



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 24, 2008

Subject: **2009 to 2014 Capital Improvement Program**

RECOMMENDATION:

City Council review the Preliminary 2009 to 2014 Capital Improvement Program (CIP).

BACKGROUND DISCUSSION:

The Preliminary CIP for 2009 to 2014 has been completed and a hard copy of the document has been provided to the City Council under separate cover for review and consideration. Please refer to the narrative in the introductory section of the document summary for a discussion of significant policy issues, changes and project highlights. The study session scheduled for August 5th 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 is scheduled for September 2nd. Adoption of the CIP occurs by Council resolution and is scheduled for the first regular meeting in December.

For this CIP, we have modified the format to present the information in two volumes: (1) a summary document including the narrative, maps, summary tables and graphs, and brief project descriptions and (2) a project detail document which contains the individual project sheets for funded and unfunded projects.

In addition to the CIP document, additional information on selected issues is included in four attachments to this memo:

- Report on strategy regarding transportation and utility CIP backlog,
- Detailed report on individual IT CIP projects,
- Report on green facilities projects, and
- Update on facilities planning and financing.



CITY OF KIRKLAND

Department of Public Works

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MEMORANDUM

To: Dave Ramsay, City Manager

From: Daryl Grigsby, Public Works Director

Date: June 17, 2008

Subject: Public Works Capital Improvement Program (CIP) Issues and Strategies

As we prepared the Public Works Department CIP for 2009-14, we realized that our carryover of uncompleted projects is increasing to an unacceptable level. A backlog of capital projects for a city or county is not uncommon given unanticipated delays and delivery challenges. In this case, however, we believe the backlog is growing and requires a fundamental change in the way we do business.

Specifically, we will complete about \$10 M worth of projects this year. We have a backlog of \$21 M, not including new projects added in 2008. Since the average CIP adds \$11-12 M in new projects each year, we are proposing a new approach to CIP management to address this issue.

Before outlining our recommendations; some of the causes are noted below.

1. Increased CIP budget and number of projects. Three elements combined to increase the budget and size of our annual CIP. These new elements have included, a) completion of Comprehensive Water System Plan with expanded project list, b) completion of Comprehensive Sewer Plan update with expanded project list, c) implementation of increased Transportation Impact Fees.
2. Staffing shortfall caused by nationwide shortage of licensed engineers. Over the last four years consultants and municipalities have noticed a decline in the number of qualified engineer candidates. Kirkland was able to hire engineers with little problem until 18 months ago. Since then, we have held three unsuccessful recruitments and have been 1.5 engineers short of our budgeted positions.
3. Staffing of external and regional projects. The staffing demands for our participation in regional projects exceeded our estimates. Specifically, the I-405 Nickel projects, the Sound Transit NE 128th overpass, and the Downtown Transit Center required more coordination from our engineers than anticipated.
4. Staffing of internal projects The City internal projects such as Public Safety Building Study, Tenant Improvement (TI) Projects for the Police and Information Technology Departments required more engineer time than we anticipated.
5. Increased Surface Water and Fish Passage requirements Over the last several years Salmon Recovery programs, wetland protection regulations, and fishery standards have increased the intensity and scope of permitting requirements. These requirements have delayed some of our Surface Water projects.

In order to address this serious issue, we are recommending to the Finance Committee that we adopt the following strategy. Each of these points is intended to address the five elements noted above.

1. Limit our annual capital program 'promise' to \$14 M for 2009-11. As noted earlier we can complete about \$10 M/year in projects with existing staffing. We intend to increase that to \$14 M/year with the additional steps noted below. This completion level will enable us to finish the \$21 M backlog of projects and complete those projects started in 2008. In 2012 we would begin adding new projects.
2. Fill existing vacancies. There are currently 1.5 vacant engineer positions in the CIP Division. We propose to hire Neighborhood Outreach Coordinator Kari Page as a .5 Community Outreach position. This would allow existing engineers to focus efforts on technical duties. We would also proceed with hiring 1.00 Project Engineer. Our intent is to research and implement 'best practices' from other cities and consultants in hiring and retaining engineers. Both of these would be implemented immediately.

3. Add 2.00 new staff We understand this to be a difficult proposal given the City's budget condition. Public Works has been asked, like other Departments, to make reductions to account for both less revenue and to cover one-time programs. Consequently, we would request these positions only if we can charge them 100% to the CIP or if Public Works can identify savings to offset the General Fund impact. One position would be an Inspector to reduce the inspection/coordination work of existing engineers. The second would perform administrative work for all the engineers to increase their available time to manage and complete their projects.
4. Insure critical projects and maintenance have priority. We propose to complete the \$21 M backlog, complete the projects started in 2008, and from 2009-11, increase the annual overlay to an average of \$2.3 M/year, and continue with maintenance and safety programs like Emergency Sewer, Street Striping, and others. We would also average approximately \$1.1 M in Non-Motorized consistent with 2007 Council direction. We would also complete over \$3M/year in capacity projects.

A summary of the above strategies is noted below:

- ✓ Hiring 1.5 vacant positions
- ✓ Recommend 2.0 new positions through the CIP Budget process
- ✓ For the next three years, 2009-11, the CIP program will:
 - Complete the \$21 M backlog of transportation, water/sewer, and surface water projects
 - Complete all projects started in 2008
 - Complete an enhanced Maintenance program that increases overlay from \$1.8 M to \$2.5 M for two years and \$2.0 M for one year, adds a fully-funded striping program of \$ 250 K/year, and continues the \$200 K/year sidewalk program.
- ✓ Each year between 2009-11 \$14 M worth of projects will be completed. Of this amount, approximately 65% will be transportation projects and the remaining 35% is comprised of water, sewer and surface water projects. (Note: of the \$21 M backlog, \$11 M is from NE 85th Transit and Underground project)
- ✓ Beginning in 2012, continue enhanced Maintenance and resume adding new projects to the CIP.

We are also aware this has several potential consequences. Below we have provided a partial list of issues for discussion now or during the budget process. The Finance Committee may have additional issues for us to address at the future City Council Study Session.

- a) How does this impact our Capacity List, Impact Fee Collection, Concurrency or the Comprehensive Plan?
- b) How does this impact projects like the 3rd/Kirkland Signal, 68th/108th Intersection, NE 85th and NE 120th?
- c) How does this impact future Water and Sewer rates?
- d) Will this proposal diminish our infrastructure maintenance and reliability?
- e) How does this impact opportunities like grants or the pending Non-Motorized and Intelligent Transportation System (ITS) Plans?
- f) How does this impact the 2007 Council decision to increase the City's Non-Motorized commitment?

Summary of Recommendations for Future Actions

1. Direct staff to propose a CIP which completes existing project backlog, including those started in 2008.
Who: Finance Committee
2. Direct staff to propose a CIP with enhanced street maintenance program **Who: Finance Committee**
3. Direct staff to provide quarterly reports to Council on project delivery beginning 2009. **Who: Finance Committee**
4. Proceed with hiring .5 Outreach Staff and 1.00 Professional Engineer in accordance with existing budget
Who: Public Works Department
5. Propose 2.00 new positions in the CIP, 1.00 Inspector and 1.00 Administrative staff, contingent upon full CIP cost allocation **Who: Public Works Department with City Manager concurrence**

Information Technology CIP White Paper

Background

As the digital age has made electronic tools essential to the provision of good governance and raised citizen expectations for communication and direct services, the cost of maintaining and supporting the infrastructure needed for IT has also grown. Over the past ten years, we've added staff, servers, network locations and bandwidth, and new systems. We've also changed how we work so that most employees depend on access to a computer for at least parts of their jobs.

While some costs have gone down, such as desktop computers, the overall cost of service has increased as qualified staff have become more expensive, information security and privacy have emerged as tough business issues, IT regulation has increased, and technology has crept into more corners of the work that we do, including most aspects of our internal and external communication. Technology costs are split across operating and capital funds.

Overall comments on the 2009-2014 CIP

We looked closely at a number of overall issues with this CIP. Changes include the following:

- We moved funding for two staff members who had been funded from the CIP into the operating budget and thus into rates. This includes an Applications Administrator position that had been one-time funded for four years. The projects that this position supported in the CIP will require this level of ongoing support for day to day operations. The second position is for a GIS Analyst (historically funded via the CIP) who is needed to help maintain the growing amount of spatial data that the city uses in its day to day operations.
- We moved the 2009 funding for the eCityGov Alliance (which is our regional e-government initiative) from the CIP into the operating budget.
- We cut out less important projects and some contingency money.
- We eliminated the Public Access CIP, which had been use primarily for the eCityGov Alliance and for smaller projects as they came up. We cut the smaller projects for now based on the budget situation, following the logic above where we removed much of our contingency money.
- We moved some projects from funded to unfunded status. These were largely projects that were further out and less defined, such as email archiving.
- We moved some project dates out to more closely match our staffing resource availability.

Taken together, these actions let us address the two one-time funded positions mentioned above two in a responsible way, preserve funding for our most important in-process projects, and to keep critical technology infrastructure replacements and projects.

Description of Individual Projects

Geographic Information Systems

Geographic Information Systems have become critical to the day to day operations of the city. Police and Fire dispatch (whether provided by us or others) depend on GIS data for the incident responses and emergency preparedness. Utilities need GIS data to develop maintenance plans and to understand the upstream and downstream consequences of changes in the complicated network of pipes, valves, pump stations, retention ponds, etc. they manage. Planning uses GIS to explain zoning, to comply with state-mandated Growth Management Act regulations, to help understand the impact of various decisions, and to protect our natural resources. Finance and Administration uses GIS to optimize utility meter reading routes, to manage the city-owned cemetery, and to analyze fiscal impacts of city decisions such as annexation. The City Council uses GIS to help them make policy decisions about a variety of topics. Information Technology uses GIS to record and locate fiber optic networks. In other words, GIS supports operations and strategic decision making.

While the GIS CIP was cut to move some funding to operating funds for the GIS analyst, GIS is considered an important strategic tool, and much of its funding was retained. Some projects were extended over more time, contingencies were cut, and we have found opportunities to save money through regionalization. For example, we reduced the cost of ortho-photography by joining with other cities.

The GIS CIP is partly funded by utilities, and is an “ongoing” CIP in the sense that it is not considered a project with an end date, but rather the capital portion of an important program. Nearly all of these projects were driven by the GIS Strategic Planning Process.

Productivity Tools - Process Automation, and GIS Data Maintenance/QC Tools

Data maintenance and quality control (QC) represent a significant portion of the GIS Division’s workload. Some of our CIP projects ensure that these repetitive procedures are automated to the extent possible, saving valuable GIS staff time, reducing redundant work, and improving data quality in shorter turnaround times.

Field Access to GIS Phase II

This project, initially focused on the surface water and sanitary sewer utilities, is expected to benefit other street infrastructure needs largely by significantly reducing time spent in unnecessary data entry and providing staff with information when and where they need it.

System Integration

This project links GIS with a number of business systems including permitting, asset management, utility billing, cemetery management, and public safety dispatch. This is one of the most requested projects for GIS in the next several years.

GIS Technology Infrastructure Replacement

Technology infrastructure components - specifically software, hardware, and peripheral devices - must be upgraded and/or replaced on a set cycle. Like the network infrastructure, this is currently funded through the CIP.

3D GIS

The project will create a virtual model of the city, or parts of the city, using digital terrain models, building footprints, tree inventory, building textures, window treatments, sidewalks,

and other layers to demonstrate how a development (e.g., a new commercial or office building) or policy (e.g., zoning code, Comprehensive Plan, etc.) will impact the city. Council, staff, and the public will also benefit from the ability to see the impacts of decisions before the decisions are made; e.g., how will a major street widening impact a neighborhood.

Environmentally Sensitive Areas

The Growth Management Act requires all counties and cities in Washington to adopt development regulations to protect designated environmentally sensitive areas. The current inventory of critical areas GIS data is not meeting the requirement of helping the city comply with state and federal regulations. The overall benefit of this project is to enhance decision making and analysis capabilities in permitting, development review, and code compliance.

Orthophoto Updates

Virtually all city departments use the high resolution orthophotography data as a base map, for planning emergency response, for inventory of existing assets, for CIP projects, for future parks planning, and for high-quality exhibits to communicate with the public concerning city projects or issues.

Data Development Consulting

This category of funding was cut, but not entirely eliminated as there are significant data needs still unmet in the GIS program.

Internal GIS Browser Phase II

The internal GIS Browser has brought GIS data access and functionality to all staff connected to the citywide communications network. The resulting positive impact on city services, staff workload, and product quality should be recognized by ensuring the ongoing upkeep of this resource. Users have indicated the need for further GIS Browser enhancements, such as additional data layers (for example, from permitting, asset management, dispatch, and utility billing) that will be refreshed nightly, plus productivity tools such as address list creation, dynamic addressing, specialized reporting, network tracing and redlining tools, all capabilities identified as high priority by many users.

Public GIS Browser Customization

This project represents the Kirkland contribution to the eGov Alliance effort to develop a regional GIS browser application. Other than this portal, Kirkland does not directly distribute its GIS data to the Internet.

Permit Plan System Replacement

Our current permitting system has been running well for us for nearly twenty years. This is one of the largest systems we support, with users in Fire and Building, Public Works, Planning, and Finance. It handles almost all of our permits and inspections as well as business licensing. It is integrated with GIS, the eCityGov Mybuildingpermit.com product, and other city systems. The vendor has not officially announced a retirement date for the system, but they are encouraging people to move to another system of theirs, which does not appear to meet our business needs for integration with the eCityGov Alliance products and which has high ongoing costs. We are working with other eCityGov Alliance cities such as Bothell, Woodinville, SeaTac, Issaquah, and others to develop joint requirements and go through a regional purchasing process. The funding for this project comes from the Major Systems Replacement Reserve.

Since these CIP numbers were put together, we have received preliminary results of a consultant report which includes anticipated costs, and we are almost a million dollars shy of

the amount they expect we will need. We have not had time to address this issue in detail yet, nor do we have the final report. As Dave often says, "stay tuned."

Records Management System

This in-process project represents one of the largest single investments the city has made in technology for some time. It is a complex multi-year project that will not be considered "finished" until the end of 2010, which is actually somewhat optimistic. This software will eventually be used by almost everyone in the city with a computer, it will be integrated with our Intranet and our Internet and with our GIS systems. While the primary driver is about compliance with regulations regarding records, the project yields a number of benefits:

- It provides a self-service portal for citizen access to public records. This portal launched in 2008 with ordinances and resolutions, and is intended to eventually contain many commonly requested public records,
- It will help us manage the increase in electronic records that need to be kept track of and help us meet both traditional records management rules and laws, but also to meet the requirements of the new digital WAC.
- Through workflow, it will help us manage the routing of complex and critical documents. For example, we are now using it for contracts. As we implement additional workflows in the future, it will present us with a unique opportunity to examine and improve business practices.
- A full-time project manager is required for success, and that position is included in the CIP funding as a temporary position for 2009 and 2010 only. Note that an ongoing 1.0 business-side FTE is anticipated to be needed in the future.

Finance and Human Resources CIP

The Finance / Human Resource system, IFAS, has always been an integral part of the daily operations of the city. New tools and processes are improving the way department representatives use the system to complete purchasing, budgeting and personnel tasks. City Council and city management use the reporting from the system to make policy decisions regarding budgeting, new revenue sources, annexation and contract negotiations.

The Finance / Human Resource CIP was cut to move some of the funding to the operating fund for the staff support of the system.

The Finance/HR CIP is an "ongoing" CIP in the sense that it is not considered a project with an end date, but rather the capital portion of an important program. Many of these projects are driven by the Core Finance and Human Resource / Payroll Best Practice reviews.

Core Finance and HR/PY Best Practice Review Process Improvements

A Core Financial Best Practice Review was performed in December of 2006 and a Human Resources/Payroll Best Practice Review performed in November of 2007. As a part of these reviews a number of process improvement projects were identified. Several projects have been completed, resulting in significant efficiencies, data accuracy and improved internal controls. Remaining projects will continue to address process improvements.

Accounts Receivable

A centralized Accounts Receivable policy and system will help with consistent collection and reporting of outstanding monies. As part of this implementation, the IFAS Cashiering module

will be evaluated to replace the Springbrook cashiering module, which will improve integration of cash and receivable functions, and reduce annual support costs.

Business Intelligence Reporting Tool

Departments rely on general fund and capital budgeting reports to monitor the status and balance of budgets. Human Resources and Managers rely on personnel data to make requisition, collective bargaining and policy decisions. As questions about budgeting, personnel funding, and policy decisions become more complex the existing custom report writing tool is stretched to its limit. The Business Intelligence Reporting tool now available from the finance vendor leverages the OLAP (Online Analytical Processing) environment. This allows for a multidimensional, conceptual view of the finance and human resources data providing a better tool for business modeling, forecasting, and analytics.

Replace Finance Server / Migrate to SQL Server

Most application servers are part of the Network CIP, however, due to the complexity and cost of the finance server, its replacement is budgeted in this CIP. We replace the finance Unix server approximately every 5 years, although the timing is sometimes influenced by other finance projects.

Scaling: Additional Webservers and User Licenses

As additional users are added to the finance system the processing burden increases for the web client and Employee Online. Additional webservers will be needed to ensure productivity for all users. Our current user license for the IFAS system is based on 40 concurrent users. As we add additional users we will need to increase our concurrent license pool.

New Modules: Professional Development, Form Designer and Project Allocation

New modules released by our finance system vendor are designed to enhance the web client and processes. Professional Development is an HR module designed to allow training offerings, class sign-ups, instructor evaluations and integration with the existing HR training module. Form Designer is a tool to design custom web screens for use in the web client.

Fire RMS System Replacement

This is one of the projects funded through the Major System Replacement reserve. At this point, the FireRMS system will soon be the responsibility of NORCOM. We believe that 2011 is a reasonable time frame for this implementation to occur, and this could end up funding our portion of the capital costs for a new, regional fire records system. If NORCOM finds other funding sources, then this money can be reprogrammed against other systems replacements with are underfunded. In the meantime, we did not want to cut it because this is a critical public safety system. Note that this amount of money is a pretty rough guess at this point, and the dynamics of the NORCOM system selection and it's affect on the costs of FireRMS are not yet clear.

Local and Wide Area Networks

The City's local and wide area networks (supported by the Network and Operations Group) include the servers that run the city's application software such as finance, permits, parks, and many others, the wires and routers and switches that connect all of the computers and servers together, the fiber optic networks that connect the city's buildings together, the wireless networks in every building and downtown, the telephone system, and centrally shared software like email. It also includes the security software and hardware that helps protect us from viruses, malware, and hacker attacks. While the annual maintenance fee and

support staff for this equipment is all in the operating budget, the equipment replacement is done through the CIP, as are major upgrades and additional projects.

Server replacements

Every year, some money is set aside to replace aging servers. As a cost-cutting strategy, we did move selected replacements out in time so that some servers will be replaced every four years instead of every three years. We currently have sixty-five servers that vary in size and cost significantly.

Fiber Optic Network

The city participates in a regional fiber-optic network project with other cities, the University of Washington, the Lake Washington School district, and Evergreen Hospital. The fiber network has been used:

- to connect our buildings faster and at lower ongoing costs than leasing lines from telecommunication companies,
- by King County intelligent transportation systems and as part of our intelligent transportation systems money
- to connect our wireless network downtown back to city hall so users can access the internet

Typically, this network is expanded as opportunities arise, and we retained some funding to do that.

Upgrade/Replace Phone System

The phone system hardware will be at its end of life for vendor support and will need to be replaced. This will actually happen twice across the six years of this CIP, once in 2009 and again in 2013. Note these are not full-scale replacements of phone sets and numbers and logic, but only software upgrades and server upgrades.

Replace Network Communication Infrastructure

Includes routers, switches, firewalls, and wireless access points. We only replace this equipment when it either fails to function or it has reached its end of life for vendor support. We currently have thirty switches, eight routers and four firewalls. Anytime a new location is added to the network, new equipment is also added.

Core Switch Replacement

The core switch is where we plug in all of the network file servers, desktop computers, phones and other miscellaneous network equipment so they can all talk to each other. This project will replace aging equipment, increase the port count (number of devices we can plug in), provide better redundancy and fault tolerance, and better distribute the heat load in the server room.

Network Security Assessment

Periodically, we have a network assessment performed by an outside firm that evaluates our resiliency against attack.

Strong Authentication

This is a project to increase the security of our remote network authentication.

Storage Area Network Replacement

The SAN (Storage Area Network) is large storage device for network data which is shared by most of the city servers. This piece of equipment was purchased in 2007 and has an end of life in 2012.

Upgrade/replace Network Backups

The hardware that performs network backups will be at its end of life for vendor support and will need to be replaced.

Upgrade/replace wireless access points in city buildings

The hardware that provides wireless networking in all of our conference rooms, in the Council Chamber, and in other remote locations will be at end of life for vendor support and will need to be replaced. We currently have forty-five of these in city buildings which are included in this project, and fourteen that are part of the Kirkland Free Wireless project, which do not currently have a replacement funding source.

Disaster Recovery Improvements

If the city were to experience any form of unexpected event that meant we lost access to our servers and server room, or that they were damaged and not usable, the only system we currently have adequate backup and recovery procedures for is the finance system. City staff could potentially lose access to GIS, email, the internet and intranet, and other types of systems. We had some money programmed for 2008, much of which had to be re-purposed to deal with potential infrastructure failures in our server room by moving some systems and associated hardware off-site. The money we currently have programmed in this CIP is not enough to get all of our systems adequately protected against a disaster, but we are hopeful that it will help protect our most important systems.

Help Desk Clientele System Replacement

Our current Help Desk system is nearing its end of life, and the project to replace it will be started in 2008. We actually added a little bit of money to 2009 since we plan to adopt the new best practices widely in use for Help Desk management (ITIL) and will need to train staff. The funding for this project comes from the Major Systems Replacement Reserve.

Recreation Registration System Replacement

The CLASS recreation system that manages our online and over the counter sign-up for classes, our facilities, and interfaces with the eCityGov Alliance MyParksandrecreation.com product is aging. It has had poor vendor support, is not yet PCI compliant (compliant in credit card transaction handling from a security viewpoint) and does not have the flexibility that we want to allow further regionalization of our business practices in this area. Like the permit system replacement project mentioned above, this system acquisition is likely to be a joint project with other cities in the eCityGov Alliance.

The funding for this project comes from the Major Systems Replacement Reserve.



CITY OF KIRKLAND

Department of Public Works

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MEMORANDUM

To: David Ramsay, City Manager

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

Date: June 30, 2008

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 bulbs¹. Typically, instead of replacing entire light fixtures, existing fixtures can be retrofitted with new electronic ballasts² 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 Peter Kirk Community Center and two Fire Stations are in the 2009 CIP. Puget Sound Energy has rebate programs for energy-efficient replacements such as lighting and the City utilizes these programs where possible.

The City has signed an Interagency Agreement with the State of Washington General Administration Office for project management services for improving energy efficiency at the Peter Kirk Community Center (PKCC). The plan, in conjunction with a budgeted lifecycle capital improvement project, is to replace

¹Fluorescent 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.

²Ballasts are devices that regulate voltage and current supplied to fluorescent lamps during start and throughout operation.

existing heating/ventilation/air conditioning equipment with a system that is much more efficient. The recommendation currently under review is to use ground-source heat. Another option is to link PKCC and the Peter Kirk Pool. More will follow as this project progresses.

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. 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).

Renovation of the City Hall Annex (occupied until recently by Hopelink) is in the design stages with a plan to begin construction in fall 2008. Staff interest and the direction of Council are to preserve the historic integrity of the building and pursue LEED certification. There is a LEED specialist on the design team and it appears likely there will be some level of certification for the 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).



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MEMORANDUM

To: David Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration
 Marilynne Beard, Assistant City Manager

Date: July 24, 2008

Subject: Facilities Planning and Financing Update

The 2009-2014 Preliminary CIP includes two significant facilities projects intended to relieve overcrowding at the City Hall and Maintenance Center facilities. Major facilities projects require several years to plan in addition to design and construction. The following memo summarizes the two primary projects and summarizes the proposed financing plan presented last year to the City Council. Staff would like to proceed with preliminary work related to the public safety expansion of City Hall using existing grant funding.

PUBLIC SAFETY EXPANSION AT CITY HALL (CGG 0035 000)

The present City Hall facility, including the Public Safety portion, was originally built in 1982 and expanded in 1994. The 1994 expansion was expected to accommodate ten years of growth. The City Hall facility is now at capacity and two departments were moved to another facility (505 Market) to relieve overcrowding in City Hall. Over the years, the City was able to acquire the properties to the south of City Hall (now rental properties) with the intent of completing a future expansion of the City Hall/Public Safety campus. It is anticipated that the construction of this project would occur in the next 5 years. The following amounts are shown as "funded" in the 2009-2014 Preliminary CIP.

2009	\$3,000,000 – Design
2010	\$6,592,000 – Design
2011	\$11,632,800 – Construction
2012	\$11,981,800 – Construction

This project replaces the existing project in the 2008-2013 CIP (CGG 0013 001), the Public Safety Campus. As originally scoped, the Public Safety Campus would have housed the Police Department, Jail, Court, and possibly Fire Administration and was based on the potential annexation and need for significant new facilities. Funding for this project was from a state grant. Phase I of this project would have included design activities and, potentially, property acquisition (up to \$750,000). A feasibility study was completed and the Council subsequently determined that annexation would need to be placed on hold. We are assuming that the remaining state funding will be available to assist with the design activities related to meeting the City's public safety needs at City Hall.

Since the City is not proceeding with annexation of the PAA at this time, then planning needs to begin for an expansion of the current City Hall facility. The expansion would primarily house public safety functions with the exception of the Municipal Court which would remain offsite. The area vacated in City Hall would be used to

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consolidate functions such as Human Resources and Parks Administration that are currently located at a separate facility (505 Market).

Finance identified potential funding sources last year and a summary of those sources, as presented in December 2007, is included later in this memo. At this time, staff is recommending that we begin the process of updating and defining the conceptual plan for the City Hall expansion project prepared by McLaren Lawrie Associates in 2002.

MAINTENANCE CENTER EXPANSION

The present Maintenance Center complex in its current configuration was constructed in 1989. The Maintenance Center facilities are insufficient to serve all of the needs for personnel support, vehicle/equipment parking, materials storage and shop space. A study was conducted in 2003 and included recommended interim remodels that were completed in 2005 and 2006 to capture all available space for office use (the project enclosed a vehicle bay for Fleet offices and converted the lobby in the Administration building to office space). The existing property has been maximized so adjacent properties or a new site would likely need to be acquired for expansion. Phase I of the proposed project is included as a "funded" project in the preliminary CIP and would involve a feasibility study and pre-design work for an expansion. Phase II, which is currently shown as "unfunded," is design and construction of the expansion project.

CGG 0037 001 – Phase I:
\$50,000 – Planning/Design (Feasibility Study) in 2010

CGG 0037 002 – Phase II:
\$3,000,000 – Planning/Design/Engineering
\$12,000,000 – Construction

As an interim measure, staff is in discussions with the King County Housing Authority which owns property at 1129 8th Street, adjacent to the existing Maintenance Center. This building recently became vacant and is available for rent. The building has 8,856 rentable square feet (2,638 square feet office and 6,218 square feet of warehouse). Operating department staff are evaluating the suitability of the space and Finance staff is evaluating the budgetary impact and potential funding sources.

FACILITIES FINANCING PLAN

In December 2007, an overview of the potential financial resources that could be available to finance the City's facilities needs was provided to the City Council. The summary below contains the highlights from that briefing as context for reviewing the expansion needs at City Hall (including Public Safety needs), as presented in the CIP. As noted in the earlier report, it is important to recognize that a detailed financing plan based on the specific facility costs and timing will be developed based on the results of more detailed planning efforts that will be undertaken.

The major assumptions in this evaluation include:

- The potential funding options identified below reflect the use of current revenue sources.
- Sources are assumed to be applied to councilmanic (non-voted) debt. If voted debt is an option, it would be in addition to these sources since it would be accompanied by a new excess levy (new revenue).
- Debt calculations assume 30 year bonds at 5% interest (the Finance Committee has reviewed revised debt management policies that would provide for debt with a term of more than 20 years; these policies are expected to be brought to the full Council later in the year).

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The potential resources identified as available are:

Cash Resources

- *Available capital reserves* of \$5.8 million have been identified as available, comprised of \$2.6 million in REET 1, \$2.4 million in the Building and Property Reserve, and \$0.8 million in the Facilities Expansion Reserve.
- *Grant Funding* of \$750,000 has been made available by the state grant for Phase I planning and design funding related to facilities to meet public safety needs.
- *Potential sale of 505 Market St. building* may be considered if a major expansion of City Hall is undertaken. An earlier evaluation of facilities funding (January 2006) contained an estimate of proceeds from such a sale at \$2 million, which could logically be put toward new facilities costs. If the space provided by the 505 building becomes part of the facilities solution, this funding source would not be available. Note that the debt associated with this facility was retired at the end of 2007.
- *Projected Facilities Sinking Fund balances* related to existing impacted facilities may be available if planned projects are incorporated into the expansion projects. Sizing of this potential cash resource is dependent on the location and schedule for expansion and will be estimated as more detailed facilities needs become available.
- *Unspent portion of current near-term police facilities projects*, estimated at approximately \$800,000, could be available if the planned expenditures would be included in the public safety elements of the expansion.

In total, identified cash resources fall in the \$7.3-9.3 million range, assuming that no other expenditures are authorized against these balances.

Revenues to Support Debt

- *Revenues supporting current debt:* The annual debt service on councilmanic bonds is currently being paid from a variety of general revenue sources. The current outstanding principal balance on this debt is \$11.1 million. 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. By 2021, all of the outstanding non-voted G.O. debt will be 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. The City could issue up to \$18.7 million in new bonds by “wrapping” new debt service around the existing debt service resources as the debt retires and using approximately \$4.2 million in reserves to make interest only payments until the existing debt retires.
- *Potential commitment of future REET1 revenues:* Until recently, REET 1 collections have been far in excess of budgeted amounts. Evaluating the 10-year history, it may be possible to commit an additional \$300,000 per year to facilities debt, which would service approximately \$4.5 million in borrowing. Before such a commitment is made, it will be important to recognize the cyclical nature of these revenues.
- *Court lease payments:* The Municipal Court currently makes lease payments averaging about \$210,000 per year (base rent) and the lease term ends in 2011. If the Court were to be incorporated into the City Hall complex, this revenue stream could be available to service additional debt after the end of the term or earlier if a sublet is secured. These revenues could support an additional \$3.2 million in borrowing.
- Another potential resource might be *contributions/participation of City utilities* and other fee-generating activities. Before a dollar estimate can be made for this source, the extent to which the facilities needs will serve functions with dedicated revenues sources would need to be determined.

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Total debt that could be supported from identified revenues is in the range of \$25 million, assuming use of \$4.2 million in reserves to make initial interest only payments.

The table below summarizes the potential resources identified at this stage:

Potential Resource	Total
Available Capital Reserves	\$5,832,874
Public Safety Grant	750,000
Potential 505 Market Sale	2,000,000
Potential Savings on Police Projects	800,000
Debt Supported by Retiring GO Sources	18,700,000
Less: Reserves for Interest Only Payments	(4,200,000)
Debt Supported by \$300,000 of REET	4,500,000
Debt Supported by \$210,000 Court Lease Payment*	3,200,000
Potential Available towards Facilities	\$31,582,874

*Only available if Court is included in the public safety expansion.

Initial estimates based on current assumptions are that identified revenue sources could support facilities costs of \$25-32 million, made up of a combination of debt and cash resources. More detailed estimates and strategies will be developed as needs are identified and further costs become available. In addition, any increases in operating costs associated with new or expanded facilities will need to be factored into the operating budget.

The extent to which the Council is comfortable committing these resources is a discussion that will be pursued as additional details on costs and timing for facilities expansion are available. As mentioned earlier, revisions to the debt management policy took place with the Finance Committee in the Spring, with recommended changes expected to be brought forward for consideration by the full City Council later this year (well in advance of any potential debt issues).