CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Sandi Hines, Financial Planning Manager

Date: July 5, 2007

Subject: **2008 to 2013 Capital Improvement Program**

RECOMMENDATION:

City Council review the Preliminary 2008 to 2013 Capital Improvement Program (CIP).

BACKGROUND DISCUSSION:

The Preliminary CIP for 2008 to 2013 is presented with this memo for Council consideration. Please refer to the narrative in the introductory section of the document for a discussion of significant policy issues, changes and project highlights. The study session scheduled for July 17th is the first meeting to discuss the CIP. Depending on issues and questions that arise from the CIP discussion, additional study sessions may be scheduled. A public hearing on the CIP will be held on September 4th. Adoption of the CIP occurs by Council resolution and is scheduled for the regular meeting on September 18.

In addition to the CIP document, follow up information requested is included in nine attachments to this memo:

- Memorandum from the Public Works Department discussing the following issues (Attachment A):
    - Inflation rates used for the transportation, surface water and water/sewer utility portions of the CIP (requested at Council Retreat).
    - Information regarding utilities in the areas of Public Works Trust Fund loans, age of the utility systems infrastructure, and a status of the Emergency Sewer Program.
    - Summary of impacts of transportation capacity spending – Transportation Commission recommendations and other considerations such as Intelligent Transportation Systems (ITS), change of LOS methods, and 132nd St. Improvement project.
    - Status of the Low Impact Development study currently underway by the Surface Water division.
- Memorandum from the Public Works Department regarding green facility issues (Attachment B).
- Memorandum from the Public Works Department regarding downtown sidewalks (Attachment C).
- Memorandum from the Public Works Department on street lighting (Attachment D).
- Memorandum from the Public Works Department on the strategies of using Local Improvement Districts (requested at Council Retreat) (Attachment E).

- Memorandum from City Manager's Office as a follow-up on public art options from the Council's joint study session with the Cultural Council on June 19 (Attachment F).

- Memorandum from the Finance and Administration Department on debt policies (requested at Council Retreat) (Attachment G).

- Memorandum from the Finance and Administration Department on capital reserves (Attachment H).

- Active Project Status matrix that lists all active projects with their current budget as of May 2007 and their status of development (Attachment I).

Attachment A

CITY OF KIRKLAND
Department of Public Works
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MEMORANDUM

To: David Ramsay, City Manager

From: Daryl Grigsby, Public Works Director
Ray Steiger, P.E., Capital Projects Manager

Date: July 5, 2007

Subject: Public Works CIP Issues

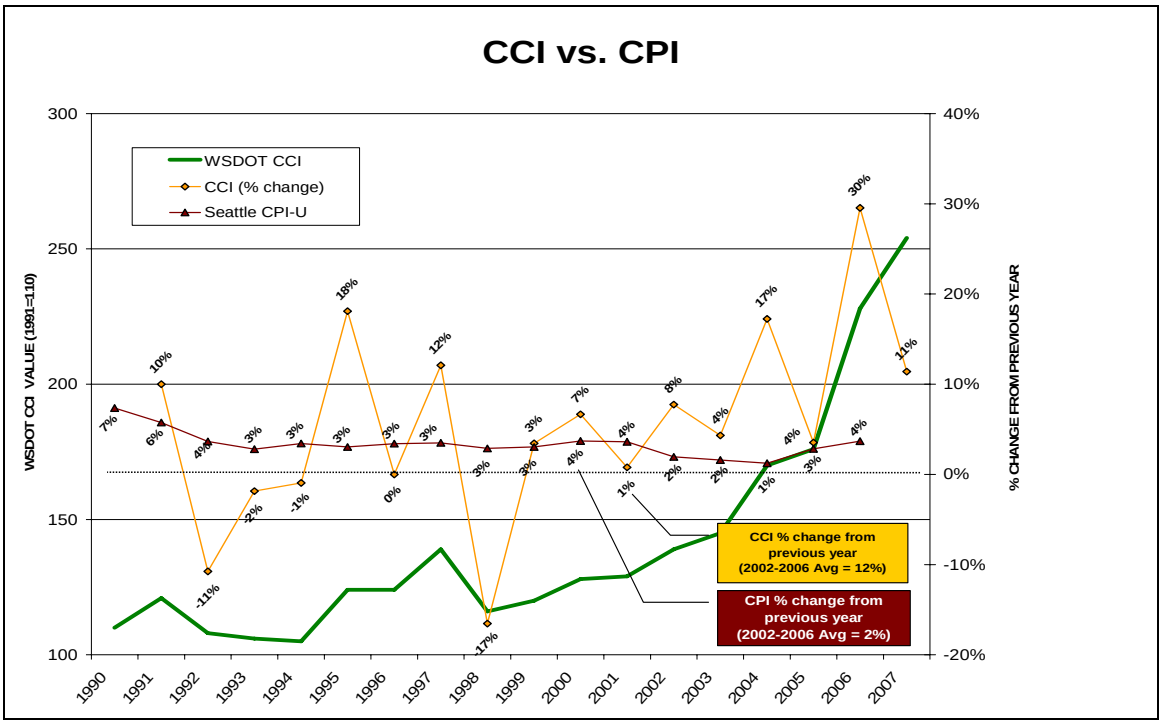
On July 17, 2007 the City Council will hold a study session to discuss the proposed 2008-2013 CIP. A number of issues have been raised in the time prior to the study session from the City Council retreat, Impact Fee discussion, and other meetings. This memo summarizes those issues and provides information in an attempt to address issues or to provide background for discussion at the study session. The memo is broken into a number of discrete sections that follow as such:

- *Cost Escalation* – Development of the rational and basis for inflation rates that were used in assembling the CIP. Escalation values are different for the transportation, surface water and water/sewer utility portions of the CIP (requested at Council Retreat).
- *Water/Sewer Utilities* – Information is being provided on the water/sewer utilities regarding:
  - The use of *Public Works Trust* Fund loans as a form of debt,
  - *Age of the infrastructure* and the level of investment that is being recommended in ongoing master-plans and rate studies,
  - Status of the *Emergency Sewer Program*.
- *Transportation Spending Allocation* – Spending allocation among transportation categories (non-motorized, maintenance, roadway capacity)
- *Low Impact Development* – Status of the Low Impact Development study currently underway by the Surface Water division.

Cost Escalation

The largest and single-most important factor affecting the Public Works component of the proposed 2008 – 2013 CIP is the current and anticipated construction inflation being experienced in the region. Since approximately 2003, a marked increase in construction costs, especially for infrastructure, has far exceeded the Consumer Price Index (CPI). Figure 1 is a comparison of the CPI (for the Seattle area) with one construction index, the Construction Cost Index (CCI) developed and used by the Washington State Department of Transportation; similar indices are used throughout the nation on roadway projects. The WSDOT began using its tracking index in 1990. The values shown on the left side of the graph are the CCI value for a given year (starting with 110 in 1990), and the left side of the chart shows the percent change from the previous year – it is this percentage value that is used in comparison of the CCI and the CPI.

Figure 1



To highlight the differences between the CPI (maroon line) and the CCI (yellow line), during the five year span from the beginning of 2002 to the end of 2006, the CPI in the Seattle area increased on average 2.3% per year; during that same timeframe, the CCI as maintained by the WSDOT averaged 12.5% (a 30% increase was experienced from 2005 to 2006). Another presentation of this information was presented in the discussion of impact fees earlier this year. In that discussion, comparisons between the CCI and the CPI were presented in a table, and at the conclusion of the discussion, the recommendation was to use 12% as the escalation of index fees. This is the same escalation value that has been used for preparing the 2008-2013 CIP.

Year	Seattle CPI-W		WSDOT CCI		Various averaging periods of CCI				
	Index: 1982-1984=100	Annual growth rate	Index: 1990=110	**Annual growth rate**	2-yr Average	3-yr Average	4-yr Average	5-yr Average	6-yr Average
1990	124.4	7.1%	110						
1991	131.3	5.5%	121	10%					
1992	136.0	3.6%	108	-11%					
1993	140.0	2.9%	106	-2%					
1994	145.1	3.6%	105	-1%					
1995	149.3	2.9%	124	18%					
1996	154.3	3.3%	124	0%					
1997	159.0	3.0%	139	12%					
1998	163.2	2.6%	116	-17%					
1999	168.3	3.1%	120	3%					
2000	174.6	3.7%	128	7%	5%	-2%	1%	1%	4%
2001	180.8	3.6%	129	1%	4%	4%	-1%	1%	1%
2002	184.0	1.8%	139	8%	4%	5%	5%	0%	2%
2003	186.7	1.5%	145	4%	6%	4%	5%	5%	1%
2004	189.6	1.6%	170	17%	11%	10%	8%	7%	7%
2005	195.3	3.0%	176	4%	10%	8%	8%	7%	7%
2006	202.6	3.7%	228	30%	17%	17%	14%	12%	11%
2007			254	11%	20%	15%	15%	13%	**12%** ◄ **CIP assumption**
AVERAGE GROWTH RATE		**3%**		**10%**	**10%**	**8%**	**7%**	**6%**	**6%**

Historical comparison of CPI and the WSDOT CCI

The CCI reflects the typical inflation being experienced on roadway projects; similar results are being seen in the utility sector (discussed later), however core elements that are used in utility projects are not tracked by the CCI. Elements that combine to make up the CCI are: asphalt, concrete, crushed rock, excavation, reinforcing steel, and structural steel. For utility related projects, namely water and sewer, Kirkland tracks historical bid tabs for the City and in some cases for adjacent communities, from these bid tabs, projections are made for cost escalation of projects. Two specific examples of using actual bid tabs to project cost escalation are provided below in Figures 2 and 3.

The figures are a comparison of total construction bid prices for projects that are performed starting in 1998 and reflect the average bid for a given type of project. Figure 2 is a comparison of 8, 12, 16, and 20 inch ductile iron watermain projects for various years. The left side of the graph indicates the cost per foot, and the right side of the graph indicates the % change in the cost per foot compared to the previous year (similar to the CCI discussed earlier). In 2001, the average construction cost for 8-inch watermain (light blue line) was approximately $95 per foot of pipe installed; by 2006, that same 8-inch watermain cost $170 per foot. This increase represents an average of 17% per year (see orange line); 12 inch and 16 inch (dark blue) are higher yet; as a category for the 2008-2013 CIP, water projects were projected to increase at 17% per year.

Figure 2

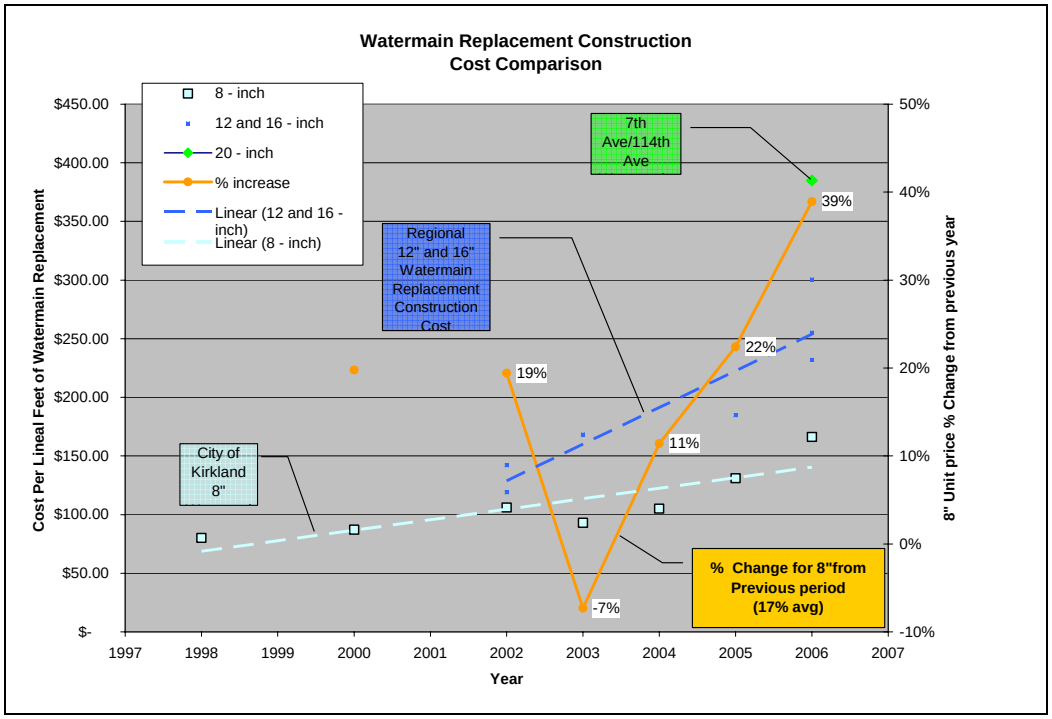
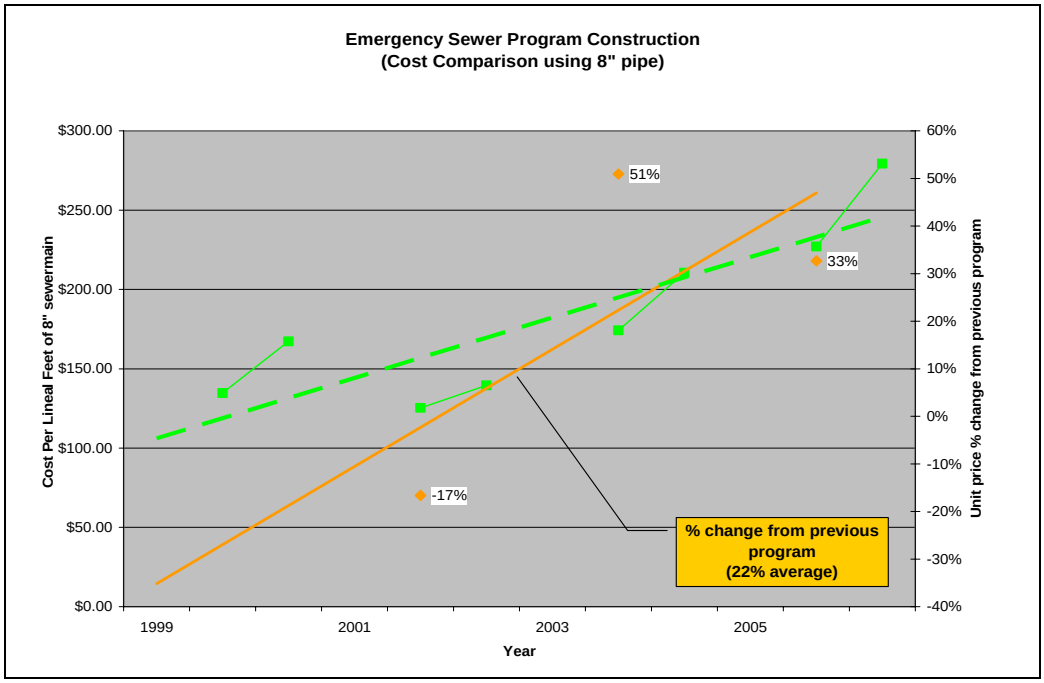


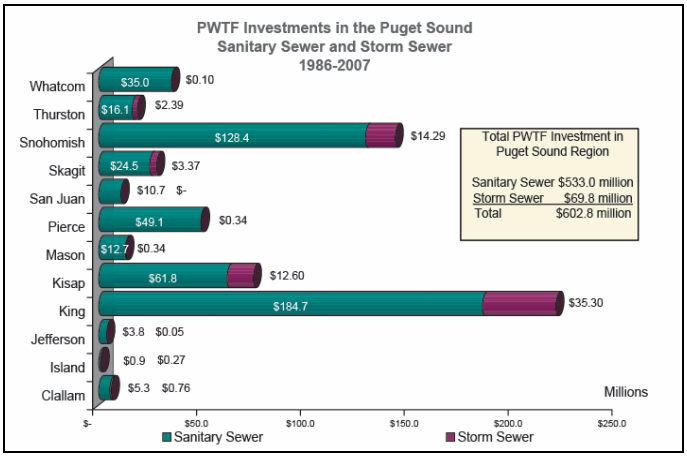
Figure 3 is a similar comparison of construction bid prices, however it is for 8-inch sanitary sewer projects for various years – specifically, it is for the emergency sewer program. In 2001, the average construction cost for 8-inch sewermain was approximately $150 per foot of pipe installed; by 2005, that same 8-inch sewermain cost $220 per foot. This increase represents an average of 22% per year. Thus extending that trend of the construction cost increases, sewer projects for the CIP estimates were projected to increase at roughly 22% per year.

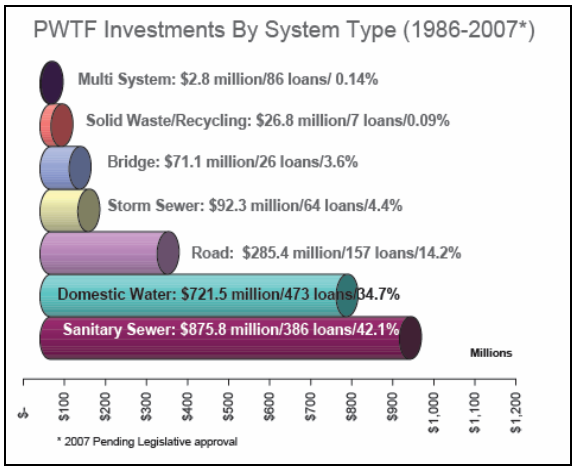
Figure 3



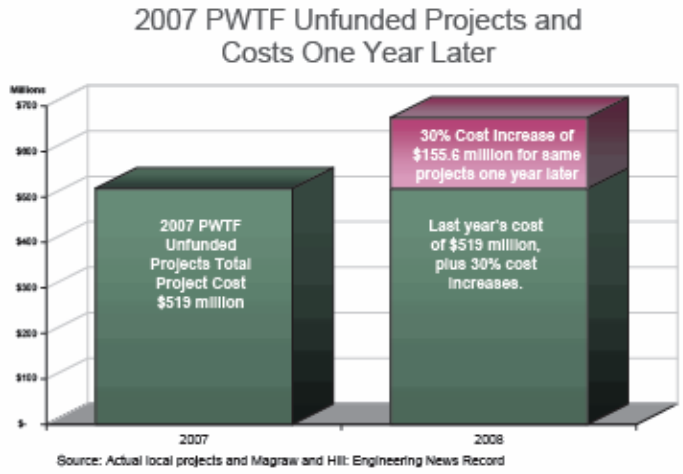
Historical information for surface water project cost comparisons is more limited. The diversity and changing nature of the City's surfacewater projects make bid comparisons somewhat problematic. The CIP focus on stream and habitat restoration projects typically present unique and site specific solutions and similarly unique costs to accomplish. Benchmarks are being developed for future comparison. A review of contractors that have been awarded contracts by the City for stream and surface water projects shows that most of the Contractors are the same that compete for roadway construction projects. Equipment and operations are more similar to roadway work as opposed to utility construction. As such, and for ease of estimating the future CIP projects, a 12% escalation factor was used for surface water projects. This escalation also matches that used for transportation (described earlier) and simplifies the correlation between surface water funding transferred to transportation.

To gauge the magnitude of the cost escalation beyond what Kirkland is experiencing, Staff is able to utilize the WSDOT as one resource. Another external verification resource is the Washington State Public Works Board who administers the State's Public Works Trust Fund (PWTF). Use of PWTF is described in more detail later in this memo, however as a broader perspective on construction costs, from an agency that deals with every local agency in the State on a broad spectrum of projects (see charts that follow), the following information was considered and is provided as background.





In their capacity of dealing with a broad spectrum of agencies and projects, the Public Works Board is extremely aware of the pressures of increasing construction costs. The following is taken from their annual report as it relates to inflation in the construction industry:

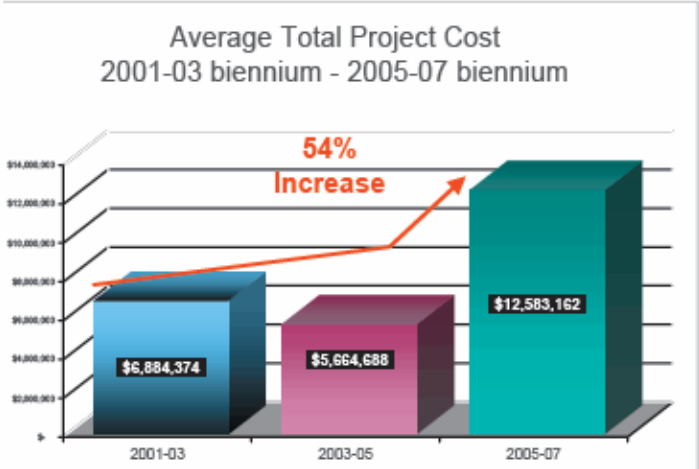


In the last three biennia, the Board has been able to fund an average of 49 percent of the applications received. Many of the projects not funded will wait until the next funding cycle. Applications will be resubmitted until funding is secured. For each construction cycle missed, the cost of the project increases an average of 30 percent. Over the past year, construction bids have increased by 34 percent overall. The following are examples of material cost increases that can range as high as:

- concrete and cement are up by 35%
- steel is up by 49%
- asphalt is up by 33%
- pipes are up by 10 to 15%
- and right-of-way costs are up by 20 to 25%

Over the last same three biennia, the total cost of projects has increased approximately 54 percent. This increase presents a significant challenge to local governments that must find the resources needed to complete their projects.

Local governments whose critical infrastructure projects the Board was unable to fund because of insufficient resources will face the difficult challenge of finding other ways to finance them.



Kirkland is not alone in experiencing construction cost increases.

In summary, to account for various cost increases, and based on evaluation of the various indexes, the proposed 2008 – 2013 CIP was assembled using the following annual escalation values per category:

- Transportation 12% per year (this matches the rate used for impact fees)
- Water 17% per year
- Sewer 22% per year
- Surface Water 12% per year

Water/Sewer Utilities

Public Works Trust Funds

Often referred to in the CIP discussion as debt, Public Works Trust Funds (http://www.pwb.wa.gov) are low interest loans in the range of .5 to 3% (based on the amount of matching funds available) that are provided to public agencies in the State for a number of projects. Over the past few years, this form of debt has been used by the City's utilities (water/sewer) to design and construct a significant amount of investment. The following are specific projects that have been built in part with PWTF:

Project	**Year**	**Original loan**	**12/31/2006 balance**	**Annual principal**
Lake Street sewermain	1994	$ 823,368	$ 303,346	$ 43,335
Lake Wash Blvd. sewermain	1995	$ 1,165,500	$ 493,463	$ 61,683
Lake Wash Blvd. watermain	1995	$ 1,386,000	$ 518,413	$ 64,802
Central Way sewermain	2005	$ 1,086,300	$ 1,031,985	$ 54,315
Lake Plaza lift station (sewer)	1997	$ 794,850	$ 400,698	$ 44,522
Juanita lift station (sewer)	2004	$ 2,075,500	$ 1,707,483	$ 115,504
North Reservoir (water)	1994	$ 3,184,824	$ 682,462	$ 227,487
Totals		$ 10,516,342	$ 5,137,850	$ 611,648

During the same time span (1994 to 2005), approximately $30,000,000 was invested in the City's water/sewer capital infrastructure; PWTF accounts for nearly one third of that investment.

Aging Infrastructure

Although a significant investment has been made in keeping the utility infrastructure in excellent working order, there remain areas that are aging and in need of replacement. The following figures show the relative age of the water and the sanitary system in the Kirkland service area. Both of these utilities are undergoing comprehensive plans (water to be completed in 2007, and sewer to be completed in 2008), and considerations of age and other factors are used in evaluating which projects should be reconstructed and funded in the CIP.

Figure 4

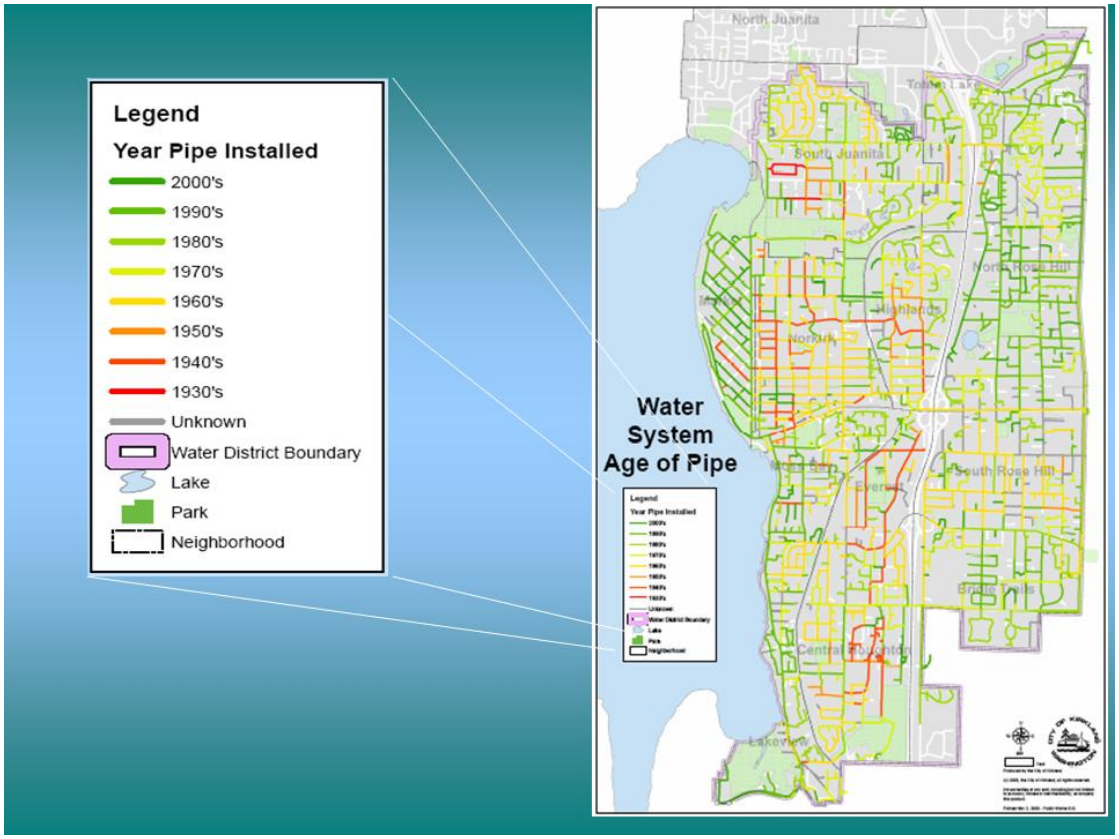
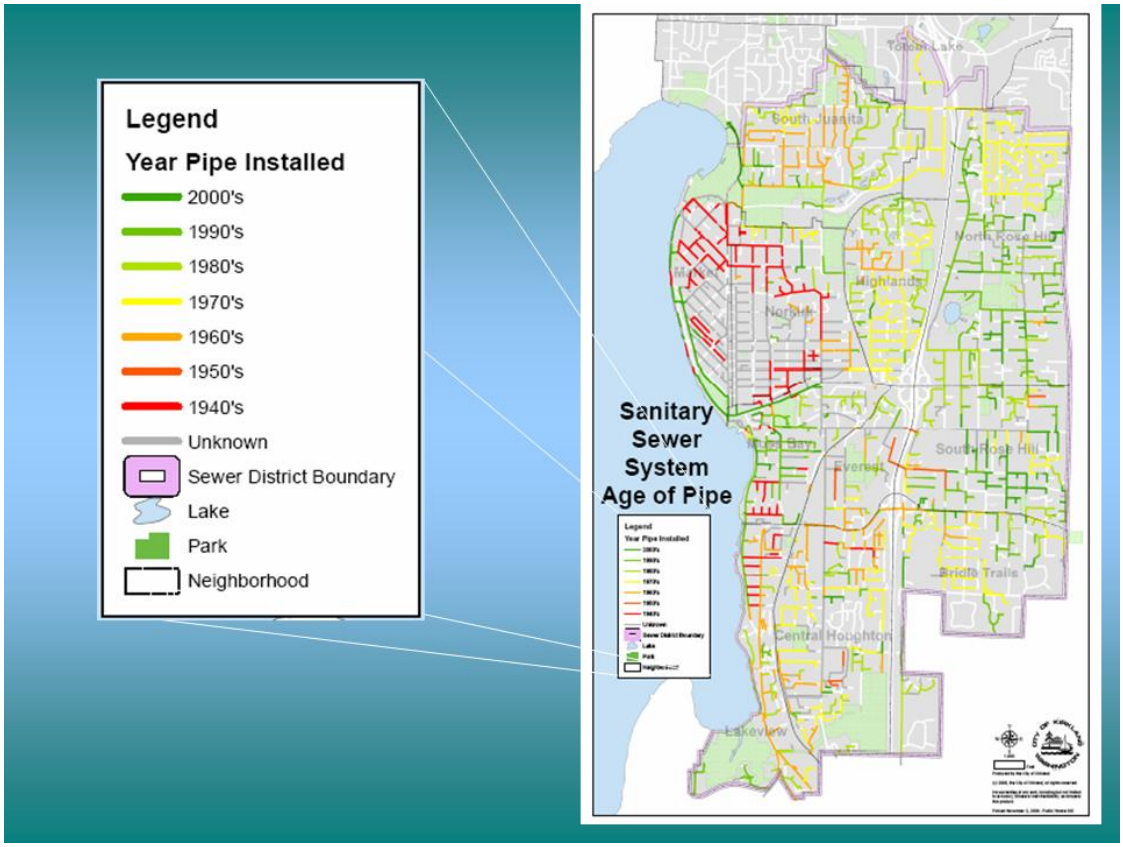


Figure 5



The figures show that certain areas of the City's system are either of an unknown date of origin (grey) or have reached their theoretical 50-year design life (yellow through red). The master-plans look at timely replacements, and often undersized facilities, and then assemble the financial impacts of their replacement. In assembling the 2008-2013 CIP, the draft water comprehensive plan was used. The sanitary sewer comprehensive plan is not yet at a stage to recommend projects, however CIP projects were assembled based on known maintenance concerns, the previous comp plan, and available funding levels.

Age of the infrastructure is a key in evaluating the health of the system, but unlike the City's street and sidewalk system which can and are visually evaluated using established criteria to calibrate with the aging of the system, the underground pipe network is much more difficult to assess. Assessment is usually done by either exposing the pipe system through excavation or other means. When preparing a replacement cycle, 50-year lives are a typical assumption, but some situations may far exceed that or be significantly shorter (the previous figures show pipes much older than the design life in our system); assessment of these pipe networks has been somewhat problematic and may lead to replacements too early or possibly worse beyond what they should be. During the 2004 budget process, City Council approved the purchase of a remote video equipped vehicle (shown below) that allows City staff to video all of the City's wastewater/sewer and storm lines. This data can then be used along with the pipe ages to better assess and program needed repairs. This system is not able to be used on pressure waterlines, and other means of testing are being developed and used when need.

Sewer/Storm Video Truck and Internal Components

Information that is being gathered using the video equipment is able to be used in the study and research used to prioritize the sanitary sewer replacement program. The sanitary sewer comprehensive plan will be the first to integrate theoretical design lives with a large scale video inventory of existing conditions.

Emergency Sewer Program

In 1999 the City's Emergency Sewer Program (ESP) first began to extend sewer into areas of the community that were served by septic systems. This program utilizes the water/sewer reserve balance as a "line of credit" that is then paid in full with interest by the benefactors of the new sewer. To that point, situations had occurred where costly sewermain extensions or local improvement districts were the only option available to residents that were dealing with failed or failing septic systems. Over the years of its application, the program has provided for the installation of approximately 18,000 feet of new sewermain and has allowed otherwise costly development into areas previously not served by sewer. The following Figures are a status of the various programs along with the value of repayments being received by the water/sewer reserve.

Figure 6

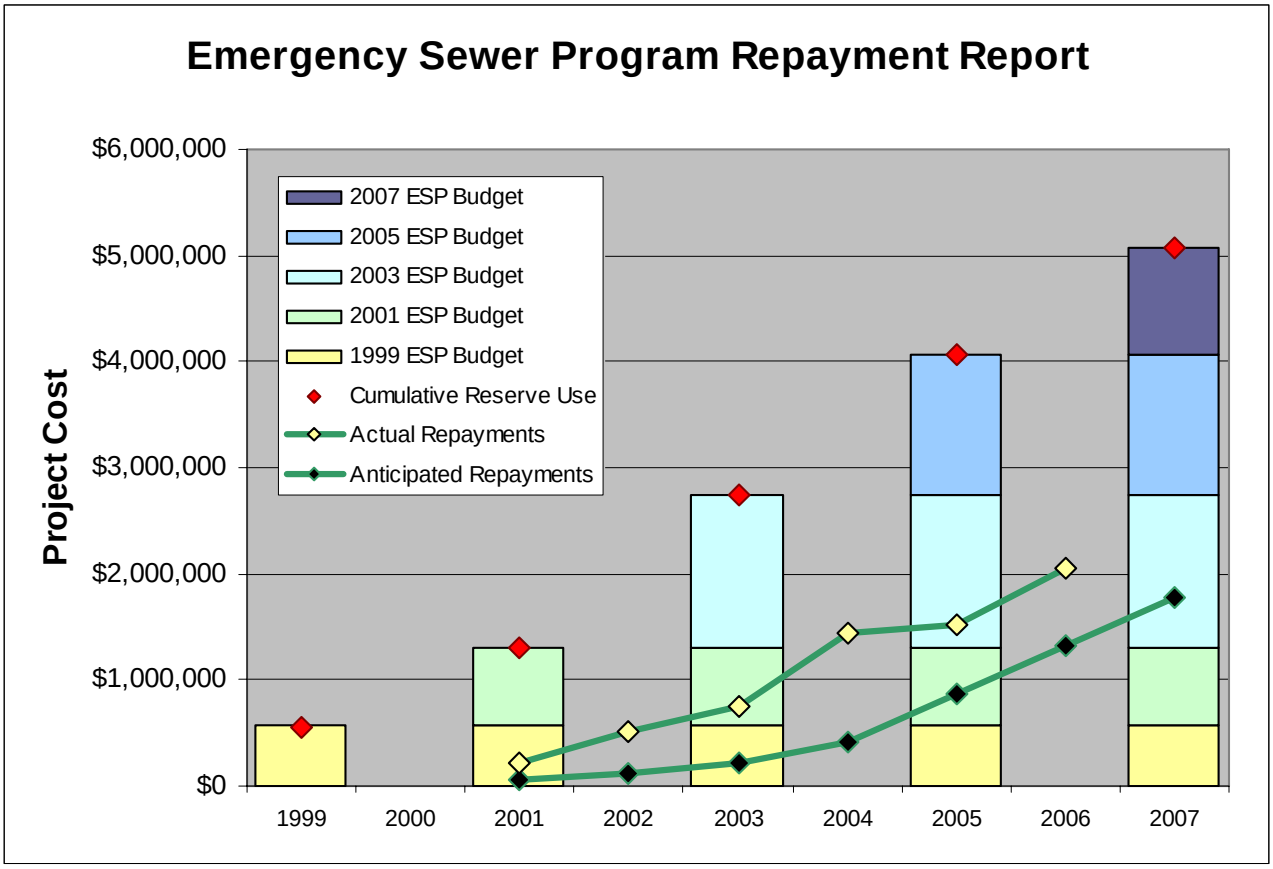


Figure 7

EMERGENCY SEWER PROGRAM OVERVIEW AS OF May 31, 2007

Program	Year	Length (lineal feet)	# Connections Provided*	Connected To Date	Final Project Cost	Cost Per Assessment	Reimbursed through 5/31/07	% Reimbursed	Principal Due
1	1999	2,900	54	34	$576,028	$8,025	$467,924	81%	$108,104
2	2001	4,756	74	43	$725,995	$9,726	$599,873	83%	$126,122
3	2003	5,700	113	42	$1,435,668	$11,857	$925,075	64%	$510,593
4	2005	4,150	83	14	$1,325,925	$15,975	$335,862	25%	$990,063
TOTAL		17,506	324	133	$4,063,616		$2,328,733	57%	$1,734,883

*0.5 attributed to adjacent developer sewer extension 41% Percent Connected

Program	Year	Connections	Paid in Full	Payment Refinance	Payment Sale	Payment Other	ACTIVE Contracts	Delinquent Contracts	Inactive
1	1999	54	42	13	21	8	6	2	4
2	2001	74	56	20	15	21	11	0	7
3	2003	113	64	21	15	28	31	1	17
4	2005	83	19	1	2	16	21	3	45
TOTAL		324	181	55	53	73	69	6	73

% of Contracts paid with refinance		16.98%
% of Sales		16.36%
% Other (payout)		22.53%
	Paid in full	55.86%

The pressure being experienced on other construction costs is similarly being experienced in the ESP. Originally anticipated to be funded at $500,000 per year, the success and costs associated with the program have increased significantly. The proposed 2008-2013 CIP increases yet again the line of credit for the program to $1.8 M every two years. A notable issue with the program is the escalation of individual assessments; Figure 7 above points out this clearly. In 1999 the typical assessment was just over $8,000. In the 2005 program, this assessment had reached nearly $16,000. Bids recently opened for the 2007 ESP program would cost the individual property owner $23,000; although the funding available for the program can be increased (as it will be paid back), the assessments are reaching a level of concern for residents. Staff will be recommending that the bids received for the recently opened ESP be rejected and readvertised later this fall – additional contact with the impacted residents will need to gauge their sense of support based on the new projected assessments.

A second factor that is driving the cost per assessment higher is the location of pockets needing service. It is now not uncommon to attempt to serve properties now that will benefit just one side of a given street – the opposite side is possibly served via alternate routes – the cost per foot can then not be spread among both sides of the street.

Transportation Spending allocation

Transportation projects are broken into three general categories:

Non-motorized projects (a.k.a.non-capacity) – include sidewalks, bike-lanes, other pedestrian enhancements such as crosswalks, curb-bulbs, and larger projects such as an I-405 pedestrian/bicycle (only) overpass.

Maintenance projects – include the annual street preservation program, annual sidewalk program, and some street repair projects (i.e. railroad crossing projects).

Capacity projects – include signals, new roads, widening projects, and others that allow for increased SOV (and transit) system improvements. A subset of this category are those projects that are needed to allow the City to reach its

comprehensive plan identified Level of Service (LOS). This subset of capacity projects is also called the "concurrency" projects.

Recent adoption of the 2007 impact fees for development was based on the premise of charging for adding new trips to the City's roadway system and at the same time building a roadway system that would handle the anticipated growth. This requirement alone, building a "concurrent" roadway network, has historically driven the City's transportation spending. In past CIP processes, the cost of the concurrency network was estimated to be in the $48 M range – new estimates and cost adjustments now value that network at an estimated $77 M; future year cost escalations drive that even higher. If costs for the network are averaged over the remaining 15 years until 2022, approximately $5.1 worth of the concurrency infrastructure would have to be built per year. Considering previously established maintenance commitments, this would leave an average of just over $300,000 per year to complete the non-motorized system (Figure 8).

Figure 8

Transportation funding

Transportation funding 2008 through 2013:				
Current revenue:	Gas Tax	$ 544,000		
	Sales Tax	$ 270,000		
	REET 1	$ 567,000		
	REET 2	$ 1,701,000		
	Impact fees	$ 2,100,000		
	Surface Water	$ 950,000		
	Subtotal		$	6,132,000
REET 2 (grant match reserve)			$	480,000
Grants (avg '93-'03)			$	792,500
Total annual funding			**$**	**7,404,500**

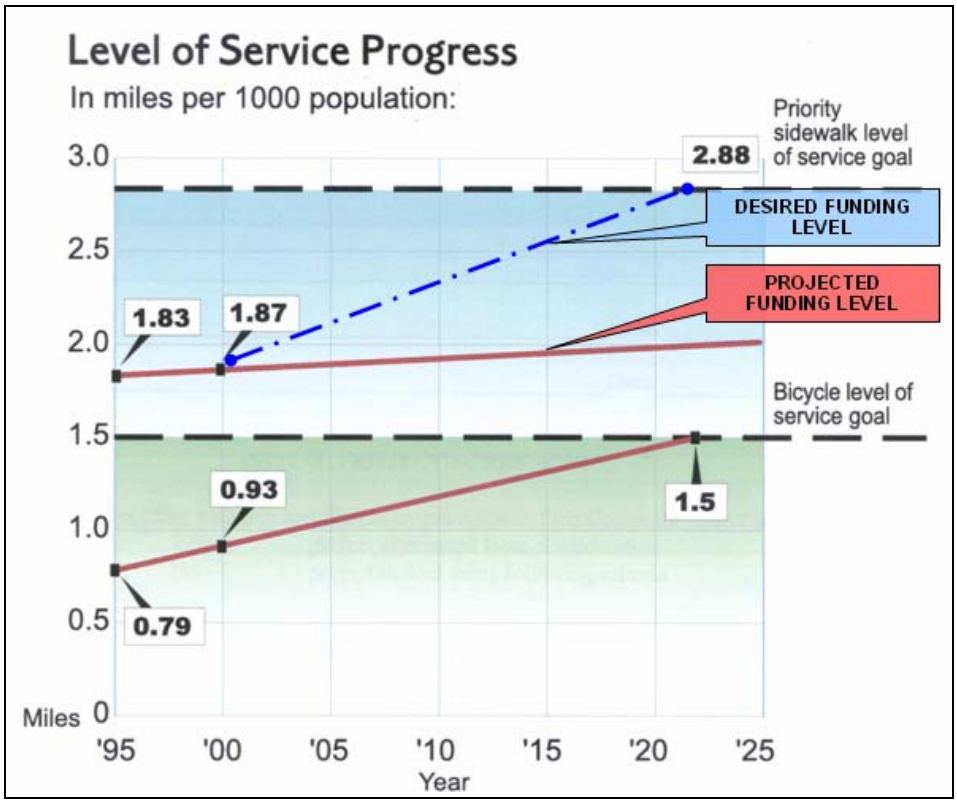
Approximate Allocation per Category

	$	**7,404,500**
Capacity	$	5,100,000
Street Maintenance	$	1,800,000
Sidewalk Maintenance	$	200,000
Non-capacity	$	304,500

This allocation would dramatically reduce non-motorized spending below the levels previously commited by the City (nearly $750,000 annually in the last CIP process). Additionally, feedback from City Council and the public suggests that increases in non-motorized spending are more supported. Requests were made to look at another approach to the category allocation. The following is one recommended approach that Staff is proposing.

The 2001 Non-Motorized Transportation Plan (NMTP) update identified progress of the development of the original (1995) non-motorized system. The 2001 NMTP compared new sidewalks and bikelanes added to the system since the original plan, and projected where Kirkland would be by the 2022 planning horizon (Figure 9).

Figure 9



2001 NMTP report card of progress

It was clear that the original goals of the 1995 plan for bikelanes appeared to be on target (lower red line). It was also apparent that the original goals of the 1995 plan would not likely be attained; as of 2000, only 1.87 miles of sidewalk per 1000 were constructed. In order to reach the 2.88 miles per 1000 population, investment at the blue line would have to be undertaken. The table below shows what would need to be accomplished to attain the original 1995 plan goals.

Category	2022 goal (mi)	2007 actual (mi)	Remaining needed	mi per yr	Estimate cost/ft	total annual
sidewalks	131	105	26	1.73	300	$ 2,745,600
bikelanes	51	42	9	0.60	50	$ 158,400
						$ 2,904,000

Using current estimated values of construction, the 2022 goals would require nearly *$3,000,000 per year* – ten times that available following the City's current approach to transportation allocation. Clearly this level of spending would not be feasible as it would have dramatic impacts on the required capacity network, however it does portray an upper limit that could be considered. A more plausible alternative was to increase the allocation to the non-motorized category by a measured margin and to reexamine its impacts.

With consideration given to the "ideal" goals of the non-motorized plan and other factors that Staff is currently evaluating, including:

- Study and projected modifications to the needs of NE 132nd Street
- Intelligent Transportation Systems
- Sustainability of 12% cost escalation per year
- Redefining "concurrency" for the City (Transportation Commission's 2007 work plan)
- Update of the NMTP (possibly refining downward the expenditure goals)

an alternative funding strategy was utilized. An allocation was utilized that moves toward the goals established in the NMTP and yet continues to provide concurrency during the CIP time frame within the existing LOS standards. This allocation was a commitment of $1,100,000 per year to the non-motorized network (15% of the annual funding). A drawback of this allocation however is that it does not assure concurrency by 2022 without future changes. As a target, the preliminary CIP was assembled with the following:

Figure 10

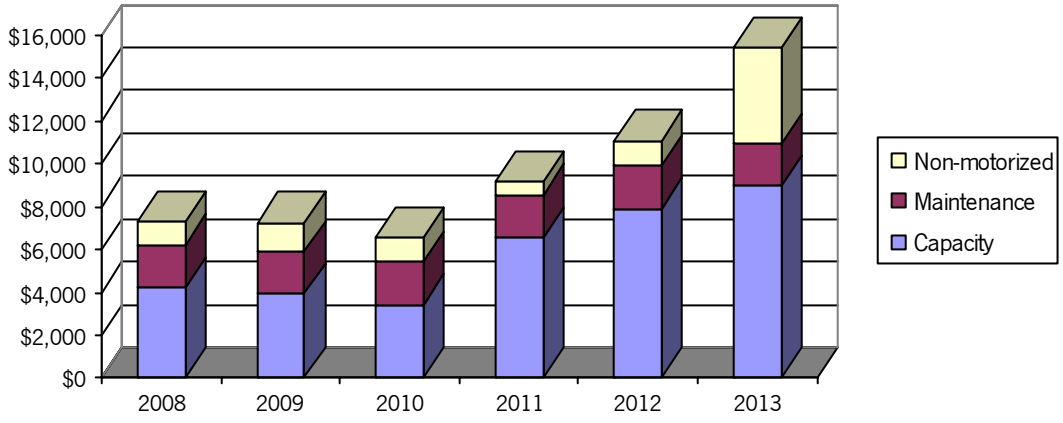
Transportation funding

Transportation funding 2008 through 2013:				
Current revenue:	Gas Tax	$	544,000	
	Sales Tax	$	270,000	
	REET 1	$	567,000	
	REET 2	$	1,701,000	
	Impact fees	$	2,100,000	
	Surface Water	$	950,000	
	Subtotal			$ 6,132,000
REET 2 (grant match reserve)				$ 480,000
Grants (avg '93-'03)				$ 792,500
Total annual funding				**$ 7,404,500**

Approximate Allocation per Category

	$	**7,404,500**
Non-capacity (15%)	$	1,100,000
Street Maintenance	$	1,800,000
Sidewalk Maintenance	$	200,000
Capacity (approx 60%)	*$*	*4,304,500*

As shown by the final funding levels, the preliminary CIP not only attained the targets listed above, it exceeded them based primarily on anticipated external funding sources in the later years of the 2008 – 2013 CIP; actual projects and funding levels are discussed further in the CIP document.



	2008	2009	2010	2011	2012	2013	Average
Non-motorized	1,076,000	1,430,700	1,199,000	379,000	1,180,400	4,440,400	1,617,600
Maintenance	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Capacity	4,154,000	3,920,000	3,434,700	6,567,900	7,889,300	8,961,700	5,821,300
Total Transp.	**7,230,000**	**7,350,700**	**6,633,700**	**8,946,900**	**11,069,700**	**15,402,100**	**9,438,900**

actual spending in the preliminary 2008-2013 CIP

Low Impact Development

Low Impact Development (LID) standards have not been specifically incorporated into any of the currently proposed CIP projects. Experience with other agencies that are utilizing LID standards indicates up to 20 and 30 % increases over normal project design approaches, however their benefits often make them attractive alternatives to existing standards. Currently Public Works staff is working with the SVR Design Company to review the preliminary CIP to recommend specific projects that are well suited for or provide opportunities to utilize evolving LID standards. SVR was selected to undertake this study, concurrent with the development of the preliminary 2008 – 2013 CIP, due to their expertise in the region with the new standards that are becoming more and more improved. SVR has prepared a draft report on approximately ten transportation projects in the preliminary CIP that may consider LID standards. The report will highlight the project, specific soils, zoning, constraints and possible opportunities (Figure 11). Additionally, the report will include estimates and specific concepts that may be employed. At this time the report in anticipated to be available in early August, prior to public hearings on the CIP, and possibly available for discussion with the City Council at their August 7, 2007 study session on sidewalks and trees.

Figure 11

Attachment B

CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager

From: Erin J. Leonhart, Public Works Facilities and Administrative Manager
Daryl Grigsby, Public Works Director

Date: June 22, 2007

Subject: "GREEN" FACILITIES PROJECTS

The City of Kirkland signed the Mayors' Climate Protection Agreement in 2005 and, thereby, committed to reducing Kirkland's greenhouse gas emissions, both as a government agency and as a community. This action is consistent with the Council's ongoing Environmental Stewardship philosophy, committing to the proactive protection of our environment. The Facilities Division of the Public Works Department is mindful of these commitments, particularly focusing on ways to conserve energy and use "green" products and methods, in both operations and capital projects.

FACILITIES LIFECYCLE PROJECTS

Every City building's major systems are included in a lifecycle model indicating when they will be due for replacement. The Facilities Capital Improvement Program is generated from this lifecycle model. In general, replacement equipment is more energy efficient than what was installed previously as technology improves over time. Some projects are specifically focused on improving energy efficiency, lighting retrofits are an example.

Light fixtures at three Fire Stations, North Kirkland Community Center and the Maintenance Center have been retrofitted, most from T12 to T8 fluorescent light bulbs[1]. Typically, instead of replacing entire light fixtures, existing fixtures can be retrofitted with new electronic ballasts[2] to accommodate the smaller bulbs. The estimated energy savings for this type of retrofit (for one fixture with two bulbs that is on eight hours per day) is 390 kilowatt-hours. By comparison, the average U.S. household uses about 8,900 kilowatt-hours of electricity each year. Lighting retrofits at City Hall, Peter Kirk Community Center and two Fire Stations are in the 2009 CIP. City Hall already has T8 fixtures so Facilities will investigate if there are more efficient options. Puget Sound Energy has rebate programs for energy-efficient replacements such as lighting and the City utilizes these programs where possible.

Another area we are investigating is the potential of using solar energy at City facilities, specifically for heating water. The Peter Kirk Community Center is scheduled for water heater replacement in 2007 and

[1]Fluorescent light bulb designations indicate the shape and size (in eighths of an inch) of the bulb – T8 is a tube 1" in diameter and T12 is a tube 1-1/2" in diameter.
[2]Ballasts are devices that regulate voltage and current supplied to fluorescent lamps during start and throughout operation.

staff is pursuing quotes for solar heat instead of standard water heaters. This pilot project, if successful, may be repeated for future water heater replacements.

FACILITIES REMODELS/RENOVATIONS

During the May 1, 2007 Council Study Session about Environmental Stewardship, staff made a presentation about development of a City of Kirkland Green Building program to encourage sustainable construction in the community. There have also been discussions about passing a Resolution that future construction or remodel of City Facilities meet a LEED (Leadership in Energy and Environmental Design Green Building Rating System™) standard. For reference, a sample checklist for LEED certification is attached to this document. Additional information can be found on the U.S. Green Building Council website: www.usgbc.org. Other organizations in the region have adopted LEED standards for their facilities (State of Washington, King County and City of Seattle, for example).

The next scheduled major remodel is the renovation of the City Hall Annex (occupied until recently by Hopelink). Staff interest and the direction of Council are to preserve the historic integrity of the building and pursue LEED certification. Successful LEED or Green Building projects start with this focus so we are pursuing architects with experience in both historic preservation and sustainable building techniques from the planning stages of this project.

CONCLUSION

The Facilities Division is working with the Planning and Community Development Department as well as the Building Department to institute Green Building/LEED techniques into projects and operations. Green Building will also play a large role in the City's action plan to reduce greenhouse gas emissions (currently under development). Please contact Erin Leonhart for additional information.

Attachment: LEED New Construction Checklist

Attachment B

LEED for New Construction v2.2
Registered Project Checklist

Project Name:
Project Address:

Yes	?	No			
			Sustainable Sites		**14** Points
Y			Prereq 1	**Construction Activity Pollution Prevention**	Required
			Credit 1	**Site Selection**	1
			Credit 2	**Development Density & Community Connectivity**	1
			Credit 3	**Brownfield Redevelopment**	1
			Credit 4.1	**Alternative Transportation**, Public Transportation Access	1
			Credit 4.2	**Alternative Transportation**, Bicycle Storage & Changing Rooms	1
			Credit 4.3	**Alternative Transportation**, Low-Emitting & Fuel-Efficient Vehicles	1
			Credit 4.4	**Alternative Transportation**, Parking Capacity	1
			Credit 5.1	**Site Development,** Protect of Restore Habitat	1
			Credit 5.2	**Site Development,** Maximize Open Space	1
			Credit 6.1	**Stormwater Design,** Quantity Control	1
			Credit 6.2	**Stormwater Design,** Quality Control	1
			Credit 7.1	**Heat Island Effect,** Non-Roof	1
			Credit 7.2	**Heat Island Effect,** Roof	1
			Credit 8	**Light Pollution Reduction**	1

Yes	?	No			
			Water Efficiency		**5** Points
			Credit 1.1	**Water Efficient Landscaping**, Reduce by 50%	1
			Credit 1.2	**Water Efficient Landscaping**, No Potable Use or No Irrigation	1
			Credit 2	**Innovative Wastewater Technologies**	1
			Credit 3.1	**Water Use Reduction**, 20% Reduction	1
			Credit 3.2	**Water Use Reduction**, 30% Reduction	1

			Energy & Atmosphere		**17** Points
Y			Prereq 1	**Fundamental Commissioning of the Building Energy Systems**	Required
Y			Prereq 2	**Minimum Energy Performance**	Required
Y			Prereq 3	**Fundamental Refrigerant Management**	Required
			Credit 1	**Optimize Energy Performance**	1 to 10
				10.5% New Buildings or 3.5% Existing Building Renovations	1
				14% New Buildings or 7% Existing Building Renovations	2
				17.5% New Buildings or 10.5% Existing Building Renovations	3
				21% New Buildings or 14% Existing Building Renovations	4
				24.5% New Buildings or 17.5% Existing Building Renovations	5
				28% New Buildings or 21% Existing Building Renovations	6
				31.5% New Buildings or 24.5% Existing Building Renovations	7
				35% New Buildings or 28% Existing Building Renovations	8
				38.5% New Buildings or 31.5% Existing Building Renovations	9
				42% New Buildings or 35% Existing Building Renovations	10
			Credit 2	**On-Site Renewable Energy**	1 to 3
				2.5% Renewable Energy	1
				7.5% Renewable Energy	2
				12.5% Renewable Energy	3
			Credit 3	**Enhanced Commissioning**	1
			Credit 4	**Enhanced Refrigerant Management**	1
			Credit 5	**Measurement & Verification**	1
			Credit 6	**Green Power**	1

continued…

Attachment B

Yes	?	No		Materials & Resources	13 Points
Y			Prereq 1	**Storage & Collection of Recyclables**	Required
			Credit 1.1	**Building Reuse**, Maintain 75% of Existing Walls, Floors & Roof	1
			Credit 1.2	**Building Reuse**, Maintain 100% of Existing Walls, Floors & Roof	1
			Credit 1.3	**Building Reuse**, Maintain 50% of Interior Non-Structural Elements	1
			Credit 2.1	**Construction Waste Management**, Divert 50% from Disposal	1
			Credit 2.2	**Construction Waste Management**, Divert 75% from Disposal	1
			Credit 3.1	**Materials Reuse**, 5%	1
			Credit 3.2	**Materials Reuse**,10%	1
			Credit 4.1	**Recycled Content**, 10% (post-consumer + ½ pre-consumer)	1
			Credit 4.2	**Recycled Content**, 20% (post-consumer + ½ pre-consumer)	1
			Credit 5.1	**Regional Materials**, 10% Extracted, Processed & Manufactured Regio	1
			Credit 5.2	**Regional Materials**, 20% Extracted, Processed & Manufactured Regio	1
			Credit 6	**Rapidly Renewable Materials**	1
			Credit 7	**Certified Wood**	1

Yes	?	No		Indoor Environmental Quality	15 Points
Y			Prereq 1	**Minimum IAQ Performance**	Required
Y			Prereq 2	**Environmental Tobacco Smoke** (ETS) **Control**	Required
			Credit 1	**Outdoor Air Delivery Monitoring**	1
			Credit 2	**Increased Ventilation**	1
			Credit 3.1	**Construction IAQ Management Plan**, During Construction	1
			Credit 3.2	**Construction IAQ Management Plan**, Before Occupancy	1
			Credit 4.1	**Low-Emitting Materials**, Adhesives & Sealants	1
			Credit 4.2	**Low-Emitting Materials**, Paints & Coatings	1
			Credit 4.3	**Low-Emitting Materials**, Carpet Systems	1
			Credit 4.4	**Low-Emitting Materials**, Composite Wood & Agrifiber Products	1
			Credit 5	**Indoor Chemical & Pollutant Source Control**	1
			Credit 6.1	**Controllability of Systems**, Lighting	1
			Credit 6.2	**Controllability of Systems**, Thermal Comfort	1
			Credit 7.1	**Thermal Comfort**, Design	1
			Credit 7.2	**Thermal Comfort**, Verification	1
			Credit 8.1	**Daylight & Views**, Daylight 75% of Spaces	1
			Credit 8.2	**Daylight & Views**, Views for 90% of Spaces	1

Yes	?	No		Innovation & Design Process	5 Points
			Credit 1.1	**Innovation in Design**: Provide Specific Title	1
			Credit 1.2	**Innovation in Design**: Provide Specific Title	1
			Credit 1.3	**Innovation in Design**: Provide Specific Title	1
			Credit 1.4	**Innovation in Design**: Provide Specific Title	1
			Credit 2	**LEED® Accredited Professional**	1

Yes	?	No	Project Totals (pre-certification estimates)	69 Points

Certified: 26-32 points, **Silver:** 33-38 points, **Gold:** 39-51 points, **Platinum:** 52-69 pc

Attachment C

CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

From: Daryl Grigsby, Public Works Director

Date: June 26, 2007

Subject: Downtown Sidewalks

The City has addressed sidewalk issues in several ways over the last few years. Walking and alternative mobility is a city priority, as evident from the various initiatives and programs implemented over the last several years. The City has been active in School Walk routes, signing walk routes, producing walking maps, exploring a Sidewalk Bond, modifying Section 110 of the City Code to increase sidewalk construction, and funding annual sidewalk maintenance programs. The City also values and encourages walking in its downtown core. In fact, a key driver in the Central Way project was to encourage walking on both sides of the Central Way corridor. Much of our economic development strategy, recreational goals and transportation and planning policies encourage downtown density, mobility and walk-ability.

Concurrent with these efforts is the importance the City places on tree canopy in the public right of way. A potential conflict arises when trees in the public right of way damage and buckle adjacent sidewalks with root growth. This is evident in key corridors downtown. Particularly, the sidewalks along Park Lane, Kirkland Avenue and Kirkland Way are impacted by tree roots and tree growth. City crews continually perform maintenance activities on some downtown sidewalks to enhance safe walking conditions. Even with those efforts, there are currently areas in downtown that are impacted by trees.

Recently, residents at the Moss Bay community and other forums have expressed concerns about downtown sidewalks. During June, the Council requested a Study Session where city staff would bring back recommendations on how to resolve the sidewalk/tree conflicts. There are currently three actions in preparation for the Study Session.

1) Ray Steiger of CIP is including $60,000 in the 2008 budget for study and planning relative to sidewalk/tree conflicts
2) Planning and Public Works are having internal meetings to develop potential solutions to this issue and to frame the issues for the upcoming Study Session
3) Public Works has implemented a Rubber Sidewalk Pilot project on 103rd Ave NE in Houghton as a possible solution in selected locations

Attachment D

CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager

From: Daryl Grigsby, Public Works Director

Date: June 26, 2007

Subject: Status of Street Lighting needs and issues

This memo covers our existing process to install new street lights, the results of a recent study on street lights at crosswalks, and our recommendation for addressing future needs. The issue of street lighting has arisen from several areas. It is a common request of some neighborhoods through the Neighborhood Connection capital improvement program, some citizens have made requests of staff to review this issue, and Council has raised it during discussion of our Pedestrian Safety program. As we consider additional resources and lighting requests in the City, one policy issue to keep in mind is the City's commitment to reduce energy usage and carbon emissions in our ongoing activities.

Existing process

In Kirkland there are approximately 3000 street lights. Over 2100 are owned, operated, and maintained by Puget Sound Energy (PSE), and the City pays PSE a monthly rate per light according to Schedule 53 of the PSE Electric Tariff. The majority of the lights are 100-watt sodium vapor, at a rate of $10.47 per month in overhead areas. The rental bill for the PSE-owned lights totals approximately $27,000 per month.

When a property owner requests street lighting, there are two things we consider.

- ***Is there a power pole in an appropriate location on which to hang a street light?*** If there is no existing power pole then we cannot accommodate their request. The most common reason for the lack of a power pole is that it is an area where the utilities are underground. The cost of installing underground wiring, a street light pole, and a street light can run several thousand dollars. In these cases, we encourage the customer to pursue funding through the Neighborhood Connection program.

- ***Is there a consensus by neighboring properties to have a street light in that location?*** We ask the customer to discuss it with their neighbors. Through past experience we have found that people's desire to have street lighting can vary widely. Some people prefer a lighted street, while others prefer no street lights.

Once there is a pole identified for a street light and a neighborhood consensus, we ask PSE Intolight (the street lighting division of PSE) to install a street light. Intolight evaluates the location to determine the appropriate wattage and length of mast arm needed. When the City concurs, Intolight proceeds with installation. There is usually no installation cost for this. However, from time to time even a simple street light installation will require additional overhead wiring or a transformer upgrade, at the cost of a few hundred dollars. In such cases we have occasionally utilized Neighborhood Traffic Control Program funds if available.

Street Light Study

In the spring of 2007 the Public Works Department hired a consultant to analyze approximately 94 crosswalk locations throughout the City. Specifically, the consultant was to determine the adequacy of overhead lighting for visibility. The consultant reviewed each location, and rated both sides of the street's crosswalk on a Lighting Adequacy scale of 1-10. City staff just received the results of this work and will provide a report to the City Manager with recommendations sometime this summer. At this point we are looking at intersections that scored in the 1-4 range as having the highest priority. The consultant noted the cause of reduced visibility at each intersection. We will review those causes and locations and provide a recommended approach for resolving the lighting challenges. From our initial review, we believe some of the locations can be repaired with existing programs and resources, and the majority will require additional resources. One option is a possible request for funding during the Mid-Biennial process of a formal Street Lighting Program.

Attachment E

CITY OF KIRKLAND
Department of Public Works
123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

From: Daryl Grigsby, Director, Public Works Department

Date: June 26, 2007

Subject: Local Improvement Districts

This is in response to council direction on exploring local improvement districts at the council retreat. A Local Improvement District (LID) is a process made available through RCW 35.43 authorizing cities to plan, construct, and finance improvements that are determined to be in the public's interest. LID is one of several methods to finance capital improvements. A LID provides a way for property owners to get together to pay for street and alley paving, sidewalks, parks, roads, buildings, parking facilities, sanitary sewers, street lighting or undergrounding of overhead utility wires. Property owners agree to form LIDs when the benefits from the improvements outweigh the costs. Benefits include added value to your property and improvements to your neighborhood. You pay an amount proportional to the benefits you receive for each property you own. Municipalities generally sell bonds to provide the initial funding for the planning and construction, and the benefactors of the improvements are then assessed all or a portion of the cost of the improvements over a predetermined period of time – typically ten years.

We researched our own past experience as well as that of the City of Tacoma. The City of Tacoma is one of the primary users of LIDs in the state of Washington, staffed with 2.50 FTE's. Staffing is funded from two sources,75% of their costs are charged to projects and 25% as overhead to the general fund. Tacoma created its first LID in 1895 to pave a section of Pacific Avenue. Since, then 90 neighborhoods have used LIDs to fund improvements, with an average of 20 neighborhoods per year. Tacoma primarily uses LID as a financing instrument for permanent street and alley paving; streetlight installation; sanitary sewer extensions; and the undergrounding of overhead utility wires in view sensitive areas. Three areas that Kirkland has expressed interest in funding through LIDs are: sidewalks, under-grounding of utilities and street lighting. According to staff from the City of Tacoma, sidewalks and under-grounding of utilities are the most complicated and difficult to administer. Listed below is a brief discussion of particular infrastructure components.

Sidewalks – Depending on the infrastructure in place sidewalks can be costly and the increase in value to property owners can be limited. The Tacoma City Attorney's office determined that sidewalks cannot be considered a contiguous improvement making it difficult for an individual opposing the project to be forced to comply with an LID.

Undergrounding Utilities – The conversion of overhead utilities to underground is very expensive and it is hard to demonstrate property value increases as a result of improvements. There are two circumstances where funding undergrounding of utilities through LID is feasible.

1. View sensitive areas
2. Commercial areas

According to the Washington State Local Improvement District Manual, fifth edition; "converting of overhead utility lines to underground should always be handled with caution. Typically, the costs of such conversions are excessive in comparison to the special benefits derived. Even when costs are acceptable, very often spreading the costs to achieve proportionate special benefit is a problem, especially if the primary reason for the initial request was to enhance view property. For example, when the overhead lines do not equally affect the views of all the properties the assessments to individual properties will need to be different....."

Street Lighting – Providing lighting for cars and pedestrians in neighborhoods is easier and less complicated to administer than sidewalks and under-grounding utilities. Neighborhoods are generally more compliant and they are not as costly; however the city is responsible to maintain in perpetuity once installed. Average cost per parcel can range from $2500-$4200 payable over 10 years.

Kirkland has utilized the LID process a number of times for such improvements as sewer main construction, storm drainage, street lighting and sidewalks. The 1980's saw a proliferation of LIDs in Kirkland and the process was used to plan and construct the infrastructure in the Par-Mac area of Totem Lake, the narrowing and pedestrian improvements to Park Lane between Lake Street and Main Street, and the purchase of property and construction of the Lake and Central Parking Lot. Many areas of the City were sewered using LIDs. In the most recent LID, the City provided underground power, street and sidewalk improvements to NE 62nd street in the Lakeview neighborhood. Costs associated with these LIDs have ranged from around $100,000 to nearly $2.7 million with the Par-Mac LID. In the Par-Mac LID, grants and other sources of external funding accounted for approximately 50% of the funding while the associated properties were assessed the remaining 50%. Sewer LIDs benefit specific properties and are borne 100% by the associated properties.

Often times, there is an iterative process at the initial stages of an LID formation. Prior to agreeing to pay for their costs, affected property owners are primarily interested in what the LID will cost them, however those estimates cannot be developed to a high level of certainty without the City first incurring up front costs such as planning, property appraisals, preliminary engineering, etc. Staff is put in a position of discussing the costs in generalities that are typically not defined enough for the proponents; on proposed LIDs it is difficult to proceed beyond this stage without a source of funds which, if the LID proceeds, will be included in the overall cost of the LID.

A prospective LID, besides being in the public's interest, must meet two critera:

1. The special benefit of an improvement to an individual included in the LID must be greater than their assessment; and,
2. Individual assessments must be proportional to the special benefit to that individual (i.e. the greatest benefit has the greatest assessment).

Special benefit is most typically defined as the increase in property market value with the improvements. This becomes somewhat subjective the more complex a proposed LID becomes. A sanitary sewer LID of 10 equally sized lots with single family homes being served by septic systems is easier to ascertain special benefits for than a mixed zoning/land use LID that proposes to provide underground utilities, street improvements, and other amenities. The more complex the proposed LID is, the greater the potential subjectivity and the higher the initial costs. After the determination of the two essential criteria, the process for the creation of an LID is strictly controlled by statue and involves a number of public notifications, hearings, and protest opportunities. LIDs provide a viable mechanism to perform improvements, but do have strengths and drawbacks.

Strengths:

- Citizens benefiting from improvements are the ones paying for it
- 10 year financing for proponents with low interest rates
- Relatively "immediate" improvements
- Support by those participating
- Source of funding for needed and/or desired improvements for the City and Citizens

Drawbacks

- Collection of delinquent assessments and payments can be lengthy and difficult
- Subjective definition of benefactors
- Resource consuming process (hearings, publications, protest periods, etc...)
- Potential to pit neighbor against neighbor
- Potential to pit resident against the City
- 41% support level can prevail
- Pre-formation engineering and design costs will be incurred before knowing if the project will prevail.
- Unpredictable construction and roll closing periods due to the hearing process and the time to do appraisals can cause "interim" financing issues.
- Can be administratively burdensome

LIDs can be formed in two ways: by petition (of the property owners), and by resolution (of the City Council); both are defined in the RCWs. In Kirkland, it has been the policy not to undertake investigation and preliminary work until a "petition" representing 70% of the impacted property owners by assessed value has been submitted.

The Council indicated a consensus to consider LIDs as a way to fund more projects. Research indicates that LIDs are an appropriate financing method when certain conditions are met. However, there are drawbacks to their use, especially for projects that are traditionally funded from City revenue sources. The projects Kirkland is most interested in pursuing have proven to be the most difficult and may not be feasible. At this time we do not recommend LID as a funding mechanism. We do however; recommend we continue to monitor citizen and neighborhood interest in LID's. In addition, we will continue to talk with the City of Tacoma regarding their program to determine if there are some elements of their program that would work in Kirkland.

CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

From: Tammy McCorkle, Local Government Management Fellow
Tracy Burrows, Intergovernmental Relations Manager

Date: July 3, 2007

Subject: Funding Public Art

RECOMMENDATION:

It is recommended that the City Council provide direction on the preferred option for funding public art.

BACKGROUND DISCUSSION:

Public art funding is central to maintaining the reputation that Kirkland has cultivated of being the arts destination on the Eastside. Kirkland is a city that demonstrates and acknowledges the role public art plays in strengthening civic identity and community pride. Art creates a sense of discovery and attracts economic development. Art helps set the community apart in ways that encourage people to live here, to visit, and to tell others to visit as well.

> "Public art can express civic values, enhance the environment, transform a landscape, heighten our awareness, or question our assumptions. Placed in a public site, this art is therefore for everyone, a form of collective community expression—from the once celebrated but now unrecognized general on a horse to the abstract sculpture that may baffle the passer-by on first glance."
> **- Penny Balkin Bach (contemporary American), art administrator.**

The City of Kirkland currently supports the arts through financial support of the Kirkland Performance Center, the Kirkland Artist Studio Tour, the Kirkland Gallery Association, and other arts related organizations and festivals. In addition, the City has devoted funds to the acquisition of public sculpture or other public art on a case-by-case basis. The following table summarizes Kirkland's support for the arts over the past three years.

Table 1 Current City of Kirkland Support for the Arts

On-Going Funding	**2005**	**2006**	**2007**
Kirkland Performance Center General	$ 50,000	$ 50,000	$ 50,000
Facility Charges:			
1. Operating	$ 20,827	$ 22,465	$ 27,030
2. Sinking Fund	$ 23,285	$ 29,067	$ 29,078
Admissions tax refund to KPC	$ 33,579	$ 32,482	$ 35,000
Art Related Recreational Programming through Parks and Community Services	$ 50,000	$ 50,000	$ 50,000
Summer Performance Series (Parks budget)	$ 0	$ 0	$ 4,653
Public Art Maintenance	$ 19,750	$ 19,750	$ 19,750
One-Time Funding			
Gallery Association	$ 0	$ 0	$ 4,000
Kirkland Artist Studio Tour	$ 0	$ 2,000	$ 2,000
Summer Performance Series	$ 15,000	$ 0	$ 0
Summerfest	$ 6,000	$ 9,000	$ 0
Kirkland Uncorked	$ 0	$ 0	(Planning) 40,000
Totem Lake Mall Planning Artist	$ 0	$ 50,000	$ 0
Neighborhood Connection - Arts Projects	$ 35,000	$ 7,500	$ 11,000
Kirkland Art Center – Brochure	$ 0	$ 2,200	$ 2,000
Total Arts Funding	$ 253,441	$ 274,464	$ 274,511

As demonstrated in the table above, the art funding the City currently provides is significant. It is heavily oriented towards supporting the Kirkland Performance Center and other arts or event oriented operations and maintenance.

While the City supports the arts through operating funding, Kirkland does not have a consistent source of funding for art acquisition. To date, most of the public sculptures in Kirkland have been obtained through generous donations by private citizens. The Cultural Council would like to build upon the City's outstanding public art collection through the dedication of funds toward public art acquisition.

Support for public art acquisition is common amongst Kirkland's peer cities. Redmond, Bellevue, Issaquah, Renton, Federal Way and Mercer Island all have permanent sources of funding devoted to the acquisition of public art. These funding programs are typically structured as either (1) percent for art programs or as (2) an annual allocation to public art acquisition. The following table shows the funding allocated to public art acquisition from 2005-2008 in nearby cities. This table includes funding for capital acquisitions only – it does not include funding for city-sponsored performing arts or non-profit arts organizations.

TABLE 2 – Funding for Public Art Acquisition - King County Cities

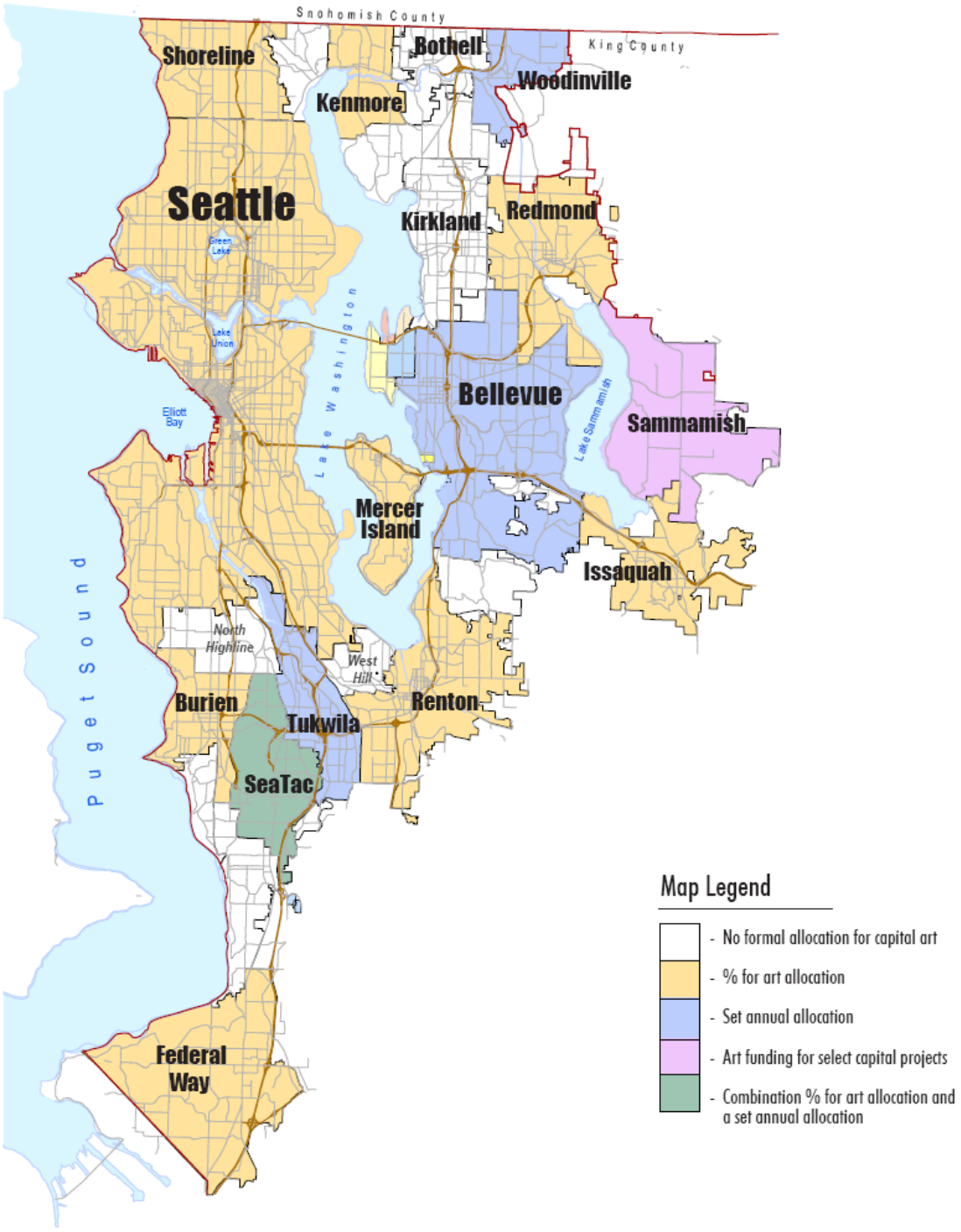
	2005	2006	2007	2008
Bellevue	$ 400,000	$ 400,000	$ 400,000	$ 400,000
Federal Way	$ 120,980	$ 141,170	TBD	TBD
Issaquah	$ 20,000	$ 32,000	$ 18,477	TBD
Mercer Island	$ 39,214	$ 3,000	$ 5,000	$ 65,000
Redmond	$ 50,739	Biennial budget	$ 105,687	Biennial budget
Burien	$ 23,704	$ 29,427	$ 35,304	TBD
Tukwila	$ 8,795	$ 33,000	$ 35,000	TBD
Kenmore	$ 495	$ 40,000	$ 500	TBD
Kirkland	$ 35,000*	$ 7,550*	$ 11,000*	$ 0
Renton	$ 3,425	$ 60,000	$ 60,000	TBD
Shoreline	$ 0	$ 115,775	$ 0	$ 0
SeaTac	$ 35,205	$ 3,600	$ 40,100	$ 40,100
Sammamish	$ 0	$ 100,000	$ 100,000	TBD
Woodinville	$ 15,000	$ 15,000	$ 16,500	$ 16,500

* This art acquisition funding was prioritized and allocated by neighborhoods through the Neighborhood Connection program. 2005, 2006, and 2007 represent the only years that the Neighborhood Connection program has ever allocated funding to art acquisition.

The map on the following page shows the arts acquisition funding mechanisms that comparable cities in King County have put in place.

Funding for Public Art: A Comparison of Local Cities

All funding shown is budgeted expenditures for Art and is budgeted as a capital cost to acquire, construct, display and maintain public art throughout the following cities.



The City Council discussed the issue of funding for public art acquisition with the Cultural Council at its June 19, 2007 study session. At that study session, the City Council requested that staff develop additional funding options. City staff has further researched the issue of funding public art, this memo outlines four potential options for the structure of public art funding for Kirkland.

General Percent for Art Programs

Percent for art is the most common method by which cities contribute to the acquisition of public art. This program requires that a percentage (typically ranging from one to two percent) of the budgeted cost of public capital projects be devoted to public art.

Under this option, the General Fund would contribute an amount equal to 1% of the capital budget for each eligible CIP project. The one percent would be deposited into a municipal art reserve to be used for the selection, acquisition, and display of public art. Artwork(s) would be located at one or more of the capital improvement project(s) and throughout the City.

The City could shape its percent for art program to suit its own needs. The percent can be applied to new construction only, or it can also be applied to expansion or renovation projects. Many cities exclude certain types of projects from contributing to the art fund regardless of cost. The most frequent exclusions include:

1) Public Works Projects consisting of roads, sidewalks, bridges and other transportation system improvements (if transportation system improvements are part of a larger capital project they are not excluded).
2) Water and Sewer projects (unless accessible and generally frequented by the public).
3) Basic repair and maintenance.
4) Funds from sources that prohibit art as a proper expenditure.
5) Land acquisition.

In reviewing the most frequent exclusions other cities use the City of Kirkland might exclude: motorized transportation, utilities, land acquisition, IT, Public Safety and projects that only have planning dollars.

Option 1: 1% of CIP = 1% of the budget for all eligible Capital Improvement Projects.

The first option for the Council to consider is the contribution of an amount equal to one percent of eligible CIP projects to public art. This option allows the City to build in flexibility for how the funds are used. For larger projects, the funding is typically used to acquire art that is permanently sited at the project site. However, the ordinance could allow the art to be sited in other locations. Due to funding restrictions on many CIP projects the funding for this option would come from the General Fund (one-time discretionary funds) allowing art to be placed throughout the City. The following chart shows the annual funding that would be dedicated to public art should the Council choose this option (a list of the projects that form the basis of the one percent amount is included as attachment A)

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2008-2013**
1%	$34,510	$32,307	$23,016	$15,366	$23,206	$57,169	$185,574

This option assumes exclusion of motorized transportation, utilities, land acquisition, IT, Public Safety and projects that only have planning dollars. It is important to note that this option would impact the City's budget. The City would appropriate an amount equal to 1% of the existing budget for each CIP project to an arts reserve, resulting in an annual budget impact in the amount shown above. It should be noted that in some years the 1% allocation may not be enough to do more than one art project. This option should be looked at closely to determine if it will provide a level of art acquisition that will maintain Kirkland's reputation as the arts destination on the Eastside.

Example of 1%:

The City Hall Annex Renovation is budgeted for $1,700,000. The City would appropriate $17,000 from the General Fund to be deposited into the Municipal Art Reserve. As this is a larger project the Cultural Council may work with the CIP project manager to integrate art into the project. The art that is selected may cost more than the amount contributed by the General Fund. The additional costs could be paid for through the Municipal Art Reserve if there is a balance and it is agreed upon by the Cultural Council as the best option, by funds raised by the Cultural Council, or if there is funding available in the City Hall Annex budget for art integration.

Option 2: Annual Art Fund Allocation = $50,000

As an alternative to the 1% option, which provides a varying level of funding for public art, the Council might elect to appropriate a set amount. An allocation of $50,000 would provide opportunities for art to be placed throughout the community. With a dedicated $50,000 in funding for public art, the Cultural Council would work with the City Council to develop a strategic plan for public art investments. These investments could include:

- High impact public art placed at important opportunity sites—along the waterfront, at the "Safeway Triangle" located adjacent to Park Place and the Kirkland Performance Center, at the key entrances to the City.

- Art with a sense of play and fun integrated into upcoming parks projects at Heritage Park, Juanita Beach Park, McAuliffe Park and other park projects.

- Art integrated into significant public buildings, such as a future public safety building, future expansion of City Hall, and the remodel of the Council Chambers.

- Art integrated into the utility boxes and bicycle racks at City facilities. The City of Santa Cruz, California has a model program for creating art on utility boxes that could be adapted by Kirkland to create a community-wide impact.

- Performing arts programs sponsored by the Cultural Council. These could include presentations of site-specific performances presented in collaboration with 4Culture, King County's Cultural Arts Agency.

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2008-2013**
General Fund	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$300,000

Option 3: 2% Integrated into Select Capital Improvement Projects

The third option changes the percent for art program slightly. Instead of appropriating resources from the General Fund equal to 1% of all eligible CIP projects or appropriating a set annual allocation, it integrates art into major projects budgeted at more than $500,000. For this option projects exceeding $500,000 would dedicate 2% of the budget to integrating public art into the specific project. The allocation is 2% to ensure there is adequate funding

for each project to select, acquire, and integrate exceptional art. The following charts show the annual amount that would be dedicated from each project to integrate art and the specific projects that form the basis of the proposal. It shows the annual funding that would be dedicated to public art should the Council choose this option.

	2008	2009	2010	2011	2012	2013	2008-2013
2%	$50,020	$44,354	$19,050	$26,332	$37,412	$104,412	$281,580

Select Projects	**Total Budgeted 2008-2013**	**2% for Art**
City Hall Annex Renovation	1,700,000	**34,000**
Forbes Lake Park Development	952,500	**19,050**
Waverly Beach Park Renovation	1,032,600	**20,652**
Spinney Homestead Park Renovation	740,500	**14,810**
Juanita Beach Park Development	2,650,000	**53,000**
116th Avenue (south) Non-Motorized Facilities-Phase II	4,370,600	**87,412**
116th Avenue NE Sidewalk (Highlands)	640,700	**12,814**
Rose Hill Business District Sidewalks	503,000	**10,060**
122nd Avenue NE Sidewalk	1,489,100	**29,782**

This option assumes exclusion of motorized transportation, utilities, land acquisition, IT, Public Safety, projects that only have planning dollars and those with funding sources that are restricted. It is important to note that this option would not impact the City's needed revenue side of the capital budget. Rather, 2% of the existing budget for each CIP project would be integrated into the project design.

Example of Integrated Approach: The City Hall Annex Renovation is budgeted for $1,700,000, of this $34,000 would be used to integrate art into the City Hall Annex leaving a balance of $1,666,000 for the renovation portion of the project. The Cultural Council would work with the project manager to integrate art into the project. The art that is selected may cost more or less than the $34,000 that is dedicated to art. If the proposed art costs more than the allocated amount and there are additional funds available in the City Hall Annex Renovation budget for art and/or the Cultural Council raised additional funds, the art portion of the budget may be more than two percent.

Option 4: 1% Integrated into Select Capital Improvement Projects + $50,000

The fourth option is the same as option three in that art would be integrated into eligible CIP projects budgeted at more than $500,000. For this option the City would dedicate one percent of the budgeted CIP for integrating public art into the project and would appropriate $50,000 annually from the General Fund to be used for public art throughout the community. For this option the $50,000 could be used for public art and for performing arts.

	2008	2009	2010	2011	2012	2013	2008-2013
1%	$25,010	$22,177	$9,525	$13,166	$18,706	$52,206	$140,790
	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$300,000
Total	$75,010	$72,177	$59,525	$63,166	$68,706	$102,206	$140,790

Select Projects	**Total Budgeted 2008-2013**	**1% for Art**
City Hall Annex Renovation	1,700,000	**17,000**
Forbes Lake Park Development	952,500	**9,525**
Waverly Beach Park Renovation	1,032,600	**10,326**
Spinney Homestead Park Renovation	740,500	**7,405**
Juanita Beach Park Development	2,650,000	**26,500**
116th Avenue (south) Non-Motorized Facilities-Phase II	4,370,600	**43,706**
116th Avenue NE Sidewalk (Highlands)	640,700	**6,407**
Rose Hill Business District Sidewalks	503,000	**5,030**
122nd Avenue NE Sidewalk	1,489,100	**14,891**

The above charts show the annual amount that would be dedicated from each project to integrate art. It shows the annual funding that would be dedicated to public art should the Council choose this option. This option assumes exclusion of motorized transportation, utilities, land acquisition, IT, Public Safety and projects that only have planning dollars. It is important to note that this option would not impact the City's needed revenue side of the capital budget. Rather, 1% of the existing budget for each CIP project would be allocated for incorporating art into the project plans. This option would have an impact on the City operating budget, specifically the General Fund, for the $50,000 per year.

Assumptions for all options:

It is assumed that for all City capital projects that integrate art funded through the percent for art program, the CIP Project Manager will work through the RFP process with the Cultural Council. In addition, it is recognized that it is important to not only fund public art, but to also maintain the assets the City acquires. As such, it is recommended that the City increase the Parks Maintenance Budget for public art maintenance. The annual expense of maintaining the current public art collection is $19,750. By increasing this budget by a modest amount ($5,000 - $7,000), the maintenance needs of an enhanced public art collection would be covered for the initial years of the program. Long-term maintenance costs will depend on the durability of the chosen artwork – the City's criteria for public art selection include priority for art that can be maintained without significant cost.

For options 1, 2 and 4 there would be a fiscal impact on the City operating budget. It is assumed that the funds allocated from the General Fund would be allocated annually as one-time discretionary funds, based on funding availability and funding priority.

It is assumed that should the Council choose one of the options presented that the Cultural Council and CIP Project Managers will receive training on best practices in incorporating art into projects.

Attachment F

(Attachment A to memo)

1% for Art

Project Title	2008	2009	2010	2011	2012	2013	2008-2013 Total	1% for art
City Hall Annex Renovation	1,700,000						1,700,000	**17,000**
Forbes Lake Park Development	75,000		877,500				952,500	**9,525**
Park Play Area Enhancements		100,000	100,000	50,000	100,000	100,000	450,000	**4,500**
A.G. Bell Elementary Playfields Improvements						200,000	200,000	**2,000**
International Comm. School Playfield Improvements					300,000		300,000	**3,000**
Waverly Beach Park Renovation			75,000	957,600			1,032,600	**10,326**
Everest Park A-Field Bleachers	175,000						175,000	**1,750**
Spinney Homestead Park Renovation				50,000	690,500		740,500	**7,405**
Terrace Park Renovation						76,300	76,300	**763**
Juanita Beach Park Development	150,000	1,650,000				850,000	2,650,000	**26,500**
Green Kirkland Forest Restoration Program	50,000	50,000	50,000	50,000	50,000	50,000	300,000	**3,000**
Peter Kirk Pool Upgrades	125,000						125,000	**1,250**
Dock Renovations	100,000			50,000			150,000	**1,500**
116th Avenue (south) Non-Motorized Facilities-Phase II						4,370,600	4,370,600	**43,706**
Crosswalk Upgrade Program		70,000		70,000		70,000	210,000	**2,100**
NE 100th St at Spinney Homestead Park Sidewalk		56,000	188,100				244,100	**2,441**
116th Avenue NE Sidewalk (Highlands)	73,000	567,700					640,700	**6,407**
112th Avenue NE Sidewalk		168,000					168,000	**1,680**
Rose Hill Business District Sidewalks	503,000						503,000	**5,030**
NE 73rd Street Sidewalk	220,000						220,000	**2,200**
13th Avenue Sidewalk		112,000	218,300				330,300	**3,303**
122nd Avenue NE Sidewalk				309,000	1,180,100		1,489,100	**14,891**
6th St Sidewalk		112,000	190,600				302,600	**3,026**
100th Ave NE/99 th Place NE Sidewalk	220,000	244,200					464,200	**4,642**
Park Lane Ped Corridor Enhancements	60,000		338,700				398,700	**3,987**
Central Way Ped Enhancements (Phase II-southside)		100,800	263,400				364,200	**3,642**
Total Funded General Government Projects Citywide	3,451,000	3,230,700	2,301,600	1,536,600	2,320,600	5,716,900	18,557,400	**185,574**
1% for Art	**34,510**	**32,307**	**23,016**	**15,366**	**23,206**	**57,169**	**185,574**	

CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: David Ramsay, City Manager

From: Tracey Dunlap, Director of Finance & Administration

Date: July 5, 2007

Subject: Debt Management Policies and Related Issues

Background

As discussed at the City Council retreat in March 2007, one of the tools available to the City to make progress on capital improvements is the increased use of long-term debt for large projects with long useful lives. As part of that discussion, the City Council requested further information regarding formation of a debt management policy and related issues. This issue paper is organized to provide a refresher on the various bond funding mechanisms, the City's current debt position, an updated look at bond ratings and their affect on the City's financial status, and options related to debt management policies.

Use of City Bonded Debt

The two most common types of tax supported debt issued by cities to fund capital projects are Limited Tax and Unlimited Tax General Obligation Bonds. General Obligation bonds are the most secure type of debt a City can issue because they pledge the "full faith and credit" of the City based on our ability to levy taxes to repay the debt. As a result of the low risk nature of general obligation debt, it has a lower cost (i.e. can be issued at lower interest rates).

Unlimited Tax General Obligation (UTGO) Bonds provide new revenue to fund the debt service as they represent debt that is approved by voters for a specific purpose. Citizens have agreed to levy property taxes to repay the debt over a period of years.

Limited Tax General Obligation (LTGO) Bonds (Councilmanic or non-voted bonds) can be issued with approval of City Council. The debt is repaid from general revenues of the City. It is still based on the City's ability to tax citizens to repay debt. However, it does not provide any additional revenue to fund debt service payments and must be paid from existing revenue sources.

The City's utility funds have different debt funding options available, including revenue bonds and other loan programs such as the State's Public Works Trust Fund (PWTF), both of which have been used by the City to finance utility infrastructure improvements in the past. The debt service on these instruments is supported by the revenues of each utility and does not have a claim on the City's tax revenues. Since utility rates represent the primary source for paying this debt service and the utility enterprises are expected to be self sufficient, use of these debt instruments is evaluated as part of the master planning process and utility rate studies and will not be addressed as part of this discussion.

Attachment G

Attachment A summarizes the City's current debt outstanding (LTGO of $11 million and UTGO of $10 million) and the City's remaining debt capacity. As the table shows, the legal limits on the City's remaining debt capacity are quite large ($120 million for LTGO and $635 million for UTGO). However, there are practical limits in terms of affordability (for LTGO which is paid for from existing revenues) and political realities (for UTGO which requires a 60% majority vote).

Bond & Credit Ratings

When the City issues debt, a thorough review of the City's financial condition is completed by bond rating agencies. Based on their findings, the bonds are given a rating. The City's bond rating is a reflection of its creditworthiness and affects the cost to the City of issuing debt. The City of Kirkland uses two agencies – Moody's Investor Service and Standard & Poor's (S&P) – to rate its credit and bonds. For the 2004 Water and Sewer Revenue Bonds, the City's underlying rating was AA- (S&P) and A1 (Moody's).

Standard & Poor's has identified the "Top 10 Management Characteristics of Highly Rated Credits In U.S. Public Finance" [1] as:

1. An established rainy day/budget stabilization reserve,
2. Regular economic and revenue reviews to identify shortfalls early,
3. Prioritized spending plans and established contingency plans for operating budgets,
4. A formalized capital improvement plan in order to assess future infrastructure requirements,
5. Long-term planning for all liabilities of a government, including pension obligations, other post employment benefits and other contingent obligations would be optimal and allow for comprehensive assessment of future budgetary risks,
6. A debt affordability model in place to evaluate future debt profile,
7. A pay-as-you-go financing strategy as part of the operating and capital budget,
8. A multiyear financial plan in place that considers the affordability of actions or plans before they are part of the annual budget,
9. Effective management and information systems,
10. A well-defined and coordinated economic development strategy.

Upon inspection, Kirkland exhibits all of these characteristics, with number 6 – the debt affordability model – representing an area where additional evaluation is warranted as part of a debt financing plan.

Another credit rating agency, FitchRatings, indicates that typical policies limit direct debt based on one or more of the following measures[2]:

- 2-5% of full market value,
- Direct debt of $2,000-3,000 per capita,
- Debt service 8-12% of budgeted expenditures,
- Amortization to 50% or more within 10 years.

It is important to note that Fitch views the appropriateness of such limits in the context of the issuer's overall risk profile. The City's current placement against selected measures, as well as those of selected surrounding jurisdictions, are summarized in the table on the following page. The City compares favorably to Moody's median values and most of the other jurisdictions.

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[1] Standard & Poor's Public Finance Publication Date January 11, 2006.
[2] FitchRatings Public Finance Tax Supported Special Report, "To Bond or Not To Bond", June 21, 2005.

Attachment G

General Obligation Debt Comparison

Prepared by D.A. Davidson Fixed Income Capital Markets

Measure	Moody's 2006 Medians[1]	Kirkland	Redmond[3]	Renton	Bellevue	Lynnwood
Net Direct Debt (% of Value)	0.71%	0.22%	0.41%	0.67%	0.77%	0.24%
Net Direct Debt Per Capita	n.a.	$506	$897	$861	$1,578	$266
Debt Service as % of GF Revenues[2]	8.73%	1.35%	4.35%	5.71%	5.61%	1.60%

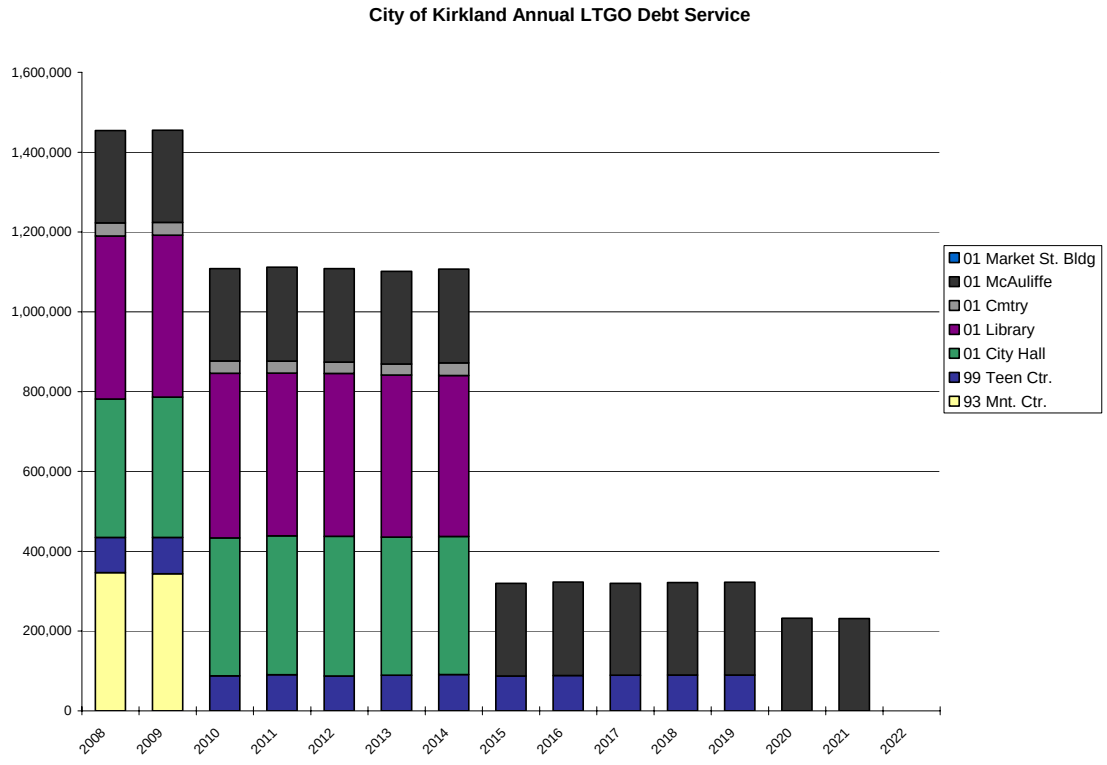
[1] For populations between 50,000 and 100,000

[2] Does not include debt supported by voter approved excess levies

[3] Includes lease revenue issue which was done in 2004 for city hall project by Redmond Community Properties (a 63-20 entity)

Status of Current Indebtedness

Attachment B provides the annual debt service on the City's outstanding indebtedness, with subtotals by type of debt. The graphic below shows the annual debt service on councilmanic bonds by year, which is currently being paid from a variety of general revenue sources. As this debt is retired, the revenue streams currently dedicated to pay the debt service can be used for new debt without impacting General Fund operating revenues. In 2011, $350,000 becomes available as the maintenance center debt is retired and in 2015, another $750,000 becomes available as the parking garage and City Hall expansion debt is retired. The City has the ability to structure debt and/or to combine the use of reserves and debt in order to take advantage of these revenue streams as they become available. By 2015, this $1.1 million could support over $13.5 million in new borrowing (assuming 20 years and 5% interest); although, if this revenue is used for this purpose, it is not available to meet other potential general fund needs.



Debt Management Policies

It is strongly recommended by various credit rating agencies and government finance organizations that cities have a formal written debt policy to ensure the correct use and issuance of debt. Such policies help protect the City against financial downfall, as well as provide its bond purchasers with assurance of returned money. Currently, the City of Kirkland has debt management policies incorporated into the Fiscal Policies that are part of the biennial budget (Attachment C). The Government Finance Officers Association (GFOA) describes a debt policy as:

> "...written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio... [it] improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan" (GFOA, 2003).

Attachment D summarizes the GFOA recommended practices regarding debt management policies. In addition, we reviewed several examples of debt policies with varying degrees of complexity. The majority of the sample policies and articles indicate that a formal debt policy should include:

- The uses of debt
- Legal limitations of issuing debt including City and legislative policy/law
- Allowable types of debt
- Methods of sale
- Professional consultation
- Disclosure

In reviewing the City's existing debt management policies, it appears that an update is warranted to ensure that the policies are current and address all of the common criteria. Staff recommends that the Council Finance Subcommittee undertake a review and update of these policies, to be brought forward for consideration by the full City Council upon completion. An opportune time to address these policies would be as part of the development of the financing plan for City facilities that are currently unfunded in the CIP.

Attachment G

Attachment A

CITY OF KIRKLAND
SCHEDULE OF LONG TERM DEBT

The City uses long term debt to finance the cost of large capital improvements. Councilmanic debt is repaid from general revenues. Voter approved debt is retired from property tax increases put in place for the life of the bond issue. Revenue bonds are repaid from water/sewer utility rates. The following schedule identifies current outstanding long-term debt.

Type of Debt	Issue Date	Original Amount	Outstanding 12/31/2006	Cost Per $1,000 AV	Avg Annual Debt Service*
Councilmanic Bonds:					
1993 Limited G.O. Refunding (Maint Ctr)	3/1/93	2,665,000	925,000	N/A	344,263
1999 Limited G.O. (Teen Center)	11/1/99	1,025,000	800,000	N/A	89,184
2001 Limited G.O. Refunding (City Hall)	7/6/01	3,595,000	2,290,000	N/A	348,412
2001 Limited G.O. Refunding (Library)	7/6/01	4,190,000	2,680,000	N/A	407,783
2001 Limited G.O. Refunding (Cemetery)	7/6/01	330,000	200,000	N/A	30,378
2001 Limited G.O. Refunding (McAuliffe Park)	7/6/01	2,945,000	2,425,000	N/A	232,412
2001 Limited G.O. (505 Market St. Bldg.)	10/30/01	1,785,000	1,785,000	N/A	N/A
Total Councilmanic Bonds		**16,535,000**	**11,105,000**		**1,452,433**
Estimated Remaining Legal Councilmanic Debt Capacity as of 12/31/06: $120,100,038					
Voter Approved Bonds:					
1993 Unlimited G.O. (Parks)	3/11/93	4,380,000	1,465,000	0.062	545,133
1995 Unlimited G.O. (Forbes Crk. Fire Station)	8/1/95	1,020,000	565,000	0.010	89,493
2001 Unlimited G.O. (Public Safety)	7/6/01	1,730,000	975,000	0.022	188,705
2003 Unlimited G.O. (Parks)	1/30/03	8,400,000	7,125,000	0.072	641,988
Total Voter Approved Bonds		**$15,530,000**	**10,130,000**	**$0.166**	**$1,465,319**
Estimated Remaining Voter Approved Debt Capacity as of 12/31/06: $634,790,188					
Revenue Bonds:					
1996 Water/Sewer Rev and Refunding	3/4/96	3,725,000	2,595,000	N/A	354,998
2004 Water/Sewer Rev and Refunding	8/1/04	3,090,000	2,445,000	N/A	507,243
Public Works Trust Fund Loans:					
1993 Sewer Line Replacement	8/5/93	823,368	303,346	N/A	45,068
1994 Consolidated Rose Hill Assumption	1/1/94	3,314,609	682,463	N/A	232,037
1994A Water Line Replacement	7/26/94	1,231,700	518,413	N/A	67,718
1994B Sewer Line Replacement	7/26/94	1,165,500	493,463	N/A	64,459
1995 Lift Station	6/9/95	794,850	400,699	N/A	46,748
2000 Lift Station Replacement-Design	7/1/00	227,500	162,955	N/A	13,412
2001 Lift Station Replacement-Construction	9/15/03	1,848,000	1,544,529	N/A	107,087
2004 Central Way Sewer Replacement	9/1/04	1,086,300	1,029,126	N/A	60,175
Total Revenue Bonds & Trust Fund Loans		**$17,306,827**	**10,174,994**		**1,498,946**
Remaining Revenue Bond Debt Capacity: N/A					

* The average annual debt service is based on the remaining principal and interest payments due until the debt is extinguished.

Attachment G

City of Kirkland
Summary of Annual Debt Service Requirements
2-Jul-07

Type of Debt	Source	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Councilmanic Bonds																		
1993 Limited G.O. Refunding (Maint. Ctr)	Interest Transfer*	342,743	346,358	343,688														**1,032,788**
1999 Limited G.O. (Teen Center)	General Fund Taxes	90,218	87,945	90,628	88,003	90,328	87,330	89,278	90,888	87,150	88,380	89,285	89,860	90,100				**1,159,390**
2001 Limited G.O. Refunding (City Hall)	Interest Transfer*	352,606	347,294	351,775	345,300	348,200	350,150	345,968	346,005									**2,787,298**
2001 Limited G.O. Refunding (Library)	General Fund Taxes	410,088	408,125	405,750	412,575	408,055	407,755	406,248	403,673									**3,262,268**
2001 Limited G.O. Refunding (Cemetery)	Cemetery Improv.	28,949	33,124	32,093	31,030	29,930	28,805	27,643	31,455									**243,028**
2001 Limited G.O. Refunding (McAuliffe)	REET 1 **	231,109	231,365	231,415	231,103	235,383	234,083	232,340	235,215	232,455	234,288	230,538	231,538	232,038	232,038	231,275		**3,486,179**
2001 Limited G.O. (505 Market St. Blg)	REET 1 ***	1,851,045																**1,851,045**
Total Councilmanic Bonds		**3,306,756**	**1,454,210**	**1,455,348**	**1,108,010**	**1,111,895**	**1,108,123**	**1,101,475**	**1,107,235**	**319,605**	**322,668**	**319,823**	**321,398**	**322,138**	**232,038**	**231,275**	**0**	**13,821,994**
Voter Approved Bonds																		
1993 Unlimited G.O. Refunding	Excess Levy	548,530	542,258	544,613														**1,635,400**
1995 Unlimited G.O.	Excess Levy	91,188	88,068	89,888	91,378	87,528	88,643	89,405	89,845									**715,940**
2001 Unlimited G.O. Refunding	Excess Levy	192,475	186,288	185,100	188,513	186,253	193,603											**1,132,230**
2003 Unlimited G.O.	Excess Levy	633,485	636,225	637,385	641,885	640,205	642,080	642,650	642,260	645,460	647,860	659,000	653,520	637,000	639,960	636,360	636,460	**10,271,795**
Total Voter Approved Bonds		**1,465,678**	**1,452,838**	**1,456,985**	**921,775**	**913,985**	**924,325**	**732,055**	**732,105**	**645,460**	**647,860**	**659,000**	**653,520**	**637,000**	**639,960**	**636,360**	**636,460**	**13,755,365**
Revenue Bonds																		
1996 Water/Sewer Rev and Refunding	Utility revenue	451,745	450,710	448,610	445,415	626,250	620,730											**3,043,460**
2004 Water/Sewer Rev and Refunding	Utility revenue	366,163	367,463	368,463	368,769	196,025	200,400	488,200	484,500									**2,839,983**
Total Revenue Bonds		**817,908**	**818,173**	**817,073**	**814,184**	**822,275**	**821,130**	**488,200**	**484,500**									**5,883,443**
Special Debt																		
PWTF Utility/Other Loans	Utility revenue	658,294	647,816	642,471	409,638	406,568	403,498	400,428	354,022	224,901	179,007	178,080	177,153	176,226	162,764	161,963	58,192	**5,241,020**
Total Bonds & Loans		**6,248,636**	**4,373,037**	**4,371,876**	**3,253,607**	**3,254,723**	**3,257,075**	**2,722,158**	**2,677,862**	**1,189,966**	**1,149,534**	**1,156,902**	**1,152,070**	**1,135,363**	**1,034,762**	**1,029,598**	**694,652**	**38,701,821**

* Interest earnings transferred to Facilities Fund
** To be paid by impact fees starting in 2008, with REET 1 used to increase Parks CIP
*** Balloon principal payment in 2007 retires this item

CITY OF KIRKLAND

FISCAL POLICIES

DEBT MANAGEMENT POLICIES

The amount of debt issued by the city is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of Kirkland uses debt in two ways: (1) as a mechanism to equalize the costs of needed improvements to both present and future citizens; and (2) as a mechanism to reduce the immediate costs of substantial public improvements.

- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will use the services of a legally certified and credible bond counsel in the preparation of all bond representations.
- The City of Kirkland will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt.
- Reserves, interest costs, operating costs, and/or maintenance expenses will be capitalized only for enterprise activities; capitalized operating expenses will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The City will maintain a good credit rating at all times.
- Assessment bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Under most circumstances, the maturity of all assessment bonds shall not exceed 12 years.
- General Obligation bonds will be issued with maturities of 20 years or less.
- The voter approved general obligation debt of Kirkland will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:
  - General Debt - 2.5% of assessed valuation
  - Utility Debt - 2.5% of assessed valuation
  - Open Space and Park Facilities - 2.5% of assessed valuation
- Limited-tax general obligation bonds will not exceed one and one-half percent of the City's current assessed property valuation.
- Limited-tax general obligation bonds will be issued only if:
  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or
  - Emergency conditions exist.

GFOA RECOMMENDED PRACTICE

Debt Management Policy* (1995 and 2003)

Background. Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

Recommendation. The Government Finance Officers Association (GFOA) recommends that all state and local governments adopt comprehensive written debt management policies, and that governments review them at least annually and revise them as necessary. A Debt Management Policy should address:

- *Direct Debt* - debt payable from general revenues, including capital leases,
- *Revenue Debt* - debt payable from a specific pledged revenue source,
- *Conduit Debt* - debt payable by third parties for which the government does not provide credit or security,
- *State Revolving Loan Funds and Pools*
- *Other Types of Hybrid Debt* – debt payable from special revenues or containing other unique security pledges, and
- *Interfund Borrowing* – loans for short-term cash flow needs.

1. ***Debt Limits.*** The Policy should define specific limits or acceptable ranges for each type of debt. Limits are generally set for legal, public policy, and financial reasons.

   a. *Legal limits* may be determined by:

   - State constitution or law,
   - Local charter, by-laws, resolution or ordinance, or covenant.

   b. *Public Policy limits* can include:

   - Purposes for which debt proceeds may be used or prohibited,
   - Types of debt that may be issued or prohibited,
   - Relationship to and integration with the Capital Improvement Program, and
   - Policy goals related to economic development, capital improvement financings, tax increment financing, and public-private partnerships.

   c. *Financial limits* generally reflect public policy or other financial resource constraints, such as reduced use of a particular type of debt due to changing financial conditions. Appropriate debt limits can positively impact bond ratings, if

the government demonstrates adherence to such policies over time. Financial limits are often expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt* can be measured or limited by the following ratios:
  - ✓ Debt per capita,
  - ✓ Debt to personal income,
  - ✓ Debt to taxable property value, and
  - ✓ Debt service payments as a percentage of general fund revenues or expenditures.
- *Revenue Debt* levels are often limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service) or credit rating impacts (e.g., additional bonds should not lower ratings) contained in bond covenants.
- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrower's creditworthiness, the purpose of the borrowing issue, or a minimum credit rating. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the government's direct debt.
- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.

2. ***Use of Derivatives.*** The Policy should:

- Specify how derivatives fit within the overall debt management program.
- State the conditions under which derivatives can be utilized.
- Identify the types of derivatives that may be employed or are prohibited.
- Identify approach(es) for measuring, evaluating, and managing derivative risk, including basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk, and credit risk.
- State the methods for procuring and selecting derivative products.

3. ***Debt Structuring Practices.*** The Policy should include specific policies regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, and short-term debt, and limitations as to when each can be used, and
- Other structuring practices should be considered such as capitalized interest, deferral of principal and/or other internal credit support, including general obligation pledges.

4. ***Debt Issuance Practices***. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

   - Criteria for determining the sale method (competitive, negotiated, placement) and investment of proceeds,
   - Criteria for issuance of advance refunding and current refunding bonds,
   - Selection and use of professional service providers,
   - Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results, and
   - Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

5. ***Debt Management Practices.*** The Policy should provide guidance for ongoing administrative activities including:

   - Investment of bond proceeds,
   - Primary and secondary market disclosure practices, including annual certifications as required,
   - Arbitrage rebate monitoring and filing,
   - Federal and state law compliance practices, and
   - Market and investor relations efforts.

References

- *A Guide for Preparing a Debt Polic*y, Patricia Tigue, GFOA, 1998.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.

Recommended for Approval by the Committee on Governmental Debt and Fiscal Policy, January 24, 2003.

Approved by the GFOA's Executive Board, February 28, 2003.

* This RP replaces the GFOA's RPs – Development of a Debt Policy and Analyzing Debt Capacity and Establishing Debt Limits.

Attachment H

CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
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MEMORANDUM

To: Dave Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Sandi Hines, Financial Planning Manager

Date: July 5, 2007

Subject: Report on Capital Reserves – Uses and Balances

The Finance Committee reviewed draft Capital Improvement Program (CIP) information at their May 29 and June 26 meetings. As part of the discussion regarding funding sources, the Finance Committee requested to see what capital-related reserves we use and their current balances. The table below shows two perspectives of the reserves. First, the reserve balances are shown based on budget amounts. When the 2007-08 budget was developed, the estimated starting balance was calculated and netted against the planned uses for CIP projects, McAuliffe debt service and the balloon payment on the 505 Market Building and the planned additions of interest income, revenue, and operating transfers. The net result is the projected 2008 Budgeted Ending Balance. This balance was displayed in the reserve section of the budget document, as well as used for fiscal notes. This budgeted ending balance is then netted of any Council authorized uses and additions that have occurred to-date.

The second look at reserves is from the actual cash balance. The actual cash balance forward into 2007 is net of the planned uses and additions, as described above. Also, the Council authorized uses and additions are netted against the cash balance to give a revised ending cash balance as of a point in time (in this case, June 2007).

	REET 1	General Capital Contingency	Building & Property Reserve	Facilities Expansion Reserve[1]	Total
2008 Budgeted Ending Balance	6,673,678	3,312,834	2,421,002	800,000	**13,207,514**
2007 Authorized Uses	791,394	0	10,000	0	**801,394**
2007 Authorized Additions	0	0	0	0	**0**
2008 Revised Ending Budget Balance	**5,882,284**	**3,312,834**	**2,411,002**	**800,000**	**12,406,120**
2007 Beginning Cash Balance[2]	8,536,539	4,075,350	2,421,002	800,000	**15,832,891**
2007-08 Planned Uses[3, 4]	5,229,273	0	0	0	**5,229,273**
2007-08 Planned Additions[3]	3,406,000	394,174	0	0	**3,800,174**
2007 Authorized Uses	791,394	0	10,000	0	**801,394**
2007 Authorized Additions	0	0	0	0	**0**
2008 Revised Ending Cash Balance	**5,921,872**	**4,469,524**	**2,411,002**	**800,000**	**13,602,398**

[1] Balance available net of 2006 CIP projects: IT Dept. Reconfiguration, Police Evidence Storage/Lab, and Police Dept. Safety Improvements

[2] 2007 actual beginning cash balance

[3] Planned uses and additions based on Revised 2006-11 CIP; does not include or assume Preliminary 2008-13 CIP

[4] Includes balloon payment for 505 Market building of $1.75 million

Two other capital-related reserves are the REET 2 reserve and the Street Improvement Reserve. Both of these reserves are dedicated to the Transportation CIP. Council has dedicated the second quarter of the 1 percent REET revenue (i.e. REET 2) to solely fund transportation capital improvements. The Street Improvement reserve is made up mostly of excess gas tax revenue received over budget. Gas tax revenues are restricted for the purposes of maintaining and improving the streets.

The City faces the challenge of multiple facility needs over the coming years including City Hall expansion, Maintenance Center expansion, and a potential Public Safety campus. Capital reserves will play a small part in helping to fund these needs. A more detailed financing plan will be done as needs assessments are completed. Based on the chart above, actual cash balances in the capital-related reserves are $1.2 million greater than the budgeted balances. This increment of available funding would a source to use towards part of the unmet facility needs. As shown in the following chart and described below, short term facility needs are already tapping into that available balance.

Commitments Against Capital Reserves

	REET 1	General Capital Contingency[1]	Building & Property Reserve	Facilities Expansion Reserve	Total
2008 Revised Ending Cash Balance	**5,921,872**	**4,469,524**	**2,411,002**	**800,000**	**13,602,398**
Less: City Hall Annex Renovation	1,800,000	0	0	0	**1,800,000**
Less: Target	1,500,000	8,189,400	0	0	**9,689,400**
Uncommitted Balance	**2,621,872**	**(3,719,876)**	**2,411,002**	**800,000**	**2,112,998**
Potential Available towards Facilities	**2,621,872**	**0**	**2,411,002**	**800,000**	**5,832,874**

[1] Target set at 10% of the non-utility funded Preliminary 2008-2013 CIP

The **REET 1 Reserve** has been committed in the Preliminary 2008-2013 CIP to fund the renovation of the City Hall Annex building at $1.8 million. This renovation is part of the short term strategy of addressing space needs at City Hall. The target (minimum balance) for the REET 1 reserve is set equal to one year's allocation of CIP funding (i.e. $1 million for Parks and $.5 million for Transportation).

The **General Capital Contingency** is a reserve that is available to fund general capital projects (i.e. non-utility projects) when the scope or cost of the project exceeds the budgeted amount. The target established by fiscal policy is ten percent of the funded six-year Capital Improvement Program (CIP) less utility projects. The target listed in the table is the updated target based on the Preliminary 2008-2013 CIP and is substantially larger than the previous target of $5,822,280. This reserve is not recommended to be used towards funding facility needs because it is intended to cover unexpected cost and scope changes on CIP projects. Also, using the Preliminary CIP as the basis for the target, this reserve is significantly under the updated target as set by Council policy.

The **Building and Property Reserve** balance of $2.4 million is available as a funding source for facility needs. This reserve does not have a target and has been used for such projects in the past as land acquisition and building improvements. Examples of past projects include all or partial funding for the Carter house, McAuliffe property, 505 Market building and costs related to the historic church relocation (now known as Heritage Hall).

The **Facilities Expansion Reserve** does not have a predetermined target; however the Council made strides in the past year to bring this reserve to $2 million. The 2006 CIP had identified three facilities projects to be partially funded from this reserve in the amount of $1.2 million. These projects include the Police Evidence Storage/Processing Lab (Phase 1 &2) at the Municipal Court (total cost of $685,000), Police Department Safety Improvements (Phase 1) at City Hall (total cost $998,000) and the Information Technology Department Reconfiguration (total cost $201,000). Of these projects, the project improvements at the Court for Police evidence storage and processing lab and the reconfiguration of the IT Department are expected to be completed as planned. The Police Department Safety Improvement project included safety improvements for the jail booking area as well as some improvements to general office space. Most of the safety improvements for the jail area are being completed, but the general office space improvements are on hold and will be

evaluated with more middle to longer term solutions. The estimated amount of unspent budget from this project that would be available towards all facilities needs is $498,000.

As facilities needs become more defined, a more detailed financing plan will be prepared. Based on initial estimates, reserves are expected to play a roll in getting projects started, but the overall financing will require a combination of cash reserves and long-term debt financing.

Capital Improvement Program
Active Project Status - May 2007

Attachment I

Project #	Project Name	Current Project Budget as of May 2007	Total Expenditures as of May 2007	Project Budget Balance	Status	Notes
TRANSPORTATION						
ST 0057	NE 120th Street Roadway Extension (east section)	609,000	219,088	389,912	Prelim design	Consultant negotiations
ST 0058	NE 132nd Street Roadway Improvements	200,000	7,390	192,610	Study	Modeling and pre-design report by fall 2007
ST 0059	124th Ave NE Roadway Improvements (north section)	857,500	3,463	854,037	Prelim design	Consultant negotiations
ST 0069	NE 128th Street at I-405 Overpass	4,080,700	2,299,427	1,781,273	Construction	With Kirkland Nickel project
ST 0070	120th Ave NE Traffic Calming Ped. Enhancements	113,300	167	113,133	Pending development	Will occur when the Totem Lake Mall project moves forward
ST 0075	NE 85th St Utility Undergrounding	1,665,000	10,312	1,654,688	Design	
ST 0706	2007 Street Preservation Program	3,600,000	40,290	3,559,710	Construction	
NM 0001	116th Ave (south) Non-Motorized Facilities Ph I	520,100	276,365	243,735	Prelim design	Need to secure additional funding to complete the project
NM 0042	116th Avenue NE (north) Non-motorized Facilities	1,106,800	208,057	898,743	Design	New waterline completed
NM 0044	116th Avenue NE Sidewalk (Highlands)	103,000	105	102,895	On-hold till fall '07	
NM 0051	Rose Hill Business District Sidewalks	2,797,900	549,816	2,248,084	Design	Right of way and utility undergrounding required prior to the project construction
NM 0052	NE 73rd Street sidewalk	81,400	18,841	62,559	Scoping	
NM 0712	2007 Crosswalk Program	70,000	3,712	66,288	Design	Casa Juanita on 100th Ave NE will be this year's program
NM 0757	'07 Annual Sidewalk Maintenance Program	200,000	9,980	190,020	Scoping	
TR 0070	NE 124th Street/124th Ave Intersection Improv.	2,701,200	351,395	2,349,805	Design	Project broken into two phases to coordinate with KC acquisition of BNSFRR
TR 0078	NE 85th Street/132nd Ave Intersection Improv.	1,787,900	263,699	1,524,201	Design	Right of way and utility undergrounding required prior to the project construction
TR 0079	NE 85th Street/114th Ave Intersection Improv.	2,177,300	253,099	1,924,201	Design	Right of way and utility undergrounding required prior to the project construction
TR 0080	NE 85th Street/124th Avenue Intersection Impr.	1,206,300	174,376	1,031,924	Design	Right of way and utility undergrounding required prior to the project construction
TR 0082	Central Way / Park Place Signal	334,500	46	334,454	Pending development	
TR 0085	NE 68th St/108th Ave NE Intersection Imps	40,000	1,726	38,274	Scoping	Pending coordination with Sound Transit Route 540 improvements
SURFACE WATER UTILITY						
SD 0025	NE 85th St. Detention & Sediment Control	621,800	67,336	554,464	Design	Concurrent with NE 85th Street corridor improvements
SD 0029	Totem Lake Water Quality Treatment	666,200	42,471	623,729	Design/Permitting	
SD 0033	NE 90th St./120th Ave NE Sediment Control	266,400	88,441	177,959	Design/Permitting	Fish passage now being required by Dept of Fish and Wildlife
SD 0036	SW Sediment Pond Reclamation	310,000	336,548	(26,548)	Completed/Monitoring	Additional restoration plantings have driven up costs
SD 0039	NE 126th Place/94th Ave NE Channel restoration	184,100	54,601	129,499	Design/Permitting	
SD 0041	NE 125th Pl/95th Ave NE Sediment Pond Restoration	189,200	50,816	138,384	Design/Permitting	
SD 0043	124th Ave NE/NE 100th Drainage Improvements	155,000	70,692	84,308	Design/Permitting	
SD 0747	2007 Annual Replacement of Failing Infrastructure	200,000	314	199,686	Scoping	
SD 0051	Forbes Creek/KC Access Road Culvert	279,200	72,694	206,506	Design/Permitting	
SD 0053	Forbes Creek/Coors Pond Channel Grade Control	260,200	75,031	185,169	Design/Permitting	
SD 0054	Forbes Creek/BNSFRR Fish Passage Improvements	51,500	105	51,395		
SD 0057	Juanita Creek Channel Enhancements	600,000	178,217	421,783	Construction	
SD 0059	Totem Lake Blvd Flood Control Measures	82,400	4,046	78,354		
SD 0060	Juanita Creek/NE 121st Bank Stabilization	103,300	52,443	50,857	Design/Permitting	
SD 0537	2005 Streambank Program/NE 86th St	50,000	21,228	28,772	Scoping	
WATER/SEWER UTILITIES						
WA 0051	7th Avenue/114th Ave Watermain Replacement	832,200	895,135	(62,935)	Close out	Project in closing stage of finalizing contractor payments and balancing project
WA 0054	NE 113th Place Watermain Replacement	250,300	235,709	14,591	Close out	Project in closing stage of finalizing contractor payments and balancing project
WA 0055	NE 112th Pl/103rd Ave NE Watermain Replc.	217,400	213,021	4,379	Close out	Project in closing stage of finalizing contractor payments and balancing project
WA 0065	Supply Station #2 Improvements	124,000	4,078	119,922	Coordinate Joint Facility	
WA 0078	NE 85th/132nd Ave Watermain Improvements	236,900	20,194	216,706	Design	Anticipate construction late fall 2007
WA 0083	3rd Street Watermain Replacement	192,600	272,091	(79,491)	Close out	Project in closing stage of finalizing contractor payments and balancing project

Attachment I

Project #	Project Name	Current Project Budget as of May 2007	Total Expenditures as of May 2007	Project Budget Balance	Status	Notes
WATER/SEWER UTILITIES Continued						
WA 0088	Slater Avenue Watermain Replacement (north)	268,900	308,818	(39,918)	Close out	Project in closing stage of finalizing contractor payments and balancing project
WA 0790	2007 Emergency Sewer Prg Watermain Replacement	100,000	-	100,000	Design	
WA 0093	Vulnerability Analysis Facility Upgrades	70,000	5,160	64,840	Supply Station #2 Fence	
WA 0094	North Reservoir Painting	840,000	28,939	811,061	Final Design	
WA 0101	108th Avenue NE Watermain Replacement	274,000	14,553	259,447		
WA 0105	124th Avenue Watermain Replacement	249,300	10,073	239,227		
WA 0110	105th Ave NE/106th Ave NE Watermain Replacement	326,700	138,087	188,613	Construction	
WA 0114	116th Ave NE Watermain Replacement	343,545	305,536	38,009	Close out	Project in closing stage of finalizing contractor payments and balancing project
WA 0115	Telemetry Upgrades	150,000		150,000		
SS 0045	Central Way Sewermain Replacement - west	1,393,000	853,917	539,083	Close out	Project in closing stage of finalizing contractor payments and balancing project
SS 0046	Market Street Sewermain Replacement	206,000	1,617	204,383		
SS 0050	NE 80th St Sewermain Replacement	1,156,700	83,395	1,073,305	Design/Rescoping	
SS 0053	Waverly Beach Lift Station Improvements	1,303,000	1,315,600	(12,600)	Construction	
SS 0756	2007 Emergency Sewer Program	1,000,000	75,251	924,749		
SS 0060	Trend Lift Station Elimination	559,000	25,850	533,150	Feasibility Study	
SS 0065	Slater Trunk Sewer Encasement	350,000	260,552	89,448	Close out	Project in closing stage of finalizing contractor payments and balancing project
SS 0066	Plaza Lift Station Pump Upgrades	50,000	42,278	7,722		
PARKS						
PK 0006	Shoreline Restoration	141,000	58,834	82,166	Permitting	Brink Park completion in 2008
PK 0049	Open Space/Park Land Grant Match	100,000	-	100,000		Available for grant match
PK 0066	Park Play Area Enhancements	615,000	462,608	152,392	On-going	
PK 0071	Everest Park Restroom/Storage Building	329,700	-	329,700	Pre-design	Design options to be developed in 2007
PK 0078 400	Rose Hill Elementary School Playfields Improvements	250,000	175,000	75,000	Pending	Payment to LWSD in 2007
PK 0082	Land Acquisition Opportunity Fund	100,000	102,750	(2,750)		
PK 0083	South Juanita Park Site Development	361,000	48,650	312,350	On-going	Combine with PK 0108
PK 0089	Ben Franklin School Park Development	424,900	84,929	339,971	Construction	Construction in 2007
PK 0091	South Rose Hill (north) Neighborhood Park Development	479,000	54,574	424,426	Design	Construction in 2007
PK 0095	Heritage Park Development (formerly Waverly)	2,155,000	1,178,063	976,937	Construction	Construction in 2007
PK 0108	McAuliffe Park Development	100,000	90,708	9,292	On-going	Combine with PK 0083
PK 0109	Juanita Bay Park Wetland Restoration	215,000	24,269	190,731	On-going	On-going restoration at Juanita Bay Park
PK 0110	Water District #1 Property	4,450,000	4,335,002	114,998	Construction	Construction in 2007
PK 0111	Skate Park	300,000	-	300,000	On-hold	To be utilized for Juanita Beach skate park
PK 0119	Juanita Beach Park	400,000	246,504	153,496	On-going	On-going improvements and planning
PK 0121	Green Kirkland	100,000	22,762	77,238	On-going	Forest restoration at Carillon Woods and Watershed Park
PK 0123	Peter Kirk Pool Upgrades	50,000	242	49,759	Planning	Facility audit and renovations in 2007
PUBLIC SAFETY						
PS 0024	Fire Boat	248,350	-	248,350		
PS 0025	Water Rescue Boat	109,450	-	109,450		
PS 0054	Emergency Operations Center Upgrade	102,000	14,861	87,139	Ongoing	To be completed by 4th quarter 2007
PS 0055	Fire Paging & Alerting Systems	160,000	-	160,000	Phase 1	To be completed by 4th quarter 2007
PS 0056	Disaster Supply Storage Units	142,700	42,566	100,134		To be completed by 4th quarter 2007
PS 0057	Disaster Care Response Vehicle	70,000	-	70,000		To be completed by 4th quarter 2007
PS 0064	Regional Fire Training Div. Office Space Improv.	50,000	766	49,234		

Attachment I

Project #	Project Name	Current Project Budget as of May 2007	Total Expenditures as of May 2007	Project Budget Balance	Status	Notes
GENERAL GOVERNMENT						
INFORMATION TECHNOLOGY						
GG 0006 100	Geographic Information Systems Project	2,582,448	1,840,393	742,055	Ongoing	Working on approved GIS Strategic Plan #2. Large project budget balance (mostly from 2006-07 carryover) because of projects not completed and projects that came in under budget. Portion of savings used to fund staff to work on the delayed projects and portion being saved against potential annexation GIS needs.
GG 0006 110	Records Management System	657,100	127,728	529,372	Active Project	No 2006 progress because the selected vendor was acquired and necessitated a new RFP process. Project is starting up in 2007 as a contract has been signed with a new vendor.
GG 0006 150	Wireless Access for Field Workers	216,554	80,001	136,553	Active project	Expect completion of phase 1 in 2007 with expectation of future phases
GG 0006 160	Finance and Utility Systems	456,600	293,937	162,663	Ongoing project	
GG 0006 200	Public Safety Information System	1,177,620	1,450,120	(272,500)	Largely Complete	We anticipate about $30,000 of future expenditures for this project; work is temporarily being held due to NORCOM. Project balance shows over budget due to previous expenditures on system that New World replaced; project will be closed out and balanced.
GG 0006 201	Police Automatic Vehicle Location System	65,800	-	65,800	On temporary hold	Held for the outcome of the NORCOM technology strategy
GG 0006 204	Public Safety Scheduling Software	130,000	54,074	75,926	Active Project	
GG 0006 300	Networks (LAN & WAN)	1,734,650	1,710,964	23,686	Ongoing project	Balance from 2006 carryover for projects to be completed in 2007
GG 0006 301	Disaster Recovery System Improvements	50,000	-	50,000	Active Project	
GG 0006 600	Electronic Public Access to Information	709,963	657,157	52,806	Ongoing project	Continue with eCityGov Alliance projects as well as City Internet access projects
GG 0006 802	Wireless Systems in Parks	115,600	154,803	(39,203)	Active project	Project over budget due to re-planning required on portion of project
FACILITIES						
GG 0008	Electrical, Energy Mgt & Lighting Systems	Multiple Projects Across Multiple Years			Ongoing	Projects for all City facilities follow Life Cycle plan for replacement
GG 0009	Mechanical/HVAC Systems Replacements	Multiple Projects Across Multiple Years			Ongoing	Projects for all City facilities follow Life Cycle plan for replacement
GG 0010	Painting, Ceilings, & Partition Replacements	Multiple Projects Across Multiple Years			Ongoing	Projects for all City facilities follow Life Cycle plan for replacement
GG 0011	Roofing,Gutter,Siding & Deck Replacements	Multiple Projects Across Multiple Years			Ongoing	Projects for all City facilities follow Life Cycle plan for replacement
GG 0012	Flooring Replacements	Multiple Projects Across Multiple Years			Ongoing	Projects for all City facilities follow Life Cycle plan for replacement
GG 0027	Building Security	85,000	60,897	24,103	Not Complete	MC, PKCC and NKCC Completed, may use remaining funds for Parking Garage Security
GG 0030 001	Council Chamber Renovation - AV Equipment	150,000	-	150,000	Active Project	
GG 0031 001	PD Evidence/Lab	960,100	2,414	957,686	Not Complete	
GG 0032 001	PD Safety Improvements	998,000	20,904	977,096	Not Complete	
GG 0033 001	IT Department Reconfiguration	201,000	61,731	139,269	Not Complete	
CITYWIDE						
GG 0023	Neighborhood Connection Program	Multiple Projects Across Multiple Years			Ongoing	Projects in design and construction phases