



MEMORANDUM

To: Kurt Triplett, City Manager
From: Lynn Zwaagstra, Director of Parks and Community Services
Date: October 8, 2016
Subject: PARKS FACILITIES SINKING FUND ISSUE PAPER

This budget issue paper discusses a recommended approach for establishing a new sinking fund for funding necessary repair and/or replacement of major building systems for structures in the City's parks.

A. Policy Basis

Establishment of a parks facilities sinking fund would support the following City Council goals:

- *Parks, Open Space, and Natural Areas: To provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well-being of the community.*
- *Dependable Infrastructure: To maintain levels of service commensurate with growing community requirements at optimal life-cycle costs.*
- *Financial Stability: Provide a sustainable level of core services that are funded from predictable revenue.*

In addition, establishing a sinking fund would support the following policy from the adopted Kirkland Parks, Recreation, and Open Space (PROS) Plan:

- *Policy 8.3 - Asset Management: Actively manage Kirkland's park and recreation assets to ensure consistent service delivery, reduce unplanned reactive maintenance, and minimize economic, public health, and environmental risks.*

B. Background

In 2015 the Parks and Community Services Department completed an independent comprehensive asset condition assessment of 22 buildings in the Parks system totaling over 25,000 square feet. Buildings evaluated included restrooms, concessions, and residential structures located in parks (a list of specific structures is included as Attachment A). Note that the community centers (NKCC and PKCC) already have sinking funds as part of the Facilities internal service fund. The assessment was intended to:

- a) Provide a baseline assessment for Parks staff that specifically identifies maintenance and repair needs;
- b) Provide a short-term financial plan useful for prioritizing resources and budget requests;
- c) Assist in long-range Capital Improvement Program (CIP) planning;

- d) Provide information to assist the City in determining the feasibility of establishing a sinking fund reserve to address funding needs outside of the CIP and the Department’s existing operating budget.

Modeled after work previously done to establish a sinking fund for other City facilities, a Parks Sinking Fund could be used to pay for each park facility’s life cycle costs related to the repair or replacement of major architectural, mechanical, and electrical components to help the facility reach its useful life. The sinking funds are set aside for major maintenance and are not intended to replace or enhance facilities.

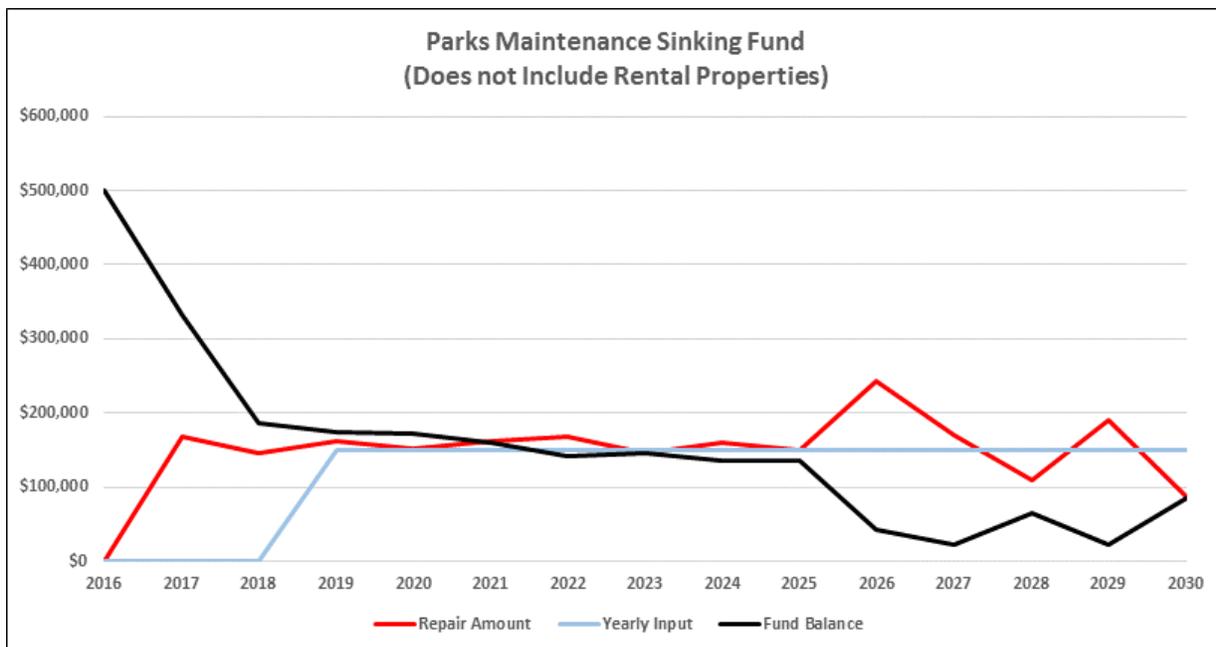
C. Parks Facilities Sinking Fund 15-Year Forecast

Using the completed facility condition assessment as a baseline, with adjustments based on the City’s experience managing existing facility sinking funds, staff has completed a detailed analysis and the results below reflect a 10-year forecast.

\$ 2,050,921 Total Replacement Need
\$ 500,000 Initial Contribution
\$ 150,000 Annual Contribution starting in 2019

The analysis assumes a 2% construction inflation factor to provide a conservative projection; the City-wide Facilities sinking fund does not apply an inflation factor based on past history. Staff will revisit the funding assumptions after there is experience based on actual needs and costs and determine the adequacy of the funding on an on-going basis. As part of that future evaluation, a determination of whether additional facilities should be included, such as picnic structures, will be made.

The proposed Parks Sinking Fund would not be employed for the four residential rental properties currently located in parks; instead, net rental revenues would be earmarked to fund repairs to these structures. These funds, totaling approximately \$75,000 per year, will be tracked separately for each property.



D. Funding the Parks Sinking Fund

a) Annual Contribution to Sinking Fund: 2012 Parks Levy

The voter-approved Parks Levy Fund accounts for the proceeds of a property tax levy approved by voters in November 2012. The levy restores parks maintenance and beach lifeguard services, provides for the City to maintain O.O. Denny Park, supports maintenance of the Cross Kirkland Corridor, and provides ongoing funding for the Green Kirkland Partnership. The levy also provides annual capital funding for park renovation, development, and acquisition. Total revenue collected from the levy is estimated at \$2.45 million in 2016.

The 2012 ballot question for the Park Levy included a list of priority projects that would be completed using the new revenues from the levy. It was assumed that after these projects were completed, future revenue from the levy could be directed to operating and maintenance costs, as needed, with any residual available for capital projects. The preliminary 2017-2022 CIP completes the work on the list of these priority levy projects; therefore, beginning in 2019 and continuing thereafter, a growing portion of capital-related levy revenue is assumed to be made available in the Parks and Community Services operating budget for operating and maintenance uses. As well, capital-related levy funds could be applied to a dedicated sinking fund for Parks facilities, in the spirit of "taking care of what we have".

b) Reallocation of Levy Funding to CIP Projects

The preliminary 2017 – 2022 Parks CIP includes the staff recommendation for levy-funded capital improvements. If a Park Sinking Fund were to be established, staff recommends that the 2017-2022 CIP be modified as follows:

Year	Project	Designated Levy Funding	Recommended Reallocation to Sinking Fund	Adjusted Levy Funding for Project
2017	Park Land Acquisition*	\$750,000	None	\$750,000
2017	City-School Playfields*	\$500,000	None	\$500,000
2017 Total:		\$1,250,000		
2018	Park Land Acquisition*	\$750,000	None	\$750,000
2018	City-School Playfields*	\$500,000	None	\$500,000
2018 Total:		\$1,250,000		
2019	Waverly Beach Phase 2	\$150,000	None	\$150,000
2019	Dock/Shoreline Renovations	\$250,000	None	\$250,000
2019	Park Land Acquisition	\$750,000	\$150,000	\$600,000
2019 Total:		\$1,150,000		
2020	Waverly Beach Phase 2	\$723,000	None	\$723,000
2020	Dock/Shoreline Renovations	\$250,000	\$150,000	\$100,000
2020 Total:		\$973,000		
2021	Dock/Shoreline Renovations	\$250,000	None	\$250,000
2021	Unassigned **	\$700,000	\$150,000	\$550,000
2021 Total:		\$950,000		
2022	Dock/Shoreline Renovations	\$250,000	None	\$250,000
2022	Unassigned **	\$700,000	\$150,000	\$550,000
2022 Total:		\$950,000		

* Funding and Projects for 2017 and 2018 as identified in 2012 Park Levy ballot statement.

** A portion of Levy funding in 2021 and 2022 has been unassigned pending analysis of potential impacts to certain parks capital projects resulting from pending updates to the City's Critical Areas Ordinance and Surface Water Design Manual.

c) Initial Contribution to Sinking Fund

The initial cash balance recommended for the sinking fund is \$500,000, which is proposed to be funded from projected one-time General Fund cash balance at the end of 2016. These initial funds would be set aside to recognize that there is a backlog of sinking fund projects at the subject facilities.

E. Staff Recommendation

The preliminary budget reflects the staff recommendation of establishing a sinking fund for parks structures and funding it as described above. If the City Council concurs with this recommendation, the funding plan will be adopted as part of the budget process.



City of Kirkland
Department of Parks and Community Services
Building Condition Assessment Inventory

1. 132 Square Park Restroom
2. Crestwoods Park Restroom
3. Everest Park Concession
4. Everest Park Restroom
5. Forbes House @ Juanita Beach Park
6. Heritage Hall @ Heritage Park
7. Houghton Beach Park Restroom / Concession
8. Juanita Bay Park Restroom
9. Marina Park Restroom
10. Marsh Park Restroom
11. McAuliffe Park / Blair Home
12. McAuliffe Park / Carriage Home
13. McAuliffe Park / Johnson Home
14. McAuliffe Park / Main Home
15. McAuliffe Park / Atrium Building
16. NKCC Park Restroom
17. OO Denny Park Restroom
18. Peter Kirk Park Concession
19. Peter Kirk Park Restroom
20. Phyllis A Needy Park Restroom
21. South Rose Hill Park Restroom
22. Waverly Beach Park Restroom

Source:
City of Kirkland Parks
2015 Asset Condition Assessments Report
October 2015
VFA, Inc.