



**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  
Kyle Butler, Financial Planning Supervisor  
Robby Perkins High, Senior Financial Analyst  
Kevin Pelstring, Budget Analyst

**Date:** June 16, 2020

**Subject:** **JUNE 2020 BUDGET ADJUSTMENT**

**RECOMMENDATION:**

Council approves the attached ordinance adjusting the budget for the 2019-2020 biennium.

**BACKGROUND DISCUSSION:**

This memo recommends mid-year budget adjustments needed to meet unanticipated needs, recognize additional resources, and update housekeeping adjustments.

**MID-YEAR 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.

This budget adjustment allows for appropriation increases where it is anticipated that total expenditures may be in excess of the adopted 2019-2020 budget.

Unless there is an immediate need, budget adjustments that represent ongoing increases in the level of service are generally not introduced at mid-year. Rather, they are submitted as service package requests during the budget preparation for the upcoming 2021-2022 biennial budget. Total appropriation adjustments result in a net budget increase (appropriation change) of \$18,018,035. The budget adjustment summary (Attachment A) lists appropriation changes by fund. Appropriation adjustments change the total budget and require adoption of an ordinance. When reviewing the budget adjustments in Attachment A, it is important to note the distinction between a budget adjustment and an appropriation change. In simple terms, not all budget adjustments will require a change in the appropriation. For example, a budget increase that is funded from an expenditure decrease within the same fund, has the effect of changing the City's

spending plan but does not result in any net new resources needing appropriation. Similarly, an adjustment funded from existing reserves does not require an appropriation increase, since the City appropriates its reserves as part of the biennial budget. In contrast, an adjustment that is funded with new internal or external revenues requires an appropriation increase to accommodate the increase in total resources.

Total budget adjustments as described in Attachment A reflect the following broad categories:

- ***Council Directed/Other Requests and Previously Approved Adjustments*** – This category includes any additional changes identified by Council and City staff and formalizes previously approved actions (fiscal notes, etc). Some of these requests have been approved by the Council since the budget was adopted or are related to the 2020 financial gap options presented at the May 29<sup>th</sup> Council retreat, but the formal appropriation adjustment is occurring as part of the June 2020 budget update. Major adjustments in this category include:

#### General Fund

- Additions to General Fund of \$1,131,874:
  - Return General Fund and settlement revenue from Juanita Beach Project to GF (\$516,000)
  - RGRL (Business License Tax) Return to General Fund (\$270,000)
  - Return Generator Project funds to General Fund (\$102,032)
  - Recognize 2020 Rental Revenues from Dental Office (\$160,000)
  - Refunding of general fund contribution to Fire Station Land purchases - Sale of 13213 100<sup>th</sup> Place NE property (\$83,842)
- Pandemic-related items: Council approved the following actions to support the community and mitigate the economic impact of COVID-19:
  - COVID-19 Stabilization of Human Services Grantees (\$265,000)
  - Transfer to Kirkland Small Business Relief Fund (\$30,000)
- Transfer to ARCH – Sale of 13213 100<sup>th</sup> Place NE property (\$209,777)
- CARES Act:
 

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a law intended to address the economic fallout of the COVID-19 pandemic. The City has been notified that it will be reimbursed \$2,668,200 through the CARES Act. To acknowledge the CARES Act eligible expenditures and the related reimbursement, the City Manager has included the following as part of this budget adjustment:

  1. Create a separate new CARES Act Reserve
  2. Transfer \$2,668,200 from Revenue Stabilization Reserve to CARES Act Reserve
  3. Upon receipt of the CARES Act money, scheduled for later this year, replenish the Revenue Stabilization Reserve
  4. Estimated cost of the Environmental Safety Professional Services Contract to hire a COVID Safety Officer (\$61,600)

Attachment A – the Budget Adjustment Summary reflects this direction by listing the cost of the Environmental Safety Professional Services Contract (\$61,600) and the remaining \$2,606,600 (\$2,668,200 less the \$61,600) in the new COVID-19 Reserve. The use of \$2,668,200 from the Revenue Stabilization Reserve to create the COVID-19 Reserve will reduce the balance in this reserve from \$3,662,632 to \$954,432, but this transaction is not an appropriation change because it is an adjustment funded from existing reserves, which the City appropriates as part of the biennial budget.

### Capital Funds

The following items adjust appropriations in the Capital Projects funds based on Council approvals since December 2019:

- Fee-in-Lieu (FIL) Revenue from Kirkland Urban South developer rental of park space for site access (\$147,676)
  - GGC1100000 – Fire 27 Station Roof Replacement (\$153,000)
  - PKC1390200 – Reduction of Grant Revenue for Totem Lake Park (\$325,000)
  - NMC0860000 – PSRC grant for Totem Lake Connector Bridge (\$1,535,000)
- ***Housekeeping Items*** – Necessary adjustments to budget accounts, fund balances, etc. Major adjustments in this category include:
    - Appropriation Adjustments to recognize additional revenue in the General Fund:
      - King County Emergency Medical Service (KCEMS) Basic Life Support (BLS) Grant update – Actual allocations higher than budget (\$75,495)
      - 19CM07 Correction - Port of Seattle (\$65,000), King Co. Libraries (\$18,000)
      - Emergency Management Preparedness Grant (EMPG) – (\$48,617)
    - Impact Fees Fund:
      - Transportation Impact Fee Reserve Balancing (\$600,000)
      - Parks Impact Fee recognize new revenue (\$400,000)
    - Real Estate Excise Tax Fund (REET):
      - REET 1 recognize new revenue in 2019 (\$2,300,000)
      - REET 2 recognize new revenue in 2019 (\$2,300,000)
      - As outlined in the CIP study session memo, these REET funds are being reserved for the Station 27 acquisition interfund loan repayment should there be no successful ballot measure. If there is a successful ballot measure, staff will return to the Council with options to reinvest these REET funds in the first quarter of 2021.
    - New Grant Funding for 132<sup>nd</sup> Square Park Surface Water Retrofits - SDC1070000 (\$226,700)

### ADMINISTRATIVE MANAGEMENT OF EXPENSES IN RESPONSE TO COVID-19 ECONOMIC IMPACTS

Staff has been directed by the City Manager to restrict spending in response to the COVID-19 shutdowns and related economic recession in 2020. These steps include the restriction of professional services, travel, hiring freezes of select vacancies, a Voluntary Separation Incentive Program (VSIP) and other tools outlined in the May 29<sup>th</sup>, 2020 Council Retreat. These are administrative actions that do not require budget adjustments.

### **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 included in the following table:

<b>Fund Type</b>	<b>2019-2020 Current Budget</b>	<b>Appropriation Adjustments</b>	<b>2019-2020 Amended Budget</b>
General Government:			
General Fund	263,233,267	4,580,631	267,813,898
Other Operating Funds	239,958,815	7,466,419	247,425,234
Internal Funds	80,720,292	93,685	80,813,977
Non-Operating Funds	66,807,976	5,600,000	72,407,976
Utilities Funds:			
Water/Sewer	113,687,058	31,500	113,718,558
Surface Water	54,660,638	245,800	54,906,438
Solid Waste	39,108,580	-	39,108,580
<b>Total Budget</b>	<b>858,176,626</b>	<b>18,018,035</b>	<b>876,194,661</b>

The final opportunity to adjust the 2019-2020 Biennial Budget is at the Council Meeting on December 8, 2020.

The attached ordinance O-4730 adopts the revised 2019-2020 Budget as proposed by the City Manager.

City of Kirkland  
2019-2020 Budget  
2020 Mid-Year Budget Adjustment Summary

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
					Internal Transf./Chrg.	Reserves/Fund Balance	Debt	External Revenue	
<b>General Fund (010)</b>									
Council & Other	CM	Fiscal Note -- KDA: Self-Watering Flower Pots	3,000			3,000			Council Special Projects Reserve
Housekeeping	CM	Volunteer Coordinator .25 FTE Increase MSP	7,254		7,254				Economic Development: Position 19 (Vacant)
Council & Other	CM	Kirkland Fire & EMS Measures Survey	35,000			35,000			Council Special Projects Reserve
Housekeeping	PK	Wages for .5 Aquatics Coordinator	(25,009)		(25,009)				Correction - move to 128 fund
Housekeeping	PK	Benefits for .5 Aquatics Coordinator	(51,682)		(51,682)				Correction - move to 128 fund
Housekeeping	CM	19CM07 Correction - Port of Seattle	65,000	65,000	65,000				Regional Economic Development Grant
Housekeeping	CM	19CM07 Correction - King Co. Library Grant	18,000	18,000	18,000				Regional Economic Development Grant
Housekeeping	PW	Intrafund: Development Laptops for COVID WFH	18,975			18,975			Dev. Svcs. Technology Reserve
Housekeeping	ND	Affordable housing fee in-lieu - pass thru payment to Bellevue	326,765					326,765	
Housekeeping	PK	Return Settlement Funds from Juanita Beach Project to GF	150,000	150,000	150,000				From PKC1190100.
Council & Other	PK	Returning funds from Juanita Beach Project to GF	366,000	366,000	366,000				From PKC1190300.
Council & Other	FD	Environmental Safety Prof Services Contract - CARES Act	61,600	61,600				61,600	Portion of CARES Act Funding (balance below)
Council & Other	ND	CARES Act Funding Allocation	2,606,600	2,606,600				2,606,600	CARES Act Funding (total allocation \$2,668,200)
Council & Other	ND	Authorize Use of Revenue Stabilization Reserve for COVID-19 Response	2,668,200			2,668,200			Establish COVID-19 Reserve
Housekeeping	PW	Eastrail Partners Funding and Service Agreement	9,299	9,299				9,299	
Housekeeping	FD	Emergency Management Preparedness Grant (EMPG)	48,617	48,617				48,617	FY 2019 Award
Housekeeping	FD	KCEMS BLS Grant update - Actual allocations	75,495	75,495				75,495	KCEMS BLS Allocations for Core Svcs, Training
Council & Other	PD	Police Commissioned 2020 Contract Settlement Adjustments	700,646			700,646			Undist. Personnel Cost Rsv / Working Capital
Council & Other	PD	Police Lieutenants 2020 Contract Settlement Adjustments	69,878			69,878			Undist. Personnel Cost Rsv.
Housekeeping	PB	Temp Assistant Planner (MSP)	148,264		104,218	44,046			Dev. Svcs Reserve/Salary Savings
Housekeeping	PW	Extend Temp Transp. Program Coordinator (MSP)	62,871	31,436		31,436		31,436	Dev. Eng. Reserve/King County Metro
Housekeeping	FA	Extend Temp CAA-BL .75 FTE (MSP)	38,971	38,971				38,971	False Alarm Program & Business License Rev
Housekeeping	PK	Extend Innovation Intern (MSP)	2,430		2,430				Salary Savings
Housekeeping	PD	Extend Innovation Intern (MSP)	9,500		6,621			2,879	State Work Study/Salary Savings
Housekeeping	PW	Extend Temp Transp. Program Engineer (MSP)	23,748			23,748			Dev. Eng. Reserve
Housekeeping	PB	Temp Admin Supervisor Increase 0.15 FTE (MSP)	3,832			3,832			Dev. Svcs. Tech. Reserve
Housekeeping	FI	Asst Fire Marshall Over Hire (MSP)	6,156			6,156			GF Working Capital
Council & Other	PW	Leasehold Excise Tax Receipts - Kirkland Urban South developer rental	18,962	18,962				18,962	Leasehold Excise Tax Receipt from Developer
Council & Other	CM	Recognize 2020 Rental Revenues from Dental Office	160,000	160,000				160,000	Rental Revenue from 13118 121st Way NE
Council & Other	CM	COVID-19 Stabilization of Human Services Grantees	265,000	265,000				265,000	2019 Sales Tax Revenues above budget
Council & Other	ND	Transfer to ARCH - Sale of 13213 100th Place NE property	209,777	209,777				209,777	Sale of 13213 100th Place NE property
Council & Other	ND	Reimbursement of fund balance	83,842	83,842				83,842	Sale of 13213 100th Place NE property
Council & Other	ND	Transfer to Kirkland Small Business Relief Fund	30,000			30,000			Council Special Projects Reserve
Council & Other	ND	Return Emergency Generator Project Funds (PSC0800000)	102,032	102,032	102,032				'20 Fiscal Gap - returning GF funds (310 fund)
Council & Other	PW	RGRL Return to General Fund	270,000	270,000	270,000				'20 Fiscal Gap - from Street Pres. (320 fund)
<b>General Fund Total</b>			<b>8,589,023</b>	<b>4,580,631</b>	<b>1,014,864</b>	<b>3,644,216</b>	<b>-</b>	<b>3,929,944</b>	
<b>OTHER FUNDS</b>									
<b>Parks Levy Fund (128)</b>									
Housekeeping	PK	Wages for .5 Aquatics Coordinator	25,009			25,009			Budget Correction
Housekeeping	PK	Benefits for .5 Aquatics Coordinator	51,682			51,682			Budget Correction
<b>Parks Levy Fund</b>			<b>76,691</b>	<b>-</b>	<b>-</b>	<b>76,691</b>	<b>-</b>	<b>-</b>	

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
					Internal Transf./Chrg.	Reserves/Fund Balance	Debt	External Revenue	
<b>Impact Fees Fund (156)</b>									
Housekeeping	ND	Parks Impact Fee recognize new revenue	400,000	400,000				400,000	CIP Update/Correction to Reserve Balancing
Housekeeping	ND	Transportation Impact Fee Reserve Balancing	600,000	600,000				600,000	CIP Update/Correction to Reserve Balancing
<b>Impact Fees Fund Total</b>			<b>1,000,000</b>	<b>1,000,000</b>	-	-	-	<b>1,000,000</b>	
<b>Real Estate Excise Tax Fund (190)</b>									
Housekeeping	ND	REET 1 recognize new revenue (2019)	2,300,000	2,300,000				2,300,000	CIP Update/Correction to Reserve Balancing
Housekeeping	ND	REET 2 recognize new revenue (2019)	2,300,000	2,300,000				2,300,000	CIP Update/Correction to Reserve Balancing
<b>Real Estate Excise Tax Fund Total</b>			<b>4,600,000</b>	<b>4,600,000</b>	-	-	-	<b>4,600,000</b>	
<b>General Capital Projects Fund (310)</b>									
Housekeeping	PK	Transfer in for Park Project Funding - from GF	208,311	208,311	208,311				Correction from 12/10/2019 Adj.
Council & Other	PK	Transfer Settlement Funds from Juanita Beach Project to GF	150,000		150,000				
Council & Other	PK	Transfer of General fund cash from Juanita Beach Project to GF	366,000		366,000				
Housekeeping	ND	Parks Impact Fee transfer for capital projects	400,000	400,000	400,000				
Housekeeping	ND	REET 1 transfer for capital projects	2,300,000	2,300,000	2,300,000				
Housekeeping	PW	SW fee-in-lieu (FIL) receipt from Village at Totem Lake Park	20,000	20,000				20,000	FIL from Village at Totem Lake Park
Council & Other	PK	Fee-in-lieu (FIL) Revenue from Kirkland Urban South developer rental of par	147,676	147,676				147,676	FIL from Kirkland Urban South developer
Council & Other	CM	Fire 27 Station Roof Replacement (GGC1100000)	153,000	153,000	153,000				Transfer from GEMT Revenues
Council & Other	PW	Reduction of Grant Revenue for Totem Lake Park (PKC1390200)	(325,000)	(325,000)				(325,000)	Correction
Housekeeping	IT	IT Project Redistribution	104,400		104,400				
<b>General Capital Projects Fund Total</b>			<b>3,524,387</b>	<b>2,903,987</b>	<b>3,681,711</b>	-	-	<b>(157,324)</b>	
<b>Transportation Capital Projects Fund (320)</b>									
Housekeeping	ND	Transportation Impact Fee transfer for capital projects	600,000	600,000	600,000				CIP Update
Housekeeping	ND	REET 2 transfer for capital projects	2,300,000	2,300,000	2,300,000				CIP Update/Correction to Reserve Balancing
Council & Other	PW	Design & Construction of RRFB Crosswalk (NMC0062100)	123,157	123,157	123,157				GF School Safety Zone Camera Program
Council & Other	PW	Totem Lake Connector Federal Grant (Construction Phase)	1,535,000	1,535,000				1,535,000	PSRC 2020 Contingency Funding Award
Council & Other	PW	Final TIB Grant Receipt Balancing for TRC0920000	(81,225)	(81,225)				(81,225)	Correction
Council & Other	PW	Developer Fee in Lieu - 100th Ave Rd Corridor Improvements	85,500	85,500				85,500	STC0831100
<b>Transportation Capital Projects Fund</b>			<b>4,562,432</b>	<b>4,562,432</b>	<b>3,023,157</b>	-	-	<b>1,539,275</b>	
<b>Water/Sewer Utility Operating Fund (411)</b>									
Housekeeping	PW	Temp Program Assistant (MSP)	89,889	31,500	36,000		22,389	31,500	Cascade Water Alliance External Funding
<b>Water/Sewer Utility Operating Fund Total</b>			<b>89,889</b>	<b>31,500</b>	<b>36,000</b>		<b>22,389</b>	<b>31,500</b>	
<b>Water/Sewer Capital Fund (413)</b>									
Council & Other	PW	108th Watermain - WAC0520000	1,096,975		1,096,975				108th Watermain/Sewermain rebalance
Council & Other	PW	108th Sewermain - SSC0520000	(1,096,975)		(1,096,975)				108th Watermain/Sewermain rebalance
<b>Water/Sewer Capital Fund Total</b>			<b>-</b>	<b>-</b>	<b>-</b>	-	-	<b>-</b>	

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
					Internal Transf./Chrg.	Reserves/Fund Balance	Debt	External Revenue	
<b>Surface Water Operating Fund (421)</b>									
Housekeeping	PW	Rate Correction for Dept of Ecology SW Permits	11,156			11,156			
Housekeeping	PW	Dept of Ecology Spill Equipment Grant	19,100	19,100				19,100	Dept of Ecology
<b>Surface Water Operating Fund Total</b>			<b>30,256</b>	<b>19,100</b>	<b>-</b>	<b>11,156</b>	<b>-</b>	<b>19,100</b>	
<b>Surface Water Capital Fund (423)</b>									
Housekeeping	PW	New Grant Funding for SDC10700	226,700	226,700				226,700	CIP Update
Council & Other	PW	Cedar Creek Culvert Replacement (SDC1240000)	99,370			99,370			Surface Water Construction Reserves Use
<b>Surface Water Capital Fund Total</b>			<b>326,070</b>	<b>226,700</b>	<b>-</b>	<b>99,370</b>	<b>-</b>	<b>226,700</b>	
<b>Solid Waste Fund (431)</b>									
Housekeeping	PW	Reclass Recycling Programs Coordinator (MSP)	7,411			7,411			
<b>Solid Waste Fund Total (431)</b>			<b>7,411</b>	<b>-</b>	<b>-</b>	<b>7,411</b>	<b>-</b>	<b>-</b>	
<b>Information Technology Fund (522)</b>									
Housekeeping	IT	Geographic Information Systems (GIS) Staffing	80,000	80,000	80,000				ORG: 421+521 to OBJECT: 397101
Housekeeping	IT	Extend Sr. Apps Analyst (MSP)	85,380			85,380			19IT02 Service Package
Housekeeping	IT	IT Intern Extension (MSP)	3,184		3,184				IT operating budget for computer hardware
Housekeeping	IT	Extend Temp Design Specialist (MSP)	25,439	13,685	13,685	11,754			Police SP 19PD06/IT Salary Savings
<b>Information Technology Fund Total</b>			<b>194,003</b>	<b>93,685</b>	<b>96,869</b>	<b>97,134</b>	<b>-</b>	<b>-</b>	
<b>TOTAL OTHER FUNDS</b>			<b>14,411,139</b>	<b>13,437,404</b>	<b>6,837,737</b>	<b>314,151</b>	<b>-</b>	<b>7,259,251</b>	
<b>TOTAL ALL FUNDS</b>			<b>23,000,162</b>	<b>18,018,035</b>	<b>7,852,601</b>	<b>3,958,367</b>	<b>-</b>	<b>11,189,195</b>	