

Finance & Administration Committee Agenda

July 22, 2016

Cultural Arts Commission Staffing Support (10 minutes)

Attachment A

Utility Rates (45 minutes)

Attachment B

June Dashboard Report (10 minutes)

Attachment C

Informational Items:

- June Investment Report – Attachment D
- June Sales Tax Memo – Attachment E

Upcoming Finance & Administration Items on Council Agenda:

Next Meeting

August 30, 2016 at 3:30pm

Potential Future Topics

- 2017-2018 Budget
- Conference Room naming for former City Manager (added 5/3/2016)
- NEW - State Business License Portal (added 6/7/16)

Cultural Arts Commission
2015 Budget

ATTACHMENT A

Operating Budget		
City of Kirkland	.125 FTE	\$ 15,907.00
City of Kirkland	Art Integration Plan Funding	\$ 20,000.00
Cit of Kirkland	ArtsFund Economic Impact Study	\$ 1,500.00
4Culture	Grant	\$ 8,000.00
TOTAL Arts Programing Budget		\$ 45,407.00
Expense		
City of Kirkland Staffing	.125 FTE	\$ 15,907.00
CKC Art Intergration Plan		\$ 20,000.00
ArtsFund	Economic Impace Report - Eastside Breakout	\$ 1,500.00
Kirkland Artist Studio Tours	Program AD	\$ 250.00
Kirkland Arts Center	Holiday Art Market and Open House	\$ 1,000.00
Kirkland Teen Union Building	1000 Crane Display	\$ 235.00
Kirkland Performance Center	Beauty and the Beast	\$ 765.00
Kirkland Arts Center	Teen Art Installation Project	\$ 1,000.00
Studio East	The Elves and the Toymaker	\$ 1,000.00
Kirkland Downtown Association	Summerfest	\$ 140.00
Kirkland Chamber of Commerce	Art Award	\$ 317.86
Cultural Arts Commission	Public Art Training	\$ 500.00
Cultural Arts Commission	Banner	\$ 500.42
Park Lane Sculpture Garden	Installation Costs	\$ 1,531.92
Cultural Arts Commission	Celebration and Meeting Supplies	\$ 759.80
Total Arts Programing Expense		\$ 45,407.00

Cultural Arts Commission Staff Duties

Administrative Tasks (approximate need 10 hours a week)

Meetings

- Set Draft Agenda for monthly meeting
- Meet with Commission leadership to finalize agenda
- Send out meeting reminders with agenda and previous meeting minutes
- Prep material needed for meeting and coordinate any special guests (public artist, community members, trainings, new art related business/organization or event introduction etc)
- Manage any administrative requirements for Commission members (Open Government Training, Code of Ethics agreement etc)
- Attend meetings and take minutes
- Prepare minutes for distribution
- Schedule needed public art subcommittee meetings

New Member Appointments

- Work with Assistant City clerk to distribute announcement
- Help advertise announcement
- If commission position, recruit interview committee and prepare material for interviews
- Attend interviews
- New member orientations
- Update roster

Budget and Contract Administration

- Develop Request for Proposals for public art artists
- Develop funding applications for grants
- Create contracts and manage delivery of scope of work/event
- Coordinate payments and reimbursements
- Apply and submit reimbursement requirements for 4Culture Grant
- Manage 4Culture Funding budget
- Work with Project Engineers to manage 1% for art budgets
- Prepare necessary reporting materials for 4Culture and other potential grant sources

Regional Issues

- Attend 4Culture Local Art Agency Meetings to stay current on regional happenings and best practices
- Participate in regional art initiatives that would benefit Kirkland (Creative Vitality Index, Arts and Cultural Space inventory, King County Cultural Access Fund.)
- Monitor State Legislation that would affect Kirkland
- Monitor Volunteer and board opportunities to share with Commission

Grants

- Monitor Grant opportunities and apply with applicable projects

Community Art Projects

- Field questions from community members regarding art activation (Chamber Photos, Arete Panels, Google Photos, Nytec Sculpture Garden, Fish Frolic, Juanita Banner Project, event projects)

Public Art Donations

- Field and present public art donation requests to the Cultural Arts Commission
- Work with various departments affected by public art acquisitions
- Manage public art development with various internal and external stakeholders
- Coordinate and promote Public Art openings
- Evaluate policies and practices for improved, clarity and efficiency
- Monitor and manage on-loan sculpture contracts and renewals
- Monitor the public art sculpture chart and insurance requirements

Art in Private Development

- Work with developers and planners on encouraging art in their private development projects in Kirkland (Imaging Housing, Nytec, Totem Lake Mall, Park Place)

City Council Items

- Schedule Agenda item on City Council Meeting calendar
- Write Council items staff reports. (Public art recommendations, Art Education Month Proclamation, funding requests, policies)
- Present items at Council Meetings
- Monitor various city plans and encourage inclusion of art (CKC Master plan, 2035 comprehensive plan, PROS plan)
- Create policies needed in collaboration with other affected departments (Public Art Decorating Policy, Public Art Policy Guidelines)

Communications

- Manage and update www.kirklandwa.gov/arts
- Manage and update www.explorekirkland.com/arts
 - Art Galleries
 - Performances
 - Public Art
 - Sculpture Gallery
 - Wish List – Artist profiles
- Include art and art events within Explore Kirkland promotions (Visitor Guide/website/facebook)
- Manage STQRY Content
- Draft and distribute applicable press releases

Management of 1% for Art Projects (Approximate need 10 hours a week)

1% for Art Policy Development

- Working with Directors to develop a public art policy that can be adopted by Council that outlines the eligibility, process guidelines,
- Once Finalized in working group get comments from Project Managers and Cultural Arts Commission
- Adoption by City Council

City Hall

- Work with Project Manager to understand budget and art opportunities for new art
- Recruit Art Committee consisting of members of the Cultural Arts Commission and staff who will interact with art on a daily bases
- Hire and manage a consultant to manage art process
- Manage art concept development through the Art Committee, Cultural Arts Commission, Steering Committee and City Council
- Work with facilities to gather all existing art in one location.
- Recruit experts to evaluate existing art for artistic or historical merit and value

124th Ave Sidewalk Improvements

- Meet with project engineer to understand project
- Develop RFP
- Determine possibility of creating city wide sidewalk art concept
- Hire artist to develop concept
- Determine how to incorporate concept in current and future projects.

100th Ave NE Roadway Design

- Participate in planning meetings to understand project scope and opportunities for art.
- From a Cultural Arts Commission Committee
- Determine budget and the hiring of a public art consultant to manager project

Parks Projects (Forbes Lake, Waverly Beach, Spinney Homestead, Terrace, Juanita Beach Park and Bathhouse, Edith Moulton, 132 Park, Totem Lake)

- Work with project manager to understand scope of projects
- Form and committee to help project manager with concept development, artist selection and concept recommendation to City Council.

NE 124th St/124th Ave NE Pedestrian Bridge

- Work with project manager to understand design and timeline
- Hire an artist in the design phase to develop opportunities for public art

Upcoming 1% for Art Projects

- Evaluate newest CIP for projects with 1% for art funding to determine timeframe and project manager to work with to incorporate 1% for art concept into project and project timeline.
 - Maintenance Center
 - South Kirkland TOD
 - Fire Station 25 Renovation

Current other Public Art Projects (Approximate need 5-10 hours a week)

Kalakala Concept Development

- Convene Committee
- Oversee concept brainstorm and development
- Marketing Material Development
- Fundraising

Park Lane Outdoor Sculpture Gallery management

- Oversee annual solicitation of artists
- Oversee annual jurying of work
- Manage contracting with artists
- Manage Public Works involvement in art installation
- Oversee sales of work and refilling of plinths

Cross Kirkland Corridor Art integration plan development

- Draft RFP for soliciting consultant
- Oversee Consultant Selection
- Oversee contract
- Manage Public Participation Process
- Manage consultant and draft revisions
- Prepare document for City Council adoption

Cross Kirkland Artist in Residence

- Develop RFP for Artist in Residence Project including proposed locations
- Vet finalized through CKC service team to understand any restrictions, constraints or limitations
- Evaluate applications and invite finalized in for an interview
- Manage and assist artist during residency
- Create marketing plan to notify and promote project to the public.
- Opening and recap event

Cross Kirkland Corridor Public Art Concepts

- Merilly Dicks railroad spike concept

- Determine Site
- Determine installation costs
- Get concept, site and budget approved by City Council
- Installation
- Celebration

- Robert Pantley Rail Salvage
 - Determine material available and how long Robert Pantley can store it.
 - Determine City's interest and budget for developing concepts, fabrication and artist fee.

Cross Kirkland Corridor Art Event

- Determine any funding available for an art event on the Cross Kirkland Corridor
- Create timeline, marketing and event plan for event

RESOLUTION R-4995

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND ADDING TO THE MEMBERSHIP OF THE KIRKLAND CULTURAL ARTS COMMISSION.

WHEREAS, the Kirkland Cultural Council was formed in November 2002 pursuant to Resolution R-4353 and renamed to be the Kirkland Cultural Arts Commission pursuant to Resolution R-4932 in July 2012; and

WHEREAS, the Kirkland City Council wishes to add one additional position to the Kirkland Cultural Arts Commission;

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. Purpose. The primary purpose of the Cultural Arts Commission shall be to advise the City Council on public art acquisitions and loans, and review and recommend projects under the City's "one percent for the arts" program. After consultation with the City Manager, and based on the availability of resources, the Cultural Arts Commission may also promote strategic planning and development for arts, culture and heritage in the community, including implementation of projects.

Section 2. Membership.

A. There will be no fewer than 7 members and no more than 13 members of the Cultural Arts Commission. The City Council shall appoint members 1-5 and 13, the Cultural Arts Commission shall, in its discretion, appoint members 6-12. All of the members shall reside or own a business within the City of Kirkland. All members must have an interest in the arts and in the role of public art in the community. A member may serve in an individual capacity, even if he or she works for an organization that may make a proposal to the Cultural Arts Commission. The membership of the Cultural Arts Commission is intended to reflect balance, taking into account such elements as the diversity of the community, connection to various geographic areas of the City, and art, culture and heritage expertise.

B. Position 1 shall be filled by a "Youth," meaning a person who meets the requirements of Kirkland Municipal Code 3.08.110(b). Position 6 shall be filled by an "Artist," meaning a person who has a demonstrated commitment as an artist. Positions 2 and 7 shall be designated as "Public Art" positions, meaning filled by a person with demonstrated expertise in the area of public art, including the curation and management of a public art collection. Position 8 shall be designated "Cultural/Heritage" meaning it is filled by a person who has a demonstrated commitment to cultural and/or heritage matters. If a person who meets the special qualifications listed above happens to be serving in another position, then this position may be filled without regard to the special qualification.

R-4995

C. Except for the Youth Position, a member's term on the Cultural Arts Commission shall be for four years. Except as otherwise provided, the terms for all positions shall begin on April 1 and expire on March 31 of the applicable calendar year. Positions 8-12 may be filled or left unfilled, at the discretion of the Cultural Arts Commission.

D. A member may be reappointed to the Cultural Arts Commission; provided that, no person shall serve as a member for more than two full terms. Vacancies shall be filled for the remainder of the unexpired term of the vacant position. A member will be expected to attend no less than 80% of all meetings for which there is no prearranged absence. In addition, when a member misses three or more consecutive meetings, not excused by a majority vote of the Cultural Arts Commission, the Cultural Arts Commission shall consider removal of that member. In the case of a member who was appointed by the City Council, the Cultural Arts Commission shall report a member's pattern of absence to the City Council, together with a recommendation concerning removal by the City Council. A member who is unable to attend regular meetings is expected to tender his or her resignation. A resignation shall be effective on such date as designated by the resigning member.

E. The Cultural Arts Commission shall meet at least every other month, and no more than ten times per year.

Section 3. Officers. Annually, the Cultural Arts Commission shall elect from the members of the Commission a Chair and a Vice Chair. The Cultural Arts Commission will pick a Chair for a term of one year with the possibility of selection for one additional year. The term for Vice Chair shall be one year and the Vice Chair will not automatically ascend to become the Chair. There will be no term limit on serving as Vice Chair. It shall be the duty of the Chair to preside at all meetings of the Cultural Arts Commission. In the Chair's absence, the Vice Chair shall preside. The Chair shall propose an agenda for meetings and shall vote on matters being voted on by the Cultural Arts Commission.

Section 4. Voting. A quorum of the Cultural Arts Commission shall be a majority of persons currently serving as voting members. Each voting member is entitled to one vote.

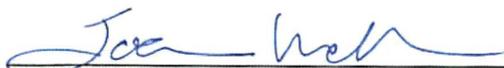
Section 5. Procedure. All business of the Cultural Arts Commission shall be guided by "Roberts Rules of Order".

Section 6. Compensation. The members of the Cultural Arts Commission shall receive no compensation from the City of Kirkland. Expenses specifically authorized by the City Manager may be reimbursed to a member.

Passed by majority vote of the Kirkland City Council in open meeting this 3rd day of September, 2013.

R-4995

Signed in authentication thereof this 3rd day of September,
2013.


MAYOR

Attest:


City Clerk

June 2016 Financial Dashboard Highlights

July 15, 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 and June 21, 2016. The actual revenues and expenditures summarized reflect results through June 30, 2016, 50 percent through the year.
- Total General Fund revenues received through June were at 52.5 percent of budget. Collections are slightly higher than expected due largely to sales tax, plan check fees, and business license revenue.
 - Sales tax revenues through the end of June were up 7.8 percent compared to June 2015 and were 53.9 percent of budget. All sectors, with the exception of General Merchandise/Misc. Retail, are up compared to 2015; high levels of contracting sales tax revenues account for nearly 30 percent of the year to date growth. The sales tax revenue reflects activity through April 2016 due to the two month lag in receipt of the funds from the Department of Revenue.
 - Utility tax receipts were \$7,525,605 in June, which is 49.6 percent of the budget. This represents almost no change from June 2015. Revenues in 2015 came in under budget, and are on pace to do so again in 2016.
 - Business license revenues through June are 69.1 percent of budget; this is higher than last June's revenue by \$508,669, an increase of 32.7 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 from this year, but the collection of past due fees represents one-time revenues.
 - Development fees through the end of June were at 67.5 percent of budget. This is due to a high level of development activity to start the year, as Kirkland Urban and Totem Lake development began to generate planning fee revenue. This is 20.7 percent higher than 2015, which was also a strong year.
 - Building revenues through June are 67.0 percent of budget and 30.2 percent above last year. These figures include significant one-time fees, most notably for Kirkland Urban plan review.
 - Engineering revenues are at 66.5 percent of budget through June, and 5.4 percent below last year. As predicted by development staff, activity increased after May with construction work at Totem Lake and Kirkland Urban.
 - Planning revenues through June are at their highest level in 5 years, with 77.7 percent of the budget collected and growth that is 27.6 percent above last year. This is due to several moderately large subdivisions and numerous short plats.
 - It bears mentioning that Development Services staff observed a substantial amount of permitting activity in June, ahead of a change to building codes that went into effect July 1.
 - Gas taxes finished June at \$862,838, which is 51.2 percent of the annual budget. This is higher than June 2015 by 6.6 percent and continues this year's strong performance relative to previous years.
- Total General Fund expenditures were 47.3 percent of budget through the end of June.
 - General fund salaries and benefits were \$29 million, which is 47.6 percent of the annual budget, with 50.0 percent of the year completed. Salaries and benefits are 2.2 percent higher than in 2015. Much of this increase is due to back-pay after the Police Union contract settlement. Salaries will increase even further over 2015 after July, as AFSCME members will receive back-pay after contract settlement.
 - Fire suppression overtime expenditures were \$538,755 at the end of June, which is 73.3 percent of budget, and \$85,269 higher than in 2015.
 - Contract jail costs were 32.2 percent of budget at the end of June. 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 June at \$168,127, 22.8 percent of budget. Expenditures are 16.4 percent under 2015, despite purchasing 7.5 percent more fuel through June, as average gas prices through June 2016 are 18.3 percent below 2015.

Attachments: June Dashboard

City of Kirkland Budget Dashboard

Date Completed 7/15/2016

Annual Budget Status as of 6/30/2016 (Note 1)
Percent of Year Complete 50.00%

	2016 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Report	Last Report	
General Fund						
Total Revenues	88,992,410	46,717,579	52.5%			
Total Expenditures	88,640,349	41,963,589	47.3%			

Key Indicators (All Funds)

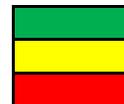
<i>Revenues</i>						
Sales Tax	17,963,747	9,684,732	53.9%			
Utility Taxes	15,175,950	7,525,605	49.6%			
Business License Fees	2,988,028	2,064,408	69.1%			
Development Fees	7,865,453	5,312,929	67.5%			
Gas Tax	1,684,070	862,838	51.2%			
<i>Expenditures</i>						
GF Salaries/Benefits	59,491,930	28,320,347	47.6%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	735,411	538,755	73.3%			Excludes FS 24 Overtime
F.S. #24 Overtime Staffing	465,944	226,095	48.5%			
Contract Jail Costs	416,867	134,318	32.2%			
Fuel Costs	738,927	168,127	22.8%			

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).

Data Entry and Alterations

Budget **Actual Entry/
Adjustments** **Adjustments**

Maximum Maturities	Policy Requirement	Percentage of Portfolio	Portfolio Allocation	Within Limits	Credit Rating	Within Limits
Under 30 days	10%	13%	\$ 24,695,488	Yes	Municipal	
Under 1 year	25%	47%	\$ 86,577,367	Yes	AA-	by S&P Yes
Under 5 years	100%	100%	\$ 184,479,081	Yes	Aa3	by Moodys Yes
Maximum Weighted Average Maturity	3 Years		1.60	Yes	Commercial Paper/Bankers Acceptance	
Maximum Callable Securities	50%	30%	\$ 25,005,995	Yes	A1+ / P1	Yes
Maximum Single Maturity	5 Years		4.48	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%		19%	\$ 35,369,145	Yes
Government Agencies	100%		44%	\$ 81,144,490	Yes
FHLB		30%	7%	\$ 12,181,444	Yes
FNMA		30%	11%	\$ 20,077,410	Yes
FHLMC		30%	14%	\$ 25,207,665	Yes
FFCB		30%	11%	\$ 20,100,620	Yes
Other GSE's		30%	2%	\$ 3,577,351	Yes
Municipal Bonds- GO States - Locals WA	20%	5%	3%	\$ 6,140,680	Yes
Certificates of Deposit	10%	5%	3%	\$ 5,029,920	Yes
Commercial Paper	5%	5%	0%	\$ -	Yes
Bank Deposits **	50%	10%	19%	\$ 34,276,259	Yes
Bankers Acceptances	5%	5%	0%	\$ -	Yes
Local Government Investment Pool	100%	N/A	12%	\$ 22,518,587	Yes
Total			100%	\$ 184,479,081	



** 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	\$ 121,706,000	\$ 121,703,111	\$ 122,654,315	\$ 951,204	1.13	2.01	2.15
City of Kirkland Liquidity	\$ 61,824,766	\$ 61,824,766	\$ 61,824,766		0.51	0.12	0.10
TOTAL PORTFOLIO	\$ 183,530,766	\$ 183,527,877	\$ 184,479,081	\$ 951,204	0.92	1.38	1.46

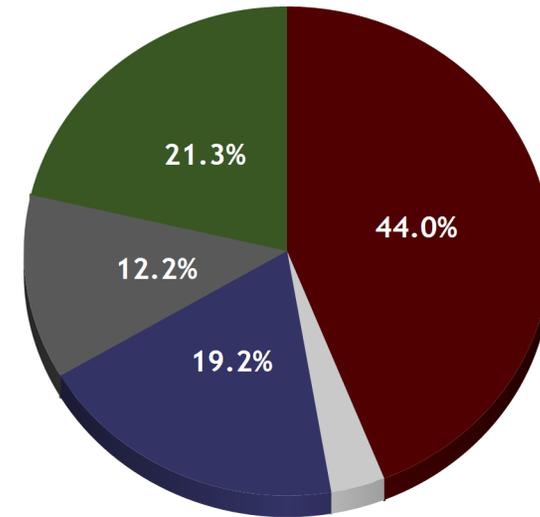


Total Funds City of Kirkland

Weighted Averages

Book Yield	0.92
Maturity	1.60
Coupon	0.91
Moody	Aa1
S&P	AA+

Fixed Income Allocation



Fixed Income Totals

Par Value	183,530,766
Market Value	184,479,081.35
Amortized Book Value	183,527,877.09
Unrealized Gain/Loss	951,204.26
Estimated Annual Cash Flow	1,674,624.61

Security Type	Market Value	% Assets
US Agency (USD)	81,144,489.96	44.0
Municipal (USD)	6,140,680.00	3.3
US Treasury (USD)	35,369,145.00	19.2
LGIP State Pool (USD)	22,518,586.95	12.2
Bank or Cash Deposit (USD)	39,306,179.44	21.3
Fixed Income Total	184,479,081.35	100.0

ATTACHMENT D

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.

ATTACHMENT D

**CITY OF KIRKLAND
INVESTMENT POLICY COMPLIANCE REPORT**

Date of Report 07/18/2016

Period Covered **Month of June 2016: June 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 security was purchased in June. 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	21%	100%	
Government Sponsored Enterprise (GSE's)	Compliant	43%, 14% largest issuer	100%, 30% per issuer	
Callable Securities	Compliant	8%	50%	
Local Government Investment Pool	Compliant	12%	100%	
State or Political Subdivision Securities	Compliant	3%, 3% 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	1.38 Years	Average Maturity Exposure 3 Years	Monthly
	Compliant	4.7 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 0.26% Avg. 2 Yr. T Note 0.67% <u>Portfolio</u> Liquidity Portion 0.51% <u>Investment Core 1.13%</u> Total Portfolio 0.92%	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

ATTACHMENT D

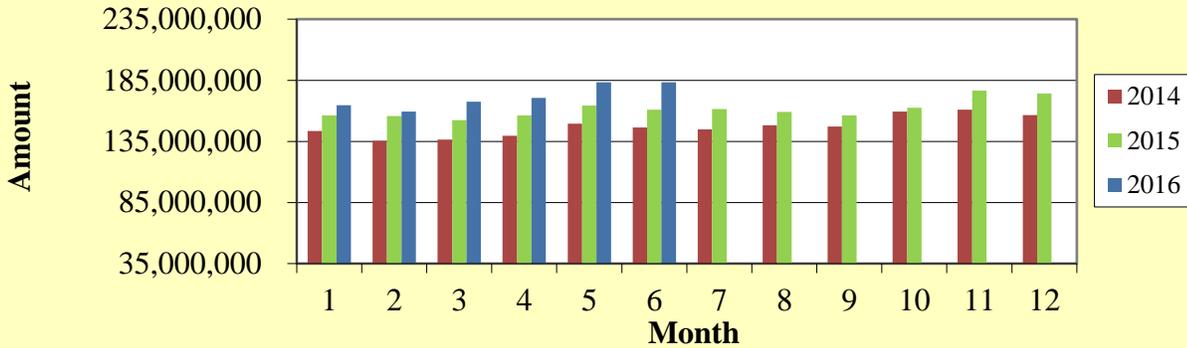
City of Kirkland
Investment Portfolio Analysis
As of June 30, 2016

Month	Kirkland Portfolio				Monthly Interest Earned (accrual basis)								2013	2014	2015	2016
	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	183,280,257	73,445	63,100	70,933	108,983					386,233	255,598	361,765	475,507
June	153,742,052	146,480,895	160,825,611	183,434,333	57,863	59,152	65,781	105,448					510,923	428,683	434,062	583,307
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	171,420,802	65,537	62,378	77,943	96,567					n/a	n/a	n/a	n/a

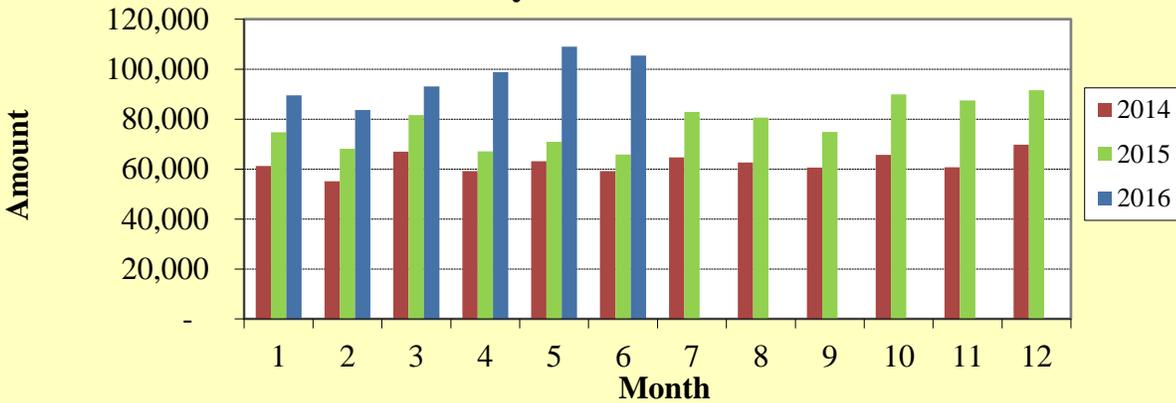
Month	2 Yr T-Bill 2 Yr. Rolling Average												% of Budget			
	City 2013	City 2014	City 2015	City 2016	90 D TBill 2013	90 D TBill 2014	90 D TBill 2015	90 D TBill 2016	2 YR TNote 2013	2 YR TNote 2014	2 YR TNote 2015	2 YR TNote 2016	Cash Interest 2016	Budget 2016	Actual	Budget
January	0.62%	0.57%	0.63%	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%	0.88%	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%	0.88%	0.04%	0.04%	0.01%	0.34%	0.27%	0.37%	0.45%	0.66%	490,221	358,000	52%	38%
June	0.52%	0.56%	0.69%	0.91%	0.04%	0.04%	0.01%	0.26%	0.27%	0.31%	0.46%	0.67%	627,317	506,000	67%	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%	0.84%	0.05%	0.03%	0.06%	0.28%	0.29%	0.33%	0.47%	0.64%	n/a	942,500	n/a	n/a

ATTACHMENT D

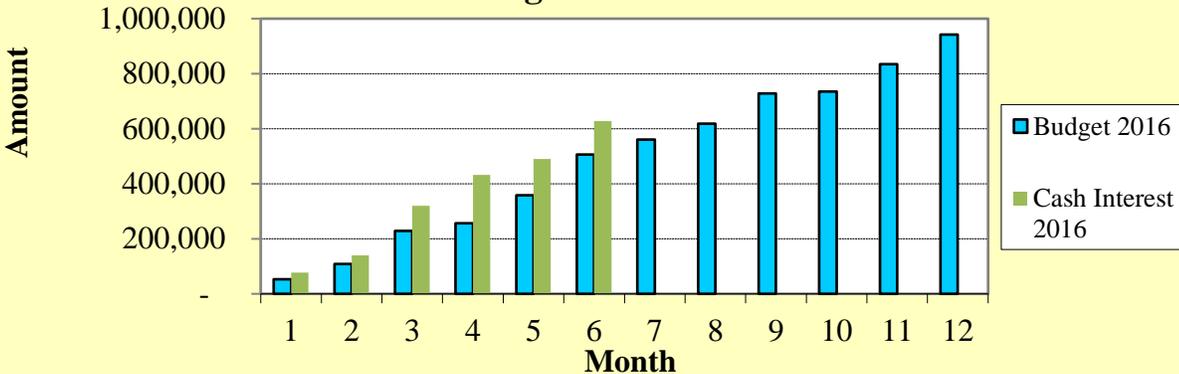
Portfolio Size



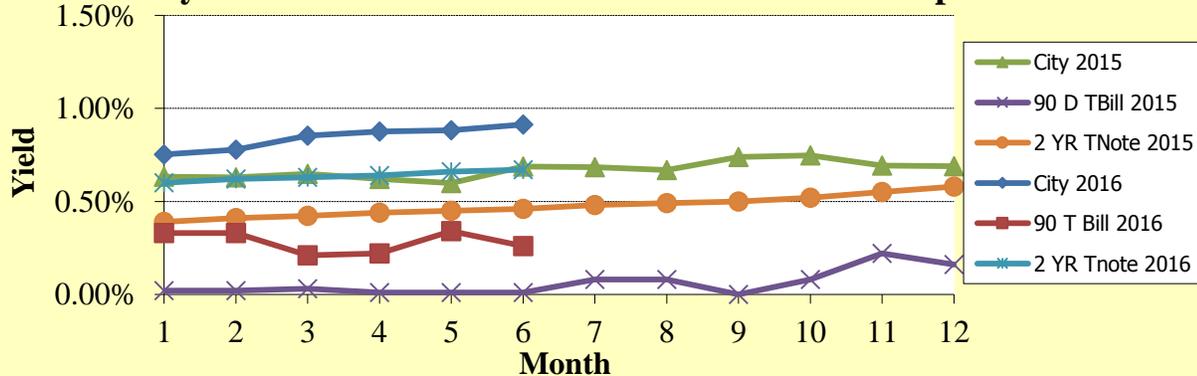
Monthly Interest Earned



Year-To-Date Budget to Actual Interest Earned



City of Kirkland/90d T Bill/2 YR TNote Yield Comparisons





CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
 Tom Mikesell, Financial Planning Manager
 Elijah Panci, Budget Analyst

Date: July 15, 2016

Subject: June Sales Tax Revenue

June results reflect sales activity in April, due to the two month lag in reporting sales tax data. Sales tax revenue is **up 3.6 percent** compared to June 2015. Month over month growth continued for a sixth consecutive month in 2016, however it is worth noting that the pace of growth is decelerating; month over month comparisons have declined from their high point of 12.4% in January to 3.6 percent in June. This trend is partially explained by the relatively slow start to sales tax revenues in 2015, which made for easier comparisons in the earlier months of this year, leading to higher growth figures.

The year to date trend roughly follows the pattern of the month over month trend. Through June, sales taxes are 7.8 percent higher than the same time last year. However, this rate of growth has been steadily declining all year. As June 2015 was the first month for significant growth last year, the comparisons going forward will offer a more meaningful reading on the strength of sales taxes.

The following sections discuss the highlights by business sector details of both the month-to-month and year-to-date results. Also included are observation of sales tax collections in our neighboring cities, as well as a discussion of key economic variables that impact sales taxes.

Comparing June 2016 to June 2015

Comparing collections from the month of June 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	June		Dollar Change	Percent Change	Percent of Total	
	2015	2016			2015	2016
Services	181,100	193,988	12,888	7.1%	12.2%	12.6%
Contracting	240,053	248,101	8,048	3.4%	16.2%	16.2%
Communications	41,883	43,068	1,185	2.8%	2.8%	2.8%
Retail:						
Auto/Gas Retail	369,992	380,314	10,322	2.8%	25.0%	24.8%
Gen Merch/Misc Retail	151,445	153,642	2,197	1.5%	10.2%	10.0%
Retail Eating/Drinking	122,839	136,464	13,625	11.1%	8.3%	8.9%
Other Retail	198,360	217,054	18,694	9.4%	13.4%	14.2%
Wholesale	78,840	72,956	(5,884)	-7.5%	5.3%	4.8%
Miscellaneous	96,136	88,324	(7,812)	-8.1%	6.5%	5.8%
Total	1,480,647	1,533,895	53,263	3.6%	100%	100%

Comparing month-to-month, June sales tax collections this year are **\$53,000 (3.6 percent)** higher than June 2015.

In terms of dollar growth, **Other Retail** performed best compared to June 2015, increasing by **\$19,000 (9.4 percent)**. The top three improving sectors were rounded out by **Retail Eating/Drinking** which was up **\$14,000 (11.1 percent)** and **Services**, which grew **\$13,000 (7.1 percent)**.

Just two sectors decreased month-to-month. **Miscellaneous fell \$8,000 (8.1 percent)**, while **Wholesale fell \$6,000 (7.5 percent)**. Reduced revenue in the Manufacturing (14.7 percent), Real Estate (10.9 percent), and Public Administration (15.1 percent) categories drove the decrease in Miscellaneous.

As noted above, month-to-month revenue growth continues to decrease as the year progresses. However, as June of 2015 was the first month to exhibit much growth over the prior year, it is a positive sign that revenue continued to grow, albeit at a slower pace than in earlier months of the year.

Year-to-Date 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	1,225,077	1,308,548	83,471	6.8%	13.6%	13.5%
Contracting	1,333,581	1,529,295	195,714	14.7%	14.8%	15.8%
Communications	194,659	264,085	69,426	35.7%	2.2%	2.7%
Retail:						
Auto/Gas Retail	2,257,986	2,338,500	80,514	3.6%	25.1%	24.1%
Gen Merch/Misc Retail	1,060,691	1,029,243	(31,448)	-3.0%	11.8%	10.6%
Retail Eating/Drinking	731,752	764,561	32,809	4.5%	8.1%	7.9%
Other Retail	1,202,614	1,363,003	160,389	13.3%	13.4%	14.1%
Wholesale	458,127	511,243	53,116	11.6%	5.1%	5.3%
Miscellaneous	521,848	576,141	54,293	10.4%	5.8%	5.9%
Total	8,986,333	9,684,618	698,285	7.8%	100%	100%

Through the end of June, year to date sales taxes were up **7.8 percent**. As noted above, this performance is in comparison to a relatively slow start in 2015, which lasted through May. Starting in June 2015, sales tax revenue began to grow, and comparisons over the next few months will be important for determining growth by the end of the year.

By dollar amount, the largest growth is in **Contracting**, which is up **\$196,000 (14.7 percent)** from last year. **Other Retail** and **Services** are the next two leading sectors, up **\$160,000 (13.3 percent)** and **\$83,000 (6.8 percent)** respectively. Despite a relatively slow month, Contracting remains the largest growth sector in 2016 by a significant margin.

General Merchandise/Misc Retail is down **\$31,000 (3.0 percent)** on the year. Receipts are down marginally for most major retailers, some of which is due to construction at Totem Lake and Kirkland Urban. Though it is the only sector to decline, it is one of the largest sectors and an important contributor to the City's sales tax revenue. Also worth noting, though it continues to grow, **Auto/Gas Retail** is the second slowest category on a year to date basis. This is important because this business sector is the

largest contributor to City sales taxes, representing approximately a quarter of total annual collections. While year to date collections are buoyed by the strong performance in **Contracting**, this category is highly volatile and not directly linked to the broader consumer economy. In contrast, **Auto/Gas Retail** offers a read on the fiscal health of the consumer and its willingness and wherewithal to make significant purchases.

Neighboring City Performance

Neighboring cities are performing well this year with Bothell, Bellevue, Renton, and Seattle up 12.6, 8.7, 12.5, and 8.0 percent respectively. Each of those cities started the year well, decreased slightly over the next couple of months, and have each rebounded over the last month or two, on a year-to-date basis. Redmond continues an incredible start to the year and is up 51.2 percent, partially due largely to one-time audit recoveries. Though Redmond's year-to-date growth slowed after the audit recoveries, the city has yet to post a month-to-month growth rate below 24.0 percent, and grew 40.0 percent in June.

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. The following table includes the most recently available data and prior month's readings, for some of the most relevant indicators.

2016 Wider Economic Indicators					
Indicator	Most Recent Month of Data	Unit	Month		
			Current	Previous	Change
Consumer Confidence					
Consumer Confidence Index	June	Index	98.0	92.6	5.4
Unemployment Rate					
National	June	%	4.9	4.7	0.2
King County	May	%	4.4	4.1	0.3
Housing					
New House Permits	May	Thousands	38.8	49.3	(10.5)
Seattle Area Home Prices	April	Index	197.0	193.0	4.0
Inflation (CPI-W)					
National	May	% Change	0.7	0.8	(0.1)
Seattle	April	% Change	2.6	2.4	0.2
Car Sales					
New Vehicle Registrations	June	Thousands	25.5	25.3	0.2

The Conference Board reported an increase in the **Consumer Confidence Index**, from 92.6 in May to 98.0 in June. This change is due to fewer negative feelings about current conditions relative to the past couple months, and a cautiously optimistic outlook for the near-term.

Unemployment Rates increased at the National level, up to 4.9 percent in June, from 4.7 percent in May. The unemployment rate in King County also increased from 4.1 percent in April to 4.4 percent in May, which is the latest available data point. This may be something to watch, as local unemployment rates have steadily been half a point higher on average in 2016 than 2015, despite the national level decreasing slightly.

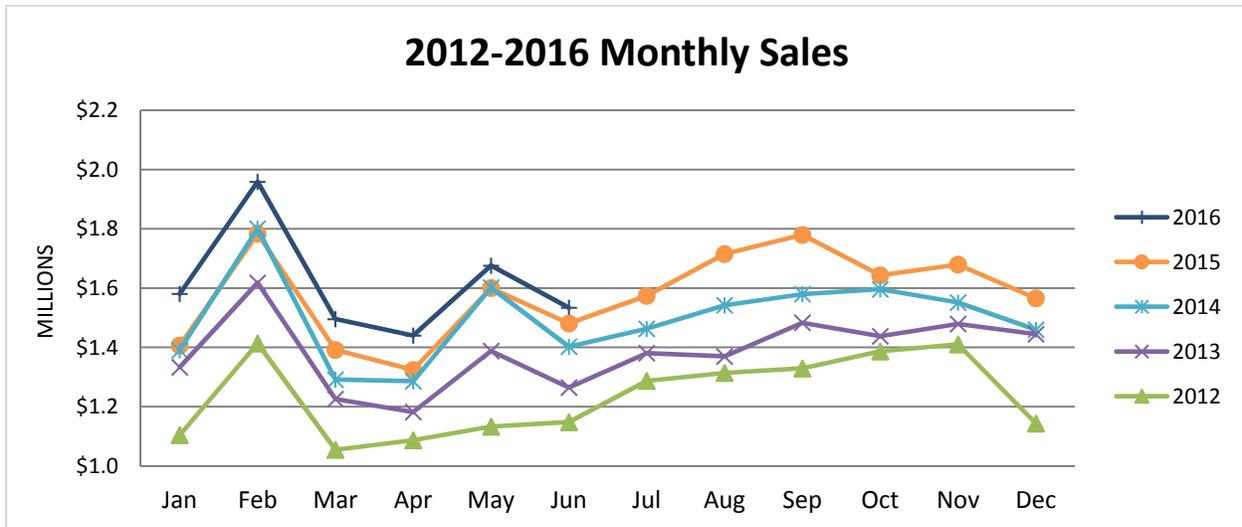
Statewide **New House Permits** fell significantly, down to 38,800 permits in May from 49,300 permits in April. However, this is still above the monthly average for 2014 and 2015, and April was a very strong

month. The latest data for the **Seattle Area Home Price Index** shows another large increase, up to 197.0 in April from 193.0 in March.

New Vehicle Registrations increased slightly in June, up by 200 to 25,500. Two consecutive months of increased registrations ended a three month slide after falling from the two year high water mark of 28,400 in January. This is an important observation in light of the Auto/Gas retail sales result discussed earlier, and may suggest that the retail sales growth rate will pick up in coming months.

Conclusion

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



Sales tax revenue in 2016 continues to outperform revenue in 2015, though the gap continues to narrow. Given that June 2015 was one of the first months to improve over its 2014 counterpart, it is positive to see that growth continued in June 2016 despite comparison to a stronger month. The coming months will be a test for 2016's performance, as July-August 2015 posted strong growth. Given the recent trend of slowed growth in 2016 and some uncertainty over economic indicators, it would not be unexpected to see a continued narrowing in the margin month over month growth in the months ahead.