The City is fiscally responsible
So that...
The City can invest in community priorities
So that...
The residents of Kirkland enjoy high quality services that meet the community’s priorities

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of target balance in General Purpose Reserves</td>
<td>78%</td>
<td>89%</td>
<td>88%</td>
<td>88%</td>
<td>95.2%</td>
<td>80% of budgeted reserve target</td>
</tr>
<tr>
<td>Credit Rating</td>
<td>AAA</td>
<td>AAA</td>
<td>AAA</td>
<td>AAA</td>
<td>AAA</td>
<td>AAA</td>
</tr>
<tr>
<td>Percent of funding allocated to high priority services (Stars and Imperatives)</td>
<td>94.3%</td>
<td>*</td>
<td>92.3%</td>
<td>*</td>
<td>85.8%</td>
<td>80% of rated services</td>
</tr>
</tbody>
</table>

* Community Survey conducted in even years

**2018 Survey Results with 2019-2020 Adjusted Budget**

Financial stability of a municipality is determined by measuring the ability of the municipality to meet its short-term and long-term financial obligations in conjunction with meeting the needs its community while considering its ability to withstand unforeseen disruptions. Perhaps the mostly commonly used ways to account for this are to look at a municipality’s credit rating and fund balance status.
Contingency reserves are typically used during economic downturns but can also be used on a short-term basis to mitigate large, unforeseen expenditures or revenue reductions. The last time these reserves were used was during the 2008-2011 recession. The Council began replenishing reserves following the recession and has continued to increase reserves levels, with reserves projected to reach the Council designated target, 80% of the statutory maximum of $0.375 per $1,000 of assessed valuation, at the end of 2020.

For at least the last ten years, including during the recession, Kirkland has received a AAA rating from Standard and Poor’s, which is the highest rating available. This saves Kirkland taxpayers money through lower interest rates when borrowing.

The rating reflects factors including financial strength and use of financial best practices.

In concert with using best budgeting practices, the City has continued to invest in areas that the community has highlighted as a priority. Further the City has made long-term decisions, such as the voter-enacted 2012 Streets and Parks Levy and the 2018 Enhanced Police Services and Community Safety sales tax initiative, to facilitate greater spending on areas the community has highlighted as important.

Balancing affordability, sustainability, and responsiveness to community needs means that the City is able to ensure improvements are made in a fiscally sustainable manner, while sufficiently prioritizing areas residents are most concerned about.

Annexation Sales Tax Credit Reserve

During the 2017-2018 budget development process, the City Council established an Annexation Sales Tax Credit (ASTC) reserve as part of the City’s commitment to financial stability and ensuring adequate levels of reserves. Ongoing contributions are scheduled for 2018.

Currently budgeted at approximately four million dollars per year the ASTC represents money received from the State of Washington to help the City with the additional costs associated with running a larger City. The ASTC lasts for ten years, and is set to expire mid-way through 2021. Building reserves is one of a number of proactive steps the City is taking to help offset the loss of this revenue source.

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 resident needs and council priorities, as well as sustainable and affordable.