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THE

KENMORE CITY COUNCIL

RETREAT

May 17th, 2025

Summary Report

Introduction

The Kenmore City Council held their annual retreat on May 17th 2025 at Kirkland City Hall, Kirkland, WA. The purpose of this retreat was to discuss, in depth, key projects and policy issues identified by the participants during a pre-retreat interview to establish the agenda. This <u>one-day</u> retreat format was introduced this year as an "off year" retreat to be followed next year by the traditional two-day format. The following agenda guided the discussions during this council retreat and provides the basis of this summary report (note: a complete recording and supporting print documents of the retreat is retained by the City of Kenmore):

1. City Council Member opening remarks
2. Fiscal Outlook and Financial Forecast
3. Financial Sustainability Plan
4. Lakepointe Update and Ballot Measure Options
5. What Success Looks Like: Council Priorities Work Plan
6. Public Works Operation Center
7. City Council Process
8. General Policy Issues
9. City Council Priority Setting Process

City Councilmembers Opening Remarks

The retreat opened with each City Council member sharing their views on key issues and opportunities facing the city. Important values and principles that should guide their decision making, and long-term goals that continue to guide their actions into the future. Some of the key points/issues/topics expressed included:

1. The importance of addressing city financial stability
2. Housing and addressing the need for affordable housing
3. Seeking opportunities to address Lakepointe
4. The importance of a "people oriented", walkable city
5. Environmental stewardship
6. Connecting people to the city waterfront

7. The importance of Downtown redevelopment and growth of the business community.

Financial Outlook and Forecast

The next discussion module focused on a presentation and discussion of future financial projections for the City of Kenmore. Staff presented a financial overview and forecasts looking out as far as 2032. Various factors that might have a fiscal impact on the city were noted, such as changes in federal funding policies, tariffs, and other economic impacts. In addition, projected revenue and expense assumptions were presented and reflected in various fiscal outcomes. In all scenarios, expenses are projected to rise faster than revenues, creating budget shortfalls. It was noted that the 2024 Financial Sustainability Plan (FSP) recommendations address the shortfalls (see below).

The participants next discussed the presentation. The possibility of a B&O tax was discussed, but it was noted that likely revenues from such a tax would be lower than was projected in the FSP. It was also noted that it will be important to engage in an expenditure reduction exercise to also address shortfalls during the next budget process. While other cities also are facing shortfalls, it was noted that Kenmore's vision and focus on this issue will set it apart from other jurisdictions. It was noted that while the Financial Sustainability Plan recommends cutting $100,000 from the budget, staff already cut more than $300,000 in expenditures in the current adopted budget. It was noted by several participants that it is not possible to "cut our way out" of the projected shortfalls. It is important to note that by year 2032 the projected deficit will be $13.2 million, creating a high level of concern and making it necessary for the city to find other sources of revenue, specifically by raising taxes.

Financial Sustainability Plan

The next discussion module focused on the role of the current Financial Sustainability Plan (FSP). The Interim City Manager presented the importance of updating and using the FSP as the driving strategy for addressing the shortfall projections. In the FSP, the City Manager presented nine recommendations to address fiscal sustainability (both increasing revenues and cutting expenditures):

1. Picnic Shelter Rental Fees (revenue)
2. Metropolitan Park District Levy Lid lift (revenue)
3. Convert street lights to LED (expense)
4. Public Safety and Human Services Levy Lid Lift (revenue)
5. Human Services Case Worker/Program Navigator (expense)

6. Utility Tax Assistance or Rebate Program (expense)
7. Additional KAPE photo enforcement (revenue)
8. Increase Transportation Sales Tax (revenue)
9. Public Safety Sales Tax (revenue)

The participants discussed, in depth, the FSP and the specific City Manager recommendations. It was noted that it is unclear if a ballot measure would pass in the city, that it might be possible to actually increase the utility rebate program if new revenues come in, and that it will be important for businesses to participate in upcoming discussions, and that it might be time to revisit legalized gambling within the city.

Lakepointe Update and Ballot Measure Options

Lakepointe. Participants heard an update on the Lakepointe property/project. The Mayor and Interim City Manager have met with the new property owner liaison to provide introductions and establish new working relationships. The city continues to work with the attorney for Lakepointe and have agreed to meet again in the late summer or early fall. This will provide an opportunity for the new representatives to "get up to speed" on the history and nature of this project.

Ballot Measure Options. The participants next reviewed and discussed, in-depth, two ballot measures that were recommended in the FSP as ways to address financial shortfalls. Based upon the fiscal projection (see prior discussion) it was noted that the city's financial situation is more urgent than anticipated, it is necessary to achieve sustainability through 2032, ballot measure(s) would be necessary in 2026, expense reductions will also be necessary, and that the City Council should also explore councilmanic options.

Staff presented overviews of two possible ballot measure options:

Option 1: Metropolitan Park District (MPD) would be dedicated to park maintenance, capital projects, park environmental restoration and future expansion should the Lakepointe property come available. Rates that would be considered would be either $0.20 per $1000 of property assessed values or $0.25 per $1000 of property assessed values. A statistically valid survey conducted in March/April of 2024 of 303 respondents (registered voters) showed support for this approach.

Option 2: Public Safety and Human Services would cover the growing costs for police, courts, jail and RCR (Regional Crisis Response) and Community Court. These funds would also support the resource navigator position and utility assistance. These funds would also support implementation of the Human Services Strategic Plan. The rates that would be considered would be $0.30 per $1000 of property assessment or $0.35 per $1000 of property assessment.

The staff recommended moving forward with one of the two options which would increase the annual property tax for the average homeowner an estimated $200 to $350 per year.

The participants discussed, at length, the pros and cons of 2026 ballot measure(s). It was noted that the MPD funds, if approved, would not become available until 2028. It was further noted that the cost of a ballot measure is about $40,000 to $50,000. It was also noted that an uncertain voter climate and potential ballot fatigue is possible. In addition, it was noted that there is a higher voter turnout during midterm elections and that these ballot measure(s) would build on the Love Where You Live community engagement efforts within the city. Finally, it was noted that going out to the voters was a key part of the community staffed FSP recommendations.

Participants further considered the importance and timing of retaining a consultant to guide the ballot measure process. It was noted that the MPD takes time to establish and time for the funds to be realized. The importance of including/or not Lakepointe as part of the MPD along with the support of the current Lakepointe property owner was also discussed. Finally, it was noted that time is critical and that efforts to address the coming budget shortfalls (Ballot Measure(s) and other potential cost savings) should begin immediately.

After a very long and detailed discussion the City Council members were in agreement that it is necessary to move forward and agreed to the following:

Agreement One: To direct city staff to begin the process to create one or both ballot measures for presentation to Kenmore citizens in upcoming election cycles.

Agreement Two: To direct staff to retain a consultant to advise and direct the process creating one or both ballot measures. This should begin immediately to obtain consulting services as soon as possible.

What Success Looks Like: Council Priorities Work Plan

The next discussion module was a staff presentation and brief discussion of the 2025-2026 staff work plan that focuses on the City Council's Priorities. Various staff members presented overviews of specific work items under each priority and when these items are scheduled to come before the City Council.

The City Council noted their appreciation for this presentation and specifically, the graphic layout of this annual work plan.

Public Works Operations Center Project

The next discussion item focused on the plans for building a new Public Works Operations Center. Staff provided a detailed presentation of the project, which had been updated since prior presentations to the City Council. The project aims to centralize the Operations and Environmental Services divisions of the Public Works Department. Permits have/will be applied for in the spring of 2025. Construction for phase one of the work is due to being in fall of 2025. The facility is expected to open in 2027. The building is designed to be built using a "phased construction plan" to coincide with funding availability and need. The center will include geothermal heating, EV charging, solar readiness and rainwater cisterns to optimize climate sensitive innovations and practices. The total estimated cost is $22.51 million dollars which is included in the Capital Improvement Plan budget which the City Council adopted. The annual debt service will be $1.6 million dollars and will come from the REET and Surface Water Utility Tax. The city plans to continue to apply for more grants to help with funding. Finally, it was noted that Municipal Bonds were issued in December of 2024 under Ordinance 23-0599. These bonds are tax exempt and restricted to capital uses under federal law.

The participants briefly discussed the project. Concerns about managing costs were noted. It was also noted that exploring a possible partnership with the North Shore Utility District (NUD) to defray costs should be considered. It was noted that NUD was contacted earlier in the project planning phase to explore a partnership but no opportunities were identified. Staff will reach out to NUD again to see if something might have changed which would enable a productive partnership.

City Council Process

The next discussion section focused on selected council processes.

Public Comment During City Council Meetings. The participants briefly discussed the council rules/procedures governing the public comment process during council meetings. After a brief discussion the City Council made the following agreement:

Agreement Three: Staff prepare a Frequently Asked Question (FAQ) sheet with information related to public comment on ballot measures during City Council meetings.

City Council Advisory Committees. Participants next discussed the need for better interaction between the City Council and their advisory committees. In addition, it was noted that to promote younger community member involvement in city governance/issues that a youth position could be considered in all or some selected Advisory Committees. The value of having annual study sessions with both the City Council and Advisory Committees was discussed and requested. It was noted that it would be important for selected committees to be consulted ("weigh in") on various items coming before the City Council. It was also noted and requested that a DEIA Equity Framework Tool should be developed/utilized as part of the City Councils regular decision-making processes. After this discussion the participants agreed to the following:

Agreement Four: City Council Member Loutsis will bring a proposal for student engagement in the City Councils Boards and Commissions for further review by the City Council.

Agreement Five: Staff will work on an amended agenda bill to include an Equity Framework Tool.

Jail Contracting. Participants next discussed the current jail contract and a concern with the number of jail deaths associated with the contract jail. The need to review costs were also discussed. After the discussion the participants agreed to the following:

Agreement Six: Staff will look into jail contracting options and report back to the City Council.

Safe Lighting Ordinance. The next discussion focused on lighting in the city. It was noted that the City Council had already asked staff to research a Safe Lighting Ordinance for future City Council review. The goal is to balance safety with preserving dark skies, recognizing that while some aspects (like the increasing use of ultra-bright LEDs) are outside the City's control, there are measures the city can take. No further discussion was needed at this time, as research is underway in partnership with Puget Sound Energy.

Economic-Neighborhood Development. The participants next discussed economic and neighborhood development. The importance of future-focused economic and neighborhood development, particularly in alignment with the

City's long-term vision, was noted. One concern raised was ensuring that zoning or overlay regulations, especially for legacy industrial properties (such as Plywood Supply and Lakepointe), remain aligned with that vision and allow for higher-value future uses (such as mixed-use development), which could enhance property values and sale potential. The intent, it was noted, is to ensure that both City Council and the public remain aware of these zoning considerations and that Kenmore's future economic and neighborhood development continues to reflect modern priorities, especially in the downtown core along SR-522.

Staff clarified that Kenmore no longer has industrial-zoned areas; remaining properties operate under legacy "P-suffix" overlays from King County. These overlays still support community goals (public access, mixed-use, transportation). Removing them is possible but would require careful coordination with property owners and alignment with the comprehensive plan vision. Previous conversations with property owners indicated they preferred to keep the overlays until redevelopment occurs.

City Council Priorities

The participants next reviewed current 2025 and 2026 City Council priorities established at last year's retreat. The participants then revised the existing priorities based upon completion and desire for revised wording. Finally, the participants used a Paired Comparison Methodology to select the order of their priorities for the period covered beginning in 2026.

The top five priorities will comprise a portion of the City Manager's annual performance review. Priorities will be addressed to generally reflect their ranking; however, opportunity and/or necessity may require an emphasis on selected priorities outside the priority ranking listed in this report.

City Council Priorities for 2026
"Off Year"
Review and Adjustment

1. **Ensure financial sustainability through revenue enhancement and cost cutting (40 points).**

2. **Continue to implement the adopted Climate Action Plan and promote environmental stewardship, including water, air, forest, And habitat restoration and preservation (36 points).**

3. **Create opportunities to activate the Lakepointe property in service of environmental, housing, economic development, and parks and recreation priorities (35 points).**

4. **Preserve and increase availability of all types of housing at all income levels, including the needs of people experiencing homelessness (33 points).**

5. **Promote sustainable economic development strategies that enhance downtown and attract residents, small businesses, and visitors (32 points).**

6. **Enhance multimodal transportation, including pedestrian and bicycle safety (27 points).**

7. **Finalize, adopt, and implement the Human Services Strategic Plan (20 points).**

8. **Explore opportunities to expand parks and recreation (18 points).**

9. **Continue to implement the Diversity, Equity, Inclusion and Accessibility (DEIA) Strategic Plan (18 points).**

10. **Broaden community engagement and fun (11 points).**

Appendix One
Retreat Participants

Mayor
Nigel Herbig

Deputy Mayor
Melanie O'Cain

Council Member
Jon Culver
Absent

Councilmember
Nathan Loutsis

Councilmember
Joe Marshall

Councilmember
Valerie Sasson

Councilmember
Debra Srebnik

Interim City Manager
Stephanie Lucash

Department Directors Participated During Specific Conversations

Facilitator
Michael Pendleton