



CITY OF KIRKLAND

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MEMORANDUM

To: Kirkland City Council

From: Sheila Cloney, Special Project Coordinator
Tracy Burrows, Senior Management Analyst
Marilynne Beard, Assistant City Manager

Date: February 24, 2006

Subject: Outside Agency Funding Policy

BACKGROUND

The current practice of the city is to make community event, business, tourism and outside agency grants on an annual basis to qualified applicants. The "outside agency" funding process takes place during the budget process. During the last budget process, Council asked staff to evaluate the grant funding policy especially as it relates to agencies that are funded through this process on a recurring basis. This memo discusses which organizations are currently funded through the outside agency process and a recommendation as to which should be considered for inclusion in the base budget. It also defines what types of organizations should participate in a competitive funding process on an annual or biannual basis. The creation of funding categories to better guide funding policies and a suggested schedule for the 2007-2008 budget process are also included.

DEFINITION OF CATEGORIES

In reviewing current outside agency funding (for 2006), staff identified a few "categories" that the agencies seem to fit within.

Partner Agencies - Agencies that receive support as a result of formal council action or designation. In some cases a facility may have been built or purchased for the specific purpose that an operational partner performs. Examples include Friends of Youth (operating the Kirkland Teen Union Building) and the Kirkland Performance Center. Staff is recommending that these agencies be incorporated in the base budget in future years.

Special Events - These are events that have considerable public appeal and are substantially funded and staffed by city employees. Special event funds should be part of the special event base budget. An example is the 4th of July fireworks display.

Community Agency Funding - This category is used broadly to fund activities and projects on an annual one-time basis (not limited to Kirkland-based organizations). Organizations receive funds through a competitive process. An example would be Summerfest.

Tourism Grants - These are grants funded from the Lodging Tax and are defined by State statute RCW Chapter 67.28 and KMC Chapter 5. Lodging tax funds are allocated by recommendation of the Lodging Tax Advisory Committee.

Recommended Funding

Partner Agencies

These are agencies that receive support as a result of formal council action or designation. In some cases a facility may have been built or purchased for the specific purpose that the operational partner performs. The 2006 Budget allocates \$135,000 in one time funding to these types of agencies.

Kirkland Performance Center (KPC)

Services Provided

The Kirkland Performance Center (KPC) relies on funding from the base budget and service packages/outside agency funds to supplement ticket revenue and annual fund raising. The current level of support allows our operational partner the ability to program 225 performances by more than 50 artists and groups. It also allows them to support the school learning programs through the arts. Without city support, it would be very difficult for them to run a balanced budget with this much programming. The total 2005 expenditure budget for the KPC was approximately \$1.2 million. As a result of losses from 2000-2003, the KPC implemented a more aggressive fund development plan. They were able to post a surplus for year 2004, and a project a surplus for 2005. However, they will continue to request supplemental funding.

The City recently extended the contractual agreement that refunds admissions tax back to the KPC and provides for rent-free lease of the facility. This was instituted in July of 1998, with a five year expiration clause. It was extended in 2003, for an additional five years, expiring in 2008. Below is a table outlining the amount that has been refunded to the KPC:

Year	Tax
1998	14,538
1999	28,034
2000	29,812
2001	26,286
2002	30,482
2003	20,167
2004	28,413
2005	30,000 actual

In addition to the admissions tax rebate, the City makes annual contributions to the City's Facilities Life Cycle Model, which sets aside money for carpet, interior and exterior paint, and structural systems at the KPC.

In addition to the annual budget support discussed above, the KPC has made supplemental funding requests via the outside agency process since they began operations. Below is a table outlining the historical funding of KPC through outside agency funding and Lodging and Hotel Tax Funds.

Year	Outside Agency	Lodging Taxes
2001	\$25,000.00	
2002	\$25,000.00	
2003	\$50,000.00	
2004	\$50,000.00	
2005	\$50,000.00	10,000.00
2006	\$50,000.00	10,000.00

Recommendation:

Staff recommends that outside agency funds allocated to the Kirkland Performance Center (\$50,000) be incorporated in the Parks and Community Services base budget for the 2007-08 biennium, and other sources of funding support described above continue. Increases to this amount would be requested as a service package by the Parks and Community Services Department. Funds from the Lodging Tax would not be part of the base budget.

Friends of Youth (Kirkland Teen Center – KTUB)

Services Provided

Friends of Youth provides a full menu of programming through an annual contract of \$100,000 in addition to outside agency support from the city. This funding allows them to stay open for an average of 35 hours per week. They maintain an advisory board of citizens, both youth and adults. They operate a computer lab, photo lab, art programs, drop in programs, music programs, provide shows on the weekends, a coffee shop, counseling, special events, and recreational programs. Without outside agency funding, they would have to cut the hours of operation to 20-25 hours per week. They would not be able to support some of the free programming provided, i.e. recreation, dances, music shows, drop in programs. The total 2005 expenditure budget for KTUB was \$350,000.

The KTUB started its operations in 1998 at Post 99, the American Legion Hall. The building was small, the programs limited, and the operational budget was \$200,000 per year. The City budgeted \$100,000 in the base budget for ongoing operations of the KTUB. When the KTUB moved into the new building, the operational budget grew to \$350,000. This included almost triple the programming, and hours of operation. The City retained the \$100,000 in the base budget. Friends of Youth has requested additional funding from the city every year since.

The City currently supports the KTUB in the base budget in two ways:

- \$100,000.00 per year to assist with operational costs.
- Maintenance of the structural systems at the KTUB, and incorporation of KTUB into the Facilities Life Cycles Model, putting money aside each year for capital improvements. Currently we have \$10,811 in maintenance, and \$7,717 in capital set aside per year.

Below is a table outlining the historical funding of KTUB through outside agency funding.

Year	Amount
2001	\$25,000
2002	\$25,000
2003	\$25,000
2004	\$50,000
2005	\$55,000
2006	\$60,000

Recommendation:

Staff recommends that outside agency funds allocated to Friends of Youth (\$60,000) be incorporated in the Parks and Community Services base budget for the 2007-08 biennium, and other sources of funding support describe above continue.

Kirkland Downtown Association

The Kirkland Downtown Association is an economic development program charged with business retention and attraction in the downtown core. The mission of this main street type program supports the City's goal of maintaining and enhancing its vibrant downtown core. The City has granted business matching funds to the KDA since its inception.

Recommendation:

Staff recommends that funds allocated to the KDA (\$25,000 currently allocated in the base budget under the auspices of the business grant program) be incorporated in the economic development base budget for the 2007-08 biennium. The business grant program would be eliminated. The City would contract with KDA to provide economic development services related to promoting downtown business. It is proposed that funds be allocated to KDA under a contract with specific performance measures and managed by the Economic Development Manager. As in previous years, the KDA could apply for additional funding from LTAC or community grants.

Special Events

These are events that have considerable public appeal and are substantially funded and staffed by city resources. Funding is contained in the special event base budget and/or absorbed within department operating budgets unless reimbursed by the sponsoring agency. For example, the annual fireworks show is primarily funded by the City (\$30,000 allocated in 2005) and is currently augmented by private sponsorships raised by Celebrate Kirkland.

City staff does most of the logistical planning and coordinates operations during the fireworks show. Celebrate Kirkland has indicated that they would like to relinquish control of this event and have the city coordinate the fireworks display in its entirety. This would streamline the administration and coordination of the event. However, in order to maintain the scope of the event as it is today, the City and Celebrate Kirkland would need to work together to attract community funds to supplement the City's contribution to the event. In that regard, City staff and Celebrate Kirkland are actively seeking a title sponsor for the fireworks show.

Recommendation:

Staff recommends the City produce the annual 4th of July fireworks show with a City budget allocation of \$30,000 that is incorporated into the base budget for special events. The City will work with Celebrate Kirkland to seek title and presenting sponsors to defray event costs that are in addition to the fireworks display, such as traffic and crowd control.

Community Agency Fund

This category would be used broadly to fund activities and projects on a one-time basis (not limited to Kirkland-based organizations). Organizations receive funds through a competitive process that would be conducted prior to the budget process.

Community grants are a source of funding for events and organizational support. In 2006, \$60,500 was allocated to community agency grants. Examples of organizations that would receive community grants include: Summerfest, Classic Car Show, Fourth of July Picnic, Seven Hills, Jr. Softball World Series, Heritage Society, Feet First, Transportation Choices, Leadership Eastside, and Kirkland Downtown Association. Many of these organizations have received funding on an annual basis.

Recommendation:

Staff recommends establishing a \$60,500 Community Agency budget to fund organizations on an annual one-time basis. In addition, staff recommends that \$6,000 be allocated to the Human Resources Department's training budget to fund two organizational scholarships for employee participation in Leadership Eastside. This \$6,000 is the level of funding that the City has granted Leadership Eastside since its inception.

Staff further recommends making additions to the city's existing funding policy in an effort to address program performance and program evaluation. Updates that should be considered include:

- o Establishing performance measures for projects funded by the City;
- o Using performance measures as a factor in determining whether repeat funding is warranted;
- o Requiring evidence that applicants are pursuing funding from other sources; and
- o Requiring business plans for activities funded by the City that have a significant impact on public property.

Tourism Grants

Tourism grants are provided for by State statute RCW Chapter 67.28 and KMC Chapter 5 that address the use of Lodging Tax revenue. Tourism grants are obtained through requests made to the Lodging Tax Advisory Committee (LTAC). The LTAC recommends funding allocation for tourism grants to the City Council who then appropriate the grants through the budget process. Examples of activities that qualify for tourism funds include marketing of the Kirkland Artist Studio Tour and Howard Mandeville landscape show, and the creation of a Kirkland Art Center gallery brochure.

Recommendation:

Staff recommends no change to current practice.

Recommended Process and Timeline

The recommended funding level will increase the ongoing funding need by \$146,000. One-time community grants would be limited to \$60,500 per year (\$121,000 per biennium). The following table summarizes the recommended funding.

Summary of Recommended Funding

CATEGORY	EXISTING BUDGET	PROPOSED BUDGET	LOCATION
ONGOING FUNDING			
Business Grants	\$25,000	0.00	eliminated
Community Grants	\$10,000	0.00	Moved to one-time funding
Performance Center	0.00	\$50,000	Parks base budget
Friends of Youth	0.00	\$60,000	Parks base budget
Kirkland Downtown Association	0.00	\$25,000	Economic Development base budget
Leadership Eastside	0.00	\$6,000	Scholarships in HR Training Budget
4 th of July Fireworks	0.00	\$30,000	Special Events base budget
TOTAL ONGOING FUNDING	\$35,000	\$171,000	
ONE-TIME FUNDING			
Community Agency Grants/Fund	196,500	\$60,500	Agency Funding (Includes \$10,000 from existing community event grant fund.)
Tourism Grants		Varies from year to year	Tourism Budget
TOTAL ONE-TIME FUNDING	196,500	60,500	
OVERALL TOTALS	\$231,500	\$231,500	

The funding recommendations could be incorporated in the 2007-2008 biennial budget either as part of the base budget or as a service package. Community Agency funds could be allocated on an annual or biennial basis. While an annual allocation offers more funding flexibility to applicants, staff recommends consolidating the community agency fund into the biennial budget starting with the 2007-2008 season. Community Agency applicants would have the option to apply for up to two years of funding. Would-be funding seekers who miss the funding process could

request funds from Council in writing through staff. The Council would then decide whether to allocate funds from their Special Projects Reserve.

Policy Issues for Council

- Should Community Agency fund decisions be made on an annual or biennial basis?
- Does Council agree that the KDA, KPC, and Friends of Youth are Partner Agencies?
- Does Council agree to formally bring the fireworks show in house?
- Does council accept recommended funding levels?
- Does council support making changes to the Community Agency Funding policy to address program performance and program evaluation?
- Does Council support moving \$6,000 into the HR base budget for Leadership Eastside?

Next Steps:

Staff is currently preparing recommendations for council on updates to Chapter 19.24 of the Kirkland Municipal Code relating to Temporary Special Events. This chapter has not been updated since 1997. A recommendation on fees and cost recovery for special events will be included in these updates. The cost recovery portion of the policy will go to the Finance Committee this spring and then forwarded to Council for consideration.