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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Carly Joerger, Management Analyst
Noelle Johnson, Recovery Intern

Date: October 19, 2022

Subject: AMERICAN RESCUE PLAN ACT (ARPA) ISSUE PAPER

BACKGROUND

On March 11, 2021, President Biden signed the American Recovery Plan Act (ARPA) into law. This bill provided \$1.9 trillion in funding for a variety of areas, including \$350 billion to support states, counties, cities, and tribes as the economy moves from crisis response into recovery from the COVID-19 public health pandemic.

This issue paper provides an update on the City's American Rescue Plan Act (ARPA) Coronavirus Local Fiscal Recovery Funds (CLFRF) funded programs and describes the households and businesses served by the relief programs.

The City received a total of nearly \$10.2 million in ARPA CLFRF funds distributed in two equal tranches. Of this total, the City has nearly \$2.08 million in unspent funds available to be programmed. The City Manager is considering property acquisition and climate initiative support programs for the remaining funds. The 2023-2024 budget will reserve \$500,000 of ARPA dollars to help transition public and private leaf blowers from diesel power to electric power over a 4 year period. In addition, any currently allocated ARPA funds for rental relief that are unspent in 2022 are proposed to be used in the \$2023-2024 budget for human services grants. These programs will be determined and structured using ARPA Guiding Principles and Framework set by Council.

2021- 2022 PROGRAM ACTUALS

Following the Council's guiding strategy, the spending plan allocated the first \$5.1 million tranche to address recovery needs across three categories: Human Services (\$1 million), Economic Recovery (\$1 million), and City Operations (\$3.1 million). The spending plan for the second tranche allocation followed the Council's framework of "Equitable Recovery, Investment, and Innovation".

As of August 31, 2022, the City has expended and/or encumbered \$5.8 million or 57% of the total \$10.2 million award. Another \$2.3 million or 23% of the award is allocated to projects

planned for the rest of 2022 and 2023, leaving a remaining balance of \$2.08 million. See Table 1 (below) for a summary of the City’s ARPA spending plan and Appendix 1 for more details.

Table 1 - Summary of 2021 – 2022 ARPA Project Actuals to Budget

Project	Actuals through 8/2022	Encumbrances	Projected Expenditures	Total Project Allocation
FIRST TRANCHE				\$5,077,997
City Operations	\$1,866,766	\$1,068,063	\$143,168	\$3,077,997
Human Services	\$699,598	\$267,402	\$33,000	\$1,000,000
Economic Recovery	\$755,445	\$35,903	\$208,652	\$1,000,000
<i>Subtotal</i>	<i>\$3,321,809</i>	<i>\$1,371,368</i>	<i>\$384,820</i>	<i>\$5,077,997</i>
SECOND TRANCHE				\$5,077,997
First Tranche Supplemental Funding	\$218,500	\$0	\$923,195	\$1,141,695
Equitable Recovery	\$489,983	\$147,024	\$102,513	\$739,520
Equitable Infrastructure Investment	\$93,078	\$11,020	\$665,902	\$770,000
Equitable Innovation	\$100,000	\$0	\$250,000	\$350,000
<i>Subtotal</i>	<i>\$901,561</i>	<i>\$158,044</i>	<i>\$1,941,610</i>	<i>\$3,001,215</i>
Combined First and Second Tranche Subtotals	\$4,223,370	\$1,529,412	\$2,326,430	\$8,079,212
Remaining Second Tranche Allocation				\$2,076,782

ARPA FUNDED PROJECT HIGHLIGHTS

As of August 31, 2022, the City has used ARPA funds for over 30 projects. A complete list of these projects can be located on the [City of Kirkland’s COVID-19 Recovery Investments](#) webpage. Further information about the ARPA relief programs, and other projects of particular interest to the Council, are detailed below.

Relief Programs

The City has funded several programs to provide relief to Kirkland residents and businesses negatively impacted by the COVID-19 pandemic. **As of August 31, the City of Kirkland has awarded \$1.4 million in assistance to over 300 households and businesses.**

Program Name	Total Assistance Awarded	Grantees
Residential Rent Relief Program	\$464,052	109
Small Business Relief Program	\$330,233	57
Commercial Rent Relief Program	\$224,280	55
Rent Relief for Imagine Housing	\$113,660	57

Utility Relief Program	\$86,364	24
RRRP Phase II (In Progress)	\$177,280	15
URP - PSE Expansion	\$10,594	10
Total Assistance & Grantees	\$1,406,463	327

Further information about the City’s ARPA relief programs can be located on the [COVID-19 Relief Program Dashboard](#).

Other ARPA Funded Programs

Kirkland Ca\$h

[Kirkland Ca\\$h](#) aligns with the Council’s framework by providing support to businesses impacted by COVID-19 and stimulating the hard-hit tourism and hospitality industries. Kirkland Ca\$h is a community currency earned by booking a night at participating Kirkland hotels. Once earned, Kirkland Ca\$h certificates could be spent by visitors at over 80 participating local businesses.

Between January 1, 2022, and August 1, 2022, nearly \$18,000 in Kirkland Ca\$h certificates were issued. Participating hotels saw a total of 300 additional room bookings through the program, resulting in \$77,000 in new business for the hotels. Participating merchants expressed their appreciation for the program and that Kirkland Ca\$h brought in new customers. City staff are currently exploring another round of the program, in consultation with the local businesses and hotels, that may utilize the remaining amount of ARPA funds allocated to this program.

Kirkland Health Fair

To increase community access to healthcare and COVID-19 vaccinations, the City partnered with King County Promotoras Network to host the first Kirkland Health Fair in 2021 to provide free healthcare services to the community. The event focused on connecting with historically marginalized populations, those who lack healthcare access, and non-English speaking community members. During the event, 157 COVID-19 vaccinations were administered, 31 Basic Health Screenings were performed, 8 dental procedures were performed, and 13 adults and 3 children received dental screenings/referrals.

Due to the success of the 2021 event, the City hosted a second Health Fair in October of 2022. This event provided basic health care services such as health screenings, childhood and adolescent immunizations, COVID-19 vaccines/boosters, flu shots, dental services, and mammography services.

Summer Action Plan

The City’s 2021 Summer Action Plan supported the communities need for enhanced services as the residents spent more time outside during the summer months of the pandemic. This project provided programming that supported individuals and businesses, along with community building opportunities. Community events included in the Summer Action Plan included pop-up dog parks and pop-up sprinkler parks. The Summer Action Plan provided funding to fully staff the lifeguarded beaches and pools, additional harbor masters and seasonal park rangers, and additional seasonal waterfront workers, ensuring that the community could still enjoy some of

their favorite summer activities. To ensure the safety of community members, funding was also dedicated to providing COVID-19 education, managing congestion at events due to COVID-19 compliance requirements, and mitigating unruly behavior.

Based on the success of the 2021 Summer Action Plan, a 2022 Summer Action Plan was developed. This plan proposed additional services and increased staffing to support COVID-19 recovery. Specific projects included in this plan included a pop-up dog park at Snyder's Corner, additional trash and recycling services at Marina Park, and additional staffing at crowded parks.

Revenue Equity Study

The Revenue Equity Study, completed in July 2022, evaluated the City of Kirkland's upcoming structural budget deficit, proposed options to adjust revenue structures, and assessed proposed revenues based on fiscal sustainability and equity. The study looked at Kirkland's demographics and tax structure, as well as those of neighboring cities. Although Kirkland's options are limited by state statute, the study found that property taxes and real estate excise taxes are paid largely by upper income households, making these taxes a more progressive source of revenue, and recommended expanding their use for maintenance. The study also included recommendations on changes to the business licensing fees that would increase General Fund revenues, while supporting small businesses that have small margins and have been impacted by the pandemic. These are being assessed as part of the 2023-2024 budget process.

The results from the Revenue Equity Study can be found in the May 26, 2022 City Council Financial Retreat [documents](#).

RECOMMENDED USE OF REMAINING ARPA FUNDS

The City's Council ARPA Guiding Principles and Framework reserved the second tranche of ARPA distribution for longer-term investments, specifically towards "Equitable Recovery, Investment, and Innovation". As of August 31, 2022, a portion of the second tranche has been allocated towards the following programs:

- Supplemental Tranche 1 Funding for Facilities projects, the Residential Rent Relief Program (RRRP), and the Small Business Relief Program (SBRP)
- Effective Management to ensure funds are properly tracked and reported on
- Recovery Interns
- Revenue Equity Study
- IT - Multi Factor Authentication
- IT - Cybersecurity Enhancements
- 2022 PD and P&CS Summer Action Plans
- 2022 Enhanced Janitorial Services in City Facilities
- On hold - Mental Health First Aid
- On hold - Mental Health Awareness¹

¹ The Mental Health Awareness and Mental Health First Aid programs were placed on hold due to staff turnover and competing Human Services priorities, including the Human Services grant recommendation process, RRRP Phase II, and other Human Services ARPA projects.

The second tranche has a remaining \$2.08 million available to be programmed. The City Manager is considering human services grant funding, property acquisition and climate initiative support programs for the remaining second tranche funds as described at the beginning of the memo. These programs will be determined and structured using ARPA Guiding Principles and Framework set by Council.

List of Attachments

Att-1 Appendix 1 2021-2022 ARPA Project Actuals to Budget

Appendix 1 2021-2022 ARPA Project Actuals to Budget

The following chart lists the 2021-2022 actuals, encumbrances, projected expenditures, and total allocations per project.

Project	Actuals through 8/2022	Encumbrances	Projected Expenditures	Total Project Allocation
FIRST TRANCHE				\$5,077,997
\$3M – City Operations				\$3,077,997
2021 Summer Action Plan (P&CS, PD, PW)	\$750,133	\$34,412	\$121,265	\$905,810
Facilities COVID-19 Improvements	\$12,946	\$1,033,651	\$0	\$1,046,597
IT - Hybrid Council, Conference Rooms	\$84,097	\$0	\$21,903	\$106,000
Vaccine Incentive Program	\$169,743	\$0	\$0	\$169,743
Replacing Lost Revenue - Gas and Parking	\$496,756	\$0	\$0	\$496,756
Utility Billing Relief	\$100,901	\$0	\$0	\$100,901
2021 Effective Management	\$107,758	\$0	\$0	\$107,758
2021 Recovery Interns	\$144,432			\$144,432
<i>Subtotal</i>	<i>\$1,866,766</i>	<i>\$1,068,063</i>	<i>\$143,168</i>	<i>\$3,077,997</i>
\$1M – Human Services				\$1,000,000
Rent/Mortgage Relief	\$181,625	\$0	\$0	\$181,625
Rent Relief - EPRAP Gap	\$290,636	\$0	\$0	\$290,636
Rent Relief - Imagine Housing	\$125,026	\$18,637	\$0	\$143,663
Community Building - Imagine Housing	\$49,040	\$90,960	\$0	\$140,000
Friends of Youth Housing Renovation	\$0	\$50,000	\$0	\$50,000
KCRHA Homelessness Coordinator	\$0	\$0	\$33,000	\$33,000
Staff Retention Grant - IKRON	\$25,000	\$0	\$0	\$25,000
Spanish Language Videos	\$7,200	\$0	\$0	\$7,200
Health Fair and Community Vaccination	\$16,876	\$0	\$0	\$16,876

Language & Digital Equitable Access Grants	\$4,195	\$107,805	\$0	\$112,000
Eastside Connects - SMS in language	\$0	\$0	\$0	\$0
<i>Subtotal</i>	<i>\$699,598</i>	<i>\$267,402</i>	<i>\$33,000</i>	<i>\$1,000,000</i>
\$1M – Economic Recovery				\$1,000,000
Commercial Rent Relief Program	265,835	\$0	\$0	\$265,835
Small Business Relief Program (SBRP)	362,386	\$0	\$0	\$362,386
Community Currency	\$68,978	35,903	\$129,819	\$234,700
ShopLocal Kirkland Phase 2 Redevelopment	58,246	\$0	\$7,250	\$65,496
ON HOLD: Regional Cultural Navigator Pilot	\$0	\$0	\$71,583	\$71,583
<i>Subtotal</i>	<i>\$755,445</i>	<i>\$35,903</i>	<i>\$208,652</i>	<i>\$1,000,000</i>
TOTAL	\$3,321,809	\$1,371,368	\$384,820	\$5,077,997
SECOND TRANCHE				\$5,077,997
Tranche 1 Supplemental Facilities Funding	\$218,500	\$0	\$63,831	\$282,331
Tranche 1 Supplemental Rent Relief Funding	\$0	\$0	\$859,364	\$859,364
2022 Effective Management	\$92,183	\$32,475	\$91,771	\$216,429
2022 Recovery Interns	11,927	3,869	\$5,742	\$21,538
Revenue Equity Study	100,000	\$0	\$0	\$100,000
IT - Multi-factor Authentication	\$109	\$0	\$389,891	\$390,000
IT - Cybersecurity Enhancements	92,969	11,020	\$276,011	\$380,000
2022 PD Summer Action Plan	\$45,000	\$0	\$5,000	\$50,000
2022 P&CS Summer Action Plan	109,427	14,000	\$0	\$123,427
Enhanced Janitorial in City facilities	\$231,446	\$56,680	\$0	\$288,126
Kirkland Community Health Fair 2022	\$0	\$40,000	\$0	\$40,000
ON HOLD: Mental Health First Aid	\$0	\$0	\$125,000	\$125,000
ON HOLD: Mental Health Awareness	\$0	\$0	\$125,000	\$125,000

<i>Subtotal</i>	\$901,561	\$158,044	\$1,941,610	\$3,001,215
Remaining Second Tranche Allocation				\$2,076,782

Further information about the City's ARPA funded projects can be located on the [City of Kirkland's COVID-19 Recovery Investments](#) webpage.



MEMORANDUM

To: Kurt Triplett, City Manager

From: Lynn Zwaagstra, Director
Hillary De La Cruz, Management Analyst

Date: October 19, 2022

Subject: Parks Ballot Measure(s) Issue Paper

BACKGROUND

On [March 1](#), with the adoption of [R-5514](#), City Council directed staff to:
*Explore potential comprehensive Parks ballot measure options to be placed before Kirkland voters in 2023 for the purpose of maintaining and expanding natural areas, open spaces, aquatic and recreational facilities, and program opportunities that enhance the health and wellbeing of the community to further the goals of **abundant parks, open spaces, and recreational services.***

Staff are actively working on this goal with a timeline that will provide City Council with information needed, including robust cost analysis and community input, to make a decision in late spring 2023 about whether to pursue a ballot measure(s) and what mechanism(s) to use. This issue paper provides an update on budget appropriations and needs related to the ballot measure work, details about potential ballot measure funding mechanisms, the high-level project timeline, and information about the Parks Funding Exploratory Committee (PFEC).

CITY BUDGET APPROPRIATION AND BUDGET PROCESS

During the 2021-2022 mid-biennial budget process in December 2021, City Council appropriated \$401,410 of preliminary funding to support the exploration of a potential ballot measure(s). These funds are being used in 2022 to support two ballot measure specific positions (a Management Analyst and a Communications Program Specialist, both hired in May 2022), recreation and aquatics facilities feasibility study, community education and outreach, and supporting the PFEC.

To continue support for a robust ballot measure(s) preparation process, a service package has been submitted for the \$400,042 needed to fund related work in 2023. This funding would continue support for PFEC expenses and facilitation, the remainder of the facilities feasibility study, bond and/or legal counsel, and the production of various educational poster boards and print materials. Additionally, the two staff positions, Management Analyst and Communications Program Specialist, are requested for continuation through 2023.

A list of potential ballot measure investments that was created based on feedback from over 4,700 community members during the 2022 Parks, Recreation and Open Space (PROS) Plan

update, needs named in other spaces, Council priorities, and the City's Capital Improvement Plan (CIP). All investment items being considered are listed in the CIP. The six-year funded CIP shows \$22,892,233 for the full 2023-2028 period. The unfunded project list totals \$322,083,300. At the current average of funding available annually, \$3,815,000, it will take upwards of 84 years to complete all projects listed. Funding through a potential ballot measure(s) would increase the speed with which the City will be able to provide these capital improvements prioritized by the community, as well as accompanying operating needs.

If Council decides to place a ballot measure(s) on the November 2023 ballot, voter approval could result in increased revenue available for specified parks and recreation capital and operating investments in 2024 and following years. This potential revenue and spending would be discussed during the mid-biennial budget update process in late 2023 and a project Steering Team would be formed for ongoing oversight and implementation. A project plan would be developed and revisited during each biennial budget process with ongoing reports throughout.

POTENTIAL BALLOT MEASURE FUNDING MECHANISMS

State law provides several revenue tools that the City may choose to use to generate additional funding for capital improvements and operating needs. Table 1 (see following page) provides a comparison of four potential funding mechanisms that each require voter approval to implement. The main funding options mechanisms are levy lid lifts (which can be temporary or permanent and single- or multi-year), excess property tax levy/general obligation bond, and creating a metropolitan park district.

Kirkland's Total 2022 Regular Levy Assessed Value (Total AV) is \$36,970,894,548. Using 2022 Total AV, raising the property tax levy by one (1) cent per \$1,000 AV would generate \$369,709 total in revenue for the City to use as directed by a ballot measure. The 2022 median home value is \$880,000, indicating that every 1 cent of a property tax levy increase would cost the median homeowner \$8.80 annually.

For example, a 20 cents per \$1,000 AV levy increase would generate \$7,394,180 annually and cost the median homeowner \$176 annually. A 30 cents per \$1,000 AV levy increase would generate \$11,091,268 annually and cost the median homeowner \$264 annually.

Depending on the structure of a ballot measure, the City could use debt to deliver on capital projects more quickly. City Council, considering PFEC's recommendations, will need to determine which ballot funding mechanism to use, and what tax rate to use. A list of funding mechanism options is shown in Table 1 below. Table 2 shows existing Kirkland property tax levies.

Over the coming months, PFEC members and Council, with the support of staff, will discuss in more detail potential parks investment scenarios to maintain and expand natural areas, open spaces, aquatic and recreational facilities, and program opportunities that enhance the health and wellbeing of the community. Once the a recommended list of investments is determined, the Council and PFEC will also consider scenarios for revenue generation to determine what type of ballot measure(s) may be most viable to accomplish the outcomes desired..

Table 1: Ballot Measure Funding Mechanism Options

Ballot Measure Type Revenue Source	"One-bump" Single-Year* Property Tax Levy Lid Lift	Multi-Year* Property Tax Levy Lid Lift	Excess Property Tax Levy Measure/ General Obligation Bond	Metropolitan Park District (MPD)
Vote Required	50% + 1	50% + 1	60% with validation ***	50% + 1
Use: Capital	Yes	Yes	Yes	Yes
Use: O&M	Yes	Yes		Yes
Notes about use	Any lawful government purpose, does not need to be specified in ballot measure.	Any limited purpose stated in the ballot measure. No supplanting: Cannot be used to pay for existing programs.**	Can only be used for capital.	Depends on funding mechanism. If using excess property tax levy/bonds for capital expenses, subject to 60% with validation.
Duration	Temporary or permanent Limit 9 years if used for debt service on bonds.	Temporary or permanent If permanent: increases by more than 1% for 6 years, then only increases by 1% in remaining years. Limit 9 years if used for debt service on bonds.	Collected for as many years as necessary to repay bonds, often 20+ years depending on initial structure of bonds.	Once created an MPD is an independent governing body which may also be the City Council and has junior taxing district authority. Duration of taxing impact depends on specific taxing mechanism.
Limitations on Revenue Source	Can increase by more than 1% for first year. Future years limited to 1% annual increase.	Can increase by more than 1% for up to 6 years. After 6 years, limited to 1% annual increase. Ballot states total tax rate for year 1 and maximum "limit factor" which total levy amount may not exceed. Limit factor can differ each year.	No 1% limit. Levy amount for each year calculated to repay the exact amount of debt for that year. Calculated according to length of obligation and associated amortization schedule prepared at the time of the bond sale.	Statutory maximum levy amount is \$0.75/\$1,000 of assessed property tax valuation, but this maximum levy amount may be set at a lower level in the initial MPD formation ballot measure.****
Tax collection start date based on 11/2023 ballot	January 2024	January 2024	January 2024/TBD: Bonds can be issued any time after the election is certified. Taxes collected after the bonds issued.	January 2025

Notes: O&M: Operating and Maintenance

***Years" in type of levy lid lift: A good way to think of the difference between "single-year" and "multi-year" lid lifts is: How many years can your total levy increase by more than 1%? With a single-year lid lift, the City can exceed the 1% annual limit for one year only, and future increases are limited to 1% (or inflation) for the remainder of the levy. With a multi-year lid lift, the City can exceed the 1% annual limit for up to 6 consecutive years. Both types can be temporary or permanent. Details: [MRSC Levy Lid Lifts](#).

**Supplanting allowed if levy funds would be replacing lost funding due to lost federal funds or state grants/loans.

***Validation: 40% voter turnout based on the prior year General Election voter turnout.

**** Kirkland championed a successful change in State law in 2017 with [SSB 5138](#) to allow voters to set a maximum levy amount in the initial ballot measure, which can be lower than \$0.75/\$1,000. This provision was not in place when Kirkland voted on establishing a MPD in 2015. See [RCW 35.61.210](#). For reference, Table 2 shows Kirkland's current property tax levies, including the base General Fund property tax levy and those approved for non-parks purposes, and how they stack up against Kirkland's maximum property tax levy capacity.

Table 2: Existing Kirkland Property Tax Levies

Levy	Year Passed	Duration	Rate/\$1,000 of Assessed Value	2022 Revenue Forecast (\$ in M)
Base Levy (General Fund)	n/a	permanent	0.71663	25.1
Parks Maintenance Levy*	2002	permanent	0.03308	1.6
Road Levy	2012	permanent	0.08820	3.8
Parks Levy	2012	permanent	0.06615	3.0
Fire & EMS Levy	2020	permanent	0.19845	7.3
Total Regular Levy			1.1025	40.8
Excess Levy for 2013 Refinanced Bonds**			0.01010	0.3
Maximum Statutory Levy			3.53268	
Remaining Levy Capacity			2.42008	

* not including 20-year parks capital levy that is set to expire in 2022

** this is the final year of debt service on the 2002 capital levy that expires at the end of 2022

PARKS FUNDING EXPLORATORY COMMITTEE

In order to ensure that any potential ballot measure(s) are designed with significant community input, City Council directed staff to form the Parks Funding Exploratory Committee (PFEC) through the adoption of [R-5551](#) on August 3, 2022. PFEC is comprised of 44 diverse members who started meeting twice a month in September 2022 and meeting will continue through February 2023. The Committee will compile and make recommendations to City Council in March of 2023 regarding what potential ballot measure(s) should include and what funding mechanisms to use. PFEC members will be learning about the ballot measure funding mechanism options outlined in Table 1 and providing a recommendation to Council about which option(s) to pursue. Based on community input, City Council will make a final decision on ballot measure(s) in late spring or early summer of 2023. PFEC is chaired by Councilmember Kelli Curtis, who, along with staff, will provide progress updates to City Council during the PFEC process.

BALLOT MEASURE(S) EXPLORATION PROCESS TIMELINE

Table 3 on the following page shows a high-level timeline of work related to this exploratory process, with an emphasis on City Council and PFEC specific milestones. This timeline has previously been shared with City Council, and staff and PFEC continue to progress through the tasks and remain on schedule.

Table 3: Potential Parks Ballot Measure(s) Timeline

2022	
March 1, 2022	Resolution amending the 2021-2022 Work program adopted
May - September	Ballot Action Team (BAT) begins costing out projects/programs to develop menu of potential ballot measure investments, PFEC curriculum
April – December	Facilities Feasibility Study
August 3	Council adopts resolution establishing PFEC
PFEC Involvement Begins	
September 15 – February 2023	Evening meetings on various topics related to the ballot measure
2023 PFEC	
January – February, 2023	Evaluate options and create recommendations: Facilities Feasibility study results, potential investments, and how to pay for them
January – February	Facilities feasibility study results presented to Council
2 nd March Council Meeting	PFEC recommendations presented to Council for review
PFEC Involvement Ends, City Council Involvement Begins	
1 st April Council Meeting	Council reviews draft resolution accepting PFEC report and recommendations
2 nd April Council Meeting	Council adopts resolution accepting PFEC report and recommendations
April – May	Contract for a statistically valid survey presenting ballot measure capital and operating investments and funding options. Simultaneously run an online self-selected version of the statistically valid survey.
May	Council receives preliminary survey results and discusses finalizing the projects/programs to be included in ballot measure(s)
Remainder of time before filing deadline	Council receives updates from staff, provide direction on exactly how to build the ballot measure(s): investments to include and how to fund it
June	Council reviews final draft ballot measure(s) options, including draft ballot title language
June	Council to authorize recruitment for pro/con committees
Early July	Pro/Con Committee Appointments Authorized
Mid July	Pro/Con Committee Appointments Confirmed
Late July	Last Council Meeting to Approve Ballot Measure Ordinance
Educational Outreach Period	
August	Ballot Measure Resolution due to King County (First week of August)
	Explanatory Statement Due (exact date TBD)
	Pro/Con Statements Due (exact date TBD)
	Create educational materials
	Reach out and get on the agendas of identified groups to give educational presentations (e.g., groups associated with PFEC, other stakeholder groups)
September – October	Meet with community groups, neighborhood associations, businesses, host an “evening with the PCS director” etc. to educate (not advocate) about the ballot measure
November 7	General election



MEMORANDUM

To: Kurt Triplett, City Manager

From: David Wolbrecht, Communications Program Manager
Martha Chaudhry, Economic Development Special Projects Coordinator

Date: October 19, 2022

Subject: 2023-2024 OUTSIDE AGENCY AND TOURISM BUDGET

The City Manager's Office allocates Outside Agency Funding based on the following categories:

- **Partner Agencies** – Organizations that operate an ongoing program or facility owned by the City or provide services on behalf of the City. This designation is given to the Kirkland Performance Center (KPC) and the Kirkland Downtown Association (KDA).
- **Special Events** – Events that have significant public appeal and are substantially funded and staffed by the City. In 2014, the City Council adopted a policy identifying a category of "Community Events" that are significant community events primarily intended for Kirkland residents and that do not require an admission fee to attend. The City Council designated the 4th of July Celebration, Summer Concert Series, and the Winterfest events as Community Events.
- **Tourism Funding** – The Tourism Development Committee (TDC), acting as the Lodging Tax Advisory Committee (LTAC), develops a recommendation to the City Council for the Explore Kirkland Tourism Program Budget for tourism projects and activities and funding for outside agencies producing tourism events.

Looking Back at 2021 and 2022

Special Events

In 2013–2014, Waste Management, the City's contracted waste hauler, agreed to contribute \$224,000 over seven years (\$32,000 per year) to help fund Community Events. This contribution launched in 2014, and the City Council allocated the funds as follows:

- 4th of July Celebration: \$16,000
- Summer Concert Series: \$8,000
- Winterfest: \$8,000

Since 2015, the City Council has matched the Waste Management contributions to support those same events at the same allocation amount. The City matched Waste Management’s contribution with one-time funding for 2021-2022 for a total of \$64,000 (\$32,000 per year).

Due to the ending of Waste Management’s contract in mid-2022, its contributions to community events were pro-rated for that year, resulting in an anticipated decrease in funding. However, carryover savings from cancelled events in 2020 due to the pandemic allowed the City to maintain the same total investment amount in the 2021-2022 budget. More information on this is detailed in the [2021-2022 issue paper](#).

[Note that a portion of the City’s annual Partner Agency support to the Kirkland Downtown Association of \$45,000 also supports event organization and promotion.]

Tourism Funding

The Tourism Development Committee awarded \$60,000 per year for tourism events and activities that attracted visitors from more than 50 miles away. For events occurring in 2022, and in an effort to stimulate tourism post-COVID, the TDC increased the program funding to \$102,000, which included carryover from unused tourism funding in 2021. \$102,000 was distributed among 12 nonprofits and event organizations, which coordinated a total of 21 events in the City of Kirkland.

As of September 2022, the status of these events is as follows:

- Two events were cancelled because event organizers had to focus their efforts within their organizations. These awarded grant funds were returned to the Tourism Funding Program with the intent of rolling \$9,000 into the 2023 program.
- For the remaining 19 events that were funded, 12 successfully completed in the months April through August, with 3 events scheduled for the Fall months and the remaining 4 scheduled for completion in November/December.

Looking Ahead to 2023-2024

Partner Agency

Agency	2021–2022 Approved	2023–2024 Requested	2023–2024 Recommended	Source
Kirkland Downtown Association (KDA)	\$90,000	\$90,000	\$90,000	Ongoing General Fund
Kirkland Performance Center (KPC)	\$100,000	\$100,000	\$100,000	One-Time General Fund

The 2023-2024 budget continues to support the KDA and the KPC as partner agencies through the biennium.

Special Events

The 2023-2024 Budget continues to support special events. The City renewed its contract with Waste Management (which has since rebranded itself as “WM”) on July 1, 2022. As part of the contract, WM included \$40,000 annually in donations to community events over the term of the new 10.5-year contract. This allocates \$40,000 toward special events for 2023 and again in 2024.

The City Manager is recommending that the City’s contribution maintain at historical levels of \$32,000 a year for 2023-2024. This is primarily due to the City taking on the responsibility of putting on the 4th of July event and needing to consider resource needs required for that added level of service. Based on this recommendation, and using the same allocation formula as in prior biennia, the funding allocated by event and year from both the City and WM will be as follows:

Community Event	2023	2024	2023-2024	Source
4 th of July	\$20,000	\$20,000	\$40,000	WM
Summer Concert Series	\$10,000	\$10,000	\$20,000	WM
Winterfest	\$10,000	\$10,000	\$20,000	WM
Total	\$40,000	\$40,000	\$80,000	WM

Community Event	2023	2024	2023-2024	Source
4 th of July	\$16,000	\$16,000	\$32,000	One-Time General Fund
Summer Concert Series	\$8,000	\$8,000	\$16,000	One-Time General Fund
Winterfest	\$8,000	\$8,000	\$16,000	One-Time General Fund
Total	\$32,000	\$32,000	\$64,000	One-Time General Fund

2023-2024 Tourism Budget

The Explore Kirkland tourism program is funded by the Lodging Excise Tax of 1 percent collected from short-term accommodations as authorized by state statute RCW 67.28. The City Manager’s Office oversees the Explore Kirkland tourism promotion program with the primary goal of attracting visitors to Kirkland in order to sustain a vibrant and healthy economy.

The City Manager’s Office provides staff support to the Tourism Development Committee (TDC), which acts as the Lodging Tax Advisory Committee as required by statute, and whose role is to provide recommendations on the use of the lodging tax funds and help guide Explore Kirkland tourism program goals and priorities.

The TDC recommends continuing to 2023-2024 the base budget-level approved for 2020-2021, with the following changes and reductions to reflect completed projects and alterations made to accommodate the City's current Lodging Excise Tax revenues.

Explore Kirkland Website Hosting - \$42,000

The Explore Kirkland website (www.explorekirkland.com) has been completely redesigned and rolled out to the community in a "soft launch." The soft launch approach was strategic and in alignment with current social distancing guidelines and prohibitions on group gatherings. A formal launch is planned once the future of tourism events has more clearly defined parameters. The TDC is anticipated to recommend \$42,000 for web hosting for 2023.

Marketing and Promotion Strategy

At its May 2022 regular meeting, the TDC voted to refocus its tourism marketing and promotion strategy away from traditional media and public relations towards a digital marketing and strategy expected to deliver more measurable results. At the direction of the TDC, the City terminated its contract with the public relations firm responsible for tourism promotion effective July 1, 2022. The budget allocation formerly supporting the public relations consultant, as well as budget allocated for print advertising and print materials, were re-allocated to support a digital marketing strategy beginning Q3 2022. Digital marketing is expected to be the strategy for tourism promotion for 2023-24.

Tourism Outside Agency Funding - \$60,000

For the 2022 program year, the TDC was able to increase its regular funding total to \$102,000 due to carryover from 2021 of unused tourism funding that was the result of events cancelled due to COVID-19 restrictions. Of this \$102,000, a total of \$93,000 was expended with \$9,000 returning to the tourism funding program due to events cancelled for non-COVID19 reasons. For the 2023 program year, the Tourism Development Committee made the decision to return to the \$60,000 funding amount for outside agencies producing tourism events. Staff opened the funding application process in June and accepted applications through 5 p.m. on August 8, 2022. The City received a total of 23 applications for funding requests totaling \$239,000. The TDC held a Zoom special meeting on August 22, 2022, and applicants had the opportunity to present to the TDC, including five new events by new applicants that resulted from staff outreach. The TDC met on September 1, 2022, at its regular monthly meeting for final review and selection of grant recipients.

Tourism Grant Criteria

In addition to State requirements, the TDC has identified the following criteria that were used in evaluating and ranking the applicants. A change to the bonus points criteria was introduced in 2022 to encourage multi-day competitive tournaments. However, a technical error resulted in the criteria not being used in the 2022 process.

The TDC used the following criteria to rate applications:

Tourist Attraction and Marketing - 50 points

The extent to which the event/program demonstrates the ability to attract visitors from 50 miles or more away and generate overnight stays.

Project Scope - 20 points

The extent to which the event/program improves the City's overall image by providing a positive visitor experience and/or promoting the area's existing attractions including the Kirkland waterfront, Totem Lake area, the Cross Kirkland Corridor, and other compelling areas of Kirkland.

Economic Impact - 10 points

The extent to which the event/program will generate a positive economic impact by supporting small Kirkland-based businesses and increasing visitor expenditures in Kirkland.

Project Success and Sustainability - 10 points

The extent to which the applicant has a proven track record of implementing a successful event/program including contract and permit compliance. The ability of the event to secure additional funding sources beyond City of Kirkland tourism funding.

Community Collaboration - 10 points

The extent to which the applicant partners and collaborates with other Kirkland events and organizations and especially forms culturally diverse partnerships in leveraging resources and marketing efforts.

Bonus Points: Shoulder Season Impact - 10 points

Events that take place in the shoulder season (October-April) qualify for up to 10 bonus points.

Safe, Inclusive, and Welcoming Events—10 points

Events that have a stated purpose that reinforces the City's commitment to being a safe, inclusive, and welcoming place for all people, with particular focus on increasing awareness of and/or celebrating cultural, ethnic, and/or racial diversity, qualify for up to 10 bonus points.

Multiday Competitive Tournaments (athletic and otherwise) – 10 points

Events that offer multiple days (two or more) of competitive activities, whether athletic tournaments or competitive gaming events, qualify for up to 10 bonus points.

The scores were recorded and averaged, and the totals were shared with the group. The Committee then determined the levels of funding based on the scores and criteria. The Committee voted unanimously to recommend the distribution of \$60,000 in tourism funding to organizations producing the following events:

2023 Tourism Funding Program Year Applications	Past Tourism Awards		Requested and Recommended Funding	
	2022 Awarded Amount	2022 Amount Expended	2023 Funding Requests	2023 Recommended Funding
Junior Softball World Series	\$11,000	pending	\$20,000	\$10,000
Great NW 3-on-3 Basketball Tournament	\$10,000	pending	\$25,000	\$8,500
Kirkland Uncorked	\$10,000	pending	\$15,000	\$8,500
Kirkland Oktoberfest	\$10,000	Pending	\$15,000	\$8,000
Kirkland Waterfront Car Show	\$5,000	pending	\$5,000	\$8,000
Winterfest (KDA)	\$5,000	pending	\$10,000	\$0.00
Kirklandia Waterfront Festival*	\$0.00	\$0.00	\$15,000	\$2,500
Eastside Community Musical (KPC)	\$5,000	pending	\$5,000	\$2,000
Mother's Day Half Marathon	\$2,000	\$1,982.47	\$2,000	\$2,000
Lake Washington Half Marathon	\$2,000	pending	\$2,000	\$2,000
Kirkland Summerfest	\$10,000	\$10,000	\$15,000	\$2,000
SRJO – Thad Jones 100 th Celebration**	\$3,000	pending	\$3,000	\$1,500
Studio East – Shakespeare	\$5,000	\$5,000	\$5,000	\$2,000
Studio East Summer Teen Show	\$1,500	\$1,500	\$5,000	\$1,000
Studio East Storybook Theater	\$0	\$0	\$5,000	\$0.00
Quarterly Wine Walks (KDA)	\$1,500	pending	\$5,000	\$0.00
Space for Youth Children's Fair	\$1,000	\$1,000	\$2,000	\$1,000
Tasveer Film Festival	\$2,000	Pending	\$10,000	\$1,000
Pumpkins in the Park (KDA)	\$2,000	Pending	\$3,000	\$0.00
Kirkland Greenways Bike Valet*	\$0	\$0	\$3,000	\$0.00
Gigantic Film Festival*	\$0.00	\$0	\$14,000	\$0.00
Raskar Music Group*	\$0	\$0	\$50,000	\$0.00
Kirkland Urban Art Fair*	\$0	\$0	\$5,000	\$0.00
12Ks of Christmas	\$2,000	Pending	\$0.00	\$0.00
Kirkland Urban Parade	\$6,000	Cancelled	\$0.00	\$0.00
Celebrate Kirkland (KDA)	\$5,000	\$4,907.51	\$0.00	\$0.00
7 Hills of Kirkland	\$3,000	Cancelled	\$0.00	\$0.00
Total Outside Agency Funding	\$102,000	\$24,389.98	\$239,000	\$60,000

*New Organization/Event

**Returning Organization/Different Event

Summary of Recommended Funding

The following tables provide a summary of the recommended funding levels by type of funding. Partner Agencies and Special Events are funded in 2023 and 2024. Tourism funding is recommended for 2023 only; however, the 2024 budget includes the recommended allocation of \$60,000 to be distributed in 2023.

2023-2024 Funding Requests and Recommendations

Source: General Fund	2021–2022 Approved	2023–2024 Requested	2023–2024 Recommended
Partner Agency - Ongoing	\$90,000	\$90,000	\$90,000
Partner Agency - One-time	\$100,000	\$100,000	\$100,000
Special Events (City Portion Only)	\$80,000	\$64,000	\$64,000
Subtotal General Fund	\$270,000	\$270,000	\$270,000

2023 Funding Requests and Recommendations

Source: Lodging Tax	2022 Approved	2023 Requested	2023 Recommended
Tourism Funding	\$60,000	\$60,000	\$60,000

State law guides that any modification to the TDC's proposed budget must be referred back to the committee for review and endorsement.



MEMORANDUM

To: Kurt Triplett, City Manager
Michael Olson, Director of Finance & Administration

From: Lynn Zwaagstra, Director
Jen Boone, Human Services Manager

Date: October 19, 2022

Subject: HUMAN SERVICES ISSUE PAPER

City of Kirkland Funding for Human Services

The City makes investments to address basic community needs through several City functions. While this issue paper focuses on human services grant funding, staff have included a summary of overall human services funding the City provides in the budget for additional context. Funding for Human Services is incorporated into a variety of operating and non-operating budgets. **Attachment A** summarizes the total human services funding provided by the City across all departments and functions.

Regional Approach to Human Services Grant Funding

The City's Human Services Division works regionally with North and East King County funders to coordinate, collaborate, facilitate, and fund support systems that help residents access basic needs, such as housing, food, healthcare, transportation, and sense of community belonging.

Kirkland has worked with other King County funders to develop a regional approach to funding, creating benefits that are three-fold: 1) nonprofit organizations experience easier access when seeking funding; 2) residents' ability to access services, improving their quality of life in Kirkland and the broader Eastside; and 3) leveraging the City's investment in human services grant funding leading to a greater impact in meeting the needs on the Eastside.

Recent examples of regional investment and partnership among King County cities include:

- Creation of an online joint application between 16 King County cities that agencies can apply for two-year funding to multiple cities using one application;
- Launch of a regional online data collection system, allowing for consistent information and improved alignment of programs and funding among cities;
- Participation in a pooled funding program with select north and east city funders so an agency receiving funding from multiple cities holds one contract, reducing overhead costs and reporting requirements;
- Shared training opportunities for Human Services Commissions to learn about incorporating equity into the grant decision-making framework, creating opportunity for small community-based organizations serving historically underserved communities to be considered for City funding.

Current Human Services Grant Funding

Since the City began investing in human services grants to nonprofit organizations in 1986, City funding for grant programs has been derived from ongoing funds approved in the Parks and Community Services Department's base budget, and one-time supplemental funding as authorized by the City Council during each budget cycle.

The ongoing base budget per year for human services for 2023-24 is \$969,237. For the 2021-22 biennium, City Council authorized one-time supplemental funding in the amount of \$241,889 for a total biennial budget of \$1,810,587.

Funding Sources

The City of Kirkland has added several funding streams to support human services for Kirkland residents over the last few biennium cycles.

Community Development Block Grant (CDBG)

Since it became a Joint Agreement City in the King County Urban Consortium in 2015, the City allocates its portion of public services funds from the federal Community Development Block Grant (CDBG) program to support human services. The estimated amount to support public services for 2023-24 is \$41,785 per year.

Enhanced Police Services and Community Safety Ballot Measure (Prop 1)

In 2018, Kirkland voters approved a 0.1% public safety sales tax that provided additional funding for human services to address homelessness, mental health needs, domestic violence, and suicide prevention for youth. Earlier this year, an additional \$186,406 was allocated to human services funding following a program modification to the [School Resource Officer \(SRO\) program](#). The funding available to support human services grants for 2023-24 is expected to be \$636,406 per year.

Multi Family Tax Credit Agreement with Kirkland Sustainable (MFTE)

In the fall of 2019, the City entered into an agreement with Kirkland Sustainable Investments, LLC (KSI) to offer new affordable rental housing units and City (and other public sector) employee rental housing units in downtown Kirkland. Part of this agreement called for "the payment to the City of 65% of KSI's property tax savings for use by the City to invest in low-income housing programs and in support of the Eastside Women and Family Shelter." Over the last three years of the agreement the City has supported housing navigators and client move-in assistance to families and women staying at the new Kirkland Place for Families and Women. The estimated funding available for 2023-24 is \$79,564 per year.

House Bill 1406

State House Bill 1406 dollars were allocated by the City Manager to fund human services programs administering rent assistance in 2021 and 2022 to support those experiencing housing instability during the pandemic. 1406 dollars will continue to support rent assistance for 2023-24. The estimated funding available is expected to be \$253,726 per year.

CARES and ARPA

Since the onset of the COVID-19 pandemic in 2020, the City has invested over \$3 million in federal dollars received from the Coronavirus Aid, Relief, and Economic Security Act

(CARES) and the American Rescue Plan Act (ARPA) to allocate additional one-time funding to meet the increased needs and subsequent demand for services in the community. In 2020, the City invested \$1.2 million in CARES dollars to support agencies facing increased administrative costs related to COVID-19, rent assistance, food, and other basic needs. In 2021, the City allocated \$1 million to support housing stability, behavioral health, digital equity, and vaccine incentives to underrepresented populations. In early 2022, an additional \$1.15 million was earmarked to support households with rent assistance. Staff anticipate unspent ARPA dollars earmarked for Human Services by end of 2022. The City Manager is proposing to reallocate the unspent dollars to help fund 2023-24 human services grants. The estimated unspent total is \$720,000, or \$360,000 per year.

The combined total funding proposed in the City Manager’s budget for 2023 and 2024 is \$4,681,436 (\$2,340,718 per year).

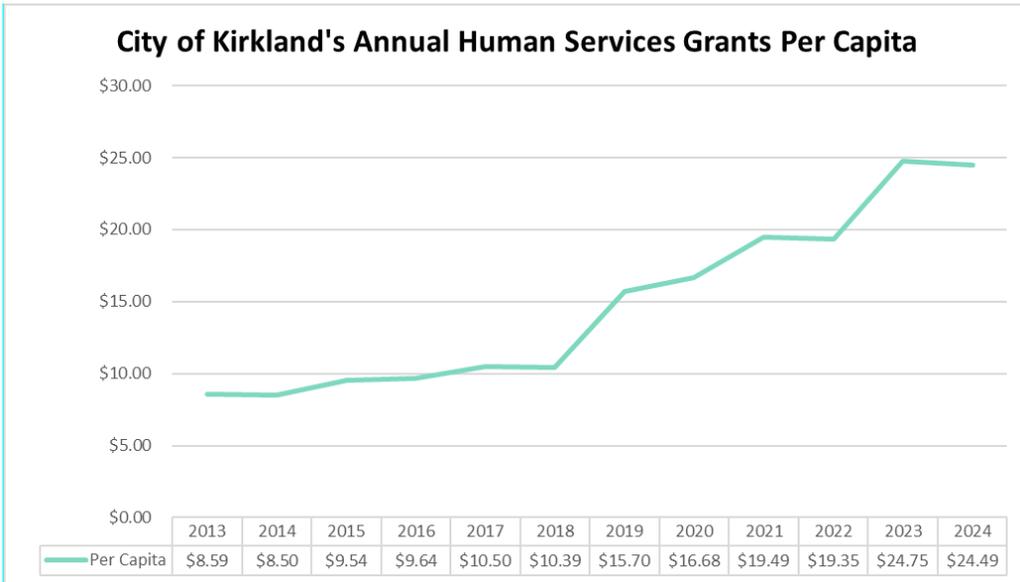
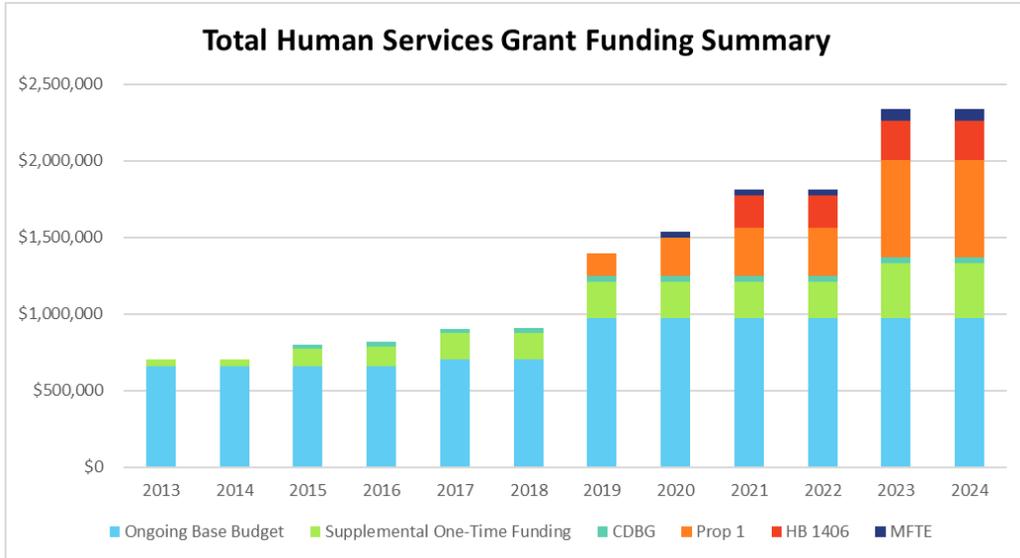
Table 1 summarizes funding amounts made available for human services grants since 2013.

Table 1. City of Kirkland Funding for Human Services Grants 2013 – 2024

Year	Population*	Ongoing Base Budget	Supplemental One-time Funding	CDBG	Community Safety Prop 1	WA HB 1406	MFTE	Total Funding	Per Capita
2013	81,730	\$656,944	\$44,814	\$0	\$0	\$0	\$0	\$701,758	\$8.59
2014	82,590	\$656,944	\$44,814	\$0	\$0	\$0	\$0	\$701,758	\$8.50
2015	83,460	\$656,944	\$114,679	\$24,470	\$0	\$0	\$0	\$796,093	\$9.54
2016	84,680	\$656,944	\$129,679	\$29,892	\$0	\$0	\$0	\$816,515	\$9.64
2017	86,080	\$701,758	\$171,149	\$30,691	\$0	\$0	\$0	\$903,598	\$10.50
2018	87,240	\$701,758	\$171,149	\$33,687	\$0	\$0	\$0	\$906,594	\$10.39
2019	88,940	\$969,237	\$241,889	\$36,664	\$148,818	\$0	\$0	\$1,396,608	\$15.70
2020	92,175	\$969,237	\$241,889	\$38,931	\$248,818	\$0	\$38,862	\$1,537,737	\$16.68
2021	92,900	\$969,237	\$241,889	\$38,931	\$310,000	\$211,668	\$38,862	\$1,810,587	\$19.49
2022	93,570	\$969,237	\$241,889	\$38,931	\$310,000	\$211,668	\$38,862	\$1,810,587	\$19.35
2023	94,590	\$969,237	\$360,000	\$41,785	\$636,406	\$253,726	\$79,564	\$2,340,718	\$24.75
2024	95,565	\$969,237	\$360,000	\$41,785	\$636,406	\$253,726	\$79,564	\$2,340,718	\$24.49

* 2023 and 2024 estimates based on King County estimated rate of growth from the Washington Office of Financial Management

Kirkland’s total funding amount for human services grants has increased annually, as shown in the following charts.



Comparison Snapshot: Neighboring Cities Human Services Investment

Table 2 provides a comparison of Kirkland and neighboring cities funding allocations for human services grants by total dollars invested and on a per capita basis. Due to the severity of need, jurisdictions are proposing additional one-time funding to support base budget investments for the 2023-24 cycle. The one-time funding request process differs by jurisdiction. The numbers included in the additional one-time funds' column are recommended for consideration as part of the budget process, the final number is not approved until the budget is passed.

Table 2. Human Services Annual Investment by Jurisdiction for 2023-24 Biennium

City	Estimated 2023 Population	Annual Human Services Grant Funds (Base Budget)	Per Capita Human Services Investment (Base Budget)	Additional One-Time Funds Requested ¹	Total Recommended Grant Funds ²	Total Recommended Per Capita Investment
Bellevue	155,578	\$2,275,000	\$14.62	\$2,713,131	\$4,988,131	\$32.06
Issaquah	41,396	\$500,000	\$12.08	\$56,720	\$556,720	\$13.45
Kirkland	94,590	\$1,726,992	\$18.26	\$613,726	\$2,340,718	\$24.75
Redmond	76,091	\$1,611,255	\$21.18	\$931,303	\$2,542,558	\$33.41
Sammamish	68,893	\$440,345	\$6.39	\$242,391	\$682,736	\$9.91
Shoreline	60,978	\$440,000	\$7.22	\$0	\$440,000	\$7.22

¹ The additional one-time supplementary fund request process differs by jurisdiction. The numbers are proposed as part of the budget process, additional one-time funds are not guaranteed until the budget is approved.

² The total recommended is per year not per biennium.

Comparison Snapshot - Current Need to Current Funds Available

Services Landscape

The Community Needs Assessment released by Hopelink in June 2022 identifies four overarching themes of program and service needs on the Eastside. The needs all stem from having insufficient financial resources to meet one’s needs in North and East King County. The themes are interrelated, and intersect with race, ethnicity, nativity, and personal history to shape the experience of poverty in the region. While the assessment uses the latest available data and reports, some data is based on pre-COVID findings and therefore is already outdated in assessing a hyper-current snapshot of needs. The themes are as follows:

1. Community members are challenged to meet their basic needs.
2. Lack of affordable housing is undermining household security and leading to displacement.
3. There are insufficient transit and transportation options for people with low incomes, particularly outside of urban centers.
4. There is persistent evidence of food insecurity and hunger.

Staff utilize the data and findings provided by the Needs Assessment to understand current trends and needs that impact the human services landscape. The full report released by Hopelink can be found [here](#) with the corresponding memo prepared for City Council earlier this year.

COVID-19

The new economic realities caused by current inflation, the shortfalls of the Great Resignation¹, and continued short and long-term financial and emotional impacts COVID-19 on low-income populations, intersected by systemic racism and the disproportionate impact the above referenced has on under-resourced and Black, Indigenous, People of Color (BIPOC) communities, add additional context to the current services landscape.

¹ The Great Resignation began in 2021 where employees resigned at an alarming rate in sectors most impacted by wage stagnation out of alignment with cost of living, job dissatisfaction, safety concerns due to COVID-19, and the desire for improved work-life balance.

- The demand for behavioral health services has skyrocketed and providers are unable to meet the need. Many workers in the behavioral health industry are leaving the sector because of burnout and pay inequity.
- There is significant demand for eviction prevention services, including emergency financial assistance and legal assistance for residents to maintain their housing. The demand for rent assistance far exceeds the supply as households face significant rent increases in tandem with higher living expenses due to inflation, leading to an ongoing need for assistance to maintain housing stability.
- Access to food continues to be an issue since the onset of the pandemic and is a barrier for folks maintaining stability.
- The needs of those disproportionately impacted by the pandemic and racism, specifically Black and African American, Indigenous, Latinx, immigrants, and refugees, require specific investment in services that are culturally competent, relevant, and appropriate.
- Agencies are requesting significantly higher investment of funds to keep workers in the nonprofit sector, as workers are leaving the industry due to the high levels of stress and demand from COVID-19 intertwined with pay inequity, secondary trauma, and general fatigue in supporting populations with increasingly chronic, and often intersecting needs.

Current Need

The number of grant applications and the total amount requested from community agencies to the City significantly increased from the previous biennium, with many agencies citing the need for additional funding to cover increased costs, staff retention, and higher demand of services. The average increase in request from programs awarded funding in 2021-22 is 94% with requested amounts ranging up to 700% increase in total ask compared to the previous biennium.

For the 2023-24 cycle, the City received 109 grant applications from community agencies, totaling \$8,716,708 for the upcoming biennium (\$4,358,354 per year), reflecting similar trends outlined in the services landscape discussion around unmet need. Table 3 summarizes the funds available compared to the current need since 2013.

Table 3. Comparison of Funds Requested to Funds Available

Budget Period	Total Funds Requested	Total Funds Available	Percentage of Requests Funded
2013-14	\$1,794,000	\$1,403,516	78.2%
2015-16	\$2,354,298	\$1,597,608 ¹	67.9%
2017-18	\$2,848,644	\$1,810,192 ¹	63.5%
2019-20	\$4,080,740	\$2,934,345 ²	71.9%
2021-22	\$4,741,854	\$3,197,838 ³	67.4%
2023-24	\$8,716,708	\$4,681,436	53.7%

¹ Includes CDBG

² Includes CDBG and Prop 1 funding

³ Includes CDBG and Prop 1 funding

⁴ Includes CDBG and Prop 1 funding; as proposed in the City Manager's 2023-24 budget

Human Services Commission

The City formed a Human Services Advisory Committee in 1986 to provide funding recommendations to the City Council for the distribution of grants to agencies providing human services to Kirkland residents. The Committee's role was limited to this purpose. In 2018, the City Council established a Human Services Commission (HSC) to align with Bellevue, Issaquah, Redmond, and Sammamish. The Commission meets monthly to understand current and emerging community needs, available community programs and the impact of such programs. The Commission is also available to provide additional policy guidance to Council and staff as needed.

Upon formation of the HSC, City Council requested the Commission proactively identify Kirkland needs and actively address those needs with recommendations to distribute grant funding. Correspondingly, the Commission recognized that certain areas of service needed to be prioritized regardless of the funding amount available. Each biennium, the Commission reviews the prior biennium's priorities and makes funding adjustments based on current need. Subsequently, their strategy has led to proposed increases in the level of funding for grants by way of one-time supplemental funding requests to be considered by City Council.

For the 2023-24 biennium, the Commission adjusted the framework in how they prepared grant recommendations to include the following considerations given the current services landscape.

- Invest a minimum of 10% of base budget recommendations to community-based organizations serving BIPOC communities
- Invest a minimum of 15% of total funding recommendations to community-based organizations serving BIPOC communities
- Reallocate the prior biennium's investment in larger organizations with greater capacity to seek other grants and shift those requests to be considered for supplemental one-time funding
- Include a cost-of-living adjustment of 7% for agencies which received 2021-22 funding
- Include unallocated grant funding set-aside support to support Indigenous and Black/African American residents

Recognizing the historical and disproportionate impact current events, like the pandemic, continue to have on BIPOC communities, the Commission's framework aligns with the direction from City Council for the Commission to strategize how the City is proactively responding to current community need.

Human Services Staff Support

The Human Services Element of the City's Comprehensive Plan supports the City to create a community where all residents have their physical, mental, economic, and social needs met, increasing the opportunity to enhance their quality of life in Kirkland. The City serves as facilitator and coordinator in addition to funder to meet this goal. City staff in the human services division are directed in the plan to do the following:

1. Regularly assess local human service needs and provide leadership in the development of services to address newly identified needs.
2. Promote community awareness of human service needs, the resources available to meet those needs and the gaps in services.
3. Provide funding for local nonprofit organizations serving the needs of Kirkland residents.
4. Maintain and support a Human Services Commission.
5. Commit Community Development Block Grant Funds (CDBG) to affordable housing and house repairs for low- and moderate-income residents.
6. Participate and provide leadership in local and regional human service efforts.
7. Encourage the development of partnerships among the City, schools, human services providers, and other stakeholders, to address the needs of children and families within the school setting.
8. Ensure human service programs are available and financially accessible.
9. Prior to adoption, consider impacts to human services of any proposed legislation, including City codes and regulations.
10. Administer community donation programs.

The 2021-22 biennium supported the expansion of the Human Services Division staff to include two new Human Services Coordinators, focused on wellbeing and equity. The Equity Coordinator position was originally time-limited to the end in December 2022 but was converted to an ongoing position earlier this year. In addition, the Supervisor position was reclassified to a Manager position to support the growth and expansion of the Division's role and impact in meeting the community's needs.

The City Manager is recommending an additional position in the Human Services Division to include a Street Outreach Worker position to support residents who are unhoused and experiencing homelessness. The position was originally included in the 2021-22 grants budget through a contract with an agency to provide the outreach services. The agency struggled to provide this service. Combined with the increased demand for services for those who are unhoused, it was determined that contracting with an outside agency was not meeting the current need. An internal position to support residents unhoused is a similar approach used in various cities on the Eastside, including Bellevue, Redmond, and Issaquah, increasing collaboration and capacity at the City level among first responders, Human Services staff, and other stakeholders to better coordinate in addressing homelessness. The addition of this position will add capacity to the Division, bolstering the City's ability to respond and support those who are unhoused, first responders, Parks staff, the business community, and residents.

The above activities address priorities identified by the City Council, the Human Services Commission, the 2018 Enhanced Police and Community Safety Ballot Measure, the City's Comprehensive Plan, and Resolutions R-5240 and R-5434 to continued investment in human services to meet basic human needs, allowing residents to thrive in Kirkland and the Eastside.

The continued investment in both the human services grant program and the expanded capacity of human services recommended in the City Manager's 2023-2024 budget responds to the significant needs of Kirkland residents resulting from the services landscape and takes an important step forward to proactively address community need using an equity lens.

ATTACHMENT A

City of Kirkland Human Services and Related Activities Funding

Funding for Human Services and related activities is incorporated into a variety of operating and non-operating budgets. The following summary provides an overview of funding for 2023-24 and includes 2021-22 as a comparison.

Program/Funding Source	2021-2022 Budget	2023-2024 Budget
Human Services Program Grants (including CDBG) ¹	3,353,834	3,396,921
Prop 1: Additional Grant Funding ²		312,354
Human Services Forum and Other Regional Programs	15,028	15,112
Prop 1: Women and Family Shelter Operations	200,000	200,000
Prop 1: Mental Health and Human Services Programs	420,000	441,211
Prop 1: Mental Health and Human Services Program Coordination	280,000	258,789
Human Services Coordination (including CDBG)	781,424	642,455
Homeless Outreach Coordination		328,882
WA HB 1406 (Affordable Housing Sales Tax): Rental Assistance ³	546,814	706,194
Senior Center Operations	572,369	647,019
Subtotal People in Need	6,169,469	6,948,937
Human Services Reserve Programming Uses	977,345	
ARPA Funded Rent Assistance, Healthcare, Housing Programs	1,916,289	
Subtotal People in Need - One Time Funding After Budget Adoption	2,893,634	
A Regional Coalition for Housing (ARCH) ⁴	1,486,561	1,716,133
Housing Initiative	150,000	-
Subtotal Affordable Housing	1,636,561	1,716,133
Community Safety Responders Program ⁵	1,819,026	2,450,122
Diversity, Equity, Inclusion and Belonging - Manager/Outreach	476,367	553,791
Community Court	145,487	145,567
Subtotal Inclusive & Welcoming Community	2,440,880	3,149,480
Community Safety Initiative: MIH-Funded Firefighter/EMT and Social Worker	648,376	733,808
Subtotal Fire & Emergency Medical Services	648,376	733,808
Domestic Violence Advocacy in the Police Department	996,089	1,021,011
Prop 1: Neighborhood Resource Officers (NROs) ⁶	556,796	539,518
Police School Resource Program (City-funded portion) ⁷	377,928	
Prop 1: 4 SROs in Kirkland Middle Schools (City-funded portion) ⁸	755,856	587,979
Subtotal Police Services	2,686,669	2,148,508
Senior Discounts for Utility and Garbage Services	97,475	125,473
Kirkland Cares (assistance with utility bills from utilities customer donations)	6,450	6,953
Subtotal Recycling & Garbage Collection	103,925	132,426
King County Alcohol Treatment Programs	48,000	56,000
Community Youth Services Program/Teen Center ⁹	534,591	828,043
Rent Subsidy for Youth Eastside Services ¹⁰	78,000	78,000
Recreation Class Discounts	14,000	32,000
Subtotal Other	674,591	994,043
Total Human Services and Related Activities Funding	17,254,105	15,823,335

TOTAL SPENDING PER CAPITA 2021-2022:	\$ 185.06
TOTAL SPENDING PER CAPITA 2023-2024:	\$ 169.11
SPENDING WITHOUT POLICE SERVICES PER CAPITA 2021-2022:	\$ 156.24
SPENDING WITHOUT POLICE SERVICES PER CAPITA 2023-2024:	\$ 146.15

¹ Additional Human Services funding approved by the Council is not included in these figures. The Council approved \$749,196 of CDBG-CV CARES Act funding for Human Services needs; \$526,756 of this is expected to carryover to 2023. Projected carryovers are included in the 2023-24 budget.

² Additional Prop 1 budget of \$186,406 per year was authorized by Council in 2022; of this, \$60,458 will offset the Homeless Outreach Coordinator position.

³ Affordable Housing Sales Tax budget in 2021-22 includes a 2020 carryover of \$123,478. The 2023-24 budget is \$253,726 per year and also includes a projected carryover of \$198,742 from 2022.

⁴ 2021-21 ARCH funding reflects the base budget amount of \$360,689, ongoing funding of \$295,872 from Community Development Block Grants (CDBG), and one-time service package funding of \$830,000. In addition to these amounts, Affordable Housing in Lieu fees totaling \$3,449,153 are expected to be remitted to ARCH or directly invested in affordable housing in 2021-22 that are not reflected in the table above. The 2023-2024 Budget includes the same funding elements with adjusted base budget (\$562,567) and CDBG (\$323,566) amounts.

⁵ The Community Safety Responder program was part of the 2021-22 Community Safety Initiative with 4 Community Responders; it was modified to add Lead and Supervisor positions in 2021, incorporating Prop 1 budget for the mental health services consultant from the Neighborhood Resource Officer Program.

⁶ The 2021-22 program originally included mental health professional services budget that was then moved to the Community Responder Program. The 2023-24 program includes budget for 1.63 FTE NROs.

⁷ In 2022, two SRO positions were converted to NRO and ProAct officer positions.

⁸ Program was reduced to 4 SRO positions in 2022, which is reflected in the 2023-24 budget.

⁹ 2023-24 budget includes the full expenses of running the Kirkland Teen Union Building.

¹⁰ Rent is waived completely; figure represents a conservative market rent equivalent.



MEMORANDUM

To: Kurt Triplett, City Manager

From: George Dugdale, Financial Planning Manager
Andrea Peterman, Senior Financial Analyst

Date: October 19, 2022

Subject: HEALTHCARE PROGRAM UPDATE

BACKGROUND

In 2011, the City of Kirkland began self-insuring for healthcare due to rising costs and reduced benefits provided by the City's previous health care plan. Despite this significant step, healthcare costs continued to increase quickly and were a significant budget issue for the City. After three years of self-insurance three factors converged to lead staff and Council to develop a new and more sustainable healthcare plan.

1. Claims growth between 2011 and 2013 averaged 15% per year, although the City was able to keep premium growth to just under 9% in the same period this was an unsustainable trend.
2. Three years of aggregated claims data gave the City much better visibility into and understanding of our healthcare needs and experience, which made it possible to design a new program.
3. The "Cadillac Tax" on high cost healthcare plans, brought in as part of the Affordable Care Act (ACA) was intended to take effect in 2018. Early estimates were that this could cost the [City up to \\$1.5m per year](#).

Following significant staff, Council, and consultant time in April 2015, the City of Kirkland implemented the Healthy Kirkland Initiative. The objectives of the program were to improve employee health while mitigating the rising cost of health care and to avoid liability under the Affordable Care Act "Cadillac Tax". The "Cadillac Tax" was repealed in December 2019 and did not go into effect, nevertheless, the Healthy Kirkland Initiative has realized successes in improving employee health and managing growth in health care costs.

In December 2015, the City Council received a comprehensive briefing on the evolution of the City's program and this memorandum will summarize some of the highlights of that report and provide an update on the program's impact on the budget since that point in time. The full 2015 briefing (170 pages including attachments) is available on the City's [website](#).

The Healthy Kirkland Initiative

After assessment of a variety of options that placed different emphasis on the three goals described above the City opted for a “full systems approach” that included:

- 1) individual economic incentives to better empower individuals to make more informed medical decisions and improve the likelihood of health savings;
- 2) increased market transparency so employees could be more informed in those decisions; and
- 3) unlimited primary care services, free to employees and qualified dependents, to promote proactive healthy behavior, and ensure participants had ample opportunity to get the critical on-demand primary care necessary to help ensure healthier lives.

Each element of the Initiative had been implemented successfully somewhere in the United States. What differentiated the City’s approach was not so much the implementation of any element separately as isolated efforts to improve care. Rather, what was unique to the City’s strategy was implementing each of these elements together, at the same time, as interdependent parts of a full health care delivery system.

How Does the Healthy Kirkland Initiative Work?

High Deductible Health Plan

First, the City moved to a high deductible health plan. Establishing a high deductible framework created the necessary structure to incorporate real economic decision making to everyone participating in the new plan. With a high deductible plan, participants are required to pay a much larger portion of their initial health costs, emphasizing the need to make informed decisions on nearly every element of their care.

HRA VEBA

To offset the new financial exposure to employees, the City created an expansive Health Reimbursement Voluntary Employee Benefits Association (HRA VEBA) benefit contribution, essentially matching annually the cost of the entire deductible for both individuals and families. HRA VEBA’s, unlike traditional HRA’s, are savings accounts that stay with employees and eligible dependents and accumulated account balances roll over from year to year. With this approach, employees are given both a new economic exposure (the higher deductible) combined with a new financial incentive to save (the HRA VEBA contribution). To fully match the annual cost of the high deductible as part of their HRA VEBA contribution, however, most employees and their spouses/domestic partners must complete a wellness incentive program. These activities include biometric screening and health risk assessment, visiting a health provider, and meeting with a health coach. The new framework provided an incentive to engage in healthy behavior and make more judicious decisions regarding the utilization of care.

Financial Exposure		
	Healthy Kirkland Plan	
	Employee Only	Family
Deductible	1500	3000
Out-Of Pocket Max	2500	5000
VEBA Contribution	1200	2400
Wellness Contribution	600	600
Total VEBA Contribution	1800	3000
Maximum Exposure	700	2000

Vera Whole Health Near Site Primary Care Clinic

The final element of the full systems approach was the creation of a near site primary care health center, free to employees and qualified dependents. The City chose Vera Whole Health Services as the operator of the health center. The Kirkland Vera clinic is in the Totem Lake area, just a short drive from the Evergreen Hospital Emergency Room. Parking at the facility is free, and it is open to employees and their family members who are enrolled in the City's health plan. The health center provides preventative and same day acute care (immunizations, check-ups, limited prescriptions, etc.) along with behavioral and lifestyle health coaching, all at no cost to the employee. The health professionals at the clinic provide care that includes both coaching and education, so employees can schedule appointments for a variety of preventative and acute services, as well as wellness and nutritional consultations. Finally, Vera was chosen as the clinic provider because it provides reciprocity among its clinics. Kirkland employees and qualified dependents can visit any Vera clinic for free. Currently there are several clinics in Seattle and a clinic in Everett in addition to the Kirkland location and as more clinics are added, access for Kirkland employees and their families to high quality, free health care will increase.

The health center is a critical component of the entire system. The reasons for this are several. First, because primary care is free to employees and convenient, employees and qualified dependents have a powerful financial incentive to use the clinic to save their HRA VEBA balances and be more active in maintaining their health. Second, because the operation of the clinic is informed by an employee advisory group, the quality and availability of care is part of a participatory process that encourages employee engagement and oversight. Finally, because the Vera model involves unlimited free access to a health coach, the clinic could become a catalyst for cultural change at the City that promotes more healthy proactive living as part of the employment experience.

Each element of the Healthy Kirkland Initiative taken alone would likely be an important improvement to an existing health care plan. Taken together and implemented as part of a comprehensive system however, each element is enhanced to realize much more of its full potential providing entirely new opportunities for participants to improve health, increase savings, and enjoy a better quality of life.

PROGRAM CHANGES SINCE 2015

Initially, the City's AFSCME, PSEU, and Teamster bargaining units and Management and Confidential staff joined the program in 2015, and subsequently the remaining Police bargaining units joined as well. Effective in 2017, the firefighter's union (IAFF) opted to participate in a

plan outside the City's system sponsored by the LEOFF Trust PFP for which the City pays the premiums.

Initial results from the Healthy Kirkland Initiative were promising. The 2016 recommended contribution to the self-insurance fund for the program decreased 4.5% at a time that the national average for health care costs increased 6% and the high deductible plan of the Association of Washington Cities (AWC), a similar plan to Kirkland's, increased 9.1%.

The 2015-2016 budget assumed zero percent growth in the health benefits fund due to higher than expected health cash reserves from the early results of the program and in anticipation of the continued success of the Healthy Kirkland Plan.

The 2017-2018 budget assumed no increase to the contribution to the health benefits fund in 2017 and a 2% increase in 2018, still well below both the national average and AWC plan increases (AWC's HDHP premium increased 13.2% from 2017 to 2018). The premiums paid to LEOFF Trust in 2018 increased 13%.

The 2017-2018 budget assumptions recognized that the reserve maintained in the health benefits fund was substantially above the state required minimum of 16 weeks of claims data. This balance was the result of several dynamics:

- By diverting claims to the clinic, the 16-week rolling average of claims was substantially lowered.
- The amount set aside for claims is based on an actuarial analysis. In the early years of the program, claims performed better than the calculated actuarial result.
- A \$1 million contingency had been added to the reserve in the beginning of the City's self-insurance program as a hedge against higher than expected claims growth, which has proven to be unnecessary after the first year of self-insurance in 2011. In 2017, this amount was reallocated to help fund the replacement of the City's core financial and human resources system.

To begin to draw down the reserve balances, the 2017-2018 rates were set below the actuarial recommendation. The reserve balance in 2017 was drawn down while 2018 balance grew, indicating that costs rose at a slower rate than revenues. Note that a portion of the reserve drawdown in 2017 reflected the "runoff" of claims for IAFF members, or the total amount of claims incurred in 2016, but paid out in 2017 when they were no longer part of the City's plan.

Rate assumptions made in the 2019-20 Budget began a multi-year plan to raise rates to bring them in line with actuarially forecasted cost growth, with annual increases of 9.5% and a planned use of reserves as rates were brought in line with expenses. Actual results used \$296,484 in reserve balance in 2019, about \$327,000 better than forecast, and increased the reserve by \$419,929 in 2020. This outcome indicated that the 9.5% annual raises gained more ground relative to expenses than originally assumed.

In the 2021-22 budget process, the City used the conservative actuarial assumption of 6.7% for annual growth to set 2021-22 budget targets, continuing the plan to bring rates in line with actuarially forecasted growth and to draw down reserves. During the 2021 mid-biennial process, the 2022 rate increase was lowered based on the updated actuarial recommendation,

from the budgeted 6.7% increase to 2.35%. Actual results in 2021 increased the reserve balance by \$237,911, and it is expected to grow by \$478,924 by year end 2022. This outcome indicates a continued trend of annual rate increases outpacing actual expenses.

A portion of the reserve is a mandated 16-week minimum claims balance. This amount is estimated conservatively during the budget process by using the highest 16-week average from the prior year. For the 2023-24 budget, staff assumed 2021 as the baseline for the required 16-week claims reserve. As an additional check for conservative rate setting, staff analyzed the highest 16-week claims total from 2021-22 and created a secondary informational target of 16-week maximum liability. The 2023-24 rates maintained reserves above both the required and the assumed maximum 16-week claims levels.

Category	Actuals					Projected					
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Starting Reserve Balance	7,130,429	5,172,161	5,772,934	5,476,450	5,896,379	6,170,290	6,649,214	7,246,045	7,520,415	7,414,045	6,859,822
Use/Addition to Reserves	(958,269)	600,773	(296,484)	419,929	273,911	478,924	596,832	274,369	(106,369)	(554,223)	(1,079,385)
Contingency Reserve*	(1,000,000)										
Ending Reserve Balance	5,172,161	5,772,934	5,476,450	5,896,379	6,170,290	6,649,214	7,246,045	7,520,415	7,414,045	6,859,822	5,780,437
16-Week Requirement (Average)	1,868,942	1,298,074	1,477,168	1,465,453	1,443,715	1,334,336	1,437,080	1,547,735	1,666,911	1,795,263	1,933,498
16 Week Worst Case (Above Average)	215,963	758,418	277,890	635,013	270,130	257,530	277,360	298,716	321,717	346,490	373,169
16 Week Total Maximum Liability	2,084,905	2,056,492	1,755,058	2,100,466	1,713,845	1,591,866	1,714,440	1,846,451	1,988,628	2,141,753	2,306,668

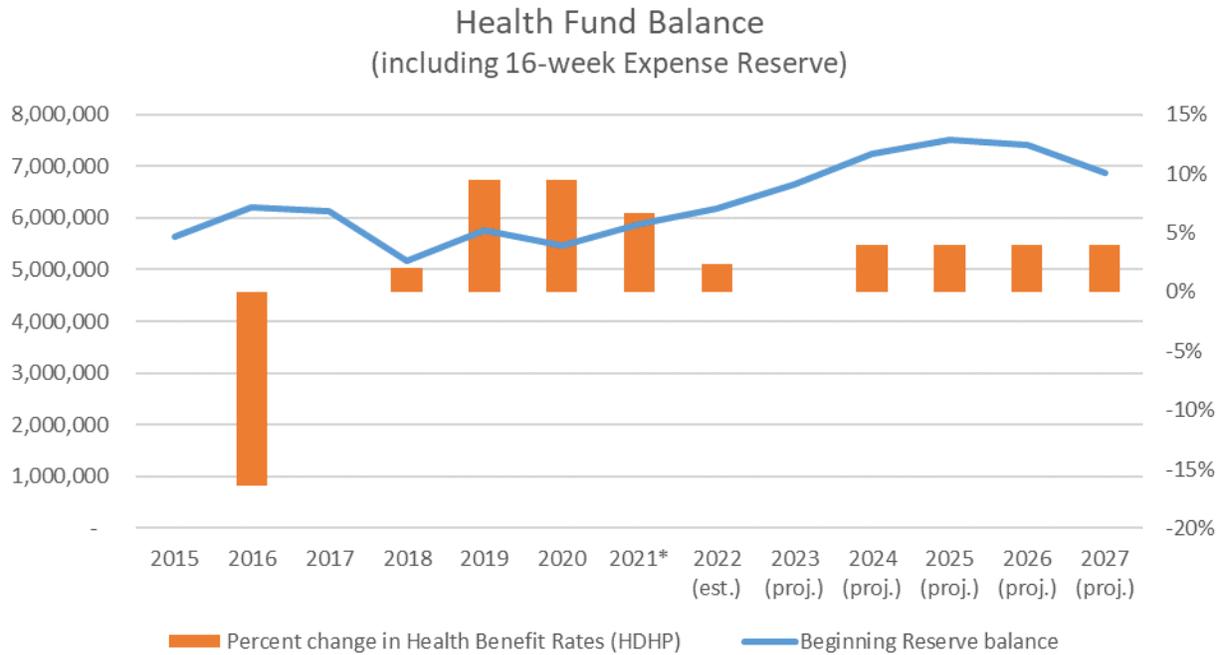
*Contingency was transferred to the Finance System Replacement CIP project

Looking forward to the 2023-24 budget and beyond, the most recent actuarial analysis indicates that a cumulative five-year increase of approximately 41% (approximately 9% per year) in the claims-related premium contribution might be necessary to bring the premiums in line with costs. However, Kirkland’s actual claims experience and trends have so far indicated lower costs than actuarial projections have forecast. In 2020, medical claims were down by 5.6%, possibly due to the impact of the COVID-19 pandemic and quarantine measures, which delayed many medical procedures and reduced visits to healthcare providers. Actual claims in 2021 increased by 2.1%. Total medical claims through July of 2022 are trending significantly lower than 2021, down 21.2% due to a lack of inpatient utilization. This decrease is likely to be an anomaly and claims are expected to return to 2021 levels in future years. Given that the current reserve is well over the required minimum, staff has laid out a plan to raise claims-related premiums in line with projected costs covered by those premiums while drawing down on reserves in future years. This approach still maintains balances above the required 16-week minimum claims balance.

The preliminary 2023-24 budget reflects premium increases that close the current gap between claims and costs for 2023-24. Because actual claims have been lower than projected during the current biennium, staff assumed the recommended zero percent growth in 2023, deferring the next rate increase to 2024. Implementing 4% increases from 2024 to 2027 will draw down the reserve gradually to reach the target of \$2.3 million above the required 16-week claims reserve, which represents the estimated 16-week maximum liability for 2027.

Revenues are projected to collect slightly less than expenses in future years if continued at the 4% rate growth as illustrated in the table above and in the following graphic. This assumption can be revisited and adjusted as necessary in future mid-biennial and full budget processes, which has been the City’s approach in prior years. Reserve balances are projected to remain

significantly above the 16-week minimum claims balance through the end of 2027 even assuming this draw down.



The assumed increase in 2023-24 premium rates described above does not relate to all healthcare expenses, only those tied to claims-related costs. It excludes costs related to the Healthy Kirkland Plan, including the Vera Clinic and HRA/VEBA, which are relatively fixed. The table below summarizes the growth assumptions for claims costs in the overall Healthy Kirkland Plan.

Healthy Kirkland Plan Components

Assumptions for 2023-2024

Category	% Increase	
	2023	2024
Fully Insured Equivalent (Medical Claims)	7.7%	7.7%
Vera Clinic	0.0%	3.0%
HRA/VEBA	0.0%	0.0%
Third Party Administration/Stop Loss	12.6%	16.6%
Overall Increase to Self Insurance Budget	7.3%	8.7%

HEALTHCARE COSTS BEYOND THE HIGH DEDUCTIBLE PLAN

In addition to the high deductible plan, City of Kirkland employees are eligible for a range of other health plans, depending on their bargaining unit, as well dental and vision plans.

Therefore, the City’s overall healthcare expenditures include premiums associated with the Kaiser managed care plan offered by the City, the LEOFF PFP plan costs, dental benefits, and internal staff costs associated with administering the program. The table below summarizes the increase in overall healthcare expenditures reflected in the preliminary budget (note that the LEOFF PFP increase is an estimate as the plan has not yet published its 2023 rates). The average medical benefit cost per subscriber will increase approximately 1.9% in 2023 and 5.5% in 2024. Note that the 2024 factors are the best estimates available at this time and will be refined as part of the mid-biennial budget update in 2023.

Overall Healthcare Expenditure Changes

	2023	2024
Premiums and Premium Equivalent:		
HDP	0.0%	4.0%
Kaiser	5.2%	8.0%
IAFF PFP	5.2%	8.0%
Willamette	0.0%	3.8%
Delta Dental	2.3%	3.8%
Vision	-15.1%	2.0%
Other Fees:		
HRA/VEBA	0.0%	0.0%
Clinic Fee	0.0%	3.0%
Other Costs	1.0%	1.0%
Workers Compensation	4.8%	4.8%

CONCLUSION

Kirkland continues to experience lower healthcare costs than actuarial projections have forecast. The plan to phase in claims-related premium increases should still maintain a healthy reserve and allow the decisions in future budget cycles to recognize actual claims trends. The five-year strategy of moderate 4% rate increases would result in a planned reserve drawdown while avoiding steep changes. The projected reserve above the minimum also acts as a hedge against worse than expected performance or the need to increase the reserve if the IAFF returns to the City’s plan.

The overall trend in lower than projected claims is an indicator of the success of the Healthy Kirkland Initiative. While it is difficult to judge the overall health of the employee population, participation in the clinic and wellness incentive programs remains high. Although there was a drop in participation during 2020 due to the pandemic, rates stayed well above business benchmarks, and participation in 2021 returned to pre-pandemic levels. The success of the strategy is also illustrated by employee balances in HRA/VEBA accounts, which are over \$6.1 million as of June 2022. These accounts, which were implemented with Healthy Kirkland Initiative, give employees and their families a financial buffer against unexpected medical costs.



MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Sri Krishnan, Deputy Director of Finance and Administration
George Dugdale, Financial Planning Manager
Nida Haroon, Budget Analyst

Date: October 19, 2022

Subject: Credit Card Fees

The purpose of this memo is to provide background on credit card fees, describe the current status and provide an update to City Council to comply with the City's Fiscal Policy.

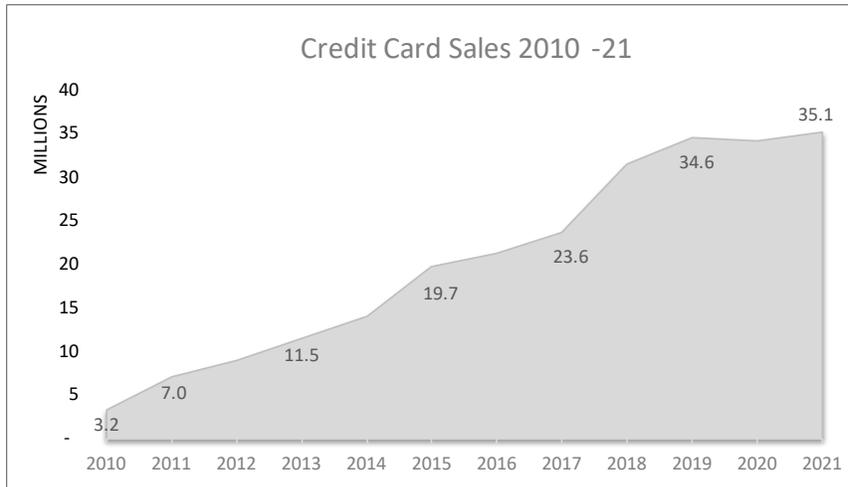
Background

The City's Fiscal Policies under Revenue and Expenditure Policies states that "Credit card fee surcharges, cash discounts and online payment methods shall be reviewed and evaluated every two years as part of the biennial budget process to ensure that the cost of service is being covered and the City is taking advantage of improving technology."

The City began accepting credit cards as an appropriate method of payment for services in 2005. Benefits for the City by accepting payment with credit card include: quicker payments for utilities, reduced number of shut-off for non-payment; convenience for the community in payment for Parks Programs, Moorage, Parking and other City services; reduced returned checks for non-payment as customers are much less likely to void a credit card charge than write a bad check; and increased collections from those who owe fees or late on payments to the City, because of the convenience of payment by credit card.

Accepting payments by credit card results in the City incurring a variety of processing fees, the exceptions are the Court and Jail which use a third party for some services that charge fees. In most cases departments build an estimate of card fees into their budgets in order to pay these fees and these costs are built into fees for services charged to all customers. As the dollar volume of card payments increase, fees also increase and can result in the need to adjust budgeted amounts. Credit card fees are included in the full cost calculation of development fees, but in those cases the credit card fees are spread across all applicants not just those using credit cards. The use of credit cards for payments has increased over the years.

The graph below shows how the dollar volume of receipts from credit card sales has grown from 2010 to 2021. The exception is in 2020 when the sales decreased by 1% because City Hall was closed to the public due to COVID-19 pandemic and several accounts located within City Hall were not used.



The City accepts card payments for utilities, fines and court payments, recreation programs, permits, and parking. Details for 2021 activity are listed in the table below.

Division	Total Sales	Transactions	Total Fees	Fees as a % of Sales	Total Revenue	Credit Receipts as a % of Total Revenue
Utilities	23,009,052	79,913	215,879	0.9%	74,957,986	30.7%
Development Services	9,272,246	10,176	214,194	2.3%	17,120,178	54.2%
Parks & Rec	1,350,896	11,319	38,669	2.9%	1,749,523	77.2%
Municipal Court	487,293	3,311	5,552	1.1%	1,446,429	33.7%
Cemetery-Licensing	388,700	1,408	7,199	1.9%	5,133,079	7.6%
Parking	304,780	148,594	49,757	16.3%	294,352	103.5%
Pet Licensing	111,547	4,739	3,425	3.1%	166,772	66.9%
Moorage	107,839	4,650	4,764	4.4%	94,978	113.5%
Grand Total	\$ 35,032,353	264,110	\$ 539,439	1.5%	\$ 100,963,297	34.7%

In 2021, the City accepted a total of 264,110 card-based transactions incurring \$539,439 in fees for \$35,032,353 in receipts. Card servicing fees are expensed to the department accepting payment by card and are generally recovered by fees.

The number of transactions by credit card has more than tripled since 2010, primarily due to increased use of e-permits online and the acceptance of credit cards for permits at the counter. Fees associated with card transactions have grown more than 8 times since 2010 and do not appear to be leveling off. Total credit card sales have increased 2 percent since the last budget issue paper was written in 2019, despite City Hall being closed during 2020 and part of 2021.

Convenience Fee and Surcharge Programs

Visa and MasterCard rules do not allow merchants to set monetary limits to transactions, nor do they allow the merchant to accept some card types and not others. Merchants who wish to avoid the negative stigma of charging transaction fees to card paying customers generally build such fees into the price of providing services. Therefore, all customers bear the burden of the fee. Wrestling with how to budget the transaction costs for credit cards, some municipalities began assessing transaction fees for services paid

with cards. This practice ended in 1993 when Visa and MasterCard became aware of this practice and began enforcing their bylaws which prohibit such action. The result was that Visa and MasterCard ordered banks to cut off service to those entities assessing transaction fees.

Since that time Visa and MasterCard have both developed programs designed for higher education and government agencies to assess convenience fees to the public. The distinction between a transaction fee (surcharge) and a convenience fee is an important one because Visa and MasterCard have strict regulations regarding this issue. A transaction fee (surcharge) is a fee collected to directly offset the cost of allowing the customer to pay with a card. A convenience fee is a fee assessed to the customer for the convenience of using a specific payment mode. In order to participate in these programs, the City must be sponsored by their merchant services bank.

Credit Card Fee Recovery Policy Changes

In November 2012, the federal district court approved a settlement that resolves interchange and merchant acceptance rules in the U.S. and its territories via the *In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation* (MDL 1720) class action suit against credit service providers. As a result of this settlement, merchants can now assess surcharge fees to credit card transactions, thereby allowing the merchant to offset the impact of fees incurred.

Regulations regarding this policy are stringent and would require an increased level of scrutiny when accepting card payments as regulations prohibit surcharges on debit cards regardless of the method used to process the card.

Neighboring Cities

The City of Kirkland often compares its policies and operations to those of Bellevue and Redmond to better determine regional municipal trends.

Bellevue does not charge additional fees for the use of credit cards for any city services, incorporating these costs into the service fees. Redmond also does not charge convenience fees or surcharges for customers paying with a credit card for city services. Credit card fees are considered part of the overall cost of providing a service and incorporates these costs into service fees.

Potential Impacts of Implementing Credit Card Acceptance Fees by Department

Shifting the cost of accepting credit cards for payment to the customer will have varied affects for each department. The following summarizes the input received from each department regarding the potential impacts of making this change. Regardless of the method, implementing credit card acceptance fees for payment could lead to increased customer complaints, decreased credit card usage and increased delinquencies and collections, which could create additional workload for staff. Implementing surcharge fees would also lead to increased administrative monitoring and scrutiny as staff ensures the City is correctly operating under Visa and MasterCard's complicated rules and regulations.

Utilities – The City is considered a “merchant.” Merchant accounts for utility payments are allowed a reduced fee for utility transactions. Currently the City uses a vendor who charges \$1.65 per \$600 transaction. The utility merchant account would no longer be eligible for the reduced fee if the City attached a convenience fee, resulting in overall fees of approximately 2.95 percent of receipts. Implementing an additional charge for credit card fees would result in some customers shifting to cash or check payments. The online payment portal for utilities allows a customer to pay via ACH, with a reduced fee of \$0.40 per transaction to the City. An addendum signed in July 2021, reduced the fee to \$0.04 per

transaction in the original executed contract. Currently 30.7% percent of all utility billings are paid by card. For some customers, the convenience of paying online will outweigh the impact of the fees on the individual and they will continue to pay by credit card. A portion of the utility customers could become quite upset and register their complaints with the City.

Development Services – Development services is an area of service where assessing credit card processing fees will not likely affect business as a whole. While some customers may complain, the department believes that additional fees will not significantly influence building or development services revenues. To provide additional options to customers, Development Services began accepting e-checks in August 2020.

Parks & Recreation –The business model for Parks and Recreation encourages people to use an online registration system for most parks and recreation programs, services, and rentals. Approximately 62% of all transactions are completed online. Credit card payments account for over 90% of the department’s revenue processed through this registration system. Currently, prices are set to meet specific cost recovery targets defined by City Council. All costs, including credit card fees, are taken into consideration when setting fees. Staff resources have been adjusted to accommodate primarily online registration. Resources might have to be increased if additional fees are assessed to the customer, which would result in serving more people in person. Considering the populations that participate in the City’s recreational programs and services, an additional fee could result in disparate treatment for some, such as senior citizens, teens, and low-income individuals. Assessing a fee for credit card payments could alter these populations’ habits but the effect is unknown at this time. Many customers might consider a different payment type or might choose to spend their recreation dollar elsewhere.

Court Fines – Implementing additional fees for credit card payments could result in a greater number of unpaid fines and pose a greater challenge for court customers to pay off their fines. Unpaid fines would negatively affect accounts receivable and the budget. It would also increase court employees’ workload as collection attempts are managed. The Court’s customers are often upset about receiving fines and would be increasingly difficult to serve should additional fees be assessed.

Cemetery & False Alarm Reduction Program – Implementing fees for the cemetery could result in decreased card payments as individuals who use this method for convenience would simply mail in a check instead. Customers that have time-sensitive needs would likely continue to make their payment via card over the phone as there is no online option. Last minute or urgent payments are often done over the phone and these customers are usually overwhelmed to begin with. The City could experience an increase in complaints and mailed payments.

Business Licensing - As of December 2018, the City of Kirkland moved to an online portal, managed by the Washington State Department of Revenue, for Kirkland business license fees. The Department of Revenue charges businesses a convenience fee of \$90 when applying for a new business license or City endorsement and \$10 when completing the annual renewal. The fees assessed by the Department of Revenue cover the merchant fee costs along with the maintenance of the online portal. The City of Kirkland is not charged any fees for credit card transactions for business licenses. Staff review applications and collect additional fees due for a Kirkland license for past years, if applicable. The implementation of additional fees could discourage timely credit card payments, leading to additional check payments being received. This potential increase would require additional staff time to receive and process.

Parking is driven by convenience and changes in pricing due to shifting the cost of credit card payments will likely will not affect consumption, especially since the City’s parking consultant has deemed the current hourly parking rates too low and recommends increasing them. This being said, some people will choose to avoid increased parking fees and may avoid downtown or park on residential streets near their destinations creating additional congestion on those roads. The impact of adding fees to parking is more

apparent than other categories because the fee as a percentage of revenue is much higher than other categories at 22 percent, due to the very small size of each transaction.

Moorage – Credit card payments comprise 100% percent of moorage revenues, and 98% of boat launch revenues collected at the pay station. Due to low usage, the higher average cost of moorage transactions, and security concerns regarding cash storage in the pay stations, cash payment was eliminated as an option at the Marina and 2nd Ave Docks in 2019. Cash is still an option for the boat launch. An additional fee for credit cards likely will not affect boat moorage in Kirkland due to the low cost of City moorage rates compared to local alternatives.

New Developments

As of August 1, 2020 the eCityGov Alliance implemented eChecks as a form of payment for developers. eChecks, together with PayPal and MyBuildingPermit (MBP), allow developers and those paying for permits a streamlined payment process without the City incurring a credit card fee. With developers often having payments that would exceed a credit card limit, eChecks now alleviate the need to mail or hand deliver a check to the City. This in turn could lower the City’s administrative time spent handling checks. Instead of a credit card fee, there is a transaction fee based on the total dollar of payments processed. In 2021, the City paid a monthly account fee of \$49.95 and a per transaction fee of \$0.5 for eChecks. The total transactions made using e-checks were 692 and total fees charged for these transactions was \$969.

Staff have reported that the Development services customers have not used e-checks as much as anticipated. For those who do, they often run into processing issues with PayPal. For example, if a customer mistypes during a transaction, the payment is not collected, and PayPal does not honor it. Since the customer has paid online and received an e-permit right away, it can be difficult and time consuming for the staff to resolve the issue.

Credit cards continue to be the preferred method for payments for E-Permits. In 2021, 10,136 transactions were made using credit cards for permits with which had total revenue of \$9.17 million. The total fees applied on these credit card transactions was \$212,221.

Charging Fees on Security Deposits

Staff are evaluating applying credit card fees to payments for security deposits. By accepting and then refunding the security deposit, the City is losing approximately 3% for each payment. However, there are administrative and other considerations that will be considered before determining any decisions on applying fees or requiring all security deposits to be paid by check. The table below shows the security deposits from 2017.

Year	Deposits	Performance/ Maintenance Deposit.	Admin Deposit	Total
2017	173	\$1,875,271	\$449,452	\$2,324,723
2018	165	\$879,749	\$281,565	\$1,161,314
2019	176	\$685,168	\$222,750	\$907,918
2020	130	\$500,647	\$211,570	\$712,217
2021	166	\$984,358	\$118,212	\$1,102,570
Total	810	\$4,925,193	\$1,283,549	\$6,208,742

Summary

Credit card fees are increasing as this payment method becomes more popular. Recent changes in industry policies now allow merchants to charge fees to offset the cost of providing card payment services but would result in more complicated administration within the City. Credit card fees are currently built into the base fees charged by the City. Given the current impacts of the Covid-19 pandemic and the widespread adoption of credit card use, staff recommends not adding additional fees

that would be incurred by Kirkland customers. This discussion will be revisited at the next biennium, as required by the City's fiscal policies.



CITY OF KIRKLAND

Fire Department · 123 Fifth Avenue, Kirkland, WA 98033
425.587.3650 (Fire) · www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Joe Sanford, Fire Chief
 Dave Van Valkenburg, Deputy Fire Chief
 Bill Newbold, Deputy Fire Chief
 Michael Olson, Director of Finance and Administration
 Sri Krishnan, Deputy Director of Finance and Administration
 Veronica Hill, Senior Financial Analyst, Public Safety

Date: October 19, 2022

Subject: FIRE OPERATIONS OVERTIME

Fire Operations overtime is reviewed on an ongoing basis and reported out to Council in monthly dashboards, budgetary staff memos, and often with substantive analysis included as an issue paper during the biennial budget process. The overtime expenses in other divisions (e.g., Training Division) of the Kirkland Fire Department are not included in this issue paper. The focus during the last few budget cycles has been on obtaining an understanding of the primary drivers impacting Fire Operations and thereby contributing to the increased need for overtime. That analysis resulted in recommendations of specific strategies to implement to address the adverse impacts that excessive overtime can have on personnel.

The 2020-2021 Issue Paper identified the following recommendations:

- Recognize salary savings created by vacancies
- Continue to authorize over-hire positions
- Administrative changes

Despite the implementation of these recommendations overtime costs have continued to increase, as the table below shows:

Fire Operations Overtime Costs

	2019	2020	2021	2022 (Estimate)
Overtime	\$1,456,581	\$1,784,274	\$2,221,911	\$2,672,470
	% chg	22%	25%	20%

This issue paper will provide a continued review of the causes of fire overtime, a look at the progress of the previous recommendations and why overtime has continued to increase, and a look at recommendations moving forward.

Background

Before looking at how and why overtime occurs, it is important to understand the shift structure of fire operations in Kirkland, and how this has changed in recent years.

Fire and EMS Levy Proposition 1 (Prop 1) & Fire Station 24

The Fire and Emergency Medical Services Proposition 1 (Prop 1) ballot measure passed on November 3, 2020 and authorized a single permanent levy lid lift to fund both operating and capital ballot measure elements. The measure's operations element funds the hiring of 20 additional full-time equivalent (FTE) firefighters/emergency medical technicians (EMTs). The firefighter/EMT hiring timeline provided for five FTEs to be hired in 2021, an additional 10 FTEs to be hired in 2022, and five firefighters/EMTs in 2023. At this time, 10 firefighters have graduated from the academy and five are currently in academy. Interviews are underway for the remaining five positions funded by the measure.

Station 24, Kirkland Fire Department's (KFD) newest station became operational in January of 2022. Station 24 is the first new station to become operational since the 1990s. KFD now operates six stations, all staffed 24/7. Additional information on the changes to the level of service funded by Prop 1 can be found on the [City's Prop1 webpage](#).

Fire Operations Structure

Following the addition of the 20 new firefighters, the Kirkland Fire Department will have a total of 125 firefighter positions. The vast majority of these (114) are assigned to operations and split evenly between three shifts (A/B/C). Each operations shift is 24 hours, beginning and ending at 7:00 a.m. Two 24-hour shifts are worked consecutively to produce a 48-hour work period, followed by four consecutive days off duty; this cycle then repeats. An example two-week period from June 13th to June 26th is shown below. Shift A works from 7:00 am on Sunday the 13th until 7:00 am on Tuesday the 15th, at which point shift B takes over, and so on.

JUNE

S	M	T	W	Th	F	S
13	14	15	16	17	18	19
20	21	22	23	24	25	26

A SHIFT - B SHIFT - C Shift

Prior to the additional positions authorized by Prop 1, the department had 31 or 32 firefighters assigned to each shift (two shifts have 32 firefighters, one has 31 firefighters). On each day the minimum staffing is 20, made up of a three-person crew at stations (21/22/26/27), a four-person crew at station 25, plus a second crew at Station 27, and the Battalion Chief at Station 26. In 2023, the department will increase its daily operations staffing to 24 personnel (24x7x365); this is sometimes referred to as "fully staffed". Depending on how many current firefighters leave the department through retirement or any other reason, the fire academy graduating class of June 2023 should allow the department to increase personnel assignments. If full staffing is achieved, there will

be 38 firefighters assigned to each shift. This will raise the daily minimum staffing to 24, made up of three-person jump crews at Stations 21, 24, and 25, a four-person crew at Station 26, and five-person crews at Stations 22 and 27. Stations with a staffing level of five firefighters will have a staffing for both an engine or ladder and an aid car. The Battalion Chief will continue to operate from Station 26. This position supervises all fire stations and personnel on duty and is a stand-alone supervisory/command response unit. The operations staffing model beginning in 2023 is shown in the figure below:



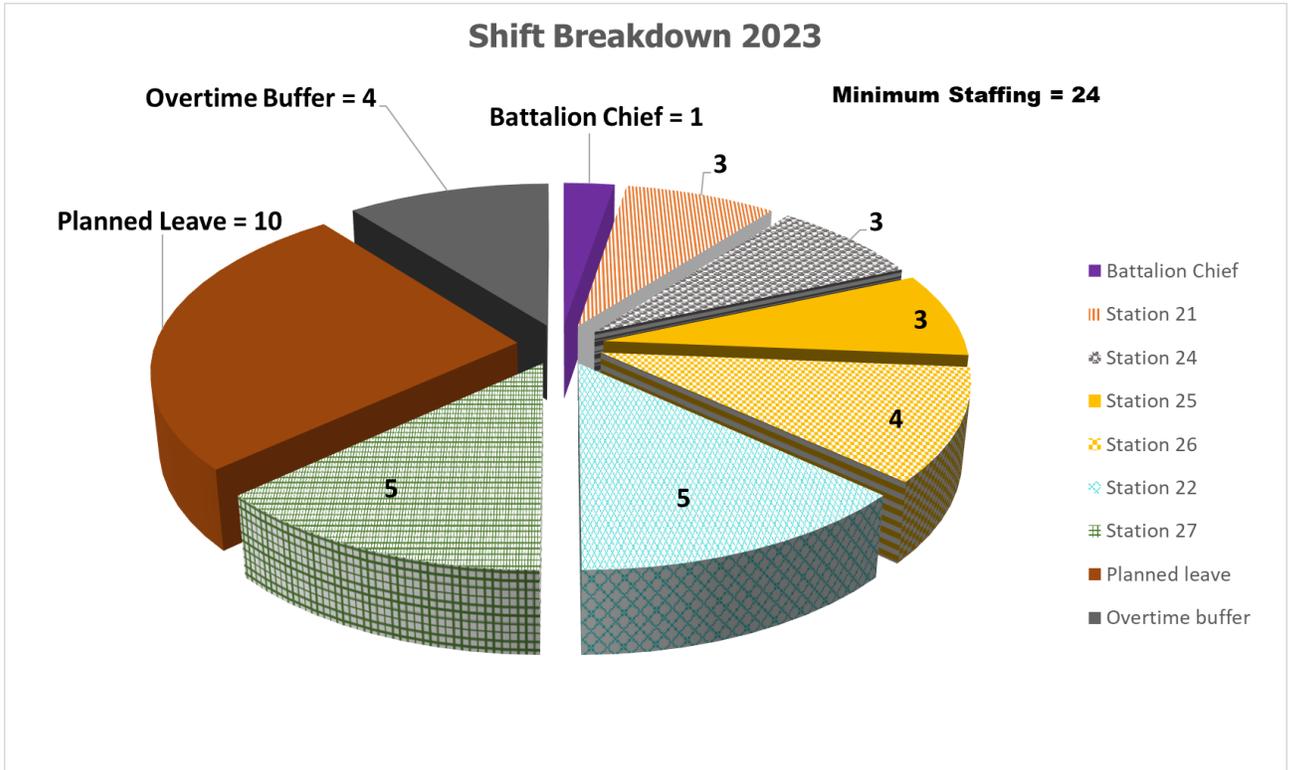
Leave and Other Impacts on Overtime

The requirement for minimum staffing in fire departments creates the possibility of large amounts of overtime, while the ratio of total staffing, allowable leave, and required minimum staffing dictates the amount of overtime. For example, as there must always be 24 personnel on shift, inclusive of company officers (those in charge at each station), and a Battalion Chief, each personnel absence brings the total number of staff available closer to the daily minimum requirement. There are a wide variety of work absences, which are broadly broken down (by department policy and the labor contract) into two categories:

1. **Planned Leave** – vacation, holiday and 'Kelly Days'¹
2. **Other Leave & Vacancies** –
 - a. **Overtime-causing leave** -including sick leave, Family Medical Leave (FMLA), Paid Family Medical Leave (PFML), on or off duty injury, light duty, training backfill and other leaves which are not part of the bidding process
 - b. **Unvaccinated Firefighter Shifts**
 - c. **Vacancies** – unfilled positions
 - d. **Pandemic Leave and Wildland Fire Mobilizations**

¹ Kelly Days are common in fire departments. This leave type provides for additional time off to ensure a shift structure remains compliant with the Fair Labor Standards Act (FLSA) guidelines governing overtime. In the case of Kirkland, each firefighter receives two Kelly shifts off after every six scheduled sets (48-hr set). This makes work hours no more than 48 hours per week on an average annual basis.

To ensure firefighters can take leave they are contractually obligated to, 'planned leaves' account for ten of the 14 available. As referenced, changes to the 'planned leaves' slots must be negotiated for inclusion in the collective bargaining agreement (CBA). This provides 4 slots for other leave, known as the 'overtime buffer'. The chart below shows the assumed allocation of staffing when the department is operating at minimum staffing.



1. Planned Leaves

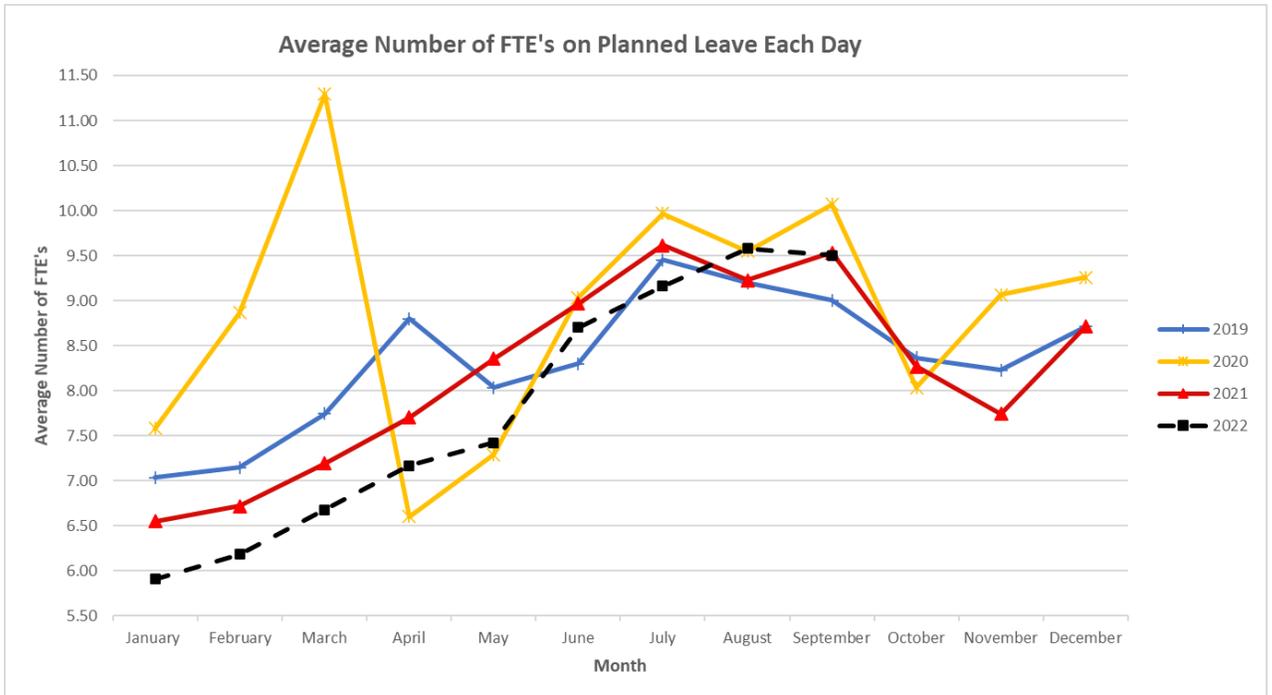
As mentioned, assuming a fully staffed shift of 38, ten of the 14 slots above the required minimum staffing fall into the category of planned leave. These are split between Kelly Days, vacation days, and holidays, with most time being allocated through an annual bidding process, established in the collective bargaining agreement. Firefighters bid for Kelly Days annually, with a maximum of 5 people away on Kelly leave each day. Once Kelly Days have been issued there is a process of vacation and holiday bidding. Following this bid either all 10 slots are taken on a certain day, or the remainder are available for 'routine' vacation, which can be used as needed any time there is a spare planned leave slot.

Kelly Days fall on the same two days throughout the year for each individual. For example, if a firefighter bids and receives Saturday and Sunday, they would be off each time their shift rotation would have them working Saturday and Sunday (shift A on the June 19/20 in the example shown above). As there are a maximum of 5 slots per day, this gives 35 slots per week. Historically, all 5 slots tend to be taken around the weekend, with fewer in midweek. Because Kelly shifts are the same two days throughout the year, there is no seasonal peak.

The second planned leave is vacation, which does have a clear seasonal trend. The lowest amounts are taken in winter and early spring, with peaks in July and December. Vacation days

are also based on a bidding process completed at the start of the year, and the maximum number of slots available each day is 5. After the bidding process is complete, firefighters can use their vacation time for any shift which has available slots.

The final type of planned leave is holiday leave. Because fire stations must be staffed 365 days per year, firefighters are required to work their regular shift regardless of whether that day falls on a holiday. In recognition of this firefighters are given 10 hours per holiday as provided in the CBA each year, which can either be used or cashed out. Holiday leave can be taken when there is an available planned leave slot or as part of the regular bidding process.



The chart above shows the average number of people on planned leave, including Kelly, vacation and holiday leave, in each month from January 1, 2019 to September 30, 2022. The seasonal pattern is clearly visible in the chart, with the exception of 2020. As restrictions are removed it is anticipated that planned leave will return to pre-pandemic seasonal patterns going forward.

Except for 2020, each year in February there were around six personnel on planned leave. If there are no vacancies, sickness, or other unplanned leaves during this time of year, there would be 30 or 31 firefighters available for work, six-seven more than required for minimum staffing. In contrast, in July, the average number of people away on leave was over nine. During this time period, if there are ever more than four people on any other leave, the overtime buffer would be exceeded, and overtime would be needed to maintain minimum staffing. This is significant, as there are times during the year when the City has a high risk of overtime being generated.

Current department practice works with the assumption that all leave slots can be filled without causing overtime. While this is true, the increase in scheduled leaves during more desirable seasons (e.g., summer, December) puts pressure on the overtime buffer, creating an increase in the amount of overtime in these months. Strategies to help smooth out the seasonal trend in leave, such as pushing more leave into the spring months, could reduce overtime. This would

require changes to the bidding system and would need to be negotiated between labor and management.

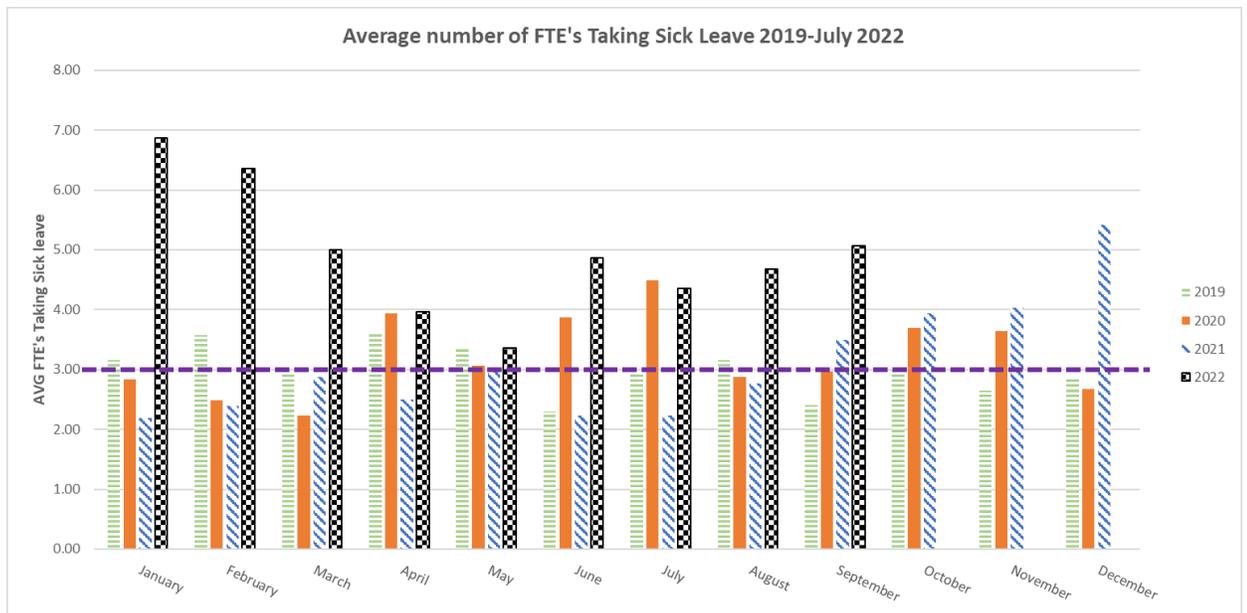
2. Other Leave & Vacancies

Under the current practice, if the maximum allowable number of personnel are on planned leave, there are two to three remaining positions above minimum staffing. These slots constitute the “overtime buffer” to protect the city from incurring overtime costs every time there is a vacancy or use of any “overtime-causing leave”. In recent years this overtime buffer was used in a few major ways:

a) Overtime-Causing Leave

Current department practice and policy separates the planned leaves described above from ‘overtime causing leave’, which is essentially any leave that is not part of a bidding process.² The most significant of these categories is sick leave. However, this also includes a range of other leaves such as light duty, on-duty injury, administrative, well child/FMLA, bereavement, and emergency leave.

The bar graph below depicts the average number of FTEs taking sick leave per day from 2019 to July 2022. Note, the bar graph includes family sick leave, but it does not depict the average number of FTEs taking pandemic leave. The dotted line across the chart shows the ‘overtime buffer’, set at three, thus each time the bar chart is above that line the average number of people on sick leave triggers a need for overtime if all planned leave slots were taken.



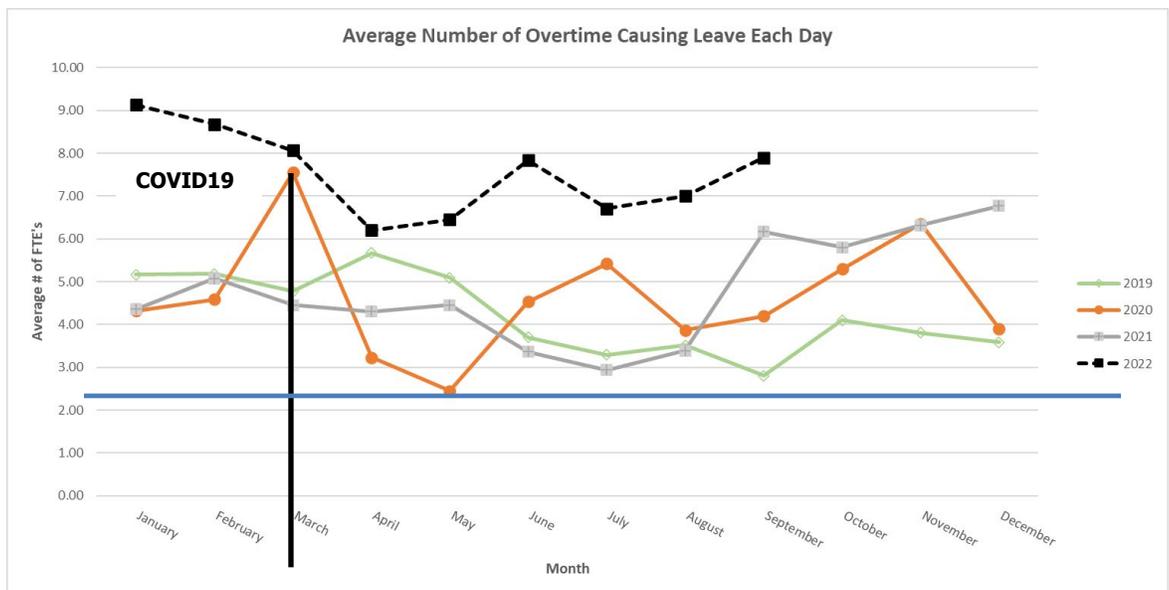
Significant spikes in late 2021 and early 2022 coincided with nine separations due to vaccine mandates. This reduced the overall number of FTEs and created additional unplanned shift vacancies needing to be covered with overtime.

² This is defined in Department policy 3.001

Training backfill falls under overtime causing leave as it isn't always known who will attend training on what days, who will be instructing on which days, or even if backfill will be needed regardless of if the training was scheduled or not. Training opportunities, conferences, education classes, etc. may come up without preplanned notice; these in turn may or may not cause OT due to attendance or backfill, if approved.

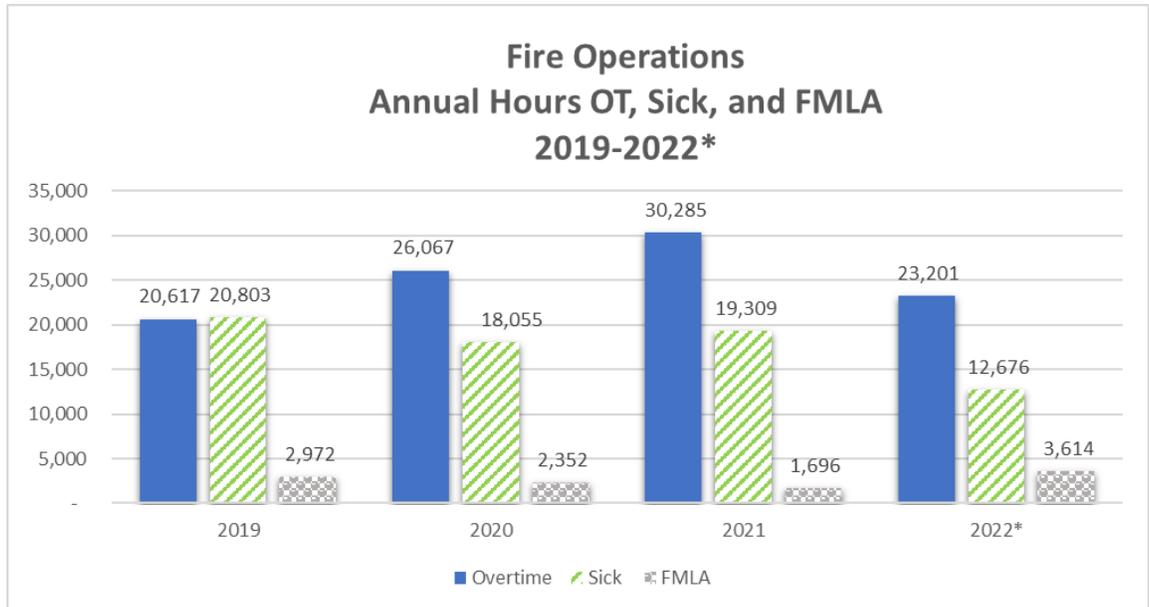
The previous issue paper on fire overtime also highlighted the issue of a relatively high average FTE taking sick leave and suggested a long-term wellness strategy, working with employees to reduce sick leave usage over time. This option is still being explored as the department moves forward with staffing and other planning.

Below is a graph showing the average number of overtime-causing leaves per day by month through July 2022. The buffer represents 9% of total staffing per day. Overtime-causing leave consists of any unplanned leave. Since 2019, the average amount of overtime causing leave has exceeded the buffer of FTEs available. In addition to sick leave, unplanned leave consists of administrative leave, bereavement, emergency leave, light duty, military leave (paid/unpaid), training backfill, and all on duty leave. Note, when COVID-19 impacted Kirkland, pandemic leave was coded as administrative leave. However, 2020 showed sharp increases and decreases unlike the previous year. Most notably, March of 2020 showed a sharp increase then decrease going into April, and a steady increase until December. Just as with sick leave, it is important to note that other types of overtime causing leave averaged higher than the daily buffer of 9%. The average percentage of overtime causing leave for 2019 was 11%; 2020 and 2021 were 13.1%, and 2022 through July is averaging 21.1%. Meaning that in each of those years the average day had more people out on overtime causing leave than there were slots available.



When looking at the hours of overtime causing leave in comparison to the OT hours earned, steady increases occurred in all categories. In 2022, overtime increased 84%

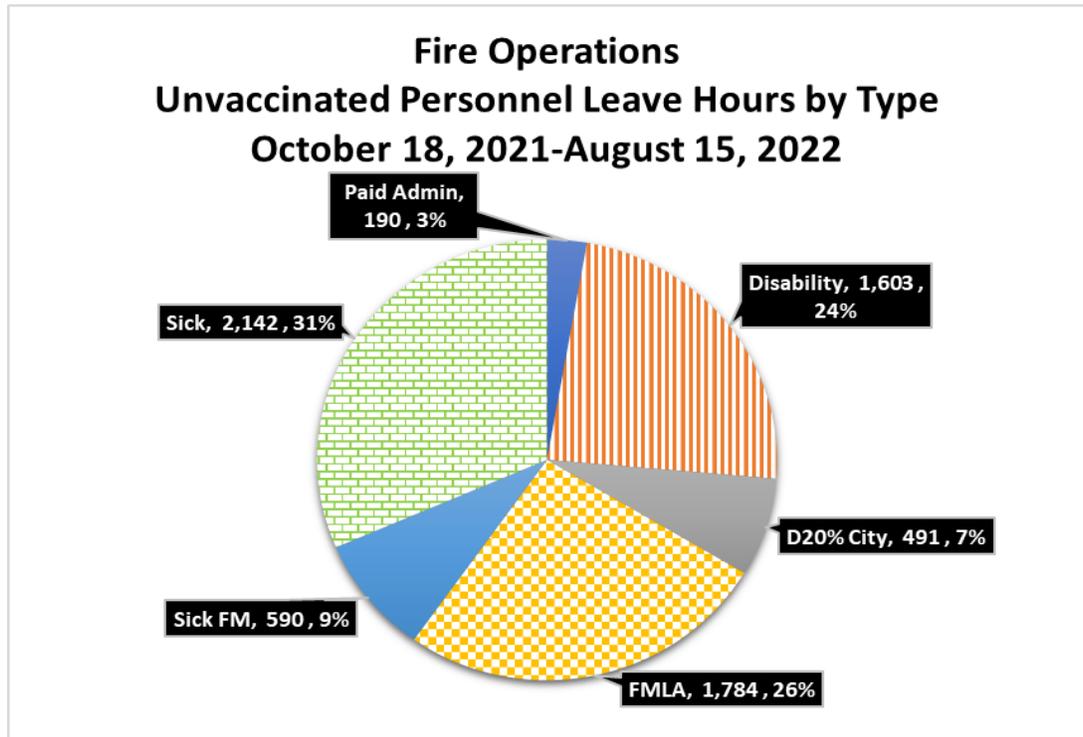
over 2021 during the period of January-July, while Sick and FMLA increased 23% and 318%, respectively. A comparison of July 2021 to July 2022 indicates increased OT, in part, attributed to increases in leaves causing OT. In July 2021, 81.50 OT hours were reported, while in July 2022 133.50 OT hours were reported, or a 64% increase in total hours. The correlation between Sick Leave taken and Overtime earned has been a consistent cause and effect pattern, however, 2021 and 2022, are showing indications that other factors are at play for increases in overtime. Those factors include use of pandemic leave and other types of leave like paid administrative leave. The graph below shows the annual hours taken and earned:



*2022 through July 31, 2022

b) Unvaccinated Firefighter Shifts

In accordance with the Washington State Department of Health (DOH) requirements, first responders are required to be vaccinated against severe impacts from a COVID-19 infection. The vaccination deadline for International Association of Fire Fighters (IAFF) personnel was October 18, 2021. Those personnel not vaccinated were removed from on-shift work. The following table shows the leave hours by type of leave for unvaccinated personnel removed from on-shift work during the period of October 18, 2021 – August 15, 2022:



A total of 6,800 leave hours were taken, which equates to roughly 282 24-hour shifts missed. This represents the equivalent of 2.71 FTE. The additional cost of this unplanned overtime causing leave amounted to approximately, \$550k.

New recruits must show proof of vaccination in order to be eligible for hire and entry to the fire academy and so this significant spike in overtime costs will most likely be a one-time event.

c) Vacancies

In the Kirkland Fire Department, most vacancies are the result of retirements, which, due to state retirement rules, generally happen between January and June. These vacancies can last for months as firefighters have to be hired and go through the academy, which happens twice per year, before they can be added to a shift. There is

an approximate ten-month period between interviewing for a vacancy and having a trained firefighter coming out of the academy to fill that vacancy. In addition, the department often provides instructors to the academy. Some of these instructors have been taken from line positions, which also impact the overtime buffer.

In the last year, the department has been able to secure an increased number of fire academy slots to help with filling vacancies and the increased number of positions authorized through the Fire Prop. 1 measure. In the last two academies, the department was provided 8 and 10 slots, respectively. Twelve slots will be available to the department in the January/February 2023 fire academy.

As there are three shifts, one vacancy means that two shifts will still have the full complement of staffing, and as there is no guarantee that retirements happen evenly across the three shifts, there can be multiple retirements from the same shift, leaving unbalanced shifts for long periods.

As mentioned above, each additional vacancy likely requires a greater percentage of shifts to be covered by overtime, as it reduces the overtime buffer. One option for overtime management is to recognize when overtime is less expensive than hiring a new staff member. Based on a model that calculates average overtime cost, and the ongoing salary and benefit cost of a firefighter, it is cheaper for the City of Kirkland to staff with overtime if fewer than 77% of shifts require overtime. In the last issue paper this analysis indicated that it was cheaper for the City to staff with overtime if fewer than 89% of shifts require overtime. The reduction in the tipping point is a reflection of the increasing costs and supports the City’s current policy to fill vacancies in a timely fashion and not rely on overtime to meet staffing requirements.

The City could choose not to hire to full staffing levels and instead carry vacancies with the explicit recognition that salary savings would cover the increased overtime. Only after a certain number of vacancies are opened would the new hires be added. This would be a significant departure from current policy, and would require further study, and would need to be negotiated and bargained with the IAFF. However, as discussed above, on average all shifts currently require overtime which exceeds salary expenditures, as shown in the table below.

	Salary	Benefits	Total
Firefighter V Max. Longevity	8,757	4,348	13,105
100% Overtime Coverage*	14,888	2,032	16,920

*Average overtime Rate

The department continues to have 3.0 FTE “over-hire” that allows the department to act on upcoming retirements and hire replacements to prevent long periods of understaffing. The department has previously used these positions to hire additional firefighters for the academy based on known retirements in the current year, normally via a formal letter from the employee. However, as the department grows and the length of time from hiring to starting on the line also grows, the department could consider basing annual hiring on historical averages of retirements. The potential downside of this approach would be the dilemma created if the anticipated retirement

does not actually occur. This could create a budgetary issue if insufficient budget capacity from vacancy fails to generate at levels needed to cover the over-hire cost.

Currently, there are 12 vacancies in Fire Operations. By the January fire academy, it is anticipated that number will reduce to 4 with increased academy slots and the last 5 Fire Prop. 1 funded positions added to the FTE totals.

One way of measuring the impact of vacancies on overtime is to assume that most overtime caused by vacancies is offset by savings in regular salaries. Although the relationship isn't completely one for one, vacancies do create salary savings. The table below shows how far under budget regular salaries have been from 2019 to 2022.³

Regular Salaries to Budget				
	Budget	Actuals	Difference	% of Bud.
2019	\$9,967,324	\$9,846,710	(\$120,614)	99%
2020	\$10,572,208	\$10,342,462	(\$229,746)	98%
2021	\$11,848,787	\$10,804,081	(\$1,044,706)	91%
2022 Est.	\$12,981,076	\$10,753,169	(\$2,227,907)	83%

d) Pandemic Leave and Wildfire Mobilizations

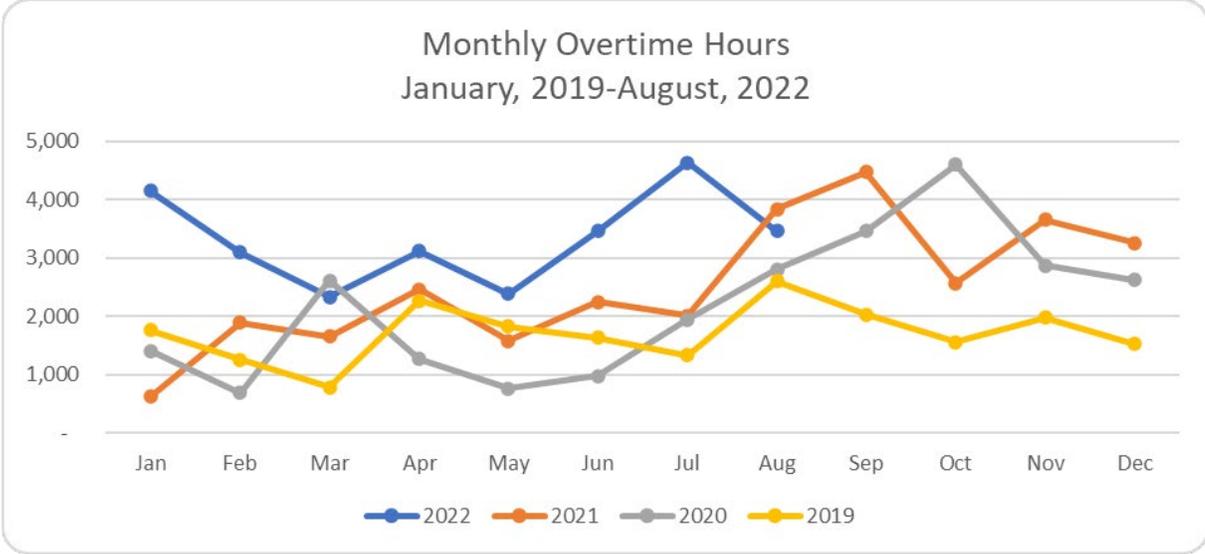
As the Pandemic continues to bring challenges to operations for the department and personnel are impacted by the numerous variants of COVID-19 that have developed, the use of Pandemic leave remains a concern for its impact on overtime. The process and procedure for use of Pandemic Leave has not changed and is available to all firefighters who have been exposed to or are experiencing COVID-19 symptoms and must quarantine. Pandemic leave covers 48 hours of work, or an entire shift "set" in terms of the firefighter's schedule. Note, pandemic leave is separate from sick leave, and planned leave. The science around "long COVID" is still in review and research stages, so it is too early to tell if those personnel who have been infected with COVID-19 may be suffering from any continued impacts which could increase Overtime-Causing Leave totals. The availability of vaccines created a lessened probability of the severity of symptoms of a COVID-19 infection. More recently, changes in the guidance on quarantining and social distancing may begin to close the gap on days personnel must be away from shift work, therefore, a change to the Pandemic leave policy that coincides with the revised guidance seems an appropriate consideration.

Mobilizations to wildfires across the region typically cause significant overtime costs during the months of July, August, and September. However, the state reimburses for firefighters deployed, including firefighters used for backfilling. One of the impacts of the separation of unvaccinated firefighters in 2022 was an increase in overtime worked per firefighter. In an effort to reduce workforce stress, Kirkland did not deploy any firefighters to wildland fires in June, July, August or September. The rate is determined by the fully loaded pay rate for each employee deployed and the employee

³ 2022 totals are estimated.

that works the backfill overtime. The 2023-2024 Base Budget includes anticipated deployments by increasing the Overtime line item.

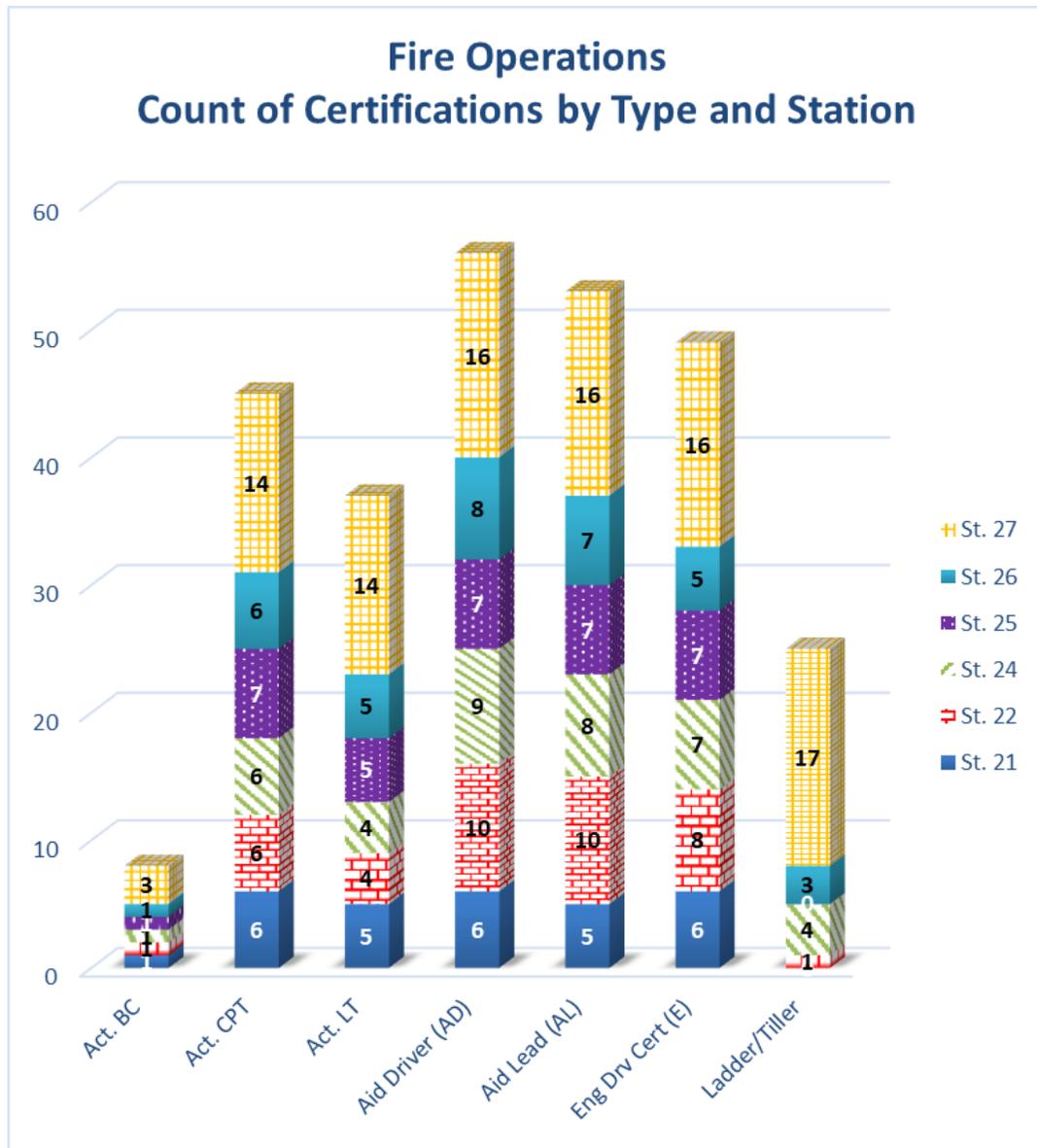
The graph below depicts the monthly overtime hours from January 1, 2019 through August 31, 2022. Trend analysis indicates that spikes tend to occur in the Spring, Summer, and early Fall. These months can be best attributed to planned leave and wildland fire mobilizations. In 2020, spikes in March were the beginning of the Pandemic and in October for vaccine distribution. Overtime in 2022 is trending higher than all prior years. This began in late 2021 with multiple separations due to vaccine mandates, as well as increases in service due to the opening of Fire Station 24. As mentioned, the City anticipates that hiring will ease the burden caused by the vaccine mandate separations and the increase in service.



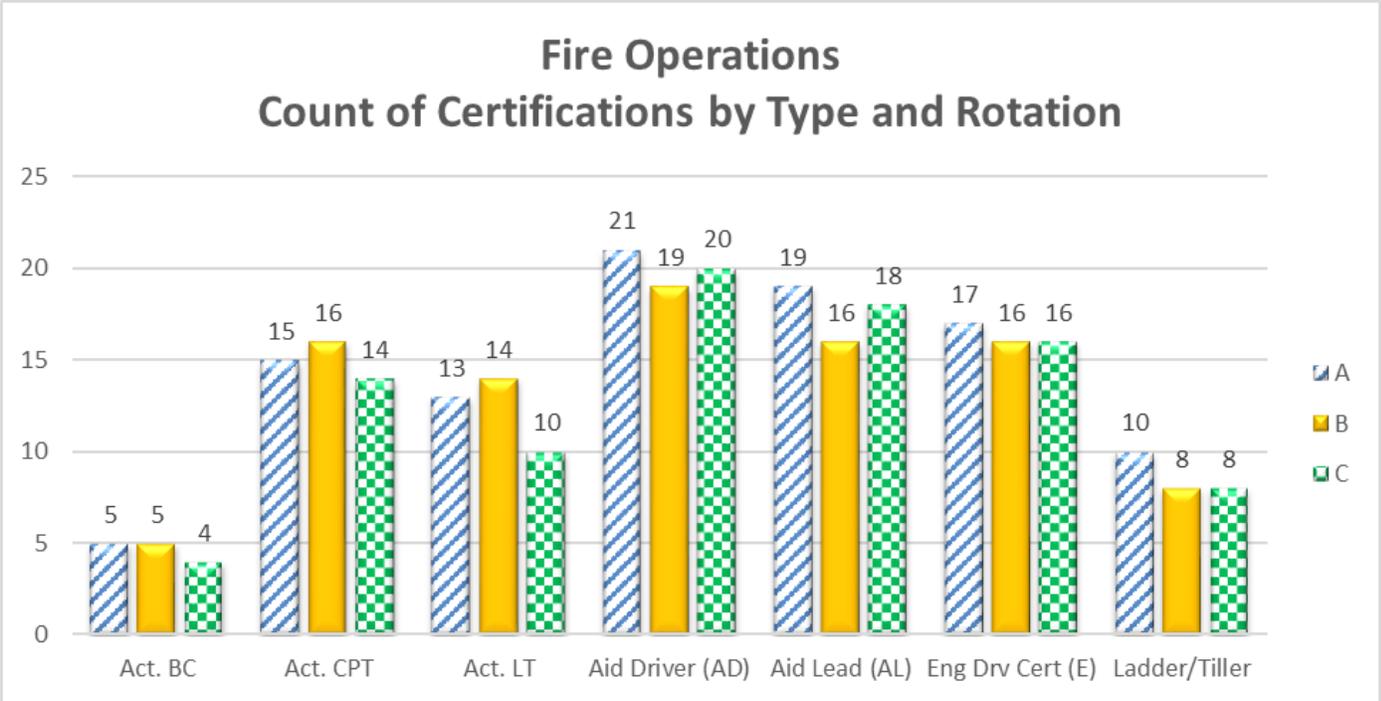
Other Impacts on Overtime

Properly Certified Personnel On-Shift

The unique challenges of scheduling a 24/7 operational model includes ensuring that personnel that have specific certifications are on-shift at all stations. For example, Station 27 houses the Ladder Truck. Operation of the Ladder requires certification as a Ladder Driver and/or a Tiller. If properly trained personnel are not available, then overtime may be approved to ensure sufficient certified staffing. The table below shows the number of Certified Personnel by type and station.



Redundancy of certified personnel is also key for each rotation to ensure 24/7 coverage. Increasing depth at each type of certification can minimize impacts to the overtime buffer. The chart below shows counts of certified personnel for each of the three shift rotations.



State Legislative Impacts on Attrition due to Retirement

Recent legislation at the state level has the potential of increasing attrition due to retirement. The adopted legislation created an incentive of sorts. For a firefighter with twenty-five years of experience, 5%, or 2.5 years of service was added to their LEOFF retirement calculations. This incentive may entice people to leave a little sooner because they have hit the 70% threshold. The impact could be a significantly higher pace of early retirements. In the next decade, 10% of total personnel will be retirement eligible. If higher numbers of eligible personnel decide to retire early, the department could see an immediate impact to staffing availability and the buffer allowance would shift downward in order to minimize the impact of mass separations. This could occur in the form of increased mandatory overtime to offset reduced staffing.

Progress on Prior Recommendations

The progress made on recommendations from the prior biennium issue paper are summarized below:

1. Recognize Salary Savings Created by Vacancies

Monitoring of the impact of vacancies on salary savings is in progress. The 2021-2022 projections show that salary savings will cover the anticipated increases in needed overtime. The table below shows the calculated balance for personnel costs:

Fire Operations	2021-22 Estimates	2021-22 Budget	% of Budget	\$ Variance (Over) Under
Personnel				
Salaries & Wages	\$21,557,250	\$24,829,863	86.8%	\$3,272,613
Overtime	4,786,461	2,189,937	218.6%	(2,596,524)
Benefits	10,426,453	11,776,928	88.5%	1,350,475
Total	\$36,770,164	\$38,796,728	94.8%	\$2,026,564

This is a continuing issue that will benefit from ongoing analysis.

2. Continue to Authorize Over-Hire Positions

The department continues to have authorization for a total of 3 over-hire positions. This authority provides the department with flexibility needed to respond timely to retirements and other separations.

3. Administrative Changes

The implementation of an on-the-job injury reporting system was completed in 2021. The information gathered has been helpful to management in gaining a better understanding and identification of problem areas that can and have led to on-duty injuries. The Association of Washington Cities (AWC) Worker Compensation Program information showed an extended period of time between injury and return to work for on-the-job injuries. The following strategies have been identified:

- Improve paperwork and reporting systems with Fire Admin and Human Resources (HR) – Interactions between Fire Admin and HR have been successfully improved and continue to work well. Communication is consistent and ongoing and has increased efficiencies in the systems.
- Proactively requiring Doctor's notes and Activity Prescription Form (APFs) from employees – HR has obtained access to and monitors leave reports and increased communications with Fire Admin.
- Educating employees on use of FMLA and Paid Family Medical Leave (PFML) – Trainings have been conducted for all staff and additional refreshers are planned to build on the knowledge base of employees.

- Explore use of Ready REBOUND program to reduce disability timelines. – The exploratory process has been completed and the City is moving into the implementation phase. This includes submission of a Service Package for the 23-24 Budget by HR.

Next Steps

As we head into the next biennium, the following recommendations can be used to help manage the fiscal impacts of overtime costs:

1. Continue to leverage salary savings created by vacancies

The ability to leverage salary savings in support of increased overtime costs due to vacancies is an important component of budget management. The department should continue to monitor the movement of the delta between the two cost components to ensure that savings remain higher than additional costs. Utilizing a variety of management reporting tools to communicate status and identify points at which actions should be taken to minimize the budget overruns are important budget analysis techniques that staff should employ.

2. Enhance Training Program

Fire Administration recognizes that properly trained and certified personnel are critical to sustainment of an optimal level of service. Enhancing the training program will provide the opportunities for new recruits to obtain necessary training and certifications in a timely fashion, while also providing ongoing professional development for existing personnel. Higher numbers of trained staff require less overlap of staffing to ensure appropriately certified staff are on-shift at each station and on each rotation. To enhance Kirkland's training and certification programs, the proposed budget includes a new dedicated Training Lieutenant and Administrative Assistant for the Training Division, a reserve engine for training, and two new training props near Station 24.

3. Lateral Hiring

As challenges related to retention and hiring have become increasingly problematic, the department has looked into lateral hires. Advantages include having personnel who are experienced and hold mandatory certifications. While this is a departure from standard practice, it can be beneficial to fill vacancies in a shorter timeframe. Lateral hires would not require attendance in the Fire Academy, so adding personnel to on-shift rotations would occur at shortened turnaround times and would provide relief to the overtime buffer. Hiring laterals beyond Firefighter 1 requires bargaining with the IAFF.

4. Proactive Hiring to Minimize Impacts of Attrition Due to Retirements

In 2022, an analysis of optimal hiring rates was conducted to determine if the departments current hiring and recruitment efforts should be revised. The purpose was to minimize the inevitable impacts that come with retirements, such as increased OT and less experienced personnel requiring additional oversight and support. The overall conclusion drawn was that the department should continue with a rate of new hiring at a pace of at least 5 per academy until all vacancies were filled. In addition, it is recommended that the department continue to analyze its personnel years of service, which is a key indicator of potential retirements. This would better

position the department to respond with increased recruiting efforts. Utilization of existing over-hire positions could support potential overlaps in timing of retirements and hiring as long as vacancies exist to provide sufficient budget capacity.

Summary and Conclusion

Fire overtime in Kirkland has continued to rise in recent years. Some of that is attributable to new wildland fire deployments, while there have been significant spikes in overtime associated with the pandemic, vaccine separations and increases in minimum staffing. Kirkland's higher utilization of sick leave is also a cause for concern and an area for improvement in partnership with the IAFF. However, underpinning all of this is the structure within all fire departments that requires 24/7 coverage and therefore makes overtime a necessary tool.

Overtime in the fire department is a product of the requirement for minimum staffing and will always occur at some level. The key to successfully managing overtime involves understanding the drivers and the challenges of a system that requires adequate coverage across the full year. It is important to study and analyze the changes affecting the operations and the consequences of those changes.

The department's ability to increase hiring and obtain additional fire academy slots will greatly help reduce impacts from other external factors like the pandemic and internal factors as naturally occurring attrition due to retirements. The increase in staffing also provides the department with an opportunity to increase the OT buffer to alleviate impacts for overtime causing leave. Employing strategies like leveraging salary savings, creating a baseline by which to assess the overall impact, and increasing lateral hiring to shorten timeline of getting experienced and trained personnel on-shift, can help the department navigate scheduling challenges now and into the future. While the City has employed several strategies to manage this expenditure and mitigate the impact of overtime on staff, solutions generated in partnerships with the International Association of Firefighters are needed to identify sustainable strategies to substantively address the issue in the long run.



MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Sridhar Krishnan, Deputy Director of Finance and Administration
Kathi Anderson, City Clerk/Public Records Officer
JamieLynn Estell, Deputy City Clerk
Anja Mullin, Deputy City Clerk

Date: October 19, 2022

Subject: Public Disclosure Resources Issue Paper

BACKGROUND:

At their July 16, 2013 City Council meeting, Council adopted Ordinance No. 4414 and Resolution No. 4987 related to public disclosure. The central purpose of the ordinance is twofold. The first is for the City Council to determine what comprises a reasonable commitment of resources to public records requests. The ordinance establishes that this determination shall be made during the biennial budget process when the Council balances all of the needs and priorities of the City. The second purpose is to enhance transparency and public confidence in the process through logs, best practices, and standardized communication with requestors so that requestors, Council and the public know the status of requests, the estimated time of response, and changes in status will be clearly tracked and communicated. The accompanying resolution updated the City's public records rules to be consistent with the ordinance, and further defined the City's process to help ensure compliance with the Public Records Act (PRA) and to prevent excessive interference with other essential functions of the City.

Public Disclosure Resources

One of the key objectives of the ordinance is to establish the level of effort devoted to public disclosure so that it does not create "excessive interference" with other essential functions of the agency. The primary purpose of the PRA is to create transparency and accountability in government. Since implementation of the program as intended by the 2013 legislation, the City now has several years of actual expenditures as a base for ongoing resource estimation. The current estimates consider trends experienced in the current biennial budget period, which are subject to a number of factors outside the City's control, in particular both the number and complexity of the requests received in any year.

There is a slight increase (\$77,558) in the recommended budget for the upcoming budget period in the table below, which reflects estimated increases in normal and routine resource

investments including salary expenditures and the continued and expanded support of GovQA public disclosure request management software.

The \$100,000 public records contingency fund remains unexpended to date, although some may be expended in the latter half of 2022 or first half of 2023 to support reducing a backlog of complex records requests. The fund was established by the Council at its November 8, 2017 meeting, to provide a conservative safety net if needed to meet any budgetary challenges due to complex records requests which cannot be reliably forecast.

	2021-2022	2023-2024
	Estimate	Recommended Budget
Public Disclosure Costs	\$1,015,710	\$1,093,268
Contingency Fund	\$100,000	\$100,000
Total	\$1,115,710	\$1,193,268

Public Disclosure program costs include the dedicated Deputy City Clerk for Public Disclosure and Police Public Disclosure Analyst, as well as significant portions of time from the City Clerk/Public Records Officer, the City Attorney, Police Records, Judicial support, Human Resources, Planning and Building and other departmental administrative and records management support positions. City staff believe the proposed level of investment is sufficient to maintain appropriate responsiveness to public records requests.

As previously reported to Council, State legislation in the form of House Bill 1594, effective July 23, 2017, requires that the City submit a report on specific metrics every year to the Joint Legislative Audit and Review Committee¹. These metrics (see attached) based on data from the GovQA software facilitate comparisons and more accurate estimation of resource needs for biennial budget purposes.

The costs reflected in the budget estimates do not include the time spent each year by City staff members without specific public records responsibilities, who are nevertheless called upon to identify and produce records in response to requests when required. The City's ordinance provides that, for those City employees for whom responding to records requests is not among their primary assigned duties, the need to devote more than ten hours per month to records requests is presumed to interfere with their ability to perform essential functions. This provision does not mean that the staff member does not continue to respond, only that the response may be delayed in order to accommodate those essential functions, and that the requestor will then be notified of the delay.

The ordinance also provides that, starting with the 2015-2016 biennial budget process, the City Council shall biennially determine and establish the level of effort to be devoted to public records responses and the amount of resources to be allocated. This determination is informed, in part, by the semi-annual report to the Council also required by the ordinance. During these reports, the Council may review the number of requests, the average time it is taking the City to respond, and then determine if additional resources are necessary. The ordinance specifies that during the Council budget deliberations, a portion of a public work session must be

¹ JLARC report is attached as Appendix A

devoted to public records response. This discussion will occur at the October 25, 2022 City Council Special Study Session on the 2023-2024 Preliminary Budget.

Public Records Requests Report for Kirkland for 2021

Baseline data

The reporting period is for the calendar year (January 1st to December 31st). [Click here](#) for guidance related to Baseline data.

Baseline data
Total number of open public records requests at the beginning of the reporting period
88
Of the number of requests open at the beginning of the reporting period, how many were closed during the reporting period?
80
Total number of public records requests received during the reporting period
4060
Of the requests received during the reporting period, how many were closed during the reporting period?
3967

Metric 1

Total number of requests closed within five days. [Click here](#) for guidance related to Metric 1.

Number of requests closed within five days
Number of requests closed within five days
3281
If your agency feels the data provided for this metric is unduly influenced by a small number of unusually large requests, you may provide additional explanation here

Metric 2

The number of requests where an estimated response time beyond five days was provided. [Click here](#) for guidance related to Metric 2.

Number of requests where an estimated response time beyond 5 days was provided
Number of requests where an estimated response time beyond five days was provided
779
You may provide additional explanation here for the data provided for this metric

Metric 3

Average and median number of days from receipt of request to the date of final disposition of request. [Click here](#) for guidance related to Metric 3.

Average and median number of days from receipt to final disposition
IP-65

Number of requests with final disposition

4047

Number of days to final disposition

31465

Median number of days to final disposition

5

Average number of days to final disposition (calculated)

7.8

If your agency feels the data provided for this metric are unduly influenced by a small number of unusually large requests, you may provide additional explanation here

Metric 4

Number of public records requests for which the agency formally sought additional clarification from the requester. [Click here](#) for guidance related to Metric 4.

Number of requests for which additional clarification was sought**Number of requests with additional clarification sought**

366

You may provide additional explanation here for the data provided for this metric

Metric 5

Number of requests denied and the most common reasons for denying requests. [Click here](#) for guidance related to Metric 5.

Number of requests denied in part or in full.**Number of closed requests that were denied in full**

89

Number of closed requests that were partially denied or redacted

1615

Please provide the 5 to 10 most common reasons for denying requests during this reporting period**Reason 1**

42.56.240

Reason 2

42.56.230

Reason 3

42.56.250

Reason 4

42.56.070

Reason 5

5.60.060(2)(a)

Reason 6

Reason 7

Reason 8

Reason 9

Reason 10

You may provide additional explanation here for the data provided for this metric

Metric 6

Number of requests abandoned by requesters. [Click here](#) for guidance related to Metric 6.

Number of requests abandoned by requesters

Number of requests abandoned by requesters

86

You may provide additional explanation here for the data provided for this metric

Metric 7

Number of requests, by type of requester. [Click here](#) for guidance related to Metric 7.

Number of requests, by type of requesters

Requester type	Individuals
Other (please explain)	
Total requests	1022
Requester type	Law firms
Other (please explain)	
Total requests	359
Requester type	Organizations
Other (please explain)	
Total requests	203
Requester type	Insurers
Other (please explain)	
Total requests	103
Requester type	Governments
Other (please explain)	
Total requests	202
Requester type	Incarcerated persons
Other (please explain)	
Total requests	1
Requester type	Media
Other (please explain)	
Total requests	10

Percent of requests fulfilled electronically compared to percent fulfilled by physical records	
Number of requests fulfilled electronically	3118
Number of requests fulfilled by physical records	114
Number of requests fulfilled by electronic and physical records	102
Number of requests closed with no responsive records	713
Percent of requests fulfilled electronically (calculated)	77%

Percent of requests fulfilled by physical records (calculated)

3%

Percent of requests fulfilled by electronic and physical records (calculated)

3%

Percent of requests closed with no responsive records (calculated)

18%

You may provide additional explanation here for the data provided for this metric

Metric 9

Number of requests where one or more physical records were scanned to create an electronic version to fulfill disclosure. [Click here](#) for guidance related to Metric 9.

Number of requests where records were scanned

Requests scanned

2453

You may provide additional explanation here for the data provided for this metric

Metric 10

Average estimated staff time spent on each public records request. [Click here](#) for guidance related to Metric 10.

Average estimated staff time spent on each request

Estimated total staff time in hours

5150

Average estimated staff time in hours per request (calculated)

1

If your agency feels the data provided for this metric is unduly influenced by a small number of unusually large requests, you may provide additional explanation here

Metric 11

Estimated total costs incurred by the agency in fulfilling records requests, including staff compensation and legal review and average cost per request. [Click here](#) for guidance related to Metric 11.

Estimated total costs incurred

Estimated total cost

\$550,428

Average estimated cost per request (calculated)

\$132.70

Our agency applied an overhead rate in our calculation of estimated costs.

You may provide additional explanation here for the data provided for this metric

Took the 12 most prolific users of our records request software + the City Attorney Took the mid step of each position multiplied by loaded rate of 2.04. Divided that number by the 13 staff to calculate the average hourly rate. Take Metric 10 figure = 5149.75 hours 5149.75 hours multiplied by the average hourly rate(\$87.66 = \$451,404.74) + Metric 14 Category 3 from January-December 2021 (\$99,023.71) = \$550,428.45

Metric 12

Number of claims filed alleging a violation of Chapter 42.56 or other public records statutes during the reporting period, categorized by type and exemption at issue (if applicable). [Click here](#) for guidance related to Metric 12.

Number of claims filed alleging a violation of Chapter 42.56 RCW

There were no claims filed alleging a violation of Chapter 42.56 RCW.

You may provide additional explanation here for the data provided for this metric

Metric 13

Costs incurred by the agency litigating claims alleging a violation of Chapter 42.56 RCW or other public records statutes during the reporting period, including any penalties imposed on the agency. [Click here](#) for guidance related to Metric 13.

Costs incurred litigating claims alleging a violation of Chapter 42.56 RCW

Total litigation costs

\$0

You may provide additional explanation here for the data provided for this metric

Metric 14

Estimated costs incurred by the agency with managing and retaining records, including staff compensation and purchases of equipment, hardware, software, and services to manage and retain public records. [Click here](#) for guidance related to Metric 14.

Estimated costs incurred managing and retaining records

Cost of agency staff who manage/retain records

\$4,061,269

Cost of systems that manage/retain records

\$323,333

Cost of services purchased for managing/retaining records

\$49,171

Total estimated cost for managing and retaining records (calculated)

\$4,433,773

Our agency applied an overhead rate in our calculation of estimated costs.

You may provide additional explanation here for the data provided for this metric

Metric 15

Expenses recovered by the agency from requesters for fulfilling public records requests, including any customized charges. [Click here](#) for guidance related to Metric 15.

Expenses recovered from requesters	
Total Expenses Recovered	\$61
Customized Service Charges	
Description of Service Charges	
You may provide additional explanation here for the data provided for this metric	



MEMORANDUM

To: Kurt Triplett, City Manager

From: Julie Underwood, Director of Public Works
John Starbard, Deputy Director of Public Works

Date: October 19, 2022

Subject: POSSIBLE EXPANSION OF PAY-FOR-PARKING AND TECHNOLOGIES

RECOMMENDATION:

The purpose of this staff report is to set out the process, major milestones, and budgetary actions required for moving forward to implement the recommendations of the parking consultant study discussed at the Council’s May 26, 2022, retreat.

BACKGROUND DISCUSSION:

The majority of the parking facilities the City provides to the public are free of charge. Though the City does charge \$1.00 per hour at both its Marina Park and Lake & Central parking lots, parking is free—though often time limited—in the municipal garage, on public streets, at parks and community centers, and at other lots such as the Wester lot near City Hall. The City also has a downtown employees parking program that requires registration and the display of a parking decal, but the program is provided at no charge when using the municipal parking garage or the Wester lot.

Periodic parking studies done by the City over the years have identified the challenges of free or undervalued parking. First, maintenance of the parking garage and city facility parking lots must be heavily subsidized by the general fund if there is little or no parking revenue. Second, free and low-cost parking encourages longer stays in parking stalls and reduces turnover. This in turn makes it difficult for other visitors, residents, or employees to find parking. This combination of factors impacts economic activity downtown as well as patron access to parks and community facilities. Finally, the parking program itself must be subsidized by the general fund as parking fees do not recover the city staff time associated with the program. For these reasons and others, in recent years, the City Council has had conversations about the possibility of establishing a more comprehensive paid parking program downtown and at waterfront parks, and potentially a modest charge for the downtown employees parking program.

At the March 17, 2020, City Council meeting when the Council enacted an ordinance to amend rules for the municipal garage, staff also presented information about expanding the paid parking program, which was a follow-up to conversation during the Council’s February 24, 2020, retreat. This was in the early days of the pandemic, and near the time of the State order to shelter at home. The Council was interested to continue the conversation about paid parking,

but stated clearly that this was not the time to consider such a program given that businesses were shuttering, there were very few people downtown or anywhere but their homes, and it was a period of profound uncertainty.

For its May 26, 2022, retreat, staff worked with two consulting firms to develop information about enhanced revenue options. One of the revenue options discussed at the retreat was an expanded paid parking program. Diamond Parking Services developed a report that was far more detailed than the preliminary analysis staff developed for the March 17, 2020, Council meeting. A top-line take away from the Diamond report is that if fully implemented downtown and at waterfront park parking lots, the City could realize \$6.4 million per year of new General Fund revenue, and that the initial capital cost to implement new parking technologies could be \$1.2 million (see Attachment A, page 3). The additional revenue could be used for waterfront park maintenance, garage maintenance and operations, and street and sidewalk maintenance downtown.

Expanding the paid parking program through the introduction of new technologies is not only about new revenue but also about better parking management, increased turnover, communicating real-time data to the public about the availability of parking, and for improved maintenance and repair of parking assets. This latter point also leads to reduced greenhouse gas emissions, since a meaningful amount of emissions are generated by motorists circling and searching for available parking.

Establishing a more comprehensive paid parking program is a major policy shift for Kirkland because of its long history of having mostly free parking. However, the City is seeing more paid private parking facilities in the downtown area, particularly with the Kirkland Urban project. The planned-for increased residential and worker densities in the downtown area place a greater demand and premium on parking. Also, paying for parking is increasingly a norm in the metropolitan area.

To be sensitive to the policy and cultural shift a paid parking program would be for the City, staff is proposing a multi-year implementation between 2022 and 2025.

2022

Two actions are planned for the remainder of 2022.

The six parking pay stations that the City has currently for the Marina Park and Lake & Central lots are ten years old, use a dated technology, and the company that manufactured them was acquired by another company. Independent of any other decision about parking, staff has been planning to replace those machines through a normal procurement process.

Staff plans to complete the preparatory work for replacing these machines in 2022, though their actual installation may not be until 2023.

Staff also has begun crafting a request for proposal for integrated parking technologies. The ultimate aim is to have equipment that will:

- Allow payment remotely, by card reader, and with cash (staff is aware some users may not have credit cards or cell phones);
- Allow patrons to add time to their meters via cell phone;
- Track parking usage and availability for on-street parking and certain City-owned lots;
- Count in-and-out activity at the municipal garage (perhaps also by floor) and at waterfront parks to calculate availability;
- Have technology whereby the public can check availability by specific location on their smart phones and/or computers; and
- Integrate with certain police department parking enforcement technology.

As is discussed below, staff is not recommending that all of these features would be implemented immediately. The RFP may be written to describe the ultimate aim, but request proposals only for what is needed in the near term. Staff is still evaluating how best to shape the RFP.

A service package was submitted to fund the improvements and technologies identified above as well as the replacement pay stations. The total amount given in the Diamond Parking Services paper was \$1.2 million., The City Manager's proposed budget recommends an initial \$500,000 to begin this effort and then assess future budget needs. While the initial estimate was provided by parking industry professionals, the responses to the RFP will provide a more definitive amount. Once responses to the RFP are received, staff will evaluate which elements are most appropriate for Kirkland's planned process and will update Council prior to implementation. Even though the plan presented here does not call for pay for parking on City streets until 2025, the equipment likely would need to be purchased and installed in 2024, particularly if there are on-going supply chain issues. Hence, this is a proposed service package for the 2023-2024 biennium.

2023

In 2023, the plan is that the general public and the City's transportation planners would have ready access to data about parking availability for on-street stalls and certain City lots. Transportation planners could begin to analyze parking usage patterns, turnover, and develop recommendations more accurately about parking management. This phase of implementation is mostly about data collection and providing the public information about parking availability downtown.

Additionally, the software that used for the Downtown Employees Parking Program was developed many years ago by a City staff member who no longer works here in an older software language. Staff has submitted a service package to procure from a vendor new software to help staff manage that program. The amount of the service package is \$45,000, proposed to be paid from the General Fund.

2024

Begin charging for parking in the garage and for the downtown employees parking program. Depending on revenue projections and collections at that time, staff may recommend to Council having a "parking ambassador" in the municipal garage every day

of the year, likely between 4:00 p.m. and when the garage closes at midnight. The ambassador would monitor activities, answer questions for or provide directions to users of the garage, and do a walk-through once the garage is closed for the day. Originally, this enhanced level of service was proposed to be launched when the garage was able to be closed and locked, which also occurred around the time of the pandemic-related sheltering, so it was not seen as needed at that time for what was then a mostly empty garage.

A service package was submitted for the “parking ambassador” enhanced level of service. The City’s current contract with Diamond Parking Services provides for adding the parking ambassador level of services at the City’s sole option for a specific price identified in the contract. The two-year amount for that enhanced level of service is \$240,000. A service package for this amount was initially developed for the 2023-2024, but due to funding constraints, this will not be proposed for funding prior to implementation of paid parking.

2025

Begin charging for parking on downtown streets and at waterfront parks.

This timeline is provided for discussion by the Council, with the motivation that the changes in parking downtown are suggested to be made over time to allow people the opportunity to adjust to them.

Staff’s thinking at this time is that the City deploy a moderate level of technology but not the full gamut that is possible. For example, there are parking garages that have small red and green lights that indicate an individual stall’s occupancy or vacancy, respectively. But the cost of retrofitting the garage for that technology may not be advisable. Also, the responses to the RFP may help refine when to purchase and implement the technology. On that point, staff has speculated whether to consider a test area first before launching the technology throughout the downtown. By way of example only, perhaps pavement-mounted vehicle detection sensors are installed only in one or two City-owned lots as a test of both of the technology itself and how the information can be used by the public and the City.

Staff has had some conversations with neighboring cities about their experiences with deploying parking technologies. We will continue to network and gain insights from our neighbors and private-sector parking experts as we work to develop the RFP.

We will be seeking to have the technology maintained by a third party, presumably the vendor(s) selected for purchase and installation.

Budget

The total amount for all of the elements identified above is \$1,505,000.

Item	Original Amount	Funded in 2023-2024 Budget	Source

Replacement Pay Stations	Included below	Included below	General Fund
Downtown Employee Program—Software	\$65,000	\$65,000	Offstreet Parking Reserve
Purchase and Installation of New Technology	\$1,200,000	\$500,000	General Fund
Municipal Garage—Parking Ambassador	\$240,000	\$0	Parking Revenues
TOTAL	\$1,505,000	\$565,000	

What is not considered budgetarily at this point is the possible need for increased parking enforcement resources. While technology may be able to help Police staff identify vehicles that have stayed beyond the time they paid for, or other issues, citations will need to be issued by a parking enforcement officer. If pay for parking on City streets is not launched until early 2025, this may be an issue that needs to be revisited during the development of the 2025-2026 preliminary budget.

NEXT STEPS:

The City Manager’s proposed 2023-2024 budget includes funding to implement the technology and other associated elements of the parking program. If the Council approves the expanded program, either as outlined here or modified by the Council, staff will proceed with developing and issuing the RFP and purchasing replacement pay stations. If the service package for the technology purchase and installation is approved, staff will proceed with initial deployment in 2023.

In the future, action by ordinance would be required to establish new parking rates. The recommended rates are contained in the attached report.

Attachment A: Municipal Parking Management Solutions, Findings Report, May 2022

MUNICIPAL PARKING MANAGEMENT SOLUTIONS FINDINGS REPORT | May 2022

Diamond Parking Services for Kirkland, WA



"Family Owned & Operated"

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EXECUTIVE SUMMARY

On March, 23rd, 2022 the City of Kirkland provided a Scope of Work (SOW) to Consultant for completion and delivery in mid May 2022 (SOW included in this report). After receipt of SOW the Consultant proceeded to review the previous report delivered by Consultant to the City of Kirkland in September 2020 for the purpose of evaluating the solutions, technology, parking programs and pricing previously proposed. The SOW provided to the Consultant also requested study regarding the implementation of a potential parking program including the requisite technological needs, suitable equipment for operation, any refinements and/or marketing efforts needed to support the potential roll-out of the proposed parking program, and the resulting financial results potentially derived from the implementation of said program.

In the ensuing report, Consultant provides a review of the initial report from September 2020 with any needed adjustments to those recommendations. Consultant then separates the applicable parking programs identified within the SOW into individual segments of the overall proposed parking program and addresses the questions regarding equipment/technology, refinement/marketing and financial results for each segment. At all times Consultant conducts the analysis of these segments with the Guiding Principles of the City of Kirkland, as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017), in mind. While these principles do not specifically delineate certain segments contained within this report, these principles were assumed to apply to all segments analyzed.

The only adjustments to the original report delivered in September 2020 deemed to be applicable were the alteration of the monthly fee (increased to \$75 from the original \$50 rate) for a permit within the Downtown Employee Parking Program (DEPP) and the recommendation to include some paid parking within the Wester lot based upon downtown parking volume as well as to support the overall strategy of the aggregated parking program as proposed. The remaining recommendations within the report were deemed to still be applicable to the Guiding Principles referenced above as well as to the current parking environment observed in the City of Kirkland in 2022. The technology solutions proposed to accomplish the recommendations cited within the original report have been augmented so as to meet the expanded SOW provided in March 2022 upon which this report is based.

Consultant has recommended a blending of technologies to accomplish the vision and goals contained within both the Guiding Principles of the City of Kirkland as well as the directives contained within the current SOW. In order to accomplish these directives Consultant recommends only utilizing technology that supports an open API architecture, possesses the necessary security protocols to meet all PCI-DSS security standards, allows for clear communication for all stakeholders, aggregates the data gathered in useful and easily managed program while providing a seamless user experience to the community. The utilization of technology from Flash Parking, Spot Parking, Frog Parking, MacKay Meters, PayByPhone and ParkMobile (or like technology meeting criteria listed) would be suitable to execute on this program as described. All estimated revenue projections for each segment of the parking program are listed below and if all segments of the program are instituted as recommended by the Consultant with no deviations, it is estimated that implementation would result in the generation of approximately \$6,400,000 annually for the City of Kirkland. This estimate does NOT include any revenue generated for the issuance of parking citations. The initial capital cost for implementation of the parking program as proposed would be \$1,193,000.

SCOPE OF WORK

Provided by City of Kirkland



SCOPE OF WORK (SOW) Provided by City of Kirkland

Scope of Parking Program Potential Revisions

Presently, the City does not charge for parking at its municipal garage, and charges only a modest amount at certain City-owned surface parking lots downtown. At those surface lots, the City uses six pay stations by Cale and a mobile-based app by PayByPhone as methods for payment. All six Cale pay stations accept credit cards and two of the six accept coins and bills.

While the City is discussing parking at City-owned facilities broadly, data and analyses should be organized in discrete elements. For policy or other reasons, the City initially may choose to implement only one or two elements. Logically, were the City to begin, say, to charge for on-street parking but keep the garage free, that could raise some issues at the garage. However, the data and analyses should be organized into the following major elements:

- The municipal garage
- City-owned surface lots in the downtown area
- On-street parking in the downtown area
- The downtown employees parking program
- Parking lots in waterfront parks (downtown parks and Juanita Beach Park)

For each major element, the City is seeking recommendations on: 1) rates, 2) program refinements, 3) technology, and 4) marketing. These recommendations should document how they are consistent with the Guiding and Operating Principles described in Kirkland Public Works General Policy G-11, "Parking Guidelines for Downtown Kirkland." The City also is open to discussing how the Guiding and Operating Principles G-11 may need to be updated to implement the recommendations.

Parking Rates

Diamond Parking Services conducted a parking rate analysis for the City in 2020. We ask that Diamond review that analysis and identify any revisions/updates it recommends, if any.

That previous study did not analyze and recommend parking rates for waterfront parks because that was not part of the scope of work at that time, though we will need recommended rates for them for May 26. The Guiding and Operating Principles in G-11 are directed to downtown Kirkland and do not apply directly to the waterfront parks, but similar issues should be addressed as part of the recommendations.

The City continues to be interested in correlating rates to the City's downtown parking zones, and to seasonality and demand management.

SCOPE OF WORK (SOW) Provided by City of Kirkland (cont.)

Program Refinements

Were the City to begin charging for parking at the municipal garage, there may be recommendations about how to better manage general parking and the employee downtown parking program. There also may be recommendations about regular maintenance enhancements that can or should be made, either by the City or another entity.

The City is seeking recommendations about modernizing the downtown employees parking program. The City wants to maintain the program in concept, but it may be past time to charge something—but not too much—for this program. The City currently is upgrading the permit management software for the downtown employees parking program. The existing software was developed by the City and is no longer supported, so the City is looking to procure a new system that will allow us to manage—and potentially charge—as part of the program. The City also would like this software to be able to handle other parking management needs, such as existing and future residential parking zones and other parking permit applications.

There also is the possibility, but not yet the decision, that the existing community center complex east of the municipal garage may be redeveloped, perhaps with the site development expectation that the garage may be used for some of the parking needs for the redeveloped complex.

Enforcement

The City anticipates that if it moves to more paid parking then enforcement needs will increase. The City would welcome any observations or experienced-based recommendations about this issue.

Technology

The City's aim is to have reasonable but not state-of-the-art technology for its program. While the City is aware of certain smart phone technologies or ceiling lights indicating garage space availability, the cost of the technology itself, maintenance, not to mention certain retrofit costs does not seem prudent at this time.

An equity issue that merits further discussion with Diamond is how to address the needs of those customers who do not have or cannot obtain credit cards.

Marketing

The City would like to explore opportunities for developing marketing concepts for increasing patron convenience and City lot usage. This could be with nearby private businesses and attractions and City venues, such as the Kirkland Performance Center. The City also would like to promote the use of online payment-based systems because this simplify maintenance and payment administration.



REVIEW OF INITIAL FINDINGS

From Report Delivered Sept 2020



REVIEW OF INITIAL FINDINGS | From report delivered by Consultant, Sept 2020

The following is a summation of the findings from the report delivered by Consultant in September 2020. While reviewing these findings and correlating to current market metrics we determined that all market rate recommendations contained herein, with the exception of, the rate charged for the DEPP program, were still accurate. In addition, the implementation of the rates per Zone, as delineated, still reflect the views of Consultant regarding the potential implementation of a paid parking program that would be in-line with the Guiding Principles of the City of Kirkland as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017). Based upon market analysis we feel that the DEPP program should institute a price point of \$75 per permit per month. Consultant revisited all technology proposed in Consultant's 2020 report and evaluated the efficacy of the technology proposed regarding the current Scope of Work (SOW) provided. As a result, Consultant has determined that there is a more suitable suite of technological solutions available at this time which will more closely encompass all the delineated needs of the SOW as written. Those recommendations will be included in the applicable sections of this report.

Analysis of Zones

In conjunction with the designation of the affiliated Parking Zones, as defined by the Department of Public Works Pre-Approved Plans Policy (09/2017) and its affiliated Guiding Principles, we believe that instituting a tiered parking system encompassing both paid and timed enforced parking within applicable Zones will lead to a more efficient parking management plan that is in-line with the Guiding Principles in the aforementioned policy. The integration of the suggested on-street pricing tiers in Zones A, B, C, D and E along with the suggested structure of (and price point for) the Employee Parking Permits in Zones B and F will allow for the ability to handle the current parking needs for the businesses, allow for readily available parking for community uses and provide designated parking for employees of the downtown core business.

By implementing a tiered pricing system (pricing based upon seasonality and/or event basis) within Zone A, the city can further accomplish its goal of utilizing its parking to supplement the economic growth of businesses located therein, while providing ample access to parking for customers, visitors and constituents of the community. Implementing a higher initial hourly price point in Zone A than in Zones C, D and E will help to drive those who need to park for longer durations outside of the immediate core business area. This frees up Zone A parking for the goals listed. Further, by creating a "seasonal" tier to the on-street pricing you not only help to drive the longer-term parkers to Zones more suitable to their intended uses, but you also help to maintain the 85% guideline referenced in the City of Kirkland's parking plan by reacting to the "supply and demand" mandate.

Zone B is limited in its on-street parking supply and since it directly abuts Zone A (and has many of the same business/tenant attributes) it should be managed in the same manner as Zone A. The bottom levels of the Municipal Garage and any excess City Hall parking availability should be allocated to the Downtown Employee Parking Program (DEPP). Consultant recommends that any Wester lot parking not allocated for DEPP use should be priced as On-Street parking correlated to nearby Zone A pricing. We also recommend that the DEPP program be offered for \$75 per month and solely to employees of businesses located within the applicable Zones that have less than 100 total full-time employees (FTEs). This ensures that the parking is made available for those who most need it, creates a resource for the businesses in these Zones and promotes a vibrant business community. Charging a monthly fee for these permits encourages those utilizing this service (the employees and businesses in these Zones) to respect the parameters of the program. It also represents an active step to ensuring that only those who should be using the employee parking areas are using those areas. Finally, this system helps to place parkers in spots that are more suitable for their intended uses i.e. long-term parking in the DEPP spaces or garages rather than on-street spaces. The funds generated would help to offset the costs of management and should result in a revenue neutral program.



REVIEW OF INITIAL FINDINGS | From report delivered by Consultant, Sept 2020 (cont)

Zone C is a transitioning Zone with a mixture of different business uses as well as a community park and amenities that are utilized by constituents on a highly seasonal basis. The availability of on-street spaces is rather limited and its location in relation to Zones A/B is such that we recommend charging per hour for the on-street portion albeit at a lower rate than in Zones A/B. This process aligns with the stated goals and guidelines of the original parking plan by allowing for the transition to shorter term parking (to support high turnover for retail uses) while retaining the ability to have longer term parking as necessary. The presence of off-street parking within this Zone further allows for ample constituent parking. We do not recommend that any portion of this Zone be utilized for the DEPP program at present, however, it may be a consideration in the future.

Since the latest revision to the Department of Public Works Pre-Approved Plans Policy (09/2017) Zone D has undergone significant change and is still in the process of development. Previously this Zone was designated as an accessory parking Zone where parking was intended to serve the needs generated from a specific site. Given the development within this Zone and the high likelihood that tenant parking within these developments will be overparked, it is likely that parking demand will overflow onto the city streets. The additional retail demand created within this Zone (restaurants, high volume grocery stores and entertainment concepts) will put further pressure on the available parking supply. As such, we recommend instituting an hourly paid program on the northern end of Zone D (north of 85th St) while enforcing a 4-hour time restriction on the southern end of Zone D (south of 85th St). This will encourage employees and tenants of surrounding businesses to park within their affiliated parking structures whenever possible, while also providing some flexibility for the enterprise level business tenants for occasional overflow event or meeting parking. We do not recommend allowing any DEPP parking in this Zone at this time.

Zone E is also a transitional parking Zone that has seen increased density in recent years. While it does not have the density of Zone A, the makeup of its current business mix, along with its proximity to Zones A/B and the high volume of Marina parking, dictates a need to encourage short term parking for business viability. In addition, by enacting a minimum hourly rate for the on-street parking in this Zone you will create continuity of program thus making policy communication to stakeholders easier (and enforcement by current personnel more efficient). We do not recommend allowing any DEPP parking in this Zone at this time.

Zone F is primarily designated as having residential and DEPP program parking. Even still, we see increased usage in this Zone based upon further development in the surrounding Zones and on seasonal traffic. The utilization of residential permits, DEPP program permits and 4-hour time enforced parking regulations should be sufficient to regulate Zone F at this time. This Zone should be monitored and evaluated for additional use in the future.

It is possible that with the implementation of an enhanced paid parking program within the Zones delineated, there may be some residual movement of parkers into the adjacent residential areas. However, based upon the geographical layout of the business district, the Zone parking system, the peak usage timeframes and the psychology of parkers in relation to the acceptance of walking longer distances to destinations, we believe that this effect will be minimal. Even still, it should be considered when implementing a system of this nature. It is advisable that a residential permit program is implemented for any residential areas within 1 block of the neighboring Zones. This will help ensure that residents have ample parking for their vehicles and alleviate concerns of increasing density within the area.

Transitioning to a paid on-street parking program will help to drive economic activity within the city. It will ensure that there is always available parking for all stakeholders and can result in increased retail revenue for effected businesses. It also places end users in the proper spaces/Zones relative to their needs. This will allow for more efficacious enforcement by existing enforcement staff.



REVIEW OF INITIAL FINDINGS | From report delivered by Consultant, Sept 2020 (cont)

Market Rate Implementation

We have provided a market rate recommendation for each Zone/type of parking (listed above) however, we are aware that the City of Kirkland may decide to implement the program at a rate that is below market. As an alternative to an initial market rate implementation the city may choose to discount the parking in each zone by \$1 per hour from the recommended pricing or create a flat rate of \$1 per hour throughout the city to provide a consistent price that is easily communicated to all involved. In addition, the city may make the decision to allow for an initial “free parking” period for each vehicle (1 hour per vehicle per day monitored by license plate) or allow specific businesses to provide a validation for a free period of parking (for a specified period of time) for each of their customers. Any of these options can be implemented and accommodated with the equipment/technology proposed herein. Having said that, it is our recommendation that this program be implemented at market rate (as proposed by Consultant’s 2020 report) with the knowledge that the market rate is an ever-increasing data point so the best policy is to implement “as is” and then make future determinations on pricing based upon the data gathered during the first year of operation.

Final Summation of Initial Findings from September 2020 report

Consultant finds that all recommendations contained in the September 2020 Consultant’s report regarding parking program set-up, communication, roll-out/implementation and pricing structure (with the requisite change to the DEPP pricing referenced herein and the additional Wester lot paid spaces in Zone B) is still relevant to current market conditions. Specific recommendations regarding technology, program marketing and the necessary operational refinements for each individual segment of the parking program have been refined per the listed SOW. These recommendations and the associated financial results for each individual parking program will be described in the following sections.

PETER KIRK MUNICIPAL GARAGE

Assessment



PETER KIRK MUNICIPAL GARAGE | Assessment

The Municipal Garage is located in an area that straddles two distinct parking management areas (Zones A and C). It functions to provide access to visitors of the downtown and employee parking program. The nature of demand around the garage varies widely by time of day, day of week and season.

Operating Principles (Zone B)

Parking in Zone B is intended to serve a balance of long-term and short-term parking needs. It is the City's goal to actively manage Zone B to meet a fluid user demand that changes by time of day and day of week. Over time, Zone B may serve as transitional facilities for increased employee parking as new supply is added to Zone A to accommodate growing and concentrated visitor demand.

- The upper level of the garage is intended to serve customer demand for stays of less than four hours.
- The lower level of the garage is intended to serve employee parking during the main workday (i.e., 5:00am - 5:00pm).
- As Zone B develops, the parking mix can be manipulated to best serve overall demand requirements of Zones A and C.

Pricing Recommendation

- Employee Permit Parking \$75/permit (limited to non-corporate employees of all zones)
- \$3 per hour/ 3-hour maximum stay On-Street Parking
- \$2.50 per hour/ 4-hour maximum stay Municipal Garage (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay Municipal Garage (05/1 – 09/1)

Parking Zone B serves a balance of long-term and short-term parking needs. As Kirkland continues to develop, Parking Zone B needs to be adjusted to best serve the overall demand requirements of Zones A and C as they continue to mature. As such, we recommend charging \$2.50 per hour with a four-hour maximum stay. Like Parking Zone A, Parking Zone B is a busy area and warrants the same criteria for parking and the same rate structure as Zone A. This will encourage turnover and promote availability of parking spaces to supplement any additional demand coming from parking Zone's A or C. Zone B can also support seasonal pricing. Charging a seasonal rate will generate additional revenue and ensure that the adequate amount of available spaces remain open throughout the year.

Further, we recommend designating a portion of the lower level of the Municipal Garage for employee permit parking. Permits will allow downtown employees to park during the main workday, while freeing up the garage for customer demand on evenings and weekends. This provides an alternative for employees who are accustomed to parking in the surrounding zones during the workday. We recommend that permits be issued with a \$75 monthly fee per permit. Charging for permits not only generates revenue that covers related costs, but it also encourages parkers to respect the rules set out regarding space and time restrictions associated with the permits.

The utilization of a Seasonal Pricing Structure (increase hourly rate to \$3 per hour/ 4-hour maximum) can help to manage the higher traffic during the times of year that the downtown core is being over utilized. This will help create the necessary throughput for the downtown businesses and result in increased retail receipts, proper utilization of public parking and create a symbiotic relationship with private and off-street parking facilities by placing parkers in the proper parking areas for their intended uses.



PETER KIRK MUNICIPAL GARAGE | Assessment (cont.)

Technology Recommendations

After review of the needs described in the SOW for the Municipal Garage, Consultant recommends the use of an automated PARC's system (Parking Access and Revenue Control System) for this facility. The utilization of an automated PARC's program allows for the reduction of human asset labor allocation costs, minimizes on-going maintenance fees associated with manual equipment, provides for an easy-to-use payment/access system for all constituents and allows for the use of validation controls (if needed) for King County Library System. Consultant recommends the use of a PARC's program manufactured by FLASH Parking which is optimized for native, cloud-based payment processing allowing for complete compliance with all PCI-DSS industry standards thus reducing the risk associated with payment processing. This system would work in conjunction, via an open API architecture, with the technology proposed for the subsequent parking Zones/segments/programs delineated in the SOW. This will allow for full integration with the Spot Technology program as well as the Frog Parking digital signage programs recommended for this garage. Frog Parking would work in conjunction with the Flash system to track all vehicle volumes and relay to a digital reader board illustrating real-time parking availability within the parking structure. This information will also feed into the Spot Technology program to provide for consumer visibility of real-time parking availability via an app-based program. The Spot Technology program will also aggregate all data generated by each of the technologies proposed within this report to allow for instant visibility by administrative staff to all segments of the associated parking programs.

Refinement Recommendations

The parking facility will need structural improvements and the Consultant did not assess the nature and extent of the structural improvements required. Regarding the parking assessment and recommended parking technologies described above, the Consultant recommends providing an improved signage/wayfinding system to better direct the prospective parkers to the appropriate parking level/space. The implementation of the Flash, Frog and Spot systems will aid in creating an improved parking experience for the constituents however, there is also a need for better visibility and more clear signage within the facility. Finally, the digital signage/reader board and associated parking/transportation app will be a significant enhancement not only to the parking facility itself but will help to reduce congestion and last mile parking issues resulting from the search for available parking by the consumer.

Marketing Improvements

The appearance, feel and usability of the Municipal Garage will be greatly enhanced by the improvements provided in the above recommendations. These improvements will assist in marketing the garage to the community and the parking technology recommended will allow for integration into expanded marketing efforts across City of Kirkland websites and social media. In addition, the associated technology can integrate with other entities (like the Performing Arts Center, Community Event websites etc) to offer parking at time of ticket purchase or provide for potential discounting of parking to encourage community engagement. There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

PETER KIRK MUNICIPAL GARAGE | Assessment (cont.)

Finances and Potential Revenue Generated

Consultant evaluated the parking flow of the Peter Kirk Municipal Garage including the utilization of existing car counts within the facility and correlated that data with any/all data provided by the City of Kirkland as well as vehicle volume data from “like” facilities both within Consultant’s existing portfolio, facilities within other neighboring cities and industry standards to derive a projected utilization rate of the facility. Consultant then used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the Peter Kirk Municipal Garage will generate approximately \$1,058,400 in Gross Revenue in its first full year of operation. A 10-12% degree of deviation is possible given the limited amount of data gathered during the abbreviated timeframe of this study.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

SURFACE LOT

Assessment



SURFACE LOT | Assessment

Zone A contains the majority of the city operated surface lots for this assessment except for the Wester lot which resides in Zone B. The surface lot assessment encompasses the Wester lot, the Lakeshore Plaza lot, the Lakeshore Plaza lot and the Lakeshore Plaza Auxiliary lot. The core zone of downtown includes the highest density of development and has a high concentration of retail, restaurant and entertainment opportunities.

Operating Principles (Zone A)

The primary purpose of parking in Zone A is to serve customer and other short-term visitor needs and support desired economic uses in the zone.

- The purpose of, and priority for, public parking in Zone A is to support and enhance the vitality of the retail core.
- Parking for short-term users is the priority for on-street and off-street spaces in Zone A.
- Employees should be discouraged from parking in Zone A.
- Parking will be provided to ensure convenient, economical and user-friendly access for customers, clients and visitors to downtown at all hours of the operating day (i.e., weekdays, evenings and weekends).
- All on-street parking in Zone A will be regulated.

Pricing Recommendation

- \$3 per hour/ 3-hour maximum stay On-Street Parking
- 15-30 Minute “Delivery Zones”
- \$2.50 per hour / 4-hour maximum stay City Owned Parking Lots (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay City Owned Parking Lots (05/1 – 09/1)
- Strong consideration for an event-based pricing structure TBD

Zone A is the core zone of Kirkland’s downtown. In addition to having the highest density of development and the highest concentration of retail, restaurant and entertainment opportunities, it is also Kirkland’s busiest zone and has the highest need for transient turnover. On-street parking rates of \$3 per hour with a three-hour maximum stay are designed to encourage short-term parking with high turnover. This will support and enhance the vitality of the retail core by creating readily available parking for customers of businesses. It will also encourage employees to seek out parking in the designated areas of neighboring Zone B. Further, we propose introducing short-term “delivery zones” or 15-30 minute zones that are for business delivery only. This will allow businesses to continue to have necessary access to their space for supplies/deliveries without having to worry about payment or having delivery vehicles parked in spaces intended for commuter vehicle use.

Kirkland typically sees an increase in activity during the summer months. A common practice in private lots as well as in comparable municipalities involves charging higher rates in popular lots during busy seasons. This is especially true for parking lots near bodies of water. Introducing a seasonal rate of \$3.00 per hour in the Kirkland owned lots presents an opportunity for the city to achieve its goal of supporting and enhancing the vitality of the retail core during the summer months by keeping parking open for visitors who are likely to engage with retailers, restaurants and other businesses. It also presents Kirkland with the opportunity to benefit economically from seasonal tourism.

SURFACE LOT | Assessment (cont)

Technology Recommendations

Consultant reviewed the parameters of the SOW provided by the City and evaluated this segment of the parking program within the overall context of the other segments of the SOW to determine the best path forward to achieve efficacy not only for the lots delineated herein but that would also allow for system integration with the associated parking segments in the SOW to provide as seamless of a parking experience as possible for the public. Given the physical parameters of the surface lots as well as geographic locations it was determined that a PARC's system would not be appropriate for these locations. Consultant recommends the use of the Frog Parking system in these locations to allow for real-time parking volume monitoring and communication to the public regarding open parking stalls via an app-based system.

Where applicable the use of "pay meter technology" is appropriate given the volume of the potential volume of the locations as well as the consideration of equity issues for the public. The pay stations would allow for walk-up payment by the public and would feed this information into the Frog Parking system as well as the enforcement software to allow for seamless execution of enforcement. Consultant recommends replacing the current pay meters with updated MacKay Meters Inc systems which allow for this integration. The City of Kirkland already utilizes mobile payment options via the PayByPhone app and Consultant would recommend utilization of a secondary vendor to provide greater options for the consumer as well as the use of a Scan-to-Pay technology (QR Code payment) via ParkMobile who is an established mobile payment system and municipal service partner. All of these technologies will directly integrate into the overall Spot Parking dashboard technology and the Frog Parking consumer app to allow for real-time knowledge of available parking, volume of traffic/parking in respective Zones/lots and the respective transaction rates. Finally, the Frog Parking, ParkMobile and PayByPhone technologies are cloud native and thus are the most secure systems on the market which meet or exceed all PCI-DSS standards. The MacKay Meters Inc systems also provide the highest level of payment security currently offered for the pay meter market thus lowering the overall risk ratio for the City of Kirkland.

Refinement Recommendations

The addition of the technologies listed above will enhance the overall parking experience of the consumer and will allow for ease of use for payment of parking. The QR code system provided by ParkMobile in particular, has shown to increase the adoption rate of mobile payments by consumers due to the ease of its use. It also has the benefit of being a touchless system limiting COVID concerns by consumers. The Frog Parking and Spot Parking technologies will also dramatically increase the ability of a consumer to search for, find and park in an available space. This helps to limit vehicle congestion on the streets, reduces the effect of GHG emissions (Greenhouse Gas) resulting from last mile parking issues, increases safety for pedestrians/bike riders and makes the most efficient use of parking space possible thus benefiting the retailers in the downtown zones.

An improved program of signage would be recommended to help direct and instruct potential parkers to better utilize these facilities. It is Consultant's expectation that most, if not all, of this signage could be produced by the City of Kirkland itself with proper guidance.

SURFACE LOT | Assessment (cont)

Marketing Improvements

These improvements will assist in marketing the surface lots to the community and the parking technology recommended will allow for integration into expanded marketing efforts across City of Kirkland websites and social media. In addition, the associated technology can integrate with other entities (like the Chamber of Commerce, Kirkland Marina and Community Event websites etc) to offer parking at time of ticket purchase or provide for potential discounting of parking to encourage community engagement. There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

Finances and Potential Revenue Generated

Consultant evaluated the parking flow of the respective surface lots including the utilization of existing data provided by the City of Kirkland as well as vehicle volume data from “like” lots both within Consultant’s existing portfolio, surface lots within other neighboring cities and industry standards to derive a projected utilization rate of the facility. Consultant then used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the respective surface lots assessed (the Lake and Central lot, the Lakeshore Plaza lot, the Lakeshore Plaza Auxiliary lot and the proposed spaces in the Wester lot) will generate approximately \$1,264,000 in Gross Revenue in their first full year of operation. A 10-12% degree of deviation is possible given the limited amount of data gathered during the abbreviated timeframe of this study.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

ON-STREET PARKING

Assessment



ON-STREET PARKING | Assessment

The current on-street parking program crossed all Zones of the City of Kirkland in regards to its current system of enforcement. For the purposes of this SOW the Consultant shall define the paid on-street parking program to be the on-street parking spaces contained within the respective Zones A, B, C, D and E with the proposed pricing recommendations tailored to fit the respective operating principles of those Zones as identified in the Guiding Principles of the City of Kirkland as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017) and the previous report delivered by Consultant in September 2020. Those pricing recommendations are as follows:

Zone A

Pricing Recommendation:

- \$3 per hour/ 3-hour maximum stay On-Street Parking
- 15-30 Minute “Delivery Zones”
- \$2.50 per hour / 4-hour maximum stay City Owned Parking Lots (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay City Owned Parking Lots (05/1 – 09/1)
- Strong consideration for an event-based pricing structure TBD

Zone B

Pricing Recommendation:

- \$3 per hour/ 3-hour maximum stay On-Street Parking
- \$2.50 per hour/ 4-hour maximum stay Municipal Garage (09/1 – 05/1)
- \$3.00 per hour/ 4-hour maximum stay Municipal Garage (05/1 – 09/1)

Zone C

Pricing Recommendation:

- \$1.50 per hour/ 4-hour max On Street Rate
- No employee permit parking allowed
- 15 – 30 minute “Delivery Zones”

Zone D

Pricing Recommendation:

- \$1.50 per hour/4-hour max (North of 85th St.)
- 4-hour maximum parking (South of 85th St.)
- 15-30 min “Delivery Zones”

Zone E

Pricing Recommendation:

- \$1.50 per hour/ 4-hour max On Street Rate
- No employee permit parking allowed
- 15 – 30 minute “Delivery Zones”

ON-STREET PARKING | Assessment (cont.)

Zone A is the core zone of Kirkland’s downtown. In addition to having the highest density of development and the highest concentration of retail, restaurant and entertainment opportunities, it is also Kirkland’s busiest and has the highest need for transient turnover. On-street parking rates of \$3 per hour with a three-hour maximum stay are designed to encourage short-term parking with high turnover. This will support and enhance the vitality of the retail core by creating readily available parking for customers of businesses. It will also encourage employees to seek out parking in the designated areas of neighboring Zones B and C. Further, we propose introducing short-term “delivery zones” or 15-30 minute zones that are for business delivery only. This will allow businesses to continue to have necessary access to their space for supplies/deliveries without having to worry about payment or having delivery vehicles parked in spaces intended for commuter vehicle use.

Kirkland typically sees an increase in activity during the summer months. A common practice in private lots as well as in comparable municipalities involves charging higher rates in popular lots during busy seasons. This is especially true for parking lots near bodies of water. Introducing a seasonal rate of \$3.00 per hour in the Kirkland owned lots presents an opportunity for the city to achieve its goal of supporting and enhancing the vitality of the retail core during the summer months by keeping parking open for visitors who are likely to engage with retailers, restaurants and other businesses. It also presents Kirkland with the opportunity to benefit economically from seasonal tourism.

Technology Recommendations

To implement a cohesive and easily navigable parking system within all facets and Zones of the City of Kirkland as well as to provide the flexibility to add additional services, gather relevant data for other potential uses and “future proof” the program (in the near term) to accommodate for additional community needs (potential curbside management and EV needs) the Consultant recommends the utilization of a sensor-based parking monitoring system. Frog Parking solutions provides a sensor-based solution that has been implemented in numerous other municipalities and large-scale developments and allows for the needed integration with the other technology programs required for the overall implementation of the proposed program. This system would allow for real-time monitoring of every space within the program as well to gather data for future policy implementation. In addition, the sensor-based system allows for commuters to see available parking spaces prior to traveling to Kirkland, or while enroute, allowing them to easily navigate to open parking and reducing congestion and GHG emissions. The Frog Parking system integrates with the proposed enforcement system and the Spot Parking dashboard program. Overall, this system would allow for greater flexibility by City staff to alter policies, pricing, and enforcement times, as necessary.

Consultant also recommends the limited use of MacKay Meter Systems to allow for pay on foot options for parkers that feel more comfortable doing so or to whom equity considerations may be an issue. MacKay parking meters allow for a secure and easy to use solution that integrates with all the other technology solutions proposed to allow for a seamless parking experience for the consumers as well as a cohesive, easy to manage enforcement process for the City of Kirkland enforcement personnel. In addition, consumers should have the option of utilizing the same mobile based payment solutions as those offered in the surface lots. This would help to create continuity amongst parking Zones, limit the need to search for a parking meter and limit the need for expanded parking meter placement. This significantly limits the initial capital expense of the parking program as well as the on-going maintenance costs associated with these programs. To that end, Consultant recommends the implementation of the ParkMobile and PayByPhone technologies for on-street parking payment.

ON-STREET PARKING | Assessment (cont.)

Refinement Recommendations

Currently there is no paid on-street parking system in place in the City of Kirkland. The implementation of a paid on-street system is likely to result in reduced traffic congestion, safer use of streets/sidewalks by pedestrians and bikers, reduced GHG emissions, better placement of consumers near their chosen destination and increased retail receipts by downtown businesses. In addition, the revenue generated from a program of this nature is likely to result in increased budgets for City services and contribute to the overall marketability of the City of Kirkland.

Once a program of this nature has been implemented it is imperative that it is monitored for needed performance to expectation, evaluated for needed adjustments and used to help formulate future policy decisions. There may be future refinement recommendations resulting from the monitoring of this program post implementation.

Marketing Improvements

As previously mentioned, there is no paid on-street parking program currently in place in the City of Kirkland. Having said that, if implemented as recommended, the technology used will allow for additional outreach to the community and stakeholders. This presents an opportunity to expand upon the marketing of the City to the community for future events, meetings, announcements, partnerships with community Performing Arts programs, marketing tie-ins with local businesses etc. In addition, the data gathered from these systems can better enable the City administration to tailor its services to exceed stakeholder expectations. There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

Finances and Potential Revenue Generated

Consultant conducted a vigorous system of car counts in the downtown core, evaluated the parking flow in all parking Zones and correlated that data with any/all data provided by the City of Kirkland as well as vehicle volume data from “like” municipalities both within Consultant’s existing portfolio, parking flows within neighboring cities, vendor specific data from existing municipal operations and established industry standards to derive a projected utilization rate of the paid on-street parking program.

Consultant correlated this data with expected seasonal volume flows and used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the paid on-street parking program will generate approximately \$2,365,600 in Gross Revenue in its first full year of operation. A 10-12% degree of deviation is possible given the limited amount of data gathered during the abbreviated timeframe of this study.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

WATERFRONT PARKS PARKING

Assessment



WATERFRONT PARKS PARKING | Assessment

The original report prepared by Consultant in September 2020 did not address the Waterfront Parks program as part of its scope. Per the most recent SOW provided, Consultant assessed the current state of parking at the listed locations with the Guiding Principles of the City of Kirkland as outlined in the Department of Public Works Pre-Approved Plans Policy (09/2017) in mind. Further, Consultant assessed these locations knowing that a common concern of other municipalities is the effective utilization of these community assets by all stakeholders and with an understanding of potential equity concerns from members of the community. Consultant witnessed numerous parking concerns in these locations including the use of the parking resources by parkers who immediately left the location without utilizing the Parks services as intended. In effect, utilizing some these facilities as defacto “park and rides” for commuting to work etc. While this practice helps to reduce congestion and traffic on the roads, it is not the highest and best use of these facilities nor is it the intended use for these locations.

To maintain a cohesive parking program that both fits the strategy delineated by City leadership in its Guiding Principles as well as integrates with the solutions proposed in the other parking segments previously addressed in this report, Consultant recommends implementing a paid system of parking in the locations evaluated as outlined by the City.

Pricing Recommendation

- \$2.00 per hour/ 4-hour max Waterfront Parking Rate
- No employee permit parking allowed

Technology Recommendations

To maintain the strategy and efficacy of the overall parking strategy as proposed in the other parking segments within the City of Kirkland, Consultant would recommend the utilization of a blend of the Frog Parking systems “car counting” technology as well their sensor-based technology where applicable. Some of the Waterfront Parks lots are suitable for sensor-based technology while others would be better served by utilizing a pole/camera based car counting technology to track vehicle traffic, parking volume and specific space usage so as to communicate with the affiliated technology and app based reporting described in the previous sections. Further, Consultant would recommend the use of the mobile payment technology provided by ParkMobile and PayByPhone to allow for the safe, convenient utilization by the consumer. In a few of the larger locations, such as Juanita Beach Park, the deployment of a Mackay Meter systems “pay on foot” kiosk, in addition to the mobile payment options, would be advisable.

Refinement Recommendations

Similar to the on-street parking program there currently is no paid Waterfront Parks parking program in place in the City of Kirkland. The implementation of a paid Waterfront Parks program is likely to result in reduced traffic congestion, safer use of streets/sidewalks by pedestrians and bikers, reduced GHG emissions, easier use by the community to help parkers find space nearest their chosen destination as well as increased retail receipts by businesses located near these parking lots. The implementation of a program like this would also increase the “turnover” of parking spaces within these lots thus allowing a greater segment of the population to enjoy the services provided by the Kirkland Park system. In addition, the revenue generated from a program of this nature is likely to result in increased budgets for City services and contribute to the overall marketability of the City of Kirkland.

Once a program of this nature has been implemented it is imperative that it is monitored for needed for performance to expectation, evaluated for needed adjustments and used to help formulate future policy decisions. There may be future refinement recommendations resulting from the monitoring of this program post implementation.



WATERFRONT PARKS PARKING | Assessment (cont.)

Marketing Improvements

As previously mentioned, there is no paid Waterfront Parks parking program currently in place in the City of Kirkland. If such a program is implemented as recommended, the technology used will allow for additional outreach to the community and stakeholders. This presents an opportunity to expand upon the marketing of the City to the community for future events, meetings, announcements, partnerships with community organizations, marketing tie-ins with local businesses etc. In addition, the data gathered from these systems can better enable the City administration and the Kirkland Parks department to tailor its services to exceed stakeholder expectations. The potential marketing benefits of a more efficiently run Waterfront Parks program are innumerable.

There are further marketing benefits and potential that have not been fully investigated by Consultant and Consultant would recommend a follow-up engagement to help establish a comprehensive marketing program to the community and all constituents.

Finances and Potential Revenue Generated

The financial projections of the potential implementation of a paid parking program for the Waterfront Parks was the most challenging aspect of this report. Consultant evaluated the parking flow of the respective surface lots including the utilization of existing data provided by the City of Kirkland as well as vehicle volume data from “like” lots both within Consultant’s existing portfolio and within other neighboring cities and correlated with industry standards to derive a projected utilization rate of the lots. Consultant then used the expected utilization rate in conjunction with the proposed market pricing to derive a projected monthly/annual revenue figure for budgeting use. Consultant projects that if all recommendations proposed are enacted, the respective Waterfront Parks parking lots assessed will generate approximately \$1,740,000 in Gross Revenue in their first full year of operation. Given the limited amount of data gathered during the abbreviated timeframe of this study a potential deviation rate of up to 25% is possible.

Revenue projections are included as an appendix to the main body of this report. It is important to note that all revenue projections are based upon factors as they currently exist and with the assumption that all recommendations proposed are enacted. Any deviations to these assumptions may result in a variance to the projections provided.

DOWNTOWN EMPLOYEE PARKING PROGRAM

Assessment



DOWNTOWN EMPLOYEE PARKING PROGRAM (DEPP) | Assessment

Consultant assessed the City of Kirkland Downtown Employee Parking Plan (DEPP) regarding the current set-up and financial structure. Based on the research conducted within both the commercial parking segments as well as in correlation to data gathered from similar municipalities Consultant recommends increasing the monthly permit price of this program from \$50 to \$75. This increase is warranted both by the market conditions themselves as well as by the strategy employed within the overall paid parking plan. The goal is to allow employees who may require a more affordable approach to parking to have allocated spaces available so as to allow them to work for the small businesses located within the downtown core. If the rate is too low, it will promote the use by individuals who are simply trying to avoid paying for parking (at a higher rate) within their own residential communities or others who could otherwise afford to park elsewhere within the City of Kirkland but are choosing to take advantage of this program. In addition, the program should be engineered to financially fund its own operation. Consultant fees that a \$75 rate would be applicable and allow the DEPP program to operate as intended.

Future expansion of this program to include the possible inclusion of a residential parking permit for parking in areas abutting the current delineated parking Zones is advised. There are multiple technologies proposed thus far in this report including the Frog Parking system and the Spot Parking system that can handle the permit management needs of both the DEPP and the potential residential parking permit program that may be needed in the near future. This program is a fantastic marketing piece for the City of Kirkland allowing for the retention of small businesses and the recruitment of future business into the core by making the downtown a vibrant and affordable environment for employees of all economic status. The implementation of either of the technologies referenced would create a significant refinement in the current DEPP program. The financial results of this program have been included in the respective parking Zones/programs in this report (i.e. the Peter Kirk Municipal Garage and respective on-street Zone).

TECHNOLOGY PROGRAM CAPITAL COSTS



TECHNOLOGY PROGRAM CAPITAL COSTS

In most circumstances the technology solutions recommended would service multiple segments of the proposed parking program thus breaking out the cost by individual parking segment is difficult to do at this time. If the City of Kirkland decides to progress with the Consultants recommended options and wishes to implement specific segments of the proposed parking program but not the full parking program, then the Consultant can work with the City staff to identify the specific needs of the segment to be implemented independent of the rest o the program. In order to provide context to the overall projected cost of implementation for the complete suite of technology solutions identified in this report Consultant has acquired initial quote from the following vendors:

Frog Parking	\$643,500
MacKay Meters Inc	\$339,500
Flash Parking	\$135,000
Spot Parking	\$75,000
ParkMobile/PayByPhone	No Capital Cost
Total Initial Implementation Cost	\$1,193,000

It is advised that implementation of this plan coincide with increased enforcement of the identified parking spaces via the existing City of Kirkland enforcement personnel, a suitable third-party enforcement company or a combination thereof. In either case there will be an increased cost to the program to encompass enforcement personnel, enforcement vehicles/equipment and enforcement software programs/upgrades. If further analysis of that portion of the program is required, the Consultant recommends a follow-up engagement to identify potential solutions.

REPORT ISSUANCE

REPORT SUBMITTED BY

Patrick Seward

Print Name



Signature

Consultant and Regional Manager, Diamond Parking Services

Title, Office/Division/Entity

05/17/2022

Date

REPORT RECEIVED BY

Print Name

Signature

Title, Office/Division/Entity

Date



WITH THANKS

From Diamond Parking Services

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"Family Owned & Operated"



MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Sri Krishnan, Deputy Director of Finance and Administration
George Dugdale, Financial Planning Manager
Daniel Brown, Budget Analyst

Date: October 19, 2022

Subject: Development Services Fund

The purpose of this memo is to provide an overview of the development services fee update and the 2023-2024 preliminary budget.

Background

Development Services are the City operations to review, inspect, and permit development projects of all sizes and uses ranging from additions to single family houses to new office buildings, usually broken down into four major activities:

- [Building Activities](#) – Reviews permit applications for all types of construction to ensure code compliance with structural, architectural, fire safety, energy, and accessibility requirements. Later in the process, staff also performs visual inspection of commercial and residential construction for work that is under current City-issued building, plumbing, mechanical and electrical permits.
- [Planning Activities](#) – Helps guide development in a way that is consistent with the Comprehensive Plan, Zoning Code, Subdivision Ordinance, State Environmental Protection Act (SEPA), and Shoreline Master Program. Also performs permit and development review and provides public information about development policies and regulations.
- [Fire Prevention Activities](#) – Focuses on land and structural improvements that affect safety and resiliency of the community related to fire and emergency risks (Building Review); staff reviews design, permitting and inspection of installations, covering fire alarm and fire suppression features within structures (System Permits); regulates permits for operational activities (e.g., fireworks, explosives, hot work, storage of hazardous materials in compliance with state law and the International Fire Code (IFC)).
- [Development Engineering Activities](#) – Handles the review, permitting, and inspection of work to the City's water, sewer, storm drainage, and roadway infrastructures. Staff also ensures the existing infrastructures, and the environment are protected during construction.

The City undertakes a development fee study every 3 to 4 years, usually in conjunction with a budget development process. The 2022 development fee study was conducted to evaluate full cost recovery for development services fees, which would free General Fund (GF) revenue to be programmed for other Council-directed purposes. As part of the update, staff recommended the City establish a separate

Development Services Fund (DSF). As development services has grown over the past 10 years, managing the finances within the City's General Fund has become more challenging.

At the [April 19th Council meeting](#), staff brought proposed fee increases to move towards full cost recovery and discussed related policy issues where staff recommended fees should remain below full cost recovery. The results presented reflect the "test" year of 2020 which was the basis for the analysis. The actual fees that will be put in place effective January 1, 2023, will be based on increases to the 2022 fees that are currently in effect and will reflect the proposed 2023-2024 budgeted expenditures and development activity.

As the next steps in the fee update, Ordinance O-4808 was adopted to amend the KMC to remove the fee schedules from the code and replace the tables with policy language referring to annual fee tables that will be published on the City's website.

This memo describes the outcome of the fee study, final proposed fee, 2023-2024 budget, and the starting financial position of the newly created Development Services Fund.

Organizational Structure/Reporting

After a detailed assessment of the development services departments and their operations, staff has determined the best organizational structure for the DSF. Because these services are driven by development demand and economic conditions, they are volatile and vulnerable to the impact of regional and national economic fluctuations. Conversely, economic shocks could slow and stop developer projects, quickly drying up revenues and requiring the City to reduce staffing.

The ***Planning & Building*** department provides the core of all development services. There is a small portion of the operation that is non-development, however, the structure of staff labor hours prevents an accurate separation of activity between two funds. For example, a staff member may be allocated between three areas of Planning & Building making it difficult to quantify hours spent on development or non-development activity. Furthermore, reallocating positions between funds to prevent inappropriate use of development revenue could substantially decrease service levels. As a result, **100%** of the departments' expenditures and revenues were moved from the General Fund into the Development Services Fund. An interfund transfer from the General Fund has been programmed into the biennial budget to prevent development services revenue from funding non-development activity.

The ***Public Works – Engineering*** division within the Public Works department provides the permitting and inspection of work to the City's water, sewer, storm drainage, and roadway infrastructures. The entirety of these services is budgeted within this division, thus **100%** of the expenditures and revenues have been moved from the GF to the DSF. Additionally, Public Works Engineering previously received a subsidy from the Surface Water utility for work completed by the development group that benefited Surface Water and wasn't covered by fees. As the revenue target is now 100% of costs this transfer is no longer necessary.

The ***Fire Prevention*** division within the Fire department focuses on permitting and inspection related to fire and emergency risks. Fire Prevention staff also supports the work of other functions of the Fire Department. Due to the work shared between Fire Prevention and Operations, the expenditures for this division will remain within the General Fund, however, Fire Prevention revenues will move into the DSF and be transferred back into the General Fund. This mechanism allows for clear record keeping while ensuring these revenues are utilized for the purposes intended.

The Development Services Fund is classified as a Management Fund to specifically account for development activity. In conformity with General Accepted Accounting Principles (GAAP), the financial results of the DSF will be consolidated and reported within the General Fund in the Annual Comprehensive Financial Report (ACFR).

2023-2024 Fee Schedule

The updated fee schedule presents the results of the fee study which was based on the “test” year of 2020 as the basis for the analysis. Each type of development review activity varies in scope, fee calculation basis, and population of applicants (e.g., corporate developer, individual homeowner, public utility, etc.). Staff in each development program identified recommended adjustments toward full cost recovery. The final increases to each fee type were applied to the 2022 current fee schedule then adjusted for inflation and overhead to determine the 2023-2024 fee schedules.

The following is an overview of the methodology applied to derive the final fee schedule:

- **Kirkland 2022 Fees:** According to KMC 5.74.040(d), fees may be administratively increased or decreased by an adjustment effective January 1st of each year as needed to maintain the cost recovery objectives established by the city council. The 2020 fees were adjusted in 2021 and again in 2022 by the Seattle Consumer Price Index for Wage Earners and Clerical Workers to arrive at the Kirkland 2022 Fees.
- **Kirkland Updated Fees:** 2022 Fees were adjusted by the recommended fee increase as determined by the 2022 fee study.
- **Inflation Adjustor:** Based upon inflation rates published in the Spring of 2022, the updated fees were adjusted by an inflation factor to determine the base 2023 & 2024 fees.
- **Overhead:** The overhead adjustor was determined as the percentage of overhead cost to total revenues in 2020. This method was selected to recover overhead within the new fee schedule to support the achievement of full cost recovery.

Planning Fee	Kirkland 2022 Fees	Rec. Fee Increase %	Kirkland Updated Fees (w/o Inflation & OH)	Inflation Adjuster 2023	2023 Kirkland Updated Fees (w/o OH)	Inflation Adjuster 2024	2024 Kirkland Updated Fees (w/o OH)	OH Adjuster %	FINAL 2023 Kirkland Fee Schedule	FINAL 2024 Kirkland Fee Schedule
Process IIA Review										
Other IIA Base Fee	10,657.00	35%	14,386.95	6.3%	15,293.33	3.5%	21,368.60	6.4%	16,272.00	22,736.00
Fee per new residential unit	605.00	35%	816.75	6.3%	868.21	3.5%	1,213.10	6.4%	924.00	1,291.00
Fee per sq. ft. new non-residential GFA	0.60	35%	0.81	6.3%	0.86	3.5%	1.20	6.4%	0.92	1.00
Preliminary Subdivision Fixed Fee	28,018.00	Fee Restructure	28,018.00	6.3%	29,783.13	3.5%	30,825.54	6.4%	31,689.00	32,798.00
Final Subdivision Fixed Fee	5,060.00	40%	7,084.00	6.3%	7,530.29	3.5%	10,911.39	6.4%	8,012.00	11,610.00
Subdivision Alteration	28,018.00	Fee Restructure	28,018.00	6.3%	29,783.13	3.5%	30,825.54	6.4%	31,689.00	32,798.00

Using the Final Subdivision Fixed Fee as an example, development services staff recommended a 40% increase from the prior (2022) fee level. This was then increased by 6.3% and 3.5% based on inflation assumptions at the time the fees were set. Finally, an overhead adjustment of 6.4% was applied to the base updated fees to derive the final 2023 and 2024 fee schedule.

The tables presenting the final fee schedule for each development services area (Building, Planning, Engineering, Fire Prevention) can be found in the appendix.

2023-2024 Preliminary Budget

The Development Services Fund 2023-2024 Proposed Budget is composed of the core functionality of development services whilst maintaining functional support from the General Fund for indirect and overhead activity.

Resources Forward/Starting Fund Balance – This amount includes previously accumulated development reserves minus an interfund loan for the Houghton Village acquisition. Reserves are addressed in the policy section below.

Revenue – The revenue activity attributed to the DSF is derived from the applicable development services permits and other fees from Building, Planning, Public Works Engineering, and Fire Prevention. Based on historical permit activity, the development services managers predicted permit activity fee for the upcoming biennium and forecasted the revenue budget using the new fee schedules.

Expenditures – The expenditures for the DSF are the operating costs of Building, Planning and Public Works Engineering. The Fire Prevention expenditures will remain within the General Fund. Costs include a transfer to Fund 522 for an IT Analyst position which supports the operations of Planning & Building.

General Fund Transfer – The General Fund transfer is the net outflow to the Development Services Fund for planned interfund activity. This amount for 2023-24 includes the following:

- Transfer from the General Fund for non-development activity such as long-range planning, as well the portion of other activities such as code enforcement not covered by development revenues.
- Transfer to the General Fund from the DSF for Fire Prevention revenue, cost-of-service for central services such as Finance/HR and City Manager’s Office, as well as some direct costs such as the Development Services Budget Analyst position.

Development Services Reserve Policy

Carrying reserves for Development Services work is common practice among local Government. For Kirkland, reserves were a valuable tool in responding to the workload downturn related to the last recession and in managing the workload fluctuations associated with development. The reserve was drawn down during the Great Recession to allow a more gradual, planned reduction in resources and has been used to fund one-time resources to deal with surges in development activity to ensure that the City can maintain or enhance its level of service to customers. The reserves have grown in recent years given the strong level of development activity and the growth in resources related to development services.

With the implementation of the DSF, this provided an opportunity to alter the structure of the reserves allowing more flexibility for usage and simplified reporting. The proposed development services reserve is comprised of three components:

- The **Staffing Stability** component recognizes that permit revenues can fluctuate significantly during declines in development activity, but there is a need to provide services on demand, necessitating retention of skills/staff until cost containment measures can be assessed. The objective is to maintain a minimum of one year of full staffing. 80% of this target goal will be achieved this biennium and will gradually build to 100% over the next budget cycles.
- The **Liability Carryforward** component accounts for fees which are collected in one year, but work will not occur until subsequent year(s). This amount is calculated and separated into an amount for each division (i.e., Public Works, Planning, Building, and Fire Prevention).
- The **Technology** component is to fund development-related technology replacements and upgrades. Uses of these funds have included continued refinements to Energov (the City’s permitting system), providing GIS access related to development questions to the public, technology upgrades at the development service counter, digitization of building records, and future permitting software upgrades. This also includes the Space Innovation component to fund space needs to accommodate growing development services staffing needs and enhance staff’s ability to provide excellent development services to the community while keeping staff and customers safe during the pandemic.

Development Services Fund Financial Forecast	2023 - 2024
	Budget
Beginning Fund Balance	
Resources Forward	16,386,180
Total Beginning Fund Balance	\$ 16,386,180
Revenues	
Building Permits	7,612,577
Other Permits	7,927,699
Engineering Development Revenue	3,448,529
Plan Check Fees	4,148,969
MBP Surcharge	1,058,750
Interest	417,500
General Fund Transfer	5,792,278
Other Revenues	6,531,473
Total Revenue	\$ 36,937,775
Expenditures	
Salaries	(18,724,201)
Benefits	(7,285,551)
Personnel (Salaries and Benefits)	\$ (26,009,752)
Supplies	(106,334)
Services	(9,683,962)
Capital	-
Supplies and Services	\$ (9,790,296)
Intergovernmental	(1,392,767)
Transfers to Other Funds	(47,000)
Total Expenditures	\$ (37,239,815)
Ending Fund Balance	\$ 16,084,140
Reserves	
Staffing Stability	2,651,047
Liability Reserve	4,500,000
Technology Reserve	5,534,767
COLA Reserve	2,116,861
Subtotal	14,802,675
Unreserved Fund Balance	
599014 - Working Capital	\$ 1,281,465
Total Reserves + Working Capital	\$ 16,084,140

Service Package Request

During the 2023-24 budget development process, the DSF operating departments submitted several service packages to the City Manager for review. The table below reflects the approved requests. 23PB06-07 & 23PW01 will be funded with General Fund revenue, as they are related to General Fund functions, and the remaining packages will be funded with development revenue.

Development Services Fund		FTE	Temp	Ongoing	One-time	Total
Planning & Building						
Renewals of One Time						
23PB01	Convert Vacant Journey Plans Examiners	-		38,969		38,969
23PB02	Convert Permit Tech to Senior Permit Tech	-		7,553		7,553
New						
23PB04	3rd Party Specialty Structural & Plan Review Services	-			100,000	100,000
23PB05	ArcGIS Urban Implementation (10 Licenses)			15,000	50,000	65,000
23PB06	ARCH Contributions (23-24)				830,000	830,000
23PB07	Overtime for Inspectors & Plans Examiners				175,262	175,262
23PB09	Planning Intern		1.00		32,318	32,318
23PB10	3rd Party Specialty Environmental/Land Use Review Services				20,000	20,000
23PB12	Online tool to Estimate Development Services Permit Fees				5,000	5,000
23PB14	Planning Supervisor	1.00		332,282	5,076	337,358
Subtotal Planning & Building		1.00	1.00	393,804	1,217,656	1,611,460
Public Works Engineering						
Renewal of One time						
New						
23PW01	Telecommunications Franchise and Right-of-Way Analyst	0.34		94,438	340	94,778
23DS01	Development Engineer	1.00		329,281	5,776	335,057
23DS02	Inspection Supervisor	1.00		331,144	56,032	387,176
23DS03	Sr. Construction Inspector (2 FTE)	2.00		645,166	-	645,166
23DS04	Temporary Construction Inspector (Training Opportunity)		1.00	-	297,467	297,467
Subtotal Public Works Engineering		4.34	1.00	1,400,029	359,615	1,759,644
Subtotal Development Services Fund		5.34	2.00	1,793,833	1,577,271	3,371,104

Managing Development Services Going Forward

Staff will be closely monitoring the performance of the DSF to proactively identify trends in preparation of any corrective action. Due to the lingering effects of the Russian-Ukraine crisis, COVID-19 pandemic, historic inflation levels, and the emergence of deglobalized markets, the impact on construction is difficult to predict. If revenues continue to perform above expectation, Finance will recommend expanding staffing levels and increasing staffing reserves. If revenues underperform, staff will assess the usage of reserves and the related fiscal policies. There will be a review during the Mid-Bi ahead of the 2025-2026 budget, before a full review during 2025.

Summary

Development Services fees have been increased to reach full cost recovery, in the majority of fees, effectively reducing the General Fund burden and eliminating the Utilities subsidy. The implementation of the Development Services Fund will support the City of Kirkland administration with decision making to benefit the long-term fiscal health of the City. Staff will continue to monitor how external market forces impact the demand for development.

Appendix

Building Fee Schedule

Building Fee	Kirkland 2022 Fees		FINAL 2023 Kirkland Fee Schedule		FINAL 2024 Kirkland Fee Schedule	
Building Permit Fees						
Plan Review Fee (% of building permit fee)	65%		65%		65%	
Building Permit Fees (based on valuation)	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>
\$0.00 to \$2,001.00	-	-	-	-	-	-
\$2,001.00 to \$25,000.00	89.73	18.16	101.00	21.00	105.00	21.00
\$25,001.00 to \$50,000.00	507.41	13.07	574.00	15.00	594.00	15.00
\$50,001.00 to \$100,000.00	834.16	9.07	943.00	10.00	976.00	11.00
\$100,001.00 to \$1,000,000.00	1,287.66	7.26	1,456.00	8.00	1,507.00	8.00
\$1,000,001.00 to \$5,000,000.00	7,821.66	5.00	8,847.00	6.00	9,156.00	6.00
\$5,000,001.00 to \$50,000,000.00	27,821.66	4.50	31,467.00	5.00	32,569.00	5.00
\$50,000,000.01 and up	230,321.66	4.00	260,501.00	5.00	269,619.00	5.00
Demolition Permit Fees						
Plan Review Fee (% of building permit fee)	65%		65%		65%	
Demolition Permit Fees (based on valuation)	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>
\$0.00 to \$2,001.00	-	-	-	-	-	-
\$2,001.00 to \$25,000.00	89.73	18.16	101.00	21.00	105.00	21.00
\$25,001.00 to \$50,000.00	507.41	13.07	574.00	15.00	594.00	15.00
\$50,001.00 to \$100,000.00	834.16	9.07	943.00	10.00	976.00	11.00
\$100,001.00 to \$1,000,000.00	1,287.66	7.26	1,456.00	8.00	1,507.00	8.00
\$1,000,001.00 to \$5,000,000.00	7,821.66	5.00	8,847.00	6.00	9,156.00	6.00
\$5,000,001.00 to \$50,000,000.00	27,821.66	4.50	31,467.00	5.00	32,569.00	5.00
\$50,000,000.01 and up	230,321.66	4.00	260,501.00	5.00	269,619.00	5.00
Sign Permit Fees						
Marquee or building-mounted sign (per sign)	178.00		242.00		250.00	
Freestanding or pole-mounted sign (per sign)	238.00		323.00		334.00	
Land Surface Modification						
LSM						
Grading Plan Review Fee (based on volume)	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>
1,000 cubic yards or less	96.50		109.00	-	113.00	-
1,000 to 10,000 cubic yards	193.00		218.00	-	226.00	-
10,001 to 100,000 cubic yards	193.00	29.93	218.00	34.00	226.00	35.00
100,001 to 200,000 cubic yards	462.37	16.20	523.00	18.00	541.00	19.00
200,001 or more	624.37	8.85	706.00	10.00	731.00	10.00
Grading Inspection Fees (based on volume)	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>	<i>Base</i>	<i>Additional</i>
50 cubic yards or less	48.25	-	55.00	-	56.00	-
51 to 100 cubic yards	96.50	-	109.00	-	113.00	-
101 to 1,000 cubic yards	96.50	21.38	109.00	24.00	113.00	25.00
1,001 to 10,000 cubic yards	288.92	17.71	327.00	20.00	338.00	21.00
10,001 to 100,000 cubic yards	448.31	80.62	507.00	91.00	525.00	94.00
100,001 cubic yards or more	1,173.89	44.61	1,328.00	50.00	1,374.00	52.00
Plumbing Permit Fees						
For One & Two-Family Dwellings						
New Construction (% building permit fee)	8%		8%		8%	
For remodels/additions						
Each new or moved plumbing fixture	24.00		27.00		28.00	
For re-piping domestic waterlines (existing structure) per dwelling unit	24.00		27.00		28.00	
<i>Minimum Plumbing Permit Fee</i>	49.00		55.00		57.00	
<i>Maximum Plumbing Permit Fee</i>	294.00		333.00		344.00	
For Multi-Family, Mixed-Use, & Non-Residential (based on valuation)						
Plan Review Fee (% of plumbing permit fee)	65%		65%		65%	
\$1.00 to \$1,000	48.87	-	55.00	-	57.00	-
\$1,001 to \$100,000	48.87	8.21	55.00	9.00	57.00	10.00
\$100,001 and up	861.61	7.26	975.00	8.00	1,009.00	8.00

Building Fee	Kirkland 2022 Fees		FINAL 2023 Kirkland Fee Schedule		FINAL 2024 Kirkland Fee Schedule	
Mechanical Permit Fees						
For One & Two-Family Dwellings						
New Construction (% building permit fee)	8%		8%		8%	
In-Kind Replacements						
Each gas water heater or furnace with regular inspections	80.00		109.00		112.00	
Each gas water heater or furnace with virtual inspections	32.00		43.00		45.00	
For remodels/additions						
Each new or moved appliance	49.00		67.00	-	69.00	-
Maximum Fee	249.00		338.00	-	350.00	-
New duct system	49.00		67.00	-	69.00	-
Gas pipping only	49.00		67.00	-	69.00	-
Thermostat wiring	24.50		33.00	-	34.00	-
For Multi-Family, Mixed-Use, & Non-Residential (based on valuation)						
	Base	Additional	Base	Additional	Base	Additional
Plan Review Fee (% of mechanical permit fee)	25%					
\$1.00 to \$1,000	58.38	-	79.00	-	82.00	-
\$1,001 to \$100,000	58.38	20.52	79.00	28.00	82.00	29.00
\$100,001 and up	2,087.88	18.16	2,834.00	25.00	2,933.00	26.00
Electrical Permit Fee						
For One & Two-Family Dwellings						
New Construction (% building permit fee)	9.5%		9.5%		9.5%	
Plan Review (% electrical permit fee)	20%		33%		33%	
Electrical Permit Fee (based on valuation)						
	Base	Additional	Base	Additional	Base	Additional
up to \$250.00	54.98	-	75.00	-	77.00	-
\$251.00 to \$2000.00	54.98	9.14	75.00	12.00	77.00	13.00
\$2,001.00.00 to \$25,000.00	219.50	20.17	298.00	27.00	308.00	28.00
\$25,001.00 to \$50,000.00	683.41	18.20	928.00	25.00	960.00	26.00
\$50,001.00 to \$100,000.00	1,138.41	12.33	1,545.00	17.00	1,599.00	17.00
\$100,001.00 to \$500,000.00	1,754.91	10.63	2,382.00	14.00	2,465.00	15.00
For Limited/Low Voltage Electrical for Security, T-Stat, Telephone, and Computer Wiring (based on valuation)						
	Base	Additional	Base	Additional	Base	Additional
up to \$2,000	54.98	-	75.00	-	77.00	-
\$2,001 to \$25,000	219.50	20.17	298.00	27.00	308.00	28.00
\$25,001 to \$50,000	683.41	18.20	928.00	25.00	960.00	26.00
\$50,001 to \$100,000	1,138.41	12.33	1,545.00	17.00	1,599.00	17.00
\$100,001 and up	1,754.91	10.63	2,382.00	14.00	2,465.00	15.00
Temporary Power for Construction Sites:						
1 to 200 amp	80.00		109.00		112.00	
201 to 400 amp	133.00		181.00		187.00	
Maximum Fee	249.00		338.00		350.00	
401 or more:						
up to \$250.00	54.98	-	75.00	-	77.00	-
\$251.00 to \$2000.00	54.98	9.14	75.00	12.00	77.00	13.00
\$2,001.00.00 to \$25,000.00	219.50	20.17	298.00	27.00	308.00	28.00
\$25,001.00 to \$50,000.00	683.41	18.20	928.00	25.00	960.00	26.00
\$50,001.00 to \$100,000.00	1,138.41	12.33	1,545.00	17.00	1,599.00	17.00
\$100,001.00 to \$500,000.00	1,754.91	10.63	2,382.00	14.00	2,465.00	15.00
Temporary Power for Carnivals:						
For one concession	98.00		133.00		138.00	
For each additional concession	24.56		33.00		35.00	
Maximum Fee	294.00		399.00		413.00	
Swimming Pools, Hot Tubs, Spas, and Saunas						
	98.00		133.00		138.00	
Portable Classrooms and Mobile Home Service						
	98.00		133.00		138.00	
Sign Installations (per circuit)						
	80.00		109.00		112.00	
Roof Mounted Solar Photovoltaic Systems						
	356.00		483.00		500.00	
Miscellaneous Inspection & Other Fees						
Based on hourly rate	134.00		152.00		157.00	
Inspections or plan review outside of normal business hours (minimum 1 ½ hour)	1.5 x hour rate		1.5 x hour rate		1.5 x hour rate	
Plan review resulting from changes, additions, or revisions to plans (minimum ½ hour)	hourly rate		hourly rate		hourly rate	
Additional plan review required when requested correction items are not made (minimum ½ hour)	hourly rate		hourly rate		hourly rate	
Re-inspection fee (minimum 1 hour):	hourly rate		hourly rate		hourly rate	
Inspections for which no fee is specifically indicated	hourly rate		hourly rate		hourly rate	
Use of outside consultants for plan review and/or inspections	cost/admin/OH		cost/admin/OH		cost/admin/OH	
Investigational fee for Stop Work placed on work being done without a permit	223.00		252.00		261.00	

Planning Fee Schedule

Planning Fee	Kirkland 2022 Fees	FINAL 2023 Kirkland Fee Schedule	FINAL 2024 Kirkland Fee Schedule
Process IIA Review			
Other IIA Base Fee	10,657.00	16,272.00	22,736.00
Fee per new residential unit	605.00	924.00	1,291.00
Fee per sq. ft. new non-residential GFA	0.60	0.92	1.00
Preliminary Subdivision Fixed Fee	28,018.00	31,689.00	32,798.00
Final Subdivision Fixed Fee	5,060.00	8,012.00	11,610.00
Subdivision Alteration	28,018.00	31,689.00	32,798.00
Process IIB Review			
Subdivision Vacation	28,018.00	31,689.00	32,798.00
Process I Review			
Other Process I Base Fee	5,108.00	7,453.00	9,951.00
Fee per new residential unit	594.00	867.00	1,157.00
Fee per sq. ft. new non-residential GFA	0.36	0.53	0.70
Short Subdivision Fixed Fee (Short Plat)	7,030.00	10,655.00	14,777.00
Substantial Development Permit - Piers and Docks Associated with Multifamily Developments and Marinas and Moorage	12,752.00	20,625.00	30,526.00
Substantial Development Permit - Other Shoreline Improvements	5,519.00	8,926.00	13,211.00
Short Subdivision Recording Review	1,281.00	1,826.00	2,381.00
State Environmental Policy Act (SEPA)			
Review of Environmental Checklist Base Fee	1,102.00	1,633.00	2,214.00
Applications involving sensitive areas (streams and/or	675.00	1,000.00	1,356.00
Estimated Number of PM Peak Trips Less than 20 trips	1,102.00	1,633.00	2,214.00
21-50 trips	2,205.00	3,267.00	4,430.00
51-200 trips	4,410.00	6,534.00	8,859.00
Greater than 200 trips	8,823.00	13,073.00	17,725.00
Design Board Review			
Design Board Concept Review	1,948.00	3,701.00	6,436.00
Planning Official Decisions			
Administrative Design Review			
Base Fee	2,530.00	4,063.00	4,206.00
Design Review Approval Extension	506.00	658.00	681.00
Design Review Approval Modification	1,281.00	1,666.00	1,724.00
Master Sign Plan Approval Modification	1,010.00	1,668.00	1,726.00
Multiple Private or ROW Tree Removal Permit	243.00	596.00	1,339.00
Parking Modification (additional Public Works fees may be required per KMC 5.74.040)	642.00	1,038.00	1,537.00
Personal Wireless Service Facility Planning Official Decision	10,203.00	13,963.00	17,487.00
Personal Wireless Service Facility Subsequent or Minor Modification	1,010.00	1,382.00	1,731.00
Rooftop Appurtenance Modification	1,010.00	1,679.00	2,555.00
Critical Area Determination	617.00	907.00	1,221.00
Shoreline Area - Alternative Options for Tree Replacement or Vegetation Compliance in Setback	243.00	624.00	1,466.00
Shoreline Substantial Development Exemption	243.00	624.00	1,466.00
Zoning Verification Letter	243.00	478.00	861.00
Sidewalk Café Permits Fixed Fee	800.00	977.00	1,011.00
Fee per sq. ft. of cafe area	0.89	1.00	1.00
Planning Director Decisions			
Binding Site Plan	2,547.00	4,148.00	6,183.00
Lot Line Alteration	1,281.00	1,826.00	2,381.00
Master Sign Plan	3,576.00	5,460.00	7,629.00
Process I Approval Modification	1,010.00	1,394.00	1,760.00
Process IIA, IIB or III Approval Modification	1,281.00	2,130.00	2,204.00
Short Plat or Subdivision Approval Modification	1,010.00	1,394.00	1,760.00
Integrated Development Plan Modification per KZC 95.30.6.b.3	1,281.00	2,130.00	2,204.00
Variance Exception	1,281.00	2,130.00	2,204.00
Preliminary Project Review/Presubmittal Conferences			
Pre-submittal Meeting, Integrated Development Plan, and/or Pre-design Conference No fee for second pre-submittal meeting if for Integrated Development Plan.	617.00	-	-
Tier 1	N/A	-	-
Tier 2	N/A	1,131.00	1,171.00
Tier 3	N/A	2,601.00	2,692.00
Miscellaneous			
Street Vacation Fixed Fee	10,203.00	13,502.00	16,350.00
Appeals and Challenges	253.00	601.00	622.00

Public Works Engineering

Engineering Activity	Kirkland 2022 Fees	FINAL 2023 Kirkland Fee Schedule	FINAL 2024 Kirkland Fee Schedule
Engineering Development			
Review & Inspection (% of valuation)	10.0%	11.50%	11.50%
Rev & Insp - Private Storm (% of valuation)	10.0%	11.50%	11.50%
*Improvement Evaluation Package (% of valuation)	10.0%	TBD	TBD
Surface Water Review			
Basic Review	458.00	518.00	536.00
Simplified Review	1,531.00	1,732.00	1,792.00
Targeted Review	1,931.00	2,184.00	2,260.00
Full Review	3,862.00	4,368.00	4,521.00
Roof/Driveway Drain Connection Inspection	778.00	880.00	911.00
Surface Water Adjustment Process			
First two hours	184.00	208.00	215.00
Two hours or more	142.00	161.00	166.00
Land Surface Modification			
Review & Inspection (% of valuation)	10.0%	11.5%	11.5%
Rev & Insp - Private Storm (% of valuation)	10.0%	11.5%	11.5%
Surface Water Review			
Basic Review	458.00	518.00	536.00
Simplified Review	1,531.00	1,732.00	1,792.00
Targeted Review	1,931.00	2,184.00	2,260.00
Full Review	3,862.00	4,368.00	4,521.00
Roof/Driveway Drain Connection Inspection	778.00	880.00	911.00
Surface Water Adjustment Process			
First two hours	184.00	208.00	215.00
Two hours or more	142.00	161.00	166.00
Side Sewer Permits			
Side Sewer Repair/Cap/Abd	71.00	152.00	158.00
Side Sewer New	520.00	662.00	685.00
Street & Curb Permits			
Basic ROW	130.00	169.00	175.00
Standard ROW	455.00	661.00	684.00
Street Cut Admin	39.00	77.00	80.00

Fire Prevention

Fire Plan Review		Kirkland 2022 Fees		FINAL 2023 Kirkland Fee Schedule		FINAL 2024 Kirkland Fee Schedule	
		Amount	Additional Unit	Amount	Additional Unit	Amount	Additional Unit
Valuation							
-	0.99	-	0.00	-	-	-	-
1.00	50,000.00	55.52	0.00	63.00	-	65.00	-
50,001.00	349,999.00	166.55	0.00	188.00	-	195.00	-
350,000.00	1,499,999.00	832.75	0.00	942.00	-	975.00	-
1,500,000.00	20,000,000.00	4,193.41	0.00	4,743.00	-	4,909.00	-
20,000,001.00	-	4,193.41	5.32	4,743.00	6.00	4,909.00	6.00

Other Fire System Features Schedule	Kirkland 2022 Fees		FINAL 2023 Kirkland Fee Schedule		FINAL 2024 Kirkland Fee Schedule	
	Fees Due at Application	Fees Due at Issuance	Fees Due at Application	Fees Due at Issuance	Fees Due at Application	Fees Due at Issuance
System Type						
Underground Supply	621.00	334.00	1,349.00	725.00	1,396.00	751.00
Underground Supply (Alteration)	156.68	391.70	177.00	443.00	183.00	459.00
Building Radio Coverage	440.00	665.00	751.00	1,136.00	778.00	1,175.00
Building Radio Coverage (Alteration)	313.36	313.36	354.00	354.00	367.00	367.00
Fixed Fire Suppression (hoods)	260.00	334.00	371.00	476.00	383.00	493.00
Fixed Fire Suppression (Alteration)	156.68	156.68	177.00	177.00	183.00	183.00
Smoke Control System	833.00	833.00	1,696.00	1,696.00	1,755.00	1,755.00
Smoke Control System (Alteration)	548.38	470.04	620.00	532.00	642.00	550.00

Fire Alarm Schedule				Kirkland 2022 Fees				FINAL 2023 Kirkland Fee Schedule				FINAL 2024 Kirkland Fee Schedule			
				Fees Due at Application		Fees Due at Issuance		Fees Due at Application		Fees Due at Issuance		Fees Due at Application		Fees Due at Issuance	
System Type	New or Alteration	Min Devices	Max Devices	Base Review	Per Device Review	Base Insp.	Per Device Insp.	Base Review	Per Device Review	Base Insp.	Per Head Insp.	Base Review	Per Device Review	Base Insp.	Per Head Insp.
Transmitter	N/A			35.43	0.00	318.87	0.00	61.00	-	361.00	-	63.00	-	373.00	-
FACP	N/A			212.57	0.00	194.86	0.00	421.00	-	386.00	-	435.00	-	399.00	-
Alarm	New and Alteration	1	3	212.57	0.00	194.86	0.00	313.00	-	287.00	-	323.00	-	297.00	-
Alarm	New and Alteration	4	25	256.87	0.00	261.30	0.00	439.00	-	446.00	-	454.00	-	462.00	-
Alarm	New and Alteration	26	100	323.29	0.00	394.13	0.00	640.00	-	780.00	-	662.00	-	807.00	-
Alarm	New and Alteration	101	500	389.73	1.32	549.17	1.76	771.00	2.61	1,087.00	3.48	798.00	2.70	1,125.00	3.61
Alarm	New and Alteration	500		916.98	1.20	1,255.00	1.61	1,815.00	2.38	2,484.00	3.19	1,879.00	2.46	2,571.00	3.30

Sprinkler Fee Schedule				Kirkland 2022 Fees				FINAL 2023 Kirkland Fee Schedule				FINAL 2024 Kirkland Fee Schedule			
				Fees Due at Application		Fees Due at Issuance		Fees Due at Application		Fees Due at Issuance		Fees Due at Application		Fees Due at Issuance	
System Type	New or Alteration	Min Heads	Max Heads	Base Review	Per Head Review	Base Insp.	Per Head Insp.	Base Review	Per Head Review	Base Insp.	Per Head Insp.	Base Review	Per Head Review	Base Insp.	Per Head Insp.
Standpipe	N/A			203.72	0.00	372.02	0.00	348.00	-	635.00	-	360.00	-	658.00	-
Pump	N/A			381.00	0.00	736.32	0.00	651.00	-	1,258.00	-	673.00	-	1,302.00	-
13D	New	1	25	203.72	0.00	460.58	0.00	253.00	-	625.00	-	262.00	-	647.00	-
13D	New	26		292.30	0.00	549.17	0.00	331.00	-	708.00	-	342.00	-	733.00	-
13D	Alteration			115.14	0.00	370.02	0.00	197.00	-	419.00	-	204.00	-	433.00	-
13/13R	New and Alteration	1	25	203.72	0.00	-	0.00	267.00	-	-	-	277.00	-	-	-
13/13R	New and Alteration	26	50	292.30	0.00	370.02	0.00	499.00	-	632.00	-	517.00	-	654.00	-
13/13R	New and Alteration	51	100	380.87	3.54	460.58	5.30	650.00	6.05	787.00	9.05	673.00	6.26	814.00	9.37
13/13R	New and Alteration	101	1,000	557.86	0.88	726.32	1.38	1,073.00	1.69	1,397.00	2.65	1,110.00	1.75	1,445.00	2.75
13/13R	New and Alteration	1001	1,000,000	1,351.92	0.81	1,969.51	1.33	2,599.00	1.56	3,787.00	2.56	2,690.00	1.61	3,919.00	2.65



MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
Sri Krishnan, Deputy Director of Finance & Administration
Maggie Eid, Accounting Manager
George Dugdale, Financial Planning Manager

Date: October 19, 2022

Subject: SEPARATE WATER AND SEWER UTILITY FUNDS

This issue paper discusses the option of creating separate funds for the Water and Sewer utilities. The City currently treats Water and Sewer as a single utility and has three funds to account for Water and Sewer revenues, expenditures, and reserves:

Water/Sewer Operating Fund
Water/Sewer Debt Service Fund
Water/Sewer Utility Capital Projects Fund

Separating the funds would require the creation of six new funds as noted below. The existing funds would be kept for historical purposes but closed to prevent further use:

Sewer Operating Fund	Water Operating Fund
Sewer Debt Service Fund	Water Debt Service Fund
Sewer Utility Capital Projects Fund	Water Utility Capital Projects Fund

While developing the City's 2023-2024 budget, the benefits of creating separate funds for Water and Sewer utilities was raised as a way of increasing transparency and easing the tracking and reporting of activities associated with each utility.

This memo presents the current structure along with the benefits, concerns, process, and timeline for establishing separate funds for Water and Sewer utilities.

BACKGROUND & DISCUSSION:

The City's 2021-2022 Budget has 24 separate funds. The Preliminary 2023-2024 Budget will include 25 separate funds with the addition of the Development Services Fund. Of the 25 funds in the Preliminary 2023-2024 Budget, three of them are used to account for the Water/Sewer Utility:

- **Water/Sewer Operating Fund (Fund 411)** – Accounts for revenues from the City’s water and sewer customers; and expenditures related to: purchase of water from the Cascade Water Alliance, sewage treatment from METRO/King County, and all maintenance and administrative costs.
- **Water/Sewer Debt Service Fund (Fund 412)** – Accounts for principal and interest payments on water and sewer utility debt. Currently there are 2 Public Works Trust Fund Loans.
- **Water/Sewer Utility Capital Projects Fund (Fund 413)** – Accounts for water and sewer capital projects revenues and expenditures. Included in the fund are the Water/Sewer Capital Improvement Program (CIP) Contingency and Water/Sewer Construction Reserve.

During the development of the Preliminary 2023-2024 Budget, the topic of creating separate funds for each utility, Water and Sewer was raised. As the City explores establishing separate funds for Water and Sewer, it is important to note that while creating separate funds for Water and Sewer would make it easier to monitor the financial health of each utility, the current structure is in compliance with all accounting and reporting requirements. The following section discusses the current structure of the Water/Sewer funds.

Current Structure

While the City operates Water and Sewer as two separate utilities in many ways, the two utilities also share assets and resources. For example, the City conducts separate rate studies and charges rates based on each utility’s total cost of service. Most revenues and expenditures can be directly tracked to Water or Sewer, however, certain revenues and expenditures are not allocated to each utility because they are accounted for in the same fund. The following is a summary of the current structure of the three Water/Sewer-related funds:

1. Water/Sewer Operating Fund

- **Revenues** – While most are split into separate Water and Sewer categories, those which are not include investment interest, miscellaneous utility revenue, general government services, final bill fee, gain/loss on insurance recoveries, other miscellaneous revenue, other judgements, sales of surplus, unrealized gains and interfund general revenue. For these accounts, in separating the funds, individual transactions would need to be reviewed to categorize as water or sewer.
- **Expenses** – Most expenses are split into separate Water and Sewer categories. The items which are not currently split include utility administration, maintenance supervision, customer service, and reimbursable work.
- **Liabilities** – These are not currently split between Water and Sewer.
- **Assets** – These are not currently split between Water and Sewer with the exception of capital assets which are split between Water and Sewer.

2. Water/Sewer Debt Service Fund

Each year the amount required to pay principal and interest on outstanding utility debt is budgeted and placed in the Water/Sewer Debt Service Fund. The transfers are made from the Water/Sewer Operating Fund. The funds are not split into separate Water and Sewer categories.

3. Water/Sewer Utility Capital Projects Fund

The Water/Sewer Capital Improvement Program (CIP) Contingency and Water/Sewer Construction Reserve included in this Fund are not split between Water and Sewer.

Benefits, Concerns, Process, and Timeline

As noted earlier, creating separate funds for Water and Sewer would offer greater transparency, make it easier to track the financial performance of each utility, more closely tie the data used for rate modeling to data in the City's financial system, and avoid mixing rate revenues intended for each utility.

However, depending on the fund balance that is ultimately allocated to each utility and the projects that each utility plans to undertake in the future, we would need to more closely track future anticipated reserves and cash flows to ensure stability in the separated funds.

The topic of separating the Water/Sewer Fund arose as staff were working on the Preliminary 2023-2024 Budget. With the budget production staff have not had time to explore in detail the time and effort needed to accomplish this task. Based on the effort to create the Development Services Fund, staff estimate that it might take six months or more to analyze the issues and develop an implementation plan. As of this writing, staff anticipates undertaking this effort in the third quarter of 2023 after the 2022 audit process is completed. The goal would be to implement this change as part of the development of the 2025-2026 Budget.

Creating Separate Utility Funds

Since the City has operated with a combined Water and Sewer Fund for many years the creation of separate funds will require among other things a detailed analysis of revenues, expenses, transfers to and from reserves over the last 10 years or more, to determine the fund balances for each new fund. In addition to the detailed analysis, staff anticipates that the following actions will be required to implement this change:

1. Evaluation of current revenue and expense codes and determination of general ledger structure required for new funds.
2. Set up new fund structures including creating general ledger organization structure and then mapping all organization codes to object codes individually.
3. Adding the new general ledger fund structures to all payroll deduction codes individually (no mass options available).
4. Creation and set-up of new cashier charge codes in Munis for the new funds.
5. Review of all revenue codes in Energov in terms of the structure to which they currently post and where they should be posting in the future and update as appropriate.
6. Creation of journals to move ending assets and liabilities to the new funds.
7. Review and update all paperwork and forms (such as cashier forms, journal forms) with the new structure.

8. Updating financial statement spreadsheets/templates for year-end reporting with the new funds.
9. Update position control for all the affected positions.
10. Transfer all employees to new general ledger organization structure using Personnel Action Forms (PAFs).
11. Review affected contracts and purchase orders. Create change orders on all contracts and purchase orders to move encumbrances to new fund structure.
12. Update Springbrook, the City's utility billing software to map to the new Funds.
13. Update all labor distribution spreadsheets to reflect the new fund structure.
14. Update Lucity, the City's maintenance management software to map to the new Funds.
15. Update Payroll module in Munis to accurately capture and report employee cost allocations.
16. Update the project ledger to map the existing capital projects to the new general ledger structures.

As noted earlier, based on the effort to create the Development Services Fund, staff estimate that it might take six months or more to analyze the issues and develop an implementation plan. If the City decides to separate the funds after the analysis of balances, the goal would be to implement this change in the 2025-2026 Budget.

NEXT STEPS:

Staff will update Council on this item as part of the mid-bi process in 2023, providing the results of the analysis and a detailed timeline for the process.