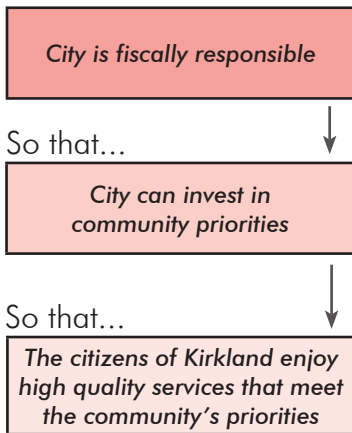


# FINANCIAL STABILITY

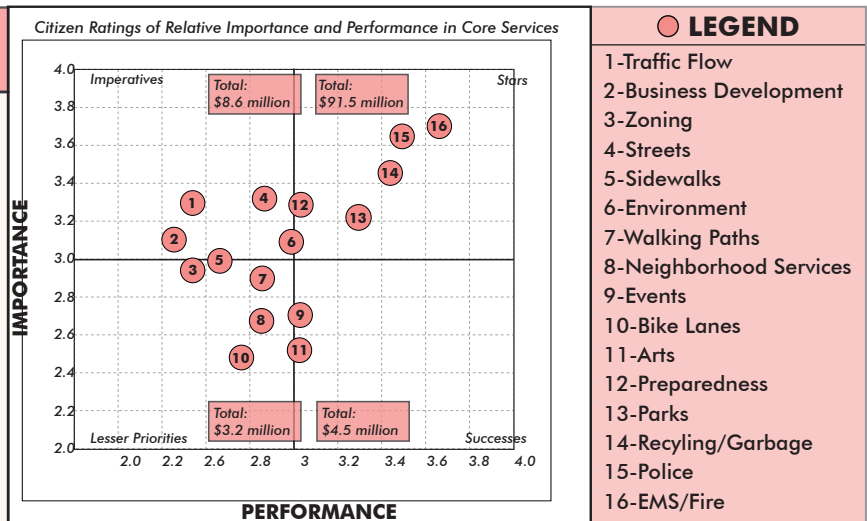
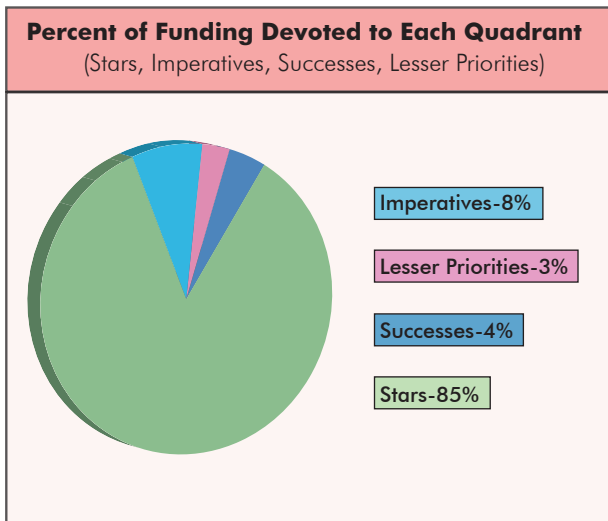
goal

Provide a sustainable level of core services that are funded from predictable revenue.



MEASURE	2007	2008	2009	2010	Target
Minimum balance in General Purpose Contingency Reserves	89%	89%	55%	55%	80% of budgeted reserve target
Credit Rating	AA	AAA	AAA	AAA	AAA
Percent of funding allocated to high priority services (Stars and Imperatives) <sup>1</sup>	*	94%	*	93%	80% of rated services

<sup>1</sup> Citizens rated City services by their importance and how well the City provided them. "Stars" have high importance and high performance ratings; "imperatives" have high importance and lower performance ratings.  
\*Community survey occurs in even years



## HOW DO WE MEASURE FINANCIAL STABILITY?

Available funding for reserves demonstrates the City's ability to respond to maintain basic services through economic cycles and meet unforeseen needs.

Standard and Poor's credit rating provides an external assessment of the City's financial stability and policies.

Long-term financial stability ensures the City can continue to fund priority services, which citizens determine through the community survey.

## HOW ARE WE DOING?

- The contingency reserves helped to balance the budget in the economic downturn, leading to a decrease in the minimum balance in the reserves.
- Standard & Poor's AAA credit rating is the highest rating that can be achieved by a municipality and saves Kirkland taxpayers money through lower interest rates when borrowing.
- A comparison of the community's service priorities with levels of funding for each service shows the City is investing in services residents identify as high priorities. Even with more constrained budgets, the City is still putting an appropriate proportion of funding into the community's priority service areas.

## WHAT IS THE CITY DOING?

The City is maintaining a stable financial base from which to fund core services. Kirkland establishes strong financial management policies by:

- Realistically estimating revenues and expenditures
- Consistently monitoring and amending the budget based on actual performance
- Creating a long-term financial plan
- Ensuring long-term capital improvement funding
- Managing investments and debt
- Maintaining reserves to offset economic downturns

The City's goal is to have reserves funded at 80% of the overall target balance that can serve as savings accounts that help the City weather unexpected economic problems. If the City spends money in the reserves due to economic conditions or unforeseen costs, the City then replenishes the reserves back to 80% of their budgeted amount consistent with adopted fiscal policies. Replenishing reserves will be a top priority as the economy recovers and the City Council will be updating reserve policies and developing a plan to replace depleted reserves.

### **AAA Credit Rating Saves Tax-payers Money**

As part of the planning for annexation, Fire District 41, which was being fully annexed by the City, wanted to ensure that the City would have sufficient funds available to complete the fire station consolidation project the District had initiated. The District pursued securing a bank loan of \$4 million and was quoted an initial interest rate of 5.3% based on the assumed District credit rating of Baa-.

However, because the City was assuming the financial responsibilities of the District, the final interest rate was 3.2%, reflecting the City's strong AAA credit rating. This resulted in a savings for the District's taxpayers of over \$500,000 over the ten year life of the loan.

Based on the 2011 Standard and Poor's report, Kirkland received its AAA rating due to the City's "maintenance of very strong available reserves, strong financial policies and practices, and low debt burden relative to market value". The report further notes that the "stable outlook reflects our view that the city's strong financial management policies and practices have positioned it well to handle the transition and ongoing costs associated with its service area expansion" due to the recent annexation of the Juanita-Finn Hill-Kingsgate neighborhoods.