewide housing market indicators and vehicle registrations provides useful information on the health of two of the City's most important sales tax categories. Statewide **New Housing Permits** increased from 59,000 to 59,900 from January to February. This number has been updated since the last memo. **Seattle Area Home Price Index** also increased from 168.83 to 170.33 from January to

February. After steadily climbing for over two years, Seattle area home prices have remained relatively flat for the past year. **New Vehicle Registrations** in Washington show a similar pattern to the housing market. New auto registrations statewide have been increasing steadily this year and have grown to 24,400 in April.

Conclusion

As the following chart shows, sales tax revenues had increased steadily since the recession and are now flattening out. April 2015 sales taxes were 3.0 percent higher than they were in April 2014, largely due to higher revenues from the Auto/Gas Retail sector, which can be volatile businesses due to external economic influences. Contracting continues to exhibit weakness compared to the strong performance in the early months of 2014, though permitting data remains strong indicating that this is likely temporary. According to the Washington State Economic Forecast Council, the national and state economies have been experiencing positive growth and many economic indicators are encouraging. This positive trend has been matched by relatively high levels of consumer confidence.



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Tom Mikesell, Financial Planning Manager
Alyshia Saltman, Budget Analyst

Date: May 18, 2015

Subject: **2015-2020 CAPITAL IMPROVEMENT PROGRAM INTRODUCTION AND FUNDING**

RECOMMENDATION:

The City Council receives an introduction to the Capital Improvement Program (CIP), a detailed review of the descriptions, legal restrictions and current budgeting practices for CIP revenue sources and an update on the 2015-2020 CIP process.

BACKGROUND DISCUSSION:

Introduction

The Capital Improvement Program is the City's six-year funding plan for building, maintaining and improving the roads, sidewalks, public buildings, parks, and other fixed assets in Kirkland. A full review of the CIP would normally accompany the review of the biennial operating budget, which took place last fall. To synchronize the capital planning in the CIP with the major community-wide planning efforts of Kirkland 2035, it was decided that the full review of the CIP be delayed to the summer of 2015. Consistent with that approach, staff has developed capital projects requests during the spring and the City Manager is developing his preliminary recommendation to be presented to the City Council at the July 21st regular meeting. This recommendation will be guided by the capital budgeting priorities adopted by the Council in March (Attachment A – Resolution R-5118).

The CIP process is intended to identify the funding sources available for projects prioritized in the next six years. The project costs are the best estimates available as of the date of the plan and, as a result, can change as market conditions and project scope evolve. As project timing changes, the impacts of cost escalation can also come into play. The first two years of the CIP are adopted as part of the biennial budget and therefore represent actual funding commitments. In general terms, the estimates for projects that appear beyond the first two years of the CIP are preliminary programming estimates rather than detailed engineering cost estimates. As a result, when the CIP is developed every other year (and updated in the intervening year), the cost estimates may change and require adjustments to the funding. There are several mechanisms in place to help address this uncertainty:

- In some cases, placeholder projects are used for outer years to recognize funding availability, for example Neighborhood Park Land Acquisition. This approach allows specific project priorities and estimates to be developed based on specific needs as they are identified.
- Preliminary programming estimates generally contain larger contingencies (10% of construction), which can be refined as engineering design progresses.
- Funds are set aside toward capital contingencies. These take the form of reserves in both the general and utilities capital funds. These reserves are intended to be used to supplement project budgets when actual site conditions and market pricing vary from previous assumptions. In most cases, use of these reserves should not be viewed as a failure of the process, but rather a planned approach to dealing with the unknowns in capital planning. The alternative would be to increase the contingency in each project which would likely strand significant revenues in individual projects. Keeping general capital contingency reserves to supplement projects is much more efficient and flexible.

As noted earlier, the CIP is a funding plan, rather than a spending plan. The amounts shown are the funding sources that are being set aside toward projects, which generally precedes detailed design work. For example, projects may show as funded over two years, with the first year reflecting design and the second year showing construction, but in reality the spending to complete the project may occur over a period of three to five years. This dynamic exists for a variety of reasons, including the ability to demonstrate that funding is available to match potential grants and to allow for coordination of projects across functions (for example, timing utility projects to coincide with resurfacing the roadway). The capital carryover that occurs at the beginning of each biennium is in part the recognition that cash has been set aside for projects, but not yet been spent.

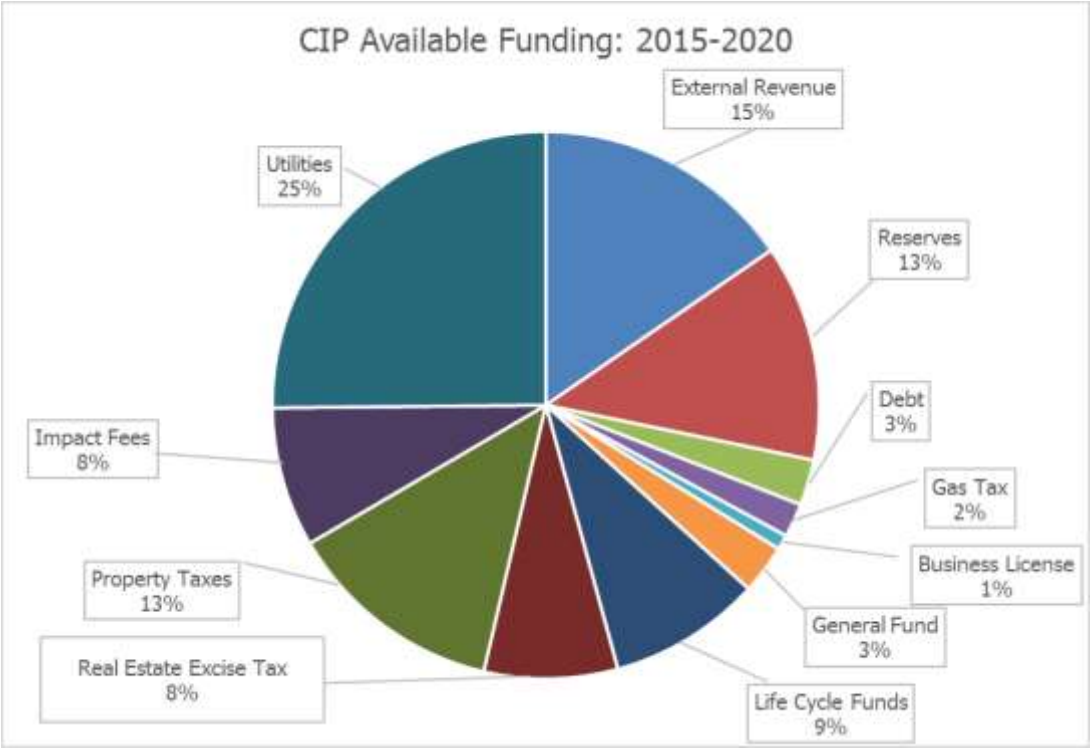
The desire of residents, the City Council and staff to maximize capital investments in a manner that keeps Kirkland as one of the most livable cities in America often means the wants and needs for capital improvements exceed available funding. This is evidenced by the 2014 update to the existing 2013-2018 CIP adopted by Council in December, which included funding for $181.1 million of projects out of a total of $730.3 million. As shown in the following table, the largest shares of this $549.2 million unfunded amount are in the Transportation and Parks capital programs.

2014 Update to 2013-2018 Capital Improvement Program			
	6-year Funded CIP	**Unfunded CIP**	**Total CIP**
Transportation	$69,635,000	$372,010,600	$441,645,600
Parks	14,044,000	97,425,000	111,469,000
Public Safety	2,896,200	119,100	3,015,300
General Government			
Technology	6,436,300	1,417,400	7,853,700
Facilities	48,383,400	0	48,383,400
Subtotal	**$141,394,900**	**$470,972,100**	**$612,367,000**
Surface Water Mgmt	14,733,500	6,764,200	21,497,700
Water/Sewer	24,963,900	71,491,000	96,454,900
Utilities Subtotal	**$39,697,400**	**$78,255,200**	**$117,952,600**
CIP	**$181,092,300**	**$549,227,300**	**$730,319,600**

The term "unfunded" should not be interpreted to mean a project will not be funded. It simply means that a project is not funded within the six-year CIP window. Recognizing that the master plans that form the basis for the CIP identify projects that span a twenty year horizon (or more), it makes sense that the unfunded component far exceeds the funded amount. As part of development of this CIP, staff is evaluating whether to further refine the unfunded element to help identify those projects that would be candidates for funding from revenue sources after 2020 and those that are not likely to be funded without substantial external and/or new revenues. An example of the latter would be the Aquatics, Recreation, and Community Center (ARC), a project which is only likely to proceed with a new voted revenue source.

It is likely that the recommendations from the Kirkland 2035 process, in particular the Transportation Master Plan and Parks, Recreation and Open Space Plan will increase the demands on these limited capital resources. To frame the resource discussion, this memo includes a review of the funding sources used in the CIP, with the goal of identifying constraints on specific sources and opportunities to program additional revenue.

Current CIP funding comes from a variety of sources, as shown in the following chart.



Utility revenue represents the largest share of capital revenue, but these fees and charges are restricted for projects that benefit the city's public water, sewer, and surface water utilities. Similar types of restrictions exist for many of the capital funding sources. In many cases the restrictions are in place due to legal requirements, as in the case of the utility revenues, but in other cases the restrictions come from past policy decisions. The following discussion will describe each revenue source, note any legal or policy restrictions and provide detail on how it is budgeted in the CIP.

Funding Sources Review

Note that the figures summarized below may change as the preliminary CIP is finalized. Any required revisions will be incorporated into the preliminary CIP presented in July.

Real Estate Excise Tax (REET)

The Municipal Research and Services Center (MRSC) describes REET as follows: "The real estate excise tax is levied on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. The state levies this tax at a rate of 1.28 percent. A locally imposed tax is also authorized…All cities may levy a quarter percent tax (referred to as "the first quarter percent of the real estate excise tax" or "REET 1"). Cities that are fully planning under the Growth Management Act are given the authority to levy a second quarter percent tax ("REET 2")". If both components are levied by a city, the total rate, including the state share, is 1.78 percent, with the city receiving 0.5 percent

The following are pertinent excerpts from the Revised Code of Washington governing the authorization and use of REET revenues:

REET 1

- RCW 82.46.010 (2)(b) provides that after April 30, 1992 REET 1 revenues "…must be used solely for financing capital projects specified in a capital facilities plan element of a comprehensive plan…"

- RCW 82.46.010 (6) defines capital projects that REET 1 revenues may be used on to include "… public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and/or judicial facilities; river and/or waterway flood control projects by those jurisdictions that, prior to June 11, 1992, have expended funds derived from the tax authorized by this section for such purposes; and, until December 31, 1995, housing projects for those jurisdictions that, prior to June 11, 1992, have expended or committed to expend funds derived from the tax authorized by this section or the tax authorized by RCW 82.46.035 for such purposes; and technology infrastructure that is integral to the capital project"

REET 2

- RCW 82.46.035 (3) provides that REET 2 revenues "…must be used…solely for financing capital projects as specified in a capital facilities plan element of a comprehensive plan…"

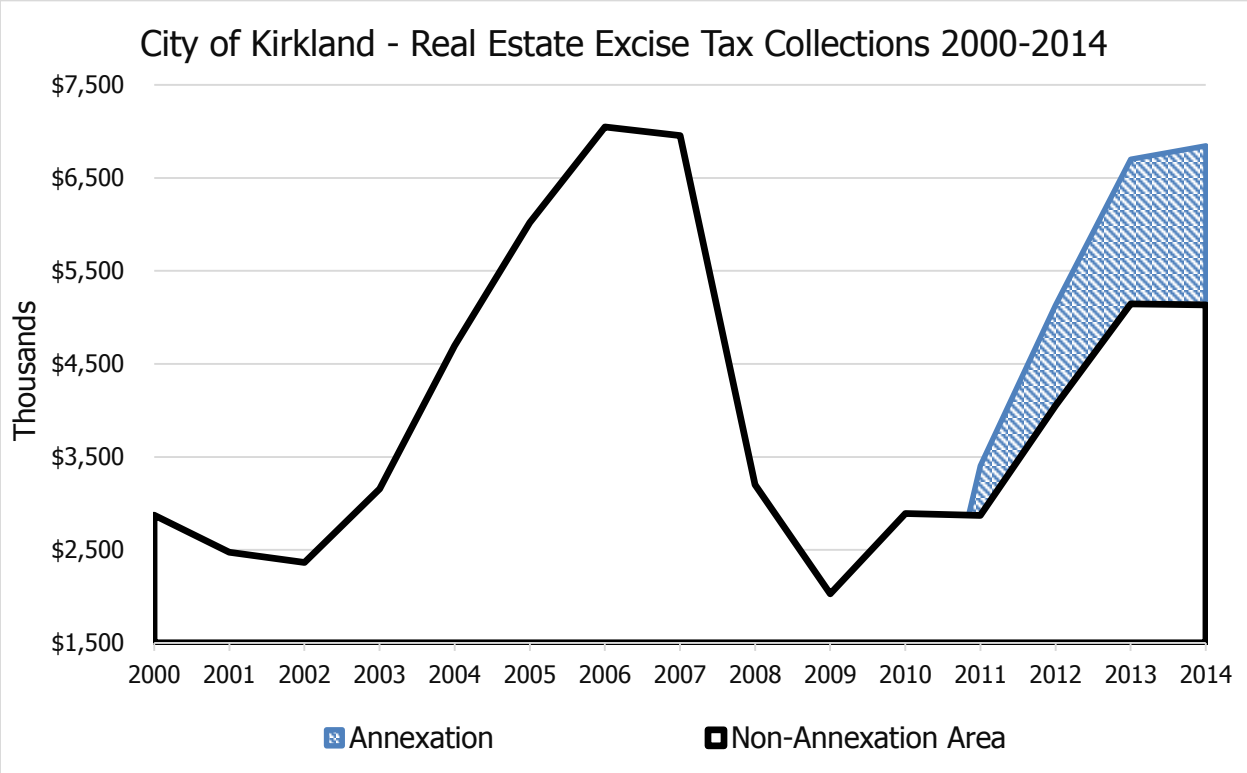
- RCW 82.46.035 (5) defines capital projects that REET 2 revenues may be used on to include "…those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks"

REET Flexibility

- RCW 82.46.010(7) provides that "From July 22, 2011, until December 31, 2016, a city or county may use the greater of one hundred thousand dollars or thirty-five percent of available funds under this section, but not to exceed one million dollars per year, for the operations and maintenance of existing capital projects as defined in subsection (6) of this section."
- RCW 82.46.035 (7) provides that "From June 30, 2012, until December 31, 2016, a city or county may use the greater of one hundred thousand dollars or thirty-five percent of available funds under this section [REET 2], but not to exceed one million dollars per year, for operations and maintenance of existing capital projects as defined in subsection (5) of this section…"

REET Revenues

REET revenues are entirely dependent on prices and sales volumes in the real estate market, and are therefore very volatile. As shown in the following graph, the peak to trough decline after the collapse of the housing bubble was approximately $5 million from 2006 to 2009. Total REET collections in 2014 were $6,846,463, which is $202,908 below the peak collections in 2006 at the height of the bubble. This is especially significant since current collections include approximately $1.7 million from the annexation areas that were not part of Kirkland in 2006.



The current forecast includes $5 million per year in 2015-2016. As shown in the graph, this is approximately $1.8 million below the 2014 actual amount collected.

The King County Office of Economic and Financial Analysis indicates revenues from unincorporated areas of King County will remain at near-2014 levels through 2020. If Kirkland's REET revenues followed the projected trend for King County, the result would be roughly a continuation of 2014 collections through the entire CIP programming window. This would result in approximately $1.8 million per year above the currently forecasted revenues, for a six year increase of $10.8 million. While this would provide a large boost to funding in the capital program, it would be difficult to predict this sustained level of revenue for such a volatile revenue base, particularly when past trends reveal sharp, large downturns in revenue. The current practice budgets the use of REET revenue at its low point of approximately $2.6 million and allows for accumulated reserves to be budgeted as they are realized. This delays the availability of funds to support new projects in the CIP, but avoids the need to make drastic reductions in planned capital spending when revenues do not meet targets.

REET Expenditures

REET 1:
Annual capital funding from REET 1 has historically been allocated to Parks and Streets capital projects in the following manner:

- 2/3 of the projected revenue to parks
- 1/3 of the projected revenue to transportation

REET 2:
REET 2 is budgeted for Transportation projects in the CIP.

A portion of REET is used for operating and maintenance costs in the Parks and Street Maintenance programs as provided by RCW 82.46.035 (7) and RCW 82.46.010(7). As discussed above, the 2015-2016 Biennial Budget assumes revenues of $5 million per year from REET. Nearly half of the forecasted current revenue is budgeted for specific uses in the 2015-2016 Operating and Capital budgets, as shown in the following table:

Budgeted REET Current Revenue *		
	2015	**2016**
REET 1		
Transportation Capital	$375,000	$386,000
Parks Capital	762,000	785,000
Teen Center Debt	12,934	12,934
Subtotal REET 1	$1,149,934	$1,183,934
REET 2		
Transportation O&M	$103,863	$83,329
Parks O&M	108,249	109,266
Transportation Capital	1,070,600	1,103,000
Subtotal REET 2	$1,282,712	$1,295,595
Total REET	**$2,432,646**	**$2,479,529**

The difference between the budgeted revenues and budgeted expenses, approximately $2.5 million per year, is assumed to be set aside in the REET Capital Reserves, some of which will be programmed in the preliminary CIP. In addition, any difference between budgeted REET revenue and actual receipts is also retained in reserves. Monies held in reserves are used to:

- Provide grant matches;
- Supplement current revenue to fund high priority projects and facility needs; and,
- Backfill debt services payments for McAuliffe Park or the Teen Center, if needed.

The conservative revenue and expenditure assumptions used in recent years have been below actual results, resulting in accumulated reserve balances for both REET 1 and REET 2. A portion of these reserves balances are currently assumed as funding sources. Also, according to the City's Financial Policies, each reserve has a minimum target balance to assure the availability of cash resources to leverage external funding when the opportunity arises. The following table deducts both programmed resources and these targets to reflect the net available REET reserve balances.

REET Reserve Balances					
	Balance as of 12/31/2014	**2015-2016 Revenue**	**Programmed**	**Target Balance**	**Net Available**
REET 1	$6,179,939	$2,517,874	($3,029,500)	($1,732,329)	$3,935,984
REET 2	5,405,568	2,636,776	(4,997,600)	(2,436,255)	608,489
Total	**$11,585,507**	**$5,154,650**	**($8,027,100)**	**($4,168,584)**	**$4,544,473**

Impact Fees

The Municipal Research and Service Center (MRSC) describes impact fees as follows: "Impact fees are charges assessed by local governments against new development projects that attempt to recover the cost incurred by government in providing the public facilities required to serve the new development. Impact fees are only used to fund facilities that are directly associated with the new development. They may be used to pay the proportionate share of the cost of public facilities that benefit the new development; however, impact fees cannot be used to correct existing deficiencies in public facilities."

Impact fees are governed by Revised Code of Washington (RCW) 82.02.050, .110 and the Washington Administrative Code (WAC) 365-196-850. Pertinent provisions include:

- RCW 82.02.060(3) provides that impact fees:
  - "Shall only be imposed for system improvements that are reasonably related to the new development;
  - Shall not exceed a proportionate share of the costs of system improvements that are reasonably related to the new development; and
  - Shall be used for system improvements that will reasonably benefit the new development."

- RCW 82.02.060(4) provides that "impact fees may be collected and spent only for the public facilities defined in RCW 82.02.090 which are addressed by a capital facilities plan element of a comprehensive land use plan…continued authorization to collect and expend impact fees shall be contingent on the county, city, or town adopting or revising a comprehensive plan in compliance with RCW 36.70A.070, and on the capital facilities plan identifying:
  - Deficiencies in public facilities serving existing development and the means by which existing deficiencies will be eliminated within a reasonable period of time;
  - Additional demands placed on existing public facilities by new development; and
  - Additional public facility improvements required to serve new development."

- RCW 82.02.060(8) provides that the local ordinance "May provide for the imposition of an impact fee for system improvement costs previously incurred by a county, city, or town to the extent that new growth and development will be served by the previously constructed improvements provided such fee shall not be imposed to make up for any system improvement deficiencies."
- RCW 82.02.070(2) provides that "Impact fees for system improvements shall be expended only in conformance with the capital facilities plan element of the comprehensive plan."

- WAC 365-196-850(2)(a) defines "System improvements" (in contrast to "project improvements") as public facilities included in the capital facilities plan that are designed to provide service to service areas within the community at large.

- RCW 82.02.070(3)(a) provides that "impact fees shall be expended or encumbered for a permissible use within ten years of receipt, unless there exists an extraordinary and compelling reason for fees to be held longer than ten years", with the governing body providing extraordinary or compelling reasons in writing.

Kirkland

The City currently imposes Transportation, Parks, and School impact fees. School Impact Fees were first imposed in 2011. Revised fees were adopted by the City Council at their December 9, 2014 meeting, with single family residential fees currently set at $9,623. Revenues from School Impact Fees are passed through to Lake Washington School District.

Transportation and Park impact fees are being updated as part of the Kirkland 2035 process. Kirkland originally adopted Transportation (Road) impact fees effective in 1999 based on 1998 project costs and Park impact fees were imposed in late 1999. The rate studies completed at that time calculated the maximum supportable charge that the City could implement and, as a matter of policy, the City Council implemented 50% of that maximum amount, as shown in the table below for single family residential. Note that Park impact fees are collected from single family and multifamily residential projects only, Transportation impact fees are also collected from commercial development projects.

Single Family Residential Impact Fees – 1999 Study	
Transportation	
Full Cost	$ 1,931
@ Current 50% Recovery	$ 966*
Parks	
Full Cost	$ 1,224
@ Current 50% Recovery	$ 612*

*City of Kirkland impact fee collected from 1999 through 2007

In 2007, a major impact fee update was conducted that reflected the following City Council policy direction:

- Set the fees at 100% of the full cost;
- Provide for administrative indexing of fees with inflation;
- Base Transportation impact fees on concurrency projects rather than all capacity projects;
- Evaluate alternate methods during the next impact fee update.

The resulting impact fees shown below were adopted effective January 1, 2008.

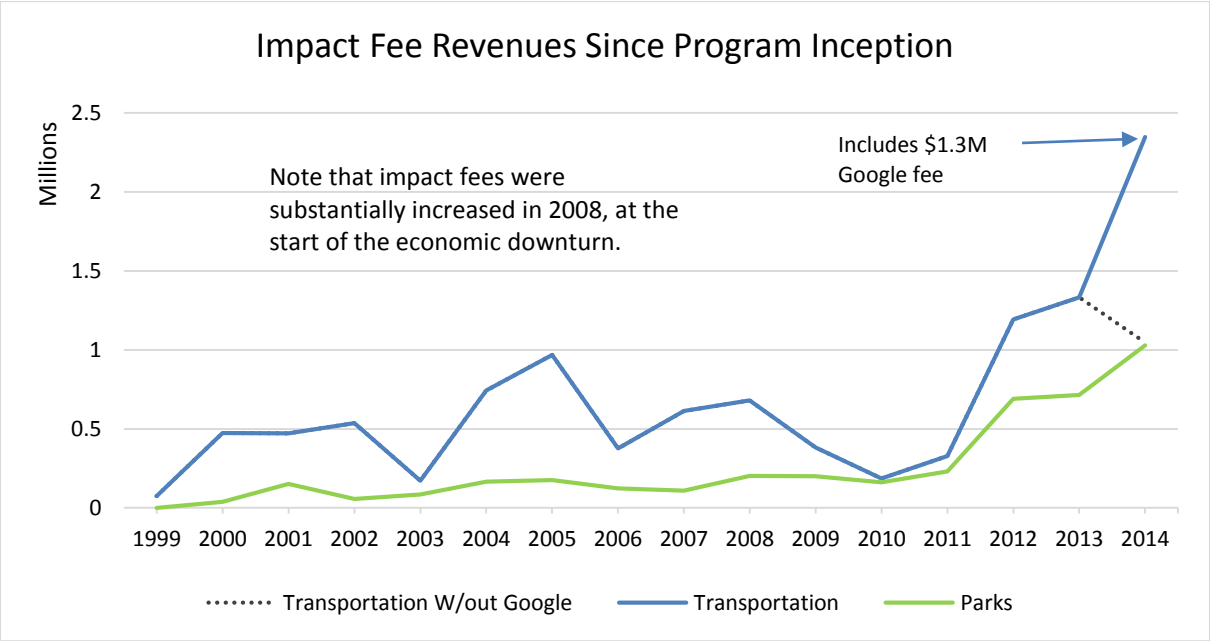
Single Family Residential Impact Fees – 2007 Study	
Transportation	$3,432
Parks	$3,621

Impact fees were subsequently indexed with inflation, resulting in the current impact fees shown in the table below. Note that the six-year moving average of the WSDOT Construction Cost Index (CCI) is used for Transportation and the June-to-June CPI-W is used for Parks, so the fees increased at different rates. No inflationary increases were applied in some years due to the economic downturn and/or that the inflation measures were negative. No change was made after 2013 pending the outcome of the Comprehensive Plan update.

Single Family Residential Impact Fees – Current	
Transportation	$3,942
Parks	$3,949

Revenue Trends

The following graph summarizes impact fee collections since the inception of the program in 1999. Note that the fees increased substantially in 2008, however, that year also marked the beginning of the economic downturn, so the higher fees did not result in higher revenue collections. Also note that the 2014 Transportation revenues include a $1.3 million impact fee paid related to the Google campus expansion.



The 2014 update to the 2013-2018 CIP reflects the use of impact fees of $350,000 per year for Transportation projects, well below the current level of collections, which have been at or above

$1 million in each of the past three years. The difference between budget and actuals is retained in reserves.

In light of recent revenue trends and the future development outlook, staff recommends an annual amount of $1 million per year for the 2015-2020 CIP, which would increase the amount available in the Transportation CIP by $4.5 million over the six year program. Due to the unique nature in which the impact fees pay for the infrastructure needs to support growth, a downturn in growth would result in lower fee collections. This, in turn, would lead to a lower demand for street and road improvements that would have been supported by impact fees. This feedback effect would help mitigate the potential downside of using a higher forecast number.

In terms of Parks impact fees, the City Council is considering a new approach to park impact fees based on park investment per capita. The result of the evaluation will have bearing on the amount and timing of impact fees that can be programmed into the 2015-2020 CIP for Parks. The 2014 update to the 2013-2018 CIP assumed no new revenue from this source based on the existing standard that fee revenue cannot be used to correct deficiencies. In the budget, available Park impact fee balance are used to pay the debt service on McAuliffe Park (which retires in 2021) and a part of the debt on the Teen Center (which retires in 2019). In years where the Parks collections have fallen short, the debt service was backfilled by Real Estate Excise Tax (REET). In recent years collections have exceeded the annual debt service requirement, resulting in an accumulated balance sufficient to fully repay these debt obligations. The current assumption is that a portion of the existing balances will be used to retire this debt in advance by way of a defeasance, which involves using existing cash balances to purchase securities that will be set aside in an escrow account to pay future debt service obligations.

Recent collections of Park impact fees have ranged from $750,000 to $1 million. Based on this recent history, the potential exists to program an annual amount of $750,000 per year, which would generate $4.5 million over 6 years. The amount programmed in the CIP assumes this new revenue, and dedicates $2,544,295 towards projects; the remainder is available for programming. As with Transportation, the fee revenue can only be used to fund new capacity in the system, so a slowdown resulting in lower fees would be accompanied by a decreased need for projects to support growth.

Property Taxes

In Washington State, all real and personal property is subject to tax unless specifically exempted by law. The tax levy, which is the amount of the revenue generated by the tax, is a function of the assessed value of the jurisdiction and the rate set by the governing body. State law limits property tax levy increases to 1% plus the value of new construction in the city. Through voter-approved "Lid Lifts", cities can increase the property tax levy beyond the statutory limit, on either a permanent or temporary basis.

Kirkland Levies

On November 6, 2012, Kirkland voters approved two new property tax levies to support parks maintenance, restoration and enhancement and street maintenance and pedestrian safety. In 2015 these levies are expected to generate $2,376,399 and $3,055,171 for these purposes, respectively. Revenues from the two levies are deposited in the Street and Park Levy Funds respectively and a set amount is transferred into the CIP for specific capital uses[1].

[1] Note that there is also a 2002 Park Levy, but those funds are used exclusively for operations.

In the CIP, Road Levy funding is used to fund Street Preservation, Pedestrian Safety, and Safe School Walk Route projects. Most of the Street levy revenues that are received each year go into the CIP, with the remainder being retained in the operating budget to fund management of the program and the safety elements of the program. Park levy funding supports specific park projects that were identified in the original ballot language. The annual Park levy revenue is evenly distributed between operations and capital. The long-term plan for the Park levy is it eventually will primarily be used for operating costs after the list of projects that were promised are completed. The table on the following page shows the breakdown of the capital and operating components of the two levies in the 2015-2016 budget:

Park and Road Levy Budgeted Uses		
	2015	**2016**
2012 Road Levy		
Total Revenue	**3,053,409**	**3,128,638**
Operating Budget	453,409	528,638
Capital Improvements Program	2,600,000	2,600,000
2012 Park Levy		
Total Revenue	**2,394,833**	**2,453,836**
Operating Budget	1,144,833	1,203,836
Capital Improvements Program	1,250,000	1,250,000

As mentioned above, property taxes levy growth is limited to 1% plus the value of new construction. Any growth in the Park levy is assumed to be retained in the operating budget, which means that the annual funding levels in the six year CIP are fixed at the annual levels shown above for the entire 6 year CIP. Growth in the Road levy beyond 2016 is allocated proportionally between the operating and capital budgets.

King County Parks, Trails, and Open Space Replacement Levy
The King County Parks, Trails, and Open Space Replacement Levy was approved by voters on August 6, 2013 to fund operations and capital purposes in the King County park system. Cities receive 7% of annual revenue, based on population and assessed value. Revenue from this levy is currently budgeted to reimburse the General Capital Contingency for the purchase of the Yuppie Pawn Shop. The planned payback schedule includes payments of $200,000 per year through 2017. Actual distributions of this levy in 2014 totaled $288,115, which means payback can take place on an accelerated basis if desired, freeing up this revenue for other uses.

In 2018 and 2019, Kirkland could expect to receive approximately $300k year (with 1% annual new construction assumption). These amounts have been programmed in the CIP.

Life Cycle Funds

Life cycle funds are an internal way of collecting regular payments from the annual operating budget to pay for recurring capital needs. Departments pay a calculated amount each year that builds in a reserve fund until needed. All life cycle funds are linked to expected project costs and are then amortized backwards to be sure expenses can be met when needed. The city has several life cycle funds, including:

- Facilities Life Cycle – provides funds for scheduled building repair and maintenance projects;
- Technology Equipment Sinking – funds major technology infrastructure replacements, such as switches, servers, routers and telephones and copier and video production equipment;
- Public Safety Equipment Sinking – funds equipment replacement in Police and Fire; and,
- Equipment Rental Fund – funds vehicle replacements citywide.

Each of these sources contributes to the general government program in the CIP based on the replacement and/or maintenance schedules that drive the operating budget charges. Reserves in the funds are accumulated, as needed, to pay for future repair and replacements that exceed annual operating contributions.

Reserves

There are a number of special reserves that are established to retain year-end operating budget savings and/or excess revenues to fund capital projects. These reserves include:

- Major Systems Reserve – Established in 2003 to set aside funding for major information technology system replacements that are usually beyond the annual funding available for projects. The current balance in the Major Systems Reserve is shown in the following table:

Major Systems Reserve	
12/31/14 Balance	$656,200
2015 Planned Add	500,000
Utility Tax Audit Add	119,475
Total Available	**$1,275,675**
Help Desk Replacement	66,000
Rec Registration Replacement	83,000
Finance System Replacement Assessment	150,000
Total Planned Uses	**$299,000**
Net Remaining Available	**$976,675**

  Planned uses of the Major Systems Reserve include projects from the 2014 update to the 2013-2018 CIP. The majority of the reserve is being preserved toward the eventual major upgrade or replacement of the financial system.

- Building and Property Reserve – Used for property purchases, building improvements and other property related transactions. Maintains a minimum balance of $600,000. Current holds $1.5 million to be used for the City Hall renovation project in 2015.

- Street Improvement Reserves – Gas tax revenues set aside in previous years. As of 12/31/2014, there is a balance of $995,958 available for street improvements.

These are one-time resources that are available for use in the CIP based on project needs and the availability of sufficient balances. These are in addition to reserves that are accumulated from specific revenue sources, such as the REET and Impact Fee reserves discussed previously.

Utility Charges and Fees

The utilities capital program funds equipment and infrastructure requirements of the City's water/sewer and surface water utilities. Funding for the program comes from fees and charges assessed on current and new utility customers. The fees and rates are determined based on rate studies performed for each utility.

Connection Fees
Connection fees are charged to new water and sewer customers to offset the potential impact of the customer's load on city facilities and infrastructure. Fees vary by meter size for water, and equivalent units for sewer and surface water, and are incurred when the system is initially connected to the city network. The CIP assumes connection charge revenue across all three utilities of $865,000 per year.

Utility Rates
The City of Kirkland charges rates for water, sewer, and storm water purposes. Each rate is calculated to cover the operating cost of providing the service to customer classes via utility rate studies. Utility rate studies also identify the need for system reinvestment funding depreciation. Utility fees are set to recognize the consumption of assets over their useful lives. The annual depreciation component of the rate is transferred to the CIP to fund replacement of depreciated assets. The annual depreciation funding is approximately $3.6 million in 2015-2016, and it fluctuates in future years based on the depreciation schedules of the respective utilities.

Utility Contributions to Other CIP Programs
Due to the impact that utility operations have on other city infrastructure and other operations in the City, there are a few specific cases where utility rate revenues are directed to other CIP programs, as follows:

- Solid Waste-Street Preservation - Solid Waste rates primarily fund operating costs of waste collection. The large trucks used in solid waste collection can have a detrimental impact of streets and roads. In light of these impacts, the Solid Waste utility contributes $300,000 per year to the Transportation program in the CIP to fund street preservation projects.
- Surface Water-Transportation – Recognizing that street construction projects can include surface water components, $500,000 per year from Surface Water Utility rates is programmed in the Transportation program in the CIP to pay for surface water improvements that accompany street projects.

Debt

In general, debt does not represent new revenue to the City. Rather, it represents a way to use a stream of future revenues to fund a large one time project in the present. This provides three major benefits, including:

- Allowing a jurisdiction to generate the cash needed to build large projects that would otherwise not be possible;
- Providing intergenerational equity, which means that the costs of a project are borne by both the current and future beneficiaries of a project; and,
- Providing a mechanism to have the beneficiaries of a project repay the costs.

There are six major types of debt currently available to the City, including:
- Limited Tax General Obligation bonds (Councilmanic);

- Unlimited Tax General Obligation Bonds (Voted);
- Levy lid lift bonds;
- Local Improvement District bonds;
- Revenue bonds; and,
- Public Works Trust Fund Loans.

While the amount of debt that can be issued is fundamentally restricted by a city's financial ability to repay it, there are also specific provisions in state law that limit the type and amount of debt that can be issued.

- RCW 39.36.020 (2)(a)(ii) provides that "Counties, cities, and towns are limited to an indebtedness amount not exceeding one and one-half percent of the value of the taxable property in such counties, cities, or towns without the assent of three-fifths of the voters therein voting at an election held for that purpose.
- RCW 39.36.020 (2)(b) provides that "In cases requiring such assent counties, cities, towns, and public hospital districts are limited to a total indebtedness of two and one-half percent of the value of the taxable property therein"

- RCW 39.36.020 (4) provides that "a city or town, with such assent, may become indebted to a larger amount, but not exceeding two and one-half percent additional, determined as herein provided, for supplying such city or town with water, artificial light, and sewers, when the works for supplying such water, light, and sewers shall be owned and controlled by the city or town; and a city or town, with such assent, may become indebted to a larger amount, but not exceeding two and one-half percent additional for acquiring or developing open space, park facilities, and capital facilities associated with economic development

Washington State law limits a city's total amount of debt outstanding to 7.5 percent of total assessed property valuation plus the net of current assets and liabilities. This 7.5% capacity is allocated evenly among general purposes, open space/park/capital facilities and utilities. Within the 7.5 percent limit, the City Council has authority to issue bonds without voter approval, up to 1.5 percent of the City's assessed valuation. The dollar amount of these limits for the City of Kirkland as shown on the table on page 17.

There are a number of different types of debt available for use in Washington. These are distinguished by term, voter approval requirements, and sources of repayment.

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 current CIP includes approximately $5 million of this type of debt in 2015 to cover a portion of the City Hall renovation project.

Unlimited Tax General Obligation Debt
A second type of debt is Unlimited Tax General Obligation (UTGO) Bonds. This type of debt is also commonly called 'Excess Levy' debt or 'Voter-Approved'. This is debt that must be approved by voters for a specific purpose and is repaid from a new dedicated property tax revenue stream. This debt 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.

Local Improvement District Bonds

Local Improvement District (LID) Bonds represent debt that is repaid by the property owners who directly benefit from the capital improvement, through annual assessments to their property. LIDs are formed by the City Council after a majority of property owners agree to the assessment. Currently the City has no LID Bonds outstanding. LID bonds are limited to the actual increase in property assessed valuation from the improvement, which can limit their use.

Revenue Bonds

Revenue bonds represent debt that is supported from a dedicated revenue stream. This type of debt is most commonly found in the City's public utilities. The term is matched to the useful life of the project, and repayment comes from charges to utility customers. The City does not currently have any outstanding issues of this type of debt.

Public Works Trust Fund Loan

The Public Works Trust Fund (PWTF) is low-cost revolving-loan fund established by the 1985 State Legislature to provide financial assistance to local governments for public works projects. Eligible projects must improve public health and safety, respond to environmental issues, promote economic development or upgrade system performance.

PWTF loans are available at low interest rates. The useful life of the project determines the loan term, up to a maximum of 20 years for non-distressed communities. The applicant must be a local government, such as a city, county or special purpose utility district, and have an approved long-term plan for financing its public work's needs. Local governments must compete for PWTF dollars since more funds are requested each year than are available. Our current PWTF loans are summarized in the table below.

Kirkland

The amount of each type of debt held by the City of Kirkland as of 12/31/2014, and the total available capacity (where applicable), is shown in the following table.

Type of Debt	Original Amount	Outstanding 12/31/2014
Councilmanic Bonds:		
2011 Limited G.O. Refunding (Teen Center)	$430,000	$280,000
2011 Limited G.O. Refunding (McAuliffe)	1,781,031	1,145,000
2010 Limited G.O. (Kirkland Justice Center)	35,345,000	33,270,000
2011 Limited G.O. (Fire Station Construction) 1/	4,000,000	2,930,287
Total Councilmanic Bonds	**$41,556,031**	**$37,625,287**
Estimated Remaining Councilmanic Debt Capacity as of 12/31/2014		***$198,990,113***
Voter Approved Bonds:		
2013 Unlimited G.O. Refunding (Parks)	$4,670,000	$4,130,000
Total Voter Approved Bonds	**$4,670,000**	**$4,130,000**
Estimated Remaining Voter Approved Debt Capacity as of 12/31/2014		***$1,141,321,714***
Public Works Trust Fund Loans:		
1995 Lift Station	$794,850	$44,522
2000 Lift Station Replacement-Design	227,500	62,675
2001 Lift Station Replacement-Construction	1,848,000	720,780
2004 Central Way Sewer Replacement	1,086,300	573,325
2012 NE 80th St Water/Sewer Replacement	177,522	172,011
Total Revenue Bonds & Trust Fund Loans	**$4,134,172**	**$1,573,313**

1/ On May 26, 2011, Fire Protection District #41 issued $4 million in Limited Tax General Obligation Bonds to finance the Consolidated Fire Station Project. On June 1, 2011, the Fire District ceased operation when the City of Kirkland annexed all the territory served by the District. The outstanding debt remains an obligation of the taxable property which was annexed.

The City issues and manages its debt according to a set of adopted policies, which are included as Attachment B. A common question is the impact that issuing new debt will have on either the current operating budget, or in the case of voter authorized debt, on taxpayers. The table below shows the annual cost to repay $1 million of different types of debt, at 4.5% interest over a range of repayment periods. For debt funded through a levy increase, the cost is also portrayed in terms of monthly property tax bill increase for a median valued house ($435,000 in 2015).

	Type of Debt		
	Levy Lid Lift	Councilmanic Bonds	Unlimited Tax GO/Excess Levy
Bond Term (years)	9	20	30
Annual Debt Service/$1m borrowed	$137,574	$76,876	$61,392
Monthly Impact Median Home	$0.27	n/a 1/	$0.12
1/ Councilmanic bonds are paid from current revenues			

There are a number of potential projects that, due to the magnitude of the investment involved, will not be possible without some form of bond financing. These include the Aquatics and Recreation Center, fire station relocations and renovations, some major road improvement projects and non-motorized improvements to the Cross Kirkland Corridor.

Other Sources

Gas Tax
Each gallon of motor vehicle fuel (gas) which is imported, produced, or delivered in the state is taxed by the state at a rate of 37.5 cents per gallon. Cities receive a portion of the State-collected gasoline tax on a per capita basis.

The City allocates a set portion for capital construction and street preservation projects and the balance for street operations. The amount allocated to capital projects in the 2015-2016 CIP is slightly higher than the previously required percentage, at 35.3% in 2015 and 36.2% in 2016. The following table shows the breakdown of Gas Tax revenue for 2015-2016.

Budgeted Gas Tax		
	2015	**2016**
Revenues	$1,675,751	$1,684,070
Budgeted Expenditures:		
Street Operations	$1,083,751	$1,074,070
Transferred to CIP	$592,000	$610,000

Any revenue received above forecast is retained in the street operating fund for the regular maintenance of existing streets, though in recent years revenues have been at or slightly below forecasted levels, resulting in a lower amount available for operations. This revenue source is programmed to grow 3% per year over the six year CIP.

Business License Fees
Prior to 2015, the City programmed $270,000 of sales tax revenues per year to fund street CIP projects. Based on a recommendation adopted by the Council, beginning in 2015-2016 that transfer has been replaced with a transfer of $270,000 of Business License Fee revenues. This is intended to match a portion of the fees businesses pay directly with street infrastructure improvements. For 2015-2016, revenues of approximately $2.6 million per year are forecasted, which is programmed for use as shown in the table on the following page.

Budgeted Business License Uses		
	2015	**2016**
Economic Development Program	$306,000	$306,000
Commute Trip Reduction Program	20,000	20,000
Budgeted in Transportation CIP	270,000	270,000
General Fund Operations	2,012,315	2,038,399
Total Business License Uses	**$2,608,315**	**$2,634,399**

The CIP assumes the $270,000 per year contribution continues at the same level through 2020.

Other General Fund
Beginning with the 2015-2016 budget, approximately $390,000 per year from the General Fund that had been used to repay the debt for the Parking Garage has been repurposed to supplement and accelerate the Street Levy Pedestrian Safety and Safe School Walk route investments and related projects identified in the Transportation Master Plan. This level of funding is anticipated to

continue until 2021, at which time these monies will partially offset the loss of the Annexation Sales Tax Credit in the General Fund operating budget.

In addition, $3 million of 2013-2014 sales tax collections above budget have been reserved in the 2015-2016 General Fund budget to contribute to fire station options for North Kirkland.

External Revenue

External revenues are primarily grants but can also take the form of contributions from other governments or from private sources such as developer contributions. The level of external revenue that will be available in future years is difficult to predict. In some cases, a city matching contribution is also required. Staff programs these revenues in the years they are expected to be received and allocates the appropriate level of city matching funds. Where placeholders for external funding are used, the projects would not occur or move further out in the CIP if grants or other sources were not secured.

Funding Sources Summary

At the beginning of the CIP development process in late February, department staff were given an initial assessment of available funding for the 2015-2020 CIP. As described above, there are areas where the amount of available funds either exceeds this original funding level, or could exceed it based on alternative forecast assumptions. The table on the following page details, by program, the total amount in 2015-2020, the amount that is allocated, and what remains to be programmed. In most cases, amounts in the "New Revenue" column largely represent monies in future years that could be programmed based on revised revenue forecast assumptions, or changes to policy governing their use (Park impact fees).

Existing balances represent monies currently held in reserve as of 12/31/2014 that are not yet programmed in the CIP. All of these balances are available for funding projects in the CIP within the constraints of each revenue source. Note that the funding assumptions and programming may change, as the preliminary CIP recommendations are still under review by the City Manager. The summary will be updated based on the preliminary CIP presented in July.

2015-2020 CIP Funding Summary					
	Available	Programmed	Remaining		Notes
Transportation			**Balance as of (12/31/14)**	**New Revenue**	
Gas Tax	3,715,000	(3,715,000)			
Business Licenses	1,620,000	(1,620,000)			
Utility Rates (Surface Water)	3,000,000	(2,850,600)		149,400	
External Sources	24,274,100	(24,274,100)			
Street & Pedestrian Safety Levy	15,863,000	(15,863,000)			
General Fund	2,400,000	(2,400,000)			
Street Improvement Reserve	1,000,000	(900,000)	100,000		
Street preservation (Solid Waste)	1,800,000	(1,800,000)			
REET 1	2,426,000	(2,426,000)			1
REET 2	7,283,600	(7,283,600)			1
REET 2 Reserves	8,042,344	(7,433,855)		608,489	2
Impact Fees	9,873,525	(9,873,525)			3
Subtotal Transportation	**81,297,569**	**(80,439,680)**	**100,000**	**757,889**	
Parks					
Impact Fees	5,453,620	(3,497,915)		1,955,705	4
Park Levies	8,100,000	(8,100,000)		-	
External Sources	2,066,000	(2,066,000)			
REET 1	4,931,000	(4,931,000)		-	1
REET 1 Reserve	8,697,813	(4,761,829)	1,418,110	2,517,874	5
Subtotal Parks	**29,248,433**	**(23,356,744)**	**1,418,110**	**4,473,579**	
General Government					
Sinking Funds (incl. Facilities Op.)	16,769,975	(16,769,975)			
Major Systems Reserve	1,275,675	(299,000)	976,675		
External Revenue	2,000,000	(2,000,000)			
Debt	5,003,262	(5,003,262)			
Utility and other	1,977,851	(1,977,851)			
General Fund	3,000,000	(3,000,000)			6
Subtotal General Govt	**30,026,763**	**(29,050,088)**	**976,675**	**-**	
Utilities					
Rates/Charges	39,862,000	(39,862,000)			
Reserves	4,738,000	(4,738,000)			
External	237,900	(237,900)			
Subtotal Utilities	**44,837,900**	**(44,837,900)**	**-**	**-**	
Total	**185,410,665**	**(177,684,412)**	**2,494,785**	**5,231,468**	

Notes:

1/ Assumes $2.6-2.8 million annual REET revenue beyond 2016; continue O&M use beyond 2016 (~$200k/yr)
2/ Programmed amount includes $2,436,255 retained for grant match and unanticipated capital per target
3/ Assumes $1m/year impact fees; increase from $350k/year
4/ Assumes $750K/yr impact fees; programmed costs represent defeasance of Mcauliffe and Teen Center debt
5/ Programmed amount includes $1,732,3295 retained for grant match and unanticipated capital per target
6/ Funding set aside for fire station options for North Kirkland

Other Policy Issues

As identified at the February 20, 2015 City Council Retreat, there are a number of policy issues that staff is evaluating as part of this CIP process in addition to funding options:

- **University of Washington (UW) Process Study** – Over the last four months, Financial Planning staff has been working with two students from the UW Evans School on research into CIP budget processes, including a review of best practices and some benchmarking work/interviews at neighboring cities. The project report (Attachment C) serves a dual purpose, as both a capstone for the students' MPA work and a discussion item for the CIP process.

  Based on the review, the City's CIP process incorporates many of the best practices identified including:
  - Emphasis on citywide prioritization
  - Inclusion of operating and maintenance impacts in project submissions
  - Systematic, formalized review of projects as they are being built

  A potential refinement to the City's process that staff will evaluate for the future is the formation of an interdepartmental team to review project proposals.

- **Capital/Operating Shifts** – There are projects in the Capital Improvements Program that could feasibly be funded from the operating budget. Candidate projects for this evaluation either fall below the capitalization threshold of $10,000 as defined in Note 1 of the City's Comprehensive Annual Financial Report (CAFR), as summarized below, and the level of funding is reasonably consistent and predictable from year to year.

  > *Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.*
  >
  > *The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.*

  While a funding source needs to be identified for each activity regardless whether it is in the operating or capital budget, this comprehensive review provides an opportunity to assess whether there are advantages and disadvantages of shifting these projects between budgets. Recommended shifts, if any, will be highlighted as part of the preliminary CIP.

- **Project Design Overhead –** Public Works capital projects currently pay for the cost of Public Works Project management. As noted in the Public Works CIP Management recommendations discussed at the June 17, 2013 City Council Retreat (Attachment D), the project management costs associated with Public Works CIP managing the construction of Parks projects will be incorporated into the Parks project cost estimates in the preliminary CIP. The result of this change is that a portion of the budget estimates for Parks projects is now used to pay for internal overhead, which may result in either a reduction in scope or

the need to add funding to projects when more detailed program elements are identified. The advantage of charging for Public Works managing these contracts is that the more robust project tracking and management processes used by this group should help keep projects on schedule and budget and help with the early identification of issues. It will also help ensure that there is adequate funding for staff to manage the projects, as described below. Staff will evaluate whether this process should be applied to projects in other categories and will bring forward recommendations as part of the preliminary CIP.

- **Project Management Resources** – As the City's capital budget expands, so does the need for project management resources. Charging for internal project management helps to provide funding for resources to perform that work. As part of the UW process study, neighboring cities were asked about their approaches to staffing this work. City staff will continue to evaluate the results to determine whether we want to change the mix of external and internal operating resources, staff these services with different skill mixes for projects where engineering expertise is not as heavily needed, and developing recommendations to ensure that internal staffing is sized properly to support the CIP projects planned for the next six years.

Next Steps

The City Manager is currently reviewing the CIP submittals from the departments to determine the projects recommended in the preliminary CIP within the Council's adopted policy framework. Attachment E shows the current schedule for the CIP review process. The next major milestone is the CIP Study Session on July 21, which will be a review of the City Manager's recommended preliminary CIP. Staff will continue to provide information to the public as the CIP process unfolds. Attachment F contains the Outreach Plan developed in cooperation with the City's Communications Program Manager. This document provides the key messaging as well as the communications strategies contemplated over the next several months.

ATTACHMENT A

RESOLUTION R-5118

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND SETTING POLICY PRINCIPLES FOR PRIORITIZATION IN THE 2015-2020 CAPITAL IMPROVEMENT PROGRAM.

WHEREAS, the Kirkland 2035 Comprehensive Plan represents a collaboration between residents, staff and the City Council to develop a long-term vision for the City of Kirkland's growth over the next 20 years; and

WHEREAS, the City Council has adopted ten goals for the City that articulate key policies and service priorities, and guide the allocation of resources for Kirkland through the budget and capital improvement programs; and

WHEREAS, the City Council desires to spur job growth and economic development, retain a high quality of life in Kirkland, and provide efficient and cost-effective city services to an informed and engaged public; and

WHEREAS, the three Strategic Anchors, the Kirkland Quad, the Price of Government and the five-year General Fund Forecast, are fundamental tools for the sustainable allocation of resources to meet the wants and needs of Kirkland residents; and

WHEREAS, the 2015-2020 Capital Improvement Program provides an opportunity to utilize the Strategic Anchors to guide public investments over the next six years that continue the City's progress towards meeting the Council goals.

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

Section 1. The Kirkland City Council endorses development of a 2015-2020 Capital Improvement Program prioritized according to the following principles:

a. Sustains and enhances public safety, including bicycle and pedestrian safety.
b. Invests in projects that facilitate near term economic development to help address the gap between revenues and expenditures as identified in the most recent five-year General Fund Forecast.
c. Creates measureable progress toward achieving the City Council's ten goals.
d. Implements the 2015-2016 City Work Program.
e. Improves services identified in both the "Imperatives" and "Stars" sections of the most recent Kirkland Quad.

f. Improves efficiency of existing facilities and maintains integrity of existing infrastructure.
g. Sequences projects in a manner that advances the Vision Statement and Guiding Principles of the Kirkland 2035 Comprehensive Plan.
h. Maximizes the benefit to the community within a given level of funding.

Passed by majority vote of the Kirkland City Council in open meeting this 17th day of March, 2015.

Signed in authentication thereof this 17th day of March, 2015.

MAYOR

Attest:

City Clerk

Attachment B

DEBT MANAGEMENT POLICIES

The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of Kirkland uses debt in two ways: (1) as a mechanism to equalize the costs of needed improvements to both present and future citizens; and (2) as a mechanism to reduce the immediate costs of substantial public improvements.

- The City will maintain a formal Debt Management Policy which is reviewed and endorsed by state and/or national professional organizations. The complete policy can be found in the appendix of this document.
- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will continually strive to maintain its bond rating by improving financial policies, budget forecasts and the financial health of the City so its borrowing costs are minimized and its access to credit is preserved.
- All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt.
- The City of Kirkland will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- Interest, operating and/or maintenance expenses will be capitalized only for enterprise activities; and will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The general obligation debt of Kirkland will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:
  - General Debt -- 2.5% of assessed valuation
  - Non-Voted -- 1.5% Limited Tax General Obligation (LTGO) Bonds
  - Voted -- 1.0% Unlimited Tax General Obligation Bonds
  - Utility Debt -- 2.5% of assessed valuation
  - Open Space and Park Facilities -- 2.5% of assessed valuation
- The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- Assessment bonds will be considered in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Limited Tax General Obligation (LTGO) bonds will be issued only if:

  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or
  - Emergency conditions exist.

- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- General Obligation bonds will be issued with maturities of 30 years or less unless otherwise approved by Council.
- The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.
- The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt.

The City's debt management policies provide guidelines for the appropriate use of debt. Some key debt management policies include:

- City Council approval is required prior to issuance of debt.
- The City will only use debt to finance capital improvements that cannot be financed through current revenues. The City will not use debt to finance current operations, non-capital furnishings, supplies, or personnel.
- Bonds will be issued for a period not to exceed the useful life of the asset being financed.
- The City will conduct a thorough analytical review before issuing debt and maintain a good credit rating at all times.
- The City's outstanding debt will remain within the limits stated in the City's fiscal policies.
- The City will use refunding bonds (refinancing) to restructure current outstanding debt when sufficient savings can be realized from lower interest rates.

When the City issues bonds, a thorough review of the City's financial condition is completed by bond rating agencies. Based on their findings, the bonds are given a rating. The City's bond rating is a reflection of its creditworthiness and affects the cost to the City of issuing debt. There are two rating agencies--Standard and Poor's (S&P) and Moody's Investor Service--that rate Kirkland's bonds. On November 2008, S&P upgraded the City's rating from AA to AAA, which is the highest rating. This AAA rating was reaffirmed on December 5, 2014. In April 2010, Moody's upgraded the City's rating from Aa2 to Aa1 for the UTGO Bonds and from Aa3 to Aa2 for the LTGO Bonds. Moody's reaffirmed Kirkland's rating for LTGO bonds at Aa2 on August 15, 2011.

Once bonds are rated, the City enters the bond market to secure the necessary funding. Occasionally, the City will conduct an "over-the-counter" sale where City staff sell bonds directly to Kirkland residents.
The proceeds (cash) received from selling the bonds are placed in a capital projects fund to account for the cost of constructing the capital improvement. Separate funds have been created

to track the principal and interest payments for limited and unlimited bonds. Each year a sufficient amount of revenue is budgeted and placed in each fund to pay the annual principal and interest due.

ATTACHMENT C

CAPITAL IMPROVEMENT PROGRAM REVIEW

Micah Phillips & Edin Sisic
University of Washington Evans School of Public Affairs
May, 2015

Table of Contents

Acknowledgments ..... **i**

Executive Summary **1**

Introduction to Kirkland **2**

Project Context **2**

Questions **3**

Methodology **3**

Literature Review **4**

Recognized Best Practices – Citywide Prioritization and Criteria 4

Recognized Best Practices - Timeline 5

Recognized Best Practices – Preparation of Projects 6

Recognized Best Practices - Evaluation of Projects 6

Capital Planning Process Overview

Kirkland 8

Bellevue 11

Bothell 15

Kent 17

Redmond 19

Principal Findings **22**

Other Observations **23**

Bibliography **24**

Appendices **25**

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We would like to thank Tracey Dunlap, Tom Mikesell, and all the staff at Kirkland for their guidance and assistance throughout this project. We would also like to thank the staff at the Cities of Bellevue, Bothell, Kent, and Redmond for donating their time and answering our many questions. Finally, we are grateful to Professor Crystal Hall for her supervision and patience, as our uncommon project frequently refused to obey deadlines. Thank you all.

Executive Summary

A review of Kirkland's capital improvement plan (CIP) is timely now, in 2015, for two reasons. The first reason is that the City underwent an annexation in 2011 that significantly increased the city's population and square mileage, both of which influence capital planning decisions. The second reason is that 2015 is the year that Kirkland is updating many of its long range planning documents, including the City's comprehensive plan, Kirkland 2035.

This report seeks to answer the following questions:

1. How do the City of Kirkland's Capital Improvements Program development, prioritization and approval processes compare with both national best practices and those of its neighbors, and, based on these comparisons, what are opportunities for improving Kirkland's processes?
2. How do neighboring cities manage CIP projects in terms of the use of internal and external resources and how do these management systems accommodate workload fluctuations?

To answer these questions, we first researched Kirkland's CIP process, reviewing City financial and planning documents and conducting interviews with City staff. We then researched national best practices, which included a literature review, and reviewed the practices of neighboring Eastside municipalities through interviews with staff at the Cities of Bellevue, Bothell, Kent and Redmond.

On the whole, our research indicates that Kirkland's CIP process is more or less comparable to that of its Eastside neighbors and national best practices. The City has many well-developed mechanisms by which it develops, prioritizes and seeks final approval of capital projects. The City is also currently improving and formalizing other, less-developed elements of its CIP process, in order to synchronize broader priorities with capital planning decisions.

Specifically, our findings indicate that:

1. **Citywide CIP prioritization criteria are key to helping a CIP meet City and community goals.** Kirkland has already begun developing such criteria. As other cities' experiences demonstrate, Kirkland should continue with this development.

2. **An interdepartmental governance team can review proposed capital projects.** Kirkland already makes excellent use of a Budget Leadership Team that helps departments finalize their list of proposed capital projects. Our research indicates that this team's results could be enhanced by a broader, interdepartmental project review team that could help evaluate proposed projects against citywide prioritization criteria.

Introduction to Kirkland

Kirkland is a city of approximately 84,400 people in King County, WA, situated on the east side of Lake Washington, about 10 miles from downtown Seattle. As with many of its Eastside neighbors, Kirkland has a high per capita income. The residents of Kirkland, in fact, have the 13th highest household income ($87,480) among 522 ranked cities in Washington. At the time of the 2010 census, Kirkland's population was estimated to be 48,787. In 2011, however, the City annexed the North Juanita, Finn Hill and Kingsgate neighborhoods, which significantly increased the population and area of the City. Kirkland's population is now estimated to be 84,400, and its area totals 18 square miles. This represents a 64% increase in area from 2010.

Kirkland has a council-manager form of government. The City elects seven non-partisan, at-large council members who serve four year terms. The City Council then elects a Mayor and Deputy Mayor from among the members, who each serve two year terms in those positions. The City Manager serves as the professional administrator of the City and is responsible for coordinating day-to-day operations. The mission and strategic guidance for the City are set by the Council and carried out by the City Manager.

Project Context

There are numerous reasons why 2015 is an opportune time to formally assess Kirkland's capital planning process. First of all, with its recent annexation and expansion, Kirkland has to consider a far larger population and square-mileage when making capital planning decisions. Secondly, 2015 is the year that many of the City's long-range planning documents, including Kirkland 2035, the City's comprehensive plan, are to be updated. 2015 is also the year that Kirkland, facing funding constraints similar to most Washington cities, wants to take a proactive look at key elements of its Capital Improvements Program (CIP). Given all of these factors, it was serendipitous when Kirkland learned in late 2014 that volunteer consultants were willing to analyze the City's CIP processes. Feeling that the offer was too convenient and timely to turn down, the City agreed to work with the volunteers, and this report is the result.

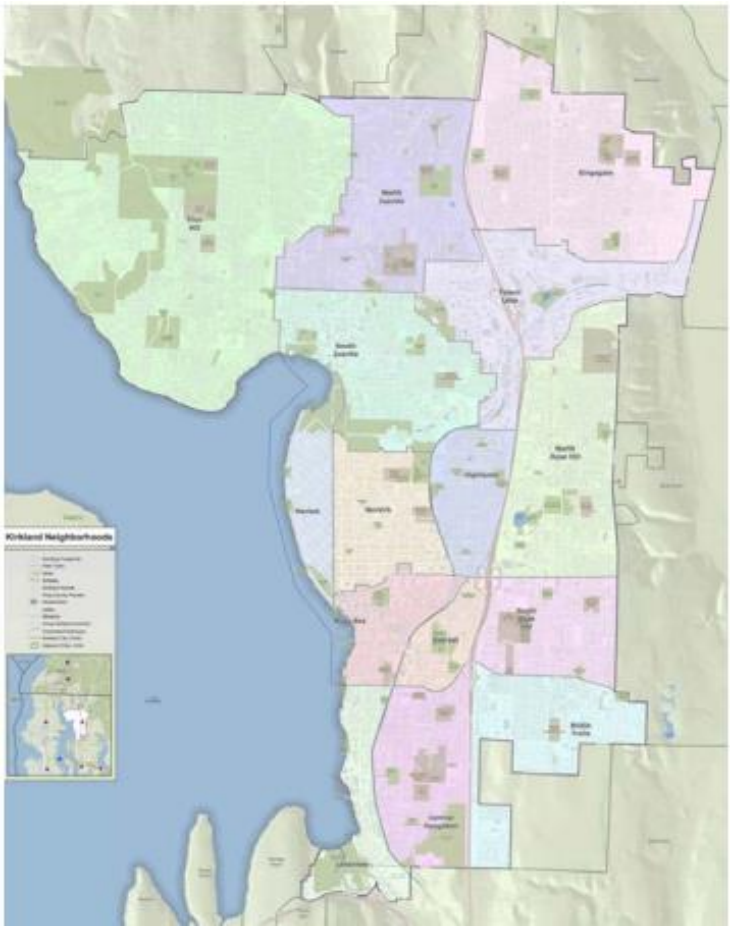

Figure 1. Map of Kirkland with annexed neighborhoods

Questions

Given the context above, this paper will seek to answer the following questions:

1. How do the City of Kirkland's Capital Improvements Program development, prioritization and approval processes compare with both national best practices and those of its neighbors, and, based on these comparisons, what are opportunities for improving Kirkland's processes?

2. How do neighboring cities manage CIP projects in terms of the use of internal and external resources and how do these management systems accommodate workload fluctuations?

Methodology

This project ran over five months, from January until May. The methodology included the following steps:

- Review of Kirkland's financial and planning documents to understand the current process.
- Literature review of relevant academic work on CIP development, evaluation, prioritization, adoption and maintenance.
- On-site interviews with various department heads and staff members involved in the CIP process to further our understanding of Kirkland's current CIP process and to identify potential areas of improvement.

Off-site interviews with finance directors and staff from the cities of Bellevue, Bothell, Kent and Redmond. The initial step was to learn Kirkland's CIP process, from pre-design to implementation and post implementation updates. To achieve this, on-site interviews were conducted with various staff involved in the CIP process, to identify areas of improvement. Most of the interview questions were unstructured, allowing for more of a conversational interview, with follow-up questions being based on the information provided by the interviewees. This interview style allowed us to gather more nuanced and unique information about Kirkland's capital planning process.

Following this assessment, we conducted a literature review of a number of neighboring cities and peer cities throughout the United States, in order to isolate best practices and trends in capital improvement plan development and management. Lastly, we conducted off-site interviews with finance staff from four of Kirkland's neighboring cities: Bellevue, Bothell, Kent, and Redmond. This interview process was slightly more structured, with some specific, preset questions that touched upon:

1. How other cities size and anticipate capital maintenance impacts.
2. How other cities manage their projects.
3. How prioritization is carried out departmentally and cross functionally.
4. How other cities 'stay nimble' and reprioritize when certain project opportunities arise.
5. How Information Technology projects are selected.
6. To what extent the community is involved in the CIP process.

Regular meetings with Kirkland's Financial Planning Manager provided a significant proportion of the direction for the project. We would usually meet after each off-site interview to share our findings. These meetings were essential, as they provided not only constant guidance and feedback, but also an opportunity to share our findings thus far and refocus the project as necessary.

Literature Review

The aim of this literature review was to understand CIP development processes generally, to familiarize ourselves with the City of Kirkland's CIP, and to research national best practices. We organized the results of this review based on recognized best practices.

Recognized Best Practices – Citywide Prioritization and Criteria

Many cities and government entities nationally as well as in Washington state use citywide methods for identifying and ranking capital projects for inclusion in the CIP. Nationally recognized capital program management studies (U.S. Government Accountability Office (GAO) and National Association of State Budget Officers (NASBO) studies) strongly recommend citywide prioritization as a best practice.[1] The GAO recommendations on best practices for capital project selection and monitoring have been incorporated into capital planning strategies of various local, state, and federal organizations and these recommendations include:

- Assessing capital projects as a portfolio across the organization, including ranking and selecting projects based on pre-established criteria reflecting the long-range vision embodied in the strategic plan.
- Using executive review committees to make project selections.
- Developing measurable goals and performance measures.
- Tracking project cost, schedule, and performance.

As an example, GAO recognized the City of Modesto, CA as one of the "leading" organizations by academia in CIP prioritization. The City established a CIP Task Force composed of individual department directors as well as council and citizen members, and the planning commission to evaluate and prioritize capital projects with equal voting weight. The process is designed to promote open dialogue and consensus building. Pre-approved evaluation criteria and protocol guide the CIP Task Force through the prioritization process.[2]

The following are criteria by which the citywide method for identifying and ranking capital improvement projects is structured in Modesto.

1. Establish an objective rating system that includes criteria that are appropriate for each facility type.

[1] Executive Guide Leading Practices in Capital Decision-making. Washington, D.C.: Office, 1999.
[2] See Appendix A.

2. Ensure projects conform to community plans and incorporate community-level priorities identified in each of the plans in the ranking process.
3. Develop broad-based regional financing options for regional-serving capital projects.
4. Assign "high priority" preference to projects located within existing and potential Specific Plan Areas that are also located within communities not meeting General Plan-identified public facilities guidelines or acceptable levels of service for the type of facility or service being considered. This is followed by preference to projects in areas generally located outside existing and potential Specific Plan Area locations, as previously described, in areas that are not meeting public facilities guidelines or acceptable levels of service as identified in the General Plan for the type of facility or service being considered.
5. Include in the ranking process preference for funding of new or expanded public facilities and services which can address needs in multiple areas.
6. Coordinate with other public, private, and not-for-profit entities to include areas with existing needs as a major criterion for allocating resources for new or expanded infrastructure, facilities, or amenities.

As identified by GAO, the objectives of establishing such criteria are three fold. It enables a credible process identifying top priority projects, coordinates CIP projects with other planning efforts, and engages staff, officials and citizens to garner consensus and community support.[3]

Recognized Best Practices - Timeline

A Capital Improvement Program is a medium-range plan, usually four to ten years, which allows municipalities to plan for, implement, and sustain capital projects. A well-managed CIP program provides numerous benefits, including:

- Systematic evaluation of all potential projects at the same time.
- The ability to stabilize debt and consolidate projects to reduce borrowing costs.
- A focus on preserving a governmental entity's infrastructure while ensuring the efficient use of public funds.
- An opportunity to promote collaboration amongst departments.

Local governments should prepare comprehensive multi-year capital plans to ensure adequate long-term management of assets. At a minimum, a plan should cover three years, but preferably covers five or more.[4] The GFOA espouses that city staff, executive leadership, and the governing body review the status of projects in the capital budget periodically, although it does not specify how often. Reports should include whether the project is on budget, on schedule, has been modified for changes in service level,

[3] Executive guide - leading practices in capital decision-making. (1998). Washington, D.C.: United States General Accounting Office.

[4] GFOA Best Practice: Preparing and Adopting Multi-Year Capital Planning, 2006, www.gfoa.org.

and any other major changes.[5] It is generally recommended that cities begin reviewing potential capital projects up to a year in advance of the budget allocation for thorough vetting and to avoid the last minute cancellation of projects that were not carefully evaluated.

Recognized Best Practices – Preparation of Projects

Evaluation and prioritization of capital projects is necessary in organizations because the size and volume of projects typically exceeds available resources.[6] However, how projects are evaluated and prioritized takes many forms. As part of the project submittal, ICMA recommends staff submit a cost-benefit analysis. Some organizations may call an expanded version of this a business case. While it may be difficult to identify all costs and benefits for public goods, a business case is still an opportunity to vet out all aspects of a project. ICMA recommends the following five core pieces of a business case[7]:

1. Define the service-level objectives of the project.
2. Identify alternatives to the project.
3. Identify all costs and benefits associated with each alternative.
4. Forecast future streams of costs and benefits over the expected useful life of the asset, including operational costs.
5. Choose the alternative with the largest benefit in comparison with cost.

Recognized Best Practices – Evaluation of Projects

Depending on the need and goals, cities approach prioritization in multiple ways. ICMA recognizes six mainstream practices for prioritizing capital budget requests, several of which are supported by other professional organizations. Many cities incorporate multiple elements of each strategy, hybridizing their prioritization process to suit their needs.

The first strategy is "experience-based judgment." As the name implies, this approach is based on the knowledge of small group of city staff. If officials in the ranking process are in touch with citizens, clients, and service providers and are up-to-date about the problems facing the community, this approach can result in the selection and funding of capital assets that address a jurisdiction's most pressing infrastructure and capital needs.[8] This process is often used by small- and medium-sized cities as the judgment of local officials is usually well informed by personal experience, citizen complaints, notices from state and federal regulatory agencies about local facilities that are out of compliance with current standards. This strategy has its obvious shortcomings in not adding value to a process for numerous or complex projects, as well as not having a full-bodied set of criteria to explain the choices to others.[9]

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[5] GFOA Best Practice: Incorporating a Capital Project Budget in the Budget Process, 2007, www.gfoa.org.
[6] Capital Budgeting and Finance: A Guide for Local Governments, J. Marlowe, W. Rivenbank, A. Vogt, 2nd edition 2004, ICMA Press.
[7] *Ibid.*
[8] *Ibid.*
[9] *Ibid.*

While this method is not recommended or widely used for large cities, experience and good judgment still play a role during other prioritization practices.

Second, the departmental service-level objectives method prioritizes projects according to their ability to meet goals in a specific department or service area. Each service area may then be assigned a certain allocation of dollars to stretch as far as they can down the list of projects. While this method allows some projects to be implemented in every area, it does not support situations where the most important projects may be concentrated in only a few areas due to reasons such as public health and safety or serious infrastructure deficiencies. This allocation method limits the ability to meet jurisdiction-wide goals.[10] This method is commonly described as the "envelope" method of capital project prioritization. The GFOA recommends that departments have the ability to initially rank projects for their service areas, but other factors should also be applied and corporate level goals should be utilized to ensure that the goals of the elected bodies, and thus the public, are being met.[11]

Third and fourth, by organizing projects according to broad categories of need and urgency of need, there is an attempt to set criteria for high-priority projects across the organization and fund those projects. Examples of high priority projects are those required by law, that protect public health and safety, or that otherwise meet a top goal for the community.

To achieve a more balanced list of priorities, many cities use the fifth method, a weighted rating system. In this method, each criterion is assigned a numeric weight or range of possible minimum and maximum values. Putting together the value for each criterion then results in a totaled score for each project used to rank the projects.[12]

Finally, using the advancement of organizational goals established by the governing board and the community as the main criteria or one of the heaviest weighted criteria in a ranking system is also common. Critical to the success of any formal priority system is gaining the understanding and support of elected officials. It is the role of the city manager and finance officer to clearly articulate how these objectives should be incorporated into the process.[13] Using a strategic or master plan to guide decisions is also recommended by InfraGuide and the GFOA.[14] For instance, in Ft. Lauderdale, Florida, the City Council ranks a mix of prioritization criteria for basic program attributes and balances that with an additional weightings system involving the impact on established strategic goals.

When a weighted scoring matrix is used for the capital planning process, it is common for the elected officials to review and approve the objectives used for prioritizing projects and participate in facilitated

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[10] *Ibid.*

[11] GFOA Best Practice: Preparing and Adopting Multi-Year Capital Planning, 2006, www.gfoa.org.

[12] Capital Budgeting and Finance: A Guide for Local Governments, J. Marlow, W. Rivenbank, A. Vogt, 2nd edition 2004, ICMA Press.

[13] Capital Project Planning and Evaluation: Expanding the Role of the Finance Officer, J. Casey, M. Mucha, 2007, Government Finance Officers Association of the United States and Canada.

[14] InfraGuide Decision Making and Investment Planning: Planning and Defining Municipal Infrastructure Needs, 2003, Federation of Canadian Municipalities and National Research Council.

sessions in which they set the system weights. Government entities that utilize these methods often also collect and manage specific capital project data that correlates to these objectives. The key outputs from the system can even include an "optimal funding curve" which shows the set of projects estimated to produce the greatest benefits for any given funding level.[15] Also, since master plans are the foundation of economic development, land acquisition and use, transportation, and other major services that come to fruition through capital infrastructure, the GFOA recommends that staffers directly relate elements of current master plan into capital improvement project requests.

Capital Planning Processes Overview

Kirkland

The City of Kirkland's 2014 update to the 2013-2018 CIP totals approximately $730.3 million, which includes $181.1 million of funded projects and $549.2 million of unfunded projects. The CIP is organized into seven sections: Transportation, Surface Water Management, Water and Sewer, Parks, Public Safety, General Government, and Equipment Rental. CIP projects originate from various departments' master plans, as department staff use these plans as guides to help create prioritized lists of capital projects. For Parks and Transportation, these lists are reviewed by the City Council-appointed Park Board and Transportation Commission. These staff then submit these lists to a Budget Leadership Team comprised of the City Manager, Deputy Managers and Finance staff, who prioritize these projects based on Council adopted goals and prioritization criteria. The City Manager then forwards a preliminary CIP on to Council, to act as a starting point for Council deliberation and decision-making.

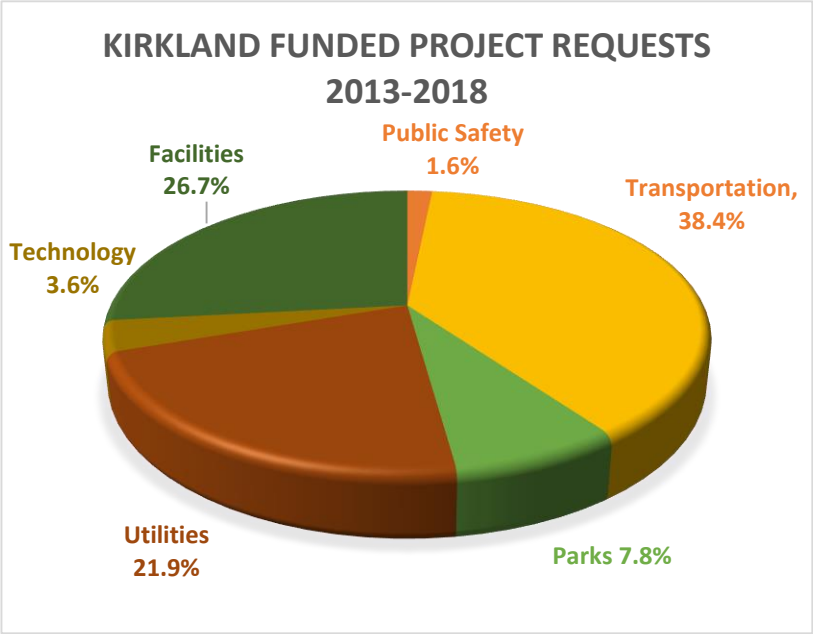

Figure 2. Kirkland's funded project requests (2013-2018)

Kirkland's CIP includes projects over a six year period, and each CIP fiscal year parallels the Budget Development process that operates on the fiscal year from January to December. Noted on the next page are milestones of the current CIP development process.

[15] Prioritizing Projects, Lee Merkhofer, 2005, www.icma.org.

Month	Project Phase
January	CIP Process Discussion/Soft-Launch with Directors
February	City Council Retreat, CIP Kick-off
March	Council Review of Revised Impact Fees, Departments Complete Project Sheets
April	Financial Planning Division Analysis & Review
May	City Manager's Review, City Council Retreat
June	Financial Planning Division Finalize Preliminary CIP
July	City Council Review Preliminary CIP
September	Council CIP Public Hearing
December	Council Adopt Final CIP

Project Prioritization Themes

As noted previously, 2015 is an important year for Kirkland's CIP development. It's important because the year coincides with Council approval of many of the City's comprehensive planning documents, including Kirkland 2035, the City's comprehensive plan. It's also important because 2015 exemplifies the stark financial realities that many cities face moving forward, where funding gaps exist despite prudent planning. Given these considerations, Kirkland decided in early 2015 to take a proactive look at the way it prioritizes capital projects. The City began by developing a broad prioritization framework that can apply to all capital needs, across all departments. This framework centers on budget strategic anchors and the following themes, which were discussed by the City Council at its February 2015 retreat, and are summarized below:

- **Council Goals and Work Plan**: Project prioritization and sequencing should take place in the context of the Council's ten goals (See Notable Elements section below) and the 2015-16 Work Plan.
- **Kirkland 2035 Vision**: Projects that help achieve the City's long-term vision of making Kirkland a more livable, walkable, sustainable, and connected community, should receive priority.
- **Kirkland Quad**: The Kirkland Quad is the City's framework for analyzing citizen preferences and their satisfaction with services. Any new or expanded projects should consider the Quad's categorization of services based on importance and performance.
- **Five Year General Fund Forecast**: The City's five-year forecast for the General Fund indicates that significant financial challenges are in store for the City. As such, capital projects that promote economic development, increase the City's revenue base, or help reduce spending on operating costs, should be given priority. Additionally, the City promotes financial sustainability though the maintenance of current infrastructure in order to avoid costly replacement of new facilities in the future.

- **Price of Government**: The latest analysis of Kirkland's Price of Government shows that capacity exists to explore new funding alternatives through ballot initiatives for capital projects that are highly-valued by citizens, such as a new aquatic and recreation center.

Prioritization Principles

Based on the retreat discussion, the City Council recently endorsed a set of CIP prioritization principles. This endorsement came in the form of a March 17, 2015, resolution stating that the City would develop the 2015-2020 CIP so that the document:

- Sustains and enhances public safety, including bicycle and pedestrian safety.
- Invests in projects that facilitate near term economic development to help address the gap between revenues and expenditures as identified in the most recent five-year General Fund Forecast.
- Creates measurable progress toward achieving the City Council's ten goals.
- Implements the 2015-2016 City Work Program.
- Improves the services identified in both the "Imperatives" and "Stars sections of the most recent Kirkland Quad.
- Improves efficiency of existing facilities and maintains integrity of existing infrastructure.
- Sequences projects in a manner that advances the Vision Statement and Guiding Principles of the Kirkland 2035 Comprehensive Plan.
- Maximizes the benefit to the community within a given level of funding.

Budget Leadership Team

The Budget Leadership Team is comprised of the City Manager, Deputy City Managers, and key Finance staff. This group is responsible for reviewing departments' lists of proposed projects and evaluating these projects based on the prioritization themes, Council goals and Council prioritization principles described above. The City Manager then forwards a final proposed list to Council for approval.

Maintenance and Operation Impacts

Departments identify operations and maintenance impacts on the CIP projects sheets. Any operating impacts are summarized as part of the CIP document. New operating resources needed to support projects must be requested as part of the operating budget process once the project nears completion.

Project Management

A CIP Steering Team holds monthly meetings to review status of in-progress projects. This group is comprised of the City Manager, Public Works Director and Public Works and Finance staff, and reviews project status dashboards that include project completion percentages, budget to actual performance, and other important topics surrounding project construction.

Community Input

One novel feature of Kirkland's CIP is the "Suggest a CIP Project" web portal, where the public can submit capital projects for the City's consideration. Through this portal, members of the public are able to suggest capital improvements to specific locations throughout the city. These suggestions go to City leaders for consideration in the capital planning process.

The City also conducts a Citizen Survey every two years, which informs both operating and capital improvement financial planning decisions.

Bellevue

Bellevue is a city of 33.4 square miles with an estimated population of 134,400[16]. The median home value is $525,000, and the median household income is $90,000.[17] Bellevue's city center is the second largest in the state of Washington, with over 35,000 employees and 5,000 residents. The City has a council-manager form of government with seven, non-partisan council members elected at large for staggered four-year terms. The City Council selects a Mayor from among its members, who serves as council chair but has no veto power. Bellevue recently adopted a 2015-16 biennial budget totaling $1.459 billion, with a two-year appropriation for operations ($954 million), special purposes ($53 million) and capital investments ($452 million).[18]

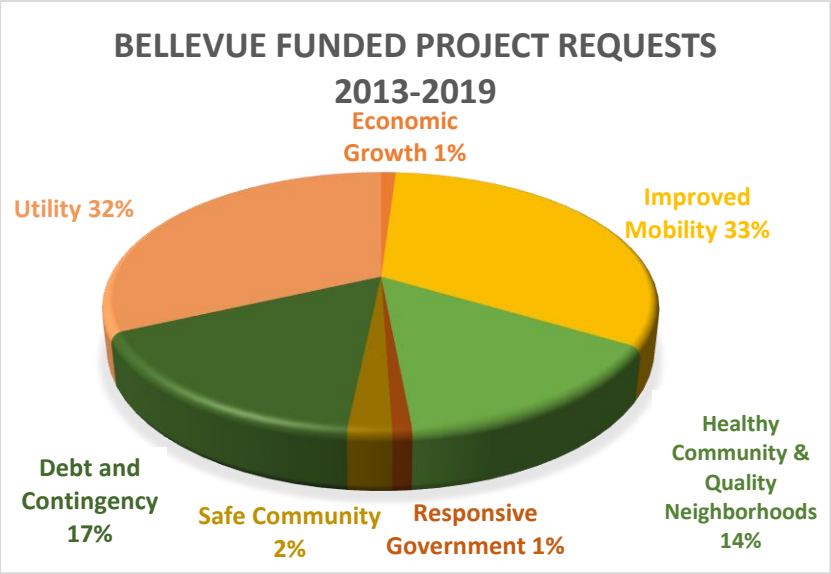

Figure 3. Bellevue Funded Project Requests (2013-2019)

Bellevue's CIP outlines the public facility improvements that will be implemented over the next seven years. The City's 2015-2021 CIP totals $724 million, of which $512 million is allocated for the General CIP and $212 million is allocated for the Utility CIP. The first two years of this CIP were folded into the recently-adopted 2015-2016 biennial budget. The 2015-21 CIP also features a 2% property tax increase that allows additional funds to be directed toward unmet neighborhood and infrastructure needs.

[16] Bellevue 2015-16 Adopted Budget. (http://www.ci.bellevue.wa.us/pdf/Finance/2015%202016%20Adopted%20Budget%20Book%20Final.pdf)
[17] U.S. Census Bureau. (http://quickfacts.census.gov/qfd/states/53/5305210.html)
[18] Bellevue 2015-16 Adopted Budget. (http://www.ci.bellevue.wa.us/pdf/Finance/2015%202016%20Adopted%20Budget%20Book%20Final.pdf)

Almost all of the projects included in the CIP originate from long-range plans approved by Council, needs assessments or surveys performed by City departments, community input, or Council recommendations. Individual departments include projects in capital investment proposals submitted to the "CIP Panel," a cross-departmental evaluation team. The CIP Panel reviews these proposals using a set of City-wide prioritization criteria. The Panel then forwards its recommendations to the City Manager, who in turn submits a preliminary budget for review and approval by Council.

Budgeting-for-Outcomes Approach

As with its operating budget, Bellevue's CIP centers on a budgeting-for-outcomes approach called "Budget One." This approach prioritizes and funds services based on community priorities (called "outcomes") that are approved by City Council. These outcomes are, as defined in the City's 2015-16 budget:

- **Economic Growth and Competitiveness**: investments are intended to plan for growth that will add value to the quality of the City and create a competitive business environment.
- **Healthy and Sustainable Environment**: focuses on preserving nature spaces and providing a healthy environment, which supports healthy living for current and future generations.
- **Improved Mobility**: focuses on existing and future infrastructure, traffic flow, built environment and travel options.
- **Innovative, Vibrant, and Caring Community**: promotes community engagement and fosters diversity and creativity in City-provided services.
- **Quality Neighborhoods**: creates a "sense of community" by maintaining neighborhoods that support families and provides convenient access to day-to-day activities.
- **Responsive Government**: fosters stewardship of financial and property interests, reflects sound business practices, and ensures deployment of programs that are necessary to deliver services.
- **Safe Community**: focuses on maintaining a safe place to live, learn, work and play.

The above Outcome areas are primary considerations for decision makers at all stages of the City's CIP development process, from department staff compiling lists of proposed projects, to the CIP Panel evaluating those proposals, to the City management who ultimately decides which projects move forward for Council approval.

Project Prioritization Criteria

The prioritization process used for CIP updates is the primary mechanism by which the City aligns capital investments with Council's Outcome areas and the goals of City comprehensive planning documents.

This prioritization happens at two basic levels: the department level and the citywide level. At the department level, City staff propose projects by CIP major project area (MPA), such as Roadways, General Government, or Parks Acquisition and Development. In each MPA, staff prioritize projects using many, less-formalized criteria, like program area distribution, policy mandates, community support, geographic distribution, and outcome distribution.[19]

Citywide funding prioritization criteria are more formalized. When the CIP Panel evaluates non-utility CIP projects submitted for funding consideration, it is likely to use the following criteria, as described in the 2015-2021 CIP Plan:

- **Effectiveness at achieving City Mission/Community Outcomes/Council Priorities**
  - Effectiveness/extent to which project achieves Outcome
  - Tangibility/clarity of project results
  - Multiple benefits
- **Mandates**
  - Legal
  - Appropriate level of investment needed to meet mandate
- **Financial Factors**
  - Leveraging other funds: extent to which project is funded by external sources
  - Cost versus Benefit
  - Sunk costs: extent to which project expenditures have already been incurred
  - Avoided costs: extent to which project creates savings/decreases future costs/reduces risks
  - Stewardship: extent to which project protects and leverages existing investments
- **Timing/Urgency**
  - Project readiness: extent to which project can proceed within the CIP period
  - Need to move forward during this 7-year CIP period
  - Critical linkage to other high priority projects
- **Scaling**
  - Level of Service (LOS)
  - Right element of project at this time (e.g. full build, partial build, design only)

The CIP Panel applies these criteria qualitatively, rather than with a numerical rank or score. The reason for this qualitative approach is that it allows the CIP Panel to adapt its prioritization as necessary. Take, for example, one project that only addresses a few of the criteria, versus a second project that addresses more of the criteria. The first project has more sunk costs, while

[19] For an overview of prioritization criteria broken out by MPA, see Bellevue's 2015-16 Adopted Budget. (http://www.ci.bellevue.wa.us/pdf/Finance/2015%202016%20Adopted%20Budget%20Book%20Final.pdf)

the second project has none. In this scenario, the first project—the project that is less of a priority, according to the City's criteria—actually would get prioritized over the second one, because the financial importance of the sunk costs. Such a decision is an example of the balance that the CIP Panel can strike by using these criteria in a qualitative way.

It's also important to note that of all proposed projects, those with funds contractually committed, such as debt service obligations, are funded first.

Maintenance and Operations Impacts

In its adopted CIP, the City highlights the estimated impacts on its operating budget of ongoing maintenance of some large capital projects.[20] These estimates do not include, however, M&O costs of ongoing capital improvements that have not yet reached the design phase where M&O cost estimation occurs. It would be useful to know how and when these cost estimations factor into the capital project planning process—when, for example, department staff consider M&O costs in relation to their decision to put forward a project for consideration of City management. Unfortunately, the research for this report was inconclusive in this regard.

It's also worth noting here that the City has a financial policy that requires the preservation of existing capital infrastructure before funding is sought to build new facilities.[21] This policy aims to prevent the City from embarking on a facility enhancement program that the City cannot afford to maintain. While it is clear that City staff consider this policy when prioritizing major capital projects, the research for this report did not confirm the importance of this policy relative to other prioritization considerations.

Project Management

One notable aspect of Bellevue's project management process (particularly as it touches upon the human capital issues implicit in this report's Research Question #2,) is the City's "as-needed" approach to hiring limited term employees (LTEs). According to City staff, there is no formal decision-making process for hiring an LTE. The decision is made on a case-by-case basis. If there is a capital project that needs additional project management staff, the City simply hires the LTEs it needs.

[20] See Appendix B.
[21] See Appendix C.

Bothell

Bothell is a city of 14.38 square miles[22] with a population of 41,630.[23] The median home value is $343,700, and the median household income is $74,769.[24] The City operates under a council-manager form of government, with seven council members of equal decision-making power. Bothell recently adopted a 2015-16 biennial budget totaling $206 million with a total operating budget of $87 million, and a 2015-16 Capital Facilities Plan (CFP) totaling $58 million.[25] Bothell's seven-year CFP incorporates 55 projects totaling approximately $225 million.

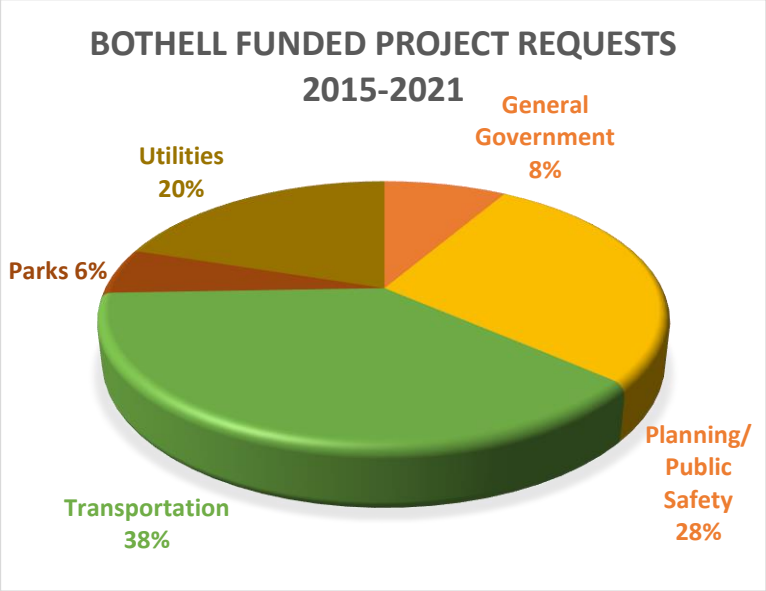

Figure 4. Bothell's Funded Project Requests (2015-2021)

Bothell's Capital Facilities Plan (CFP) process is formalized, robust, and a source of great pride for the city. This pride is understandable, as the process earned Bothell the 2007 Governor's Smart Communities Award for Implementation of a Comprehensive Plan. 51¢ of every $1 Bothell plans to invest in infrastructure from 2015 through 2021 is being funded by non-city resources, and this is in large part due to decisions made throughout the CFP process.

The city's CFP assumed its current form in 2006, when Bothell's City Council passed a resolution creating a biennial CFP process and a Capital Facilities Plan Process Committee (CFPPC). The CFP planning process takes place in even-numbered years in coordination with Bothell's biennial budget development process, and systematically identifies and finances both vitally needed and community desired capital infrastructure. The first two years of the CFP are incorporated into the following biennial city budget. The CFPPC is composed of three Bothell Councilmembers, a Planning Commissioner, a Parks and Recreation Board Member, the City Manager, and the Finance Director. The committee is responsible for strategically prioritizing the city's capital needs for each seven-year capital planning period and producing a corresponding funding plan. After the committee prioritizes projects and produces the funding plan, it provides a recommendation to Bothell's City Council.

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[22] City of Bothell estimate.
[23] Washington State Office of Financial Management (http://ofm.wa.gov/pop/april1/ofm_april1_population_change_and_rank.xlsx)
[24] U.S. Census Bureau (http://quickfacts.census.gov/qfd/states/53/5307380.html.)
[25] 2015-16 Bothell Biennial Budget (http://www.ci.bothell.wa.us/Site/Content/Administration/Budget%20and%20Finance/Budget%20Documents/2015-2016Budget.pdf)

Six criteria drive the CFP prioritization process. These criteria are:

- Consideration of community needs
- Availability of sufficient revenue
- Coordination of projects and project time lines
- Availability of sufficient staff and expertise to manage projects
- Maximization and leveraging of City revenues
- Adherence to sound financial strategies

The CFP also advances Bothell's long-term capital vision by addressing pressing community investment needs while emphasizing revenue-generating redevelopment of Bothell's Historic Downtown area.

Community Input

In preparation for the 2015-2021 CFP development process, City staff resumed the practice of soliciting new project ideas from the community, as noted in Bothell City Council's Resolution No. 1183, from 2006. City staff consider this solicitation one of the most important means by which the community can provide input into capital planning efforts before the proposed CFP goes to Council for approval. One of the key features of this practice is that City staff not only accept resident requests for projects, but also reply to every request with a letter to the resident acknowledging receipt of his or her request and a description of the steps the City will take to evaluate the proposed project for possible inclusion into the CFP.

Project Management

Every other month the City holds capital project status meetings, which City staff believe are key to the City's management and evaluation of the CFP after its adoption. In these meetings, the Finance Director and Finance staff meet with department heads and other staff involved in the management of capital projects and discuss how individual projects are progressing. These meetings provide project management staff the opportunity to explain numerous aspects of a project's status, including missed or shifted deadlines, cost overruns, input received from community members, and other pertinent information. These meetings also give the Finance Department a chance to provide project management staff with important financial information, such as updated budget numbers, funding requirements, and advice on financial reporting.

Another interesting feature of the City's project management strategy is the use of "project term employees" (PTEs). These employees are similar to limited term employees (LTEs), except that PTEs' employment is tied specifically to one or more projects. This specification allows the City to dismiss a PTE if a project gets delayed, canceled, or otherwise does not meet certain requirements due to the PTE's performance. In City management's view, this distinction has two benefits. It can both cut contracting costs and eliminate project delays due to insufficient human capital.

Staff Acknowledgement Form

One interesting feature of Bothell's CFP process is the "Staff Acknowledgement Form" that employees involved in the management of capital projects must sign after the CFP is adopted. By signing the form, staff acknowledge that an update to the CFP has occurred, that they have received, read and understood the Council-adopted CFP spending plan, and that they commit to performing their duties in compliance with that spending plan. Accompanying these Acknowledgement Forms is a checklist that the Finance Manager or Senior Finance Analyst managing capital projects uses to track every staff member required to sign the forms.[26] As to the consequences for an employee who signs this form when an aspect of a project's implementation goes awry, the research for this report could not adequately conclude.

Kent

Kent is a city of 28.6 square miles with an estimated population of 124,400[27]. These figures include the 5-square-mile, 24,000-resident annexation that the City undertook in 2010. The median home value is $261,300, and the median household income is $57,500[28]. The City operates under a mayor-council form of government. Kent recently adopted a 2015-16 biennial budget totaling $463 million, with a total operating budget of $419 million and a 2015-16 Capital Improvement Plan (CIP) totaling $44 million.[29]Kent's 2015-2020 CIP totals $175 million, of which $103 million is allocated for the General CIP and $72 million is allocated for the Utility CIP.[30].

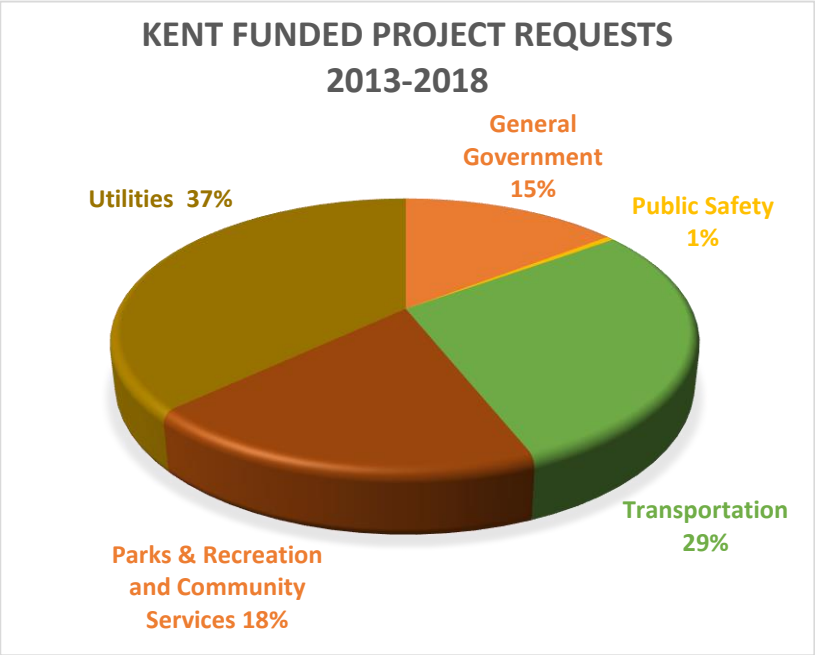

Figure 5. Kent's Funded Project Requests (2013-2018)

As with many cities, Kent's capital budget has suffered in recent years from a decline in revenues that has placed extreme pressure on the City's ability to preserve and maintain City

[26] To see both the Acknowledgement Form and the Acknowledgement Form Checklist, see Appendix D.
[27] U.S. Census Bureau. (http://quickfacts.census.gov/qfd/states/53/5335415.html)
[28] *Ibid.*
[29] Kent staff provided us this information, from the forthcoming 2015-16 Adopted Budget.
[30] Kent staff provided us this information, from the forthcoming 2015-2020 Capital Improvement Program Plan.

assets. To alleviate some of this pressure, in the 2013-14 biennium the City dedicated a portion of new revenues to capital. These revenues included $4.7 million of the B&O tax for streets overlays and materials, and $850,000 of a cable TV utility tax for technology capital needs. [31]

Capital Project Prioritization

As noted above, Kent 's CIP includes parks, facilities, public safety, and technology projects. Prioritization of these projects took place within individual departments. While City management feels that this approach to prioritization 'gets the job done,' it also believes that there is room for improvement. As such, Kent recently began creating a more holistic, City-wide methodology to prioritizing general capital needs. The City started in 2015 by establishing a capital facilities prioritization committee, composed of department heads from each City department along with finance and long-term planning staff. In these committee meetings, individual departments describe proposed capital projects, the department's rationale or business need for proposing the project, and numerous other factors, including political and financial considerations. Here, the departments emphasize the criteria they use to prioritize specific projects as important. The ultimate goals of this exercise are to have a conversation among staff and increase understanding about CIP development generally, and to identify criteria that can apply to the vast majority of projects. In the end, Kent wants a set of City-wide criteria that can guide its CIP prioritization.

Community Input

Currently, community input is not well incorporated into Kent's CIP development process. Kent, like many Washington communities, faces perpetual budget shortfalls due to property tax collection limits, among other factors. To address these facts and to educate and engage the Kent community generally about the City's long-term financial sustainability, the City established the Financial Sustainability Taskforce[32] in April 2015. The Taskforce is a citizen advisory committee composed of 15 residents that represent a strong socio-economic cross section of the Kent community. The Taskforce will meet 1-2 times per month to evaluate Kent's finances as they pertain to the scope of services provided by City departments, the City's needs, and the community's priorities. In these meetings, Finance staff will educate the committee members about important City financial practices, including how revenues are collected and allocated. The Taskforce will provide quarterly progress reports to the Mayor and Council, and in June 2016, a final report with recommendations. After presenting its report, the Taskforce will sunset. Ideally, this process will provide the City guidance on how to, in addition to other financial management practices, prioritize and manage capital projects to best benefit the Kent community.

Maintenance and Operational Planning

Kent has a financial policy that says the maintenance of current assets will take priority over new capital projects whenever possible. The policy also states that the City Council must ensure that there are stable

[31] Kent "Budget at a Glance 2013-14." (http://kentwa.gov/Budget.aspx)
[32] Kent's website for the Financial Sustainability Taskforce. (http://kentwa.gov/FSTF)

sources of revenue to fund ongoing maintenance of capital assets.[33] The policy furthermore stipulates that staff are responsible for estimating life cycle and maintenance costs, and including these costs in the future capital budgets.

Redmond

Redmond is a city of 16.94 square miles with an estimated population of 54,144 in 2013[34] The median home value is $453,900, and the median household income is $96,088.[35] The city has a mayor-council form of government, with the mayor and seven council members elected at large for staggered four-year terms. Redmond's $618 million budget for the 2015-16 biennium includes an operating budget of $454 million and a capital budget of $164 million.

Redmond's $267 million CIP incorporates 53 projects over a six-year planning period.

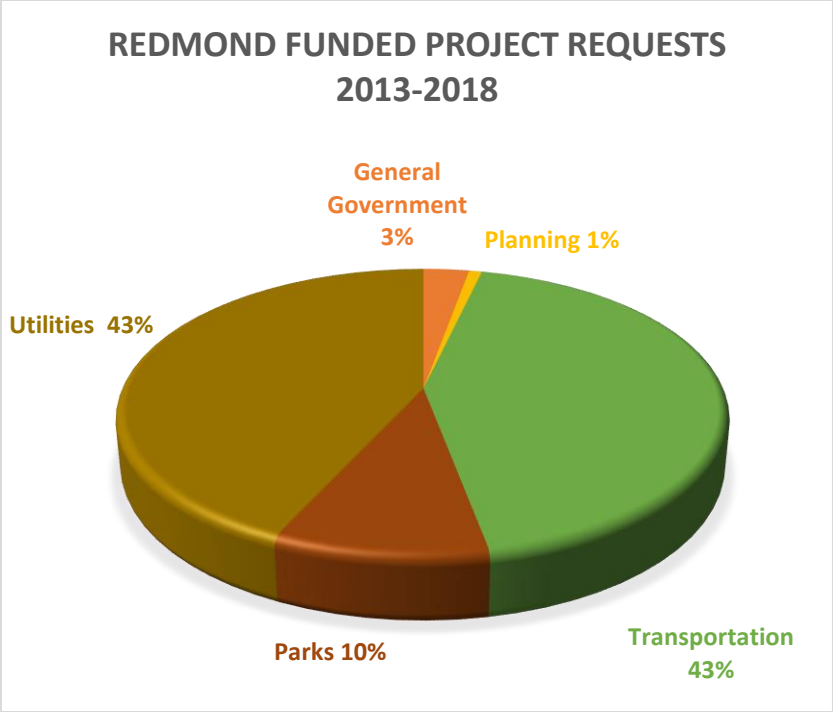

Figure 5. Redmond's Funded Project Requests (2013-2018)

Capital Investment Strategy: Vision Blueprint

Redmond's Capital Investment Strategy (CIS), also known as *Vision Blueprint*, is a hybrid planning and budgeting document summarizing known capital investment projects and programs from 2013-2030. The projects and programs included in *Vision Blueprint* are not "wish list" items, but planned actions that allow the City to accommodate existing community needs and expected growth. The document was created in 2011 with the intent to balance near-term financial considerations, as identified in the six-year CIP, against the City's 2030 land use vision. *Vision Blueprint* expands upon Redmond's capital planning program to show the actions and funding required to achieve the City's long-term capital investment goals by 2030. Redmond describes its CIS as "a strategy of identifying how the long range plan can be supported with adequate facilities. It is the master plan portion of the Comprehensive Plan, containing an integrated package of tools for implementing the vision."[36]

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[33] See Appendix E.

[34] The square mileage was provided by Redmond staff, source unknown. The population total came from the U.S. Census Bureau. (http://quickfacts.census.gov/qfd/states/53/5357535.html)

[35] U.S. Census Bureau. (http://quickfacts.census.gov/qfd/states/53/5357535.html)

[36] *Vision Blueprint.* (https://www.redmond.gov/common/pages/UserFile.aspx?fileId=69486)

Vision Blueprint is divided into three six-year segments: the "Near-term" (2013-2018), the "Mid-term" (2019-2024), and the "Long-term" (2025-2030). In total, there are 399 projects planned over this 18-year span. The Near-term segment is similar in nature to an average city's CIP: it's a six-year plan, adopted by the City Council, updated every two years, and it includes projects whose costs are nearly balanced to expected revenues. Unfunded projects are not listed in the Near-term and instead pushed out to year seven, or the Mid-term. The Mid-term also includes projects for which later timing is appropriate due to sequencing with other investments, expected development activity, or population and employment growth. Long term projects include those that were not a funding priority in the Mid-term.

Vision Blueprint is updated biennially in the budget off year in order to undertake various follow-up actions recognized in the *Vision Blueprint* development phase. These actions are categorized as:

- Council discussion and direction
- Functional plan updates
- Strategic implementation actions

CIP Development and Prioritization

Redmond has a formalized, streamlined CIP process that is described below:

1. Department directors and staff update the *Vision Blueprint* to reflect any changes in expenditure and revenue projections, including project changes for the near, mid and long term.
2. The "CIP Team", comprised of capital project managers from each department, uses the *Vision Blueprint* as a guide and proposes projects for incorporation into the biennial budget.
3. The "CIP Results Team," made up of long range planners, establishes the criteria with which they will assess the CIP Team's proposed projects. The Results Team then evaluates each project using the established criteria and the guidance contained within the Vision Blueprint and the City's Comprehensive Plan. The projects are placed in rank order by how well they meet the criteria.
4. The Mayor and department directors consider the CIP Results Team's rankings, select the final projects to forward onto Council, and balance these projects' expenditures against anticipated revenue.
5. The Mayor presents to the Council his preliminary budget for both operations and the CIP.
6. The Mayor and department directors work with Council to review the projects in the preliminary CIP.
7. Council reaches a conclusion about each of the projects and adopts the six-year CIP.

Project Management

While the City of Redmond currently has a well-developed and sophisticated CIS, City management also believes that there is room to improve its project management tracking systems. The City wants to maximize accountability and transparency as capital projects are being built. As such, City management

has recently begun developing a "phase gate" approach to project management. Phase gates are common stops along the life of a project where a "go/no-go" decision might be made. At these stops, staff will be able to evaluate the status of a project and make decisions about how that project should proceed. These decisions could, for example, involve assessing the accuracy of cost estimations or determining whether or not a project can go to bid. Ideally, this process will allow for additional scrutiny throughout the life of a project, and City capital improvements overall will better match community priorities. All this said, the phase gate approach is still in the development stages, so its true efficacy remains to be seen.

Another project management practice to note is that Redmond rarely, if ever, has to hire limited term employees to manage capital projects. Redmond staff attribute this fact to the superior planning methodology required by *Vision Blueprint*. City management believes that the near-, mid-, and long-term visioning process that results from the creation of that document is so well-developed that it avoids any unexpected project delays that might require the hiring of additional project management staff.

Community Input

The City uses several mechanisms to involve the community in the creation of the capital and operating budgets:

- Community surveys – Each year, the City asks the community's opinion of the City's performance in areas such as transportation, parks, and communications. Some of the information collected has implications for CIP development.
- Citizens Results Teams – During budget years, the City recruits citizens to evaluate and rank the value of departmental budget proposals.

Beginning June 2015, Redmond is kicking-off the OneRedmond Business Fee and Tax Advisory Committee. OneRedmond is a partnership between local government, business and the community to create a truly "business friendly" environment. For two years, OneRedmond members have reviewed and confirmed the principles of the City's transportation plan, specifically those projects that were being planned or constructed through support of the City's business tax funds. BFTAC is made up of representatives from the City's business clusters, resident groups, education community, Citizens Results Team, large and small businesses, the freight industry, and the development community. The City hopes that BFTAC will:

- Offer advice to the Redmond City Council regarding business fees and taxes and their impact on the business community and economic development.
- Increase community awareness and understanding of and input to fee and tax development, citywide mobility issues, and transportation planning.
- Review and recommend refinements, as necessary, to City principles for the use of business tax funds.

Principal Findings

The above research resulted into two basic categories of ideas for Council to consider. The first category includes comments on Kirkland's CIP processes based on national best practices and the practices of Eastside neighbors. These comments can be viewed either as practices Kirkland does now and should continue to do, or as practices that Kirkland should consider undertaking in the future. The second category includes interesting observations that arose from the research for this report, but that are not neither best practices nor universally employed by peer cities.

1. Citywide CIP prioritization criteria are key to helping a CIP meet City and community goals.

Perhaps the single most important component of a successful CIP is its ability to link the identified priority projects with the City's comprehensive planning documents and overall community goals. The experience of Kirkland's Eastside neighbors and national best practices both indicate that the establishment of citywide prioritization criteria is a key means to reach this end. Bellevue, Bothell and Redmond all use Citywide CIP criteria to:

- Link each project to goals identified in their comprehensive planning documents and the vision of City management, City Council, or the community.
- Objectively compare cross-departmental projects that compete for the same funding.
- Evaluate community responses and Council priorities to prepare a "fully baked" list of projects in accordance to community need and Council goals. This can, as best as possible, streamline the CIP adoption process.
- Promote interdepartmental collaboration, consensus buy-in, and transparency.

Kent's recent decision to identify citywide priorities is further testament to the benefit of such a prioritization process. The ultimate goal of the City's new criteria-setting exercise is to have conversations among staff, increase understanding about CIP development generally, and to identify criteria that can apply to the vast majority of projects.

Kirkland has already begun developing citywide capital prioritization criteria. As other cities' experience demonstrate, Kirkland should continue with this development.

2. An interdepartmental governance team can review proposed capital projects.

Equally important to formalized prioritization criteria is a leadership team that can employ those criteria to evaluate projects. Many cities believe that an interdepartmental CIP governance team that assesses the list of proposed projects and weighs the list against a set of citywide prioritization criteria before a recommendation is forwarded onto Council for approval, can maximize the positive effects of capital dollars on the City and community. Take Bellevue, Bothell and Redmond, for example, which all evaluate projects based on a strict citywide prioritization criteria, and alter or remove projects as necessary before submitting the proposed projects to their Councils. Kent likewise is convening an internal committee to analyze which criteria can apply to the majority of that City's departments. Clearly, such

interdepartmental assessment of proposed capital projects is an increasingly important feature of modern municipalities' capital program development processes.

Kirkland already makes excellent use of a Budget Leadership Team to prioritize projects. As best practices indicate, the City could explore expanding the process to include some form of interdepartmental team to help weigh proposed projects against citywide prioritization criteria.

Other Observations

1. **Tying limited term employment to specific projects can prove beneficial.**

As explained above, hiring limited term employees can mitigate two of the City's issues simultaneously. It can cut contracting costs and eliminate project delays due to insufficient human capital. Issues can arise, however, when a project is delayed or shelved, and the limited term employee hired to assist with that project then has no explicit purpose. Bothell avoids such a costly scenario by hiring only "project term employees" (PTEs) to manage projects. These staff members' employment is tied specifically to one or more projects, so that if a project gets delayed, canceled, or otherwise does not meet certain requirements due to the PTE's performance, that PTE can be dismissed.

2. **Having capital planning staff sign an acknowledgement form could increase accountability.**

As described above, the City of Bothell uses an "Acknowledgement Form" to enhance accountability amongst capital project staff. This encourages employees to perform project duties in compliance with that project's spending plan. Accompanying these Acknowledgement Forms is a checklist that the Finance Manager or Senior Finance Analyst managing capital projects uses to track every staff member required to sign the forms.[37]

[37] See Appendix D.

Bibliography

Best practice resources:

1. GFOA Best Practice: Preparing and Adopting Multi-Year Capital Planning, 2006, www.gfoa.org.

2. Capital Budgeting and Finance: A Guide for Local Governments, J. Marlow, W. Rivenbank, A. Vogt, 2nd edition 2004, ICMA Press.

3. Capital Project Planning and Evaluation: Expanding the Role of the Finance Officer, J. Casey, M. Mucha, 2007, Government Finance Officers Association of the United States and Canada.

4. InfraGuide Decision Making and Investment Planning: Planning and Defining Municipal Infrastructure Needs, 2003, Federation of Canadian Municipalities and National Research Council.

5. GFOA Best Practice: Presentation of the Capital Budget in the Budget Document, 2008, www.gfoa.org.

6. InfraGuide Decision Making and Investment Planning: Investment Parameters for Municipal Infrastructure, 2003, Federation of Canadian Municipalities and National Research Council.

7. Prioritizing Capital Projects in a Suffering Economy, A. Abraham, PM Magazine, May 2009.
InfraGuide Decision Making and Investment Planning: Managing Infrastructure Assets, 2005, Federation of Canadian Municipalities and National Research Council.

8. GFOA Best Practice: The Role of Master Plans in Capital Improvement Planning, 2008, www.gfoa.org.

9. GFOA Best Practice: Incorporating a Capital Project Budget in the Budget Process, 2007, www.gfoa.org.

10. GFOA Aligning Technology with Business through IT Governance Presentation Guide, www.gfoa.org.

11. Executive guide - leading practices in capital decision-making. (1998). Washington, D.C.: United States General Accounting Office.

Peer City Resources

1. Austin, TX
https://austintexas.gov/department/capital-planning

2. Bellevue, WA*
http://www.ci.bellevue.wa.us/finance.htm

3. Bothell, WA*
http://www.ci.bothell.wa.us/CityServices/Administration/BudgetAndFinance/Capital%20Facilities%20Plan.ashx?p=1798

4. Ft. Lauderdale, FL
http://www.fortlauderdale.gov/departments/city-manager-s-office/budget-cip-and-grants-division

5. Kent, WA*
http://kentwa.gov/Budget.aspx

6. Redmond, WA*
http://www.redmond.gov/PlansProjects/ComprehensivePlanning/VisionBlueprint/

7. Tacoma, WA
https://www.cityoftacoma.org/cms/One.aspx?portalId=169&pageId=35830

*Note: * = on-site interviews with City staff were conducted*

Appendix A – Modesto Citywide Evaluation Criteria and Weights

CITY OF MODESTO CAPITAL IMPROVEMENT PROGRAM PRIORITIZATION CRITERIA

Evaluation Criteria

Seven evaluation criteria have been developed for project evaluation. Every project is evaluated against all seven criteria and assigned points on a scale of -5 to +5. This ensures the most objective process possible and leads to consistent decision making.

1. Public Health, Safety and Other Mandates
    a. Does the project improve or specifically address a health, safety or other regulatory mandate in the community?
    b. Does the project specifically address a legal requirement or abate a potential health or safety crisis?
2. Supports Stated Community Goals and Policies
    a. Does the project help implement policies in the General Plan, Strategic Plan, or other adopted plan?
    b. Is the project a part of or consistent with an articulated, acceptable mid, short or long-range program or departmental strategic plan?
    c. Does the request implement some or all of the recommendations of a previous study?
    d. Has the project been specifically identified by the public in previous community forums, surveys, etc.?
    e. Has the project consistently been included in previous capital improvement programs?
3. Capital Fiscal Impact
    a. Does the project have a positive impact on the General Fund budget?
    b. Does the project bring in additional outside funds or grants in some proportion?
    c. Is the project realistic from a financial standpoint? (Consider direct costs, as well as ongoing and additional costs such as those to provide temporary services during implementation of the project.)
    d. Are funds already dedicated or available for the project?
    e. Will funding the project now result in a significant savings or economies of scale?
4. Promotes Economic Development
    a. Does the project facilitate a job producing development?
    b. Does the project facilitate development that will provide positive revenue enhancement to the City?
    c. Does the project help prevent revenue leakage?
5. Operation and Maintenance Fiscal Impact
    a. Does the project have a positive impact on the City's Operating and Maintenance (O&M) budget?
    b. Is the project an efficiency improvement project?
    c. Is the project a low-maintenance project?
    d. Does the City have the ability (staff, funds, etc.) to support the project in O&M?
6. Impact on Service Levels
    a. Does the project bring the service up to a desired level?

   b. Does the project improve service levels?
7. Relationship to Other Projects/Coordination
   a. Does the project coordinate well with other projects underway?
   b. Can the project be effectively coordinated with other projects (for instance, water and/or sewer line repairs done in conjunction with road work?)
   c. Will all prerequisite projects be complete before this project is scheduled?
   d. Is the project timely or does it provide a critical window of opportunity?
   e. Is the project planned to create minimal disruption or inconvenience to the public?
   f. Is the project the best use of funding for the fund category (as ranked by sponsoring department)? D.

Criteria Weights

The CIP Task Force determined that certain criteria are worthy of greater emphasis. In the evaluation process, this is accomplished by creating "weighting points" that are assigned to each of the seven criteria. These weighting points are automatically calculated as the CIP Task Force scores each project.

Criteria Weighting	**Total**
Public Health and Safety Mandates	95
Community Goals 85	85
Promotes Economic Development 85	85
Capital Fiscal Impact	75
Operation and Maintenance Fiscal Impact	75
Impact on Service Levels	65
Relationship to Other Projects/Coordination	65

Final Project Scoring

Projects should first be grouped into categories based on their project location. Using the evaluation criteria and weights above, the CIP Task Force will score each project. Some of the projects may not be scored by the Task Force because they are under a legal or regulatory mandate to be completed. Because the City is already obligated to complete these projects expeditiously, scoring them would serve no purpose.

All project rankings have been added to the project detail sheets. The scores range from 0 to 3000. Projects ranked the highest by the CIP Task Force will have a priority code of 3000. For each project ranked by the CIP Task Force, its corresponding priority score can be found below the project title of the project detail sheets.

The CIP Task Force will review and prioritize all existing capital projects to assure consistency with the City's General Plan and the City's vision statement. A recommendation will then be made to the Planning Commission.

Appendix B – Ongoing Maintenance and M&O Estimates – Bellevue

Budget One
one city
one public
one purpose

CIP Budget by Outcome

Capital Project Maintenance and Operation Estimates

CIP Plan No.	Project Name	Estimated 2013-2019 Impact of Capital Investments on Operating Budget
PW-R-141	West Lk Sammamish Pkwy NE - Phase 1	$ 166,044
PW-R-160	NE 4th Street Extension	171,871
PW-R-161	120th Avenue NE Stage 1	83,353
PW-R-164	120th Avenue NE Stage 2	140,280
PW-R-155	SCATS	76,601
PW-R-146	Northup Way Corridor Improvements	55,654
G-88	Joint City License and Tax Portal	1,063,578
	Total for 2013-2019	*$ 1,757,382*

CIP Plan No.	Project Name	Estimated 2013-2019 Impact of 2008 Parks Levy Capital Investments (Funded by Levy LID LIFT)
P-AD-89	Nature Trail Expansion	$ 250,000
P-AD-82	Park & Open Space Acq	37,500
P-ad-86	Surrey Downs	600,000
P-AD-87	Downtown Park	450,000
P-AD-85	Bellevue Botanical Garden	750,000
P-AD-90	New Youth Theatre	750,000
P-AD-88	Neighborhood Park Dev	540,000
	Total for 2013-2019	*$ 3,377,500*

Appendix C – Financial Policy; Preservation of Existing Capital

In the event that the project is 100 percent LID funded, interim financing shall be issued either in phases (i.e., design phase and construction phase) or up front in the amount of the entire estimated final assessment roll, whichever means is estimated to provide the lowest overall cost to the project as determined by the Finance Department.

H. Non-Utility CIP Maintenance and Operating (M&O) Costs: Proposals for CIP project funding shall include the estimated future M&O cost, to provide full cost disclosure. Such M&O costs anticipated to be incurred in the upcoming biennium should be included in operating budget proposals for funding consideration. As of 2011, funding for existing CIP M&O is provided by a distribution of the City's Sales Tax revenue, split between 75 percent General Fund and 25 percent CIP. The dollar amount for CIP M&O is adjusted upward each year by the anticipated Consumer Price Index for all Urban Consumers (CPI-U) after first making any necessary adjustments (e.g., partial vs full-year costs) and eliminating any one-time items. The distribution amounts should be reviewed periodically by Council for reasonableness and potential adjustment.

I. Preserve Existing Capital Infrastructure Before Building New Facilities: It is the City's policy to ensure that adequate resources are allocated to preserve the City's existing infrastructure before targeting resources to build new facilities that also have operating and maintenance obligations. This policy addresses the need to protect the City's historical investment in capital facilities and to avoid embarking on a facility enhancement program, which when coupled with the existing facilities requirements, the City cannot afford to adequately maintain.

Appendix D – Bothell's Sample Staff Acknowledgement Form and Checklist

City of Bothell

CAPITAL FACILITIES PLAN 2009-2015

DECEMBER 15, 2009 UPDATE

STAFF ACKNOWLEDGEMENT FORM

The Bothell City Council adopted revisions to the City's 2009-2015 Capital Facilities Plan (CFP) on December 15, 2009.

I attest that I have received a copy of the December 15, 2009 CFP Update and that I have read and understand the Council adopted spending plan associated with the CFP.

I further attest that I will perform my duties in compliance with the City's 2009-2015 capital spending plan – including the timing priority considerations, project commencement requirements, and project stopping points prescribed in the plan.

Gretchen Zundel, Sr. Financial Analyst — 1-25-10
Employee Printed Name and Title — Date

Gretchen Zundel — 1-25-10
Employee Signature — Date

2-11-10
City Manager — Date

Finance Received on _____ Received by _____

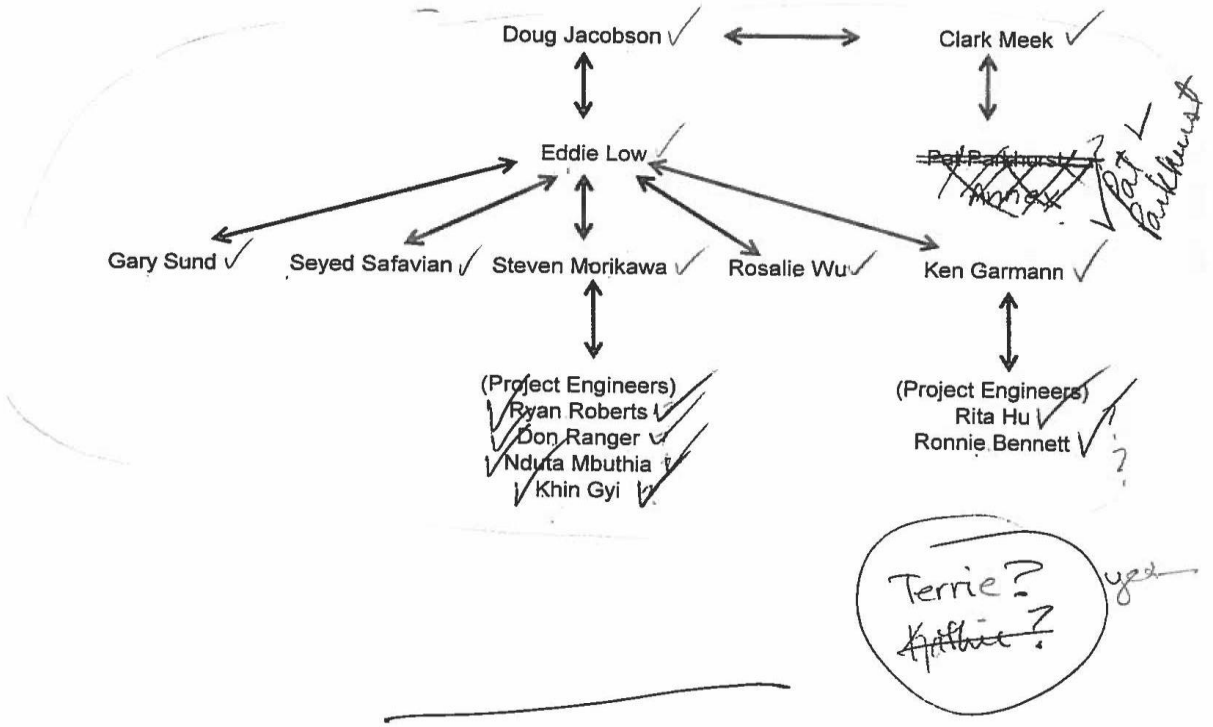
Ted

Total PW Capital Staff = 15

1 Doug Jacobson
2 Eddie Low
3 Clark Meek
4 Steven Morikawa
5 Ken Garmann
6 Seyed Safavian
7 Gary Sund
~~8 Rosalie Wu~~ Contractor (2)
~~+7 PW Annex building (to be shared among other project engineers)~~

Total City Hall Staff = 10

1 Tami
2 Gretchen Zundel
3 Steve Anderson
4 Bob Stowe
~~5 Carol Gregerson~~
~~6 ???~~
~~+4 Finance Office (shared)~~
Maureen Deputy



Terrie?
~~Arthur?~~

Prepare for
NAME
TITLE

Appendix E – Kent Financial Policies

FINANCIAL POLICIES

FINANCIAL STABILITY POLICIES

General Fund Reserves – The target for the General Fund contingency Reserve is 10% of the General Fund Budgeted expenditures or an amount that will maintain sufficient cash flow, whichever is greater. The policy is designed to provide a fiscal cushion, meet seasonal cash flow shortfalls. If the General Fund reserves go below 10%, based on the ending fund balance on December 31 of each year, the City shall take steps to rebuild the reserve within the next fiscal year.

Strategic Opportunities Fund – The City shall annually transfer any amount in excess of the 10% contingency reserve in the General Fund to this fund. This fund will act as if it is a permanent fund except that it may be used to take advantage of investment opportunities that may arise. This fund shall only be utilized by an appropriation approved by City Council. In the event any of this fund is used in an economic downturn to stabilize city finances, such appropriation shall be repaid to the fund annually over the next three years.

Capital Reserve Fund – The City shall annually budget a minimum of $250,000 into a reserve for the general capital needs of the City. Such fund may be used for unanticipated capital needs typically resulting from a natural disaster. This fund is designated to act as a stabilization fund for general capital and may, with a specific appropriation by City Council, be used for investment in revenue producing capital projects. This fund shall be enumerated in the budget and accrue each year.

Contingency for Unanticipated Costs – The City will annually budget no less than $500,000 in the General Fund for unanticipated costs. This amount, if unused, will be transferred into a project account until the amount reaches a maximum of $1,500,000. If the fund or any portion of it is used, the City shall restore the balance to its $1,500,000 within three years.

Equipment Replacement Fund - The City will maintain an Equipment Rental Fund adequately funded to replace a fleet of vehicles and other heavy equipment at their scheduled replacement time. Technology capital replacement shall be funded through departmental charges and other revenues sufficient to replace both hardware and software at the end of their useful life.

Self Insurance Program - The City will maintain an actuarially sound self insurance program for unemployment, worker's compensation, liability insurance and health insurance. All of the insurance programs are accounted for as separate cost centers within one parent insurance fund. Beginning in 2011, the liability insurance fund is funded through commercial insurance for claims of $250,000.

Pension Funds - The City will maintain an actuarially sound Firemen's Relief and Pension Fund.

Maintenance and Operational Planning – Maintenance of current assets shall take priority over new capital projects whenever possible. The City Council shall ensure that there are stable sources of revenue to fund ongoing maintenance of capital assets.

Before any new capital asset is approved, staff shall present an estimate of the life cycle and maintenance cost. Such costs shall be included in the budgets for the following years. The City Council shall not approve of new capital projects unless there is funding for the ongoing maintenance of the asset. The City shall maintain an inventory of all City assets and costs of maintenance of those assets.

OPERATING BUDGET POLICIES

City Target Issues – The City Council will update its strategic plan in the early spring of each year. The staff will use this plan for development of the following year's budget priorities and the next biennial budget.

Budget Kickoff – The Mayor and City Council shall meet in the spring of even numbered years to plan the following biennial budget and agree on the anticipated revenues on which the preliminary budget will be based. The city council shall review revenue estimates and preview potential changes to revenues. The City Council shall then approve the revenue amount that will be used by the Mayor to form the initial preliminary budget. The Mayor and City Council will meet additionally in late summer to re-review the revenue estimates and to adjust them more closely to the additional revenue information that has become available with the passage of time. Any changes resulting from this meeting shall be incorporated into the preliminary budget to be considered by City Council.

Program Reviews – The Mayor shall perform a periodic review of staff and programs of the City for both efficiency and effectiveness. Alternate methods of delivery will be evaluated for providing services. Programs that are determined to be inefficient, ineffective, or inconsistent with the City Council's strategic goals shall be reduced in scope or eliminated.

Preliminary Budget – The Mayor shall propose a preliminary budget in the fall of even numbered years. The preliminary budget will be developed in accordance with the revenues approved by the City Council at the budget kickoff as amended. If the preliminary budget is based on revenues in excess of those approved by City Council, the Mayor will present the justification for the increased revenues or the additional proposed revenue sources.

Structurally Balanced Budget – The City should adopt a budget in which ongoing revenues equal or exceed ongoing expenditures. One time revenues should not be used to pay for recurring expenditures.

Conservative Expenditure Budgeting - The City will maintain its conservative expenditure budgeting with respect to budgeting existing full time positions for a full year.

CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
www.kirklandwa.gov

Attachment D

MEMORANDUM

To: Kurt Triplett, City Manager

From: Pam Bissonnette, Interim Director of Public Works
Tracey Dunlap, Director of Finance & Administration

Date: May 29, 2013

Subject: Public Works CIP Management

RECOMMENDATION:

City Council receives an overview of improvements to the Public Works CIP Management process and provides feedback.

BACKGROUND DISCUSSION:

Just as Kirkland has grown over the past decade, so has its Capital Improvement Program (CIP). The Public Works (PW) Department has historically had the largest role in implementing the CIP through capital construction projects requiring design, property acquisition, environmental analysis, permitting, construction, inspection, and closeout. The majority of all CIP projects are designed by consultants and built by contractors. PW's role has been one of project management, including oversight of the design consultants and construction contractors, negotiators of land acquisition, inspectors, and managers of the project budget. It is this responsibility for project budget management that is the primary subject of this discussion.

PW has had practices in place for many years to manage CIP projects and project budgets. The Request for Proposal and Bid Processes provide for the procurement of outside services per state law and city policy, and are usually the largest expenditures. Appropriate contingency amounts are set aside for both design and construction to assure that a project, under normal circumstances, can be completed within the budget approved by the City Council for an individual project. Use of the contingency for construction occurs through a formal change order process.

At times the contingency is not sufficient to cover additional unanticipated costs for a project. For example, if land acquisition is a large component of a project budget, and condemnation is not used to secure property rights at fair market value in a timely manner, land acquisition costs can be considerably above a project budget and result in delays with associated inflationary increases on the whole project. In such cases, staff needs to re-estimate the budget and obtain council approval to add funding in order to complete the project.

While PW's project management practices have served the city well over the past decade, they need periodic review and revision. Based on significant changes in the current and future CIP program, PW, in partnership with the Finance Department, has initiated such a review and is implementing proposed revisions.

Size of Projects

Ten years ago, Kirkland had only one project larger than $5 million. Today Kirkland has, or is anticipated to have soon, seven projects over $5 million, and at least three over $10 million (Public Safety Building, 85th Street, City Hall renovation). The ultimate funding of the Cross Kirkland Corridor could be well over $10 million. Each of the Proposition 1 & 2 levies in aggregate are over $10 million. Larger projects are often far more complex than small projects.

Number and Funding Value of Projects

The 2002 funding for Public Works CIP projects was $18.6 million dollars and there were 54 active projects. The 2013 funding for Public Works projects, including work in progress, is over $80 million with 92 active projects.

Complex Funding Sources and Restrictions

Kirkland has recently had major success in obtaining grant funds. For example, the average annual grant funding from 2002-2008 was about $1 million. In 2012 alone CIP grant funding was just under $8 million, and more large grant applications are in the pipeline for 2013 and beyond. Grants are restricted in use and have significant new and complex reporting requirements, particularly for federal grants. In addition, PW often combines projects including streets, water, sewer and stormwater investments. The rationale is to accomplish as much as possible when a street or sidewalk is opened up so that you don't have to dig into it again soon. This combining of projects has resulted in greater efficiency, less overall public cost, and less disruption to citizens. However, utility funds are restricted in use as well and management of the funds requires strict accounting. Kirkland also often has other partners in projects such as WSDOT, PSE, Sound Transit, and King County, each with their own funding and restrictions. PW has several current projects that may have as many as 5-6 different funding sources, each with their own restrictions and reporting requirements. This situation has been called the "color of money" issue, meaning that it is not only important to manage a project within budget, but also within each funding source.

Managing Projects for Clients

PW's own projects tend to be primarily streets and utilities. However, PW manages the design, land acquisition, and construction of City facilities, such as the Public Safety Building (PSB) for Police and the Court. The City Manager is the client for the City Hall remodel. PW recently was assigned the Parks CIP. Managing projects for clients adds an additional layer of approvals and signoffs for such things as project design, change orders, use of contingency funding, development of bid alternates, and budget management.

Accountability

Publically voted measures appropriately create an expectation of public accountability for spending the added funding as authorized. Propositions 1 & 2 included specific authorizations for street maintenance, safe pedestrian and bike investments, investment in the CKC interim

trail, and a variety of parks capital improvements. Annual accountability reports for both levies will be provided to the Council and the public. The levies were also premised on "non-supplanting" of the base budget for these purposes, adding complexity in how both the base CIP budget and levy funding is managed and reported.

CIP Management Objectives

As a result of these major changes, PW and Finance have collaborated on best practices for CIP management and have put several enhancements in place to improve internal CIP budget controls and project management to achieve the following objectives:

1. Apply best practices and standardize CIP project management.
2. Support the City's CIP process.
3. Support Council decision-making throughout the life of a project so there are no unexpected changes to the project, the revenues, or the cost.
4. Manage projects within budgets before requesting additional funding in the event of projected changes resulting in projected cost increases.
5. Develop performance measures and engage in continuous improvement.

Revisions to Public Works CIP Management: Large, Complex Projects

Project management should recognize differing levels of oversight based on size and complexity of both the project and its budget. For example, it is recommended that all projects over $5 million have a Steering Committee comprised of PW, any client department, the CMO, and Finance (See Figure 2). Responsibilities of the Steering Committee include monitoring the project expenditures against the budget, early forecasting of changes to projects that might impact scope, schedule, and/or budget, development of alternatives to address project changes, agreement on expenditures of contingency through change orders, and claims management.

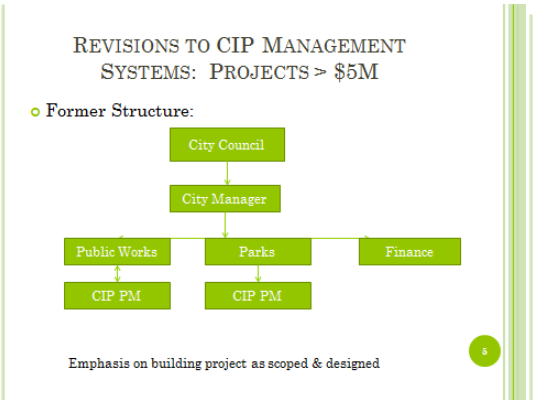


Figure 1

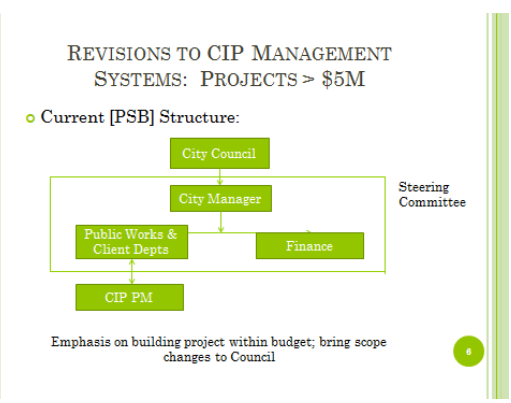


Figure 2

This process also demonstrates a shift in emphasis from "building the project as scoped and designed" to include more of a balance with "building the project within the budget".
A good example is the Public Safety Building (PSB), which has a Steering Committee of CMO, Finance, PW, Police and the Court. The committee meets monthly, and more often at major milestones as needed to oversee the project. When the projected cost to complete the project exceeded the budget, options for Council were developed within the Steering Committee to

reduce scope (shooting range, additional jail beds, ceiling paint) and Finance developed options to increase funding. These options and decisions were presented to the Council for decision-making in advance of project commitments.

Revisions to Public Works CIP Management: Small Projects

Even smaller projects can present significant complexity. A closer working relationship by PW with Finance is recommended such as regular meetings to review all active projects at major milestones to enhance communications and monitor expenditures against budgets. Other topics should include the formalization of new projects as CIP projects between CIP updates, project revenues, funding sources, and to review anticipated and secured grant funding. Several tools have been developed to make project reviews more transparent and easier.

1. Project Budget Dashboard (see Attachment A, example)

   A project budget dashboard sheet is being developed for each project within the CIP. For each major component of a project (land acquisition, design, construction, internal engineering/project management, and contingency) it will bring together the budget, source of funds, percent expenditures, and percent project complete each month for review. The Dashboard will improve transparency during a project and will provide a means to forecast changes, develop options, and obtain formal approvals before project commitments are made.

2. CIP Project Management and Finance Coordination Sheet (see Attachment B)

   This sheet makes formal a structure for PW and Finance to follow throughout the life of a project, improving the transfer of financial and project information through two-way communication. It sets out known milestones for expected consultations.

3. CIP Checklist (see Attachment C)

   The CIP Checklist is primarily for the PW Project Engineer and CIP Manager as a guide to sign-offs and authorizations at significant decision points in a project, including the CMO, client departments, Finance, and the PW Director. Necessary authorizations for change orders, use of contingency, submittals of or responses to claims, etc. will be noted and logged.

These tools will enhance management of projects by providing additional documentation of the various elements, budgets and milestones of a project.

Changes to CIP Process/Management

During each CIP Update process, PW will revise completion estimates for all active projects, based on current information, and adjust for schedule, inflation, changes in scope, etc. and submit to Finance. In addition, at 60% design, cost to complete the project will be re-estimated and if it is greater than the budget, project alternatives will be developed, such as down-scoping, to complete the project within its authorized budget. Additional options will be developed along with Finance to add funding or to phase the project. These options will be reviewed with the CMO and Council for re-authorization.

Finance will review all CIP financial materials before they go to Council. All CIP sheets and project revision sheets will be documented in TRIM, the City's electronic management system. Each project will now be managed to the main components (land acquisition, design, construction, engineering, contingency), and funding sources rather than to the overall project budget. Continuous improvement will be fostered through the development and monitoring of CIP performance measures.

All CIP staff will be trained on the new CIP project management system in 2013. In addition, Public Works plans to provide additional external project management training for the project engineers as a refresher on best practices and current trends.

Council Reporting

Currently, Council CIP project authorizations occur throughout a project (Figure 3).

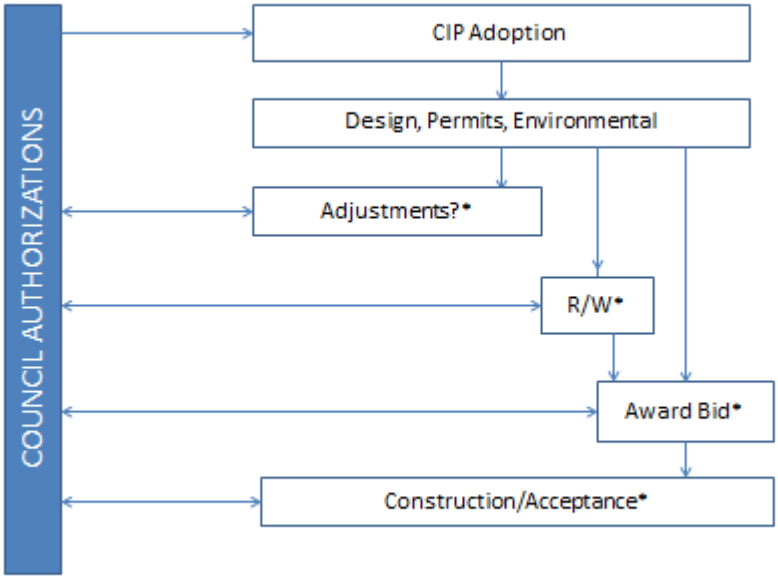


Figure 3

As the over-arching client for the CIP process, it is recommended the Council receive additional periodic reports on large capital projects (>$5 M) at major milestones. The first such report was on May 7th with the bid award of the PSB. We plan a report to the Council on 85th Street in July. The Street and Parks Levies report is planned in early 2014 following the first year of its implementation. Future large projects are expected to include City Hall renovation and the Cross Kirkland Corridor (CKC). The Intelligent Transportation System (ITS) series of investments is approaching the $5M threshold and might be included in future Council reports.

A summary on the status of all projects should be co-incident with the CIP Update, and with individual Council actions (e.g. bid awards).

Conclusion

With these enhanced practices, we hope to make the PW CIP implementation process more transparent to the Council and public, and engage the Council in decisions on CIP projects during implementation when the unanticipated does occur, and before commitments are made. Finally, we expect these enhancements to result in continuous improvements in project delivery, the efficient use of public resources, and accountability.

Attachment A: CIP Project Dashboard Example
Attachment B: CIP Project Coordination
Attachment C: CIP Project Management Checklist

Attachment D

Project Budget Dashboard - 4/30/2013

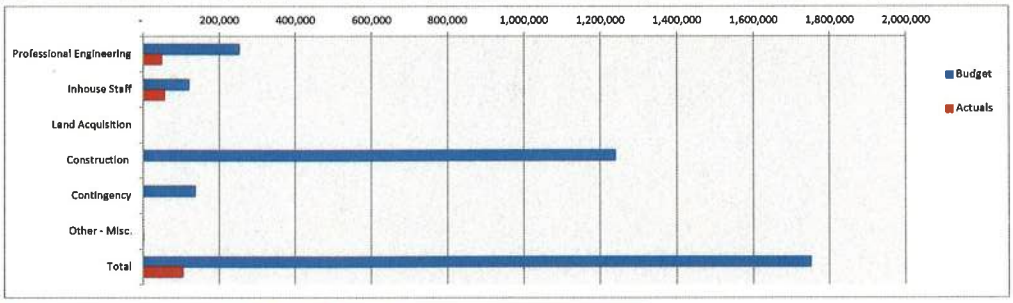
CST 1306-000 / 2013 Annual Street Preservation Program

Budget History			
Budget Document	GG Budget	SW Budget	Total Budget
13-18 CIP	1,750,000	-	1,750,000
			-
			-
			-
			-
			-

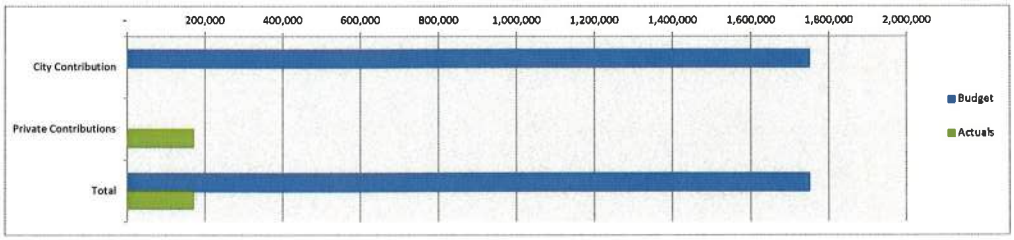
Current Approved Budget - by Year							
Source	2013						Total
External							-
City Contribution	1,750,000						1,750,000
Debt							-
Other							-
Impact Fees							-
Subotal General	1,750,000	-	-	-	-	-	1,750,000
SWM (423)							-
Utilities (413)							-
Subtotal Utilities	-	-	-	-	-	-	-
Total Project	1,750,000	-	-	-	-	-	1,750,000

Budget Document	GG Budget	IFAS	IFAS Check	Difference
13-18 CIP	1,750,000	1,750,000	TRUE	-

Budget Authority - Expense Category							
Category	Budget	Actuals	Balance	% Complete (Budg.)	% Complete (P.E.)	As Of - Date	ETC
Professional Engineering	252,900	48,510	204,390	19%	20%		242,550
Inhouse Staff	120,600	56,198	64,402	47%	40%		140,495
Land Acquisition			-				-
Construction	1,238,850		1,238,850	0%			1,238,850
Contingency	137,650		137,650	0%			137,650
Other - Misc.		203	(203)	#DIV/0!			-
Total	1,750,000	104,911	1,645,089	6%			1,759,545



Budgeted Revenue				
Category	Budget	Actuals	Balance	% Complete (Budg.)
City Contribution	1,750,000	-	1,750,000	0%
Private Contributions	-	170,329	(170,329)	#DIV/0!
Total	1,750,000	170,329	1,579,671	10%



Attachment D

Notes:
5.24.13 - CL
> 2013 City funding will occur on 6/30 & 12/30 (half & half)
> Potential budget adjustment to recognize private contributions
---> Option 1: Increase budget by $170,329 to $1,920,329
---> Option 2: Decrease City funding by $170,329 to $1,579,671 (keeps project funding at $1.75m)

Attachment D

Project Budget Dashboard - 4/30/2013

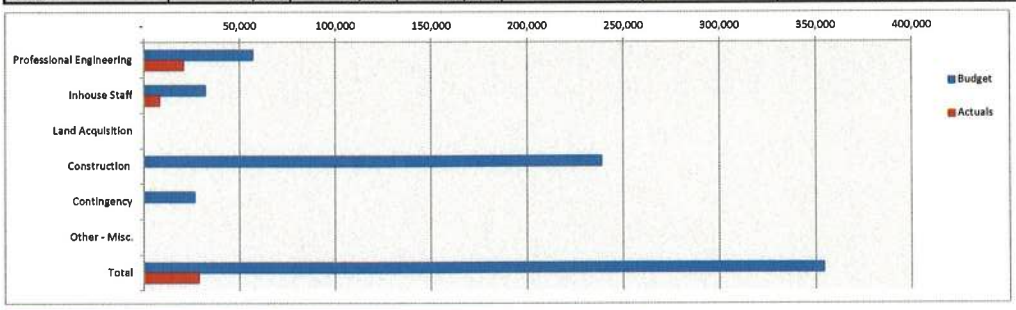
CSS 0081-000 / 7th/8th Ave W Alley Sewermain Replacement

Budget History			
Budget Document	GG Budget	Utility Budget	Total Budget
13-18 CIP		354,000	354,000
			-
			-
			-
			-
			-

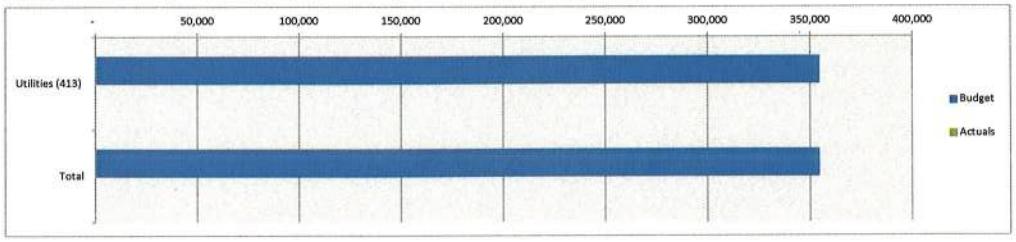
Current Approved Budget - by Year							
Source	2013						Total
External							-
City Contribution							-
Debt							-
Other							-
Impact Fees							-
Subotal General	-	-	-	-	-	-	-
SWM (423)							-
Utilities (413)	354,000						354,000
Subtotal Utilities	354,000	-	-	-	-	-	354,000
Total Project	354,000	-	-	-	-	-	354,000

Budget Document	Utility Budget	IFAS	IFAS Check	Difference
13-18 CIP	354,000	354,000	TRUE	-

Budget Authority - Expense Category							
Category	Budget	Actuals	Balance	% Complete (Budg.)	% Complete (P.E.)	As Of - Date	ETC
Professional Engineering	57,000	20,621	36,379	36%	34%		60,651
Inhouse Staff	32,000	8,096	23,904	25%	27%		29,984
Land Acquisition			-				-
Construction	238,500		238,500	0%			238,500
Contingency	26,500		26,500	0%			26,500
Other - Misc.			-				-
Total	354,000	28,717	325,283	8%			355,635



Budgeted Revenue				
Category	Budget	Actuals	Balance	% Complete (Budg.)
Utilities (413)	354,000	-	354,000	0%
Total	354,000	-	354,000	0%



Attachment D

Notes:
5.24.13 - CL
> 2013 Utility funding will occur on 6/30 & 12/30 (half & half)

Attachment D

Project Budget Dashboard - 4/30/13

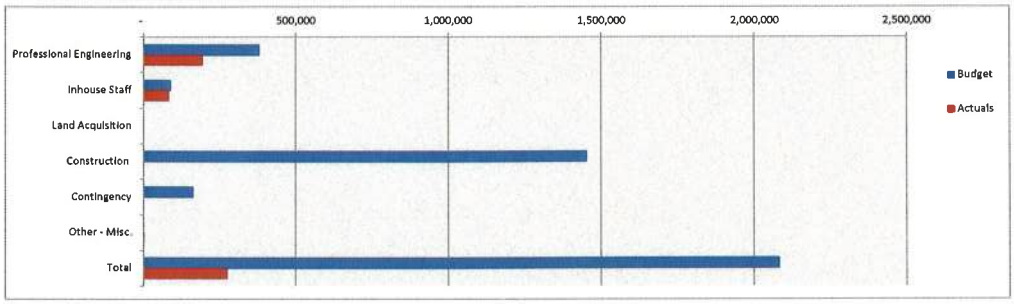
CTR 0111-000 / ITS Phase 1

Budget History			
Budget Document	GG Budget	SW Budget	Total Budget
11-16 CIP Revised	2,081,000		2,081,000
			-
			-
			-
			-
			-

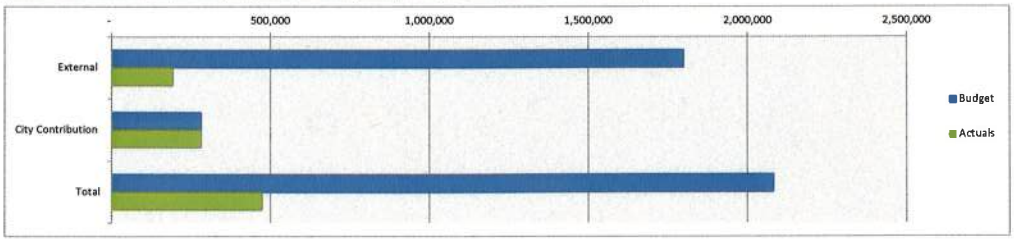
Current Approved Budget - by Year							
Source	2011						Total
External	1,800,000						1,800,000
City Contribution	281,000						281,000
Debt							-
Other							-
Impact Fees							-
Subotal General	2,081,000	-	-	-	-	-	2,081,000
SWM (423)							-
Utilities (413)							-
Subtotal Utilities	-	-	-	-	-	-	-
Total Project	2,081,000	-	-	-	-	-	2,081,000

Budget Document	GG Budget	IFAS	IFAS Check	Difference
11-16 CIP Revised	2,081,000	2,081,000	TRUE	-

Budget Authority - Expense Category							
Category	Budget	Actuals	Balance	% Complete (Budg.)	% Complete (P.E.)	As Of - Date	ETC
Professional Engineering	379,400	191,197	188,203	50%	50%		382,394
Inhouse Staff	87,800	82,240	5,560	94%	80%		102,801
Land Acquisition			-				-
Construction	1,452,420		1,452,420	0%			1,452,420
Contingency	161,380		161,380	0%			161,380
Other - Misc.		11	(11)	#DIV/0!			-
Total	2,081,000	273,449	1,807,551	13%			2,098,995



Budgeted Revenue				
Category	Budget	Actuals	Balance	% Complete (Budg.)
External	1,800,000	192,040	1,607,960	11%
City Contribution	281,000	281,000	-	100%
Total	2,081,000	473,040	1,607,960	23%



Attachment D

Notes:
3.13.13 - CL
> Accrual charge for $10,307.20 (DKS) will invoice on Q1 2013 grant billing
--> Typically this would have been included on Q4 2012
5.20.13 - CL
> 2013 OH rate calculated at 2012 total avg for all T.E. & P.E.
--> Transportation Engineers (T.E.) = 1.52
--> Project Engineers (P.E.) = 1.60

Staff Discussion Draft **Attachment B**

CIP Project Management & Financial Coordination

Attachment D

Topic: Coordination meetings between the Finance department and Public Works department project engineers for the purpose of establishing, monitoring and refining project budgets and to track actual and planned expenditures. Meetings will provide the opportunity to discuss each project's funding structure and address restrictions that may exist on the funding sources that make up the project's budget.

Check-in points for CIP projects would be tied to milestones in the project lifecycle, after project has been approved by Council as a funded capital project.

Milestone	Description of Milestone	Meeting Goals
Project Kickoff (during project baseline phase)	The beginning of the project life cycle (project start).	Meet to discuss the funding sources ("color of money") involved in the project and any spending restrictions that exist.
60% Design (during phase I)	Point in planning process where detailed cost estimates are available.	Establish an improved budget estimate; identify any potential challenges in the future to plan for changes in spending or requests for budget adjustments. Communicate any changes in funding or discrepancies.
Bid Award (during phase II)	Contractor costs are contractually established.	Finalize the pre-construction budget estimate; make budget adjustments as needed. Discuss funding and address discrepancies.
75% Construction (during Phase IV)	Majority of construction is complete, final project cost estimates are accurate.	Compile the most accurate budget estimate to date, discuss any problems that have occurred with funding. Remedy any issues.
Project Close Out (during phase V)	Project is complete, summary of project is prepared and contract is closed.	Prepare final summary of the project's financial performance. Make sure to: 1) review budget to actual report, 2) check that expenses have been allocated to all funds appropriately, 3) account for retainage, and 4) close out the project.

Some projects may require additional check-ins:

Other Milestones	Description of Milestone	Meeting Goals
Land acquisition planning @ 30% or 60% design, or as needed for ROW negotiations (during phase I)	If the project requires the purchase of private property, most often in right-of-way.	Outline budget and funds available for acquisition and any restrictions that may exist on funding.
Quarterly meetings for "watch list" projects	Date-specific meetings for projects that are inherently more complex and thus carry more uncertainty, or projects with known issues.	Report on the status of the project and identify financial challenges or areas of improvement. Plan remedies for financial challenges.
Grant Application	When the application is ready for a final review before it is submitted.	Update finance on the grant, make sure everyone understands the grant parameters and how they could affect the project
Grant Award	Once a grant has been awarded to the project.	Review and confirm the grant rules and restrictions to understand its impact on the project finances.
Any time anyone in either department notices a problem with the budget.	If anyone working on a project finds anything unexpected in terms of funding or if any claims by or against the City are pending.	Discuss the issue and work to find resolution, inform management about the situation and address as necessary.

DRAFT

Attachment D

CIP PROJECT MANAGEMENT CHECKLIST

PROJECT BASELINE	PW	PARKS	FINANCE	OUT-REACH
A. SCOPE:				
CIP Paragraph	X	X		X
B. BUDGET:				
Project Revision Request policy	X	X	X	
Project Revision Request form	X	X	X	
Funding change notification	X	X	X	
C. PROJECT SCHEDULE:				
Project Team Establishment at Kickoff	X	X	X	X
Quarterly Project Meetings	X	X	X	X
Weekly Team Meetings	X	X		X
PHASE I - PLANS, SPECIFICATIONS, AND ESTIMATES (PS&E)	**PW**	**PARKS**	**FINANCE**	**OUT-REACH**
A. SELECT PROJECT CONSULTANTS:				
Set-up internal file system	X			
Advertise for consultants/use consultant roster	X	X		
Select from consultant pool for project	X	X		
Develop scope for consultant work	X	X		
Interview prospective consultants	X	X		
Check consultant references	X	X		
Notify consultant of award or rejection	X	X		
B. SECURE CONSULTANT CONTRACT:				
Negotiate consultant contracts	X	X		X
Submit Project Revision Request (if required)	X	X	X	
Secure City contractual routing/approval of contracts	X	X		
Notice to proceed to consultant	X	X		
Assemble project schedule in MS Project	X			
C. COORDINATE ASSEMBLY OF PRE-PLANS AND SPECIFICATIONS				
Provide standard specification package to consultant	X			
Provide Federal provisions and information	X			
Provide standard details to consultant	X			
Notify utilities of project	X			
Submit RFI from Planning Dept	X			
Assist in SEPA checklist preparation	X			
Obtain required permits (HPA, Shoreline, BNRR, etc.)	X			
Answer consultant design questions	X	X		
Perform in-house design review	X	X		
Provide 30% design review	X	X		
D. MONITOR PROJECT CONSULTANT PROGRESS:				
Monitor consultant design	X			X
Monitor consultant schedule	X			X
Monitor consultant products/requisitions	X			
Requisition process	X			
Process consultant progress payments	X			
Monitor consultant budget	X		X	
Submit Project Revision Request (if required)	X	X	X	
E. ACQUIRE PROJECT RIGHT-OF-WAY (ROW) AND EASEMENTS:				
Select ROW consultant from roster	X			

Attachment D

Acquire title reports for ROW	X			
30% land acquisition planning	X	X	X	
Submit Project Revision Request (if required)	X	X	X	
Make initial contact with property owners	X			X
Provide easements or take documents	X			
Coordinate meeting with property owner	X			
Finalize ROW acquisition, submit PRR (if required)	X	X	X	
Proceed or not proceed with condemnation	X			
Forward documents for closing	X			
Process payments for ROW	X			
F. PREPARE AGENCY AND PUBLIC INFORMATION:				
Prepare Council memoranda and information	X	X		X
Prepare open-hose notifications	X	X		X
Secure open-house facilities	X	X		X
Prepare open-house exhibits	X	X		X
Attend public open houses	X	X		X
Answer design questions for public	X	X		X
G. COORDINATE ASSEMBLY OF FINAL PLANS AND SPECS:				
Provide 60% design review/engineer's estimate	X	X	X	
Submit Project Revision Request (if required)	X	X		
Provide plans to utilities for review/comment	X			
Review construction insurance requirements (Contact WCIA)	X			
Provide 90% design review	X	X		
H. COORDINATE ADVERTISEMENT OF PROJECT FOR BIDS:				
Prepare Council memorandum and information	X	X	X	X
Establish advertisement dates	X			
Establish pre-bid meeting date	X			
Establish bid opening date	X			
Prepare/submit advertisement package to purchasing	X			
Provide final design review and stamp	X	X		
Provide applicable prevailing wage rates	X			
Incorporate all WSDOT/APWA amendments (CD or Web page)	X			
Prepare plan holder list	X			
Setup construction estimate/specification pages	X			
Prepare final PS&E package for sale	X			
PHASE II - AWARD	**PW**	**PARKS**	**FINANCE**	**OUT-REACH**
A. ADMINISTER/COORDINATE PUBLIC BIDDING PROCESS				
Answer contractor/vendor questions	X			
Issue addenda for plans and specs (if required)	X			
Maintain sufficient supply of bid documents	X			
Conduct pre-bid meeting	X			
Attend bid opening	X	X		
Tabulate bid results (Excel spreadsheet and post to H)	X			
Verify subcontractor list for projects over $1,000,000	X			
Check low-bidder references	X			
Contact DLI regarding liens (1.800.647.0982)	X			
Reconcile all job costs	X			
Submit Project Revision Request (if required)	X	X	X	
Prepare Council award memorandum/exhibits	X			
Attend Council meeting	X	X	X	
PHASE III - PRE-CONSTRUCTION	**PW**	**PARKS**	**FINANCE**	**OUT-REACH**

Attachment D

A. PREPARE INFORMATION /DOCUMENTS FOR CONSTRUCTION:				
Secure inspection contract	X			
Secure compaction/geotechnical services from roster	X			
Secure project display sign	X			
Put construction notice on City Web page	X			
Print triplicate inspector forms	X			
Take pre-construction video and photographs	X			
Prepare and mail notice(s) to residents	X			
B. CONDUCT PRE-CONSTRUCTION MEETING:				
Set-up conference room and agenda	X			
Notify agencies/attendees of meeting	X			
Conduct meeting	X	X		
Attend Pre-construction meeting	X	X		X
Review and process contractor's CPM schedule	X	X		
Coordinate submittal of contractor's contract	X			
PHASE IV - CONSTRUCTION	**PW**	**PARKS**	**FINANCE**	**OUT-REACH**
A. MANAGE CONSTRUCTION AND INSPECTION OF PROJECT:				
Issue Notice to Proceed letter	X			X
Receive and file Intent to Pay Prevailing Wage forms	X			
Review/approve submittals	X			
Review/approve traffic control plan	X			
Review/approve subcontractors	X			
Review/approve private property agreements	X			
Answer construction questions	X			
Coordinate testing of new systems	X	X		
Monitor inspector's construction record drawings	X			
Answer questions from public	X	X		X
Review/file Construction Inspection Daily Report	X			
Review/file Inspector's Daily Log	X			
Review/file Weekly Statement Report of Contract Days	X			
Review and Compile Force Account Activity	X	X		
75% Construction (dollars)	X	X	X	
Issue change orders (per change order policy)	X	X		
Force Account documentation (if required)	X	X		
Submit Project Revision Request (if required)	X	X	X	
B. MONITOR CONSTRUCTION PROGRESS OF CONTRACTOR:				
Process monthly progress payments	X	X		
Collect/review weekly certified payroll	X			
Monitor/update contractor schedule	X	X		X
Submit Project Revision Request (if required)	X	X	X	
Prepare final punch list	X	X		
Issue letter of Substantial Completion	X			
C. OTHER				
Claim for Damages	X	X	X	
PHASE V - POST CONSTRUCTION	**PW**	**PARKS**	**FINANCE**	**OUT-REACH**
A. PROVIDE FINAL CONTRACT ACCOUNTING:				
Prepare construction close-out cost summary	X	X	X	
Prepare Council acceptance memorandum	X	X	X	
Submit Notice of Completion	X			
Complete Administration and Finance (A&F) checklist	X		X	
Coordinate release of retainage to contractor (letter from A&F)	X			

Attachment D

B. COLLECT PRIVATE FUNDING:				
Determine concomitants for project	X		X	
Send concomitant billings to property owners	X		X	
Collect concomitant funds	X		X	
Prepare, route, record concomitant releases	X			
C. PROJECT CLOSE-OUT:				
Provide construction record drawings for inclusion in base maps	X	X		
Take post-construction photographs	X			
Prepare job completion critique (consultant and contractor)	X	X		
Complete and file project documentation	X			
Submit Final Project Revision Request (mandatory)	X	X	X	
Submit all files to archives - PROJECT COMPLETE	X			

Attachment E

Working 2015 Capital Improvements Program (CIP) Calendar

Key:
City Council Meetings
K2035 /Comprehensive Plan Processes
CIP Elements

January

January 7th –CIP Process Discussion/Informal Soft-Launch with Directors

February

February 11th – Park Board - Finalize Evaluation Criteria and List of Projects

February 20th - City Council Retreat

February 23rd – Formal CIP Kick-off with Departments

February 25th – Transportation Commission - Review Project List and Initial Recommendations

March

March 11th – Park Board - Review Rankings and Develop Preliminary CIP

March 25th - Transportation Commission – Finalize CIP Recommendations

March 31st – Departments - Complete Project Sheets

April

April 8th – Park Board - Finalize Proposed Parks' CIP

April 21st – City Council Study Session - Transportation Master Plan

April 23rd – Planning Commission Study Session- Review Capital Facilities Element (Text Only - Excluding Capital Facilities Project Tables)

May

May 29th (Tentative) - City Council Retreat

End of May – Draft Environmental Impact Statement

June

June 2nd – City Council Briefing on Capital Facilities Plan

July

July 21st – City Council Study Session – Preliminary CIP

July 23rd – Planning Commission Study Session Capital Facilities Plan Project Tables

August

August 13th – Planning Commission Public Hearing on Capital Facilities Plan draft

September

September 1st – City Council CIP Public Hearing

September 15 – Planning Commission final review and recommendation on Comprehensive Plan (includes Capital Facilities Plan

October

October 20 – City Council Study Session on Comprehensive Plan (includes Capital Facilities Plan)

November

November 17th – City Council CIP Study Session

November 17th – City Council Regular Meeting –Adopt Final Comprehensive Plan (Excluding Capital Facilities Plan) & Planned Action EIS Ordinance

December

December 15th – City Council Adopt Final CIP

December – City Council Adopt Capital Facilities Plan as part of Comprehensive Plan

Kirkland's Capital Improvement Program: Outreach Plan for the 2015-2020 CIP Plan

Background:

Kirkland's Capital Improvement Program (CIP) funds the City's capital needs over a six-year period based on various City-adopted long-range plans, goals and policies. Capital projects are generally large-scale in terms of cost, size and benefit to the community. The underlying strategy of the CIP is to designate resources for land acquisition, construction, and major maintenance of public facilities necessary for the safe and efficient provision of services. A critical element of a balanced CIP is the provision of funds to preserve or enhance existing facilities and provide new assets that will aid response to service needs and community growth.

The City's Kirkland 2035 Initiative involves the update to the City's Comprehensive Plan and the update to existing long-range plans for transportation, the Cross Kirkland Corridor, Totem Lake Park, surface water management utility, and parks, recreation and open spaces. These plans identify goals, policies and projects that will be integrated into the Comprehensive Plan.

Key Messages:

- **Kirkland's vision for its future is that the community is livable, walkable, sustainable and connected.**
    - This vision has emerged from the public involvement in the update to the City's Comprehensive Plan that guides the future growth of Kirkland to the year 2035.
    - The Kirkland 2035 Initiative also involved the update of existing long-range plans and the creation of new master plans which identify major investments in transportation, water quality, parks, and other areas.
- **The 2015-2020 Capital Improvement Program will be developed around the City Council Goals, City Work Program, Kirkland 2035 Vision, Kirkland Quadrant (high importance services) and the Five Year General Fund Forecast.**
    - Other focus areas include improving public safety, including pedestrian and bicycle safety, focusing on economic development, increase efficiency of operations, maintain existing infrastructure as a strategy to proactively address the forecasted gap between revenues and expenditures and selecting projects that have the greatest community benefit.
    - The Comprehensive Plan's Capital Facilities Plan (CFP) is a 20-year project list that identifies facilities to accommodate the anticipated jobs and housing growth for Kirkland.
    - The CFP identifies funding sources for City capital projects needed to support the Comprehensive Plan, however, the CFP does not actually appropriate funds for these projects. The formal designation of resources occurs in the CIP.

- **The City of Kirkland Capital Improvement Program is a complex process that involves optimizing the City's existing financial resources to fund the construction, repair, maintenance and acquisition of major capital facilities and equipment.**
    - Kirkland's Capital Improvement Program (CIP) is a funding plan that shows the timing, estimated costs and sources of revenue and funding for selected priority projects over a six year period.
    - The Six-Year CIP Plan funds projects that replace or maintain existing assets, provide required capacity needed to meet growth projections and the adopted level of service, and projects that enhance capacity or services to the public.
    - A capital project is defined as the construction, acquisition or renovation of buildings, infrastructure, land and major equipment with an estimated value greater than $50,000 (except for land), is an expenditure that can be classified as a fixed asset, and has a useful life of ten years or more (with the exception of certain equipment that may have a shorter life span.)
    - Kirkland's CIP Plan is organized into the following sections: Transportation, Surface Water Management Utility, Water and Sewer Utilities, Parks, Public Safety, General Government, and Equipment Rental.
- **Extensive public outreach was provided through the Kirkland 2035 initiative and the City's "Suggest a CIP Project" program**
    - The Kirkland 2035 public involvement campaign provided multiple opportunities for public input on long-range plans such as the Cross Kirkland Corridor Master Plan, Transportation Master Plan, Surface Water Management Plan, Parks, Recreation and Open Space Plan, and the Comprehensive Plan update. This public input has not only helped to identify future projects but to prioritize them.
    - Through the City's CIP online "Suggest a Project" program, close to 500 projects were suggested by residents, businesses, and visitors for the 2015-2020 CIP.
    - Public Hearings by the City Council will also provide an opportunity for public input on the Preliminary CIP.
- **The CIP is constrained by available funding and by funding sources that have specific restrictions.**
    - The community's need for capital improvements significantly exceed available funding.
    - The City has competing priorities for existing funds.
    - There is very limited discretionary funding available.
    - High priority projects in the surface water and water and sewer utilities may be funded by rates increases.
    - Given funding constraints and competing priorities, many capital projects have been deferred.
    - The 2013-2018 CIP update includes $612 million in capital investments needs, of which only $180 million are funded given limited revenues.

- **Funding sources for CIP projects include: Current revenue, Reserves, Debt and External Sources.**
    - Some of the major CIP resources include Real Estate Excise Tax (REET), Impact Fees and special property tax levies for street preservation and pedestrian safety and parks.
    - Reserves are used to a limited extent for specific purposes.
    - Debt represents a funding commitment to repay borrowed funds over an extended period of time.
    - External sources are primarily grants but could include contributions from other governments or private sources.

Timeline for Development of the 2015-2020 CIP

- March, 2015: City departments submit proposed CIP projects to Finance Dept.
- April, 2015: Park Board finalizes proposed Parks CIP projects, City Council continues discussion of Transportation Master Plan & Planning Commission reviews Capital Facilities Element
- May, 2015: City Council Retreat: Review CIP policy issues
- June, 2015: City Council receives briefing on Capital Facilities Plan
- July, 2015: City Council Study Session on the Preliminary CIP
- August, 2015: Planning Commission public hearing on the draft Capital Facilities Plan
- September, 2015: City Council Public Hearing on Preliminary CIP
- November, 2015: City Council Study Session on Preliminary CIP
- December, 2015: City Council adopts final CIP & CFP (as part of Comprehensive Plan Update adoption)

Communication Strategies

- CIP Document Webpage: Update with content about overall process (by 4/30/15)
    - Update with upcoming City Council meetings (ongoing)
- City Update Newsletter
    - Special Edition: Mailed to homes/businesses by 6/1/15
    - Regular Editions (Sept, Dec 2015)
- Public engagement
    - Comprehensive Plan Update Open Houses: Have info about 2015-2020 CIP including opportunities to comment (?) 6/25; 7/9; 7/23 & 8/13
- News Releases
    - Announce adoption process
- List Serv Notices: Budget & CIP list servs
    - News Releases, follow up on Council actions, web updates
- Online survey
    - Preference of proposed projects
- Neighborhood Outreach
    - KAN (monthly meetings)
    - Neighborhood Association Meetings (coordinate through Kari Page)

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MEMORANDUM

To: Kurt Triplett, City Manager

From: Marilynne Beard, Deputy City Manager

Date: May 12, 2015

Subject: POLICE STRATEGIC PLAN

RECOMMENDATION:

City Council reviews the recommended scope for the Police Strategic Plan and provide feedback to staff.

BACKGROUND DISCUSSION:

The Police Strategic Plan project was approved in the 2013-2014 Budget, but was carried forward to 2015-2016 to allow time for the Kirkland Justice Center to be completed and occupied.

Historically, the Police Department has participated and continues to participate in the Washington Association of Sheriffs and Police Chiefs (WASPC) accreditation program (renewed every five years) and the WASPC Loaned Executive Management Assistance Program (LEMAP) program. The purpose of law enforcement agency accreditation is to professionalize the law enforcement agency by providing a review process for the department to be certified as operating under industry best practices and standards. The department was first accredited through WASPC in 1995 and is due to be reaccredited in 2016. One of the accreditation standards is to have a strategic plan in place which the department utilizes to guide its decision making process.

The last LEMAP review was conducted in 2008. The WASPC LEMAP, provides management consulting and technical assistance to law enforcement entities. LEMAP reviews provide agencies an opportunity to take a step towards excellence by subjecting agencies to a complete review of their organizational structure. The goal of the LEMAP program is to provide law enforcement administrators an opportunity to have a critical review of their organization through the eyes of peer professionals. The resulting report serves as a guide to identify areas in need of strengthening and to highlight positive or innovative programs existing within the agency.

The purpose of the strategic plan process is to assure that the department is meeting its mission now and in the future. Although there may be some overlap with the accreditation and

LEMAP processes which are focused on best practices, the strategic plan evaluates the Department's alignment with its mission, values and the community's needs and provides a recommended strategy to move the department in a direction that maintains its relevance, responsiveness and effectiveness.

Scope

The following outline describes interests identified to date by the City Manager, Police Department and Public Safety Committee. The Committee suggested that the full Council have an opportunity to review the scope before an RFP is prepared.

Recommended Scope:

- Mission and Values – The Department believes that the current mission and values are representative of the community's and the department's needs. Although a new mission and values statement may not be needed, the strategic plan will be reflective of these important statements and/or suggest modifications if needed.

- Community Needs and Expectations – The Department would like to go beyond the biennial citizen survey to understand whether they are meeting the community's needs. For instance:
    - Are we resourced and deployed to be efficient and effective?
    - How will demographic changes in the community impact future police services?
    - How should we measure effectiveness?
    - What is appropriate resource measure for this community?
    - Are we putting the right people in the right seats?
    - Are we getting the best value for our investment?
    - How does the department demonstrate continuous improvement?

- Appropriate Staffing
    - Regarding the need for succession planning, especially at command level – are we investing enough in the next generation?
    - How much are we utilizing overtime and what is the cost/benefit to hiring staff in lieu of overtime?
    - How are cultural and generational changes impacting employees' use of leave and desired work schedules?
    - How will the shift schedule change currently being negotiated as part of the Guild contract impact staffing needs?

- New Requirements Imposed by Other Levels of Government
    - Are we resourced to respond to new requirements?
        - Mandatory background checks for weapons
        - Public disclosure demands
        - Sentencing requirements
        - Cyber crime
        - Marijuana

- Technology
  - Are we using technology to the fullest extent that is efficient, effective and practical? What policies need to be developed to guide technology?
    - Body cams
    - Drones
    - Parking enforcement
    - Prisoner tracking
    - School zone cameras
  - How are we using data to inform service provision?

- Specialty Services
  - Are we providing specialty services in the most cost effective manner (e.g. in-house, contracted, interlocal)?
    - Bomb unit
    - Cyber crime
    - Pro-act unit

- Emerging Crime Trends and Resulting Calls for Service
  - Are we positioned to respond to peaks or changes in types of calls
    - Collisions
    - Daytime burglaries
    - Traffic complaints
    - Youth issues
    - Mental health and substance abuse
    - Citizen complaints

- Collaborative and Productive Internal Relationships
  - Do our inter and intradepartmental relationships maximize our effectiveness?
    - Labor/management relations
    - Department morale
    - Employee retention
    - Internal and external communications
    - Interdepartmental relations

- Corrections
  - What is the capacity for providing contract beds and revenue generation? What are the potential complications and challenges?

Process

Internal and external participation in the strategic planning process will be included in the scope of work for the consultant, including identification and involvement of community and organizational stakeholders to include:

- External
  - Residents and neighborhood associations
  - Businesses
  - School Districts and other educational institutions
  - Faith community
  - Youth

    - Citizen academy participants
    - Other police agencies

- Internal
    - City Council
    - City Manager
    - City Departments
    - Department Staff
    - Police Guild

At key points in the project (consultant selection, major milestones, and preliminary findings) staff will provide updates to the Public Safety Committee and City Council. Staff anticipates that the process will span six to eight months from the time the Request for Proposals is issued to the final report. Similar to the Fire Strategic Plan, there may be budgetary implications emerging from the plan and the City Manager may recommend some early investments in 2016 for the 2017-2018 Budget.

The outcome of current labor contract negotiations, particularly with regard to a possible shift change, will also have a bearing on the scope of the study. The City Manager's Office and Police Department staff have held several meetings to outline the scope, timing and process for the project. Preparing a Request for Proposals, interviewing and selecting a consultant and executing a contract will take several months. It is hoped that the contract will be settled by the time the consultant is engaged. If not, staff will re-evaluate whether or not to proceed with the study or delay.

Staff is requesting City Council feedback on the proposed scope at this time and will continue to work with Police Department staff to further define the scope to be included in the Request for Proposals.

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MEMORANDUM

To: Kurt Triplett, City Manager

From: Marilynne Beard, Deputy City Manager
Robin Jenkinson, City Attorney

Date: May 17, 2015

Subject: CITY COUNCIL POLICIES AND PROCEDURES

RECOMMENDATION:

City Council:

1. Discusses proposed updates to the City Council Policies and Procedures regarding:
    a. Council Committees
    b. Petitions
    c. Board and Commission Appointments
2. Reviews information regarding the initiative and referendum process.
3. Reviews the Public Safety Committee's updated list of outstanding agenda items.

BACKGROUND DISCUSSION:

Since the last retreat in February, the Finance and Administration Committee has continued its review of proposed amendments and additions to the City Council Policies and Procedures. For reference, a copy of the currently adopted City Council Policies and Procedures is included as Attachment A.

Council Committees

The Finance and Administration Committee focused on the Council Committees policy, in particular the issues of whether and how to make committee meetings open to the public and how committee agenda items are generated.

Public Standing Council Committee Meetings

A draft Council Committees policy was presented to the City Council at their April 21, 2015, meeting, however no action was taken and the policy was referred back to the Finance and Administration Committee with a request for further consideration of opening all committee meetings to the public. In particular the Legislative Committee, while it convenes every year for a portion of the year, has an irregular schedule and location. The Finance and Administration Committee recommends that the Legislative Committee be removed from the list of Standing Committees, since their schedule is intermittent. The Finance Committee recommends that all remaining standing committees be open to the public but that standing committees do not take

public testimony nor allow public participation in the discussion. Additional non-committee Councilmembers should not attend open Committee meetings except in special circumstances as determined by the Committee or the full Council.

Agenda Topics

A list of outstanding committee agenda topics was generated by staff. The Public Safety Committee had an opportunity to review their list of items to determine if there were items that should be removed. At the time of the Committee's review, staff suggested several criteria to consider when determining whether a topic is appropriate for Council Committee discussion and how agenda topics are generated.

Council Committees will be assigned an agenda topic when it supports a policy or budget decision that will come before the City Council. Agenda items may be:

- *Identified by the Committee and approved by the City Council;*
- *Referred by City Council to a committee for monitoring or input, or;*
- *Referred by staff for early input prior to presentation to the City Council.*

The Public Safety Committee was provided these criteria to edit their list of outstanding agenda topics and their revised list and memo discussing their process is included in Attachment B.

The Public Safety Committee suggested two additional concepts for agenda topics. The first was to make is clear *that Committees do not have final decision making authority over any topic and cannot keep a topic from moving to the full Council by inaction or remove topics without approval from the full Council.* The Public Safety Committee recommends that the Council adopt a formal policy to review at least biennially topics for all Committees to determine which agenda topics should continue to remain on Committee lists. The Public Safety Committee also suggested that Committees ask themselves *"what product will this agenda item deliver from the Committee to the full Council to aid in policy or budget decisions"* for each agenda topic.

An updated version of the Council Committees policy is included as Attachment B.

Board and Commission Appointments

The Finance and Administration Committee asked for consideration of a change to Chapter 8 "Board and Commission Appointments." Specifically, it was suggested that incumbent commissioners that are eligible for an additional term and want to continue their service could be appointed for a second term without conducting a recruitment for their seat. The Committee suggested that the ad hoc Council Committee chosen to review applications meet twice. The first meeting would be conducted prior to the recruitment process. Prior to the first meeting, staff would have contacted eligible incumbents to determine if they intend to reapply. If the incumbent is intending to apply, the ad hoc committee can recommend to the full Council that the incumbent be reappointed. If the City Council agrees, no recruitment would be conducted for the position and the incumbent would be appointed for a second term at the time all other board and commission appointments are made.

Following Council discussion and direction, an updated version of Chapter 8 will be prepared for Council adoption.

Petitions

The Council's practice of including petitions on its agenda is to publicly acknowledge receipt of the petition and ensure that the Council and public are aware of the action that the petitioners wish the council to take (or not to take). Depending on what the petition seeks, the Council may ask staff for a briefing or to have the subject of the petition placed on a future Council agenda for consideration. The Finance and Administration Committee noted that there was no written policy regarding how petitions are received and dealt with by the City Council and discussed the possible actions that could be taken on a petition. Staff is recommending that a new section be added to Chapter 3, "City Council Meetings" of the Council Policies and Procedures. The proposed language would be inserted as section 3.08:

3.08 Petitions. In the event that the City Council is presented with a petition from a citizen, the City Council will take a formal vote providing direction which may include any of the following options:

1. *Accept the petition and refer the matter to a Council Committee for further study.*
2. *Accept the petition and refer to staff for follow-up.*
3. *Accept the petition and determine that no further action is needed.*

Any petition referred to a Council Committee or staff will be presented at a subsequent regular meeting with an explanation of the resolution.

In order to be considered complete, a petition should include each signer's name and their city of residence.

Following Council discussion and direction, an updated version of Chapter 3 will be prepared for Council adoption.

Initiative and Referendum

At a previous retreat, a request was made for the City Council to consider adding a provision for initiatives and referendums to the Kirkland Municipal Code. The following background is provided as a point of departure for Council discussion.

The initiative power refers to the ability of citizens to directly enact legislation. By contrast, the referendum power refers to the ability of citizens to approve or disapprove legislation that has already been passed by legislative bodies.

At the local level, the initiative power is available only to the extent that the Legislature has authorized that power. State statutes classify cities based on population.[1] As an alternative cities may operate as code cities under title 35A, the optional municipal code, which grants broad powers to cities. Kirkland is a noncharter code city. The Legislature has authorized first

[1] A first-class city is a city with a population of 10,000 or more at the time of organization or reorganization that has adopted a charter. RCW 35.01.010. A second-class city is a city with a population over 1,500 at the time of organization or reorganization that does not have a charter and does not operate as a code city under the optional municipal code. RCW 35.01.020. A town has a population of less than 1,500 at the time of its organization and does not operate under the optional municipal code. RCW 35.01.040.

class cities and code cities to adopt local initiative and referendum powers. To adopt those powers, code cities must follow certain procedures discussed below.

Limits on the Local Initiative Power

The exercise of the initiative power at both the state and local levels is limited to actions which are legislative in nature. Two tests have been suggested for determining whether an issue is legislative or administrative. First, actions relating to subjects of a permanent and general character are usually regarded as "legislative" and subject to the powers of initiative and referendum. Those actions taken on subjects of a temporary and special character are usually regarded as "administrative" and are not susceptible to the powers. *Citizens v. Spokane,* 99 Wn.2d 339 (1983). A second test suggests that a matter is legislative if it prescribes a new policy or plan and administrative if it merely pursues a plan that has already been adopted.

Initiatives must also be within the authority of the jurisdiction passing the measure. For example, the State Supreme Court ruled that a local initiative that would have blocked the construction of Interstate 90 was outside the scope of the initiative process, because the initiative conflicted with state law. *Philadelphia II v. Gregoire*, 128 Wn.2d 707 (1996).

Another limitation on the initiative power is that it may not be used if the Legislature statutorily delegates a particular power to the "legislative body" or "legislative authority" of the city government (as opposed to the corporate entity itself). For example, in *Priorities First v. City of Spokane,* 93 Wn. App. 406 (1998), the Court of Appeals kept an initiative off the ballot that would have required voter approval before the Spokane City Council could use city funds to construct off-street parking facilities. The Court ruled that the proposed initiative would have interfered with the power the Legislature granted to the city council to construct parking facilities and was outside the scope of the initiative power.

In sum, citizens may exercise local initiative powers if the subject matter of the initiative is:

- Legislative in nature;
- The power is within the scope of the city's authority; and
- The power over the subject matter has not been specifically granted to the city council.

However, citizens who file initiatives may not know of the limitations or may not believe those limitations apply to their initiative. This can lead to initiatives being filed that are outside the scope of the initiative authority and create the potential for litigation. If a city has concerns about whether a proposed initiative is legal, it can seek an opinion about the legality of the measure – before it passes. Although courts generally will not rule on the validity of initiatives until they are passed, attorneys for the city may issue opinions as to whether a particular measure would be upheld if enacted. Issuing a legal opinion on a pending ballot measure may be controversial because it is likely to be viewed as attempting to drive a particular outcome.

Adopting the Initiative Power in Code Cities

There are two methods by which code cities may adopt initiative powers. *See* RCW 35A.11.080; 35A.02.020 - .035.

Petition Method

- Registered voters of the city file a petition with the city clerk requesting the adoption of the powers of initiative and referendum.
- Petition must contain valid signatures equal in number to 50 percent of the votes cast at the last general municipal election.
- If the petition is sufficient, then the city council *must* adopt a resolution declaring the intention of the city to adopt the powers of initiative and referendum.
- City publishes notice of the resolution.
- If no referendum petition is filed within 90 days, then the city council must enact an ordinance formally adopting the powers of initiative and referendum
- If a valid referendum petition is filed, the issue goes on the ballot.

Resolution Method

- The city itself may initiate the process by passing a resolution of intention and following the subsequent steps listed above.

Initiative Procedures

The initiative process in code cities is provided by statute. *See* RCW 35A.11.100.

- The proposer of the initiative must obtain valid signatures on a petition equal in number to 15 percent of the total number of registered voters within the city as of the date of the last preceding city general election.
- Petitions in the form required by RCW 35A.01.040 are filed with the city clerk.
- The petitions with the signatures must then be transmitted to King County Elections (elsewhere the county auditor) to determine the validity of the signatures on the petition. King County Elections must attach a certificate to the petition indicating whether or not it has been signed by a sufficient number of registered voters.
- If the number of signatures is insufficient, then the petitioners have ten additional days to amend the petition. The amended petition is then resubmitted to the clerk.
- If King County Elections finds the number of signatures insufficient a second time, then the petition is returned. Any taxpayer then has the option of filing an action in superior court to determine if the petition is sufficient.
- If King County Elections determines that the number of signatures is sufficient, the city council has two options. The first option is for the city council to pass the proposed ordinance *without alteration* within 20 days. The second option is to submit the measure to a vote of the people.

- The city attorney prepares the ballot title.
- Once the ballot title is filed, King County Elections notifies persons proposing the initiative of the exact language of the ballot title. A person who is dissatisfied with the ballot title may file an appeal within ten days in the superior court of the county where the issue is to appear on the ballot. The court will hold a hearing and render a decision certifying the correct ballot title. The decision of the superior court is final.
- The election on the initiative will be at a general election if one is to be held within 90 days. Otherwise the vote will be at a special election.
- The city clerk must publish notice of the initiative.
- If a majority of the number of votes cast favor the proposed measure, it will become effective upon certification of the election results.

Initiative Costs

Election Costs

Council requested information about the potential costs of adopting initiative and referendum powers. The election costs associated with placing initiative and referendum measures on the ballot would vary depending on whether the City is participating in an odd numbered or even numbered year. During odd years, cities and other local jurisdictions (fire districts, utility districts, etc.) are already scheduled to participate in the primary and general elections.

Here is the election cost forecast provided by King County Elections for the City of Kirkland:

Spring Special Election (February or April)

- Election cost: $103,000 – $129,000
- Voters' Pamphlet cost: $5,000 - $6,200

Primary Election

- Election cost: $72,000 - $85,000
- Voters' Pamphlet cost: $3000 - $6,200 (likely to be at the higher end of range)

General Election

- Election cost: $61,000 - $72,000
- Voters' Pamphlet cost: $3,000 - $6,200 (likely to be at the lower end of range)

Note that if a new ballot measure is added to the ballot during an odd year, there is no additional cost because the City is already participating in the election due to the schedule of

City Council races. King County does not add incremental costs for additional ballot items. There is an exception with respect to the Voters' Pamphlet as this cost does increase with additional printed materials. However, the cost of the Voters' Pamphlet is only approximately two to five percent of the election costs.

If a new ballot measure is added during an even year election, the costs above will apply. For the 2016 elections, the 2015 estimates would be increased by a 2.25 percent inflation factor. The City usually does not have anything scheduled on the ballot during even years, so an initiative or referendum measure could be the only item on the ballot.

Additional Costs

In addition to the County election costs, additional time will be required of the City Clerk and City Attorney to carry out their duties in connection with initiatives. Ballot titles written by city attorneys are frequently the subject of superior court challenges. If an initiative passes and is challenged, the city generally must defend the initiative.

Experience of Other Cities

In considering whether to adopt the initiative and referendum powers, Council also requested information about the experience of other cities. Two recent examples are below. More examples could be evaluated if the Council seeks further analysis.

Tacoma Minimum Wage Initiative

Errors in initiatives are difficult to correct. Once an initiative is certified, it goes on the ballot as drafted. There is no opportunity to correct mistakes prior to the election – except by submitting a new initiative petition. In addition, once an initiative is enacted in a code city, it cannot be amended – except by a vote of the people. This means that the city council cannot merely amend or repeal such an ordinance by council action as is usually the case – even to correct an obvious error. Any change must be approved by the voters, although the city council can initiate that process. *See* RCW 35.17.340.

Tacoma is currently dealing with a challenging initiative proposal. An initiative petition has been filed which, if passed, would immediately impose a $15 per hour minimum wage on all businesses that have annual gross revenues of $300,000 or more. The minimum wage would be adjusted annually by the rate of inflation. The measure would create a citizen commission to monitor the City's administration and enforcement of the minimum wage requirements, and make violations a crime. A copy of the petition is included as Attachment C.

Apart from the policy questions posed by having a higher minimum wage becoming broadly effective immediately versus one phased in over several years, elements of the proposed measure are viewed by the Tacoma City Attorney's Office as unenforceable or otherwise infirm. There is no fiscal analysis provided nor required. The Tacoma Mayor recently announced the formation of a Minimum Wage Task Force to counter the proposed ballot measure. The Tacoma City Council approved a $30,000 contract with a facilitator to guide the task force's work. The work of the task force must be completed by June 30 in order to give the Tacoma City Council time to put an issue on the November 3, 2015, ballot. If the proponents of the

current minimum wage initiative do not agree to withdraw their measure, the Tacoma voters may have two competing minimum wage measures on the ballot.

Issaquah Plastic Bag Ban Initiative

Closer to home, the City of Issaquah received an initiative petition to overturn the City's ban on plastic bags. Once the King County Elections Division certified that the initiative petition had sufficient signatures in October 2013, the Issaquah City Council passed a resolution sending the measure to the February 11, 2014, ballot. As required by statute, the Issaquah City Attorney drafted a ballot title. The City was not able to agree with the initiative proponent on the language of the ballot title and the proponent challenged the ballot title in King County Superior Court. It was then necessary for the City to defend the ballot title in court. While this matter was not tracked from a cost accounting perspective, the Issaquah City Clerk's Office estimates that the expenditure for legal fees was approximately $10,000 (Issaquah uses outside legal counsel). The City Clerk indicated that this amount could have been higher as the City dealt with the initiative issue from June 2012 through March 2014. The City Clerk further estimated that her time alone spent on the initiative may have exceeded 200 hours.

As discussed above, because this matter was sent to the ballot in an even numbered year and when Issaquah did not have another contest on the ballot there were additional election expenses. The election cost Issaquah $38,702. At the special election on February 11, 2014, 52.32 percent of the voters voted against repealing the plastic bag ban.

Arguments for and Against

The Municipal Research Services Center publication entitled, "Initiative and Referendum Guide for Washington Cities and Charter Counties," is an excellent resource and may be viewed at http://mrsc.org/getmedia/18593ba0-fa89-4776-84dc-3dcab86b3449/initiativereferendumguide.pdf.aspx?ext=.pdf. "Arguments for and against" from the publication are appended as Attachment D.

Summary of Direction Requested

Staff is requesting Council direction regarding the following questions:

1. Should the Council Committees policy be amended as proposed to allow for public attendance at Standing Council Committee meetings?

2. Should the proposed criteria for adding new agenda topics for Council Committees be included?

3. Should staff prepare an amendment to Chapter 8 Boards and Commissions allowing the City Council to appoint an incumbent for a second term without conducting a recruitment?

4. Should the new proposed section on petitions be added to Chapter 3 City Council Meetings?

5. Does the City Council want to further discuss or receive additional information about the initiative and referendum process?

Attachment A

CITY OF KIRKLAND
CITY COUNCIL POLICIES AND PROCEDURES

February 2015

TABLE OF CONTENTS

CHAPTER 1: CITY COUNCIL VISION AND GOALS 3
CHAPTER 2: CITY COUNCIL CODE OF CONDUCT 5
2.01 Code of Conduct for City Council and Boards and Commissions. 5
CHAPTER 3: CITY COUNCIL MEETINGS 7
3.01 Rules Governing the Conduct of Meetings. 7
3.02 Submittal of Council Agenda Items. 7
3.03 Regular Meetings. 7
3.04 Quorum. 7
3.05 Order of Business. 7
3.06 Consent Calendar. 8
3.07 Public Comment. 8
3.08 Committee Reports. 9
3.09 Duties of the Presiding Officer. 9
3.10 Rules for Councilmember Conduct. 9
3.11 Voting. 9
3.12 Tie Votes. 10
3.13 Non-Tie Vote with Lack of Affirmative Votes. 10
3.14 Motions to Reconsider. 10
3.15 Motions to Lay A Matter on the Table. 10
3.16 Motion for Adjournment. 10
3.17 Motions and Discussion by the Presiding Officer. 10
3.18 Suspension of Rules. 10
3.19 City Staff Attendance at Meeting. 10
3.20 Minutes. 10
3.21 Procedure for Considering Process IIA Appeals. 11
3.22 Procedure for Considering Process IIB Applications. 11
CHAPTER 4: STUDY SESSIONS AND RETREATS 11
4.01 Study sessions. 11
4.02 Council retreats. 11
CHAPTER 5: COUNCIL COMMUNICATIONS 11
5.01 Written Correspondence. 11
CHAPTER 6: PROCLAMATIONS 14
CHAPTER 7: COUNCIL COMMITTEES 15
7.01 Purpose and Relationship to City Council. 15
7.02 Appointment Process. 15
7.03 Council Committees 16
CHAPTER 8: BOARD AND COMMISSION APPOINTMENTS 17
8.01 Applicability/Definition. 17
8.02 Eligibility. 17
8.03 Non-Discrimination. 17
8.04 Concurrent Offices. 17
8.05 Terms. 17
8.06 Term Limitations. 17
8.07 Attendance. 17
8.08 Appointment/Reappointment. 18
8.09 Application Process. 18
8.10 Criteria for Reappointment. 18
8.11 Appointment Process. 18
8.12 Criteria for Removal. 19
8.13 Open Government Training Requirement. 19

CHAPTER 1: CITY COUNCIL VISION AND GOALS

1.01 Vision. Kirkland is an attractive, vibrant and inviting place to live, work and visit. Our lakefront community is a destination for residents, employees and visitors. Kirkland is a community with a small-town feel, retaining its sense of history, while adjusting gracefully to changes in the twenty-first century.

1.01 Goals. The purpose of the City Council Goals is to articulate key policy and service priorities for Kirkland. Council goals guide the allocation of resources through the budget and capital improvement program to assure that organizational work plans and projects are developed that incrementally move the community towards the stated goals. Council goals are long term in nature. The City's ability to make progress towards their achievement is based on the availability of resources at any given time. Implicit in the allocation of resources is the need to balance levels of taxation and community impacts with service demands and the achievement of goals.

1.02 In addition to the Council goal statements, there are operational values that guide how the City organization works toward goal achievement:

- **Regional Partnerships** – Kirkland encourages and participates in regional approaches to service delivery to the extent that a regional model produces efficiencies and cost savings, improves customer service and furthers Kirkland's interests beyond the our boundaries.

- **Efficiency** – Kirkland is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment. We believe that a culture of continuous improvement is fundamental to our responsibility as good stewards of public funds.

- **Accountability** – The City of Kirkland is accountable to the community for the achievement of goals. To that end, meaningful performance measures will be developed for each goal area to track our progress toward the stated goals. Performance measures will be both quantitative and qualitative with a focus on outcomes. The City will continue to conduct a statistically valid citizen survey every two years to gather qualitative data about the citizen's level of satisfaction. An annual Performance Measure Report will be prepared for the public to report on our progress.

- **Community** – The City of Kirkland is one community composed of multiple neighborhoods. Achievement of Council goals will be respectful of neighborhood identity while supporting the needs and values of the community as a whole.

The City Council Goals are dynamic. They should be reviewed on an annual basis and updated or amended as needed to reflect citizen input as well as changes in the external environment and community demographics.

1.03 CITY COUNCIL GOALS

NEIGHBORHOODS

Value Statement: The citizens of Kirkland experience a high quality of life in their neighborhoods.

Goal: Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure.

PUBLIC SAFETY

Value Statement: Ensure that all those who live, work and play in Kirkland are safe.

Goal: Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.

HUMAN SERVICES

Value Statement: Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.

Goal: To support a regional coordinated system of human services designed to meet the special needs of our community and remove barriers to opportunity.

BALANCED TRANSPORTATION

Value Statement: Kirkland values an integrated multi-modal system of transportation choices.

Goal: To reduce reliance on single occupancy vehicles and improve connectivity and multi-modal mobility in Kirkland in ways that maintain and enhance travel times, safety, health, and transportation choices.

PARKS, OPEN SPACES AND RECREATIONAL SERVICES

Value Statement: Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.

Goal: To provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well-being of the community.

DIVERSE HOUSING

Value Statement: The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, size and affordability.

Goal: To ensure the construction and preservation of housing stock that meet a diverse range of incomes and needs.

FINANCIAL STABILITY

Value Statement: Citizens of Kirkland enjoy high-quality services that meet the community's priorities.

Goal: Provide a sustainable level of core services that are funded from predictable revenue.

ENVIRONMENT

Value Statement: We are committed to the protection of the natural environment through an integrated natural resource management system.

Goal: To protect and enhance our natural environment for current residents and future generations.

ECONOMIC DEVELOPMENT

Value Statement: Kirkland has a diverse, business-friendly economy that supports the community's needs.

Goal: To attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.

DEPENDABLE INFRASTRUCTURE

Value Statement: Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.

Goal: To maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

CHAPTER 2: CITY COUNCIL CODE OF CONDUCT

2.01 Code of Conduct for City Council and Boards and Commissions.

The Code of Conduct is supplemental to the Kirkland Municipal Code and the Code of Ethics and applies to the City Council and all members of City advisory boards and commissions. The Code of

Conduct describes how Kirkland officials treat each other and work together for the common good of the community. Conducting the City's business in an atmosphere of respect and civility is the underlying theme in this Code. City Officials are responsible for holding themselves and each other accountable for displaying actions and behaviors that consistently model the ideals expressed in the Code.

Implicit in the Code of Conduct is recognition of the worth of individual members and an appreciation for their individual talents, perspectives and contributions. The Code will ensure an atmosphere where individual members, staff and the public are free to express their ideas and work to their full potential.

As a City Official of the City of Kirkland, I agree to these principles of conduct:

We consistently demonstrate the principles of professionalism, respect and civility in working for the greater good of Kirkland.

We assure fair and equal treatment of all people.

We conduct ourselves both personally and professionally in a manner that is above reproach.

We refrain from abusive conduct, personal charges or verbal attacks on the character or motives of Council members, commissioners, staff and the public.

We take care to avoid personal comments that could offend others.

We show no tolerance for intimidating behaviors.

We listen courteously and attentively to all public discussions and treat all people the way we wish to be treated.

We serve as a model of leadership and civility to the community.

Our actions inspire public confidence in Kirkland government.

Keeping in mind the common good as the highest purpose, we will focus on holding efficient meetings that achieve constructive solutions for the public benefit.

We work as a team to solve problems and render decisions that are based on the merits and substance of the matter.

We respect differences and views of other people.

We adhere to the principles and laws governing the Council/Manager form of government and treat all staff with respect and cooperation.

We will refrain from interfering with the administrative functions and professional duties of staff.

We will not publicly criticize individual staff but will privately communicate with the City Manager any concerns about a department or department director or staff person.

We will refrain from negotiating or making commitments without the involvement and knowledge of the City Manager.

We will work with staff in a manner that consistently demonstrates mutual respect.

We will not discuss personnel issues, undermine management direction, or give or imply direction to staff.

We will communicate directly with the City Manager, department directors or designated staff contacts when asking for information, assistance or follow up.

We will not knowingly blindside one another in public and will contact staff prior to a meeting with any questions or issues.

We will not attend City staff meetings unless requested by staff.

CHAPTER 3: CITY COUNCIL MEETINGS

3.01 Rules Governing the Conduct of Meetings. The order of procedure contained in this Chapter shall govern deliberations and meetings of the Council of the City of Kirkland, Washington. *Roberts Rules of Order, Newly Revised*, shall govern the deliberations of the Council except when in conflict with any of the rules set forth in this Chapter.

3.02 Submittal of Council Agenda Items. Items of business to be considered at any Council meeting shall be submitted to the City Manager no later than the Wednesday morning prior to a scheduled Council meeting. A written agenda and informational material is to be prepared and sent the Friday preceding each meeting to each Councilmember. Urgent items arising after the regular agenda has been prepared may be placed on the agenda if the Councilmember or City Manager explains the necessity and receives a majority vote of the Council on a motion to add the item.

3.03 Regular Meetings. Regular meetings of the Council shall be held as provided for by ordinance.

3.04 Quorum. At all meetings of the Council, a majority of the Councilmembers shall constitute a quorum for the transaction of business, but a lesser number may adjourn from time to time to secure the attendance of absent members.

3.05 Order of Business. The order of business shall be as follows:

1. Call to Order
2. Roll Call
3. Study Session
4. Executive Session
5. Honors and Proclamations
6. Communications
    a. Announcements
    b. Items from the Audience (See Section 3.07 for the three minute limitation.)
    c. Petitions
7. Special Presentations
8. Consent Calendar

a. Approval of Minutes
b. Audit of Accounts and Payment of Bills and Payroll
c. General Correspondence
    i. Routine
    ii. Written correspondence relating to quasi-judicial, including land use public hearing matters and placed in the appropriate hearing file.
d. Claims
e. Award of Bids
f. Acceptance of Public Improvements and Establishing Lien Periods
g. Approval of Agreements
h. Other Items of Business

9. Public Hearings
10. Unfinished Business
11. New Business
12. Reports
    a. City Council Reports
        (1) Finance and Administration Committee
        (2) Planning and Economic Development Committee
        (3) Public Safety Committee
        (4) Public Works, Parks and Human Services Committee
        (5) Tourism Development Committee
        (6) Legislative Committee
        (7) Regional Issues
    b. City Manager Reports
        (1) Calendar Update
13. Items from the Audience
14. Adjournment

3.06 Consent Calendar. Any matter, which because of its routine nature, would qualify for placement on the Consent Calendar pursuant to section 3.05, may be included on the Consent calendar, notwithstanding action on the matter may, by law or otherwise, require adoption of a resolution or ordinance.

Any item may be removed from the Consent calendar and moved to the regular agenda upon the request of any Councilmember. All items remaining on the Consent calendar shall be approved by a single motion. Whenever an ordinance is included on the Consent calendar, approval of the calendar shall be by roll call vote.

3.07 Public Comment. The Council believes that the following procedure for public comment during regular City Council meetings will best accommodate the desires and concerns of the Council and the public:

1. During the time for "Items from the Audience," speakers may not comment on matters which are scheduled for a public hearing, or quasi-judicial matters. The Council will receive comments on other issues, whether the matter is on the agenda for the same meeting or not. When possible, items on the agenda will be marked with an asterisk when the Council cannot receive comments on such matters during the time for "Items from the Audience."

2. During the times for "Items from the Audience," whether at the beginning or end of the meeting, each speaker will be limited to three minutes. No more than three speakers may address the Council on any one subject. However, if both proponents and opponents wish

to speak, then up to three proponents and up to three opponents of the matter may address the Council. Unless it is 10:00 p.m. or later, speakers may continue to address the Council during an additional Items from the Audience period at the end of the meeting; provided, that the total amount of time allotted for the additional Items from the Audience period shall not exceed 15 minutes. A speaker who addressed the Council during the earlier Items from the Audience period may speak again, and on the same subject, however, speakers who have not yet addressed the Council will be given priority.

3.08 Committee Reports. The chairman of each respective committee, or the Councilmember acting for him/her in his/her place, shall submit or make all reports to the Council when so requested by the presiding officer or any member of the Council.

3.09 Duties of the Presiding Officer. It shall be the duty of the presiding officer of the Council to:

1. Call the meeting to order.
2. Keep the meeting to its order of business.
3. Announce the agenda item and determine if the Council wishes to receive a staff report.
4. If, after presentation of the report or based upon the written report, action is desired, recognize Councilmember to make a motion to propose appropriate action. Require a second to each motion, for those motions which must be seconded.
5. Handle discussion in an orderly way:
    a. Give every Councilmember who wishes an opportunity to speak.
    b. Permit audience participation at appropriate times.
    c. Keep all speakers to the rules and to the question.
    d. Give pro and con speakers equal opportunity to speak.
    e. Repeat motions, put motions to a vote and announce the outcome.
    f. Suggest but not make motions for adjournment.
    g. Appoint committees when authorized to do so.

3.10 Rules for Councilmember Conduct.

1. No member shall speak more than twice on the same subject without permission of the presiding officer.

2. No person, not a member of the Council, shall be allowed to address the Council while it is in session without the permission of the presiding officer.

3. All questions on order shall be decided by the presiding officer of the Council with the right of appeal to the Council of any member.

4. Motions shall be reduced to writing when required by the presiding officer of the Council or any member of the Council. All resolutions and ordinances shall be in writing.

3.11 Voting. Each member present shall vote on all questions put to the Council. The duty to vote shall be excused when a Councilmember has a financial interest in the question or, in quasi-judicial matters, where a Councilmember has an appearance of fairness problem. When voting on any matter before the Council, a majority of the entire membership of the Council is required for passage of any ordinance, resolution or motion, provided that a simple majority of the members present shall be sufficient with respect to the following motions:

1. To adjourn, to table or continue a matter,
2. To go into or out of executive session,
3. To schedule a special meeting of the City Council,
4. To add or remove items on a future Council meeting agenda,
5. To approve or authorize the sending of a letter or other communication so long as the letter or communication sets forth a policy or position previously agreed to by a majority of the entire Council membership,
6. To establish the date for a public hearing, unless such hearing is required to be set by ordinance or resolution,
7. To authorize call for bids or requests for proposals, and
8. To approve a Consent calendar, provided that any ordinance, any grant or revocation of franchise or license, or any resolution for payment of money included on the Consent calendar, has first been removed.

3.12 Tie Votes. A tie vote, on a matter requiring four affirmative votes for passage, shall not be dispositive of the matter voted upon, but shall be deemed to have tabled the matter until the next succeeding regular meeting at which all seven Councilmembers are present. At that meeting, any member may move to take the matter off the table.

3.13 Non-Tie Vote with Lack of Affirmative Votes. A non-tie vote which fails for a lack of four affirmative votes, as to a matter which requires four affirmative votes for passage, shall be deemed to defeat the matter voted upon. Any Councilmember may move to reconsider the matter at the next succeeding regular meeting at which all seven Councilmembers are present.

3.14 Motions to Reconsider. Except as provided in Sections 3.12 and 3.13, motions to reconsider must be made by a member who votes with the majority, and at the same or next succeeding meeting of the Council.

3.15 Motions to Lay A Matter on the Table. Motions to lay any matter on the table shall be first in order; and on all questions, the last amendment, the most distant day, and the largest sum shall be put first.

3.16 Motion for Adjournment. A motion for adjournment shall always be in order.

3.17 Motions and Discussion by the Presiding Officer. The presiding officer, as a member of the Council may, at his or her discretion, call any member to take the chair, to allow the presiding officer to make a motion, but may otherwise discuss any other matter at issue subject only to such limitations as are imposed by these rules on other Councilmembers.

3.18 Suspension of Rules. The rules of the Council may be altered, amended or temporarily suspended by a vote of two-thirds of the members present; provided, that at least four affirmative votes be cast.

3.19 City Staff Attendance at Meeting. The City Manager, Attorney, City Clerk, and such other officers and/or employees of the City of Kirkland shall, when requested, attend all meetings of the Council and shall remain in the Council chamber for such length of time as the Council may direct.

3.20 Minutes. The City Clerk shall keep correct minutes of all proceedings. The votes of each Councilmember on any ordinance and the ayes and nays on any other question shall be entered in the minutes. Copies of the minutes shall be sent to the members of the Council prior to their next regular meeting.

3.21 Procedure for Considering Process IIA Appeals. The City Council shall consider a Process IIA appeal under Kirkland Zoning Code (KZC) Chapter 150 at one meeting, and shall vote on the appeal at the next or a subsequent meeting, in order for the Council to gather more information from the record and consider the appeal; provided, that the Council, by a vote of at least five members, may suspend this rule and consider and vote on the appeal at the first meeting. The Council's vote (to affirm, modify or reverse the decision of the Hearing Examiner, or direct the Hearing Examiner to hold a rehearing) shall occur within 60 calendar days of the date on which the letter of appeal was filed, pursuant to KZC 150.125.

3.22 Procedure for Considering Process IIB Applications. The City Council shall consider a Process IIB application under KZC Chapter 152 at one meeting, and shall vote on the application at the next or a subsequent meeting; provided, that the Council, by a vote of at least five members, may suspend this rule and consider and vote on the application at the first meeting. The Council shall first consider the application at a meeting held within 45 calendar days of the date of issuance of the Hearing Examiner's recommendations, pursuant to KZC 152.90.

CHAPTER 4: STUDY SESSIONS AND RETREATS

4.01 Study sessions. Study sessions shall be held as provided by Kirkland Municipal Code 3.10.020. Study sessions are used by the Council to review upcoming agenda items, current and future programs or projects, to discuss, investigate, review or study matters of City business for informational purposes. No final action is taken while in study session; however, the Council may provide direction to staff by consensus or vote. Council direction shall be summarized in writing and presented to the City Council at a regular meeting. Final action on direction provided at a study session will be scheduled for a regular or special council meeting.

4.02 Council retreats. Council retreats are held annually or semi-annually at the Council's discretion. The purpose of the retreats is to allow the Council to devote concentrated attention to single or multiple time consuming subjects. No final action is taken at retreats; however, the Council may provide direction to staff by consensus or vote. Council direction shall be summarized in writing and presented to the City Council at a regular meeting. Final action on direction provided at will be scheduled for a regular or special council meeting.

CHAPTER 5: COUNCIL COMMUNICATIONS

5.01 Written Correspondence. Access to the City Council by written correspondence is a significant right of all members of the general public, including in particular, residents of the City. The City Council desires to encourage the exercise of this access right by the general public to bring to the attention of the Council, matters of concern to Kirkland residents. In order to do this most effectively, some orderly procedure for the handling of written correspondence is essential. One concern of the City Council is application of the appearance of fairness doctrine to correspondence addressed to the Council, concerning matters which will be coming before the City Council in a quasi-judicial or land use hearing context. Special care in the way the content of those letters is brought to the attention of the individual members of the Council is essential in order that an unintended violation of the appearance of fairness doctrine does not result.

The Council believes that the following procedure for handling of written correspondence addressed to the Council will best accommodate the desires and concerns of the Council as set forth in this section:

1. Correspondence of an Information Only Nature - Correspondence which is purely of an informational nature and which does not require a response or action should not be placed on the Council meeting agenda by the City Clerk, but rather transmitted to the Councilmembers in the normal course of daily business.

2. Routine Requests - Items of a routine nature (minor complaints, routine requests, referrals, etc.) shall be answered by staff. Routine requests and staff responses shall be transmitted to the Councilmembers in the normal course of daily business.

3. Significant Correspondence - Correspondence that requires policy decision or approval by Council shall be placed by the Clerk on the regular Council agenda, either under New Business or if appropriate, under Unfinished Business, and shall be accompanied by staff report as are all other agenda items. Direct replies may be made by the City Manager if policy matters are not involved or the Council has previously provided policy direction. Replies shall be transmitted to the Councilmembers in the normal course of daily business.

4. Correspondence Directly Relating to Quasi-Judicial Hearing Matters - All such correspondence when so identified by the City Clerk shall be listed by name and reference to hearing matter on the Consent agenda under the item Written Correspondence relating to quasi-judicial matters. Copies of such correspondence shall not then be included within the agenda materials, but shall be placed in a City Council communication holding file, or directly into the appropriate hearing file, so that they will be circulated to City Councilmembers at the time that the matter comes before the City Council for its quasi-judicial consideration, and as a part of the hearing record for that matter. The City Clerk shall also advise the sender of each such letter, that the letter will be coming to the attention of the City Council at the time that the subject matter of the letter comes before the Council in ordinary hearing course.

5. Prompt Acknowledgments – The City Manager will promptly acknowledge the receipt of all written correspondence and inquiries and, where appropriate, advise the writer of referral to the City Council or a City department.

5.02 Council Communications with the Public. The Kirkland City Councilmembers are committed to open and progressive communications in their capacity as elected officials. Individual Councilmembers use a variety of methods to communicate with the public, stakeholders, partners and the media. Social media platforms offer a way to deliver public information and customer service to constituents and give citizens another means to interact with their government. The purpose of this policy is to provide guidelines for Council communication with the public, when Councilmembers are acting in their official capacity or commenting on City government matters, through traditional media outlets or the use of social media platforms through personal accounts or pages.

The Council believes that the following guidelines will provide consistency in procedures and allow for use of more tools to communicate with the public.

1. The content and tenor of all public communications should model the same professional behavior displayed during Council meetings and community meetings and reflect well on the individual Councilmember, the City Council as a whole and the community.

2. The following disclaimers should be included in whole or referenced with a link to the disclaimers for all communications initiated by Councilmembers in open forums.

a. The views expressed represent the views of the author and may not reflect the views of the Kirkland City Council.

b. Responses to this communication by other Councilmembers may be limited by the provisions of the Open Public Meetings Act under which a policy discussion must be held in an open public meeting if a quorum of the City Council participates.

c. Comments posted in response to a Councilmember-initiated communication may be subject to public disclosure under the Public Records Act.

3. Media outlets such as newspapers, radio and television news coverage may be used as communications medium by individual Councilmembers provided that the communication clearly states that the views expressed do not represent those of the City Council or the City of Kirkland but the views of the individual Councilmember.

4. Communications Initiated by Councilmembers. Guest editorials, letters to the editor and blog posts published by Councilmembers should be provided to the full City Council at the same time they are delivered to the media outlet. Drafts of guest editorials, letters to the editor or blog posts may not be circulated for comment by a quorum of the Council prior to publication as this may violate the Open Public Meetings Act.

5. Use of Social Media. Posts to social media sites (Web 2.0) such as blogs, Facebook and Twitter may be used by individual Council members to communicate with the public provided the following guidelines are used:

   a. Blog posts or other posts to social media sites should include, or reference by a link, the disclaimers listed in Section 2.

   b. Social media sites are not to be used for the conduct of City Council business other than to informally communicate with the public. Public notices, items of legal or fiscal significance that have not been released to the public and discussion of quasi-judicial matters may not be included in Councilmembers social media posts. Councilmembers are encouraged to maintain social media sites with settings that can restrict users' ability to comment in order to avoid inadvertent discussions of these items. Unsolicited public comments on quasi-judicial matters must be placed on the record by the Councilmember at the time the matter is before the City Council for consideration.

   c. In order to demonstrate- openness and a willingness to listen to the entire community, Councilmember posts on social media sites should be made through a public-facing page or by marking individual posts as available to the public as a whole.

   d. When commenting on a post or an article published by someone other than a Councilmember, a link to the standard disclaimers in Section 2 should be included within the thread.

6. If a Councilmember makes a factual error in a public communication, it should be corrected as soon the error comes to light. Blog posts may be corrected by amending a previous post with a note that a correction was made.

7. Retention of Council Electronic Communications and Social Media Content. All email and text messages, files downloaded from outside sources and other electronic files, relating to the conduct of government or the performance of any governmental or proprietary function, are considered official City business records and are subject to the Washington State Public Records Act and the laws governing the retention and destruction of public records.[1]

    a. Email messages sent or received via City email addresses are captured by the City archiving system servers. Council communications are potentially archival and will be retained in accordance with the State retention schedule.
    b. Email messages sent or received using personal addresses should be forwarded to the member's City account, but should also be maintained in their original form to preserve associated metadata. Attachments should be saved to City server drives as appropriate.
    c. Text message records are maintained by the communications carrier/providers with varying policies and practices, and can be difficult to retrieve and to maintain in accordance with State law. At this time, Councilmembers should only use text messaging for transitory communications and not to discuss City business.
    d. Social Media postings should be captured via screen shots which are emailed to, and retained in, the Councilmember's City email account as an interim archiving method pending selection of an appropriate social media archiving technology solution.
    e. Members should consult with the City Clerk's Office for assistance with any retention questions.

8. Use of City-owned equipment to update personal social media sites or email accounts is subject the Administrative Policy 7.1 which allows for incidental use of City equipment for personal needs provided the activity does not the City to additional cost or liability or pose additional risk to security, privacy or conflict with any other City policy. Use of City-owned equipment or email accounts for campaign purposes is prohibited by RCW 42.17A.555.

CHAPTER 6: PROCLAMATIONS

6.01 A proclamation is a formatted certificate, issued by the Mayor, to give recognition and support to ceremonial occasions and special events, or to raise awareness about concerns of interest to the community as a whole. Proclamations are symbolic; no official policy, action or legal act is imparted or intended as a result.

1. All proclamations will be issued at the discretion of the Mayor.

2. Proclamations can recognize international, national, state, and local events, as well as matters of historical interest, in order to bring them to the attention of Kirkland citizens. Proclamation content should relate to a public purpose or benefit.

[1] "Public record" is broadly defined in RCW 42.56.010(3) to include, ". . . any writing containing information relating to the conduct of government or the performance of any governmental or proprietary function prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics. . . "

3. A proclamation that has not previously been issued by the Mayor of Kirkland shall be reviewed by the Mayor and Deputy Mayor for content to ensure that it does not conflict with an adopted policy position of the Kirkland City Council.

4. The City Manager's Office will coordinate all requests for proclamations. Proclamation requests should be received no later than two weeks prior to a City Council Meeting to allow time for the proclamation to be prepared, reviewed, and added to the Council Agenda.

5. Proclamations shall be presented at Council Meetings only if a recipient is present in the audience or at the discretion of the Mayor. All other proclamations will be sent by mail to the recipient.

CHAPTER 7: COUNCIL COMMITTEES

CITY COUNCIL COMMITTEE APPOINTMENTS

7.01 Purpose and Relationship to City Council.

Committees are advisory and do not take action on behalf of the Council. The purpose of Council Committees is to review matters in detail and to make reports to the full Council for possible Council actions. Council Committees may be standing committees or ad hoc committees are appointed for special or time-limited subjects. Ad hoc committees are disbanded when they complete their assigned task.

There are five standing Council Committees:

- Finance and Administration
- Public Safety
- Planning and Economic Development
- Public Works, Parks and Human Services
- Legislative

Committee topics are developed through a collaborative process between the City Council and staff or by referral by the City Council. All topics referred to Council Committees will have final consideration before the full Council after receiving a report from the Council Committee. The chair of each Council Committee is responsible for reporting to the City Council, at a regular meeting, the topics discussed and results of the committee's most recent meeting. Meeting minutes for every Council Committee meeting will be posted to the City Council's internal web page along with a list of current and future topics being discussed by each committee.

7.02 Appointment Process.

Council Committee appointments are generally for a two-year period. Unless a vacancy occurs, Council Committee appointments are made every even-numbered year to coincide with the Council selection of the Mayor. Immediately following the first regular Council meeting in even-numbered years, City Council members should let the Mayor know about their interests in serving on the various City Council and regional committees. The Mayor and Deputy Mayor will then meet to consider committee appointments and they will develop a recommended list of committee appointments. This list of recommended appointments will then be presented at the second City

Council meeting in January for Council's consideration at which time the committee appointments will be made by the City Council.

If a vacancy should occur during the year, this appointment opportunity should be announced at a Council meeting. Those Council members that are interested in filling this position should let the Mayor know before the next City Council Meeting. The Mayor and Deputy Mayor will make a recommendation for City Council's consideration to fill this vacancy at that following Council meeting.

7.03 Council Committees

Committee/Topic Areas	Staff
Finance and Administration • Finance and budget • Utility rates • Human Resources and Performance Management • Technology • Public Records • Council Policies and Procedures	*Director of Finance and Administration*
Public Safety • Police • Fire and Emergency Medical Services • Municipal Court • Emergency Management • Code Enforcement	*Deputy City Manager*
Legislative • State and Federal Legislative Agenda and Monitoring • Liaison with State and Federal Elected Officials	*Intergovernmental Relations Manager*
Planning and Economic Development • Business Retention and Recruitment • Business Roundtable • Tourism • Events • Development Services (permitting) • Long Range Planning • Housing	*Planning and Community Development Director and Economic Development Manager*
Public Works, Parks and Human Services • Public Works operations and CIP • Parks Operations and CIP • Parks planning • Environment • Utilities • Facilities and Fleet • Human Services	*Public Works Director and Parks and Community Services Director*

CHAPTER 8: BOARD AND COMMISSION APPOINTMENTS

It shall be the policy of the Kirkland City Council to make appointments to official advisory boards or commissions generally in accordance with the following:

8.01 Applicability/Definition. For the purposes of this policy, the term advisory board shall include the following appointed bodies:

Cultural Arts Commission
Design Review Board
Park Board
Human Services Advisory Committee
Planning Commission
Library Board
Tourism Development Committee (Lodging Tax Advisory Committee)
Salary Commission
Transportation Commission

8.02 Eligibility. Relatives, family members or domestic partners of Councilmembers will not be eligible to serve on City advisory boards. Members of the family of a City employee who works in a department, that provides staff assistance or support to an advisory board, shall not be eligible to serve on that board.

8.03 Non-Discrimination. The Council shall not discriminate on the basis of an applicant's race, ethnic background, creed, age*, sex, marital status, sexual orientation, or sensory or physical handicap in the making of appointments.

*City council has made age a qualification for specific seats on certain advisory bodies.

8.04 Concurrent Offices. At no time shall any person serve concurrently as a member of more than one of the above listed City Boards.

8.05 Terms. Appointments shall be made for four-year terms, unless otherwise provided by statute or Kirkland Municipal Code. Terms shall expire on the 31st of March of the applicable year. A member being appointed to fill a vacant position shall be appointed to fill the vacancy for the remainder of the unexpired term.

8.06 Term Limitations. No individual shall serve more than two full four-year terms as a member of a City of Kirkland appointed advisory board; provided, if an individual is appointed to fill 365 days or less of an unexpired term and serves that term, the individual is eligible to apply for and serve two additional four-year terms. If an individual is appointed to fill 366 days or more of an unexpired term and serves that term, the individual would be eligible to apply for and serve for only one additional four-year term.

8.07 Attendance. Appointees shall attend 80 percent of all meetings in any 12-month period for which there is no prearranged absence, but in any case shall attend no less than 60 percent of all meetings unless waived by the City Council.

8.08 Appointment/Reappointment. An open competitive process will be used to fill vacancies. City Council will initiate an open and competitive application process and solicit applicants for the position(s). All advisory board members completing their term who are interested in and eligible for reappointment will be required to go through the open competitive process.

8.09 Application Process. Openings for advisory board positions shall be widely advertised in local newspapers, as well as other means available and appropriate for this purpose. If an incumbent is eligible to apply for reappointment, this information shall be included in the announcement. Applicants shall be required to complete a City application form provided for this purpose, and to submit a completed application by the specified recruitment deadline. Late applications will not be accepted; however, the City Council may choose to extend an application deadline, if necessary, to obtain a sufficient number of applicants for consideration. Copies of all applications will be provided to the City Council.

8.10 Criteria for Reappointment. Information will be sought from the Board/Committee Chairs and the City Manager (or appropriate staff) when considering reappointments. Reappointments are based on the following criteria:

Minimum performance – attendance, incumbent reads the materials, has a basic understanding of the issues and participates in discussion.

Performance – has well-thought-out arguments, logically presented, and is a good advocate. Shows ability to analyze complex issues and to judge issues on substantive grounds. Understands difference between quasi-judicial and legislative matters.

Personal relations – has good understanding of relative roles of Council, Commissioners and staff and is sensitive to staff's job. Is generally respectful of others' viewpoints. Is a good team player, shows willingness to compromise, work toward a solution, without sacrificing his/her own principles.

Growth/improvement – has shown personal and/or intellectual growth in the position. Has shown improved performance, has taken advantage of continuing education opportunities or other indicia of growth or improvement.

Public benefit – reappointment provides a benefit to the commission as a body; provides or enhances balance on the commission geographically and/or philosophically.

8.11 Appointment Process. Upon receipt of applications, the Council will review the applications and reduce the number of applicants for interview to three applicants for each vacancy. For example, if there were one vacancy on a board or commission, the Council would reduce the pool of applicants to be considered to three. If there were two vacancies, the Council would reduce the pool of applicants to be considered to six. In cases where the number of applicants for interview require a reduction from the number that have applied, an ad hoc committee of the Council will be appointed by lot to review and recommend to the entire Council those to be interviewed for each board or commission and those recommended not to be interviewed.

Interviews of applicants shall be conducted in open session. The chairperson of the respective advisory board (or a representative) will also be invited to attend the interviews, and may participate in the process to the degree desired by the Council. Upon completion of the interviews, the Council shall make its appointments in open session. Following appointment, the appointee, as well as all other candidates, will be notified in writing of the Council's decision.

8.12 Criteria for Removal. Failure to continue to meet the criteria for reappointment to boards and commissions and the attendance standard set forth above is cause for the removal of a member of a board or commission by a majority vote of the Council.

8.13 Open Government Training Requirement. Within 90 days of assuming their positions, all members of boards and commissions appointed by the City Council must receive the training required by the Open Government Trainings Act regarding the Open Public Meetings Act.

ATTACHMENT B

CHAPTER 7: COUNCIL COMMITTEES

~~**CITY COUNCIL COMMITTEE APPOINTMENTS**~~

7.01 Purpose and Relationship to City Council.

Committees are advisory and do not take action on behalf of the Council. The purpose of Council Committees is to review matters in detail and to make reports to the full Council for possible Council actions. Council Committees may be standing committees or ad hoc committees which are appointed for special or time-limited subjects. Ad hoc committees are disbanded when they complete their assigned task.

There are ~~five~~ four standing Council Committees:

- Finance and Administration
- Public Safety
- Planning and Economic Development
- Public Works, Parks and Human Services
- ~~Legislative~~

7.02 Council Committee Topics. Committee topics are developed through a collaborative process between the City Council and staff or by referral by the City Council. Council Committees will be assigned an agenda topic when it supports a policy or budget decision that will come before the City Council. Agenda items may be:

- Identified by the Committee and approved by the City Council;
- Referred by City Council to a committee for monitoring or input, or;
- Referred by the City Manager for early input prior to presentation to the City Council.

~~Topics may be added at any time by the City Manager.~~ New topics requested by a Councilmember that involve~~s~~ more than four hours of staff time should be reviewed by the City Manager for staff impacts. All topics referred to Council Committees will have final consideration before the full Council after receiving a report from the Council Committee regarding all policy options presented. The chair of each Council Committee is responsible for reporting to the City Council, at a regular meeting, the topics discussed and results of the committee's most recent meeting. Meeting minutes for every Council Committee meeting will be posted to the City's webpage and the Council's internal web page along with a list of current and future topics being discussed by each committee~~,~~. The topic lists will also indicate when and by whom ~~they~~ the topics were initiated. Pending agenda topics for Council Committees will be reviewed periodically by the full Council.

7.03 Council Committee Meetings

The regular time and location of standing Council Committee meetings will be posted on the City's website and the meetings are open to the public.

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Finance and Administration	Monthly, last Tuesday, 9 a.m.
~~Legislative~~	~~Every Friday, 3:30 p.m.~~
Planning, Housing and Economic Development	Monthly, 2nd Monday, 3 p.m.
Public Works, Parks and Human Services	Monthly, 1st Wednesday, 10 a.m.
Public Safety	Monthly 3rd Thursday, 8:30 a.m.

Members of public may attend Council Committee meetings, but may not provide testimony or participate in the meeting discussion. Unless a quorum of the Council is in attendance, ~~A~~ad hoc meetings of Council Committees, such as tours or unplanned meetings with other elected officials, do not need to be posted the City's website ~~provided that a quorum of the Council is in attendance~~.

7.03~~2~~ Council Committee Appointments~~ Process~~.

Council Committee appointments are generally for a two-year period. Unless a vacancy occurs, Council Committee appointments are made every even-numbered year to coincide with the Council selection of the Mayor. Immediately following the first regular Council meeting in even-numbered years, City Council members should let the Mayor know about their interest~~s~~ in serving on the various City Council and regional committees. The Mayor and Deputy Mayor will then meet to consider committee appointments and they will develop a recommended list of committee appointments. This list of recommended appointments will then be presented at the second City Council meeting in January for Council's consideration at which time the committee appointments will be made by the City Council.

If a vacancy should occur during the year, this appointment opportunity should be announced at a Council meeting. Those Council members ~~that are~~ interested in filling this position should let the Mayor know before the next City Council Meeting. The Mayor and Deputy Mayor will make a recommendation for City Council's consideration to fill this vacancy at that following Council meeting.

7.04~~3~~ Council Standing Committees

Committee/Topic Areas	Staff
Finance and Administration • Finance and budget • Utility rates • Human Resources and Performance Management • Technology • Public Records • Council Policies and Procedures	*Deputy City Manager and Director of Finance and Administration*
Public Safety • Police	*Deputy City Manager*

DRAFT

• Fire and Emergency Medical Services • Municipal Court • Emergency Management • Code Enforcement	
~~**Legislative**~~ ~~• State and Federal Legislative Agenda and Monitoring~~ ~~• Liaison with State and Federal Elected Officials~~	~~*Intergovernmental Relations Manager*~~
Planning and Economic Development • Business Retention and Recruitment • Business Roundtable • Tourism • Events • Development Services (permitting) • Long Range Planning • Housing	*Planning and Community Development Director and Economic Development Manager*
Public Works, Parks and Human Services • Public Works operations and CIP • Parks Operations and CIP • Parks planning • Environment • Utilities • Facilities and Fleet • Human Services	*Public Works Director and Parks and Community Services Director*

DRAFT

CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Marilynne Beard, Deputy City Manager

Date: May 24, 2015

Subject: PUBLIC SAFETY COMMITTEE OUTSTANDING AGENDA TOPICS

RECOMMENDATION:

City Council reviews and provides feedback on the revised list of outstanding agenda topics for the Public Safety Committee for adoption at a future regular meeting.

BACKGROUND DISCUSSION:

At the May 22, 2015 Public Safety Committee meeting, the Committee reviewed their list of outstanding agenda items to determine whether there were changes needed. The Committee used the following policy basis as a guide:

Council Committees will be assigned an agenda topic when it supports a policy or budget decision that will come before the City Council. Agenda items may be:

- *Identified by the Committee and approved by the City Council;*
- *Referred by City Council to a committee for monitoring or input, or;*
- *Referred by staff for early input prior to presentation to the City Council.*

The Public Safety Committee suggested two additional concepts for agenda topics. The first was to make is clear *that Committees do not have final decision making authority over any topic and cannot keep a topic from moving to the full Council by inaction or remove topics without approval from the full Council.* The Public Safety Committee recommends that the Council adopt a formal policy to review at least biennially topics for all Committees to determine which agenda topics should continue to remain on Committee lists. The Public Safety Committee also suggested that Committees ask themselves *"what product will this agenda item deliver from the Committee to the full Council to aid in policy or budget decisions"* for each agenda topic.

During their review, the Committee deleted some items, provided further clarification or designated an item to be included on a new Public Safety Dashboard that would be updated at regular intervals and available to the Committee on CouncilNet. The Dashboard is designed to be patterned after the Finance and Administration dashboard and would consolidate some of the topics previously designated as annual or quarterly reports. Staff will develop draft dashboard for the Committee's review at a future meeting.

A strike and edit version of the Committee's outstanding agenda topics (based on the March 2015 list) is attached (Attachment A). The Committee's proposed revised list is included as Attachment B.

ATTACHMENT A

Council Committee Outstanding Agenda Topics

Public Safety Committee

Updated May 22, 2015

Moved to Dashboard

~~Deleted~~

Added

	Type of Item	Requested By	Original Date Requested	Comments
Fire Strategic Plan Implementation and Tracking ~~Update~~	Periodic Updates	City Council	Summer 2011	
Prevention Based Efforts in Public Safety	Staff Report	Committee	January 2013	Provide report on current efforts and opportunities
~~Public Safety Volunteer Programs (esp. at Station 24)~~	Staff Report	Committee	January 2013	Do presentation for Council about the role of Fire Corps
~~Long Term Cost of Education Incentives~~	Staff Report	Committee	January 2013	
Residential Fire Sprinkler Process	Staff Report	City Council	2008	Bring back to Committtee and then to full Council with recommendation
Crisis Intervention Training and Diversion	Staff Report	Committee	January 2013	Move to dashboard -- number of officers trained in crisis intervention and diversion
~~Police Dispatch and Response Time (Pre- and Post-Norcom)~~	Staff Report	Committee	January 2013	
DUI, Public Drunkenness and Over Service	Annual Report	Committee	2011	Move to dashboard -- number and originating location of DUI's
Public Safety Performance Measures	Staff Report	Committee	January 2013	
Quarterly Fire/EMS Response Data	Quarterly Report	Staff	Since Inception of Comm.	Move to dashboard
~~Public Safety Building Updates~~	Ongoing	City Council	2011	This can be sunsetted at some point
Downtown Activity/Transit Center	Annual Report	Committee	2011	Move to dashboard -- number of incidents/calls for service in downtown/transit center

	Type of Item	Requested By	Original Date Requested	Comments
Crime Statistics Report	Annual Report	Committee	January 2013	Add to dashboard
~~Response to Group Homes and Assisted Living Facilities~~	Annual Report	Committee	April 2014	
False Alarm Prevention Update	Annual Report	Staff	2008	Add to dashboard
North Fire Station Siting	Periodic Updates	Staff	2011	
~~Police Body Cams~~	Staff Report	Committee	2014	Refer to legislative committee to track
King County CMT Program Report and City of Kirkland Options	Staff Report	Committee	February 2015	
~~Reverse 911 System and Customer Data in 911 System~~	Staff Report	Committee	January 2014	Report on Smart 911 to full Council
~~Regulation of Marijuana Lab Operations~~	Staff Report	Committee	February 2014	
School Zone cameras	Staff Report	Committee	March 2015	Update report and bring recommendation back to Council (included in Police Strategic Plan Scope)
Police handling of cultural and language differences	Staff Report	Committee	March 2015	Prepare report to Committee
Continuity of government plan and COOP	Staff Report	Committee	March 2015	Report to Committee about how to complete these plans
Policy on drones	Staff Report	Committee	March 2015	Report to committee about how the City could use drones (included in Police Strategic Plan Scope)
~~City and citizen responsibility for fire hydrant maintenance~~	Staff Report	Committee	March 2015	This is education issue -- ~~Maybe do~~ a City Update article and check with Public Works and Northshore Utility to see what they do
~~Marine unit/fire rescue boat~~	Staff Report	Committee	March 2015	This will be a CIP project
~~Road barrier removal~~	Staff Report	Committee	March 2015	This will be a CIP project

	Type of Item	Requested By	Original Date Requested	Comments
~~Animal control~~	Staff Report	Committee	March 2015	This will come to Committee and Council prior to end of current contract with King County
Regional Fire Authority feasibility	~~Staff Report~~ Periodic Update	Committee	March 2016	

Council Committee Outstanding Agenda Topics

ATTACHMENT B

Public Safety Committee

Updated May 22, 2015

	Type of Item	Requested By	Original Date Requested	Comments
Fire Strategic Plan Implementation and Tracking	Periodic Updates	City Council	Summer 2011	
Prevention Based Efforts in Public Safety	Staff Report	Committee	January 2013	Provide report on current efforts and opportunities
Residential Fire Sprinkler Process	Staff Report	City Council	2008	Bring back to Committtee and then to full Council with recommendation
Public Safety Performance Measures	Staff Report	Committee	January 2013	
North Fire Station Siting	Periodic Updates	Staff	2011	
King County CMT Program Report and City of Kirkland Options	Staff Report	Committee	February 2015	
School Zone cameras	Staff Report	Committee	March 2015	Update report and bring recommendation back to Council (included in Police Strategic Plan scope)
Police handling of cultural and language differences	Staff Report	Committee	March 2015	Prepare report to Committee
Continuity of government plan and COOP	Staff Report	Committee	March 2015	Report to Committee about how to complete these plans
Policy on drones	Staff Report	Committee	March 2015	Report to committee about how the City could use drones (included in Police Strategic Plan Scope)
Regional Fire Authority feasibility	Periodic Update	Committee	March 2015	
Prepare Dashboard of Key Indicators	Periodic Report	Committee	May 2015	

PLEASE COPY AND DISTRIBUTE
SPONSORED BY 15 NOW TACOMA

Initiative No. 1

ATTACHMENT C

A CITIZEN PETITION TO

ESTABLISH A MINIMUM WAGE ORDINANCE FOR THE CITY OF TACOMA

Petitions with Signatures must be returned by
May 20, 2015
General Election Day
November 3, 2015

Please return Petition forms with Signatures as soon as they are completed.
Mail signatures to:
15 Now Tacoma
4633 N. Lexington St.
Tacoma, WA 98407
To request additional Petition forms or to schedule a volunteer to pick up signatures call **253-973-8153.**

Feel free to copy and distribute this petition. The law requires that the petitions be reproduced exactly like this, two-sided (with legal language on the back) and this size – 11x17.

For more information visit our website at
www.15NowTacoma.info

Signature Gatherer _____

Address _____

City _____ State _____ Zip _____

Telephone _____ Email _____

FOR SUBMISSION TO THE TACOMA CITY COUNCIL, TACOMA WASHINGTON

To Doris Sorum, City Clerk, City of Tacoma:
We, the undersigned citizens and legal voters of Tacoma, Washington, respectfully direct that the proposed measure know as Initiative Measure No. 1, entitled:

(insert official Ballot title)

a full true and correct copy of which is printed on the reverse side of this petition, be transmitted to the City Council of the City of Tacoma, and we respectfully petition the City Council to enact said proposed measure into law; and each of us for himself or herself says: I have personally signed this petition; I am a legal voter of the State of Washington in the city written after my name, my residence address is correctly stated, and I have knowingly signed this petition only once.

SUMMARY

This measure proposes an ordinance to establish a minimum wage in the City of Tacoma of fifteen dollars per hour, to be adjusted for inflation annually. The ordinance exempts those businesses that the City Tax Code defines as small businesses (currently, those with a gross income of less than $300,000) from Tacoma's minimum wage law. The ordinance authorizes the city to investigate complaints and enforce compliance. The law establishes a Citizen's Minimum Wage Commission, which reviews the City's enforcement performance annually and verifies the adequacy of the Minimum Wage every 5 years. The City may restrict repeat violators from city contracts, land use appraisals, entitlements to expand, or to operate within the city based on a history of noncompliance.

Warning

Every person who signs this petition with any other than his or her true name, or who knowingly signs more that one of these petitions, or signs a petition seeking an election when he or she is not a legal voter, or signs a petition when he or she is otherwise not qualified to sign, or who makes herein any false statement, shall be guilty of a misdemeanor.
By signing this petition, your information written below is subject to public disclosure.

City of Tacoma Voters please sign below for this Tacoma Initiative petition.

PLEASE DO NOT CUT – INVALIDATES SIGNATURES PLEASE DO NOT CUT – INVALIDATES SIGNATURES PLEASE DO NOT CUT – INVALIDATES SIGNATURES PLEASE DO NOT CUT – INVALIDATES SIGNATURES

Signature (as registered)	Print name here (for identification purposes)	Address (or where registered to vote – No PO Boxes)	City Zip Code	Date	Contact Information
1.					
2.					
3.					
4.					
5.					
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AN INITIATIVE ORDINANCE OF THE CITY OF TACOMA TO REQUIRE THE PAYMENT OF A CITY-WIDE MINIMUM WAGE

I **Declaration of Necessity.**
WHEREAS the costs of housing, food, medical care and other basic necessities in the city of Tacoma are now beyond the means of many low-wage workers to pay them and;
WHEREAS the stated mission of the City of Tacoma is to "enhance the lives of its citizens"; and the stated vision of the City of Tacoma is to "be recognized as a livable and progressive international city"; and the key to livability is a livable wage; and the mark of a progressive city is to strive to improve the welfare of its citizens and;
WHEREAS the City of Tacoma has an opportunity to demonstrate that it honors and defends the dignity and economic well-being of its citizens, the people declare that in their considered judgment the health, safety and the general welfare of the citizens of this city require the enactment of this measure. **NOW THEREFORE**, BE IT ORDAINED, BY THE PEOPLE OF THE CITY OF TACOMA: A New Ordinance is added to the Tacoma Municipal Code as follows:

II **TITLE:** This ordinance shall be known as the "TACOMA MINIMUM WAGE ORDINANCE."

III **Definitions as used in this initiative.**
(1) "Director" means the Director of the Finance Department of the City or any officer, agent or employee of the City designated to act on the Director's behalf.
(2) "Employer" includes any individual, partnership, association, corporation, business trust or any person or group of persons acting directly or indirectly in the interest of an employer to control the activities and compensation of an employee, but does not include:
(a) Any business receiving an exemption under the City of Tacoma Tax Code, 6A.30.090, Exemptions, paragraph V or a credit under 6A.30.066, Small business phased tax credit.
(b) Any business located outside the City of Tacoma if gross income as defined in 6A.30.066 remains below the highest dollar amount allowed under 6A.30.066.
(3) "Employ means to direct the activities of and compensate an employee for work performed for an employer.
(4) "Employee" includes any individual, employed by an employer who, in a given week, performs at least two hours of work within the city limits of Tacoma or maintains or reports to an office within the city limits of Tacoma or performs work supervised from an office within the city limits of Tacoma but shall not include:
(a) Any individual employed in casual labor in or about a private home, unless performed in the course of the employer's trade, business or profession;
(b) Any individual engaged in the activities of an educational, charitable, religious, state or local governmental body or agency or nonprofit organization where the employer-employee relationship does not in fact exist or where the services are offered freely by an employee without coercion by the employer and are not a condition of employment. If the individual receives reimbursement in lieu of compensation for normally incurred out-of-pocket expenses or receives a nominal amount of compensation per unit of voluntary service rendered, an employer-employee relationship is deemed not to exist for the purpose of this ordinance.
(5) "Ordinance" means the "Tacoma Minimum Wage Ordinance."
(6) "Wage" means compensation due to an employee by reason of employment, payable in legal tender of the United States or checks on banks convertible into cash on demand at full face value, subject to such deductions, charges or allowances as may be permitted by law. Gratuities received by employees shall not be considered part of the minimum wage.
(7) "Department" refers to the Finance Department of the City of Tacoma.

IV **Minimum Hourly Wage – Adjusted minimum wage based on inflation.**
(1) Beginning on the earliest date allowed by law following the certification of this ordinance, every employer shall pay to each of his or her employee's wages at a rate of not less than fifteen dollars ($15.00) per hour.
(2) On September 30, 2016 and on each following September 30th, the Director shall calculate an adjusted minimum wage rate to maintain employee purchasing power by increasing the current year's minimum wage rate by the rate of inflation. The consumer price index for urban wage earners and clerical workers, CPI-W, for the twelve months prior to each September 1st is calculated by the United States Department of Labor. The adjusted minimum wage rate for Tacoma shall be calculated to the nearest cent using the unchained CPI-W for urban wage earners and clerical workers for the Seattle-Tacoma-Bremerton CMSA. If a successor index must be chosen, the most relevant local index will be selected. Each adjusted minimum wage rate calculated under this ordinance takes effect on the following January 1st. If the inflation index is a negative number there will be no change in the minimum wage rate.

V **Police Powers granted. – Authority and responsibility to administer, monitor, enforce. – Duty to provide periodic reports.**
(1) This ordinance establishes a minimum wage for workers in Tacoma and enables the City of Tacoma and the Director of the Finance Department of the City to exercise police powers to enforce that minimum wage.
(2) The Director shall have the authority and responsibility to administer, monitor and enforce compliance with minimum wage requirements under this ordinance.
(3) Beginning March 31, 2016 and on March 31 of each subsequent year, the Director shall publish an annual report addressed to the Council, the Citizens of Tacoma, and the Minimum Wage Review Commission providing a statistically valid assessment of compliance with this ordinance and detailing related enforcement activity.

VI **Rulemaking Authority – Finance Director.**
The Director shall have the power to make rules pursuant to 6A.10.160, Director to make rules, provided that such rules or regulations do not allow any employer to pay a wage less than the Tacoma minimum wage to any employee unless exempted by the definition of an employee or employer in this ordinance.

VII **Minimum Wage Review Commission**
(1) Beginning in April of 2016 and each subsequent April an independent citizen commission shall be formed and named the Tacoma Minimum Wage Review Commission. The commission will consist of seven members, five of whom are to be selected by lot by the County Auditor from eligible City of Tacoma voters in each of the City's Council districts. One member from City of Tacoma residents with labor issues management experience is to be appointed by the Mayor and confirmed by the City Council and one member with labor issues resolution experience is to be selected by the Pierce County Central Labor Council after being nominated from City of Tacoma residents by member unions. All members must show proof of residency in the City of Tacoma upon appointment and maintain such residency for the duration of their service on the Commission.
(2) Every year, the Commission will review the Director's Report and certify that adequate resources are being allocated to administration and enforcement of the ordinance. If the Commission finds that funding and/or staffing is inadequate, the Commission is authorized to direct the City Council to rectify the situation.
(3) Every five years, the Commission will review the minimum wage and assess whether the base minimum wage needs to be increased beyond scheduled cost-of-living increases. The Commission will present its findings and recommendations to the City Council for action.

VIII **Notification of employers.**
(1) By November 1 of each year, the Department shall publish and make available to Employers a bulletin announcing the adjusted minimum wage rate for the upcoming year, which shall take effect on January 1. In conjunction with this bulletin, the Department shall by November 1 of each year publish and make available to employers, in all languages spoken by more than five percent of the work force in the City, a notice suitable for posting by employers in the workplace informing employees of the current minimum wage rate and of their rights under this ordinance.
(2) Every employer shall post in a conspicuous place at any workplace or job site where any employee works the notice published each year by the Department informing employees of the current minimum wage rate and of their rights under this ordinance. Every employer shall post such notices in any language spoken by at least five percent of the employees at the work-place or job site. Every employer shall also provide each employee at the time of hire with the employer's name, address and telephone number in writing.

IX **Investigation—Services of federal and state agencies -- Employer's records -- Industrial homework.**
(1) The Director or his or her designated representatives may investigate and gather data regarding the wages, hours and other conditions and practices of employment of any employer subject to this ordinance and may enter and inspect such places and such records and make such transcriptions thereof, question such employees and investigate such facts, conditions, practices or matters as he or she may deem necessary or appropriate to determine whether any person has violated any provision of this ordinance or which may aid in the enforcement of the provisions of this ordinance.
(2) With the consent and cooperation of federal and/or state agencies charged with the administration of federal and state labor laws, the Director may, for the purpose of carrying out his or her functions and duties under this ordinance, utilize the services of federal and state agencies and their employees and, notwithstanding any other provision of law, may reimburse such federal and state agencies and their employees for services rendered for such purposes.
(3) Every employer subject to any provision of this ordinance or of any order issued under this ordinance shall make, keep and preserve such records of the persons employed by him or her and shall preserve such records for a period of at least ten years.
(a) These records shall contain at a minimum, each employee's name, address, rate of pay, the amount paid each pay period, hours worked each day, each work week and such other information as the Director shall prescribe by regulation.
(b) Such records shall be open for inspection or transcription by the Director or his or her authorized representative at any reasonable time and such reasonable time shall be within 15 days of the Director's request for disclosure.
(c) The employer shall make reports therefrom to the Director as he or she shall prescribe by regulation.
(d) The employer shall furnish to the Director or to his or her authorized representative on demand a sworn statement attesting to the accuracy and completeness of such records and information upon forms prescribed or approved by the Director.
(4) The Director is authorized to make such regulations regulating, restricting or prohibiting industrial homework as are necessary or appropriate to prevent the circumvention or evasion of and to safeguard the minimum wage rate prescribed in this ordinance.

X **Claims against employer—Assignment of wage claim-reporting violations.**
(1) An employee of an employer as defined in this ordinance or anyone advocating in the employee's interest may file a complaint. This involves providing information showing work hours and rates of pay. The Director and any designee of the Director employed by the Department may initiate an investigation even when no complaint has been filed. All claims must be investigated by the City Finance Department or if appropriate, forwarded to the Washington State Department of Labor & Industries for investigation. In order to protect claimants from retaliation the Department shall maintain the claimant's anonymity unless and until disclosure is required by law. Claimants shall be notified of the status of their claim within 30 calendar days and further updates provided upon request until the claim is resolved by the Director. In addition to filing a complaint with the department, a worker may have other remedies under the law.
(2) Any employer who pays any employee less than wages to which such employee is entitled under or by virtue of this ordinance, shall be liable to such employee affected for the full amount of such wage rate, less any amount actually paid to such employee by the employer and for costs and such reasonable attorney's fees as may be allowed by the court. Any agreement between such employee and the employer to work for less than such wage rate shall be no defense to such action.
(3) Upon obtaining information indicating an employer may be committing a violation under this ordinance and when, in the judgment of the Director, the claims are valid and enforceable in the courts, the Director shall:
(a) Order the payment of all wages owed the workers and institute actions necessary for the collection of the sums determined owed; and
(b) Report, with evidentiary documentation, to the City Attorney to support criminal prosecution.
(c) For persons who are financially unable to employ counsel the Director may take assignments of wage claims and prosecute actions for the collection of wages.

XI **Prohibited acts of employer—Penalty.**
(1) Any employer who pays or agrees to pay wages at a rate less than the rate applicable under this ordinance shall, upon conviction therefore, be guilty of:
(a) Theft under RCW 9A.56.050—Theft in the third degree if the unpaid wages of all affected employees does not exceed seven hundred and fifty dollars; or
(b) Theft under RCW 9A.56.040—Theft in the second degree if the unpaid wages of all affected employees exceeds seven hundred fifty dollars but does not exceed five thousand dollars; or
(c) Theft under RCW 9A.56.030—Theft in the first degree if the unpaid wages of all affected employees exceeds five thousand dollars.
(2) If any of the penalties in subsection (1), immediately above, are disallowed by the courts, the employer shall pay a civil penalty of $100.00 per day per employee for the first violation or $500.00 per day per employee for the second violation or $1,000.00 per day per employee for subsequent violations. All penalty monies collected are to be evenly divided between the affected employees and the Department to defray the cost of enforcement. Further, the violator shall be subject to such further penalties as set forth herein. The civil penalty may be assessed and collected by use of all appropriate legal remedies.
(3) If the penalties cited in subsections (1) and (2) immediately above are disallowed by the courts the employer shall be subject to the maximum penalty allowed by law.
(4) Any employer who obstructs, hinders or delays the director or his or her authorized representatives in the performance of his or her duties in the enforcement of this ordinance or refuses to admit the director or his or her authorized representatives to any place of employment or fails to make, keep and preserve any records as required under the provisions of this ordinance or falsifies any such record or refuses to make any record accessible to the director or his or her authorized representatives upon demand or refuses to furnish a sworn statement of such record or any other information required for the proper enforcement of this ordinance to the director or his or her authorized representatives upon demand or otherwise violates any provision of this ordinance or of any regulation issued under this ordinance shall be deemed in violation of this ordinance and shall, upon conviction therefore, except as defined otherwise above, be guilty of a gross misdemeanor.
(5) It shall be unlawful for an employer or any other party to discriminate in any manner or take adverse action against any person in retaliation for exercising rights protected under this ordinance. Rights protected under this ordinance include, but are not limited to: the right to file a complaint or inform any person about any party's alleged noncompliance with this ordinance, the right to inform any person of his or her potential rights under this ordinance and to assist him or her in asserting such rights. Protections of this ordinance shall apply to any person who mistakenly, but in good faith, alleges noncompliance with this ordinance. Any employer who discharges or in any other manner discriminates or retaliates against any employee because such employee has made any complaint to his or her employer or because such employee has caused to be instituted or is about to cause to be instituted any proceeding under or related to this ordinance or because such employee has testified or is about to testify in any such proceeding shall be deemed in violation of this ordinance and shall, upon conviction therefore, be guilty of a gross misdemeanor. Taking adverse action against a person within ninety (90) days of the person's exercise of rights protected under this ordinance shall raise a rebuttable presumption of having done so in retaliation for the exercise of such rights.

XII **City Authorized to Consider Compliance.**
City officials are hereby authorized to consider, to the maximum extent permitted by law, an employer's record of noncompliance with this ordinance in making decisions on City contracts, land use approvals and other entitlements to expand or operate within the City. The City is authorized to either deny approval or include conditions for approval ensuring future compliance by investigating complaints of noncompliance with this ordinance and rendering City decisions on the merits of such complaints. The City is authorized to award the same relief in its proceedings as a court may award. Pursuit of such administrative remedy shall not be a prerequisite for pursuing a private action under this Ordinance.

XIII **Ordinance establishes minimum standards and is supplementary to other laws—More favorable standards unaffected.**
This ordinance establishes a minimum standard for wages and working conditions of all employees in this city unless exempted herein and is in addition to and supplementary to any other federal or state law or ordinance or any rule or regulation issued under such law or ordinance, provided such law, ordinance, rule or regulation does not allow any employer to pay a wage less than the Tacoma minimum wage to any employee not explicitly exempted by the definition of an employee or employer in this ordinance. Any standards relating to wages, hours or other working conditions established by any applicable federal or state law or ordinance or any rule or regulation issued thereunder which are more favorable to employees than the minimum standards applicable under this ordinance or any rule or regulation issued hereunder, shall not be affected by this ordinance and such other laws, rules or regulations shall be in full force and effect and may be enforced as provided by law.

XIV **Severability.**
If any provision of this ordinance or the application thereof to any person or circumstances, is held invalid, the remainder of the ordinance and the application thereof to other persons or circumstances shall not be affected thereby.

Arguments for and against

The use of initiative is direct democracy at its most fundamental level. It is favored by those who value widespread voter participation both in choosing candidates and in drafting and deciding upon legislation. It is an attempt to enlarge the role of the electorate while at the same time diminishing the power of the elected representatives, in this case the city or charter county councilmembers.

The classic arguments for initiative powers have changed little since the initiative and referendum process was introduced in its present form in this country in the early twentieth century. Proponents argued that the initiative process would neutralize special interest groups, curtail corruption, provide a vehicle for civic education, and put pressure on public officials to act in the public interest. Supporters claimed that the initiative process was the culmination of the steady advance of the broadened franchise and direct democracy in this century.

Those opposed to the use of initiative power are basically supporters of representative democracy. They stress the need for knowledge and deliberation in the drafting of legislation and the daily business of governing. While those favoring this position are often accused of being undemocratic and lacking faith in the people, they assert that the most important democratic act is the selection of representatives.

Critics of the initiative process argue that it is a dangerous device that undercuts representative government by taking lawmaking out of the hands of the legislators elected to do the job. Complex issues are reduced to fast "yes" or "no" decisions by voters who may be swayed by misleading television or other commercials paid for by special interest groups. Initiatives may be crudely drafted and no allowance made for the usual give and take of the legislative process, which often results in the kind of compromises that make laws more workable.

Both sides agree that most of the business of governing cannot be decided directly by the people but must be decided by elected representatives. Therefore, the power of initiative is always recognized as a supplement to the normal legislative process.

The same basic philosophical arguments apply to the power of referendum as apply to the initiative power.

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MEMORANDUM

To: Kurt Triplett, City Manager

From: Marilynne Beard, Deputy City Manager

Date: May 26, 2015

Subject: COUNCIL TOPICS OF INTEREST

RECOMMENDATION:

City Council identifies and prioritizes topics of interest for future discussion.

BACKGROUND DISCUSSION:

"Topics of Interest" is a time for the Councilmembers to identify topics that they would like to have brought before the Council at a later time. Following the same process as in past retreats, each Councilmember will have an opportunity to add to the potential list (in round robin fashion). When all items have been recorded on flip charts, each Councilmember will have dots to identify which topics they are most interested in discussing, referring to a committee and/or adding to the adopted work program.

Two topics have already been identified:

- Sustainability Advisory Committee
- Human Services Advisory Committee Enhanced Role