



CITY OF KIRKLAND
Department of Public Works
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MEMORANDUM

To: Kurt Triplett, City Manager
From: Michael Olson, Director of Finance and Administration
Tom Mikesell, Financial Planning Manager
Date: November 27, 2018
Subject: RCW 82.46.015 Real Estate Excise Tax Funding Report

The purpose of this memo is to report on Real Estate Excise Tax (REET) usage in the operating and capital budgets. RCW 82.46.015 requires REET usage information to be reported with the operating budget to qualify the City to use REET for maintenance of capital projects in the 2019-2020 Operating Budget.

Background

In the 2015 state legislative session, new legislation was approved to allow the use of REET for maintenance of REET-eligible capital projects, up to the greater of \$100,000 or twenty-five percent of available funds, but not to exceed \$1,000,000 per year. Unlike prior legislation providing for expanded uses, this authority is ongoing, but it comes with specific reporting conditions.

Each year a city using REET for maintenance of capital projects must adopt a report that satisfies four requirements. The requirements, and data to meet each requirement for the City of Kirkland, are included below.

- 1) Demonstrate that a city "has or will have adequate funding from all sources of public funding to pay for all capital projects, as defined in RCW 82.46.010, identified in its capital facilities plan for the succeeding two-year period".

The City of Kirkland's Preliminary Capital Budget for 2019-2020, the "succeeding two-year" time period covered by the reporting requirement, totals \$107.5 million as shown in the following table.

2019-2020 Capital Budget (in thousands)

Program	2019	2020	Two year total
Transportation	41,132	19,635	60,767
Surface Water	5,016	5,212	10,228
Water/Sewer	5,980	5,806	11,786
Parks	9,116	3,159	12,275
General Government	9,738	2,697	12,435
Total	70,982	36,509	107,491

The planned revenue sources to fully fund the Preliminary Capital Budget in 2019-2020 are detailed in the following table.

2019-2024 Capital Improvement Program Revenue Sources (in thousands)			
Dedicated Revenue	2019	2020	Two Year Total
Transportation			
Gas Tax	634	647	1,281
Gas Tax (Transportation Package)	200	200	400
Business License Fees	270	270	540
Real Estate Excise Tax (REET) 1	211	410	621
Real Estate Excise Tax (REET) 2	2,319	1,424	3,743
Street & Pedestrian Safety Levy	2,679	2,706	5,385
Transportation Impact Fees	2,120	1,000	3,120
King County Park Levy	300	-	300
Walkable Kirkland	400	400	800
Utility Rates	410	500	910
Utility Reserves	207	-	207
Solid Waste Street Preservation	300	300	600
REET 2 Reserve	2,213	480	2,693
REET 1 Reserve	135	-	135
Carryover PY Funds	-	659	659
Debt	17,818	2,407	20,225
External Sources	10,916	8,232	19,148
Subtotal Transportation	41,132	19,635	60,767
Parks			
Real Estate Excise Tax 1	938	135	1,073
Park Impact Fees	2,891	1,750	4,641
Parks Levy	1,000	823	1,823
REET 1 Reserve	509	-	509
Park Facilities Sinking Fund	162	151	313
Carryover PY Funds	1,425	-	1,425
Other Reserves	1,866	-	1,866
External Sources	325	-	325
Subtotal Parks	9,116	3,159	12,275
General Government			
General Fund Contributions for:			
Public Sfty. Equip. Sinking Fund	987	334	1,321
Technology Equip. Sinking Fund	452	625	1,077
Utility Rates	256	256	512
Facilities Life Cycle Reserve	1,009	522	1,531
REET 1 Reserves	2,000	-	2,000
General Fund Cash	746	174	920
Carryover PY Funds	213	787	1,000
REET 1	3,800	-	3,800
Other General Government Reserves	275	-	275
Subtotal General Government	9,738	2,698	12,436
Utilities			
Utility Connection Charges	865	865	1,730
Utility Rates - Surface Water	1,916	2,120	4,036
Utility Rates - Water/Sewer	3,992	4,941	8,933
Reserves	1,200	1,965	3,165
External Sources	3,023	1,126	4,149
Subtotal Utilities	10,996	11,017	22,013
Total Revenues	70,982	36,509	107,491

2) Identify how REET revenues were used by the city or county during the prior two-year period:

The following tables show 2017 actual and 2018 projected uses of REET 1:

	2017 Actual	2018 Projected	Two year Total
REET 1			
Operating & Maintenance Uses			
CKC Maintenance	63,500	63,500	127,000
Parks Maintenance	129,258	152,033	281,291
Subtotal O&M Uses	192,758	215,533	408,291
Capital Uses			
Transportation Program			
STC 00600 - Annual Street Preservation Program	5,000	-	5,000
STC 00605 - Totem Lake Blvd Roadway Repair	260,000	-	260,000
STC 99990 - Regional Inter-Agency Coordination	82,000	82,000	164,000
NMC 00121 - NE 116th Street Crosswalk Upgrade	16,000	148,000	164,000
NMC 08700 - Citywide School Walk Route Enhancements	-	455,000	455,000
TRC 11800 - General Parking Lot Improvements	100,000	-	100,000
TRC 11900 - Kirkland Citywide Intelligent Transportation System Study	35,000	-	35,000
Subtotal Transportation Program	498,000	685,000	1,183,000
Parks Program			-
PKC 04900 - Open Space, Park Land & Trail Acq Grant Match Program	100,000	-	100,000
PKC 06600 - Park Play Area Enhancements	40,000	40,000	80,000
PKC 11901 - Juanita Beach Park Bathhouse Replacement	715,000	-	715,000
PKC 12100 - Green Kirkland Forest Restoration Program	75,000	75,000	150,000
PKC 13330 - Neighborhood Park Land Acquisition	800,000	-	800,000
PKC 13341 - Edith Moulton Park Redevelopment	304,300	-	304,300
PKC 13902 - Totem Lake Park Master Plan & Development (Phase I)	100,000	578,000	678,000
PKC 14700 - Parks Maintenance Center	-	175,000	175,000
Subtotal Parks Program	2,134,300	868,000	3,002,300
General Governmental Program		-	-
PSC 30020 - Fire Station 24 Land Acquisition	758,276	-	758,276
PSC 30022 - Fire Station 24 Replacement	-	7,900,000	7,900,000
Subtotal General Governmental Program	758,276	7,900,000	8,658,276
Subtotal Capital Uses	3,390,576	9,453,000	12,843,576
Total REET 1 Uses	3,583,334	9,668,533	13,251,867

The following tables shows 2017 actual and 2018 projected uses of REET 2, and summarizes total REET uses in 2017 and 2018:

	2017 Actual	2018 Projected	Two year Total
Capital Uses			
Transportation Program			
STC 00600 - Annual Street Preservation Program	170,000	658,000	828,000
STC 00605 - Totem Lake Blvd Roadway Repair	560,000	-	560,000
STC 08000 - Annual Striping Program	500,000	500,000	1,000,000
NMC 07000 - Cross Kirkland Corridor Connection-NE 52nd Street Sidewalk	40,000	-	40,000
NMC 00121 - NE 116th Street Crosswalk Upgrade	34,000	-	34,000
NMC 01253 - 132nd Ave NE Crosswalk Upgrade SD	-	187,000	187,000
NMC 06401 - Park Lane Pedestrian Improvements	63,361	-	63,361
NMC 08610 - NE 124th St/124th Ave NE Ped Bridge Design & Construction	41,000	5,300	46,300
NMC 8700 - Citywide School Walk Route Enhancements	530,000	625,000	1,155,000
NMC 09500 - 124th Avenue NE Sidewalk Improvements	205,000	425,000	630,000
NMC 11010 - Citywide Accessibility Improvements	-	100,000	100,000
NMC 11302 - Citywide Greenways NE 128th Ave	-	120,000	120,000
NMC 11800 - NE 128th Stree/139th Avenue NE Non-Motorized Improvements	101,000	-	101,000
NMC 12300 - Totem Lake Public Improvements Phase 1	-	6,015,000	6,015,000
NMC 7777017 - Advanced Mitigation Phase 1	1,400,000	-	1,400,000
TRC 09800 - NE 132nd St/ 116th Way NE (I-405) Intersect'n Imp	138,000	62,000	200,000
TRC 11103 - Intelligent Transportation System, Phase 2	80,000	-	80,000
TRC 11600 - Annual Signal Maintenance Program	150,000	150,000	300,000
TRC 11700 - Citywide Traffic Management Safety Improvements	100,000	100,000	200,000
TRC 11702 - Vision Zero Safety Improvements	50,000	50,000	100,000
TRC 11703 - Neighborhood Traffic Control	-	50,000	50,000
TRC 11900 - Kirkland Intelligent Transportation System Study	40,000	-	40,000
TRC 12000 - Kirkland Intelligent Transportation System Phase 3	-	138,600	138,600
TRC 12700 - NE 13nd St. Roundabout	54,000	-	54,000
TRC 77770 - Annual Traffic CAO/SWDM Surface Water Support	500,000	-	500,000
Subtotal Transportation Program	4,756,361	9,185,900	13,942,261
General Governmental Program			
GGC 01000 - Affordable Housing and Homelessness Investment	500,000	1,000,000	1,500,000
Subtotal General Governmental Program	500,000	1,000,000	1,500,000
Total REET 2 Uses	5,256,361	10,185,900	15,442,261
Total REET Uses	8,839,695	19,854,433	28,694,128

- 3) Identify how funds authorized for allowed maintenance purposes will be used during the succeeding two-year period.

The 2019-2020 Operating Budget includes amounts for approved maintenance as shown in the following table:

REET 1	2019 Budgeted	2020 Budgeted	Total
CKC Maintenance	63,500	63,500	127,000
Park Maintenance	152,900	155,568	308,468
Total REET Maintenance Uses	216,400	219,068	435,468

4) Identify what percentage of funding for capital projects within the city or county is attributable to REET compared to all other sources of capital project funding.

As shown in the table under Requirement 1, the 2019-2020 Capital Budget includes \$107.5 million from all sources. Of this amount, 13.6 percent is from REET revenue either collected in 2019-2020 or in prior years.

As stated earlier, this report must be adopted as part of the regular, public budget process. To meet this requirement, staff recommends this report be referenced as an attachment to the biennial budget adoption ordinance presented to the City Council on December 11th, 2018. Though the City operates using a biennial budget, the law makes no distinction. Therefore, an updated report will be provided in fall of 2019 and presented for adoption with the mid-biennial budget adjustments in December 2019.

It is worth noting that staff consulted with the Municipal Research and Services Center concerning the format for this report. In brief, it is the MRSC position that the various reporting elements may be already covered through the adoption of the operating budget, the capital budget and the capital facilities plan. Though the pieces of information included in this report, by their very nature, are drawn from these separate documents, staff opted for a format that ties them together in one place.