



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Ave, Kirkland, WA 98033 · 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
George Dugdale, Financial Planning Manager
Adam Weinstein, Planning & Building Director
Stephanie Day, Business Analyst

Date: July 23, 2021

Subject: 2021-2022 Budget Adjustment: Capital Fund Beginning Balances and Authorized Position Adds

RECOMMENDATION:

Council approves ordinance O-4764, which amends the 2021-2022 Budget by updating the City's four capital funds to recognize the starting fund balance. Approval of this also formally approves the conversion of 11 limited term employees (LTE) in the Planning and Building Department to full time employee (FTE) status. Additionally, this action would create one new FTE position in the Finance and Administration Department for the City's Purchasing Agent position. These FTE are changed through approval of the ordinance and the corresponding Attachment A "2021 August Budget Adjustment Summary" which adds the new FTEs.

BACKGROUND DISCUSSION:

At the Council's June 15th meeting, staff presented the regularly-scheduled budget adjustments, which included adjustments to resources forward, or beginning cash balance. As staff wrote in that memo accompanying that adjustment,

"The 2021 Resources Forward, or beginning fund balance (cash), was estimated as part of the 2021-2022 budget process during the fall of 2020. Now that 2020 is complete, staff has reconciled the estimated resources forward with actual balances... These adjustments to resources forward do not include the City's four Capital Funds (310, 320, 413, 423). This is because there are a number of other capital adjustments [still to be processed], and as those funds are organized by capital project and budget authority is granted on a project basis, staff will rebalance these funds following approval of the described project closures. These fund balances will be brought back to Council as part of the August 4th CIP update study session."

These additional project actions in the Capital Funds are now complete and, as planned, these adjustments will recognize the actual starting balance for each of the City's four capital funds.

This memo also formally recognizes position actions in both the Planning and Building and the Finance and Administration Departments. These will add a combined 12 FTE positions to the City's total, eleven of which occur by converting existing LTE positions with no financial impact.

1. 2021 Resources Forward

Table A shows the changes to each of the City's capital fund based on the true year-end balance. The difference between the original estimate and the actual balance represents the total adjustment to each fund. These adjustments do not represent changes in overall project budgets. Rather, they reflect the variance between 2020 and 2021 of when external revenues such as grants were received, or when the timing of invoices and other expenditures occurred earlier or later than originally projected. For example, if a large payment was projected to be made in December of 2020, but was actually paid in January of 2021, the resources forward balance would increase. Conversely if a grant was projected to be received in December of 2020 but didn't come until January of 2021, the resources forward balance would drop.

Table A: Appropriation Changes to Capital Funds

Fund		2021 Budgeted Resources Forward	Actual 2021 Starting Balance	Total Appropriation Change
310	General Capital Fund	43,410,631	37,247,657	(6,162,974)
320	Transportation Capital Fund	26,043,337	24,662,772	(1,380,565)
413	Water Sewer Capital	16,906,340	19,348,509	2,442,169
423	Surface Water Capital	7,256,680	7,903,080	646,400

2. Position Changes in the 2021-2022 Budget

Staff are also proposing 12 position changes to the 2021-2022 Budget. As explained in more detail later in the memo, the Planning and Building department is proposing conversion of 11 positions from limited term employees (LTE) to regular ongoing positions, shown in Table B. Regular positions require Council approval to be created, so approval of this budget adjustment ordinance will also serve as approval of the creation of these converted Planning and Building positions.

In addition to the positions in Planning and Building, Table B also includes a new FTE position in Finance and Administration. This position is for restoration of a dedicated position for the City's Purchasing Agent. This addition is required because the previous incumbent served as both the Financial Operations Manager and the Purchasing Agent. That person had been the Purchasing Agent prior to their promotion to the Manager. Such a hybrid skillset was unique and in recent years, the scope of both of these positions has grown beyond the ability of one person to accomplish both responsibilities successfully.

Purchasing Agent

The Purchasing Agent position requires an individual with detailed knowledge of Washington State contracting and purchasing knowledge and serves a vital function in authorizing and managing both purchasing and the bidding process for the City's capital division. This position is responsible for procurement for all departments of City government each year, in addition to managing the City's 50-70 yearly competitive bids/solicitations in compliance with Local, State and Federal Laws. In particular, the Purchasing Agent manages bid openings, assists departments in developing bids and contracts, and oversees in the review of the \$3-\$4 million in annual City credit card purchases. This work has grown to include being a subject matter expert assisting all departments in the City's financial software for all requisitions, purchase orders, and contracts. The Purchasing Agent is also a key position in how the city implements R-5434 and improves contracting opportunities for traditionally disadvantaged businesses.

Finally, restoring this as a dedication position is an important step in improving the finance and compliance structure behind the capital workgroup.

Table B: Position Changes by Job Class

Position Title	Department	2021-2022 Budget	
		Adjustment	FTE
Associate Planner	Planning and Building	-	1.0
Planner	Planning and Building	-	2.0
Assistant Planner	Planning and Building	-	3.0
Receptionist/ Admin Clerk	Planning and Building	-	1.0
Building Inspector	Planning and Building	-	2.0
Electrical/Building Inspector	Planning and Building	-	1.0
Journey Plans Examiner	Planning and Building	-	1.0
Purchasing Agent	Finance and Administration	209,874	1.0
Total		209,874	12.0

Planning and Building Position Conversions

Staff is recommending that the City Council converts certain development services-related staff positions in the Planning & Building Department from temporary to ongoing status in order to improve department operations, employee recruitment, and retention. There is no financial impact but the number of Full-Time Equivalent (FTE) Council authorized positions is increased.

Following the Great Recession (2007-9), but particularly since 2017, development activity in Kirkland has reached historically high levels, both in terms of permit volumes and the complexity of projects. With intense redevelopment activity occurring in Totem Lake and Kirkland Urban, new buildings are increasingly taller and larger than historical norms, and design issues (ranging from aesthetic and master planning considerations to structural engineering and critical area protection) are more complicated. At the same time, the City has adopted new planning regulations and building code requirements, including new missing middle/accessory dwelling unit regulations, and new more energy-efficient code requirements. These new changes all require higher levels of staff skills and analysis. Recent growth in Kirkland has also generated additional inquiries from the community about development, requiring increased staff attention and skills. With a continued desire on the part of City leaders to shape growth in a positive matter, combined with a robust real estate market and recognition that Kirkland is an increasingly desirable place to live and work, this trend is expected to continue into the foreseeable future.

Kirkland's planning and building services are continually being adjusted to reflect best practices, with technology enhancements to allow staffing to be as efficient as possible. However, continued improvements in the Planning & Building Department are hampered by a lean structure, continuing staff turnover, and difficulty in filling vacancies. These problems are industry-wide for skilled planning and building staff, as cities and private sector employers in the planning, building, and design industries are all competing for the same scarce resources. The result of the vacancies has recently yielded difficulties in keeping up to date on permit reviews and other critical department work.

One top priority for the Planning and Building Department is to reduce staff vacancies and attrition. It is imperative that Kirkland retain and attract the best and brightest staff to respond to the challenges posed by continued growth. Additionally, there are significant turnover costs associated with recruiting, interviewing, hiring, orientation and training, lost productivity,

potential customer dissatisfaction, administrative costs, and lost expertise. Moreover, frequent turnover has a negative impact on employee morale and engagement.

Planning and Building is seeking to strengthen the operations of the Current Planning, Plans Examiner and Building Inspection divisions, along with the Administrative Division that helps coordinate the activities of the other divisions that comprise development services. With this agenda item, staff proposes to convert 11.0 limited term employees to ongoing employees. These are existing positions with full salaries and benefits, so there is no budgetary impact to this proposal. However, this conversion requires adding 11.0 FTE's to the Council-authorized positions as noted in the attached "Position Summary" document that identifies the changes.

Limited Term Employee History

For most of the past decade, the Planning and Building has recruited and hired certain positions as limited term employees. The reasons for doing so were largely motivated by financial prudence and uncertainty about workload. For example, after the Juanita-Finn Hill-Kingsgate annexation in 2011, the City knew that it would have an increased workload but did not yet have experience about actual revenues from development activity in the annexation area. However, it was certain that after ten years from the date of annexation the State-provided annexation financial incentive – about \$4 million per year – would end. Combined with that was the recognition that the City would have increased development activity demands, but only a reasoned projection about when, where, of what type, and whether the workload would be relatively constant or fluctuating. For those reasons, the Department tended to create limited term employee positions to satisfy new service needs.

Even though all Kirkland employment positions may be eliminated by the Council in each biennial budget process, many employees feel uncomfortable about the perceived transience and uncertainty about being in a "temporary" position rather than an "ongoing" position. The Department has lost employees to other organizations because they were offered a regular or "permanent" position there, sometimes of equal responsibilities. The permanent title made those employees feel that their employment situation would be more stable. The Planning and Building Department believes that converting most temporary positions to ongoing terms would eliminate an important motivator for accepting a job elsewhere. Current and upcoming development activity is strong in the Puget Sound area, and technical experts – such as electrical plan reviewers, inspectors, planners, and the skilled administrative staff that assist these staff – are at a premium.

All other factors being equal, if a candidate has the option to apply for or accept a job that is regular/ongoing versus temporary, the temporary position likely will be the least attractive. Additionally, the employment market today so favors high-skill employees that it is not uncommon for the candidates who have been chosen as finalists to withdraw at the last minute with negotiated job offers in hand from other employers, or to have current employers counter with a better arrangement. The Department's perspective is that the temporary classification is now a barrier to recruitment and retention that should be removed at no additional financial cost to the City.

Receptionist/Office Clerk

The temporary Receptionist/Office Clerk position was an ongoing position until it was eliminated during the 2008 recession. The Department has filled the duties of the position in various ways over the years, with on-calls, volunteers, distributing duties to administrative and professional staff, and currently as a temporary position. This position has proven critical to accomplish the many administrative tasks that would otherwise fall to planners, plans examiners and inspectors, and provides valuable frontline customer service. Converting this position to ongoing status will also help recruit and retain strong candidates to provide this important support.

To make these changes, Council needs to authorize the addition of 11.0 ongoing FTE positions, as identified in Table C, below, which also includes when the original LTE was approved. The

incumbents in those positions then could be reclassified from limited term to ongoing positions. While the goal is to create a workplace where employees have a sense of greater stability, technically it is possible that an employee prefers not to take an ongoing position or assignment, which could lead to bumping and/or seniority situations.

Table C: Limited Term Positions Proposed to Convert to Ongoing Positions

Position Title	Year Created	Position Number	FTE	Division
Associate Planner	2015	312	1.0	Current Planning
Planner	2018	678	1.0	Current Planning
Planner	2012	316	1.0	Current Planning
Assistant Planner	2013	311	1.0	Current Planning
Assistant Planner	2019	778	1.0	Current Planning
Assistant Planner	2021	826	1.0	Current Planning
Receptionist/Admin Clerk	2015	275	1.0	Department Administration
Building Inspector	2016	314	1.0	Building Inspection
Building Inspector	2019	315	1.0	Building Inspection
Electrical/Building Inspector	2018	268	1.0	Building Inspection
Journey Plans Examiner	2017	318	1.0	Building Services
		Total FTEs:	11.0	

BUDGET ADJUSTMENT 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 2021-2022 amended budget by fund type is included in the table below. Changed by fund as well as the position adds are included as Attachment A. The FTE changes to Planning and Building are shown in Attachment B "Position Summary".

Table D: Adjustment Summary

Fund Type	2021-2022 Amended Budget June 15, 2021	Appropriation Adjustments	2021-2022 Amended Budget August 4, 2021
General Government:			
General Fund	293,552,135	-	293,552,135
Other Operating Funds	37,224,087	-	37,224,087
Internal Funds	85,213,667	-	85,213,667
Non-Operating Funds	290,227,310	(7,543,539)	282,683,771
Utilities Funds:			
Water/Sewer	118,169,151	2,442,169	120,611,320
Surface Water	52,239,514	646,400	52,885,914
Solid Waste	41,525,985	-	41,525,985
Total Budget	918,151,849	(4,454,970)	913,696,879

The attached ordinance O-4764 adopts the revised 2021-2022 Budget as proposed by the City Manager.