



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
George Dugdale, Financial Planning Manager
Robby Perkins-High, Financial Planning Supervisor
Andrea Peterman, Budget Analyst

Date: June 10, 2021

Subject: **2021-2022 Budget Adjustment: Mid-Year Adjustment and CIP Project Closures**

RECOMMENDATION:

Council approves the attached ordinance adjusting the budget for the 2021-2022 biennium.

BACKGROUND DISCUSSION:

This memo addresses recommendations concerning mid-year budget adjustments for unanticipated needs and recognizing additional resources.

State law prohibits expenditures from exceeding the budgeted appropriation for any fund and requires the City to adjust appropriations when:

1. Unanticipated revenue exists and will potentially be expended;
2. New funds are established during the budget year which were not included in the original budget; or
3. The City Council authorizes positions, projects, or programs not incorporated into the current year's budget.

It is the City's practice to amend the adopted budget at mid-year and year-end. Unless there is an immediate need, budget adjustments that represent ongoing increases to current service levels are generally not included in regular adjustments. Rather, they are submitted as service package requests during the biennial budget development and mid-biennial budget review processes. This mid-year budget adjustment allows for appropriation increases to reflect both unanticipated revenue and to recognize new positions and programs, notably the City's first distribution of American Rescue Plan Act (ARPA) funds and related expenses. In addition to changes in the operating budget, these adjustments provide an opportunity to close completed capital projects and to recognize the actual 2020 ending balances across the City's funds.

The total appropriation adjustments amount to \$10,222,929, largely due to recognizing American Rescue Plan Act (ARPA) 2021 funding, Federal and State reimbursements related to

COVID-19 actions and wildland fire deployments, and internal transfers related to capital project close-outs.

The budget adjustment summary (Attachment A) lists adjustments and appropriation changes by fund. Appropriation adjustments change the total budget and require adoption of an ordinance. The summary shows both line item and appropriation changes. Line item adjustments move budget authority within funds and are provided for reference and in many cases reflect uses of reserves. The adjustments are organized into the following categories:

1. Additional General Fund Appropriations Related to 2020 Year End Results and the American Rescue Plan Act (ARPA)
2. Council Directed & Previously Approved Adjustments Requiring an Appropriation
3. Other Adjustments Requiring an Appropriation
4. Line Item Adjustments Not Requiring an Appropriation
5. Capital Project Close-Outs
6. 2021 Resources Forward

1. Additional General Fund Appropriations Related to 2020 Year End Results and the American Rescue Plan Act (ARPA)

As discussed in the May retreat memo, adjustments in this category reflect both actual year-end General Fund performance in 2020, leading to additional revenue above expenses (\$5,951,716), as well as the City's first distribution of ARPA funds (\$5,077,997). In addition, this category recognizes revenue received in 2021 for activity completed in 2020, largely related to fire overtime. These appropriations total \$11,749,217 and are being considered as a single appropriation adjustment as there are potentially expenses within this category that will not qualify for ARPA funds and will be funded with the unreserved General Fund balance.

Table 1 below shows these adjustments broken to 1) delivering on the ARPA strategy, including the Summer Action Plan expenditures brought to Council in May (\$1,718,452), and 2) other uses of the additional General Fund balance (\$2,165,891) including consultant costs related to the fiscal analysis of the Station Area Plan. The 2020 Affordable Housing Sales tax adjustment recognizes revenue which was received in 2020 but budgeted in 2021 and adjusts the 2021 budget accordingly. The remaining balance of the revenue sources after these expenditures are added is \$7,864,874, and while the exact eligibility for ARPA funds is not yet known, it is the City's intention to seek reimbursement for as much of the \$1,718,452 and other eligible expenses as possible. Note that the ARPA reimbursements for eligible expenses in other funds will be receipted into the General Fund and then transferred into other funds, but they are shown below in the fund from which the expense will ultimately be made.

Adjustments related to the ARPA Strategy include recovery interns, a part-time accountant, a management analyst, and a Human Resources analyst, as well as seasonal salary increases, enhanced staffing, and programming expenditures for the City's Summer Action Plan. Details regarding the proposed purchase of a portable LED screen (\$250,000) as part of the Summer Action Plan can be found in Attachment B. The Lake Washington Boulevard Promenade pilot program (\$150,000) is outlined in Attachment C.

Table 1. Additional General Fund Appropriations Related to 2020 Year End Results & the American Rescue Plan Act

Recognize 2021 American Rescue Plan Act Funding	5,077,997
Additional Resources Forward/General Fund Balance	5,951,716
EMAC and WA DNR Reimbursements for 2020 Wildland Fire Deployments	416,806
FEMA Reimbursement Revenue for 2020 COVID-19 Related Expenses	302,698
Additional General Fund Appropriations Total	11,749,217
Delivering on the ARPA Strategy	
Immediate Investment	
Recovery Interns (9)	160,393
One-Time Program Coordinator for Community Building Event Oversight	104,548
Summer Action Plan - Seasonal Salary Increases	50,473
Summer Action Plan - Programs, Additional Staff, Supplies, Services	273,307
Summer Action Plan - LED Screen - <i>See Attachment B</i>	250,000
Summer Action Plan - Increased Bicycle Patrols	138,539
Summer Action Plan - Downtown Bike Parking/Wayfinding/Alt Routes	107,194
General Fund Total	1,084,454
Street Operating Fund (117)*	
Summer Action Plan - Seasonal Salary Increases	4,090
Street Operating Fund Total	4,090
Parks Maintenance Fund (125)*	
Summer Action Plan - Seasonal Salary Increases	7,708
Parks Maintenance Fund Total	7,708
Parks Levy Fund (128)*	
Summer Action Plan Enhanced Staffing - Lifeguards	32,222
Summer Action Plan - Seasonal Salary Increases	50,402
Parks Levy Fund Total	82,624
Information Technology Fund (522)*	
Recovery Intern (1)	17,821
Information Technology Total	17,821
Immediate Investment Total	1,196,697
Effective Management	
One-Time 0.5 Accountant - ARPA	99,560
One-Time Management Analyst - ARPA	212,027
Professional Services	25,000
Effective Management Total	336,587
Equitable Recovery	
One-Time HR Analyst (Equitable Recovery)	185,168
Equitable Recovery Total	185,168
Total Adjustments for ARPA Strategy	1,718,452
Other Uses of Additional General Fund Balance	
General Fund	
Professional Services Contract for Station Area Plan	479,067
Outstanding Station Area Plan Contract balance	55,000
Restore Professional Services budget offset by 2021-2022 Service Packages	100,000
Temporary Accounting Support for Finance & Administration	63,321
Replacement Fire Engine Modems	75,000
Agreement Dynamics Contract for Collective Bargaining Training	38,722
One-Time HR Analyst (HRIS)	84,854
One-Time HR Analyst (Policies)	212,805
Agreement Dynamics Contract	8,000
Parks Revolving Account for Rental House Operating Expenditures	37,897
Extension of One-Time Management Analyst (R-5434)	138,441
Lake Washington Blvd. Promenade Pilot - <i>See Attachment C</i>	150,000
One-Time Accountant	191,481
Deputy City Manager - six-month overhire	127,135
Resiliency Technology Officer - six months 2021	96,275
Replacement of Neighborhood Signs	64,415
2020 Affordable Housing Sales Tax	123,478
General Fund Total	2,045,891
General Capital Projects Fund (310)	
General Fund Working Capital for Parks Rental Houses' Capital Expenditures	120,000
General Capital Projects Fund Total	120,000
Other Uses of Additional General Fund Balance Total	2,165,891
Additional General Fund Appropriations Less Expenditures	7,864,874

* Funded from a transfer out of the General Fund (total transfer of \$112,243).

2. Council Directed & Previously Approved Adjustments Requiring an Appropriation

This category includes 1) adjustments directed by the Council through an informal action, and 2) adjustments previously approved by the Council through a formal action since the adoption of the 2021-2022 Budget in December 2020. Fiscal Notes, which are previously approved adjustments by Council, are included in this category and include any previously approved capital project close-out adjustments. These adjustments include the Public Works staffing modification plan brought to Council on May 18, 2021, which adds 6.5 full-time equivalent (FTE) positions by converting temporary positions and has no fiscal impact on the biennial budget. Similarly, a Special Projects Coordinator position in the City Manager's Office will become a full 1.0 FTE by converting the 0.4 temporary funding to ongoing, with no fiscal impact. There is also an adjustment to add an ongoing Transportation Engineer position funded by the Development Services Public Works Reserve to help the City improve permit timelines.

The additional request for Human Services Reserve funding (\$199,775) focuses on three areas of need related to the pandemic: mental health support, Spanish-speaking community outreach, and food insecurity. A detailed description of this request is included as Attachment D.

The adjustments in this category are organized by fund in Table 2 below, with the total adjustment amounting to \$5,069,650, of which \$2,528,443 is an appropriation. The majority of this total is previously approved capital fiscal notes.

Table 2. Council Directed & Previously Approved Adjustments Requiring an Appropriation

	Adjustment	FTE
General Fund		
Additional Human Services Grant Funding (May 4, 2021 Fiscal Note)	720,488	
Use of Human Services Reserve for Pandemic Programming - <i>See Attachment D</i>	199,775	
Use of City Council Special Projects Reserve for Earth Day Alaska Suites Live Stream Concert (May 4, 2021 Fiscal Note)	1,000	
Use of Lodging Tax Reserves for Exterior Signage at Kirkland Visitor Center (May 4, 2021 Fiscal Note)	10,000	
Public Works Staffing Modification (May 18, 2021 Memo to Council) - Conversion of 6.5 Temporary to Ongoing Positions	-	6.50
City Manager's Office - Conversion of 0.4 Temporary to Ongoing Position	-	0.40
Use of Development Services Public Works Reserve to add 1.0 FTE Ongoing Transportation Engineer	146,285	1.00
General Fund Total	1,077,548	7.90
Impact Fees Fund (156)		
Park Impact Fees Increase for 132nd Sq Park Project (PKC1340000) (June 1, 2021 Fiscal Note)	502,450	
Impact Fees Fund Total	502,450	
General Capital Projects Fund (310)		
Funding for Electric Vehicle Charging Stations Project (GGC0351600) (Feb. 16, 2021 Fiscal Note)	150,193	
Use of GEMT Reserved Revenue for Facilities Roofing, Siding, Gutter and Deck Replacements (Jan. 5, 2021 Fiscal Note)	52,245	
General Capital Projects Fund Total	202,438	

Table 2. Council Directed & Previously Approved Adjustments Requiring an Appropriation (con't)

Transportation Capital Projects Fund (320)		
Regional Mobility Grant funding for NE 124th & 100th Ave Intersection Project (TRC1400000) (Feb. 16, 2021 Fiscal Note)		135,000
School Zone Camera Reserves funding for 2021 Neighborhood Safety Program (May 4, 2021 Fiscal Note)		200,000
REET 1 Reserves and REET 2 funding for Kirkland Ave/Lake St Intersection Project (TRC1370000) (May 18, 2021 Fiscal Note)		595,000
Park Impact Fees (502,450) and REET 1 (417,350) funding for 132nd Sq Park Project (PKC1340000) (June 1, 2021 Fiscal Note)		919,800
STC0060900 - Totem Lake Blvd (June 1, 2021 Fiscal Note)		525,005
NE 132nd St. Sidewalk Project (NMC071*) Close-Out Balance (REET 1) (Apr. 20, 2021 Fiscal Note)		25,769
	Transportation Capital Projects Fund Total	2,400,574
Surface Water Operating Fund (421)		
Surface Water Reserves funding for Station Area Plan Professional Services Contract		44,628
	Surface Water Operating Fund Total	44,628
Surface Water Capital Fund (423)		
Neighborhood Drainage Assistance (SDC0810000) Project Closure (May 18, 2021 Fiscal Note)		6,000
NE 141 St-111 Av Culvert (SDC0760000) Project Closure (Jan. 5, 2021 Fiscal Note)		470,655
Unspent Project Balance for Cross Kirkland Corridor Headwall Project (SDC1060000 & SDC1060100) (Jan. 5, 2021 Fiscal Note)		2,036
NE 132nd St. Sidewalk Project Close-Out Balance (Apr. 20, 2021 Fiscal Note)		35,277
Surface Water Reserves funding for SDC1070000 - 132nd Sq Park (June 1, 2021 Fiscal Note)		262,044
	Surface Water Capital Fund Total	776,012
Information Technology Fund (522)		
Development Services Tech Reserve funding for GIS Sourcewell Contract/Tyler Technologies		66,000
	Information Technology Total	66,000
	TOTAL ALL FUNDS	5,069,650 7.90

3. Other Adjustments Requiring an Appropriation

This category of adjustments primarily recognizes new revenue from grants and other sources as well as housekeeping adjustments. The General Fund adjustments shown below reflect 2021 activity and are therefore not considered part of the unreserved balance shown in Table 1. Highlights of these adjustments include revenue for 2021 Fire overtime related to the COVID-19 vaccine rollout, and new development revenue to fund one-time positions. Additionally, a one-time Information Technology Business Analyst will be funded with vacancy savings and remaining budget in the Munis implementation project to assist with process improvements to Munis and assist Human Resources with implementation of NeoGov, which will help streamline the City's hiring process. The total appropriation adjustment for this category is \$1,892,501.

Table 3. Other Adjustments Requiring an Appropriation

General Fund	
King County Public Health (FEMA Public Assistance) Reimbursement for Firefighter Vaccination Teams Overtime	190,000
Additional Street Curb Permit Fee Revenue for One-time construction Inspector	133,350
Additional Plan Check Fee Revenue for Plans Examiner Overtime	80,000
EMPG Supplemental Grant	20,000
EMPG FY2021 Grant funding for OEM One-Time 0.50 Office Specialist	46,968
EMPG FY2021 Grant funding for Office Supplies	2,385
New Business License Revenue for One-Time Office Specialist	43,434
Additional Plan Check Fee Revenue for Third Party Consultant Plan Review	12,328
Update King County Community Development Block Grant Fund Revenue	6,601
Welcoming America Grant for Welcoming Economies Program expenses	5,000
Washington Finance Officers Association Reimbursement Grant for Recovery Intern	5,000
CARES Act funds from the Administrator of the Courts Office for Kiosk Replacement	1,744
General Fund Total	546,810
Street Operating Fund (117)	
Reduce Street Parking Revenue to reflect COVID-19 suspension of parking fees	(67,235)
Street Operating Fund Total	(67,235)
Parks Levy Fund (128)	
Housekeeping - Remove Green Kirkland Interfund Transfer with 310 for 2021 & 2022	(200,000)
Parks Levy Fund Total	(200,000)
General Capital Projects Fund (310)	
Washington Recreation & Conservation Office Grant for David Brink Park (PKC1331017)	500,000
General Capital Projects Fund Total	500,000
Transportation Capital Projects Fund (320)	
State Appropriation Award for NMC087200 - NE 131st/90th	515,000
King County Parks grant funding for NMC0810 - King County Eastrail MOA (Willows Connector)	160,902
Transportation Capital Projects Fund Total	675,902
Surface Water Capital Fund (423)	
King County Flood Reduction Grant for SDC047 - NE 132nd St. Pipe Replacement Project	185,000
Surface Water Capital Fund Total	185,000
Equipment Rental Fund (521)	
Use of Federal Seizure funds for UTV Purchase	21,706
Use of Facilities Fund for Trailer Purchase	5,384
Equipment Rental Fund Total	27,090
Information Technology Fund (522)	
Sr. IT Business Analyst funded with Capital Projects Close-Outs	224,934
Information Technology Total	224,934
TOTAL ALL FUNDS	1,892,501

4. Line Item Adjustments Not Requiring an Appropriation

This category of adjustments recognizes line item adjustments between accounts within a fund or transfers between capital projects. This includes adjustments that move budget from a reserve account to one or more expenditure accounts. Because there is no impact to a fund's total appropriation, these adjustments are not included in the budget amendment ordinance. In most cases, these adjustments have already been presented to and approved by the Council, and they are included for information purposes only.

The following adjustments are related to Resolution R-5434 and the Community Safety Initiative: 1) a temporary Special Projects Coordinator for R-5434 related outreach, 2) increased staffing for the Kirkland Indigenous History Project, 3) Use of Force study and dashboard development, and 4) a temporary Human Resources Analyst specializing in diversity recruitment.

Table 4. Line Item Adjustments Not Requiring an Appropriation

General Fund	
Community Safety Initiative funding for HR Analyst (Diversity Recruitment)	134,919
Use of Force Study and Dashboard Development	45,580
Transfer of External Management budget to Internal On-Call for Rental House Property Management	7,975
R-5434 funding for Kirkland Indigenous History Project	3,494
R-5434 funding for One-Time Special Projects Coordinator	10,190
CMO Programs (Economic Development and Civic Engagement) Intern	17,821
Development Services Reserve funding for One-Time Assistant Planner	177,443
Reduced Costs for 2021 Pay-As-You-Go ORCA Cards	(15,000)
General Fund Total	382,422
Street Operating Fund (117)	
Street Fund Working Capital funding for 6-Month Senior Craftsperson Overfill	55,257
Street Operating Fund Total	55,257
Water/Sewer Utility Operating Fund (411)	
Professional Services Contract for Station Area Plan	30,788
Water/Sewer Utility Operating Fund Total	30,788
Surface Water Operating Fund (421)	
First half 2021 Surface Water Fines to be used for Outreach and Education Programming	22,167
Surface Water Reserves funding for High Woodlands Instream Pond Evaluation NW Hydrolics Contract	25,660
Surface Water Operating Fund Total	47,827
TOTAL ALL FUNDS	516,294

5. CIP Project Close-Outs & Corrections

In preparation for the 2021-2026 CIP Update, an audit was completed of all capital projects to identify available funding in projects ready to be closed, verify external funding, and make any needed project corrections. Available balances will be used initially to correct current projects. Additional remaining balances will be transferred to reserves. Project close-out candidates are evaluated on an ongoing basis and brought forward in batches during the twice annual budget adjustment process. A summarized table of changes is included in Attachment E. The "Available

Project Funding” tables indicate projects that either are ready to be closed, or that have available funding to be transferred out. The “Project Cleanup Corrections” tables indicate uses of this closeout funding, as well as corrections to external budgets. These are projects that require adjustments for prior administrative corrections, or unsecured external funding that needs to be backfilled, as well some projects with additional funding needs due to increased project costs. There are also external funding changes that do not require additional funding. These are due to grant award amounts changing between CIP updates. A summary of the funding being returned to reserves is below:

Table 5. CIP Project Close-Outs & Corrections

Funding Type	General Capital (310)	Transportation (320)	Water/Sewer (413)	Surface Water (423)	TOTALS
General Fund	918,233	176,736			1,094,968
IT Sinking Fund	41,824				41,824
Facilities Sinking Fund	73,839				73,839
TR Impact Fees		9,054			9,054
REET 1		101,703			101,703
Water/Sewer Rates			1,228,161		1,228,161
Surface Water Rates				2,784,112	2,784,112
Total Amount	1,033,896	287,493	1,228,161	2,784,112	5,333,661

Impact Fee funding will be returned to source, while all other funding types will be kept in the capital funds in reserves. The IT Sinking Fund, Facilities Sinking Fund, Water/Sewer, and Surface Water Funds all currently have established reserves within their respective capital funds. General Fund and REET 1 reserves will be held to assist with emerging CIP needs and opportunities. This could include, but is not limited to, increased project costs due to commodity price changes, seeding a fiber opportunity fund, accelerating the pay back of the capital contingency reserve, and additions to City sinking fund balances. These options will be addressed at the August 4th CIP update study session.

The available General Fund money is primarily from the Fire Station Acquisition projects, which are returning \$644,103 due to conservative budgeting and successful negotiation of land purchases. The second largest contributor is the Kirkland Justice Center project, which is closing \$218,618 under budget.

6. 2021 Resources Forward

The 2021 Resources Forward, or beginning fund balance (cash), was estimated as part of the 2021-2022 budget process during the fall of 2020. Now that 2020 is complete, staff has reconciled the estimated resources forward with actual balances. As described for the General Fund at the May Council retreat, variation between these two numbers occurs when revenues and expenditures change from the projection made in the budget process. Therefore, large funds with multiple expenditure and revenue streams, or those with volatile revenue streams, can see significant adjustments. In 2020, COVID-19 response and the accompanying economic uncertainty added additional reasons for variation. Given the above, both the Street Fund (117) and the Water/Sewer Operating Fund (411) have significantly less resources forward than was originally projected. As described at the May retreat both funds have enough cash to continue normal operations, but staff will continue to closely monitor these funds and bring any necessary adjustments as part of the Mid-Biennial process.

An adjustment (increase or decrease) to the budgeted beginning balance with a corresponding offset to the expenditure side will be made for all operating, capital, and other non-operating funds. This offset is usually to a reserve account but may be to other line items depending on the nature of the change in the beginning balance. For example, the Lodging Tax fund was budgeted with an estimated beginning balance of \$322,815; the budget will be increased by \$36,654 to reflect the actual balance. The current proposed budget adjustments discussed above recognize the estimated balances in the General Fund and Other Funds required to fund carryovers.

In the General Fund, the reduction in resources forward reflects two items that were initially included in the appropriation for 2021-2022 but were expended in 2020. The first of these is an internal transfer to the Transportation Capital Fund (320) which reflected the General Fund contribution to The Village at Totem Lake development agreement. This transfer was completed in December 2020 and the payment to the developer will be made from the capital fund in 2021. The other reduction reflects cash balance that was originally considered part of the City's total appropriation but was transferred to A Regional Coalition for Housing (ARCH) in 2020 as it originated from developer fees for affordable housing. The net impact of this change (a \$3,782,882 reduction) and the increase to unreserved General Fund balance shown in section 1 (a \$5,951,716 increase) is an increase to General Fund resources forward of \$2,168,834.

These adjustments to resources forward do not include the City's four Capital Funds (310, 320, 413, 423). This is because there are a number of other capital adjustments as described in section 5, and as those funds are organized by capital project and budget authority is granted on a project basis, staff will rebalance these funds following approval of the described project closures. These fund balances will be brought back to Council as part of the August 4th CIP update study session.

SUMMARY

The budget is adopted at the fund level which sets the total expenditure authority for the biennium for each fund. A summary of the adjustments and 2021-2022 revised budget by fund type is included in the table below. Additional details on the line item and appropriation changes are included in Attachment A.

Table 6. Adjustment Summary

Fund Type	2021-2022 Amended Budget March 16, 2021	Appropriation Adjustments	2021-2022 Amended Budget June 15, 2021
General Government:			
General Fund	284,987,768	8,564,367	293,552,135
Other Operating Funds	37,343,271	(119,184)	37,224,087
Internal Funds	83,935,157	1,278,510	85,213,667
Non-Operating Funds	287,284,217	2,943,093	290,227,310
Utilities Funds:			
Water/Sewer	120,664,850	(2,495,699)	118,169,151
Surface Water	52,193,551	45,963	52,239,514
Solid Waste	41,520,106	5,879	41,525,985
Total Budget	907,928,920	10,222,929	918,151,849

Reconciliation of resources forward for the City's Capital Funds will be brought to Council at the August 4 Council meeting. Following that, the next opportunity to adjust the 2021-2021 Biennial Budget will be at the Council Meeting on December 14, 2021.

The attached ordinance O-4760 adopts the revised 2021-2022 Budget as proposed by the City Manager.

Attachments:

Attachment A Budget Adjustment Summary
Attachment B LED Screen Memo/White Paper
Attachment C Lake Washington Promenade Pilot
Attachment D Human Services Reserves Uses
Attachment E Project Audit Summary
Ordinance