



**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Michael Olson, Director of Finance and Administration  
Sri Krishnan, Deputy Director of Finance and Administration  
Sandi Hines, Temporary Deputy Director – Budget and Finance

**Date:** December 3, 2020

**Subject:** ADOPTION OF THE 2021 - 2026 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION:

City Council approves the attached resolution adopting the 2021-2026 Capital Improvement Program (CIP).

BACKGROUND:

The Preliminary 2021-2026 CIP was presented to Council at the [June 16, 2020, Council meeting](#). Subsequent changes identified by staff were presented at the [September 1, 2020](#), and [November 17, 2020](#) study sessions. The changes to the Preliminary 2021-2026 CIP detailed below include those discussed at the November 17, 2020, study session and also reflect changes since that date, as highlighted below. The updated CIP Summary Tables are included as **Attachment A** and represent the Final 2021-2026 CIP. Projects are listed by area and changes including new projects, modifications, and change in funding status are marked using the key shown below each table. The change notations represent changes from the previously adopted Revised 2019-2024 CIP to the Final 2021-2026 CIP. The attached resolution, R-XXXX, adopts the 2021-2026 CIP.

**Funding Update**

Although the 2020 Fire & EMS ballot measure (Proposition-1) was approved by Kirkland voters, the Final 2021-2026 CIP as presented does not include funded projects using this revenue source. The fire station projects are included under the Public Safety unfunded category. Staff will update the 2021-2026 CIP in the first quarter of 2021 when the Council will be presented with amendments to the 2021-2022 Budget and the 2021-2026 CIP to reflect the implementation of the Fire & EMS ballot measure.

One major change since the November study session is that the City was notified that we did not receive almost \$8 million in grants that were assumed in the preliminary CIP for the four projects that comprise the 100th Ave NE Roadway Improvements and for the 124th Ave NE Roadway Improvements project. This result necessitated a series of funding changes highlighted later in this memo, significantly impacting the uses of Real Estate Excise Tax revenue as follows.

Real Estate Excise Tax (REET) revenue continues to come in higher than planned projections and has far exceeded the 2020 Budget. Based on actuals through November and a conservative estimate for December, REET revenues are projected to exceed the 2020 budget by \$9.8 million. As the Council may recall from previous 2020 budget and CIP presentations, much of this additional REET has already been programmed to pay the balance owed to the Village at Totem Lake thereby avoiding general fund debt service for the payment. The remainder is proposed to help backfill lost grants for the 100<sup>th</sup> Ave NE improvements and 124<sup>th</sup> Ave NE improvements. To fully fund the remainder of these projects, using the REET 1 and REET 2 reserve balances

was necessary, as was reallocating REET 2 from the 108<sup>th</sup> Avenue Queue Jumps in 2023. The queue jump funds were an estimated local match for assumed grants that have not yet been applied for or secured. Restoring the queue jump funding will be a key priority during the mid-biennial update in 2021.

The table on the following page shows the projected REET revenues available for programming and the planned uses. The data is presented in a cash flow format in order to include the estimated beginning balance in 2021, which acknowledges the receipt of REET revenues higher than budget in recent years. The table also details the planned uses in 2021-2022 of the excess revenue above budget received in previous years. The fund balance remains positive for REET 1 for 2021-2022 but then turns negative after accounting for the planned uses and set asides. Based on REET collections of the past three years, the amount of REET revenue in 2021 and 2022 may well exceed the \$4.5 million (\$2.25M for each REET 1 and REET 2) projected in the budget. However, REET fluctuates with the economy and there is still too much uncertainty in 2021 to revise the projected numbers. REET trends will be monitored closely and the cash flow will be adjusted during the upcoming biennium as future revenue projections are reviewed. For REET 2, the fund balance remains positive and grows over the 6-year planning period after accounting for the planned uses; however, the \$1 million reserve policy is unable to be met in years 2021-2024.

REET 1 Sources & Uses Table						
Sources	2021	2022	2023	2024	2025	2026
REET 1 - Estimated Starting Balance (PY Balance + Reser	\$ 8,150,775	\$ 71,429	\$ 349,679	\$ (296,071)	\$ (665,821)	\$ (701,571)
REET 1 - Current Revenues (Budget)	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000
REET 1 - Interest Earnings (Estimate)	\$ 25,000	\$ 25,000	\$ -	\$ -	\$ -	\$ -
<b>Total REET 1 Sources</b>	<b>\$ 10,425,775</b>	<b>\$ 2,346,429</b>	<b>\$ 2,599,679</b>	<b>\$ 1,953,929</b>	<b>\$ 1,584,179</b>	<b>\$ 1,548,429</b>
Uses						
REET 1: Debt Service	\$ (600,000)	\$ (780,250)	\$ (780,250)	\$ (780,250)	\$ (780,250)	\$ (780,250)
REET 1: Maintenance REET 1 Flexibility	\$ (388,500)	\$ (388,500)	\$ (263,500)	\$ (263,500)	\$ (263,500)	\$ (263,500)
REET 1: Parks CIP	\$ (172,000)	\$ (62,000)	\$ (1,119,000)	\$ (859,000)	\$ (692,000)	\$ (347,000)
REET 1: Public Works Transportation CIP	\$ (736,000)	\$ (766,000)	\$ (733,000)	\$ (717,000)	\$ (550,000)	\$ (950,000)
REET 1: 100th Avenue Improvements	\$ (1,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -
REET 1: Village at Totem Lake Phase 2 Payment	\$ (2,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -
REET 1: Set Aside for Fire Station 27	\$ (4,457,846)	\$ -	\$ -	\$ -	\$ -	\$ -
REET 1: Minimum Reserves (Policy \$1 million)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total REET 1 Uses</b>	<b>\$ (10,354,346)</b>	<b>\$ (1,996,750)</b>	<b>\$ (2,895,750)</b>	<b>\$ (2,619,750)</b>	<b>\$ (2,285,750)</b>	<b>\$ (2,340,750)</b>
<b>REET 1 Balance</b>	<b>\$ 71,429</b>	<b>\$ 349,679</b>	<b>\$ (296,071)</b>	<b>\$ (665,821)</b>	<b>\$ (701,571)</b>	<b>\$ (792,321)</b>
REET 2 Sources & Uses Table						
Sources	2021	2022	2023	2024	2025	2026
REET 2 - Estimated Starting Balance (PY Balance + Reser	\$ 8,958,876	\$ 2,103,535	\$ 317,535	\$ 621,535	\$ 734,535	\$ 1,444,535
REET 2 - Current Revenues (Budget)	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000
REET 2 - Interest Earnings (Estimate)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
<b>Total REET 2 Sources</b>	<b>\$ 11,233,876</b>	<b>\$ 4,378,535</b>	<b>\$ 2,592,535</b>	<b>\$ 2,896,535</b>	<b>\$ 3,009,535</b>	<b>\$ 3,719,535</b>
Uses						
REET 2: Debt Service	\$ (600,000)	\$ (600,000)	\$ (600,000)	\$ (600,000)	\$ (600,000)	\$ (600,000)
REET 2: Public Works Transportation CIP REET 2	\$ (1,593,000)	\$ (1,461,000)	\$ (1,371,000)	\$ (1,562,000)	\$ (965,000)	\$ (1,537,000)
REET 2: 100th Avenue Improvements	\$ (2,500,000)	\$ -	\$ -	\$ -	\$ -	\$ -
REET 2: 124th Ave NE Improvements	\$ -	\$ (2,000,000)	\$ -	\$ -	\$ -	\$ -
REET 2: Village at Totem Lake Phase 2 Payment	\$ (3,296,341)	\$ -	\$ -	\$ -	\$ -	\$ -
REET 2: Set Aside for Affordable Housing	\$ (1,141,000)	\$ -	\$ -	\$ -	\$ -	\$ -
REET 2: Minimum Reserves (Policy \$1 million)	\$ -	\$ (300,000)	\$ (600,000)	\$ (700,000)	\$ (1,000,000)	\$ (1,000,000)
<b>Total REET 2 Uses</b>	<b>\$ (9,130,341)</b>	<b>\$ (4,361,000)</b>	<b>\$ (2,571,000)</b>	<b>\$ (2,862,000)</b>	<b>\$ (2,565,000)</b>	<b>\$ (3,137,000)</b>
<b>REET 2 Balance</b>	<b>\$ 2,103,535</b>	<b>\$ 17,535</b>	<b>\$ 21,535</b>	<b>\$ 34,535</b>	<b>\$ 444,535</b>	<b>\$ 582,535</b>

## **Project Modifications**

### ***TRANSPORTATION***

- **STC 00604 – Central Way Street Preservation:** Budget increased. Updated design estimates from the consultant are \$525,000 above the previous estimate. Staff has identified sufficient savings from the closeout of the 2019 street preservation programs to fund the increased cost.
- **STC 05913 – 124th Ave NE Roadway Improvements (North Section) Construction:** After the November 17 Council meeting, the City received notification that its grant application for \$3.982 million from the Transportation Improvement Board (TIB) was unsuccessful. Staff's recommendation is to fill the funding gap instead of altering the scope of the project due to other external grant commitments and the acquisition of right-of-way already completed. The funding gap is proposed to be filled in 2022 by \$2 million in REET 2 reserves and \$1.982 million in debt that was originally planned for **Juanita Drive Intersection and Safety Improvements (STC 08900)**. This shift can be accomplished as the Juanita Drive Improvements project is not as far along in both design and ROW acquisition as the 124th Ave NE project. The result is that there is sufficient Juanita Drive funding for design and ROW acquisition, but additional funding will be required for construction. The funding plan for the Juanita Drive Improvements project will be revisited later in 2021 during the 2021-2026 CIP update process. This will allow the project to be farther along with design and more refined estimates for construction will be known. The reduction of debt will be replaced with Unsecured External funding as staff will research possible grant opportunities to complete the construction of the project in the outer years.
- **PTC 00400 and PTC 00500 – 108th Ave NE Transit Queue Jump – Phase I and Phase II:** Funding source changed. In 2023, REET 2 Reserve funding of \$2,110,200 has been changed to Unsecured External due to reprioritizing REET reserve funds in years 2021 and 2022 for the 100th Ave NE and 124th Ave NE projects that had unsuccessful grant applications as discussed previously in this memo. A new funding plan for the queue jump projects, including seeking grant opportunities, will be developed during future CIP processes.
- **NMC 08700 – Safer Routes to School Action Plans Implementation:** Budget reduced. Project is reduced by \$51,000 to provide grant match funding for a new project, NMC 12900 Pedestrian Safety Improvements (Downtown and NE 124th Street).
- **NMC 12900 – Pedestrian Safety Improvements (Downtown and NE 124th Street):** New project. The City received new grant funding in the amount of \$1.614 million from WSDOT for pedestrian safety improvements along Central Way in the downtown area and along NE 124th Street in the Juanita neighborhood. The grant requires a City match amount of \$51,000 and is planned to be funded by a reduction in year 2021 of NMC 08700 Safer Routes to School Action Plans Implementation. The total project estimate is \$1.665 million.
- **TRC 09800 – NE 132nd St/116th Way NE (I-405) Intersection Improvements:** Budget increased. This project was previously approved in the 2017-2022 CIP for a total of \$300,000 in 2017-2018. The City was awarded new funding from WSDOT to pay for in-house engineering for an updated project scope. The new funding is up to \$202,125 and begins in 2021. As such, this project is included in the 2021-2026 CIP with the additional funding of \$202,125 added in 2021.
- **100th Avenue Roadway Improvements –** This improvement includes a suite of projects including the following four projects that are planned in the 2021-26 CIP:
  - STC 08313 – 100th Ave NE Roadway Improvements (North Section)
  - STC 08314 – 100th Ave NE Roadway Improvements (Mid-North Section)
  - TRC 13500 – 100th Ave NE/Simonds Road Intersection Improvements
  - TRC 13600 – 100th Ave NE/NE 145th St Intersection Improvements

The projects are currently on hold pending approval of environmental permits from two federal agencies – Federal Highway Administration (FHWA) and National Marine Fisheries Service (NWFS, or NOAA Fisheries). Without the approval of the environmental permits by these agencies, the projects will not be able to proceed. Additionally, the City did not receive the \$4 million in grant funding it was seeking from the Puget Sound Regional Council (PSRC). Staff has proposed to fill the funding gap instead of altering the scope of the project due to other external grant commitments and the acquisition of right-of-way already completed. The funding gap is proposed to be filled in 2021 by an available \$1.5 million REET 1 and \$2.5 million REET 2 revenues above 2020 year-end projections that were included in the preliminary budget.

- **NMC 13000 – NE 134th St Sidewalk (South Side between 88th Pl & 87th Ave NE):** New unfunded project. This non-motorized project is for a new sidewalk along the south side of NE 134th Street. The project has been placed on the Transportation Unfunded list under the Non-motorized Placeholder List and as such has no project estimate at this time.

### ***PARKS***

There are no project modifications for the funded portion of the Parks CIP; however, the unfunded portion of the Parks CIP has been updated to include new projects, updated project cost estimates for existing projects, and the removal of projects no longer relevant. The Parks unfunded project list had not been reviewed for several CIP cycles. The total unfunded Parks CIP portion increased \$38,584,800 over the previously adopted Revised 2019-2024 unfunded Parks CIP. This increase includes 6 new projects totaling \$6,265,000 as listed on the following page.

- PKC 16400 – Peter Kirk Park - Fencing and Drainage Improvements (\$250,000)
- PKC 16500 – Skate Park Upgrades (\$500,000)
- PKC 16600 – Brink Park Gun Mount Renovation (\$100,000)
- PKC 16700 – O.O. Denny Park Improvements - Sand Volleyball (\$75,000)
- PKC 16800 – Spray Park (\$1,500,000)
- PKC 16900 – Marina Park Dock and Shoreline Renovations (\$3,840,000)

### ***FACILITIES***

There are no project modifications for the funded and unfunded Facilities CIP.

### ***INFORMATION TECHNOLOGY***

There are no project modifications for the funded portion of the Information Technology (IT) CIP; however, the unfunded portion of the IT CIP has been updated to include one new project and remove several old projects. Like the unfunded Parks CIP list, the unfunded IT CIP list had not been updated for several CIP cycles for project relevance and cost estimates. The total unfunded IT CIP portion decreased \$2,027,000 over the previously adopted Revised 2019-2024 unfunded IT CIP. The reduction is due to the removal of projects that are being accomplished in other ways than through the capital program and projects that are no longer relevant. The new project is for the replacement of the parking ticketing system.

- ITC 01600 – Parking Ticketing System Replacement (\$120,000)

### ***PUBLIC SAFETY***

**PSC 06300 – Air Fill Station Replacement:** Budget reduced. The equipment replacement scheduled in 2025 for Fire Station 26 for \$87,900 was removed. The current equipment has broken down and must be replaced in 2020. Based on a 10-year life-cycle replacement schedule, this moves the next replacement date for the equipment out to 2030, beyond the current 6-year planning cycle.

**WATER/SEWER**

There are no project modifications for the funded and unfunded Water/Sewer CIP.

**SURFACE WATER**

There are no project modifications for the funded portion of the Surface Water CIP; however, the unfunded portion of the Surface Water CIP has been updated to include new projects, updated project cost estimates for existing projects, and the removal of projects no longer relevant. The total unfunded Surface Water CIP portion decreased \$1,133,000 over the previously adopted Revised 2019-2024 unfunded Surface Water CIP. The overall decrease includes the removal of 2 large projects totaling \$10,600,000. The two projects are SDC 04610 Regional Detention in Forbes Creek Basin Phase I for \$2 million and SDC 04699 Regional Detention in Forbes and Juanita Creek Basins for \$8.6 million. The projects were removed to align with a more citywide effort for retrofit planning instead of site-specific projects previously identified. The new unfunded project listed on the following page, SDC 14300 Retrofit Planning within City Limits, would begin the citywide planning process. Changes to the unfunded list also include the addition of 10 new projects totaling \$6,265,000, as listed on the following page.

- SDC 13000 – Bioretention, Water Quality Treatment & Storage at 126th Ave NE (\$4,260,000)
- SDC 13100 – NE 107th Pl Retention Pond Retrofit (\$1,187,000)
- SDC 13800 – Outlet Path at 101st Pl NE (\$150,000)
- SDC 14300 – Retrofit Planning within City Limits (\$900,000)
- SDC 14400 – 116th Ave Storm Facility (\$1,000,000)
- SDC 14500 – NE 61st St Storm Facility Relocation (\$150,000)
- SDC 14600 – 126th Ave NE Storm Pipe Replacement (\$330,000)
- SDC 14700 – 131st Ave NE Storm Improvements (\$800,000)
- SDC 14800 – 105th Pl NE Pipe Replacement (\$240,000)
- SDC 14900 – NE 119th Ct Storm Syst. Improv. (Juanita Village Plaza/East Ridge Condos) (\$450,000)

**2021-2026 Capital Improvement Program**

With the changes described above, the 2021-2026 funded CIP totals \$181,501,725 for the six-year period, an increase of \$2,253,225 from the preliminary CIP presented on November 17, 2020. The total CIP by program is shown in the following table.

Area	2021-2026 Capital Improvement Program					
	Funded CIP			Unfunded CIP		
	Nov. Update	Final	Change	Nov. Update	Final	Change
Transportation	87,889,800	90,230,925	2,341,125	386,558,300	386,558,300	-
Parks	17,758,400	17,758,400	-	131,930,000	170,514,800	38,584,800
General Government						
Facilities	5,194,800	5,194,800	-	-	-	-
Technology	2,106,700	2,106,700	-	2,432,000	405,000	(2,027,000)
Public Safety	3,001,200	2,913,300	(87,900)	55,800,000	55,800,000	-
Water/Sewer Utility	45,417,000	45,417,000	-	49,033,000	49,033,000	-
Surface Water	17,880,600	17,880,600	-	21,555,000	20,422,000	(1,133,000)
<b>Total</b>	<b>179,248,500</b>	<b>181,501,725</b>	<b>2,253,225</b>	<b>647,308,300</b>	<b>682,733,100</b>	<b>35,424,800</b>

The table on the following page shows the revenue sources for the total 6-year CIP by year.

**2021-2026 Capital Improvement Program  
Programmed Revenue Sources (in thousands)**

<b>Dedicated Revenue</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>6-Year Total</b>
<b>Transportation</b>							
Gas Tax	660	673	686	700	700	700	<b>4,119</b>
Gas Tax (Transportation Package)	200	200	250	150	200	200	<b>1,200</b>
Business License Fees	270	270	270	270	270	270	<b>1,620</b>
Real Estate Excise Tax (REET) 1	736	766	733	717	550	950	<b>4,452</b>
Real Estate Excise Tax (REET) 2	1,189	1,311	1,251	1,212	965	1,537	<b>7,465</b>
Street & Pedestrian Safety Levy	2,733	2,760	2,788	2,816	2,816	2,816	<b>16,729</b>
Transportation Impact Fees	1,500	1,500	1,320	-	-	-	<b>4,320</b>
Utility Rates	500	541	500	130	30	333	<b>2,034</b>
Solid Waste Street Preservation	386	393	401	409	417	425	<b>2,431</b>
REET 2 Reserve	2,904	2,150	120	350	-	-	<b>5,524</b>
REET 1 Reserve	1,500	-	-	-	-	-	<b>1,500</b>
Carryover/Prior Year Funds	964	-	-	-	-	-	<b>964</b>
Debt	-	1,982	-	-	-	-	<b>1,982</b>
Secured External Sources	4,400	3,842	1,480	1,600	-	-	<b>11,322</b>
Unsecured External - Sound Transit	900	3,800	6,300	-	-	-	<b>11,000</b>
Unsecured External Sources	-	-	3,679	4,336	2,569	2,985	<b>13,569</b>
<b>Subtotal Transportation</b>	<b>18,842</b>	<b>20,188</b>	<b>19,778</b>	<b>12,690</b>	<b>8,517</b>	<b>10,216</b>	<b>90,231</b>
<b>Parks</b>							
Real Estate Excise Tax 1	172	62	1,119	859	692	347	<b>3,251</b>
Park Impact Fees	1,200	1,200	1,200	1,210	1,190	1,200	<b>7,200</b>
Parks Levy	250	250	250	250	250	250	<b>1,500</b>
King County Park Levy	353	353	353	353	353	353	<b>2,118</b>
Park Facilities Sinking Fund	162	169	146	160	150	243	<b>1,030</b>
Carryover/Prior Year Funds	100	-	-	-	-	-	<b>100</b>
External Sources	-	160	720	560	560	560	<b>2,560</b>
<b>Subtotal Parks</b>	<b>2,237</b>	<b>2,194</b>	<b>3,788</b>	<b>3,392</b>	<b>3,195</b>	<b>2,953</b>	<b>17,759</b>
<b>General Government: Technology, Facilities &amp; Public Safety</b>							
General Fund Contributions for:							
Public Sfty. Equip. Sinking Fund	173	126	963	1,067	303	281	<b>2,913</b>
Technology Equip. Sinking Fund	170	333	100	461	150	93	<b>1,307</b>
Utility Rates	64	73	64	83	64	72	<b>420</b>
Facilities Life Cycle Reserve	1,244	150	936	922	385	557	<b>4,194</b>
General Fund Reserves	1,000	-	-	-	-	-	<b>1,000</b>
General Fund Cash	49	70	49	95	49	70	<b>382</b>
<b>Subtotal General Government</b>	<b>2,700</b>	<b>752</b>	<b>2,112</b>	<b>2,628</b>	<b>951</b>	<b>1,073</b>	<b>10,216</b>
<b>Utilities</b>							
Utility Connection Charges	425	1,325	1,085	945	945	945	<b>5,670</b>
Utility Rates - Surface Water	1,811	1,942	2,800	2,738	2,638	4,506	<b>16,435</b>
Utility Rates - Water/Sewer	4,789	4,861	5,083	5,400	5,770	5,770	<b>31,673</b>
Reserves	1,752	1,259	1,730	420	1,450	50	<b>6,661</b>
External Sources	865	1,994	-	-	-	-	<b>2,859</b>
<b>Subtotal Utilities</b>	<b>9,642</b>	<b>11,381</b>	<b>10,698</b>	<b>9,503</b>	<b>10,803</b>	<b>11,271</b>	<b>63,298</b>
<b>Total Revenues</b>	<b>33,421</b>	<b>34,515</b>	<b>36,376</b>	<b>28,212</b>	<b>23,466</b>	<b>25,513</b>	<b>181,503</b>

\* Totals in table may differ to other written Total Program amounts due to rounding.

### **Timing of Next CIP Update**

As noted earlier, the budget and CIP amendments to reflect the successful Fire and EMS ballot measure will be brought forward for Council consideration during the first quarter of 2021. The entire 2021-2026 CIP will be updated in 2021, with the update process beginning in April. Updates will be brought forward for Council consideration in August and with adoption as part of the mid-biennial budget process.