



MEMORANDUM

To: Kurt Triplett, City Manager
From: Tracey Dunlap, Director of Finance & Administration
Date: September 18, 2014
Subject: FINANCIAL RETREAT FOLLOW UP

BACKGROUND

At the May 30, 2014 City Council Financial Retreat, a number of follow up items were identified, many of which were referred to City Council committees. The matrix that follows summarizes the topics and the current status and recommendations.

Item	Action/Status	Assigned To:
Business Licensing – The Finance & Administration Committee (with Councilmember Nixon invited and the meeting noticed) will evaluate and report out on (F&A): <ul style="list-style-type: none">• Potential exemption for individuals renting homes until they are sold• Exempting business owners from the per FTE charge• Putting a portion of the business license revenue into the Street fund (offsetting impacts to General Fund by moving some property tax back); also consider CIP funded by sales tax• The portion of the business license that goes toward economic development• Approaches to messaging the purpose and benefit of business license fees	See Attachment A, presented to the Finance & Administration Committee on September 4. The committee supports placing a portion of the business license revenues in the Street fund, suggesting a swap with the sales tax currently budgeted in the fund. No other changes were recommended.	F&A
Dues and memberships we pay to outside organizations – Staff will provide Council with an updated list similar to that from last budget process	See Attachment B. Funding levels will be discussed as part of the preliminary budget.	F&A/CMO
Continue to highlight the City's strong financial management/AAA credit rating	On-going.	F&A/CMO
Transit funding options for routes within Kirkland – The Public Works, Parks & Human Services Committee will scope out the short- and long-term issues to be addressed and related resource needs	This issue will be addressed in the Transportation Master Plan. The department is also meeting with Metro regarding cuts impacting Kirkland.	PW

Item	Action/Status	Assigned To:
Evaluate the potential of selling the Maintenance Center properties for residential development on the CKC and relocate the Maintenance Center – Staff will do a threshold analysis of whether there are suitable properties for the relocation and will estimate the value of the property and potential costs to relocate and report back to the Finance & Administration Committee	A commercial real estate broker is researching available properties and the value of the Maintenance Center properties. A report will be brought back to the F&A committee when this work is completed.	F&A - Facilities
Evaluate District Court versus Municipal Court – Staff will provide the Finance & Administration Committee with the analysis that was done last year on this topic	Information was presented to the F&A Committee at the June 24 meeting. No further action was recommended.	F&A
The issue of the Annexation Sales Tax Credit going away in 2022 and the importance of economic development in solving that issue needs to be communicated as part of K2035 discussion. One context would be to try to size buying your way out of density (pay more taxes to make sure there is less density) – Planning, Housing and Economic Development Committee will discuss further	The City Manager will place this discussion on an upcoming PED Committee agenda.	CMO - Kurt
Health benefits – Staff will continue to have the hard discussion on benefits sustainability and will look at total compensation (including employer paid benefits) as part of upcoming negotiations	Negotiations of changes to the Healthcare program are in progress.	HR
Regional transportation cuts impact on LWSD and LWIT – Staff will continue discussions with these agencies	Meeting with Metro regarding impacts of route changes. Also reached out to Sound Transit regarding extending one of their routes to LWIT during evening routes, but there isn't sufficient ridership to warrant the evening routes.	PW
Impact of new zoning regulations on the feasibility of solar panel conversions and potential impact on carbon footprint - Green Team will work to scope such an evaluation	The topic is on the upcoming Green Team meeting agenda in October.	Jim L./Green Team
Location of the Food Bank as it relates to Transit – is there a better location? The Public Works, Parks & Human Services Committee will discuss	Discussed at the July 2 PW/Parks/Human Services Committee meeting (see Attachment C minutes) and staff will monitor Metro's plans to reduce services.	PW
Need a process for sorting out/staging the communities wants and needs (a longer range effort by the Council) – The City Manager will lay out a process as part of the 2015-2016 budget	Discussion of this process will be included as part of the budget message in the Preliminary 2015-2016 budget.	CMO - Kurt
Carbon footprint reduction plan/progress – Staff will be reporting out in the next few months	The draft Climate Plan update is under review and is expected to be published before year end.	HR/PW



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance and Administration
Michael Olson, Deputy Director, Finance and Administration

Date: September 3, 2014

Subject: Business License follow up items from the May 30 2014 Council Retreat

This memo will provide information regarding inquiries on potential changes to the Business License Program for the following items:

1. Potential exemptions for individuals renting homes until they are sold
2. Exempting business owners from the per FTE charge
3. Business License revenue that supports economic development
4. Putting a portion of the business license revenue into the Street Fund
5. Messaging the purpose and benefit of the business license fees
6. 501(c)(3) documentation requirement for a nonprofit to be exempt from the business license fees

1. Should the business license program provide for exemptions to individuals renting homes until they are sold?

The Kirkland Municipal Code (KMC) exempts the sale of one's own residence from the business license requirements. KMC 7.02.060(d)(7). Current practice is to exempt the renting of one's personal residence from the business license regulation. Renting more than one property or renting out a property that is not the personal residence would be subject to business license requirements.

Exempting the rental of one's own residence would have little impact on current business license revenues. Currently there are 17 home occupancy business licenses for the purpose of real estate, rental and leasing, 12 of those are apartment, commercial or office rentals. Staff is researching whether any of the remaining licenses are rentals of a single property.

2. What would be the fiscal impact of exempting business owners from the per FTE charge?

¹These home occupations are in addition to 80 commercial real estate, rental and leasing businesses.

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The impact to exempting business owners is estimated to be just over \$380,000 detailed in the table below:

Estimated Impact if Owners are made Exempt from Surcharge	Total # Businesses	Estimated Businesses Impacted	Estimated Revenue Loss
Home Occupation Businesses (HOB) >\$12K (100%)	945	945	94,500
Business Licenses >\$12K 1 FTE excluding HOB (100%)	1,857	1,857	185,700
Business Licenses >\$12K 2-10 FTE excluding HOB (75%)	1,230	923	92,300
Business Licenses 11-50 FTE (25%)	299	75	7,500
Business Licenses 51+ FTE (5%)	64	3	300
Total Owner Surcharge Revenue	4,395	3,803	\$ 380,300

3. What business license revenue is used to support economic development?

The Economic Development Program is funded entirely from business license revenue. The Economic Development Program was budgeted at \$306,000 for 2014. The Commute Trip Reduction Program is also funded from business license revenue and was budgeted at \$20,000 in 2014.

Revenue Generating Regulatory License Revenue	\$2,480,000
Economic Development Program	(306,000)
Commute Trip Reduction Program	(20,000)
Remaining revenue used for general purposes	\$2,154,000

4. Can a portion of the business license revenue be placed into the Street Fund with no net impact to the General Fund?

The Revenue Generating Regulatory License (RGRL) generated approximately \$2.5 million of revenue in 2013. Some of that revenue is committed to the Economic Development program and Commute Trip Reduction program (\$326,000) as detailed in question 3. Portions or all of the remainder could be placed into the Street Fund. The Street Fund receives approximately \$2.7 million in property tax annually and sales tax funding \$270,000 of the CIP. Property tax and sales tax revenue currently placed in the Street Fund and CIP could be moved to the General Fund to offset this impact.

5. What is being done to message the purpose and benefit of the business license fees?

A one page information sheet was developed by the Council Finance Committee in 2011 which highlights the importance of the businesses and the business license revenue generated. The information sheet also answers the questions of why the City collects a business tax and which services are supported by the tax revenues. This information sheet is available on the City website and is distributed to all new businesses in Kirkland. The information sheet (updated to reflect current information) follows this memo as Attachment A.

²Note that the IRS implemented Form 1023-EZ in mid-2014 in an attempt to streamline the 501(c)(3) process for non-profits with revenue of less than \$5,000.

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6. Should Nonprofits be required to provide 501(c)(3) documentation to be exempt from the business license fees?

KMC 7.02.120 exempts 4 categories from the Basic license fee:

- 501(C)(3)²
- government
- nonprofit religious
- civic, service and social organizations

KMC 7.02.120 is copied below following these paragraphs.

Kirkland has approximately 160 licensed exempt businesses. These include but are not limited to: civic, educational, religious, and social. There are an additional 1,000 nonprofits listed by the Secretary of State as being located in Kirkland which are currently under review to determine if a license is required. Nearly 50 percent of those are listed as located in Kirkland due to the registered agent living in Kirkland, where the registered agent may be the only one required to have a business license. Many of the remainder are religious, condominium, educational, and homeowners associations. If those organizations do not meet the 4 criteria to be exempt from fees, they are required to pay the \$50 registration (if annual receipts are less than \$12,000) or \$100 registration and RGRL (if annual receipts are more than \$12,000). Removing the requirement for 501(c)(3) documentation may eliminate potential business license revenue particularly from condo and homeowner's associations. A greater understanding of the impact can be determined after the review of the state list of nonprofits in Kirkland is completed, which is targeted for the end of September.

KMC 7.02.120(c)

(c) Exemptions. The following entities may claim an exemption from the basic license fee or registration fee, but if exempt under this subsection such entities shall still register under this chapter:

(1) Certain Organizations Exempt from Federal Income Tax. An organization that files with the city a copy of its current IRS 501(c)(3) exemption certificate issued by the Internal Revenue Service.

(2) A governmental entity that engages solely in the exercise of governmental functions. Activities which are not exclusively governmental, such as some of the activities of a hospital or medical clinic, are not exempt under this chapter.

(3) A nonprofit business operated exclusively for a religious purpose, upon furnishing proof to the finance director of its nonprofit status. For the purposes of this chapter, the activities that are not part of the core religious functions are not exempt.

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(4) Civic groups, service clubs, and social organizations that are not engaged in any profession, trade, calling, or occupation, but are organized to provide civic, service, or social activities in the city. Examples of such organizations may include, but are not limited to: Soroptomists; Kiwanis; Lions; Rotary; American Legion; children's and adults' athletic organizations; and similar types of groups, clubs or organizations.


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MEMORANDUM

To: Kurt Triplett, City Manager
 Tracey Dunlap, Finance Director

From: Lorrie McKay, Government Relations Manager (Budget Coordinator)

Date: August 18, 2014

Subject: COUNCIL DUES & MEMBERSHIPS 2014 AND OUTLOOK FOR 2015

DISCUSSION:

In response to the City Council's request at the May 30, 2014 Council Retreat, the City Manager's Office has prepared a summary of the dues and memberships that the Council pays to outside organizations.

The organizations to which Council pays dues and membership fees are:

- Association of Washington Cities (AWC)
- Puget Sound Regional Council (PSRC) **PSRC dues includes Economic Development District (EDC) dues*
- Sound Cities Association (SCA)
- Eastside Transportation Partnership (ETP)
- Kirkland Chamber of Commerce (Chamber)
- In 2013 and 2014, Council also paid dues and membership fees to the National League of Cities (NLC)

The table below shows Council's 2014 budget for dues and memberships alongside actual expenses.

Organization	2014 Dues & Memberships Working Budget	2014 Dues & Memberships Actual Expenditures	Variance
AWC	\$55,120	\$55,549	-\$429
PSRC	\$40,356	\$34,729	\$5,627
SCA	\$42,700	\$39,186	\$3,514
ETP	\$500	\$200	\$300
Chamber	\$500	\$500	\$0
*NLC	\$0	\$0	
Sub-Total	\$139,176		
**Budget Adjustments	-\$8,421	\$0	
Totals	\$130,756	\$130,164	\$592

* 2013-14 dues and membership fees (\$13,394) for NLC were pre-paid in 2013 using savings from Council's 2012 dues and membership budget.

** Council's 2014 base dues and membership budget was reduced and adjusted over the biennium, resulting in a reduction of \$8,421 in this line item, establishing its base budget.

Projections for Council's 2015 and 2016 Dues and Memberships

The AWC, PSRC and SCA have each indicated an increase in dues for 2015, bringing about an increase of \$4,480 to Council's base budget for dues and memberships (\$8,960 for the biennium).

For the AWC, the increase is a result of both a rate increase coupled with a population increase in the City of Kirkland. For the SCA, which employs a cap on population at 70,000, the increase in dues is a result of a rate increase. Finally, for the PSRC, the increase is a result of a population increase in the City of Kirkland.

The table below shows Council's projected 2015 base budget for dues and memberships.

Organization	2015 Dues & Memberships Proposed Budget	2014 Dues & Memberships Base Budget	Variance
AWC	\$56,930	\$55,555	\$1,375
PSRC	\$35,305	\$35,000	\$305
SCA	\$42,000	\$39,200	\$2,800
ETP	\$500	\$500	\$0
Chamber	\$500	\$500	\$0
Sub-Total	\$135,235	\$130,755	\$4,480

National League of Cities (NLC)

The 2013 and 2014 dues for the NLC were included as OT (one-time) using 2012 savings from this line item, therefore they are not reflected in the base budget.

NLC's annual membership dues are \$6,700 and are not anticipated to increase in 2015. Should Council elect to continue its NLC membership in 2015-16, then an additional service package request of \$6,700/yr (\$13,400 for the biennium) would be completed.

The table below shows the addition of the NLC to Council's projected 2015 base budget for dues and memberships.

Organization	2015 Dues & Memberships Proposed Budget	2014 Dues & Memberships Base Budget	Variance
Sub-Total	\$135,235	\$130,755	\$4,480
NLC	\$6,700	\$0	\$6,700
Potential Revised Total	\$141,935	\$130,755	\$11,180

The overall projected increase proposed to Council's Dues and Membership is between \$4,500 and \$11,200, depending upon Council's decision with regard its NLC membership.

**PW/PARKS/HUMAN SERVICES COUNCIL COMMITTEE
MINUTES - JULY 2, 2014**

Attendance: Shelley Kloba, David Asher, Toby Nixon Kurt Triplett ,Marilynne Beard,Jenny Schroder, John MacGillivray, David Godfrey, Chuck Morrison, Linda Murphy, Leslie Miller

Agenda Item:	Action Items:
<p>1. Topic: Seattle Tilth Staff provided an overview of the scope of work Seattle Tilth will provide at McAuliffe Park</p> <p>Seattle Tilth provides opportunity to engage and involve community in a broad range of gardening, and nutrition, education programs as well as expanded opportunities to grow, harvest and access healthy, fresh produce.</p>	<p>1. Council Agenda for approval September</p> <p>2. Contract starts October 1, 2014</p>
<p>2. Topic: Plastic Bag Discussion Staff presented follow-up information on a comparative lifecycle analysis of the various types of shopping bags. The Committee did not reach a consensus on a policy recommendation but recommended that the full City Council receive a staff presentation on the policy options available to manage plastic bags at a future City Council Study Session.</p>	<p>1. Staff presentation at a City Council Study Session to be scheduled.</p>
<p>3. Topic: Flashing Yellow Signals Staff followed up on the May Committee discussion with more details on an approach to implementing Flashing Yellow Arrows (FYA). Westbound NE 85th Street at 114th Ave was suggested as a candidate location. Staff will work with the City of Bellevue to implement FYA at Lake Washington Boulevard and NE 38th Street. Staff reported that protected/permissive left turns will be installed on westbound NE 80th Street at 120th Ave NE in response to</p>	<p>1. Continue to look for opportunities to implement Flashing Yellow Arrows in accordance with the method presented.</p>

Agenda Item:	Action Items:
testimony from a Lake Washington High School student to the City Council.	
<p>4. Topic: Transit & Hopelink Staff contacted Debra Grant, Hopelink Client Services Manager to understand Hopelink's concerns about how Metro's overall cuts will disproportionately impact low income citizens and how the cuts will directly affect Hopelink's DART contract and access to Hopelink via transit.., She shared that the vast majority of Food Bank clients generally do not rely upon buses for food pick-up. Hopelink works with clients on alternative transportation, such as car pools, use of volunteers, etc, for those unable to access the food bank easily. They were more concerned about impacts to DART service.</p>	<ol style="list-style-type: none"> 1. Monitor Metro's plans to reduce services.
<p>5. Topic: Aquatic/Rec/Community Center Staff provided an overview of information that will be presented to Council on July 15th Study Session. Marketing and Branding of the project to increase public awareness and attendance at meetings was also presented.</p>	<ol style="list-style-type: none"> 1. Presentation July 15 Council Study Session 2. Park Board Host Open House July 16
<p>6. Topic: Old Jack 'n Box Property The property is appraised at \$1,800,600. Last Sale, 4/2011 for \$850K 1.83 acres</p>	<ol style="list-style-type: none"> 1. Continue to monitor status 2. Possible Interest in a Recreation Trail Easement
<p>7. Next Agenda: August 6, 2014</p>	<p>Water Comprehensive Plan Update Surface Water Master Plan Update Aquatics, Recreation and Community Center Project Update</p>