



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
Sri Krishnan, Deputy Director of Finance & Administration
Robby Perkins-High, Senior Financial Analyst
Andrea Peterman, Budget Analyst
Kevin Pelstring, Budget Analyst

Date: December 3, 2020

Subject: **2020 YEAR-END BUDGET ADJUSTMENTS**

RECOMMENDATION:

City Council approves the ordinance adjusting the 2019-2020 budget appropriation for selected funds.

BACKGROUND DISCUSSION:

This memo addresses recommendations concerning year-end budget adjustments needed to meet unanticipated needs and recognizing additional resources.

YEAR-END BUDGET ADJUSTMENTS

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

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

It is the City's practice to amend the adopted budget at mid-year and year-end. The year-end budget adjustments have been accumulated since the mid-year budget amending ordinance was adopted by the Council in June 2020. Unless there is an immediate need, budget adjustments that represent ongoing increases to current service levels are generally not included. Rather, they are submitted as service package requests during the biennial budget development and mid-biennial budget review processes.

Total appropriation adjustments amount to \$12,287,752, largely due to recognizing additional CARES Act funding, developer fees in-lieu revenue which was passed on to A Regional Coalition for Housing (ARCH), pass-through expenses from the EnviroStars program for which the City serves as fiscal agent, and adjustments to recognize additional revenues and capital project transfers. The budget adjustment summary (Attachment A) shows both line item and appropriation changes. Line item adjustments move budget authority within funds and are provided for reference. In most cases they reflect uses of reserves since June. Appropriation adjustments change the total budget and must be adopted by ordinance. The adjustments are organized as follows:

Council Directed & Previously Approved Adjustments Requiring an Appropriation

This category of adjustments includes: 1) those directed by the Council through an informal action; and 2) those previously approved by the Council through a formal action. These adjustments are organized by fund below, with the total appropriation adjustment amounting to \$7,942,999.

General Fund

- Recognize additional CARES Act Funding (\$1,490,686). Previous CARES Act funding was recognized earlier in 2020.
- Fund R-5434 initiatives using additional 2019 Sales Tax revenue (\$246,839), with an additional Council Special Projects Reserve use recognized below.
- Transfer Parks Maintenance Center Design project closeout balance from the General Capital Projects Fund (\$16,398)
- Recognize fiscal year 2018 Ground Emergency Medical Transportation (GEMT) revenue received in fiscal year 2019 (\$908,788)

Real Estate Excise Tax Fund

- Transfer \$1,525,986 (REET 2) from the Transportation Capital Projects Fund as part of the Advance Mitigation Program re-alignment
 - 2017 Traffic Critical Areas Ordinance Stormwater Maintenance Support (\$493,754)
 - Advanced Mitigation Phase 1 (\$1,032,232)

General Capital Projects Fund

- Transfer \$1,000,000 from Development Services Space Expansion Reserve in the General Fund for City Hall Development Services Center/Welcoming Hall project
- Recognize transfer of CARES Act funding for OCourt and Laserfiche expenses (\$22,708)

Transportation Capital Projects Fund

- Transfer \$347,892 from Real Estate Excise Tax Fund (REET 2 reserve) to fund project closeout costs above budget for the 6th Street projects
- Transfer \$2,785,817 in additional funding to the Totem Lake Connector Project:
 - \$1,277,117 from Real Estate Excise Tax Fund (REET 2) from pending project closeouts related to the Advance Mitigation Program (AMP)
 - \$1,508,700 from Impact Fees Fund repurposed (no appropriation change) from the 85th St/132nd Ave NE Dual Left Turn Lanes per the 2021-2026 CIP (the 10/20/20 Fiscal Note cited an incorrect amount of \$1,258,700)
- Transfer \$1,000,000 from the Surface Water Capital Fund to correct funding for the Advance Mitigation Program costs

Information Technology Fund

- Allocate CARES Act Reserve for COVID-19 City Expenses (\$58,300)
- Allocate CARES Act Reserve for staffing overtime expense from COVID-19 EOC Activation (\$21,993)

Equipment Rental Fund

- Transfer \$26,292 from the Surface Water Operating Fund to cover the purchase of a Dewatering Pump

Other Adjustments Requiring an Appropriation

This category of adjustments primarily recognizes new revenue from grants and other sources. These adjustments are organized by fund below, with the total appropriation adjustment amounting to \$4,344,753.

General Fund

- Funding for third party plan review consultant to manage backlog of reviews (funded by additional Plan Check Fee revenue of \$87,800)
- Recognize Fee-in-Lieu revenue from developers and corresponding payments to A Regional Coalition for Housing (ARCH) (\$3,826,704)
- Recognize Multi-Family Tax Exemption revenue received from The Plaza project at 330 4th St to fund Human Services grants (\$25,908)
- Correct allocation for King County EMS/BLS Grant (-\$62,148)
- Recognize Federal fiscal year 2020 Emergency Management Preparedness Grants (\$65,491)
- Recognize reimbursement revenue from Redmond Fire Department for Medic One paramedic trainee personnel costs (\$32,333)
- Funding for 2019 after hours inspections with additional Electric Permits revenue (\$5,322)
- Funding for 2019 expedited plan review with additional Plan Check Fee revenue (\$21,388)
- Transfer Waste Management settlement monies from Solid Waste Fund to City Manager's Office to fund special events (\$39,000)
- Recognize additional federal Community Development Block Grant (CDBG) revenue above budget for homelessness grants and administration (\$10,488)
- Recognize funding for Mental Health professional services:
 - Washington Association of Sheriffs and Police Chiefs Mental Health Professional Grant (\$160,000)
 - King County Mental Health and Drug Dependency (MIDD) Grant (\$16,803)
- Recognize derelict vessel (*MV Lisa Jo*) retrieval reimbursement (\$46,220)
- Washington Traffic Safety Commission reimbursement for targeted traffic overtime expense (\$6,534)

Street Operating Fund

- Recognize Maintenance Center break-in insurance proceeds used to restock supplies that were stolen (\$3,266)

General Capital Projects Fund

- Transfer \$110,891 from Information Technology Fund expenditure savings to cover Cloud Services 2020 shortfall

Transportation Capital Projects Fund

- Recognize 100th Ave NE project Northshore Utility District reimbursement revenue, Supplements #3 and #5 (\$150,830)
- Recognize Frontier reimbursement revenue for the 6th Street projects (\$30,224)
- Recognize Fee-in-Lieu payment for the NE 116th St Crosswalk Upgrade (\$78,548)
- Transfer 2019 Transportation Fee-in-Lieu revenue from General Fund for Annual Striping Program (\$95,000)

Water/Sewer Utility Operating Fund

- Recognize Maintenance Center break-in insurance proceeds used to restock supplies that were stolen (\$5,566)

Surface Water Operating Fund

- Recognize Cedar Creek Retrofit Study Grant Award from the Department of Ecology (\$369,000; City of Kirkland 25% match was previously recognized)
- Recognize Maintenance Center break-in insurance proceeds used to restock supplies that were stolen (\$31,808)

Surface Water Capital Fund

- Recognize King County Flood Reduction Supplemental Grant (\$14,000)

Solid Waste Fund

- Recognize 2019-2020 pass-through expenses (\$570,493) to Cascadia Consulting to facilitate the EnviroStars program (funded by member agency dues; Kirkland serves as fiscal agent for the program)

Information Technology Fund

- Transfer from Police Evidence System Replacement project (ITC1003) (\$161,954)

Facilities Maintenance Fund

- Recognize Dental Office Rental Revenue which has already been recognized as a transfer to the General Fund to cover settlement costs (\$160,000)

Administrative Ordinance Corrections

As part of the final amendment process for the 2019-2020 Budget, staff reconciled the City financial system with all prior appropriation changes from the biennium. Several administrative ordinance corrections were identified. These are administrative errors where a budget change was incorrectly identified as an appropriation change in a prior budget adjustment. All corrections are reflected accurately in the financial system, but require an appropriation change by Council to correct the prior error.

Fund	Adjustment
General Fund	2,816
Lodging Tax	(22,671)
Street Operating	(169,504)
Parks Levy	76,691
Impact Fees	(400,000)
Health Benefits	(30,527)
Fleet	(89,236)
Information Technology	(99,000)
Facilities	(309,239)

Line-Item Adjustments Not Requiring an Appropriation

This category of adjustments primarily recognizes line-item adjustments between accounts within a fund or transfers between capital projects.

General Capital Projects Fund

- Move Air Fill Station Replacement up from 2025 to 2020 (\$54,939)
- Transfer \$270,632 from GIS project savings to cover Cloud Services 2020 shortfall
- Transfer \$161,522 from GIS and Network Phone System project savings to cover Network Infrastructure shortfall
- Correct June 2020 budget adjustment for Court Customer Service project (\$59,846)

Approved Reserve Uses

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

General Fund

- Allocate COVID-19 Expenses from CARES Act Reserve (\$3,016,967):
 - Small Business COVID-19 Support (\$1,204,570)
 - Arts COVID-19 Support (\$318,741)
 - Human Services COVID-19 Support (\$957,733)
 - COVID-19 City Expenses (\$159,328)
 - COVID-19 EOC Activation – Staffing Overtime Expenses (\$166,332)
 - COVID-19 EOC Activation – Materials Expenses (\$210,263)
- Line-item transfer from working capital to fund temporary accounting support for Finance & Administration (\$120,000)
- Use of General Fund working capital to cover unplanned expenditures in the Fire Department and City Attorney's Office (\$210,000)
- Use \$133,161 of Council Special Projects reserve to fund a portion of R-5434
- Use \$200,000 of Fire Department Overtime Reserve to fund Fire Overtime in 2020
- Line-item transfer of GEMT reserved revenue to legal services for Dental Office Settlement (\$1,460,000)

Surface Water Operating Fund

- Use working capital (funded by stormwater fines) to fund outreach efforts to reduce and prevent future fines (\$46,000)

SUMMARY

The budget is adopted at the fund level which sets the total expenditure authority for the biennium for each fund. A summary of the adjustments and 2019-2020 revised budget by fund type is provided in the table below. Additional details on the line item and appropriation changes are included in Attachment A.

Fund Type	2019-2020 Current Budget	Appropriation Adjustments	2019-2020 Amended Budget
General Government:			
General Fund	267,813,898	6,947,370	274,761,268
Other Operating Funds	247,425,234	3,322,992	250,748,226
Internal Funds	80,813,977	(99,463)	80,714,514
Non-Operating Funds	72,407,976	1,125,986	73,533,962
Utilities Funds:			
Water/Sewer	113,718,558	5,566	113,724,124
Surface Water	54,906,438	414,808	55,321,246
Solid Waste	39,108,580	570,493	39,679,073
Total Budget	876,194,661	12,287,752	888,482,413