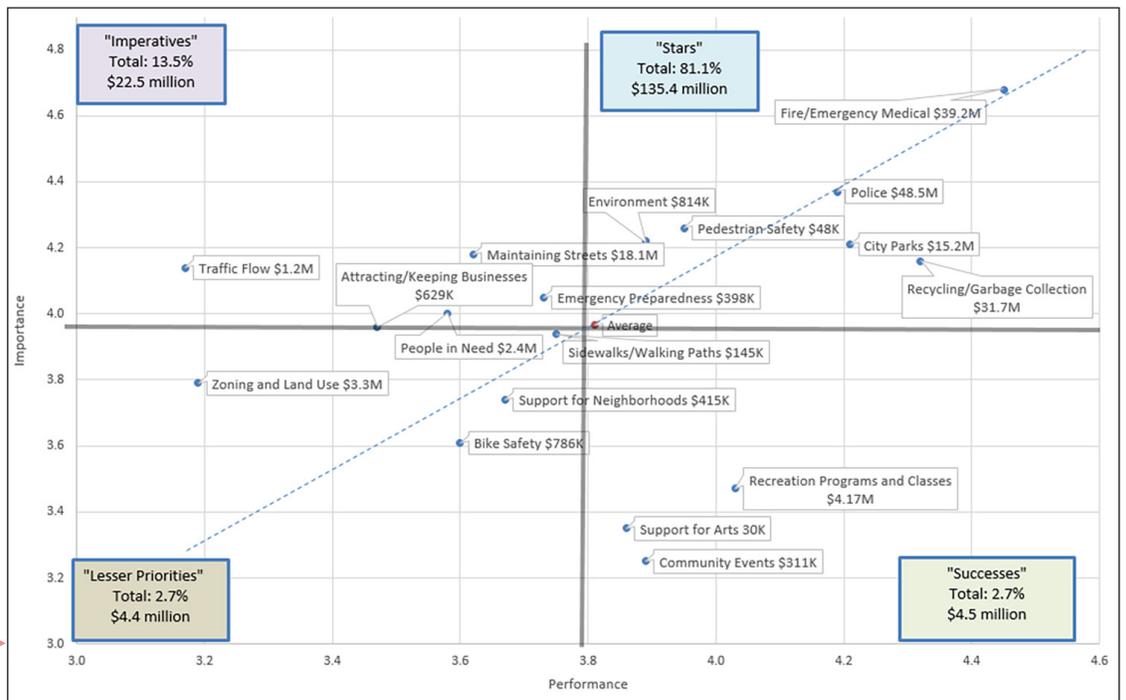


FINANCIAL STABILITY

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

| MEASURE | 2010 | 2011 | 2012 | 2013 | 2014 | Target |
|---|------|------|-------|------|-------|--------------------------------|
| Minimum balance in General Purpose Reserves | 55% | 72% | 74% | 76% | 78% | 80% of budgeted reserve target |
| Credit Rating | AAA | AAA | AAA | AAA | AAA | AAA |
| Percent of funding allocated to high priority services (Stars and Imperatives) ¹ | 93% | * | 94.2% | * | 94.3% | 80% of rated services |

¹ 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



City is fiscally responsible

So that...

City can invest in community priorities

So that...

The citizens of Kirkland enjoy high quality services that meet the community's priorities

2014 Citizen Survey

HOW DO WE MEASURE FINANCIAL STABILITY?

Standard and Poor's credit rating provides an external assessment to the City's financial stability, and this measure is used in partnership with revenue and expenditure forecasts to create a picture of the City's stability.

The City also closely monitors available funding for reserves, which demonstrates the City's ability to respond to basic services through economic cycles and meet unforeseen needs.

HOW ARE WE DOING?

Contingency reserves were used to help balance the budget during the economic downturn, leading to a decrease in the minimum balance in the reserves. The Council began replenishing reserves with the start of the economic recovery in 2011 and has almost reached the 80% target as of the end of 2014. When adopting the 2015-16 Budget, the Council continued to add one percent of General Fund revenues to reserves, resulting in \$3.1 million of 2015-16 revenues being set aside toward reserve replenishment. Based on current adopted budget numbers, the City expects General Purpose reserves to be around 92% of the total reserve target by the end of 2015-16.

Standard and 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. Kirkland has retained its AAA rating in recent years. The rating reflects factors including community demographics, use of best practices and financial strength.

Despite constrained budgets, the City has continued to invest in areas that the community has highlighted as a priority. In 2014 the City again carried out the citizen survey, and data shows that 94.3% of the budget was allocated to high priority areas. Further, the City has also made long term decisions, such as the voter enacted 2012 Streets and Parks Levies, to facilitate greater spending on areas citizens have highlighted as important.

Balancing affordability, sustainability and responsiveness to citizen needs means that the City is able to ensure improvements are made in a financially responsible manner, while sufficiently prioritizing areas citizens are most concerned about.

WHAT ARE WE DOING?

Financial stability is essential to the City of Kirkland. The City prioritizes maintaining a stable financial base from which to fund core services, and ensures all major decisions are affordable. 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 biennial budget is an essential planning document and provides strategic insight into current spending allocations and future spending priorities. The City continues to further integrate the budget with the overall performance management framework to ensure that the spending decisions are responsive to citizen needs and council priorities, as well as sustainable and affordable.



Kirkland's "Culture of Accountability" Recognized by State Auditor

Like all government entities in Washington, the City of Kirkland receives an annual audit on accountability and financial reporting by the Washington State Auditor's Office. The audit assesses how effectively the City accounts for public funds, as well as looking at internal control processes in areas such as fraud prevention.

Following completion of the 2014 audit, the City of Kirkland was one of the first recipients of the State Auditor's Stewardship Award. The award recognized the work of City staff, both in managing the financial health of Kirkland, and also in providing access and information to staff from the Auditor's Office.

The Auditor highlighted "the City's culture of accountability to its citizens through Finance staff's commitment to meeting deadlines and offering accessibility", while singling out the "strong control process" in the Police evidence room as an area of particular strength.

<http://www.kirklandreporter.com/news/324551341.html>