



CITY OF KIRKLAND
Department of Parks & Community Services
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Jennifer Schroder, Director of Parks and Community Services
Michael Cogle, Deputy Director of Parks and Community Services

Date: June 7, 2012

Subject: Potential Park Ballot Measure(s) Update

RECOMMENDATION:

That the City Council receives an update on planning for a potential parks ballot measure(s), including a revised recommendation from the Park Funding Exploratory Committee and provides direction to staff regarding final ballot elements to consider at the July 3 study session.

BACKGROUND DISCUSSION:

On March 6 the City Council received a report from the Council-appointed Park Funding Exploratory Committee (PFEC) providing recommendations for potential park ballot measures in November of 2012. In addition, the Council discussed potential ballot measures for parks and roads at its retreat on March 23.

On May 15 the City Council received a report from EMC Research detailing results and key findings of a statistically-valid survey of Kirkland citizens conducted earlier that month. The survey identified that the top priorities of residents for new revenue centered on infrastructure maintenance and safety. The survey also indicated strong support for three potential ballot measures that the City is considering for this November: a roads maintenance measure, a park maintenance & operations measure, and a park capital measure. While all three measures had majority support, some survey results indicated that the park capital measure was not as much of a priority for residents as the other two. This resulted in a discussion about whether all three measures should be moved forward to the November 2012 election.

While no final decisions were made, the Council expressed interest in moving forward with November roads maintenance and parks maintenance ballot measures. With respect to parks, the Council requested that the PFEC reconvene to reconsider its original recommendations in light of the survey results.

The PFEC met once again on May 31. After a brief discussion on the results of the recent survey, the group was asked to consider three options for park funding:

- Option A:** One Ballot Measure: Parks Maintenance & Operations Levy Only (no capital)
- Option B:** Two Ballot Measures: Parks Maintenance & Operations Levy and 9-Year Capital Levy (Original PFEC Recommendation to Council)
- Option C:** One Ballot Measure: Combined Parks Maintenance & Operations and Capital Levy (the “pay as you go” capital option)

A summary of the relative advantages and disadvantages of the options was prepared for the PFEC meeting by staff and is shown as **Attachment A** to this report. The following is a brief summary of the options considered by PFEC.

❖ **Option A: Parks Maintenance & Operations Levy (No Capital)**

This option would provide on-going funding to:

- Restore maintenance levels throughout the City’s park system to Kirkland standards;
- Improve safety at City beaches (Houghton, Waverly, and Juanita Beaches) through stable funding for summer lifeguards;
- Assume responsibilities for maintenance and operation of O.O. Denny Park from the Finn Hill Park and Recreation District;
- Protect and enhance the City’s investment in forest restoration via the Green Kirkland Partnership Program;
- Maintain the Cross Kirkland Corridor for use as a public recreation trail.

Table 1. Option A Funding Summary

Funding Purpose	Annual Levy Funding Allocation	Annual Cost to Average Homeowner	Rate per \$1,000 AV
Restore M & O (including Lifeguards)	600,000	19.68	0.041
O.O. Denny Park Maintenance	137,500	4.51	0.009
Forest/Habitat Restoration	192,500	6.31	0.013
Maintain Cross Kirkland Corridor Trail	110,000	3.61	0.008
Total Levy:	1,040,000	34.11	0.071

Note: Annual cost to average home based on \$480,000 assessed valuation.

Note: The original PFEC recommendation included additional M&O funding to support capital improvements to Edith Moulton Park and City-School Playfield Partnerships; however, they are not shown in this scenario since this scenario assumes no capital levy.

PFEC Considerations for Option A:

While this option has the advantage of being the least costly option and would meet current needs for maintenance improvements now, the fact that it does not provide funding for capital improvements was seen as a significant disadvantage by the PFEC. As such, this option was not supported by PFEC at their May 31 meeting.

❖ **Option B: Two Ballot Measures: Parks Maintenance & Operations Levy and 9-Year Capital Levy (Original PFEC Recommendation to Council)**

This option reflects the original recommendation of the PFEC provided to the Council on March 6. An on-going M&O Levy would provide funding for all of the purposes identified in Option A, with the addition of M&O funding to support proposed capital improvements to Edith Moulton Park and various City-School District playfield partnership sites.

The 9-Year Capital Levy as originally recommended would provide \$10,000,000 to renovate, enhance, and expand Kirkland's park and trails system. Priority Capital Projects would include:

- Cross Kirkland Corridor Trail. Provides funding to create an interim hiking trail within the 5.75 mile Cross Kirkland Corridor.
- Land Acquisition Opportunity Fund. Provides funding to acquire land for future neighborhood parks in areas of the City where new parks are needed.
- Edith Moulton Park Renovation. Provides funding to complete renovations to community park transferred from King County as part of the 2011 annexation.
- City-School District Playfields Partnership. Provides funding to continue partnership with LWSD to upgrade school playfields for neighborhood and community use.
- Juanita Beach Bathhouse Replacement. Provides funding for replacement facility for park restrooms, maintenance storage, and canoe/kayak boating concession.
- Dock and Shoreline Renovations. Provides funding for major repairs and improvements to public docks and park shorelines for safety and property protection.
- Waverly Beach Park Renovation. Provides funding to provide needed improvements to this popular community waterfront park.

A summary of the estimated costs associated with this option is shown in Table 2 below:

Table 2. Option B Funding Summary (Original PFEC Recommendation)

Funding Purpose	Capital Funding Allocation	9-Year Annual Cost to Average Home	Annual MO Funding Allocation	Annual Cost to Average Home	Total Annual Cost to Average Home	Rate per \$1,000 AV
Restore M & O	None		600,000	19.68	19.68	0.041
O.O. Denny Park	None		137,500	4.51	4.51	0.009
Forest Restoration	None		192,500	6.31	6.31	0.013
Waverly Beach Renovation	500,000	2.05	None		2.05	0.004
Dock and Shoreline Renovations	800,000	3.28	None		3.28	0.007
Edith Moulton Park Renovation	1,000,000	4.10	27,500	0.90	5.00	0.010
City-School Partnership Projects	1,000,000	4.10	27,500	0.90	5.00	0.010
Land Acquisition Opportunity Fund	2,500,000	10.25	None		10.25	0.021
Develop/Maintain Cross Kirkland Corridor Trail	3,000,000*	12.30	110,000	3.61	15.91	0.033
Juanita Beach Bathhouse Replacement	1,200,000	4.92	None		4.92	0.010
Total:	10,000,000	41.00	1,095,000	35.92	76.92	0.160

Note: Annual cost to average home based on \$480,000 assessed valuation.

** Original amount recommended to be allocated for the Cross Kirkland Corridor Trail. Subsequently, some funding has been secured from the State of Washington for this project, with funding from additional outside sources also possible. As a result, this amount may be reduced accordingly.*

PFEC Considerations for Option B:

The PFEC reconsidered this option at their meeting of May 31. The relative advantages of this option were discussed: the two ballot measures provide funding for both M&O and high priority capital improvements; it provides all capital funding “up-front” to expedite projects and property acquisitions; it allows the City to take advantage of low interest rates (for issuing debt) and comparatively low property values (for land acquisition). It also provides voters with a choice to approve one, both, or neither of the measures. Finally, the recent survey results indicate majority support for both potential ballot measures.

However, overriding these perceived advantages was the concern that two park ballot measures and a road ballot measure on the same November ballot might jeopardize one or more of the funding propositions put forth by the City. While there continued to be some

support among some PFEC members for this option, the majority preferred a single park ballot proposition providing funding for both maintenance and capital, as described in Option C below.

❖ **Option C: Combined Parks Maintenance & Operations and Capital Levy**
(New PFEC Recommendation)

This option would provide on-going funding for maintenance activities (as described in Options A & B) as well as on-going funding for capital improvements. Rather than capital funding derived “up-front” through the issuance of bonds (Option B), the levy would provide an annual revenue stream from which a portion would be allocated to fund capital improvements on a “pay-as-you-go” basis (levy funds in this option could not be used to pay off debt incurred from issuing bonds). In essence, the portion of the levy funds not used for M & O would supplement existing annual revenue sources for the Parks CIP. (For an examination of recent funding levels for the Parks CIP see **Attachment B.**)

Capital funding initially would be prioritized to fund the important Priority Capital Projects identified by PFEC (and as shown in Option B); thereafter, levy-funded projects would be determined through the City’s typical CIP budgeting process to address the extensive number of unfunded projects currently identified in the City’s Park, Recreation, and Open Space (PROS) Plan.

The original PFEC recommendation (Option B) would cost the owner of an average Kirkland home approximately \$77 per year for the first nine years (and approximately \$36 thereafter as the capital levy would expire). Since the “pay-as-you-go” options do not involve the use of debt (eliminating interest costs), all annual levy proceeds would be available for the CIP. Using the total annual impact of \$77 as a threshold, the annual amount available for capital is \$1,250,000 as shown below:

Table 3. Option C Funding Summary (New PFEC Recommendation)

Funding Purpose	Annual Levy Funding Allocation	Annual Cost to Average Homeowner	Rate per \$1,000 AV
Restore M & O (include Lifeguards)	600,000	19.68	0.041
O.O. Denny Park Maintenance	137,500	4.51	0.009
Forest/Habitat Restoration	192,500	6.31	0.013
Maintain Cross Kirkland Corridor Trail	110,000	3.61	0.008
Edith Moulton Park Maintenance	27,500	0.90	0.002
City-School Projects Maintenance	<u>27,500</u>	<u>0.90</u>	<u>0.002</u>
Subtotal: Annual M & O Allocation:	1,095,000	35.92	0.075
Annual Park Capital Improvements	1,250,000	41.00	0.085
Total Levy:	2,345,000	76.92	0.160

Note: Annual cost to average home based on \$480,000 assessed valuation.

If the City Council wanted to maintain the same capital funding as raised under the debt scenario (i.e. \$10,000,000), then the levy rate and annual impact to the taxpayer for the capital portion of the levy could be reduced to \$.068 and \$32.64 respectively assuming a 10 year measure. Alternatively, the City Council could choose a higher or lower capital levy amount and this decision should be considered in the context of whether the ballot measure would be permanent or time limited.

One advantage of the "combined" option is that the City would have the flexibility, if desired, to adjust the proportion of levy funds annually distributed towards maintenance and capital. For example, while the City fully ramps up maintenance staffing levels in the initial year or two, a portion of levy funds not needed for the operating budget could be redirected towards capital projects. Likewise, as the City experiences inflationary costs to the maintenance budget over time, an increasing proportion of levy proceeds could be directed towards the operating budget while decreasing funding available for capital improvements.

How soon could PFEC's recommended Priority Capital Projects get completed with Option C?

From Option B, the following are the Priority Capital Projects recommended by PFEC for funding, adjusting the Cross Kirkland Corridor to acknowledge receipt of the state grant.

\$ 500,000	Waverly Beach Renovation
\$ 800,000	Dock and Shoreline Renovations
\$1,000,000	Edith Moulton Park Renovation
\$1,000,000	City-School District Playfields Partnership
\$2,500,000	Land Acquisition Opportunity Fund
\$1,600,000*	Cross Kirkland Corridor Interim Trail
<u>\$1,200,000</u>	Juanita Beach Bathhouse Replacement
\$8,600,000	Total

** Note that this net amount needed for CKC Trail is less than originally estimated by PFEC. It reflects both a revised overall project cost (from \$3,000,000 to \$3,600,000) and acknowledges that the City will receive \$2 million from State of Washington for the project, leaving a net shortfall of \$1,600,000.*

Depending upon the amount of the capital levy rate imposed, the projects would take more or less time to accomplish based on the availability of funds. The following table shows three timetable scenarios for generating the funds necessary to complete the priority projects listed above, including a \$1,250,000 annual amount recommended by PFEC, a \$1,000,000 amount consistent with first capital funding level using debt and a \$750,000 amount as a means of demonstrating the impact of reducing the levy. The order of project implementation and completion would be determined in part by considering both project readiness and the availability of sufficient funds. Levy proceeds can be carried over from year-to-year.

Table 4. Option C Timeline Scenarios for Funding Priority Capital Projects

Year-by-Year Accumulation	Levy proceeds of \$1,250,000 per year for capital	Levy proceeds of \$1,000,000 per year for capital	Levy proceeds of \$750,000 per year for capital	
2013	1,250,000	1,000,000	750,000	
2014	2,500,000	2,000,000	1,500,000	
2015	3,750,000	3,000,000	2,250,000	
2016	5,000,000	4,000,000	3,000,000	
2017	6,250,000	5,000,000	3,750,000	
2018	7,500,000	6,000,000	4,500,000	
2019	8,750,000	7,000,000	5,250,000	
2020	Additional \$1.25 million per year toward future CIP projects	8,000,000	6,000,000	
2021		9,000,000	6,750,000	
2022		Additional \$1 million per year toward future CIP projects		7,500,000
2023			8,250,000	
2024			9,000,000	
etc.			Additional \$750,000 per year toward future CIP projects	

Under the \$1.250 million scenario, all of the identified capital projects could be completed within seven years while the \$1 million scenario would require nine years, and \$750,000 would require twelve years.

The table below shows the relative annual impact of each capital funding option:

Annual Amount Raised for Capital	\$1,250,000	\$1,000,000	\$750,000
Tax Rate per \$1,000 AV**	\$.085	\$.068	\$.051
Annual Impact on \$480,000 Home for Capital**	\$40.80	\$32.64	\$24.48

** Each \$250,000 is \$.017 per \$1000 and approximately \$8.16 annually on the average home

PFEC Considerations for Option C:

Amount

The majority of PFEC members at the May 31 meeting supported Option C with the \$1.25 million annual capital amount. The PFEC felt it had the advantage of providing funding for both on-going maintenance needs and on-going capital needs within a single measure. Once Priority Capital Projects are funded and completed, it would provide additional on-going capital funding for the City to address a significant backlog of unfunded park renovation, park development, and indoor recreation needs. Coupled with a roads maintenance measure, it would mean that the City would be asking voters to consider potentially two funding measures rather than three.

PFEC members did express concern about how such a ballot measure would be understood by citizens, and emphasized that clear wording of the ballot measure and information materials would be critical. PFEC also felt it would be important to identify and describe which projects would be completed within the first five or six years.

Permanent or Time limited

It was noted that City of Bellevue voters approved a similarly-structured parks levy in 2008, although it was limited to 20 years duration. The PFEC considered the relative merits of placing a time limit on the levy (such as 9 or 20 years), but ultimately concluded that the need to provide permanent, on-going funding for park maintenance was critical and that a permanent levy was preferred.

While securing funding for maintenance remains the PFEC's top priority, the PFEC as a group also believed that funding for capital improvements is important at this time and that the recent citizen survey indicated support from citizens for both purposes.

Cross Kirkland Corridor Funding

The original PFEC recommendation included \$3 million dollars for interim trail development of the Cross Kirkland Corridor (CKC). Since then that estimate has been revised up to \$3.6 million and a state grant for \$2 million for the CKC has been received. At the May 31st PFEC meeting the PFEC recommended adjusting the CKC amount and the total levy down to reflect the remaining \$1.6 million. After the PFEC meeting staff has learned that it likely that Kirkland will secure a \$1 million PSRC grant for the CKC. If so, the Council could choose to revise the CKC number down even further to \$600K and reduce the overall levy amount, leave \$1.6 million in the measure for the CKC or reallocate the \$1 million in savings to other projects.

Next Steps and Council Direction Requested

As a reminder of the pertinent deadlines associated with placing a measure on the November 2012 ballot, the following summarizes the planned activities and associated dates:

July 3:

- Council Study Session to consider potential ballot propositions
- Review of draft ballot titles and explanatory statements
- Council directs City Clerk to solicit citizens interested in serving on committees to prepare Pro and Con Statements for voter's pamphlet

July 17:

- Council to consider ordinances formally placing propositions on November 6 general election ballot;
- Council may schedule public hearings if desired (not required)
- Council appoints citizen committees to prepare Pro and Con Statements

August 7:

- Deadline for City to file ordinances with King County to place ballot propositions on ballot

August 15:

- Deadline for Pro/Con Committees to submit statements to King County

November 6:

- General Election

Staff is requesting direction from the City Council so that appropriate ballot titles can be prepared for consideration on July 3. There are three dimensions that need consideration.

1. Which ballot measure option does the City Council prefer:
 - a. Option A: Maintenance only
 - b. Option B: Separate maintenance and capital levies
 - c. Option C: One Maintenance and "Pay-as-you-Go" capital levy
2. Based on the option chosen, how much operating and capital funding should be requested? Specifically, if Option C is the preferred option, should the ballot measure request a rate that generates annual capital funding of \$1,250,000, \$1,000,000, \$750,000 or some other amount? As part of this decision, what assumptions should be made about CKC funding in the levy.
3. Should the maintenance and/or capital levy be permanent or time-limited (e.g. requires reauthorization by the voters after 10 years, 20 years or some other time period)?

NOTE: The issue of a time limit for the ballot measure will also need to be answered for the potential Roads maintenance levy. Should it be a 10 year, 20 year or permanent levy? Staff will be looking for similar direction on the Roads ballot measure at the July 3rd Council meeting.

Attachments

cc: Park Funding Exploratory Committee
Park Board
Marilynne Beard, Assistant City Manager
Tracey Dunlap, Director of Finance and Administration

ATTACHMENT A

Park Funding Options

OPTION A		OPTION B		OPTION C	
MO LEVY ONLY (\$34)		MO LEVY (\$36) + CAPITAL LEVY (\$41) (original PFEC recommendation)		COMBINED MO/CAPITAL LEVY (\$77) (current PFEC recommendation)	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
Least expensive of the three ballot options	Does not provide funding for capital	Provides funding for both maintenance and capital needs	Requires two separate ballot measures	Provides permanent, on-going funding for both maintenance <u>and</u> capital needs	Does not allow voter to choose MO vs. capital (“all or nothing”)
Has higher chance of passage	May make it more difficult to put forward a capital levy in the near future	Allows voter to choose one, both (or neither)	Capital funding capped at \$10 million (as proposed by PFEC)	Over time, would generate the most funding for capital projects as compared to other options	Entire levy is permanent as opposed to 9-year capital levy (greatest long-term impact to property taxes)
Meets current needs now		Provides funding for acquisition at a time of decreased property values in Kirkland	Potential voter fatigue with competing voted tax measures (Kirkland and other agencies)	Opportunity to adjust amount of total funding distributed to MO and capital (both during initial ramp-up and long-term)	“Pay-as-you-go” may limit ability to fund or timing of larger capital projects or purchases
Provides single focus for campaign – maintaining what we have		Provides capacity to assume debt while interest rates are very low	Survey results indicate funding for capital has comparatively less support	Allows for lower total levy request while including selected capital projects that have broad-based support	Capital projects completed at a slower pace
Allows PROS Plan to be completed so that priorities can be confirmed/ revised		Provides all capital funding “up front” to allow City to expedite projects/acquisitions	May put MO Levy at risk		
		Capital levy debt is retired after 9 years			

2002-2011 PARKS ANNUAL CIP FUNDING

Year	REET 1	Impact Fees	Park Bond¹	Open Space KC Levy	General Fund Rev²	Grants/ External³	Total Funding
2002	570,000	80,000	-	-	-	-	650,000
2003	847,500	40,000	45,468	-	-	200,000	1,132,968
2004	716,109	-	3,577,963	-	-	10,000	4,304,072
2005	749,100	-	3,031,655	-	22,000	12,221	3,814,976
2006	1,020,000	40,000	571,762	-	-	-	1,631,762
2007	1,325,394	155,000	547,476	-	144,594	77,315	2,249,779
2008	805,726	449,074	240,656	118,097	-	106,097	1,719,650
2009	479,004	-	283,518	122,232	-	352,737	1,237,491
2010	1,340,808	-	323,781	126,491	-	372,848	2,163,928
2011	1,082,525	-	314,323	128,692	750,000	224,487	2,500,027
Total	8,936,166	764,074	8,936,601	495,512	916,594	1,355,705	21,404,652
Average⁴	894,000	76,000	894,000	124,000	92,000	136,000	2,216,000

Annual Average Excluding Park Bond Funding: 1,322,000

- 1) Includes interest earnings on unspent balances
- 2) Primarily state grants, along with McAuliffe Park insurance recovery, and small private contributions
- 3) General Fund contributions include use of Capital Contingency
- 4) Average for Open Space King County Levy since 2008