



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager
From: Michael Olson, Director of Finance & Administration
Date: November 12, 2020
Subject: 2021-2022 BUDGET STUDY SESSION #3

RECOMMENDATION:

City Council review and discuss follow-up items from the October 27th and November 4th study sessions on the Preliminary 2021-2022 Budget.

BACKGROUND DISCUSSION:

The November 17th study session will be a continuation of the budget deliberations from the October 27th and November 4th study sessions.

A Council budget study session was held on October 27, 2020, at which time Council requested additional information on a number of topics relating to the 2021-2022 Preliminary Budget. These generally fell into one of the following broad categories:

- Potential Funding Additions
- Requests for Follow-up Information
- Potential 2021-2022 City Work Program Additions

Potential Funding Additions and Alternatives

The Council discussed several potential additional 2021-2022 funding needs at the November 4th study session, as shown in the table below:

Item	2021	2022	Total
Human Services Optional Funding	240,306	240,306	480,612
CMO Outreach - retain 0.5 Communications FTE	61,000	61,000	122,000
Revenue Impact Study	-	50,000	50,000
Elimination of Electronic Home Detention Fees ¹	36,100	54,332	90,432
Diversity in Special Events	16,000	16,000	32,000
Diversity in Public Art	9,000	9,000	18,000
Median Maintenance	TBD	TBD	-
Increased Landscaping	TBD	TBD	-
Expanded Access to City Meetings	TBD	TBD	-
Public ROW Tree Maintenance	TBD	TBD	-
TOTAL	362,406	430,638	793,044

¹ At the October 27th study session, City Council inquired about home monitoring and criminal justice fees, expressing concern that the fees may be a deterrent to the use of these jail alternatives by low-income offenders. Electronic home detention fees are currently budgeted for \$36,100 per year in the base budget, with an additional \$18,232 in 2022 as part of service package 21PD02. The elimination of these fees would require an estimated \$90,432 of available General Fund cash to continue to provide the projected level of home detention use.

Staff will provide cost estimates for these TBD initiatives at the November 17th meeting.

Potential Funding Alternatives

Per the discussion on November 4th, the City Manager and staff identified that the most likely funding for these potential initiatives would be unallocated General Fund cash. This amount is currently estimated to be \$1.07 million. As noted in the October 27th Council budget presentation, use of these funds will increase the estimated deficit of \$19.8 million in 2023-2024 by an equivalent amount. Councilmembers were also concerned with increasing the deficit and the need to stay fiscally conservative.

To address both Council goals of further targeted investment and fiscal restraint, staff will be proposing the following alternative funding options for Council consideration.

- Create a Human Services Reserve (\$424,000):** Use \$424,000 of the revenues budgeted for police body worn cameras to create a human services reserve fund to be allocated by the Council in 2021. A robust community discussion and significant Council deliberation are necessary next year before deciding whether to acquire police body worn cameras. Implementation will not likely be until 2022 at the earliest. The preliminary budget includes \$424,000 in both 2021 and 2022 as well as an additional \$150,000 in start-up costs. Council could reprioritize \$424,000 from 2021 to a reserve that could provide \$212,000 in 2021 and \$212,000 in 2022 for human services. This would retain \$586,000 for body worn cameras in 2022. Council could allocate the funds in the first quarter of 2021 as recommended by the Human Services Commission or in response to other emerging needs such as rental assistance.
- Eliminate Electronic Home Detention Fees (\$90,000):** Use \$90,000 of the \$250,000 set aside for city-wide R-5434 implementation to provide electronic home detention free of charge. Further analysis would be necessary, but this action should benefit low-income and historically disadvantaged offenders who might otherwise be detained in the jail. Funding alternatives to detention would be a tangible action consistent with the goal of R-5434 to help mitigate poverty-based structural racism in the criminal justice system. Income-based fees could reduce this overall cost.

- Culturally Inclusive Events and Art (\$50,000):** R-5434 directs the City to evaluate arts and events in Kirkland to reinforce the City’s commitment to being a safe, inclusive, and welcoming place for all people, with a focus on increasing awareness of and/or celebrating cultural, ethnic, and/or racial diversity. Staff proposes using \$50,000 of the \$250,000 set aside for city-wide R-5434 implementation to fund culturally inclusive events and art. Staff suggests allocating \$32,000 (\$16,000 in both 2021 and 2022) for events and \$18,000 (\$9,000 in both 2021 and 2022) for art. This action is another defined use of the unallocated funds and accomplishes a specific goal of R-5434.

If the Council concurs with the potential use of some of the R-5434 funds for electronic home detention and culturally inclusive events and art, there would still be \$110,000 for further initiatives defined by the R-5434 process.

R-5434 City-Wide Implementation Uses	
Beginning Balance	250,000
Proposed Uses	
Eliminate Electronic Home Detention Fees	90,000
Culturally Inclusive Events and Art	50,000
Remaining Balance	110,000

In addition, any unused portion of the \$1.07 million of General Fund cash would still be available if new R-5434 initiatives exceeded the remaining \$110,000.

REET 2 for Street Maintenance

Council has requested options for improving street landscaping and median maintenance. Staff suggests reserving \$250,000 in Real Estate Excise Tax (REET) 2 above projections as a pilot for this purpose. State law provides some flexibility to use REET in this manner, but there are certain restrictions. If Council concurs, staff would budget the REET 2 and then return to the Council in the first quarter of 2021 with specific projects or actions. If this pilot is successful, future budget could include similar proposals.

2020 General Fund Cash

There will also likely be additional General Fund cash identified when the 2020 fiscal year is closed out. Year-end cash results from revenues above projections and under expenditures for the fiscal year. The amount of available cash will not be known until approximately May of 2021. Staff suggest that the Council could prioritize the use of any 2020 General Fund cash as follows during the mid-biennial budget process in 2021:

- Replenish any of the \$1.07 million allocated by the Council in the final adopted budget;
- Replenish the R-5434 unallocated funds back to \$250,000 or for specific R-5434 actions;
- Reserve enough General Fund cash to keep the 2023 deficit at or below \$19.8 million;
- Invest any remaining 2020 General Fund cash in one-time expenditures only.

Request for Follow-up Information

Follow-up materials requested by the City council at the previous study sessions will be distributed at the November 17th meeting. These include:

- Clearer guidelines and clarity on City functions included in the Human Services table.
- A budget comparison of the Kirkland Police Department, as a percentage of the General Fund, to neighboring cities.
- A specific description and definition of events that would be eligible for "Diverse Special Events" funding.
- Research into corporate sponsorship opportunities to fund diverse public art.
- Estimated costs and staff time needed for the first phase (initiation) of the body-worn camera pilot.

Additionally, staff will provide an update on the progress of these items:

- An analysis of regional tax funding that is invested in the City of Kirkland.
- Rough revenue estimates for each of the 2023-2024 revenue issue paper options. Council also discussed funding an equity tax burden study for these revenues in 2022

2021-2022 City Work Program - Draft

The Council discussed both additions and revisions to the 2021-2022 City Work Program presented at the October 27th study session. The following list includes new suggested Work Program items from the October 27th meeting and amended items shown in track changes from the original proposal:

- Implement R-5434 elements such as non-commissioned emergency responders, Police transparency and accountability measures, and community-wide equity and inclusion programs to create a safer and more equitable Kirkland that increases the safety and respect of Black people and reduces systemic racism and poverty. (Council Goals: Public Safety, Neighborhoods, Human Services).
- Complete construction and open Fire Station 24 in Juanita with a cross-staffed crew of three firefighter/EMTs.
- ~~If Fire Proposition 1 passes,~~ Adopt an Fire and Emergency Medical Services ballot measure implementation plan, stockpile pandemic personal protective equipment, initiate hiring of new firefighter/EMTs, complete the design of new Fire Station 27 in Totem Lake, complete the design the renovation of Fire Station 22 in Houghton, and locate and complete a temporary fire station (Council Goals: Public Safety, Neighborhoods).
- ~~Identify and~~ In partnership with ARCH, initiate a permanent supportive housing project in Kirkland, implement an-significant affordable housing projects at the Kingsgate Park and Ride and other locations in the Totem Lake and Greater Downtown Urban Centers, Affordable Housing Initiatives in Kirkland and adopt and track affordable housing targets for the City (Council Goals: Housing, Neighborhoods).

- Complete actions and investments necessary to keep Kirkland residents, City staff and City facilities safe during the COVID-19 pandemic, support renewed economic activity, and prepare the City organization and the Kirkland community for recovery (Council Goals: Public Safety, Human Services, Neighborhoods, Dependable Infrastructure).
- Complete design and initiate construction of the Juanita Drive and 100th Avenue NE multi-modal transportation projects (Council Goals: Balanced Transportation, Dependable Infrastructure).
- Complete the Totem Lake Connector, Totem Lake Park, 132nd Square Park and continue capital investments to support growth throughout the City and the Totem Lake Urban Center (Council Goals: Economic Development, Balanced Transportation, Parks, Open Spaces and Recreational Services).
- Continue to Partner with Sound Transit, the State Department of Transportation and King County Metro Transit to ensure that investments along I-405 serve Kirkland's mobility needs (Council Goals: Balanced Transportation, Economic Development).
- Initiate city-wide outreach and planning efforts to update the Comprehensive Plan, the Transportation Master Plan and the Parks, Recreation and Open Space Plan to maintain the quality of life in Kirkland (Council Goals: All Goals).
- Develop an equitable, cost effective 2023-2024 balanced budget that ~~eliminates the structural funding gap~~ while reduces future deficits while investing in community priorities and retaining Kirkland's AAA credit rating (Council Goals: Financial Stability and All Goals).

There were additional suggestions from the Council to consider City Work Program initiatives around energy and the environment and implementing R-5240 to enable Kirkland to become a safe, inclusive and welcoming city. Staff will be seeking more input from the Council on identifying specific, measurable actions around these topics to be potentially included in the City Work Plan.

The 2021-2022 City Work Program will continue to be developed and refined in the upcoming months. A resolution adopting the City Work Program will come before the Council in January. Final adoption will occur in either January or February of 2021.

Human Services and Related Activities Funding

Human Services and related activities are currently shown in three places and in different amounts in the budget document. Programs totals appear in department budgets, in the Kirkland Quad Chart, and in the "Human Services Funding" table traditionally included with the budget. The Council requested alternatives to the current human services funding table to provide more clarity as the summary includes School Resource Officers and other Police funding. A potential new table with an explanation for Council review follows on the next page.

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 that funding for 2021-2022 by assigned area in the Kirkland Quad.

Program/Funding Source	2019-2020 Budget	2021-2022 Budget	Budgeted Department
Human Services Program grants (including CDBG) ¹	2,497,847	2,577,838	Parks & Comm. Svcs.
Prop 1: Women and Family Shelter Operations	106,634	200,000	Parks & Comm. Svcs.
Prop 1: Mental Health and Human Services Programs	373,219	420,000	Parks & Comm. Svcs.
Human Services Forum and Other Regional Programs	20,000	18,028	Parks & Comm. Svcs.
Human Services Coordination (including CDBG)	505,140	584,664	Parks & Comm. Svcs.
Prop 1: Mental Health and Human Services Program Coordination	-	280,000	Parks & Comm. Svcs.
Senior Center Operations	790,011	578,667	Parks & Comm. Svcs.
People in Need Subtotal	4,292,851	4,659,197	
WA HB 1406: Rental Assistance	-	423,336	Planning & Bldg.
A Regional Coalition for Housing (ARCH) ²	1,320,574	1,486,561	Planning & Bldg.
Housing Initiative	-	150,000	Non-departmental
Affordable Housing Subtotal	1,320,574	2,059,897	
Community Safety Initiative: 4 Community Safety Responders	-	1,430,494	Non-departmental
Community Safety Initiative: Diversity and Inclusion Position/Initiative/Outreach	-	642,311	Non-departmental/CMO
Community Safety Initiative: Community Court Pilot	-	50,000	Municipal Court
Inclusive & Welcoming Community Subtotal	-	2,122,805	
Community Safety Initiative: MIH-Funded Firefighter/EMT and Social Worker	-	648,376	Fire
Fire & Emergency Medical Services Subtotal	-	648,376	
Domestic Violence Advocacy in the Police Department	904,742	996,089	Police
Prop 1: Mental Health Professional and Neighborhood Resource Officer ³	180,000	240,000	Police
Police School Resource Program (City-funded portion)	256,718	377,928	Police
Prop 1: 4 SROs in Kirkland Middle Schools (City-funded portion)	672,528	755,856	Police
Police Services Subtotal	2,013,988	2,369,873	
Senior Discounts for Utility and Garbage Services	91,402	97,475	Solid Waste
Kirkland Cares (assistance with utility bills from utilities customer donations)	6,450	6,450	Solid Waste
Recycling & Garbage Collection Subtotal	97,852	103,925	
King County Alcohol Treatment Programs	46,700	48,000	Non-departmental
Community Youth Services Program/Teen Center ⁴	577,158	742,666	Parks & Comm. Svcs.
Rent Subsidy for Youth Eastside Services ⁵	78,000	78,000	In-kind
Recreation Class Discounts	6,000	14,000	Parks & Comm. Svcs.
Other Program Areas Subtotal	707,858	882,666	
Total Human Services and Related Activities Funding	8,433,123	12,846,739	

TOTAL SPENDING PER CAPITA 2019-2020: \$ 93.91

TOTAL SPENDING PER CAPITA 2021-2022: \$ 141.70

¹ Additional Human Services funding approved by the Council is not included in these figures. The Council approved almost \$900,000 of CARES Act funding for Human Services needs, which is expected to be supplemented from additional CARES Act funds of up to \$300,000. All of these funds need to be obligated before the end of 2020.

² 2019-20 ARCH funding reflects the base budget amount of \$234,550, ongoing funding of \$256,024 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 \$3,711,000 are expected to be remitted to ARCH or directly invested in affordable housing in 2019-20 that are not reflected in the table above. The 2021-2022 Preliminary Budget includes the same funding elements with adjusted base budget (\$360,689) and CDBG (\$295,872) amounts.

³ 2019-20 funding only included one and a half years of proposed mental health response services from Prop 1. Two full years of services are incorporated in 2021-2022 Preliminary Budget.

⁴ 2021-22 Budget includes the full expenses of running the Kirkland Teen Union Building after the end of the YMCA contract.

⁵ Rent is waived completely; figure represents a conservative market rent equivalent.

The new table subtotals human services and related programs by where they fall in the Kirkland Quad and identifies where the programs are budgeted. If this provides a clearer picture, the revised format can replace the prior summary in the final budget document. If the Council prefers to segregate the funding into new and different categories, staff recommends developing those options for adoption in the 2021 mid-biennial budget process.