

Finance & Administration Committee Agenda

May 31, 2016

Solid Waste Contract Procurement Process (45 minutes)

Attachment A

Investment Policy Update (20 minutes)

Attachment B

2017-2022 CIP (5 minutes)

No materials for this item

Council E-mail Acknowledgment Option (10 minutes)

Attachment C – Sample Format

April Dashboard Report (10 minutes)

Attachment D

Informational Items:

- April Investment Report – Attachment E
- April Sales Tax Memo – Attachment F

Upcoming Finance & Administration Items on Council Agenda:

June 21, 2016

2017-2022 CIP

2016 Mid-year Budget Adjustments

Upcoming Meetings

June 28, 2016

July 26, 2016

August 30, 2016 – Reschedule due to Employee BBQ?

Potential Future Topics

- 2017-2018 Budget
- Open Labor Negotiations to the Public (added 7/7/2015)
- NEW -Animal Services Contract (added 5/3/2016)
- NEW -Conference Room naming for former City Manager (added 5/3/2016)



CITY OF KIRKLAND
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MEMORANDUM

To: City Council Finance and Administration Committee

From: John MacGillivray, Solid Waste Programs Supervisor
 Kathy Brown, Public Works Director

Date: May 31, 2016

Subject: Solid Waste Collection Services Contract Procurement Alternatives

RECOMMENDATION

Staff recommends that the City Council Finance and Administration Committee receive a staff presentation on the upcoming solid waste contract procurement process and indicate its preference for a procurement alternative.

BACKGROUND

The City of Kirkland contracts with Waste Management (WMI) for the collection of residential and commercial solid waste and has done so continuously for over three decades. The current contract was directly negotiated with WMI at the City Council's direction in 2010-2011 and implemented one month after the Juanita, Finn Hill, Kingsgate (JFK) annexation in July 2011. The contract with WMI is due to expire on June 30, 2018; however, the City may, at its sole option, extend the agreement under the current terms and conditions twice, each extension of which shall not exceed two years in duration. Any notice to extend the agreement must be provided to WMI not less than 90 days prior to the expiration of the agreement. The City of Kirkland has not undergone a competitive solid waste contract procurement since 2002.

Solid Waste Contract Procurement Rules in Washington State

Cities are granted an exceptional degree of latitude in determining how to contract for solid waste collections services, whereas in other public contract procurement processes, cities must follow specific guidelines to ensure competition.

Public works contracting is governed by [RCW 35.23.352](#) by reference in [RCW 35A.40.200](#) and [RCW 35A.40.210](#). In 1994, RCW 35.23.352 was amended and a former requirement that bids be sought when acquiring services was eliminated. Since the collection of solid waste is a service and bids are not strictly required for services, cities may use other means to select and contract with a solid waste service provider such as requests for qualifications, bids, or proposals, direct renegotiation, or contract extension. However, these procedures merely set out an alternative approach for the selection of a solid waste service provider for cities and there is no requirement that a city use those procedures.

CONTRACT PROCUREMENT OPTIONS

As described above, cities retain a great deal of autonomy with regard to solid waste contract procurement processes. In addition to the option of extending contracts, cities may choose to directly renegotiate, issue a request for bids (RFB), or ask bidders to compete through a request for proposal (RFP) process. No matter the method chosen, the length of most contracts is seven to ten years.

Direct Renegotiation

Renegotiating solid waste collection contracts can be difficult, as haulers will not typically open books or disclose operating margins. Instead, rate negotiations are based on comparisons with other city rates, which are based on different service packages, different mixes of commercial and residential customers, and that may or may not have been competitively procured. Cities then have no way to determine whether they have actually negotiated a good deal that reflects market rates. Additionally, services and contract terms must be mutually acceptable and may result in lower service standards or reduced contract enforcement standards if the hauler refuses to meet city objectives. Only a few cities in the region, Kirkland (due to the Juanita annexation), Redmond, and Kent have renegotiated their solid waste collection contracts in recent years.

Request for Bids (RFB)

Assuming the successful bidder is both responsive (follows the rules of the process) and responsible (able to provide the service), contracts based on the RFB model are awarded based solely on price. A city issues a bid which includes a base contract and bidders provide a price for each element to include both collection and disposal. The RFB may also include bid alternatives for city consideration. While this process is prevalent in public works contracting, the RFB process is somewhat rare in solid waste contract procurements since it lacks the inclusion of qualitative elements that tend to be important to be important to city staff, residents and businesses. The City of Sammamish is the only city in King County in recent years to complete an RFB process, although the RFB process was common in early 2000's procurements. The City of Auburn is currently conducting a RFB process.

Request for Proposals (RFP)

The RFP process is more flexible and allows proposers to be evaluated on the design of their service model and references. RFP processes for solid waste services can take two years or more to complete. Processes typically includes a preliminary industry review of bid documents; a two to three month advertisement period; a proposal evaluation process; and a final contract negotiation phase. Nine month to one year is usually reserved at the end of the process to allow the successful proponent time to order and take delivery of new collection vehicles. Proposals are not only evaluated on price but are also appraised on qualitative elements such as a proponent's quality of customer service, billing accuracy, sustainability plan, community participation and involvement, contract implementation and compliance, operations and system design, interviews with the city, and references. Typically, ratings are weighted 60-80% on price and 20-40% on qualitative, depending upon a city's preference. RFP processes provide cities with

the highest level of flexibility to award a contract based not only on price but also on the overall quality of service. In some cases, the proposer with the lowest price does not win the contract because the price and added service value of a competitor is ranked more highly. The RFP process has been the predominant solid waste procurement method in our region.

OUTCOMES OF RECENT PROCUREMENT PROCESSES

Below are summaries of several recent solid waste contract procurement process from the cities of Bellevue, Bothell, Burien, Kent, Maple Valley, Redmond, Renton, Sammamish, SeaTac, and Shoreline. A summary of Kirkland's 2011 renegotiation with WMI is also included. City of Kirkland's Solid Waste Division contracted with Sound Resource Management to gather and consolidate rate and service data for each city and staff followed up with each city by sending a short questionnaire to gather more specifics on each city's process. Some of the summaries are more detailed than others due to the level of detail provided by each city and the relative complexity of its process. *Table 1* shows the specific rate outcomes, by sector and overall, resulting from each city's chosen procurement method.

Important Note on Table 1

The overall percentage rate increase or decrease shown in *Table 1* is a net average cost derived from a **weighted** average of the residential, multifamily, commercial and roll-off service sectors and any other adjustments such as increases or decreases in administrative fees, billing costs, and/or drop box mark-ups. Consequently, the overall rate increase may not necessarily be a straight average of the increases or decreases across all three sectors. The detailed rate and service data collected for each individual city is included in *Attachment 1*.

Examples of Negotiated Contracts

City of Kirkland (2011 Negotiation)

The City of Kirkland has not undergone a competitive solid waste contract procurement process since 2002. In the fall of 2010, the City Council directed staff to negotiate a new agreement with WMI, an expedited process which was completed by March 2011. The decision to directly negotiate rather than undertake a competitive process was informed, in part, by Kirkland's unique position as a party to the 1991 "4-Way Agreement" between WMI, Republic Services, Bellevue, and Kirkland. Per the agreement, in the event of an annexation, the hauler under contract in the annexing City was required to purchase the franchise from the incumbent hauler in the annexed, unincorporated area for a price equivalent to six months' worth of service for each residential and commercial customer. The payment made by WMI to Republic Services was in the range of \$1.5 million. Without the agreement in place, Republic Services would have retained the rights to service the annexation area for at least seven years under Washington State law and Kirkland would have had two service providers.

While a party to the 4-Way Agreement, WMI indicated that it would challenge the enforceability of the agreement due to adverse economic impacts. Under its contract with the City at the time, WMI's wholesale residential rates were heavily subsidized by its commercial rates and revenues in the annexation are predominantly generated by

residential customers, not commercial. Due to this rate structure, WMI would have operated at a deficit or at a substantially lower profit margin the annexation area. As both parties were highly motivated by circumstances to negotiate, Kirkland opted to negotiate a new rate package due to the fast-approaching annexation in exchange for a suite of new service offerings and to fulfill its desire to have one service provide for all Kirkland residents.

The rate package negotiated with WMI resulted in an average 9.5% wholesale rate increase. Single family residential rates increased by 26%, multifamily/commercial decreased by 8.5%, and roll-off (rectangular containers larger than 10 cubic yards and compactors) rates increased by 20%. The average wholesale rates translated to an across-the-board retail rate increase of 9.7% in 2012. New services included curbside collection of compact fluorescent bulbs; waste collection at several City parks; the installation of 46 "Big Belly" solar garbage compactors and recycling containers in the Kirkland downtown; Christmas tree collection for single family and multifamily residents; and a fleet of compressed natural gas collection vehicles.

City of Kent (2015 Negotiation)

The City of Kent renegotiated its contract with Republic Services in 2015 with the new agreement in effect in April 2016. The overall average rate increase was approximately 1.7% with a 2% increase to the single family sector and a 1.4% increase to multifamily/commercial. The increase percentages were calculated using 2011 container counts so the actual increases may be nominally different. The primary gain from the negotiation was the implementation of a program to reduce recycling and organics contamination.

City of Redmond (2014-2015 Negotiation)

In 2014, the Redmond City Council directed staff to renegotiate its agreement with WMI. Negotiations began in October 2014 and continued through March 2015. Draft rate and service proposals were presented to council during the summer of 2015 and the final contract was approved in August 2015.

The rate package negotiated resulted in an overall average 16.1% rate increase with the highest percentage increase (16.9%) in the single family sector. Redmond was able to negotiate blue colored commercial and multifamily dumpsters, new provisions for service disruptions due to labor disputes, and a slightly higher administration fee. However, Redmond's negotiation also resulted in several service downgrades to include the mailing of recycling guides every other year instead of annually; a guaranteed annual increase of 2.8% in each of the first four years then increases based on the CPI with a minimum 1.5% in subsequent years; a 12% mark-up on roll-off disposal fees; city-paid multifamily and commercial composting service; a limit on the number of city facilities serviced at no cost; and the opportunity for WMI to take certain recyclables materials off of the accepted list if the markets for those recyclables are poor.

Example of Requests for Bids

City of Sammamish (2015 RFB)

The City of Sammamish chose a RFB process in lieu of an RFP. Prior to the process, the city conducted a statistically-valid community survey to receive input from the community. Further, the city also solicited industry review of the bid documents prior to their release. Assistance in drafting the documents and evaluating the pricing proposals was provided by Epicenter Services.

The bid award to Republic Services resulted in an overall, average rate decrease of 6.3% with multifamily and commercial receiving the largest decrease of 20.9%. New services in the contract include embedded weekly single family yard waste collection; embedded commercial recycling; faster recovery of missed pick-ups; penalties for service disruptions from labor disputes; an expanded list of recyclables; and \$20,000 in annual funding for community benefit.

Examples of Requests for Proposals

City of Bellevue (2013 RFP)

The City of Bellevue conducted its RFP process in 2013. Public input was sought via surveys of commercial and residential groups and presentations to business groups. Potential proposers were also given the opportunity to review and comment on the draft contract documents before the RFP was issued. The city contracted with Epicenter Services to assist with contract document preparation and Sound Resource Management to assist with the rate evaluations and comparisons.

Only two proposals were received – one from Recology Cleanscapes and other from the incumbent hauler, Republic Services. Proposals were evaluated based on price (80%) and qualitative elements (20%) such as customer service, contract implementation and compliance, operations and system design, and the proposer's approach to sustainability. The qualitative elements of the proposals were reviewed by a team consisting of the Utilities Director, Planning Director, Director of Intergovernmental Relations, and the Neighborhood Outreach Manager.

The proposal received from Recology Cleanscapes was rated the highest in terms of price and quality by the evaluation team although no formal staff recommendation was made to the city council. Recology's proposal included a modest overall rate increase of 2.3% versus the Republic Service's rate proposal which was substantially higher at 13.4%. The city council awarded the contract to Republic Services. Services added as a result of the competitive process included unlimited commercial recycling volume, embedded commercial organics, expanded customer service hours, and a customer service center where customers can drop off hard-to-recycle items such as bicycles, car seats, and Styrofoam™.

City of Bothell (2014 RFP)

The City of Bothell first engaged in a negotiation process with WMI but negotiations proved unsuccessful as the WMI-proposed rate package was too high. The city council approved the staff recommendation to conduct an RFP process, with Epicenter Services serving as consultant. Bothell chose a 60/40 split between the price and qualitative elements with 20 points available for the proponents' customer service approach and references and another 20 points available for system design and operations. Bothell elected not to solicit public input or conduct a community survey and did not release proposal documents for industry review in advance of the official release of the RFP.

Proposals were received from the incumbent hauler, WMI, and Republic Services and Recology Cleanscapes. Proposals were reviewed by a team consisting of representatives from Finance, the City Manager's Office, Public Works Operations, and Solid Waste staff. The city council concurred with the staff recommendation to award the contract to Recology Cleanscapes but also allowed prospective service providers to make presentations to Council on why their firm should be awarded the contract.

The Recology rate proposal resulted in a nominal 0.7% overall average rate increase to Bothell rate payers. New services in the contract included a [Recology Cleanscapes storefront](#) based in Bothell where residents can conveniently recycle bicycles, Styrofoam™ blocks, batteries, compact fluorescent bulbs, electronics, and textiles at no additional cost, 365 days a year. Other services enhancements included the curbside collection of cooking oil, plastic bags, CFL tubes and bulbs, batteries, textiles, small propane canisters, bikes, and bike parts. Recology also offered a local call center.

City of Burien (2013 RFP)

In April 2013, Burien issued its RFP for a new solid waste services contract. Staff received proposals from the incumbent service provider, WMI, as well as Republic Services and Recology Cleanscapes. Staff evaluated the proposals using a point system based on pricing, customer service and references, and system design and operations. Pricing accounted for 60 points and the qualitative elements accounted for 40 points. The proposal evaluation team was similar to other cities and included the Public Works Director, the City Manager and its consultant, Epicenter Services. In July 2013, staff identified CleanScapes as the proponent with the highest rated proposal (97/100 points) and began the final contract negotiation process at council's direction. The Burien City Council asked staff to negotiate a lower service rate, to maintain or improve the current service levels, and increase the franchise fee, if possible.

As a result of the RFP process and negotiations with Recology Cleanscapes, Burien achieved an overall rate reduction of 27.1% with single family residents' bills reduced by an average of 24.6%. The new contract included multiple improvements from the current contract: embedded residential yard waste and food composting, curbside recyclable pick-ups, graffiti removal service, a local customer service center, a retail store, and a once-per-year community curbside clean-up service.

City of Maple Valley (2014 RFP)

City of Maple Valley staff received Council authorization to undertake an RFP process in March 2013. Staff did not conduct a public process to solicit stakeholder input nor did it release pre-proposal documents to the industry for review. The consultant selected to assist with contract and document preparation was Epicenter Services. After a 60 day advertisement period, three proposals were received, including one from the incumbent hauler, WMI and one each from Republic Services and Recology Cleanscapes. The proposal evaluation team consisted of representatives from Public Works, Planning, and the City Clerk's office. The proposals were evaluated with 60 points for price and 40 points for qualitative. As with Bellevue, Bothell, and Burien, staff did not review the pricing proposals until the evaluation of the qualitative elements was completed. The final scoring resulted in Recology Cleanscapes achieving 98 points, Republic Services 84 points, and WMI 79 points.

The contract was awarded to Recology Cleanscapes and Maple Valley's solid waste rates decreased by 13.4% overall with the largest rate decrease provided to single family residents at 13.6%. Maple Valley gained unlimited commercial recycling, an increased franchise fee, on-call snow/ice removal, illegal dumping clean-up, an expanded list of recyclables, and expanded customer service hours.

City of Renton (2015-2016 RFP)

In August 2015, the City of Renton issued its RFP for a new solid waste contract. Four proposals were received with Waste Connections, Recology Cleanscapes, Republic Services, and the incumbent service provide, WMI, each submitting proposals. The proposals were evaluated through a two-step process which included 80 points for the pricing component and 20 points for qualitative elements which included interviews and reference checks.

The Renton process utilized a secondary "best and final offer" competition. The original proposals received differed substantially in their approaches to customer service, billing and accounting, transition to contractor billing, contract compliance, and the contractor/city relationship. Staff attempted to homogenize the approaches and service offerings and allowed all proponents to submit a second "best and final" rate proposal based upon the more uniform package of services.

Waste Management's proposal was the lowest by approximately \$20,000 per month versus the second lowest pricing proposal offered by Republic Services. In the qualitative competition, Recology Cleanscapes received the most points (18) followed by Republic Services (17), Waste Management (7), and Waste Connections (6). Overall, Republic Services achieved the higher combined rating of 95 points versus WMI's second highest rating of 87 points. The City Council agreed with the staff recommendation and awarded the contract to Republic Services.

The new contract, in effect in June 2016, will provide Renton rate payers with an overall average rate decrease of 9%. New services include contractor billing to replace city utility billing, increased customer service hours, an in-City billing office, and quicker pick-up of missed collections.

City of SeaTac (2013 RFP)

The City of SeaTac began its process in January 2013 with an effective date of the new agreement in June 2014. Three service providers submitted proposals including the incumbent hauler, Republic Services, as well as WMI and Recology Cleanscapes. The proposals were evaluated by a team consisting on the Public Works Director, Assistant Finance Director, and Resource Conservation Coordinator. Assistance in evaluating and scoring the financial aspects of the proposals was provided by Epicenter Services. SeaTac took a similar approach to other cities and based the award of the contract 60% on price and 40% on qualitative elements such as the customer service approach and references (25 points) and system design (15 points).

The contract was awarded to Recology Cleanscapes. As a result of the competitive RFP process, SeaTac's overall, average solid waste rates decreased by 9.7% with single family residents receiving an average decrease of 16.9%. Several new services were added including embedded, unlimited recycling for commercial customers; embedded every-other-week single family yard waste collection; a once-per-year on-call "clean up" service for single family residents; service center drop off for bikes, bike parts, car seats, textiles, and Styrofoam™; and new curbside recycling opportunities for fluorescent bulbs and tubes, batteries, rigid plastics, and motor and cooking oil. Other new services included support for code enforcement cleanups from illegal dumping and a "StreetScapes" service in which Recology provides up to six hours per month toward graffiti removal and illegal dumping remediation.

City of Shoreline (2016 RFP)

Shoreline staff began work on its contract procurement in November of 2014 at the direction of its city council which had expressed its desire for a competitive, transparent procurement process. The public was invited to provide input at public meetings and the draft contract was offered to prospective bidders for comment before the official release of the RFP. Staff contracted with Epicenter Services for consulting and contract document preparation. Republic Services and WMI submitted proposals in addition to a proposal submitted by the incumbent hauler, Recology Cleanscapes. Proposals were reviewed by a team consisting of staff from the City Manager's Office, Public Works Operations, and Environmental Services. The team awarded up to 80 points for price and up to 20 points for qualitative elements such as customer service, contract implementation and compliance, and the prospective service provider's approach to recycling diversion, system design, and operations. The contract was awarded to Recology Cleanscapes.

The *preliminary* overall rate decrease achieved by Shoreline was 12.3% with the multifamily/commercial and residential sectors seeing the largest rate reductions of 33% and 11.3%, respectively. As of this writing, Shoreline is still negotiating the final rate package with Recology so the final rate decrease may vary slightly. In terms of service enhancements, weekly organics collection has been embedded in the rates for single family residents and the fees for on-call curbside pick-up of bulky waste were lowered substantially. Further, Shoreline is using this process as an impetus to join Kirkland and

several other cities as a city which requires all of its single family residents to subscribe to curbside service.

PROCUREMENT PROCESSES SUMMARY

There are several key takeaways from the evaluation of other cities' procurement processes:

- Rates *increased* an average of 9.1% when contracts were renegotiated.
- In the eight competitive procurement processes surveyed, rates *decreased* an average of 9.4%.
- Only 3 of 11 cities chose to solicit public input through a community survey in advance of their process. Statistically-valid surveys of this type cost in the range of \$20,000. Community surveys can be useful in identifying and prioritizing the existing and potential services most valued by residents and businesses.
- One half of the cities with competitive processes surveyed submitted contract documents for industry review prior to the official issuance of the RFP or RFB. Early industry review can assist staff in refining contract document language and ensuring the requested services can be reasonably provided by all prospective proponents.
- To ensure objectivity, cities with competitive RFP processes used a cross section of staff from different departments to evaluate and rate the qualitative elements of proposals. Cities typically wait to review pricing proposals until the evaluation of the qualitative elements was completed.
- All cities surveyed that issued an RFP or RFB hired consultant(s) to assist with the preparation of contract documents, the evaluation of rates and proposals, and final contract negotiations. The cost for consultant services ranged from \$17,000 up to \$41,000 with an average of \$23,000. In the current market, the likely cost for an RFP process will range between \$40 to \$45K.
- The qualitative, customer service elements inherent to RFP processes have become increasingly important to cities. The weight of the qualitative component of an RFP typically varies between 20-40%.
- Advice received concerning competitive procurements:
 - Dedicate a lot of time and resources
 - Start the process early and hire a knowledgeable consultant
 - Draft thorough and concise documents and be explicit in explaining the rules
 - Inform proponents to respect the integrity of the process

RECOMMENDED PROCUREMENT ALTERNATIVE FOR KIRKLAND

The solid waste contract procurement alternatives available to Kirkland include the following alternatives.

1. Contract Extension (Not recommended)

Under Kirkland's current agreement, the City may, at its sole discretion, extend its contract with WMI up to four years (two, two-year extensions). If the Council were to select this alternative, WMI must be given formal notice of the City's intent to exercise an extension no less than 90 days prior to the expiration of the contract term (by April 1, 2018). The contractor rates paid to WMI would continue to be adjusted by the annual CPI applied only to the collection component of rates and by increases in the King County disposal fee. The current array of collection services would remain the same during the term of the extension(s).

It is also important to note the aforementioned \$1.5m annexation payment from WMI to Republic Services in 2011 was amortized over seven years in the wholesale rates paid by Kirkland to WMI. If the current wholesale rates were not decreased to reflect the end of amortization period, Kirkland rate payers would continue to pay a premium of about \$215,000/year to WMI or as much as \$860,000 over a four year extension period which would be further exacerbated by the annual CPI adjustment.

2. Renegotiation (Not Recommended)

As has been demonstrated, renegotiated solid waste contracts result in rate increases and an erosion of some services in favor of the incumbent service provider. The Kirkland contract renegotiation was a unique circumstance as both parties were highly motivated to negotiate and come to an agreement before the looming annexation in June 2011. Renegotiations tend to place cities in poor bargaining positions, particularly if the negotiation process is delayed or prolonged, which can force an unwanted term extension or an agreement to unfavorable rates and services. Further, it is challenging, as it was during the 2011 contract negotiation, to make an absolute determination that the rates negotiated are reasonable since making an apples-for-apples comparison is exceptionally challenging.

3. Request for Bids (Not recommended)

Only one city (Sammamish) in recent years has opted to undergo a RFB process. Bids are awarded solely upon price and do not include qualitative elements such as customer service, collection system design, approach to sustainability, references, and interviews that are so important, particularly with solid waste and recycling services, to City Councils, staff, residents, and businesses.

4. Request for Proposals (Staff Recommended)

The RFP process is the most popular among cities which have undergone solid waste procurement processes in the past several years. Competitive RFP processes have proven to deliver the largest array of services for the lowest cost. Request for proposals

also provide prospective service providers the room to offer creative and innovative service solutions and offerings to Kirkland's residents and businesses. Some of the potential services and offerings which could be evaluated through a Kirkland RFP could include but are not limited to:

- A "brick and mortar" storefront offering customer service and year round drop off for difficult-to-recycle items such as Styrofoam™, batteries, car seats, bicycles, small appliances, compact fluorescent bulbs and tubes.
- A local customer service center with extended customer service hours.
- Strengthened performance standards in the event of a labor disruption.
- Alternative routing technologies such as [Enevo](#) which can decrease collection costs through on-line, real time monitoring of contain fullness levels.
- An organics and recycling contamination tagging program.
- Option for more efficient one side of the street service (where possible).
- Option for every-other-week trash service.
- Elimination of gate and roll-out fees.
- Contractor donations to special events.
- No cost collection of woody debris after storm events.
- Annual "neighborhood cleanup" collection service.

Table 1: Solid Waste Rate Comparisons

| City | New Contract | Procurement Process | Previous Contractor | New Contractor | Percentage Increase/Decrease in Rates | | | | Old/New Admin | Old/New Rolloff |
|-------------------------------------|--------------|---------------------|---------------------|----------------|---------------------------------------|---------|---------|----------|---------------|-----------------|
| | | | | | SF | MF/Com* | Rolloff | Overall* | | |
| Kent | 4/1/2016 | Negotiated | Republic | Republic | 2% | 1.40% | 2.80% | 1.70% | .50/.50 | ? |
| Kirkland | 7/1/2011 | Negotiated | WMI | WMI | 26.0% | -8.5% | 20.0% | 9.5% | *** | 0/15% |
| Redmond | 1/1/2016 | Negotiated | WMI | WMI | 16.9% | 12.3% | 11.7% | 16.1% | 6.0/7.9 | 0/12% |
| Average Negotiation Increase | | | | | | | | 9.1% | | |

| | | | | | | | | | | |
|-----------|----------|-----|--------------|----------|-------|-------|-------|-------|-----|-------|
| Sammamish | 1/1/2017 | RFB | Republic/WMI | Republic | -7.7% | 20.9% | 15.1% | -6.3% | 0/0 | 0/10% |
|-----------|----------|-----|--------------|----------|-------|-------|-------|-------|-----|-------|

| | | | | | | | | | | |
|---|--|-------|----------|----------|--------|--------|--------|--------|----------|--------|
| Bellevue | 6/29/2014 | RFP** | Republic | Republic | 13.8% | 12.0% | 13.8% | 13.4% | 3.5/3.4 | 0/0 |
| Bellevue | Rates if highest ranked, lowest cost proposal was selected | | | Recology | 6.1% | -4.2% | -0.9% | 2.3% | N/A | N/A |
| Bothell | 1/1/2015 | RFP | WMI | Recology | 2.5% | 2.7% | 2.6% | 0.7% | 7.4/8.0 | 10%/0 |
| Burien | 6/1/2014 | RFP | WMI | Recology | -24.6% | -7.9% | -22.5% | -27.1% | 4.1/13.1 | 0/10% |
| Maple Valley | 9/1/2014 | RFP | WMI | Recology | -13.6% | -6.5% | -4.5% | -13.4% | 1.3/2.3 | 0/0 |
| Renton**** | 2/1/2017 | RFP | WMI | Republic | -7.3% | -8.0% | -7.4% | -9.0% | *** | 0/0 |
| SeaTac | 6/1/2014 | RFP | Republic | Recology | -16.9% | -8.5% | -5.6% | -9.7% | 0/5.3 | 0/10% |
| Shoreline**** | 3/1/2017 | RFP | Recology | Recology | -11.3% | -33.0% | 5.4% | -12.3% | 3%/0% | 0%/10% |
| Average Competitive Process Decrease | | | | | | | | -9.35% | | |

Notes:

* Only includes comparative rates for once per week detachable container service; includes adjustments for administrative fees and rolloff disposal mark-ups.

** Bellevue City Council picked lowest ranked qualifications, highest cost proposal which made rates about 9% higher on average than highest ranked qualifications, lowest cost proposal.

***Renton and Kirkland set retail rates and also sets disposal component of retail rates; contractor sets wholesale collection fees and, under Renton's new contract, billing fees.

****New rates and enhancements for Shoreline and Renton based on winning proposals; final rates and enhancements will be determined during contract negotiations.

Bellevue -- RFP Procurement
2/29/2016

| Residential (Weekly) | RFP Counts | 2014 Rates* | | After vs. Before Percentage +/- | Recology Proposed | |
|------------------------------------|---------------|----------------|----------------|------------------------------------|-------------------|--------------|
| | | Before | After | | 2014 | % +/- Before |
| 10 Gallon Micro-Can (10/12 gallon) | 600 | | \$10.00 | | \$13.35 | |
| 20 Gallon Cart (19/20 gallon) | 5,446 | \$10.07 | 12.00 | | 15.52 | |
| 32 Gallon Cart (32/35 gallon) | 14,222 | 18.13 | 21.10 | | 18.53 | |
| 45 Gallon Cart | 1,262 | | 24.00 | | 21.11 | |
| 64 Gallon Cart (60/64 gallon) | 5,162 | 25.16 | 28.05 | | 24.26 | |
| 96 Gallon Cart (90/96 gallon) | 2,484 | 29.41 | 32.30 | | 30.79 | |
| Curbside Organics | All | included | included | | included | |
| Total/Average | 29,176 | \$18.88 | \$21.48 | 13.8% | \$20.03 | 6.1% |

Multifamily/Commercial (Weekly)

| | | | | | | |
|-------------------------------|--------------|-----------------|-----------------|--------------|-----------------|--------------|
| 32 Gallon Can | 455 | \$12.84 | \$21.10 | | \$14.50 | |
| 32 Gallon Cart (32/35 gallon) | 180 | 12.69 | 21.10 | | 14.50 | |
| 45 Gallon Cart | 2 | | 24.00 | | 19.76 | |
| 64 Gallon Cart (60/64 gallon) | 186 | 23.66 | 28.05 | | 25.01 | |
| 96 Gallon Cart (90/96 gallon) | 509 | 28.59 | 32.30 | | 33.51 | |
| 1 Yard | 46 | 95.56 | 111.36 | | 69.92 | |
| 1.25/1.5 Yard | 85 | 101.98 | 125.22 | | 83.17 | |
| 2 Yard | 198 | 132.63 | 162.79 | | 126.32 | |
| 3 Yard | 218 | 198.83 | 211.23 | | 179.34 | |
| 4 Yard | 291 | 253.51 | 262.66 | | 225.62 | |
| 6 Yard | 188 | 298.38 | 337.52 | | 318.16 | |
| 8 Yard | 97 | 362.06 | 412.34 | | 397.19 | |
| 1 Yard Compacted | 1 | 243.03 | 254.67 | | 135.92 | |
| 1.5 Yard Compacted | 1 | 328.56 | 344.22 | | 184.68 | |
| 2 Yard Compacted | 10 | 419.13 | 449.06 | | 255.68 | |
| 3 Yard Compacted | 7 | 581.80 | 619.39 | | 371.37 | |
| 4 Yard Compacted | 6 | 696.01 | 738.98 | | 478.95 | |
| 6 Yard Compacted | 5 | 1073.63 | 1134.39 | | 694.10 | |
| Total/Average | 2,485 | \$118.05 | \$132.22 | 12.0% | \$113.15 | -4.2% |

Rolloff (Hauls)

| | | | | | | |
|-------------------------|------------|-----------------|-----------------|--------------|-----------------|--------------|
| Noncompacted MSW | | | | | | |
| - 10 Yard Container | 2 | \$126.53 | \$145.41 | | \$175.37 | |
| - 12 Yard Container | 22 | 127.66 | 145.41 | | 175.37 | |
| - 15 Yard Container | 6 | 129.33 | 147.31 | | 175.37 | |
| - 20 Yard Container | 6 | 132.14 | 150.49 | | 175.37 | |
| - 25 Yard Container | 109 | 134.93 | 153.67 | | 175.37 | |
| - 30 Yard Container | 2 | 137.73 | 156.84 | | 175.37 | |
| - 35 Yard Container | 1 | 140.53 | 160.22 | | 175.37 | |
| - 40 Yard Container | 18 | 143.35 | 163.22 | | 175.37 | |
| Compacted MSW | | | | | | |
| - 10 Yard Container | 22 | \$170.56 | \$194.10 | | \$201.37 | |
| - 15 Yard Container | 13 | 181.76 | 206.81 | | 201.37 | |
| - 20 Yard Container | 91 | 192.96 | 219.53 | | 201.37 | |
| - 25 Yard Container | 125 | 204.16 | 232.24 | | 201.37 | |
| - 30 Yard Container | 107 | 267.37 | 303.98 | | 201.37 | |
| - 40 Yard Container | 23 | 289.75 | 329.38 | | 201.37 | |
| Total/Average | 547 | \$195.26 | \$222.15 | 13.8% | \$193.48 | -0.9% |

Annual Cost for Above Listed Services **\$11,411,452** **\$12,922,367** **13.2%** **\$11,657,365** **2.2%**

Adjustments:

| | | | | | | |
|--|--|---------------------|---------------------|---------------------|---------------------|--------------------|
| 1. Administrative fees (3.5% before; 3.4% after) | | (\$399,401) | (\$439,360) | | (\$396,350) | |
| 2. Drop Box Disposal Fee Mark-up (none) | | \$0 | \$0 | | \$0 | |
| Annual Hauler Revenue for Above Services | | \$11,012,051 | \$12,483,007 | <u>13.4%</u> | \$11,261,015 | <u>2.3%</u> |

Contractor **Republic** **Republic**

* **Note:** Bellevue Council selected highest cost, lowest ranked qualifications contractor. New 2014 rates are about 9% higher than for lowest cost, highest ranked qualifications proposal.

Other Contract Changes

Enhancements:

1. COM unlimited embedded recycling (before limited to 1.5 times garbage volume).
2. COM rolloff distance fee eliminated.
3. SF/MF/COM 45 gallon garbage container available.
4. SF 10 gallon garbage container available.
5. SF Saturday collection of Friday misses but not implemented until 2016 (before Monday collection)
6. SF/MF/COM 6-day a week staffed call center.
7. SF/MF/COM low emissions vehicles.
8. SF/MF/COM on-line account management and electronic billing.
9. SF/MF in-City customer service center but now only drop-off recycling at Republic Bellevue Offices
10. MF/COM 96 gallon weekly organics embedded in garbage rate - but poor startup: delivered carts but never actually collected; program canceled late summer 2015; restarted 2016 with City-paid consultants to convince customers to try it again; still having some problems
11. New recycling opportunities: in-City service center drop-off for bicycles & parts, child car seats, hard-cover books; small propane cylinders, styrofoam blocks & all curbside recyclables; full service center not yet available, some materials collected at Republic Bellevue office.
12. New recycling opportunities: SF/MF -- fluorescent tubes and bulbs, household batteries, rigid plastics, & used cooking oil (FOG). COM -- rigid plastics.

Downgrades:

1. Bellevue has to pay education and outreach consultants to rectify MF/COM organics program startup issues and facilitate restart in 2016. City responsibility for outreach was supposed to be taken over by Republic under terms of the new contract.

Bothell -- RFP Procurement
2/25/2016

| Residential (Weekly) | RFP Counts | 2015 Rates* | | After vs. Before Percentage +/- |
|-------------------------------|---------------|----------------|----------------|------------------------------------|
| | | Before | After | |
| 20 Gallon Cart (19/20 gallon) | 1,109 | \$9.52 | \$9.77 | |
| 32 Gallon Cart (32/35 gallon) | 5,061 | 15.89 | 16.29 | |
| 64 Gallon Cart (60/64 gallon) | 1,770 | 31.45 | 32.25 | |
| 96 Gallon Cart (90/96 gallon) | 235 | 47.20 | 48.40 | |
| Curbside Organics | All | included | included | |
| Total/Average | 8,175 | \$19.29 | \$19.78 | 2.5% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|------------|-----------------|-----------------|-------------|
| 32 Gallon Cart (32/35 gallon) | 70 | \$24.40 | \$25.02 | |
| 64 Gallon Cart (60/64 gallon) | 24 | 47.62 | 48.84 | |
| 96 Gallon Cart (90/96 gallon) | 98 | 54.29 | 55.67 | |
| 1 Yard | 48 | 80.77 | 82.83 | |
| 1.25/1.5 Yard | 13 | 120.85 | 123.93 | |
| 2 Yard | 50 | 161.43 | 165.55 | |
| 3 Yard | 39 | 242.21 | 248.39 | |
| 4 Yard | 57 | 322.87 | 331.11 | |
| 6 Yard | 71 | 484.30 | 498.66 | |
| 8 Yard | 42 | 657.15 | 673.92 | |
| 1 Yard Compacted | 1 | 147.89 | 151.67 | |
| 1.5 Yard Compacted | 0 | 224.79 | 230.52 | |
| 2 Yard Compacted | 1 | 299.77 | 307.42 | |
| 3 Yard Compacted | 0 | 449.71 | 461.19 | |
| 4 Yard Compacted | 1 | 599.54 | 614.84 | |
| 6 Yard Compacted | 5 | 899.31 | 922.27 | |
| Total/Average | 520 | \$225.13 | \$231.15 | 2.7% |

Rolloff (Hauls)

| | | | | |
|-------------------------|------------|-----------------|-----------------|-------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | 0 | \$145.54 | \$149.26 | |
| - 12 Yard Container | 0 | 145.54 | 149.26 | |
| - 15 Yard Container | 5 | 145.54 | 149.26 | |
| - 20 Yard Container | 15 | 145.54 | 149.26 | |
| - 25 Yard Container | 4 | 145.54 | 149.26 | |
| - 30 Yard Container | 26 | 145.54 | 149.26 | |
| - 40 Yard Container | 8 | 145.54 | 149.26 | |
| Compacted MSW | | | | |
| - 10 Yard Container | 0 | \$145.54 | \$149.26 | |
| - 15 Yard Container | 0 | 145.54 | 149.26 | |
| - 20 Yard Container | 14 | 145.54 | 149.26 | |
| - 25 Yard Container | 10 | 145.54 | 149.26 | |
| - 30 Yard Container | 13 | 145.54 | 149.26 | |
| - 40 Yard Container | 11 | 145.54 | 149.26 | |
| Total/Average | 106 | \$145.54 | \$149.26 | 2.6% |

Annual Cost for Above Listed Services **\$3,482,093** **\$3,572,351** **2.6%**

Adjustments:

- | | | | |
|---|-------------|-------------|--|
| 1. Administrative fees (7.4% before; 8.0% after) | (\$257,675) | (\$285,788) | |
| 2. Drop Box Disposal Fee Mark-up (10% before; 0 after) | \$38,189 | \$0 | |

Annual Hauler Revenue for Above Services **\$3,262,607** **\$3,286,563** **0.7%**

Contractor

WMI Recology

* **Note:** Previous contract 2014 rates increased by CPI for comparability with 2015 rates under new contract.

Other Contract Changes

Enhancements:

1. New recycling opportunities: SF curbside -- fluorescent tubes & bulbs, household batteries, plastic bags/film, styrofoam blocks, cooking oil & kitchen grease, small scrap metal, textiles, and small propane cylinders.
2. New recycling opportunities: MF on site -- fluorescent tubes & bulbs, household batteries, plastic bags/film, and styrofoam blocks.
2. New recycling opportunities: in-City service center drop-off for fluorescent tubes & bulbs, bicycles & parts, child car seats, hard-cover books; small propane cylinders, styrofoam blocks, household batteries, used cooking oil, textiles, small appliances & electronics, and used computers & accessories.
3. SF/MF in-City service center customer account assistance and retail store.
4. SF/MF/COM low emissions vehicles.
5. SF organics cart cleaning once per year at no charge.

Downgrades:

None.

Burien -- RFP Procurement
2/25/2016

| Residential (Weekly) | RFP Counts | 2014 Rates | | After vs. Before Percentage +/- |
|------------------------------------|---------------|----------------|----------------|------------------------------------|
| | | Before | After | |
| 10 Gallon Micro-Can (10/12 gallon) | 9 | \$16.01 | \$14.66 | |
| 20 Gallon Cart (19/20 gallon) | 1,730 | 17.15 | 15.81 | |
| 32 Gallon Cart (32/35 gallon) | 5,483 | 23.21 | 21.96 | |
| 45 Gallon Cart | 0 | | 26.65 | |
| 64 Gallon Cart (60/64 gallon) | 1,660 | 32.70 | 31.34 | |
| 96 Gallon Cart (90/96 gallon) | 367 | 42.05 | 40.68 | |
| Curbside Organics | 5,275 | 11.00 | included | |
| Total/Average | 9,249 | \$30.79 | \$23.23 | -24.6% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|------------|-----------------|-----------------|--------------|
| 20 Gallon Cart | 46 | \$15.08 | \$14.82 | |
| 32 Gallon Cart (32/35 gallon) | 47 | 18.73 | 17.18 | |
| 64 Gallon Cart (60/64 gallon) | 40 | 30.98 | 23.79 | |
| 96 Gallon Cart (90/96 gallon) | 117 | 40.42 | 29.91 | |
| 1 Yard | 154 | 83.06 | 75.97 | |
| 1.25/1.5 Yard | 58 | 114.45 | 109.40 | |
| 2 Yard | 131 | 144.63 | 139.79 | |
| 3 Yard | 55 | 212.73 | 200.57 | |
| 4 Yard | 84 | 264.09 | 243.13 | |
| 6 Yard | 40 | 369.37 | 346.47 | |
| 8 Yard | 30 | 470.35 | 437.66 | |
| 1 Yard Compacted | 0 | | 156.55 | |
| 1.5 Yard Compacted | 0 | | 229.81 | |
| 2 Yard Compacted | 2 | 448.77 | 307.63 | |
| 3 Yard Compacted | 1 | 665.86 | 450.51 | |
| 4 Yard Compacted | 1 | 877.34 | 571.52 | |
| 6 Yard Compacted | 0 | 1300.76 | 835.41 | |
| Total/Average | 806 | \$137.88 | \$127.02 | -7.9% |

Rolloff (Hauls)

| | | | | |
|-------------------------|-----------|-----------------|-----------------|---------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | 0 | \$156.50 | \$118.66 | |
| - 15 Yard Container | 0 | 156.50 | 118.66 | |
| - 20 Yard Container | 8 | 156.50 | 118.66 | |
| - 25 Yard Container | 1 | 156.50 | 118.66 | |
| - 30 Yard Container | 9 | 156.50 | 118.66 | |
| - 40 Yard Container | 0 | 156.50 | 118.66 | |
| Compacted MSW | | | | |
| - 10 Yard Container | 0 | \$186.44 | \$147.48 | |
| - 20 Yard Container | 5 | 186.44 | 147.48 | |
| - 25 Yard Container | 1 | 186.44 | 147.48 | |
| - 30 Yard Container | 9 | 186.44 | 147.48 | |
| - 40 Yard Container | 1 | 186.44 | 147.48 | |
| Total/Average | 34 | \$170.62 | \$132.25 | -22.5% |

Annual Cost for Above Listed Services **\$4,819,885** **\$3,859,822** **-19.9%**

Adjustments:

| | | | |
|---|---------------------------|---------------------------|----------------------|
| 1. Administrative fees (4.1%before; 13.1% after) | (\$197,615) | (\$505,637) | |
| 2. Drop Box Disposal Fee Mark-up (0 before; 10% after) | \$0 | \$13,238 | |
| Annual Hauler Revenue for Above Services | <u>\$4,622,270</u> | <u>\$3,367,423</u> | <u>-27.1%</u> |

Contractor **WMI** **Recology**

Other Contract Changes

Enhancements:

1. Embedded SF weekly organics collection.
2. COM rolloff distance fee eliminated.
3. SF 45 gallon garbage container available.
5. Substantially lower on-call bulky waste collection fees.
6. New recycling opportunities: SF/MF -- fluorescent tubes and bulbs, household batteries, rigid plastics, & used cooking oil (FOG). COM -- rigid plastics.
7. SF/MF/COM in-City customer service center and retail store.
8. SF once per year free clean-up collection opportunity.
9. New recycling opportunities: Burien service center drop-off for bicycles & parts, child car seats, textiles; hard-cover books; small propane cylinders, styrofoam blocks & all curbside recyclables;
10. Low emissions collection vehicles.

Downgrades:

None.

Kent -- Negotiated Procurement
3/17/2016

| Residential (Weekly) | 2010-2011 Residential Counts | 2016 Rates | | After vs. Before Percentage +/- |
|-------------------------|------------------------------------|----------------|----------------|------------------------------------|
| | | Prior to 4/1 | Beginning 4/1 | |
| 13 Gallon Micro-Cart | 7 | \$ 5.14 | \$ 5.24 | |
| 20 Gallon Cart | 611 | \$ 10.27 | \$ 10.47 | |
| 32 Gallon Cart | 9,414 | \$ 17.09 | \$ 17.43 | |
| 45 Gallon Cart | - | \$ 24.76 | \$ 25.26 | |
| 64 Gallon Cart | 4,199 | \$ 37.47 | \$ 38.23 | |
| 96 Gallon Cart | 949 | \$ 56.20 | \$ 57.35 | |
| Curbside Organics (EOW) | All | included | included | |
| Total/Average | 15,180 | \$24.89 | \$25.39 | 2.0% |

| Multifamily/Commercial (Weekly)* | 2010-2011 Residential Counts | Prior to 4/1 | Beginning 4/1 | After vs. Before Percentage +/- |
|----------------------------------|------------------------------------|-----------------|-----------------|------------------------------------|
| 32 Gallon Cart | 43 | \$ 13.18 | \$ 13.41 | |
| 45 Gallon Cart | - | \$ 19.08 | \$ 19.42 | |
| 64 Gallon Cart | 40 | \$ 28.86 | \$ 29.39 | |
| 96 Gallon Cart | 201 | \$ 43.28 | \$ 44.07 | |
| 1 Yard | 147 | \$ 63.29 | \$ 64.28 | |
| 1.25/1.5 Yard | 35 | \$ 87.73 | \$ 89.02 | |
| 2 Yard | 150 | \$ 112.15 | \$ 113.73 | |
| 3 Yard | 133 | \$ 161.01 | \$ 163.18 | |
| 4 Yard | 218 | \$ 209.86 | \$ 212.62 | |
| 6 Yard | 122 | \$ 307.56 | \$ 311.51 | |
| 8 Yard | 91 | \$ 405.27 | \$ 410.40 | |
| 1 Yard Compacted | - | \$ 237.60 | \$ 241.56 | |
| 1.5 Yard Compacted | - | \$ 295.92 | \$ 300.19 | |
| 2 Yard Compacted | - | \$ 386.21 | \$ 391.67 | |
| 3 Yard Compacted | - | \$ 496.36 | \$ 502.27 | |
| 4 Yard Compacted | 3 | \$ 596.04 | \$ 602.10 | |
| 6 Yard Compacted | - | \$ 770.08 | \$ 778.34 | |
| Total/Average | 1,183 | \$154.67 | \$156.76 | 1.4% |

| Rolloff (Hauls) | 2010-2011 Residential Counts | Prior to 4/1 | Beginning 4/1 | After vs. Before Percentage +/- |
|---------------------|------------------------------------|-----------------|-----------------|------------------------------------|
| Noncompacted MSW | | | | |
| - 15 Yard Container | 2 | \$ 143.49 | \$ 147.45 | |
| - 20 Yard Container | 90 | \$ 143.49 | \$ 147.45 | |
| - 25 Yard Container | 36 | \$ 143.49 | \$ 147.45 | |
| - 30 Yard Container | 132 | \$ 143.49 | \$ 147.45 | |
| - 40 Yard Container | 68 | \$ 143.49 | \$ 147.45 | |
| Compacted MSW | | | | |
| - 15 Yard Container | 10 | \$ 172.76 | \$ 177.53 | |
| - 20 Yard Container | 20 | \$ 172.76 | \$ 177.53 | |
| - 25 Yard Container | 32 | \$ 172.76 | \$ 177.53 | |
| - 30 Yard Container | 50 | \$ 172.76 | \$ 177.53 | |
| - 40 Yard Container | 42 | \$ 172.76 | \$ 177.53 | |
| Total/Average | 482 | \$152.84 | \$157.06 | 2.8% |

Note: Rolloff hauls assumed to average 2 per

Annual Cost for Above Listed Residential Services \$7,614,087 \$7,759,460 **1.9%**

Adjustments:

- Administrative fees (2.8% increase) (\$12,850) Based on estimated administrative fee = 0.5%
- Drop Box Disposal Fee **Mark-up** (? before; ? after) 2 2

Annual Hauler Revenue for Above Services \$7,614,087 \$7,746,611 **1.7%**

Contractor Republic Republic

* Multifamily cart customer fee includes on-site recycling.

Other Contract Changes

Enhancements:

- Notices and then penalties for recycling or organics contamination.
- May negotiate to embed recycling for commercial carts/containers and for multifamily containers later in 2016.

Downgrades:

None

Maple Valley -- RFP Procurement
2/25/2016

| Residential (Weekly) | RFP Counts | 2014 Rates | | After vs. Before Percentage +/- |
|------------------------------------|--------------|----------------|----------------|------------------------------------|
| | | Before* | After | |
| 10 Gallon Micro-Can (10/12 gallon) | - | | \$ 8.40 | |
| 20 Gallon Cart (19/20 gallon) | 518 | \$ 12.02 | \$ 10.50 | |
| 32 Gallon Cart (32/35 gallon) | 3,537 | \$ 16.54 | \$ 14.00 | |
| 45 Gallon Cart | - | | \$ 16.55 | |
| 64 Gallon Cart (60/64 gallon) | 2,089 | \$ 25.66 | \$ 21.00 | |
| 96 Gallon Cart (90/96 gallon) | 386 | \$ 35.17 | \$ 28.00 | |
| Curbside Organics (EOW) | | | | |
| 32 Gallon Cart | 142 | \$ 7.04 | \$ 7.16 | |
| 64 Gallon Cart | 245 | \$ 7.47 | \$ 7.62 | |
| 96 Gallon Cart | 3,906 | \$ 8.22 | \$ 8.08 | |
| Total/Average | 6,530 | \$25.55 | \$22.06 | -13.6% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|------------|-----------------|-----------------|--------------|
| 20 Gallon Mini-can | - | \$ 14.41 | \$ 13.47 | |
| 32 Gallon Cart (32/35 gallon) | 16 | \$ 19.87 | \$ 18.57 | |
| 64 Gallon Cart (60/64 gallon) | 10 | \$ 30.83 | \$ 28.82 | |
| 96 Gallon Cart (90/96 gallon) | 23 | \$ 42.38 | \$ 39.61 | |
| 1 Yard | 12 | \$ 90.53 | \$ 84.61 | |
| 1.25/1.5 Yard | 11 | \$ 127.94 | \$ 119.58 | |
| 2 Yard | 18 | \$ 161.44 | \$ 150.89 | |
| 3 Yard | 24 | \$ 238.68 | \$ 223.08 | |
| 4 Yard | 15 | \$ 311.99 | \$ 291.60 | |
| 6 Yard | 9 | \$ 486.19 | \$ 454.42 | |
| 8 Yard | 7 | \$ 639.15 | \$ 597.38 | |
| 1 Yard Compacted | - | \$ 479.39 | \$ 448.06 | |
| 1.5 Yard Compacted | - | \$ 566.32 | \$ 529.31 | |
| 2 Yard Compacted | - | \$ 653.26 | \$ 610.57 | |
| 3 Yard Compacted | - | \$ 827.30 | \$ 773.24 | |
| 4 Yard Compacted | - | \$ 1,001.28 | \$ 935.85 | |
| 6 Yard Compacted | - | \$ 1,501.02 | \$ 1,402.93 | |
| Total/Average | 145 | \$181.09 | \$169.26 | -6.5% |

Rolloff (Hauls)

| | | | | |
|-------------------------|-----------|-----------------|-----------------|--------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | - | \$ 141.11 | \$ 134.72 | |
| - 15 Yard Container | - | \$ 156.34 | \$ 149.26 | |
| - 20 Yard Container | - | \$ 171.56 | \$ 163.80 | |
| - 25 Yard Container | - | | \$ 182.80 | |
| - 30 Yard Container | - | \$ 210.87 | \$ 201.33 | |
| - 40 Yard Container | - | \$ 241.30 | \$ 230.38 | |
| Compacted MSW | | | | |
| - 10 Yard Container | - | \$ 204.78 | \$ 195.51 | |
| - 20 Yard Container | 2 | \$ 265.67 | \$ 253.65 | |
| - 25 Yard Container | 5 | \$ 307.74 | \$ 293.81 | |
| - 30 Yard Container | 3 | \$ 348.70 | \$ 332.92 | |
| - 40 Yard Container | 1 | \$ 409.59 | \$ 391.05 | |
| Total/Average | 10 | \$321.56 | \$307.00 | -4.5% |

Annual Cost for Above Listed Services \$2,356,599 \$2,061,023 **-12.5%**

Adjustments:

| | | | |
|---|--------------------|--------------------|---------------|
| 1. Administrative fees (1.3% before; 2.3% after) | (\$30,636) | (\$47,404) | |
| 2. Drop Box Disposal Fee Mark-up (0 before; 0 after) | <u>\$0</u> | <u>\$0</u> | |
| Annual Hauler Revenue for Above Services | \$2,325,963 | \$2,013,620 | -13.4% |

Contractor

WMI Recology

* **Note:** 2014 before rates for 32 gallon and 64 gallon cart service estimated based on before vs. after rates for 96 cart.

Other Contract Changes

Enhancements:

1. Unlimited embedded commercial recycling.
2. SF 10-gallon micro-can and 45-gallon cart.
3. Compressed natural gas (CNG) collection fleet
4. Increase in types of curbside materials collected.
5. Extended customer service hours.
6. Enhanced website functionality.
7. Dedicated phone line and customer service representatives.
8. Special events collection at no charge.
9. Free commercial waste audits upon request.
10. Annual contact with all commercial and multifamily customers.
11. Substantial education & outreach support.
12. Substantially lower on-call bulky waste collection fees.

Downgrades:

None

Redmond -- Negotiated Procurement
2/25/2016

| Residential (Weekly) | RFP Counts | 2016 Rates | | After vs. Before Percentage +/- |
|------------------------------------|---------------|----------------|----------------|------------------------------------|
| | | Before* | After | |
| 10 Gallon Micro-Can (10/12 gallon) | 68 | \$ 7.23 | \$ 7.00 | |
| 20 Gallon Cart (19/20 gallon) | 1,315 | \$ 9.21 | \$ 11.00 | |
| 32 Gallon Cart (32/35 gallon) | 7,499 | \$ 13.05 | \$ 15.40 | |
| 64 Gallon Cart (60/64 gallon) | 2,243 | \$ 25.93 | \$ 30.08 | |
| 96 Gallon Cart (90/96 gallon) | 391 | \$ 41.35 | \$ 46.50 | |
| Curbside Organics | All | included | included | |
| Total/Average | 11,516 | \$16.05 | \$18.76 | 16.9% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|------------|-----------------|-----------------|--------------|
| 32 Gallon Cart (32/35 gallon) | 133 | \$ 19.83 | \$ 22.22 | |
| 64 Gallon Cart (60/64 gallon) | 32 | \$ 40.07 | \$ 44.92 | |
| 96 Gallon Cart (90/96 gallon) | 122 | \$ 45.36 | \$ 50.90 | |
| 1 Yard | 72 | \$ 98.62 | \$ 110.59 | |
| 1.25/1.5 Yard | 29 | \$ 139.75 | \$ 156.75 | |
| 2 Yard | 89 | \$ 170.58 | \$ 191.40 | |
| 3 Yard | 78 | \$ 239.69 | \$ 269.03 | |
| 4 Yard | 145 | \$ 297.31 | \$ 333.82 | |
| 6 Yard | 97 | \$ 374.87 | \$ 421.32 | |
| 8 Yard | 57 | \$ 473.76 | \$ 532.65 | |
| 1 Yard Compacted | | \$ 179.24 | \$ 201.59 | |
| 1.5 Yard Compacted | | \$ 249.20 | \$ 280.42 | |
| 2 Yard Compacted | 11 | \$ 319.20 | \$ 359.30 | |
| 3 Yard Compacted | 16 | \$ 459.19 | \$ 517.05 | |
| 4 Yard Compacted | | \$ 602.29 | \$ 678.28 | |
| 6 Yard Compacted | 8 | \$ 894.84 | \$ 1,007.81 | |
| 8 Yard Compacted | | \$ 1,174.82 | \$ 1,323.31 | |
| Total/Average | 889 | \$201.33 | \$226.15 | 12.3% |

Rolloff (Hauls)

| | | | | |
|-------------------------|------------|-----------------|-----------------|--------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | | \$ 88.92 | \$ 99.32 | |
| - 15 Yard Container | | \$ 96.59 | \$ 107.89 | |
| - 20 Yard Container | 10 | \$ 111.10 | \$ 124.09 | |
| - 25 Yard Container | 15 | \$ 122.83 | \$ 137.20 | |
| - 30 Yard Container | 52 | \$ 134.56 | \$ 150.29 | |
| - 40 Yard Container | 12 | \$ 162.22 | \$ 181.19 | |
| Compacted MSW | | | | |
| - 10 Yard Container | | \$ 138.00 | \$ 154.14 | |
| - 15 Yard Container | 9 | \$ 143.33 | \$ 160.09 | |
| - 20 Yard Container | 40 | \$ 148.62 | \$ 166.00 | |
| - 25 Yard Container | 67 | \$ 164.56 | \$ 183.80 | |
| - 30 Yard Container | 41 | \$ 180.49 | \$ 201.59 | |
| - 40 Yard Container | 11 | \$ 191.09 | \$ 213.44 | |
| Total/Average | 257 | \$154.32 | \$172.36 | 11.7% |

Annual Cost for Above Listed Services **\$4,841,057** **\$5,537,082** **14.4%**

Adjustments:

| | | | |
|---|--------------------|--------------------|--------------|
| 1. Administrative fees (6.0% before; 7.9% after) | (\$290,463) | (\$437,429) | |
| 2. Drop Box Disposal Fee Mark-up (0 before; 12% after) | \$0 | \$76,560 | |
| Annual Hauler Revenue for Above Services | \$4,550,593 | \$5,176,213 | 13.7% |
| Add back 1.9% fee to cover City-paid MF/COM organics | \$0 | \$105,205 | |
| Net Adjusted Cost | \$4,550,593 | \$5,281,417 | 16.1% |

Contractor

WMI WMI

* **Note:** 2015 before rates service component increased by CPI for comparability with negotiated 2016 rates.

Other Contract Changes

Enhancements:

1. Residential organics weekly all year.
2. 20-gallon cart as residential organics service option.
3. COM/MF recycling dumpsters painted blue.
4. COM/MF customers embedded recycling twice garbage volume (before 1.5 times garbage volume).
5. New contract section on service disruptions due to labor negotiations.
6. CPI increase limited to 6% (8% before).
7. Administrative fee 7.9% (before 6%) to cover costs of City paid COM/MF food waste collection (before contractor paid).

Downgrades:

1. Mailing recycling guides every other year (instead of annual).
2. Service component of rates up 2.8% for each of first 4 years after 2016, then at CPI with 1.5% minimum. (before at CPI with minimum 0%).
3. 12% mark-up to rolloff garbage disposal fees (before no mark-up).
4. City pays for COM/MF food waste collection (before paid by contractor).
5. Limit to number of city facilities serviced at no charge (before no limit.)

Renton -- RFP Procurement
2/25/2016

Residential (EOW)

| | RFP Counts | 2016 Collection Fees* | | After vs. Before Percentage +/- |
|-------------------------------|---------------|-----------------------|----------------|------------------------------------|
| | | Before | After* | |
| 20 Gallon Cart (19/20 gallon) | 2,058 | \$ 18.63 | \$ 17.33 | |
| 35 Gallon Cart (32/35 gallon) | 9,170 | \$ 19.64 | \$ 18.27 | |
| 45 Gallon Cart (32/35 gallon) | 1,715 | \$ 20.15 | \$ 18.54 | |
| 64 Gallon Cart (60/64 gallon) | 3,659 | \$ 20.86 | \$ 19.20 | |
| 96 Gallon Cart (90/96 gallon) | 890 | \$ 22.86 | \$ 21.04 | |
| Curbside Organics (weekly) | All | included | included | |
| Total/Average | 17,492 | \$19.99 | \$18.52 | -7.3% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|--------------|----------------|----------------|--------------|
| 20 Gallon Cart (19/20 gallon) | 10 | \$ 12.23 | \$ 11.25 | |
| 32 Gallon Cart (32/35 gallon) | 232 | \$ 12.23 | \$ 11.25 | |
| 45 Gallon Cart | - | | \$ 13.56 | |
| 64 Gallon Cart (60/64 gallon) | 75 | \$ 14.73 | \$ 13.56 | |
| 96 Gallon Cart (90/96 gallon) | 142 | \$ 17.60 | \$ 16.20 | |
| 1 Yard | 177 | \$ 42.07 | \$ 38.72 | |
| 1.25/1.5 Yard | 62 | \$ 58.67 | \$ 53.99 | |
| 2 Yard | 166 | \$ 73.02 | \$ 67.19 | |
| 3 Yard | 113 | \$ 104.39 | \$ 96.05 | |
| 4 Yard | 184 | \$ 135.54 | \$ 124.71 | |
| 6 Yard | 110 | \$ 194.34 | \$ 178.81 | |
| 8 Yard | 103 | \$ 251.72 | \$ 231.61 | |
| 1 Yard Compacted | - | \$ 91.37 | \$ 87.33 | |
| 1.5 Yard Compacted | - | \$ 129.89 | \$ 124.14 | |
| 2 Yard Compacted | 14 | \$ 154.07 | \$ 141.77 | |
| 3 Yard Compacted | 14 | \$ 225.82 | \$ 207.78 | |
| 4 Yard Compacted | 8 | \$ 298.08 | \$ 274.27 | |
| 6 Yard Compacted | 7 | \$ 441.45 | \$ 406.18 | |
| Total/Average | 1,417 | \$87.93 | \$80.91 | -8.0% |

Rolloff (Hauls)

| | | | | |
|----------------------|------------|-----------------|-----------------|--------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | - | \$ 150.68 | \$ 165.00 | |
| - 15 Yard Container | 2 | \$ 159.02 | \$ 165.00 | |
| - 20 Yard Container | 97 | \$ 167.35 | \$ 165.00 | |
| - 25 Yard Container | - | | \$ 165.00 | |
| - 30 Yard Container | 35 | \$ 184.04 | \$ 175.00 | |
| - 40 Yard Container | 205 | \$ 200.70 | \$ 175.00 | |
| Compacted MSW | | | | |
| - 10 Yard Container | 2 | \$ 170.78 | \$ 180.00 | |
| - 15 Yard Container | - | | \$ 180.00 | |
| - 20 Yard Container | 82 | \$ 187.45 | \$ 180.00 | |
| - 25 Yard Container | - | | \$ 180.00 | |
| - 30 Yard Container | 112 | \$ 204.13 | \$ 195.00 | |
| - 40 Yard Container | 17 | \$ 220.82 | \$ 195.00 | |
| Total/Average | 552 | \$192.87 | \$178.64 | -7.4% |

Annual Cost for Above Listed Services (after fees include billing) **\$6,968,828** **\$6,446,834** **-7.5%**

Adjustments:

| | | | | |
|---|--|--------------------|--------------------|--------------|
| 1. Administrative fees (0 before; 0 after) | | \$0 | \$0 | |
| 2. Drop Box Disposal Fee Mark-up (0 before; 0 after) | | \$0 | \$0 | |
| Annual Hauler Revenue for Above Services (after includes billing) | | \$6,968,828 | \$6,446,834 | -7.5% |
| Adjust for estimated City Utility billing costs not included in current contract fees | | <u>\$117,000</u> | <u>\$0</u> | |
| Net Adjusted Collection & Billing Cost for Above Services | | \$7,085,828 | \$6,446,834 | -9.0% |

Contractor

WMI Republic

* **Notes:** Fees listed above reflect contractor charges for collection, and do not include disposal costs. New contract fees include billing. New contract fees shown above and enhancements shown below are based on winning proposal; final rates and enhancements will be determined during contract negotiations.

Other Contract Changes

Enhancements:

1. Contractor billing replaces City Utility billing.
2. Increased customer service hours.
3. In-city billing office.
4. Quicker pickup of missed collections.

Downgrades:

Sammamish -- RFB Procurement
2/25/2016

| Residential (Weekly) | RFP Counts | 2016 Rates* | | After vs. Before Percentage +/- |
|------------------------------------|---------------|----------------|----------------|------------------------------------|
| | | Before | After | |
| 10 Gallon Micro-Can (10/12 gallon) | | | \$25.74 | |
| 20 Gallon Cart (19/20 gallon) | 1,175 | \$20.03 | 27.57 | |
| 32 Gallon Cart (32/35 gallon) | 8,067 | 25.47 | 31.35 | |
| 45 Gallon Cart | | | 34.66 | |
| 64 Gallon Cart (60/64 gallon) | 4,032 | 34.83 | 39.34 | |
| 96 Gallon Cart (90/96 gallon) | 1,032 | 44.11 | 46.50 | |
| Curbside Organics | 9,085 | 12.97 | included | |
| Total/Average | 14,306 | \$37.24 | \$34.38 | -7.7% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|-----------|-----------------|-----------------|--------------|
| 20 Gallon Cart | 0 | | \$26.24 | |
| 32 Gallon Cart (32/35 gallon) | 2 | | 30.18 | |
| 45 Gallon Cart | 0 | | 33.65 | |
| 64 Gallon Cart (60/64 gallon) | 3 | | 38.54 | |
| 96 Gallon Cart (90/96 gallon) | 10 | | 45.98 | |
| 1 Yard | 11 | | 133.10 | |
| 1.25/1.5 Yard | 1 | | 162.15 | |
| 2 Yard | 15 | 142.10 | 191.20 | |
| 3 Yard | 5 | | 234.29 | |
| 4 Yard | 17 | 243.53 | 277.39 | |
| 6 Yard | 7 | | 363.59 | |
| 8 Yard | 6 | | 449.79 | |
| 1 Yard Compacted | 0 | | 293.34 | |
| 1.5 Yard Compacted | 0 | | 357.52 | |
| 2 Yard Compacted | 2 | | 421.69 | |
| 3 Yard Compacted | 0 | | 535.03 | |
| 4 Yard Compacted | 0 | | 648.37 | |
| 6 Yard Compacted | 1 | | 875.06 | |
| Total/Average | 80 | \$195.98 | \$236.99 | 20.9% |

Rolloff (Hauls)

| | | | | |
|-------------------------|-----------|-----------------|-----------------|--------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | 0 | | \$145.41 | |
| - 15 Yard Container | 0 | | 147.31 | |
| - 20 Yard Container | 19 | 130.74 | 150.49 | |
| - 25 Yard Container | 2 | | 153.67 | |
| - 30 Yard Container | 2 | | 156.84 | |
| - 40 Yard Container | 6 | | 163.22 | |
| Compacted MSW | | | | |
| - 10 Yard Container | 0 | | \$194.10 | |
| - 20 Yard Container | 16 | | 219.53 | |
| - 25 Yard Container | 0 | | 232.24 | |
| - 30 Yard Container | 5 | | 303.98 | |
| - 40 Yard Container | 0 | | 329.38 | |
| Total/Average | 50 | \$130.74 | \$150.49 | 15.1% |

Annual Cost for Above Listed Services **\$6,659,221** **\$6,219,725** **-6.6%**

Adjustments:

| | | | |
|---|--------------------|--------------------|---------------------|
| 1. Administrative fees (none) | \$0 | \$0 | |
| 2. Drop Box Disposal Fee Mark-up (0 before; 10% after) | \$0 | \$19,468 | |
| Annual Hauler Revenue for Above Services | \$6,659,221 | \$6,239,192 | <u>-6.3%</u> |

Contractor **Republic/WMI** **Republic**

* **Note:** 2016 before rates based on average of Republic and WMI 2015 WUTC rates where available.

Other Contract Changes

Enhancements:

1. Embedded SF weekly organics collection.
2. COM embedded recycling.
3. COM rolloff distance fee eliminated.
4. SF/MF/COM 45 gallon garbage container available.
5. SF 10 gallon garbage container available.
6. Quicker recovery of missed pickups.
7. Penalties for labor disruption.
8. \$20,000 annual funding for community benefit.

Downgrades:

1. Use of older trucks allowed, same as previous WUTC certificated services.

SeaTac -- RFP Procurement
2/25/2016

| Residential (Weekly) | RFP Counts | 2014 Rates | | After vs. Before Percentage +/- |
|------------------------------------|---------------|----------------|----------------|------------------------------------|
| | | Before | After | |
| 10 Gallon Micro-Can (10/12 gallon) | 14 | \$11.46 | \$11.27 | |
| 20 Gallon Cart (19/20 gallon) | 331 | 13.70 | 13.50 | |
| 32 Gallon Cart (32/35 gallon) | 2,310 | 18.48 | 17.75 | |
| 45 Gallon Cart | 0 | | 20.55 | |
| 64 Gallon Cart (60/64 gallon) | 863 | 24.30 | 24.42 | |
| 96 Gallon Cart (90/96 gallon) | 242 | 34.21 | 35.09 | |
| Curbside Organics (EOW) | | | | |
| 32 Gallon Cart | 174 | 8.28 | included | |
| 64 Gallon Cart | 51 | 9.34 | included | |
| 96 Gallon Cart | 1,118 | 10.39 | included | |
| Total/Average | 3,760 | \$24.07 | \$20.00 | -16.9% |

Multifamily/Commercial (Weekly)

| | | | | |
|-------------------------------|------------|-----------------|-----------------|--------------|
| 20 Gallon Mini-Can | 0 | | \$9.89 | |
| 32 Gallon Can | 0 | \$18.04 | | |
| 32 Gallon Cart (32/35 gallon) | 2 | 19.39 | 12.24 | |
| 64 Gallon Cart (60/64 gallon) | 6 | 27.52 | 19.51 | |
| 96 Gallon Cart (90/96 gallon) | 24 | 37.02 | 26.27 | |
| 1 Yard | 35 | 83.16 | 80.71 | |
| 1.25/1.5 Yard | 12 | 111.40 | 105.40 | |
| 2 Yard | 64 | 144.05 | 134.15 | |
| 3 Yard | 36 | 204.28 | 189.07 | |
| 4 Yard | 98 | 266.10 | 244.14 | |
| 6 Yard | 46 | 375.53 | 342.97 | |
| 8 Yard | 46 | 490.12 | 447.58 | |
| 1 Yard Compacted | 0 | 417.43 | 258.53 | |
| 1.5 Yard Compacted | 0 | | 370.54 | |
| 2 Yard Compacted | 0 | 635.71 | 471.02 | |
| 3 Yard Compacted | 2 | 847.73 | 672.01 | |
| 4 Yard Compacted | 0 | 1120.25 | 803.90 | |
| 6 Yard Compacted | 0 | 1666.68 | 1136.77 | |
| Total/Average | 371 | \$241.26 | \$220.72 | -8.5% |

Rolloff (Hauls)

| | | | | |
|---------------------|------------|-----------------|-----------------|--------------|
| Noncompacted MSW | | | | |
| - 10 Yard Container | 0 | \$101.43 | \$101.07 | |
| - 12 Yard Container | 0 | 101.43 | 101.07 | |
| - 15 Yard Container | 0 | 101.43 | 101.07 | |
| - 20 Yard Container | 14 | 101.43 | 101.07 | |
| - 25 Yard Container | 9 | 101.43 | 101.07 | |
| - 30 Yard Container | 46 | 101.43 | 101.07 | |
| - 40 Yard Container | 7 | 101.43 | 101.07 | |
| Compacted MSW | | | | |
| - 10 Yard Container | 0 | \$136.02 | \$126.07 | |
| - 15 Yard Container | 1 | 136.02 | 126.07 | |
| - 20 Yard Container | 2 | 136.02 | 126.07 | |
| - 25 Yard Container | 30 | 136.02 | 126.07 | |
| - 30 Yard Container | 142 | 136.02 | 126.07 | |
| - 40 Yard Container | 2 | 136.02 | 126.07 | |
| Total/Average | 253 | \$125.67 | \$118.59 | -5.6% |

Annual Cost for Above Listed Services **\$2,541,818** **\$2,245,196** **-11.7%**

Adjustments:

- Administrative fees (0 before; 5.3% after) \$0 (\$118,995)
- Drop Box Disposal Fee **Mark-up** (0 before; 10% after) \$0 \$169,848

Annual Hauler Revenue for Above Services **\$2,541,818** **\$2,296,049** **-9.7%**

Contractor **Republic** **Recology**

Other Contract Changes

Enhancements:

- Embedded MF/COM unlimited recycling.
- Embedded EOW SF organics collection.
- SF once per year on-call no charge clean-up collection.
- SF 45 gallon garbage container available.
- SF/MF/COM 7-day a week staffed call center.
- SF/MF/COM low emissions vehicles.
- SF/MF/COM on-line account management and electronic billing.
- New recycling opportunities: Nearby Burien service center drop-off for bicycles & parts, child car seats, textiles; hard-cover books; small propane cylinders, styrofoam blocks & all curbside recyclables;
- New recycling opportunities: SF/MF -- fluorescent tubes and bulbs, household batteries, rigid plastics, motor oil & used cooking oil (FOG). COM -- rigid plastics.
- Cart/detachable container rental fees included in garbage collection fees.

Downgrades:

None.

Solid Waste Contract Procurement Alternatives

CITY COUNCIL FINANCE AND
ADMINISTRATION COMMITTEE

MAY 31, 2016

Slides provided at meeting

Background

- Contracted with WMI for over 30 years
- Last competitive procurement in 2002
- Current contract negotiated prior to annexation in 2011
- Contract expires June 2018
- Two, 2-year extensions
- Competitive procurements can take 2+ years

Contract Procurement in Washington State

- Cities determine the procurement process
- Competition is not required
- Not a regular PW contract



Procurement Options

- Renegotiation
- Request for Bids (RFB)
- Request for Proposals (RFP)
- Request for Proposals with “Last, best, and final”
- Request for Qualifications (RFQ)

Renegotiation

- Difficult to gauge a “good deal”
- Rates often increase, services often decrease
- City not in as favorable a negotiating position
- Usually has a deadline to complete
- Kirkland (WMI 2011), Redmond (WMI 2015), Kent (Republic Services 2016)

Request for Bids (RFB)

- Award based on competitive price only
- No qualitative elements
- Bids based on draft base contract and alternatives
- Rarely used
- Sammamish (2015)
- Auburn (Current)



Request for Proposals

- Awarded on competitive price and qualitative
- Creativity and flexibility
- Outcome: Lower rates, increased services
- Price – 60 to 80 points
- Quality of service – 20 to 40 points
 - Customer service
 - Operations and system design
 - Interviews and references



Rate Comparison Background

*Compared procurement process outcomes from 11 cities

RENEGOTIATIONS

- Kirkland (2011)
- Redmond (2015)
- Kent (2015)

COMPETITIVE PROCESSES

- Bellevue (2013)
- Bothell (2014)
- Burien (2013)
- Maple Valley (2014)
- Renton (2015-16)
- Sammamish (2015)
- SeaTac (2013)
- Shoreline (2015-16)

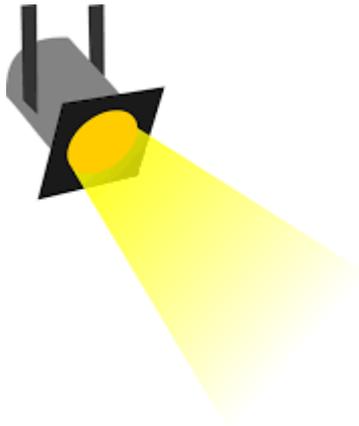
Rate Comparisons: Negotiations

| City | Year | Process | Contractor | Rate Increase or Decrease |
|----------|------|-------------|------------------|---------------------------|
| Kent | 2015 | Negotiation | Republic | +1.7% |
| Kirkland | 2011 | Negotiation | WMI | + 9.5% |
| Redmond | 2015 | Negotiation | WMI | +16.1% |
| | | | Average Increase | +9.1% |

Rate comparisons: Competitive Processes

| City | Year | Process | Old Contractor | New Contractor | Rate Increase or Decrease |
|--------------|---|---------|------------------|----------------|---------------------------|
| Bellevue | 2013 | RFP | Republic | Republic | +13.4% |
| *Bellevue | If low price/highest quality RFP chosen | | | | +2.3% |
| Bothell | 2014 | RFP | WMI | Recology | +0.7% |
| Burien | 2013 | RFP | WMI | Recology | -27.1% |
| Maple Valley | 2014 | RFP | WMI | Recology | -13.4% |
| Renton | 2016 | RFP | WMI | Republic | -9.0% |
| Sammamish | 2015 | RFB | Republic | Republic | -6.3% |
| SeaTac | 2013 | RFP | Republic | Recology | -9.7% |
| Shoreline | 2016 | RFP | Recology | Recology | -12.3% |
| | | | Average Decrease | | -9.4% |

Process Spotlight



- City of Kirkland (2011)
- City of Redmond (2015)
- City of Bellevue (2013)
- City of Sammamish (2015)
- City of Renton (2016)

City of Kirkland (Negotiation)

- 2011 negotiation
- Parties motivated to negotiate due to annexation and 4-Way Agreement
- Average rate increase of 9.5% (+26% to SF)
- Added Big Bellies, CFL collection, neighborhood parks, Christmas tree collection, CNG trucks



City of Redmond (Negotiation)

- 2015 Council-directed negotiation
- Rate increase of 16.1%
- Gains: Blue dumpsters, strike relief
- Losses: Biannual recycling guides, guaranteed annual increased of 2.8%, 12% roll-off mark up, accepted recyclables list



City of Bellevue (RFP)

- 2013 RFP
- Recology rated highest on price and quality
- Council awarded to incumbent Republic
- Rate increase of 13.4% (versus Recology 2.3%)
- Gains: Unlimited commercial recycling, embedded organics, expanded customer service, customer service center
- Losses: None



City of Sammamish (RFB)

- 2015 RFB
- WMI non-responsive, modified bid documents
- Awarded to Republic
- WMI injunction
- KC Superior Court sided with Sammamish
- Rate decrease: 6.3%
- Gains: embedded yard waste and commercial recycling, faster missed pick up recovery, strike relief, expanded recyclable list, \$20,000 in annual community funding

City of Renton

- RFP process in 2015-2016
- Received four proposals
- Leveled playing field for “best and final” offer process
- Awarded to Republic (\$20,000 higher price but higher qualitative rating)
- Average rate decrease of about 9%
- Gains: Contractor billing, increased customer service hours, faster pick-up of missed collections
- Losses: None



Lessons Learned

- Competition = lower rates (-9.4%), increased services
- Negotiations = higher rates (+9.1%), less services
- Service quality as important as price
- Consider a community survey (3 of 10) (~\$20K)
- Hire a consultant – (All)
- Solicit industry review of RFP/RFB documents (5 of 10)
- Consider a “Best and Final” process
- Objectivity: RFP evaluation team from multiple departments

Advice Received

- Dedicate a lot of time and resources
- Start early and hire a consultant
- Draft thorough and concise documents
- Be explicit in explaining rules to proponents
- Ask proponents to respect the integrity of the process

Options for Kirkland

1. Extend
2. Renegotiate
3. Request for Bids
4. Request for Proposals (Recommended)

Extend

- City has two, two year extensions (at City's discretion)
- Annexation and 4-Way Agreement payment (~1.5m)
- Amortized in rates over seven years (~\$215K/year) – Paid off in June 2018
- Extend = continue paying \$215K per year (up to \$860K over four years) + CPI

Renegotiate

- Likely outcome = rate increase
- Erosion of services/lower standards
- Less advantageous negotiating position
- No competition
- Difficult to evaluate whether it's a good deal or not
- Tried and failed: Bothell, Issaquah, Burien

Request for Bids

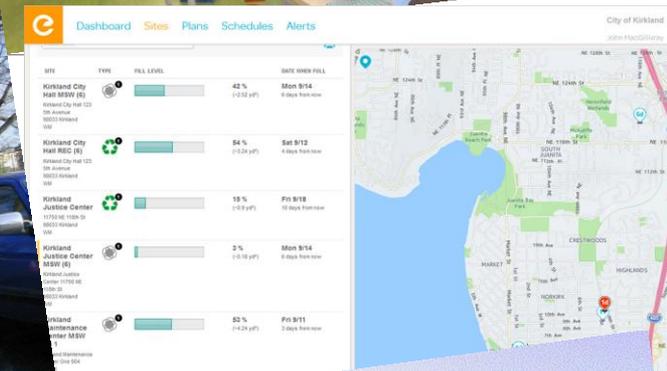
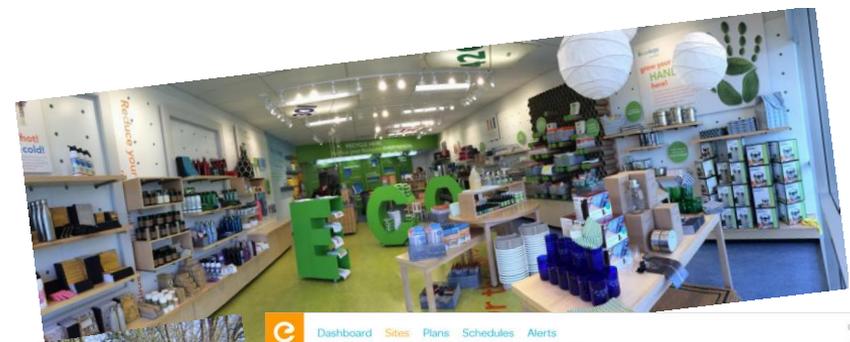
- Based on price only
- Customer service is important to Kirkland and its rate payers
- Competition = lower rates

Request for Proposals (Recommended)

- Competitive process = lower rates
- Increased services
- Lower collection rates offset KC disposal fee increases
- Includes both price and qualitative rankings
- Proponents can be creative in their service model

New Services & Enhancements

- Storefront
- Routing Technology
- Storm debris
- Special events
- Strike relief
- Cart tagging
- Local customer service
- Neighborhood cleanup
- Contractor billing



Next Steps

- June/July TBD - City Council Resolution/Seeking Authorization to Bid

Questions and Discussion

INVESTMENT POLICY~~CITY OF KIRKLAND
INVESTMENT POLICY~~~~December 9, 2014~~(ADOPTED XXX,XX, 2016)~~1.0~~ Policy Statement

~~It is the~~This policy establishes standards and guidelines for the direction, management and oversight for all of the City of Kirkland, (“the Kirkland’s (“City”) investable funds. These funds include cash for liquidity purposes, intermediate investments for ongoing operations and long term investments for dedicated accounts. Funds must be invested prudently to invest public funds in a manner which provides assure preservation of principal, provide needed liquidity for daily cash requirements, and provide a market rate of return while meeting. For purposes of the City’s Investment Policy, safety objectives, the daily cash flow requirements and conforming and liquidity are higher priorities than return on investment. All investments must conform to a federal, state, and local statutes governing the investment of the State of Washington public funds.

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1.0 INTRODUCTION

This Investment Policy defines the parameters within which funds are to be invested by the City of Kirkland (City). This policy also formalizes the framework, of the City's Policy and Procedures to provide the investment authority and constraints for the City to maintain an effective and judicious management of funds within the scope of this policy.

These policies are intended to be broad enough to allow the Director of Finance and Administration or authorized designee to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

- Sets out guidelines for the prudent management of the City's funds;
- Describe realistic parameters and goals for safely investing those funds;
- Established expectations for generally acceptable returns at a suitable level of risk that matches the purpose of the City's funds;
- Provides the framework within which the Director of Finance and Administration will operate by setting out objectives, guidelines, and structure that include details on the universe of permitted investments and any restrictions of their use.

The City Council reserves the right to amend this policy as deemed necessary.

2.0 GOVERNING AUTHORITY

The City of Kirkland investment authority is derived from RCW Chapters 35, 39 and 43. The investment program shall be operated in conformance with the Revised Code of Washington and applicable Federal Law. All funds within the scope of this policy are subject to regulations established by the State of Washington.

The City Council has the direct authority to provide for the Director of Finance and Administration or his/her designee, the responsibility for the daily operations of the City's Program and activities.

~~2.0~~ 3.0 SCOPE OR IDENTIFICATION OF FUNDS

This policy applies to activities of the City of Kirkland with regard to investing the financial assets of operating funds and capital funds. The amount of funds expected to fall within the scope of this policy is \$90MM to \$120MM, which include operating, capital improvement, and restricted funds.

This investment policy applies to all investment transactions involving the financial assets ~~for the City and related activity~~ of Kirkland. ~~These all the previous~~ funds ~~are accounted for in the City's annual financial report and include:~~

- ~~General Fund~~
- ~~Special Revenue Funds~~
- ~~Capital Project Funds~~
- ~~Enterprise Funds~~
- ~~Trust and Agency Funds~~
- ~~Debt Service Funds~~

Any new funds created by the Finance Director unless specifically exempted.

3.0—Objective

4.0 OBJECTIVES

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements. Also, the

~~The primary~~ objectives, in order of priority, ~~for of~~ the ~~City of Kirkland's~~ investment activities ~~are will be~~ as follows:

~~3.1~~ ~~Legality:~~ The City's investments will be in compliance with all statutes governing the investment of public funds in the State of Washington.

~~3.2~~ ~~Liquidity:~~ The City's investments will remain sufficiently liquid to enable the city to meet all operating requirements which might be reasonably anticipated.

~~3.3~~ ~~4.1~~ **Safety:** Safety of principal is the primary objective of the City. Investments ~~of the City~~ will shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. ~~To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from other investments.~~ To obtain this objective, funds will be diversified, utilizing highly rated securities, by investing in a variety of securities and financial institutions. The investment portfolio will be invested in a manner that meets RCW statutes and all legal requirements of the City.

~~Yield:~~ ~~The City's investments will be designed~~ ~~4.2~~ **Liquidity:** The investment portfolio will provide liquidity sufficient to enable the City to meet all cash requirements that might reasonably be anticipated. Therefore, the investments shall be managed to maintain a minimum balance to meet daily obligations.

~~3.4~~ ~~4.3~~ **Return on Investment:** The investment portfolio will be structured with the objective of attaining a market rate of return throughout ~~budgetary and~~ economic cycles, ~~taking into account~~ commensurate with the ~~City's~~ investment risk ~~constraints~~ parameters and the cash flow characteristics.

Investment Core Fund is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- ~~a. A security with declining credit may be sold early to minimize loss of principal.~~
- ~~b. A security swap that would improve the quality, yield or target duration in the portfolio. Nevertheless, return on investment is a lesser objective than safety or liquidity.~~
- ~~c. Liquidity needs of the portfolio require that the security be sold.~~

4.0 —

5.0 STANDARDS OF CARE

5.1 Delegation of Authority:

~~In accordance with City of Kirkland Municipal code, Ordinance No.1020, an Investment Committee was created consisting of the City Manager and Finance Director. Authority is granted to these individuals to invest any portion of the monies in the City's inactive funds or other funds in excess of current needs. The Finance Director may designate a person or a non-discretionary investment advisor to coordinate the day to day operations of the investment portfolio.~~

Governing Body: The ultimate responsibility and authority for the investment of City funds resides with the City Council who has the authority to direct the management of the City investment program.

Authority: Pursuant to Resolution 2656-2015, the overall management responsibility for the investment program is hereby delegated to the Director of Finance and Administration, or designee, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. The Director of Finance and Administration shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Investment Advisor: The City may contract with an external investment adviser to assist with the management of the City's investment portfolio in a manner that is consistent with the City's objectives and this policy. Such advisers shall provide recommendation and advice regarding the City investment program including but not limited to advice related to the purchase and sale of investments by this Investment Policy.

5.0-2 Prudence:

The standard of prudence to be used by the Director of Finance and Administration or any designees in the context of managing the overall portfolio is the prudent person rule which states: Investments will be made with judgment and care, under circumstances then prevailing, which ~~person~~ persons of prudence, discretion and intelligence would use exercise in the management of their own affairs, not for in regard to speculation, but for investment purposes (Prudent Person Standard), but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.

The standard of prudence to be used by investment officials will be the "prudent person" and will be applied in the context of managing an overall portfolio. Investment officers meeting the "prudent person" standard will be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

6.0 — Ethics and Conflicts of Interest

5.3 Officers and employees involved in the investment process shall refrain from Ethics:

5.3.1 Employees Involved in the City Investment Program Must Avoid Conflicts of Interest.

Association with the investment program in any capacity is considered employee involvement. Employees must avoid personal business activity that may ~~conflict~~:

- Conflict with the proper execution of the investment program, ~~or may impair~~.
- Impair their ability to make impartial investment decisions.

5.3.2 Employees ~~and investment officials shall disclose to~~ Associated with the City Investment ~~Committee any~~ Program Must Disclose Certain Personal Information to the Director of Finance and Administration or His/Her Delegate.

The disclosure should list:

- Any material ~~financial~~ interests in ~~financial institutions~~ financial institutions that conduct business ~~within this jurisdiction, and they shall further disclose any~~ with the City.
- Any personal financial ~~or~~ investment positions that could ~~be related to~~ influence the performance of the City's investment portfolio, particularly with regard to the timing of purchases and sales.

6.0 SAFEKEEPING, CUSTODY, AND CONTROLS

6.1 Delivery vs. Payment:

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

6.2 Third Party Safekeeping:

Prudent treasury management requires that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by the City, an independent third-party financial institution, or the City's designated depository.

The Director of Finance and Administration shall designate all safekeeping arrangements and an agreement of the terms executed in writing. The third-party custodian shall be required to provide a statement to the City listing at a minimum each specific security, book yield, description, maturity date, market value, par value, purchase date, and CUSIP number.

All collateral securities pledged to the City for certificates of deposit or demand deposits shall be held in accordance with the State of Washington's Public Deposit Protection Commission (PDPC).

6.3 Internal Controls:

The Director of Finance and Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual.

The portfolio:

7.0 internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Avoidance of physical delivery of marketable securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Dual authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures both manual and automated.

7.0 AUTHORIZED FINANCIAL DEALERS and Institutions

Financial Institutions

The Investment Committee will 7.1 Broker/Dealers:

The Director of Finance and Administration shall maintain and review annually a list of all authorized financial institutions as required by and broker/dealers that are approved to transact with the Public Deposit Protection Commission (PDPC), authorized to provide City for investment services as outlined purposes. The City shall follow GFOA best practices for evaluating and selecting financial institutions and broker/dealers.

The Director of Finance and Administration or designee may utilize the investment advisor's approved broker/dealer list in R.C.W. 39.58.080. No public deposits lie of the City's own approved list. The advisor must submit the approved list to the City annually and provide updates throughout the year as they occur. The advisor must maintain documentation of appropriate license and professional credentials of broker/dealers on the list. The annual investment advisor broker/dealer review procedures include:

- a. FINRA Certification check:

 - i. Firm profile
 - ii. Firm history
 - iii. Firm operations
 - iv. Disclosures of arbitration awards, disciplinary and regulatory events
 - v. State Registration Verification

b. Financial review of acceptable FINRA capital or letter of credit for clearing settlements.

The advisor may be authorized through the contracted agreement to open accounts on behalf of the City with the broker/dealers on the approved broker dealer list. The City will be made except receive documentation directly from the brokers for account verification and regulatory requirements.

7.2 Investment Advisers:

Advisers must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the City prior to all transactions. qualified public depository_____

7.3 Bank Institutions:

The City will only place funds, exceeding the current FDIC insurance limits, with banks who are currently participating in the State of Washington State PDPC program. Compliance/listing with the PDPC will be verified by the Adviser or designated investment officer utilizing the Washington State Treasurer's website.

Broker/Dealers

A list will also be maintained of approved security broker/dealers selected by credit worthiness. The Finance Director will review the FINRA (Financial Industry Regulatory Authority) report on both the firm and the broker and maintain documentation of the review. A certification of having read the City's investment policy and receipt of the City's Trading Authorization must be completed by all brokers prior to transacting business. The Brokers Dealers may include "primary" dealers or "secondary" regional dealers that qualify under SEC Rule 15C3-1 (uniform net capital rule). The Finance Director can assign the responsibility of broker/dealer due diligence process to the Investment Adviser and the Broker/Dealer List will be provided by the Investment Advisor to the investment committee annually.

8.0 — Broker Allocation

Investment transactions will be based upon the financial institution or brokerage firm that offers the best price to the City on each particular transaction. The City will make its best effort to obtain three bids for purchase or sale of government agency securities other than new issues. If circumstances dictate fewer than three bids due to the volatility of the market place, lack of bids, etc. the Finance Director or the Deputy Director has the authority to waive this. Generally all brokers will not have the same inventory of agency securities available to sell, but should be able to offer comparable alternatives. Banker's acceptances and Certificates of Deposit (other than a compensating balance CD) also require the acquisition of at least three bids, and acceptance of the most attractive rate from among comparable alternatives. Where two or more institutions or brokers have offered the same low bid, allocation will go to the lowest bidder that has provided the best service to the City. The City's investment adviser that is providing transactional services must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request.

7.4 ——— Competitive Transactions:

Transactions must be executed on a competitive basis and documented. Competitive prices should be provided from at least three separate brokers, financial institutions or through a national electronic trading platform. If the purchased security is only offered by one broker then other securities with similar structure may be used for documentation purposes. When an Adviser handles trade executions, they must provide the competitive documentation as requested.

~~9.0~~ 8.0 AUTHORIZED AND SUITABLE INVESTMENTS

~~The City is empowered to invest in the following types of securities:~~

8.1 Authorized Investments:

Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080) ~~Eligible investments include:~~

Among the authorized investments are U.S. Treasury and Agency securities (i.e., obligations of any government sponsored enterprise eligible for collateral purposes at the Federal Reserve), municipal debt of this state, certificates of deposit with qualified public depositories within statutory limits as promulgated by the Washington State PDPC at the time of investment, foreign and domestic Bankers Acceptances, Commercial Paper and the Washington State Local Government Investment Pool.

The State of Washington Local Government Investment Pool is the only government-sponsored Pool approved for investment of funds.

8.2 Suitable Investments:

The City is empowered to invest in the following types of securities:

- US Treasury Obligations: Direct obligations of the ~~U.S. government;~~ United States Treasury.
U.S. Treasury Notes, Bonds and Bills
- ~~US Agency Obligations of U.S. government agencies, corporations wholly owned by the U.S. government or any~~ Primary Issuers: Government Sponsored Enterprises (~~GSE's~~ GSEs) –

~~Specific listing:~~

~~Federal Home Loan Bank – FHLB Federal Farm
Credit Bank – FFCB~~

Instrumentality Securities include, but are not limited to Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation – (FHLMC), Federal National Mortgage Association – FNMA, Home Loan Banks (FHLB), and the Federal Agricultural Mortgage Corporation – FAMC Farm Credit Banks (FFCB).

US Agency Obligations Secondary Issuers: Other US government sponsored enterprises that are less marketable are considered secondary GSEs. They include, but are not limited to: Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac).

Commercial Paper: Unsecured debt obligations of corporate issuers that are rated at least A1+ by Moody's and P1 by Standard and Poor's. Commercial paper holdings may not have maturities exceeding 180 days. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase of a minimum rating of AA- by S&P or Aa3 by Moody's RCW 39.59.020.

Banker's Acceptance: Banker's Acceptances generally are created based on a letter of credit issued to finance transactions. They are used to finance the shipment of some specific goods within the United States. They are issued by qualified financial institutions eligible for discount by the Federal Reserve System and by a qualified institution whose long-term letter of credit rating is rated in the highest category: AAA.

Local Government Investment Pool ~~Tennessee Valley Authority—TVA~~

~~* Other issuers may qualify if they meet the above criteria.~~

- ~~• Banker's acceptances purchased on the secondary market rated with the highest short term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. A-1+, A1+, or P-1. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all the organizations. Banker's Acceptances are considered illiquid as there is no active secondary market for these securities.~~
- ~~• Commercial Paper, provided that the Finance Director adheres with the policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7), including the following:

 - ~~• Must have the highest short term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. A-1+, A1+, or P-1.~~
 - ~~• Must be approved by the Investment Committee.~~~~

~~Procedures for steps to be taken should an:~~ Investment Pool managed by the Washington State Treasurer's Office.

Time Deposits and Savings Accounts Issued by Banks: Deposits in PDPC approved banks.

Certificates of Deposit: Non-negotiable Certificates of Deposit of financial institutions that are qualified public depositories as defined in RCW 39.58.010(2) and by the restrictions within.

Municipal Debt Obligations: Bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the State of Washington; at the time of investment the bonds must have a AA- from S&P or a Aa3 from Moody's. In the case of a split rating, the lower rating of these two rating agencies will be used.

8.3 Bank Collateralization:

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which

banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under RCW 39.58.240, all public treasurers and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

9.0 INVESTMENT PARAMETERS

9.1 Diversification:

- ~~The City will diversify the investment of all funds by adhering to the constraints by issuer be placed on credit watch or downgraded are included in the Investment Procedures.~~
- ~~Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission;~~
- type in accordance
- ~~Local Government Investment Pool, for proceeds of bonds, liquidity funds or other debt obligations;~~
- ~~Obligations of the State of Washington or its political sub divisions~~ with the following guidelines table:
 - ~~Limited to securities which have one of the two highest rating categories by two of the NRSROs. Requiring AA or better from Fitch and Standard & Poors and a Aa3 by Moodys~~
 - ~~Procedures for steps to be taken should an issuer be placed on credit watch or downgraded are included in the Investment Procedures.~~
- ~~Obligations of a state other than the State of Washington or its political sub-divisions, with the following guidelines:~~
 - ~~Limited to securities which have one of the two highest rating categories by two of the NRSROs. Requiring AA or better from Fitch and Standard & Poors and a Aa3 by Moodys Procedures for steps to be taken should an issuer be placed on credit watch or downgraded are included in the Investment Procedures.~~

Table of Constraints on the Portfolio

| Issue Type | Maximum % Holdings | Issuer % per Issue Type | Ratings S&P | Ratings Moody's |
|--|--------------------|-------------------------|------------------------------------|------------------------------------|
| USTreasury Obligations | 100% | None | N/A | N/A |
| USAgency Primary Securities FHLB, FNMA, FHLMC, FFCB | 100% | 30% | Security must be rated | Security must be rated |
| US Agency Secondary Issuance FICO, FARMERMAC etc | 20% | 10% | Security must be rated | Security must be rated |
| Washington LGIP | 100% | None | N/A | N/A |
| Bank Time Deposits/Savings Accounts | 50% | None | Deposits in PDPC approved banks | Deposits in PDPC approved banks |
| Certificates of Deposit | 10% | 5% | Deposits in PDPC approved banks | Deposits in PDPC approved banks |
| Commercial Paper | 5% | 5% | A1+ Long Term: AA- | P1 Long Term: Aa3 |
| Municipal Bonds | 20% | 5% | AA- | Aa3 |
| Banker's Acceptance | 5% | 5% | AAA | Aaa |

9.2 Investment Maturity:

- ~~The Repurchase Agreements. The City does not actively invest in repurchase agreements for short term investments. However, if a repurchase agreement is utilized collateralization is required. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest. Re-pricing of the collateral should occur daily. The City chooses to limit the collateral to Treasury and GSE Agency securities only, with a maximum maturity of three years.~~

~~Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.~~

If the City chooses to invest in repurchase agreements, only primary dealers are to be used as counterparties to repurchase agreements, short term credit rating must be the highest credit rating, A-1 or the equivalent and a long term rating of A or the equivalent, the approved Bond Market Association's master repurchase agreement must be executed and on file prior to entering into these transactions and the maximum term for a repurchase agreement shall be limited to 30 days.

10.0 — Prohibited Securities

- ~~Mortgage Backed Securities including CMO's are prohibited.~~
- ~~Derivative Products are prohibited~~
- ~~The City is prohibited from purchasing securities that leverage the portfolio or are used for speculation of interest rates~~
- ~~Purchases of any security on negative credit watch are prohibited.~~
- ~~Purchases in Mutual Funds are prohibited~~

11.0 — Investment Pools

~~The City is allowed to invest in the Washington State Local Government Investment Pool as authorized by City of Kirkland Resolution 3370.~~

12.0 — Safekeeping and Custody

~~All security transactions, including collateral for repurchase agreements, entered into by the City of Kirkland will be conducted on a delivery versus ~~PAYMENT~~ (DVP) basis. Securities will be held in safekeeping by a third party custodian.~~

13.0 — Diversification

~~The City will diversify its investments by security type and institution so that reliance on any one issuer or financial institution will not place an undue financial burden on the City. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency.~~

~~The following table provides maximum portfolio and issuer limit guidelines for the eligible securities which shall be complied with at the time of a security purchase, unless an exception waiver is approved by the Investment Committee. However, no sale of securities shall be required to meet revised limits due to a decrease in the total size of the portfolio.~~

| Investment | Percent of Fund | Percent Per Issuer | Maturity |
|--------------------------------|-----------------|--------------------|----------|
| US Treasury Obligations | 100 | 100 | 5 Years |
| US Agency Obligations | 100 | 30 | 5 Years |
| Callable Agency Securities | 50 | 30 | 5 Years |
| State or Political Subdivision | 20 | 5 | 5 Years |
| Certificates of Deposits | 10 | 5 | 5 years |
| Bankers Acceptances | 5 | 5 | 180 days |
| A-1/P-1 Commercial Paper | 5 | 5 | 180 days |

14.0 ~~Maximum Maturities~~

~~To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, or estimated to cash flow needs, the City will not directly invest in securities maturing more than five (5) years from the date of settlement/purchase.~~

- ~~The maximum weighted average maturity (WAM) of the total portfolio shall not exceed 3 years. -This maximum is established to limit the portfolio to excessive market exposure. The WAM refers to the final WAM not the effective WAM price change exposure.~~
- ~~Liquidity funds will be held in the State Pool or in money market instruments maturing six months and shorter.~~
- ~~Investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in high quality and liquid securities.~~
- ~~Total Portfolio Maturity Constraints:~~

| Maturity Constraints | Minimum % of Total Portfolio |
|-----------------------------|-------------------------------------|
| Under 30 days | 10% |
| Under 1 year | 25% |
| Under 5 years | 100% |
| Weighted Average Maturity | 3.0 Years |
| Maturity Constraints | Maximum % of Total Portfolio |
| Callable Securities | 50% |

- ~~Exception to 5 year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.~~

9.3 Strategic Allocations:

9.3.1 Funds and their Allocation

- a. Liquidity fund for the operating account will be allocated to LGIP, CD's, Bank Deposits, Bankers Acceptances, and Commercial Paper.
- b. The structure of the Investment Core Fund will be targeted to a selected market benchmark based on the risk and return objectives of the portfolio.
- c. Longer term funds restricted funds will have an identified market benchmark to manage risk and return.

9.3.2 Monitoring and Portfolio Adjustment: As a general practice securities will be purchased with the intent to hold to maturity. However, it is acceptable for securities to be sold under the following circumstances:

- a. A security with a declining credit may be sold early to protect the principal value of the portfolio.
- b. The portfolio duration or maturity buckets should be adjusted to reflect better the structure of the underlying benchmark portfolio.
- c. A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions.
- d. A sell of a security to provide for unforeseen liquidity needs.

9.4 Prohibited Investments:

9.4.1 The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

9.4.2 The City shall not invest in:

- a. Mortgage-backed securities
- b. Derivative Products
- c. Securities that leverage the portfolio or are used for speculation of interest rates
- d. Any securities on negative credit watch
- e. Mutual Funds
- f. Repurchase Agreements
- g. Reverse Agreements

10.0 REPORTING REQUIREMENTS

10.1 Reporting:

The Director of Finance and Administration shall be responsible for investment reporting. At a minimum, quarterly reporting shall be made to the City Council including but not limited to securities holdings, cash balances, and market values in the investment portfolio will be provided on the month-end reports.

Specific 15.0 — ~~Internal Control~~

~~On an annual basis, the Investment Committee, in conjunction with the State Auditor's Office, will evaluate conformance with the Requirements:~~

- ~~• Book Yield~~
- ~~• Holdings Report including mark-to-market and security description~~
- ~~• Transactions Report~~
- ~~• Weighted Average Maturity~~

~~10.2 **INVESTMENT POLICY** and audit internal controls. The purpose of these examinations shall be to audit the accountability of the City's Investment Portfolio and to verify that Investment Officials have acted in accordance with the investment policies and procedures. Should the Investment Procedures be in conflict with the Investment Policy, the Investment Policy is the final authority.~~

16.0 — External Control

~~The City will have an external review of the investment policy and procedures every three (3) years. The City may enter contracts with third party investment advisory firms when their services are required.~~

17.0 — **Performance Standards:**

~~The portfolio shall be managed to obtain a fair rate of return, keeping in mind and earnings rate that incorporates the primary objectives of protecting the City's City's capital and assuring adequate liquidity to meet cash flow needs.~~

~~For purposes of this policy, "fair rate of return" will be a band between the average yield of the ninety day Treasury bill and the 2 year Treasury note for the period of time being evaluated. earnings rate" will be compared to the LGIP rate. The goal is for the portfolio to generally perform within or above the band better than the LGIP due to the longer weighted average maturity and the earnings rate is expected to trend in a similar manner as interest rates change.~~

~~In addition, the Investment Core component duration. The investment portfolio performance may be tracked against a market index such as the US treasury 0-3 year index or US treasury 0-5 year index on a total return basis. This will provide for accountability of price changes in the portfolio and help inform the strategy related to the duration of the portfolio.~~

18.0 — Reporting Requirements

~~The Finance Director shall prepare a 10.3 Compliance Report~~

~~**18.1** — A compliance report will be generated quarterly and annual investment report summarizing comparing the activity of the investment portfolio as positions to types of investments, yields, maturities and other related data.~~

~~18.2— Monthly reports will be submitted to the Investment Committee that report market value changes and investment income.~~

~~18.3— A Compliance report will be provided to the Investment Committee on at least a quarterly basis.~~

~~18.4— Additional reporting requirements are outlined in the Investment Procedures.~~

19.0— Investment Policy Adoption

The City's ~~this~~ investment policy.

10.4 Accounting Method

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to the Governmental Accounting Standards Board (GASB).

Pooling of Funds: Except for cash in certain restricted and special funds, the City will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

11.0 INVESTMENT POLICY ADOPTION

The City's Investment Policy shall be adopted by the City Council.

The ~~policy~~Policy shall be reviewed annually by the Investment Committee. Any modifications shall be submitted and approved by City Council.

GLOSSARY

~~**BANKERS' ACCEPTANCES (Bas)**~~

12.0 GLOSSARY OF TERMS

Agency Securities: Government sponsored enterprises of the US Government.

Bankers Acceptances ~~are a form of a loan used in import export financing transactions which becomes negotiable when;~~ A time draft accepted (endorsed) by a bank or trust company. The issuing bank is liable for the accepting institution guarantees payment of the bill, as well as the issuer. BAs are short-term non-interest-bearing notes sold at its maturity. ~~Terms vary but normally they are under six months and are purchased on a discount basis and redeemed by the accepting bank at maturity for full face value.~~

BROKER ~~A middleman~~**Bond:** An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and specific assets sometimes secure it. Most bonds have a maturity of greater than one year and generally pay interest semiannually. See Debenture.

Broker: An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for their services.

CERTIFICATES OF DEPOSIT ~~Instruments issued by a bank specifying that a sum of money has been deposited, payable with interest to the bearer of the certificate on a certain date.~~

COMMERCIAL PAPER ~~A short term promissory note issued by a bank holding company, for the purpose of financing current this service. In contrast transactions Issues are sold on a discount basis with maturities up to 270 days.~~

DELIVERY VS PAYMENT ~~Physical delivery of collateral a principal or a dealer, the broker does not own or take a position in securities or book entry control in exchange for the cash payment. Under this system funds are not transferred until the securities are delivered. If a third party acts as custodian, funds are released by the custodian only when delivery is accomplished.~~

DEPOSITORY ~~A bank or financial institution accepting cash deposits and investments.~~

DIVERSIFICATION ~~Dividing available funds among a variety of securities and institutions so as to minimize market risk.~~

DURATION ~~The number of years required to receive the present value of future payments, both of interest and principle, of a bond, often used as an indicator of a bond's price volatility resulting from changes in interest rates.~~

FEDERAL CREDIT AGENCIES ~~Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.~~

FEDERAL HOME LOAN BANKS (FHLB) ~~The 12 Federal Home Loan Banks are a system of regional banks from which local lending institutions everywhere in America borrow funds to finance housing, economic development, infrastructure and jobs. About 80 percent of U.S. lending~~

institutions rely on the Federal Home Loan Banks. Because the Federal Home Loan Banks are cooperatives, their low costs are passed on to consumers and communities.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA, or Fannie Mae)

FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

GOVERNMENT SPONSORED ENTERPRISES (GSE's)—A group of financial services corporations created by the United States Congress. Their function is to reduce interest rates for specific borrowing sectors of the economy, farmers, and homeowners. The mortgage borrowing segment is by far the largest of the borrowing segments that the GSE's operate in.

LIQUIDITY—The length of time required to convert any investment to cash.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP)—The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUECollateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by corporations.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Dealer: An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

Debenture: Unsecured debt backed only by the integrity of the borrower, not by collateral, and documented by an agreement called an indenture.

Delivery: Either of two methods of delivering securities: delivery vs. payment and delivery vs. receipt (also called "free"). Delivery vs. payment is the delivery of securities with an exchange of money for the securities.

Duration: A measure used to calculate the price sensitivity of a bond or portfolio of bonds to changes in interest rates. This equals the sum of the present value of future cash flows.

Full Faith and Credit: Indicator that the unconditional guarantee of the United States government backs the repayment of debt.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury; also known as "governments."

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Investment Core Funds: Core funds are defined as operating fund balance and other fund balances that exceeds the City's daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for the City.

LGIP: Local Government Investment Pool run by the State of Washington Treasurer's office established to help cities with short-term investments.

Mark to Market: Adjustment of an account or portfolio to reflect actual market value rather than book price, purchase price or some other valuation.

Market Value – The market value of a security is the price at which ~~the last sale of the same issue was sold~~ can be sold on that date.

~~**MATURITY**~~ **Maturity** – The date upon which the principal or stated value of an investment becomes due.

~~**NON-DISCRETIONARY INVESTMENT ADVISOR**~~ **Municipals:** Securities, usually bonds, issued by a state, its agencies, by cities or other municipal entities. The interest on "munis" is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

Non-Discretionary Investment Advisor - Non-discretionary investment advisor services may include investment management oversight, investment research, portfolio analysis, portfolio reporting and portfolio recommendations based upon the specific investment policy and investment objectives of each client. Clients must approve any such recommendations before the securities are purchased or sold in their accounts.

~~**PRINCIPAL**~~ The cost of an instrument on which interest is earned.

~~**REPURCHASE AGREEMENT**~~ **Par Value:** The value of a security expressed as a specific dollar amount marked on the face of the security or the amount of money due at maturity. Par value should not be confused with market value.

Portfolio: A collection of securities held by an individual or institution.

Prudent Person Rule: A long-standing common-law rule that requires a trustee who is investing for another to behave in the same way as a prudent individual of reasonable discretion and intelligence who is seeking a reasonable income and preservation of capital.

Quotation or Quote: A bid to buy or the lowest offer to sell a security in any market at a particular time.

Repurchase Agreement: Range in maturity from overnight to fixed time to open end. ~~Repo's~~ Repos involve a simultaneous sale of securities by a bank or government

securities dealer to ~~a city~~ an investor with an agreement for the bank or government securities dealer to repurchase the securities at a fixed date at a specified rate of interest.

SAFEKEEPING—An arrangement under which an organization's securities are kept in a bank vault or in the case of book entry securities, are held and recorded in the customer's name. Evidence of this arrangement is a safekeeping receipt.

SECONDARY MARKET—A market where certain securities may be bought and sold at prevailing market prices after their initial distribution but before their state maturity date.

TREASURY BILLS—Short term marketable securities issued by the U.S. Treasury Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and secured by the Federal Government and have maximum liquidity.

TREASURY NOTES AND BONDS—~~These are direct obligations~~ Notes: Obligations of the U.S. Government with government that bear interest. Notes have maturities from of one to ten years on the notes and 10 to 30 years on the; bonds.

UNIFORM NET CAPITAL RULE—Securities & Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities. Liquid capital includes cash and assets easily converted into cash.

WEIGHTED AVERAGE MATURITY—The average time it takes for securities in a portfolio to mature, weighted in proportion to the dollar amount that is invested in the portfolio. Weighted average maturity measures the sensitivity of fixed income portfolios to interest rate changes. Portfolios with have longer WAMs are more sensitive to changes in interest rates because the longer a bond is held, the greater the opportunity for interest rates to move up or down and affect the performance of the bonds in the portfolio.

EFFECTIVE WEIGHTED AVERAGE MATURITY—For a single bond, it is a measure of maturity that takes into account the possibility that a bond might be called back to the issuer.

For a portfolio of bonds, average effective maturity is the weighted average of the maturities of the underlying bonds. The measure is computed by weighing each bond's maturity by its market value with respect to the portfolio and the likelihood of any of the bonds being called.

YIELD—The rate of annual return on an investment expressed as a percentage. Yield: The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.
Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

INVESTMENT POLICY (ADOPTED XXX,XX, 2016)

Policy Statement

This policy establishes standards and guidelines for the direction, management and oversight for all of the City of Kirkland's ("City") investable funds. These funds include cash for liquidity purposes, intermediate investments for ongoing operations and long term investments for dedicated accounts. Funds must be invested prudently to assure preservation of principal, provide needed liquidity for daily cash requirements, and provide a market rate of return. For purposes of the City's Investment Policy, safety and liquidity are higher priorities than return on investment. All investments must conform to federal, state, and local statutes governing the investment of the State of Washington public funds.

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1.0 INTRODUCTION

This Investment Policy defines the parameters within which funds are to be invested by the City of Kirkland (City). This policy also formalizes the framework, of the City's Policy and Procedures to provide the investment authority and constraints for the City to maintain an effective and judicious management of funds within the scope of this policy.

These policies are intended to be broad enough to allow the Director of Finance and Administration or authorized designee to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

- Sets out guidelines for the prudent management of the City's funds;
- Describe realistic parameters and goals for safely investing those funds;
- Established expectations for generally acceptable returns at a suitable level of risk that matches the purpose of the City's funds;
- Provides the framework within which the Director of Finance and Administration will operate by setting out objectives, guidelines, and structure that include details on the universe of permitted investments and any restrictions of their use.

The City Council reserves the right to amend this policy as deemed necessary.

2.0 GOVERNING AUTHORITY

The City of Kirkland investment authority is derived from RCW Chapters 35, 39 and 43. The investment program shall be operated in conformance with the Revised Code of Washington and applicable Federal Law. All funds within the scope of this policy are subject to regulations established by the State of Washington.

The City Council has the direct authority to provide for the Director of Finance and Administration or his/her designee, the responsibility for the daily operations of the City's Program and activities.

3.0 SCOPE OR IDENTIFICATION OF FUNDS

This policy applies to activities of the City of Kirkland with regard to investing the financial assets of operating funds and capital funds. The amount of funds expected to fall within the scope of this policy is \$90MM to \$120MM, which include operating, capital improvement, and restricted funds.

This investment policy applies to all investment transactions involving the financial assets and related activity of all the previous funds.

4.0 OBJECTIVES

All funds will be invested in a manner that is in conformance with federal, state and other legal requirements. Also, the objectives, in order of priority, of the investment activities will be as follows:

- 4.1 Safety:** Safety of principal is the primary objective of the City. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, funds will be diversified, utilizing highly rated securities, by investing in a variety of securities and

financial institutions. The investment portfolio will be invested in a manner that meets RCW statutes and all legal requirements of the City.

4.2 Liquidity: The investment portfolio will provide liquidity sufficient to enable the City to meet all cash requirements that might reasonably be anticipated. Therefore, the investments shall be managed to maintain a minimum balance to meet daily obligations.

4.3 Return on Investment: The investment portfolio will be structured with the objective of attaining a market rate of return throughout economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the portfolio. Nevertheless, return on investment is a lesser objective than safety or liquidity.

5.0 STANDARDS OF CARE

5.1 Delegation of Authority:

Governing Body: The ultimate responsibility and authority for the investment of City funds resides with the City Council who has the authority to direct the management of the City investment program.

Authority: Pursuant to Resolution 2656-2015, the overall management responsibility for the investment program is hereby delegated to the Director of Finance and Administration, or designee, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. The Director of Finance and Administration shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Investment Advisor: The City may contract with an external investment adviser to assist with the management of the City's investment portfolio in a manner that is consistent with the City's objectives and this policy. Such advisers shall provide recommendation and advice regarding the City investment program including but not limited to advice related to the purchase and sale of investments by this Investment Policy.

5.2 Prudence:

The standard of prudence to be used by the Director of Finance and Administration or any designees in the context of managing the overall portfolio is the prudent person rule which states: *Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.*

5.3 Ethics:

5.3.1 *Employees Involved in the City Investment Program Must Avoid Conflicts of Interest.*

Association with the investment program in any capacity is considered employee involvement. Employees must avoid personal business activity that may:

- Conflict with the proper execution of the investment program.
- Impair their ability to make impartial investment decisions.

5.3.2 Employees Associated with the City Investment Program Must Disclose Certain Personal Information to the Director of Finance and Administration or His/Her Delegate.

The disclosure should list:

- Any material interests in financial institutions that conduct business with the City.
- Any personal financial or investment positions that could influence the performance of the City's investment portfolio, particularly with regard to the timing of purchases and sales.

6.0 SAFEKEEPING, CUSTODY, AND CONTROLS

6.1 Delivery vs. Payment:

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

6.2 Third Party Safekeeping:

Prudent treasury management requires that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by the City, an independent third-party financial institution, or the City's designated depository.

The Director of Finance and Administration shall designate all safekeeping arrangements and an agreement of the terms executed in writing. The third-party custodian shall be required to provide a statement to the City listing at a minimum each specific security, book yield, description, maturity date, market value, par value, purchase date, and CUSIP number.

All collateral securities pledged to the City for certificates of deposit or demand deposits shall be held in accordance with the State of Washington's Public Deposit Protection Commission (PDPC).

6.3 Internal Controls:

The Director of Finance and Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in an investment procedures manual.

The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- Control of collusion;
- Separation of transaction authority from accounting and recordkeeping;
- Custodial safekeeping;
- Avoidance of physical delivery of marketable securities;
- Clear delegation of authority to subordinate staff members;
- Written confirmation of transactions for investments and wire transfers;
- Dual authorizations of wire transfers;
- Staff training; and
- Review, maintenance and monitoring of security procedures both manual and automated.

7.0 AUTHORIZED FINANCIAL DEALERS

7.1 Broker/Dealers:

The Director of Finance and Administration shall maintain and review annually a list of all authorized financial institutions and broker/dealers that are approved to transact with the City for investment purposes. The City shall follow GFOA best practices for evaluating and selecting financial institutions and broker/dealers.

The Director of Finance and Administration or designee may utilize the investment advisor's approved broker/dealer list in lieu of the City's own approved list. The advisor must submit the approved list to the City annually and provide updates throughout the year as they occur. The advisor must maintain documentation of appropriate license and professional credentials of broker/dealers on the list. The annual investment advisor broker/dealer review procedures include:

- a. FINRA Certification check:
 - i. Firm profile
 - ii. Firm history
 - iii. Firm operations
 - iv. Disclosures of arbitration awards, disciplinary and regulatory events
 - v. State Registration Verification
- b. Financial review of acceptable FINRA capital or letter of credit for clearing settlements.

The advisor may be authorized through the contracted agreement to open accounts on behalf of the City with the broker/dealers on the approved broker dealer list. The City will receive documentation directly from the brokers for account verification and regulatory requirements.

7.2 Investment Advisers:

Advisers must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the City prior to all transactions.

7.3 Bank Institutions:

The City will only place funds, exceeding the current FDIC insurance limits, with banks who are currently participating in the Washington State PDPC program. Compliance/listing with the PDPC will be verified by the Adviser or designated investment officer utilizing the Washington State Treasurer's website.

7.4 Competitive Transactions:

Transactions must be executed on a competitive basis and documented. Competitive prices should be provided from at least three separate brokers, financial institutions or through a national electronic trading platform. If the purchased security is only offered by one broker then other securities with similar structure may be used for documentation purposes. When an Adviser handles trade executions, they must provide the competitive documentation as requested.

8.0 AUTHORIZED AND SUITABLE INVESTMENTS

8.1 Authorized Investments:

Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080):

Among the authorized investments are U.S. Treasury and Agency securities (i.e., obligations of any government sponsored enterprise eligible for collateral purposes at the Federal Reserve), municipal debt of this state, certificates of deposit with qualified public depositories within statutory limits as promulgated by the Washington State PDPC at the time of investment, foreign and domestic Bankers Acceptances, Commercial Paper and the Washington State Local Government Investment Pool.

The State of Washington Local Government Investment Pool is the only government-sponsored Pool approved for investment of funds.

8.2 Suitable Investments:

The City is empowered to invest in the following types of securities:

US Treasury Obligations: Direct obligations of the United States Treasury.

US Agency Obligations Primary Issuers: Government Sponsored Enterprises (*GSEs*) – Federal Instrumentality Securities include, but are not limited to Federal National Mortgage Association (*FNMA*), the Federal Home Loan Mortgage Corporation (*FHLMC*), Federal Home Loan Banks (*FHLB*), and the Federal Farm Credit Banks (*FFCB*).

US Agency Obligations Secondary Issuers: Other US government sponsored enterprises that are less marketable are considered secondary *GSEs*. They include, but are not limited to: Private Export Funding Corporation (*PEFCO*), Tennessee Valley Authority (*TVA*), Financing Corporation (*FICO*) and Federal Agricultural Mortgage Corporation, (*Farmer Mac*).

Commercial Paper: Unsecured debt obligations of corporate issuers that are rated at least A1+ by Moody's and P1 by Standard and Poor's. Commercial paper holdings may not have maturities exceeding 180 days. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase of a minimum rating of AA- by S&P or Aa3 by Moody's RCW 39.59.020.

Banker's Acceptance: Banker's Acceptances generally are created based on a letter of credit issued to finance transactions. They are used to finance the shipment of some specific goods within the United States. They are issued by qualified financial institutions eligible for discount by the Federal Reserve System and by a qualified institution whose long-term letter of credit rating is rated in the highest category: AAA.

Local Government Investment Pool: Investment Pool managed by the Washington State Treasurer's Office.

Time Deposits and Savings Accounts Issued by Banks: Deposits in PDPC approved banks.

Certificates of Deposit: Non-negotiable Certificates of Deposit of financial institutions that are qualified public depositories as defined in RCW 39.58.010(2) and by the restrictions within.

Municipal Debt Obligations: Bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the State of Washington; at the time of investment the

bonds must have a AA- from S&P or a Aa3 from Moody's. In the case of a split rating, the lower rating of these two rating agencies will be used.

8.3 Bank Collateralization:

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under RCW 39.58.240, all public treasurers and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

9.0 INVESTMENT PARAMETERS

9.1 Diversification:

The City will diversify the investment of all funds by adhering to the constraints by issuer type in accordance with the following table:

Table of Constraints on the Portfolio

| Issue Type | Maximum % Holdings | Issuer % per Issue Type | Ratings S&P | Ratings Moody's |
|--|--------------------|-------------------------|------------------------------------|------------------------------------|
| USTreasury Obligations | 100% | None | N/A | N/A |
| USAgency Primary Securities FHLB, FNMA, FHLMC, FFCB | 100% | 30% | Security must be rated | Security must be rated |
| US Agency Secondary Issuance FICO, FARMERMAC etc | 20% | 10% | Security must be rated | Security must be rated |
| Washington LGIP | 100% | None | N/A | N/A |
| Bank Time Deposits/Savings Accounts | 50% | None | Deposits in PDPC approved banks | Deposits in PDPC approved banks |
| Certificates of Deposit | 10% | 5% | Deposits in PDPC approved banks | Deposits in PDPC approved banks |
| Commercial Paper | 5% | 5% | A1+ Long Term: AA- | P1 Long Term: Aa3 |
| Municipal Bonds | 20% | 5% | AA- | Aa3 |
| Banker's Acceptance | 5% | 5% | AAA | Aaa |

9.2 Investment Maturity:

The City will not directly invest in securities maturing more than five (5) years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed 3 years. This maximum is established to limit the portfolio to excessive price change exposure.

- Liquidity funds will be held in the State Pool or in money market instruments maturing six months and shorter.
- Investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in high quality and liquid securities.
- Total Portfolio Maturity Constraints:

| Maturity Constraints | Minimum % of Total Portfolio |
|-----------------------------|-------------------------------------|
| Under 30 days | 10% |
| Under 1 year | 25% |
| Under 5 years | 100% |
| Weighted Average Maturity | 3.0 Years |
| Maturity Constraints | Maximum % of Total Portfolio |
| Callable Securities | 50% |

- Exception to 5 year maturity maximum: Reserve or Capital Improvement Project monies may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

9.3 Strategic Allocations:

9.3.1 Funds and their Allocation

- Liquidity fund for the operating account will be allocated to LGIP, CD's, Bank Deposits, Bankers Acceptances, and Commercial Paper.
- The structure of the Investment Core Fund will be targeted to a selected market benchmark based on the risk and return objectives of the portfolio.
- Longer term funds restricted funds will have an identified market benchmark to manage risk and return.

9.3.2 Monitoring and Portfolio Adjustment: As a general practice securities will be purchased with the intent to hold to maturity. However, it is acceptable for securities to be sold under the following circumstances:

- A security with a declining credit may be sold early to protect the principal value of the portfolio.
- The portfolio duration or maturity buckets should be adjusted to reflect better the structure of the underlying benchmark portfolio.
- A security exchange that would improve the quality, yield and target maturity of the portfolio based on market conditions.
- A sell of a security to provide for unforeseen liquidity needs.

9.4 Prohibited Investments:

- The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

9.4.2 The City shall not invest in:

- a. Mortgage-backed securities
- b. Derivative Products
- c. Securities that leverage the portfolio or are used for speculation of interest rates
- d. Any securities on negative credit watch
- e. Mutual Funds
- f. Repurchase Agreements
- g. Reverse Agreements

10.0 REPORTING REQUIREMENTS

10.1 Reporting:

The Director of Finance and Administration shall be responsible for investment reporting. At a minimum, quarterly reporting shall be made to the City Council including but not limited to securities holdings, cash balances, and market values in the investment portfolio will be provided on the month-end reports.

Specific Requirements:

- Book Yield
- Holdings Report including mark-to-market and security description
- Transactions Report
- Weighted Average Maturity

10.2 Performance Standards:

The portfolio shall be managed to obtain a fair rate of return and earnings rate that incorporates the primary objectives of protecting the City's capital and assuring adequate liquidity to meet cash flow needs.

For purposes of this policy, "earnings rate" will be compared to the LGIP rate. The goal is for the portfolio to generally perform better than the LGIP due to the longer weighted average maturity and the earnings rate is expected to trend in a similar manner as interest rates change.

The investment portfolio performance may be tracked against a market index such as the US treasury 0-3 year index or US treasury 0-5 year index on a total return basis. This will provide for accountability of price changes in the portfolio and help inform the strategy related to the duration of the portfolio.

10.3 Compliance Report

A compliance report will be generated quarterly comparing the portfolio positions to this investment policy.

10.4 Accounting Method

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative

bodies including but not necessarily limited to the Governmental Accounting Standards Board (GASB).

Pooling of Funds: Except for cash in certain restricted and special funds, the City will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

11.0 INVESTMENT POLICY ADOPTION

The City's Investment Policy shall be adopted by the City Council.

The Policy shall be reviewed annually by the Investment Committee. Any modifications shall be submitted and approved by City Council.

12.0 GLOSSARY OF TERMS

Agency Securities: Government sponsored enterprises of the US Government.

Bankers Acceptances: A time draft accepted (endorsed) by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. BAs are short-term non-interest-bearing notes sold at a discount and redeemed by the accepting bank at maturity for full face value.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and specific assets sometimes secure it. Most bonds have a maturity of greater than one year and generally pay interest semiannually. *See* Debenture.

Broker: An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for this service. In contrast to a principal or a dealer, the broker does not own or take a position in securities.

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by corporations.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Dealer: An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

Debenture: Unsecured debt backed only by the integrity of the borrower, not by collateral, and documented by an agreement called an indenture.

Delivery: Either of two methods of delivering securities: delivery vs. payment and delivery vs. receipt (also called "free"). Delivery vs. payment is the delivery of securities with an exchange of money for the securities.

Duration: A measure used to calculate the price sensitivity of a bond or portfolio of bonds to changes in interest rates. This equals the sum of the present value of future cash flows.

Full Faith and Credit: Indicator that the unconditional guarantee of the United States government backs the repayment of debt.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury; also known as "governments."

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Investment Core Funds: Core funds are defined as operating fund balance and other fund balances that exceeds the City's daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for the City.

LGIP: Local Government Investment Pool run by the State of Washington Treasurer's office established to help cities with short-term investments.

Mark to Market: Adjustment of an account or portfolio to reflect actual market value rather than book price, purchase price or some other valuation.

Market Value – The market value of a security is the price at which can be sold on that date.

Maturity – The date upon which the principal or stated value of an investment becomes due.

Municipals: Securities, usually bonds, issued by a state, its agencies, by cities or other municipal entities. The interest on "munis" is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

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Quotation or Quote: A bid to buy or the lowest offer to sell a security in any market at a particular time.

Repurchase Agreement: Range in maturity from overnight to fixed time to open end. Repos involve a simultaneous sale of securities by a bank or government securities dealer to an investor with an agreement for the bank or government securities dealer to repurchase the securities at a fixed date at a specified rate of interest.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Yield: The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

City of Kirkland

Investment Program Review

Presented by:

Deanne Woodring, CFA – President
Government Portfolio Advisors, LLC
Registered Investment Advisor
503-248-9973

Slides provided at meeting

The Pillars of Public Fund Investing

Safety

- Safety in an investment sense can be described as the minimization of risk
- What Financial Risks impact a public funds investment portfolio?
 - Market risk
 - Credit risk
 - Others
- Traditionally, public funds investors primarily focus on Credit Risk, i.e., default risk
- Just as important is market risk, or the variability in interest rates and spreads. It is best managed using a concept called duration. Duration is an indicator of the portfolio's market value sensitivity to a given change in market interest rates.

Liquidity

- Liquidity is established to meet general operating needs of the City

Return

- Generate market rates of return by consistently investing excess liquidity funds in an investment core

Performance Updates

GPA was hired as the City's Investment Advisor on 8/31/14:

- **Impact on Earnings Yield**
 - The portfolio yield on 3/31/16 was .82% up from .61% on 8/31/14
 - This is an added annual income of approximately \$315,000 on current balances
- **Impact on Maturity**
 - The average maturity was 1.37 years on 3/31/16 up from .97 on 8/31/14
 - The maturity has been stabilized by the reduction in a callable bond holdings
- **Quality**
 - Holdings in US treasury securities is at 29.2% of the investment portfolio up from 0%

Strategy Updates

- Increased the investment component of the portfolio to \$120,000,000 from \$100,000,000 due to the increase in overall balances
- Developed a more balanced ladder structure in the portfolio to provide for reinvestment opportunities throughout the calendar year
- Implemented cash flow analysis into the portfolio to stagger investment maturities and tax inflow periods
- Focused on keeping the portfolio fully invested with a duration slightly short of the 2.15 year benchmark duration
- Utilized the volatility to change the composition of the portfolio

Investment Policy Updates

ACTIONS:

- Last adopted City investment policy was in 2014
- Primary changes are in formatting throughout the document
 - Tables in 8.0 – Allowable securities and 9.0 – Investment Parameters have been changed to provide clarity in the security definitions and constraints

8.0 Allowable Securities: Added a section on US Agency Secondary Securities to constrain the allowable holdings of smaller agency issuers

9.0 Investment Parameters: Added boxes on parameters and maturity constraints to provide clarity to constraints

Future updates that will impact the investment alternatives

Legislation is being passed to allow public funds to purchase corporate debt. This will provide added value to the portfolio. Specifics are still pending and any changes must be added to the investment policy prior to investing.

Corporate Notes

- Likely up to 25% of a public fund portfolio can hold US corporate debt, which is a combination of Commercial Paper and Corporate Notes
- Expected added earnings is between 35 and 50 basis points

Supranational Debt

- Likely to add the ability to own Supranationals
- This is debt formed by more than one central government to promote economic development for member countries
- Well-known New York Based names include: World Bank and Inter-American Development Bank
- AAA ratings and spreads of 15 to 20 basis points

Reciprocal Deposits

- Ability to invest in Washington community banks that pool collateral of a maximum of \$250K to meet the FDIC guarantee
- Provides Community support - +5 basis points to the LGIP Pool

Historical Perspective of Interest Rates

| Maturity | 12/31/10 | 12/31/11 | 12/31/12 | 12/31/13 | 12/31/14 | 12/31/15 | 3/31/16 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| LGIP Pool | .26% | .13% | .23% | .13% | .11% | .26% | .43% |
| 1 Year | .27% | .12% | .14% | .11% | .21% | .59% | .58% |
| 2 Year Treasury | .59% | .24% | .24% | .38% | .66% | 1.04% | .72% |
| 3 year Treasury | .98% | .35% | .35% | .76% | 1.07% | 1.30% | .85% |
| 5 year Treasury | 2.0% | .83% | .72% | 1.74% | 1.65% | 1.76% | 1.21% |

Rate Change Since 2010 - 2016



Sample Council E-Mail Acknowledgment

-----Original Message-----

From: Sean Kelly [<mailto:Sean.Kelly@maplevalleywa.gov>]
Sent: Wednesday, April 06, 2016 8:44 AM
To: Amy Bolen <ABolen@kirklandwa.gov>
Subject: City Council of Maple Valley - Message Acknowledgement

Thank you for your message received at City Hall. The City Council appreciates your communication and this receipt notification is to assure you that your message has been received by the member or members of Council addressed. Each Councilor has access to the City's email services. In order to ensure that one Councilor's opinion is not misinterpreted as the whole Council's position, it is the City Council's policy that individual Council members do not individually reply to correspondence directed to the entire Council.

In order to facilitate the most timely response feasible, emails that require research or response are forwarded to the appropriate City department for action, and the department's response to the customer is copied to the City Council. If your email is forwarded to a staff member for response, you will receive notification advising you of the department contact, as will the Council. Staff will endeavor to respond to your request as promptly as possible.

Thank you again for your correspondence.

City of Maple Valley
22017 SE Wax Rd, Ste 200
Maple Valley, WA 98038
Phone: 425.413.8800
Fax: 425.413.4282
www.maplevalleywa.gov

NOTICE OF PUBLIC DISCLOSURE: This email has been generated by a public employee and may be considered public record pursuant to the Public Records Act, RCW 42.56. Accordingly, this email, in whole or in part, may be subject to public disclosure.

April 2016 Financial Dashboard Highlights

May 26, 2016

- The dashboard report reflects the 2016 share of the biennial budget adopted by the City Council on December 9, 2014 and adjusted on December 8, 2015. The actual revenues and expenditures summarized reflect results through April 30, 2016, 33.3 percent through the year.
- Total General Fund revenues received through April were at 34.0 percent of budget. Collections are slightly higher than expected due largely to strong sales tax and plan check fee revenue.
 - Sales tax revenues at the end of April were up 9.6 percent compared to April 2015 and were 36.6 percent of budget. All sectors, with the exception of communications, are up compared to 2015; high levels of contracting sales tax revenues account for over 20 percent of the year to date growth. The sales tax revenue reflects activity from February 2015 due to the two month lag in receipt of the funds from the Department of Revenue.
 - Utility tax receipts were \$5,210,019 in April, which is 34.3 percent of the budget. This is 1.0 percent higher than April 2015.
 - April business license revenues are 45.9 percent of budget; this is higher than last April's revenue by \$219,207, an increase of 19.0 percent. The above-budget performance this year is partly the result of city efforts to identify businesses operating without licenses. Many of these businesses owe the City up to three years of business license fees. The improvement in compliance with licensing means revenues should be higher on average going forward this year, but the collection of past due fees represents one-time revenues.
 - Development fees through the end of April were at 39.7 percent of budget. This is due to a high level of development activity to start the year, as Kirkland Urban and Totem Lake development begin to generate planning fee revenue. This is 8.8 percent higher than 2015, which was also a solid year.
 - Building revenues through April are 38 percent of budget and 21 percent ahead of last year. These figures include significant one-time fees, most notably for Kirkland Urban plan review. Excluding these and other large one-off projects, revenues would be 28 percent of budget.
 - Engineering revenues are at 28 percent of budget through April, and 29 percent below last year. Development staff expects a pick-up in activity in coming months associated with upcoming construction work at Totem Lake and Kirkland Urban.
 - Planning revenues through April are at their highest level in 5 years, with 49 percent of the budget collected and growth that is 19 percent above last year. This is due to several moderately large subdivisions and numerous short plats.
 - Gas taxes finished April at \$559,602, which is 33.2 percent of the annual budget. This is higher than April 2015 by 6.0 percent and continues this year's strong performance over the past few years.
- Total General Fund expenditures were 32.8 percent of budget at the end of April.
 - General fund salaries and benefits were \$18.75 million, which is 31.5 percent of the annual budget, with one third of the year completed. Salaries and benefits are 1.5 percent higher than in 2015, due to one time and ongoing positions added as part of the 2015-16 budget to increase service levels and meet the needs of the citizens.
 - Fire suppression overtime expenditures were \$395,633 at the end of April, which is 47.3 percent of budget, and \$21,704 higher than in 2015. April's overtime was particularly high due to the minimum staffing requirement to fill an above average amount of absences for the month.
 - Contract jail costs were 22.1 percent of budget at the end of April. This budget is for costs of housing inmates that cannot be kept at the Kirkland Justice Center jail for medical reasons. They are incurred only as necessary on an individual basis. Spending for these services was under budget last year, and is on pace to be so again this year.

- Fuel costs ended April at \$91,406 or 12.4 percent of budget. Low fuel prices are driving decreased expenditures, though timing of fuel orders can also skew this number downwards. Delivery schedules are beginning to normalize, but low prices continue to keep expenditures under budget.

Attachments: April Dashboard

City of Kirkland Budget Dashboard

Date Completed

5/13/2016

Annual Budget Status as of **4/30/2016** (Note 1)
Percent of Year Complete **33.33%**

| | 2016 Budget | Year-to-Date Actual | % Received/ % Expended | Status | | Notes |
|---------------------|----------------|------------------------|---------------------------|-------------------|----------------|-------|
| | | | | Current Report | Last Report | |
| General Fund | | | | | | |
| Total Revenues | 89,272,784 | 30,320,437 | 34.0% | | | |
| Total Expenditures | 88,821,589 | 29,090,611 | 32.8% | | | |

Key Indicators (All Funds)

| | | | | | | |
|---------------------------|------------|------------|-------|--|--|------------------------------------|
| <i>Revenues</i> | | | | | | |
| Sales Tax | 17,697,097 | 6,474,893 | 36.6% | | | Prior YTD = \$5,905,706 |
| Utility Taxes | 15,175,950 | 5,210,019 | 34.3% | | | |
| Business License Fees | 2,988,028 | 1,371,929 | 45.9% | | | |
| Development Fees | 7,824,031 | 3,104,819 | 39.7% | | | |
| Gas Tax | 1,684,070 | 559,602 | 33.2% | | | |
| <i>Expenditures</i> | | | | | | |
| GF Salaries/Benefits | 59,499,617 | 18,745,168 | 31.5% | | | Excludes Fire Suppression Overtime |
| Fire Suppression Overtime | 836,077 | 395,633 | 47.3% | | | Excludes FS 24 Overtime |
| Contract Jail Costs | 416,867 | 92,004 | 22.1% | | | |
| Fuel Costs | 738,927 | 91,406 | 12.4% | | | |

Status Key

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



Note 1 - Report shows annual values during the second year of the biennium (2016).



| Maximum Maturities | Policy Requirement | Percentage of Portfolio | Portfolio Allocation | Within Limits | Credit Rating | Within Limits |
|-----------------------------------|--------------------|-------------------------|----------------------|---------------|--|------------------|
| Under 30 days | 10% | 26% | \$ 45,296,971 | Yes | Municipal | |
| Under 1 year | 25% | 50% | \$ 86,280,685 | Yes | AA- | by S&P Yes |
| Under 5 years | 100% | 100% | \$ 171,022,463 | Yes | Aa3 | by Moodys Yes |
| Maximum Weighted Average Maturity | 3 Years | | 1.48 | Yes | Commercial Paper/Bankers Acceptance | |
| Maximum Callable Securities | 50% | 30% | \$ 26,194,230 | Yes | A1+ / P1 | Yes |
| Maximum Single Maturity | 5 Years | | 4.64 | Yes | AA | Long-Term Rating |

| Asset Allocation Diversification | Maximum Policy Allocation | Issuer Constraint | Percentage of Portfolio | Market Value | Within Limits |
|--|---------------------------|-------------------|-------------------------|-----------------------|---------------|
| U.S. Treasury Obligations | 100% | | 21% | \$ 35,239,450 | Yes |
| Government Agencies | 100% | | 42% | \$ 71,939,801 | Yes |
| FHLB | | 30% | 7% | \$ 12,098,428 | Yes |
| FNMA | | 30% | 6% | \$ 10,006,075 | Yes |
| FHLMC | | 30% | 15% | \$ 25,037,580 | Yes |
| FFCB | | 30% | 12% | \$ 20,013,985 | Yes |
| Other GSE's | | 30% | 3% | \$ 4,783,733 | Yes |
| Municipal Bonds- GO States - Locals WA | 20% | 5% | 8% | \$ 13,546,242 | Yes |
| Certificates of Deposit | 10% | 5% | 3% | \$ 5,000,000 | Yes |
| Commercial Paper | 5% | 5% | 0% | \$ - | Yes |
| Bank Deposits ** | 50% | 10% | 16% | \$ 27,095,629 | Yes |
| Bankers Acceptances | 5% | 5% | 0% | \$ - | Yes |
| Local Government Investment Pool | 100% | N/A | 11% | \$ 18,201,342 | Yes |
| Total | | | 100% | \$ 171,022,463 | |



** Bank Deposits to be added to new Policy

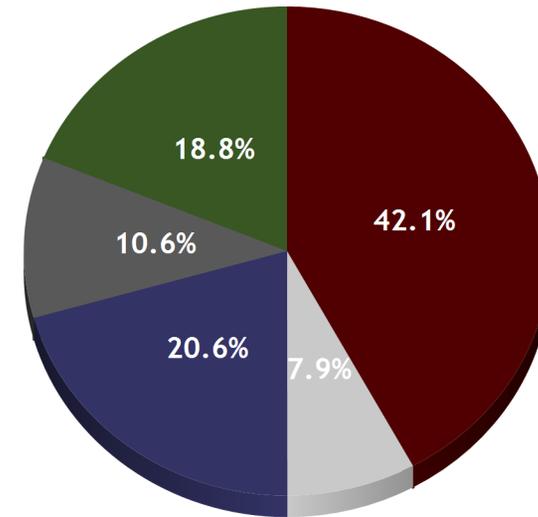
| Name | Par Amount | Total Adjusted Cost | Market Value | Unrealized Gain/Loss | Yield At Cost | Eff Dur | Bench Dur |
|---|-----------------------|-----------------------|-----------------------|----------------------|---------------|-------------|-------------|
| City of Kirkland - Core Investment Fund | \$ 120,296,000 | \$ 120,238,758 | \$ 120,725,493 | \$ 486,734 | 1.06 | 1.89 | 2.15 |
| City of Kirkland Liquidity | \$ 50,296,971 | \$ 50,296,971 | \$ 50,296,971 | | 0.37 | 0.14 | 0.10 |
| TOTAL PORTFOLIO | \$ 170,592,971 | \$ 170,535,729 | \$ 171,022,463 | \$ 486,734 | 0.86 | 1.37 | 1.55 |



Weighted Averages

| | |
|------------|------|
| Book Yield | 0.86 |
| Maturity | 1.48 |
| Coupon | 0.84 |
| Moody | Aa1 |
| S&P | AA+ |

Fixed Income Allocation



Fixed Income Totals

| | |
|----------------------------|----------------|
| Par Value | 170,592,971 |
| Market Value | 171,022,463.26 |
| Amortized Book Value | 170,535,728.86 |
| Unrealized Gain/Loss | 486,734.39 |
| Estimated Annual Cash Flow | 1,433,225.15 |

| Security Type | Market Value | % Assets |
|----------------------------|-----------------------|--------------|
| US Agency (USD) | 71,939,800.70 | 42.1 |
| Municipal (USD) | 13,546,242.00 | 7.9 |
| US Treasury (USD) | 35,239,450.00 | 20.6 |
| LGIP State Pool (USD) | 18,201,341.94 | 10.6 |
| Bank or Cash Deposit (USD) | 32,095,628.62 | 18.8 |
| Fixed Income Total | 171,022,463.26 | 100.0 |



Disclaimer

This material is based on information obtained from sources generally believed to be reliable and available to the public; however, GPA cannot guarantee its accuracy, completeness, or suitability. This material is for purposes of observations and oversight and is the opinion of the author and not necessarily of GPA, LLC. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this document is not an offer to purchase or sell any securities.

Definition and Terms

Maturity Distribution: The policy limits maturity risk in the portfolio by establishing a maximum weighted average maturity of the overall portfolio at 3 years, the maximum single issue maturity at 5 years and a limit on callable securities of 50% in the portfolio.

Investment Component: This is the amount of the overall portfolio balances that are in excess of liquidity requirements and invested in open market securities to add returns to the portfolio above LGIP rates.

Liquidity Component: This is the amount of the overall portfolio balances that are held in short term liquid investments to meet ongoing operational budgets and cash flows. An annual assessment of this amount is evaluated through a questionnaire process determining liquidity needs and City preferences, (Guiding Portfolio Strategy "GPS") completed by Government Portfolio Advisors.

Portfolio Summary: Provides of summary of **Par Amount** (face value of the security), **Original Purchase Adjusted cost** (adjusted by amortization to date) and **Market Value** by portfolio component of liquidity and core fund. **Yield at cost** is the earnings rate, **Modified Duration** is the risk measure used to determine the price volatility of the portfolio and is based on the cash flows to maturity. The comparison of the portfolio duration to the benchmark duration is used to articulate the positioning of the portfolio relative to the benchmark based on market risk. If the portfolio is longer in duration than the benchmark it will do better when rates fall versus the benchmark. If the portfolio duration is shorter than the benchmark it will perform better when rates rise. The benchmark is established through the GPS process and creates a discipline to managing the portfolio.

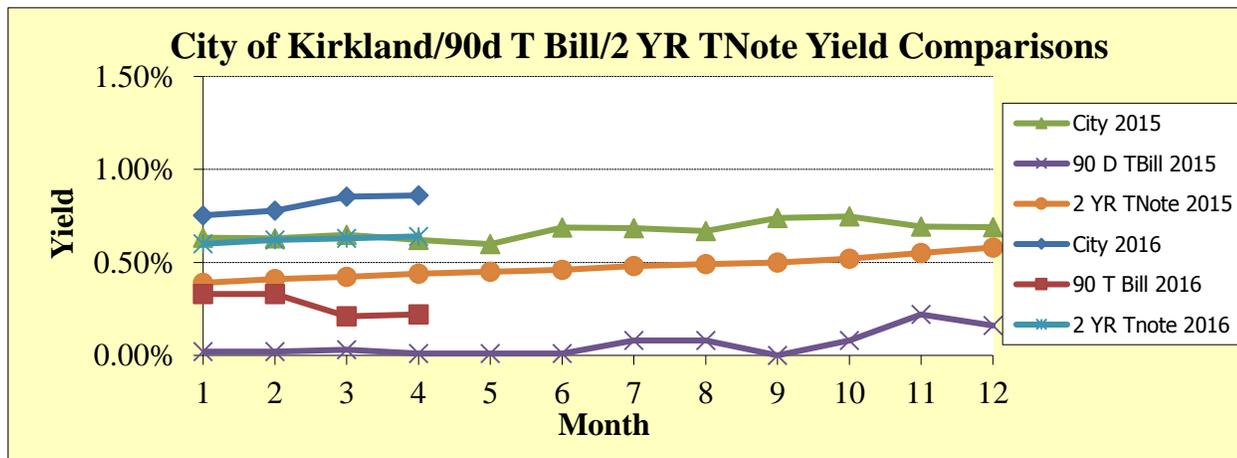
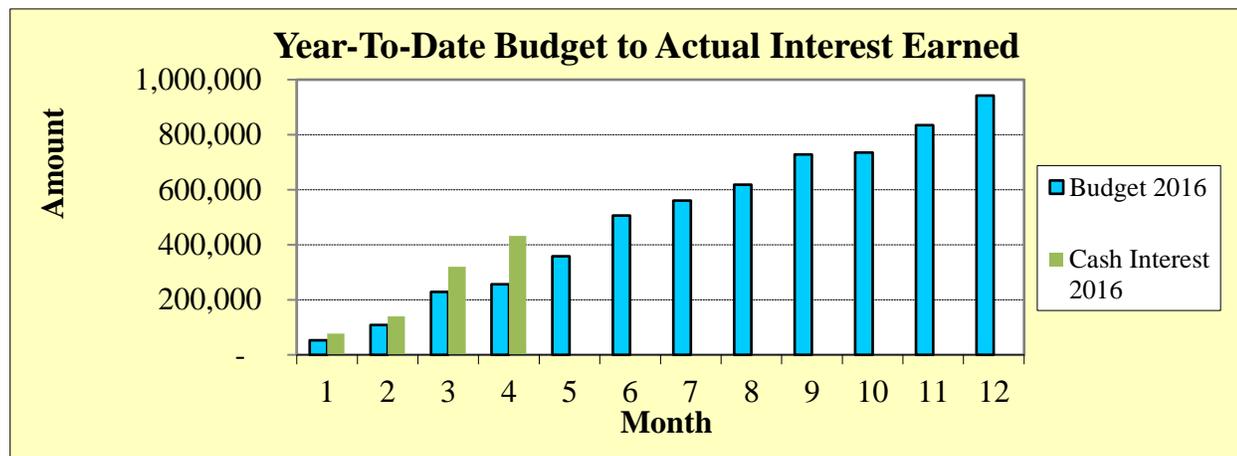
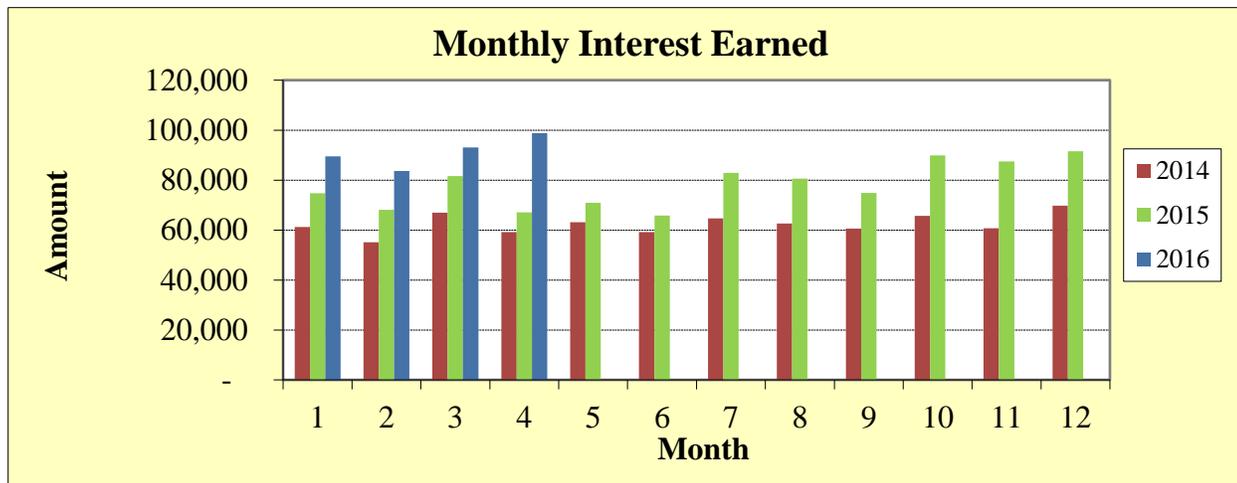
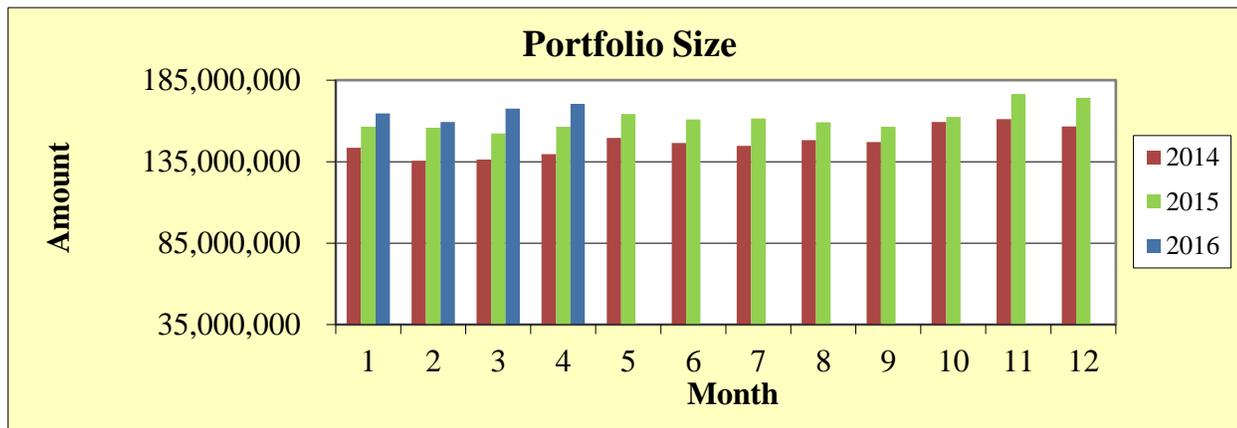
Weighted Averages: Calculates the allocation per bond on a weighted basis to the total portfolio for the book yield, maturity and coupon. **Book Yield** is the overall interest rate earned by an investor who buys the bond today at the market price, assuming that the bond will be held until **maturity** (the final date for payment of principal and interest), **Coupon** is the interest paid on a bond, usually semi-annual, expressed as a percentage of the face value (par) of a bond.

Fixed Income Totals: Summary of key elements of the portfolio. Realized Gain/Loss is calculated as the difference between the amortized cost and the market value. The estimated annual cash flow is the weighted average coupon cash flow generated from the portfolio and does not include amortization or accretion.

CITY OF KIRKLAND
INVESTMENT POLICY COMPLIANCE REPORT

Date of Report 05/25/2016Period Covered **Month of April 2016: April 30, 2016**

| Policy Section | Compliance | Current Portfolio | Policy Requirement | Frequency |
|--|-------------------|--|--|---------------------------|
| 7.0 Authorized Financial Dealers and Institutions | Compliant | Detailed Authorized Broker/Dealer list provided by the Investment Advisor is on file. | <ul style="list-style-type: none"> • Review of Financial Industry Regulatory Authority report on firm and broker • Certification of having read the Policy and receipt of the City's Trading Authorization • or Broker/Dealer list provided by Investment Advisor | Annual |
| 8.0 Broker Allocation | Compliant | One securities was purchased in April. Broker security offerings are on file in H:\FINANCE\Z Investments | 3 bids for security purchase or sale | Monthly |
| 9.0 Authorized Investments | Compliant | Breakdown of Portfolio listed in Section 12.0 | See Section 12.0 Diversification | Monthly |
| 9.0 Authorized Investments Credit Ratings | Compliant | Detailed in GASB 40 Report | Requires AA- or better from Standard & Poors and Aa3 by Moodys | Semi-Annual |
| 11.0 Safekeeping | Compliant | US Bank Safekeeping | All Securities will be held in Safekeeping | Monthly |
| 12.0 Diversification | | | Maximums | Monthly |
| US Agency Obligations | Compliant | 22% | 100% | |
| Government Sponsored Enterprise (GSE's) | Compliant | 40%, 14% largest issuer | 100%, 30% per issuer | |
| Callable Securities | Compliant | 15% | 50% | |
| Local Government Investment Pool | Compliant | 11% | 100% | |
| State or Political Subdivision Securities | Compliant | 8%, 4% largest issuer | 20%, 5% per issuer | |
| Certificates of Deposits | Compliant | 3% | 10%, 5% per issuer | |
| Bankers Acceptances | Compliant | 0% | 5%, 5% per issuer | |
| A-1/P-1 Commercial Paper | Compliant | 0% | 5%, 5% per issuer | |
| 13.0 Maximum Maturities | Compliant | 1.48 Years | Average Maturity Exposure 3 Years | Monthly |
| | Compliant | 4.8 yrs. 2/26/2021 | Maximum Maturity of Individual Issue 5 Years | Monthly |
| 14.0 Conformance to Policy | Compliant | October 29, 2015 and April 4, 2016 Investment Committee Review | Annual Review | Annual |
| 15.0 External Review | Compliant | 2013 review completed | External review of City Investment Policy and Investment Portfolio for compliance and best practices | Every 3 Years |
| 16.0 Performance Standards | Compliant | 90 Day T Bill 0.22% Avg. 2 Yr. T Note 0.64% <u>Portfolio</u> Liquidity Portion 0.37% <u>Investment Core 1.06%</u> Total Portfolio 0.86% | Band between 90 T Bill and 2 Yr Treasury Note | Monthly |
| 17.0 Reporting Requirements | Compliant | 2016 1 st Quarter FMR Report is available | Annual, Quarterly & Monthly | Monthly |
| 18.0 Policy Adoption | Compliant | Last adopted 12-9-2014 | Policy shall be adopted by City Council | Changes Adopted As Needed |



City of Kirkland
Investment Portfolio Analysis
As of April 30, 2016

| Month | Kirkland Portfolio | | | | Monthly Interest Earned (accrual basis) | | | | | | | | 2013 | 2014 | 2015 | 2016 |
|----------------|--------------------|-------------|-------------|--------------------|---|--------|--------|---------------|--|--|--|--|---------|---------|---------|----------------|
| | 2013 | 2014 | 2015 | 2016 | 2013 | 2014 | 2015 | 2016 | | | | | | | | |
| January | 147,092,449 | 143,421,023 | 156,314,647 | 164,511,618 | 58,580 | 61,187 | 74,750 | 89,513 | | | | | 58,580 | 61,187 | 52,583 | 89,513 |
| February | 146,976,588 | 135,412,468 | 155,851,451 | 159,291,435 | 62,157 | 55,081 | 68,033 | 83,650 | | | | | 167,721 | 109,710 | 142,492 | 173,163 |
| March | 146,167,907 | 136,341,046 | 152,331,121 | 167,562,033 | 77,984 | 66,925 | 81,552 | 93,029 | | | | | 208,036 | 142,550 | 224,044 | 276,988 |
| April | 155,152,206 | 139,552,582 | 156,349,024 | 170,445,138 | 69,791 | 59,152 | 67,068 | 98,779 | | | | | 257,241 | 204,059 | 290,728 | 364,690 |
| May | 160,818,008 | 149,485,197 | 164,255,373 | | 73,445 | 63,100 | 70,933 | | | | | | 386,233 | 255,598 | 361,765 | |
| June | 153,742,052 | 146,480,895 | 160,825,611 | | 57,863 | 59,152 | 65,781 | | | | | | 510,923 | 428,683 | 434,062 | |
| July | 150,140,357 | 144,749,873 | 161,393,089 | | 61,370 | 64,607 | 82,917 | | | | | | 579,393 | 465,939 | 516,979 | |
| August | 146,159,493 | 148,202,978 | 159,179,241 | | 63,600 | 62,646 | 80,577 | | | | | | 589,927 | 470,342 | 598,682 | |
| September | 144,140,492 | 147,019,653 | 156,319,946 | | 61,484 | 60,561 | 74,863 | | | | | | 610,367 | 486,803 | 680,022 | |
| October | 150,142,806 | 159,269,554 | 162,427,526 | | 65,593 | 65,709 | 89,879 | | | | | | 669,902 | 561,174 | 770,839 | |
| November | 153,361,598 | 161,062,345 | 176,442,633 | | 65,109 | 60,726 | 87,496 | | | | | | 717,757 | 589,228 | 859,023 | |
| December | 144,891,904 | 156,573,354 | 174,176,972 | | 69,468 | 69,693 | 91,472 | | | | | | 896,405 | 744,154 | 950,496 | |
| Average | 149,898,822 | 147,297,581 | 161,322,220 | 165,452,556 | 65,537 | 62,378 | 77,943 | 91,243 | | | | | n/a | n/a | n/a | n/a |

| Month | 2 Yr T-Bill 2 Yr. Rolling Average | | | | | | | | | | | | % of Budget | | | |
|----------------|-----------------------------------|-----------|-----------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|----------------|--------|--------|
| | City 2013 | City 2014 | City 2015 | City 2016 | 90 D TBill 2013 | 90 D TBill 2014 | 90 D TBill 2015 | 90 D TBill 2016 | 2 YR TNote 2013 | 2 YR TNote 2014 | 2 YR TNote 2015 | 2 YR TNote 2016 | Cash Interest 2016 | Budget 2016 | Actual | Budget |
| January | 0.62% | 0.57% | 0.63% | 0.75% | 0.07% | 0.02% | 0.02% | 0.33% | 0.33% | 0.29% | 0.39% | 0.60% | 77,650 | 53,100 | 8% | 6% |
| February | 0.64% | 0.59% | 0.63% | 0.78% | 0.11% | 0.05% | 0.02% | 0.33% | 0.32% | 0.29% | 0.41% | 0.62% | 139,345 | 108,600 | 15% | 12% |
| March | 0.64% | 0.59% | 0.65% | 0.85% | 0.07% | 0.05% | 0.03% | 0.21% | 0.29% | 0.30% | 0.42% | 0.63% | 319,419 | 229,200 | 34% | 24% |
| April | 0.61% | 0.58% | 0.62% | 0.86% | 0.05% | 0.03% | 0.01% | 0.22% | 0.28% | 0.30% | 0.44% | 0.64% | 432,250 | 256,500 | 46% | 27% |
| May | 0.51% | 0.55% | 0.60% | | 0.04% | 0.04% | 0.01% | | 0.27% | 0.37% | 0.45% | | 358,000 | 0% | 38% | |
| June | 0.52% | 0.56% | 0.69% | | 0.04% | 0.04% | 0.01% | | 0.27% | 0.31% | 0.46% | | 506,000 | 0% | 54% | |
| July | 0.55% | 0.57% | 0.68% | | 0.04% | 0.03% | 0.08% | | 0.27% | 0.33% | 0.48% | | 560,000 | 0% | 59% | |
| August | 0.56% | 0.56% | 0.67% | | 0.03% | 0.03% | 0.08% | | 0.27% | 0.34% | 0.49% | | 618,000 | 0% | 66% | |
| September | 0.56% | 0.57% | 0.74% | | 0.02% | 0.02% | 0.00% | | 0.28% | 0.35% | 0.50% | | 728,000 | 0% | 77% | |
| October | 0.57% | 0.53% | 0.75% | | 0.04% | 0.01% | 0.08% | | 0.28% | 0.36% | 0.52% | | 735,000 | 0% | 78% | |
| November | 0.56% | 0.55% | 0.69% | | 0.06% | 0.02% | 0.22% | | 0.28% | 0.37% | 0.55% | | 834,000 | 0% | 88% | |
| December | 0.59% | 0.62% | 0.69% | | 0.07% | 0.04% | 0.16% | | 0.29% | 0.39% | 0.58% | | 942,500 | 0% | 100% | |
| Average | 0.58% | 0.57% | 0.67% | 0.81% | 0.05% | 0.03% | 0.06% | 0.27% | 0.29% | 0.33% | 0.47% | 0.62% | n/a | 942,500 | n/a | n/a |



CITY OF KIRKLAND
Department of Finance & Administration
 123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
 www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
 Kyle Butler, Budget Analyst

Date: May 13, 2016

Subject: April Sales Tax Revenue

April sales tax revenue is **up 8.8 percent** compared to April 2015. Growth continues for a fourth consecutive month in 2016, which is partly due to a relatively slow start to sales tax revenues in 2015. Increases in Services (29.5 percent, up \$50,000) and Auto/Gas Retail (8.4 percent, up \$28,000) are the main drivers of this growth along with increases in Other Retail sector (11.0 percent, up \$19,000) and Wholesale (15.4 percent, up \$9,500). General Merchandise/Miscellaneous Retail sales stalled in April, falling 3.7 percent (\$5,000). This is at least partially due to lost business activity at Totem Lake Mall and Parkplace due to displacement during redevelopment. Overall, 2016 continues to perform well relative to 2015, though not at the higher rates of January and February. Results this month reflect sales activity in February, due to the two month lag in reporting sales tax data.

Comparing April 2016 to April 2015

Comparing collections from the month of April this year and last provides insight into business sector performance controlling for seasonal cycles in sales.

2016 Sales Tax Receipts by Business Sector-Monthly Actuals

| Business Sector Group | April | | Dollar Change | Percent Change | Percent of Total | |
|------------------------|------------------|------------------|----------------|----------------|------------------|-------------|
| | 2015 | 2016 | | | 2015 | 2016 |
| Services | 168,651 | 218,347 | 49,696 | 29.5% | 12.7% | 15.2% |
| Contracting | 202,345 | 215,198 | 12,853 | 6.4% | 15.3% | 14.9% |
| Communications | 39,800 | 36,184 | (3,616) | -9.1% | 3.0% | 2.5% |
| Retail: | | | | | | |
| Auto/Gas Retail | 331,880 | 359,665 | 27,785 | 8.4% | 25.1% | 25.0% |
| Gen Merch/Misc Retail | 145,038 | 139,693 | (5,345) | -3.7% | 11.0% | 9.7% |
| Retail Eating/Drinking | 111,243 | 118,779 | 7,536 | 6.8% | 8.4% | 8.2% |
| Other Retail | 175,857 | 195,164 | 19,307 | 11.0% | 13.3% | 13.6% |
| Wholesale | 61,892 | 71,417 | 9,525 | 15.4% | 4.7% | 5.0% |
| Miscellaneous | 87,230 | 85,630 | (1,600) | -1.8% | 6.6% | 5.9% |
| Total | 1,323,936 | 1,440,078 | 116,141 | 8.8% | 100% | 100% |

Comparing month to month, April sales tax collections this year are **\$116,000 (8.8 percent)** higher than April 2015. Sectors with high percentage growth include Services, Wholesale and Other Retail.

In terms of dollar growth, **Services** performed best compared to April 2015, increasing by **\$50,000 (29.5 percent)** largely due to an increase in personal services revenues. The top three improving sectors were rounded out by **Auto/Gas Retail** which was up **\$28,000 (8.4 percent)** and **Other Retail**, which grew **\$19,000 (11.0 percent)**. The Auto/Gas Retail sector is critical to Kirkland's sales tax base and continued growth in sales is encouraging since these sales make up 25 percent or more of the City's sales tax revenues historically. The Other Retail sector has grown due to increasing revenues from the Electronics, Online Retail and Health & Personal Care sub sectors. The first quarter began with strong Contracting revenues driving the month-to-month growth rate; growth was still moderate, however the rate trailed other categories.

Three sectors did experience decreased revenues when compared to April Last year. **General Merchandise/Miscellaneous Retail** declined **\$5,300 (3.7 percent)** partly due to lower gross revenues and also a potential late tax filing. **Communications** fell **\$3,600 (9.1 percent)** this month, which is related to a change in the calculation of gross revenues for cellular services. This change took effect following May 2015 when the Department of Revenue issued a refund due to an error in reporting by the carriers that had resulted in the overpayment of sales taxes by some carriers. **Miscellaneous** revenues fell **\$1,600 (1.8 percent)** due to a potential late tax filing. The City will follow up with the Department of Revenue on the tax filing issues above.

Year-to-Date Business Sector Review

Year-to-date sales tax totals are useful for comparing revenues received so far this year with last year's totals through the same period. This information gives context on each sector's longer term performance and allows developing trends to be identified.

City of Kirkland Actual Sales Tax Receipts

| Business Sector Group | YTD | | Dollar Change | Percent Change | Percent of Total | |
|------------------------|------------------|------------------|----------------|----------------|------------------|-------------|
| | 2015 | 2016 | | | 2015 | 2016 |
| Services | 772,410 | 864,922 | 92,512 | 12.0% | 13.1% | 13.4% |
| Contracting | 848,198 | 981,531 | 133,333 | 15.7% | 14.4% | 15.2% |
| Communications | 167,084 | 151,899 | (15,185) | -9.1% | 2.8% | 2.3% |
| Retail: | | | | | | |
| Auto/Gas Retail | 1,488,098 | 1,583,356 | 95,258 | 6.4% | 25.2% | 24.5% |
| Gen Merch/Misc Retail | 715,041 | 716,178 | 1,137 | 0.2% | 12.1% | 11.1% |
| Retail Eating/Drinking | 477,337 | 489,802 | 12,465 | 2.6% | 8.1% | 7.6% |
| Other Retail | 832,675 | 938,660 | 105,985 | 12.7% | 14.1% | 14.5% |
| Wholesale | 266,634 | 328,924 | 62,290 | 23.4% | 4.5% | 5.1% |
| Miscellaneous | 338,228 | 419,625 | 81,397 | 24.1% | 5.7% | 6.5% |
| Total | 5,905,706 | 6,474,893 | 569,187 | 9.6% | 100% | 100% |

Through the end of April, year to date sales taxes were up **9.6 percent**. Growth has slowed from the beginning of the year, but is still robust. However, as the early month are compared to a slow start in 2015, staff expects the growth rate to moderate in the months ahead, which is consistent with this month's results.

By dollar amount, the largest growth is in **Contracting**, which is up **\$133,000 (15.7 percent)** from last year. **Other Retail** and **Auto/Gas Retail** are the next two leading sectors, up **\$106,000 (12.7 percent)** and **\$95,000 (6.4 percent)** respectively. Contracting has continued a strong start to 2016 and most other sectors have contributed to growth in revenues.

Communications is down **\$15,000 (9.1 percent)** on the year, with this drop in revenues from the reflecting a statewide change in the calculation of gross taxable revenues in the telecommunications industry.

Neighboring City Performance

Neighboring cities are performing well this year with Bothell, Bellevue, and Renton up 12.6, 7.2, and 8.1 percent respectively. Seattle's revenue is up 6.9 percent, with a slight rebound in April sales taxes after a slow first quarter. Redmond continues an incredible start to the year and is up 59.9 percent, due to one-time audit recoveries.

National and Regional Economic Context:

Information about wider trends in the economy provides a mechanism to help understand current results in Kirkland, as well as predict future performance. The combination of consumer confidence, unemployment levels, housing data and auto sales provide the broader economic context for key factors in sales tax revenues.

| 2016 Wider Economic Indicators | | | | | |
|--------------------------------|---------------------------|-----------|---------|----------|--------|
| Indicator | Most Recent Month of Data | Unit | Month | | |
| | | | Current | Previous | Change |
| Consumer Confidence | | | | | |
| Consumer Confidence Index | April | Index | 94.2 | 96.1 | (1.9) |
| Unemployment Rate | | | | | |
| National | April | % | 5.0 | 5.0 | 0.0 |
| King County | March | % | 4.7 | 4.8 | (0.1) |
| Housing | | | | | |
| New House Permits | March | Thousands | 40.8 | 33.5 | 7.3 |
| Seattle Area Home Prices | February | Index | 188.9 | 187.0 | 2.0 |
| Inflation (CPI-W) | | | | | |
| National | March | % Change | 0.5 | 0.7 | (0.2) |
| Seattle | February | % Change | 2.4 | 2.3 | 0.1 |
| Car Sales | | | | | |
| New Vehicle Registrations | April | Thousands | 24.6 | 25.7 | (1.1) |

The Consumer Conference Board reported a decrease in the **Consumer Confidence Index**, from 96.1 in March to 94.2 in April. According to the Conference Board, consumer confidence is holding about steady with moderate fluctuations from month to month. Their survey shows that consumers think that current conditions have improved but expectations for short term market conditions have moderated from previous months, suggesting that consumers do not foresee either growth or contraction in the economy in the coming months.

Unemployment Rates were static at the National level, remaining at 5.0 percent from March to April. The unemployment rate in King County decreased from 4.8 percent in February to 4.7 percent in March, which is the latest available data point.

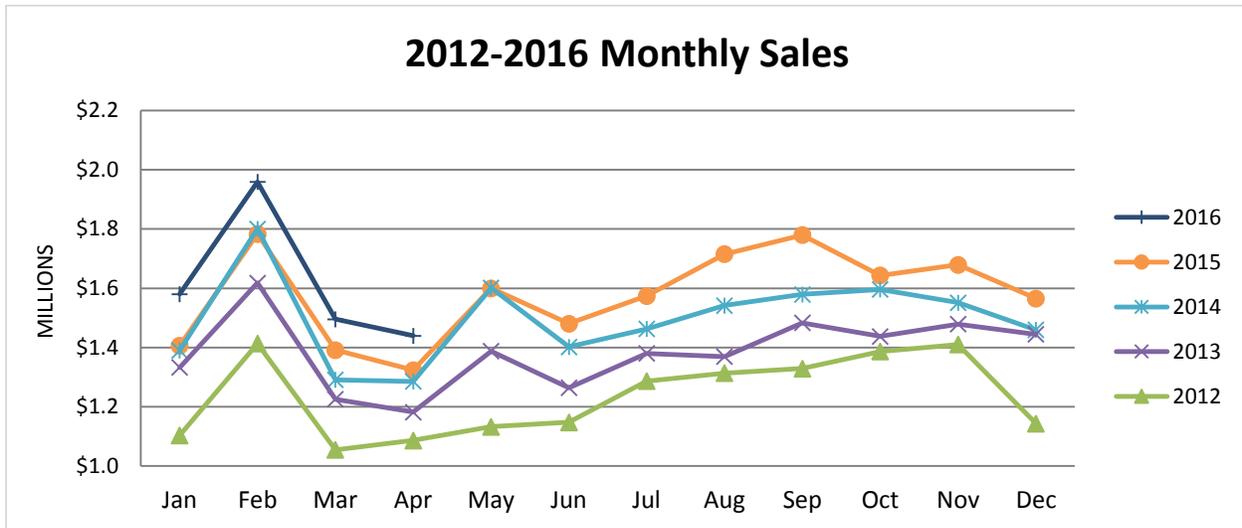
Statewide housing market and car sales data indicate continued strength. Statewide housing market values continue to rise as shown by the **Seattle Area Home Price Index**, which grew from 187 in January to 188.9 in February. This figure continues to get closer to the pre-recession high point of 192.3 set in August 2007. **New House Permits** in the state increased by 7,300 (21.8 percent) from February to March, with 40,800 new permits across the state.

New Vehicle Registrations in Washington have declined from the two year high water mark of 28,400 in January, falling to 27,300 in February, 25,700 in March and 24,600 in April. Despite the decline, April's

figure is still a solid month of sales, ranking in the middle of the pack over the last two years. However, the recent declining trend is worth noting.

Conclusion

The following chart shows Kirkland's monthly sales tax revenues through April.



Sales tax revenue in 2016 continues to outperform revenue in 2015. This gap had been closing in the first quarter but widened slightly after April. As shown in the graph above, there was a slow start in 2015 compared to 2014 over the first five months of the year. This has not been the case in 2016, with positive growth over each month in 2015 so far, however there is a chance that revenues in the last two thirds of the year may be challenged to meet the strong results over the same time frame in 2015. Contracting and Auto/Gas Retail continue to be drivers of growth in Kirkland and the performance of these economically sensitive sectors will be the key to continued sales tax growth in Kirkland.