



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

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

Date: July 8, 2015

Subject: **PRELIMINARY 2015-2020 CAPITAL IMPROVEMENT PROGRAM**

RECOMMENDATION:

City Council reviews the Preliminary 2015 to 2020 Capital Improvement Program (CIP).

BACKGROUND:

The Preliminary CIP for 2015 to 2020 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 in the Council office for Council review on July 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 July 21st Study Session 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 policy basis for the project recommendations in the Preliminary 2015-2020 CIP. The structure of the narrative has been organized around the capital budgeting priorities ("Prioritization Criteria") adopted by the Council in March 2015 (Resolution R-5118), specifically:

1. Sustains and enhances public safety, including bicycle and pedestrian safety.
2. Invest in projects that facilitate near term economic development to help address the gap between revenues and expenditures as identified in the most recent five-year General Fund forecast.
3. Creates measurable progress toward achieving the City Council's ten goals.
4. Implements the 2015-2016 City Work Program.
5. Improves services identified in both the "Imperatives" and "Stars" sections of the most recent Kirkland Quad.
6. Improves efficiency of existing facilities and maintains integrity of existing infrastructure.

7. Sequences projects in a manner that advances the Vision Statement and Guiding Principles of the Kirkland 2035 Comprehensive Plan.
8. Maximizes the benefit to the community within a given level of funding.

The Council Study Session scheduled for July 21st is the first meeting to discuss the CIP. Depending on issues and questions that arise from the CIP discussion, further study session(s) may be scheduled. A public hearing on the CIP will be held on September 1st, 2015. The Final 2015-2020 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 first meeting in December, 2015.



CAPITAL IMPROVEMENT PROGRAM 2015 TO 2020

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 tools for public comment and City Council review regarding projects planned for the next six years.

The 2013-2014 Biennial Budget was the first to intentionally present the budget in terms of how it aligned with the City's strategic anchors (the Kirkland Quad, Price of Government, and Financial Forecast), the Council Goals, and the Work Program. We are pleased to present the 2015-2020 Capital Improvement Program in a format that also intentionally aligns with these critical Council touchstones, as described beginning on page xii.

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. A full review of the CIP would normally accompany the review of the biennial operating budget, which took place last fall. To synchronize the capital planning in the CIP with the major community-wide planning efforts of Kirkland 2035, it was decided that the full review of the CIP be delayed to the summer of 2015 for the six year period 2015 to 2020. The first two years of the CIP will be updated to align with the 2015-2016 operating budget as part of the mid-biennial update beginning in September 2015.

In addition to updates to costs and timing of previously approved projects, the Preliminary 2015-2020 CIP is guided by the capital budgeting priorities ("Prioritization Criteria") adopted by the Council in March 2015 (Resolution R-5118), specifically:

1. Sustains and enhances public safety, including bicycle and pedestrian safety.
2. Invest in projects that facilitate near term economic development to help address the gap between revenues and expenditures as identified in the most recent five-year General Fund forecast.
3. Creates measurable progress toward achieving the City Council's ten goals.
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6. Improves efficiency of existing facilities and maintains integrity of existing infrastructure.
7. Sequences projects in a manner that advances the Vision Statement and Guiding Principles of the Kirkland 2035 Comprehensive Plan.
8. Maximizes the benefit to the community within a given level of funding.

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At the Council retreat in May 2015, the Council reviewed the funding sources and trends in detail in preparation for the Preliminary 2015-20 CIP. The Final 2015-20 CIP is scheduled to be adopted in December 2015 based on the outcome of Council deliberation on the Preliminary CIP, along with the Comprehensive Plan and the mid-biennial adjustments to the 2015-2016 Budget.

The CIP is organized into seven sections:

Transportation includes improvements to streets, intersections, pedestrian safety, 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. A change with this CIP is that facilities associated with public safety are now reported in this category rather than the General Government category.

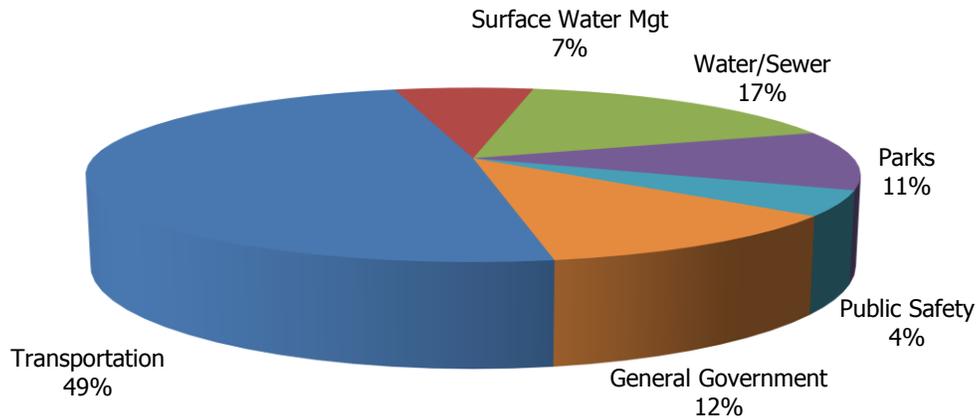
General Government projects include two areas – technology system acquisition and replacement, and general government facility construction and renovation (excluding public safety facilities, as described above).

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 Preliminary 2015-20 CIP is organized differently than in past years. Project highlights are presented to emphasize how the major recommendations fit within the Prioritization Criteria established by the City Council.

Capital Improvement Program – 2015 to 2020

The chart below shows the relative size of the funded project categories recommended in the Preliminary CIP:



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 2005-2014

	Trans	Parks	Public Safety	Technology	Facilities	Surf Wtr	Water/Sewer	Total
2005	4,336,832	4,430,614	326,070	1,277,807	523,387	1,038,715	4,373,884	16,307,309
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
Total	76,894,430	21,383,596	45,556,592	11,043,108	6,437,847	22,387,159	36,629,470	220,332,202

As a result, this CIP process has also offered an opportunity to evaluate policy issues related to resource allocation, as discussed later in this narrative.

In each section, a summary of **funded projects** reflects the recommendation of the City Manager and staff for the priority and timing of projects to be completed with available funding. 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

Capital Improvement Program – 2015 to 2020

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 development of this CIP, staff has further refined the unfunded element to distinguish between those projects that would be candidates for funding from revenue sources after 2020 and those that are not likely to be funded without substantial external and/or new revenues. An example of the latter would be the Aquatics, Recreation, and Community Center (ARC), a project which is only likely to proceed with a new voted revenue source.

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.

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

In addition to the overarching Prioritization Criteria adopted by the City Council in Resolution R-5118 described above, there are a variety of sources of policy guidance that help to form the CIP.

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

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area strategic and/or master plans, most of which have been 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. They include 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 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

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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 Preliminary 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 \$49.8 million as of the end of 2014, as summarized by function in the table below and shown in the "Active Project" sheets in each functional section.

Program	Proj Budget through 2014	Expenses through 2014	Proj Balance 12/31/2014
Transportation	\$52,792,785	\$32,544,422	\$20,248,363
Parks	5,457,714	2,302,639	3,155,075
General Government			
Technology	5,877,290	4,185,170	1,692,120
Facilities	4,968,663	1,187,011	3,781,652
Public Safety*	39,709,289	32,368,850	7,340,439
Utilities			
Surface Water	10,878,100	6,621,529	4,256,571
Water/Sewer	16,287,700	6,947,643	9,340,057
Total	\$135,971,541	\$86,157,264	\$49,814,278

*Includes funding for the Kirkland Justice Center and Consolidated Fire Station projects.

As discussed at the [May 29, 2015 City Council Retreat](#), several other policy issues were evaluated as part of this CIP process (capital/operating shifts, project design overhead, and project management resources). The results of those evaluations do not have a significant impact on the Preliminary CIP and staff will continue to evaluate options and recommendations as we develop future CIP processes. Related to the **Project Management Resources** issue, the 2015-16 mid-biennial review will include an evaluation of whether additional project management positions (funded through charges to CIP projects) are needed to manage both the CIP projects funded in prior CIPs and those proposed as part of this Preliminary CIP.

The Preliminary 2015 to 2020 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 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 Roads 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 approached their previous high point reached in 2006, though it is worth noting that collections now include sales activity in annexed neighborhoods. Historically, REET has been very volatile as evidenced by the drop from its peak collections of \$7.1 million in 2006 to \$2 million in 2009 after the collapse of the housing bubble. In light of this volatility, the CIP relies on a conservative REET forecast that programs revenue consistent with its low point to ensure that the current levels are sustainable for the coming six-year cycle. These base allocations to the CIP are increased annually at a rate of 3.0 percent to recognize a relatively conservative projected growth in real estate transaction values.

In 2015-2016, an average of approximately \$2.2 million of REET funding per year is budgeted in the CIP, including \$1.4 million for Transportation projects and \$800,000 for Parks projects. Approximately \$263,500 per year is also budgeted to pay operations and maintenance expenses in the operating budget as allowed by state law, with \$90,000 used for Transportation O&M and \$110,000 for Parks O&M. These figures include the \$63,500 per year that the City Council recently approved for enhanced CKC maintenance. The funding plan assumes that these O&M 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.

- **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 2015 these levies are expected to generate \$3,053,409 and \$2,394,833 for these purposes, respectively. 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 allocation of the levy revenues between capital and operating uses in the 2015-16 budget:

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

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. Beyond 2016, projected growth in the Road Levy is assumed to be divided evenly between operating and capital uses.

Park Levy Transition from CIP to Operating

Future growth in the Park Levy 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 2015-2020 Preliminary CIP completes all work on the list of projects; therefore, beginning in 2019 and continuing into 2020 a total of \$377,000 of capital-related levy revenue is assumed to be retained in the Parks and Community Services operating budget for operating and maintenance uses.

- **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 is funded from impact fees charged for use on Park and Transportation projects. In the six year CIP, an amount of \$1 million per year is assumed to be collected from Transportation impact fees, which is consistent with recent collections.

Based on a proposed change in the Park impact fee methodology which allows fees to be set at a level sufficient to recognize the current per capita investment in parks, parks impact fees are programmed at \$1.1 million beginning in 2016 and growing to \$1.75 million by 2020.

- **Interest Earnings** – The Federal Reserve’s decision to keep interest rates low until late 2015 at the earliest results in a very low projected annual interest income. 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.

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- **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. Actual rates have been adopted for 2015-2016 and future years are based on rate study projections of rate increases that will be reviewed as part of future budget processes.

Reserves are used in a variety of ways in the CIP. Reserves used in the Preliminary 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. 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. The Preliminary CIP includes approximately \$5 million of Limited Tax General Obligation debt to finance a portion of the City Hall remodel project in 2015. Debt does not currently support any other project in the preliminary six year funding plan, though there are projects on the unfunded list that are candidates for debt financing, as explained in greater detail below.

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).

It is worth noting that there are other funding mechanisms that are currently being explored as opportunities to expand the set of projects that can be constructed in the next six years. These options include:

- Establishing a voter-authorized **Metropolitan Park District** to levy property taxes to support construction of an Aquatics, Recreation, and Community Center (ARC), which is on the Parks unfunded list;
- Forming a voter-authorized **Regional Fire Authority** (RFA) with neighboring jurisdictions to fund Fire Protection improvements under a broader regional taxing and governance structure; and,
- Placing a **levy lid lift** measure on the ballot to fund Fire Station modernization improvements as an alternative to an RFA.
- Implementing a **Transportation Benefit District** (TBD), either using Councilmanic authority or seeking voter approval.

Each of these financing options could also include a debt component. 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 6/30/2015	Maturity Date
<i>Councilmanic Bonds:</i>			
2010 Limited G.O. (Kirkland Justice Center)	35,345,000	33,270,000	12/1/2040
2011 Limited G.O. (Fire Station Construction) ^{1/}	4,000,000	2,930,287	12/2/2021
Total Councilmanic Bonds	\$39,345,000	\$36,200,287	
<i>Est. Remaining Councilmanic Debt Capacity as of 6/30/2015</i>		<i>\$240,603,532</i>	
<i>Voter Approved Bonds:</i>			
2013 Unlimited G.O. Refunding (Parks)	\$4,670,000	\$4,130,000	12/1/2022
Total Voter Approved Bonds	\$4,670,000	\$4,130,000	
<i>Est. Remaining Voter Approved Debt Capacity as of 6/30/2015</i>		<i>\$1,343,688,810</i>	
<i>Public Works Trust Fund Loans:</i>			
1995 Lift Station	\$794,850	\$44,522	7/1/2015
1999 Lift Station Replacement-Design	227,500	62,675	7/1/2019
2001 Lift Station Replacement-Construction	1,848,000	720,780	7/1/2021
2004 Central Way Sewer Replacement	1,086,300	573,325	7/1/2024
2012 NE 80th St Water/Sewer Replacement	177,522	172,011	6/1/2032
Total Revenue Bonds & Trust Fund Loans	\$4,134,172	\$1,573,313	

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

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).

The Preliminary 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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**2015-2020 Preliminary Capital Improvement Program
Revenue Uses (in Thousands)**

Dedicated Revenue	2015	2016	2017	2018	2019	2020	6-Year Total
Transportation							
Gas Tax	592	610	610	622	634	647	3,715
Business License Fees	270	270	270	270	270	270	1,620
Utility Rates	20	458	905	806	707	105	3,000
Real Estate Excise Tax (REET) 1	375	624	398	410	184	435	2,426
Real Estate Excise Tax (REET) 2	1,071	1,170	1,205	1,242	1,264	1,332	7,284
Impact Fees	219	3,981	1,000	3,160	1,375	625	10,360
Street & Pedestrian Safety Levy	2,600	2,600	2,626	2,652	2,679	2,706	15,863
Walkable Kirkland	200	600	400	400	400	400	2,400
Solid Waste Street Preservation	300	300	300	300	300	300	1,800
REET 2 Reserve	939	1,025	980	1,579	469	491	5,483
REET 1 Reserve	175	600	-	-	-	-	775
General Fund Cash	-	-	900	-	-	-	900
Street Improvement Reserve	-	900	-	-	-	-	900
King County Park Levy	-	-	-	300	300	-	600
External Sources	3,479	14,925	8,894	5,913	4,279	977	38,466
Subtotal Transportation	10,239	28,064	18,487	17,653	12,861	8,288	95,592
Parks							
Real Estate Excise Tax 1 (REET)	760	787	215	868	1,343	885	4,858
Impact Fees	-	1,107	594	1,265	1,865	2,026	6,857
Parks Levy*	1,050	1,450	1,250	1,250	1,150	973	7,123
REET 1 Reserve	530	8	-	-	-	-	537
Carryover PY Funds	75	-	-	-	-	-	75
External Sources	991	-	500	500	-	-	1,991
Subtotal Parks	3,405	3,352	2,559	3,883	4,358	3,884	21,442
General Government: Technology, Facilities & Public Safety							
General Fund Contributions for:							
Public Sfty. Equip. Sinking Fund	242	165	112	133	742	379	1,773
Technology Equip. Sinking Fund	596	152	250	1,225	214	1,121	3,558
Utility Rates	190	572	456	256	171	341	1,986
IT Fund Operating Cash	536	-	-	-	-	-	536
Facilities Life Cycle Reserve	356	174	803	645	317	440	2,735
Maj Sys Replacement Rsv	66	83	-	150	-	-	299
General Capital Reserves	1,447	-	-	-	-	-	1,447
REET 1 Reserves	1,000	-	-	-	-	-	1,000
General Fund Cash	-	-	2,210	114	114	114	2,552
Facilities Cash	3,600	-	-	-	-	-	3,600
Fire District 41 Reserves	5,200	-	-	-	-	-	5,200
Carryover PY Funds	64	-	-	-	-	-	64
Debt	5,003	-	-	-	-	-	5,003
External Sources	1,700	-	-	-	-	-	1,700
Cable Franchise Fees	464	-	-	-	-	-	464
Technology Initiative	74	133	-	-	-	-	207
Subtotal General Government	20,538	1,280	3,830	2,523	1,558	2,396	32,123
Utilities							
Utility Connection Charges	865	865	865	865	865	865	5,190
Utility Rates - Surface Water	1,685	1,744	1,801	1,872	1,916	2,120	11,138
Utility Rates - Water/Sewer	3,387	3,612	3,760	4,021	4,214	4,540	23,534
Reserves	1,838	300	1,850	50	1,501	50	5,589
External Sources	238	487	350	-	-	-	1,075
Subtotal Utilities	8,013	7,008	8,626	6,808	8,496	7,575	46,526
Total Programmed Revenues	42,195	39,703	33,502	30,867	27,273	22,142	195,682

Capital Improvement Program – 2015 to 2020

As discussed at the May 29th, 2015 City Council Retreat, the Preliminary 2015-20 CIP does not program all the funding that is available from reserves and projected revenues. There is a total of \$6.0 million of remaining funds available to be programmed. Of this amount, approximately \$3.7 million is from existing reserves and \$2.3 million is from projected revenue as shown in the following table. Note that staff recommends not programming the Major System Reserve balance and potentially adding to it as funds are available, as the next major system to be replaced is the Finance system, the cost of which is likely to exceed this amount.

Remaining CIP Resources Not Programmed

	Existing Balances	New Revenue	Total
REET 1	\$ -	\$73,000	\$73,000
REET 1 Reserves	2,608,510	2,263,874	4,872,384
Street Improvement Reserve	100,000	-	100,000
Major Systems Reserve	976,675	-	976,675
Total	\$3,685,185	\$2,336,874	\$6,022,059

PROJECT HIGHLIGHTS

The Preliminary CIP provides a starting point for Council deliberation and decision regarding strategies to address near-term needs and meet existing obligations while exploring opportunities to fund longer-term goals. The total Preliminary CIP is summarized below, followed by project highlights presented to emphasize how the major recommendations fit within the Prioritization Criteria established by the City Council.

Total Preliminary CIP

The Preliminary 2015-2020 funded CIP totals \$195,682,600 which is 26.1 percent of the total identified needs of \$750,862,200. This compares to the adopted (revised) 2013-2018 funded CIP which totaled \$181,092,300 and was 24.8 percent of the total identified needs of \$730,319,600. Since the Preliminary 2015-2020 CIP is based on the output of the various master planning processes, it is perhaps best to characterize it as a new baseline assessment of the City's capital needs. In total unfunded needs increased by \$5.6 million, and the funded program increased by \$14.6 million.

A robust discussion of funded program elements is provided in the remainder of this document. As discussed above, staff has further refined the unfunded list to distinguish between those projects that would be candidates for funding from existing revenue sources after 2020 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 Preliminary funded programs as a guide for the scope of projects that normally not be pursued without significant external and/or new revenue. 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. Perhaps most striking is that more than half of the \$303.7 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.

Capital Improvement Program – 2015 to 2020

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

**2015-2020 Preliminary Capital Improvement Program
Summary of Total Identified Needs**

	6-year Funded CIP	Unfunded Future City Revenues	Unfunded External/New Revenue	Total CIP
Transportation	95,592,200	130,077,900	172,311,000	397,981,100
Parks	21,441,500	58,825,000	67,000,000	147,266,500
Public Safety	9,072,700	369,100	42,693,700	52,135,500
General Government				
Technology	7,765,700	2,184,900	-	9,950,600
Facilities	15,285,000	-	-	15,285,000
Subtotal	149,157,100	191,456,900	282,004,700	622,618,700
Surface Water Mgmt	13,600,900	17,257,000	0	30,857,900
Water/Sewer	32,924,600	42,780,000	21,681,000	97,385,600
Utilities Subtotal	46,525,500	60,037,000	21,681,000	128,243,500
Grand Total	195,682,600	251,493,900	303,685,700	750,862,200

Unfunded Projects Requiring Debt or External Financing Contributions		
Transportation		
ST 0056	132nd Avenue NE Roadway Improvements	25,170,000
ST 0059	124th Ave NE Roadway Improvements (North Section)	10,000,000
ST 0062	NE 130th Street Roadway Extension	10,000,000
ST 0064	124th Ave NE Roadway Widening Imprv (So. Sect'n)	30,349,000
ST 0073	120th Avenue NE Roadway Extension	16,392,000
NM 0086	Cross Kirkland Corridor Non-motorized Improvements	80,400,000
	Transportation Subtotal	172,311,000
Public Safety		
PS 3002-3007	Fire Station Modernization Projects	42,693,700
	Public Safety Subtotal	42,693,700
Parks		
PK 0122 100	Community Recreation Facility Construction	67,000,000
	Parks Subtotal	67,000,000
Utilities		
SS 0077	West Of Market Sewermain Replacement	21,681,000
	Utilities Subtotal	21,681,000
	Total All Programs	303,685,700

HIGHLIGHTS BY PRIORITIZATION CRITERIA

1. Sustains and enhances public safety, including bicycle and pedestrian safety.

Capital Improvement Program – 2015 to 2020

Transportation

- Safe School Walk Routes and Pedestrian Safety improvements are a significant focus of the recommended CIP. The projects reflected in the Preliminary CIP include:
 - Completion of the safe school walk route sidewalks committed to in 2001 in the pre-annexation City of Kirkland by 2019
 - Adding funding of \$1 million for safe school walk routes in the North Kirkland (JFK annexation area) in 2016 pending identification of specific projects
 - Continuation of the pedestrian safety investments funded by the 2012 Transportation levy
 - Acceleration of pedestrian safety estimates through the Walkable Kirkland Initiative

Pedestrian Safety and Safe School Walk Routes Project Funding

Project #	Project Name	Project Budget	FUNDING					
			Street Levy	Walkable Kirkland	REET	Surface Water	External	
NM 0006 100	Street Levy-Safe School Walk Routes	150,000	150,000					
NM 0087 000	City School Walk Route Enhancements	3,083,200	450,000	348,200	1,260,000	175,000	850,000	
NM 0087 001	North Kirkland/JFK School Walk Routes	1,000,000	300,000	100,000	14,600		585,400	
Subtotal 2015-2020 Safe School Walk Routes Projects		4,233,200	900,000	448,200	1,274,600	175,000	1,435,400	
NM 0006 200	Street Levy - Neighborhood Pedestrian Safety	900,000	900,000					
NM 0006 201	Neighborhood Safety Program Improvements	1,200,000		1,200,000				
Various	Pedestrian Safety Elements of Larger Projects	751,800		751,800				
Subtotal 2015-2020 Pedestrian Safety/Neighborhoods Projects		2,851,800	900,000	1,951,800	-	-	-	
Grand Total		7,085,000	1,800,000	2,400,000	1,274,600	175,000	1,435,400	

- Other projects related to pedestrian and bicycle safety include:
 - Lakefront Pedestrian and Bicycle Improvements (\$1.0 million)
 - South Kirkland TOD/CKC Multimodal Connection (\$2.2 million)
 - Multimodal connections associated with the Cross Kirkland Corridor (discussed further below).
- The 2009 Active Transportation Plan proposed a set of locations where construction would be required to provide bicycle facilities. This list was used to set performance measures for Council's Balanced Transportation Goal. Although all the projects will not be completed by 2018, progress has been made toward completing the list and the current CIP builds on this past success as illustrated in the table that follows.

Capital Improvement Program – 2015 to 2020

Location	Status
NE 120th St. from 124th Ave. NE to Slater Ave. NE	Completed
NE 116th St. from 120th Ave NE to 124th Ave. NE	Completed
122nd Avenue NE from NE 70th St. to NE 80th St.	Completed
6th St from Central Way to Kirkland Way	To be completed (over part of its length) with Parkplace redevelopment
Kirkland Way from 6th St to NE 85th St.	Funded (over part of its length) through NM 0098
120th Ave NE, Totem Lake Blvd to NE 132nd St.	Funded (over part of its length) through ST 0070

The Transportation Master Plan proposes a city-wide network of bike facilities, proposes a broader range of bicycle facilities and calls for a revision to the Active Transportation Plan to help determine the specifics of these new projects.

Public Safety

- 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)
 - Purchase property for a new Fire Station 24 (\$2.5 million)
 - Install bollards to replace gates to improve Emergency Vehicle Access in Finn Hill (\$900,000 budgeted in the Transportation CIP)
 - Investments in other improvements recommended in the Fire Strategic Plan (\$1.0 million)
- Other public safety investments include planned Fire and Police equipment replacements funded from the sinking funds
- An unfunded project has been added to recognize potential Police Strategic Plan implementation projects (\$250,000)
- Unfunded projects have been added for major fire station modernization efforts, including relocation of Station 27, totaling \$42.7 million, which would likely be the subject of a future Fire Station ballot measure

2. Invest in projects that facilitate near term economic development to help address the gap between revenues and expenditures as identified in the most recent five-year General Fund forecast.

The Preliminary 2015-2020 CIP includes capital projects related to the proposed **redevelopments of Parkplace and Totem Lake Mall**, summarized as follows.

- The tables on the following pages summarize the funded projects that support the Totem Lake and Parkplace developments.

Capital Improvement Program – 2015 to 2020

Funded Projects Supporting Totem Lake Redevelopment

Project #	Project Name	Project Budget
TOTEM LAKE -- FUNDED		
<i>Transportation</i>		
NM 0086 001	NE 124th St/124th Ave NE Pedestrian Bridge Design	1,500,000
NM 0086 002	NE 124th St/124th Ave NE Pedestrian Bridge Construction	11,360,000
NM 0095	124th Avenue NE Sidewalk Improvements	1,050,000
TR 0111 003*	ITS Phase 2 Totem Lake Urban Center	2,951,000
TR 0122	Totem Lake Intersection Improvements	6,000,000
ST 0070	120th Ave NE/Totem Lake Plaza Roadway Improvements	3,000,000
TR 0099	120th Ave/Totem Lake Way Intersection Improvements	2,845,500
TR 0109	Totem Lake Plaza/Totem Lake Blvd Intersection Imprv.	1,500,000
TR 0110	Totem Lake Plaza/120th Ave NE Intersection Imprv.	1,500,000
NM 0024 301	King County segment of the Eastside Rail Corridor	600,000
<i>Parks</i>		
PK 0139 **	Totem Lake Park Development Phases 1 and 2	4,544,000
PK 0146	CKC North Extension Trail Development	1,000,000
<i>Surface Water</i>		
SD 0059*	Totem Lake Boulevard Flood Control Measures	1,936,200
SD 0075***	Totem Lake Twin 42 Inch Culvert Replacement	4,416,000
SD 0088	Comfort Inn Pond Modifications	647,000
Total - Totem Lake Funded Projects		44,849,700

*In progress

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

***Completed

Capital Improvement Program – 2015 to 2020

Funded Projects Supporting Parkplace Redevelopment

Project #	Project Name	Project Budget
PARKPLACE -- FUNDED		
<i>Transportation</i>		
NM 0082*	6th Street S. Sidewalk	583,100
ST 0087	6th Street South Corridor Study	150,000
NM 0098	Kirkland Way Sidewalk Improvements	2,120,000
NM 0109 002	Lake Front Promenade Design Study	75,000
TR 0065*	6th Street/Kirkland Way Traffic Signal	1,200,500
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 Imprvmnts Phase 2	1,866,800
<i>Water/Sewer</i>		
WA 0150*	6th Street Watermain Replacement	520,500
SS 0082	3rd & Central Way Sanitary Sewer Crossing	300,000
Total - Parkplace Funded Projects		9,990,900

*In progress

Note that 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 are anticipated to be at least partially reimbursed as part of the City's \$15 million commitment in the development agreement with CenterCal. Lastly, the 6th Street South Corridor Study will benefit access in and around the Houghton Shopping Center (\$150,000 in 2015).

3. Creates measurable progress toward achieving the City Council's ten goals.

Projects throughout the Preliminary CIP have been prioritized 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) 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.

Capital Improvement Program – 2015 to 2020

Funded 2015-2020 CIP Projects by Council Goals

		Neighborhoods	Public Safety	Balanced Transportation	Parks, Open Spaces & Recreational Services	Financial Stability	Environment	Economic Development	Dependable Infrastructure
Transportation	\$ 95,592,200	✓	✓	✓	✓	✓		✓	✓
Parks	\$ 21,441,500	✓			✓		✓		✓
Public Safety	\$ 9,072,700	✓	✓			✓			✓
General Govt	\$ 23,050,700				✓	✓			✓
Surface Water	\$ 13,600,900	✓	✓	✓			✓		✓
Water Utility	\$ 8,813,800	✓				✓		✓	✓
Sewer Utility	\$ 24,110,800	✓				✓	✓	✓	✓
Grand Total	\$ 195,682,600	**	\$ 9,072,700	\$ 66,729,200	\$ 21,441,500	**	\$ 37,711,700	**	\$ 60,727,500

** 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 Parkplace show in their functional goal areas, such as *Parks, Open Space, and Recreation* and *Balanced Transportation*.

It should also be noted that the definition of the goal areas is slightly different from the criteria applied to the CIP. The *Public Safety* goal area focuses on Fire/EMS and Police, while public safety in Criteria #1 above includes pedestrian and bicycle safety, the costs of which are included in *Balanced Transportation* on the matrix.

4. Implements the 2015-2016 City Work Program.

The preparation of this Preliminary CIP is directly related to fulfilling two work program items:

- **Complete the comprehensive plan update and the Transportation Master Plan**
- **Complete a comprehensive update of the Capital Improvement Program**

In addition, recommended projects support the following work plan items:

- **Continue Implementation of the Cross Kirkland Corridor Master Plan** – There are a number of funded projects related to the Cross Kirkland Corridor (CKC):
 - Acquisition of the remaining segment within Kirkland (in Totem Lake) that is currently owned by King County (\$600,000) – Transportation CIP (funded using King County Park Levy funds)
 - Funds to develop the new segment (\$1 million) – Parks CIP (funded using impact fees)

Capital Improvement Program – 2015 to 2020

- South Kirkland TOD/CKC Multimodal Connection (\$2.2 million)
- NE 124th St./124th Ave. NE Pedestrian Bridge Design/Construction (\$12.8 million)
- CKC Bridge Connection to Houghton Shopping Center (\$175,000 in 2015)
- CKC Emergent Projects (\$100,000 in 2016)
- CKC Surface Water Drainage at Crestwoods Park (\$1.0 million)
- Unfunded CKC projects recognized in the Preliminary CIP include
 - Full implementation of the CKC Master Plan non-motorized improvements (\$80.4 million)
 - CKC to Redmond Central Connector (\$3.7 million)
 - CKC to Downtown Connections (\$2.0 million)
 - Kirkland Way/CKC Bridge Abutment/Intersection Improvements (\$6.9 million)
- **Improve fire and emergency medical services to Finn Hill, Juanita and Kingsgate; improving existing stations and operations** – Investments previously described on page xv under Criteria 1.
- **Renovate City Hall with a focus on enhancing customer service and identify options to expand Maintenance Center to serve the larger City**

One of the last major tasks related to the implementation of the 2011 annexation is to address the facilities needed to serve the larger City. The first major project, the Kirkland Justice Center, has been completed. The next major project is the renovation of City Hall, which had an original budget of \$10 million. The project has been modified to include re-roofing that can accommodate solar panels (moving forward funding from the life cycle project originally established to replace the roof in 2018), construction of a fixed emergency operations center, and replacement of the fire suppression system in the server room with a dry technology. These changes have increased the City Hall budget by \$1 million. In addition, funds have been set aside to address Maintenance Center Space constraints as follows:

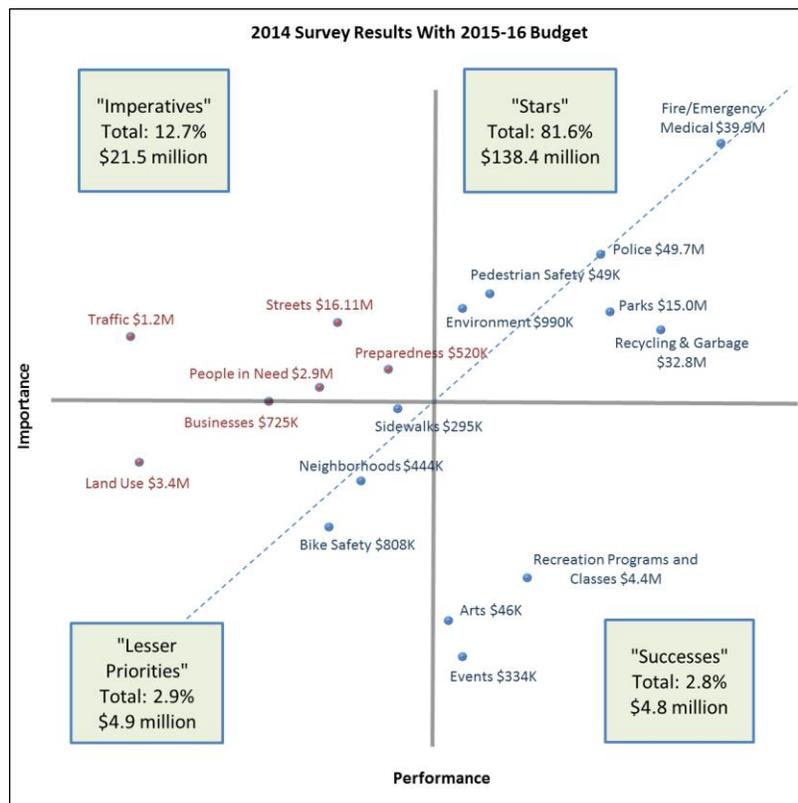
- \$2 million toward the potential purchase of additional land or structures (in the Facilities CIP)
- \$1.5 million toward construction of potential facilities to address the Parks Maintenance Center needs (in the Parks CIP).
- **Help facilitate the redevelopment of Parkplace and Totem Lake Mall** – Investments previously described on pages xv through xvii under Criteria 2.
- **Provide the opportunity to vote on a ballot measure to fund an Aquatics, Recreation, and Community Center to replace the Juanita Aquatic Center** – Construction of the ARC is included as an unfunded item in the Parks CIP, pending the outcome of the Metropolitan Park District ballot measure on the November 2015 General Election ballot.
- **Ensure that any Sound Transit ballot measure connects the Totem Lake Urban Center to the region with High Capacity Transit** – The City is actively involved in the Sound Transit planning process. In addition, the Transportation CIP includes conducting a Citywide Transit Study in 2017.

Capital Improvement Program – 2015 to 2020

- **Implement an email archiving system to improve responsiveness and transparency and reduce cost and complexity of storing data** – The e-mail archiving system is funded as part of the Network Storage projects as adopted in the 2013 update to the 2013-2018 CIP.
- **Partner with A Regional Coalition for Housing and non-profit organizations to site a permanent Eastside women’s shelter in Kirkland** – While the CIP does not include direct capital funding toward this goal, the City contributes \$395,000 per year from the operating budget to the ARCH Trust Fund. These funds are used to construct housing and shelters for people in need and are expected to be part of the funding source for the women’s shelter. The City will also invest staff resources in identifying and securing a site in cooperation with our regional partners.

The final work program item does not directly relate to the CIP: “Implement the Healthy Kirkland Plan, the consumer-driven healthcare initiative in an effort to achieve sustainability of benefits”.

5. **Improves services identified in both the “Imperatives” and “Stars” sections of the most recent Kirkland Quad.**



Imperatives

Traffic

Projects to help address traffic congestion 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:

Capital Improvement Program – 2015 to 2020

- The pedestrian and bicycle network improvements discussed earlier are intended to improve access to alternate modes of travel,
- Projects to address traffic flow in particular areas of congestion including:
 - 100th Ave NE Roadway Design and Improvements (\$8.2 million)
 - Juanita “Quick Wins” (\$1.35 million),
- The annual signal maintenance program to ensure signals are working properly (\$150,000 per year 2016-2018, increasing to \$200,000 per year in 2019-2020),
- A Citywide Intelligent Transportation System (ITS) Study and ITS Phase 3 (\$75,000 and \$1.35 million respectively),
- A Citywide Transit Study in 2017 to identify local options, including use of the CKC.

Streets

The Preliminary CIP continues the accelerated investment in the Annual Street Preservation Program (street overlay) provided for by the 2012 Transportation Levy. A total investment of \$25.8 million is programmed for the six-year period.

Preparedness

The City Hall renovation project described earlier includes constructing a dedicated Emergency Operations Center.

People in Need

While there are no specific capital projects proposed in this category, the City contributes \$395,000 per year from the operating budget to the ARCH Trust Fund that is used to provide housing and shelter for people in need, as described earlier. Other proposed projects may also provide secondary benefits in this area.

Stars

Of the 6 activities that fall in this quadrant, projects related to *Fire and Emergency Medical*, *Police*, and *Pedestrian Safety* are described under Criteria 1 above. *Recycling & Garbage* does not have a capital component, as the City contracts for service with Waste Management. Highlights for the two remaining categories are provided as follows:

Environment

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 reflect the needs identified in the recently adopted Surface Water Master Plan. A few project highlights include:

- Enhancements to the Cochran Springs/ Lake Washington Boulevard crossing in 2015 and 2016 totaling \$1,450,000. The improvements will help decrease the flooding risk on Lake Washington Boulevard, improve the fish passage and decrease downstream sediment deposition that can lead to flooding in the Yarrow Bay business park;
- Rehabilitation of existing concrete storm pipe along Market Street, from Central Way to 12th Avenues, totaling \$920,000 over 2019 and 2020; and,

Capital Improvement Program – 2015 to 2020

- Repair of the storm drainage system on Goat Hill, totaling \$840,000, to reduce localized flooding in the area.

Utility rates and connection charges fund the **Sewer Utility** portion of the CIP. Note that an update of the Sewer Master Plan is anticipated to occur in the next year. A few project highlights are noted below:

- 108th Ave NE Sewermain Replacement at an estimated cost of \$5,352,000
- NE 108th Street Sewermain Replacement at an estimated cost of \$6,410,000
- 1st Street Sewermain Replacement at an estimated cost of \$3,820,000

The **Transportation** CIP includes a project in 2016 for Arterial Streetlight LED Conversion (\$900,000), which is expected to reduce energy consumption.

Parks

The Parks CIP has been updated based on the draft 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 assumes that the City Council will adopt the new impact fee methodology by the end of 2015 and that the existing bonds paid by impact fee revenues will be retired (Council approved defeasance on June 16, 2015). 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:

- **Park Levy Projects** – The projects proposed as part of the 2012 Parks Levy are funded in the CIP: Dock and shoreline renovations, City-Lake Washington School District Playfield Partnership to upgrade school playfields for neighborhood and community use, replace Juanita Beach bathhouse, renovate Edith Moulton Park (Phase 1), renovate Waverly Beach Park (Phases 1 & 2), and acquire open space and park land. The CIP also includes continuation of the Green Kirkland Program.
- **New projects** that are recommended in the Preliminary CIP include:
 - Artificial Turf at Lakeview Elementary Projects funded by private developer (SRM)
 - Edith Moulton Park Phase 2 (to allow both phases to take place at the same time)
 - Totem Lake Park Master Plan & Development Phase I (\$1.7 million from 2015-2017) and Phase II (\$2.8 million from 2018-2020)
 - CKC North Extension Development (\$1 million in impact fees in 2018-2019)
 - Assumed use of impact fees freed up some REET 1 funds that are recommended to be set aside toward improvements or construction of a Parks Maintenance facility (\$1.5 million from 2018-2020)

6. Improves efficiency of existing facilities and maintains integrity of existing infrastructure.

Transportation

A number of Transportation projects are related to maintaining the integrity of existing infrastructure, including the annual programs related to:

- Street Preservation (Overlay) as described in the previous section,
- Annual Sidewalk Maintenance (\$800,000 over six-year period)
- Annual Striping Program to ensure crosswalk and other thermoplastic markings meet current Kirkland standards (\$2.65 million over six-year period).

These projects are in addition to previously funded projects to improve efficiency (for example, replacing medians to reduce maintenance) and save energy (such as the Arterial Streetlight LED Conversion described earlier).

Utilities

In addition to the projects described previously in the Sewer and Surface Water utilities sections, the majority of the Water utility CIP focuses on replacement of aging infrastructure, a key component of maintaining service levels. The Water utility portion of the CIP is funded by utility rates and connection charges and reflects the recently approved Water System Plan. A few project highlights are noted below:

- 126th Avenue NE Watermain Improvement – new funded project in 2020 – estimated to cost \$990,000
- 8th Avenue W Watermain Improvement – new funded project at an estimated cost of \$710,000
- 3rd Street Watermain Improvement – new funded project beginning in 2016 at an estimated cost of \$757,000.

Technology

Many of the projects included in the General Government - Information Technology category meet this criteria. Replacements and upgrades of network servers, infrastructure, telephone, and copiers are funded from the IT equipment sinking fund established as part of the 2013-14 budget.

In addition, system replacements and new system acquisitions are recommended, including:

- **Electronic Asset Management (EAM)/Maintenance Management System** (\$1.3 million including prior year funding) – This system 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.
- **Financial System** (\$150,000 for Needs Assessment) – The current financial system was implemented in 1999 and likely will require a major upgrade or replacement in the next five years. This funding will support a needs assessment and review of options to aid in sizing and planning for the ultimate project. There is currently approximately \$1 million in the Major

Capital Improvement Program – 2015 to 2020

Systems Replacement Reserve and staff is recommending that these funds remain in the reserve and additional contributions should be considered if one-time resources are available given the potential cost of this and other pending replacements.

- **Recreation Registration System** (\$83,000) – The current registration system is about to reach the end of its useful life and will likely be replaced with a system that is hosted on the web. This project is an example of an emerging issue that may result in a shift from the capital budget to the operating budget known as “software as a service”. As the City considers transitioning to hosted software rather than buying and maintaining software in-house, associated costs may shift to the operating budget rather than as part of the CIP.
- **Help Desk System Phase 2** (\$66,000) – To further implement software to assist with managing help desk and other IT services.

The Preliminary CIP also continues implementation of the **Geographic Information System (GIS)**. During the economic downturn, the GIS CIP was funded from reserve balances from prior year projects. In an attempt to stabilize funding for this tool that is increasingly integrated with the services the City provides, the Preliminary CIP assumes that, beginning in 2017, the GIS CIP is funded 40% from General Fund resources and 60% from the utilities, based on current workload. This funding allocation will be reflected in the next biennial budget.

Facilities

In addition to the City Hall and Maintenance Center renovations described under the Work Program criteria, the Facilities CIP includes projects that fund preventative maintenance and replacement of key systems. A life cycle cost analysis was completed in 2000 that identified preventative maintenance and replacement funding needs for City facilities for twenty years. That analysis was reviewed and refined as part of this CIP process, incorporating input from a condition assessment conducted by a consultant in 2013 and adding the Kirkland Justice Center. The operating budgets reflect sinking fund charges to fund the reserve that pay 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
- Mechanical/HVAC Systems
- Painting, Ceilings, Partition & Window Replacements
- Roofing, Gutter, Siding and Deck Replacements
- Flooring Replacements

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 project).

7. Sequences projects in a manner that advances the Vision Statement and Guiding Principles of the Kirkland 2035 Comprehensive Plan.

The draft Vision Statement and Guiding Principles can be found on the City's website at the following link www.kirklandwa.gov/Assets/Kirkland+2035/K2035+Comp+Plan+Draft+Vision+Statement.pdf and their relationship to the preliminary CIP projects is summarized below.

Draft Vision Statement – *Kirkland is one of the most livable cities in America. We are a vibrant, attractive, green and welcoming place to live, work and play. Civic engagement, innovation and diversity are highly valued. We are respectful, fair, and inclusive. We honor our rich heritage while embracing the future. Safe, walkable, bikeable and friendly neighborhoods are connected to each other and to thriving mixed use activity centers, schools, parks and our scenic waterfront. Convenient transit service provides a viable alternative to driving. Diverse and affordable housing is available throughout the city. Kirkland strives to be a model, sustainable city that values preserving and enhancing our natural environment for our enjoyment and future generations.*

The Draft Guiding Principles are *Livable, Sustainable, and Connected*. Many of the projects highlighted in this Narrative directly support the Vision Statement and Guiding Principles, for example:

- **Livable** – One of the categories within this guiding principle is *Quality of life: safe and well-maintained neighborhoods with convenient access to parks, recreational facilities, the water front, community gathering places, excellent schools, and nearby services*. The projects proposed in the Park CIP, along with the Public Safety and many of the Transportation projects described earlier relate directly to this category.
- **Sustainable** – The *Ecological* and *Economic* categories within this guiding principle are directly served by the projects highlighted in support of the redevelopment of Totem Lake and Park Place and those summarized under the *Environment* goal area that protect and enhance habitat and create a healthy environment.
- **Connected** – The *Accessible* and *Technology* categories within this guiding principle are supported directly by the proposed improvements to the multi-modal transportation network, including the CKC, and the continued investment in technology to support delivery of information and services to our citizens.

8. Maximizes the benefit to the community within a given level of funding.

Each of the functional Master Plans contains objectives and policies that result in the identification of capital projects to help serve the community's needs. In addition, the City has other mechanisms for identifying specific projects, including the Neighborhood Plans and Suggest-A-Project. To illustrate how the Preliminary CIP maximizes the benefit to the community within a given level of funding, the process for prioritizing Transportation projects for the 6-year CIP is described in more detail below.

Kirkland's transportation policies, embodied in the Comprehensive Plan via the Transportation Master Plan (TMP), seek to improve current transportation conditions and, more importantly, to foresee and address future transportation needs for generations to come. Kirkland's policy makers, the City's Transportation Commission, and the technical staff all recognize that, as the region continues to grow and develop, traffic congestion cannot be addressed by simply adding more lanes for automobile traffic. Adding automobile traffic capacity is not only impractical from a cost standpoint; it is also

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contrary to many of the values held by our City, such as environmental sustainability and natural beauty, walkable communities, and vibrant neighborhoods. Thus, the TMP shifts past focus from automobile capacity to a more comprehensive, multi-modal approach to the City's transportation system.

The City's Capital Improvement Program (CIP) provides a means for transforming the TMP vision into a reality. In concert with the TMP, the proposed CIP places greater emphasis on transit, bicycling, and walking networks. Dealing with motorized vehicle congestion is also addressed by improving traffic flow with the City's Intelligent Transportation System (ITS) project, along with more efficient traffic channelization and signalization where feasible. Creating new and enhancing existing motorized and non-motorized networks, completing missing network links, and making non-auto transportation more convenient to commuters will all serve to reduce traffic congestion and enhance our community.

Together with active participation in regional transit planning efforts, a CIP that aligns with the vision and policies in the TMP, coupled with the land use plan in the Comprehensive Plan can, over time, transform the transportation experience in Kirkland. The challenge, of course, is adhering to long-term policy goals, while also addressing the very real priorities of today. The City has many programs and forums where staff, commissioners, policymakers, and citizens identify today's immediate transportation concerns and challenges, and suggest potential near-term solutions. Sources of input include, for example, the following processes and programs:

- The City's Neighborhood Safety Program,
- The School Walk Route Program,
- The Walkable Kirkland Initiative, which expands the School Walk Route and Neighborhood Safety Program for 6 years,
- Neighborhood Plans,
- Cross Kirkland Corridor (CKC) Connections,
- Connections to new developments (with particular emphasis on major developments along the CKC, such as Totem Lake, Park Place, South Kirkland Park and Ride, Houghton Shopping Center, and Google),
- Kirkland's Suggest-A-Project Program,
- Grant Funding availability for specific project types,
- Planning efforts of Sound Transit and King County Metro.

To balance today's project "inputs" with long-range policies, the TMP contains a 20-year project list that reflects the goals and policies in the TMP, while also considering the multiple current sources of project suggestions. Staff's approach for preparing the 20 year project list was as follows:

1. By policy, recognize a 20 year street maintenance budget of approximately \$85 million of street levy and other committed funds.
2. Establish project categories within each mode (Walk, Bike, Transit, Auto) based on TMP policies.
3. For each project category, develop a *pool* of potential projects. This is a larger set of projects in a given category based on the multiple existing project sources.
4. For each project category, develop a *recommended set of projects*. For most project categories, this is based on a combination of a) projects that will meet the goals and policies in the draft plan, b) fiscal balance across project types c) projects that have been previously developed and d) staff's judgment of a sensible level of completeness for a project category.

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Priority is given to projects that meet multiple policy objectives, and/or that are identified from multiple sources.

5. Perform an analysis similar to 2 and 3 above for other maintenance needs over the next 20 years.

The 20-year list serves as a main source of future CIP projects and individual projects are prioritized within groups based on the criteria in the TMP Goals and Policies. A specific 6-year CIP Plan and the first two years reflected in the biennial budget further refine the 20-year list by again balancing current inputs with long-range policy. The current 6-year and 2-year CIP project lists were created as follows:

- Re-examining the assumptions in the 20-year plan with regard to specific projects identified for the next six years. As in the case with the 20-year plan, projects that meet multiple “input” objectives, or that complete critical transportation network links, are considered high priority.
- Allocating committed projects (such as School Walk Routes, or projects that have received grant funding) to the appropriate 20-year project category, as set forth in the TMP.
- Adding and/or prioritizing projects that received grant funding. Grant funding deadlines often push projects up in the CIP schedule.
- Applying a “reality check” to project timing and phasing. For example, although a project might be a high priority from a TMP policy perspective, it is possible that extensive permitting requirements push construction back a year or two in the CIP Plan.
- Review by the Finance Department of the project list and assumptions regarding revenue, and providing direction on budget and revenue assumptions.
- Balancing of the budget for the requested project list with projected funding sources. Again, similar to the permitting and grant funding considerations, revenue projections from various sources can influence the timing of projects.
- The Transportation Commission reviews and provides input to the proposed 6-year CIP and 2-year appropriation. (Although not part of the current CIP process, the Planning Commission has expressed interest in receiving briefings on future preliminary 6-year CIP Plans to have an opportunity for questions and comments.)
- Input and adjustment by the City Manager to the proposed 6-year CIP and 2-year appropriation.
- Refinement by the City Council of the proposed 6-year CIP and 2-year appropriation prior to final adoption.

Many of the above steps are iterative, and some steps are revisited as the process moves forward.

Implementing Multiple Programs Simultaneously

For the 2015-16 CIP budget, and 2015-20 CIP Plan, there were more than enough projects from the various input sources to meet multiple objectives, and also adhere to the guiding principles of the TMP. As these “low-hanging fruit” projects get completed over the course of this 6-year CIP, a more refined process will be needed to choose between various suggested projects in the future. One technique used by staff in this process was to overlay the TMP projects with the projects identified in Neighborhood Plans and Suggest-A-Project. This approach helped illustrate how the recommended projects helped to meet the needs identified through all three mechanisms. **Of the 50 funded Transportation projects in the Preliminary CIP, over 60% incorporate specific Suggest-a-Project and/or neighborhood plan items as part of their scope.**

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All of the functional areas applied similar principles in identifying and prioritizing projects proposed in the Preliminary CIP, incorporating their strategic/master plans, public input from those processes and Kirkland 2035, and the feedback from Boards and Commissions. The City Manager and the CIP Leadership team (Deputy City Managers, Director of Finance & Administration, Financial Planning Manager) further applied the prioritization criteria established by the City Council to balance the competing needs and interests across the City.

CONCLUSION

The Preliminary 2015 to 2020 CIP reflects the prioritization criteria 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 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.

The Final 2015-20 CIP will be adopted along with mid-biennial adjustments to the 2015-2016 Budget in December 2015 and will incorporate Council direction provided through the rest of this year.

Respectfully submitted,



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