



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

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

Date: June 15, 2016

Subject: PRELIMINARY 2017-2022 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION:

City Council reviews the Preliminary 2017 to 2022 Capital Improvement Program (CIP) and provides feedback. Final adoption is scheduled for December of 2016.

BACKGROUND DISCUSSION:

The Preliminary CIP for 2017 to 2022 is presented with this memo for Council consideration and consists of two volumes:

- (1) A summary document including the 27-page introductory narrative, summary tables and graphs, and brief project descriptions. A hard copy of the summary document was provided for Council review on June 14th, and
- (2) A project detail document which contains the individual funded and unfunded project sheets.

Both documents are available at: <http://www.kirklandwa.gov/CIPdocument>. The June 21st staff presentation will focus on the Introduction of the Summary document, which is attached to this memorandum as Attachment A. This narrative contains detailed discussions of the key policy issues and presents project highlights by Council Goals [<http://www.kirklandwa.gov/Assets/City+Council+Goals.pdf>] for the Preliminary 2017-2022 CIP.

Depending on issues and questions that arise from the CIP discussion, further presentations may be scheduled. The Final 2017-2022 CIP will incorporate Council direction and decisions made through the rest of this year. Adoption of the CIP occurs by Council resolution and is scheduled for the December 13, 2016 Council meeting.



PRELIMINARY CAPITAL IMPROVEMENT PROGRAM 2017 TO 2022

INTRODUCTION

The City of Kirkland Capital Improvement Program (CIP) is a plan that addresses construction, repair, maintenance and acquisition of major capital facilities and equipment. This Summary document and the Project Detail document (available electronically at <http://www.kirklandwa.gov/CIPdocument>) provide information regarding projects planned for the next six years. This represents the first look at the Preliminary 2017-2022 CIP. Additional changes, including options for use of additional REET 2 revenue, are likely between now and City Council's adoption of the final CIP on December 13, 2016.

The CIP is the City's six-year funding plan for building, maintaining and improving the roads, sidewalks, public buildings, parks, and other fixed assets. The 2015-2020 CIP was developed in concert with a number of citywide planning processes, including Kirkland 2035, the Transportation Master Plan and the Parks Recreation and Open Space Plan. Timing the CIP adoption with the finalization of these plans required that the CIP process take place in an odd numbered year, out of sequence with the adoption of the 2015-2016 Biennial Budget. The Preliminary 2017-2022 CIP re-synchronizes the capital discussion with the 2017-2018 Biennial Budget process. Since only five months have passed since the last full CIP process, the core of the 2017-2022 CIP represents an affirmation of the planning decisions made in 2015, with updates to cost and timing where necessary, and the addition of 2021 and 2022 to the project planning horizon.

At the May 2016 retreat, the Council received information on key [emerging issues](#) affecting the development of the 2017-22 CIP. These included a proposed financing plan for building a new Fire Station 24 and an outline of a public process to explore additional fire safety investments that, while largely an impact to the 2017-2018 Biennial Operating Budget by way of resources to support the process, could lead to CIP impacts in the future. Also presented was the potential impact to the capital program from upcoming, significant changes to environmental regulations. These include changes to the City's Critical Areas Ordinance (CAO) and the Surface Water Design Manual (SWDM). Both the CAO and the SWDM represent regulatory frameworks required of the City by the Washington State Department of Ecology and other State and Federal regulators. Adoption of these regulations is required by Ecology and the intent is for adoption to occur no later than December 31, 2016.

These regulations strengthen the protection of the environment, though they will in some cases increase the cost of affected capital projects. While the full extent of the impacts cannot be known until the regulations are finalized and estimating work can be completed at the project level, staff has completed an order of magnitude assessment of the impacts on funded projects in the 2017-2018 CIP, as well on projects that are funded in the current biennium. A comprehensive discussion of this process and the funding strategy is included on page xii.

The CIP is organized into seven sections:

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Transportation includes improvements to streets, intersections, pedestrian safety, public transit and non-motorized facilities.

Surface Water Management Utility projects include improvements to the City's storm drain system including streambank restoration on private property.

Water and Sewer Utility projects include replacement and enhancement of the City's water conveyance and sanitary sewer systems.

Park projects include renovation, replacement and construction of park and recreational facilities and acquisition of park and open space lands.

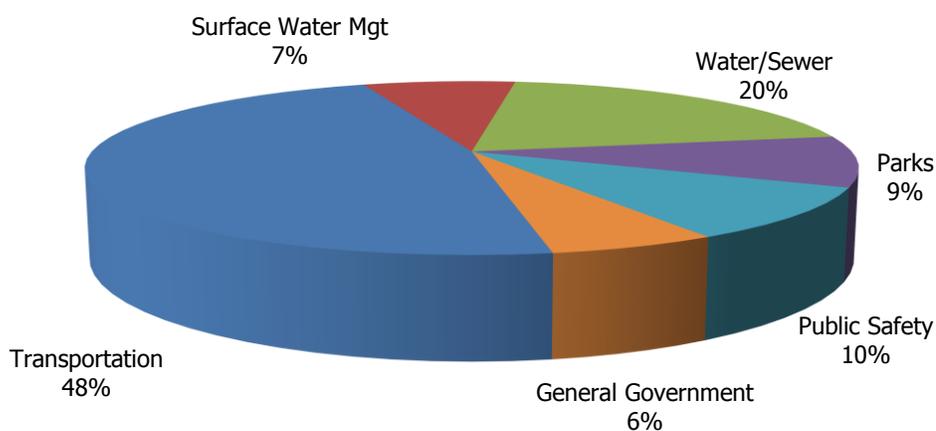
Public Safety projects address fire and police needs and the acquisition of major new equipment with a value greater than \$50,000 and facilities associated with public safety.

General Government projects include two areas – technology system acquisition and replacement, and general government facility construction and renovation (excluding public safety facilities, as described above).

Equipment Rental includes the purchase of major fire apparatus and the replacement of City vehicles.

This structure assists City staff with tracking and managing the projects by funding source and function. The aggregate data and detailed information is presented in these categories, however, the summary narrative for the 2017-2022 CIP focuses on the revenue sources employed in funding the capital recommendation, the emerging policy issues that guide its development and how projects relate to Council's Goal Areas.

The chart below shows the relative size of the funded project categories in the 2017-2022 CIP:



Capital Improvement Program – 2017 to 2022

The City's Capital Improvement Program has grown substantially over the past ten years, as illustrated by the table below (with investments in public safety facilities like the Kirkland Justice Center (KJC) shown in the Public Safety category).

CIP Expenditure History by Category - Actuals 2006-2015

	Trans	Parks	Public Safety	Technology	Facilities	Surf Wtr	Water/Sewer	Total
2006	3,869,216	1,100,123	26,686	677,092	622,199	748,996	3,039,690	10,084,002
2007	3,836,700	3,023,833	214,467	1,690,739	568,665	1,014,715	3,180,487	13,529,607
2008	4,824,708	1,089,616	46,848	1,574,195	806,763	1,330,816	4,890,347	14,563,293
2009	6,845,294	1,580,526	650,491	794,451	1,557,475	1,095,033	4,860,352	17,383,621
2010	6,013,625	1,453,241	11,231,510	1,274,150	524,576	4,501,019	7,819,322	32,817,442
2011	7,895,500	2,740,063	750,807	628,464	112,075	887,400	345,996	13,360,306
2012	16,644,900	1,793,184	1,132,077	762,075	455,704	4,435,280	3,986,820	29,210,039
2013	11,505,068	1,157,690	19,339,127	1,466,822	359,242	4,623,661	1,254,218	39,705,829
2014	11,122,588	3,014,706	11,838,509	897,313	907,761	2,711,523	2,878,355	33,370,755
2015	16,141,092	1,055,912	1,123,259	1,329,740	7,293,784	5,268,145	8,025,732	40,237,664
Total	88,698,690	18,008,894	46,353,781	11,095,042	13,208,244	26,616,589	40,281,318	244,262,558

In each section, a summary of funded projects reflects projects expected to take place with available funding within the 6-year window of the 2017-2022 CIP. The CIP is balanced with funded projects scheduled over the six-year period that match anticipated identified funding and cash flow. The unfunded projects represent capital needs that could not be funded within the six-year period or that are not sufficiently well defined to be included in the funded portion of the CIP. Each section of this document includes highlighted, summarized information about each funded project. Each section also includes various summary tables and graphics showing funding sources by CIP category and types of projects funded.

The separate Project Detail document, which is available electronically at <http://www.kirklandwa.gov/CIPdocument>, includes project summary tables by category and includes all project detail sheets for both funded and unfunded projects.

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 the CIP, staff has refined the unfunded element to distinguish between those projects that would be candidates for funding from revenue sources after 2022 and those that are not likely to be funded without substantial external and/or new revenues. An example of the latter would be construction of a new Community Recreation Facility, which is only likely to proceed with a new voted revenue source.

In some cases, changes in Council priorities or other circumstances, such as an updated master plan, cause staff to recommend that previously approved projects be modified. A list of all modifications and deletions to the CIP is included in the Summary section of this document.

Operating impacts are an important consideration in capital planning. Once the Council has committed to a capital project that has operating implications, some level of obligation is created for the operating budget. For example, the acquisition and development of new parks requires maintenance staff – even if the park is passive and simply requires monitoring and control of natural vegetation.

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Although many of these capital projects do not, in and of themselves, require the addition of an entire full time equivalent employee (FTE), they trigger increments of FTE's that must be added at some point. The operating impacts arrive either in the year the project is completed or the following year. Each capital project description sheet in the Project Detail document includes a summary of anticipated operating impacts at the bottom of the first page. A list of operating impacts associated with proposed capital projects is included in the Summary section of this document. This Summary highlights the potential impacts to the operating budget related to completed CIP projects that must compete for limited operating resources. Projected maintenance and operating costs and needed FTEs will form the basis of department requests for new service package funding in future budget processes.

POLICY BASIS

The City's adopted fiscal policies provide general guidance for preparation of the CIP. A capital project is defined as the construction, acquisition or renovation of buildings, infrastructure, land and major equipment with a value greater than \$50,000 (with some limited exceptions below this threshold such as vehicles). The fiscal policies emphasize the importance of capital investment in existing assets to avoid major costs in the future.

The six-year CIP includes 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. Many of these projects are identified in the subject area strategic and/or master plans, most of which were updated as part of the Kirkland 2035 planning process.

Proper maintenance and replacement is the most critical element to the CIP, since it ensures maintenance of the current service level and mitigates the need for more costly repairs in the future. The level of maintenance desired by the Council may exceed minimum requirements and should be in line with best practices and the level of infrastructure repair expected by the community. Although maintenance and replacement is essential, the level of maintenance is a policy choice.

Required capacity relates to projects needed to meet the adopted transportation level of service (LOS). The City has an obligation to maintain the adopted level of service and to provide sufficient future funding for projects needed to match projected growth to meet concurrency requirements as adopted in the City's Comprehensive Plan.

Desired levels of service are developed for other areas as reflected in master plans and strategic plans, including such things as park investment, intersection and street improvements, sidewalks, technology systems and public safety apparatus. They are essential in their own way, however, they are not required by law. From a funding priority perspective, desired service levels are addressed after basic maintenance and concurrency requirements.

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

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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.

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 will generally precede 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.

In addition to the projects funded as part of the 2017-2022 CIP, there are a large number of active projects that are currently funded and underway that were approved as part of prior CIP processes. The total remaining budget on these projects is \$96.5 million as of the end of 2015, as summarized by function in the table below and shown in the "Active Project" sheets in each functional section.

Program	Proj Budget through 2016	Expenses through 2015	Proj Balance 12/31/2015
Transportation	82,258,637	41,100,337	41,158,300
Parks	13,174,716	4,507,105	8,667,611
General Government			
Technology	9,189,928	5,602,249	3,587,679
Facilities	18,940,596	3,653,503	15,287,092
Public Safety*	37,907,000	33,720,050	4,186,950
Utilities			
Surface Water	16,189,130	9,260,883	6,928,247
Water/Sewer	26,748,641	10,129,355	16,619,286
Total	204,408,648	107,973,482	96,435,165

*Includes Kirkland Justice Center

The 2017 to 2022 CIP inflates each project by a percentage appropriate for that project category based on recent cost trends, so that the estimated future costs are taken into consideration. Likewise, some funding sources are indexed to inflation or increased annually based on historical trends, so that a similar methodology is employed on the resource and requirement sides. In many cases project

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amounts in the CIP are driven by available resources rather than growing costs of materials. For example, the Street Levy Street Preservation funding levels are based on the revenue projections for the 2012 Streets Levy. While inflation does not drive the funding amount, it does impact the work that can be accomplished with a given amount of funding.

For most programs where inflation does apply, the inflation projection falls in the 2% to 4% range. As mentioned previously, in many cases project costs are based on engineering estimates, and contingencies and reserves are in place to buffer the impact of scope changes, including price increases. An exception to the general inflationary trend assumption is the IT program, which uses a 0% inflation estimate based on the stabilization of hardware prices in the industry.

FUNDING

Funding is established by project category that reflects legally dedicated revenue streams and Council dedicated revenue sources. The CIP utilizes four main categories of funding sources – current revenue, reserves, debt and external sources. These revenue sources are described below.

Current Revenue represents estimates of annual ongoing revenue that will be received from anticipated sources. These include excise and property tax revenues, impact fees charged to new development, and utility rates and charges for existing and new customers. These are largely distinguished by the fact that they are derived from the current year's economic, development, or usage activity. Current revenue sources were reviewed carefully and notable assumptions are highlighted below.

- **Real Estate Excise Tax (REET)** consists of two 0.25% excise taxes levied by the City against real estate sales (referred to as REET 1 and REET 2, for a total of 0.5%). Collections have been strong, consistent with the economic and real estate market recoveries since the recession ended in mid-2009. Recent REET collections have exceeded their previous high point reached in 2006, though it is worth noting that collections now include sales activity in the 2011 annexed neighborhoods. Historically, REET has been very volatile as evidenced by the drop from its prior peak collections of \$7.1 million in 2006 to \$2 million in 2009 after the collapse of the housing bubble. Since 2009, revenue has built to its most recent high point of \$9 million in 2015. Rather than predict collections at this level in the future, the forecast relies on approximately \$5 million per year in 2017 and 2018. In 2019 through 2022, the forecast drops to approximately \$2.5 million per year.

A total of approximately \$18.1 million of current REET revenue is budgeted in the six-year CIP, including \$10.1 million for Transportation projects, \$3.7 million for Parks projects, and \$4.2 million for Fire Station 24 construction in the Public Safety program. Approximately \$263,500 per year is also assumed to pay maintenance expenses in the operating budget as allowed by state law, with \$90,000 used for Transportation maintenance, \$110,000 for Parks maintenance and \$63,500 per year for enhanced maintenance on the Cross Kirkland Corridor (CKC). The funding plan assumes that these maintenance uses will continue during the six year CIP.

Any difference between the budgeted REET revenue and actual receipts is placed in the REET 1 and REET 2 reserves for use as grant matches and to supplement current revenue to fund high priority projects and facility needs.

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- Property Tax Levy Lid Lifts** – On November 6, 2012, Kirkland voters approved two new property tax levies to support street maintenance and pedestrian safety and parks maintenance, restoration and enhancement. In 2017 these levies are expected to generate \$3,195,382 and \$2,506,184 for these purposes, respectively. This projection is based on the assumption that the levies grow by 2% from their 2016 level. Property tax growth is limited by state law to 1 percent plus the growth in value from new construction, which is assumed to be 1 percent in future years.

Revenues from the two levies are deposited in the Street Operating and Parks Levy Funds, respectively, and a set amount is transferred into the CIP for specific capital uses. The following table shows the proposed allocation of the projected levy revenues between capital and operating uses in the 2017-18 budget:

Park and Street Levy Budget Allocations		
	2017	2018
<u>2012 Street & Pedestrian Safety Levy</u>		
Total Revenue	3,195,382	3,227,075
Operating Budget	569,382	575,075
Capital Improvement Program	2,626,000	2,652,000
<u>2012 Park Levy</u>		
Total Revenue	2,506,184	2,556,308
Operating Budget	1,256,184	1,306,308
Capital Improvement Program	1,250,000	1,250,000

In 2017 and 2018, projected growth in the Street & Pedestrian Levy is assumed to be split equally between capital and operating uses, to recognize the fact that cost growth affects both the capital and operating funds.

Future growth in the Park Levy in 2017 and 2018 is assumed to be retained in the operating budget to provide operating and maintenance support for park projects, while the CIP contribution is fixed at \$1.25 million per year. In addition, the 2012 ballot question for the Park Levy included a list of projects that would be completed using the new revenues from the levy. It was assumed that after these projects were completed, future revenue from the levy could be directed to operating and maintenance costs, as needed, with any residual available for capital projects. The 2017-2022 CIP completes the majority of the work on the list of projects; therefore, beginning in 2019 and continuing thereafter, a growing portion of capital-related levy revenue is assumed to be retained in the Parks and Community Services operating budget for operating and maintenance uses. In addition, staff is developing options to dedicate a portion of the levy used for capital purposes to a dedicated sinking fund for Park's facilities.

- Impact Fees** – Impact fees are charged to new development projects to provide revenue to build infrastructure to service the population growth attributed to the new development. The CIP includes funding from impact fees to build Park and Transportation projects. In the six year CIP, a total of \$9.7 million of impact fees are assumed to be collected from development to support projects. A significant portion of this total is related to two large projects related to the Totem Lake redevelopment project, including \$2.4 million to support Totem Lake

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Intersection Improvements in 2017 and \$2.1 million to support the NE 124th St/124th Ave NE Pedestrian Bridge Design and Construction project in 2018. Beyond this significant development activity in 2017 and 2018, \$1 million per year is assumed to be collected from Transportation impact fees. Parks impact fees are programmed at \$594,000 million beginning in 2017 and growing to \$1.75 million by 2022.

- **Interest Earnings** – Interest earnings have been very low since the end of the 2009 recession. Prior to the last recession, and the ensuing expansionary monetary policy adopted by the Federal Reserve intended to spur growth, General Fund interest earnings had provided as much as \$800,000 per year for CIP projects. With earning rates currently near zero, and with continuing uncertainty as to the timing and magnitude of future rate increases, the CIP does not include any revenue from this source.
- **Utility Rates, 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 rates, fees and charges assessed on current and new utility customers. The fees and rates are determined based on rate studies performed for each utility as well as adopted Master Plan recommendations. Rate studies are currently underway, and newly projected needs will be considered when new rates are adopted for 2017-2018 and future years.

Reserves are used in a variety of ways in the CIP. Reserves used in the 2017-2022 CIP have been accumulated over time for specific purposes (e.g. water/sewer capital replacement reserve and accumulated REET and impact fee balances). The CIP recommendation incorporates the use of reserves to fund matching contributions for some grant-funded transportation projects, and to fund the portion of impact fee funded projects that are not capacity-related. Accumulated REET reserves are also employed to fund fire station construction projects, accelerated pedestrian safety investments and fund placeholders for compliance with environmental mandates associated with the Critical Areas Ordinance and Surface Water Design Manual updates, as discussed in more detail later in this message. Dedicated sinking fund reserves are also used to fund routine building repairs, vehicle replacements and equipment purchases for public safety and information technology.

Debt represents a commitment to repay borrowed funds over an extended period of time. While not a revenue source, debt provides a way to use a stream of future revenues to fund a large one time project in the present. Due to its prudent financial management practices, the City has considerable legal bonded debt capacity, as show in the table that follows.

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Type of Debt	Original Amount	Outstanding 6/30/2016	Maturity Date
Councilmanic Bonds:			
2010 Limited G.O. (Kirkland Justice Center)	35,345,000	32,280,000	12/1/2040
2011 Limited G.O. (Fire Station Construction) ^{1/}	4,000,000	2,550,470	12/2/2021
2015 Limited G.O. (City Hall Remodel)	5,800,000	5,800,000	12/1/2034
Total Councilmanic Bonds	\$45,145,000	\$40,630,470	
Est. Remaining Councilmanic Debt Capacity as of 6/30/2016		\$263,171,018	
Voter Approved Bonds:			
2013 Unlimited G.O. Refunding (Parks)	\$4,670,000	\$3,655,000	12/1/2022
Total Voter Approved Bonds	\$4,670,000	\$3,655,000	
Est. Remaining Voter Approved Debt Capacity as of 6/30/2016		\$1,474,721,972	
Public Works Trust Fund Loans:			
1999 Lift Station Replacement-Design	227,500	50,140	7/1/2019
2001 Lift Station Replacement-Construction	1,848,000	617,812	7/1/2021
2004 Central Way Sewer Replacement	1,086,300	515,992	7/1/2024
2012 NE 80th St Water/Sewer Replacement	350,247	335,180	6/1/2032
Total Revenue Bonds & Trust Fund Loans	\$3,512,047	\$1,519,124	

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 proposed CIP does not currently use debt to support projects in the six year funding plan, though there are projects on the unfunded list that are candidates for debt financing, including:

- Placing a levy lid lift measure on the ballot to fund Fire Station modernization improvements, depending on the results of the proposed community process;
- Implementing the City of Kirkland's Transportation Benefit District (TBD) that was established February 10, 2014, either using Councilmanic authority or seeking voter approval; and,
- Pursuing low cost loans from the Public Works Trust Fund toward large utility projects.

Each of these financing options could also include a debt component. While the City has a relatively large legal debt capacity, the main constraint is the ability to repay the debt. Councilmanic bonded debt is supported from existing revenues, while voter approved debt comes with a new revenue stream to support debt service. An additional constraint is the time period for which the debt can be issued (limited to the life of the asset and a maximum of 30 years by current City fiscal policy).

External sources are primarily grants but can also take the form of contributions from other governments (shared projects) or from private sources (such as developers).

General Fund Cash represents a combination of current and future General Fund resources. As presented at the May 2016 City Council Retreat, the General Fund ended 2015 with approximately \$2.6 m in additional resources above budgeted levels, after netting out development fee revenues above budget. This includes:

- \$1.4 million from revenues above budget, largely due to sales taxes of \$980,000 above the modified two-year lag; and,
- \$1.2 million of spending below budget, after accounting for estimated carryover spending into 2016.

This category also includes \$1.7 million of prior year General Fund balance that was dedicated to Fire Station funding in the 2015-2020 CIP. The remainder of the \$5.97 million budgeted in the six year CIP represent transfers from future General Fund revenues to the Information Technology and Public

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Safety programs, for the GIS and Emergency Generator projects, respectively, as presented at the May 2016 Retreat.

The 2017-2022 CIP is based on the recommended funding matrix shown on the following page and incorporates the aforementioned current revenue assumptions as well as existing reserves and external revenues.

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**2017-2022 Preliminary Capital Improvement Program
Revenue Sources (in thousands)**

Dedicated Revenue	2017	2018	2019	2020	2021	2022	6-Year Total
Transportation							
Gas Tax	610	622	634	647	660	673	3,846
Gas Tax (Transportation Package)	100	150	200	200	-	200	850
Business License Fees	270	270	270	270	270	270	1,620
Real Estate Excise Tax (REET) 1	398	410	422	435	448	461	2,574
Real Estate Excise Tax (REET) 2	1,205	1,242	1,279	1,318	1,233	1,274	7,551
Street & Pedestrian Safety Levy	2,626	2,652	2,679	2,706	2,733	2,760	16,156
Transportation Impact Fees	3,440	2,300	1,000	1,000	425	275	8,440
Park Impact Fees	-	1,110	750	-	-	-	1,860
King County Park Levy	-	300	300	-	-	-	600
Walkable Kirkland	520	400	400	400	-	-	1,720
Utility Rates	1,026	806	707	500	320	260	3,619
Solid Waste Street Preservation	300	300	300	300	300	300	1,800
REET 2 Reserve	3,158	1,579	480	480	480	480	6,657
REET 1 Reserve	100	-	-	-	-	-	100
External Sources	13,132	2,803	4,590	5,892	3,146	3,140	32,702
Subtotal Transportation	26,885	14,944	14,011	14,148	10,015	10,093	90,095
Parks							
Real Estate Excise Tax 1	215	868	1,438	885	160	160	3,726
Impact Fees	594	796	750	1,750	1,050	1,150	6,090
Parks Levy	1,250	1,250	1,150	973	250	250	5,123
King County Park Levy	-	-	-	-	-	-	-
REET 1 Reserve	100	-	-	-	-	-	100
External Sources	500	500	500	-	-	-	1,500
Subtotal Parks	2,659	3,414	3,838	3,608	1,460	1,560	16,539
General Government: Technology, Facilities & Public Safety							
General Fund Contributions for:							
Public Sfty. Equip. Sinking Fund	155	173	693	369	246	149	1,785
Technology Equip. Sinking Fund	289	1,197	209	1,051	545	180	3,471
Utility Rates	456	256	256	256	256	256	1,736
Health Fund Transfer	1,000	-	-	-	-	-	1,000
Facilities Life Cycle Reserve	425	554	529	606	279	190	2,583
Maj Sys Replacement Rsv	1,333	-	-	-	-	-	1,333
General Capital Reserves	-	-	-	-	-	-	-
REET 1 Reserves	772	3,700	-	-	-	-	4,472
General Fund Cash	3,327	1,937	114	174	114	174	5,840
Fire District 41 Reserves	2,656	-	-	-	-	-	2,656
Carryover PY Funds	150	-	-	-	-	-	150
REET 1	-	4,200	-	-	-	-	4,200
Land Sales Proceeds	-	470	-	-	-	-	470
Subtotal General Government	10,563	12,487	1,801	2,456	1,440	949	29,696
Utilities							
Utility Connection Charges	865	865	865	865	865	865	5,190
Utility Rates - Surface Water	1,801	1,872	1,916	2,120	2,139	2,204	12,052
Utility Rates - Water/Sewer	3,764	4,070	4,355	4,698	5,015	5,368	27,270
Reserves	4,450	50	1,500	50	1,450	50	7,550
External Sources	350	-	-	-	-	-	350
Subtotal Utilities	11,230	6,857	8,636	7,733	9,469	8,487	52,412
Total Revenues	51,337	37,702	28,286	27,945	22,384	21,089	188,742

Capital Improvement Program – 2017 to 2022

Key Policy Issues***Fire Station Funding***

At the February 24th Council Retreat, staff presented options for funding fire station facility improvements, including options to use current revenues to “buy down” the debt required for the entire capital program ([click here for 2-24-16 Fire Station Funding Options packet](#)). Council requested that staff proceed with a funding plan for the construction of a new Fire Station 24 that did not include debt, which is an estimated \$10.1 million. This funding plan was presented to Council at its May 24, 2015 retreat and is presented in the table below, followed by a description of each funding source.

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

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

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

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

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

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

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

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

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

Capital Improvement Program – 2017 to 2022

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

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

This plan fully funds PS 3002 002 Fire Station 24 in the preliminary 2017-22 CIP, and as such is included in the summary tables presented earlier in this message. Note that the figures shown do not include the \$2.5 million already funded in a prior CIP for land acquisition. If land acquisition for the station is above the budgeted figure, staff will bring back a supplemental budget request for land acquisition.

Critical Areas Ordinance and Surface Water Design Manual CIP Impacts

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

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

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

While the full extent of the impacts cannot be known with certainty until the regulations are finalized and detailed estimating work can be completed at the project level, staff has developed an order of magnitude assessment of the impacts on funded projects in 2017-2018. At this time, impacts are likely to occur in the Transportation, Parks, and Surface Water and Water/Sewer capital programs. Funding for potential impacts is programmed as placeholder projects in the respective program areas, signified by the '7777' numbering convention in the summary tables later in this document. The intent is to create an administrative approval process to re-allocate funds from the placeholders to funded projects when impacts are known, to minimize schedule impacts. The following table summarizes the individual placeholders and identified funding sources, by program, for 2017-2018:

Capital Improvement Program – 2017 to 2022

Program	2017-2018	Funding Source
Transportation		
Non-motorized (NM)	1,600,000	REET 2 Reserves
Transportation (TR)	500,000	REET 2 Reserves
Surface Water	1,400,000	Surface Water Construction Reserves
Utilities		
Water (WA)	500,000	Water/Sewer Construction Reserves
Sewer (SS)	700,000	Water/Sewer Construction Reserves
Parks	TBD	TBD

The scope of Parks impacts is still under review. As more information becomes available between now and final adoption in December, placeholder amounts that are identified will be included.

The full implementation of these environmental regulations will extend beyond 2018. As the impacts beyond 2017-2018 are identified, the placeholder projects will be adjusted accordingly. In years 2021 and 2022 of the CIP, new funding is restricted to annual projects with a specific funding source. Additional discretionary funds are not allocated at this time, pending further information about impacts to currently funded projects. Funding projected to be available in those years has been held aside and will be allocated to funded projects with additional costs before being used to fund new projects.

REET 2 Revenues Above Projections

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

Police Strategic Plan

In early 2016, the City engaged the services of BERK Consulting to conduct a Police Strategic Plan. A Steering Committee comprised of management and staff from the City Manager's Office and from functions across the Police Department has been convened to guide the project.

The consulting team has provided a draft Baseline Assessment Report summarizing their findings to date that was reviewed by the Steering Committee and that was presented to the Public Safety Committee at their May 19 meeting. This report provides the basis for the beginning of a conversation with the department to validate and/or clarify the consultant's findings. The consultant's work continues with a staffing level analysis and evaluation of the records functions. Draft findings and recommendations are expected in mid-summer, with presentation of the results scheduled for presentation to the full Council at the August 16 Study Session. The outcome of this process will form the basis for options and recommendations for funding consideration as part of the 2017-2018 budget process. The preliminary CIP includes an unfunded project at \$250,000 for PS 1200 Police Strategic Plan Implementation in recognition that there may also be capital impacts from the plan.

Capital Improvement Program – 2017 to 2022

Financial System Replacement

The current financial system was implemented in 1999 and will be unsupported after the next couple of years. As such, a major upgrade or replacement is required, since this system is critical to the operation of all departments in the City. The Financial System Replacement project (\$2.5 million, increased from \$1.3 million from the 2015-2020 Adopted CIP due to available cost estimates) in the Information Technology Program will support the one-time costs of replacing the system, based on estimates derived through a study of the current marketplace conducted by BerryDunn through a Request for Information (RFI) process in 2016. Project funding includes approximately \$1.3 million in the Major Systems Replacement Reserve, a \$1 million transfer of the rate stabilization balance from the Health Fund, representing the initial \$1 million “seed money” deposited into the fund when the City transitioned to a self-insured health plan, that is no longer needed, and approximately \$200,000 from sales tax collections above projection in 2015. It is anticipated that the project will commence in 2017, with full implementation completed by 2019.

Public Art

The CIP has a 1% for Art policy in which eligible CIP projects with art eligible funding budgeted at \$500,000 or more will spend a minimum of one percent of the project budget on public art as part of the overall project. Projects not included under this policy are: motorized transportation, utilities, land acquisition, fleet, information technology, and projects consisting of only planning dollars, and those that include funding sources that prohibit public art as an eligible expense. Staff is currently updating the guidelines to clarify how this policy applies in practice and the roles of the City Council, City Staff and the Cultural Arts Commission.

PROJECT HIGHLIGHTS

The CIP reflects Council deliberations and decisions regarding strategies to address near-term needs and meet existing obligations while exploring opportunities to fund longer-term goals. The total adopted CIP is summarized below, followed by project highlights presented to emphasize how projects fit within City Council Goal Areas.

Total CIP

The 2017-2022 funded CIP totals \$188,742,300, which is 24.4 percent of the total identified needs of \$774,596,900. This compares to the adopted 2015-2020 funded CIP which totaled \$206,228,515 and was 24.7 percent of the total identified needs of \$835,972,015. Since the 2017-2022 CIP is based on the output of the various master planning processes adopted in 2015-2020, it is perhaps best to characterize it as an ongoing implementation of those planned needs. In total, unfunded needs decreased by \$43.9 million, and the funded program decreased by \$17.5 million.

A discussion of major changes since the CIP approved in December of last year is provided in the remainder of this document. As initially presented in last year’s discussion, the unfunded projects list draws a distinction between those projects that would be candidates for funding from existing revenue sources after 2022 and those that are not likely to be funded without substantial external and/or new revenues. The following tables attempt to differentiate between these components of the unfunded projects list. This line is drawn largely by the size of the project, using the current funding mixture of the funded programs as a guide for the scope of projects that normally would not be pursued without significant external and/or new revenue.

Capital Improvement Program – 2017 to 2022

This is an art more than a science, and in that sense is imperfect. It does, however, provide a more detailed lens of what constitutes the unfunded list. As initially observed last year, more than half of the \$304 million total projects that would require new/external funding is comprised of three projects, including:

- ARC construction;
- Fire Station Modernization projects; and,
- The CKC Non-Motorized Improvements.

The table below summarizes the CIP recognizing this distinction, followed by a table of the projects that were considered “unfunded external/new revenue”.

**2017-2022 Preliminary Capital Improvement Program
Summary of Total Identified Needs**

	6-Year Funded CIP	Unfunded Future City Revenues	External/New Revenues	Total CIP
Transportation	90,095,200	162,119,600	187,663,500	439,878,300
Parks	16,539,000	61,575,000	67,000,000	145,114,000
Public Safety	18,385,500	369,100	32,560,400	51,315,000
General Government				
Technology	8,727,600	559,000	-	9,286,600
Facilities	2,583,000	-	-	2,583,000
Subtotal	136,330,300	224,622,700	287,223,900	648,176,900
Surface Water Mgmt	14,552,000	20,079,200	-	34,631,200
Water/Sewer	37,860,000	37,472,800	16,456,000	91,788,800
Utilities Subtotal	52,412,000	57,552,000	16,456,000	126,420,000
Grand Total Proposed CIP	188,742,300	282,174,700	303,679,900	774,596,900

Capital Improvement Program – 2017 to 2022

Unfunded Projects Requiring Debt or External Financing Contributions		
TRANSPORTATION		
ST 0056	132nd Avenue NE Roadway Improvements	25,170,000
ST 0060	118th Avenue NE Roadway Extension	6,440,000
ST 0061	119th Avenue NE Roadway Extension	5,640,000
ST 0062	NE 130th Street Roadway Improvements	10,000,000
ST 0064	124th Avenue NE Roadway Extension	30,349,000
ST 0073	120th Avenue NE Roadway Extension	16,392,000
ST 0086	Finn Hill Emergency Vehicle Access Connection	900,000
NM 0030	NE 90th Street/I-405 Pedestrian/Bicycle Overpass	3,740,700
NM 0032	93rd Avenue Sidewalk	1,047,900
NM 0043	NE 126th St Nonmotorized Facilities	4,277,200
NM 0046	18th Avenue SW Sidewalk	2,255,000
NM 0050	NE 80th Street Sidewalk	859,700
NM 0054	13th Avenue Sidewalk	446,700
NM 0055	122nd Ave NE Sidewalk	866,700
NM 0058	111th Avenue Non-Motorized/Emergency Access Connection	2,000,000
NM 0062	19th Avenue Sidewalk	814,200
NM 0074	90th Ave NE Sidewalk	353,400
NM 0086	Cross Kirkland Corridor Non-motorized Improvements	65,742,000
TR 0067	Kirkland Way/CKC Bridge Abutment/Intersection Imprv	6,917,000
TR 0114	Slater Avenue NE Traffic Calming - Phase I	247,000
TR 0123	Slater Avenue NE (132nd Avenue NE)/NE 124th Street	2,124,000
TR 0124	116th Avenue NE/NE 124th Street Intersection Improvements	1,081,000
	Transportation Subtotal	187,663,500
PUBLIC SAFETY		
PS 3002-3007	Fire Station Modernization Projects	32,560,400
	Public Safety Subtotal	32,560,400
PARKS		
PK 0122 100	Community Recreation Facility Construction	67,000,000
	Parks Subtotal	67,000,000
UTILITIES		
SS 0077	West of Market Sewermain Replacement	16,456,000
	Utilities Subtotal	16,456,000
Total All Programs		303,679,900

CIP HIGHLIGHTS BY COUNCIL GOAL AREA

Projects throughout the 2017-2022 CIP continue to make measurable progress toward the City Council Goals [<http://www.kirklandwa.gov/Assets/City+Council+Goals.pdf>]. The matrix below summarizes the funded project functional totals, highlighting the Council Goals served. The dollar amounts are shown in the primary Goal Area for functional areas serving multiple goals. While there are no specific projects associated with Human Services and Housing, there are likely secondary benefits of some projects on these goals (such as the connection of the South Kirkland TOD to the CKC). In addition, the City contributes capital funds to the ARCH (A Regional Coalition for Housing)

Capital Improvement Program – 2017 to 2022

Trust Fund for use in constructing affordable housing units, as described further in the next section, and provides other incentives to support these goals such as the impact fee credit for affordable housing units.

Funded Preliminary 2017-2022 CIP Projects by Council Goals

		Neighborhoods	Public Safety	Balanced Transportation	Parks, Open Spaces & Recreational Services	Financial Stability	Environment	Economic Development	Dependable Infrastructure
Transportation	\$ 90,095,200	✓	✓	✓	✓	✓		✓	✓
Parks	\$ 16,539,000	✓			✓		✓		✓
Public Safety	\$ 18,385,500	✓	✓			✓			✓
General Govt	\$ 11,310,600				✓	✓			✓
Surface Water	\$ 14,552,000	✓	✓	✓			✓		✓
Water Utility	\$ 9,599,400	✓				✓		✓	✓
Sewer Utility	\$ 28,260,600	✓				✓	✓	✓	✓
Grand Total	\$ 188,742,300	**	\$ 18,385,500	\$ 60,439,200	\$ 16,539,000	**	\$ 42,812,600	**	\$ 50,566,000

** Dollars included in other categories

Projects in many of the program areas serve multiple goals. For purposes of the matrix, the dollars summarized by program area reflect the primary goal (indicated by the large checkmark) and the related goal areas served are represented by the small checkmark. As a result, while no dollars show under a few goal areas, they are advanced by expenditures in other goals. For example, many of the transportation projects contain elements identified by *Neighborhoods*, but the costs are shown under the *Balanced Transportation* goal. Similarly, the investments in *Economic Development* related to Totem Lake and Kirkland Urban show in their functional goal areas, such as *Parks, Open Space, and Recreation* and *Balanced Transportation*. The following discussion provide highlights on major projects that make investment to advance each goal.



NEIGHBORHOODS

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.

Though technically part of the Transportation program, there is a set projects in the CIP that are supportive of the Council's Neighborhoods goal, particularly with regards to neighborhood character and infrastructure. These include Safe School Walk Routes and Pedestrian Safety improvements. Highlights of projects reflected in the 2017-2022 CIP include:

- Neighborhood Safety Program improvements totaling \$800,000 through 2020;
- Completion of the safe school walk route sidewalks committed to in 2001 in the pre-annexation City of Kirkland by 2019;
- Funding of \$500,000 in both 2019 and 2020 for safe school walk routes in the North Kirkland (JFK annexation area);

Capital Improvement Program – 2017 to 2022

- Continuation of the pedestrian safety investments funded by the 2012 Transportation levy; and,
- Pedestrian safety improvements totaling \$1.7 million through the Walkable Kirkland Initiative.



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.

Projects that specifically advance progress on the Public Safety goal include Police and Fire Department capital needs and purchase of major pieces of equipment. Project highlights include:

- Proposed capital investments to improve service in North Kirkland and fulfill commitments to Finn Hill as part of the Fire District 41 interlocal agreement include:
 - Completely renovate Fire Station 25 (\$3.8 million);
 - Construction of a new Fire Station 24, as detailed earlier in this message (\$10.1 million); and,
 - Purchase property for a replacement for Fire Station 27 to provide better emergency response coverage (\$2.5 million);
- Other public safety investments include planned Fire and Police equipment replacements funded from the Public Safety sinking funds and the inclusion of a funded project to install one emergency generator per biennium (total of three in the 6-year CIP).
- An unfunded project is included to recognize potential Police Strategic Plan implementation projects (\$250,000), as discussed earlier; and
- Unfunded projects for major fire station modernization efforts, including relocation of 27, totaling \$32.6 million, which could be the subject of a future Fire Station ballot measure as discussed earlier.

Investments listed under one goal may have positive impacts on other goals. Notable for Public Safety are the School Walk Route and Pedestrian Safety projects listed under the Neighborhoods goal. While these projects clearly enhance the character of Neighborhoods, they do so in a manner that also enhances the safety of residents. While these individual projects are not listed again in this section, it is worth noting the role they play in improving public safety.



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

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

Progress on the Balanced Transportation goal is advanced through expenditures in the Transportation program. Transportation is divided into four main categories: capacity projects needed to meet adopted levels of service, projects to enhance public transit opportunities, non-motorized network projects and preservation projects for maintaining the City's existing infrastructure. While all elements impact Balanced Transportation, capacity, transit and non-motorized projects are the most powerful contributors, while the preservation component best advances the Dependable Infrastructure goal, which is discussed later.

Capital Improvement Program – 2017 to 2022

In addition, while certain non-motorized projects are discussed in the Neighborhoods goal area, including School Walk Routes, Pedestrian Safety and Bike Safety projects, it is worth noting the important role those projects also play in a balanced transportation system.

Projects to help address traffic congestion, and thus enhance travel times, are highlighted below. It is important to recognize that, with the growth expected in the region, traffic will remain an issue that needs to be addressed through a variety of strategies:

- Projects to address traffic flow in particular areas of congestion including:
 - 100th Ave NE Roadway Improvements (\$10.5 million);
 - Juanita Drive Auto Improvements (\$6.6 million), moved from the unfunded list in 2015-2020; and,
 - Juanita Drive “Quick Wins” (\$726,000).
- The annual signal maintenance program to ensure signals are working properly (\$150,000 per year 2017-2018, increasing to \$200,000 per year in 2019-2022);
- A Citywide Intelligent Transportation System (ITS) Study and ITS Phase 3 (\$75,000 and \$2.2 million respectively);
- Totem Lake Intersection Improvements (\$3 million); this represents a placeholder as the full scope of these improvements, including prior year’s appropriations, is under review pending the Final CIP;
- NE 116th St/124th Ave NE Dual Left Turn Lanes (\$1,225,000), moved from the unfunded list in the 2015-202 CIP; and,
- A Citywide Transit Study in 2017 to identify local options, including use of the CKC.

Projects that help reduce reliance on single-occupancy vehicles in the non-motorized program are included below:

- NE 124th St./124th Ave. NE Pedestrian Bridge Design/Construction (\$12.1 million);
- The final phase of the Cross Kirkland Connection NE 52nd Street Sidewalk (\$455,000);
- Final phase of funding for CKC Surface Water Drainage at Crestwoods Park (\$700,000 in 2017);
- Kirkland Way Sidewalk Improvements (\$800,000), reduced from \$2.12 million in the adopted 2015-2020 CIP due to the drop of a segment, which may be reincorporated as part of the Final CIP; and,
- 124th Avenue NE Sidewalk Improvements (\$1.28 million), total project cost increased by \$230,000 from the 2015-2020 Adopted CIP due to increased project length and revised cost estimate.



**PARKS, OPEN SPACES AND
RECREATIONAL SERVICES**

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.

The Parks, Open Spaces and Recreational Services goal is advanced through investment in the Parks CIP, which is based on the adopted Parks, Recreation, and Open Space (PROS) Plan. It is funded by a combination of revenues including REET, the 2012 Parks levy, the King County Park Levy, external resources, and impact fees. The inclusion of impact fees as a funding source reflects the City Council adoption of the new impact fee methodology in 2015 and the defeasance of existing bonds previously

Capital Improvement Program – 2017 to 2022

paid by impact fee balances. The funded CIP reflects the Park Board recommendations, with additional projects added using funds generated or freed up from the impact fee change, as highlighted below:

- The projects proposed as part of the 2012 Parks Levy are funded in the CIP including:
 - Dock and Shoreline Renovations (\$1 million);
 - City-School District Playfield Partnership to upgrade school playfields for neighborhood and community use (\$1 million);
 - Waverly Beach Park Renovation Phase 2 (\$1.25 million);
 - Neighborhood Park Land Acquisition (\$5.2 million)
 - The CIP also includes continuation of the Green Kirkland Program at \$75,000 per year through 2020, increasing to \$100,000 in 2021 and 2022.
- Other project highlights include:
 - Totem Lake Park Development Phase 2 (\$2.44 million), decreased by \$360,000 from the 2015-2020 Adopted CIP due to updated cost estimates, and funding revised to reflect the availability of \$500,000 in grant funding; and,
 - Everest Park Restroom/Storage Building Replacement (\$803,000), increased by \$95,000 from the 2015-2020 Adopted CIP to reflect the addition of a concession stand.

Due to the potential impacts from the Critical Areas Ordinance and Surface Water Design Manual, new projects have not been added in 2021 and 2022. As greater clarity about the impact from these environmental regulations is achieved, projects recommended for funding by the Park Board in these years would include the following:

- Forbes House Renovation (\$414,000);
- Taylor Playfields – Former Houghton Landfill Site Master Plan (\$300,000);
- North Kirkland Community Center Renovation (\$786,000);
- Lee Johnson Field Artificial Turf Installation (\$1,750,000); and,
- Snyder’s Corner (\$1,000,000).



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.

Though the CIP is largely focused on the replacement and enhancement of the City’s physical infrastructure, in 2017-2022 it includes the Financial System Replacement (\$2.5 million), which supports the Council’s goal of Financial Stability. As previously discussed under key policy issues, it is anticipated that the project will commence in 2017, with full implementation completed by 2019.



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.

The Environment goal is primarily advanced through investments in the Surface Water and Sewer program, and through open space acquisitions discussed under the Parks, Open Space and Recreation

Capital Improvement Program – 2017 to 2022

Services Goal. The Surface Water Management (SWM) Utility CIP is funded from Surface Water rates paid by all property owners and capital facilities charges on new development. Projects in this category reflect the reconciliation of the Adopted 2015-2020 CIP with the recently adopted Surface Water Master Plan. The primary result of this reconciliation was the deletion of a number of projects from the unfunded list because they were not included in the adopted Surface Water Master Plan, including the following projects:

- NE 95th Street/126th Avenue NE Flood Control Measures, (\$55,900)
- Forbes Creek/Slater Avenue Embankment Stabilization, (\$139,700)
- Forbes Creek / 98th Avenue NE Riparian Plantings, (\$75,500)
- Forbes Creek Ponds Fish Passage/Riparian Plantings, (\$213,000)
- Surface Water Sediment Pond Reclamation (Phase II), (\$851,000)
- Stream Flood Control Measures at Kirkland Post Office, (\$345,400)
- 128th Ave NE/NE 60th Street to NE 64th St Drainage Imp, (\$270,300)
- Juanita Creek Watershed Enhancement Study, (\$50,000)
- Streambank Stabilization Program – NE 86th Street, (\$640,200)

In addition, NE 141st Street Stormwater Pipe Installation (\$170,000) was moved from the funded list to the unfunded list, and three new projects, Holmes Point Pipe Replacement at Champagne Creek Basin (\$240,000), Juanita Drive Culvert Replacement (\$665,000) and Lakeview Drive Conveyance Modification (\$2,562,000) were added to the unfunded projects list. Also included on the unfunded list is \$4.5 million for the 132nd Square Park Stormwater Retrofit Project. This project has received a draft offer of funding from the state Department of Ecology, with the final offer list scheduled for publishing in July. However, funding for the current grant cycle was depleted in the legislative session, so there is no funding for the grant program until the next state fiscal year at the earliest.

Significant highlights affecting funded projects include:

- Regional Detention in Forbes and Juanita Creek Basins (\$1,923,800), a portion of the previously unfunded \$10 million project was moved to funded;
- Forbes Creek/Coors Pond Channel Grade Controls (\$669,500), project moved from unfunded consistent with updated prioritization per the 2014 Surface Water Master Plan and increased from \$424,200 due to updated cost estimate and standard inflation with a start date in 2021;
- Forbes Creek/Cross Kirkland Corridor Fish Passage Improvements, project moved from unfunded consistent with updated prioritization per the 2014 Surface Water Master Plan and increased from \$424,200 to \$669,500 due to updated cost estimate and standard inflation with a start date in 2021

Utility rates and connection charges fund the Sewer Utility portion of the CIP. A few project highlights are noted below:

- West of Market Sewer Line Replacement (\$5,225,000) moved from unfunded list to funded (balance of unfunded project is \$16,456,000); and,
- Kirkland Avenue Sewermain Replacement (\$2,298,400) increased by \$1,448,000 from the 2015-2020 due to higher cost estimates; and,
- 1st St. Sewermain Replacement (\$3.5 million).

Capital Improvement Program – 2017 to 2022

The Preliminary CIP is being incorporated in the water and sewer rate studies currently in process. Once the rate studies are complete, any updated information about rate changes will be factored into the final CIP.

As discussed earlier, environmental regulations implemented through the Critical Areas Ordinance and the Surface Water Design Manual will likely require project modification or mitigation efforts implemented in the CIP. While the actual impact is as yet unknown, the value of the placeholders funded in the Transportation, Surface Water, Parks and Water/Sewer Utility programs reflects the City's commitment to environmental protection as informed by these regulations. As such, these project estimates, and the eventual actual costs, are a clear commitment to the Environment goal.



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.

The 2017-2022 CIP includes capital projects related to the proposed redevelopments of Kirkland Urban and Totem Lake Mall, summarized as follows.

Funded Projects Supporting Totem Lake Redevelopment

Project #	Project Name	Project Budget
TOTEM LAKE -- FUNDED		
<i>Transportation</i>		
NM 0086 100	124th St/124th Ave Pedestrian Bridge Design & Construction	12,110,000
NM 0095	124th Avenue NE Sidewalk Improvements	1,280,000
TR 0122	Totem Lake Intersection Improvements	3,031,100
<i>Parks</i>		
PK 0139*	Totem Lake Park Development Phases 1 and 2	3,524,000
<i>Surface Water</i>		
SD 0088	Comfort Inn Pond Modifications	309,100
Total - Totem Lake Funded Projects		20,254,200

*Includes two projects, PK 0139 200 and PK 0139 300

Capital Improvement Program – 2017 to 2022

Funded Projects Supporting Kirkland Urban Development

Project #	Project Name	Project Budget
Kirkland Urban -- FUNDED		
<i>Transportation</i>		
NM 0098	Kirkland Way Sidewalk Improvements	800,000
TR 0079 001	NE 85th Street/114th Avenue NE Intersection Improvements Ph II	1,800,000
TR 0082	Central Way/Park Place Center Traffic Signal	200,000
TR 0104	6th Street/4th Ave Intersection Improvements	580,000
TR 0105	Central Way/5th Street Intersection Improvements	564,000
TR 0103	Central Way/4th Street Intersection Improvements	31,000
TR 0100 100	6th Street & Central Way Intersection Improvements Phase 2	1,866,800
Total - Kirkland Urban Funded Projects		5,841,800

It is noteworthy that these lists do not include significant project work that was funded in prior years. As mentioned during CIP deliberations last fall, the projects assume that the City will be successful in securing grant funding for many of the projects. Also, the developer funded Totem Lake costs associated with 120th Ave NE in the prior year CIP are anticipated to be at least partially reimbursed as part of the City's \$15 million commitment in the development agreement with CenterCal.

	<p><i>Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.</i></p> <p>Goal: To maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.</p>
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The proposed CIP includes a broad set of investments across several programs that are geared towards maintaining our existing infrastructure. These include street and sidewalk preservation projects in the Transportation program, service line repair and replacement projects in the Water/Sewer Utility program and Facility life cycle and technology investments in the General Governmental program.

The following Transportation projects are related to maintaining the integrity of existing infrastructure, including:

- Annual Street Preservation Program (\$10.5 million over the six year period) funded from a mixture of revenues sources, including the Gas Tax, the Revenue Generating Regulatory License Fee, REET 2, and a transfer from the Solid Waste Fund;
- Street Levy Street Preservation (\$14.4 million over the six year period);
- Annual Sidewalk Maintenance (\$800,000 over six-year period);
- Annual Striping Program to ensure crosswalk and other thermoplastic markings meet current Kirkland standards (\$2.9 million over six-year period).

Utility rates and connection charges fund the Water Utility portion of the CIP. The following are highlights of major Water projects that contribute to Dependable Infrastructure in this CIP, including:

- 6th Street S Watermain Replacement (\$838,000), moved to funded from the unfunded list in the 2015-2020 CIP;

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- 120th Avenue NE Watermain Improvement (\$710,000); and,
- 126th Avenue NE Watermain Improvement (\$990,000).

The Facilities CIP includes projects that fund preventative maintenance and replacement of key systems. The operating budgets reflect sinking fund charges to fund a reserve that pays for life cycle facility projects. Overall, the current level of funding is sufficient to fund those components identified in the sinking fund:

- Electrical, Energy Management & Lighting Systems (\$233,800 over six years)
- Mechanical/HVAC Systems (\$823,200 over six years)
- Painting, Ceilings, Partition & Window Replacements (\$451,600 over six years)
- Roofing, Gutter, Siding and Deck Replacements (\$438,900 over six years)
- Flooring Replacements (\$635,500 over six years)

It is important to note that the sinking fund projects are intended to maintain these systems to keep facilities in good working condition. The sinking fund is not intended to set aside sufficient funds to rebuild City structures as they reach the end of their useful life, which would require vastly larger funding. The CIP assumes that major renovations or replacements would continue to be identified as separate projects with their own funding strategies (similar to City Hall, the Maintenance Center, and the major fire station modernization unfunded projects).

Maintaining dependable infrastructure requires an efficient mechanism of tracking and scheduling repairs as they are needed. The Electronic Asset Management (EAM)/Maintenance Management System in the Information Technology Program (total project \$1.44 million, of which \$205,600 is funded in 2017) is critical to planning and tracking the maintenance of infrastructure assets, particularly in Public Works. A more robust EAM system will provide valuable management information to be able to proactively maintain assets and allow for measurement of progress against performance goals and objectives. This project is currently in progress.

Similarly, dependable infrastructure to support services levels is supported by two newly funded projects in the Information Technology program, including:

- Court Customer Service Systems Improvements (\$154,400) funded with sales taxes received above budget in 2015. This project would help the court to better manage and schedule court hearings, maintain a library of electronic court forms/templates, auto populate these forms based on the State's case management system, route forms for edits and signature, and archive the completed forms to a document storage system which would automatically have retention for destruction, and eventually update the JIS record automatically; and,
- Sharepoint and TRIM Upgrade (\$187,100), funded primarily with carryover balances from the Record Management System, which would help the city move to the cloud-based version of SharePoint, provide time and effort for a re-design of the user interface and navigation, and ultimately increase security, provide training, and enhance governance. The project includes integration with TRIM, Kirkland's current document management system.

CONCLUSION

The Preliminary 2017 to 2022 CIP continues the investments in Council Goals established by the City Council and makes significant progress on maintaining services that are important to our residents and enhancing the quality of life. It was developed to be decisive and responsive by applying all of

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the tools available to identify where to invest the available funds to best align with public input and Council policy guidance, as well as supporting redevelopment opportunities and leveraging external funding sources. While there is still work underway to determine the impacts of upcoming regulatory changes on the CIP, the preliminary CIP sets aside funding to help ensure that planned projects can still be accomplished.

The Final 2017-2022 CIP is scheduled for adoption along with the 2017-2018 Biennial Operating Budget on December 13, 2016.

Respectfully submitted,

Kurt Triplett, City Manager

A handwritten signature in blue ink that reads "Kurt Triplett". The signature is written in a cursive style with a large, stylized initial "K".

Michael Olson, Director of Finance and Administration

A handwritten signature in blue ink that reads "Michael Olson". The signature is written in a cursive style with a large, stylized initial "M".