



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

MEMORANDUM

To: Kurt Triplett, City Manager

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

Date: October 22, 2015

Subject: **2015-2016 MID-BIENNIAL BUDGET UPDATE**

RECOMMENDATION:

City Council holds its Mid-Biennial Budget Review on November 4th to receive an update on the City's financial condition and to review the City Manager's recommendation for adjustments to the 2015-2016 biennial budget.

BACKGROUND DISCUSSION:

State law requires that a mid-biennial review be completed after September 1st and before December 31st during the first year of the biennium. The purpose of this memo and its attachments is to provide a brief financial update to the City Council, present recommended Service Packages for 2016 within Council goal areas, present other adjustments to the revised 2015-2016 Budget, and provide information on related policy decisions.

Financial Update

The August dashboard report (Attachment A) provides high level monitoring of General Fund revenues and expenditures status and a few key revenue and expenditure indicators that are especially important to watch.

Revenues

As part of the mid-biennial review, departments were asked to provide updated revenue estimates for 2015. Based on these estimates, General Fund revenue collection is estimated exceed budget in 2015 primarily because of two sources:

- **Sales tax** revenue through August is 4.8 percent higher than the same period last year. Based on the data to date, sales tax revenue for the year is estimated to be approximately 3.9 percent higher than budgeted (approximately \$689,000 more). The City conservatively budgets sales tax with a modified two-year lag – the 2015 and 2016 budgets were set at the estimated 2014 revenue so the current estimate being over budget is not unexpected. The September sales tax memo (Attachment B) includes an

analysis of sales tax revenue trends by business sectors and compares monthly and year-to-date data to last year. Year-to-date revenue has exceeded budget expectations primarily because of increases in the services and retail sectors (particularly automotive sales), and positive growth in all other major sectors.

As seen in prior years, 25 percent and 15.2 percent of 2015 collections have come from the Auto/Gas Retail and Contracting sectors, respectively. Since such a large portion of the sales tax revenue comes from economically volatile sectors, it is prudent to interpret this strong performance cautiously. Consistent with this philosophy and in line with the modified two-year lag approach, the estimate for 2016 collections has been retained at its budgeted level.

In addition, the imminent redevelopment projects at Totem Lake and Park Place will displace retail activity at both retail centers during construction. Though it is likely that construction sales tax collections from this activity will help offset this impact, maintaining the Sales Tax at its 2016 budgeted level will further serve to cushion the City's General Fund revenues from the near term impact.

- **Development services** revenue through August is tracking at approximately 29.5 percent, or \$1.4 million, ahead of last year. Development services staff estimates that due to the robust development activity, total 2015 collections will exceed budget by \$984,000 in 2015 and \$2.4 million in 2016 (when Parkplace and Totem Lake are expected to pay the bulk of their fees). These excess revenues represent fees collected to support current and future work. A portion of the higher revenue has been designated to support temporary development services staffing to keep pace with the high level of current workload, as discussed in the Service Package section below.

The City maintains development reserves to match revenues collected from projects with the work that in many cases is performed in future years. Consistent with that approach, there are a number of service packages and budget adjustments discussed below that draw from these reserves in the current biennium. Due to the dynamic nature of several large projects next year, the revenues in excess of recovery policies will be tracked through to the end of next year, and will be incorporated into the adjustment of development reserves at the end of 2016.

It is worth noting that the strong performance in these two categories is partially offset by below-budget estimates in two sources:

- **Utility Tax** revenue is tracking 5.8 percent below last year's results, due to poor performance in the private utility sectors. This is likely the result of lower gas and electricity usage during the mild winter, as well as competition and shifting service delivery practices in the telecommunications marketplace. Staff estimates that overall utility tax revenues will come in \$486,000 below the 2015 budget. Staff expects this lower level of collections will continue into 2016, resulting in a potential \$638,000 shortfall for this category.
- **Fines and forfeitures** revenue is projected to be approximately \$328,000 below the 2015 budget (about 11.7 percent below budget), primarily due to a decrease in filings in a number of categories. This is partially due to a number of patrol vacancies in Police in 2015. Though it is likely that a portion of this variance is transient in nature, staff estimates that these revenues may fall short of the 2016 budget by \$212,000.

Other non-General Fund revenues that are estimated to be significantly higher than budgeted in 2015 include:

- **Real Estate Excise Tax (REET)** revenue through August is 40 percent higher than the amount received last year and is already \$695,000 higher than the annual amount budgeted for 2015. The additional revenues are set aside in the REET Reserve to address the City's capital needs and will be brought forward at the November 17th Study Session on the 2015-2020 Capital Improvements Program (CIP).
- **Impact Fee** receipts through August reflect the high level of development activity in the community and do not represent any changes to the fees as presented to the City Council in prior meetings. Transportation impact fees are 84 percent higher than the amount budgeted for the year and 28 percent ahead of the same period last year. Similarly, Park impact fee revenue is 216 percent higher than budgeted and 19 percent ahead of the same period last year. As with REET, the implications of this higher revenue will be brought forward for discussion at the November 17th CIP Study Session. Impact fees can only be used for eligible capacity projects. Park impact fees were originally budgeted for annual debt service payments for the KTUB and McAuliffe Park, however, at its June 4th, 2015 the Council approved the use of existing Park impact Fee balances to fully retire the outstanding bonds in advance of their original maturity date. A budget adjustment to reflect this decision is discussed below.

Expenditures

Departments continue to closely monitor their expenditures in 2015. The estimated under-expenditures at the end of 2015 are largely the result of this stewardship. The following are selected highlights of General Fund expenditures:

- Overall, General Fund expenditures are trailing budget expectations through August. The under-expenditure in 2015 is estimated to be approximately \$1.1 million, of which approximately \$0.9 million is in personnel costs, primarily from vacancies, and the remainder is primarily savings in jail contract costs (approximately \$130,000 in 2015). Of this amount, \$25,000 is designated to support a reorganization of the Corrections Division in the Police Department budget, as discussed in the budget adjustment section below.
- Fire suppression overtime in 2015 is projected to be over budget by approximately \$312,000 at year end, as a result of the minimum staffing impacts from a number of factors, including:
 - Backfill for 5 recruits in the academy during the early part of the year;
 - Battalion Chiefs on medical leave/light duty in the first half of the year;
 - Additional vacancies on the line due to temporary Command staff assignments; and,
 - A higher than average number of vacancies due to non-discretionary reasons, including FMLA, disability, or light duty.

A portion of this overage is absorbed by salary savings generated by vacancies, however, a significant portion has no associated salary savings, which may result in some use of the overtime contingency to cover it. A reserve has been set aside as a fire

overtime contingency (budgeted as \$200,000 for the biennium). The table below summarizes the Fire overtime expenditures in 2015 and nets out the salary savings to derive the portion not covered with salary savings.

Fire Suppression Overtime	2015 Estimate
Suppression Overtime Above Budget	312,000
Suppression Salary Savings	(157,000)
Uncovered Overtime	155,000
Fire OT Reserve	\$200,000
Remainder Available for 2016	\$45,000

The reserve exists as an offset against potential future overages that could affect the General Fund. Since the General Fund is appropriated at the fund level it not necessary to formally transfer monies from the reserve to cover the department overage in 2015, though expenditures in this line item will continue to be monitored through 2016 to calculate adequacy of reserves going forward.

- Although the General Fund personnel costs were under budget, some departments were over budget in the benefits category because their demographics varied from the average used to budget benefits. This is not a line item or program that can be “managed” by a Department Director so budget reconciliation of the benefits category is done centrally by Finance.

The biennial impact of the General Fund revenue and expenditure variances discussed above is shown in the table below. Higher revenues from development services are shown on a separate row, as these amounts are dedicated to support current and future development work.

General Fund - Estimated Variance from Budget	2015	2016	Biennial
Total Revenue Variance	1,779,412	1,744,573	3,523,985
Less: Development Services Revenue Variance	984,748	2,433,599	3,418,347
Revenue Variance Excluding Development	794,664	(689,026)	105,638
Expenditure Savings	1,090,215	-	1,090,215
Total General Fund Change in Fund Balance	1,884,879	(689,026)	1,195,853

As shown in the table, due to the better than expected revenues and departmental expenditure savings, General Fund resources at the end of 2016 are expected to be \$1.2 million higher than budgeted, assuming revenues dedicated for future development work are excluded. Of this amount, \$1.1 million is from estimated expenditure savings and \$106,000 is from higher overall revenue estimates. A portion of these savings is recommended for use in funding service packages and budget adjustments as described below.

Property Tax – Implicit Price Deflator

It is worth noting that the revised 2016 revenue budget assumes the 1% optional property tax levy increase, plus the value of new construction in the City, as originally adopted in the 2015-2016 Biennial Budget. State statute limits the annual property tax levy growth to the lesser of 1% per year or the annual growth in the Implicit Price Deflator (IPD), a measure of annual inflation, without a finding of substantial need. In most years 1% is the limiting factor,

however, the Department of Revenue has notified local property tax officials that for 2016 the limiting factor will be the IPD, which is calculated to be 0.25 percent for 2016 levy purposes.

Adopting a property tax levy using the IPD would result in an overall 2016 Regular Property Tax levy that is \$201,000 lower than what is allowed at a 1% limit. The General Fund share of this difference is approximately \$130,000. Statute allows city governing bodies having more than four members to adopt a levy based on the 1% limit if a resolution or ordinance stating substantial need to levy the higher amount is adopted by a majority plus one vote. The last time the IPD was the limiting factor was in 2009, and at that time the City Council adopted a resolution stating substantial need to levy the higher amount.

It is worth noting that decisions on the 2016 limit have long term implications due to the manner in which each year's property tax levy builds on prior year amounts. In effect, the lower revenue allowed under the IPD limit will carry forward into future years, adding to the deficit the City faces as a result of the expiration of the Annexation Sales Tax Credit in 2021 unless a finding of substantial need is adopted. Staff will prepare a draft resolution of substantial need for Council consideration on November 17th with the preliminary property tax levy.

Legislative Changes to State Shared Revenues

The biennial revenue estimates cited in the table above do not include new state shared operating revenue resulting from the 2015 Legislative Session. Most notably, the amount available to Kirkland from State Liquor Excise Tax revenues was increased by \$30,000 in 2015 and \$211,000 in 2016. A detailed Issue Paper on this topic is included as Attachment C. When the legislature reduced these funds from cities in the past, the Council concurred with the City Manager's recommendation that these funds should be used for the Public Safety Sinking Fund rather than to support on-going operations. Consistent with this practice, the City Manager recommends designating this new ongoing revenue stream to support a portion of the annual \$500,000 deposit to the Public Safety Sinking fund, freeing up a like amount of general revenues for funding recommended service packages.

2016 Service Packages

In the 2015-2016 Budget, the City Manager's recommendations were crafted to address the community and City Council priorities within the context of the City Council goals. The funded service packages, key policy recommendations, and major capital investments were presented within the goal areas that they primarily supported.

As part of this mid-biennial budget review process, and consistent with guidance given during the development of the 2015-2016 Biennial Budget, the City Manager requested departments to restrict service packages for 2016 to the following categories: 1) funded with new revenue or offsetting expenditure reductions; 2) directly related to the 2015-2016 City Work Plan. All the service packages recommended by the City Manager are fully funded through expenditure offsets, available one-time cash or reserves, new revenues, or external funding. A summary of the recommendations and funding sources and the service package request details are included as Attachment D.

2016 SERVICE PACKAGE RECOMMENDATIONS BY GOAL AREA

The City Manager's recommended service packages reflect Council direction and have been identified as supportive of the City's work plan for the current biennium. Similar to the presentation in the 2015-2016 Budget message, the recommended 2016 service packages are presented within the context of the City Council goal area they primarily support, although many of them support multiple goals.



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.

- **State Legislative Advocate** – Use of \$15,000 of revenues, of which \$3,000 is one-time in 2015 and \$12,000 is ongoing in 2016, to fund increases to the Waypoint Consulting firm's legislative advocacy contract.



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.

- **Storm Water Pond Safety Improvements** – One-time use of \$30,000 from existing fund balance to establish a funding source to draw on when new fencing, lighting, locks or signage is needed to secure storm water ponds for safety reasons.
- **Addition to Sewer Master Plan Scope: Inflow and Infiltration Study** – One-time use of \$41,000 from existing fund balance to fund a study required by King County that would determine where any failed and leaking sewer infrastructure is located and how to address it as an addendum to the Sewer Comprehensive Plan update.



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.

- **Expired Permit Inspections** – One-time use of \$45,000 in Building reserves for a pilot program in 2016 using inspector overtime to offer Saturday inspections to address a backlog of expired building permits.
- **Building Digitization Project** – One-time use of \$234,887 from building reserves to support the City's ongoing effort to digitize records for improvements in efficiency, retrieval and retention compliance.
- **Convert Temporary Plans Examiner II Position to Ongoing** – Converts a temporary position from one-time in 2016 to a 1.0 regular position. The temporary position was included as part of a larger adjustment in April 2015 to recognize the higher revenues and workload from the Totem Lake and Park Place projects. The department indicates that due to high levels of ongoing development activity and for recruiting purposes this position should be converted to ongoing. This change does not

have a fiscal impact in 2016 beyond the adjustment made in April; the annual ongoing cost of \$115,993 will be added to the base 2017-2018 Biennial Budget, funded by fees.

- **Houghton/Everest Neighborhood Center Plan** – Use of \$30,000 from one-time 2015 expenditure savings in the Planning and Building budget to fund a formal public review and update process for the Houghton/Everest Neighborhood Center per Resolution R-5067.
- **Electrical/Building Inspector** – Ongoing expense of \$109,957 with a one-time component of \$32,900 for the purchase of a vehicle, for a total of \$142,857 in 2016. This position will be supported by new, ongoing development revenues that are in excess of budgeted amount and will help address the high workload of regular development projects.
- **Zoning Charts to Tables** – To further implement the Development Services review recommendations, use of \$12,000 from one-time 2015 expenditure savings in the Planning & Building budget to complete the Zoning Code reformatting project that streamlines and improves the zoning code formatting and accessibility.

 <p>DEPENDABLE INFRASTRUCTURE</p>	<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>
---	--

- **Small Sweeper for Parking Garage/Park Lane** – Total funding of \$81,374, of which \$70,000 is one-time and \$11,374 is ongoing, to purchase a small sweeper to allow for more frequent power sweeping of the parking garage and Park Lane. Currently the garage is swept quarterly by a contractor. The 2016 amount is funded by a one-time offset of \$71,500 in savings from contracted sweeping, parking study and parking improvement expenses, and the remaining \$9,874 is funded from higher parking revenues due to daytime charging at the Lake and Central lot.
- **CKC Maintenance Vehicle & Equipment Trailer** – Total funding of \$48,635, of which \$3,635 is ongoing in nature, to purchase equipment for the Public Grounds division of Public Works, including:
 - An electric four wheel utility vehicle for various repair and maintenance purposes along the Cross Kirkland Corridor; and,
 - An equipment trailer for hauling tools and equipment used to maintain City facilities.

The one-time component of this service package is offset by one-time expenditure reductions in 2016.

In addition to recommendations directly related to the Goal areas, the following service package is recommended:

Council/City Manager Directed

- **Maintenance Center Reorganization** – Ongoing funding of \$71,617 across all funds from new revenues and existing fund balances to implement changes to the leadership structure and management positions in Public Works. Funds for the first year of

reorganization effective January 1, 2016 will be drawn from available fund balance. An Issue Paper describing this reorganization is included as Attachment E.

The following table summarizes the various sources used to fund the recommended service packages in 2016.

Funding Source	Amount
General Fund	
Prior Year Savings	42,000
Development Services Revenue	142,857
New Revenue	24,000
Reserves	
Development Reserves	279,887
Subtotal General Fund	488,744
Other Funds	
Available Fund Balance	137,253
Expenditure Offsets	116,500
New Revenue	9,874
Subtotal Other Funds	263,627
Total Recommended 2016 Service Packages	752,371

Other Budget Adjustments

In addition to the budget adjustments to recognize service packages recommended above, there will be a variety of other budget adjustments brought forward for Council approval in December. The adjustments are summarized in Attachment F; noteworthy adjustments include:

- *Council Directed/Other Requests and Previously Approved Adjustments* - Any additional changes identified by Council and formalizing previously approved actions (fiscal notes, etc).
 - **Community Point of Distribution Funding** – Based on direction during the Preliminary CIP discussion at the September 1st Council Meeting, provides ongoing funding to establish and stock Community Points of Distribution (CPODs) in neighborhoods across the City. CPODs provide the location and supplies that can be accessed following a disaster. An ongoing amount of \$6,600 from new ongoing revenues would allow the City to stock two CPODs per year, beginning in 2016, then replenish supplies so every POD is available in a disaster.
 - **Corrections Reorganization** – The Police Department is reclassifying two Corrections Officer positions to supervisory positions to allow twenty four hour supervision in the jail and to enable the Corrections Lieutenant to focus on the administrative duties of the unit. The additional ongoing cost will be \$23,600 per year, funded through a reduction in the contract jail budget line item.
 - **Firefighter Over hires** – In 2016, the Fire Department is anticipating a number of Firefighter retirements. As approved by the City Council at its October 20th, 2015 Regular Meeting, the Department will send two additional candidates to the EMTG Academy in January 2016, to replace Firefighters who retire during the

year. This action created 2 regular FTEs that will sunset once the retirements take place. Since Academy classes are only run once per year in the fall/winter, this 'over hire' approach avoids the need to wait for several months to fill vacancies for retirements that happen mid-year. The department will use \$172,102 from new General Fund revenues to hire and train the new positions and pay the accumulated leave balances for the retiring Firefighters. It is anticipated that this strategy will reduce the need for overtime in 2016 and reduce hiring expenditures in 2017, which could help offset this initial cost while facilitating a smooth minimum staffing transition.

- **Temporary Affordable Care Act Support** – One-time use of \$163,987 from the Health Benefits Fund, and \$13,754 of expenditure offsets in the General Fund, for temporary staff, including 1.0 temporary HR Analyst in Human Resources for 2016 and 1.0 temporary Accounting Support Associate for a six month term in the Finance Department to support Affordable Care Act Internal Revenue Service reporting requirements.
- *Housekeeping Items* - Adjustments that may be needed to budget accounts, fund balances, etc. Examples include recognizing unanticipated grant revenue.
 - **Cost of Service Reconciliation** – General fund costs for internal services including Finance & Administration, the City Manager's Office, Human Resources and the City Attorney's Office are charged to departments and funds using an allocation method based on the prior year's estimated costs. An annual reconciliation of these charges is calculated to true-up actual prior year expenses with the budget, which ensures that only the actual costs of these services are being charged. This one-time adjustment will increase internal charge revenue to General Fund by \$62,734.
 - **Surface Water Billing Correction** – The City's Surface Water Utility charges according to the amount of impervious surface area on each public and privately-owned property in the City. In 2014, Utility staff conducted an audit to verify that city-owned parcels were being billed correctly. This study revealed inaccuracies in the billing methodology for several City-owned properties. To correct for this discrepancy an adjustment will be made to contributions from City funds, totaling \$124,059 in the General Fund and \$58,463 across all other City funds.

These adjustments are funded using a mixture of revenue sources, as shown in the following table:

Funding Source	Amount
General Fund	
Available Fund Balance/New Revenue	248,521
External Source	38,870
Expenditure Offsets	37,312
All Other General Fund Fees & Charges	170,857
Interfund Transfers	568,674
Health Benefits Fund	163,987
Subtotal General Fund	1,228,221
Other Funds	
Available Fund Balance	1,295,082
Interfund Transfers	197,346
Fees & Charges	334,166
External Revenues	431,308
Subtotal Other Funds	2,257,901
Total Recommended 2015-2016 Adjustments	3,486,122

Other Policy Issues

Credit Card Fees

Credit card charges have increased across all activities reflecting an increased use in this form of payment for many of the services provided by the City. In 2015, a large portion of the costs are directly related to increased development activity and current revenues are expected to offset the charges. An issue paper describing policy options is included as Attachment G.

Capital Projects Management

At its August 3, 2015 Regular Meeting, the City Council pre-authorized hiring of new positions to begin reducing the existing backlog of CIP projects, and to staff up to address the projected increase in the overall CIP, from \$181 million in the 2013-2018 update to over \$196 million in the preliminary 2015-2020 CIP. An issue paper describing the new staffing, the plan to address the backlog, how the positions will be funded through charges to projects, and the availability of resources in projects budget is included as Attachment H.

Human Services Funding

During its deliberations on the 2015-2016 Biennial Budget, the City Council requested a comparison of overall investments in human services and human services-related activities for Kirkland and surrounding cities. An issue paper responding to this request is included as Attachment I.

Next Steps

The next steps for the budget process are:

November 17 **Study Session**
2015-2020 Capital Improvements Program Study Session

Regular Meeting
Public Hearings on Budget & Preliminary Property Tax Levy

Preliminary Property Tax Levy Adoption (must occur on this date)

December 8 **Regular Meeting**
Mid-Biennial Budget Adoption
Final Property Tax Levy Adoption
2015-2020 CIP Adoption

August 2015 Financial Dashboard Highlights

October 19, 2015

- The dashboard report reflects the 2015 share of the biennial budget adopted by the City Council on December 9, 2014, as amended by the City Council on April 7, 2015 and on June 6, 2015. The actual revenues and expenditures summarized reflect results through August 31, 2015, 66.6 percent through the year.
- Total General Fund revenues received through August were at 65.0 percent of budget.
 - Sales tax revenues at the end of August were up 5.9 percent compared to August 2014 and were 68.3 percent of budget. Last year's collections included a number of one-time transactions, making the prior year comparison higher than normal. Sales tax was up 7.2 percent if those transactions from 2014 are excluded. The sales tax revenue reflects activity through June 2015 due to the two month lag in receipt of the funds from the Department of Revenue.
 - Utility tax receipts were \$9.3 million through August, which is 68.3 percent of the budget. June, July, and August collections were up 3.2, 1.1, and 1.0 percent over 2014 respectively indicating that lagging revenues for the first five months were mainly due to mild weather conditions and are on a recovering trend.
 - August General Fund business license revenues are 67.4 percent of budget, which is lower than last August's revenue by \$208,614. The decrease is due to the transfer of a portion of business license fees to fund street improvements capital projects in the CIP beginning in 2015. Excluding this transfer, business license fees are up 2.8 percent from 2014.
 - Development fees through the end of August were 81.2 percent of budget due to a high level of single family related development activity this year. Collections of building and engineering fees are 29.5 percent higher than last year.
 - Gas taxes finished August at \$1.1 million, which is 66.2 percent of the annual budget. This is 2.1 percent higher than August 2014.
- Total General Fund expenditures were 60.8 percent of budget at the end of August.
 - General fund salaries and benefits were \$37.4 million, which is 64.9 percent of the annual budget, with 66.6 percent of the year completed. Salaries and benefits are 4.5 percent higher than in 2014, due to one time and ongoing positions added as part of the 2015-16 budget to increase service levels and meet the needs of the citizens.
 - Fire suppression overtime expenditures were \$729,449 at the end of August, which is 99.2 percent of budget, and \$177,650 higher than in 2014. In addition to the higher overtime early in 2015 as discussed in previous dashboards, high overtime through August is partly the result of two vacancies on the line, which are now being offset by salary savings. One of these vacancies is the result of temporary assignments to Command Staff, while the position of Chief is vacant. In addition a higher than average number of people have been on FMLA, disability, or light duty in 2015, and these positions are often backfilled due to minimum staffing requirements.
 - The 2015-16 one-time service package for \$465,944 of additional overtime funding to staff Fire Station #24 is shown separately on the Dashboard. Expenses are on track, with 64.5 percent spent on overtime staffing for the station in August.
 - Contract jail costs were 43.8 percent of budget at the end of August. This budget covers the costs of housing inmates that cannot be kept at the Kirkland Justice Center jail for medical reasons.
 - Fuel costs ended August at \$275,921 or 37.7 percent of budget. This is \$131,352 less than 2014, due to lower gasoline prices. The yearly comparison is expected to remain lower as long as oil prices are down.

Attachments: August Dashboardž 5i [i gh8Yj Y'cda YbhGYfj]WgFYdcfh

City of Kirkland Budget Dashboard

Date Completed

9/22/2015

Annual Budget Status as of **8/31/2015** (Note 1)

Percent of Year Complete **66.67%**

	2015 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Report	Last Report	
General Fund						
Total Revenues (2)	86,564,939	56,255,206	65.0%			
Total Expenditures	91,837,472	55,874,406	60.8%			

Key Indicators (All Funds)

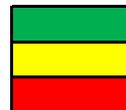
<i>Revenues</i>						
Sales Tax	17,963,747	12,275,600	68.3%			Prior YTD = \$11,596,987
Utility Taxes	14,895,606	9,315,851	62.5%			Excludes \$119,475 recovered in a telephone utility audit
Business License Fees	2,955,769	1,993,342	67.4%			
Development Fees	7,586,037	6,160,155	81.2%			
Gas Tax	1,675,751	1,108,619	66.2%			
<i>Expenditures</i>						
GF Salaries/Benefits	57,713,054	37,442,765	64.9%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	735,411	729,449	99.2%			Excludes FS 24 Overtime
F.S. #24 Overtime Staffing	465,944	300,416	64.5%			
Contract Jail Costs	440,688	193,018	43.8%			
Fuel Costs	731,927	275,921	37.7%			

Status Key

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



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

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

n/a - not applicable

Development Services Report – August 2015

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

- The August, 2015 Building permit related statistics indicates a continuing of our upward trend. New single-family residential permit applications for August were up 41%, with 45 applications received compared to 32 last year; however, commercial tenant improvement and single-family remodel permits decreased (27%) with 44 applications received compared to 60 last August.
- The monthly average of total building related permits received so far this year (528) exceeds the monthly average for 2014 (501) and the total number of permits received in August (546), is more than August 2014 (532).
- Building Department revenue for August, 2015 was \$403,164 which is \$35,626 above the average monthly projected revenue of \$367,538 (74% of the budgeted annual revenue of \$4,410,452 has been collected).
- Public Works Department development revenue for August, 2015 was \$343,254 which is \$217,421 more than the average monthly projected revenue of \$125,833 (116% of the budgeted annual revenue of \$1,510,000 has been collected).
- Planning Department revenue for August, 2015 was \$62,774 which is \$22,723 under the average monthly projected revenue of \$85,497 (83% of the budgeted annual revenue of \$1,025,959 has been collected).



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

MEMORANDUM

To: Kurt Triplett, City Manager

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

Date: October 20, 2015

Subject: September Sales Tax Revenue

Year-to-date sales tax revenue through September was **up 5.2 percent** compared to the same period last year. The increase was led by the Auto/Gas Retail and Services sectors, which were up 8.1 and 11.6 percent respectively. Other Retail and Wholesale growth was robust, however, weaknesses in Communications and miscellaneous continue to weigh slightly on collections. Results this month reflect sales activity in July, due to the two month lag in reporting sales tax data.

Comparing September 2015 to September 2014

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

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

Business Sector Group	September		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	212,434	256,044	43,610	20.5%	13.4%	14.4%
Contracting	247,284	264,630	17,346	7.0%	15.7%	14.9%
Communications	42,406	40,857	(1,549)	-3.7%	2.7%	2.3%
Retail:						
Auto/Gas Retail	362,943	426,004	63,061	17.4%	23.0%	23.9%
Gen Merch/Misc Retail	233,700	241,645	7,945	3.4%	14.8%	13.6%
Retail Eating/Drinking	138,148	143,777	5,629	4.1%	8.7%	8.1%
Other Retail	191,387	226,210	34,823	18.2%	12.1%	12.7%
Wholesale	73,575	79,304	5,729	7.8%	4.7%	4.5%
Miscellaneous	77,792	101,269	23,477	30.2%	4.9%	5.7%
Total	1,579,669	1,779,740	200,071	12.7%	100%	100%

Following the upward trend of 7.6 and 11.2 percent growth in July and August respectively, September sales tax collections are **12.7 percent higher** this year than the same period of 2014. One third of this gain is attributed to the Auto/Gas Retail sector which **increased 17.4 percent** as consumers spent 6.8 million dollars more on vehicles this year than the same period last year.

Continuing on a positive note, Contracting maintained a positive growth trend for the third sequential month and will likely continue through the end of October as the level of construction employment continues to rise. According to the Washington State Economic and Revenue Forecast Council (EFRC), employment gains in the region have been highest in private companies that provide personal services. This information is reinforced by the **20.5 percent increase** in the Services category.

Communications continues to underperform in the wireless category and is the only sector experiencing month-to-month weaknesses compared to 2014. This may be due to the competitive nature of the wireless industry as carriers continually attempt to procure larger market shares by undercutting competitor prices.

Year-to-Date Business Sector Review

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

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	1,690,738	1,886,747	196,009	11.6%	12.7%	13.4%
Contracting	2,110,619	2,142,346	31,727	1.5%	15.8%	15.2%
Communications	384,617	316,190	(68,427)	-17.8%	2.9%	2.2%
Retail:						
Auto/Gas Retail	3,256,578	3,519,220	262,642	8.1%	24.4%	25.0%
Gen Merch/Misc Retail	1,582,722	1,645,946	63,224	4.0%	11.8%	11.7%
Retail Eating/Drinking	1,092,082	1,160,066	67,984	6.2%	8.2%	8.3%
Other Retail	1,789,702	1,878,522	88,820	5.0%	13.4%	13.4%
Wholesale	624,985	704,766	79,781	12.8%	4.7%	5.0%
Miscellaneous	824,629	801,539	(23,090)	-2.8%	6.2%	5.7%
Total	13,356,672	14,055,342	698,670	5.2%	100%	100%

Year-to-date collections remain positive as collections through September were **5.2 percent higher** than last year.

Consistent with month-to-month data, Auto/Gas Retail, Services, and Other Retail were the strongest contributing sectors. Weakness in the Miscellaneous sector is due to one-time factors and does not indicate a trend. The Communications sector weakness continues to be a product of a one-time refund in May 2015 that affected several municipalities in the region; excluding this adjustment the sector would be **down 3.5 percent**.

September marked the third month of positive collections for the Contracting sector as sales tax receipts have grown to be **1.5 percent higher** than last year. Performance this year is due to a rise in single family home construction which has overcome the weight of the downturn in commercial building.

National and Regional Economic Context:

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

Indicator	Most Recent Month of Data	Unit	Month			Yearly Average	
			Current	Previous	Change	2015	2014
Consumer Confidence							
Consumer Confidence Index	September	Index	103.0	101.5	1.5	98.8	86.9
Unemployment Rate							
National	August	%	<i>5.1</i>	5.3	(0.2)	5.4	6.2
Washington State	August	%	5.3	<i>5.3</i>	-	5.7	6.0
King County	August	%	<i>3.6</i>	4.0	(0.4)	4.1	4.7
Kirkland	August	%	<i>2.9</i>	3.4	(0.5)	3.4	4.7
Housing							
New House Permits	July	Thousands	31.4	38.0	(6.6)	43.2	34.4
Seattle Area Home Prices	July	Index	183.3	182.5	0.8	176.8	167.1
Inflation (CPI-W)							
National	August	% Change	(0.3)	(0.3)	-	(0.5)	1.5
Seattle	August	% Change	1.2	1.1	0.1	0.7	1.9
Car Sales							
New Vehicle Registrations	August	Thousands	<i>24.8</i>	25.9	(1.1)	24.6	23.4

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

The Consumer Confidence Board reported an increase in the Consumer Confidence Index from 101.5 in August to 103.0 in September. The index's rise is accompanied by a positive view of the current business conditions but a retracted expectation for future conditions. In addition, consumers' views of the labor market were mixed as those expecting more jobs in the months ahead remained flat at 15.0 percent but the anticipation of higher wages increased 2.9 percent.

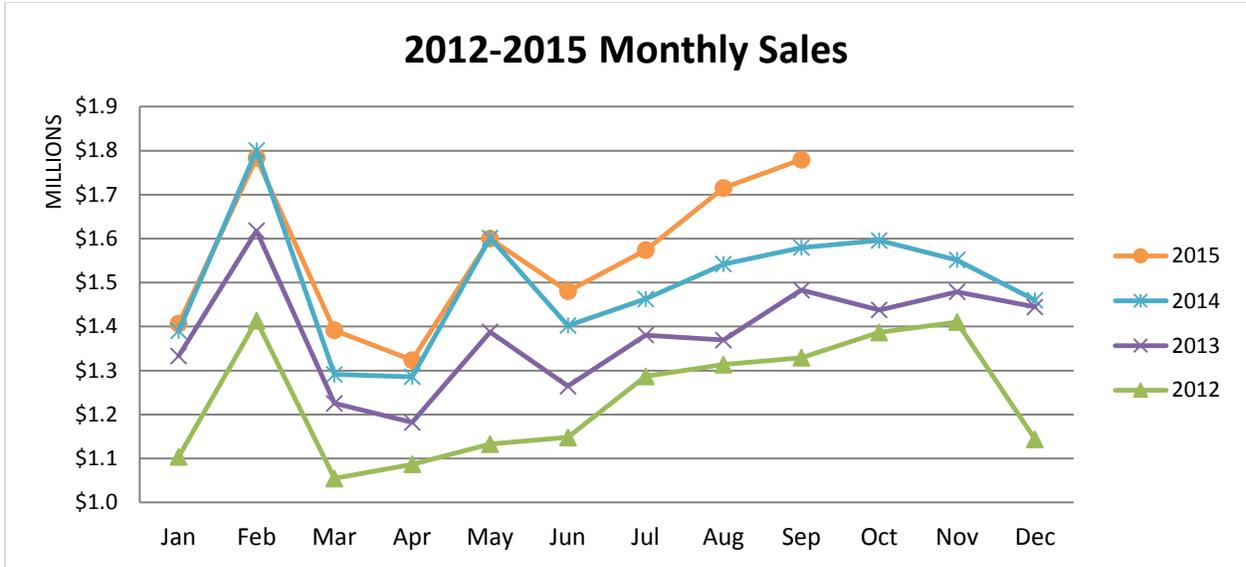
Unemployment Rates were predominately lower in August than they were in July. The national rate fell 0.2 percent, King County lowered 0.4 percent, and the City of Kirkland lowered 0.5 percent. Washington State's unemployment rate remained flat for the third month at 5.3 percent, despite modest job growth, due to a reduction in the number of people participating in the labor force.

Statewide housing market and vehicle sales data indicates strength in the biggest components of our sales tax base at a slower rate than previous months. Statewide housing market values continue to rise as shown by the **Seattle Area Home Price Index**, which was 183.31 in July; just 4.7 percent less than the pre-recession high point of 192.3 in August 2007. As housing prices increase, **New House Permits** declined 6.6 percent from June to July, the first July downturn since 2010. David Crowe, the chief economist at the National Association of Home Builders in Washington, commented to Bloomberg that uncertainty surrounding local water policy and the ability to obtain water connections for new homes or apartment buildings due to the statewide drought could be holding some builders back.

New Vehicle Registrations in Washington experienced a 4.2 percent decrease as new vehicle sales decreased from the post-recession high of 25,900 in July to 24,800 in August. New vehicle registrations remain high despite lower registrations in August and are still comparable to the pre-recession height in November 2007.

Conclusion

As the following chart shows, after several months of somewhat lackluster performance, sales tax revenues have shown four successive months of strong growth compared to last year. The increase is largely due to the Auto/Gas Retail and Services sectors which have benefitted from the regions favorable weather. However, caution is always warranted. While the local economy is strong, economic indicators are beginning to show signs of slowing and we are not immune to the influence of larger global forces.





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

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
Neil Kruse, Senior Financial Analyst

Date: October 14, 2015

Subject: 2015 Legislative Impact to State-Shared Revenues

This memo identifies the impact of legislative action to specific state-shared revenues so that Council can give policy direction.

The state-shared revenues impacted by legislative changes discussed below include:

- Liquor Excise Tax
- Marijuana Enforcement Revenue
- Transportation Package Revenue from Engrossed Substitute Senate Bill (ESSB) 5987

Although they were up for discussion, no legislative action was taken to change annexation sales tax credit and streamlined sales tax mitigation revenues in 2016, so the budget assumptions for these revenues have not changed.

Liquor Excise Tax

The situation for the allocation of Liquor Excise Tax was in flux in 2014, when the 2015-2016 Budget was being developed, as the Legislature was considering various scenarios that reduced the amount of this revenue shared with cities and counties. As a result, MRSC provided pessimistic and optimistic per capita estimates. To be conservative, the City used the pessimistic number to project 2015-2016 revenue. The number ended up being consistent with the optimistic scenario, which increases the expected revenue in 2015 by about \$30,000.

Additional changes to 2016 revenue projections result from legislative action in 2015. The 2013-2015 state budget allocated 77.5 percent of this revenue to the state, leaving only 22.5 percent to be distributed to cities and counties. In addition, the 2012 legislative session created a permanent diversion of \$10 million annually to the state general fund.

The 2015 Legislative session increased the allocation to cities and counties to 35 percent from 22.5 percent, but maintained the \$10 million diversion. The cumulative result of these changes is a revised increase of about \$211,000 in 2016 for Kirkland.

Marijuana Enforcement Revenue

The marijuana legalization legislation initially provides for a \$6 million maximum appropriation for cities and counties based on sales by location from the prior year. The City received its first marijuana enforcement revenue on September 30th and was notified of the amount to be received in state fiscal year 2015 (second half of 2015 and first half of 2016). The total revenue estimate for 2015-2016 is \$28,755 based on the current allocation. However, the distribution amount for the second year of the state biennium (July 2016) will be established next September based on the most recent prior year sales. So, the amount for the second half of 2016 may change as a result.

The only reference in the legislative language regarding the use of this revenue is "The legislature further intends to share marijuana tax revenues with local jurisdictions for public safety purposes and to facilitate the ongoing process of ensuring a safe regulated marijuana market in all communities across the state." This revenue is not currently budgeted. The distribution schedule for all cities and counties receiving this revenue is included as an attachment to this memo.

Transportation Package

The 2015 legislative session passed a transportation package funded by an increase in gas tax of 11.9 cents per gallon and increases to other licensing fees with the intent of providing funding for transportation infrastructure. The first increase to fuel tax will occur over two years with the first effective August 1, 2015 and the second increase July 1, 2016.

The package includes direct funding distribution to cities and counties for transportation purposes. The funding source is 47 percent fuel tax and 53 percent multi modal fees (primarily license and weight fees). This will be the first time cities will receive direct distributions of transportation revenue from something other than gas tax. It should be noted that this allocation is a "direct distribution" in the state's budget, so the shared revenue is only indirectly funded from the increased gas tax and multi-modal account. The amount is guaranteed for the state's current fiscal year.

The first full revenue distribution should have occurred in the last two quarters of calendar year 2015, but the portion funded from the multi modal fees will be delayed until 2016 because of a technical error in the state budget. This is expected to be corrected in 2016, so the balance of the 2015 allocation should be received in in 2016. The expected revenue increase from the transportation package for the biennium is about \$160,000. The Association of Washington Cities projection for the ESSB 5987 transportation package revenue starting state fiscal year 2018 (July 2018) is an increase to about \$190,000 per year. The cumulative impact for funding that could be made available to the 2015-2020 Capital Improvement Program (CIP) is almost \$800,000, as shown in the table below. The revenue is restricted to "transportation purposes."

Projected Revenue from ESSB 5987 Transportation Package					
2015-16	2017	2018	2019	2020	Total
160,298	106,829	148,848	190,867	190,867	797,709

Summarized Impact

The table below summarizes the expected impact from legislative action to 2015-16 state-shared revenues discussed above:

	2015	2016	2015-16
General Fund			
Liquor Excise Tax	30,000	211,198	241,198
Marijuana Enforcement	9,585	19,170	28,755
Subtotal General Fund	39,585	230,368	269,953
Street Fund			
Transportation Funding (ESSB 5987)	25,093	135,205	160,298
Total	25,093	135,205	160,298

What's ahead?

MRSC is projecting 2017 state-shared revenue per capita amounts to remain flat compared to the updated 2016 numbers, so revenue would be expected to only increase due to population growth. Marijuana enforcement revenue may be the exception as the allocation will be updated based on sales in the most recent fiscal year. As mentioned in the "Transportation Package" section above, revenue from this funding source is expected to increase as of July 2018. This revenue source is not currently programmed into the proposed 2015-2020 CIP.

Marijuana taxation reforms provides for additional sharing revenue with cities and counties in fiscal year 2018 (as of July 1st), but the calculation formula is complex, which makes projecting potential changes to revenue difficult. As of 2018, the change depends on whether marijuana excise tax collections exceed \$25 million in the prior fiscal year (2017). In that case, the legislature must appropriate an amount equivalent to 30 percent of the deposits for distribution to eligible cities and counties. This revenue, and the additional liquor revenues, are not currently programmed in the 2015-2016 budget.

According to MRSC, the revenues are expected to exceed this benchmark by 2017 and their estimated revenue amount to be distributed to cities and counties is about \$10.2 million compared to the \$6 million allocated in 2016.

The revenue will be distributed:

- 30 percent (estimated \$3,051,945) to cities, towns and counties where licensed marijuana retailers are physically located and in proportional share of the total revenues generated.
- 70 percent (estimated \$7,121,205) to cities, towns and counties on a per capita basis with 60 percent going to counties based on each county's proportional population. Jurisdictions that have prohibited marijuana sales will not receive a distribution.
 - Estimated distributions: cities \$2,848,482 and counties \$4,272,723

Revenue allocation to cities and counties is capped at \$15 million in state fiscal years 2018 and 2019 and at \$20 million thereafter.

Attachment: Fiscal Year 2016 Distributions to Local Governments for Marijuana Enforcement

FY 2016 Distributions to Local Governments for Marijuana Enforcement

CITY NAME	QUARTERLY	ANNUAL
AIRWAY HEIGHTS	\$ 3,153.51	\$ 12,614.03
ANACORTES	\$ 2,091.43	\$ 8,365.70
ARLINGTON	\$ 13,689.04	\$ 54,756.16
AUBURN	\$ 4,880.97	\$ 19,523.87
BAINBRIDGE ISLAND	\$ 182.18	\$ 728.71
BATTLE GROUND	\$ 8,896.39	\$ 35,585.57
BELLEVUE	\$ 25,578.72	\$ 102,314.93
BELLINGHAM	\$ 25,571.63	\$ 102,286.57
BINGEN	\$ 4,216.81	\$ 16,867.22
BLAINE	\$ 1,168.12	\$ 4,672.49
BOTHELL	\$ 21,680.25	\$ 86,721.04
BREMERTON	\$ 2.30	\$ 9.18
BUCKLEY	\$ 25,180.21	\$ 100,720.89
CHEHALIS	\$ 1,740.90	\$ 6,963.61
CLARKSTON	\$ 261.84	\$ 1,047.34
COLVILLE	\$ 3,327.68	\$ 13,310.72
COVINGTON	\$ 1,141.49	\$ 4,565.96
DES MOINES	\$ 13,984.04	\$ 55,936.17
EAST WENATCHEE	\$ 5,056.35	\$ 20,225.41
EDGEWOOD	\$ 4.16	\$ 16.63
ELLENSBURG	\$ 4,590.81	\$ 18,363.23
EPHRATA	\$ 1,823.58	\$ 7,294.32
EVERETT	\$ 17,080.58	\$ 68,322.31
GOLDENDALE	\$ 296.57	\$ 1,186.26
GRANITE FALLS	\$ 1,737.84	\$ 6,951.36
HOQUIAM	\$ 862.07	\$ 3,448.29
ISSAQUAH	\$ 5,166.05	\$ 20,664.20
KIRKLAND	\$ 4,792.48	\$ 19,169.90
LACEY	\$ 4,362.85	\$ 17,451.38
LAKE STEVENS	\$ 4,104.50	\$ 16,418.00
LONGVIEW	\$ 15,310.25	\$ 61,241.01
MILLWOOD	\$ 20,956.91	\$ 83,827.64
MOSES LAKE	\$ 2,604.50	\$ 10,417.98
MOUNT VERNON	\$ 9,085.88	\$ 36,343.50
NORTH BONNEVILLE	\$ 1,174.39	\$ 4,697.55
OAK HARBOR	\$ 3,958.23	\$ 15,832.91
OCEAN SHORES	\$ 2,412.74	\$ 9,650.94
OLYMPIA	\$ 13,368.93	\$ 53,475.73
OMAK	\$ 2,063.34	\$ 8,253.36
PORT ANGELES	\$ 4,677.60	\$ 18,710.41
PORT ORCHARD	\$ 16,302.98	\$ 65,211.91
PROSSER	\$ 9,487.35	\$ 37,949.40
PULLMAN	\$ 6,739.38	\$ 26,957.50
RENTON	\$ 2,928.74	\$ 11,714.94
SEATTLE	\$ 95,829.04	\$ 383,316.18
SEDRO WOOLLEY	\$ 3,531.92	\$ 14,127.67
SHELTON	\$ 1,221.61	\$ 4,886.43
SHORELINE	\$ 6,583.00	\$ 26,331.98
SOUTH BEND	\$ 1,162.60	\$ 4,650.39
SPOKANE	\$ 30,752.90	\$ 123,011.62
SPOKANE VALLEY	\$ 18,956.23	\$ 75,824.91
SUNNYSIDE	\$ 3.46	\$ 13.85
TACOMA	\$ 111,970.96	\$ 447,883.87
TENINO	\$ 309.69	\$ 1,238.75
TUMWATER	\$ 1,625.18	\$ 6,500.72
UNION GAP	\$ 23,430.56	\$ 93,722.26
VANCOUVER	\$ 197,629.06	\$ 790,516.28
WENATCHEE	\$ 4,649.79	\$ 18,599.17
YAKIMA	\$ 21.57	\$ 86.27
CITIES TOTAL	\$ 815,374.14	\$ 3,261,496.58

COUNTY NAME	QUARTERLY	ANNUAL
ASOTIN	\$ 392.76	\$ 1,571.02
BENTON	\$ 14,231.03	\$ 56,924.11
CHELAN	\$ 6,974.69	\$ 27,898.76
CLALLAM	\$ 7,016.41	\$ 28,065.62
COWLITZ	\$ 22,965.38	\$ 91,861.51
DOUGLAS	\$ 7,584.53	\$ 30,338.11
GRANT	\$ 6,642.11	\$ 26,568.45
GRAYS HARBOR	\$ 4,912.21	\$ 19,648.85
ISLAND	\$ 5,937.34	\$ 23,749.37
JEFFERSON	\$ 12,783.75	\$ 51,134.99
KING	\$ 241,326.78	\$ 965,307.15
KITSAP	\$ 24,731.17	\$ 98,924.69
KITTITAS	\$ 6,886.21	\$ 27,544.85
KLICKITAT	\$ 6,770.06	\$ 27,080.22
MASON	\$ 1,832.41	\$ 7,329.65
OKANOGAN	\$ 3,095.01	\$ 12,380.03
PACIFIC	\$ 1,743.90	\$ 6,975.58
SAN JUAN	\$ 2,096.85	\$ 8,387.40
SKAGIT	\$ 22,063.83	\$ 88,255.32
SKAMANIA	\$ 1,761.58	\$ 7,046.32
SNOHOMISH	\$ 87,438.32	\$ 349,753.30
SPOKANE	\$ 110,729.32	\$ 442,917.32
STEVENS	\$ 4,991.52	\$ 19,966.07
THURSTON	\$ 29,499.97	\$ 117,999.88
WHATCOM	\$ 40,109.65	\$ 160,438.59
WHITMAN	\$ 10,109.07	\$ 40,436.26
COUNTIES TOTAL	\$ 684,625.86	\$ 2,738,503.42

	QUARTERLY	ANNUAL
TOTAL TO CITIES	\$ 815,374.14	\$ 3,261,496.58
TOTAL TO COUNTIES	\$ 684,625.86	\$ 2,738,503.42
TOTAL DISTRIBUTION	\$ 1,500,000.00	\$ 6,000,000.00

**City of Kirkland
2015 Mid-Bi Budget Review
2016 Service Package Requests**

Pkg. #		2016 Department Request				2016 City Manager Recommended			
		FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total
GENERAL FUND									
City Manager's Office									
16GCM01	State Legislative Advocate	-	15,000	-	15,000	-	15,000	-	15,000
Subtotal City Manager's Office		-	15,000	-	15,000	-	15,000	-	15,000
Public Works									
16GPW01	PW Operations/Maintenance Center Reorganization	-	9,000	-	9,000	-	9,000	-	9,000
Subtotal Public Works		-	9,000	-	9,000	-	9,000	-	9,000
Planning & Building									
16GPB01	Expired Permit Inspections	-	-	45,000	45,000	-	-	45,000	45,000
16GPB02	Building Digitization project	-	-	434,887	434,887	-	-	234,887	234,887
16GPB03	Convert temp Plans Examiner II to Ongoing	1.00	-	-	-	1.00	-	-	-
16GPB04	Houghton/Everest Neighborhood Center Plan	-	-	30,000	30,000	-	-	30,000	30,000
16GPB05	Temporary Electrical/Building Inspector	1.00	-	142,857	142,857	1.00	109,957	32,900	142,857
16GPB06	Zoning Charts to tables	-	-	12,000	12,000	-	-	12,000	12,000
Subtotal Planning & Building		2.00	-	664,744	664,744	2.00	109,957	354,787	464,744
GENERAL FUND TOTAL		2.00	24,000	664,744	688,744	2.00	133,957	354,787	488,744
OTHER FUNDS									
Street Operating Fund									
16SPW01	Small Sweeper for Parking Garage/Park Lane	-	9,874	71,500	81,374	-	9,874	71,500	81,374
16SPW02	CKC Maintenance Vehicle/Equipment Trailer	-	3,635	45,000	48,635	-	3,635	45,000	48,635
16GPW01	PW Operations/Maintenance Center Reorganization	-	4,048	-	4,048	-	4,048	-	4,048
Subtotal Street Operating Fund		-	17,557	116,500	134,057	-	17,557	116,500	134,057
Equipment Rental Fund									
16GPW01	PW Operations/Maintenance Center Reorganization	-	4,902	-	4,902	-	4,902	-	4,902
Subtotal Equipment Rental Fund		-	4,902	-	4,902	-	4,902	-	4,902
Surface Water Management Fund									
16DPW01	Storm Water Pond Safety Improvements	-	-	30,000	30,000	-	-	30,000	30,000
16GPW01	PW Operations/Maintenance Center Reorganization	-	15,995	-	15,995	-	15,995	-	15,995
Subtotal Surface Water Management Fund		-	15,995	30,000	45,995	-	15,995	30,000	45,995
Water/Sewer Operating Fund									
16UPW01	Addition to Sewer Master Plan Scope: Inflow and Infiltration Study	-	-	41,000	41,000	-	-	41,000	41,000
16GPW01	PW Operations/Maintenance Center Reorganization	-	37,673	-	37,673	-	-	37,673	37,673
Subtotal Water/Sewer Operating Fund		-	37,673	41,000	78,673	-	-	78,673	78,673
TOTAL OTHER FUNDS		-	76,127	187,500	263,627	-	38,454	225,173	263,627
TOTAL ALL FUNDS		2.00	100,127	852,244	952,371	2.00	172,411	579,960	752,371

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	State Legislative Advocacy Services			16GCM01	
DEPARTMENT	DIVISION		FUND		
City Managers Office	Executive		General Fund		
COUNCIL GOALS					
Financial Stability, Dependable Infrastructure, Balanced Transportation, Economic Development, Human Services, Public Safety, Parks, Open Spaces and Recreation, and Environment.					
DESCRIPTION AND JUSTIFICATION					
<p>This service package request would address a fee increase for legislative advocacy services, thereby maintaining continuity of service through the remainder of 2015, for the 2016 legislative session and the 2016 interim. The approved 2015-16 biennial budget included one-time funding in 2015 of \$48,000 for legislative advocacy, as well as one-time funding in 2016 of \$48,000. This service package request would add one-time funding of \$3,000 in 2015 for state legislative advocacy work in the interim and one-time funding of \$12,000 for state legislative advocacy in 2016.</p> <p>The City's current State Legislative Advocacy Services contract terminated September 30, 2015. Staff initiated a Request For Proposal (RFP) process in August which concludes September 22. The term of the contract contemplated in the RFP is for a period of three (3) years, beginning October 1, 2015.</p> <p>Waypoint Consulting, LLP, has responded to the City's RFP and has proposed an increase in their monthly fee to \$5,000. The City Manager recommends that the City accept Waypoint's proposal and enter into a new three year contract with the firm. Waypoint has been informed that funding above the current monthly retainer fee is contingent upon approval by the City Council of this service package request, as well as approval by the City Council of the 2017-2018 biennial budget.</p> <p>For purposes of planning, this service package request anticipates the City awarding the State Legislative Advocacy Services contract to Waypoint Consulting at \$5,000 per month, beginning October 1, 2015.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ 3,000	\$ -	\$ 12,000	\$ 15,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ 3,000	\$ -	\$ 12,000	\$ 15,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ 3,000	\$ -	\$ 12,000	\$ 15,000
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Public Works Operations and Maintenance Center Reorganization			16GPW01	
DEPARTMENT	DIVISION		FUND		
Public Works	Various		Various		
COUNCIL GOALS					
Dependable Infrastructure					
DESCRIPTION AND JUSTIFICATION					
<p>The service needs of City of Kirkland's Public Works Department work have evolved over the last several years. This proposed reorganization of the Department is to keep pace with those changes, and to better align service delivery with long-range plans and policy direction. Additionally, the proposed organizational changes address the Department's internal business needs through performance management, standardized systems and practices, improved communication, succession planning, and organizational development. Specifically, changes are proposed to the organizational structure in Maintenance and Operations. These changes include the reclassification of the Superintendent to Deputy Director, an Operations Manager, Utility Manager, and Utilities Supervisor, and the reallocation of the current Management Analyst position. These are all explained in further detail in the Issue Paper. Please note the number of positions in operations and maintenance will not change; however, how positions are allocated to the various funds will change to align with the structure proposed. The financial impact of these changes varies by fund.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED	0.00				
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ 71,617	\$ -	\$ 71,617
Supplies & Services	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ 71,617	\$ -	\$ 71,617
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ 71,617	\$ 71,617
Net Service Package Cost	\$ -	\$ -	\$ 71,617	\$ (71,617)	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE Public Works Operations and Maintenance Center Reorganization	16GPW01
--	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
General Fund - See MSP	0102313810	5100100/5200100			\$ 9,000		\$ 9,000
Street Operating - See MSP	1172714290	5100100/5200100			\$ 4,047		\$ 4,047
Equipment Rental - See MSP	5212414860	5100100/5200100			\$ 4,902		\$ 4,902
Surface Water Utility - See MSP	4212633831	5100100/5200100			\$ 15,995		\$ 15,995
Water/Sewer Utility - See MSP	4112513457	5100100/5200100			\$ 37,673		\$ 37,673
							\$ -
Total			\$ -	\$ -	\$ 71,617	\$ -	\$ 71,617

SUPPLIES & SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -				

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING OFFSETTING REVENUE (if applicable)							
Working Capital	Multiple	5990400				\$ 71,617	\$ 71,617
							\$ -
Total			\$ -	\$ -	\$ -	\$ 71,617	\$ 71,617

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ 71,617	\$ (71,617)	\$ -
------------------------------------	-------------	-------------	------------------	--------------------	-------------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Expired Permit Inspections			16GPB01	
DEPARTMENT	DIVISION		FUND		
Planning & Building	Building		Building reserves		
COUNCIL GOALS					
Public Safety - Provide public safety through a community-based approach that focuses on prevention of problems and a timely response.					
DESCRIPTION AND JUSTIFICATION					
<p>This service package requests additional funds to allow staff to provide better customer service for the residents of the City of Kirkland, by offering Saturday inspections for their expired permits. Most expired permits are small residential projects like water heater and furnace replacements, air conditioners and similar types of installations that required permits, but inspections weren't scheduled. Providing Saturday inspections allows more flexibility for homeowners to schedule inspections without having to take time off of work.</p> <p>This service package would be funded from the Building Reserve since this is money that was collected in past years to cover these inspections, however, the inspections did not occur at that time. This service needs to be performed on overtime since we currently have no spare capacity during regular work hours due to the increasing upturn in construction activity.</p> <p>We will evaluate this pilot program at the end of 2016 to determine whether this should be continued or possibly expanded.</p> <p>The use of temporary employees, on-call employees and overtime are part of Building Services strategy for working through peak workload periods while minimizing the risk of layoffs during off-peak periods.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000
Supplies & Services	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue (Use of Reserves)	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE	Expired Permit Inspections	16GPB01
--------------	----------------------------	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Overtime	0105402420	5100300				\$ 45,000	\$ 45,000
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000

SUPPLIES & SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING OFFSETTING REVENUE (if applicable)							
Building Reserve (RGG0011BLD)						\$ 45,000	\$ 45,000
							\$ -
Total			\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ -	\$ -
------------------------------------	------	------	------	------	------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Building Digitization Project			16GPB02	
DEPARTMENT	DIVISION		FUND		
Planning & Building	Building Services		General Fund		
COUNCIL GOALS					
Council value (Efficiency) - Kirkland is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment. We believe that a culture of continuous improvement is fundamental to our responsibility as good stewards of public funds.					
DESCRIPTION AND JUSTIFICATION					
<p>In January 2015, the Building Division received funding to conduct a 12-month pilot digitization program to evaluate, catalog, and scan our building permit records. A Records Management Specialist was hired to organize the program, finalize a Kirkland retention schedule, and assess the scope of the project. Based on the scale and magnitude of the records which have accumulated over the past 70+ years and to bring us into compliance with our adopted retention schedule, we estimate it will take approximately 10 years for one full-time employee to complete this task.</p> <p>In an effort to expedite this process, we are recommending a blended approach. Hire an outside vendor to do the bulk of the scanning, while maintaining a full-time temporary records specialist to act as staff liaison and coordinator, and to pre-sort and prep documents for scanning. This option would take approximately 24-36 months and would allow us an efficient method to address questions and issues as they arise. Also, once the files are scanned, someone will still need to upload the files appropriately into EnerGov and work with development services staff to troubleshoot and identify new record types as they are discovered.</p> <p>The Building division has the greatest amount of paper records stored off-site, and the highest demand for retrieval of records. This is very costly and not very customer-service friendly. In this age of technology, it is expected that records are easily accessible and digitizing our older paper records makes it easier and more efficient for staff and customers to access. Digitizing our paper records will get all of our records in the same, searchable format. Although this will require resources, it will ultimately greatly reduce the staff time necessary to research and complete public records requests, as well as eliminate the need for off-site storage. It is anticipated it will take approximately 2 -3 years to complete.</p> <p>* Note: This service package provides for a temporary Records Specialist & consultant fees through December 2016. We'll assess the success & speed of the project mid-2016 to determine if additional funds are needed in 2017/18 to continue the Records Specialist and vendor, if we determine the project can be completed by 2017/18.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY					
	2015		2016		
	Ongoing	One-Time	Ongoing	One-Time	Total
Personnel Services	\$ -	\$ -	\$ -	\$ 34,887	\$ 34,887
Supplies & Services	\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 234,887	\$ 234,887
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ 234,887	\$ 234,887
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE	Building Digitization Project	16GPB02
--------------	-------------------------------	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Temporary Records Specialist Sala	0109502420	5100100				\$ 28,574	\$ 28,574
Temporary Records Specialist Ben	0109502420	5200100				\$ 6,313	\$ 6,313
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 34,887	\$ 34,887

SUPPLIES & SERVICES							
Outside vendor to scan	0105405855	5410100		\$ -		\$ 200,000	\$ 200,000
						\$ -	\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 200,000	\$ 200,000

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING OFFSETTING REVENUE (if applicable)							
Building Reserves RGG 0011 BLD	0100012420	5990501				\$ 117,444	\$ 117,444
Technology Reserves						\$ 117,444	\$ 117,444
Total			\$ -	\$ -	\$ -	\$ 234,887	\$ 234,887

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ -	\$ -
------------------------------------	------	------	------	------	------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Conversion of Temporary Plans Examiner to Regular (Ongoing)			16GPB03	
DEPARTMENT	DIVISION		FUND		
Planning & Building	Building		General		
COUNCIL GOALS					
Public Safety - Provide public safety through a community-based approach that focuses on prevention of problems and a timely response.					
DESCRIPTION AND JUSTIFICATION					
<p>The Building division is requesting converting a vacant temporary Plans Examiner II, to an ongoing position due to the current economic climate. The temporary position is fully funded so no new revenue is necessary. As part of the 2014/2015 budget development, the Building Division submitted a service package for a temporary Plans Examiner II if the Park Place and Totem Lake redevelopment projects were to move forward. Although the Park Place and Totem Lake Mall projects are one time projects, they are both expected to span multiple years.</p> <p>When we initially advertised the temporary Plans Examiner II position, we receive a very limited response due to the highly competitive job market. We reposted this position pending approval to convert it from temporary to on-going which resulted in receiving four strong candidates. The hiring process is currently stalled pending resolution of this conversion.</p> <p>The Building Division has five regular examiners and one temporary examiner. The Division does not plan to convert the remaining temporary position to regular. All of the Building staff understand that the construction industry is volatile and all positions are subject to lay off if warranted by a decrease in construction activity.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED	1.00				
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ 110,713	\$ (110,713)	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ 110,713	\$ (110,713)	\$ -
Expenditure Savings	\$ -	\$ -	\$ -	\$ 110,713	\$ 110,713
Offsetting Revenue	\$ -	\$ -	\$ 110,713	\$ -	\$ 110,713
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Houghton/Everest Neighborhood Center Plan			16GPB04	
DEPARTMENT	DIVISION		FUND		
Planning & Building	Policy and Planning		General		
COUNCIL GOALS					
Neighborhoods, Diverse Housing, Environment, Economic Development, Balanced Transportation					
DESCRIPTION AND JUSTIFICATION					
<p>On September 16, 2014, the City Council adopted Resolution R-5067 regarding the review and update process for the Houghton/Everest Neighborhood Center. The resolution states that the City will initiate a formal public review and update process no later than January 15, 2016 with recommendations by the Planning Commission to be completed by October 31, 2016.</p> <p>This service package is a request for consulting services to assist the City with that update within the time frame noted in the resolution. Such professional services could include public engagement events (e.g. professionally facilitated interactive workshops, charrettes, focus groups, etc.); urban and architectural design studies; and development feasibility analysis.</p> <p>The study and plan update would be coordinated with the 6th Street South/Houghton Business District Corridor Study Capital Improvement Program Project (ST 0087 000).</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Supplies & Services	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ (30,000)	\$ (30,000)
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE	Houghton/Everest Neighborhood Center Plan	16GPB04
--------------	---	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Professional Services	0105305851	5410100				\$ 30,000	\$ 30,000
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000

SUPPLIES & SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
Professional services savings	0105305851	5410100				\$ (30,000)	\$ (30,000)
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ (30,000)	\$ (30,000)

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ -	\$ -
------------------------------------	------	------	------	------	------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Electrical/Building Inspector				
DEPARTMENT	DIVISION		FUND		
Planning & Building	Building		General		
COUNCIL GOALS					
Public Safety - Provide public safety through a community-based approach that focuses on prevention of problems and a timely response.					
DESCRIPTION AND JUSTIFICATION					
<p>This service package requests an additional inspector to help cover current workload. This specifically addresses current projects under construction (not Park Place and Totem Lake Mall, covered separately) and gets us a more manageable, normal daily inspection/inspector ratio.</p> <p>2015 permit activity has exceeded 2014 activity by 8.8%, and the daily average inspections per inspector, has also increased by 9.3% causing our inspectors to average 17 inspections per day, per inspector. The 2013 Zucker Report recommends that "the average number of inspections per day per inspector fall within a range of between 10 and 15 per day." The trend is expected to continue. This service package provides resources to help maintain our current activity and allows us to continue to meet our customer service goals and inspection obligations. Also we have received a verbal notification that one of our inspectors has purchased a retirement home in Arizona and will be retiring in June of 2016. The recruitment and hiring process for an inspector could take between three to six months in this highly competitive construction industry.</p> <p>The use of temporary employees, on-call employees and overtime are part of Building Services strategy for working through peak workload periods while minimizing the risk of layoffs during off-peak periods.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY					
	2015		2016		
	Ongoing	One-Time	Ongoing	One-Time	Total
Personnel Services	\$ -	\$ -	\$ 108,357	\$ -	\$ 108,357
Supplies & Services	\$ -	\$ -	\$ 1,600	\$ 32,900	\$ 34,500
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ 109,957	\$ 32,900	\$ 142,857
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ 109,957	\$ 32,900	\$ 142,857
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE Electrical/Building Inspector	0
--	---

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Elec/Bldg Inspector (salary)	0105402420	5100100			\$ 70,236	\$ -	\$ 70,236
Elec/Bldg Inspector (benefits)	0105402420	5200100			\$ 38,121	\$ -	\$ 38,121
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 108,357	\$ -	\$ 108,357

SUPPLIES & SERVICES							
Computer, phone	0105402420	5350300				\$ 4,000	\$ 4,000
Vehicle	0105402420	5459202				\$ 28,000	\$ 28,000
Travel	0105402420	5430100			\$ 400	\$ -	\$ 400
Training	0105402420	5490200			\$ 400	\$ -	\$ 400
Code Books	0105402420	5310100				\$ 500	\$ 500
Communication	0105402420	5420100			\$ 800	\$ -	\$ 800
Office furniture (chair)	0105402420	5350200				\$ 400	\$ 400
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 1,600	\$ 32,900	\$ 34,500

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING OFFSETTING REVENUE (if applicable)							
Building permit fees		3221001			\$ 109,957	\$ 32,900	\$ 142,857
							\$ -
Total			\$ -	\$ -	\$ 109,957	\$ 32,900	\$ 142,857

NET SERVICE PACKAGE REQUEST	\$ -				
------------------------------------	-------------	-------------	-------------	-------------	-------------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Zoning Code "Charts to Tables" Streamlining Project - Phase 2				16GPB06
DEPARTMENT	DIVISION		FUND		
Planning & Building	Policy and Planning		General Fund		
COUNCIL GOALS					
Implement the Development Services Organization Review recommendations - simplify the Zoning Code to further the goals of Economic Development and Neighborhoods.					
DESCRIPTION AND JUSTIFICATION					
<p>This service package will allow completion of the Zoning Code reformatting project that was begun in 2014 as a result of the Zucker report and was identified on the 2013 - 2014 City Work Program. Staff and Code Publishing completed Phase 1 in February 2015. That phase included reformatting of approximately 2/3 of the previous Use Zone Charts into a table format. Phase 2 will include the same type of work for the remaining 1/3 of the charts and includes all of the named business districts. Phase 1 cost approximately \$24,000 and Phase 2 will cost an additional \$12,000. Phase 2 will begin in early 2016 and should take approximately six months to complete. Phase 2 of this project is included on the adopted 2015 - 2017 Planning Work Program. It was originally scheduled for the second half of 2015 but was delayed until the completion of Zoning Code amendments associated with the Totem Lake Business District.</p> <p>The advantages of the reformatted code are:</p> <ol style="list-style-type: none"> 1) Reduces volume of code by approximately 350 pages 2) Makes code more user friendly 3) Saves money on printing future supplements 4) Makes code easier to amend 5) Improves code searching capability – current PDF charts cannot be searched 6) Enables eNotes and Pop-up zoning definitions – cannot use these features with PDF charts. 					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY					
	2015		2016		
	Ongoing	One-Time	Ongoing	One-Time	Total
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ 12,000	\$ 12,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 12,000	\$ 12,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ (12,000)	\$ (12,000)
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE Zoning Code "Charts to Tables" Streamlining Project - Phase 2	16GPB06
--	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLIES & SERVICES							
Professional Services	0105305851	5410100		\$ -		\$ 12,000	\$ 12,000
						\$ -	\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 12,000	\$ 12,000

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
Professional Services	0105305851	5410100				\$ (12,000)	\$ (12,000)
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ (12,000)	\$ (12,000)

CORRESPONDING OFFSETTING REVENUE (if applicable)							
				\$ -			\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ -	\$ -
------------------------------------	------	------	------	------	------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Small Sweeper	16SPW01			
DEPARTMENT	DIVISION	FUND			
Public Works	Parking Facilities	Street Operating			
COUNCIL GOALS					
Dependable Infrastructure, Environment					
DESCRIPTION AND JUSTIFICATION					
<p>Efforts are underway to improve parking in the downtown central business area. Currently, sweeping of the downtown parking garage is contracted out and done on a quarterly basis. There are several benefits to sweeping the garage more often, including the perceived appearance cleanliness brings and the environmental benefits. Power sweeping is the most cost effective method for removing paper, leaves, trash and other visible debris as well as unseen particles and hazardous waste products left by vehicles. This can also be used for sweeping along Park Lane and other confined or narrow spaces that are inaccessible for a regular sized sweeper. The festival configuration of Park Lane and the location within the downtown core business area draws a significant amount of pedestrian traffic; therefore, in order to maintain the aesthetic value, the roadway could be cleaned more often. The alternative is to continue with quarterly sweeping of the parking garage, and hand washing Park Lane. Street operating has under expenditures in their current budget that would accommodate this purchase. In addition, ongoing costs will be covered by additional parking revenue projected from the recent changes to paid parking.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ 11,374	\$ -	\$ 11,374
Capital Outlay	\$ -	\$ -	\$ -	\$ 70,000	\$ 70,000
Total Service Package Cost	\$ -	\$ -	\$ 11,374	\$ 70,000	\$ 81,374
Expenditure Savings	\$ -	\$ -	\$ (1,500)	\$ (70,000)	\$ (71,500)
Offsetting Revenue	\$ -	\$ -	\$ 9,874	\$ -	\$ 9,874
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE	Small Sweeper	16SPW01
--------------	---------------	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLIES & SERVICES							
Fleet O&M	1172714265	5459201			\$ 2,000		\$ 2,000
Fleet RR	1172714265	5459202			\$ 9,374		\$ 9,374
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 11,374	\$ -	\$ 11,374

CAPITAL OUTLAY							
Small Sweeper	1172714265	5550100				\$ 70,000	\$ 70,000
							\$ -
Total			\$ -	\$ -	\$ -	\$ 70,000	\$ 70,000

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
Contracted sweeping	1172714265	5450100			\$ (1,500)		\$ (1,500)
Parking Study (OST0014000)	1172344450	5410100				\$ (20,000)	\$ (20,000)
Prkg Imprvmnts(OPW1503 000)	1172344450	5410100				\$ (50,000)	\$ (50,000)
							\$ -
Total			\$ -	\$ -	\$ (1,500)	\$ (70,000)	\$ (71,500)

CORRESPONDING OFFSETTING REVENUE (if applicable)							
Parking Revenue	1170000000	3623001			\$ 9,874		\$ 9,874
							\$ -
Total			\$ -	\$ -	\$ 9,874	\$ -	\$ 9,874

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ -	\$ -
------------------------------------	------	------	------	------	------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	CKC Maintenance Vehicle & Equipment Trailer			16SPW02	
DEPARTMENT	DIVISION		FUND		
Public Works	Public Grounds		Street Operating		
COUNCIL GOALS					
Dependable Infrastructure					
DESCRIPTION AND JUSTIFICATION					
<p>In 2006, Public Works purchased an electric vehicle to supplement the needs of the Department. The vehicle was initially used to transport staff that performed water meter reading, however, as the vehicle aged, performance on hills and battery limitations of the vehicle led to the purchase of a standard gas powered vehicle for the water meter reader duties. The electric vehicle was surplus to the Public Grounds division and used primarily to service the downtown parking garage.</p> <p>When the City purchased the Cross Kirkland Corridor (CKC), the electric vehicle was shifted to duties of CKC daily inspection. The vehicle has now reached the end of its service life and needs to be replaced. The purchase of a new generation electric vehicle, in this case a four wheel utility vehicle, would allow staff to carry tools and necessary supplies for stocking dog waste stations and making routine repairs and general maintenance needed along the CKC. The purchase of a new vehicle was included in the CKC maintenance plan, but not for three more years. This service package is necessary due to the failure of the existing vehicle.</p> <p>A second component of this service package request is an equipment trailer. The Public Grounds crew currently utilizes a small service trailer for hauling tools and equipment used to maintain City facilities (City Hall, KJC, Fire Stations). The existing (dedicated) trailer was not sized to handle the larger rider mowers that are now employed by Public Grounds; this requires daily shifting of equipment from other trailers in order to transport the rider mowers. A dedicated larger capacity equipment trailer will allow the Public Grounds crew to perform their work more efficiently while also providing additional, secured storage for tools and equipment.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY					
	2015		2016		
	Ongoing	One-Time	Ongoing	One-Time	Total
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ 3,635	\$ -	\$ 3,635
Capital Outlay	\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000
Total Service Package Cost	\$ -	\$ -	\$ 3,635	\$ 45,000	\$ 48,635
Expenditure Savings	\$ -	\$ -	\$ -	\$ (45,000)	\$ (45,000)
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ 3,635	\$ -	\$ 3,635

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE CKC Maintenance Vehicle & Equipment Trailer	16SPW02
--	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLIES & SERVICES							
Fleet O&M - Trailer	5272711838	5459201			\$ 1,200		\$ 1,200
Fleet RR - Trailer	5272711838	5459202			\$ 2,435		\$ 2,435
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 3,635	\$ -	\$ 3,635

CAPITAL OUTLAY							
Gator for CKC Maint	1172714269	5550100				\$ 25,000	\$ 25,000
Trailer For Grounds Maint	1172734310	5550100				\$ 20,000	\$ 20,000
Total			\$ -	\$ -	\$ -	\$ 45,000	\$ 45,000

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
Roadway Maint	1172714230	5340600				\$ (45,000)	\$ (45,000)
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ (45,000)	\$ (45,000)

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ 3,635	\$ -	\$ 3,635
------------------------------------	------	------	----------	------	----------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Storm Water Pond Safety Improvements				16DPW01
DEPARTMENT	DIVISION		FUND		
Public Works	Surface Water		Surface Water Utility		
COUNCIL GOALS					
Dependable Infrastructure, Environment					
DESCRIPTION AND JUSTIFICATION					
<p>This request is to establish a source of funding to draw on when new fencing, lighting, locks, or signage is needed to secure storm water ponds for safety reasons. The fencing requirements for wet ponds are defined by the degree of slope along the edge of the pond. Sediment and pollutants accumulate in the pond and must be removed periodically. At times, removal of the sediment increases the slope along the edge of the pond to the extent that fencing may be needed to discourage people and pets from entering the storm pond. Funding will help the field staff respond to safety and security needs as they arise.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED					
COST SUMMARY					
	2015		2016		
	Ongoing	One-Time	Ongoing	One-Time	Total
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -

2015-16 SERVICE PACKAGE REQUEST

Attachment D

TITLE Storm Water Pond Safety Improvements	16DPW01
---	---------

Description	Org Key	Object	2015		2016		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLIES & SERVICES							
Securing Ponds - Fencing	4212663835	5410100				\$ 30,000	\$ 30,000
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING OFFSETTING REVENUE (if applicable)							
Working Capital	4212633832	5990400				\$ 30,000	\$ 30,000
							\$ -
Total			\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
------------------------------------	------	------	------	------	------	------

CITY OF KIRKLAND
2015-16 SERVICE PACKAGE REQUEST

TITLE	Addition to Sewer Master Plan Scope - Inflow and Infiltration Study				16UPW01
DEPARTMENT	DIVISION		FUND		
Public Works	Sewer		Sewer Utility		
COUNCIL GOALS					
Dependable Infrastructure, Environment					
DESCRIPTION AND JUSTIFICATION					
<p>Inflow and Infiltration (I&I) is groundwater that enters the sewer system through cracked pipes, leaky manholes, or other failed infrastructure. I&I can cause sanitary sewer overflows and backups that release raw sewage into the environment. In addition, excess storm and ground water entering the sanitary sewer system through I&I results in increased wastewater treatment costs. King County plans to charge cities for I&I entering their system. This study would determine where in the City I&I is a problem and how to address it. In particular, a \$21.6 M project for sewermain replacement west of Market Street is included in the unfunded portion of the 2015-2020 CIP. This study would help determine how to phase the project and possibly combine various methods of treatment (chemical grout, full pipe replacement, pipe bursting/replacement). This would be done as a supplement to the Sewer System Plan update currently underway. This is a one-time expense to be funded from utility fund balance.</p>					
Is this Service Package tied to a CIP Project? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes CIP #					
NUMBER OF FTE's REQUESTED					
COST SUMMARY	2015		2016		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ 41,000	\$ 41,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 41,000	\$ 41,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ 41,000	\$ 41,000
Net Service Package Cost	\$ -	\$ -	\$ -	\$ -	\$ -



CITY OF KIRKLAND

123 Fifth Avenue, Kirkland, WA 98033 425.587.3000

www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Kathy Brown, Public Works Director

Date: September 15, 2015

Subject: Department of Public Works Reorganization

RECOMMENDATION:

The purpose of this memo is to provide background information on how the City of Kirkland's Public Works Department work has evolved over the last several years and to propose a reorganization of the department to better align the current needs of the department with staffing resources. Proposed changes address the department's needs and allows for improved efficiency, communication and collaboration throughout the department.

BACKGROUND DISCUSSION:

A number of factors over the past five years have significantly influenced the work of the City of Kirkland's Public Works Department:

- The annexation of the Juanita, Finn Hill, and Kingsgate (JFK) neighborhoods in 2011;
- Substantial growth in the City of Kirkland's Capital Improvement Program, including transportation, utilities, parks, and facilities;
- Kirkland's role in regional matters, such as transportation, water resources (storm water, wastewater, potable water), solid waste; and
- Major re-development of Totem Lake and Park Place, along with an upswing in development activity in general.

In addition to the factors listed above, there are important issues within the department that need to be addressed to forge a successful path into the future:

- As a majority of the leadership in the Department becomes eligible for retirement, succession planning has become critical.
- Growth in the City as a whole, and in Public Works in particular, has led to the need for more standard practices and protocols, as well as better systems to support these standard practices. The new permit system and Maintenance Management System are examples.
- With growth in staff, future retirement in leadership and key positions, and changes in technology, change management and fostering a positive workplace culture will be key to the organization's success.

To address the multitude of issues in the Public Works Department, and to poise the Department for success moving into the future, the Public Works Director is proposing a reorganization of the Department.

Assessment of the Department

To help evaluate the status of the Department, managers and supervisors were asked to complete a standard questionnaire. The questionnaire focused on strengthening emotional capacity to improve team relationships, expanding team self-awareness, practicing empathy and respectfulness, establishing and regulating team norms, and entrusting team members with appropriate roles.

The Department Director reviewed each questionnaire with each individual, summarized the major themes, and discussed these themes with the Department's Expanded Leadership Team (managers and supervisors). These discussions focused primarily on the need for future work in organizational development, with a particular emphasis on communications, coordination between work units, leadership development/succession planning, and the need for improved processes and systems.

In addition to the questionnaire and meetings, the Director made a focused effort to directly observe daily projects, workflows, and communications, engaging individuals involved in on-the-spot assessments. The Director and managers engaged various work groups in brainstorming sessions to determine what processes work well, what areas could use improvement, and how a shift in organizational structure could foster improvement.

Below is a summary of the assessment efforts.

Customer Service and Daily Business

- *What's going well?*
 - *General delivery of service in all lines of business is done well.*
 - *Customer relations are exceptional.*
 - *Managers and staff work hard.*
 - *Management Team and staff appreciate and care about the City of Kirkland.*
 - *High level planning is well done (examples include: Transportation Master Plan, Surface Water Master Plan, Cross Kirkland Corridor Master Plan, Water Service Plan).*
- *Where do we need improvement?*
 - *Planning, scheduling, monitoring maintenance work.*
 - *Maintenance Service Levels, such as:*
 - *Sidewalk Maintenance/Repair,*
 - *Pavement Surface Conditions,*
 - *Medians/Planter Strips,*
 - *Maintenance of CKC, Park Lane, 120th, 85th and other CIPs.*
 - *Communications:*
 - *Interdivisional communication/coordination,*
 - *CIP Communications.*
 - *Tracking correspondence/service requests.*

- *CIP delivery (output volume).*
- *Recruiting/hiring process.*

Department Leadership

- *What's going well?*
 - *Management Team members get along well.*
 - *Managers, supervisors, and staff are technically competent.*
 - *Managers and staff are open to opportunities to improve the organization.*
 - *In general, the workforce is kind, courteous, and caring.*
 - *There is a strong desire to work as a team. Team miscommunications, failures or miss-steps appear to be unintentional.*
 - *Coordination/working relationships with CMO other departments are good.*
- *Where do we need improvement?*
 - *Succession Planning.*
 - *Communications/coordination between work units.*
 - *Strong leadership role in organizational development/workplace culture.*
 - *Standardized, consistent approach to employee development and performance feedback.*
 - *Licensed, professional engineer to lead utility operations and oversee system installation/repair, provide input and feedback on development and CIP design, and represent the City on regional committees.*

Systems and Processes

- *What's going well?*
 - *New permit system is working. Cooperative approach to working through bugs.*
 - *CIP Dashboard works well.*
 - *Water Division and some other groups use Hansen work order tracking system.*
 - *Staff are creative and competent. Where standard systems don't exist, effective work-a-rounds are used.*
- *Where do we need improvement?*
 - *Lack of Systems/tracking: MMS, Sharepoint, Records Management, Citizen Requests/Correspondence, training, risk management, recruiting and other HR processes.*
 - *Not properly resourced to build and implement a Maintenance Management Program*
 - *Need to continue work on aligning day-to-day work in all areas with policies, Kirkland 2035, master plans, City Work Program, PW Work Program, Quad Chart*
 - *Heavy reliance on creative individuals with "one-off" work-a-rounds.*

Reorganization

Evaluating the results of the departmental assessment, several key work program items were identified:

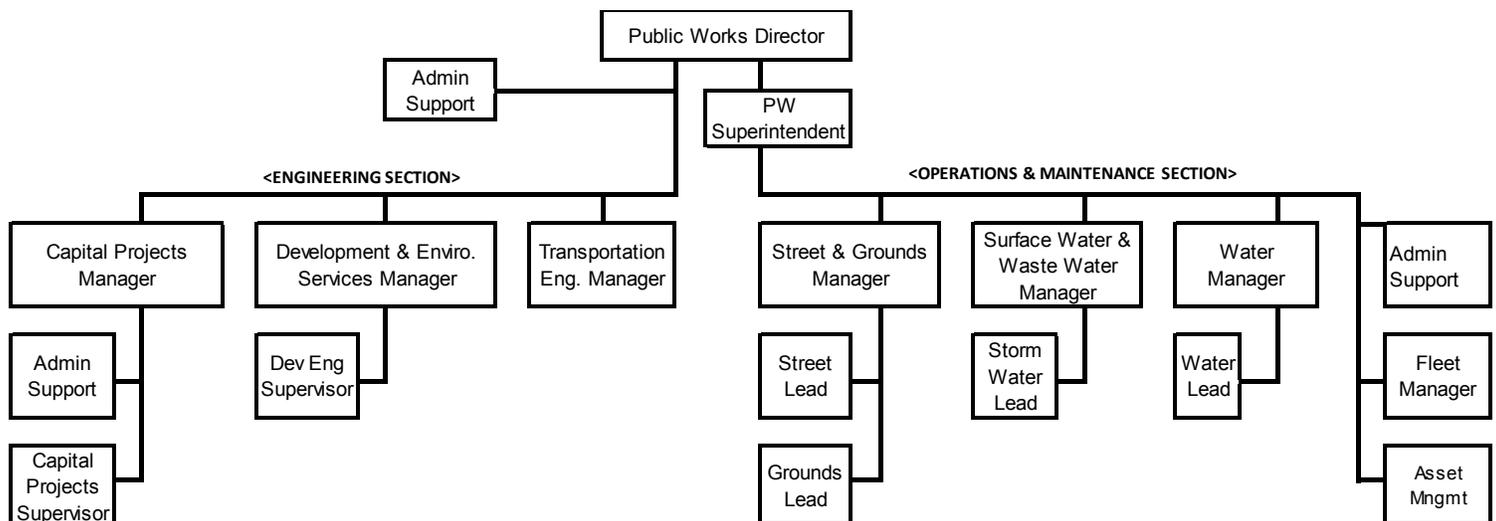
- Enterprise Asset Management/Maintenance Management System
- Standardized systems and processes

- Communications Improvements
- Continued emphasis on alignment with policies and long-range plans
- Organizational Development
- Regional and Internal Utility Management and Coordination
- Increased CIP Project Delivery Output

To support the success of these work program items, and to poise the department for success into the future, changes to the organizational structure in the CIP Division and Maintenance and Operations are being proposed. Several options for reorganization of Development Services were also considered, with particular emphasis on Solid Waste and Surface Water. After careful review and consideration, it is recommended that Development Services remain unchanged organizationally, with focus on better communication and coordination among divisions and work units within the Department.

It is important to note that all work units within the Department will remain intact. Some work units will report to new managers, however, the work units themselves are not being changed.

The following organization chart reflects the current structure of the Public Works Department:

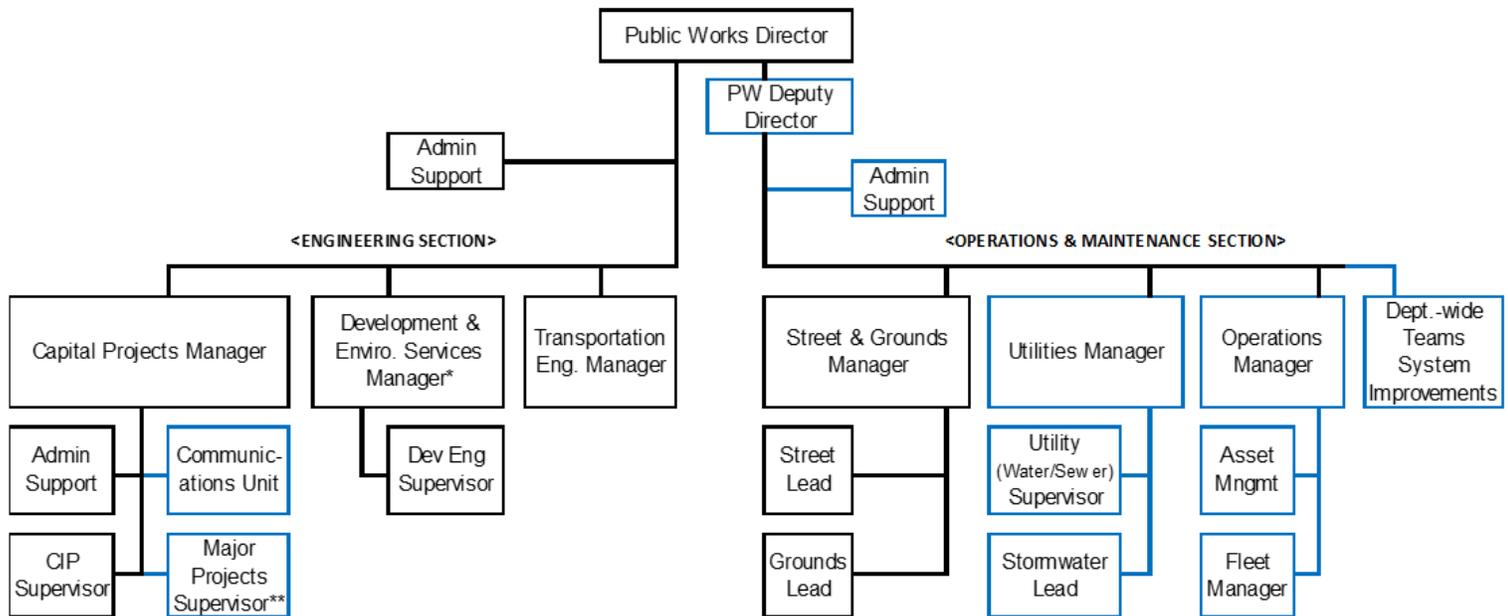


A brief description of the most significant changes proposed follows:

- **Reclassification of the Superintendent to Deputy Director:** The Deputy Director will have primary responsibility for creating, implementing, monitoring and improving new standard systems and processes. New systems and processes will not only be standard and streamlined, but will be created to align with policy and long-term strategic plans. Performance measures that evaluate performance against the City's Quad Chart will be established to help guide managers in their work programs and operations. HR processes, such as recruitments, training, and performance feedback will be improved and standardized. The Deputy Director will be the lead on the Department's organizational development work. The position will continue to oversee the operational divisions, but with less day-to-day oversight, shifting that responsibility to the Division Managers.

- **Operations Manager:** The existing Surface Water and Sewer Manager Position in operations will be re-defined to provide overall leadership for operations and maintenance. This position, and the Operations Planning Unit team that reports to it, will be responsible for developing the new EAM/MMS, and implementing sound maintenance management practices in the organization. On an ongoing basis, this unit will be responsible for planning, scheduling, and monitoring maintenance work in alignment with the City's policies and priorities. Maintenance work will be planned, based on an inventory of roadway/transportation features maintained, standard levels of service, and standard work practices. Planned work will be laid out by task and work unit on a monthly basis, with target production and expenditures. Actual versus planned expenditures and production will be monitored on a monthly basis, with an eye on overall performance and condition of the roadway/transportation/utility system.
- **Utility Manager:** An existing field position will be reclassified to a Utility Manager position that will be a licensed, professional engineer who oversees water, sewer and stormwater operations. This position will represent the City in regional forums, and will provide input into design of City water, sewer, and storm systems.
- **Other Changes:** Reclassification of the Water Division Manager to Operations Supervisor the primary duties will include oversight of the daily operations of the Water and Sewer Divisions of Public Works. In addition, the allocation of the current Management Analyst's time between funds will be realigned to reflect the current work load required by the position.
- **CIP Major Projects Unit:** At the August 3, 2015 Council Meeting the Council granted pre-approval of the hiring of five new positions to increase CIP output. This includes hiring an additional supervisor and positions to deliver larger scale projects and reduce the current CIP carryover. The overall CIP has increased 33% from \$123 M in the 2014 update to over \$163 M in the preliminary 2015 CIP.

The following organization chart summarizes the proposed new structure. Changes to positions reporting status or title have been outlined in blue.



Funding

The cost of the additional five positions to manage and oversee capital projects is built into the cost of all non-park CIP Projects; therefore, the funding source for these positions comes from the capital project budgets to which the new staff will charge their time.

The number of positions in operations and maintenance will not change; however, how positions are allocated to the various funds will change to align with the structure proposed. The financial impact of these identified changes varies by fund, as follows:

Public Works Operations and Maintenance Center Re-org					
	General Fund	Street Operating	Equipment Rental Fund	Surface Water Utility	Water/Sewer Utility
Sup to Deputy	9,261	1,799	(33,389)	33,284	3,651
Utility Manager		-	-	6,771	54,464
Operations Manager		15,420	38,552	(45,772)	(7,220)
Other Changes		(11,822)	-	23,647	(11,821)
Total	\$ 9,261	\$ 5,397	\$ 5,163	\$ 17,930	\$ 39,074

In 2016 these changes will be funded from 2015 year-end cash in the appropriate funds. During the 2017-2018 budget process the cost will be built into the basic budget.

**City of Kirkland
2015 Mid-Bi Budget Review
2015-2016 Budget Adjustments**

		Amount			
		FTE	Ongoing	One-time	Total
GENERAL FUND					
City Manager's Office					
	Kalakala donation	-		500	500
Subtotal City Manager's Office		-	-	500	500
Human Resources					
	Temporary Affordable Care Act Support	-	-	136,480	136,480
Subtotal Human Resources		-	-	136,480	136,480
Parks					
	On-Call Office Specialist	-	8,370	-	8,370
	Misc. Contingent Salary Schedule	-	38,700	-	38,700
	Surface Water Area Billing Revision	-	25,847	98,212	124,059
Subtotal Parks		-	72,917	98,212	171,129
Public Works					
	CIP Engineering	-	508,774	-	508,774
	CIP Engineering vehicle	-	-	24,900	24,900
	CIP Engineering Furniture	-	-	35,000	35,000
	Surface Water Internal Professional Services Chg	-	52,000	-	52,000
	EPSCA Radio Rates	-	(931)	-	(931)
Subtotal Public Works		-	559,843	59,900	619,743
Finance & Administration					
	Parking program	-	-	17,858	17,858
	Temporary Affordable Care Act Support	-	-	41,261	41,261
	Internal Cost of Service Reconciliation	-	-	(62,734)	(62,734)
	State Auditor Contract Increase	-	18,220	-	18,220
Subtotal Finance & Administration		-	18,220	(3,615)	14,605
Planning & Building					
	Temp Elec/Bldg Insp. & Plans Exam II	-	62,299	-	62,299
Subtotal Planning & Building		-	62,299	-	62,299
Police					
	Corrections Reorganization	-	23,558	-	23,558
	Telestaff	-	2,053	12,943	14,996
	Lieutenant Test	-	-	10,000	10,000
	EPSCA Radio rates	-	(18,065)	-	(18,065)
Subtotal Police		-	7,546	22,943	30,489
Fire					
	Firefighter Overhire	-	-	172,102	172,102
	CPODS	-	-	-	-
	Antique pumper	-	-	30,000	30,000
	EPSCA Radio rates	-	(9,126)	-	(9,126)
Subtotal Fire & Building		-	(9,126)	202,102	192,976
GENERAL FUND TOTAL		-	711,699	516,522	1,228,221

**City of Kirkland
2015 Mid-Bi Budget Review
2015-2016 Budget Adjustments**

		Amount			
		FTE	Ongoing	One-time	Total
OTHER FUNDS					
Debt Service Fund					
	McAuliffe/ Teen Center Debt Defeasance	-	-	1,251,543	1,251,543
Subtotal Debt Service Fund		-	-	1,251,543	1,251,543
Street Operating Fund					
	Business Analyst (MMS)	-	-	197,346	197,346
	Surface Water Area Billing Revision	-	8,626	32,225	40,851
Subtotal Street Operating Fund		-	8,626	229,571	238,197
Parks Maintenance Fund					
	Lakeview Elementary Field Turf Reserve	-	9,850	-	9,850
Subtotal Parks Maintenance Fund		-	9,850	-	9,850
Facilities Fund					
	Surface Water Area Billing Revision	-	(963)	2,869	1,906
	Maintenance Center Security Cameras	-	-	32,300	32,300
	Sinking Fund Transfer	-	-	321,429	321,429
	Houghton Court Rentals	-	200,000	128,508	328,508
Subtotal Facilities Fund		-	199,037	485,106	684,143
Information Technology Fund					
	Rental Rate Decrease	-	-	(86,973)	(86,973)
Subtotal Information Technology Fund		-	-	(86,973)	(86,973)
Surface Water Management Fund					
	Surface Water Area Billing Revision	-	476	2,411	2,887
	Grant revenue for NPDES	-	-	50,000	50,000
	Grant Revenue from DOE	-	-	20,500	20,500
Subtotal Surface Water Management Fund		-	476	72,911	73,387
Water/Sewer Operating Fund					
	Water Comp Plan Amendment 2	-	-	12,200	12,200
	Surface Water Area Billing Revision	-	2,477	10,343	12,820
Water/Sewer Operating Fund		-	2,477	22,543	25,020
Other Funds-Multiple					
	Internal Cost of Service Reconciliation	-	-	62,735	62,735
Subtotal Other Funds		-	-	62,735	62,735
TOTAL OTHER FUNDS		-	220,465	2,037,436	2,257,901
TOTAL ALL FUNDS		-	932,164	2,553,958	3,486,122



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

MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Michael Olson, Director of Finance and Administration
Alyshia Saltman, Budget Analyst

Date: September 15, 2015

Subject: Credit Card Fees

The purpose of this memo is to provide background on credit card fees, describe the current status, and provide fee options for City Council consideration.

Background

The City began accepting credit cards as an appropriate method of payment for services in 2005. Accepting payments by credit card results in the City incurring a variety of processing fees, the exceptions are the Court and Jail which use a third party for some services that charge fees. In most cases departments build an estimate of card fees into their budgets in order to pay these fees, however this can create budget issues. As the dollar volume of card payments increase, fees also increase and often overrun budgeted amounts. Some credit card fees are included in the full cost calculation of development fees, but in those cases the credit card fees are spread across all applicants not just those using credit cards. The use of credit cards for payments has increased over the years, creating a significant increase in fees.

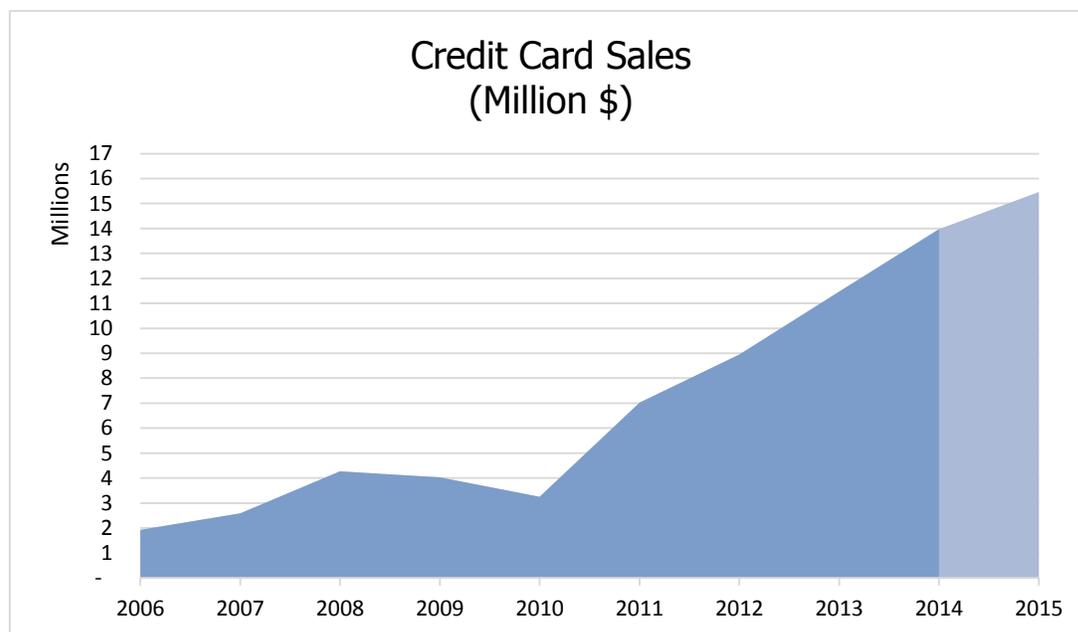
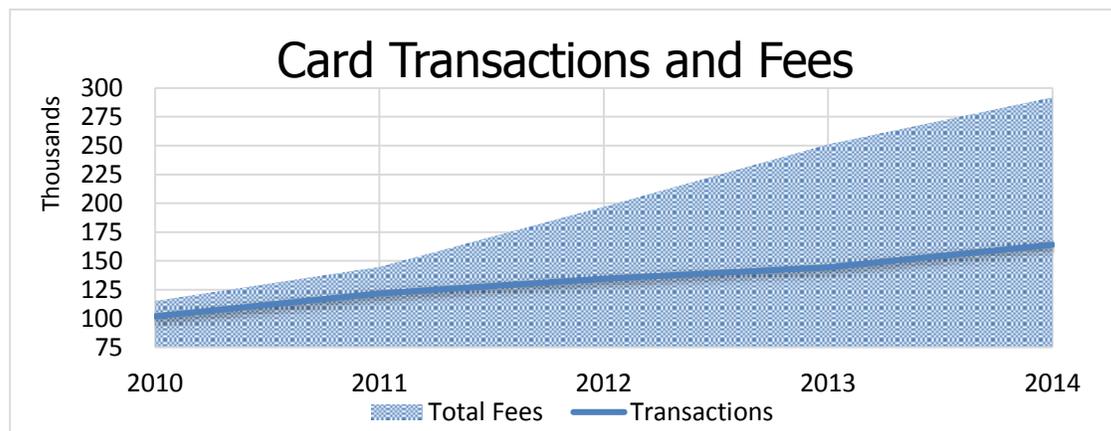
Current Status

The City accepts card payments for utilities, fines and court payments, recreation programs, permits, and parking. Details for 2014 activity are listed in the table below.

	2014					
	Credit Sales Volume	Transactions	Total Fees	Fees % of Sales	Total Revenue	Credit Receipts as a % of Total Revenue
Utilities	6,139,320	28,050	96,431	1.6%	51,170,473	12.0%
Dev Services	4,798,293	5,043	105,133	2.2%	14,838,806	32.3%
Parks & Rec	1,508,298	10,940	28,247	1.9%	1,643,591	91.8%
Court Fines	642,932	4,423	8,503	1.3%	2,625,005	24.5%
Cemetery & Licensing	306,459	1,253	6,722	2.2%	3,173,051	9.7%
Parking	114,039	110,732	40,759	35.7%	259,756	43.9%
Moorage	83,944	3,560	5,141	6.1%	115,259	72.8%
Miscellaneous	46,595	132	963	2.1%	N/A	N/A
Total	13,639,881	164,133	291,898	2.1%	73,825,942	18.5%

In 2014, the City accepted a total of 164,133 card based transactions and 2015 is on track to reach the same volume by the end of the year. In 2014, the City incurred \$291,898 in fees for \$13.6 million in receipts. Card servicing fees are expensed to the department accepting payment by card. The graph below shows increasing trends for both the number of transactions and the amount of fees the City has incurred between 2010 and 2014.

Card payments have nearly doubled since 2010, primarily due to acceptance of credit cards for permits at the counter and increased use of e-permits online. Fees associated with card transactions have grown 2.5 times since 2010 and do not appear to be leveling off. Note that annexation occurred on June 1st, 2011 which also contributes to the growth in transactions and sales. As of June 2015, incurred fees are 33% higher than June 2014, and receipts are 19.3% higher. The bottom graph shows how the dollar volume of receipts has grown from 2006 to 2014. Estimates for 2015 are based on available data and trends.



Convenience Fee and Surcharge Programs

Visa and MasterCard rules do not allow merchants to set monetary limits to transactions, nor do they allow the merchant to accept some card types and not others. Merchants who wish to avoid the negative stigma of charging transaction fees to card paying customers generally build such fees into the price of providing services. Therefore, all customers bear the burden of the fee. In the case of retail merchants, this is appropriate because customers are making voluntary

purchases. In contrast, many municipal fees are obligatory in nature. Wrestling with how to budget the transaction costs for credit cards, some municipalities began assessing transaction fees for services paid with cards. This practice ended in 1993 when Visa and MasterCard became aware of this practice and began enforcing their bylaws which prohibit such action. The result was that Visa and MasterCard ordered banks to cut off service to those entities assessing transaction fees.

Since that time Visa and MasterCard have both developed programs designed for higher education and government agencies to assess convenience fees to the public. The distinction between a transaction fee (surcharge) and a convenience fee is an important one because Visa and MasterCard have strict regulations regarding this issue. A transaction fee (surcharge) is a fee collected to directly offset the cost of allowing the customer to pay with a card. A convenience fee is a fee assessed to the customer for the convenience of using a specific payment mode. In order to participate in these programs, the City must be sponsored by their merchant services bank.

Credit Card Fee Recovery Policy Changes

In November 2012, the federal district court approved a settlement that resolves interchange and merchant acceptance rules in the U.S. and its territories via the *In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation* (MDL 1720) class action suit against credit service providers. As a result of this settlement, merchants can now assess surcharge fees to credit card transactions thereby allowing the merchant to offset the impact of fees incurred.

Regulations regarding this policy are stringent and would require an increased level of scrutiny when accepting card payments as regulations prohibit surcharges on debit cards regardless of the method used to process the card. Currently, 35 percent of card payments made to the city are made via debit card. The bulk of these transactions are processed for parking.

Neighboring Cities

The City of Kirkland often compares its policies and operations to those of Bellevue and Redmond in order to better determine regional municipal trends.

Bellevue does not charge additional fees for the use of credit cards for any city services, incorporating these costs into the service fees. Redmond also does not charge convenience fees or surcharges for customers paying with a credit card for city services. Credit card fees are considered part of the overall cost of providing a service and incorporates these costs into service fees. Note that King County has charged fees for credit card use in development services but intends to discontinue the practice in the near future and build the cost into permit fees.

Options for Accepting Credit Card Fees

The options below are offered for Council consideration. Due to the complexity and variety of services offered and fees collected by the City, options may be adopted separately for different City functions. For instance, a policy can be adopted to offer a cash payment discount for development services and utilities could enroll in a convenience fee program for online payments.

Option 1: Status Quo

Continue business under the existing model. The City would continue to build card servicing fees into the revenue model. Fees to customers will increase as transaction fees increase which may draw attention as the public becomes increasingly aware of the cost of City services, such as utilities. This method also includes a component of risk due to the unpredictability of the number of card payments as a whole. The positive aspect of this option is from the customer perspective. Customers inquire as to whether there is a separate fee for card payments and are appreciative of the no-fee structure we currently apply in Kirkland.

Option 2: Assess Surcharge Fees

The City can choose to assess surcharge fees for credit cards. Surcharges of up to 4% of the transaction may be charged to credit cards. Surcharges must be clearly communicated and displayed to the customer and must be included on a separate line on the receipt. This option is difficult to implement as fees may not be charged to debit cards regardless of the method used to process the cards. Approximately 35 percent of all card payments processed are made by debit cards.

Option 3: Assess Convenience Fees

Convenience fees are not allowed to be used for the purpose of passing credit card processing fees onto the customer. They are intended to be a charge for the convenience of using a payment channel outside of normal methods. For instance, a customer paying for service on Utilities Online can be assessed a convenience fee, however, if that customer comes to the counter and pays the utility bill in person with a card, a convenience fee may not be charged. In order to charge convenience fees, the City would be required to enroll in the convenience fee programs with the City's financial institution.

Option 4: Cash & Check Discounts

This method is commonly used by convenience stores for the sale of gasoline. The strategy of this method is to incorporate the cost of providing card services into card based transactions but offer discounts to individuals paying with cash or check. Part of this option would include re-evaluating our cost of service models and the capabilities of our systems to process the discounts.

Option 5: Third Party Vendors

The City could contract with third party vendors for all card transactions. In lieu of accepting card transactions at the counter or directly over the phone, customers could be directed to a third party online portal or phone number (or a kiosk at City Hall) where the third party will process the transaction and send a lump sum payment to the City. The time it takes to receive this revenue depends on the type of third party vendor used and its operations but is generally received within 48 hours. Use of third party vendors lowers the City's burden of credit card fees and reduces the risk of charge backs depending on contractual arrangements, but increases the cost to the customer. The City currently contracts with third party vendors for bail payments and court fines.

Potential Impacts of Implementing Credit Card Acceptance Fees by Department

Shifting the cost of accepting credit cards for payment to the customer will have varied affects for each department. The following summarizes the input received from each department regarding the potential impacts of making this change. Regardless of the method, implementing credit card acceptance fees for payment could lead to increased customer complaints,

decreased credit card usage and increased delinquencies and collections which, could create additional workload for staff. Implementing surcharge fees would also lead to increased administrative monitoring and scrutiny as staff ensures the City is correctly operating under Visa and MasterCard's complicated rules and regulations.

Utilities – The City is considered a “merchant.” Merchant accounts for utility payments are allowed a reduced fee of 75 cents per transaction, which results in an overall fee of 1.5 percent of receipts. The utility merchant account would no longer be eligible for the reduced fee if the City attached a surcharge, resulting in overall fees of approximately 2.2 percent of receipts. Implementing an additional charge for credit card fees would result in some customers shifting to cash or check payments. Employee workloads may also increase to process these payments and handle customer complaints. Currently 19.8 percent of all utility billings are paid by card. For some customers, the convenience of paying online will outweigh the impact of the fees on the individual and they will continue to pay by credit card. A portion of the utility customers could become quite upset and register their complaints with the City.

Development Services – Development services is an area of service where assessing credit card processing fees will not likely affect business as a whole. While some customers may complain, the department believes that additional fees will not significantly influence building or development services revenues.

Parks & Recreation – The business model for Parks and Recreation encourages people to use online registration and use credit cards at the counter for parks and recreation programs. This is evidenced by data indicating that credit card payments comprise 91.8 percent of the department's revenue. Staff resources have been adjusted to accommodate this practice. Resources might have to be increased if additional fees are assessed which would result in parks serving more people in person. Considering the populations that use the City's recreational services, a fee could result in disparate treatment for some, such as: senior citizens, teens, and low income individuals. Assessing a fee for services could alter these populations' habits but the effect is unknown at this time. Many customers might consider a different payment type, or might choose to spend their recreation dollar elsewhere.

Court Fines – Implementing additional fees for card payments received at the front counter could result in a greater number of unpaid fines and higher contesting rates. Unpaid fines would negatively affect the budget and increase the City employee workloads as collection attempts are made. The Court's customers are often upset about receiving fines and would be increasingly difficult to serve should additional fees be assessed. Jail and some court costs are collected through a third party agency and would be unaffected by additional fees.

Cemetery & Licensing – Implementing fees in this function could result in decreased card payments as individuals who use this method for convenience would simply mail in a check instead. Customers that have time sensitive needs would likely continue to make their payment via card over the phone as licensing has no online option. Last minute or urgent payments are often done over the phone and these customers are usually unhappy to begin with. The city could experience an increase in complaints and mailed payments.

Parking – Parking is driven by convenience and changes in pricing likely will not affect consumption. This being said, some people will choose to avoid increased parking fees and may avoid downtown or park on residential streets near their destinations creating additional congestion on those roads. The impact of adding fees to parking is more apparent than other categories because the fee as a percentage of revenue is much higher than other categories at 35.7 percent, due to the very small size of each transaction.

Moorage – Credit card payments comprise 72.8 percent of moorage revenues, the business model for which is similar to other parks and recreation programs. An additional fee for credit

cards likely will not affect boat moorage in Kirkland due to the low cost of City owned docks compared to local alternatives.

Example of Credit Card Surcharge Fees Impacts on Customers

	Description	Example Charge	Estimated 2.2% Surcharge	Total Charge to Customer	Fees Paid on Transaction	Amt Over (Under) Transaction Fee
Utilities (billed bi-monthly)	Residential	267.57	5.89	273.46	5.89	0.00
	Multifamily (4 Unit)	698.92	15.38	714.30	15.38	0.00
	Commercial	4,638.16	102.04	4,740.20	102.04	0.00
Dev Services	Building Permit Fee \$300k Residential	2,302.65	50.66	2,353.31	50.66	0.00
	Building Permit Fee \$1.5M Commercial	8,702.65	191.46	8,894.11	191.46	0.00
Parks & Rec	Ballroom Dance (Resident)	54.00	1.19	55.19	1.03	0.16
	Ballroom Dance (Non-Resident)	65.00	1.43	66.43	1.24	0.20
	Zumba Gold 4 Classes Seniors	35.00	0.77	35.77	0.67	0.11
Court Fines	Parking Infraction	35.00	0.77	35.77	0.46	0.32
	Traffic Infraction	136.00	2.99	138.99	1.77	1.22
	Warrant Fees	100.00	2.20	102.20	1.30	0.90
Cemetery & Licensing	Business with Receipts <\$12,000	50.00	1.10	51.10	1.10	0.00
	Business with 10 Employees	1,100.00	24.20	1,124.20	24.20	0.00
	Niche Wall - Level 1 (Resident)	1,868.00	41.10	1,909.10	41.10	0.00
	Niche Wall - Level 1 (Non-Resident)	2,802.00	61.64	2,863.64	61.64	0.00
Parking	Park Place Parking Meter	3.15	0.07	3.22	1.12	(1.06)
Moorage	20' boat	15.00	0.33	15.33	0.92	(0.59)
	Registration and Boat Launch (Res)	60.00	1.32	61.32	3.66	(2.34)

Summary

Credit card fees are increasing as this payment method becomes more popular. Recent changes in industry policies now allow merchants to charge fees to offset the cost of providing card payment services but would result in more complicated administration within the City. Staff is seeking Council direction on how to proceed with the processing of these fees. Staff recommends considering the policy choice through two lenses – customer service and cost recovery.

If the Council prioritizes customer service, continue funding credit card fees as a cost of doing business. Customers have expressed concern about the possibility of the City implementing these fees and are appreciative of current practices. In addition, assessing surcharges creates more complicated administration as staff will need to monitor compliance with Visa and MasterCard rules and regulations as well as process more cash and check based transactions.

If the Council prioritizes cost recovery and it is the Council's desire to pass on the processing fees to the customer, staff recommends that the City contract with third party vendors on select services that generate the largest processing fees. Use of third party vendors will ease the administrative burden and reduce risk to the City. Development services permits and utility billing might be good candidates to begin assessing fees as business will not likely be affected with implementing such fees, although customer reaction should be monitored.

**CITY OF KIRKLAND**

123 Fifth Avenue, Kirkland, WA 98033 425.587.3000
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager
From: Kathy Brown, Public Works Director
Date: October 19, 2015
Subject: Capital Improvement Program Staffing

The purpose of this memo is to provide background information on how the City of Kirkland's Public Works Department Capital Improvement Program (CIP) has grown and evolved over the last several years and to propose a new organizational structure and staffing level to meet current and anticipated project output expectations.

BACKGROUND DISCUSSION:

As detailed in a separate issue paper, the Public Works Director and Management Team conducted an organizational assessment of the entire Public Works Department, including the CIP Division. The Public Works Reorganization Issue Paper is discussed in a separate memorandum. This issue paper memorandum focuses on staffing levels for the CIP Division.

Pre-authorization for Added Staffing

The overall CIP has increased 33% from \$123M in the 2014 update to over \$163M in the preliminary 2015 - 2020 CIP. In recognition of this growth, at the August 3, 2015 City Council Meeting, Council granted pre-approval for the hiring of five new positions needed to reduce the existing backlog of CIP work, reduce annual CIP carryover amounts, and to keep pace with anticipated CIP growth.

To maximize flexibility, and in anticipation of a higher level of building and parks projects, Capital Project Coordinator positions, rather than Project Engineers, were approved. The Capital Project Coordinators will not necessarily be civil engineers, as is required for the Project Engineering classifications. Capital Project Coordinators could have backgrounds in architecture, landscape architecture, engineering, construction management, or other related fields of expertise. The emphasis for these positions is facilities and/or parks project management knowledge and experience. In addition, the pre-approved addition of staff included one Project Engineer, for non-motorized transportation projects, including Walkable Kirkland, and one CIP Supervisor.

In addition to addressing immediate staffing capacity needs, filling these positions is part of a broader strategy to create a CIP management structure and cultivate in-house expertise needed for potential future large-scale parks and facilities projects, such as the ARC, the remodel/construction of the City's fire stations, and multimodal (transit, pedestrian, bicycle) facilities. Although not all of these larger-scale facilities projects are approved, it is prudent to

lay the groundwork for potential future large-scale projects, while implementing a strategy to more efficiently deliver projects on the proposed 2015-2020 "Funded" CIP project list.

The new positions will all be charged to the relevant capital projects. All construction related CIP projects have engineering and project management costs built in to the cost estimates. These staff additions will charge to those categories and this should not affect the budget or scope. Up to 2012, Parks CIP projects did not traditionally budget in the same way, however, the current Parks CIP does include an estimated 10% for internal professional services. As the current proposed 2015 - 2020 CIP includes a number of capital improvements that will, for the first time, be managed by the Public Works CIP construction management staff, that 10% will be closely monitored and adjusted as the averages become known. At this time we believe the percentage to be reasonable but more time is needed to fully understand the impact on project scopes, if any, for Parks projects with the added staffing.

The Walkable Kirkland program added funding to the School Walk Route and Neighborhood Safety Program budgets. Neither of these program areas have traditionally included budget capacity for project management time – a practice which has resulted in challenges in project delivery. Moving forward, project management staffing hours are assumed at a reasonable level for these programs, although no added funding has been appropriated. Funding adjustments – or decisions on project scope or the number of projects – will have to be made over the course of the 2015-2020 CIP to balance available funding with necessary project management costs.

Staffing Projection Refinement

Public Works CIP staff has been working with Finance staff to re-assess and refine the rough, preliminary staffing needs projections done last summer for the pre-approval of the five new positions. This work involved a detailed, in-depth, project-by-project projection of staffing needs. A staffing allocation model and summary report are both available for further discussion.

Below are the high points of the analysis, at a summary level:

- When the model is run using only known projects on the funded 6-year CIP, it forecasts an immediate need for 3.96 FTEs.
- When the model is run, including an assumption for projects likely to be funded through external sources in the next three years (as described below), the model identifies a need for an additional 5.5 positions, in addition to the 3.96 positions above. It should be noted that this analysis did not include any staffing for development of any type of large-scale parking facility.

These projections, based on a detailed, project-by-project analysis, provide assurance that the pre-approval of 5 FTEs was reasonable. Were we to cut back that approved level to the "known" 3.96 FTEs, it is most likely that our CIP Division would be completely unprepared to launch anticipated, newly funded projects such as: the ARC, new fire stations and/or remodels, the development of the Lake and Central parking lot, other potential grant funded projects in support of the Totem Lake Mall redevelopment, or other similar large-scale projects. Additionally, with an upfront emphasis on reducing the level of project carryover, there will be plenty of work for the new staff to do. Furthermore, it is likely that recruiting and hiring will

take many months, shifting project schedules and creating a need for more staff to deal with this “bow-wave.”

With the proposed staffing levels, and commensurate project delivery, the CIP Division will be able to fulfill the following goals:

- Eliminate the large project backlog.
- Reduce annual carryover.
- Maintain pace with the higher level of project funding anticipated in the six-year CIP and the 20 year plan.

The attached chart depicts our project delivery plan. It should be noted that some large-scale, high budget projects will be completed this year, with final billing and close out next year. This fact explains our backlog reduction rate, which, at first glance, might appear somewhat optimistic. Another consideration is that project engineering staff has been required to work unsustainable, long hours to complete some of these large scale projects. Also, project inspection has been, in some cases, performed at unsatisfactory levels due to staffing shortages. In other cases, inspection work has been done by Public Works Operations staff, deferring maintenance service delivery. In still other cases, inspection work has been performed by expensive consultants.

The refinement of staffing estimate has resulted in a fine tuning of the hiring approach and a slightly different mix of staffing is now being recommended with an increased emphasis on project inspection. Below is a comparison of the original estimates at employee classification requirements, versus the results of the more detailed workload analysis.

Original Request	Refined Assessment	Comments
1 Senior Project Coordinator	1 Senior Project Coordinator	No Change
2 Project Coordinators	1 Project Coordinator	Analysis showed greater need for inspection.
1 Project Engineer	1 Project Engineer	No Change
0 Inspectors	1 Inspector	Analysis showed greater need for inspection.
1 Supervisor	1 Supervisor	Will hold off on hiring until after the vote on the ARC. Will hire Supervisor if ARC and/or other major projects move forward.

Funding

The cost of the additional five positions to manage and oversee capital projects is built into the cost of all CIP Projects; therefore, the funding source for these positions comes from the capital project budgets to which the new staff will charge their time.

CIP Engineering Charges

Why we charge

The CIP Engineering Division manages projects in the City's Capital Improvement Program (CIP) and its costs are budgeted in the General Fund. To ensure that project budgets, rather than other City revenues, pay for project management, these costs are recaptured through charges to capital projects based on direct staff time spent on the project.

How we charge

The hourly rate has two components: the direct portion and the indirect portion. The direct cost represents the hourly salary rate for the person working on the project. The indirect portion includes the remainder of the costs involved in employing that individual, as well as the costs of operating and managing the CIP Engineering Division as a whole. These costs include:

- Employee benefits and paid time off;
- Divisional supervisory time;
- Non-project administrative time, including meetings, policy development, etc.;
- Utility, materials, facilities, information technology, and supplies costs;
- A share of Public Works Department management and administration costs; and,
- A share of citywide financial, legal and human resources cost.

To ensure full cost recovery, these indirect costs are allocated across the direct hours spent on projects. The resulting hourly rate that is charged to projects includes both the direct salary cost as well as a proportionate share of these indirect or overhead costs. This combined rate is referred to as the engineering overhead rate.

Where are these costs budgeted in projects?

When a capital improvement project is proposed, a number of project cost elements are considered, including land acquisition costs, construction costs, and external planning/design and engineering costs and contingencies. An additional cost component that can be budgeted is "In-House Professional Services"; this represents the portion of the project budget that is set-aside to pay for staff time and resources expended to manage projects. This amount is estimated as a function of the project's total construction cost. In most cases, when CIP management charges are billed to a project, it is this line item of a project that bears the cost.

Not all projects will include this line item, as they may not require CIP Engineering Division project management. As an example, Information Technology projects and most Parks land acquisition projects do not include monies for this expense. As a final point, as with other elements of a CIP project, the amounts budgeted for In-house Professional Services represent an estimate of the resource need based on an initial projection of a project's scope. The amount actually required will vary with changes in the project scope and complexity.

Rate Implications in the Operating Budget

The current engineering overhead rate of 2.3176 was calculated in 2007; the calculation was updated in 2010, but the result was only slightly different (2.3623) so the current rate was left in place. Since that time, a number of changes to the CIP Engineering function have taken place, including:

- Increases in benefits costs;
- General inflationary increases to materials and supplies purchases;

- Technology cost increases;
- Addition of CIP outreach staff resources; and,
- Additional Supervisory staff resources.

Each of these changes has the effect of increasing the amount of overhead in the CIP Engineering program. As a result, the charges to projects no longer recover the full program costs.

As part of the discussion of adding project management staff resources, it is appropriate that a recalibration of the engineering overhead rate take place to ensure full cost recovery. The following table shows the projected 2016 cost recovery performance under two scenarios:

- The current rate at current staffing levels; and,
- The current rate with 4 new positions and associated costs.

The projected direct and indirect staff hours are based on staff assumptions for 2016.

	Current Staffing	Current & Additional Staffing
Engineering Rate	2.3176	2.3176
Direct Hours	18,709	25,365
Indirect Hours	9,922	11,646
Total Hours	28,631	37,011
Direct hours % of Total	65%	69%
Total Costs	\$2,450,623	\$3,031,295
Total Charges to Projects	\$1,819,519	\$2,399,838
Surplus/Deficit	(\$631,105)	(\$631,457)

It is clear from the table that the current rate does not recover the full costs of the program under either staffing scenario. The implication is that the General Fund covers the deficit. It is worth noting that the addition of new staff does not materially change the underlying shortfall, and only increases it slightly due to the shift in the distribution between direct and indirect time spent by the new staff.

An alternate perspective utilizes the same staffing assumptions, and calculates revised engineering charge rates to recover the full cost.

	Current Staffing	Current & Additional Staffing
Engineering Rate	3.121	2.895
Direct Hours	18,709	25,365
Indirect Hours	9,922	11,646
Total Hours	28,631	37,011
Direct hours % of Total	65%	69%
Total Costs	\$2,450,623	\$3,031,295
Total Charges to Projects	\$2,450,623	\$3,031,295
Surplus/Deficit	\$0	\$0

As shown above, the higher rate provides the mechanism to charge the full cost of the CIP Engineering program to project budgets and removes General Fund support.

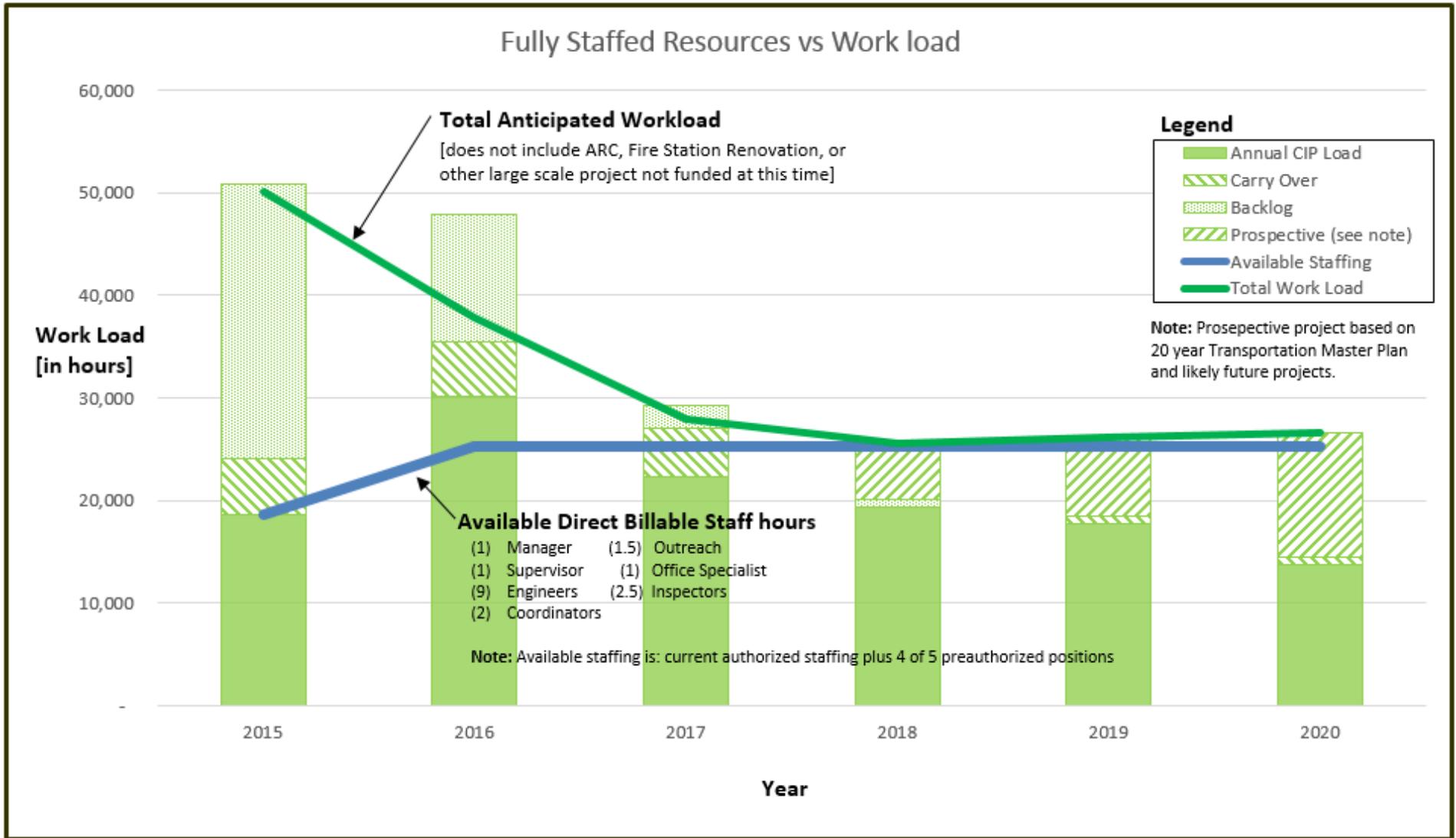
Rate Implication to Project Budgets

Assuming the rate is adjusted to fund the total program costs under the additional staffing scenario, the fiscal impact would be to shift a projected \$631,457 in costs from the General Fund to capital project budgets. In the event that billable hours fall short due to delays in filling positions, the full savings would not be realized since the fixed overhead would not be recovered on the shortfall.

The next step is to analyze the amounts available in current and proposed project budgets in the 2015-2020 CIP, to determine if sufficient budget is available to pay the in-house engineering charges.

The Preliminary 2015-2020 CIP, as presented to the City Council in July, included an additional \$13.9 million in In-house Engineering budget in projects. When added to the projected carryover amount in existing projects as of 12/31/2015, a total of \$15.5 million will be available in projects to pay CIP Engineering charges over the next five years. This equates to roughly \$3.1 million per year, which is slightly above "Total Charges to Projects" amount in the "Additional Staffing" column shown in the table above.

It is important to note that the proposed CIP does not currently include the Aquatics and Recreation Center, the Lake and Central property, nor remodel/reconstruction of the City's fire stations as funded projects. As such, these projects are not included in the project budget estimates cited above. Any or all of these projects will increase workload for the CIP Engineering Division and therefore result in higher charges to support the full costs of the CIP Engineering direct staffing and related overhead costs.





CITY OF KIRKLAND
Department of Parks & Community Services
505 Market Street, Suite A, Kirkland, WA 98033 425.587.3300
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager
Tracey Dunlap, Deputy City Manager

From: Jennifer Schroder, Director
Michael Cogle, Deputy Director
Leslie R. Miller, Human Services Coordinator

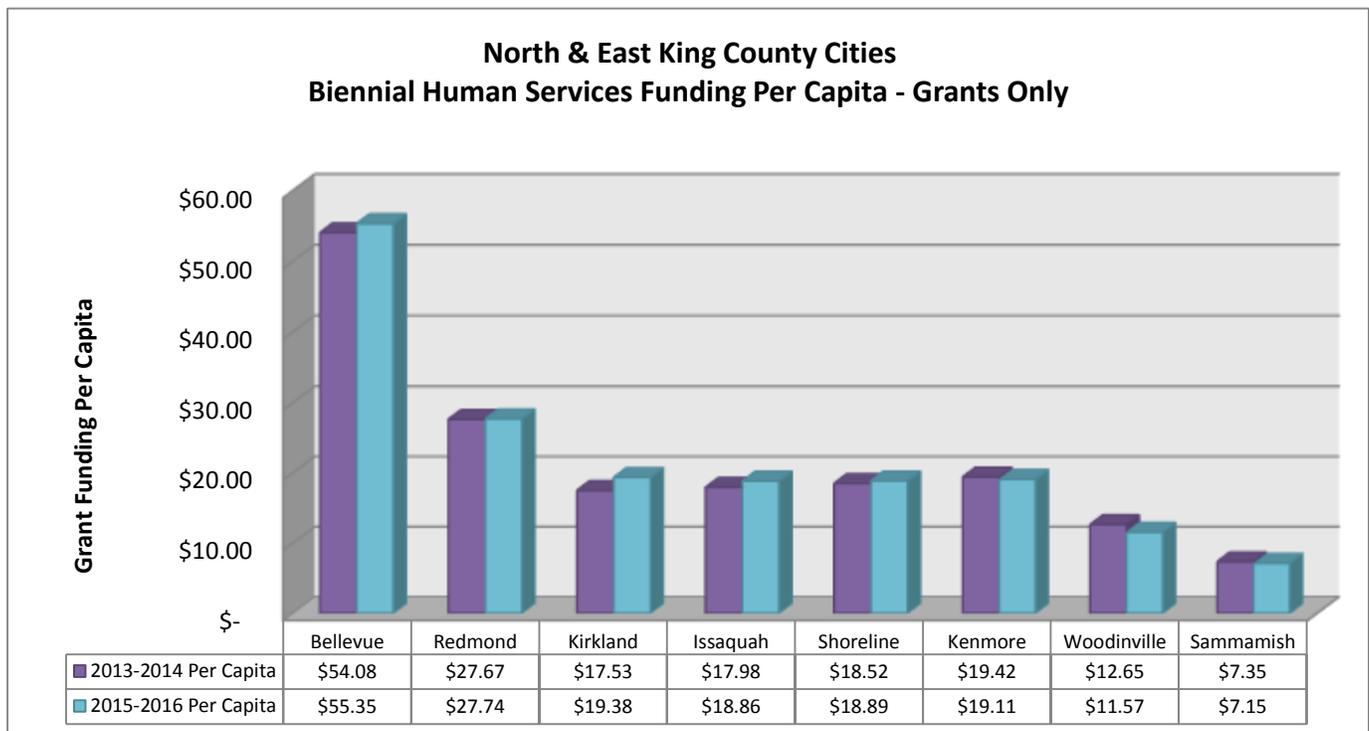
Date: September 25, 2015

Subject: Human Services Funding Comparison

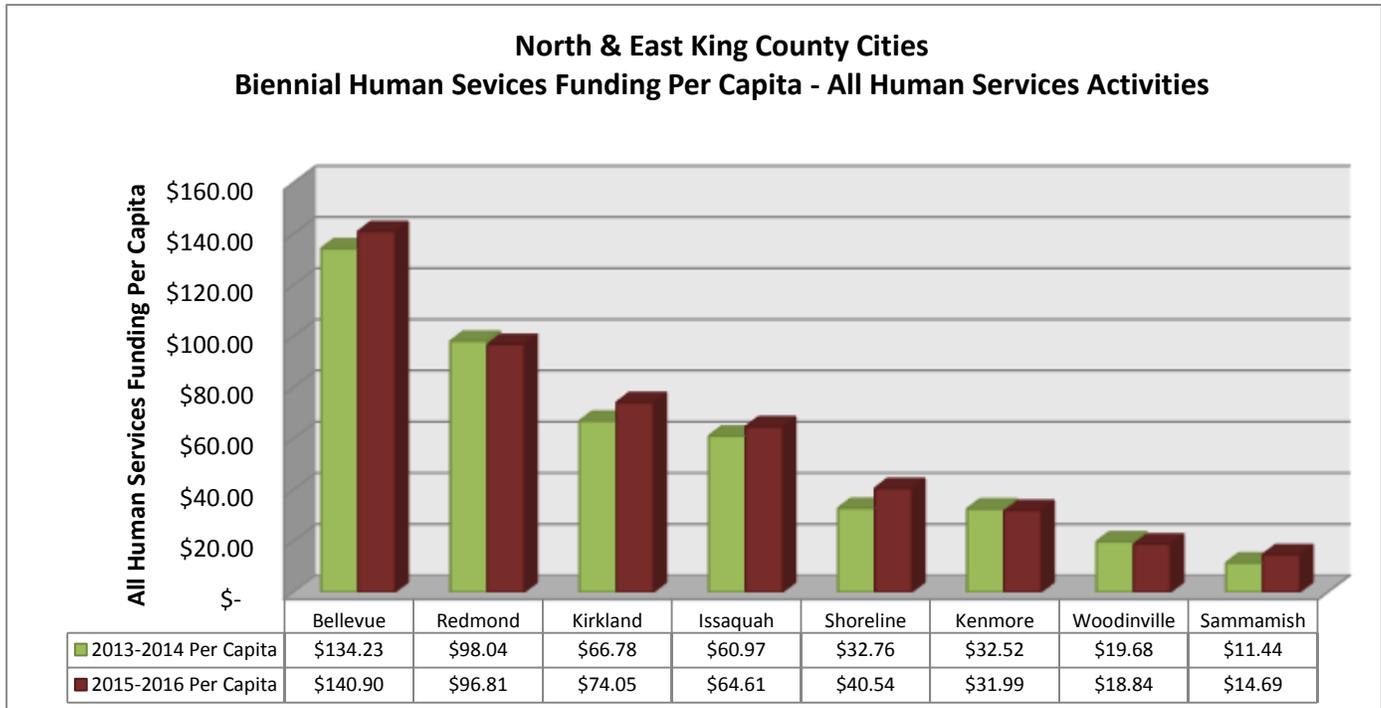
During their deliberations on the City's 2015-16 budget last fall the City Council expressed interest in seeing a comparison of overall investments in human services and human services-related activities for Kirkland and surrounding cities.

The attached spreadsheets provide detailed information regarding these city investments. The charts below compare the investment levels for both grants and more general human services funding.

The first chart shows the biennial distribution of human services grants to local and regional human service providers on a per capita basis:



The next chart provides a comparison of funding by cities for all human services and human services-related activities, including not only grants but also city-funded activities for: seniors, teens, and special populations; affordable housing; substance abuse; and certain public safety activities such as those related to domestic violence and school resource officers.



To provide some context, the following table shows the proportion of general government revenues used for human services activities for the 2013-2014 budget period for each city:

	General Government Revenues Per Capita	Human Services Expenditures Per Capita	Percentage of Revenues For Human Services
Bellevue	\$2,457.30	\$134.23	5.06%
Redmond	\$2,151.75	\$98.04	4.23%
Kirkland	\$1,719.65	\$66.78	3.83%
Kenmore	\$854.38	\$32.52	3.74%
Issaquah	\$1,679.20	\$60.97	3.44%
Shoreline	\$1,020.39	\$32.76	3.17%
Woodinville	\$1,578.81	\$19.68	1.22%
Sammamish	\$1,220.81	\$11.44	.90%

Human Services Funding Comparative Project 2013-2014								
Kirkland's Definition of HS Funding	Bellevue	Redmond	Kirkland	Issaquah	Shoreline ¹	Kenmore ²	Woodinville	Sammamish
Human Services Program -- grants	6,738,602	1,531,538	1,428,516	560,000	986,478	408,304	138,680	348,721
Human Services Coordination	1,329,195	491,000	333,833	78,408	364,544	-	-	-
Senior Center Operations	1,040,855	710,140	1,069,672	291,800		-	-	-
KC Alcohol Treatment Prog (\$ from state liquor excise tax)	45,739	21,253	6,885	12,000	21,843	8,994	-	15,154
A Regional Coalition for Housing (ARCH)	1,236,967	633,531	846,817	197,368	-	151,520	77,040	168,067
Community Youth Services Program and/or Teen Center	1,435,211	589,950	621,395	41,000	50,942	-	-	-
Teen Mini Grants	-	-	17,000	-	-	-	-	-
Domestic Violence Programs	970,450	161,744	754,835	32,000	53,210	16,800	-	10,552
Police School Resource Program	1,136,772	730,714	259,205	517,311	-	97,914	-	-
Senior Discounts for Utility and Garbage Services	1,594,303	123,719	78,967	87,333	-	-	-	-
Donations made by utilities customers	-	-	8,000	-	-	-	-	-
Recreation programs for residents with special needs	984,738	425,000	14,000	82,000	167,927	-	-	-
Recreation Class Discounts	211,921	8,900	2,000	-	100,368	-	-	-
Biennial Total	16,724,753	5,427,489	5,441,125	1,899,220	1,745,312	683,532	215,720	542,494
2012 Population	124,600	55,360	81,480	31,150	53,270	21,020	10,960	47,420
Biennial Per Capita Total	134.23	98.04	66.78	60.97	32.76	32.52	19.68	11.44
¹ Kenmore: Senior Center funded through the Human Services grant program. Contracts with KC Sheriff for police so no information regarding DV.								
² Shoreline: Senior Center funded through the Human Services grant program. Youth program does not include overhead, facility use, transportation or supervisor's time. Contracts with KC Sheriff for police--so police expense not included, only advocate. Utilities not provided by the city.								

Human Services Funding Comparative Project 2015-2016								
Kirkland's Definition of HS Funding	Bellevue	Redmond	Kirkland	Issaquah ¹	Shoreline ²	Kenmore ³	Woodinville	Sammamish
Human Services Program -- grants	7,439,227	1,600,460	1,610,696	620,000	1,019,695	408,304	130,000	352,000
Human Services Coordination	1,461,072	496,141	292,721	250,000	392,274	-	-	7,000
Senior Center Operations	1,192,491	716,250	1,107,224	291,800		-	-	-
KC Alcohol Treatment Program (\$ from state liquor excise tax)	64,533	20,000	35,370	18,000	25,746	8,994	-	24,000
A Regional Coalition for Housing (ARCH)	1,295,176	672,770	999,200	180,996	-	151,520	81,736	190,548
Community Youth Services Program and/or Teen Center	1,656,547	350,867	629,008	43,000	60,942	-	-	-
Teen Mini Grants	-	-	17,000	-	-	-	-	-
Domestic Violence Programs	1,163,107	188,850	796,847	32,000	53,210	16,800	-	16,000
Police School Resource Program	1,752,437	952,890	519,753	517,311	370,000	97,914	-	134,000
Senior Discounts for Utility and Garbage Services	1,663,000	130,800	79,996	87,333	-	-	-	-
Donations made by utilities customers	-	-	8,000	-	-	-	-	-
Recreation programs for residents with special needs	999,813	447,737	14,000	84,000	176,012	-	-	-
Recreation Class Discounts	250,000	8,900	6,000	-	91,000	-	-	-
Biennial Total	18,937,403	5,585,665	6,115,815	2,124,440	2,188,879	683,532	211,736	723,548
2014 Population	134,400	57,700	82,590	32,880	53,990	21,370	11,240	49,260
Biennial Per Capita Total	140.90	96.81	74.05	64.61	40.54	31.99	18.84	14.69
¹ Issaquah: Utilizes an annual budget, so 2016 numbers are estimates based upon 2015 totals.								
² Kenmore: Senior Center funded through the Human Services grant program. Contracts with KC Sheriff for police so no information regarding DV.								
³ Shoreline: Utilizes an annual budget, so 2016 numbers are estimates based upon 2015 totals. Senior Center funded through the Human Services grant program. Youth program does not include overhead, facility use, transportation or supervisor's time. Contracts with KC Sheriff for police--so police expense not included, only advocate. Utilities not provided by the city.								