City of Kenmore

City of Kenmore - 18120 68th Avenue NE Kenmore, WA 98028 Phone: 425-398-8900
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City Council Regular Meeting Agenda

7 p.m., October 26, 2020, via Zoom

LINK: https://us02web.zoom.us/j/85099644907

Or iPhone one-tap :

US: +12532158782,,85099644907# or +16699009128,,85099644907#

Or Telephone: Dial US:US: +1 253 215 8782

Webinar ID: 850 9964 4907

I. CALL MEETING TO ORDER

II. ROLL CALL

III. FLAG SALUTE

IV. AGENDA APPROVAL

V. PUBLIC COMMENTS

A. This is an opportunity to express your views on issues that are important to you and the community. Please state your name, and city of residence, and limit your comments to three (3) minutes.

VI. CONSENT AGENDA

A. Resolution No. 20-356, Setting the 2021 Development Services Fee Schedule
Agenda Bill - 2021 Fee Schedule
Exhibit A Resolution No. 20-0356 2021 Fee Schedule
Exhibit A 2021 Fee Schedule
Exhibit B Section 7 of NSD CFP
Exhibit C Resolution No. 18-315
Exhibit D 2020 Fee Schedule

B. Contract No. 20-2222, Consultant Services Agreement with Gordon Thomson, Honeywell for Legislative Advocacy
Agenda Bill
Consultant Services Agreement with Gordon Thomas Honeywell

VII. BUSINESS AGENDA

A. 2021-2022 Preliminary Biennium Budget. Fund Presentations: Community Development, Public Works Engineering, Maintenance, Street, Non-

Department, Parks Capital, Transportation Capital, West Sammamish Bridge, Surface Water Management, Surface Water Capital, and Facility Capital Funds, and 2021 Salary Plan, presented by Finance & Administration Director Joanne Gregory & Department Managers, *for Discussion*
Agenda Bill
Budget Presentation
2021 Proposed Salary Plan

B. Kenmore Financial Sustainability Plan and related Resolution No. 20-357, presented by City Manager Rob Karlinsey, Finance & Administration Director Joanne Gregory & Steve Toler of Management Partners, *for Approval*
FSP Resolution Agenda Bill
Attachment 1 - FSP Resolution with Exhibit A - The Plan
Addendum to the Final Plan - Task Force Recommendations
Attachment 2 - Management Partners Strategies Matrix
Management Partners Report - August 2020
Final Plan Slide Deck

VIII. STAFF REPORT

IX. COUNCILMEMBER REPORTS

X. ADJOURNMENT

UPCOMING MEETINGS:

- Tuesday, October 27, 2020 - 7 PM Special Meeting [Closed Executive Session pursuant to RCW 42.30.11(1)(g) for evaluation of a public employee]
- November 2, 2020 - 7 PM Special Meeting
- November 9, 2020- 7 PM Regular Meeting
- November 16, 2020 - 7 PM Regular Meeting

City Council Business Agenda Item
City of Kenmore, WA

Subject/Topic: 2021 Fee Schedule, Resolution No. 20-0356	**For Council Meeting Agenda of:** October 26, 2020 **Department:** Development Services **Prepared by:** Tela Gardner, Permit Specialist **Initial & Date** **Approved by Department Head:** BH 10/13/20 **Approved by City Attorney:** N/A **Approved by Finance Director:** JG **Approved by City Manager:** RK
Proposed Council Action/Motion: Approve Resolution No. 20-0356 of the City of Kenmore, Washington, Adopting the City of Kenmore's 2021 Fee Schedule.	**Exhibits/Attachments:** Exhibit A: Resolution No. 20-0356 with 2021 Fee Schedule; Exhibit B: Section 7 & Appendices from Northshore School District Capital Facilities Plan Exhibit C: Resolution No. 18-315 Surface Water Annual Charges Exhibit D: 2020 Fee Schedule

INFORMATION/BACKGROUND:

Annually, the City of Kenmore's fee schedule is reviewed and updated as provided for in Ordinance no. 02-0139. Typically, all Development Services fees (Section 4) are increased by the Consumer Price Index (CPI); however, due to the impacts of COVID-19, City Staff is recommending to not take the 1% increase. City Staff is proposing the following revisions and additions to the 2021 Fee Schedule:

1. Page 1, Business Registration fees - updated the business registration fees to reflect the cost assessed by the Department of Revenue.
2. Page 2, Code Enforcement - added Fire Code enforcement fees to the code enforcement section per Fire District's recommendation to be able to gain safety compliance quicker. A fire watch is required by the Fire Marshal if the alarm/suppression system is not functioning (damaged or not maintained) in a building equipped with those systems such as a commercial or large multifamily building. The International Fire Code (IFC) Section 109.4 allows the fire department to enforce most fire and life safety violations such as alterations to existing building egress system without a permit.
3. Page 3, Moved outside consultant plan review from the building section to general fees.
4. Page 12, School Impact Fees - Revised fee per Northshore School District Capital Facilities Plan (Exhibit B) for both single-family impact fees ($17,080) and multi-family impact fees ($1,504). Multi-family fees have been reduced due to reduced student generation rates.
5. Page 13, Utility Right of Way Permits - added a reference to Section 4 for hourly rates.
6. Page 17, Surface Water Annual Service Rates - Revised per Resolution No. 18-315 (Exhibit C).

FISCAL CONSIDERATION:

The proposed annual review and adjustments to the City's fee schedule are needed to ensure the City is recovering costs necessary to perform associated services.

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:

Continue to implement the Economic Development Strategy.

CITY OF KENMORE
WASHINGTON

RESOLUTION NO. 20-0356

A RESOLUTION OF THE CITY OF KENMORE, WASHINGTON, REVISING THE CITY FEE SCHEDULE; ADOPTING THE 2021 FEE SCHEDULE; REPEALING RESOLUTION NO. 19-332; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, for the convenience of Kenmore residents and other city customers, the City Council has adopted all City fees by resolution pursuant to Ordinance No. 02-0139; and

WHEREAS, the City reviews all fees annually and makes adjustments to them as necessary and appropriate; and

WHEREAS, the City Council desires to adopt a revised fee schedule as set forth in this resolution;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DOES RESOLVE

Section 1. Adoption. The City Council adopts the "City of Kenmore, Washington 2021 Fee Schedule", as set forth in “Exhibit A”, attached hereto and incorporated by reference.

Section 2. Effective date. The fees adopted by this resolution shall be effective on January 1, 2021.

Section 3. Repealer. Resolution No. 19-332 is hereby repealed, effective January 1, 2021.

PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 26th DAY OF OCTOBER, 2020.

CITY OF KENMORE

____

David Baker, Mayor

ATTEST/AUTHENTICATED:

____

Anastasiya Warhol, City Clerk

Approved as to form:

____

Dawn Reitan, City Attorney

Exhibit A

City of Kenmore, Washington

2021 Fee Schedule

Resolution No. 20-0356

Effective Date: January 1, 2021

Table of Contents

Note: A plus sign (**+**) in the margin of the fee schedule indicates a change from the previous schedule

1. Business Registration and Licenses

Business Registration	2021 Fee
General Business - New Application for a new business	$10
General Business - Renewal	$10
Home Occupation - New Application for a new business	$10
Home Occupation - Renewal	$10

\+ The business registration program is managed through Washington State Department of Revenue (DOR). The City registration fee is in addition to the DOR administration fee, which is currently $90 for new or re-opened businesses, $19 for new city registration and $10 for renewals.

Regulatory Business Licenses	
Adult Entertainment	
Device	$50 each
Operator	$500 per year
Premises	$200 per year
Panoram Manager License	$50 per year
Adult Cabaret	
Operator	$500 per year
Cabaret Manager License	$50 per year
Cabaret Entertainer License	$50 per year
Adult Retail Business License	$500 per year
Heavy Manufacturing Business	$200 per year
Live Entertainment: music (other than mechanical); boxing or wrestling; pool halls; and bowling alleys	$200 per year $100 per six months $50 per day
Junk Shop License	$300 per year
Junk Wagon License	$40 per year
Marijuana Business License	$500 per year
Massage Business and Public Bathhouse	$150 per year
Massage Practitioner	$50 per year
Theaters	$100 each screen per year
Pawnbroker	$500 per year
Peddler/Solicitor	No fee
Secondhand dealer	$40 per year
Renewal of License, registration or permit late penalty	10% of required fee
Transferability of license of permit	$25

2. Code Enforcement

	Code Enforcement	2021 Fee
	Inspection/Posting	$50
	Re-inspection	$50
	Abatement	Actual City Costs
	Abatement Hearing	$360
	Hearing Officer	$215 per hour
	Notice of Violation Appeal Hearing	$125
	Removal of Declaration	$20
	Violation of a Stop Work Order	$500
+	Failure to perform Fire Watch	$412/day
+	Violation of International Fire Code Section 109.4	$255/day

Housing Code Enforcement	2021 Fee
Inspection/Posting	$255 per hour
Re-Inspection plus Notice and Order	$510
Hourly Rate	$255
Appeal Fee	$128 each

Closing Fee	$255
Contract Abatement Fee	15% of the contract
Late Fee	25% of the amount due
Hearing Officer	$215 per hour

The Following Fees Apply to all Enforcement Actions:	
Inspection Warrant	$350 each
Attorney Fees	As established by the City Attorney contract for legal services
Paralegal Services	$60 per hour
Notary Services	$10
Abatement	Actual City Costs
Code Enforcement Administrative Fee	15%

3. Comprehensive Plan and Development Regulation Amendments

Type	**2021 Fee**
Prescreening/threshold review fee	$200
Annual amendment cycle fee (applicants whose amendment proposals are approved for consideration by the City Council)	$400

4. Development Services

General Fees	**2021 Fee**
Development Review Technology Fee. Applies to all fees listed in Section 4. Except items marked with an asterisk "*" are exempt from the technology fee	5%
Hourly Rate	$112
Additional excessive reviews and inspection fees. Applies to all development permits; additional plan review or inspections required by changes, additions or revisions to the plans or excess reviews of re-submittals will be billed at an hourly rate. Hourly fees throughout this section may be billed in 1/2 hour intervals.	Hourly
Where the original permit cost was less than or equal to the cost of an extension, the renewal fee shall be 25% of the original permit cost. Applies to all development	25%
+ For use of outside consultants for plan review and inspections	Actual Cost

Development Agreement	**2021 Fee**
Threshold review with City Council	$200
Development Agreement requested by the applicant (proposal is approved for consideration by the City Council)	$5,000 + City Attorney fees
Development Agreement requested by the City	No fee

Pre-application	**2021 Fee**
Pre-application review fee	No fee

Zoning and Land-use	**2021 Fee**
Site plan application fee (Land-use permit associated to KMC 18.105)	
Up to $100,000 project value	$869

$100,001 - $1,000,000 project value	$2,770
> $1,000,000 project value	$2,770 + $950 for each $1M or portion thereof
Construction permit site plan review	$108
Landscape and tree management plan review	
Initial plan review based on site area 0 – 1 site acre	$484
> 1 – 2 site acres	$877
> 2 site acres	$877 + $170 for each acre or portion over 2 thereof
Each plan revision review	$339
Request for modification requiring public notice	$126
Landscape and tree management inspections Landscape installation inspection	$247
Landscape maintenance bond release inspection	$196
Request for site specific rezone	$2,567
Conditional use permits (CUP) and special use permits (SUP) Administrative CUP	$1,883
SUP with public hearing	$2,421
Daycare with 24 children or less	$1,388
Request for time extension	$87
Variances (including variances from KMC 18.55) Application review	$1,377
Request for time extension	$87
Boundary line adjustment	$619
Communications facility application fee	$1,476
Conditional Use permit (CUP)	$4,080
Minor Adjustment	$2,663
Major Adjustment	$9,267
Accessory dwelling unit	$433
Change of use (zoning only)	$1,038
Land use inspections	Hourly
Reasonable use exception	$1,343
Legal lot status request	$399
Public agency and utility exception	$1,343
Zoning letter inquiry/request	$180
Design review	Hourly
Temporary Use Permit	$721
Public notice mailing fee	Actual cost of supplies and postage, or a minimum of $200, whichever is greater

Subdivision - Preliminary Application Review	**2021 Fee**
Preliminary short subdivisions (9 lots or less)	

Base fee	$460
Plus per lot	$933
Revision to approved preliminary	Hourly
Short subdivision alteration	Hourly
Request for time extension	$87
Preliminary subdivisions (10 lots or more)	
Base fee	$1,381
Plus per lot	$1,130
Major revision requiring new public hearing	$2,558
Minor revisions submitted after preliminary approval (not necessitating additional hearings)	$765
Request for time extension	$87
Subdivision alterations or subdivision vacations	
With public hearing	$3,218
Without public hearing	$1,562
Binding site plan	
Building permit, as-built or site plan review-based plan	$2,463
Conceptual plan	$2,377
Revision to a preliminary approved plan	$1,108
Revision to a final binding site plan	$1,231

Shoreline Management Permit	2021 Fee
Substantial development permit	
Total cost of proposed development:	
Up to and equal to $100,000	$1,783
Over $100,000	Hourly
Single-family joint use dock	$1,779
Shoreline conditional use permit	$2,269
Shoreline variance	
Up to and equal to $100,000 project value	$2,269
>$100,000 project value	Hourly
Shoreline re-designation	$15,379
Shoreline review of other permits or approvals for conditions	$339
Shoreline exemption	$860
Supplemental fees	
Request for a time extension	$87
Shoreline permit revision	Hourly
Surcharge when public hearing required	$710
Permit compliance inspections	Hourly

Special Reviews	2021 Fee
State Environmental Policy Act (SEPA) review	
Environmental checklist (Projects)	
Base fee	$1,572
After six hours	Hourly
All fixed and contract costs	Actual Cost

Environmental checklist (Non-Projects)	Hourly
Draft Environmental Impact Statement (DEIS), Final Environmental Impact Statement (FEIS), Supplemental Environmental Impact Statement (SEIS) or addenda preparation and review costs – including scoping, writing, editing, publishing, mailing, distributing and contract administration:	
Deposit – a percentage of total estimated cost	33%
All fixed and contract costs	Actual Cost
Staff preparation and review cost	Hourly
Critical areas review Applicants will be eligible for a refund of the portion of the base fee that is less than the city's costs (including consultants, public notice (as necessary) and other associated expenses).	
Review of residential building permits, shoreline permits, individual short subdivision, boundary line adjustments and right-of-way use permits:	
Site review base fee	$1,360
Plus, per hour	Hourly
Review of commercial building permits, grading permits, engineering permits, subdivisions, PUDs, declassifications, variances, conditional use permits and unclassified use permits:	
Site review base fee	$1,360
Plus, per hour	Hourly
Flood plain determination – certificate of elevation	$404
Plus, per hour	Hourly
Review of mitigation plan compliance, per hour	Hourly
Critical areas inspection	Hourly
Inspection and monitoring, per hour	Hourly
Appeals	
Appeals to the hearing examiner from decisions of the City	$128
Departmental review of non-departmental permits	Hourly
Review and monitoring of master drainage plans, per hour	Hourly

Engineering: General Permitting & Inspections	**2021 Fee**
Parking Review	
New or additional spaces	
First 0-25 spaces	$25/each space
Next 26-50	$23/each space
Next 51-75	$19/each space
Next 76-150	$19/each space
Anything above 150	$12/each space
Minimum fee	$324
Tree removal	$80
Single-family drainage review	
Base Fee	$261
Addition/rebuild drainage	$321

New non-plat SFR drainage			$740
Commercial/Multi-family drainage plan review			
Base Fee			$624
Total distributed area			
0 – .50 site acre			$1,228
.51 – 1 site acre			$1,693
1.1 – 2 site acres			$3,094
2.1 – 5 site acres			$6,791
5.1 – 10 site acres			$8,181
More than 10 acres			$9,106
Traffic Impact Analysis review			
Level 1 (10 P.M. peak hour trips or less)			$370
Level 2 (11-75 P.M. peak hour trips)			$878
Level 3 (Over 75 P.M. peak hour trips)			$1,756
Road standards/drainage standards variance			$219
Wet season grading variance			Hourly
Small Project Grading permits:			
Projects that do not exceed 500 cubic yards (volume and disturbed area) and that do not require engineered drawings as determined by the director.			$328
Large Project Grading permits			
Disturbed Area	Base fee		Per acre
Up to 1 acre	$193	+	$863.33
>1 acre	$418	+	$647.23
Grading plan revision			Hourly
Grading permit operation monitoring (inspection fee when not associated to a Bond Quantity Worksheet)			
The operation monitoring fee shall be calculated by adding the applicable amount from the Annual Volume Table (below) to an amount equal to $215 per acre disturbed and not rehabilitated during the monitoring period, to a maximum of $10,000.			
Annual Volume Table			
Volume deposited or removed	Base Fee		Per 100 cubic yards
0 to 3,000 cubic yards	$0	+	$107.68
>3,000 to 10,000 cubic yards	$2,798	+	$18.12
>10,000 to 20,000 cubic yards	$4,125	+	$5.37
>20,000 to 40,000 cubic yards	$4,695	+	$2.63
>40,001 cubic yards	$5,134	+	$1.26
Reclamation bond release inspection			$281
Re-inspection of non-bonded actions			$246
Construction inspections (when associated to a Bond Quantity Worksheet)			
Bond quantities worksheet amount (line T)	Initial fee + additional fee based on bond		
$0 – $30,000	$233 + $125 / $1,000 bond		
>$30,000 – 120,000	$2,471+ $54 / $1,000 bond		
>$120,000	$7,344 + $15 / $1,000 bond		
Additional inspection after 1 year	Hourly		
Maintenance bond inspections			
Bond quantities worksheet amount (line T)	Initial fee + additional fee based on bond		

$0 – $30,000	$505 + $16.12 / $1,000 bond
>$30,000 – 120,000	$844 + $5.27 / $1,000 bond
>$120,000	$1,279 + $1.79 / $1,000 bond

Engineering: Subdivision Plan Review and Inspections	
Short subdivision engineering plan review	
Short subdivision 4 lots or less	
Base fee	$2,289
Plus per lot	$229
Short subdivision 5 to 9 lots	
Base fee	$4,552
Plus per lot	$229
Additional review in excess of initial fees	Hourly
Subdivision engineering plan review	
Subdivision 30 lots or less	
Base fee	$6,812
Plus per lot	$37
Subdivision 31 lots or more	
Base fee	$7,363
Plus per lot	$18
Revisions and re-submittals	
Each occurrence	$130
Additional review in excess of initial fees	Hourly
Planned unit development engineering plan review	
30 units or less	
Base fee	$6,812
Plus per lot	$50
31 units or more	
Base fee	$7,583
Plus per lot	$25
Revisions and re-submittals	
Each occurrence	$130
Additional review in excess of initial fees	Hourly
Conceptual binding site plan (including conceptual commercial binding site plan)	
Plan and profile base fee	$4,533
Revisions and re-submittals	
Each occurrence	$130
Additional review in excess of initial fees	Hourly

Construction inspections (when associated to a Bond Quantity Worksheet)	
Bond quantities worksheet amount (line T)	Initial fee + additional fee based on bond
$0 – $30,000	$233 + $125 / $1,000 bond
$30,001 – 120,000	$2,471 + $54 / $1,000 bond
$120,000 or more	$7,344 + $15 / $1,000 bond
Additional inspection after 1 year	Hourly
Subdivision final approval	

Final short subdivision 4 lots or less	$2,108
Final short subdivision 5 to 9 lots	$4,249
Final short subdivision alteration	$784
Final subdivision 30 lots or less	
Base Fee	$6,391
Plus per lot	$76
Final subdivision 31 lots or more	
Base Fee	$7,099
Plus per lot	$52
Subdivision alteration	$1,182
Modification of a recorded building envelope	$593
Request for name change	$211
Final planned unit development	$4,970
Request for time extension	$159
Request for name change	$211
Final building site plan	$3,379
Subdivision – post final fees	
Maintenance bond inspections	
Bond quantities worksheet amount	Initial fee + additional fee based on bond
$0 – $30,000	$505 + $16.12 / $1,000 bond
>$30,000 – 120,000	$844 + $5.27 / $1,000 bond
>$120,000	$1,279 + $1.79 / $1,000 bond

Building Permits	
Building permit fees are based on valuation. The table below establishes the permit fee from the valuation. Valuation is determined by type of construction and square footage or from a contractor's bid. The most recent edition of the Building Safety Journal determines the type of construction and square footage factor.	
Valuation Table	
Total Valuation	Fee
$1 – $500	$26
>$500 – $2,000	$26 for the first $500 plus $3.26 for each additional $100 or fraction thereof, to and including $2,000.
>$2,000 – $25,000	$76 for the first $2,000 plus $15.26 for each additional $1,000 or fraction thereof, to and including $25,000.
>$25,000 – $50,000	$430 for the first $25,000 plus $10.75 for each additional $1,000 or fraction thereof, to and including $50,000.
>$50,000 – $100,000	$707 for the first $50,000 plus $7.49 for each additional $1,000 or fraction thereof, to and including $100,000.
>$100,000 – $500,000	$1,090 for the first $100,000 plus $6.33 for each additional $1,000 or fraction thereof, to and including $500,000.
>$500,000 – $1,000,000	$3,537 for the first $500,000 plus $5.27 for each additional $1,000 or fraction thereof, to and including $1,000,000.
>$1,000,000	$6,153 for the first $1,000,000 plus $4.21 for each additional $1,000 or fraction thereof.
Building plan review (except basic)	65% of the building permit
Building plan review (basic)	25% of the building permit

Additional plan review required for changes, additions or revisions to plans (minimum charge ½ hour)	Hourly
~~For use of outside consultants for plan review and inspections~~	~~Actual Cost~~
Mobile Homes	
Mobile Home permit	$908
Temporary mobile home permit	$845
Temporary mobile home permit for hardship	$908
Non-insignia mobile home inspection	$725
Re-roof permits	
Single-family residential	$202
Commercial and multi-family	Valuation Table
Condominium conversion review	
1 to 30 units	$1,788
31 to 99 units	$2,021
100 or more units	$2,741
Plus per unit	$304
Special plan review	Hourly
Pre-inspections	
Fire and flood damage	$399
Minimum housing or other code compliance	$399
Relocation of structure	$327
Demolition inspection	$327
Re-inspection	Hourly
Inspection outside of normal hours	Overtime hourly
Inspection for which no fee is specifically indicate	Hourly
Extension and renewal (extension for final inspection only)	
Single-family residential	$116
All other permits	$116
State Building Code Council surcharge (effective July 1, 2018)	
Residential building permits	
Base Fee	$6.50
Plus per unit	$2.00
Commercial building permits	
Base Fee	$25.00
Plus per unit	$2.00

Plumbing Permits	
New single-family (one and two dwellings) and townhouses	$775/unit
Commercial and Multi-family	
Plumbing Permit	Valuation Table
Plumbing Permit Plan Review	65% of permit
Alteration or additions to one and two-family dwellings and townhouses	
Base Fee	$114
Plus	
For each plumbing fixture on one trap or set of fixtures on one tra	$11/each
Roof drain	$11/each

	Electric water heater	$35/each
	Water piping or water treating equipment	$71/each
	Back flow devices (other than atmospheric vacuum breakers)	$71/each
	Other	$11/each

Mechanical Permits	
New single-family (one and two dwellings) and townhouses	$362/unit
Commercial and Multi-family	
Mechanical Permit	Valuation Table
Mechanical Permit Plan Review	65% of permit
Alteration or additions to one and two-family dwellings and townhouses	
Base Fee	$114
Plus	
For the installation or relocation of each floor furnace, including vent	$142
For the installation or relocation of each suspended heating, recessed wall heater or floor-mounted unit heater	$71
For the installation, relocation or replacement of each appliance vent installed and not included in an appliance permit	$22
For the repair or alteration of, or addition to each heating appliance, refrigeration unit, cooling unit, absorption unit, or each heating, cooling, absorption or evaporative cooling system, including installation of controls regulated by the Mechanical Code	$213
For each ventilation fan connected to a single duct	$11
For each ventilation system which is not a portion of any heating or air conditioning system authorized by a permit	$11
For the installation of each hood which is served by mechanical exhaust, including the ducts for such hood	$11
Gas pipe (1-5 outlets)	$71
Gas pipe (outlets over 5)	$11/outlet
For each appliance of piece of equipment regulated by the Mechanical Code but not classed in other appliance categories, or for which no other fee is listed in the table	$142
Gas water heater	$142

Transportation Impact Fees*		
ITE Land-Use Category	Net New Person Trips	Impact Fee
Single Mobility Unit Cost	N/A	$6,214.21
Single-Family	1.45 per dwelling unit	$10,114.72 per dwelling unit
Apartment	1.02 per dwelling unit	$7,495.08 per dwelling unit
Condominium (townhomes)	0.85 per dwelling unit	$6,286.20 per dwelling unit
Mobile Home	0.97 per dwelling unit	$6,760.28 per dwelling unit
Hotel	0.87 per room	$6,959.67 per room
Motel	0.68 per room	$5,451.75 per room
Light Industrial	1.06 per 1,000 sq ft	$10.74 per sq ft

Manufacturing	0.79 per 1,000 sq ft	$8.09 per sq ft
Mini-Warehouse	0.28 per 1,000 sq ft	$2.88 per sq ft
Marina	0.23 per boat berth	$1,436.22 per boat berth
Golf Course	0.37 per acre	$2,337.87 per acre
Movie Theater	0.09 per seat	$403.30 per seat
Health/Fitness Club	4.30 per 1,000 sq ft	$26.69 per sq ft
High School	1.18 per 1,000 sq ft	$4.69 per sq ft
Church	0.67 per 1,000 sq ft	$4.93 per sq ft
Hospital	1.13 per 1,000 sq ft	$11.31 per sq ft
Nursing Home	0.27 per bed	$1,492.18 per bed
General Office	1.75 per 1,000 sq ft	$17.85 per sq ft
Medical Office	4.20 per 1,000 sq ft	$40.34 per sq ft
Shopping Center	2.98 per 1,000 sq ft	$7.63 per sq ft
Supermarket	7.39 per 1,000 sq ft	$30.73 per sq ft
Convenience Market 24-hr	31.27 per 1,000 sq ft	$80.07 per sq ft
Drive-in Bank	19.23 per 1,000 sq ft	$24.57 per sq ft
Restaurant, Sit-down	4.80 per 1,000 sq ft	$24.57 per sq ft
Fast Food, No Drive-up	15.92 per 1,000 sq ft	$66.66 per sq ft
Fast Food, w/Drive-up	19.88 per 1,000 sq ft	$86.61 per sq ft
Gas Station	9.80 per pump	$34,853.80 per pump
Gas Station w/Convenience	7.24 per pump	$26,356.62 per pump

Parks Impact Fee*	
Single-family residence	$3,885/unit
Multi-family (townhomes)	$2,980/unit
Mobile Home	$1,942/unit

Schools Impact Fee*	
Single-family residence	$17,080/unit
Multi-family (townhomes)	$1,504/unit

Fire Department Review*
The fire review fee will be assessed per the approved contract with the Northshore Fire District #16 for all single family, multi-family and commercial projects.

Limited Right-of-Way Permits	
Type A Permit	
Application Fee (review and 1 hour inspection)	$219
Inspections in excess of 1 hour	Hourly
Type B Permit	
Application fee (includes review and inspection)	$169*
Type C Permit	
Application Fee (review and 1 hour inspection)	$169*
Inspections in excess of 1 hour	Hourly*
Use Fee	Fee = (use area) x $20 per sq. ft. x days of usage/365 or a minimum of $100, whichever is greater*

Access Right-of-Way Permits*	
Application Fee (includes 1 hour review and 1 hour inspection)	$219*
Review fee in excess of 1 hour	Hourly*
Inspection fee in excess of 1 hour	Hourly*
Use Fee	
Open to the Public	No fee
Limited (not open to the public)	Fee = (use area) x value* x 25% or a minimum of $100 whichever is greater*
*value of adjacent land (in area, sq ft) according to the County Assessor records	

Encroachment Right-of-Way Permits	
Application Fee (includes 1 hour review and 1 hour inspection)	$219
Review fee in excess of 1 hour	Hourly
Inspection fee in excess of 1 hour	Hourly
Use Fee	Fee = (use area) x value1 x No. of Years x 12% or a minimum of $100 whichever is greater
1. value of adjacent land (in area, sq ft) according to the County Assessor records	

Utility Right of Way Permits*: all Utility Franchises and any other utility company or agency installing, repairing, removing, and/or modifying telecommunication/cable facilities	
Application	$215
Review	Hourly
Inspection	Hourly
Use fee	No Fee
Violation of Lane Closure Hours	$518
Accelerated Job Start	$500
See Section 4. Development Services for Current Hourly Rate	

Annual Use Payment for Use of Right-of-Way*	
Type of Equipment/Facility within the right-of-way	
Separate support structure (such as a monopole or lattice) used solely for wireless antenna, with antenna/receiver transmitter and/or equipment cabinet	$5,000/year
Antenna/receiver transmitter (on an existing or replacement pole) and equipment cabinet	$3,000/year
Antenna/receiver transmitter (on an existing or replacement pole) or equipment cabinet, but not both	$2,000/year

State Route 522 driveway connection permit*

Fee structure. The following nonrefundable fee structure is established for the processing, review and inspection of the connection permit application. A description of each category can be found in section 12.85.040 of the KMC. Due to the potential complexity of Category II and Category III connection proposals, and required mitigation measures that may involve construction on SR 522, the city may require a developer agreement in addition to the connection permit.

The developer agreement may include, but is not limited to: plans; specifications; maintenance requirements; bonding requirements; inspection requirements; division of costs by the parties, where applicable; and provisions for payment by the applicant of actual costs incurred by the city in the review and administration of the applicant’s proposal that exceed the required base fees in the following schedule:

Category I – Base fee for one connection:	
· Agricultural, forest, utility operation and maintenance	$50
· Residential dwelling units (up to 10)- single connection	$50/dwelling
· Other, with 100 average weekday vehicle trip ends	$500
· Fee per additional connection point	$50
Category II – Base fee for one connection:	
· Less than 1,000 average weekday vehicle trip ends	$1,000
· 1,000 to 1,500 average weekday vehicle trip ends	$1,500
· Fee per additional connection point	$250
Category III - Base fee for one connection:	
· 1,500 to 2,500 average weekday vehicle trip ends	$2,500
· Over 2,500 average weekday vehicle trip ends	$4,000
· Fee per additional connection point	$1,000
Category IV – Base fee per connection:	$100

Surety Bond. Prior to the beginning of construction of any connection, the city may require the permit holder to provide a surety bond as specified in WAC 468-34-020(3).

Special Event Permit	
Application Fee	100*
Actual and indirect cost for City personel involvement in event traffic control, fire safety, or other facility or event support, and the use of City equipment and other nonpersonnel expense.	Actual Cost

Memorial Sign	
Application fee and sign	$300*

5. Animal Care and Control

Animal License and Registration		
Pet license - dog or cat		
	Unaltered	$60
	Altered	$30
Juvenile pet license - dog or cat		$15
Discounted pet license - dog or cat		$15
Replacement tag		$5
Transfer fee		$3
Guard dog registration		$100
Exotic pet	New	$500
	Renewal	$250
Service animal		No fee
K-9 police dog		No fee

Late fees	
Received 45-90 days following license expiration	$15
Received 90-135 days following license expiration	$20
Received more than 135 days following license expiration	$30
Received more than 365 days following license expiration	$30 plus license fee(s) for any previous year pet was unlicensed

Animal Business and Activity Permits	
Hobby kennel and hobby cattery license	$50
Private animal placement permit	No fee

Civil Penalties	
General	
No previous similar code violation within one year	$50
One previous similar code violation within one year	$100
Two previous similar code violation within one year	Double the rate of the previous penalty, up to a maximum of $1,000.
Vicious animal or animal cruelty violations	
First violation within one year	$500
Subsequent violations within one year	$1,000
Dog leash law violations	
First violation within one year	$25
Additional violation within one year	$50
Animal abandonment	$500
Unlicensed cat or dog	
Altered cat or dog	$125
Unaltered cat or dog	$250

Service Fees	
Adoptions – including licensing and spaying or neutering or the animal (based on adoptability/animal)	$75-250
Spay or neuter deposit	$150/animal
Impound or redemption - dogs, cats, or other small animals	
First impound within one year	$45
Second impound within one year	$85
Third impound within one year	$125
Impound or redemption - livestock, small	$45
Impound or redemption – livestock, large	$45 or actual cost of sheltering, whichever is greater

Kenneling at King County animal shelter – per 24 hours or portion thereof in-field pick-up of an owner's deceased unlicensed pet or pick-up of an unlicensed pet released voluntarily to the regional animal service section.	$20
Owner-requested euthanasia (unlicensed pets)	$50
Optional micro-chipping for adopted pets	$25

6. Miscellaneous

Type	
Credit Card Service Fee	3%
NSF (insufficient check)	$25
Use of City owned property, other than right-of-way, for event parking, storage or similar use	$100/day
City Sponsored Event - Vendor Fees	
Food Vendor	$50/day
Craft Vendor	$50/day
Non-Profit Booth or Vendor	$10/day
City Hall Facility Rental Fees	
Weekday Rental (Tue-Fri) - Resident	$25/hour
Weekday Rental (Tue-Fri) - Non-Resident	$50/hour
Saturday Rental - Resident	$75/hour
Saturday Rental - Non-Resident	$125/hour
Audio/Visual Rental	$25
Damage Deposit (refundable)	$250 min.
The Hangar (Kenmore Residents Only)	
Damage Deposit (for groups ≥ 30 people)	$100*
Damage & Food Deposit (for groups ≥ 30 people)	$150*
*50% of deposit will be forfeited if the event exceeds reserved time over 10 minutes *100% of the deposit will be forfeited for "no-shows"	
Public Safety Fees	
First three false alarms	No fee
Fourth and fifth false alarms	$50 each
Sixth and additional false alarms	$100 each
Rhododendron Park Shelter Rental Fee	
Kenmore Residents all day	$150
Kenmore Residents half day	$75
Non-Kenmore Residents all day	$200
Non-Kenmore Residents half day	$100
Moorlands Park Athletic Fields (athletic clubs may request up to a maximum 50% reduction if the club has at least 20% of eligible participants)	$22/hour
Franchise Agreements Negotiations	
General	Actual Cost
Cable TV	Actual Cost*
*Reimbursemet of actual costs may be subject to federal regulations relating to 5% gross revenue franchise fee cap	

7. Public Records Requests

Type	
Copy charges may be combined to the extent more than one type of charge applies to a particular request	
Review of requested records	No charge
Standard size black-and-white-photocopies (includes 8-1/2" x 11', 8-1/2"x14" and 11"x17"	
6 pages or less	No charge
7 or more pages (includes cost of first 6 pages)	15 cents/page
Scanned copies (converting a record from paper copy to an electronic format)	
10 pages or less	No charge
11 or more pages (including cost of first 10 pages)	10 cents/page
Uploading/attaching electronic files to digital storage media/device(s), a cloud-based storage or service, or emails (CD, DVD, thumb drive, email or cloud service).	
80 files or less	No charge
81 or more files (including cost of first 80 files)	5 cents/4 files
Transmission of public records in an electronic format	10 cents/gigabyte
Oversized documents such as building plans, maps, blueprints or large copy jobs	Actual Cost
Records copied to CD or DVD	$1.00 per CD/DVD
Records copied to thumb/flash drive	Actual Cost
Mailing envelopes or packaging and postage	Actual Cost

8. Surface Water

+

Surface Water Management Service Charge		
Class	Impervious Area	2021 Rate
Residential	N/A	$230.24 per parcel
Very Light	0 to ≤ 10%	$230.24 per parcel
Light	> 10% to ≤ 20%	$690.73 per acre
Moderate	> 20% to ≤ 45%	$1,496.57 per acre
Moderately Heavy	> 45% to ≤ 65%	$2,532.66 per acre
Heavy	> 65% to ≤ 85%	$3,453.63 per acre
Very Heavy	> 85% to ≤ 100%	$4.259.48 per acre
County Roads	N/A	N/A
State Highways	N/A	N/A

Stormwater Capital Facilities	
Single family residential development on a single parcel, including townhomes	$3,500
All other development	Square feet of impervious area of the parcel (rounded down to the nearest whole square foot), divided by 2,500 (quotient rounded to nearest tenth), and multiplied by $3,500. The minimum ERU shall be 1.0.

SECTION 7 -- IMPACT FEES

School Impact Fees under the Washington State Growth Management Act

The Growth Management Act (GMA) authorizes jurisdictions to collect impact fees to supplement funding of additional public facilities needed to accommodate growth/new development. Impact fees cannot be used for the operation, maintenance, repair, alteration, or replacement of existing capital facilities used to meet existing service demands. The basic underlying assumption is that growth pays for growth.

Enrollment declines beginning around 2002 kept the District from meeting the required eligibility criteria to collect school impact fees. The District is spread across two counties and also across the urban growth boundary. While development picked up on the north end of the District, there was still ample capacity in the south east area of the District. Because of the statutes and ordinances governing school District eligibility criteria to be able to collect school impact fees, the District was not able to re-establish eligibility for collection of school impact fees until 2016. King County and the cities of Bothell, Kenmore, and Woodinville have all adopted the District's 2019 CFP and are collecting impact fees identified in that plan. Snohomish County has adopted the District's 2018 CFP and is collecting impact fees associated with that plan. We anticipate all the above jurisdictions to consider and adopt this 2020 CFP this fall either as part of their regular budget cycle or, in the case of Snohomish County, as part of its biennial schedule.

Methodology and Variables Used to Calculate School Impact Fees

Impact fees may be calculated based on the District's cost per dwelling unit to purchase/acquire land for school sites, make site improvements, construct schools and purchase/install temporary facilities (portables), all for purposes of growth-related needs. The costs of projects that do not add growth-related capacity are not included in the impact fee calculations. The impact fee formula calculates a "cost per dwelling unit". New capacity construction costs addressing the District's growth-related needs, are used in the calculation

A student factor (or student generation rate) is used to identify the average cost per NEW dwelling unit by measuring the average number of students generated by each NEW (sold and occupied) housing type (single family dwelling and multi-family dwellings of two bedrooms or more – including townhomes). The student generation rate used is an actual generation of students by grade level that came from new development over a period of five (5) years. The student factor analysis for the District is included in Appendix B. The student factors in Appendix B are based on all newly constructed, sold, and occupied units.

The District's student-generation rate for multi-family dwelling units is much lower than the student generation rate for single-family homes. This likely reflects, in part, that most new development in recent years within the District has been in single family homes. Yet, as available land for single family development is beginning to be constrained, and multi-family development – most notably townhomes, is increasing, we anticipate continued increases in student generation rates from those units over time. In particular, the District's student generation rates, when isolated for townhomes only, show that more students are residing in those units than in traditional multi-family units. However, the District does not yet have a robust data set upon which to separate these units for purposes of the school impact fee calculation. The District will continue to collect and analyze this data and, if the trend continues, will likely request in future CFP updates that each jurisdiction consider amendments to the school impact fee ordinance to recognize the impacts of townhome units as different from apartments and condominium units.

As required under GMA, credits are applied for State School Construction Assistance Funds to be reimbursed to the District, where expected, and projected future property taxes to be paid by the dwelling unit toward a capital bond/levy funding the capacity improvement. Formula driven fees are identified in Appendix C*.*

Snohomish County Code (30.66C) and King County Code (21A.43) establish each jurisdiction's authority to collect school impact fees on behalf of the District. The formula for calculating impact fees is substantively identical in each code (with one exception that Snohomish County has separate fees for Multi-Family Units with 1 bedroom or less and Multi-Family Units with 2+ bedrooms). The codes of each of the cities are similar to those of the counties. These codes establish the conditions, restrictions, and criteria for eligibility to collect impact fees. Both counties define a school district's "service area" to be the total geographic boundaries of the school district.

The District updates the Capital Facilities Plan on an annual basis and carefully monitors enrollment projections against capacity needs. If legally supportable, the District requests its local jurisdictions to collect impact fees on behalf of the District.

The impact fees requested in this year's Capital Facilities Plan are based on growth related construction projects, including: the new Ruby Bridges Elementary School capacity (500); the added capacity project at Skyview Middle School (321) and Canyon Creek Elementary (336); constructing a 700 student middle school at the Ruby Bridges Elementary School property; the addition of instructional space and capacity (100) at Inglemoor High School; and the newly acquired land and commercial building that is being adapted for reuse as the Innovation Lab High School (housing 550 high school students).

Proposed School Impact Fees
King County, cities of Bothell, Kenmore, Woodinville

Single Family Units	$17,080
Multi-Family Units	$1,504

Proposed School Impact Fees
Snohomish County

Single Family Units	$17,080
Multi-Family Units 1 bedroom/less	$0^
Multi-Family Units 2+ Bedroom	$1,504

School impact fee rates stated above reflect a discount of 50% as required by the King County and Snohomish County codes.

^The District is not requesting that Snohomish County adopt a MF 1 bedroom/less fee on its behalf.

FACTORS FOR IMPACT FEE CALCULATIONS

Student Generation Factors – Single Family

Elementary	.328
Middle	.108
High	.101

Student Generation Factors – Multi Family

Elementary	.052
Middle	.019
High	.014

Projected New Capacity

Ruby Bridges ES - 500
Canyon Creek ES (add) – 336
Skyview MS (add) – 321
Maltby Site Phase II - 700
Inglemoor HS (add) – 100
Innovation Lab HS – 550

Capacity Costs (construction cost)

Ruby Bridges ES - $56,544,993
Canyon Creek ES/Skyview MS - $40,737,639
New Middle School - $62,123,849
Inglemoor HS - $10,369,215
Innovation Lab HS - $13,200,000

Permanent Facility Square Footage

94.55%

Temporary Facility Square Footage

5.45%

Property Costs – New Capacity

RBES/New MS – 33.23 acres
Cost/Acre - $175,758
Innovation Lab HS – 5.92 acres
Cost/Acre - $3,108108

Temporary Facility Capacity

Capacity/Cost
(Portable costs not included in formula)

School Construction Assistance Program Credit

Current SCAP Percentage	44.18%
Qualifying Project(s): Inglemoor HS addition	
Current Construction Cost Allocation	238.22
OSPI SqFt/Student	
ES - 90	
MS - 108	
HS – 130	

Tax Payment Credit

Single Family Unit AAV	$736,802
Multi-Family Unit AAV	$295,238

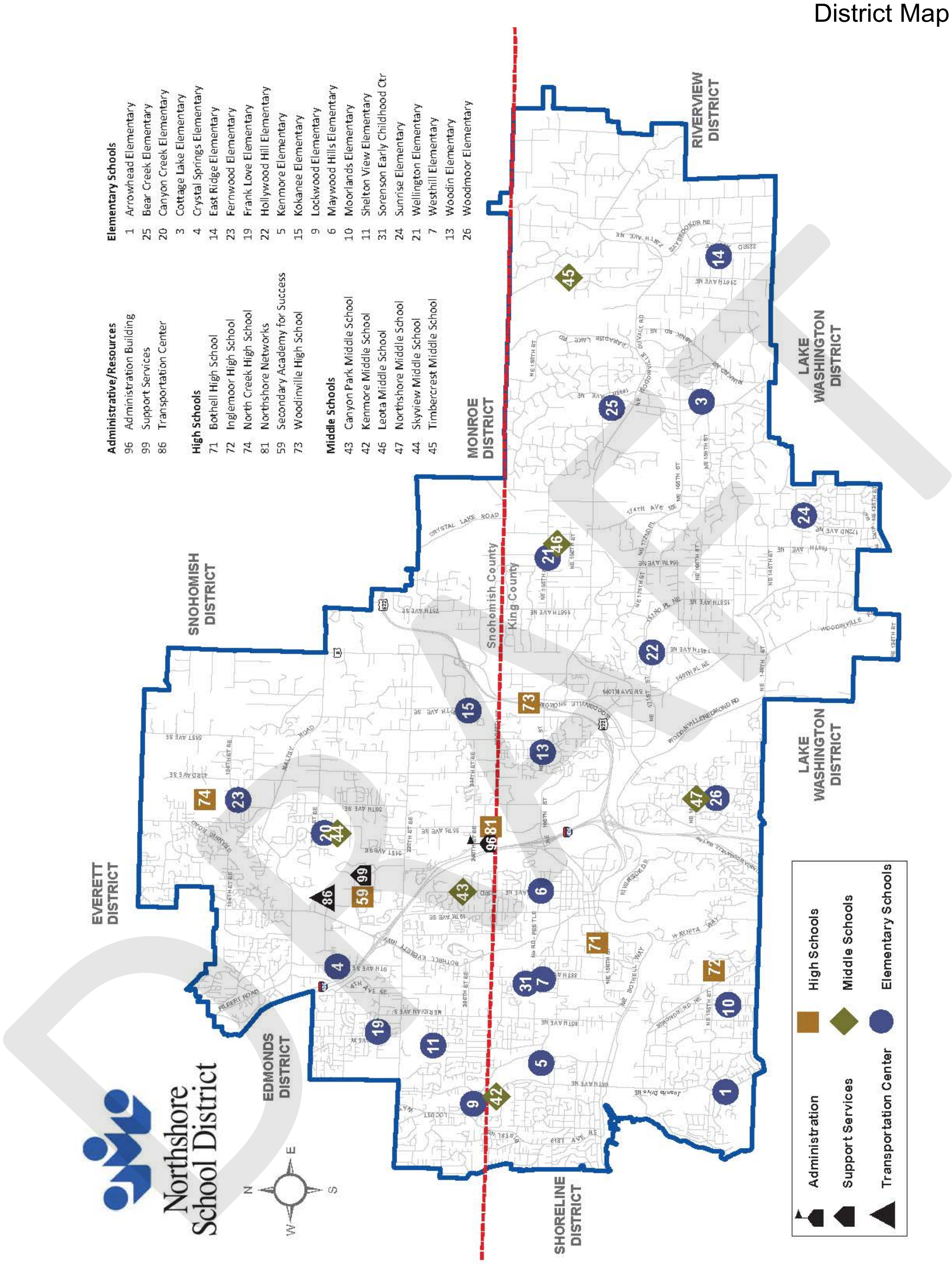
Debt Service Rate
Current/$1,000 $1.57

GO Bond Interest Rate – Bond Buyer Index
Avg – Feb. 2020 2.44%

Developer Provided Sites/Facilities

None

APPENDIX A
District Map 2019-2020



APPENDIX B
New Development Student Generation

NSD Student Generation Summaries

Permit Years: 2015 - 2019

Permitted Units Districtwide

	Total Units***	Single Family Units - Students Generated	
Single Family	3088	1656	**0.536**
Multi-Family	1658	139	**0.084**

Single Family Student Generation Rates by Grade

GRADE		MF Units Students Generated**	
K		176	0.057
1		194	0.063
2		189	0.061
3		169	0.055
4		146	0.047
5		139	0.045
6		110	0.036
7		119	0.039
8		103	0.033
9		94	0.030
10		93	0.030
11		72	0.023
12		52	0.017
Total		**1656**	**0.536**

Single Family

Level	Rate
K-5	0.328
6-8	0.108
9-12	0.101
Total	0.536

Multi-Family Student Generation Rates by Grade

GRADE		Multi-Family Units - Students Generated	
K		11	0.007
1		12	0.007
2		19	0.011
3		21	0.013
4		11	0.007
5		12	0.007
6		10	0.006
7		10	0.006
8		11	0.007
9		4	0.002
10		8	0.005
11		8	0.005
12		2	0.001
Total		**139**	**0.084**

Multi-Family

Level	Rate
K-5	0.052
6-8	0.019
9-12	0.014
Total	0.084

APPENDIX C

School Impact Fee Calculation - Single Family Dwelling Unit

Northshore School District 2020 CFP

School Site Acquisition Cost:

	Site Size Acreage	Cost/ Acre	Facility Size	Site Cost/ Student	Student Factor	Cost/ SFDU
Elementary	13	$175,758	500	$4,570	0.3280	$1,499
Middle	20	$175,758	700	$5,022	0.1080	$542
Senior	5.92	$3,108,108	550	$33,455	0.1010	$3,379
				TOTAL		$5,420

School Construction Cost:

	Sq. Ft. % Permanent	Facility Cost	Facility Size	Bldg. Cost/ Student	Student Factor	Cost/ SFDU
Elementary	94.55%	$76,913,812	836	$92,002	0.3280	$28,532
Middle	94.55%	$82,492,669	1021	$80,796	0.1080	$8,250
Senior	94.55%	$23,569,215	650	$36,260	0.1010	$3,463
				TOTAL		$40,245

Temporary Facility Cost:

	Sq. Ft. % Temporary	Facility Cost	Facility Size	Bldg. Cost/ Student	Student Factor	Cost/ SFDU
Elementary	5.45%	$0	25	$0	0.3280	$0
Middle	5.45%	$0	25	$0	0.1080	$0
Senior	5.45%	$0	25	$0	0.1010	$0
				TOTAL		$0

State School Construction Funding Assistance Credit:

	Const Cost Allocation	OSPI Sq. Ft./ Student	Funding Assistance	Credit/ Student	Student Factor	Cost/ SFDU
Elementary	238.22	90.0	0.00%	$0	0.3280	$0
Middle	238.22	108.0	0.00%	$0	0.1080	$0
Senior	238.22	130.0	44.18%	$13,682	0.1010	$1,382
				TOTAL		$1,382

APPENDIX C

School Impact Fee Calculation - Single Family Dwelling Unit

Northshore School District 2020 CFP

Tax Payment Credit Calculation:	
Average SFR Assessed Value	$736,802
Current Capital Levy Rate/$1000	$1.57
Annual Tax Payment	$1,153.10
Years Amortized	10
Current Bond Interest Rate	2.44%
Present Value of Revenue Stream	$10,123
Impact Fee Summary - Single Family Dwelling Unit:	
Site Acquisition Cost	$5,420
Permanent Facility Cost	$40,245
Temporary Facility Cost	$0
State SCFA Credit	($1,382)
Tax Payment Credit	($10,123)
Unfunded Need	$34,160
50% Required Adjustment	$17,080
Single Family Impact Fee	$17,080

APPENDIX C

School Impact Fee Calculation - Multi-Family Dwelling Unit

Northshore School District 2020 CFP

School Site Acquisition Cost:

	Site Size Acreage	Cost/ Acre	Facility Size	Site Cost/ Student	Student Factor	Cost/ MFDU
Elementary	13	$175,758	500	$4,570	0.0520	$238
Middle	20	$175,758	700	$5,022	0.0190	$95
Senior	5.92	$3,108,108	550	$33,455	0.0140	$468
				TOTAL		$801

School Construction Cost:

	Sq. Ft. % Permanent	Facility Cost	Facility Size	Bldg. Cost/ Student	Student Factor	Cost/ MFDU
Elementary	94.55%	$76,913,812	836	$92,002	0.0520	$4,523
Middle	94.55%	$82,492,669	1021	$80,796	0.0190	$1,451
Senior	94.55%	$23,569,215	650	$36,260	0.0140	$480
				TOTAL		$6,455

Temporary Facility Cost:

	Sq. Ft. % Temporary	Facility Cost	Facility Size	Bldg. Cost/ Student	Student Factor	Cost/ MFDU
Elementary	5.45%	$0	25	$0	0.0520	$0
Middle	5.45%	$0	25	$0	0.0190	$0
Senior	5.45%	$0	25	$0	0.0140	$0
				TOTAL		$0

State School Construction Funding Assistance Credit:

	Const Cost Allocation	OSPI Sq. Ft./ Student	Funding Assistance	Credit/ Student	Student Factor	Cost/ MFDU
Elementary	238.22	90.0	0.00%	$0	0.0520	$0
Middle	238.22	108.0	0.00%	$0	0.0190	$0
Senior	238.22	130.0	44.18%	$13,682	0.0140	$192
				TOTAL		$192

APPENDIX C

School Impact Fee Calculation - Multi-Family Dwelling Unit

Northshore School District 2020 CFP

Tax Payment Credit Calculation:	
Average MFR Assessed Value	$295,238
Current Capital Levy Rate/$1000	$1.57
Annual Tax Payment	$462.05
Years Amortized	10
Current Bond Interest Rate	2.44%
Present Value of Revenue Stream	$4,056
Impact Fee Summary - Multi-Family Dwelling Unit:	
Site Acquisition Cost	$801
Permanent Facility Cost	$6,455
Temporary Facility Cost	$0
State SCFA Credit	($192)
Tax Payment Credit	($4,056)
Unfunded Need	$3,008
50% Required Adjustment	$1,504
Multi-Family Impact Fee	$1,504

Exhibit C

CITY OF KENMORE

WASHINGTON

RESOLUTION NO. 18-315

A RESOLUTION OF THE CITY OF KENMORE, WASHINGTON, REVISING THE CITY SURFACE WATER MANAGEMENT PROGRAM ANNUAL SERVICE CHARGES, AND REPEALING RESOLUTION NO. 08-160.

WHEREAS, KMC 13.30.010 establishes the City of Kenmore's surface water utility, and KMC 13.40.010 establishes the City's surface water management program; and

WHEREAS, KMC 13.40.050.A provides that the City Council shall determine the service charge revenue needs of the surface water management program, and shall impose annual service charges on all developed property in the City, pursuant to City Council resolution; and

WHEREAS, by Resolution No. 08-160, adopted on November 24, 2008, the City Council established annual service charges for the surface water management program; and

WHEREAS, the City has updated the surface water management program to respond to drainage capital needs, to address flooding and water quality problems, and to consider the 2000 Puget Sound Water Quality Management Plan, the 2007, 2012, 2013 and 2019 NPDES Phase II Municipal Stormwater Permits, the 2006 Swamp Creek Fecal Coliform Bacteria Total Maximum Daily Load Water Quality Improvement Report and Implementation Plan, the Underground Injection Control Rule, and the Endangered Species Act and associated Watershed and Salmon Recovery Plans; and

WHEREAS, current surface water management program annual service charges are insufficient to generate the annual income needed to develop and implement the updated surface water management program, requiring an increase in the annual service charges as set forth in this resolution; and

WHEREAS, the City Council held a public hearing on November 19, 2018 to receive public testimony and consider adoption of increased annual service charges;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DOES RESOLVE as follows:

Section 1. The City Council adopts the City of Kenmore Surface Water Management Program Annual Service Charges attached hereto as Exhibit "A" and incorporated herein by reference.

Section 2. Resolution No. 08-160 is repealed.

PASSED BY THE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 26TH DAY OF NOVEMBER, 2018.

CITY OF KENMORE

Mayor David Baker

ATTEST/AUTHENTICATED:

Kelly Chelin, City Clerk

Exhibit A

City of Kenmore
Surface Water Management Program Annual Service Charges

Class	Impervious Area	Annual Rates					
		2019	2020	2021	2022	2023	2024
Residential[A]	NA	$ 192.51	$ 221.39	$ 230.24	$ 239.45	$ 249.03	$ 258.99
Very Light[A]	0 to ≤ 10%	$ 192.51	$ 221.39	$ 230.24	$ 239.45	$ 249.03	$ 258.99
Light	> 10% to ≤ 20%	$ 513.38	$ 664.16	$ 690.73	$ 718.35	$ 747.09	$ 776.97
Moderate	> 20% to ≤ 45%	$ 1,090.95	$ 1,439.01	$ 1,496.57	$ 1,556.44	$ 1,618.69	$ 1,683.44
Moderately Heavy	> 45% to ≤ 65%	$ 1,957.28	$ 2,435.25	$ 2,532.66	$ 2,633.97	$ 2,739.33	$ 2,848.90
Heavy	> 65% to ≤ 85%	$ 2,582.95	$ 3,320.80	$ 3,453.63	$ 3,591.77	$ 3,735.45	$ 3,884.86
Very Heavy	> 85% to ≤ 100%	$ 3,272.82	$ 4,095.65	$ 4,259.48	$ 4,429.86	$ 4,607.05	$ 4,791.33
County Roads	NA						
State Highways	NA						

[A] Rate is per parcel; all other rates are per acre

Exhibit D

City of Kenmore, Washington

2020 Fee Schedule

Resolution No. 19-332

Effective Date: January 1, 2020

Table of Contents

Note: A plus sign (**+**) in the margin of the fee schedule indicates a change from the previous schedule

1. Business Registration and Licenses

Business Registration	**2020 Fee**
General Business - New Application for a new business	$10
General Business - Renewal	$10
Home Occupation - New Application for a new business	$10
Home Occupation - Renewal	$10
The business registration program is mangaged through Washington State Department of Revenue (DOR). The City registration fee is in adition to the DOR administration fee, which is currently $19 for new applications and $11 for renewals.	

Regulatory Business Licenses	
Adult Entertainment	
Device	$50 each
Operator	$500 per year

	Premises	$200 per year
	Panoram Manager License	$50 per year
Adult Cabaret		
	Operator	$500 per year
	Cabaret Manager License	$50 per year
	Cabaret Entertainer License	$50 per year
	Adult Retail Business License	$500 per year
Heavy Manufacturing Business		$200 per year
Live Entertainment: music (other than mechanical); boxing or wrestling; pool halls; and bowling alleys		$200 per year $100 per six months $50 per day
Junk Shop License		$300 per year
Junk Wagon License		$40 per year
Marijuana Business License		$500 per year
Massage Business and Public Bathhouse		$150 per year
Massage Practitioner		$50 per year
Theaters		$100 each screen per year
Pawnbroker		$500 per year
Peddler/Solicitor		No fee
Secondhand dealer		$40 per year
Renewal of License, registration or permit late penalty		10% of required fee
Transferability of license of permit		$25

2. Code Enforcement

Code Enforcement	2020 Fee
Inspection/Posting	$50
Re-inspection	$50
Abatement	Actual City Costs
Abatement Hearing	$360
Hearing Officer	$215 per hour
Notice of Violation Appeal Hearing	$125
Removal of Declaration	$20
Violation of a Stop Work Order	$500

Housing Code Enforcement	2020 Fee
Inspection/Posting	$255 per hour
Re-Inspection plus Notice and Order	$510
Hourly Rate	$255
Appeal Fee	$128 each
Closing Fee	$255
Contract Abatement Fee	15% of the contract
Late Fee	25% of the amount due
Hearing Officer	$215 per hour

The Following Fees Apply to all Enforcement Actions:	
Inspection Warrant	$350 each
Attorney Fees	As established by the City Attorney contract for legal services
Paralegal Services	$60 per hour
Notary Services	$10
Abatement	Actual City Costs
+ Code Enforcement Administrative Fee	15%

3. Comprehensive Plan and Development Regulation Amendments

Type	2020 Fee
Prescreening/threshold review fee	$200
Annual amendment cycle fee (applicants whose amendment proposals are approved for consideration by the City Council)	$400

4. Development Services

General Fees	2020 Fee
Development Review Technology Fee. Applies to all fees listed in Section 4. Except items marked with an asterisk "*" are exempt from the technology fee	5%
Hourly Rate	$112
Additional excessive reviews and inspection fees. Applies to all development permits; additional plan review or inspections required by changes, additions or revisions to the plans or excess reviews of re-submittals will be billed at an hourly rate. Hourly fees throughout this section may be billed in 1/2 hour intervals.	Hourly
Where the original permit cost was less than or equal to the cost of an extension, the renewal fee shall be 25% of the original permit cost. Applies to all development	25%

Development Agreement	2020 Fee
Threshold review with City Council	$200
Development Agreement requested by the applicant (proposal is approved for consideration by the City Council)	$5,000 + City Attorney fees
Development Agreement requested by the City	No fee

Pre-application	2020 Fee
Pre-application review fee	No fee

Zoning and Land-use	2020 Fee
Site plan application fee (Land-use permit associated to KMC 18.105)	
Up to $100,000 project value	$869
$100,001 - $1,000,000 project value	$2,770
> $1,000,000 project value	$2,770 + $950 for each $1M or portion thereof
Construction permit site plan review	$108
Landscape and tree management plan review Initial plan review based on site area 0 – 1 site acre	$484

> 1 – 2 site acres	$877
> 2 site acres	$877 + $170 for each acre or portion over 2 thereof
Each plan revision review	$339
Request for modification requiring public notice	$126
Landscape and tree management inspections	
Landscape installation inspection	$247
Landscape maintenance bond release inspection	$196
Request for site specific rezone	$2,567
Conditional use permits (CUP) and special use permits (SUP)	
Administrative CUP	$1,883
SUP with public hearing	$2,421
Daycare with 24 children or less	$1,388
Request for time extension	$87
Variances (including variances from KMC 18.55)	
Application review	$1,377
Request for time extension	$87
Boundary line adjustment	$619
Communications facility application fee	$1,476
Conditional Use permit (CUP)	$4,080
Minor Adjustment	$2,663
Major Adjustment	$9,267
Accessory dwelling unit	$433
Change of use (zoning only)	$1,038
Land use inspections	Hourly
Reasonable use exception	$1,343
Legal lot status request	$399
Public agency and utility exception	$1,343
Zoning letter inquiry/request	$180
Design review	Hourly
Temporary Use Permit	$721
Public notice mailing fee	Actual cost of supplies and postage, or a minimum of $200, whichever is greater

Subdivision - Preliminary Application Review	**2020 Fee**
Preliminary short subdivisions (9 lots or less)	
Base fee	$460
Plus per lot	$933
Revision to approved preliminary	Hourly
Short subdivision alteration	Hourly
Request for time extension	$87
Preliminary subdivisions (10 lots or more)	
Base fee	$1,381
Plus per lot	$1,130

	Major revision requiring new public hearing		$2,558
	Minor revisions submitted after preliminary approval (not necessitating additional hearings)		$765
	Request for time extension		$87
	Subdivision alterations or subdivision vacations		
		With public hearing	$3,218
		Without public hearing	$1,562
Binding site plan			
	Building permit, as-built or site plan review-based plan		$2,463
	Conceptual plan		$2,377
	Revision to a preliminary approved plan		$1,108
	Revision to a final binding site plan		$1,231

Shoreline Management Permit		**2020 Fee**
Substantial development permit		
	Total cost of proposed development:	
	Up to and equal to $100,000	$1,783
	Over $100,000	Hourly
Single-family joint use dock		$1,779
Shoreline conditional use permit		$2,269
Shoreline variance		
	Up to and equal to $100,000 project value	$2,269
	>$100,000 project value	Hourly
Shoreline re-designation		$15,379
Shoreline review of other permits or approvals for conditions		$339
Shoreline exemption		$860
Supplemental fees		
	Request for a time extension	$87
	Shoreline permit revision	Hourly
	Surcharge when public hearing required	$710
	Permit compliance inspections	Hourly

Special Reviews			**2020 Fee**
State Environmental Policy Act (SEPA) review			
	Environmental checklist (Projects)		
		Base fee	$1,572
		After six hours	Hourly
		All fixed and contract costs	Actual Cost
	Environmental checklist (Non-Projects)		Hourly
	Draft Environmental Impact Statement (DEIS), Final Environmental Impact Statement (FEIS), Supplemental Environmental Impact Statement (SEIS) or addenda preparation and review costs – including scoping, writing, editing, publishing, mailing, distributing and contract administration:		
		Deposit – a percentage of total estimated cost	33%
		All fixed and contract costs	Actual Cost
		Staff preparation and review cost	Hourly

Critical areas review Applicants will be eligible for a refund of the portion of the base fee that is less than the city's costs (including consultants, public notice (as necessary) and other associated expenses).	
Review of residential building permits, shoreline permits, individual short subdivision, boundary line adjustments and right-of-way use permits:	
Site review base fee	$1,360
Plus, per hour	Hourly
Review of commercial building permits, grading permits, engineering permits, subdivisions, PUDs, declassifications, variances, conditional use permits and unclassified use permits:	
Site review base fee	$1,360
Plus, per hour	Hourly
Flood plain determination – certificate of elevation	$404
Plus, per hour	Hourly
Review of mitigation plan compliance, per hour	Hourly
Critical areas inspection	Hourly
Inspection and monitoring, per hour	Hourly
Appeals	
Appeals to the hearing examiner from decisions of the City	$128
Departmental review of non-departmental permits	Hourly
Review and monitoring of master drainage plans, per hour	Hourly

Engineering: General Permitting & Inspections	**2020 Fee**
Parking Review	
New or additional spaces	
First 0-25 spaces	$25/each space
Next 26-50	$23/each space
Next 51-75	$19/each space
Next 76-150	$19/each space
Anything above 150	$12/each space
Minimum fee	$324
Tree removal	$80
Single-family drainage review	
Base Fee	$261
Addition/rebuild drainage	$321
New non-plat SFR drainage	$740
Commercial/Multi-family drainage plan review	
Base Fee	$624
Total distributed area	
0 – .50 site acre	$1,228
.51 – 1 site acre	$1,693
1.1 – 2 site acres	$3,094
2.1 – 5 site acres	$6,791
5.1 – 10 site acres	$8,181

More than 10 acres			$9,106
Traffic Impact Analysis review			
Level 1 (10 P.M. peak hour trips or less)			$370
Level 2 (11-75 P.M. peak hour trips)			$878
Level 3 (Over 75 P.M. peak hour trips)			$1,756
Road standards/drainage standards variance			$219
Wet season grading variance			Hourly
Small Project Grading permits:			
Projects that do not exceed 500 cubic yards (volume and disturbed area) and that do not require engineered drawings as determined by the director.			$328
Large Project Grading permits			
Disturbed Area	Base fee		Per acre
Up to 1 acre	$193	+	$863.33
>1 acre	$418	+	$647.23
Grading plan revision			Hourly
Grading permit operation monitoring (inspection fee when not associated to a Bond Quantity Worksheet)			
The operation monitoring fee shall be calculated by adding the applicable amount from the Annual Volume Table (below) to an amount equal to $215 per acre disturbed and not rehabilitated during the monitoring period, to a maximum of $10,000.			
Annual Volume Table			
Volume deposited or removed	Base Fee		Per 100 cubic yards
0 to 3,000 cubic yards	$0	+	$107.68
>3,000 to 10,000 cubic yards	$2,798	+	$18.12
>10,000 to 20,000 cubic yards	$4,125	+	$5.37
>20,000 to 40,000 cubic yards	$4,695	+	$2.63
>40,001 cubic yards	$5,134	+	$1.26
Reclamation bond release inspection			$281
Re-inspection of non-bonded actions			$246
Construction inspections (when associated to a Bond Quantity Worksheet)			
Bond quantities worksheet amount (line T)	Initial fee + additional fee based on bond		
$0 – $30,000	$233 + $125 / $1,000 bond		
>$30,000 – 120,000	$2,471+ $54 / $1,000 bond		
>$120,000	$7,344 + $15 / $1,000 bond		
Additional inspection after 1 year	Hourly		
Maintenance bond inspections			
Bond quantities worksheet amount (line T)	Initial fee + additional fee based on bond		
$0 – $30,000	$505 + $16.12 / $1,000 bond		
>$30,000 – 120,000	$844 + $5.27 / $1,000 bond		
>$120,000	$1,279 + $1.79 / $1,000 bond		

Engineering: Subdivision Plan Review and Inspections	
Short subdivision engineering plan review	
Short subdivision 4 lots or less	
Base fee	$2,289

Plus per lot	$229
Short subdivision 5 to 9 lots	
Base fee	$4,552
Plus per lot	$229
Additional review in excess of initial fees	Hourly
Subdivision engineering plan review	
Subdivision 30 lots or less	
Base fee	$6,812
Plus per lot	$37
Subdivision 31 lots or more	
Base fee	$7,363
Plus per lot	$18
Revisions and re-submittals	
Each occurrence	$130
Additional review in excess of initial fees	Hourly
Planned unit development engineering plan review	
30 units or less	
Base fee	$6,812
Plus per lot	$50
31 units or more	
Base fee	$7,583
Plus per lot	$25
Revisions and re-submittals	
Each occurrence	$130
Additional review in excess of initial fees	Hourly
Conceptual binding site plan	
(including conceptual commercial binding site plan)	
Plan and profile base fee	$4,533
Revisions and re-submittals	
Each occurrence	$130
Additional review in excess of initial fees	Hourly

Construction inspections (when associated to a Bond Quantity Worksheet)	
Bond quantities worksheet amount (line T)	Initial fee + additional fee based on bond
$0 – $30,000	$233 + $125 / $1,000 bond
$30,001 – 120,000	$2,471 + $54 / $1,000 bond
$120,000 or more	$7,344 + $15 / $1,000 bond
Additional inspection after 1 year	Hourly

Subdivision final approval	
Final short subdivision 4 lots or less	$2,108
Final short subdivision 5 to 9 lots	$4,249
Final short subdivision alteration	$784
Final subdivision 30 lots or less	
Base Fee	$6,391
Plus per lot	$76
Final subdivision 31 lots or more	
Base Fee	$7,099

Plus per lot	$52
Subdivision alteration	$1,182
Modification of a recorded building envelope	$593
Request for name change	$211
Final planned unit development	$4,970
Request for time extension	$159
Request for name change	$211
Final building site plan	$3,379
Subdivision – post final fees	
Maintenance bond inspections	
Bond quantities worksheet amount	Initial fee + additional fee based on bond
$0 – $30,000	$505 + $16.12 / $1,000 bond
>$30,000 – 120,000	$844 + $5.27 / $1,000 bond
>$120,000	$1,279 + $1.79 / $1,000 bond

Building Permits	
Building permit fees are based on valuation. The table below establishes the permit fee from the valuation. Valuation is determined by type of construction and square footage or from a contractor's bid. The most recent edition of the Building Safety Journal determines the type of construction and square footage factor.	
Valuation Table	
Total Valuation	Fee
$1 – $500	$26
>$500 – $2,000	$26 for the first $500 plus $3.26 for each additional $100 or fraction thereof, to and including $2,000.
>$2,000 – $25,000	$76 for the first $2,000 plus $15.26 for each additional $1,000 or fraction thereof, to and including $25,000.
>$25,000 – $50,000	$430 for the first $25,000 plus $10.75 for each additional $1,000 or fraction thereof, to and including $50,000.
>$50,000 – $100,000	$707 for the first $50,000 plus $7.49 for each additional $1,000 or fraction thereof, to and including $100,000.
>$100,000 – $500,000	$1,090 for the first $100,000 plus $6.33 for each additional $1,000 or fraction thereof, to and including $500,000.
>$500,000 – $1,000,000	$3,537 for the first $500,000 plus $5.27 for each additional $1,000 or fraction thereof, to and including $1,000,000.
>$1,000,000	$6,153 for the first $1,000,000 plus $4.21 for each additional $1,000 or fraction thereof.
Building plan review (except basic)	65% of the building permit
Building plan review (basic)	25% of the building permit
Additional plan review required for changes, additions or revisions to plans (minimum charge ½ hour)	Hourly
For use of outside consultants for plan review and inspections	Actual Cost
Mobile Homes	
Mobile Home permit	$908
Temporary mobile home permit	$845
Temporary mobile home permit for hardship	$908
Non-insignia mobile home inspection	$725

Re-roof permits	
Single-family residential	$202
Commercial and multi-family	Valuation Table
Condominium conversion review	
1 to 30 units	$1,788
31 to 99 units	$2,021
100 or more units	$2,741
Plus per unit	$304
Special plan review	Hourly
Pre-inspections	
Fire and flood damage	$399
Minimum housing or other code compliance	$399
Relocation of structure	$327
Demolition inspection	$327
Re-inspection	Hourly
Inspection outside of normal hours	Overtime hourly
Inspection for which no fee is specifically indicate	Hourly
Extension and renewal (extension for final inspection only)	
Single-family residential	$116
All other permits	$116
State Building Code Council surcharge (effective July 1, 2018)	
Residential building permits	
Base Fee	$6.50
Plus per unit	$2.00
Commercial building permits	
Base Fee	$25.00
Plus per unit	$2.00

Plumbing Permits	
New single-family (one and two dwellings) and townhouses	$775/unit
Commercial and Multi-family	
Plumbing Permit	Valuation Table
Plumbing Permit Plan Review	65% of permit
Alteration or additions to one and two-family dwellings and townhouses	
Base Fee	$114
Plus	
For each plumbing fixture on one trap or set of fixtures on one tra	$11/each
Roof drain	$11/each
Electric water heater	$35/each
Water piping or water treating equipment	$71/each
Back flow devices (other than atmospheric vacuum breakers)	$71/each
Other	$11/each

Mechanical Permits	
New single-family (one and two dwellings) and townhouses	$362/unit

Commercial and Multi-family			
	Mechanical Permit		Valuation Table
	Mechanical Permit Plan Review		65% of permit
Alteration or additions to one and two-family dwellings and townhouses			
	Base Fee		$114
	Plus		
		For the installation or relocation of each floor furnace, including vent	$142
		For the installation or relocation of each suspended heating, recessed wall heater or floor-mounted unit heater	$71
		For the installation, relocation or replacement of each appliance vent installed and not included in an appliance permit	$22
		For the repair or alteration of, or addition to each heating appliance, refrigeration unit, cooling unit, absorption unit, or each heating, cooling, absorption or evaporative cooling system, including installation of controls regulated by the Mechanical Code	$213
		For each ventilation fan connected to a single duct	$11
		For each ventilation system which is not a portion of any heating or air conditioning system authorized by a permit	$11
		For the installation of each hood which is served by mechanical exhaust, including the ducts for such hood	$11
		Gas pipe (1-5 outlets)	$71
		Gas pipe (outlets over 5)	$11/outlet
		For each appliance of piece of equipment regulated by the Mechanical Code but not classed in other appliance categories, or for which no other fee is listed in the table	$142
		Gas water heater	$142

Transportation Impact Fees*		
ITE Land-Use Category	Net New Person Trips	Impact Fee
Single Mobility Unit Cost	N/A	$6,214.21
Single-Family	1.45 per dwelling unit	$10,114.72 per dwelling unit
Apartment	1.02 per dwelling unit	$7,495.08 per dwelling unit
Condominium (townhomes)	0.85 per dwelling unit	$6,286.20 per dwelling unit
Mobile Home	0.97 per dwelling unit	$6,760.28 per dwelling unit
Hotel	0.87 per room	$6,959.67 per room
Motel	0.68 per room	$5,451.75 per room
Light Industrial	1.06 per 1,000 sq ft	$10.74 per sq ft
Manufacturing	0.79 per 1,000 sq ft	$8.09 per sq ft
Mini-Warehouse	0.28 per 1,000 sq ft	$2.88 per sq ft
Marina	0.23 per boat berth	$1,436.22 per boat berth
Golf Course	0.37 per acre	$2,337.87 per acre
Movie Theater	0.09 per seat	$403.30 per seat
Health/Fitness Club	4.30 per 1,000 sq ft	$26.69 per sq ft
High School	1.18 per 1,000 sq ft	$4.69 per sq ft

Church	0.67 per 1,000 sq ft	$4.93 per sq ft
Hospital	1.13 per 1,000 sq ft	$11.31 per sq ft
Nursing Home	0.27 per bed	$1,492.18 per bed
General Office	1.75 per 1,000 sq ft	$17.85 per sq ft
Medical Office	4.20 per 1,000 sq ft	$40.34 per sq ft
Shopping Center	2.98 per 1,000 sq ft	$7.63 per sq ft
Supermarket	7.39 per 1,000 sq ft	$30.73 per sq ft
Convenience Market 24-hr	31.27 per 1,000 sq ft	$80.07 per sq ft
Drive-in Bank	19.23 per 1,000 sq ft	$24.57 per sq ft
Restaurant, Sit-down	4.80 per 1,000 sq ft	$24.57 per sq ft
Fast Food, No Drive-up	15.92 per 1,000 sq ft	$66.66 per sq ft
Fast Food, w/Drive-up	19.88 per 1,000 sq ft	$86.61 per sq ft
Gas Station	9.80 per pump	$34,853.80 per pump
Gas Station w/Convenience	7.24 per pump	$26,356.62 per pump

+ Parks Impact Fee*	
Single-family residence	$3,885/unit
Multi-family (townhomes)	$2,980/unit
Mobile Home	$1,942/unit

+ Schools Impact Fee*	
Single-family residence	$14,000/unit
Multi-family (townhomes)	$3,540/unit

Fire Department Review*
The fire review fee will be assessed per the approved contract with the Northshore Fire District #16 for all single family, multi-family and commercial projects.

Limited Right-of-Way Permits		
Type A Permit		
	Application Fee (review and 1 hour inspection)	$219
	Inspections in excess of 1 hour	Hourly
+ Type B Permit		
	Application fee (includes review and inspection)	$169*
Type C Permit		
	Application Fee (review and 1 hour inspection)	$169*
	Inspections in excess of 1 hour	Hourly*
	Use Fee	Fee = (use area) x $20 per sq. ft. x days of usage/365 or a minimum of $100, whichever is greater*

Access Right-of-Way Permits*		
	Application Fee (includes 1 hour review and 1 hour inspection)	$219*
	Review fee in excess of 1 hour	Hourly*
	Inspection fee in excess of 1 hour	Hourly*

Use Fee		
	Open to the Public	No fee
	Limited (not open to the public)	Fee = (use area) x value* x 25% or a minimum of $100 whichever is greater*
*value of adjacent land (in area, sq ft) according to the County Assessor records		

Encroachment Right-of-Way Permits	
Application Fee (includes 1 hour review and 1 hour inspection)	$219
Review fee in excess of 1 hour	Hourly
Inspection fee in excess of 1 hour	Hourly
Use Fee	Fee = (use area) x value1 x No. of Years x 12% or a minimum of $100 whichever is greater
1. value of adjacent land (in area, sq ft) according to the County Assessor records	

+

Utility Right of Way Permits*: all Utility Franchises and any other utility company or agency installing, repairing, removing, and/or modifying telecommunication/cable facilities	
Application	$215
Review	Hourly
Inspection	Hourly
Use fee	No Fee
Violation of Lane Closure Hours	$518
Accelerated Job Start	$500

Annual Use Payment for Use of Right-of-Way*	
Type of Equipment/Facility within the right-of-way	
Separate support structure (such as a monopole or lattice) used solely for wireless antenna, with antenna/receiver transmitter and/or equipment cabinet	$5,000/year
Antenna/receiver transmitter (on an existing or replacement pole) and equipment cabinet	$3,000/year
Antenna/receiver transmitter (on an existing or replacement pole) or equipment cabinet, but not both	$2,000/year

State Route 522 driveway connection permit*	
Fee structure. The following nonrefundable fee structure is established for the processing, review and inspection of the connection permit application. A description of each category can be found in section 12.85.040 of the KMC. Due to the potential complexity of Category II and Category III connection proposals, and required mitigation measures that may involve construction on SR 522, the city may require a developer agreement in addition to the connection permit. The developer agreement may include, but is not limited to: plans; specifications; maintenance requirements; bonding requirements; inspection requirements; division of costs by the parties, where applicable; and provisions for payment by the applicant of actual costs incurred by the city in the review and administration of the applicant’s proposal that exceed the required base fees in the following schedule:	
Category I – Base fee for one connection:	
· Agricultural, forest, utility operation and maintenance	$50

	· Residential dwelling units (up to 10)- single connection	$50/dwelling
	· Other, with 100 average weekday vehicle trip ends	$500
	· Fee per additional connection point	$50
	Category II – Base fee for one connection:	
	· Less than 1,000 average weekday vehicle trip ends	$1,000
	· 1,000 to 1,500 average weekday vehicle trip ends	$1,500
	· Fee per additional connection point	$250
	Category III - Base fee for one connection:	
	· 1,500 to 2,500 average weekday vehicle trip ends	$2,500
	· Over 2,500 average weekday vehicle trip ends	$4,000
	· Fee per additional connection point	$1,000
	Category IV – Base fee per connection:	$100
Surety Bond. Prior to the beginning of construction of any connection, the city may require the permit holder to provide a surety bond as specified in WAC 468-34-020(3).		

Special Event Permit	
Application Fee	100*
Actual and indirect cost for City personel involvement in event traffic control, fire safety, or other facility or event support, and the use of City equipment and other nonpersonnel expense.	Actual Cost

Memorial Sign	
Application fee and sign	$300*

5. Animal Care and Control

Animal License and Registration		
Pet license - dog or cat		
	Unaltered	$60
	Altered	$30
Juvenile pet license - dog or cat		$15
Discounted pet license - dog or cat		$15
Replacement tag		$5
Transfer fee		$3
Guard dog registration		$100
Exotic pet		
	New	$500
	Renewal	$250
Service animal		No fee
K-9 police dog		No fee
Late fees		
	Received 45-90 days following license expiration	$15
	Received 90-135 days following license expiration	$20
	Received more than 135 days following license expiration	$30
	Received more than 365 days following license expiration	$30 plus license fee(s) for any previous year pet was unlicensed

Animal Business and Activity Permits	
Hobby kennel and hobby cattery license	$50
Private animal placement permit	No fee

Civil Penalties	
General	
No previous similar code violation within one year	$50
One previous similar code violation within one year	$100
Two previous similar code violation within one year	Double the rate of the previous penalty, up to a maximum of $1,000.
Vicious animal or animal cruelty violations	
First violation within one year	$500
Subsequent violations within one year	$1,000
Dog leash law violations	
First violation within one year	$25
Additional violation within one year	$50
Animal abandonment	$500
Unlicensed cat or dog	
Altered cat or dog	$125
Unaltered cat or dog	$250

Service Fees	
Adoptions – including licensing and spaying or neutering or the animal (based on adoptability/animal)	$75-250
Spay or neuter deposit	$150/animal
Impound or redemption - dogs, cats, or other small animals	
First impound within one year	$45
Second impound within one year	$85
Third impound within one year	$125
Impound or redemption - livestock, small	$45
Impound or redemption – livestock, large	$45 or actual cost of sheltering, whichever is greater
Kenneling at King County animal shelter – per 24 hours or portion thereof in-field pick-up of an owner's deceased unlicensed pet or pick-up of an unlicensed pet released voluntarily to the regional animal service section.	$20
Owner-requested euthanasia (unlicensed pets)	$50
Optional micro-chipping for adopted pets	$25

6. Miscellaneous

Type	
Credit Card Service Fee	3%
NSF (insufficient check)	$25
Use of City owned property, other than right-of-way, for event parking, storage or similar use	$100/day
+ City Sponsored Event - Vendor Fees	
Food Vendor	$50/day
Craft Vendor	$50/day
Non-Profit Booth or Vendor	$10/day
+ City Hall Facility Rental Fees	
Weekday Rental (Tue-Fri) - Resident	$25/hour
Weekday Rental (Tue-Fri) - Non-Resident	$50/hour
Saturday Rental - Resident	$75/hour
Saturday Rental - Non-Resident	$125/hour
Audio/Visual Rental	$25
Damage Deposit (refundable)	$250 min.
+ The Hangar (Kenmore Residents Only)	
Damage Deposit (for groups ≥ 30 people)	$100*
Damage & Food Deposit (for groups ≥ 30 people)	$150*
*50% of deposit will be forfeited if the event exceeds reserved time over 10 minutes *100% of the deposit will be forfeited for “no-shows"	
Public Safety Fees	
First three false alarms	No fee
Fourth and fifth false alarms	$50 each
Sixth and additional false alarms	$100 each
Rhododendron Park Shelter Rental Fee	
Kenmore Residents all day	$150
Kenmore Residents half day	$75
Non-Kenmore Residents all day	$200
Non-Kenmore Residents half day	$100
Moorlands Park Athletic Fields (athletic clubs may request up to a maximum 50% reduction if the club has at least 20% of eligible participants)	$22/hour
Franchise Agreements Negotiations	
General	Actual Cost
Cable TV	Actual Cost*
*Reimbursemet of actual costs may be subject to federal regulations relating to 5% gross revenue franchise fee cap	

7. Public Records Requests

Type	
Copy charges may be combined to the extent more than one type of charge applies to a particular request	
Review of requested records	No charge
Standard size black-and-white-photocopies (includes 8-1/2" x 11', 8-1/2"x14" and 11"x17"	
6 pages or less	No charge

7 or more pages (includes cost of first 6 pages)	15 cents/page
Scanned copies (converting a record from paper copy to an electronic format)	
10 pages or less	No charge
11 or more pages (including cost of first 10 pages)	10 cents/page
Uploading/attaching electronic files to digital storage media/device(s), a cloud-based storage or service, or emails (CD, DVD, thumb drive, email or cloud service).	
80 files or less	No charge
81 or more files (including cost of first 80 files)	5 cents/4 files
Transmission of public records in an electronic format	10 cents/gigabyte
Oversized documents such as building plans, maps, blueprints or large copy jobs	Actual Cost
Records copied to CD or DVD	$1.00 per CD/DVD
Records copied to thumb/flash drive	Actual Cost
Mailing envelopes or packaging and postage	Actual Cost

8. Surface Water

+

Surface Water Management Service Charge		
Class	Impervious Area	2019 Rate
Residential	N/A	$221.39 per parcel
Very Light	0 to ≤ 10%	$221.39 per parcel
Light	> 10% to ≤ 20%	$664.16 per acre
Moderate	> 20% to ≤ 45%	$1,439.01 per acre
Moderately Heavy	> 45% to ≤ 65%	$2,435.25 per acre
Heavy	> 65% to ≤ 85%	$3,320.80 per acre
Very Heavy	> 85% to ≤ 100%	$4,095.65 per acre
County Roads	N/A	N/A
State Highways	N/A	N/A

+

Stormwater Capital Facilities	
Single family residential development on a single parcel, including townhomes	$3,500
All other development	Square feet of impervious area of the parcel (rounded down to the nearest whole square foot), divided by 2,500 (quotient rounded to nearest tenth), and multiplied by $3,500. The minimum ERU shall be 1.0.

City Council Business Agenda Item
City of Kenmore, WA

Subject/Topic: Consultant Services Agreement with Gordon Thomas Honeywell. Proposed Council Action/Motion: Authorize the City Manager to execute Contract No. 20-2222 Consultant Services Agreement with Gordon Thomas, Honeywell (substantially in the form attached hereto).	For Council Meeting Agenda of October 26, 2020 Department: City Manager's Office Initial & Date Approved by City Attorney: N/A Approved by Finance Director: N/A Approved by City Manager: RGK Attached: Contract No. 20-2222

BACKGROUND:

Gordon Thomas Honeywell (GTH) is a governmental affairs firm that specializes in helping cities advocate for funding and policies at the State level. The City of Kenmore has utilized the services of GTH over the last decade and has seen the benefits of such services in the form of state funding and policies.

This agreement continues the relationship between the City of Kenmore and GTH another year through 2021. The annual contract amount of $46,800 (plus expenses not to exceed $3,000) remains unchanged.

GTH will advocate for the City of Kenmore's adopted state legislative agenda leading up to and during the State Legislature's 2021 Legislative Session.

FISCAL CONSIDERATION:

The City has adequately budgeted for this annual contract amount in the upcoming biennium.

COUNCIL POLICIES ADDRESSED

All City Council Goals

Contract No. 20-2222

CONTRACT FOR CONSULTANT SERVICES

This Agreement is entered into by and between the City of Kenmore, Washington, a municipal corporation ("City") and Gordon Thomas Honeywell, whose principal office is located at Tacoma, WA ("Consultant").

WHEREAS, the City desires to have certain services performed for its citizens; and

WHEREAS, the City has selected the Consultant to perform such services pursuant to certain terms and conditions;

NOW, THEREFORE, in consideration of the mutual benefits and conditions set forth below, the parties agree as follows:

1. Scope of Services to be performed by Consultant. The Consultant shall perform the services described in Exhibit "A" of this Agreement. In performing the services, the Consultant shall comply with all federal, state and local laws and regulations applicable to the services. The Consultant shall perform the services diligently and completely and in accordance with professional standards of conduct and performance.

1. Compensation and Method of Payment. The Consultant shall request payment for work performed using the billing invoice form at Exhibit "C."

The City shall pay Consultant:

[Check applicable method of payment]

X_ According to the rates set forth in Exhibit A

____ A sum not to exceed $

____ Other: ____

____

The Consultant shall complete and return to the City Exhibit "D," Tax Identification

Number," prior to or along with the first billing invoice. The City shall pay the Consultant for services rendered within ten (10) days after City Council voucher approval.

3. Duration of Agreement. This Agreement shall be in full force and effect for a period commencing on January 1, 2021 and ending December 31, 2021 unless sooner terminated under the provisions of this Agreement. Time is of the essence of this Agreement in each and all of its provisions in which performance is required.

4. Ownership and Use of Documents. Any records, files, documents, drawings, specifications, data or information, regardless of form or format, and all other materials produced by the Consultant in connection with the services provided to the City, shall be the property of the City whether the project for which they were created is executed or not.

5. Independent Contractor. The Consultant and the City agree that the Consultant is an independent contractor with respect to the services provided pursuant to this Agreement. The Consultant will be solely responsible for its acts and for the acts of its agents, employees, subconsultants or representatives during the performance of this Agreement. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties.

6. Indemnification.

A. The Consultant shall protect, defend, indemnify and save harmless the City, its officers, employees and agents from any and all costs, claims, suits, losses or liabilities of any nature, including attorneys' fees, arising out of or in connection with the negligent acts or omissions of the Consultant, its officers, employees and agents in performing this Agreement.

B. The City shall protect, defend, indemnify and save harmless the Consultant, its officers, employees and agents from any and all costs, claims, suits, losses or liabilities of any nature, including attorneys' fees, arising out of or in connection with the negligent acts or omissions of the City, its officers, employees and agents in performing this Agreement.

7. Insurance.

The Consultant shall procure and maintain for the duration of this Agreement, insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Consultant, its agents, representatives or employees.

A. Minimum Scope of Insurance.

Consultant shall obtain insurance of the types described below:

1. Automobile Liability insurance covering all owned, non-owned, hired, and leased vehicles. Coverage shall be written on Insurance Services Office (ISO) form CA 00 01 or a substitute form providing equivalent liability coverage. If necessary, the policy shall be endorsed to provide contractual liability coverage.

2. Commercial General Liability insurance shall be written on ISO occurrence form CG 00 01 and shall cover liability arising from premises, operations, independent contractors, and personal injury and advertising injury. The City shall be named as an insured under the Contractor's Commercial General Liability insurance policy with respect to the work performed for the City.

3. Workers' Compensation coverage as required by the Industrial Insurance laws of the State of Washington.

B. Minimum Amounts of Insurance.

Consultant shall maintain the following insurance limits:

1. Automobile Liability insurance with a minimum combined single limit for bodily injury and property damage of$1,000,000 per accident.

2. Commercial General Liability insurance shall be written with limits no less than $1,000,000 each occurrence, $1,000,000 general aggregate.

C. Other Insurance Provisions.

The insurance policies are to contain, or be endorsed to contain, the following provisions for Automobile Liability, Professional Liability, and Commercial General Liability insurance:

1. The Consultant's insurance coverage shall be primary insurance as respects the City. Any insurance, self-insurance or insurance pool coverage maintained by the City shall be in excess of the Consultant's insurance and shall not contribute with it.

2. The Consultant's insurance shall be endorsed to state that coverage shall not be canceled by either party except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the City.

D. Verification of Coverage.

Consultant shall furnish the City with original certificates and a copy of the amendatory endorsements, including but not necessarily limited to the additional insured endorsement, evidencing the insurance requirements of the Consultant before commencement of the work.

8. Record Keeping and Reporting.

A. The Consultant shall maintain accounts and records, including personnel, property, financial, and programmatic records, which sufficiently and properly reflect all direct and indirect costs of any nature expended and services performed pursuant to this Agreement. The Consultant shall also maintain such other records as may be deemed necessary by the City to ensure proper accounting of all funds contributed by the City to the performance of this Agreement.

B. The foregoing records shall be maintained for a period of seven (7) years after termination of this Agreement, unless permission to destroy them is granted by the Office of the Archivist in accordance with Chapter 40.14 RCW and by the City.

9. Audits and Inspections. The records and documents with respect to all matters covered by this Agreement shall be subject at all times to inspection, review or audit by the City during the performance of this Agreement.

10. Termination.

A. The City reserves the right to terminate or suspend this Agreement at any time, with or without cause, upon seven (7) days prior written notice. In the event of termination or suspension, all finished or unfinished documents, data, studies, worksheets, models, reports or other materials prepared by the Consultant pursuant to this Agreement shall promptly be submitted to the City.

B. In the event this Agreement is terminated or suspended, the Consultant shall be entitled to payment for all services performed and reimbursable expenses incurred to the date of termination.

C. This Agreement may be canceled immediately if the Consultant's insurance coverage is canceled for any reason, or if the Consultant is unable to perform the services called for by this Agreement.

D. The Consultant reserves the right to terminate this Agreement with not less than fourteen (14) days written notice, or in the event that outstanding invoices are not paid within sixty (60) days.

E. This provision shall not prevent the City from seeking any legal remedies it may otherwise have for the violation or nonperformance of any provisions of this Agreement.

11. Discrimination Prohibited. The Consultant shall not discriminate against any employee, applicant for employment, or any person seeking the services of the Consultant under this Agreement, on the basis of race, color, religion, creed, sex, sexual orientation, age, national origin, marital status, or presence of any sensory, mental or physical disability.

12. Assignment and Subcontract. The Consultant shall not assign or subcontract any portion of the services contemplated by this Agreement without the prior written consent of the City.

13. Conflict of Interest. The Consultant represents to the City that it has no conflict of interest in performing any of the services set forth in Exhibit "A." In the event that the Consultant is asked to perform services for a project with which it may have a conflict, Consultant will immediately disclose such conflict to the City.

14. Confidentiality. All information regarding the City obtained by the Consultant in performance of this Agreement shall be considered confidential. Breach of confidentiality by the Consultant shall be grounds for immediate termination.

15. Non-appropriation of Funds. If sufficient funds are not appropriated or allocated for payment under this Agreement for any future fiscal period, the City will so notify the Consultant and shall not be obligated to make payments for services or amounts incurred after the end of the current fiscal period. This Agreement will terminate upon the completion of all remaining services for which funds are allocated. No penalty or expense shall accrue to the City in the event that the terms of the provision are effectuated.

16. Entire Agreement. This Agreement contains the entire agreement between the parties, and no other agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or bind either of the parties. Either party may request changes to the Agreement. Changes which are mutually agreed upon shall be incorporated by written amendments to this Agreement.

17. Notices. Notices to the City of Kenmore shall be sent to the following address:

City Clerk
City of Kenmore
P.O. Box 82607
Kenmore, Washington 98028-0607

Notices to the Consultant shall be sent to the following address:

1201 Pacific Avenue, Suite 2100
Tacoma, WA 98401

18. Applicable Law; Venue; Attorneys' Fees. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. In the event any suit, arbitration or other proceeding is instituted to enforce any term of this Agreement, the parties specifically understand and agree that venue shall be exclusively in King County, Washington. The prevailing party in any such action shall be entitled to its attorneys' fees

and costs of suit, which shall be fixed by the judge hearing the case and such fee shall be included in the judgment

19. Severability. Any provision or part of this Agreement held to be void or unenforceable under any law or regulation shall be deemed stricken and all remaining provisions shall continue to be valid and binding upon the City and the Consultant, who agree that the Agreement shall be reformed to replace such stricken provision or part with a valid and enforceable provision that comes as close as reasonably possible to expressing the intent of the stricken provision.

CITY OF KENMORE, WASHINGTON	CONSULTANT
By: ______________________________	By: ______________________________
Rob Karlinsey	Briahna Murray
Title: City Manager	Title: Vice President
Date: ____________________________	Date: ____________________________

ATTEST AS TO FORM:

____

Dawn Reitan, City Attorney

EXHIBITS A/B

Kenmore 2021 Scope of Work For State Legislative Services:

1. Work with the City of Kenmore to develop and refine a legislative agenda, including but not limited to pursuing transportation funding, incentives to advance economic development opportunities within the city, increased regulatory authority around certain local businesses, and pursuing capital funding.
2. Develop policy papers and other informational materials on priority legislative agenda items.
3. Identify and track all relevant legislation introduced to the Washington State Legislature.
4. Continually meet with legislators on behalf of the City of Kenmore, including the legislative delegation, committee and party leadership, and others. Identify opportunities for the Mayor to engage in the legislative process, and travel to Olympia.
5. Provide the City with weekly reports and tracking lists during the legislative session and provide the City with monthly reports during the legislative interim.
6. Participate in the Association of Washington Cities on behalf of the City of Kenmore.
7. Participate in the Washington Highway Users Federation on behalf of the City of Kenmore.
8. Attend all relevant legislative hearings, meetings, and stakeholder groups.
9. Coordinate City officials to testify at relevant legislative hearings and to meet with the City's legislative delegation in Olympia and during the interim.
10. Lobby to amend, defeat, or pass legislation or budgets that affect the City of Kenmore's interests.
11. Coordinate with the City's federal lobbyists to provide reasonable levels of assistance with the Washington State Congressional delegation as requested.

Manager Arrangement:

Briahna Murray, Vice President of Gordon Thomas Honeywell Governmental Affairs, will serve as both the contract and project manager for the City of Kenmore. She will be assisted by additional governmental affairs consultants as needed.

Fees:

Gordon Thomas Honeywell Governmental Affairs will provide the above scope of work for a monthly fee of $3,900 for an annual amount of $46,800.

Expenses

In addition to the fee above, Gordon Thomas Honeywell Governmental Affairs will expense for communication expenses not to exceed $3,000.

Term:

The duration of the contract between the City of Kenmore and Gordon Thomas Honeywell Governmental Affairs will be from January 1, 2021 through December 31, 2021.

EXHIBIT C

City of Kenmore
Billing Invoice

To: City of Kenmore
6700NE 181st
PO Box 82607
Kenmore, Washington 98028
Phone: (425) 398-8900
Fax: (425) 481-3236

Invoice Number:_______________ Date of Invoice:____________

Consultant: ____

Mailing Address____

Telephone: ( ) ____

Contract Period:____________________Reporting Period: ________________________

Amount requested this invoice: $ __________________

Attached itemized description of services provided.

Specific Program: ____

____
Authorized Signature

____ *For Department Use Only*

BUDGET SUMMARY
Total contract amount $_______
Previous payments $_______
Current request $_______
Balance remaining $_______

____

Approved for Payment by: Date: _____________

EXHIBIT D

CITY OF KENMORE
6700 NE 181st
Street
P.O. Box 82607
Kenmore, WA 98028
Phone: (425) 398-8900
Fax: (425) 481-3236

TAX IDENTIFICATION NUMBER

In order for you to receive payment from the City of Kenmore, the must have either a Tax Identification Number or a Social Security Number. The Internal Revenue Service Code requires a Form 1099 for payments to every person or organization other than a corporation for services performed in the course of trade or business. Further, the law requires the City to withhold 20% on reportable amounts paid to unincorporated persons who have not supplied us with their correct Tax Identification Number or Social Security Number.

Please complete the following information request form and return it to the City of Kenmore prior to or along with the submittal of the first billing invoice.

Please check the appropriate category:

______ Corporation　　_______ Partnership　　_______ Government Consultant

______ Individual/Proprietor　　_______ Other (explain)

TIN No.: ______________________

Social Security No,: ____________________

Print Name: ______________________________

Title: ______________________________

Business Name: _______________________________

Business Address: _____________________________

Business Phone: ______________________________

Date: ________________________　　Authorized Signature ___________________________

City Council Business Agenda Item
City of Kenmore, WA

Subject/Topic: Presentation of 2021-2022 Proposed Biennial Budgets for the following department cost centers: Community Development, Public Works Engineering, Public Works Maintenance, Street Fund, Parks Capital Fund, Transportation Capital Fund, 2021 Salary Plan **Proposed Council Action/Motion:** Presentation of 2021-2022 Proposed Biennial Budgets for the following department cost centers: Community Development, Public Works Engineering, Public Works Maintenance, Street Fund, Parks Capital Fund, Transportation Capital Fund, 2021 Salary Plan	**For Council Meeting Agenda of: October 26, 2020** **Departments:** **Finance and Administration Dept: Joanne Gregory,** **Public Works Engineering: John Vicente** **Community Development Dept: Debbie Bent** **Public Works Maintenance: Jennifer Gordon** **Prepared by: Joanne Gregory, Finance and Administration Director** Initial & Date Approved by Department Head: N/A Approved by City Attorney: N/A Approved by Finance Director: JG Approved by City Manager: RK **Exhibits/Attachments:** Presentation to be uploaded the week of October 19, 2020

INFORMATION/BACKGROUND:
The following 2021-2022 proposed budgets will be presented to the City Council for review and discussion: Community Development, Public Works Engineering, Public Works Maintenance, Street Fund, Parks Capital Fund, Transportation Capital Fund and the proposed 2021 Salary Plan. A staff presentation will be provided.

FISCAL CONSIDERATION:
The 2021-2022 preliminary budget book includes an estimation of General Fund revenues and Department expenditure budget details for the following Departments which will be reviewed at the meeting:

The Community Development Director Debbie Bent will present that department cost center and the Parks Capital Fund budget;

The City Engineer John Vicente will present the Public Works Engineering budget and the Transportation Capital Fund;

The Public Works Operations Manager Jennifer Gordon will present the Public Works maintenance budget and the Street Fund, and

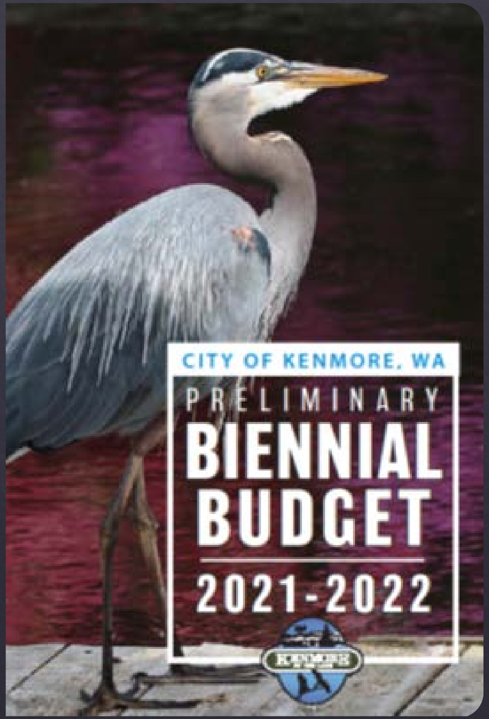
The Finance and Administration Director Joanne Gregory will present the proposed 2021 Salary Plan.

COUNCIL GOAL/BUDGET OBJECTIVE BEING ADDRESSED:
RCW 35A.33.055 The legislative body must schedule hearings on the budget or parts of the budget prior to the final approval.

City of Kenmore Proposed Preliminary 2021-2022 Biennial Budget Presentation

Meeting of

October 26, 2020



PW ENGINEERING

Department Description

- PW Engineering
  - Transportation CIP
  - Utility Permitting
  - Traffic Engineering
  - ROW Development
  - Pavement Management
  - Transportation Planning

Proposed Budget

• Total 2021-2022 Budget	$1,689,573
• Percent of General Fund	6.2%
• FTE's	6(4)
• % Increase from 2019-2020 Budget	8.6%

PW ENGINEERING

Highlights and changes

- Transportation Element of Comp. Plan
- ADA Transition Plan
- ½ FTE Admin. Asst. to 1 FTE Admin. Asst.

PBB Programs

- Highest Scoring – Transportation CIP, ADA, Pavement Management
- Largest Program – Transportation CIP ($656,633)
- Utility permitting $227,031/Quartile 2

TRANSPORTATION CAPITAL FUND

2021-2022 Budgeted Projects

- T8 SR522 West B
- T27 Sidewalk Gaps/ADA Replacement
- T27x NE 192^{nd} Sidewalks
- T35 Pavement Preservation
- T38 Lower Swamp Creek Bridge
- T41 Juanita Dr Ped/Bike
- T42 68^{th} Ave Ped/Bike
- T44 61^{st} Sidewalk Replacement
- T48 2018 LRSP - Signing
- T49 2018 LRSP - Lighting
- T50 Gateway Sign East

Project Resources

SECURED

- Connecting Washington
- WSDOT Pedestrian/Bike Program
- Sound Transit System Access
- Department of Ecology
- Department of Commerce
- Highway Safety Improvement Program
- REET, Transportation Impact Fees, Strategic Ops, W&W Bonds, Surface Water Funds

APPLIED FOR

- WSDOT Safe Routes to Schools
- WSDOT Pedestrian/Bike Program

SAMMAMISH RIVER BRIDGE REPLACEMENT FUND

2021-2022 Budgeted Costs

- Bridge replacement
- Sidewalks both sides of 68^{th}
- Queue jump lane added

Project Resources

- Connecting Washington
- Federal Bridge Fund
- Utilities
- $1.5M Interfund Loan from the General Fund required to maintain positive cash balance at year end.

COMMUNITY DEVELOPMENT

Department Description

- Long-Range Planning, Policy and Code Development
- Park Planning and Park CIP

Proposed Budget

• Total 2021-2022 Budget	$1,695,827
• Percent of General Fund	6%
• FTE's	4.5
• % Increase from 2019-2020 Budget	7.27%

COMMUNITY DEVELOPMENT

Highlights and changes

- 1.0 FTE Parks Interim Project Manager 2021-2022 (extended)
- 0.5 FTE Admin. Asst. New Recreation Coordinator/Admin. Asst Position shared with City Manager Dept. (previously 0.5 FTE shared with Development Services)
- $150k consultant support for Comp Plan Land Use Element Update, focus on single-family neighborhoods and Lakepointe. If planned action/subarea plan is included then additional $300k allocated in the Strategic Opportunity Fund

PBB Programs

- Parks Capital Project Management highest scoring Quartile 1 and largest program ($796,594)
- Comprehensive Plan quartile 1 $189,908
- Affordable Housing quartile 2

PARK CAPITAL FUND

2021-2022 Budgeted Projects

- P1 Twin Springs Park: $227.9k ($76k park impact fees, $151.9k state appropriation)
- P18 Rhody Park Waterfront: $26k ($16k bond funds, $10k 1% public art fund)
- P18a Rhody Park Float: $4k (King County park levy funds)
- P26 Squires Landing Park Float $8k (King County park levy funds)
- P27 Squires Landing Park Waterfront Improvements $5.49m ($3.23 bond funds, $1.03m grants, $645.5k Swamp Creek basin funds, $559.5k park impact fees, $25.5k public art funds)
- P28 Log Boom Park Waterfront Improvements $2.87m ($1.68m bond funds, $470.5k grants, $193.8k park impact fees, $45.5k public art funds, $40k King County park levy)
- P30 Rhody Park Boathouse $6.4k (King County park levy funds)
- P31 Squires Landing Park Land Acquisition $150k (Swamp Creek basin funds)

Project Resources

- Park Impact Fees
- King County Park Levy Funds
- 1% Public Art Funds
- Two State Appropriations (one secured, one apply for in 2021)
- Swamp Creek Basin Funds
- RCO Grants (secured)
- Two King County Waterworks Grants (one secured, one apply for in 2021)
- King County Conservation District Funds (applied)
- W&W Bonds

WALKWAYS & WATERWAYS PROJECT FUND

Fund Description

- This fund accounts for the proceeds of the 2016 GO bonds and
- Transfers funds to the W&W Transportation and Park projects as needed

Proposed Budget

- Receipts of $10M are budgeted assuming issue of 2nd series of bonds in early 2021; also some interest earning
- $4,927,833 budgeted for W&W Park projects
- $6,308,160 budgeted for W&W Transportation projects

PW MAINTENANCE

Department Description

- The Parks and Facilities Maintenance cost center accounts for the operation, maintenance, and repair of the City's public parks and facilities, as well as other miscellaneous City owned properties.

Proposed Budget

• Total 2021-2022 Budget	$2,676,904
• Percent of General Fund	9.88 %
• FTE's	4.5
• % Increase from 2019-2020 Budget	10 %

PW MAINTENANCE

Highlights and changes

- Includes all facilities – City Hall, Hangar/Town Square, Senior Center, Public Works Office and Temporary Public Works Yard.
- Small increase in maintenance supplies.

PBB Programs

- Highest Scoring Programs – Landscape, Irrigation & Site Maintenance, Hangar Facility Maintenance & Support, and Parks Facility Maintenance (Quartile 2)
- Largest Program – Landscape, Irrigation & Site Maintenance ($ 786,623)

STREET FUND

Department Description

- The Street Fund accounts maintenance & operations and traffic engineering expenditures on street, traffic control devices, sidewalks and right of way maintenance.

Proposed Budget

• Total 2021-2022 Budget	$3,328,167
• FTE's	6(4)
• Increase from 2019-2020 Budget	3.77 %

STREET FUND

Department Revenue

- Fuel Tax **$938,058 5.9% increase**
- Multi Modal **$63,160 13.7% increase**
- ROW Permit Fees **$293,460 1% increase**
- Transfer from General Fund **$1,560,617 40% decrease** Water Sewer Franchise Fees
- Transfer from TBD **$0**
- Transfer from REET **$200,000**
- Other **$10,231**

STREET FUND

Highlights and changes

- $400,000 increase for Electric Utility - citywide street lighting operation and maintenance takeover from Northshore Utility District.
- $50,000 decrease – Eliminated Wayfinding and Banners
- 2022 Ending Fund Balance $1,049,355

PBB Programs

- Highest scoring programs – Roadway/ROW Maintenance, Signal Operations & Maintenance, and Snow/Ice Management
- Largest Program – Roadway/ROW Maintenance ($1,916,086) Quartile 1
- Signal Operations & Maintenance ($437,646) Quartile 1

NON DEPARTMENT COST CENTER

Department Description

- The Non Department cost center only accounts for Transfers to Other Funds such as:
  - Street Fund
  - Strategic Opportunities Fund

Proposed Budget

- Total 2021-2022 Budget $1,560,617
  - Water Sewer Franchise Fees $1,123,969
  - Additional General Fund resources of $436,648
- Decrease from 2019-2020 Budget which included $2.6M to Street Fund and $624K to Strategic Opportunities Fund

SURFACE WATER MANAGEMENT FUND

Fund Description

- Clean Water Act and National Pollutant Discharge Elimination System (NPDES) Compliance
- Protecting and enhancing the City's natural environment
- Managing the City's stormwater utility
- Surface Water Capital Program

Fund Revenue

- A surface water service charge is assessed for each property in the City. Single family residential properties are charged a flat fee and all other properties, including multifamily and commercial, are charged a rate per acre based on the amount of impervious surface on the property.

SURFACE WATER MANAGEMENT FUND

Proposed Budget

- Total 2021-2022 Budget — $7,821,396
  - FTEs Funded — 6.15
- Change Compared To 19/20 Budget
  - SWM Fund Operational — +15%
  - Impact to General Fund (Transfer) — +196%
  - SWM Capital Projects — +352%

Highlights and changes

- Existing temporary 0.65 FTE admin support moved to permanent
- Planned larger transfer to capital projects this biennium
- New and expanded programs being added to comply with NPDES requirements and climate action plan
- Adjusted transfer to General Fund to account for citywide overhead expenses associated with management of the surface water fund and stormwater utility.

SURFACE WATER CAPITAL FUND

Fund Description

- This fund accounts for expenditures to surface water capital improvements and surface water components of other capital improvements.

Proposed Budget

- Total 2021-2022 Budget $3,918,467
- Revenue sources
  - Surface Water Management Fund $2,490,467
  - Public Works Trust Fund Loan $1,228,000
  - Capital Facilities Charge $200,000

SURFACE WATER CAPITAL FUND

Projects

- 2021-2022 Projects Include:
  - SW-8 61^{ST} Fish Passable Culvert
  - SW-20 Small Works Projects
  - SW-31 $66^{TH}/196^{TH}$ Drainage
  - SW 32 61^{ST} Stabilization
  - SW 34 Blueberry Creek Culverts
  - T37 Transfer to Sammamish Bridge

Highlights and changes

- Funding support for Sammamish River Bridge
- New culvert replacement project required as mitigation for 68^{TH} pedestrian improvement project
- Major culvert replacement at 61^{ST} & 190^{TH} will be completed

2021 PROPOSED SALARY PLAN

Process

- Engaged Cabot Dow & Assoc to perform market review of comparable cities
- Management Team examined positions that were outside the market mean and considered adjustments
- Prepared 2021 Proposed Salary Plan with 1% increase in all ranges in accordance with CPI-W Seattle June index

Adjustments

- Planner position was re-titled Senior Planner with no change in pay range.
- Surface Water Technicians were re-titled Environmental Services Technicians
- Payroll & Accounting Specialist position was re-titled Payroll & Benefits Coordinator with 5.65% adjustment
- Permit & Administrative Assistant in Development Services was re-titled Permit Coordinator with 5.65% adjustment
- Communications Specialist position was more than 5% below market mean and range was adjusted 5.67%
- Other Permit & Administrative Specialists and Public Records Officer/Administrative Specialist were re-titled Administrative Specialists
- Half-time Recreation Coordinator is changed to full-time Recreation Coordinator/Administrative Assistant

City of Kenmore
2021 Proposed Salary Ranges

Position	Adopted 2020 Monthly Pay Ranges		2020 Monthly Pay Ranges (market adjusted)			2021 Proposed Monthly Pay Ranges (adjusted by 1%)	
	Low	High	Low	High	% Increase	Low	High
Assistant City Manager	10,307	14,224	10,307	14,224	0.00%	10,410	14,366
Finance & Administration Director	9,584	13,227	9,584	13,227	0.00%	9,680	13,359
Public Works Director	9,584	13,227	9,584	13,227	0.00%	9,680	13,359
Community Development Director	9,455	13,049	9,455	13,049	0.00%	9,550	13,180
Development Services Director	9,455	13,049	9,455	13,049	0.00%	9,550	13,180
City Engineer	9,198	12,694	9,198	12,694	0.00%	9,290	12,821
Public Works Operations Manager	7,874	10,866	7,874	10,866	0.00%	7,952	10,974
Environmental Services Manager	7,183	9,912	7,183	9,912	0.00%	7,255	10,011
Human Resource Manager (new position)	7,183	9,912	7,183	9,912	0.00%	7,255	10,011
Capital/Parks Project Manager	6,906	9,530	6,906	9,530	0.00%	6,976	9,626
Senior Engineer	6,906	9,530	6,906	9,530	0.00%	6,976	9,626
Traffic Engineer	6,906	9,530	6,906	9,530	0.00%	6,976	9,626
Principal Planner	6,906	9,530	6,906	9,530	0.00%	6,976	9,626
Civil Engineer	6,445	8,895	6,445	8,895	0.00%	6,509	8,984
City Clerk	6,310	8,708	6,310	8,708	0.00%	6,374	8,795
Senior Planner	6,233	8,603	6,233	8,603	0.00%	6,296	8,689
Building Inspector/Plans Examiner	5,881	8,117	5,881	8,117	0.00%	5,940	8,198
Communications Specialist	5,635	7,778	5,939	8,219	5.67%	5,998	8,301
Associate Planner	5,635	7,778	5,635	7,778	0.00%	5,692	7,856
Streets & Surface Water Maintenance Supervisor	5,406	7,460	5,406	7,460	0.00%	5,460	7,534
Accountant	5,359	7,396	5,359	7,396	0.00%	5,412	7,470
Building Inspector/Code Compliance	5,359	7,396	5,359	7,396	0.00%	5,412	7,470
Executive Assistant	5,231	7,219	5,231	7,219	0.00%	5,284	7,291
ROW Inspector	5,140	7,093	5,140	7,093	0.00%	5,191	7,163
Parks Lead Maintenance Worker	5,009	6,912	5,009	6,912	0.00%	5,059	6,981
Environmental Services Technician	4,830	6,664	4,830	6,664	0.00%	4,878	6,731
Volunteer & Events Supervisor	4,745	6,548	4,745	6,548	0.00%	4,793	6,614
Assistant Planner	4,745	6,548	4,745	6,548	0.00%	4,793	6,614
Senior Facility Maintenance Technician	4,543	6,269	4,543	6,269	0.00%	4,588	6,331
Payroll & Benefits Coordinator	4,300	5,934	4,543	6,269	5.65%	4,588	6,332
Permit Coordinator	4,300	5,934	4,543	6,269	5.65%	4,588	6,332
Administrative Specialist	4,300	5,934	4,300	5,934	0.00%	4,343	5,993
Maintenance Worker	4,266	5,886	4,266	5,886	0.00%	4,309	5,945
Recreation Coordinator/Administrative Assistant (new position)	4,256	5,872	4,256	5,872	0.00%	4,299	5,931
Administrative Assistant	4,065	5,610	4,065	5,610	0.00%	4,106	5,666
Facility Maintenance Technician	3,823	5,276	3,823	5,276	0.00%	3,861	5,329
Receptionist	3,573	4,930	3,573	4,930	0.00%	3,608	4,980
Seasonal Maintenance Worker	16	21	16.28	20.61	0.00%	16.44	20.82
Intern or Temp Office Aide	16	24	16.28	23.88	0.00%	16.44	24.12

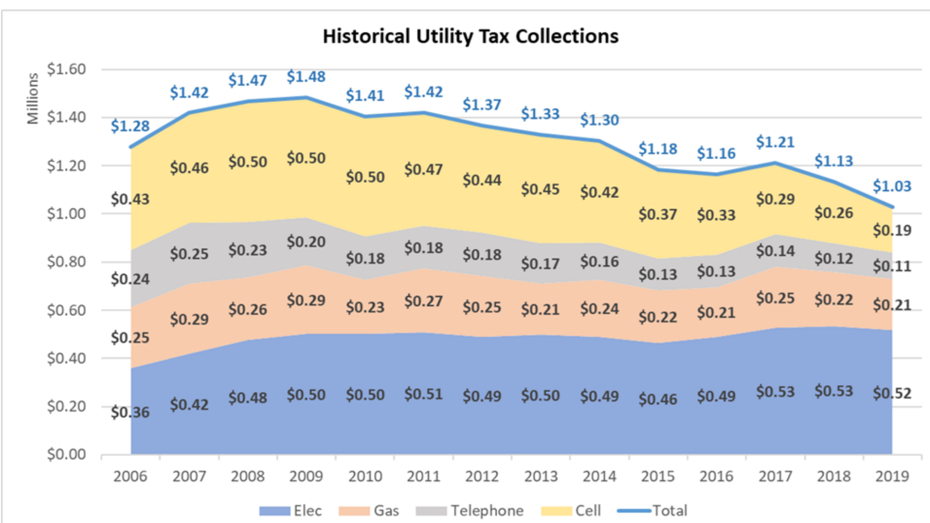
10/23/2020 4:50 PM

City Council Business Agenda Item
City of Kenmore, WA

Subject/Topic: Financial Sustainability Plan Proposed Council Action/Motion: Adopt Resolution 20-357 Establishing a Financial Sustainability Plan	For Council Meeting Agenda of: October 26, 2020 Department: City Manager's Office Initial & Date Approved by Department Head: ___RGK__ Approved by City Attorney: ___DR via email Approved by Finance Director: ___JG____ Approved by City Manager: ___RGK__ Attached: Attachment 1: Resolution 20-357 & Final Plan Attachment 2: Summary of Fiscal Sustainability Budget Strategies Identified by Management Partners

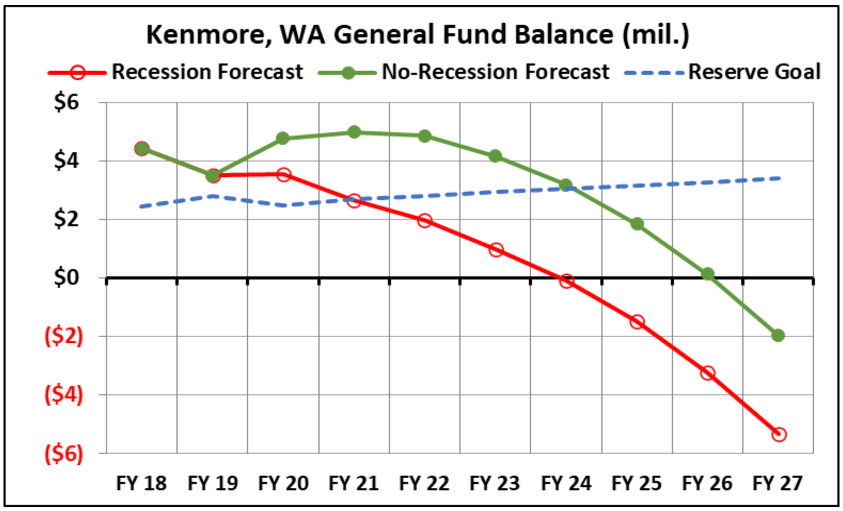
BACKGROUND:

Historically, the City of Kenmore has adopted balanced budgets and maintained healthy fund balances over the years. However, the City's financial forecasts have shown that operating expenditures are likely to exceed operating revenues in future years. A contributor to this phenomenon is the state-imposed restriction on property tax growth. Kenmore is a residential bedroom community with property tax as its largest source of operating revenue, and state law restricts property tax growth to one percent per year plus property tax from new construction. Other contributors include new unfunded mandates from the state and flat or little growth in other sources, including utility taxes, as shown in the following chart:

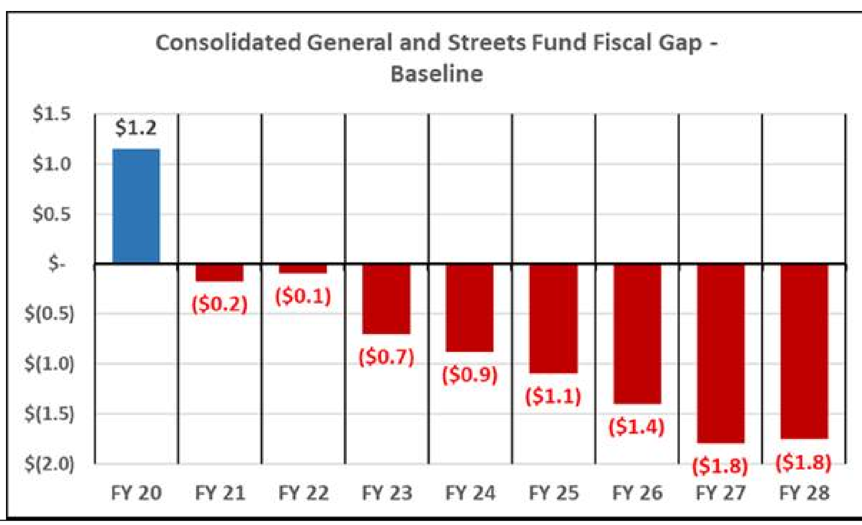


Last year, the financial forecast once again demonstrated that the City is experiencing a structural revenue problem whereby the City's operating revenue growth is not keeping pace with the cost of providing City services and that the City's operating expenses would exceed operating revenues as early as 2022.

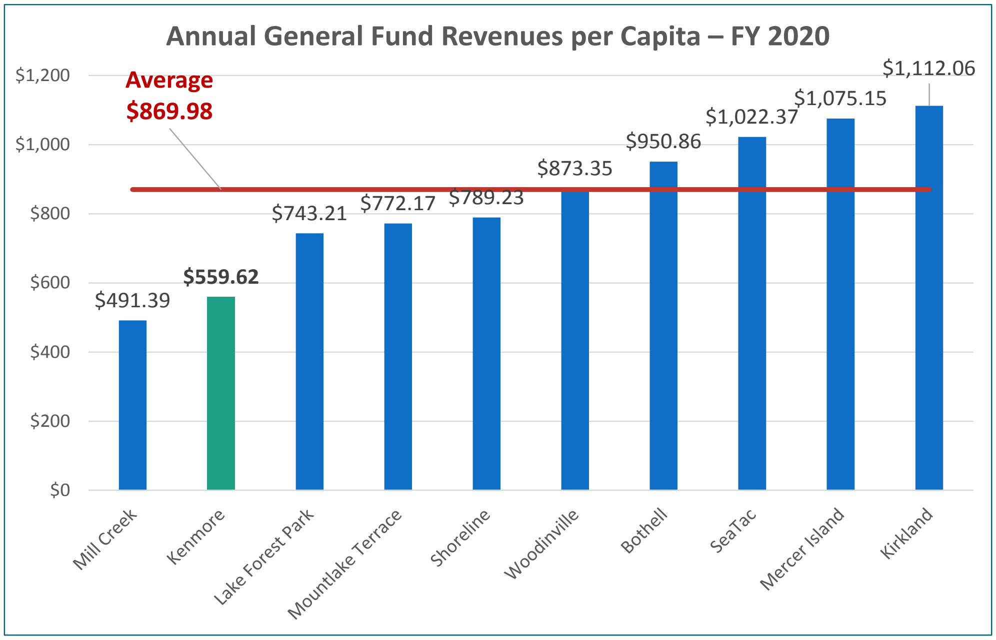
In early 2019, the City Council established "Create and implement a financial sustainability plan" as one of its top five goals for 2019 and 2020. Later that year (2019), the City retained the firm Management Partners to serve as an independent consultant to review the City's financial condition and provide assistance in working toward a balanced financial forecast. Management Partners confirmed that operating expenses and revenues would be out of balance by 2022 and perhaps even sooner with the pandemic recession. Amidst last spring and summer's economic uncertainty stemming from the pandemic, Management Partners forecasted potential declines in General Fund reserves as follows:



Since then, the revenue picture has improved; for example, sales tax revenue has declined, but not has much as predicted last spring. Even so, Management Partners' updated forecast for the combined General and Street Funds still shows a fiscal gap (difference between revenues and expenditures) as follows:



Management Partners also looked at Kenmore's fiscal capacity and concluded that compared to other cities in the area, Kenmore's General Fund revenues per capita are relatively low, as shown in the following chart on the next page (revenues were normalized for cities that provide fire services):

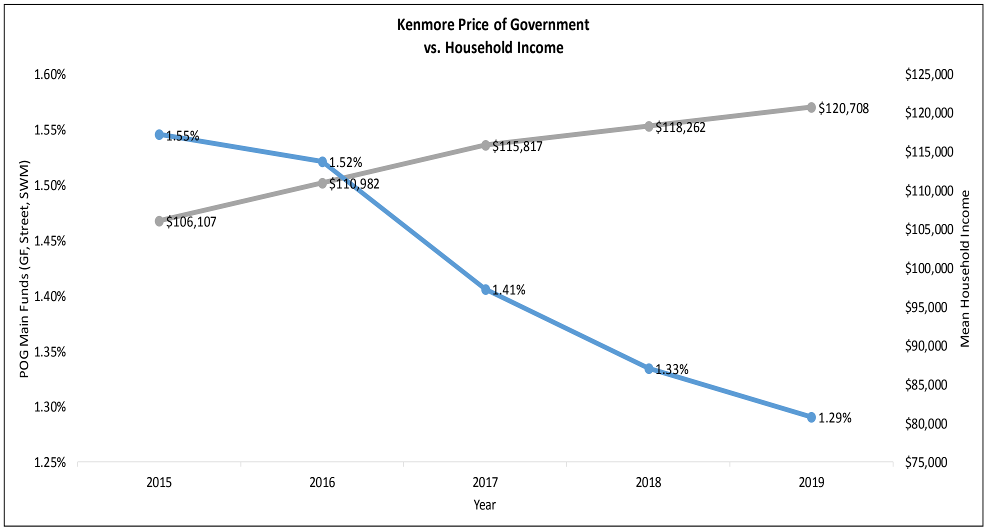


In keeping with its adopted priority to create and implement a Financial Sustainability Plan, on October 7, 2019, the City Council approved a process to create a financial sustainability plan. This process authorized the creation of a City Financial Sustainability Plan Task Force to advise the City Manager on ways to resolve the City's upcoming structural deficit. On November 12, 2019, the Council approved the Task Force's charter, and the City Manager appointed Task Force members soon thereafter.

The Work of the Task Force

The Task Force held nine meetings between January 2020 and August 2020. During the first several meetings, Management Partners reported on its findings about the City's financial projections, and City staff provided the Task Force with information on city functions, funding sources, and how financial resources are allocated. The Task Force also learned about Priority Based Budgeting and how City programs were prioritized and scored against results established by the City Council.

The concept of "Price of Government" was also discussed with the Task Force, including Kenmore's revenue trends compared to household income in Kenmore. The Price of Government analysis showed that City revenues as a percentage of household income have been declining over the years, as shown in the following chart:



The left axis and the blue line represent the Price of Government in Kenmore, meaning the City's operating revenues divided by total household income in Kenmore—in other words, the average tax burden per household, as a percentage of household income. The right axis and the gray line represent mean household income for Kenmore. While income has increased, the Price of Government has declined. Note that 2020 data (and pandemic effects) is not yet available.

Task Force meetings included opportunity for public comment and other opportunities for public participation, including the Balancing Act financial public engagement tool. In August, Management Partners updated its forecast with recessionary assumptions and provided a list of financial strategies for the Task Force to consider.

The Task Force reviewed the information provided by City staff, Management Partners, and the public and created a proposed financial sustainability plan through 2027 that includes multiple actions phased in over several years. Management Partners' list of potential budget balancing strategies, including fiscal impact, difficulty of implementation, and percentage of Balancing Act respondents that selected particular strategies, is included as Attachment 2 to this agenda bill.

The Task Force members presented their findings and recommendations for a financial sustainability plan to the City Manager and City Council on September 10, 2020. At that same meeting, the Kenmore City Council provided comments and feedback regarding the Task Force's recommended financial sustainability plan.

The City Manager agreed to incorporate the City Council's collective comments and present a financial sustainability plan for City Council approval in October. The attached resolution establishing a financial sustainability plan is a result of the Task Force's work and the adjustments offered by the City Council.

Public Outreach and Engagement

In August 2020, an online budget simulator tool, known as "Balancing Act," was provided as an interactive way for the public to consider Kenmore's budget challenges and offer input on how to balance the City budget. A post card was sent to all mailboxes in the city with the purpose of encouraging the public to engage the Balancing Act tool and provide comments on the City's finances. Preliminary results of public input from Balancing Act were provided to the task force at the August 24th, 2020 meeting.

Going back to 2019 and up to the present, other methods of informing the public and seeking public participation included a statistically valid survey, public comment at all task force meetings, an online public open house, FSP articles in several mailed newsletters, e-news articles, and social media posts.

Recommended Strategies

Both the Task Force's recommended strategies and the proposed final plan include a combination of expenditure reductions and increases in revenue. A summary of operational expenditure and program reductions implemented in 2020 is part of the final plan and will continue in the next biennium. These reductions are shown on the following table:

Expenditure Reductions in the General Fund and Street Fund

Program	2019-2020 Budget	2021-2022 Proposed Budget	Biennium (Two-Year) Savings	Savings Per Year
Economic Development, Communications, Federal Lobbyist, etc.	807,000	286,776	520,224	260,112
Public Safety				
Court	260,000	155,100	104,900	52,450
School Resource Officer	100,000	-	100,000	50,000
Jail	850,000	550,000	300,000	150,000
Subtotal	1,210,000	705,100	504,900	252,450
Public Works				
Arterial Landscape Maintenance	363,400	245,500	117,900	58,950
Transportation Consulting (design	112,550	10,000	102,550	51,275
Street Banners	50,000	-	50,000	25,000
Materials (including flower basket	60,000	36,000	24,000	12,000
Subotal	585,950	291,500	294,450	147,225
Total	**2,602,950**	**1,283,376**	**1,319,574**	**659,787**

The list of revenue and expenditure strategies as recommended by the Task Force and the proposed final list of strategies is included as Exhibit A to the attached Resolution 20-357. The following two tables compare the expenditure and revenue strategies of the Task Force to those of the proposed final Financial Sustainability Plan:

		Year of Implementation	
Expenditure Strategy	Est. Annual Amount	Recommended by Task Force	Proposed Final Plan
Discontinue Contribution to School Resource Officer Program	$50,000	2021	2021
Continue most of the reductions made in 2020	$659,000	2021	2021
Add HR/Diversity, Equity, Inclusion Position & Program	$197,000	2021	2021
Increase Mental Health RADAR Program	($50,000)	2021	2021
Increase Pavement Preservation Funding	($1,000,000)	2022	$500k in 2022; then $1m in 2023
Seek Alternative Jail Providers	$50,000	2024	2024

		Year of Implementation	
Revenue Strategy	Est. Annual Amount	Recommended by Task Force	Proposed Final Plan
Property Tax Banked Capacity	$400,000	2022, phased in over three years	2023, phased in over four years
Cable TV Utility Tax	$380,000	Second Half of 2022	Second Half of 2022
Traffic Photo Enforcement	$1,700,000	Second Half of 2022	Second Half of 2022
User Fee Study	$50,000	2022	2022
Admissions Tax (5%)	$200,000	Second Half of 2023	2024
Solid Waste Utility Tax (6%)	$183,000	2024	--
Surface Water Utility Tax (6%)	$125,000	--	2023
Transportation Sales Tax (0.1-0.2%, Voter Approved)	$657,000	--	2027

There are two primary reasons for the differences between the Task Force recommendations and the proposed final plan:

1. Updates to the forecast, including expenditure and revenue assumptions, and
2. City Council policy direction to avoid a solid waste utility tax

1. Updates to the Forecast (and Proposed Voter-Approved Transportation Sales Tax in 2027)

After the Task Force recommendations were presented to the City Council in the first half of September, the preliminary 2021-2022 budget was produced with revised baseline numbers. The forecast for the Street Fund has been updated, including the removal of transportation district revenue, also known as the $20 vehicle license fee (for the purpose of this discussion, we will call it TBD revenue). Even though the State Supreme Court has struck down Initiative 976 which would have eliminated the City's TBD revenue, the forecast and proposed final plan conservatively assume no TBD revenue beyond 2020. The decision to not include TBD revenue in the forecast comes from political uncertainty, including the possibility that the State Legislature might enact legislation in keeping with I-976 as well as the possibility that another version of I-976 might be proposed to the voters next year.

As a result of these changes in the forecast, the fund balances decline to unacceptable levels by 2027. By no later than 2026, the City Council will need to take action in one or a combination of the following three ways:

a. Cut more services and programs starting in 2027,
b. Councilmanically impose more taxes such as B&O or utility taxes starting in 2027, or
c. Go to the voters for a property tax levy lid lift or transportation sales tax (authorized by the state under transportation benefit district legislation) that would come on line in 2027.

The proposed final plan selects the third option—proposing a measure to the voters, and in particular, a transportation sales tax (0.1% - 0.2%) ballot measure in 2026. The reasoning for a voter-approved transportation sales tax measure comes from the loss of I-976 revenue which was exclusively dedicated for transportation, as well as the corresponding Street Fund balance decline which is causing the structural revenue imbalance in the later years of the plan.

If the uncertainty surrounding the TBD revenue subsides, then the TBD revenue can be re-inserted back into the forecast. If this happens, the need for a voter-approved transportation sales tax measure may be delayed.

2. Utility Tax Discussion

Consistent with the City Council's preference expressed at the September 10th meeting, the proposed final plan does not include the Task Force's recommended solid waste utility tax starting in 2024. Instead, the proposed final plan includes a surface water utility tax starting in 2023.

A six percent solid waste utility tax (not recommended in the final plan), would cost a single family homeowner about $4.18 per month in today's dollars, assuming a 60-gallon container, a recycling container, and a yard waste container. A Surface Water utility tax at six percent will cost single family residential property owners, at today's rate, $13.28 per year or $1.11 per month (note that this tax would be paid annually or semiannually as part of the property tax bill). Surface Water utility tax rates would vary for commercial property owners, based on impervious surface area coverage.

One reason a surface water utility tax is recommended over a solid waste utility tax is the full exemption from surface water management fees for lower income seniors and disabled residents. The primary qualifications for the Senior Citizen/Disabled surface water management fee exemption in 2020 include:

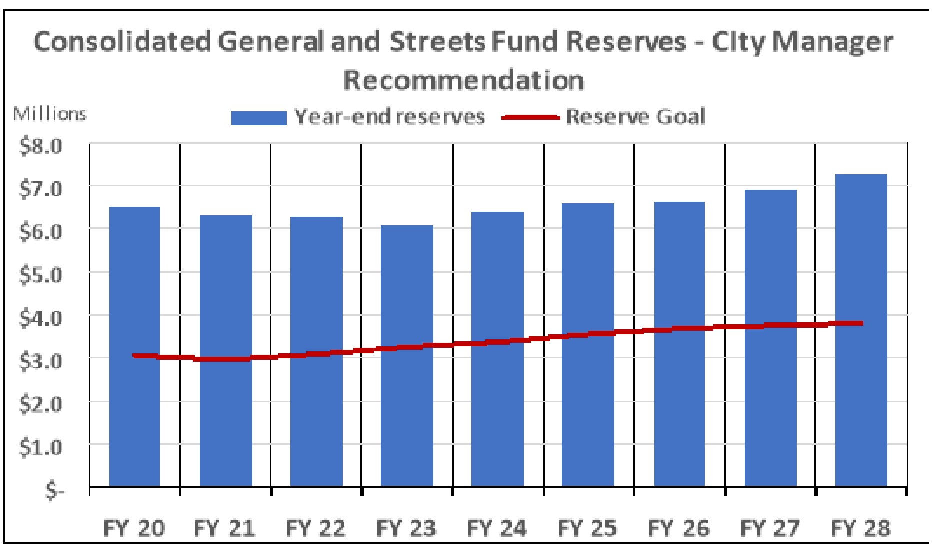
- Annual household income of $58,423 (65% median King County household income) or less,
- Own and occupy a house, mobile home, condo or co-op (as of 12/31/2019 and occupy as primary residence 9 months each year), and
- 61 years of age by December 31 of the previous year, or
- Retired because of disability or
- Veteran with a 100% service-connected disability, or
- You are a widow, or widower, or state registered domestic partner at least 57 years of age whose spouse or state registered domestic partner had an exemption at the time of death.

A cable TV utility tax at 6% would cost a cable subscriber approximately $3.30 per month (based on Xfinity taxable portion of basic cable package). Note that the City does not have the authority to impose a utility tax on internet services.

Kenmore's total utility taxes collected appear to be low compared to other cities in the area. In Management Partners' report dated August 5, 2020, average annual utility tax revenue per capita for the comparison cities is $121.27, and Kenmore collects approximately $83.28 per capita (see Table 8 in the report included in the September 10 City Council meeting agenda).

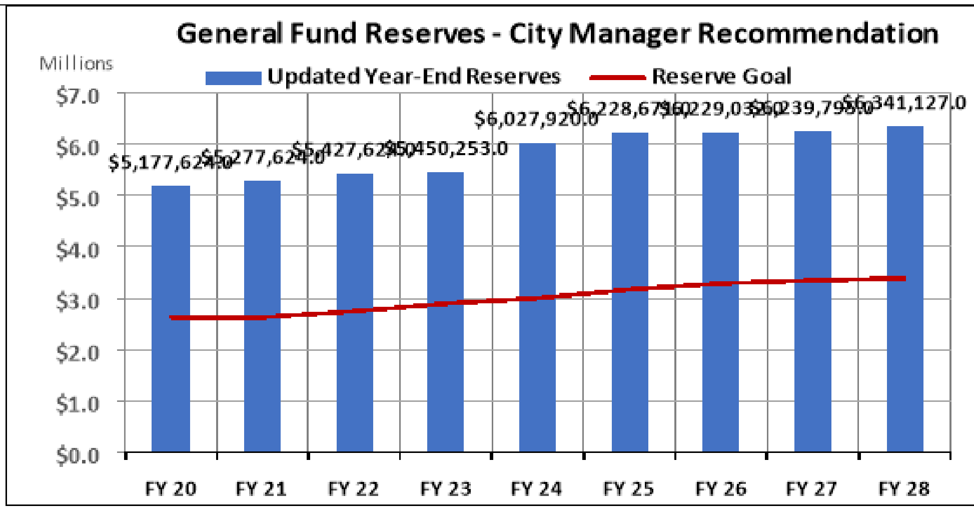
Fund Balance Forecast

If the City Council approves the final plan as proposed in Resolution 20-357, the combined General and Street Funds balance will be maintained above the established target level as shown in the following chart:

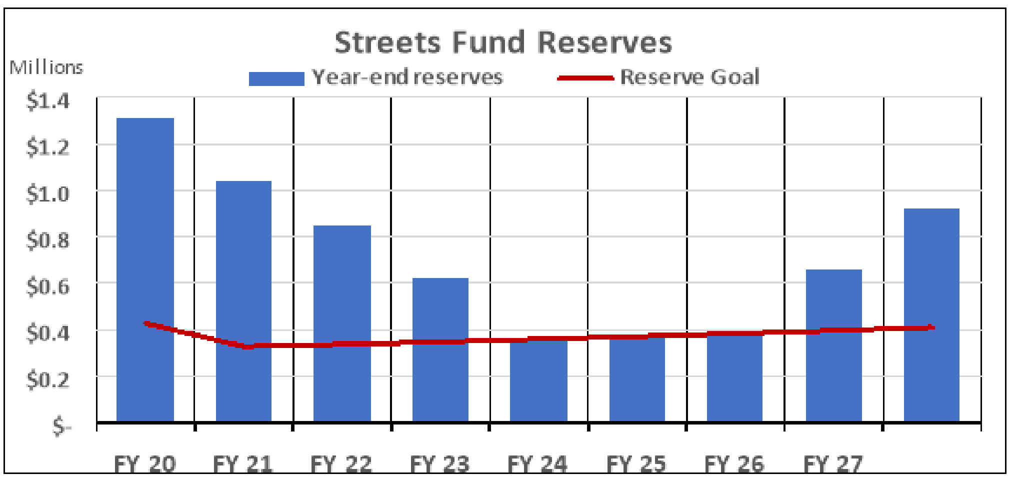


Note that in 2021 through 2023, the combined fund balance will see relatively small reductions then stay steady through 2028. This rise in fund balance is a result of phasing in revenue strategies in later years. The Task Force was willing to tolerate these temporary fund balance reductions in the early years of the plan given the difficult economic times caused by the pandemic.

The General Fund reserves, however, incrementally climb in every year of the plan:

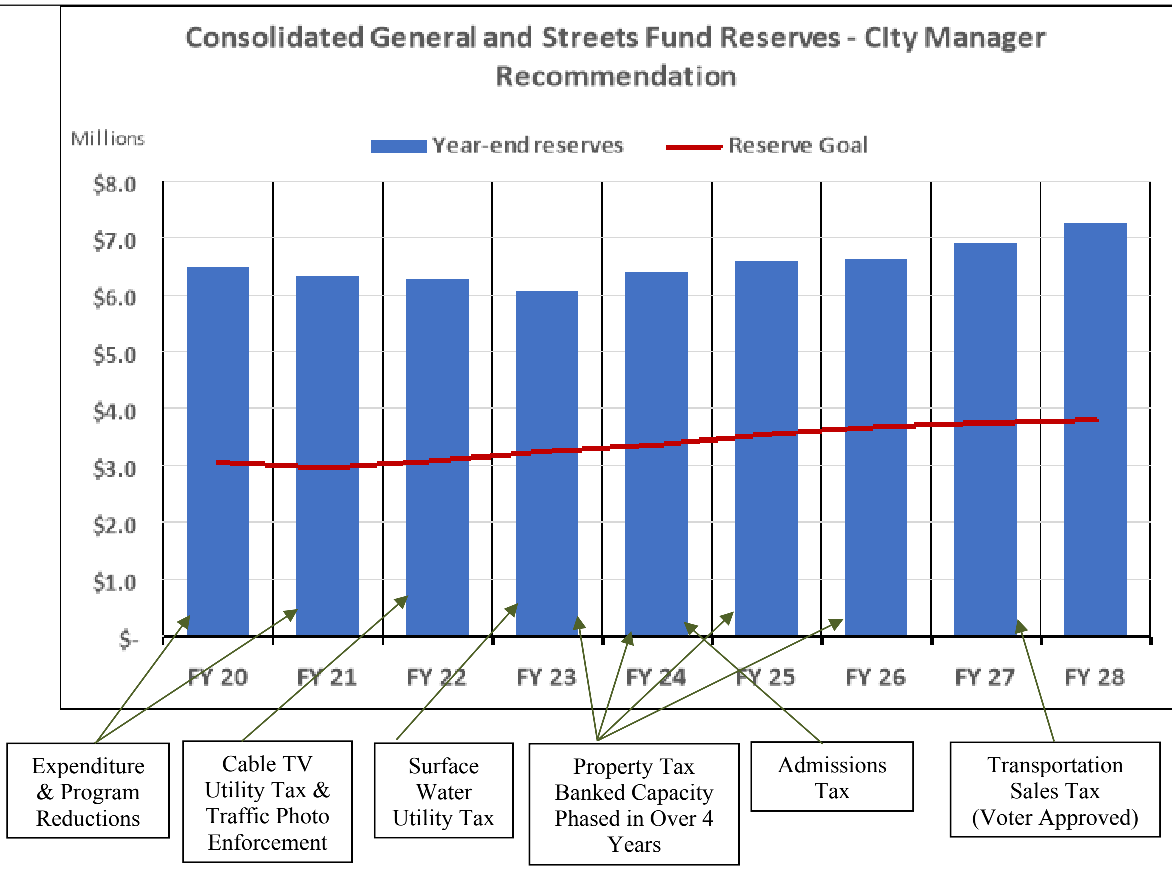


The temporary decline in reserves takes place in the Street Fund, down to the allowable policy target threshold of 20% of its operating budget:



The plan keeps the Street Fund reserves at the reserve goal from 2024 through 2026. The passage of the transportation sales tax increase in 2026 would allow the Street Fund balance (reserves) to grow again in 2027 and 2028. As stated previously, re-insertion of TBD revenue will stem the decline in Street Fund reserves and could delay the need for a voter-approved transportation sales tax.

The following illustration shows the combined Street and General Fund balances and when the more substantial expenditure and revenue strategies are proposed:



<u>Conclusion</u>

The City Manager recommends that the City Council adopt the final Financial Sustainability Plan, as shown in Exhibit A of proposed Resolution 20-357, attached to this agenda bill.

The proposed final plan accomplishes the goal set forth by the City Council this time last year, which is to create a sustainable financial plan for six years, or three biennia through 2026. This plan meets that goal with councilmanic authority. For continued financial sustainability beyond 2026, this plan recommends a voter-approved transportation sales tax increase to go into effect in 2027.

The plan's strategies identified for 2021 and 2022 are already included in the preliminary 2021-2022 Biennial Budget. Adopting Resolution 20-357 will set a path forward for maintaining strong fund balances at or above the City Council's established target level through 2028—two years longer than the six-year goal set last year.

The City Manager also recommends that the plan be reviewed regularly and adjusted as needed. Economic conditions that turn out to be worse than the recession-based assumptions in the plan may drive the need to accelerate some of the strategies in the plan; on the other hand, better-than-anticipated financial conditions may delay the need to move forward with certain strategies.

The following timeline summarizes the financial sustainability plan development process:

2019	January	City Council adds Financial Sustainability to its top five priorities.
	October	City Council approves a process to develop a financial sustainability plan.
	November	City retains Management Partners to assist with development of a financial sustainability plan.
	November	City Council approves charter for the Financial Sustainability Plan Task Force.
	December	City conducts statistically valid survey asking residents about the City's budget and performance.
2020	January	Task Force is appointed and holds its first meeting.
	April	Task Force work is paused due to the pandemic.
	August	Task Force resumes work and develops recommended strategies, and holds its last meeting on August 25.
	August	The Balancing Act budget simulator, open house, and other enagement methods are employed to seek public input.
	September	Task Force recommendations and Management Partners' analysis and strategies are brought forward for Council review.
	October	City Manager brings forward Resolution 20-357 containing the final financial sustainabilty plan for City Council adoption.
2021	January	Begin implementation of the plan.

Thank you for the opportunity to present Resolution 20-357, Financial Sustainability Plan, for your consideration. We very much appreciate the Task Force for their many hours of service and their most helpful ideas and recommendations. We would also like to thank Steve Toler of Management Partners and his team for providing much needed analysis and expertise throughout this process.

COUNCIL PRIORITIES ADDRESSED

City Council Goal 5: Create and implement a Financial Stability Plan.

Attachment 1

CITY OF KENMORE
WASHINGTON
RESOLUTION NO. 20-357

A RESOLUTION OF THE CITY COUNCIL OF KENMORE, WASHINGTON, APPROVING THE CITY OF KENMORE FINANCIAL SUSTAINABILITY PLAN THROUGH 2027

WHEREAS, Kenmore incorporated and became a City on August 31, 1998; and

WHEREAS, the City of Kenmore has historically adopted balanced budgets and accumulated healthy fund balances over the years; and

WHEREAS, Kenmore is a residential bedroom community with property tax as its largest source of operating revenue; and

WHEREAS, state law restricts property tax growth to one percent per year plus property tax from new construction; and

WHEREAS, the City is experiencing a structural revenue problem whereby the City's operating revenue growth is not keeping pace with the cost of providing City services; and

WHEREAS, the City's pre-pandemic financial forecast predicted that the City's operating expenses would exceed operating revenues as early as 2022; and

WHEREAS, an independent consultant reviewed the City's financial projections and confirmed that operating expenses would exceed operating revenues as early as 2022; and

WHEREAS, on October 7, 2019, the City Council approved a process to create a financial sustainability plan. This process authorized the creation of a City Financial Sustainability Plan Task Force to advise the City Manager on ways to resolve the City's upcoming structural deficit. On November 12, 2019, the Council approved the Task Force's charter, and the City Manager appointed Task Force members soon thereafter; and

WHEREAS, the Task Force held nine meetings between January 2020 and August 2020. These meetings included opportunity for public comment and other opportunities for public input, including the Balancing Act financial public engagement tool; and

WHEREAS, the Task Force considered the information provided by City staff, the independent consultant, and the public and created a recommended financial sustainability plan through 2027 that includes multiple actions phase over several years; and

WHEREAS, the Task Force members presented their findings and recommendations for a financial sustainability plan to the City Manager and City Council on September 10, 2020, and the City Council provided comments and feedback regarding the Task Force's recommended financial sustainability plan; and

WHEREAS, the Kenmore City Council desires to establish a balanced six-year financial sustainability plan and has directed the City Manager to bring forward a proposed plan for City Council approval;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The City Council approves the Financial Sustainability Plan, as set forth in Exhibit A, attached hereto and incorporated by reference.

Section 2. The Financial Sustainability Plan shall become effective immediately upon approval of this resolution.

PASSED BY THE CITY COUNCIL OF THE CITY OF KENMORE, WASHINGTON, AT A REGULAR MEETING THEREOF THIS 26th DAY OF OCTOBER, 2020.

CITY OF KENMORE

____
David Baker, Mayor

ATTEST/AUTHENTICATED:

____
Anastasiya Warhol, City Clerk

APPROVED AS TO FORM:

____
Dawn Reitan, City Attorney

Exhibit A

City of Kenmore

Financial Sustainability Plan

2021 through 2028

Introduction and Background

Due to state-imposed limits on property tax growth, flat or slow growth in other revenues, unfunded state and federal mandates, and other factors, the City's operating revenues are not projected to keep pace with the cost of providing city services. As a result, the City of Kenmore faces an upcoming structural deficit in its operating budget (General Fund and Street Fund).

In 2019, the City Council directed staff to embark on the public process of creating a Financial Sustainability Plan (FSP) by examining the City's priorities, services, costs, and revenues. The City Council further directed that a Financial Sustainability Plan for Kenmore should produce balanced Street Fund and General Fund operating budgets for three biennia, or six years.

The process of creating a Financial Sustainability Plan began with the following activities in the 4th quarter of 2019 and early 2020:

- Formal establishment of the FSP process and timelines, as well as the creation of a charter for a Task Force of community members to recommend a financial sustainability plan to the City (October and November 2019)
- A community survey (December 2019)
- An independent assessment of the City's financial projections and long-range forecasts, provided by the firm Management Partners (November and December 2019)
- Updates to the City's Priority-Based Budgeting system (Fall 2019)
- Communications about the budget and City finances, including a financial forecast report to the City Council in January 2020 (ongoing through 2019 and into 2020)

Financial Sustainability Plan Task Force—January 2020 through August 2020

Starting in January 2020, the issue of financial sustainability and possible solutions were discussed through a public engagement process, including the use of a Task Force of community members to examine the issue and advise the City Manager on the City's options.

In addition to providing an independent review of the City's financial projections, Management Partners was retained to advise the City and the Task Force on evaluating budget balancing strategies. Management Partners also provided specific strategies for the Task Force to consider.

The Task Force held nine meetings between January 2020 and August 2020. During the first several meetings, Management Partners reported on its findings about the City's financial projections, and City staff provided the Task Force with information on city functions, funding sources, and how financial resources are allocated. The Task Force also learned about Priority Based Budgeting and how City programs were prioritized and scored against results established by the City Council.

The concept of "Price of Government" was also discussed, including Kenmore's tax revenue trends compared to household income in Kenmore. The Price of Government analysis showed that City revenues as a percentage of household income has been declining over the years.

The Task Force met several times up until April of 2020, then paused its work due to the pandemic. The Task Force resumed its meetings in an online virtual format in August 2020, including an online open house for additional public comment.

Public Outreach and Engagement

In August 2020, an online budget simulator tool, known as "Balancing Act," was provided as an interactive way for the public to consider Kenmore's budget challenges and offer input on how to balance the City budget. A post card was sent to all mailboxes in the city with the purpose of encouraging the public to engage the Balancing Act tool and provide comments on the City's finances. Preliminary results of public input from Balancing Act were provided to the Task Force at the August 24th, 2020 meeting.

Going back to 2019 up through the present, other methods of informing the public and seeking public participation included a statistically valid survey, public comment at all Task Force meetings, online public open house, FSP articles in several mailed newsletters, e-news articles, and social media posts.

Task Force Recommendations

At the ninth and Final Task force meeting on August 25, the Task Force deliberated and produced a set of recommendations for the City Manager and the City Council to consider. The recommendations included a combination of budget cuts, service level efficiencies, and new revenues.

At the September 10, 2020 City Council online budget retreat, the City Council heard additional public comment on the topic of financial sustainability, received an update on Priority Based Budgeting results and program rankings, reviewed a forecast update and potential strategies from the consultant, Management Partners, processed the results of the public feedback from the Balancing Act budget simulator, and listened to the Task Force recommendations for financial sustainability through 2027.

During deliberations, the Task Force established the following five principles in guiding their discussions and decisions:

1. Implement a balanced approach that recognizes and reflects: a) changes in state regulations; b) that Kenmore has changed since it became a City twenty-two years ago; and c) community conditions, needs, and interests.

2. Minimize the impacts on low-income residents.

3. Fund services of the highest value to Kenmore residents and businesses.

4. Where possible, shift the burden of paying for services to those who use them, including non-residents.

5. Maintain realistic levels of service, including when revenues increase.

The Task Force recommendations included the following:

Task Force's Proposed Expenditure Strategy	**Year**
Discontinue Contribution to School Resource Officer Program	2021
Continue most of the expenditure reductions made in 2020	2021
Add HR/Diversity, Equity, Inclusion Position & Program	2021
Increase Mental Health RADAR Program	2021
Increase Pavement Preservation Funding	2022
Seek Alternative Jail Providers	2024

Task Force's Proposed Revenue Strategy	**Year**	**Phased In?**
Property Tax Banked Capacity	2022	Yes; over three years
Cable TV Utility Tax (6%)	2022	Yes; begin in mid 2022
Traffic Photo Enforcement	2022	Yes; begin in mid 2022
User Fee Study	2022	No
Admissions Tax	2023	Yes; begin in mid 2023
Utility Tax on Solid Waste	2024	No

The Task Force's final report is attached as an addendum to this Financial Sustainability Plan.

After the Task Force report was presented to the City Council at the September 14, 2020 meeting, the City Council asked questions and provided feedback and direction. The City Council then directed the City Manager to finalize a Financial Sustainability Plan and bring it forward for City Council approval in October 2020.

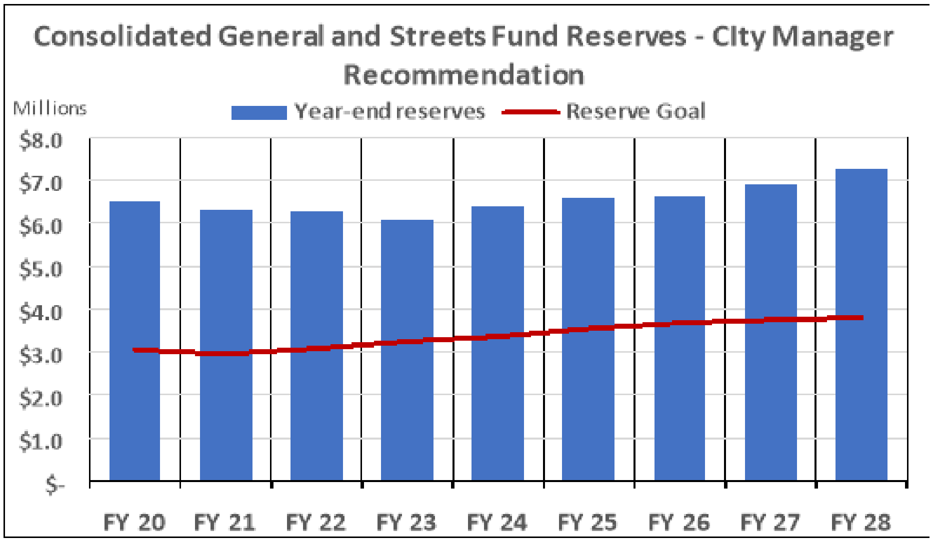
Financial Sustainability Plan: 2021-2028

The following financial sustainability plan is based on the Task Force recommendations and subsequent direction from the City Council. Using conservative revenue and expenditure forecast assumptions, the following plan sustains funding of City services at current levels through 2028:

Expenditure Strategy	
Discontinue Contribution to School Resource Officer Program	2021
Continue most of the expenditure reductions made in 2020	2021
Add HR/Diversity, Equity, Inclusion Position & Program	2021
Increase Mental Health RADAR Program	2021
Increase Pavement Preservation Funding	2022
Seek Alternative Jail Providers	2024

Revenue Strategy	**Year**	**Phased In?**
Cable TV Utility Tax (6%)	2022	Yes; begin in mid 2022
Traffic Photo Enforcement	2022	Yes; begin in mid 2022
User Fee Study	2022	No
Property Tax Banked Capacity	2023	Yes; over four years
Surface Water Utility Tax (6%)	2023	No
Admissions Tax	2024	No
Voter-Approved Transportation Sales Tax Increase (0.1%-0.2%)	2027	No

The above strategies for expenditures and revenues will strengthen the City's financial position and maintain fund balances above the City Council's target threshold (20% of annual budgeted operating expenditures) through 2028, assuming current service levels and the adjusted recessionary forecast assumptions used in Management Partners' report:



This financial sustainability plan accomplishes the goal set forth by the City Council in the fall of 2019, which was to create a sustainable financial plan for six years, or three biennia through 2026. This plan meets that goal with councilmanic authority. For continued financial sustainability beyond 2026, this plan recommends a voter-approved transportation sales tax increase to go into effect no later than 2027 and thereby extends the City's financial sustainability at least two years beyond the original six-year goal.

This plan should be reviewed regularly and adjusted as needed. Economic conditions that turn out to be worse than the recession-based assumptions in the plan may drive the need to accelerate some of the strategies in the plan; reductions in state-shared revenues or new unfunded mandates may also give cause to move up some of the strategies. On the other hand, better-than-anticipated financial conditions may delay the need to move forward with certain strategies.

The City appreciates the Task Force members for their many hours of service and their most helpful ideas and recommendations. We would also like to thank Steve Toler of Management Partners and his team for providing much needed analysis and expertise throughout this process.

ADDENDUM TO FINANCIAL SUSTAINABILITY PLAN

The City of Kenmore's Financial Sustainability Plan

FINANCIAL SUSTAINABILITY TASK FORCE

REPORT AND RECOMMENDATIONS

4 September 2020

TASK FORCE MEMBERS:

FERNELL MILLER

JEFF POOLEY

ELISABETH SPRING

ANTHONY TARNOWSKI

MIKE VANDERLINDE

LYNN ZWAAGSTRA

Darlene Ademba and Lou Novak also served on the Task Force

The City of Kenmore's Financial Sustainability Plan
FINANCIAL SUSTAINABILITY TASK FORCE

REPORT AND RECOMMENDATIONS

The six members of the City of Kenmore's Financial Sustainability Task Force present this report and recommendations to the City Council, City Manager Rob Karlinsey, and Finance Director Joanne Gregory.

At its eighth and final meeting on 25 August 2020, the Task Force reached agreement on eleven strategies to lay the foundation for the City's long-range financial sustainability. These strategies will eliminate the budget deficit by Fiscal Year (FY) 2023 and maintain the budget surplus through FY 2027. By recommending strategies to achieve and maintain the surplus, the Task Force has accomplished its mission. Task Force members also anticipate that the City will need to implement additional strategies at the end of this six-year period to resolve the structural financial imbalance.

The Task Force's Key Finding and Guiding Principles

The Task Force's recommendations are based on this key finding: The City of Kenmore is acting prudently and responsibly in how it spends and invests the public's money. The City is a lean organization. There are opportunities to be even more efficient, but there are no more opportunities to reduce the budget without significantly reducing services that Kenmore residents and businesses need and want.

During the past six months, the global Coronavirus pandemic has devastated the national economy and severely affected the City's finances. Kenmore has reduced its budget, including making about $1 million in operational discretionary cuts this year, $300,000 of which are likely to be permanent. For the foreseeable future, City services will need to be maintained by a combination of controlling expenditures and/or shifting costs, and enhancing revenues.

These five principles guided the Task Force in reaching agreement on which strategies to recommend:

1. Implement a balanced approach that recognizes and reflects: a) changes in state regulations; b) that Kenmore has changed since it became a City twenty-two years ago; and c) community conditions, needs, and interests.
2. Minimize the impacts on low income residents.
3. Fund services of the highest value to Kenmore residents and businesses.
4. Where possible, shift the burden of paying for services to those who use them, including non-residents.
5. Maintain realistic levels of service, including when revenues increase.

The Task Force's Recommendations

The Task Force discussed more than twenty strategies that the consulting firm, Management Partners, identified and defined to ensure the City's long-term financial sustainability. The Task Force also reviewed potential new initiatives that are not currently funded but which the City has expressed interest in and/or were included in the Balancing Act public engagement tool. The members created four categories to determine which strategies to recommend: 1) pursue as a priority; 2) pursue as a secondary priority; 3) pursue as a last resort; and 4) do not pursue.

Task Force members also considered public preferences and comments that were expressed through the Balancing Act public engagement tool. This exercise, which the City made public from 11-24 August, allowed citizens to balance the General Fund budget by considering tradeoffs among programs and selecting those they prefer be funded.

The Task Force created a comprehensive matrix that lists: 1) the strategies from Management Partners; 2) the members' ratings, rankings, and assignments of each strategy to a category; 3) the financial impacts as estimated by Management Partners; 4) additional Task Force comments; and i5) the strategies' "high," "moderate" or "low" potential of success for helping achieve long-term financial sustainability (as assessed by Management Partners). **The matrix provides additional important information about the Task Force's analysis and accompanies this report.**

Recommended Strategies to Maintain Service Levels:

The Task Force recommends that the City should pursue the strategies that are listed on the following page (p.4) as its highest priorities between FY 2021 and FY 2027.

The first eight strategies either enhance revenues or control or shift expenditures. It is estimated they would generate $3,128,813 annually (once they all are implemented in phases over a number of years). The last three strategies are the Task Force's recommendations for new initiatives that should be funded. They would total $1,153,000 annually, once all are implemented. Therefore, the net amount generated by the Task Force's recommended strategies would be $1,975,813, which is sufficient to balance the budget by FY 2023 and put the City on the path toward long-term financial sustainability.

REVENUE OR COST-SAVING STRATEGY	FISCAL IMPACT	CATEGORY	IMPLEMENT
Exercise property tax levy banked capacity over three years starting in 2022	$ 400,000	Enhance revenues	Phased in starting in FY22
Implement admissions tax on recreation and entertainment	$ 120,000	Enhance revenues	Middle of FY 23

User fee study and adjust development services fee	$ 50,000	Enhance revenues	FY22
Impose new utility tax on cable TV at the rate of 6%	$ 470,697	Enhance revenues	FY22
Impose new utility tax on solid waste	$ 183,116	Enhance revenues	FY24
Seek alternative jail providers	$ 50,000	Expenditure controls or cost shifts	FY24
Implement photo traffic enforcement to fund public safety costs and roadway improvements (at three locations)	$1,700,000	Enhance revenues	FY22
Eliminate funding for school resource officer	$ 55,000	Expenditure controls or cost shifts	FY21

OTHER STRATEGIES OF INTEREST *	FISCAL IMPACT	CATEGORY	IMPLEMENT
Additional street funding	($1,000,000)	New initiative	FY22
Hire Human Resources/Diversity, Equity, and Inclusion FTE	($ 103,000)	New Initiative	FY21
Invest in mental health programs such as RADAR	($ 50,000)	New Initiative	FY21

* These are strategies the City has expressed interest in and/or were included in the list of projects that the public could prioritize in the Balancing Act public engagement tool.

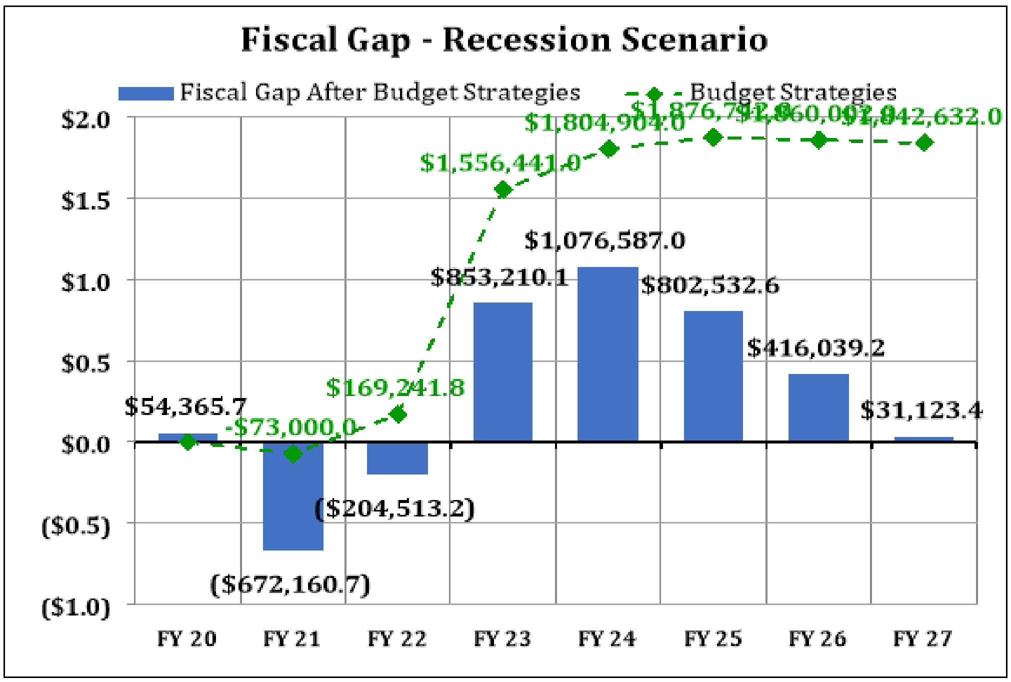
Other Strategies the City Might Need to Consider in the Future:

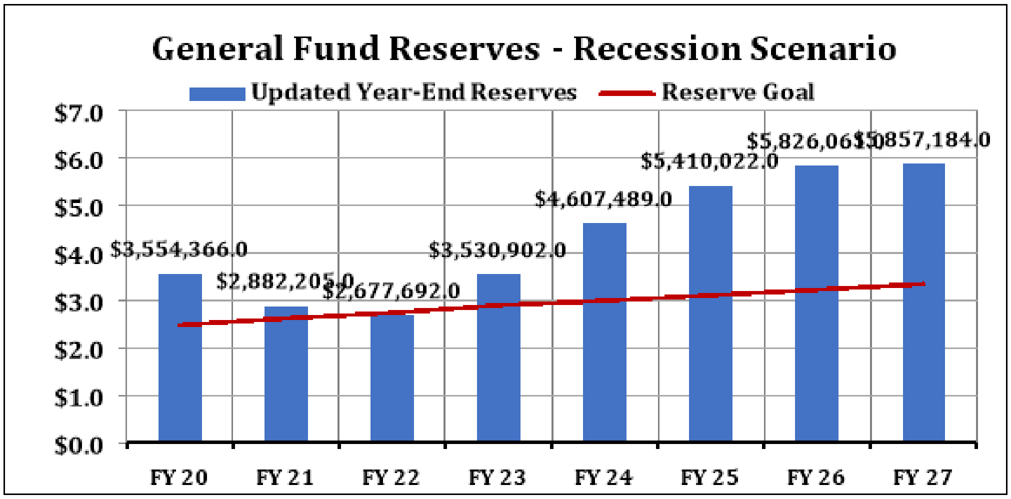
The Task Force acknowledges that the analysis by Management Partners indicates that between FY 2023 and FY 2027, the budget surplus will decline. The two graphs below illustrate the decline of the budget surplus between FY 2023 and FY 2027, and the continual increase in reserves between FY 2022 and FY 2027.

This forecasted trend resulted in the Task Force discussing the possibility of the City implementing a Business and Occupation (B&O) Tax on businesses by 2027 if new revenues from economic development initiatives do not materialize by then. The Task Force also discussed that the City could submit to the voters in 2026 a proposal for increasing taxes to address the structural deficit. Two voter-approved strategies that could be considered are a levy lid lift or a 0.2% sales tax.

The other strategies that the Task Force assigned to the remaining three categories, including the levy lid lift and sales tax increase, are included in the matrix that accompanies this report.

The following two graphs illustrate the results of the task force recommendations. The first graph shows the annual deficit/surplus, and the second graph shows the impact on the fund balance (reserves) of the General Fund.





Two Notes of Explanation:

1. The strategies that the Task Force recommends do not supplement the existing funding for affordable housing or add new resources for climate change initiatives. These policy initiatives are already City Council priorities and the City plans to fund new programs to advance them.

2. One of the principles that guided the Task Force in reaching agreement on its recommendations was "Minimize the impacts on low income residents." This principle reflects the members' interest in and commitment to Diversity, Equity, and Inclusion (DEI). The Task Force is also aware of the City's commitment to DEI. This explains the Task Force's recommendation that the City Council fund a new FTE with responsibilities for leading the City's efforts on DEI.

The Task Force's Process

The Task Force convened for the first time on the evening of 22 January 2020. Its eighth and final meeting was on 25 August. (Its work was suspended from mid-April until early August because of the public health and economic crises created by COVID-19.) Most members also attended a community open house and listening session on August 24th. They worked a total of nineteen hours in meetings, and devoted countless hours reading the reports, studies, and survey results that the City provided. Some also reviewed the City's budget and official policy documents. Every Task Force meeting provided time for members of the community to comment, and the open house on August 24th attracted approximately a dozen attendees. The Task Force also reviewed findings from the Balancing Act, the budget balancing exercise that 192 residents completed and submitted.

Attachment 2

City of Kenmore, WA

Summary of Fiscal Sustainability Budget Strategies Identified by Management Partners

Table 1. Strategies Matrix

Number	Title	Description and Analysis	Fiscal Impact	Overall Difficulty of Implementation	Pct of Public Included Strategy in Balancing Act Submission[1]
Expenditure Controls/Cost Shifts					
1	Eliminate funding of the School Resource Officer program	Would eliminate the City's funding of the School Resource Officer (SRO) program, which the City currently co-funds with the Northshore School District. Much of the cost to the City comes from overtime.	$55,000	Low	41%
2	Shift cost of ballfields/parks lease to private users/sports leagues	Ballfields commonly used by sports leagues are an amenity that does not necessarily get fully utilized by the public at large. This would transfer some or all of the costs associated with the lease costs currently entirely borne by the City.	$50,000	Moderate	36%
3	Update the cost allocation plan for administrative and overhead costs	A cost allocation plan is a formal study that allocates administrative and overhead costs to operating departments that directly serve the public. An updated study might indicate changes to the allocation of General Fund costs to other funds.	$50,000	Low	0%
Service Delivery Alternatives					
4	Reduce maintenance costs for Log Boom Waterfront Park and Squire's Landing Waterfront Park Facilities through contracted/shared services model	Conduct a Request for Qualifications process to seek private companies'/concessionaires' participation in running and covering maintenance costs associated with improvements to both the Log Boom Waterfront Park and the Squire's Landing Waterfront Park.	$100,000	Moderate-High	N/A

[1] Strategies in the Balancing Act budget submission tool provided for public engagement included other strategies that are outside the set of strategies identified by Management Partners as provided in this table. Please see the Figures 1, 2 and 3 in this document for the summary graphs that indicated the strategies that the public included in their budget submission in Balancing Act.

City of Kenmore, WA – Summary of Fiscal Sustainability Budget Strategies Identified by Management Partners

Number	Title	Description and Analysis	Fiscal Impact	Overall Difficulty of Implementation	Pct of Public Included Strategy in Balancing Act Submission[1]
5	Reorganize the City's organizational structure to provide cost efficiencies	Conduct an in-depth assessment of the City's organizational structure to restructure the City's organizational structure and to address human resources needs.	$240,000	Moderate	32%[2]
6	Seek alternative jail provider(s)	Kenmore currently contracts with South Correctional Entity (SCORE) in Des Moines for jail services at an annual cost of $425,000 requiring KCSO officers to transport arrestees 60 miles round trip from Kenmore. Investigate options to partner with other agencies with jail capacity at a lower cost and in closer proximity.	$50,000	High	N/A
7	Issue requests for proposals for fleet maintenance services	Fleet maintenance services are currently provided by Northshore Utility District. Solicit proposals from other public or private sector providers to determine if cost savings may be available.	$20,000	Moderate	N/A
8	Refocus parks capital improvements to lower maintenance uses	Reduce future maintenance costs to the General Fund by modifying intended designs in the capital improvement plan for parks to incorporate more hardscape, low-maintenance planting materials, and open space planning concepts rather than active parks uses.	Undetermined	Moderate	N/A

[2] The related option in Balancing Act was part of the reduction strategy related to Economic Development activities.

Number	Title	Description and Analysis	Fiscal Impact	Overall Difficulty of Implementation	Pct of Public Included Strategy in Balancing Act Submission[1]
Revenue Enhancements - Councilmanic					
9	Increase existing utility tax to maximum allowed under State law (with two options to create a new tax on water, stormwater, and solid waste)	Impose new and/or increased utility taxes on gross receipts of utility companies that provide services within City limits. Assumptions for each option are as follows: • Option 1: Increase electric/gas rate from 4% to 6%; impose new 6% tax on cable services and solid waste; • Option 2: Increase electric/gas rate from 4% to 6%; impose new 6% tax on cable, water, sewer, stormwater and solid waste • Option 3: Increase electric/gas rate from 4% to 6%; impose new 6% tax rate on cable; impose new 10% rate on waster, sewer, stormwater and solid waste.	Option 1: $1 million Option 2: $1.9 million Option 3: $2.6 million	Moderate	Cable: 18% Solid Waste: 15% Stormwater: 10% Electric/Gas: 8%
10	Implement photo traffic enforcement to fund public safety costs and roadway improvements	Use photo enforcement technology for red light and/or school zone enforcement at three intersections to be determined. New revenues, which are net of operating/administration costs, would offset public safety and/or traffic safety costs.	$670,000 per camera; total of $1.7 million for three cameras	Moderate	28%
11	Exercise the property tax levy banked capacity	Exercise property tax levy banked capacity of $400,000 that resulted from the City not exercising the full allowable levy lift of 1% each year in prior years.	$400,000	Low	17%
12	Implement an admissions tax on recreation and entertainment venues	Implement an admissions tax on various recreation and entertainment venues as provided under State law, such as golf courses, bowling alleys, and theaters and performing arts centers.	2%: $80,000 3%: $120,000 5%: $200,000	Low	19%
13	Implement the business and occupation (B&O) tax for all businesses	Expand applicability of the existing B&O tax of 0.2% ($2 per $1,000) to all businesses (currently only implemented for heavy manufacturing companies).	$583,000	Moderate	10%

Number	Title	Description and Analysis	Fiscal Impact	Overall Difficulty of Implementation	Pct of Public Included Strategy in Balancing Act Submission[1]
14	Conduct a user fee study and adjust development services fees closer to full cost recovery	Conduct a user fee study on development services fees with a goal of achieving at or near full cost recovery for planning, building, plan check, encroachment permits, and code enforcement costs.	$50,000 to $100,000 minimum	Moderate	N/A
Revenue Enhancements – Voter Approval					
15	Implement a property tax levy lid lift as general purpose or special purpose for public safety	Implement a levy lid lift above the 1% increase allowed by state law. The current levy rate of $1.104 per $1,000 that generates $5.2 million in total property tax in FY 2020. Increase options are based on the existing total levy at increments of 5%, 10% and 15% increases.	Increase of 5%: $243,000 Increase of 10%: $485,000 Increase of 15%: $728,000	High	17%
16	Implement 0.2% local sales tax rate dedicated to the City's Transportation Benefit District for additional funding	Increase the sales tax rate in Kenmore by an additional 0.2% Sales Tax to be used for Transportation Funding. Funds would need to be used for streets, sidewalks, and other transportation purpose, helping to offset General Fund transfers that may be required to backfill such infrastructure maintenance and improvement projects in the future.	$540,000	High	22%
17	Establish a Metropolitan Park District to fund park operations and maintenance	Establish a metropolitan parks district and transfer responsibility for maintenance and operations of City parks to the new district. Assumes that the City will maintain its existing levy rate and that the new district will implement a levy to fund parks operations.	$458,000	High	N/A

City of Kenmore, WA – Summary of Fiscal Sustainability Budget Strategies Identified by Management Partners

Number	Title	Description and Analysis	Fiscal Impact	Overall Difficulty of Implementation	Pct of Public Included Strategy in Balancing Act Submission[1]
Service Level Reductions					
18	Take no action	The City faces a structural deficit that would increase to an annual shortfall of $1.8 million by FY 2027 and would continue to grow thereafter. If the City took no action, the City would be forced into bankruptcy proceedings, placing the control of fiscal and, in some cases, operational decisions in the hands of the courts, which would take the necessary action to restore the City's fiscal health. This could mean significant reductions or full outsourcing of a variety of services such as police, parks, recreation, and public works. It would have negative impacts on economic development and quite possibly home prices. The City would face difficulties in recruiting and retaining its workforce as it would have a negative reputation in the labor market.	$1 million to $1.8 million	High	N/A
19	Implement General Fund service level and staffing reductions	Implement up to $1.8 million in expenditure reductions by FY 2027. Options would have to consider such options as: • Eliminating Street Fund subsidies – $600,000 • Reducing police services with KCSO by 20% – $785,000 • Reducing parks and facilities maintenance by 20% – $250,000 • Reducing staffing and other expenditures in the City Manager's Office, Clerk, Finance, and IT by 20% – $500,000	Up to $1.8 million	High	N/A
20	Reduce street pavement standards (eliminate transfer from General Fund)	Eliminate the transfer of General Fund resources to the Streets Fund. Pavement management investment would be limited to Streets Fund revenue sources (e.g., gas tax revenues). A pavement management study in 2018 indicated that roadway improvements were underfunded by a total of $1 million in order to achieve the City's pavement condition index (PCI) goals, which would increase the gap to $1.6 million	$600,000	Moderate-High	24%

City of Kenmore, WA – Summary of Fiscal Sustainability Budget Strategies Identified by Management Partners

Number	Title	Description and Analysis	Fiscal Impact	Overall Difficulty of Implementation	Pct of Public Included Strategy in Balancing Act Submission[1]
21	Reduce travel, meetings and consulting contracts	Implement a 10% reduction in travel, training, meetings and consulting contracts costs.	$48,000	Low	N/A
22	Eliminate recreation coordination activities	Eliminate the services of a recreation coordinator position that promotes recreation opportunities within the community.	$50,000	Low	44%

Figure 1. Revenue Enhancements Included in Balanced Budget Submissions in Balancing Act

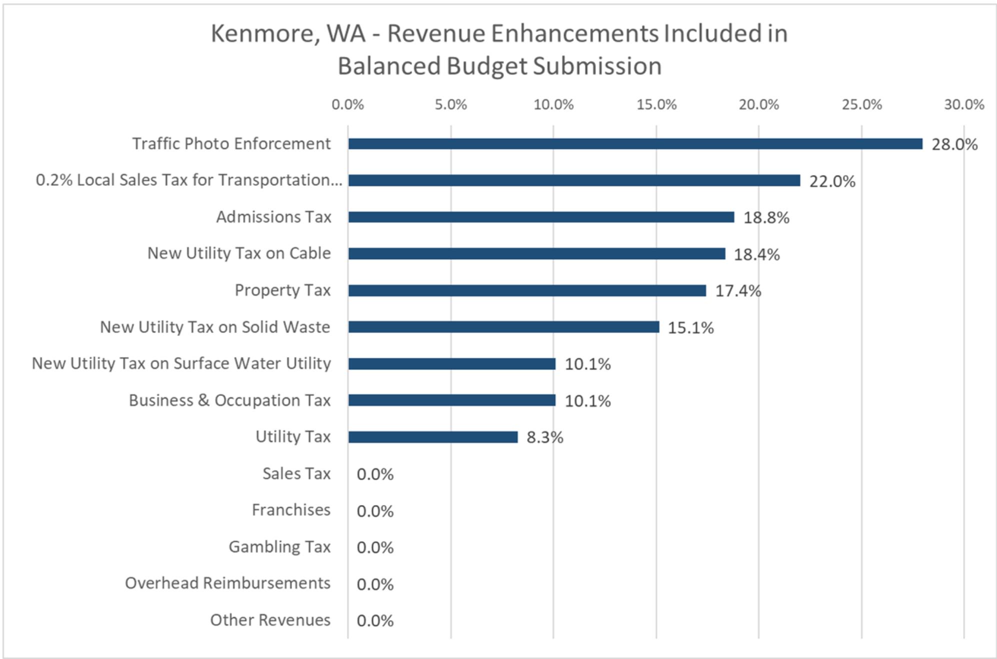


Figure 2. Expenditure Reductions Included in Balanced Budget Submissions in Balancing Act

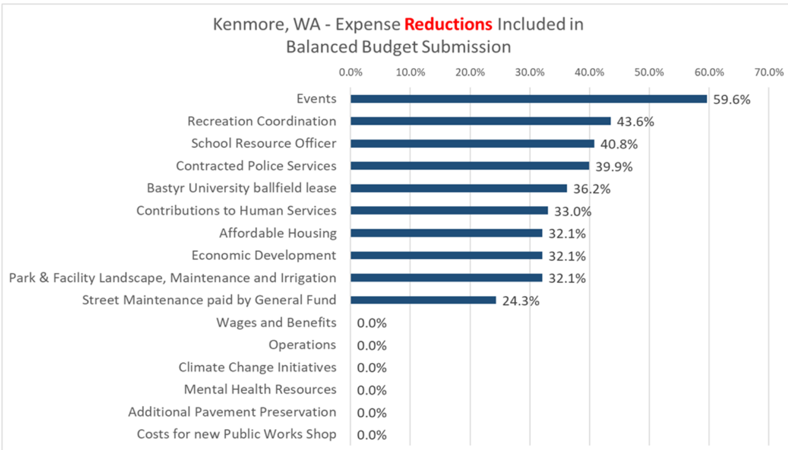
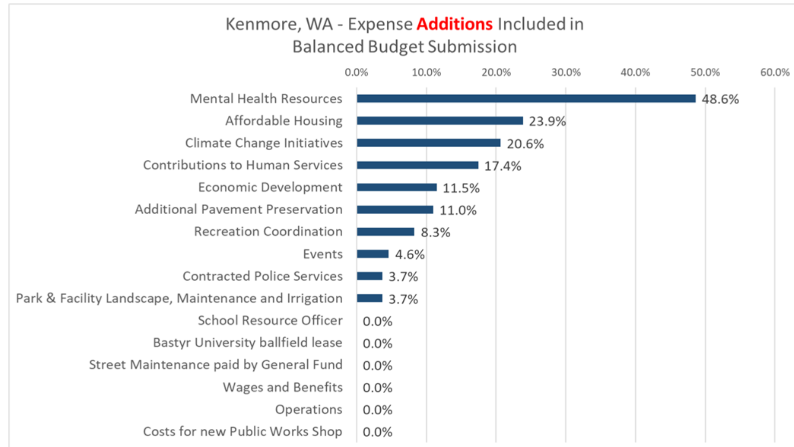


Figure 3. Expenditure Additions Included in Balanced Budget Submissions in Balancing Act



Management Partners

To: Mr. Rob Karlinsey, City Manager
Ms. Joanne Gregory, Finance and Administration Director
City of Kenmore, Washington

From: Steve Toler, Partner
Jim Steele, Special Advisor
Claire Coleman, Management Analyst

Subject: Fiscal Sustainability Plan – Budget Strategies Analyses and Scenario Packages for Consideration

Date: August 3, 2020

Executive Summary

Management Partners has been working with the City of Kenmore during the past several months to identify potential budget strategies that would form the basis of a fiscal sustainability plan to address the anticipated structural deficit in the City's General Fund. This report provides our analysis of the fiscal gap that the City needs to resolve to ensure that reserves stay at or near the reserve goal of 20% of annual operating expenditures and the variety of strategies that may be employed to address that fiscal gap and provide long-term solvency to the City.

Incorporating the impacts of the COVID-19 pandemic recession, the City faces a long-term fiscal gap that grows to $1.8 million per year and will deplete reserves to nearly zero by FY 2025 if not addressed. The gap will continue to grow in future years because the anticipated growth in the City's largest tax revenue source – the property tax levy – will only grow at about 1% long-term without voter approval to increase the levy greater than 1% annually. Meanwhile, expenditures related to personnel and the contract with the King County Sheriff's Office for public safety services is expected to grow at 4% per year. This structural imbalance may only be cured by identifying diversified revenue streams that will grow at the pace of inflation with expenditures. In addition, the City's General Fund revenue per capita is one of the lowest of its comparable cities, and yet the City is still striving to provide services on par with those other cities.

In addition, the City has the potential need to use additional General Fund resources to support the City's long-term streets infrastructure needs. A recent pavement management study indicated the need to add an additional $1 million in capital and maintenance costs per year in order to maintain roads at their existing pavement condition index level. This additional drain

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on the General Fund has not been incorporated into the forecasts given the magnitude of these costs on an already burdened General Fund operation.

Recommendation

We analyzed three budget scenarios that package corrective action that the City can take using a range of revenue enhancements and cost reduction strategies. The three scenarios include:

1. Reliance solely on revenue enhancements (Scenario 1),
2. Balance of revenue enhancements and expenditure reductions (Scenario 2), and
3. Reliance primarily on expenditure reductions (Scenario 3).

Given the structural imbalance in the growth of revenue and expenditure sources, we believe the City needs to diversify its revenue sources to provide revenues that have the capacity to grow with inflation. Accordingly, we believe that the City needs to focus its efforts on the strategies identified in Scenarios 1 and 2 that introduce increases in existing revenue sources (e.g., exercising banked property tax levy capacity, increase utility tax rates) and seek new revenue sources (e.g., admissions tax on recreation and entertainment venues). This will allow the City's General Fund revenue per capita to approach the average of other comparable cities.

COVID-19 Pandemic Impacts on Our Analysis

During our work, the COVID-19 pandemic struck the nation, Washington state, and the region. This pandemic brought unprecedented shutdowns of business and government services, requiring people to shelter-in-place to avoid a spread of the virus. From mid-March to mid-May, King County came to a halt – business activity slowed down for all but the most essential services.

In response to the pandemic, the City needed to take swift action to address the operational impacts to the pandemic. The City implemented one-time expenditure reductions totaling $669,000 in the General Fund, plus an additional $430,000 in streets maintenance expenditures in the Streets Fund that will reduce General Fund transfers for FY 2020. These reductions are summarized in Attachment A to this report.

Local agencies throughout the country are reeling from the pandemic impacts on the local, regional and national economies. The robust economic growth experienced in the past few years came to a grinding halt. Business travel all but stopped. Restaurants and many local businesses were forced to close, and several have been forced out of business. The fiscal impacts on the most elastic City revenue sources such as sales tax and development services fees were impacted. Fortunately, just over two-thirds of the City's General Fund revenue sources are considered inelastic, or stable, revenue sources that are not impacted as significantly by economic recessions. Nonetheless, the fiscal impacts will have a lasting effect given the high unemployment levels and how the pandemic has affected on the local business community.

As a result, the City's forecast has been updated using a COVID-19 pandemic recession forecast tool we have developed to demonstrate the General Fund forecast:

1. Prior to the pandemic recession, and
2. Impacts as a result of the pandemic recession.

Organization of this Memorandum

This memo consists of the following sections and attachments:

- **Baseline and Recession Forecasts.** This section summarizes the City's baseline pre-recession forecast as it entered FY 2020 and the impacts related to the COVID-19 pandemic recession that provides an updated recession forecast used for planning purposes.
- **Comparative Research on Revenues and Expenditures.** This section highlights the results of our comparative research of significant General Fund revenues and expenditures for Kenmore compared with 10 other agencies.
- **Determining Feasibility.** This section discusses the factors used in determining the feasibility of each strategy.
- **Strategies Considered.** This section identifies the feasibility tiers to which each strategy was evaluated and assigned.
- **Budget Strategy Scenarios.** This section discusses three different scenarios that take varied approaches to solve the fiscal gap:
  - **Budget Scenario 1**: Strong Revenue Strategies, Minor Expenditure Reductions;
  - **Budget Scenario 2:** Balanced Approach—Moderate Revenue Enhancement Strategies, Moderate Service Delivery Changes, Moderate Service Level Reductions, and Minor Expenditure Controls; and
  - **Budget Scenario 3**: Strong Operating Expenditure and Service Level Reductions, Moderate Revenue Enhancement Strategies.
- **Attachment A – Budget Adjustments Implemented by the City in Response to the COVID-19 Pandemic**. This attachment provides a summary of the strategies implemented by the City in response to the pandemic as a one-time adjustment pending the outcome of the fiscal sustainability project.
- **Attachment B – Detailed Strategies.** This attachment provides an analysis of each of the budget strategies and is organized by four strategy types:
  - **Expenditure Controls/Cost Shifts.** Maintaining service levels through reductions in expenditures or shifting the cost burden away from the General Fund.
  - **Service Delivery Changes.** Maintaining service levels by changing the way that services are delivered, either through contracting for services or insourcing services from other agencies.
  - **Revenue Enhancements.** Maintaining service levels by increasing the resources available to pay for those services through new or increased revenues.
  - **Service Level Reductions**. If the above strategy types do not yield sufficient fiscal savings to the General Fund, the City would need to explore service level reduction strategies in order to achieve fiscal sustainability.

Baseline (Pre-Recession) and Recession Forecasts

Our analysis included a review of the City's existing forecast entering FY 2020 ("baseline pre-recession forecast") and a revised forecast based on the recessionary impacts stemming from the COVID-19 pandemic ("recession forecast").

Baseline Pre-Recession Forecast

The original six-year forecast for FY 2020 through FY 2026 was developed by City staff. Management Partners analyzed the forecast, which showed that revenues were expected to outpace expenditures beginning in FY 2022 and would likely continue beyond that time. Due to this structural deficit, reserves would fall below the target reserve policy of 20% by FY 2024 if no corrective action was taken.

The City's long-term structural gap is due simply to an imbalance in the growth estimates between revenues and expenditures. This is because property taxes, which comprise nearly 40% of General Fund revenues, may only be increased by 1% unless banked capacity is exercised or a ballot measure is presented to voters to increase the levy beyond the 1% limit. Utility taxes are expected to only grow by 2% per year given the trend towards "cord cutting" which reduces expected growth in future utility taxes on telecommunications and video services. Meanwhile, expenditures are expected to grow by a reasonable inflationary factor of 3% to 4% per year. As a result, the City needed to develop a long-term fiscal sustainability plan to address the growing fiscal gap in future years.

The baseline pre-recession forecast assumed that revenue growth would be moderate and anticipated a mild recession for FY 2021, not the deep recession that the City, the region and the nation finds itself in as a result of the COVID-19 pandemic which will be discussed later. Other key assumptions included in the baseline pre-recession forecast are presented in Table 1.

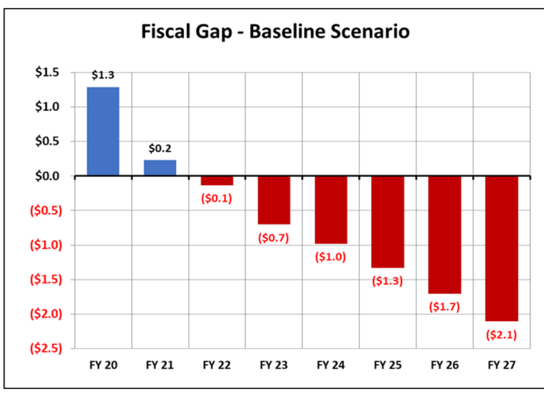
Table 1. Key Assumptions Used in Baseline Pre-Recession Forecast for FY 2020 to FY 2026

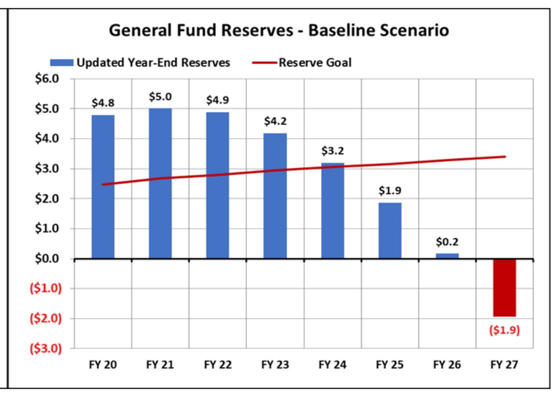
General Assumptions	Reserves
• **Recession** – Slight recessionary impact in sales tax and development fee revenues in 2020 and 2021 • **Service levels** – Maintain existing service levels	• **Minimum reserves** – General Fund reserve policy of 25% of projected development services revenues plus 20% of all other General Fund revenues sources included as minimum reserve target • **Capital project reserve funding** – No significant assumptions related to unfunded capital projects (e.g., Streets Fund projects) to be funded from General Fund

Revenues	Expenditures
• **Development activity** – Based on known/reasonably anticipated projects in progress for 2019 and 2020; future years based on modest growth of 1% per year • **Property taxes** – New construction-related growth and Council annual approval of 1% statutory allowable increase, except for 2020 where banked capacity of ~3.5% of revenue growth would be used • **Sales taxes** – Growth based on slight recession in FY 2020 and 2021, and 2% growth thereafter • **Utility tax** – Growth of 2% for gas and electric, and 1% for telephony services • **Transportation benefit district** – funding assumed to be eliminated due to voter approval of Initiative I-976 • **Other** – modest growth of 2% to 3% of other revenue sources	• **Salary and benefits** – Projections for 2020 based on salaries and benefits for each employee • **Salary increases** - Placeholder of 4% growth in salaries in future years for cost-of-living adjustments and potential merit increases • **Benefits increases** – Costs anticipated to increase by 6% per year (e.g., medical, pension) in future years • **Non-personnel operating costs** - growth based on inflationary impacts of 3% per year • **Streets funding** – Existing annual transfer into the Streets Fund of approximately $600,000, increasing by 3% per year • **Street light maintenance** – Placeholder of $150,000 per year starting in FY 2021 and increasing by 3% per year • **Log Boom and Squires Landing Waterfront Parks** – increased maintenance and operations costs starting in FY 2023 of $275,000 that grows by 3% per year • **Public Works facility** – Debt service (net of lease revenue) of $240,000 per year starting in FY 2021 • **Equipment replacement** – Placeholder of a flat $100,000 per year in facilities, fixtures and systems reserves/replacement, plus $90,000 for fleet and other equipment replacement that grows by 3% per year

Figure 1 shows the impacts of the baseline pre-recession forecast. The General Fund is expected to experience a fiscal gap starting in FY 2022 that grows to $1.8 million by FY 2027 and would continue to grow. Without corrective action, reserves would be drawn down to just above zero by FY 2026 and would fall below zero in FY 2027.

Figure 1. Projected General Fund Surplus/Shortfall and Reserves – Baseline Pre-Recession Forecast





Recession Forecast

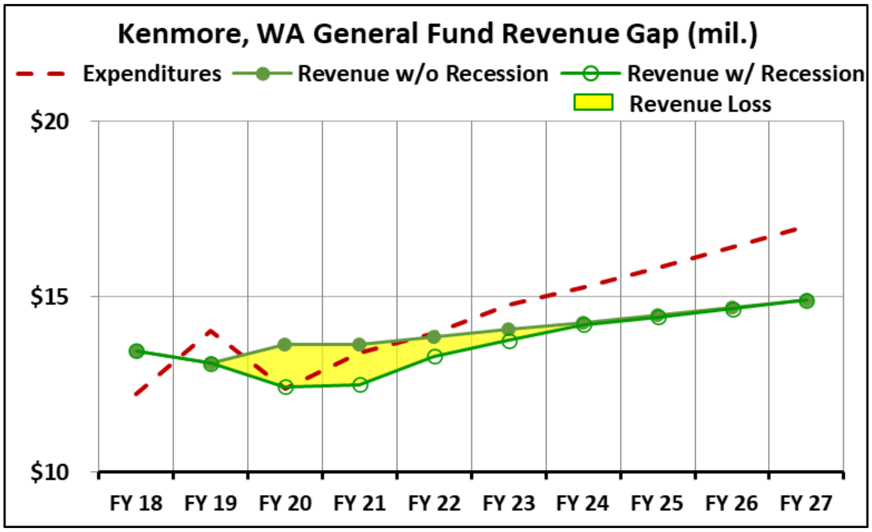
The region, the nation and the world have needed to respond to the impacts of the COVID-19 coronavirus pandemic. Shelter-in-place or "stay home" orders were issued in Washington state and King County in March 2020 as a means of combatting the spread of the pandemic and to save lives. This has had a dramatic impact on people's lives, commerce, and local governments throughout the region. Many businesses were shut down temporarily during the stay home orders, and several businesses closed for good. Federal aid in the form of the CARES Act, enacted by Congress and signed into law in April, provided some relief to individuals, businesses and local agencies.

The previously anticipated mild recession has manifested into a deep recession that is much more severe than the pre-COVID-19 forecast ever anticipated. We anticipate a prolonged recession that will form what economists call an "L-shaped" recovery where revenues will be impacted over the next three- to four-years. The significant impacts on unemployment and the fact that the virus is beginning to see a resurgence in only this first wave of the pandemic makes for a long recession that will have significant impacts on elastic (or economically volatile) revenue sources. Until which time that a vaccine is in place that provides immunity, which the Center for Disease Control and other epidemiology experts are indicating may take 12 to 18 months to develop and deploy to the general population, we are likely to see resurgence of the virus that will require further stay home orders to protect lives. In short, this will likely not be a "V-shaped" recovery that impacts only 2020.

From a revenue elasticity perspective, the City's General Fund revenue sources are well diversified. The largest revenue source – property taxes – currently comprises about 43% of total General Fund revenues and, other than possible delays in collections, is not likely to vary much. Sales tax revenues, however, are quite volatile and are expected to fall by 25% in 2020 alone. A prolonged recession can reduce these revenues even further.

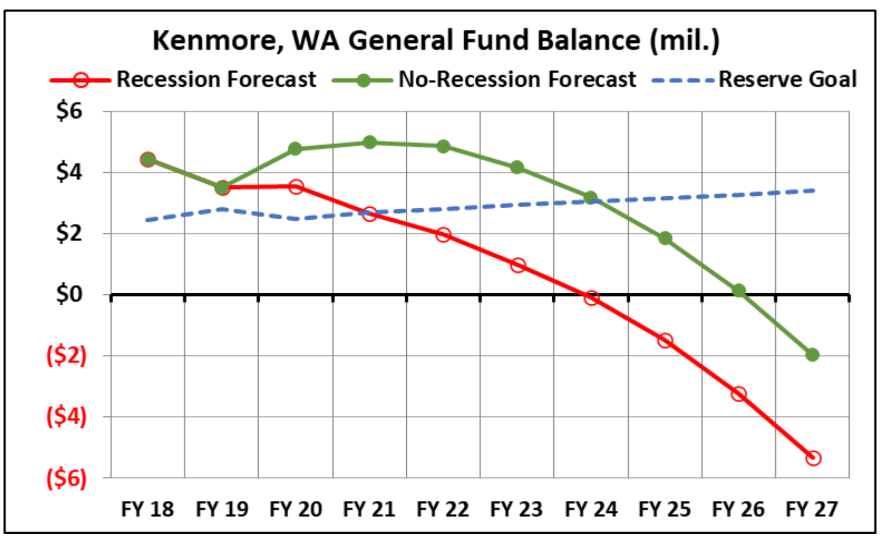
Management Partners has prepared a COVID-19 pandemic recession forecast model for the City's use. The impacts demonstrated in this revised forecast (or "recession forecast") indicate a $3.4 million loss in General Fund revenues from the start of the recession through FY 2024 as shown in Figure 2.

Figure 2. Anticipated Revenues Losses from COVID-19 Pandemic Recession



Incorporating the City's one-time expenditure reduction in FY 2020 totaling $1.1 million (see Attachment A), has helped to protect General Fund reserves for the time being. Yet the long-range forecast now shows that General Fund reserves will be drawn down much earlier that was previously anticipated. Figure 3 below demonstrates reserve levels anticipated in the baseline and recessionary forecast and indicates that General Fund reserves will fall below the 20% reserve goal by the end of FY 2021, and without corrective action would be drawn below zero in FY 2024.

Figure 3. Projected General Fund Reserves – Pre- and Post-COVID-19 Pandemic Recession



These recessionary impacts have informed the budget strategies analysis presented in this report.

Budget Strategies Analysis

Given the magnitude and timing of the budget deficit forecast, Management Partners conducted an independent analysis of the City's revenues and costs of service delivery relative to the General Fund to develop options, or strategies, for addressing the challenge. The strategies are provided in Attachment B. They were developed along a continuum that included:

- Expenditure control/cost shifts,
- Service delivery changes designed to reduce expenditures,
- Revenue enhancement opportunities, and
- Service level reductions.

Arraying ideas along such a continuum reflects the priority any organization would have for preserving service delivery to the maximum extent possible consistent with maintaining solvency.

The strategies were developed based on a combination of factors, including Management Partners' experience about approaches other cities and counties throughout Washington state and in other parts of the country are taking as they consider options to address structural deficits. We also identified ideas based on the City's unique opportunities and organizational climate. Several dozen potential strategies were developed in the categories described above.

An important element in developing an appropriate package of strategies for the City is the size and timing of the forecast deficit. Given the timing and size of the fiscal gap as well as revenue loss due to COVID-19, City leaders need to implement significant revenue and expenditure adjustments relatively quickly. Even with such actions, there is a possibility that the City may need to implement significant service level reductions. This should be avoided if possible, as such an approach might require positions to be left vacant, or layoffs to be enacted to preserve solvency. In addition, such actions are always disruptive to an organization and often affect operations for a long time.

The City's reliance on contracted services for police and a relatively small employee base will make it extremely challenging to implement $1.8 million (or 11.8% by FY 2024) in cost reductions necessary to close the fiscal gap. Doing so will most certainly impair existing service levels. The City will be in a reactive mode for many of its service delivery functions and would be ill-prepared to deal with significant unforeseen events.

City leaders must take action in the very near term to implement planned and considered deficit reduction strategies. Given the nature of the growing fiscal deficit, and the organizational structure and service delivery mechanisms, without revenue enhancements the City will be hard pressed to resolve its structural imbalance in future years. Because revenue strategies often require voter approval, timing is a critical issue.

Comparative Research on Revenues and Expenditures

In order to understand the relative potential of revenue-generating strategies compared with cost reduction strategies, Management Partners compared General Fund revenues and expenditures for Kenmore and other peer cities in King and Snohomish Counties. Peer agencies were selected from incorporated cities in Washington that fall within a 30% range above and below Kenmore in terms of both population and median household income. Data for each criterion were taken from the 2014-2018 *American Community Survey Five-Year Estimates* and statistics published by the Washington Office of Financial Management. We also added a variety of cities that Kenmore considers peers, primarily due to geographic proximity. Table 2 presents the peers selected for this comparison.

Table 2. Comparable Agencies Selected for Peer Research

City	County	Population[1]	Median Household Income[2]	Within 25% Range
Bothell	King/Snohomish	46,750	$94,986	No; Population is larger
Kenmore	**King**	**23,320**	**$105,007**	**-**
Kirkland	King	88,940	$109,715	No; Population is larger
Lake Forest Park	King	13,250	$111,234	No; Population is smaller
Mercer Island	King	24,470	$142,413	No; Income is higher
Mill Creek	Snohomish	20,590	$101,239	Yes
Mountlake Terrace	Snohomish	21,590	$72,765	No; Income is lower
SeaTac	King	29,180	$58,995	No; Income is lower
Shoreline	King	56,370	$80,489	No; Population is larger
Woodinville	King	12,410	$100,306	No; Population is smaller

[1]*Source: Washington Office of Financial Management Population Projections 2019;*
[2]*Source: American Community Survey 2014-2018 Five-Year Estimated Median Household Income Projections*

Based on the criteria detailed above, only Mill Creek qualifies as a peer to Kenmore. Many of the selected peers (Bothell, Kirkland, Lake Forest Park, Shoreline, and Woodinville) are within the +/-30% range in median household income but have populations that are either too small or too large. The remaining cities have similar populations to Kenmore but median household incomes that are either higher (Mercer Island) or lower (Mountlake Terrace, SeaTac).

Table 3 contains an overview of the governing structures of each peer, how they provide fire and police services, and their 2020 combined sales tax rate. Bothell has two sales tax rates because the city is located within two counties. Woodinville also has two different sales tax rates within the city due to the Regional Transit Authority (RTA) tax that encompasses only part of the city. Of the selected peers, four including Kenmore provide fire services through a district. An additional three peers contract with districts for fire services, while three others maintain in-house fire departments. Four of the ten peer cities, including Kenmore, contract with the King County Sheriff for police services. The remaining six cities provide police services in-house.

Table 3. Peer Agency Overview

City	Form of Government[1]	Fire[2]	Police[2]	Combined Sales Tax Rate[3]
Bothell	Council-Manager	City	City	10.0% King/ 10.4% Snohomish
Kenmore	**Council-Manager**	**District - Northshore Fire District (#16)**	**King County Sheriff (Contract)**	**10.0%**
Kirkland	Council-Manager	City	City	10.1%
Lake Forest Park	Mayor-Council	District - Northshore Fire District (#16)	City	10.0%
Mercer Island	Council-Manager	City	City	10.0%
Mill Creek	Council-Manager	Contract - Snohomish County Fire District	City	10.5%
Mountlake Terrace	Council-Manager	Contract - South County Fire Authority	City	10.4%
SeaTac	Council-Manager	Contract - Puget Sound RFA	King County Sheriff (Contract)	10.0%
Shoreline	Council-Manager	District - Shoreline Fire District #4	King County Sheriff (Contract)	10.2%
Woodinville	Council-Manager	District - Woodinville Fire & Rescue	King County Sheriff (Contract)	8.6% Non-RTA/10.0% RTA

[1]Sources: Municipal Research and Services Center (MRSC)
[2]Source: Adopted City Budgets
[3]Source: Washington Department of Revenue, consolidated by MRSC

Jurisdictions in this peer group were compared in terms of projected total General Fund revenue, General Fund revenue by source, and total expenditures for the 2020 budget period. Whenever possible, reported single-year budgets were used to match Kenmore's budgeting process most closely. In the case of Kirkland, Lake Forest Park, and Mill Creek, which publish biennial budgets that are not disaggregated by year, reported revenues and expenditures were halved to approximate a single year. To normalize General Fund revenue data across cities, we opted to compare budget information on a per capita basis.

Kenmore's total General Fund revenues fall below the average per capita of $869.98. Total General Fund revenues, population, and General Fund revenues per capita, as well as Kenmore's relative position, are shown in Table 4.

Table 4. General Fund Revenues per Capita, Kenmore and Peers

City	Total General Fund Revenues for 2020 Budget[1]	Population	General Fund Revenues per Capita for 2020 Budget
Bothell	$44,452,477	46,750	$950.86
Kenmore	$13,050,404	23,320	$559.62
Kirkland	$98,906,358	88,940	$1,112.06
Lake Forest Park	$9,847,566	13,250	$743.21
Mercer Island	$26,309,019	24,470	$1,075.15
Mill Creek	$10,117,804	20,590	$491.39
Mountlake Terrace	$16,671,127	21,590	$772.17
SeaTac	$29,832,899	29,180	$1,022.37
Shoreline	$44,488,908	56,370	$789.23
Woodinville	$10,838,224	12,410	$873.35
		Peer Average Per Capita Revenue	**$869.98**

Source: Adopted City Budgets
[1]Fire costs have been deducted from General Fund revenues for those cities with fire departments and/or those that contract for fire services. This allows a better comparison with those cities whose fire services are provided by fire protection districts with separate property tax levy funding.

Table 5 shows property tax rates and 2020 total General Fund property tax levy. Kenmore generates a similar level of property tax per capita to its peers, just shy of the median. Kirkland's property tax revenues, when adjusted to remove fire expenditures, appear negative because Kirkland uses sales tax revenues to pay for other General Fund expenditures. In Kenmore, property taxes comprise almost 40% of General Fund revenues, the second highest of the peer cities and about 40% higher than the median.

Table 5. General Fund Property Tax Revenue per Capita, Kenmore and Peers

City	2020 Property Tax Levy Rate[1]	2020 Total General Fund Property Tax Levy[2]	Property Tax per Housing Unit	Property Tax per Capita	Percent of General Fund Revenue for 2020 Budget
Bothell	$1.9677	$1,247,724	$69.33	$26.69	2.81%
Kenmore	$1.1036	$5,199,791	$573.55	$222.98	39.84%
Kirkland[3]	$1.0192	($2,880,591)	$(75.00)	$(32.39)	-2.91%
Lake Forest Park	$0.9603	$3,274,481	$611.14	$247.13	33.25%
Mercer Island	$0.9191	$7,453,645	$680.14	$304.60	28.33%
Mill Creek	$1.8385	$4,505,854	$526.51	$218.84	44.53%
Mountlake Terrace	$1.9003	$3,536,417	$408.32	$163.80	21.21%
SeaTac	$2.4938	$6,941,709	$673.56	$237.89	23.27%

City	2020 Property Tax Levy Rate[1]	2020 Total General Fund Property Tax Levy[2]	Property Tax per Housing Unit	Property Tax per Capita	Percent of General Fund Revenue for 2020 Budget
Shoreline	$1.3426	$13,666,865	$596.34	$242.45	30.72%
Woodinville	$0.7929	$3,420,000	$646.01	$275.58	31.55%
Peer Median Property Tax Revenue			**$596.34**	**$237.89**	**28.33%**

[1]Source: King County and Snohomish County Data
[2]Fire costs have been deducted from General Fund revenues for those cities with fire departments and/or those that contract for fire services. This allows a better comparison with those cities whose fire services are provided by fire protection districts with separate property tax levy funding. Source: Adopted City Budgets
[3]Kirkland's property tax revenues are insufficient to cover the costs associated with fire prevention services. They rely on other forms of tax generation to support public safety, which includes both police and fire services.

Kenmore has a median home value that is similar to most of its peers. Major exceptions are Mercer Island, which has much higher home values, and SeaTac and Mountlake Terrace, which both have much lower median home values. Kenmore's median home value of $697,648 ranks fifth highest among peer cities and is 7% higher than the peer median. Median home value, homes per square mile, and assessed values for Kenmore and its peers are shown below in Table 6.

Table 6. Comparison of Factors Influencing Property Tax Revenues, Kenmore and Peers

Agency	Median Home Value (January 2020)[1]	Residential Assessed Value[2]	2019 Locally Assessed Value[3]	Homes per Square Mile[4]
Bothell	$651,080	$638,000	$11,390,672,261	1,486.04
Kenmore	$694,648	$638,000	$4,851,092,698	1,474.15
Kirkland	$775,564	$730,000	$29,436,086,786	3,559.50
Lake Forest Park	$712,531	$617,000	$3,234,227,325	1,517.85
Mercer Island	$1,619,414	$1,393,000	$14,653,675,301	1,734.02
Mill Creek	$611,664	$584,900	$4,454,155,944	1,832.55
Mountlake Terrace	$470,069	$409,200	$3,565,803,521	2,133.25
SeaTac	$410,837	$361,000	$6,624,985,574	1,027.52
Shoreline	$606,512	$517,000	$10,228,874,349	1,963.84
Woodinville	$837,686	$691,000	$3,690,029,346	945.36
Peer Median	**$651,080**	**$617,000**	**$6,624,985,574**	**1,734.02**

[1]Source: Zillow Median Home Value Estimates, January 2020.
[2]Source: King and Snohomish County Data
[3]Source: Adopted City Budgets
[4]Source: 2018 American Community Survey

Compared with the nine selected peers, Kenmore has some of the lowest General Fund sales tax revenues. Kenmore has the second lowest sales tax revenues per capita at $95.41, which is 35.8% of the peer average. Kenmore does not have as heavy of a reliance on sales tax revenue as some of its peers, with sales tax revenue constituting just 17.05% of all General Fund revenues as compared to the 30.15% peer average. This is presented in Table 7 below.

Table 7. General Fund Sales Tax Revenues per Capita, Kenmore and Peers

Agency	General Fund Sales Tax Revenues for 2020 Budget[1]	General Fund Sales Tax per Capita	2020 Sales Tax Revenue as Percent of Total General Fund Revenues
Bothell	$16,445,978	$351.79	37.00%
Kenmore	$2,225,000	$95.41	17.05%
Kirkland	$28,673,700	$322.39	28.99%
Lake Forest Park	$1,062,862	$80.22	10.79%
Mercer Island	$4,348,797	$177.72	16.53%
Mill Creek	$3,357,500	$163.06	33.18%
Mountlake Terrace	$2,601,000	$120.47	15.60%
SeaTac	$13,886,000	$475.87	46.55%
Shoreline	$9,319,003	$165.32	20.95%
Woodinville	$6,691,291	$539.19	61.74%
	Peer Average	**$266.23**	**30.15%**

Source: Adopted City Budgets

[1]*Fire costs have been deducted from General Fund revenues for those cities with fire departments and/or those that contract for fire services. This allows a better comparison with those cities whose fire services are provided by fire protection districts with separate property tax levy funding.*

The 10 cities in this group generate between 5.61% and 19.2% of their General Fund revenue via utility tax, with a range of per capita utility tax revenue between $41 and $180 in 2020. Cities in Washington are authorized by state law to impose up to a 6% utility tax on electricity, gas, steam, and telephone; a utility tax rate comparable to neighboring communities on cable television; and any utility tax rate on sewer, stormwater, water, and solid waste. All of these UTs may be implemented without voter approval, while the limited rates can be raised beyond those levels with a majority vote. Utility tax revenues per capita among peer agencies are shown in Table 8.

Table 8. General Fund Utility Tax Revenues per Capita, Kenmore and Peers

Agency	Total Utility Tax Amount for 2020 Budget	Utility Tax per Capita	Percent of General Fund Revenue for 2020 Budget
Bothell	$8,401,483	$179.71	18.90%
Kenmore	$1,942,189	$83.28	14.88%

Agency	Total Utility Tax Amount for 2020 Budget	Utility Tax per Capita	Percent of General Fund Revenue for 2020 Budget
Kirkland	$14,223,410	$159.92	14.38%
Lake Forest Park	$552,750	$41.72	5.61%
Mercer Island	$4,237,566	$173.17	16.11%
Mill Creek	N/A	N/A	N/A
Mountlake Terrace	$3,200,817	$148.25	19.20%
SeaTac	N/A	N/A	N/A
Shoreline	$3,967,675	$70.39	8.92%
Woodinville	$940,000	$75.75	8.67%
	Peer Average[1]	**$121.27**	**13.11%**

Source: Adopted City Budgets

[1]Peer average includes only those cities with current utility taxes. Mill Creek and SeaTac are excluded.

Table 9 contains the utility tax rates for each city broken down by type of utility. Neither SeaTac nor Mill Creek have any utility taxes in FY 2020. Of the eight cities that do have utility taxes, four tax every utility category. Shoreline has taxes on every utility category except for electric and water. Kenmore and Lake Forest Park have the fewest utilities for which they collect utility taxes.

Table 9. Utility Tax Rates

City	Natural Gas	Electric	Telecom	Cable	Water	Sewer	Stormwater	Solid Waste
Bothell	6.0%	6.0%	6.0%	6.0%	11.15%	6.0%	6.0%	5.0%
Kenmore	4.0%	4.0%	6.0%	N/A	N/A	N/A	N/A	N/A
Kirkland	6.0%	6.0%	6.0%	6.0%	11.8%	9.5%	6.98%	9.5%
Lake Forest Park	6.0%	6.0%	6.0%	N/A	N/A	N/A	N/A	N/A
Mercer Island	6.0%	6.0%	6.0%	7.0%	8.0%	8.0%	8.0%	7.0%
Mill Creek	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mountlake Terrace	6.0%	6.0%	6.0%	5.0%	13.8%	10.0%	10.0%	10.0%
SeaTac	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shoreline	6.0%	N/A	6.0%	6.0%	N/A	6.0%	6.0%	6.0%
Woodinville	2.0%	2.0%	4.0%	N/A	N/A	N/A	N/A	4.0%

Source: Adopted City Budgets and Municipal Codes

Beyond utility taxes, every city in the peer group collects a franchise fee for cable services under federal and state law. Other cities also exact a franchise fee from various utilities such as electric, telecom, water and solid waste, for the use of rights of way (e.g., Shoreline for electric, gas and water; SeaTac for solid waste; Kirkland for electric, gas, telecom and water). Kenmore only collects franchise fees for cable services.

Finally, Kenmore's budgeted per capita expenditures are the second lowest among its peers. When adjusted to remove fire costs for cities that contract or provide fire services in house, Kenmore's General Fund per capita expenditures of $560 is 66.5% of the peer average of $842. Kenmore's budget for FY 2020 equates General Fund expenditures to revenues. This is similar to Mercer Island, which is also operating with a balanced budget for FY 2020. With respect to surplus/(deficit) analysis, the data presented in Table 10 represent the 2020 projected amounts and do not consider existing reserve levels or what each of the jurisdiction's long-range forecasts indicate relative to the health of their respective General Fund reserves in the future. Per capita expenditures and surplus/(deficit) figures for peers are shown in Table 10 below.

Table 10. General Fund Expenditures and Surplus (Deficit) per Capita for Kenmore and Peers

Agency	Total General Fund Expenditures for 2020 Budget[1]	Surplus/(Deficit) for 2020 General Fund Budget	Expenditures per Capita	Surplus/(Deficit) as Percentage of General Fund Expenditures for 2020
Bothell	$43,198,797	$1,253,680	$924.04	2.90%
Kenmore	$13,050,403	$0	$559.62	0.00%
Kirkland	$99,190,604	$(284,246)	$1,115.25	-0.29%
Lake Forest Park	$9,825,070	$22,497	$741.51	0.23%
Mercer Island	$26,309,019	$0	$1,075.15	0.00%
Mill Creek	$10,110,797	$7,007	$491.05	0.07%
Mountlake Terrace	$14,451,833	$2,219,294	$669.38	15.36%
SeaTac	$29,770,899	$62,000	$1,020.25	0.21%
Shoreline	$44,796,652	$(307,744)	$794.69	-0.69%
Woodinville	$9,275,860	$1,562,364	$747.45	16.84%
Peer Average Per Capita Expenditures and Surplus/(Deficit)			**$842.09**	**3.85%**

Source: Adopted City Budgets

[1]Fire costs have been deducted from General Fund revenues for those cities with fire departments and/or those that contract for fire services. This allows a better comparison with those cities whose fire services are provided by fire protection districts with separate property tax levy funding.

Kenmore employs the second lowest number of FTEs per thousand residents, adjusted to exclude FTEs for police and fire in each city. Kenmore and Shoreline are the only two cities that do not have any staffing for police and fire in-house, while SeaTac and Woodinville each employ one FTE in Police to supplement their contracts with the Kings County Sheriff's Department. Table 11 contains citywide staffing and FTE per 1,000 residents.

Table 11. Citywide Total Staffing and FTE per 1,000 Residents, Kenmore and Peers for 2020

Agency	Citywide FTEs[1]	FTEs per thousand residents[1]	In-house Fire FTEs	In-house Police FTEs
Bothell	189.35	4.0503	69.25	94
Kenmore	42.04	1.8027	0	0

Agency	Citywide FTEs[1]	FTEs per thousand residents[1]	In-house Fire FTEs	In-house Police FTEs
Kirkland	365.40	4.1084	116	150
Lake Forest Park	34.38	2.5947	0	24
Mercer Island	141.13	5.7675	31	34.5
Mill Creek	33.20	1.6124	0	29
Mountlake Terrace	97.37	4.5100	0	36.5
SeaTac	137.30	4.7053	0	1
Shoreline	190.53	3.3799	0	0
Woodinville	42.15	3.3965	0	1

Source: Adopted City Budgets
[1]Fire and police staffing have been deducted from cities with fire and police staffing for comparison purposes with those cities whose fire and police services are provided by districts or that contract fire and/or police services.

As a contract-dependent city, Kenmore's options for reducing personnel expenditures are limited. The long-term agreements for contracted police services make it difficult to address expenditure reductions in a timely manner. While efficiencies may be identified, the relatively low number of personnel employed by the City make it challenging to rely exclusively on personnel reductions to address fiscal sustainability issues.

Determining Feasibility

While all the strategies are technically feasible and have been implemented in other Washington settings, they are distinguished by differing levels of community support, complexity of implementation, implementation timing, and disruption to the organization relative to the financial return. Strategies deemed most feasible are solutions that can be implemented more readily and would be least disruptive to the organization.

Certain revenue changes such as tax measures require voter approval to implement and vary in terms of complexity and community support. Some have a greater impact on voters (e.g., local property tax levy lid lift measures, utility taxes) while others have more of an impact on those from outside the city (e.g., sales taxes).

Increasing fees and charges to full cost recovery may help the City's structural deficit somewhat, but may have adverse impacts on community participation in those services. Voters are more likely to support measures when they know their tax dollars are being spent efficiently, requiring City staff to review cost efficiencies prior to taking those measures to voters. These factors require careful consideration in determining the feasibility of revenue enhancements.

Changes that would be disruptive to the organization can take time. Substantial changes in service delivery methodologies or employee benefit programs should also be weighed against the reality that they might result in ongoing employee relations issues, which can impair more incremental change. Key decisions will need to be made in the next 12 months in order to address the fiscal challenges faced by the City.

The strategies identified in this memorandum have been quantified to the extent possible based on current information available to Management Partners and City staff. In many cases, they have been programmed into the fiscal model so City leaders can explore the cumulative impact of implementing any package of actions.

Based on these considerations, budget strategies were evaluated considering the set of factors that may weigh on difficulty of implementation as indicated in Table 12 below.

Table 12. Factors Used in Assessing Implementation Difficulty

Factors	Minimal Difficulty	Moderate Difficulty	High Difficulty
Potential for community pushback	Low	Medium	High
Technical and operational difficulties of implementation	Low	Medium	High
Timing necessary for implementation	Timely implementation is moderately to highly probable to meet timing required to resolve the structural deficit	Timely implementation is possible, but less than moderately probable	Timely implementation is unlikely to meet the timing required to resolve the structural deficit
Disruptive impact on service delivery	Low	Medium	High
Disruptive impact within City organization	Low	Medium	High

After factoring implementation difficulty, we then assessed the potential annual fiscal impact that the City would experience if the strategy were implemented. We stratified fiscal impact into three tiers:

- **Low fiscal impact**. Strategies that would have a fiscal impact of $50,000 or less per year.
- **Moderate fiscal impact**. Strategies that would have a fiscal impact between $50,000 and $100,000 per year.
- **High fiscal impact**. Strategies that would have a fiscal impact of over $100,000 per year

Combining implementation difficulty and fiscal impact, we identify those strategies that have the highest degree of potential success to provide fiscal sustainability to the City in accordance with Figure 4 presented below.

Figure 4. Budget Strategies Quadrant Analysis

		Potential Annual Fiscal Impact (estimated)		
		$0-$50,000	$50,000-$100,000	Over $100,000
Difficulty of Implementation	Minimal difficulty	1	2	3
	Moderate difficulty	4	5	6
	Significant difficulty	7	8	9

High potential of success: High fiscal impact; minimal difficulty	**Moderate-High potential of success:** Medium/High fiscal impact; Minimal/moderate difficulty	**Moderate potential of success:** Medium/high fiscal impact; Moderate/significant difficulty	**Low-Moderate potential of success:** Low fiscal impact; moderate/significant difficulty	**Low/no potential of success:** Low fiscal impact; Significant difficulty

Strategies Considered

Following meetings with City Council members and staff, Management Partners conducted an independent analysis of strategies that would be appropriate for consideration in Kenmore. Our experience working with municipalities across the United States coupled with our research of viable options exercised by other cities in Washington State, allowed us to identify strategies that could lead toward fiscal sustainability. The ultimate strategies selected for consideration were those with either great, good or moderate potential of success as indicated above. Table 13 captures the first tier of strategies that have the greatest potential of success.

Table 13. High Potential of Success

High Potential of Success	Strategies
Expenditure Controls and Cost Shifts	None
Service Delivery Changes	None
Revenue Enhancement	11. Exercise the property tax levy banked capacity 12. Implement an admissions tax on recreation and entertainment revenues
Service Reductions and Eliminations	None

Two strategies appear to have a very positive potential of success. One is to exercise property tax levy banked capacity, and the other is to implement a new admissions tax on recreation and entertainment venues. Implementation of both options is entirely within the purview of City

Council through adoption of an ordinance and is relatively simple to administer. Neither would have a significant impact on service delivery and might not meet significant community resistance. The fiscal impact of exercising the property tax levy banked capacity will raise property taxes by $400,000 per year, and the admissions tax is estimated to be $200,000 per year at a 5% tax rate. While the total of $651,000 is nominal compared with a $1.8 million structural gap, these options would still provide significant relief to the General Fund.

The next level of strategies show a moderate to high potential of success (shown in Table 14) and are considered moderately feasible to implement. The strategy to reorganize the City's organization structure may be disruptive to the City organization and there will likely be temporary service delivery impacts as well as community pushback from the business community. The utility tax will likely generate moderate to high levels of pushback from the community. Yet in both cases, the City has the authority to move forward with those strategies by Council resolution. City leaders will have to consider either or both of these strategies as their fiscal impact is considered significant, but the extent to which these will need to be fully implemented will depend on the level of success with those strategies with the greatest potential of success shown in Table 13 above. City staff will need to begin work on some of these strategies for two reasons: 1) those strategies with the greatest potential of success will not resolve the fiscal gap, and 2) they are needed as a fallback in case revenue strategies dependent on an election outcome are unsuccessful.

Table 14. Moderate to High Potential of Success

Moderate to High Potential of Success	Strategies
Expenditure Controls and Cost Shifts	None
Service Delivery Changes	5. Reorganize the City's organizational structure to provide cost efficiencies
Revenue Enhancement	9. Increase and/or implement utility taxes on various utilities
Service Reductions and Eliminations	None

Strategies with a moderate potential of success are shown in Table 15. Several of these strategies fall into this category because of the implementation difficulty primarily due to either the potential for community pushback, disruptive impacts on service delivery, or only generate moderate fiscal impact. The strategies under expenditure controls/cost shifts and service delivery changes do not yield as significant a fiscal impact as those related to revenue enhancements in this category.

Table 15. Moderate Potential of Success

Moderate Potential of Success	Strategies
Expenditure Controls and Cost Shifts	1. Reduce City's share of costs of the school resource officer program 2. Shift the costs of the ballfields and parks lease to private users/sports leagues
Service Delivery Changes	None
Revenue Enhancement	10. Implement photo traffic enforcement to fund public safety costs and roadway improvements 13. Enforce the business and occupations tax specific purpose tax
Service Reductions and Eliminations	21. Reduce travel, meetings and consulting services expenditures 22. Eliminate recreation coordination activities

Strategies with a low to moderate potential of success are shown in Table 16. Several of these strategies fall into this category because of potential for significant community pushback, relying on voter approval for measures that during this recession would be difficult, if not impossible, to seek approval, or the disruptive impacts on service delivery.

Table 16. Low to Moderate Potential of Success

Low to Moderate Potential of Success	Strategies
Expenditure Controls and Cost Shifts	None
Service Delivery Changes	4. Reduce maintenance costs for Log Boom Waterfront Park and Squire's Landing Waterfront Park through a contracted or shared services model
Revenue Enhancement	14. Conduct a user fee study and adjust development services revenues to closer to full cost recovery 15. Implement a property tax levy lid lift as either a general purpose tax or special purpose tax for public safety 16. Implement a 0.2% local sales tax rate dedicated to transportation funding 17. Implement a metropolitan park district
Service Reductions and Eliminations	19. Implement General Fund service level and staffing reductions 20. Reduce street pavement standards

The final tier of strategies, one with low or little/no potential of success, is considered the least feasible to implement in the City's current economic, political and operational environment. These are presented in Table 17. Generally, these strategies neither provide sufficient fiscal impact, have proven difficult to implement in similar settings, or would have a negative impact in the long term on the organization and community. To the extent the City is unable to generate enough revenue increases or expenditure reductions from other strategies, these more difficult options for maintaining solvency might need to be explored.

Table 17. Low or Little/No Potential of Success

Low or Little/No Potential of Success	Strategies
Expenditure Controls and Cost Shifts	3. Update the cost allocation plan for administrative and overhead costs
Service Delivery Changes	6. Seek alternative jail providers 7. Issue requests for proposals for fleet maintenance services 8. Refocus parks capital improvements to lower maintenance uses
Revenue Enhancement	None
Service Reductions and Eliminations	18. Take no action

One strategy included for discussion purposes is taking no action. This is realistically not a viable option because it would result in a condition of insolvency. The majority of controllable General Fund expenditures is related to personnel costs. The public safety contract with King County Sheriff's Office (KCSO) makes up nearly 28% of the General Fund costs, but the ability to impact cost reductions in the contract is limited.

When such a circumstance becomes imminent, the only thing a city can do is leave positions vacant when employees retire or separate from employment (sometimes called a hard hiring freeze), and/or lay off employees to reduce costs and maintain solvency. This will have catastrophic impacts on the City's ability to serve the community. In extreme circumstances, a jurisdiction could be forced to consider or even file for bankruptcy protection. Filing for bankruptcy protection is an unusual circumstance in Washington, most recently experienced by the Kennewick Public Hospital District in 2017. There are no known situations in Washington where a city or county has filed for bankruptcy protection, but this has been experienced in other states such as California, Connecticut, Idaho, Michigan, Alabama and Pennsylvania.

In a worse-case scenario, the only other option short of bankruptcy would be for the City to disincorporate. State law allows opportunities for cities to disincorporate, however there have been no known instances of disincorporation in the past 20 years. In such a circumstance, the State would take over operations of the city until which time it would transfer responsibility to the County. In the community's eyes, this is perhaps as low a desirable option as taking no action and being required to file for bankruptcy in that the community would be in the hands of other parties and would have little or no say in how the City's services and its structure would be implemented. This strategy has not been incorporated into the set of viable strategies as there appears to be other viable strategies that can resolve the City's fiscal gap.

Budget Strategy Scenarios

Baseline Scenario

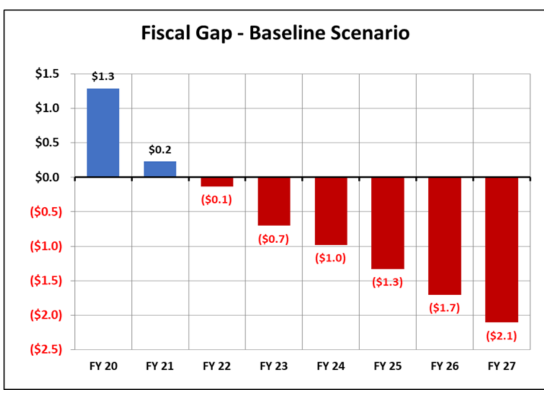
The baseline pre-recession forecast was updated based on the City Council approved FY 2020 budget and the adjustments made based on the City's initial response to the COVID-19 pandemic recession. The baseline pre-recession forecast indicates that surpluses would increase General Fund reserves in FY 2020 and 2021 up to $1.5 million, but that a long-term structural deficit existing starting with a modest $130,000 deficit in FY 2022 that grows dramatically to $1.8 million in FY 2027. The largest driver of the increasing structural gap is the fact that expenditure growth is projected to outpace revenue growth. Property taxes, the single largest revenue source for the General Fund, can only grow by Council action at 1% per year plus the impact of new construction on the total tax levy which equates on average to an additional 1% per year. In addition, the City is onboarding costs associated with maintaining Log Boom and Squires Landing Waterfront Parks that will add an additional $275,000 to the General Fund budget starting in FY 2023.

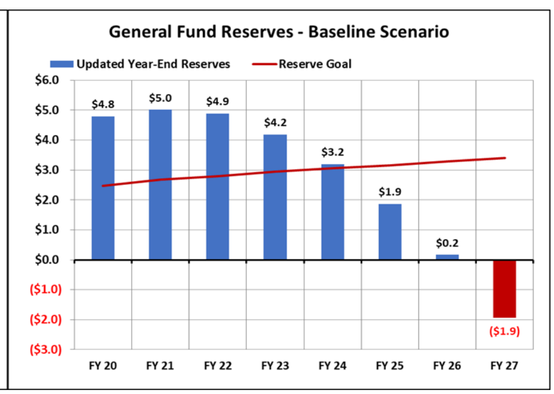
Personnel costs are the largest expenditure category in the General Fund totaling $4.3 million (or 35% of General Fund expenditures). The City must provide some level of compensation and benefits that are competitive in the regional marketplace for skilled talent to provide services the community expects. The City has already seen turnover as employees leave to work in other jurisdictions with better compensation.

The next largest expenditure of the General Fund is the police contract with KCSO. Unless the City chose to reduce funding the number of officers currently within the contract, there is little opportunity to reduce those costs based on the provision of the contracts.

The City has established a target reserve policy for its General Fund of maintaining undesignated reserves of not less than 20% of annual budgeted operating expenditures. The Government Finance Officers' Association (GFOA) has recommended that municipalities establish minimum reserve policies for General Funds of not less than two months, or 17%, of annual operating expenditures, considered by many to be a best practice. Such a policy helps the City weather the impacts of recessions or in addressing a catastrophic event such as the COVID-19 pandemic that has impacted the entire planet, and especially King County. If Council takes no action, the model projects that General Fund reserves will finish at the City's reserve policy of 20% by FY 2024, and will fall below zero in FY 2027, as shown in Figure 5.

Figure 5. Projected General Fund Surplus/Shortfall and Reserves – Baseline Pre-Recession Forecast

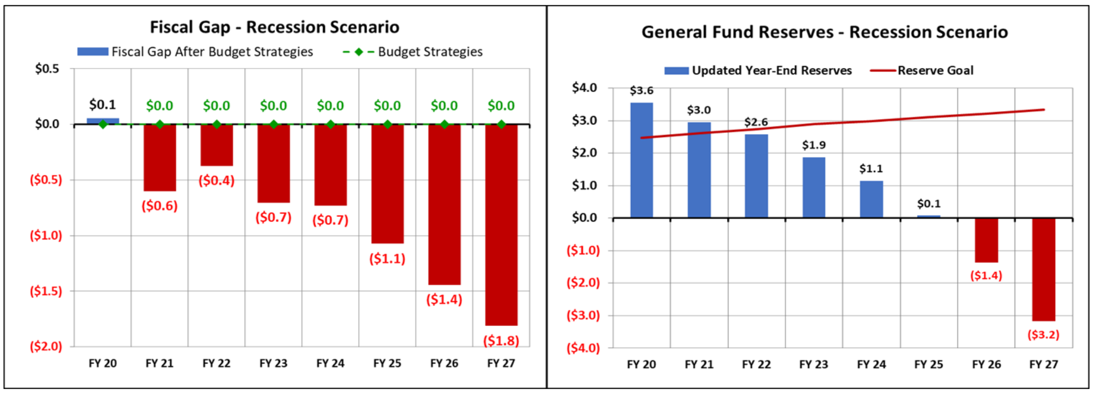




COVID-19 Pandemic Recession Scenario

The baseline pre-recession forecast has been adjusted based on a series of recessionary assumptions that will impact key revenue sources, primarily sales tax, development services fees and business and occupations tax. The recession forecast indicates that the General Fund will stand to lose nearly $3.4 million in revenues by the time that the recession's impacts would be recovered in FY 2024. The actions that the City took to reduce expenditures by $1.1 million in FY 2020 averted a deficit. However, without further actions, the deficit will grow to $600,000 in FY 2021 and increase to $1.8 million by FY 2027. The model projects that General Fund reserves will finish just above the City's reserve policy of 20% by FY 2021, will fall below the reserve policy level by FY 2022, and will fall below zero in early FY 2026. These are presented in Figure 6.

Figure 6. Projected General Fund Surplus/Shortfall and Reserves – Recession Scenario



Development of Four Budget Scenarios

Management Partners has prepared four scenarios for Council's consideration that address this fiscal gap. Each of the scenarios would allow the General Fund to maintain an appropriate level of reserves, eliminate the structural deficit by 2027, provide the necessary transfers to the Street fund to keep it in balance, and ensure the viability of the City's operations throughout the period included in the fiscal model. The three scenarios include options that could be implemented entirely by Council action.

The budget scenarios described in this report are provided as examples of the types of strategies that Council members could consider to address the long-term fiscal gap. The Council could choose any of these scenarios or develop alternative scenarios that include varying types of strategies to resolve the fiscal gap. The scenarios included in this report employ different strategies and make assumptions with respect to the timing of implementing each strategy. Table 18 summarizes these four scenarios.

Table 18. Budget Strategy Scenarios

Scenario	Description
Recession Forecast Before Budget Corrections	• Shortfall of $1.8 million that would likely continue to grow beyond 2027 • Depleted reserves by FY 2024 • Current staffing levels
Scenario 1 – Strong Revenue Enhancement Strategies (Figure 7)	• Eliminate the **school resource officer program** in FY 2021, reducing costs by $55,000 • Exercise use of **property tax levy banked capacity** in FY 2022, phased in ratably over a 3-year period to generate additional annual revenues of $400,000 • Increase the existing **utility tax (UT)** on gas and electric from 4% to 6%, implement a cable utility tax of 6%, and implement a solid waste utility tax of 6%, generating $1 million in annual revenues starting in FY 2024 • Implement the **business and occupations (B&O) tax** fully on all businesses based on the existing 0.2% of gross receipts by FY 2027
Scenario 2 – Strong Revenues Focused on Shifting Costs for Roads and Public Safety (Figure 8)	• Eliminate the **school resource officer program** in FY 2021, reducing costs by $55,000 • Exercise use of **property tax levy banked capacity** in FY 2022, phased in ratably over a 3-year period to generate additional annual revenues of $400,000 • Implement **photo traffic enforcement** tools to offset cost of traffic mitigation and moving violations enforcement in FY 2022, phased in over a 2-year period, generating $1.7 million in annual funding for public safety and traffic improvements • Capacity to **transfer additional funds for road improvements** totaling $4.5 million by FY 2027
Scenario 3 – Balanced Approach—Moderate Revenue Enhancement Strategies, Moderate Service Delivery Changes, Moderate Service Level Reductions, and Minor Expenditure Controls (Figure 8)	• Eliminate the **school resource officer program** in FY 2021, reducing costs by $55,000 • Reduce **travel, training and consulting services** budgets citywide by $50,000 in FY 2021 • Reduce **recreation coordination activities** reducing costs by $50,000 in FY 2021 • Exercise use of **property tax levy banked capacity** in FY 2022, phased in ratably over a 3-year period • Conduct a **user fee study and adjust development services fees** closer to full cost recovery by $50,000 in FY 2022 • Reorganize the **City's organizational structure** to provide cost efficiencies totaling $240,000 annually, phased in over two years starting in FY 2023 • Increase the existing **utility tax (UT)** on gas and electric from 4% to 6%, implement a cable utility tax of 6%, and implement a solid waste utility tax of 6%, generating $1 million in annual revenues starting in FY 2026
Scenario 4 – Strong Operating Expenditure and Service Level Reductions, Moderate Revenue Enhancement Strategies (Figure 9)	• Eliminate the **school resource officer program** in FY 2021, reducing costs by $55,000 • Reduce **travel, training and consulting services** budgets citywide by $50,000 in FY 2021 • Eliminate **recreation and volunteer coordination activities** reducing costs by $90,000 in FY 2021 • Conduct a **user fee study and adjust development services fees** closer to full cost recovery by $50,000 in FY 2022 • Update the **cost allocation plan** for administrative and overhead costs to shift $50,000 in costs by FY 2022 • Shift costs of **ballfields/parks lease** to private users/sports leagues reducing costs

Scenario	Description
	by $50,000 in FY 2022 • Reduce **maintenance costs for Log Boom and Squires Landing Waterfront Parks** through shared service delivery or contracted services saving $100,000 by FY 2023 • Reorganize the **City's organizational structure** to provide cost efficiencies totaling $240,000 annually, phased in over two years starting in FY 2023 • Exercise use of **property tax levy banked capacity** in FY 2023, phased in ratably over a 3-year period to generate additional annual revenues of $400,000 • Reduce **street pavement standards** by decreasing funding totaling $600,000 by FY 2026

Figure 7. Projected General Fund Surplus/Shortfall and Reserves – Budget Scenario 1 (Strong Revenues)

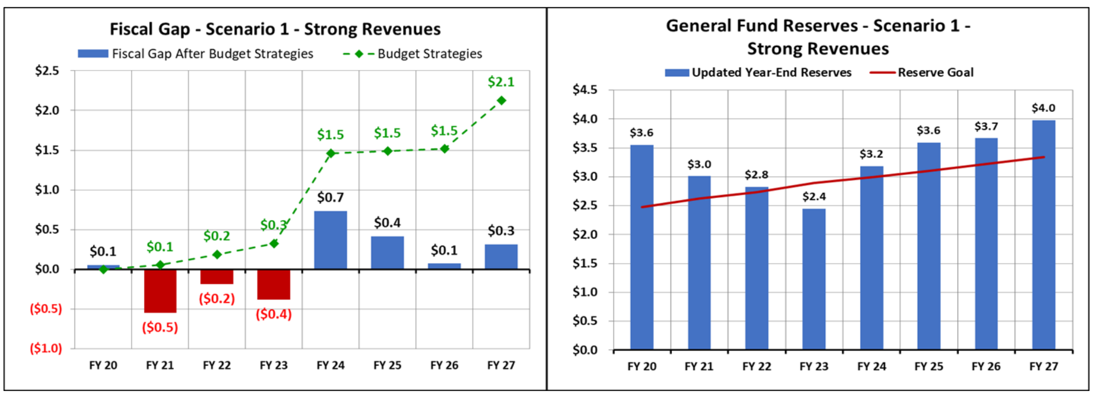


Figure 8. Projected General Fund Surplus/Shortfall and Reserves – Budget Scenario 2 (Strong Revenues Shifting Costs for Roads and Public Safety)

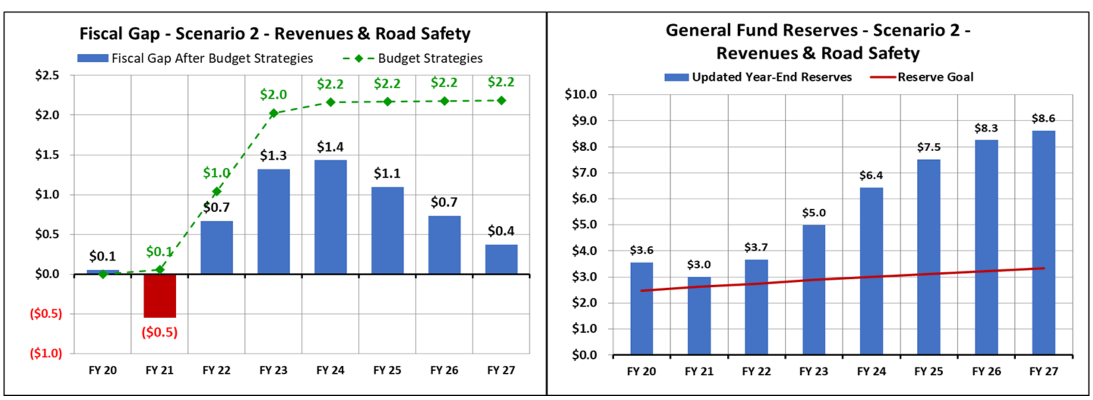


Figure 9. Projected General Fund Surplus/Shortfall and Reserves – Budget Scenario 3 (Balanced Approach)

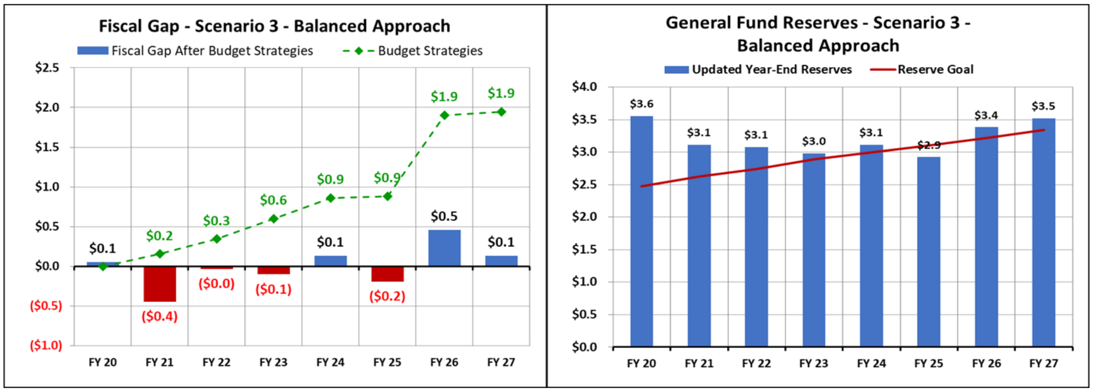
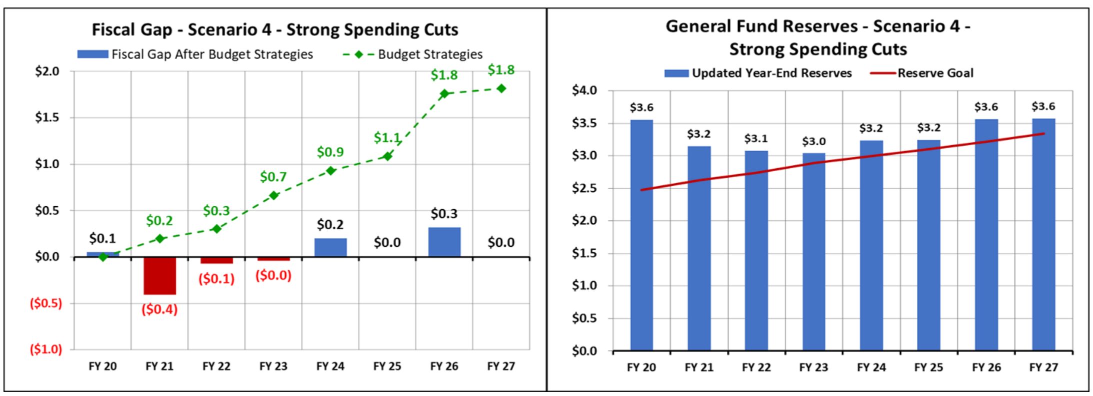


Figure 10. Projected General Fund Surplus/Shortfall and Reserves – Budget Scenario 4 (Strong Expenditure Reductions)



Attachment A – Budget Adjustments Implemented by the City in Response to the COVID-19 Pandemic

The City implemented budget adjustments as one-time measures in response to the COVID-19 pandemic recession that has impacted the country, Washington state, and the King County region. The net reductions totaled nearly $1.1 million and were enacted for the FY 2020 budget by City Council action at the April 27, 2020 City Council meeting.

The budget reductions were made in the General Fund and the Street Fund, the latter of which reduces the transfer from the General Fund, for FY 2020. Budget adjustments included a variety of reductions in such areas as:

- Streets maintenance
- Consulting costs
- District court services
- Software upgrade projects (e.g., GIS system)
- Operating and administrative supplies
- Travel, meals and lodging
- Community event sponsorships, including the 4th of July event, holiday event, and summer concerts
- Public information publication costs

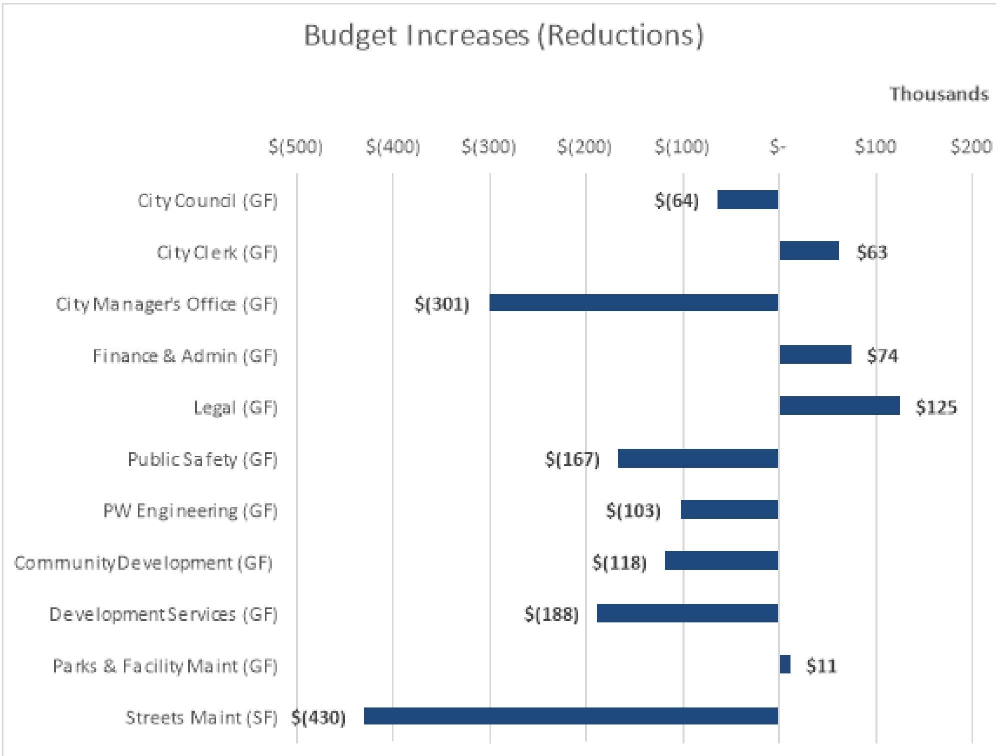
These reductions were partially offset by increases in certain budget areas in response to the pandemic such as:

- Technology to enable work-from-home for City staff
- KCSO officer overtime
- Facility maintenance services and supplies

A total of $300,000 of these reductions were expected to be ongoing reductions. The remaining $800,000 were expected to be one-time. These reductions have been identified as such in the baseline pre-recession forecast. The budget strategies analyzed in Attachment B to this memorandum are considered ongoing strategies rather than one-time strategies.

The net reduction in General Fund expenditures is $669,000, and a net reduction in Streets Fund expenditures of $430,000. A summary of the net expenditure reductions by department within the General Fund (GF) and Streets Fund (SF) is shown in Figure 10 below.

Figure 11. Budget Increases (Reductions) in Response to the COVID-19 Pandemic – FY 2020



Note: Increase in City Clerk was due to increase in human services contributions; Increase in Finance and Admin is due to increased technology costs; increase in Legal is due to increases in anticipated city attorney costs and services

Attachment B – Detailed Strategies

EXPENDITURE CONTROLS/COST SHIFTS

1. Eliminate funding of the School Resource Officer program

STRATEGY TYPE: Expenditure Controls/Cost Shifts

IMPACT ESTIMATE

Eliminating the City's funding of the School Resource Officer (SRO) program would save approximately $55,000 annually for the General Fund.

FEASIBILITY

Discussions have begun with the District in light of recent events and public sentiment to reduce or eliminate presence of law enforcement within schools. The District and City would need to agree to jointly terminate the contract. In light of recent events, elimination of this program might be met with little resistance. As much of the program was covered through overtime costs, it is unlikely that there would need to be any changes to the City's contract with KCSO other than clarification that the SRO program would be eliminated.

Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Low**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS

The City provides SRO services through its contract with KCSO under a cost-sharing arrangement with the Northshore School District. That arrangement was updated in 2018 to increase the School District's share to a maximum of $31,250. However, the Police Chief estimated that the city paid $86,000 in overtime in 2019 to pay for the service. (If the program were funded by dedicated staff rather than overtime, the Chief estimated the cost would increase to $207,000).

The recent events in Minneapolis and across the country have led schools and law enforcement agencies to rethink law enforcement presence in schools. The District has started conversations with community members, KCSO and the City in regard to the program. There is strong sentiment to eliminate the program. Eliminating the program would provide initial cost savings of about $55,000 annually. The City would need to negotiate a change in the KSCO contract to eliminate the dedicated SRO position and determine impacts on officer availability within the community.

2. Shift cost of ballfields/parks lease to private users/sports leagues

STRATEGY TYPE: Expenditure Controls/Cost Shifts

IMPACT ESTIMATE

The City budgets $50,000 annually to lease ballfields at Bastyr University for public and sports league use. The City could consider charging sports leagues for a share of these costs. Amount saved would depend on the fees charged by the City. Alternatively, the City could consider shifting the responsibility for the fields to sports leagues for annual savings of $50,000. The City could also consider forming a Metropolitan Parks District, discussed under revenue enhancements.

FEASIBILITY

To the extent a wide spectrum of city residents use the ballfields, there could be a high level of community pushback. However, to the extent the ballfields are used either primarily by sports leagues or by residents of surrounding communities, the pushback would be less.

Factor	Difficulty Level
Potential for community pushback	Moderate
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS

Ballfields commonly used by sports leagues are an amenity that does not necessarily get fully utilized by the public at large. The City should consider the relatively high cost of paying for these facilities vs. the opportunities of direct users to pay all, or some of the costs.

3. Update the cost allocation plan for administrative and overhead costs

STRATEGY TYPE: Expenditure Controls/Cost Shifts

IMPACT ESTIMATE
Estimated impact for an updated cost allocation plan is $50,000.

FEASIBILITY

Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	Low
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Low**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Low**

BACKGROUND/ANALYSIS
A cost allocation plan is a formal study done, often by specialist consulting firms , to build a model which allocates administrative and overhead costs (costs of City Hall, of non-operating department costs, of facilities, etc.) to operating departments that directly serve the public.

The idea is that administrative and overhead costs would not exist except to serve the operating departments that directly provide services, and therefore most if not all those costs should be re-allocated back to service departments. Two results occur. First, funds with other than General Fund sources of revenue, such as Stormwater, pay for their proportionate share of those administrative and overhead costs. Second, departments in the General Fund that charge user fees, such as Community Development, can know the true cost of providing their services and adjust their user fees accordingly. The second result, therefore, should be a more detailed user fee study to ensure full cost recovery.

The City current allocates approximately $570,000 of administrative-related General Fund costs to three capital funds: Transportation, Surface Water, and Parks.It has been nearly 5 years since the City last performed a comprehensive cost allocation plan review. Costs have been updated based on cost increases in operating department budgets. There is the potential that a revised cost allocation plan might yield the opportunity to transfer an additional $50,000 to $75,000 of eligible costs to other funding sources.

SERVICE DELIVERY CHANGES

4. Reduce maintenance costs for Log Boom Waterfront Park and Squire's Landing Waterfront Park Facilities through contracted/shared services model

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

The Log Boom and Squires Landing Waterfront Park areas are undergoing significant capital improvements, which will increase the City's maintenance and operations costs by $275,000 per year starting in FY 2023. Kenmore could reduce its future cost increases by either contracting for maintenance and operations of all or parts of those parks, or by seeking concessionaires to operate the more active water-sport facilities of those parks in return for either concessionaire maintenance services or revenue sharing to defray the City's costs. Potential impact is targeted at $100,000 annually whether through reduced maintenance costs and/or concessionaire agreements with an operator.

FEASIBILITY

Factor	Difficulty Level
Potential for community pushback	Moderate
Technical and operational difficulties of implementation	Moderate-High
Timing necessary for implementation	High
Disruptive impact on service delivery	Moderate
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate-High**
	Rating
Fiscal Impact	**High**
Potential of Success	**Low-Moderate**

BACKGROUND/ANALYSIS

Kenmore has budgeted for $11.7 million on park improvements between 2019 and 2024. These capital investments include major improvements to both the Log Boom Waterfront Park and the Squire's Landing Waterfront Park. The Log Boom project, when complete, will restore native habitat areas, improve the new main trail, expand the existing beach area, and create a new boat rental building, picnic shelter, and water access for hand-powered watercraft. The Squires Landing Waterfront and Natural Open Space Access project will also restore native habitat areas, trails and walkways with bridges, and river-viewing platforms through enhanced natural areas. In addition, the project will create a public hand-powered watercraft facility with staging areas, float and hand-carry launches, a community plaza, restroom, and parking lot. The upgraded parks and facilities will increase annual maintenance efforts and costs, possibly significantly.

The more active, water sport-oriented facilities planned for both parks create an opportunity to use a Request for Qualifications process to seek private companies'/concessionaires' participation in running those facilities. Local governments may sign concession agreements with vendors to conduct business within parks (such as selling food and beverages or renting equipment) and charge the vendors a concession fee. Tacoma has a seasonal concession at Mossyrock Park for boat launch and other concessions. Longview has food and beverage concessions at Lake Sacajawea Park. Kirkland has food and beverage and various recreation concessions in their parks seasonally. The intent of seeking out concessionaires would not be for the City to make a profit; rather, it would be to defray/reduce its operating and maintenance costs. Management Partners has not performed a detailed analysis of this option, so additional research would be required if the City were to consider these options.

5. Reorganize the City's organizational structure to provide cost efficiencies

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Reorganizing the administrative, economic development, development services and community development service within the City's organizational structure, including the elimination of the Business Incubator program, can reduce the City's ongoing operational costs by $240,000.

FEASIBILITY

Reorganizing the functions of administration, economic development, development services and community development is within the purview of the City Manager. Layoffs and/or reclassifications would need to comply with the City's personnel rules. One-time costs associated with accumulated leave payouts, severance pay, and potential unemployment claims will be more than offset by the long-term cost savings. There will be disruption within the City organization due to changing titles and shifting responsibilities and reporting relationships. Implementation could take place within a six month period, however. The potential for community pushback will likely be minimal as long as customer service is maintained in the areas of community development and development services.

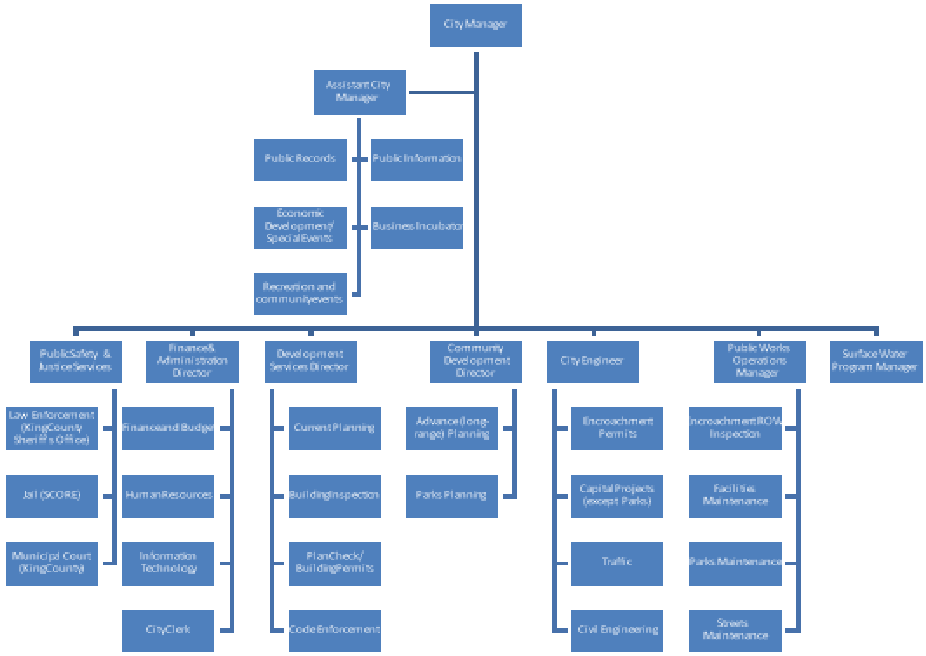
Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Moderate
Disruptive impact within City organization	High
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**High**
Potential of Success	**Moderate-High**

BACKGROUND/ANALYSIS

An in-depth assessment of the City's organizational structure was not performed, as it was not part of the scope of this project. Such a study would normally include an in-depth assessment of service delivery, reviewing alignment with the organization's strategic plan, assessing customer satisfaction with existing service delivery, review of job classifications and capacity within various positions, and an analysis of workflows and responsibilities assigned to conduct the City's various business processes.

However, when we review the City's organizational structure and service delivery, and compare it with agencies of similar size, we noticed that the City is staffed heavily at the executive team level. Figure 11 displays the City's current organization chart.

Figure 12. Kenmore Current Organization Chart



It is not common for an agency to have director level positions at both the Community Development/Planning level as well as Development Services. Typically, cities will consolidate long-range planning, current planning, plan check, building inspection, and code enforcement services under one department with managers and/or supervisors overseeing those various functions. In addition, it is more typically common for economic development, depending on the depth of services provided in that area, to be handled of a city of Kenmore's size by its community development director in collaboration with the city manager.

Furthermore, there is not sufficient capacity within the organization to address human resources needs. Those duties are being handled by the finance and administration director who is also charged with overseeing the finance, budget, information technology and city clerk functions.

Reorganizing responsibilities with remaining staff will maintain many of the services currently provided by the City. Economic development initiatives would be reduced, however, with greater emphasis placed in community events and facilitating economic development through public information, amending the comprehensive (general) plan based on Council policy to drive a thriving local economy, and process improvements in planning, building and code enforcement to support the local economy and new development.

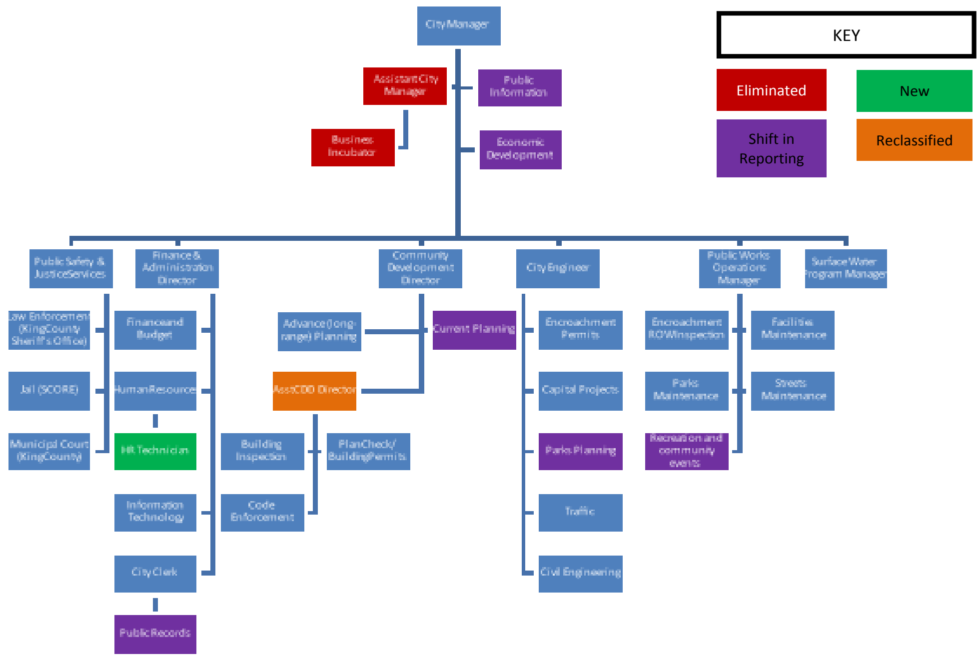
As noted earlier, a study was not conducted on the City's organizational structure. Under this proposed strategy, the City might make the following staffing changes:

- Eliminate the Assistant City Manager position
    - Assign oversight of housing initiatives to the Community Development Director
    - Reduce economic development capacity, with initiatives guided under the direction of the City Manager
    - Assign public records management to the City Clerk
    - Eliminate the Business Incubator program
    - Assign public information to the Communications Specialist to report directly to the City Manager
    - Assign community events (to the extent continued) to the Public Works Operations Manager
    - Assign recreation to the Public Works Operations Manager
- Reclassify Development Services Director to Assistant Community Development Director over building, plan check and code enforcement
- Transfer parks capital project development to the City Engineer
- Hire a Human Resources Technician/Analyst to report to the Finance and Administration Director that can also be cross-trained to assist in supporting community event initiatives

Organizational capacity will be significantly impaired, primarily in the areas of economic development and special events coordination, and will limit the ability to address new initiatives without making choices to eliminate other services.

Net cost savings are estimated to equal $240,000 per year. The revised organization chart might appear as shown in Figure 12.

Figure 13. Kenmore Revised Organization Chart



[1] – *Economic development initiatives will only occur in a limited fashion where capacity exists within the City Manager's Office.*

6. Seek alternative jail provider(s)

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Kenmore currently contracts with South Correctional Entity (SCORE) in Des Moines for jail services at an annual cost of $425,000. Additional costs are incurred with the cost of KCSO officers transporting arrestees to SCORE, which is approximately 60 miles round trip from Kenmore, and can take 60 to 120 minutes in travel time overall roundtrip. Deputy Sheriff time is directly impacted in Kenmore's payments to KCSO under its contract. Contracting with alternative jail provider(s) could potentially save the City in both contract costs and transport costs. We estimate potential savings of $50,000, plus the opportunity cost savings by having fewer officers on transport duty during the typical patrol day. It is doubtful, however, that the number of officers could be reduced based on current caseload trends.

FEASIBILITY

Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	High
Timing necessary for implementation	High
Disruptive impact on service delivery	Moderate
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**High**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Low**

BACKGROUND/ANALYSIS

The FY 2020 budget for jail services with SCORE is $425,000, not counting the hours of Kenmore sheriff staff transporting to Des Moines. Larger cities in northern King County operate their own jail facilities (Kirkland, Bellevue). The City of Kenmore is aware of nearby jurisdictions that either have some excess jail capacity or are considering expanding their capacity and has had some discussions with these jurisdictions. Additional discussions would be required and could be fruitful by combining with other smaller north county cities in similar situations. Options include use of nearby cities' jail facilities or perhaps seeking to create a Joint Powers Authority (JPA) like SCORE in northern King County. Kenmore could not create such a JPA on their own, and the process to do so would be long and complex. However, it is worth considering such undertakings as longer-term investments for cost savings. The City of Kirkland indicates that it has saved significant amounts of money by operating its own jail.

7. Issue requests for proposals for fleet maintenance services

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Vehicle maintenance services are budgeted at $117,000 per year according to the most recent budget document. A precise estimate of potential savings by seeking outside contractors and/or other public agencies to perform fleet maintenance cannot be made without a detailed analysis. A review by Management Partners' long time fleet management experts suggest that using contractors would generate 10 to 20% savings overall (or approximately $20,000 annually for Kenmore).

FEASIBILITY

There would likely be little or no public opposition to contracting out services often performed by the private sector or other entities. It would likely take three to six months to seek proposals, and additional time to negotiate agreements, if indeed cost savings could be realized. A transition to a new service provider could require time for the City to consider steps to work with impacted employees to find other positions within City government, in the new service provider, or elsewhere.

Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Moderate
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**Low**
Potential of Success	**Low**

BACKGROUND/ANALYSIS

Fleet maintenance services are currently provided by Northshore Utility District. It is good business practice to periodically test potential cost savings by soliciting proposals for contracting out certain services. Fleet maintenance is a good candidate, as there are many private and public entities available to perform the service, and proposals may very well be competitive with, or more cost effective than an in-house garage. Proposals could be solicited from nearby governmental agencies with larger fleets, school districts, utility districts, and from local repair garages (for sedans and small pickups). Management Partners recommends the City consider issuing requests for proposals for fleet maintenance, targeting those entities with specializations in various types of vehicle that the City can capitalize on. What is key after such proposals are solicited and analyzed, is to ensure that clear and specific performance measures are specified in any resulting contracts on items such as turnaround time, parts costs, pick-up and delivery services, and hourly rates.

8. Refocus parks capital improvements to lower maintenance uses

STRATEGY TYPE: Service Delivery Changes

IMPACT ESTIMATE

Management Partners notes that the City is adding an increasing array of parks facilities to its future maintenance obligations, which will put further stress on its budget beyond the already strained current capacity. It is not possible to estimate potential cost savings for shifting future parks capital improvement work to more passive/lower maintenance uses without a redesign of the existing conceptual plan elements for each park. Nonetheless, the City should consider this strategy as it implements its Parks Master Plan.

FEASIBILITY

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**Undetermined**
Potential of Success	**Undetermined**

BACKGROUND/ANALYSIS

With the City's creative use of grant and non-General Fund sources for parks capital improvements, Kenmore has expanded its future park maintenance responsibilities and costs with more intensive uses. The current fiscal situation is strained and will become more so without changes to current revenues and expenditures.

The City's capital improvement budget includes a total of $11.7 million of parks infrastructure improvements over the period from 2019 to 2024. The General Fund's share is only $500,000. Without additional sources of revenue, the ongoing maintenance of these facilities will cause increased future costs to the General Fund. The following projects include funding for more active uses that include facilities that will require a higher amount of funding for ongoing maintenance compared to more passive uses such as trails and open space:

- Moorlands Park Improvements,
- Rhododendron Park Dock/Float and Boat House,
- Squires Landing Waterfront and Dock/Float ,
- Log Boom Park Waterfront, and
- St. Edward Park Ballfields Improvements.

To reduce the future maintenance costs to the General Fund, the City would need to change the intended designs of these parks and shift to less maintenance intensive park facilities such as more hardscape, low-maintenance planting materials, and open space planning concepts rather than active parks uses. However, doing so would change the scope of what Kenmore residents voted on in the 2016 Walkways and Waterways Bond Measure for Squires and Log Boom Parks. (Another related option of creating a Metropolitan Parks District is discussed under Revenue Enhancements.)

REVENUE ENHANCEMENTS

Councilmanic Revenue Options

9. Increase existing utility tax to maximum allowed under State law (with two options to create a new tax on water, stormwater, and solid waste)

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE
Estimated impact of three options studied below are as follows:

- **Option 1:** Increase the electric/gas tax rate from 4% to 6%; impose a new cable utility tax rate of 6%; impose a new solid waste tax rate of 6% - **Increased annual revenues of approximately $1 million.**
- **Option 2:** Increase the electric/gas tax rate from 4% to 6%; impose a new utility tax rate of 6% on cable, water/sewer/stormwater and solid waste – **Increased annual revenues of approximately $1.9 million.**
- **Option 3:** Increase the electric/gas tax rate from 4% to 6%, impose a new cable utility tax of 6%; impose a new utility tax rate of 10% on water/sewer/stormwater and solid waste – **Increase annual revenues of approximately $2.6 million.**

Option 1 would increase utility tax revenues per capita to $85.05, still 30% below the peer average of $121.27. Option 2 would raise utility tax revenues per capita to $131.16, which would exceed the peer average by 8.2% with four cities (Bothell, Mercer Island, Kirkland and Mountlake Terrace) above that amount. Option 3 would raise utility tax revenues per capita to $161.90, which is 33% above the peer average, but still below Bothell and Mercer Island.

We believe that Option 1 provides the greatest opportunity for success, although Option 2 might also be a viable option. Option 3 might be met with significant public resistance.

FEASIBILITY
The City Council can impose a new utility tax on the revenues of utility companies that provide services within City limits. Council action to impose the tax may be performed through adoption of an ordinance. Outreach to utility providers will be needed to allow for sufficient time for the imposed tax rate to go into effect and allow utilities to inform their customers. It could take as long as nine months to properly implement the tax and begin to receive remittances from the utility providers.

While Council may impose a new utility tax by ordinance, there is the potential that a referendum procedure could be required as per Washington State law (RCW 35.21.706). The City Attorney would need to be consulted should the City decide to impose any new or increased utility taxes. Many other cities assume that any such resolution is automatically subject to referendum and/or place such language in an adopting resolution per State law provisions.

The assessment shown in the table below is based on implementing Options 1 or 2. Option 3 might be met with significant public resistance and, would thus, be downgraded to Low-Moderate potential of success.

Factor	Difficulty Level
Potential for community pushback	Moderate-High
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**High**
Potential of Success	**Moderate-High**

BACKGROUND/ANALYSIS

A utility tax is an excise tax placed on utilities that provide services in a municipality, including municipal utilities and utility districts. Kenmore currently levies UTs on natural gas, electric, and telephone. Its tax rates are at the maximum for telephone, but not for electric and gas. Potential additional utilities that may be included in a utility tax are cable, water, sewer, stormwater, and solid waste. The utility tax is levied on revenues collected by the utility provider within the city limits. A utility tax generally is more predictable and less volatile than other General Fund revenue sources such as sales tax and development fees and permits, particularly in a predominantly residential community. This is because public usage of utilities is somewhat stable year to year, and the revenue increases over time as the utility raises its rates.

Utility taxes, however, are typically viewed as a regressive tax that more significantly impacts the disposable income of lower income households. Cities have addressed this issue by providing exemptions and/or discounts for low-income seniors and/or low-income households. Cities often leverage existing low-income discounts extended by utilities that are subject to the tax, which by their nature reduce revenues subject to the tax, or will altogether exempt such individuals from the tax itself. Cities might also administer their own programs for exemptions, which may require hiring staff to administer the programs.

Revenues are unrestricted and may be used for any lawful governmental purpose. The maximum tax rate may not exceed 6% for electric, gas, and telephone services unless approved by voters. There is no limitation on the tax rate for water, sewer, solid waste, or stormwater utilities. Internet and satellite TV may not be taxed per federal law, but cable TV may be subject to a tax with special provisions.

Table 7 earlier in this report indicated the per capita utility tax revenues for comparable agencies and their percentage of total General Fund revenues. Table 19 below summarizes the utility tax rate used by each comparable agency based on the types of utility tax that they levy. The table also includes the per capita revenue amount generated by utility taxes. Kenmore's utility tax per capita is 60% below the average of $121.27 across the peers that have any form of utility tax.

Table 19. Comparable Agency Per Capita Utility Tax Revenues and Utility Tax Rates by Type 2020

City	Utility Tax per Capita	Natural Gas	Electric	Telecom	Cable	Water	Sewer	Stormwater	Solid Waste
Bothell	$179.71	6.0%	6.0%	6.0%	6.0%	11.15%	6.0%	6.0%	5.0%
Mercer Island	$173.17	6.0%	6.0%	6.0%	7.0%	8.0%	8.0%	8.0%	7.0%
Kirkland	$159.92	6.0%	6.0%	6.0%	6.0%	11.8%	9.5%	6.98%	9.5%
Mountlake Terrace	$148.25	6.0%	6.0%	6.0%	5.0%	13.8%	10.0%	10.0%	10.0%
Woodinville	$75.75	2.0%	2.0%	4.0%	N/A	N/A	N/A	N/A	4.0%
Shoreline	$70.39	6.0%	N/A	6.0%	6.0%	N/A	6.0%	6.0%	6.0%
Kenmore	**$48.63**	**4.0%**	**4.0%**	**6.0%**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Lake Forest Park	$41.72	6.0%	6.0%	6.0%	N/A	N/A	N/A	N/A	N/A
Median	**$121.27**	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**11.50%**	**8.0%**	**7.0%**	**6.5%**
Mill Creek	**None**								
SeaTac	**None**								

Source: City budgets and municipal codes

An estimation of possible revenue to be derived from extending the utility tax is contained in the table below. Management Partners took a neighboring peer city's (Mercer Island) utility tax revenues and analyzed them as a percentage of electric and gas utility tax revenues. This allows for an approximation of what utility taxes might be for Kenmore, understanding that the mix of residential and commercial users may be slightly different than Mercer Island.

Management Partners took all of Mercer Island's utility tax revenues and determined the revenue generated for each 1% of tax rate. The proportion of the non-electric and gas utility revenues were then used to extrapolate what Kenmore's non-electric and gas revenues might be as a percentage of its electric and gas revenues assuming a 1% rate. For example, at a hypothetical 1% rate, Mercer Island's solid waste revenues were 16% of its electric and gas revenues.

To estimate what Kenmore could potentially earn from a 1% tax on solid waste, we took the amount Kenmore earned for calendar year 2018 for electric and gas ($757,000 per data

Management Partners received), and divided it by 4. We therefore derived Water/Sewer/Stormwater revenues (at a 1% rate) by applying the 16% to Kenmore's electric/gas revenues at a 1% rate ($189,000). The result is that for each 1% of utility tax, we estimate that the City could generate about $30,000 in solid waste revenue (16% of $189,000). That methodology is not perfect; however, in the absence of other data it is a rough approximation that can give the City an idea of the magnitude of the potential revenue.

Table 20 below shows three options:

- **Option 1:** Increase the electric/gas tax rate from 4% to 6%; impose a new cable utility tax rate of 6%; impose a new solid waste utility tax of 6%;
- **Option 2:** Increase the electric/gas tax rate from 4% to 6%; impose a new utility tax rate of 6% on cable, water/sewer/stormwater and solid waste; and
- **Option 3:** Increase the electric/gas tax rate from 4% to 6%, impose a new cable utility tax of 6%; impose a new utility tax rate of 10% on water/sewer/stormwater and solid waste

All three options would increase or impose rates on electric/gas, cable and phone to the maximum allowed under State law. Water, Sewer, Stormwater, and Solid Waste were set at 10% in Option 3 as a further increase to demonstrate potential revenues from higher rates on those utilities. The results show increases to General Fund revenues ranging from approximately $1,030,000 under Option 1 to $2.6 million under Option 3.

Table 20. Kenmore Utility Tax Estimates at 6% and 10% for Water, Sewer, Stormwater and Solid Waste

	Electric/Gas	Water/Sewer/ Stormwater	Cable	Phone	Solid Waste	Total
Current						
Rate	4%	N/A	N/A	6%	N/A	
Revenue	$757,412	N/A	N/A	$376,638	N/A	**$1,134,050**
Option 1: Increase electric/gas to 6%; impose cable utility tax of 6%; impose solid waste tax of 6%						
Rate	6%	N/A	6%	6%	6%	
Revenue	$1,136,118	N/A	$470,697	$376,638	$183,116	$2,116,569
Additional Annual Revenue	**$378,706**	**N/A**	**$470,697**	**$0**	**$183,116**	**$1,032,519**
Option 2: Impose a uniform utility tax of 6% on all Utilities						
Rate	6%	6%	6%	6%	6%	
Revenue	$1,136,118	$892,073	$470,697	$376,638	$183,116	$3,058,641
Additional Annual Revenue	**$378,706**	**$892,073**	**$470,697**	**$0**	**$183,116**	**$1,924,592**
Option 3: Impose a utility tax rate of 6% on all electric/gas, cable and phone, and a 10% rate for Water, Stormwater, Sewer, and Solid waste						
Rate	6%	10%	6%	6%	10%	
Revenue	$1,136,118	$1,486,788	$470,697	$376,638	$305,193	$3,775,434

	Electric/Gas	Water/Sewer/ Stormwater	Cable	Phone	Solid Waste	Total
Additional Annual Revenue	**$378,706**	**$1,486,788**	**$470,697**	**$0**	**$305,193**	**$2,641,384**

Imposing a utility tax on solid waste provides the City with the opportunity to fund environmental sustainability efforts, which could separately be explored for consideration only after the tax were implemented.

10. Implement photo traffic enforcement to fund public safety costs and roadway improvements

STRATEGY TYPE: Public Safety Cost Offset

IMPACT ESTIMATE

The amount of fine revenue generated by traffic cameras to reduce traffic accidents and promote safety would depend on the intersections at which such cameras were installed, and the activity at those intersections. The City of Lake Forest Park reports that it has three traffic cameras in operation. Its projected revenues for 2020 for fines from these cameras totals $3.0 million, with enforcement costs at $1.3 million, for a net savings to the General Fund of $1.7 million. This equates to roughly $670,000 per camera annually in net contributions to offset public safety costs and/or provide funding for traffic improvements to mitigate safety hazards.

FEASIBILITY

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Moderate
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**High**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS

In Washington state, use of photo enforcement technology can only be used by cities for red light and school zone enforcement. Many police professionals believe that such technology is a valuable tool in promoting safer traffic behavior by motorists. The goal is that by the public knowing the cameras are posted, that they will be extra cognizant of obeying speed laws as well as discouraged from running red lights, especially in school zones. The extra costs associated with purchasing or renting/leasing the cameras, and costs of administering the fines and enforcing collections are more than offset by the revenues generated. Those excess revenues can then be used to offset other public safety costs and opportunities to invest in further traffic safety options in the corridors where installed and throughout the rest of the city.

Photo enforcement should not be viewed as a revenue raising tool, but rather a traffic safety tool that generates fine revenue as a side benefit which allows cities to offset some of their existing public safety and traffic mitigation costs, augment them, or both. There is often some community pushback from installing traffic cameras, ranging from feeling that the cameras are unfair to feeling like it is an invasion of privacy.

Agencies that implement such tools indicate that traffic safety is a priority within the community and that public information about the cameras will allow residents the opportunity to know about such enforcement and obey traffic laws to avoid any moving violations. Implementing photo enforcement technology using statewide and industry standard protocols regarding placement and timing of the photo taken, and ongoing preventative maintenance of the cameras, reduces the potential for false positives.

11. Exercise the property tax levy banked capacity

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The City's property tax levy rate in 2020 is just over $1.10 per $1,000 assessed valuation and is expected to generate $5.2 million in annual property taxes in 2020. The State of Washington allows local government entities to bank property tax capacity if they do not use the full allowed amount in a given year. They can then use that banked capacity in future years as needed. Kenmore has banked capacity after the 2020 levy in an amount of $400,000 in property tax revenues that could be used to increase the levy, which is equal to a 10% increase in the current levy. Such an increase could be implemented using a phased-in approach to mitigate the increase in any one year.

Exercising banked capacity would increase property tax revenues without requiring voter approval. It could, however, affect the property tax levies of districts in the area due to state laws that limit the overall property tax rates applied to individual properties.

FEASIBILITY

The City Council has the authority to exercise the use of banked capacity in setting property tax levies each year. The increase is implemented by instructing the County tax assessor to add the banked capacity to the levy on all properties. This is exclusive of the annual decision by the City Council of increasing the total levy by the statutorily allowed 1% increase. The existing banked capacity amount is 8.5% of the existing tax levy of $5.25 million. If the City were to exercise it all in one year, the increase might receive some community pushback. Otherwise implementation of this strategy is straightforward, and the City Council has history of using the banked levy as it used some of the banked capacity as recently as 2019.

Factor	Difficulty Level
Potential for community pushback	Moderate
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Low**
	Rating
Fiscal Impact	**High**
Potential of Success	**High**

BACKGROUND/ANALYSIS

In 1986, the Washington State Legislature instituted a policy that allows local governments to levy less than the maximum allowed increase without losing the ability to levy higher taxes as needed in future years. This was enacted to enable local jurisdictions to levy only what is needed without being penalized.

For many years, the City of Kenmore did not exercise the full allowable levy lift of 1%, which allowed the Council to approve a 3% increase in November 2018. This approved levy lift used banked capacity to address budget shortfalls for FY 2019 and 2020. Kenmore has an additional $400,000 of banked capacity at the close of 2019 that could be used to address budget shortfalls as early as the 2021 tax year.

12. Implement an admissions tax on recreation and entertainment venues

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The City could choose to implement an admissions tax on various recreation and entertainment venues as provided under State law. A typical example is an admissions tax on golf courses, bowling alleys, and theaters and performing arts centers.

Potential revenues from an admissions tax of 2%, 3% and 5% are indicated in Table 21 below, using conservative CPI-adjusted revenue estimates. Actual revenue figures were not publicly available for amenities in Kenmore that could be subject to such a tax, which would enable the estimate to be refined further.

Table 21. Admissions Tax Revenue Estimates

Tax Rate	Tax Revenue
2%	$80,000
3%	$120,000
5%	$200,000

FEASIBILITY

Pushback might come from the owners/operators of recreation and entertainment facilities. However, all such amenities have a regional draw. Patrons are most likely to come from a broad cross-section of nearby communities rather than solely Kenmore residents.

Implementation of the tax could be implemented by City Council action adopting an admissions tax ordinance by majority vote of the Council. It is not subject to voter approval. Collections would be administered by the City's Finance Department, which would prescribe forms and collection methods. The City could include audit provisions in the ordinance, which could be exercised on a periodic basis either with City staff or by contract with an independent accounting firm. This would ensure the appropriate amount of taxes was being received from affected businesses.

Factor	Difficulty Level
Potential for community pushback	Moderate
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Low**
	Rating
Fiscal Impact	**High**
Potential of Success	**High**

BACKGROUND/ANALYSIS

State statute (RCW 35.21.280) allows cities to create an admissions tax in an amount not greater than 5% of the admission charge for various facilities and events. The tax may be imposed by Council ordinance not requiring voter approval. The use of the funds is unrestricted.

According to state law, an admissions tax can be levied on admission charges (including season tickets or subscriptions) to venues such as theaters, dance halls, circuses, clubs that have cover charges, observation towers, stadiums, and any other activity where an admission charge is made to enter or use the facility or where a charge is made for food and drinks in a place where free entertainment, recreation, or amusement is provided. An admission charge may also be made on rental or use of equipment or facilities for the purposes of recreation or amusement if the rental is a necessary component of the enjoyment. The statute exempts cities from placing an admission tax on any elementary or secondary school activity. Cities also have the authority to exempt non-profit organizations if they so desire.

Admissions taxes are administered by the city that implements the tax, and as such, typical ordinances include the ability for the city to collect and audit the collection and remittance of taxes by affected businesses. Some cities have excepted certain activities sponsored by nonprofit organizations, but this is an option that is determined individually by the agency that imposes the tax.

Seattle, Lynnwood, Auburn, Everett, Kent, and Redmond are six local examples that charge an admissions tax applicable to golf courses and other recreation venues. Other than Everett (4% tax rate), each city charges a 5% admissions tax, the highest allowed by state law.

Applicable venues in Kenmore would include such venues as the private golf club, bowling alleys, and fitness centers.

A typical amenity in which admissions tax is levied is a golf course. According to the National Golf Foundation's 2010 Operating & Financial Performance Profiles of 18-hole golf facilities in the U.S., private 18-hole golf clubs had average total golf revenues of $3,277,000 in 2009. Adjusting those figures for inflation using the Seattle-Tacoma-Bellevue Consumer Price Index (Urban Consumers) from 2009 to 2020, the value of those revenues in today's dollars approaches $4 million. A 5% tax on such an amenity can generate tax revenues to the City of $200,000 per year for this one amenity.

13. Enforce the business and occupation (B&O) tax for all businesses

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE
Assuming a $25 per capita estimate based on peer cities, Kenmore could collect revenues of approximately $583,000 per year by imposing the B&O tax that is in the City's existing ordinances.

FEASIBILITY
The City's Municipal Code (Chapter 3.75) authorizes a B&O tax of 0.2% of gross receipts, however the tax is only being imposed on heavy manufacturing companies. Implementing the tax would require the City to issue notice to all businesses that it will begin to collect the tax. Pushback will likely come from the business community, especially in light of existing circumstances surrounding the current recession and its impact on small businesses in particular.

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	Low
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**High**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS
The City's Municipal Code (Chapter 3.75) authorizes a B&O tax in an amount of 0.2% ($2 per $1,000) of gross receipts, however the tax is only imposed on heavy manufacturing companies which is currently generating annual revenues of less than $20,000. Cities are permitted to charge a B&O tax of up to 0.2% of gross receipts on businesses without voter approval. Revenues can be used for any general fund purpose. As an alternative, some cities (like Bellevue and Kent) charge square footage rate on businesses like offices or warehouses that may not generate gross receipts from their locations.

While it is difficult to estimate potential B&O tax collections in Kenmore, a sample of B&O tax collections for Lake Forest Park and Mercer Island and the per capita amounts collected is presented in Table 22 below. (Only those two peers collect a B&O tax.) Their per capita amounts range from $24.79 to $27.06 per year. If Kenmore were to collect the B&O tax, and assuming the per capita amounts are indicative of the potential tax that could be collected, we estimate that Kenmore could collect approximately $583,000 based on an estimate of $25 per capita.

Table 22. Survey of B&O Tax Rates and Collections of Peer Agencies

City	Population	B&O Tax Collection 2019	Tax Rate	Per Capita Amount per 0.1% Tax Rate
Mercer Island	24,470	$662,200	0.2%	$27.06
Lake Forest Park	13,250	$328,500	0.2%	$24.79
Shoreline	56,370	$1,565,953	0.2%	$27.78
Kenmore	**23,320**	**$21,073**	**0.2%**	**$0.45**
Bothell, Kirkland, Mill Creek, Mountlake Terrace, SeaTac, and Woodinville		N/A	N/A	N/A

14. Conduct a user fee study and adjust development services fees closer to full cost recovery

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Without a detailed user fee study undertaken, a definitive estimate of the additional revenue that could be generated by raising Development Services User Fees and Permits closer to full cost recovery. Management Partners believes that the potential is between $50,000 and $100,000 annually, subject to a user fee study.

FEASIBILITY

The determination of a cost recovery target for fee setting purposes is a Council policy decision. For example, if a particular fee is to be charged on a program financially benefitting a specific individual or business, and if the cost of that service can be calculated, full or near full cost recovery is usually appropriate. Otherwise, the general tax base of the City, used to fund non-fee-based services like fire and police, would be making up the cost difference. In a City with a stressed fiscal situation, such as Kenmore, the need for close to full cost recovery for fees and permits to cover Development Services' full costs should be considered.

Factor	Difficulty Level
Potential for community pushback	Moderate
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Low-Moderate**

BACKGROUND/ANALYSIS

The City's budget for 2019-2020 shows Development Services costs in the General Fund totaling $1.25 million in direct costs (costs for employees, consultants, and supplies and materials). Its 2018 cost allocation plan shows indirect and overhead costs for Development Services add another $633,000, for a total cost to the City of $1,878,000 for providing Development Services. The department's revenues as shown in their general ledger are budgeted for a total of $913,500 annually. The difference between revenues and total expenditures is $964,500. While some of the expenditures in Development Services, such as long-term planning, are not recoverable from user fees, it also appears that the department has a lot of room to raise fees within its cost of providing services.

When determining an appropriate cost recovery level, consideration should be given to the amount of benefit provided to an individual versus the public in general. Charges for services that most benefit a private party (e.g., building services) with limited benefit to all citizens should be recouped at a higher rate than services that at least in part also benefit all residents (e.g., planning services). State law (RCW 82.02) further limits development fees to those costs directly associated with the processing of applications, inspecting, and reviewing plans.

Best practices suggest that cities target cost recovery levels for the following services based upon a comprehensive cost recovery study:

- Building services – 90% to 100%
- Planning services – 75% to 90%
- Engineering services – 75% to 90%

It is possible that charging fees at full, or close to full cost recovery in Development Services could generate anywhere from $50,000 - $100,000 minimum, to perhaps $250,000-$500,000 maximum. Those estimates are speculative; determining better estimates would require a new Cost Allocation Plan and a revised User Fee Study

- a new Cost Allocation Plan would be set to recover not just administrative and overhead costs related to administrative departments' support, as the current Cost Allocation Plan does, but also overhead costs related to a fair share of City Hall costs.
- An updated User Fee study would then be built to reflect total costs in fee for service areas vs. in those program areas within Development Services that are for the general public welfare, (such as long-term planning).

Revenue Enhancements Requiring Voter Approval

15. Implement a property tax levy lid lift as general purpose or special purpose for public safety

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

The City's property tax levy rate in 2020 is just over $1.10 per $1,000 assessed valuation and is expected to generate $5.2 million in annual property taxes in 2020. Increasing the levy through a levy lid lift ballot measure (whether general or special purpose) is estimated to yield the following General Fund fiscal impact (based on existing assessed valuation):

- Tax rate increase of $0.05 per $1,000 assessed valuation: $243,000 increase in General Fund property tax in the first year of implementation
- Tax rate increase of $0.10 per $1,000 assessed valuation: $485,000 increase in General Fund property tax in the first year of implementation
- Tax rate increase of $0.15 per $1,000 assessed valuation: $728,000 increase in General Fund property tax in the first year of implementation

Additional revenues could be achieved if the levy lid lift measure also included a future levy lid lift increase amount beyond the 1% that can be implemented by Council action. Increased fiscal impact would depend on the level of the original levy lid lift and the future increases included in the measure.

FEASIBILITY – GENERAL PURPOSE LEVY

A levy lid lift that includes future increases that match the inflationary impacts on city expenditures (most notably, increases in employee compensation and benefits) would have a positive ongoing fiscal impact to resolve the City's General Fund fiscal gap by matching the largest revenue source with expenditure growth expectations.

Increasing the property tax rate, beyond the 1% revenue limit and use of banked capacity, requires majority voter approval. Such a measure, however, is one of the most politically sensitive ballot measures that a Washington city can bring to voters. A significant amount of public engagement and education about the City's fiscal position would be required, likely coupled with cost reduction strategies to demonstrate fiscal conservatism, before such a measure might gain the necessary public support for approval.

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**High**
	Rating
Fiscal Impact	**High**
Potential of Success	**Low-Moderate**

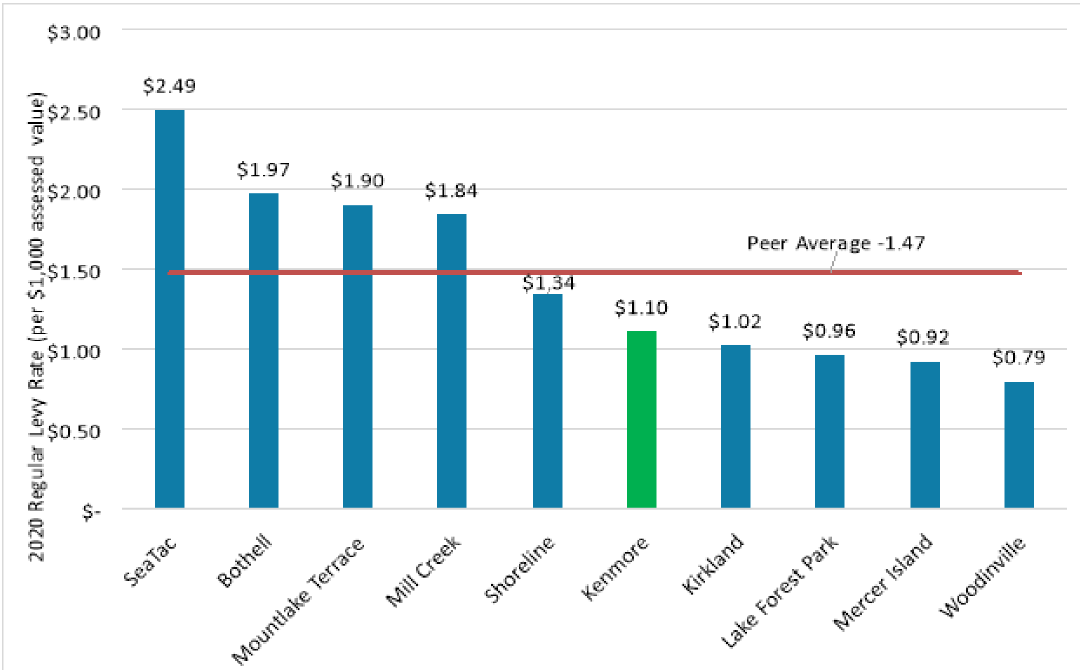
BACKGROUND/ANALYSIS – GENERAL PURPOSE LEVY

Washington state law provides the opportunity for cities to increase the annual levy on properties by not more than 1% in any one year through Council resolution, plus an allowance for new construction. Increases in any single year, or over a period of multiple years, requires a voter-approved "levy lid lift." The amount that the levy may be raised is subject to having sufficient "banked capacity" below the maximum aggregate levy rate and the local limit established under state law. The constitutional aggregate limit is $10 per $1,000 assessed value for any taxing area, while the local limit is $5.90 per $1,000 assessed value.

The current levy rate of $1.104 per $1,000 assessed value is expected to generate $5.2 million in total property tax in FY 2020. Property taxes are the single largest revenue source for the City, representing 40% of General Fund revenues in 2020. However, the projected growth in property taxes, which are subject to a 1% maximum increase by Council action not requiring voter approval, will only increase the General Fund portion of property tax revenues by $325,000 by FY 2024. In that same time period, given inflationary pressures on employee compensation and other services and supplies of about 3% per year, salaries and benefits are expected to grow by $826,000.

Current levy rates per $1,000 assessed value among peer agencies are presented in Figure 13 below. Kenmore's rate of $1.10 is about 75% of the peer average of $1.47.

Figure 14. Property Tax Levy Rates (Regular Levy) Among Comparable Agencies for 2020



Source: City budget documents and/or county assessor's offices' websites.

It should be noted that starting in 2018, cities can exempt senior citizens, disabled veterans, and other people with disabilities from the tax increase resulting from a levy lid lift if desired. Any exemptions would need to be stated in the ballot measure placed before voters.

FEASIBILITY – SPECIAL PURPOSE LEVY

In this case, voters would be asked to approve a measure dedicated to a specific purpose. Some agencies find that dedicating revenues to a specific purpose to avoid the elimination of that service meets with greater public support because the public understands what they will be getting for the tax being paid.

Factor	Difficulty Level
Potential for community pushback	Moderate
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate**

	Rating
Fiscal Impact	**High**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS – SPECIAL PURPOSE LEVY

Washington state law allows for cities to create property tax levies for specified purposes. There are limits on the amount of levy that can be charged based on the specified use.

Table 23 shows the special purpose levy limits that might be applicable to Kenmore, along with other specific circumstances applicable to each type of levy.

Table 23. Special Purpose Levy Limits Allowed under Washington State Law

Levy Type	Levy Limit	Other Considerations
Affordable Housing	$0.50 per $1,000 AV	Revenues restricted to finance affordable housing for "very low-income" households; requires simple majority voter approval
Emergency Medical Services (EMS)	$0.50 per $1,000 AV	Restricted to providing emergency medical care or services; may be imposed 6 years, 10 years, or permanently; requires 60% majority voter approval for initial measures; renewal for 6- or 10-year measures require simple majority approval; separate accounting and referendum procedures apply to permanent measures
Excess Levy (operations and maintenance)	No limit	Levy is only authorized for one-year at a time; may be used for any lawful governmental purpose, but spent in accordance with purpose(s) specified in the approved ballot measure; requires 60% majority approval
Other special purpose levy lid lifts	Subject to maximum statutory rate	Follows regular levy lid lift procedures and limitations; may be implemented for single or multiple years

Source: MRSC of Washington Revenue Guide for Washington Cities and Towns, November 2019

To have the desired fiscal impact, the City would want to focus on levies that would provide ongoing revenue to fund operations. The Excess Levy would be limited to one year and would expire the following year unless renewed. Special purpose levy lid lifts with potential for voter approval could be proposed for the following:

- Public safety (combined police and fire services)
- Police services
- Fire services
- Parks and recreation operations

If such levy lid lifts were proposed, the City would need to determine if those services could be funded without the levy lid lift for the future, and would be best packaged under the provision that the measure is being sought for approval to avoid service level reductions in the specified areas.

16. Implement 0.2% local sales tax rate dedicated to the City's Transportation Benefit District for additional funding

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE
If the City were to ask voters to approve an additional 0.2% Sales Tax to be used for Transportation Funding, it could generate approximately $540,000 in revenue that could be used for streets, sidewalks, and other transportation purposes. This would help offset General Fund transfers that may be required to backfill such infrastructure maintenance and improvement projects in the future. Roadways were anticipated to be underfunded by $1 million annually based on a 2018 pavement management study. This would help offset some of those deferred needs

FEASIBILITY
Voter approval for an increase to the sales tax rate of 0.2% would likely be met with resistance, especially in light of the recessionary impacts being experienced throughout the region. A ballot measure would need to be drafted, and information would need to be disseminated to the public regarding the intended use of the funds to properly inform voters. The earliest a measure could be taken to voters would likely be the general election in 2021.

If approved, the Department of Revenue would handle administration and implementation of the collection of the additional tax by businesses in Kenmore. Funds would then be remitted to the City, which would need to account for those funds as special revenues.

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**High**
	Rating
Fiscal Impact	**High**
Potential of Success	**Low-Moderate**

BACKGROUND/ANALYSIS
Established in 2012, the Kenmore Transportation Benefit District was created to acquire, construct, improve and fund the City's transportation infrastructure. In 2016, the Kenmore City Council passed Ordinance 16-0424, in which the City assumed the rights, powers, functions,

immunities and obligations of the Kenmore TBD. The separate Transportation Benefit District therefore ceased to be a Special District and is now a special fund within the City.

Initiative 976, approved by voters in November 2019, repeals the authority of TBDs to impose vehicle fees. The courts have thus far ruled in favor of the initiative, thus striking the vehicle fees imposed by the TBD. However, the TBD may impose a special sales tax of up to 0.2% with voter approval for up to 10 years.

Revenues must be used for eligible transportation improvements listed in a local, regional or state transportation plan in accordance with RCW 36.73. Improvements range from roads and transit services to sidewalks and transportation demand management. Construction, maintenance and operating costs are eligible costs that may be funded by TBD revenues. Table 24 summarizes the TBDs created by peer agencies. None of them use the local sales tax option as indicated herein, but given the passage of I-976 that renders vehicle license (cab) fees unconstitutional, these agencies are considering other options including the local sales tax option.

Table 24. Transportation Benefit Districts of Comparative Agencies[1]

Agency	Year Established	Revenue Type	Amount[2]	Powers assumed?
Bothell	2015	Unfunded/No Information		No
Kenmore	**2012**	**Vehicle License Fee**	**$20 per year**	**Yes**
Kirkland	2014	Unfunded/No Information		No
Lake Forest Park	2008	Vehicle License Fee	$40 per year	Yes
Mercer Island	2014	Vehicle License Fee	$20 per year	Yes
Mountlake Terrace	2011	Vehicle License Fee	$20 per year	Yes
Shoreline	2009	Sales Tax at 0.20%, Vehicle License Fee	$40/year	Yes

Source: MRSC List of City Transportation Benefit Districts (TBDs) in Washington State, updated December 2019
[1]Mill Creek, SeaTac and Woodinville omitted because they do not have Transportation Benefit Districts
[2]All TBDs were adversely impacted by the results of I-976 that rendered collection of vehicle license (cab) fees unconstitutional as mentioned earlier in this report.

The City earned $2.7 million in sales tax in 2019 from its current 1% local tax. If voters approved a 0.2% increase to the sales tax rate, that would generate about $540,000 annually.

17. Establish a Metropolitan Park District to fund park operations and maintenance

STRATEGY TYPE: Revenue Enhancement

IMPACT ESTIMATE

Establishing a Metropolitan Park District (MPD) in the City would transfer all or a portion of the cost of parks maintenance and operations to a new entity, with voter approval. The annual budget savings would be approximately $458,000. However, it should be noted that although this transfer would reduce the City's budget, taxpayers would not see a similar reduction in taxes paid since the MPD would have its own tax levy. In fact, from the taxpayer's perspective the total tax burden might increase due to the new levy.

A tax to fund the current operating budget would be approximately $60 per year on the property taxes of a median priced home in Kenmore as indicated in Table 25. A levy to fund likely operating budget growth for additional capital improvement enhancements would be approximately $69. A higher amount could be levied to generate funds for future capital improvements.

Table 25. Estimated Metropolitan Parks District Tax on Kenmore Median Value Home:

Description	Amount
Kenmore Median Home Value	$695,000
Annual Tax Needed, Current Parks Budget ($458,000)	$60
Annual Tax Needed, with Future Growth in Parks Budget ($530,000)	$69

FEASIBILITY

Implementing an MPD can be done by a Council resolution to submit a proposition to voters within the proposed district boundaries. The City of Kenmore could be such a District in and of itself. The governing board can be either the City Council or a separately elected body. An MPD can also be created through the citizen petition process.

There are at least 21 MPDs in the State. None of the peer cities have MPDs but Kirkland attempted to create one in 2015. Kirkland's proposed MPD initiative would have paid for park improvements and an aquatic/community center. The measure failed with 63% of voters voting against the measure.[1]

[1] Source: MRSC Local Ballot Measure Database

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Moderate
Timing necessary for implementation	High
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**High**
	Rating
Fiscal Impact	**High**
Potential of Success	**Low-Moderate**

BACKGROUND/ANALYSIS

State law allows cities to establish metropolitan parks districts to address park needs within the jurisdiction with a majority vote of the public in accordance with the provisions in RCW 35.61. An MPD may fall within city boundaries or extend to include territory in other jurisdictions. The City Council could set itself as the governing body of the District, or the ballot measure could select some other governing body.

Establishing a Metropolitan Park District (MPD) in the City would transfer all or a portion of the cost of parks maintenance and operations to the newly created District, with voter approval. This would relieve the current General Fund budget and could build in additional taxes to cover the higher future costs that will otherwise accrue to the General Fund from its current parks capital improvement projects. The maximum amount that can be levied is $0.75/$1,000 of assessed valuation.

The Park operating budget was $458,000 in 2019. That would equate to a tax levy of $.086 per each $1,000 of a property's assessed valuation. Allowing for future growth in expenditures from expanded waterfront amenities' maintenance, a tax levy of $.10 per $1,000 of assessed valuation would raise $530,000. A higher levy could pay for future capital improvements.

SERVICE LEVEL REDUCTIONS

18. Take no action

STRATEGY TYPE: Service Level Reductions

IMPACT ESTIMATE

The fiscal impact of taking no action would leave the City's General Fund fully depleted of reserves by FY 2024, at which point the City would be forced to implement hiring freezes or layoffs. To avoid bankruptcy, those hiring freezes and layoffs would need to total nearly $1.0 million per year starting in FY 2023 and grow to $1.8 million per year by 2027, or just short of 17% of the General Fund's annual operating expenditures.

FEASIBILITY

The option of "doing nothing" is not feasible without forcing the City into bankruptcy proceedings. The City would face litigation from creditors, employee groups, residents, and agencies such as the state pension fund, risk insurance pools, and others. Ultimately, the City would be placed into a form of receivership by the state and would then be overseen by an appointed court to implement the necessary actions to allow the City to operate.

Factor	Difficulty Level
Potential for community pushback	Significant
Technical and operational difficulties of implementation	Significant
Timing necessary for implementation	Significant
Disruptive impact on service delivery	Significant
Disruptive impact within City organization	Significant
Overall difficulty for Implementation	**Significant**
	Rating
Fiscal Impact	**Minimal**
Potential of Success	**None**

BACKGROUND/ANALYSIS

The fiscal model indicates that the City faces a structural deficit that would increase to an annual shortfall of $1.8 million by FY 2027 and would continue to grow thereafter given the 1% limitation on annual property tax levy increases, cost increases anticipated from KCSO police contracts, and an obligation to provide competitive salaries and benefits to employees to recruit and retain quality workers. Reserves would be fully depleted by FY 2024.

The City would be forced into bankruptcy proceedings, placing the control of fiscal and, in some cases, operational decisions in the hands of the courts, which would take the necessary action to restore the City's fiscal health. This could mean significant reductions or full outsourcing of a variety of services such as police, parks, recreation, and public works. It would have negative impacts on economic development and quite possibly home prices. The City would face difficulties in recruiting and retaining its workforce as it would have a negative reputation in the labor market.

19. Implement General Fund service level and staffing reductions

STRATEGY TYPE: Service Level Reductions

IMPACT ESTIMATE

The City's General Fund is projected to have a nearly $900,000 budget gap in 2021 that grows to a $1.8 million gap by 2027. If the combination of enacted expenditure controls, service delivery changes, and revenue enhancements do not resolve this fiscal gap, the City would have to implement General Fund service-level reductions. A thorough analysis of all departments' operations would be needed.

Reducing the General Fund to eliminate the structural deficit is difficult given the nature of the contract service agreements for police, which represents 28% of General Fund costs. For purposes of this analysis, reducing the General Fund by $1.8 million might require the following actions:

- Eliminating Street Fund subsidies – $600,000
- Reducing police services with KCSO by 20% – $785,000
- Reducing parks and facilities maintenance by 20% – $250,000
- Reducing staffing and other expenditures in the City Manager's Office, Clerk, Finance, and IT by 20% – $500,000

The actual amount of reductions to close the fiscal gap will depend on the other strategies selected and the resultant fiscal impact of those measures.

FEASIBILITY

Achieving a $1.8 million expenditure reduction in the departments above would require significant reductions in positions, which will have an adverse impact on service delivery. The average cost per General Fund employee, inclusive of salaries and benefits, is about $130,000 per year. Based on this average, we estimate that to achieve the necessary cost reductions, the workforce would need to be reduced by three positions, or 38% of the full-time positions in the City Manager's Office and Finance and Administration functions. That would provide almost 80% of the reductions required in those departments.

The reductions outlined above would have dramatic impacts on service delivery. There would likely be significant community concerns if service levels were reduced to this extent. This strategy, however, would be necessary to provide fiscal sustainability if other cost reductions or revenue enhancement strategies are not pursued or are not successful.

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	High
Timing necessary for implementation	Moderate
Disruptive impact on service delivery	High
Disruptive impact within City organization	High
Overall difficulty for Implementation	**High**
	Rating
Fiscal Impact	**High**
Potential of Success	**Low-Moderate**

BACKGROUND/ANALYSIS

Service level reductions represent strategies that would be necessary after cost controls/shifts, service delivery changes, and/or revenue enhancement strategies do not culminate in sufficient savings to close the fiscal gap. Reducing service levels would require departments to review all expenditures, identify prioritized service levels, and develop a list of recommended reductions for City Manager and, ultimately, City Council approval to achieve the necessary fiscal target. The analysis would require a thorough and common understanding of the jurisdiction's core levels of service, legally or contractually required services, and clarity regarding mission and values. In some cases, services may need to be viewed from a programmatic perspective so those that require cooperation from multiple departments receive special consideration.

We have estimated the fiscal impact based on current expenditures in the General Fund. For purposes of our analysis, we assume that a $1.8 million General Fund expenditure reduction target would be implemented, and departments would then need to identify reductions in personnel, services and supplies, and ongoing capital needs to achieve the necessary reduction.

We have excluded community development services from this analysis because it is assumed that City leaders would seek to achieve at or near full cost recovery, generating permit fee revenues to support their operations. The number of officers in the KCSO contract, however, might be able to be reduced to generate a 15% reduction in service costs, but that would severely reduce the number of patrol officers available on any shift.

20. Reduce street pavement standards (eliminate transfer from General Fund)

STRATEGY TYPE: Service Level Reductions

IMPACT ESTIMATE

The General Fund currently includes a budget transfer of about $600,000 annually to the Streets Fund. Reducing street pavement efforts by eliminating the transfer would save up to the full $600,000 annually.

FEASIBILITY

Factor	Difficulty Level
Potential for community pushback	High
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Moderate
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Moderate-High**
	Rating
Fiscal Impact	**High**
Potential of Success	**Low-Moderate**

BACKGROUND/ANALYSIS

The City prides itself in its high pavement condition standards. Funding comes primarily through fuel tax revenues deposited into the Street Fund. In order to maintain streets to the minimum standards established by the City, an annual transfer to the Street Fund in the amount of close to $600,000 from the General Fund, and a transfer from the TBD fund in the amount of $380,000, is necessary. A pavement management study in 2018 indicated that roadway improvements were underfunded by a total of $1 million in order to achieve the City's pavement condition index (PCI) goals. This is beyond the $980,000 already provided by the two sources indicated above.

If the City had to cut back on its General Fund commitments to street maintenance, and instead relied on other funding sources or reduced its pavement maintenance efforts, General Fund expenditures could be reduced by $600,000. The City could consider what lower level of pavement condition it was willing to accept, and budget accordingly.

This could have a significant negative impact on the road conditions in Kenmore. The impact to the PCI level would need to be studied in an updated pavement management study (PMS) to quantify and determine the impact on city roadways if funding were reduced to existing dedicated transportation tax revenues such as gas tax revenues. It should be noted that Initiative 976 that repeals vehicle license (cab) fees for the City's TBD would also reduce funding if not replaced. This would exacerbate those impacts on road conditions if the impacts were not otherwise mitigated.

21. Reduce travel, meetings and consulting contracts

STRATEGY TYPE: Service Level Reductions

IMPACT ESTIMATE
Kenmore's General Fund budget for travel, training, and meetings totaled $75,000 for 2019, and its budget for consultant services totaled $403,000. A 10% reduction in both would yield $48,000.

FEASIBILITY
The City has already taken actions to reduce expenditures in this category in the short-term due to the pandemic recession. This strategy, if implemented, would permanently reduce such expenditures, which may impact staff training levels and the capacity for Public Works to address capital projects on a timely basis, and for the City Manager's Office to address research projects and other special requests from the City Council.

Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Low
Disruptive impact within City organization	Moderate
Overall difficulty for Implementation	**Low**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS
An overall $40,000 to $50,000 reduction in more discretionary General Fund spending could likely be achieved with relatively modest impact on the City.

22. Eliminate recreation coordination activities

STRATEGY TYPE: Service Level Reductions

IMPACT ESTIMATE
Eliminating the recreation coordinator position would reduce personnel and related non-personnel costs by $50,000 per year.

FEASIBILITY
The City does not directly provide recreation programs in the community. Eliminating the position that oversees coordination of these activities would likely not directly impact the availability of programs, but would reduce their overall visibility. The City could leverage the work performed by its Communications Specialist to highlight recreation opportunities, or otherwise provide a listing of such opportunities that can be maintained online by agencies posting their opportunities through the City's website.

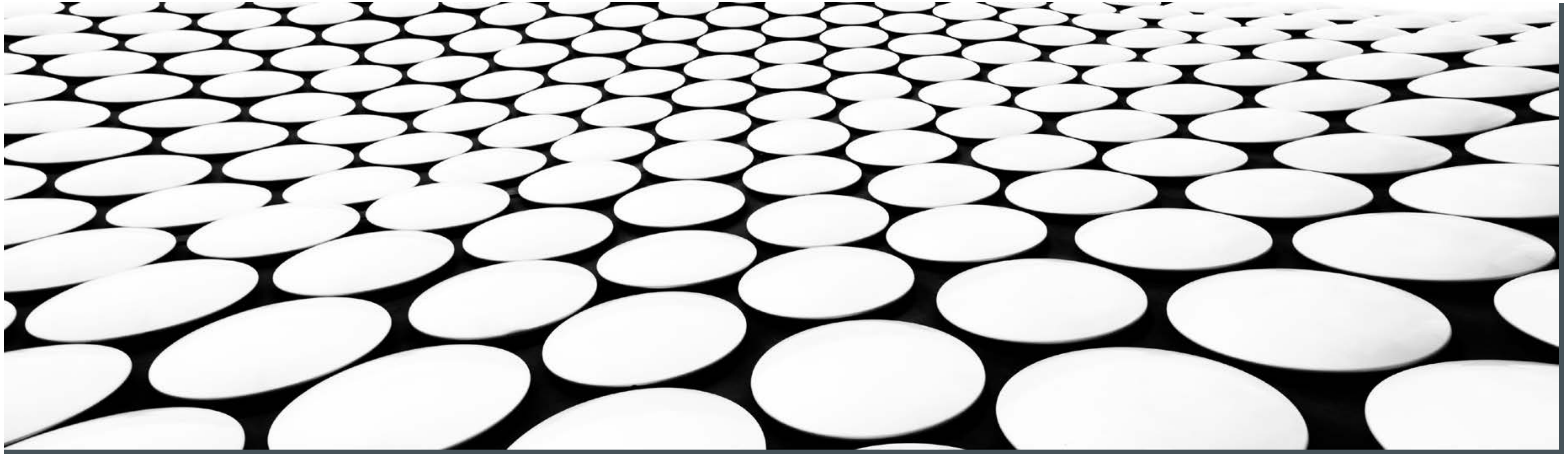
Factor	Difficulty Level
Potential for community pushback	Low
Technical and operational difficulties of implementation	Low
Timing necessary for implementation	Low
Disruptive impact on service delivery	Moderate
Disruptive impact within City organization	Low
Overall difficulty for Implementation	**Low**
	Rating
Fiscal Impact	**Moderate**
Potential of Success	**Moderate**

BACKGROUND/ANALYSIS
The City employed the services of a recreation coordinator position in 2019 to promote recreation opportunities within the community. The City does not offer recreation programs directly. The position was intended to serve as a liaison between other private, non-profit and government agencies that provide recreation opportunities for Kenmore residents.

Eliminating the position would yield savings of $50,000 per year.

CITY OF KENMORE
FINANCIAL SUSTAINABILITY PLAN: 2021-2028

PRESENTED ON OCTOBER 26, 2020



KENMORE FSP

City of Kenmore
FINANCIAL SUSTAINABILITY PLAN

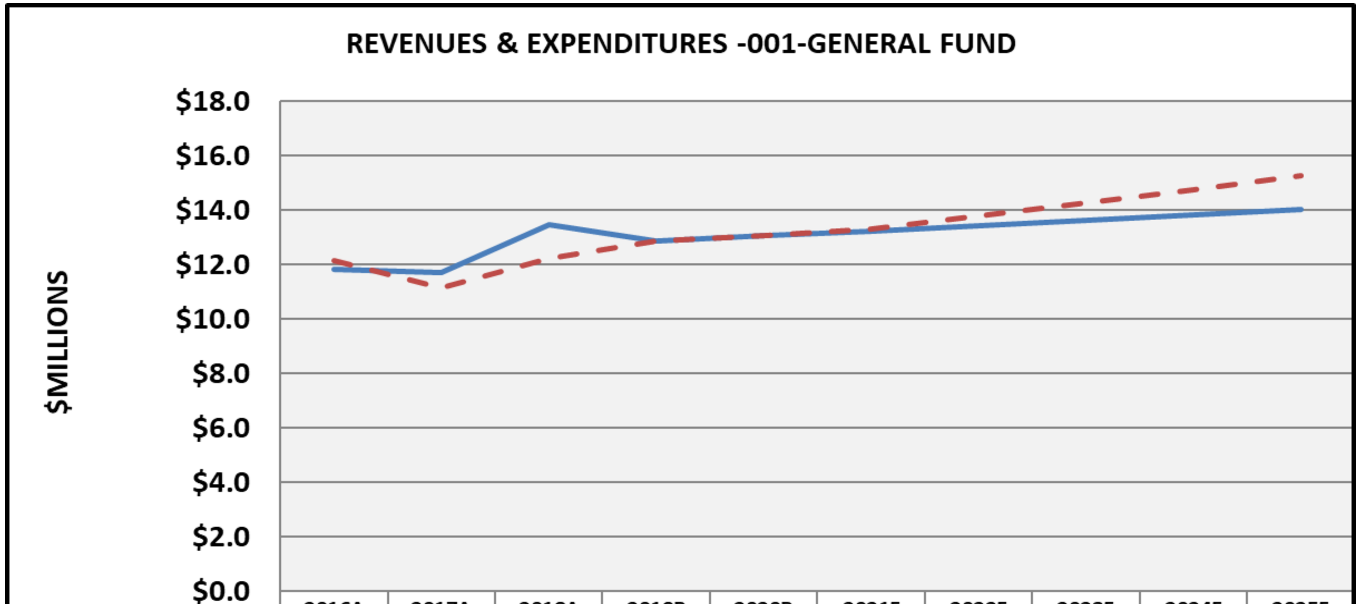
WHY ARE WE HERE TONIGHT?

- HISTORY OF ADOPTING BALANCED BUDGETS
- HEALTHY FUND BALANCES (RESERVES)
- AAA BOND RATING
- FINANCIAL FORECAST . . .

FINANCIAL FORECAST

- SIX-YEAR FORECAST UPDATED REGULARLY
- PROJECTIONS SHOW REVENUES NOT KEEPING PACE WITH THE COST OF PROVIDING SERVICES
- FINANCIAL LINES CROSSING 2-3 YEARS OUT

FINANCIAL FORECAST IN 2019



	2016A	2017A	2018A	2019B	2020B	2021F	2022F	2023F	2024F	2025F
1-REVENUES	$11.82	$11.72	$13.47	$12.88	$13.05	$13.24	$13.43	$13.63	$13.83	$14.03
2-EXPENDITURES	$12.15	$11.16	$12.24	$12.88	$13.05	$13.32	$13.78	$14.26	$14.75	$15.27

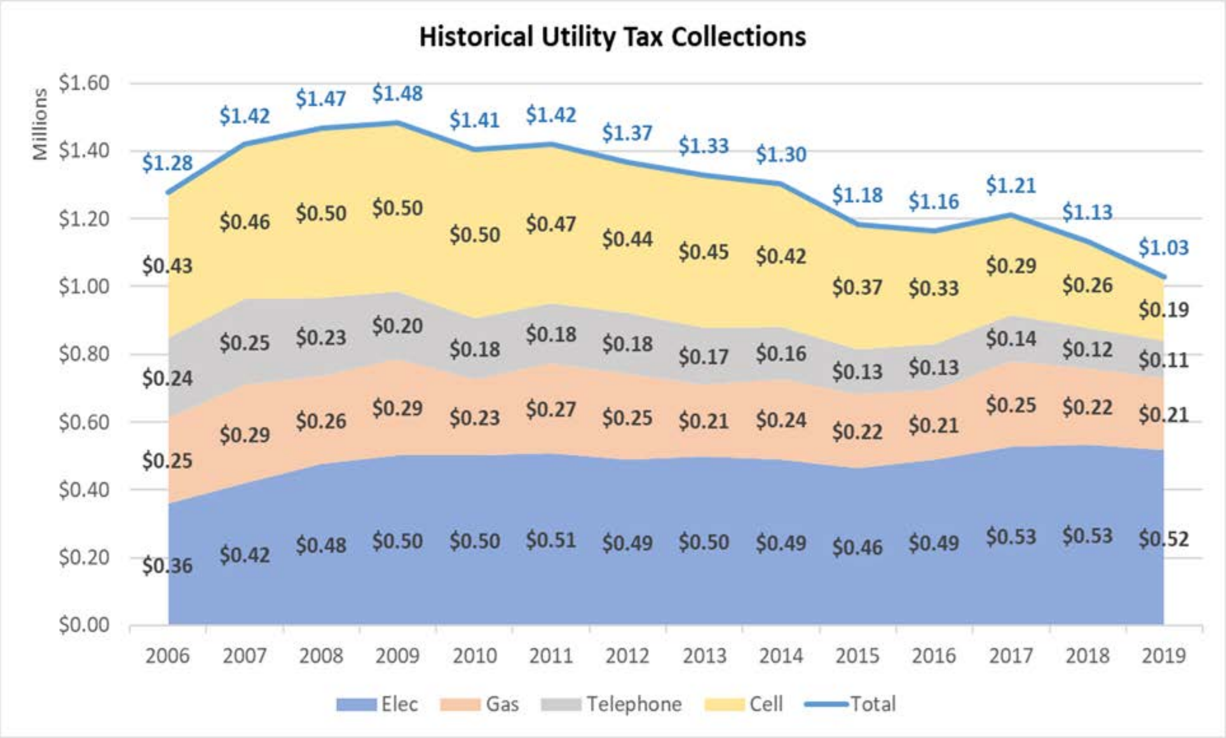
CAUSES

- STATUS QUO COSTS GROWING AT 3-5% PER YEAR
- PROPERTY TAX – THE CITY'S LARGEST SOURCE OF OPERATING REVENUE
- STATE-IMPOSED LIMIT ON PROPERTY TAX REVENUE GROWTH: 1% PER YEAR

CAUSES, CONTINUED

- UNFUNDED MANDATES
- DECLINING OR FLAT GROWTH IN OTHER REVENUES:
  - UTILITY TAXES
  - PERMIT REVENUES

EXAMPLE: UTILITY TAXES



2019: THE KENMORE CITY COUNCIL SETS FORTH A FINANCIAL SUSTAINABILITY PLAN PROCESS

KENMORE FSP

City of Kenmore
FINANCIAL SUSTAINABILITY PLAN

2019 TIMELINE OF CITY COUNCIL ACTIONS:

- **JANUARY: ESTABLISHES FINANCIAL SUSTAINABILITY AS ONE OF ITS TOP FIVE PRIORITIES FOR 2019 AND 2020**
- **OCTOBER: APPROVES A PUBLIC PROCESS FOR DEVELOPING A SIX-YEAR FINANCIAL SUSTAINABILITY PLAN**
- **OCTOBER: APPROVES CONSULTANT CONTRACT FOR INDEPENDENT REVIEW OF FINANCIAL CONDITIONS AND ASSISTANCE WITH BUDGET BALANCING STRATEGIES**
- **NOVEMBER: ADOPTS A CHARTER FOR A FINANCIAL SUSTAINABILITY PLAN TASK FORCE**

JANUARY 2020

- SEVEN-MEMBER TASK FORCE IS APPOINTED
- CITY COUNCIL RECEIVES INDEPENDENT REPORT CONFIRMING THE PROJECTED STRUCTURAL DEFICIT
- FSP TASK FORCE HOLDS ITS FIRST MEETING

TASK FORCE MEMBERS

- MIKE VANDERLINDE
- ELISABETH SPRING
- FERNELL MILLER
- LYNN ZWAAGSTRA
- ANTHONY TARNOWSKI
- JEFF POOLEY

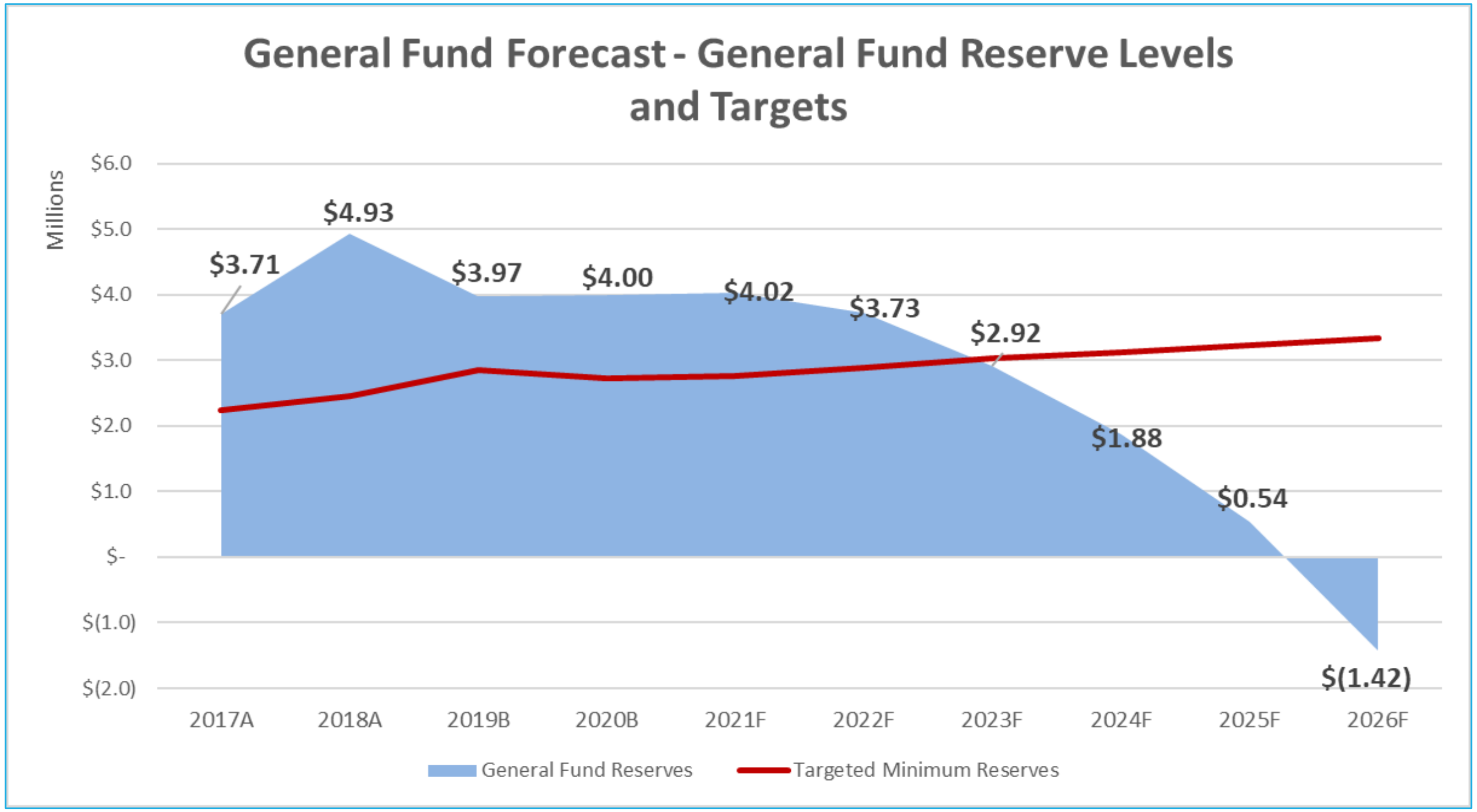
OTHER TASK FORCE MEMBERS EARLIER IN THE PROCESS:

- DARLEEN ADEMBA
- DAVID LANE
- LOU NOVAK

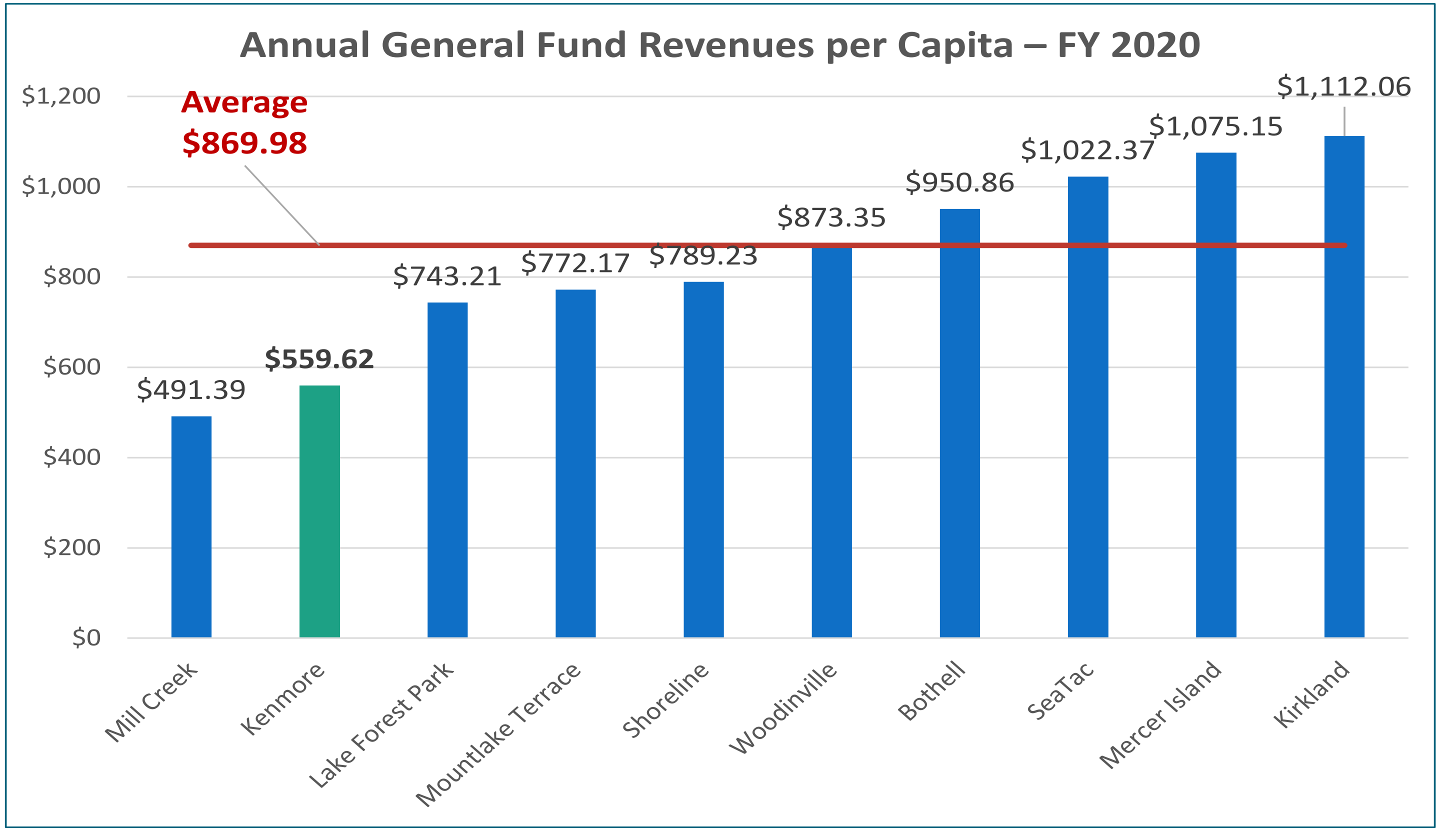
THE WORK OF THE TASK FORCE

- STUDY AND UNDERSTAND THE CITY'S FINANCES
- ADVISE AND ASSIST WITH THE PUBLIC ENGAGEMENT PROCESS
- DEVELOP & RECOMMEND STRATEGIES FOR A SIX-YEAR FINANCIAL SUSTAINABILITY PLAN

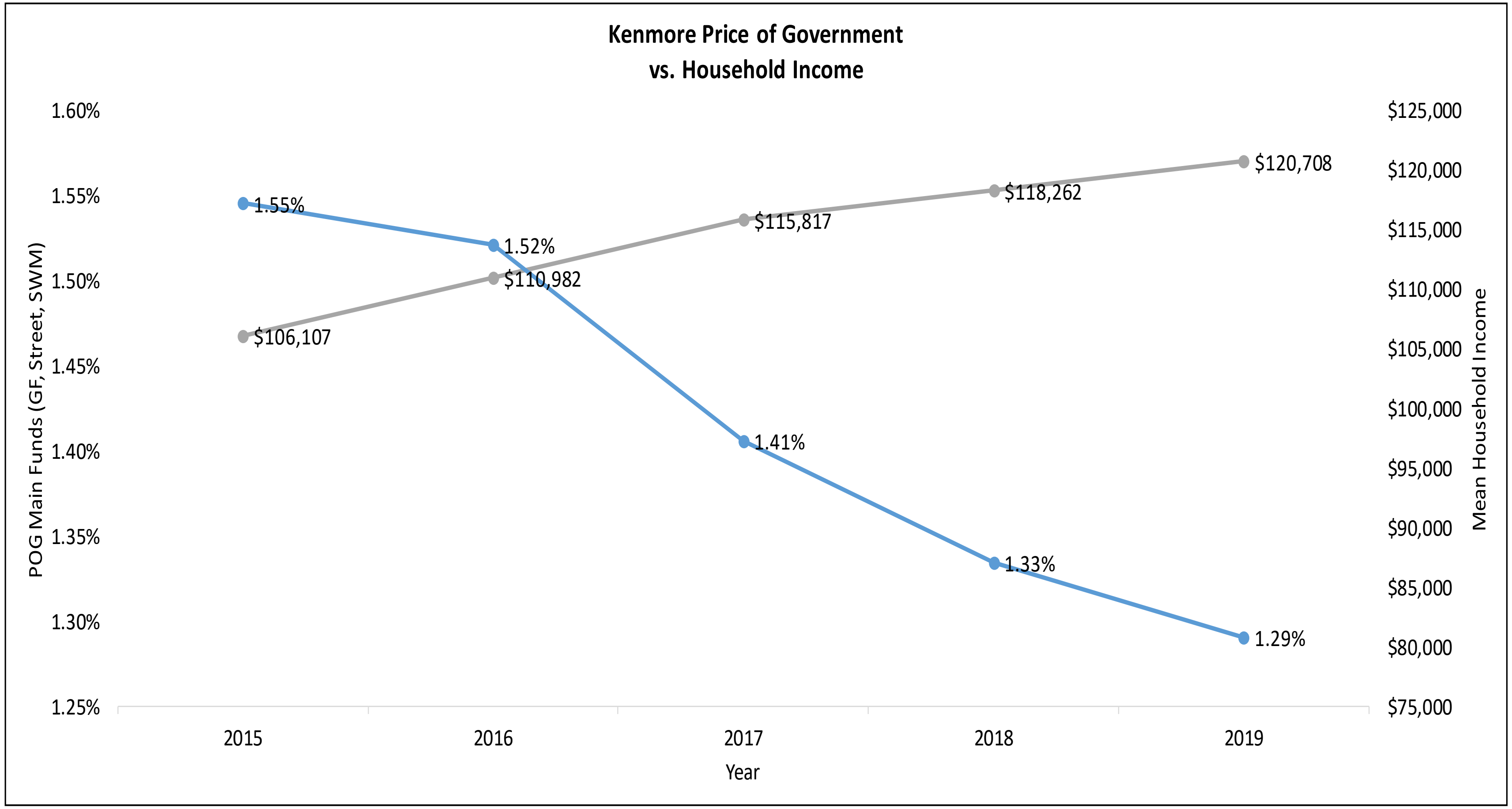
FINANCIAL FORECAST IN JANUARY 2020



REVENUES PER CAPITA



PRICE OF GOVERNMENT



PUBLIC OUTREACH & ENGAGEMENT

- MULTIPLE ARTICLES IN QUARTERLY NEWSLETTERS
- COMMUNITY SURVEY—STATISTICALLY VALID
- PUBLIC COMMENT AT EVERY TASK FORCE MEETING
- E-NEWS AND SOCIAL MEDIA POSTS
- VIRTUAL PUBLIC OPEN HOUSE
- BALANCING ACT ONLINE BUDGET SIMULATION TOOL

BUDGET BALANCING STRATEGIES – A CONTINUUM

- EXPENDITURE CONTROL/COST SHIFTS
- SERVICE DELIVERY CHANGES DESIGNED TO REDUCE EXPENDITURES
- REVENUE ENHANCEMENT OPPORTUNITIES
- SERVICE LEVEL REDUCTIONS

ADDITIONAL LENS: PRIORITY-BASED BUDGETING

METHODOLOGY FOR CONSIDERING STRATEGIES

		Potential Annual Fiscal Impact (estimated)		
		$0-$50,000	$50,000-$100,000	Over $100,000
Difficulty of Implementation	Minimal difficulty	**1**	**2**	**3**
	Moderate difficulty	**4**	**5**	**6**
	Significant difficulty	**7**	**8**	**9**

High potential of success: High fiscal impact; minimal difficulty	**Moderate-High potential of success:** Medium/High fiscal impact; Minimal/moderate difficulty	**Moderate potential of success:** Medium/high fiscal impact; Moderate/significant difficulty	**Low-Moderate potential of success:** Low fiscal impact; moderate/significant difficulty	**Low/no potential of success:** Low fiscal impact; Significant difficulty

TASK FORCE RECOMMENDATIONS

GUIDING PRINCIPLES:

1. IMPLEMENT A BALANCED APPROACH THAT RECOGNIZES AND REFLECTS: A) CHANGES IN STATE REGULATIONS; B) THAT KENMORE HAS CHANGED SINCE IT BECAME A CITY TWENTY-TWO YEARS AGO; AND C) COMMUNITY CONDITIONS, NEEDS, AND INTERESTS.
2. MINIMIZE THE IMPACTS ON LOW-INCOME RESIDENTS.
3. FUND SERVICES OF THE HIGHEST VALUE TO KENMORE RESIDENTS AND BUSINESSES.
4. WHERE POSSIBLE, SHIFT THE BURDEN OF PAYING FOR SERVICES TO THOSE WHO USE THEM, INCLUDING NON-RESIDENTS.
5. MAINTAIN REALISTIC LEVELS OF SERVICE, INCLUDING WHEN REVENUES INCREASE.

TASK FORCE RECOMMENDATIONS

PROPOSED EXPENDITURE STRATEGIES	YEAR
DISCONTINUE CONTRIBUTION TO SCHOOL RESOURCE OFFICER PROGRAM	2021
CONTINUE MOST OF THE EXPENDITURE REDUCTIONS MADE IN 2020	2021
ADD HR/DIVERSITY, EQUITY, INCLUSION POSITION & PROGRAM	2021
INCREASE MENTAL HEALTH RADAR PROGRAM	2021
INCREASE PAVEMENT PRESERVATION FUNDING	2022
SEEK ALTERNATIVE JAIL PROVIDERS	2024

TASK FORCE RECOMMENDATIONS

PROPOSED REVENUE STRATEGIES	YEAR
PROPERTY TAX BANKED CAPACITY	2022
CABLE TV UTILITY TAX (6%)	2022
TRAFFIC PHOTO ENFORCEMENT	2022
USER FEE STUDY	2022
ADMISSIONS TAX (5%)	2023
UTILITY TAX ON SOLID WASTE (6%)	2024

PROPOSED FINAL
FINANCIAL SUSTAINABILITY PLAN: 2021-2028

KENMORE FSP

City of Kenmore
FINANCIAL
SUSTAINABILITY
PLAN

PROPOSED FINAL
FINANCIAL SUSTAINABILITY PLAN: 2021-2028

EXPENDITURE STRATEGIES	YEAR
DISCONTINUE CONTRIBUTION TO SCHOOL RESOURCE OFFICER PROGRAM	2021
CONTINUE MOST OF THE EXPENDITURE REDUCTIONS MADE IN 2020	2021
ADD HR/DIVERSITY, EQUITY, INCLUSION POSITION & PROGRAM	2021
INCREASE MENTAL HEALTH RADAR PROGRAM	2021
INCREASE PAVEMENT PRESERVATION FUNDING	2022
SEEK ALTERNATIVE JAIL PROVIDERS	2024

PROPOSED FINAL
FINANCIAL SUSTAINABILITY PLAN: 2021-2028

REVENUE STRATEGY	YEAR
CABLE TV UTILITY TAX (6%)	2022
TRAFFIC PHOTO ENFORCEMENT	2022
USER FEE STUDY	2022
PROPERTY TAX BANKED CAPACITY	2023
SURFACE WATER UTILITY TAX (6%)	2023
ADMISSIONS TAX (5%)	2024
VOTER-APPROVED TRANSPORTATION SALES TAX INCREASE (0.1%-0.2%)	2027

PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
REDUCTIONS IN PROGRAMS & EXPENDITURES

Expenditure Reductions in the General Fund and Street Fund

Program	2019-2020 Budget	2021-2022 Proposed Budget	Biennium (Two-Year) Savings	Savings Per Year
Economic Development, Communications, Federal Lobbyist, etc.	807,000	286,776	520,224	260,112
Public Safety				
Court	260,000	155,100	104,900	52,450
School Resource Officer	100,000	-	100,000	50,000
Jail	850,000	550,000	300,000	150,000
Subtotal	1,210,000	705,100	504,900	252,450
Public Works				
Arterial Landscape Maintenance	363,400	245,500	117,900	58,950
Transportation Consulting (design	112,550	10,000	102,550	51,275
Street Banners	50,000	-	50,000	25,000
Materials (including flower basket	60,000	36,000	24,000	12,000
Subotal	585,950	291,500	294,450	147,225
Total	**2,602,950**	**1,283,376**	**1,319,574**	**659,787**

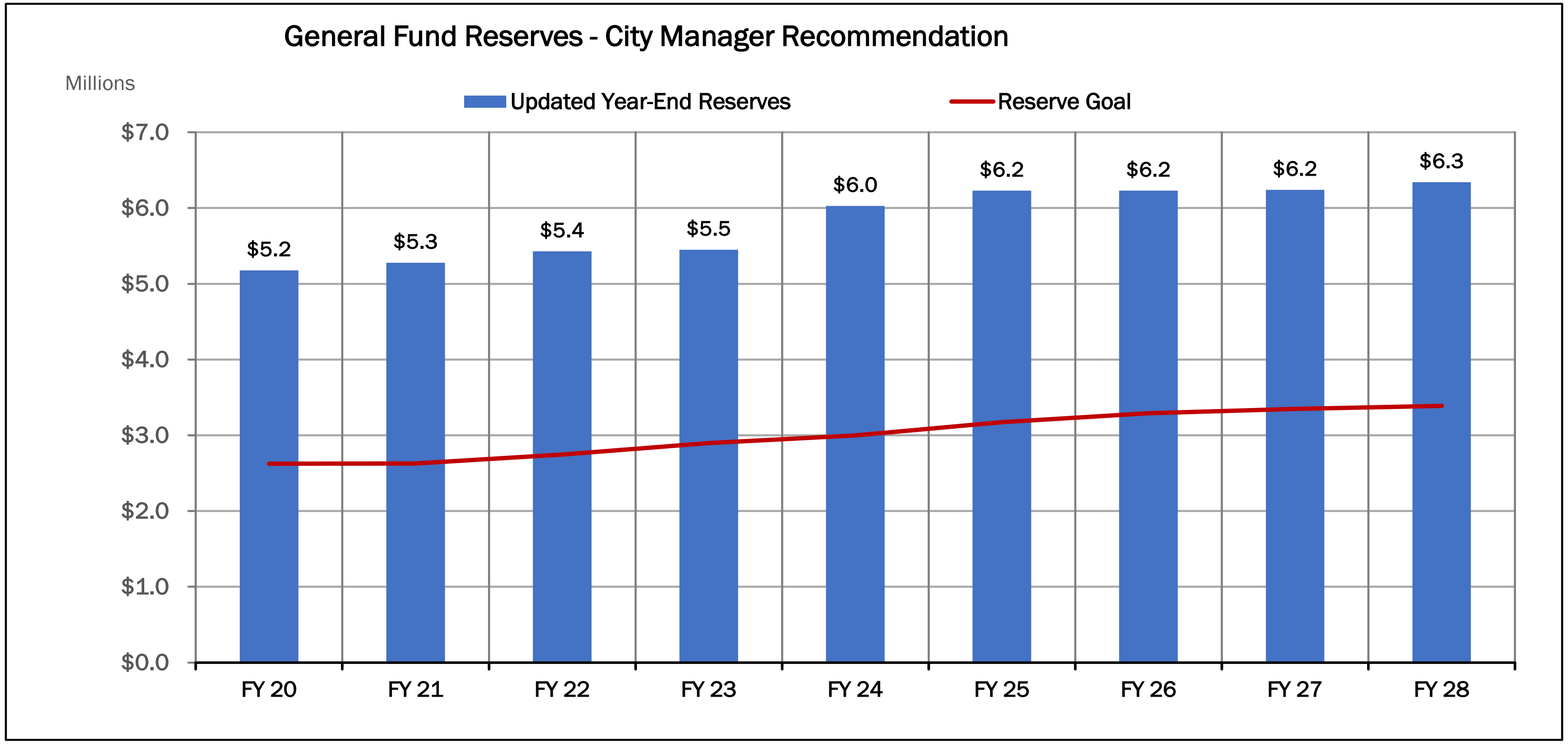
PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
COMPARISON OF TASK FORCE TO FINAL PLAN

		Year of Implementation	
Expenditure Strategy	Est. Annual Amount	Recommended by Task Force	Proposed Final Plan
Discontinue Contribution to School Resource Officer Program	$50,000	2021	2021
Continue most of the reductions made in 2020	$659,000	2021	2021
Add HR/Diversity, Equity, Inclusion Position & Program	$197,000	2021	2021
Increase Mental Health RADAR Program	($50,000)	2021	2021
Increase Pavement Preservation Funding	($1,000,000)	2022	$500k in 2022; then $1m in 2023
Seek Alternative Jail Providers	$50,000	2024	2024

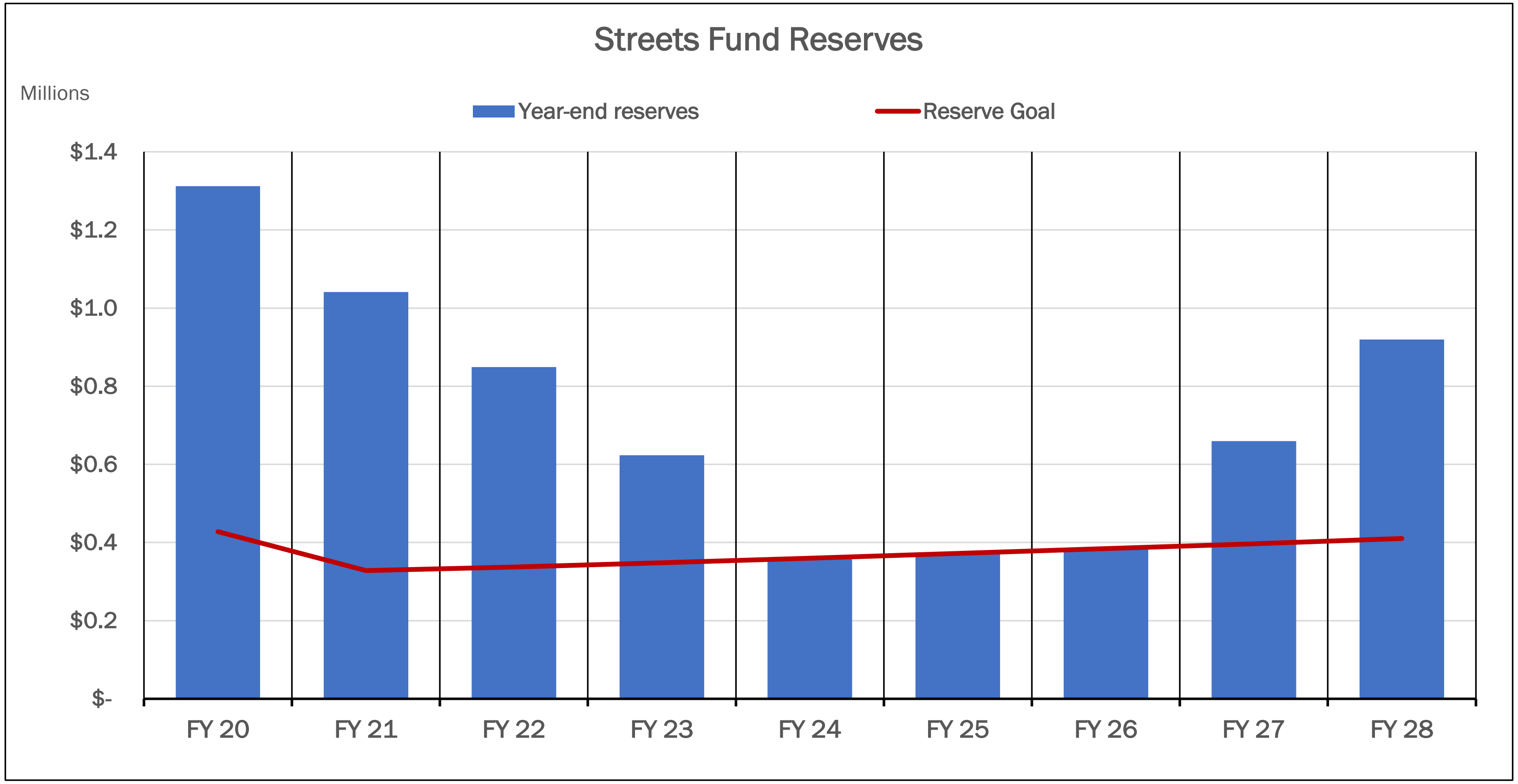
PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
COMPARISON OF TASK FORCE TO FINAL PLAN

		Year of Implementation	
Revenue Strategy	Est. Annual Amount	Recommended by Task Force	Proposed Final Plan
Property Tax Banked Capacity	$400,000	2022, phased in over three years	2023, phased in over four years
Cable TV Utility Tax	$380,000	Second Half of 2022	Second Half of 2022
Traffic Photo Enforcement	$1,700,000	Second Half of 2022	Second Half of 2022
User Fee Study	$50,000	2022	2022
Admissions Tax (5%)	$200,000	Second Half of 2023	2024
Solid Waste Utility Tax (6%)	$183,000	2024	--
Surface Water Utility Tax (6%)	$125,000	--	2023
Transportation Sales Tax (0.1-0.2%, Voter Approved)	$657,000	--	2027

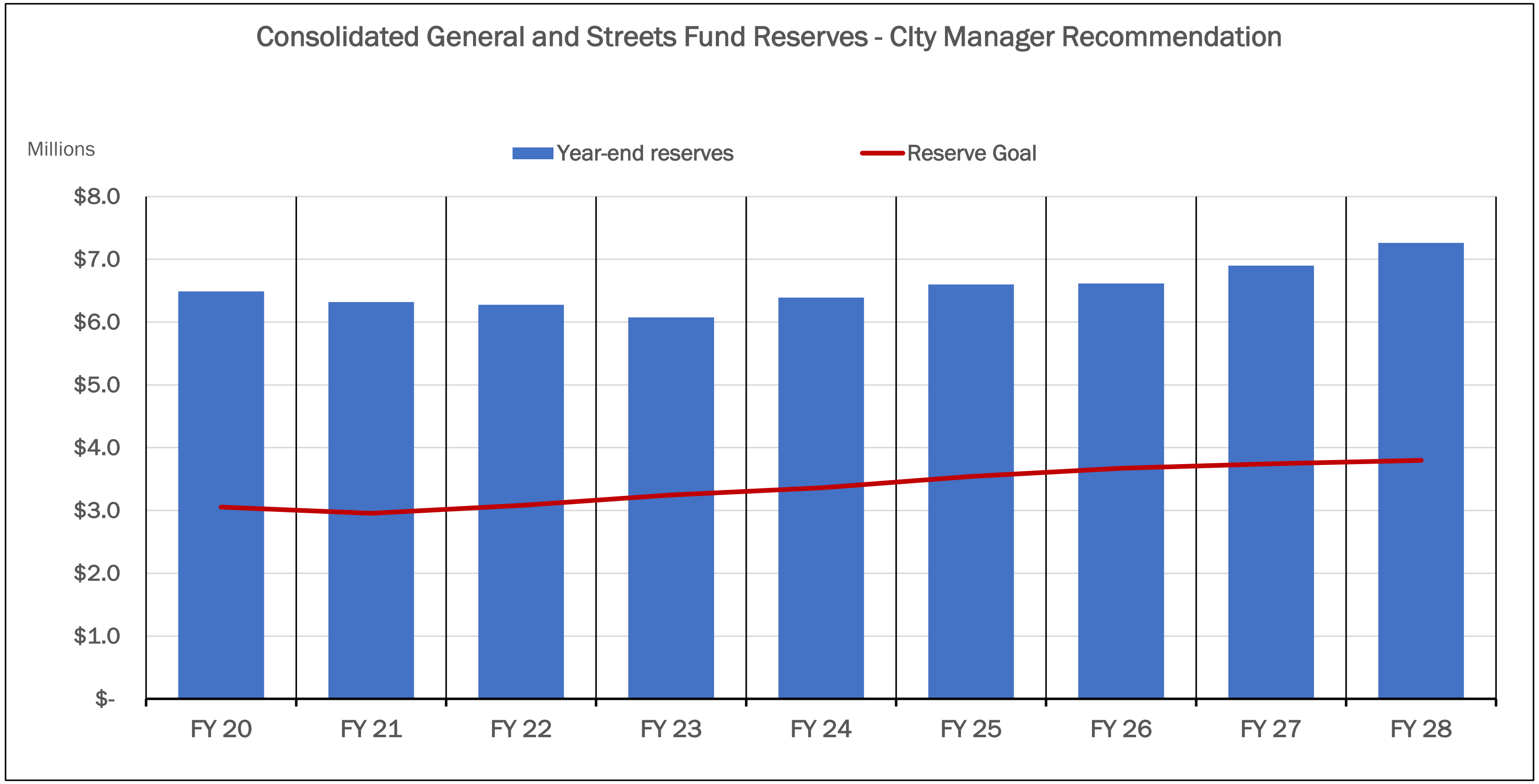
PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
FUND BALANCE PROJECTIONS – GENERAL FUND



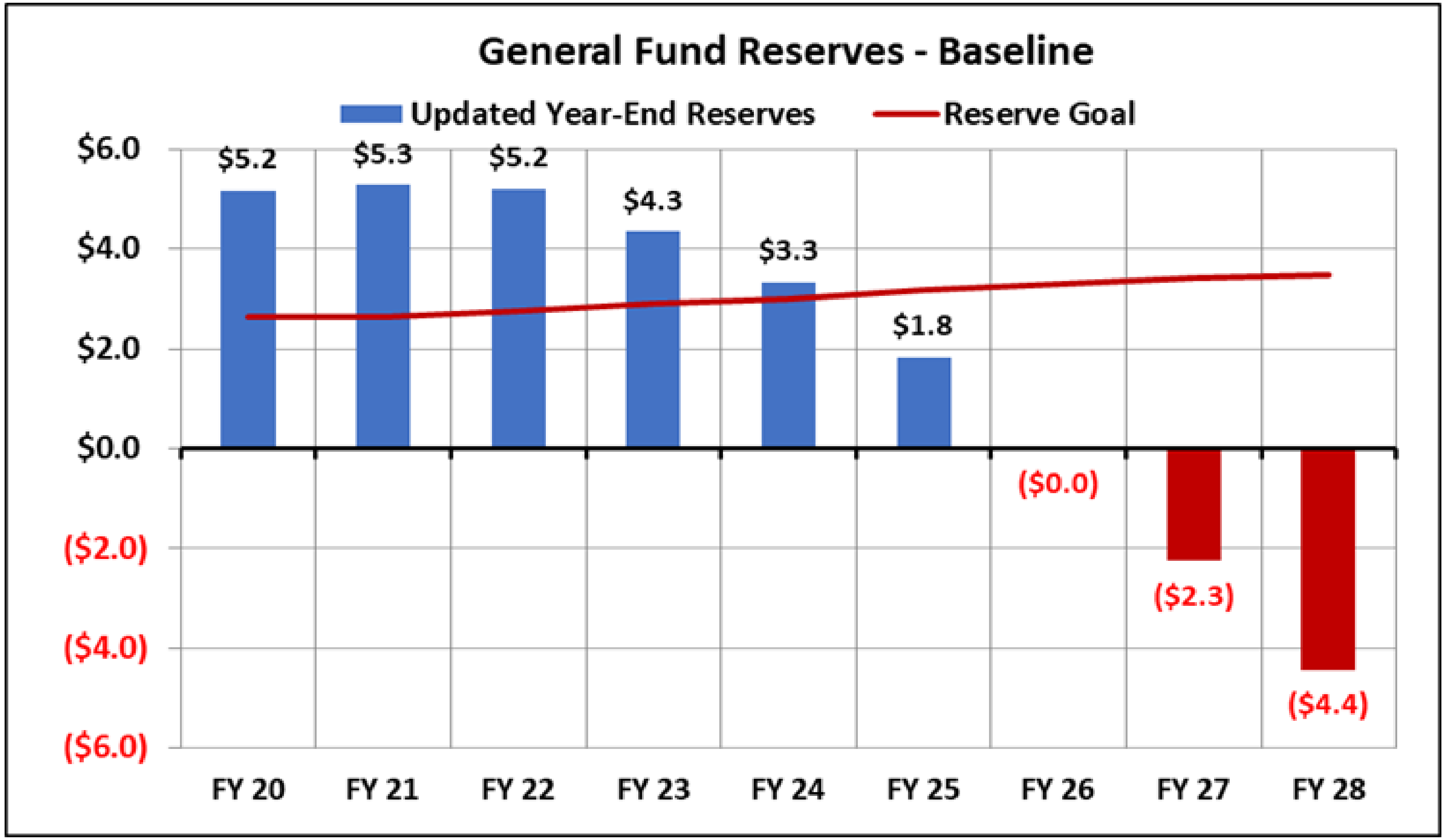
PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
FUND BALANCE PROJECTIONS – STREETS FUND



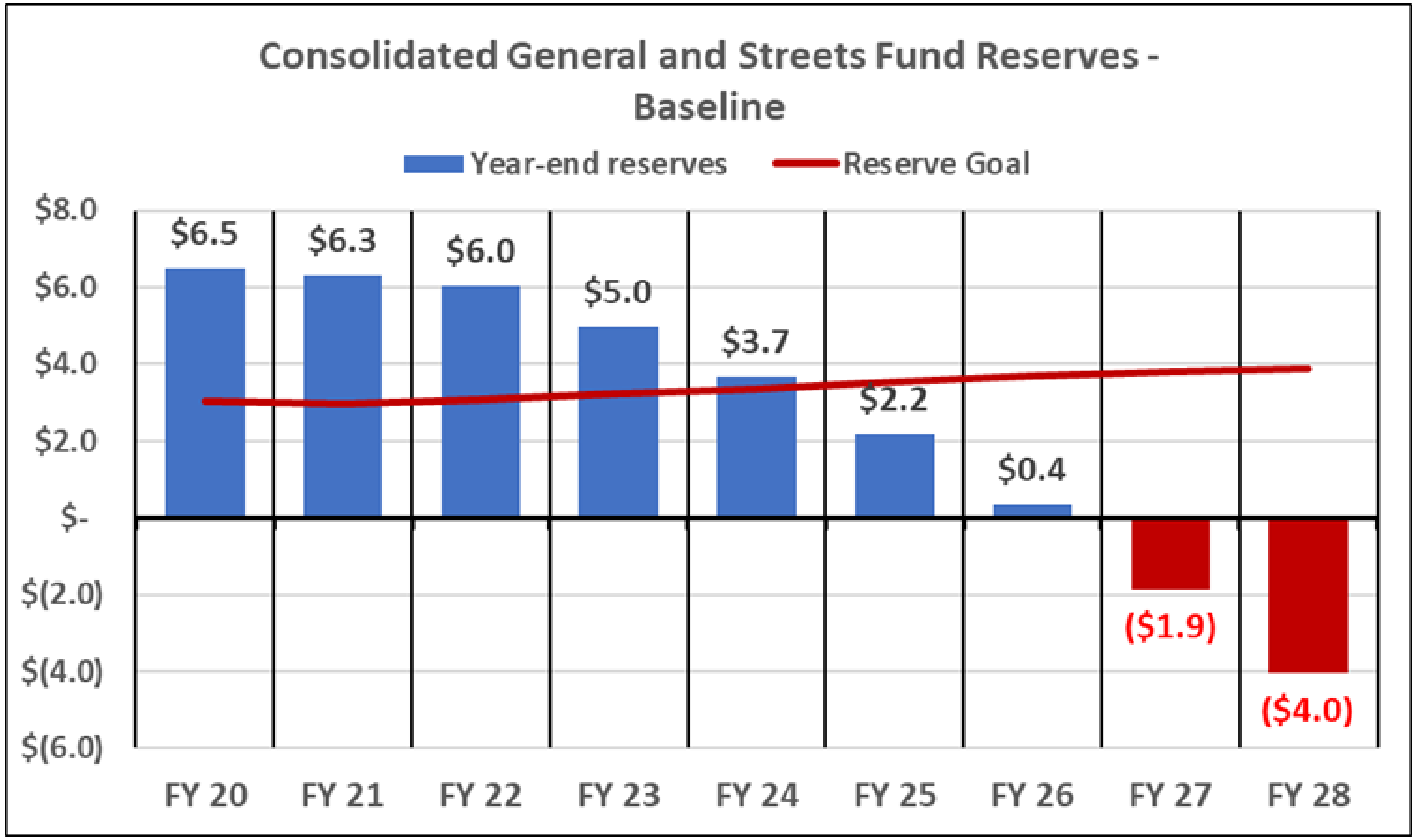
PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
COMBINED FUND BALANCE PROJECTIONS



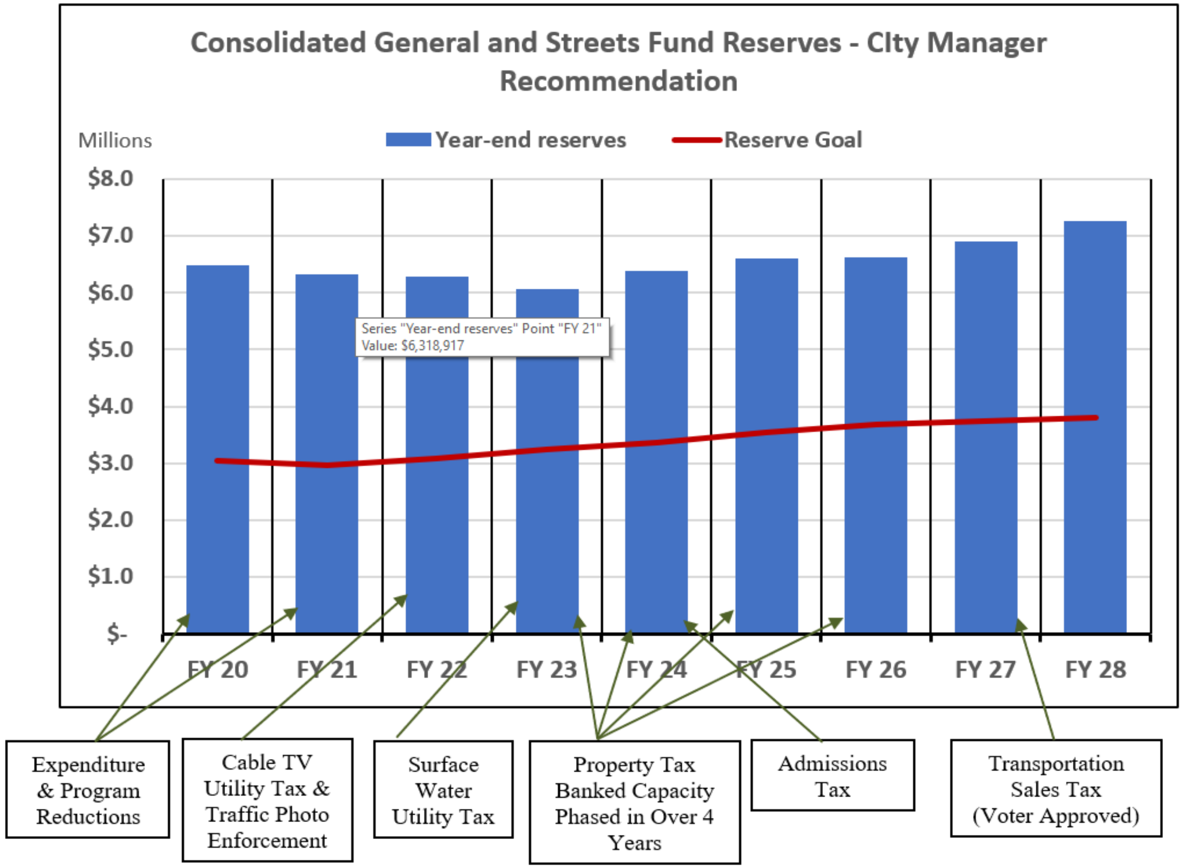
GENERAL FUND BALANCE PROJECTIONS – NO ACTION



COMBINED FUND BALANCE PROJECTIONS – NO ACTION



PROPOSED FINAL FINANCIAL SUSTAINABILITY PLAN:
COMBINED FUND BALANCE PROJECTIONS



SPECIAL THANK YOU TO:

KENMORE FSP

City of Kenmore
FINANCIAL SUSTAINABILITY PLAN

- OUR AMAZING TASK FORCE!
- JIM REID, FACILITATOR
- STEVE TOLER, MANAGEMENT PARTNERS
- JOANNE GREGORY, FINANCE & ADMINISTRATION DIRECTOR
- CITY MANAGER’S OFFICE – COMMUNICATIONS
- KENMORE CITY STAFF
- KENMORE CITY COUNCIL
- OUR ENGAGED RESIDENTS!

CITY OF KENMORE
FINANCIAL SUSTAINABILITY PLAN: 2021-2028

THANK YOU!