



**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
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## MEMORANDUM

**To:** David Ramsay, City Manager  
**From:** Tracey Dunlap, Director of Finance and Administration  
**Date:** April 24, 2009  
**Subject:** Annexation Resource Needs

At the April 7 Special Meeting, the City Council passed a resolution to submit a notice of intention to the King County Boundary Review Board to place the question of annexation of Kirkland's Potential Annexation Area (PAA) on the November 2009 General Election ballot. There are a variety of tasks that need to be carried out by City staff on a strict timetable and, to accomplish those tasks, additional resources are necessary. The tasks include:

- Brief staff and the City Council on Public Disclosure Commission rules regarding pre-election annexation communication;
- Complete the PAA zoning and hold hearings;
- Prepare for and attend Boundary Review Board Hearing, including securing letters of support from other agencies;
- Meetings with other agencies (King County, 3 Fire Districts, 2 Utility Districts, and Parks District) and Interlocal Agreement negotiations;
- Update and develop Communications Strategy;
- Financial analysis and planning tasks (cash flow forecasting, state sales tax credit implementation, facilities financing, etc.);
- Election process planning and implementation;
- Understanding the authorizing environment and prepare documents.

City staff has identified the following resource needs to address these pre-election tasks:

- Temporary budget analyst position from 6/1/09-12/31/09. The position would be used to backfill senior Finance resources and Intergovernmental Relations Manager tasks (performance measurement), to provide capacity required for those positions to focus on annexation analytical tasks and implementation planning. Annexation financial tasks include developing the initial cash flow forecast for use in developing a recommended

effective date, establishing the state sales tax credit process and record-keeping requirements, month-by-month implementation planning and cost analysis, facilities financial planning based on updated costs from the needs assessment, interlocal agreement financial support, etc. Amount of Request: \$50,000

- Professional Services - Outside legal counsel to advise on the election process (\$3,000) and financial consulting support, primarily related to the fire district analysis and state sales tax credit record-keeping requirements (up to \$7,000). Amount of Request: \$10,000.
- Administrative Support to annexation coordination and communications functions. The CMO Administrative Assistant currently maintains the annexation webpage, monitors incoming correspondence, coordinates and records minutes as needed for all annexation meetings including intergovernmental meetings, assists in preparation of documents and public informational brochures and coordinates distribution, and coordinates community meetings. The Administrative Assistant's hours would be supplemented with hours from the Executive Assistant as needed. Amount of Request: \$32,000.
- Communications Support for the production and mailing of one information flyer to the annexation area and one full-page ad in the Kirkland Reporter regarding annexation. The Kirkland Reporter is distributed to all Kirkland and PAA residents. The informational flyer would be mailed directly to addresses in the PAA and will focus on information needed by residents prior to the annexation election. Amount of Request: \$10,000.
- A temporary IT resource is requested to assist with timely implementation of a required upgrade to the City's financial system. It is essential that this upgrade be completed by the end of the year to allow the City to be prepared for the budget process necessary to implement annexation and track the expenditures in a manner that supports the state sales tax credit requirements. IT proposes to temporarily work 0.75 FTE of a Help Desk position out of class for 6 months to assist with the upgrade and backfill the Help Desk with an intern to maintain current Help Desk services. Note that the funding source for this request is IT cash. Amount of Request: \$23,000.
- The current level of development activity in the Planning Department has slowed considerably. If activity and revenues do not increase, it is likely that Planning would need to reduce its staff by mid-year. Given the additional workload associated with annexation, a full-time planner position will be re-directed toward annexation tasks through the end of 2009 (4/1/09-12/31/09), which will also help preserve trained resources for the near future. While there is no net impact to the General Fund budget for this reallocation, an adjustment of the budget to reduce the 2009 planning revenue projection and reduce the Non-Departmental contingency is recommended (which in effect backfills for a portion of the current shortfall in planning revenues). The dollar amount of these adjustments is \$75,000.

Funding for the requested resources is recommended from the Non-Departmental contingency reserve. As described in the October 30, 2008 budget presentation, this reserve was increased as part of the 2009-2010 adopted budget from the typical amount of \$50,000 to \$580,000 in anticipation of the likelihood of unforeseen expenditure needs given the budget reductions. In addition, IT cash reserves are recommended to fund the IT portion. To summarize, the following budget adjustments are recommended (a fiscal note is attached):

<b>Request</b>	<b>Amount</b>	<b>Source</b>
Budget Analyst	\$ 50,000	Line item transfer from Non-Departmental contingency
Professional Services	10,000	Line item transfer from Non-Departmental contingency
Administrative Support	32,000	Line item transfer from Non-Departmental contingency
Communication Support	10,000	Line item transfer from Non-Departmental contingency
Temporary IT Resource	23,000	Line item transfer from IT Cash reserves
Planner Reallocation	<u>75,000</u>	Backfill through reduction in Planning revenues offset by Non-Departmental contingency
Total Requests	\$200,000	Net Impact on General Fund is reduction in appropriation of \$75,000

Two other adjustments have been approved from the Non-Departmental contingency so far this year:

- As described in the memo and fiscal note in the packet for the 4/7/09 Council meeting, an adjustment to the budget for the Verizon franchise negotiations/Title 26 update of \$20,000 was approved.
- In late March, the City Manager approved an extension through May of the ICMA Fellow position, which would have expired on 3/31/09, from the Non-Departmental contingency (\$13,500).

Taking into account these adjustments and the recommended transfers for annexation, the balance in the Non-Departmental contingency would be \$369,500.

# FISCAL NOTE

CITY OF KIRKLAND

Source of Request							
Tracey Dunlap, Director of Finance and Administration							
Description of Request							
Request funding of \$177,000 from the General Fund Contingency for resources needed to complete work leading up to a vote on annexation in November 2009. Additional work is needed to get through the Boundary Review Board process, analyze cash flows from expected revenues, negotiate interlocal agreements with several special districts, etc. This work needs to be completed on a very tight timetable and additional resources are needed to complete the work, or backfill current staff who will be pulled off of their regular responsibilities while they complete the annexation work.							
Legality/City Policy Basis							
Fiscal Impact							
The resources request totals \$200,000 with \$177,000 funded from the General Fund Contingency and \$23,000 funded by IT reserves. In addition, a reduction will be made to Planning revenues in the amount of \$75,000 for the Planning resources request. This revenue is backfilled by the reduction in the contingency.							
<b>One-time use of \$177,000 of the General Fund Contingency.</b> The reserve is able to fully fund this request.							
Recommended Funding Source(s)							
<i><b>Reserve</b></i>	Description	2010 Est End Balance	Prior Auth. 2009-10 Uses	Prior Auth. 2009-10 Additions	Amount This Request	Revised 2010 End Balance	2010 Target
	General Fund Contingency	580,000	33,500	0	177,000	369,500	50,000
	2009 Prior Authorized Uses include \$20,000 for additional funding to complete the Verizon franchise negotiations and an update to Title 26, and \$13,500 to fund an extension of the ICMA Fellow position to complete budget and performance measurement projects.						
<i><b>Revenue/Exp Savings</b></i>							
<i><b>Other Source</b></i>							
Other Information							

Prepared By	Sandi Hines, Financial Planning Manager	Date	April 24, 2009
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