



**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
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## **MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Deputy City Manager  
Tom Mikesell, Financial Planning Manager  
Neil Kruse, Senior Financial Analyst

**Date:** March 31, 2015

**Subject:** **2015-2016 BUDGET ADJUSTMENT: CIP AND OPERATING CARRYOVERS AND OTHER ADJUSTMENTS**

### **RECOMMENDATION:**

The City Council receives a brief recap of the year-end 2014 financial results, an update on the sales tax revenue through February 2015, adopts the attached ordinance increasing the 2015-2016 budget appropriations for selected funds and approves the attached resolution amending the City Manager's employment contract.

### **BACKGROUND DISCUSSION:**

#### **2014 Year-End Results**

The year-end results for 2014 are discussed in detail in the Financial Management Report (FMR), which is included as **Attachment A**. This section provides a brief overview of the General Fund results versus the budget:

- Actual 2014 **General Fund revenues** ended the year \$5.9 million over the budgeted level (\$85.0 million versus budget of \$79.1 million). Of this amount, \$2.3 million is due to the budgeted one-year sales tax lag. The total revenue is \$1 million more than estimated during the development of the 2015-2016 Budget in the fall of 2014. Development services-related revenue and miscellaneous other taxes ended the year higher than estimated, offsetting retail sales and utility taxes, which did not meet estimates.
- Actual 2014 **General Fund expenditures** ended the year about \$1.5 million under budget. Most of the under-expenditures are a result of salary and benefit savings.

The use of the resulting one-time funds, after factoring out obligated program reserves in the General Fund, is discussed in greater detail later in this memo.

## 2015 Sales Tax Revenues

**Sales tax receipts** through February are flat compared to the same period last year. This is due to two main factors, slowing growth in our two largest business sectors and the impact of one-time items in 2014 on year-to-date comparisons. Through the first two months of the year, Contracting and Auto/Gas Retail have grown by 1.2% and 3.4% respectively. While still positive, these growth rates follow the slowing trend we tracked through last four months of 2014. Also, a large one-time payment in the miscellaneous category, and several corrections by the Department of Revenue in 2014, skew the comparison. If these one-time factors are excluded, sales tax growth through February is 1.1 percent. A more detailed analysis can be found in the January (**Attachment B**) and February (**Attachment C**) sales tax memos, reflecting November and December taxable retail sales respectively.

## Carryovers and Budget Adjustments

State law prohibits expenditures from exceeding the budgeted appropriation for any fund and requires the City to adjust appropriations when:

1. Unanticipated revenue exists and will potentially be expended;
2. New funds are established during the budget year which were not included in the original budget; or
3. The City Council authorizes positions, projects, or programs not incorporated into the current year's budget.

This budget adjustment allows for appropriation increases where it is anticipated that total expenditures may be in excess of the adopted 2015-2016 budget. Four types of adjustments are included in the proposed 2015-2016 budget amendment:

1. Operating and capital carryovers;
2. Council directed and other adjustments;
3. Housekeeping adjustments; and,
4. Recognizing General Fund resources forward (cash at the end of 2014).

Total appropriation adjustments result in a net budget increase of \$20.4 million primarily due to adjustments for actual beginning cash balances, adjustments made for capital project external revenue sources, and staffing added for the redevelopment of Park Place and Totem Lake shopping centers. Budget adjustment details total \$24.4 million; the difference of almost \$4 million from the appropriation changes is the result of some adjustments occurring within the funds. The Budget Summary Attachment (**Attachment D**) shows both line item and appropriation changes. Line item changes are administrative adjustments within funds and are provided for reference. Appropriation adjustments change the total budget and require adoption by ordinance.

The following is a recap of major items requested in this budget adjustment:

1. **Carryovers** relate to uncompleted projects, contracts, or purchases that were authorized but not spent in the prior biennial budget. In order to complete these items, both the funding and the expenditure authority need to be "carried over" from the 2013-2014 Budget to the 2015-2016 Budget. Accordingly, the 2015-2016 Adopted Budget needs to be amended. Funding for carryovers primarily comes from recognizing cash that was obligated but not spent in the prior biennium (i.e. Resources Forward) and from external sources such as grants. In some funds,

carryovers are funded by reserves in recognition that appropriated reserves are adequate to fund such items. Carryovers funded from reserves do not require an appropriation change as they are line item adjustments within the funds' appropriation. Total carryover adjustments are \$5.5 million. The appropriation change is \$2.7 million because some of the adjustments are within the existing fund appropriation.

**Operating Carryover** requests primarily consist of uncompleted projects and other one-time projects or activities. Recommended carryover requests total \$1.5 million in the General Fund and \$1.2 million in other operating funds. The \$2.7 million in operating carryovers are funded with \$223,944 of external grant funding and the remainder from resources forward, as described later in this memorandum. Carryover items include the following:

- **2014 Invoice Payments** – Carryovers in this category reflect adjustments to the 2015-2016 Budget to acknowledge payment of invoices in the current biennium for services received in the prior biennium. This adjustment is necessary because vendors did not invoice the City in time to be paid by the end of 2014. Carryovers for invoice payments in the General Fund total \$281,653 and \$120,939 in all other operating funds, including:

General Fund

- Human Services Contract Payments, \$206,630
- Public Works Professional Services Contracts, \$31,958
- Fire Operating Supplies, \$5,821
- Police Operating Expenses, \$28,869
- All other, \$8,375

All other funds

- Microsoft Enterprise Agreement, \$120,939

- **Projects not completed in 2013-2014** – These recommended carryovers are for projects previously funded in the 2013-2014 Budget but are not yet completed. Recommended carryovers for 2013-2014 projects continuing into or being postponed until the 2015-2016 biennium total \$1,049,746 in the General Fund and \$629,207 in other funds, including:

General Fund

- Planning, Zoning and Outreach, \$495,938
- Inmate Video Arraignment & Barcode Scanning Equipment/Hardware, \$111,449
- Professional Services for ARC Project, \$107,472
- Police Strategic Plan, \$100,000
- Public Works Web Page Redesign, \$72,441
- Regional Fire Authority Study, \$62,500
- Impact Fee Study, \$42,500
- All other, \$57,446

All other funds

- Water Utility Manhole Repair Replacement/Other Repairs, \$169,500
- Median Retrofits and Life Cycle Study, \$120,000
- Secure and Protect Surface Water Ponds, \$108,000
- Intelligent Transportation System Improvements, \$34,000
- Emergency Sewer Program Outreach, \$30,000
- Parking Space Feasibility Study, \$27,294

- Fiber Connections project in the Street Fund, \$24,000
  - Energov Support, \$23,714
  - School Zone Radar Speed Signs, \$19,000
  - All Other, \$73,699
- **Other Carryovers** – Recommended carryovers for other items that do not fall into the categories discussed above total \$201,517 in the General Fund and \$470,592 in other funds:

#### General Fund

- Public Disclosure Ordinance, \$25,000
- Transportation Consultant Services for Parkplace and Totem Lake Developments, \$25,000
- Investment Analysis/Banking Expenses, \$17,000
- Miscellaneous Professional Services – Neighborhood, Economic Development and Land Use, \$34,770
- Commute Trip Reduction, \$10,000
- Fire Accreditation and EOC Supplies, \$27,500
- Human Services and Senior Council activities, \$19,813
- Planning Overtime and Permitting Assistance, \$19,165
- All Other, \$23,269

#### All Other Non-CIP funds

- Surface Water Fund uses:
  - Totem Lake/Juanita Creek Basin Stormwater Retrofit Design, \$127,554 (grant funded)
  - Department of Ecology Partnership, \$61,810 (grant funded)
  - Other Miscellaneous Grant-funded projects, \$24,580
  - Totem Lake Water Level Monitoring, \$15,000
- Information Technology Fund uses:
  - SmartNet, \$44,985
  - Adobe LiveCycle, \$31,528
  - ArcGIS Maintenance, \$19,569
  - Telecommunications Audit, \$10,155
- Water/Sewer Telemetry Upgrades, \$40,000
- Green Kirkland Restoration, \$31,400
- Capital Projects Engineering Vehicle and Supplies, \$30,866
- Roubidoux Foundation Grant for Juanita Bay Park Restoration, \$10,000 (grant funded)
- All Other, \$23,145

#### CIP Funds

Balances for unfinished capital projects (work in progress) from the previous biennium were estimated during the budget process and included in the original appropriation. Adjustments are now needed to reflect actual project balances as of the end of 2014. The total balance of uncompleted projects is \$51.3 million, most of which was recognized in the budget as work in progress. However, the funding sources for these projects result in a reduction of resources forward of about \$3 million and a corresponding increase in external revenue by about the same amount. The resulting appropriation decrease of \$8,000 is the net change. The project budgets remain the same despite the change in funding sources.

The table below summarizes the work in progress by Capital Improvement Program subject area.

<b>Capital Projects Work In Progress</b>	
<b>Project Type</b>	<b>Amount</b>
Parks	3,305,061
Facilities	11,238,406
Transportation	20,689,550
Technology	1,922,737
Public Safety	438,076
Water and Sewer	9,279,803
Surface Water	4,418,470
<b>Total Capital Work in Progress</b>	<b>51,292,103</b>
<b>Appropriation Changes</b>	
External Revenue	2,989,792
Resources Forward	(2,997,883)
<b>Net Appropriation Change</b>	<b>(8,091)</b>

A detailed listing of active current work in process projects is included as **Attachment E**.

2. **Council Directed/Other Adjustments** are changes to the budget based on formal policy decisions by the Council subsequent to the adoption of the 2015-2016 budget in December or smaller changes approved by the City Manager. Net appropriation changes for these items are \$2.2 million. The appropriation changes total \$1.5 million in operating funds and \$0.7 million in capital projects funds. The line item detail for specific adjustments is higher due to use of reserves within funds. Significant adjustments include:

All Non-CIP Funds

- General Fund
  - ParkPlace Redevelopment Staffing, \$606,953
  - Totem Lake Redevelopment Staffing, \$558,247
  - A total of \$518,089 has been collected from utility tax audits and is being used to pay a refund claim from a wireless carrier (\$225,000), with the balance of \$293,089 transferred to the Technology Major Systems Reserves. Most of this revenue was received in 2013-2014; only the 2015 revenue of \$119,475 is an appropriation change
  - Fire Prevention Staffing, \$281,952 (funded from increased fee revenues and resulting in the addition of a new 1.0 FTE Fire Inspector position as described in **Attachment F**)
  - Development On-call Permit Tech, \$28,797
  - Reduce sales tax revenue assumption (\$533,300) – offset by resources forward as discussed later in the memorandum
- Street Fund Sidewalk Grinder, \$26,000
- Plastic Bag Ban, \$40,585
- IT Network Study, \$36,381
- Technology Major Systems Reserves (mentioned previously), \$293,089

These adjustments are funded by \$1.1 million from external revenues (development and fire prevention fees, utility tax audit revenue and sales tax reduction), \$1 million of internal fund transfers, 0.1 million from resources forward, and the remainder from adjustments within existing appropriations.

Two additional items having no net appropriation change are included with these adjustments. At its March 17<sup>th</sup> meeting, the City Council directed staff to prepare an amendment to the City Manager's contract, extending the term and adjusting compensation effective 1/1/2015. A resolution reflecting this amendment is attached (**Attachment G**). The biennial impact of this amendment is \$11,000; no appropriation increase is necessary since this is funded from line item adjustments to existing appropriations. Line items changes reflecting the reorganization of the City Manager's Office (CMO) and the Finance and Administration Department (F&A) are included. The CMO budget is increased by adding a second Deputy City Manager position, offset in part by the reduction to the F&A budget from eliminating the Deputy Director position. There is no net increase in FTEs. The biennial impact to the F&A and CMO line items of this reorganization is approximately \$53,000 which is funded through line item adjustments to existing appropriations.

#### CIP Funds

Capital Projects Funds adjustments total \$1,553,583 with an appropriation change of \$699,500 since many are funded with reserves or other projects within the funds.

- Waverly Beach Park Renovations, \$504,500
- Juanita Drive Quick Wins, \$270,000
- 100<sup>th</sup> Ave NE Corridor, \$589,200 (\$384,500 in General Transportation and \$204,700 in Surface Water)
- Park Lane Pedestrian Corridor, \$64,683
- Kirkland Decant Facility, \$125,200

3. **Housekeeping Adjustments** include items that adjust the budget detail to reflect corrections to the adopted budget totaling \$1.5 million (with matching appropriation changes). Recommended operating adjustments include:

- An increase totaling \$30,400 in the General Fund to correct items that were inadvertently left out of the budget, including amounts for Planning and Community Development Department dues and memberships budget and recreation expenses at the Peter Kirk and North Kirkland Community Centers;
- A reduction of \$460,000 in the transfer to the Water/Sewer Debt Service Fund to reflect that current balances are sufficient to meet debt service reserve requirements;
- An increase of \$1.9 million in Capital Projects funds primarily due to administrative changes in funding to the Kirkland Justice Center and City Hall Renovation projects. It was determined the original plan of using sale proceeds from the Municipal Court building for City Hall renovations was not possible because they were restricted for public safety due to previously received grant. This resulted in "swapping" funding sources for the Kirkland Justice Center (KJC) and City Hall, with the Court proceeds used to fund KJC instead. While the mechanics of these funding changes do not change the project budgets, the budget adjustment recognized the balance in the Building and Property Reserve that will be used to fund City Hall.

These adjustments are funded through resources forward, as well as a reconciliation of internal and external revenues within the capital projects funds.

4. **2014 Resources Forward**, or beginning fund balance (cash), was estimated as part of the 2015-2016 budget process during the fall of 2014. Now that 2014 is complete, staff has reconciled the estimated resources forward with actual balances. An adjustment (increase or decrease) to the budgeted beginning balance with a corresponding offset to the expenditure side will be made for all operating, capital and other non-operating funds. This offset is usually to a reserve account, but may be to other line items depending on the nature of the change in the beginning balance. The current proposed budget adjustments discussed above recognize the estimated balances in the General Fund and Other Funds required to fund carryovers.

### **General Fund**

Based on the current information, total beginning fund balance adjustment in the General Fund is a net increase of \$4,697,040. General Fund adjustments discussed in prior sections of this memorandum account for a use of \$1,548,113. In addition, cash is being set aside for the following items that occurred since the adoption of the budget in December 2014 (a total of \$2,673,684):

- **Development Services Reserve** – Recognize that development services-related revenues received in excess of the estimate in 2014 is for work that will need to be completed in this biennium by adding \$549,421 to the development services reserves;
- **Building and Property Reserve** – Return \$1,446,738 of Resources Forward that represents unspent monies from the Building and Property Reserve back to this reserve to be used for City Hall renovations in 2015. The original master facilities funding plan allocated this reserve for funding the Kirkland Justice Center project (KJC) in 2014 and a portion of proceeds from the sale of the Municipal Court building was to be used for City Hall renovations in 2015. However, the court building original funding included a grant that was restricted for public safety purposes. So, the court proceeds were used for the KJC instead and the use of the Building and Property Reserve is now planned as part of the funding source for the City Hall Renovation project;
- **Revolving Accounts** – Adjust special reserves in General Fund to recognize an additional \$144,225 in actual cash balances; and,
- **Sales Tax Modified Two-Year Lag** - Actual 2014 sales tax revenue came in below the amount used in developing the 2015-2016 budget. Since the modified two-year lag approach sets the forecast equal to the level of the most recent year's estimate, this underperformance in sales tax has put the 2015-2016 forecast out of sync with the most recent year. To adjust for this and allow for consistency with the adopted revenue policy, staff recommends using a portion of the unobligated Resources Forward to adjust the 2015-2016 sales tax revenue forecast downward by \$266,650 per year to match the 2014 actual result.

This leaves a balance of \$431,243 as shown in the table on the following page. The staff recommendation is to preserve these funds for future City Hall debt service payments.

<b>General Fund Resources Forward</b>	<b>Amount</b>
<b>Net Change in General Fund Resources Forward</b>	<b>4,697,040</b>
General Fund Carryovers	(1,532,916)
Council Directed/Other & Housekeeping	(59,197)
Reserves Reconciliation	(2,140,384)
Sales Tax Assumption Revised	(533,300)
<b>City Hall Debt Service Placeholder</b>	<b>431,243</b>

### Other Funds

In terms of all other funds (operating and capital), there is a net change to resources forward of \$9 million. Of this amount, about \$1.1 million has been allocated for operating carryovers and other adjustments as previously discussed. As mentioned previously in the capital carryforwards discussion, approximately \$2.9 million of external revenue has been received for use in the capital budget, offsetting the original funding source. This results in a net increase to resources forward.

The remaining beginning fund balance adjustment in other funds requiring an appropriation change is a net increase of \$9 million, as detailed in the following table.

<b>Other Funds Resources Forward</b>	<b>Amount</b>
<b>Net Change in Other Fund Resources Forward</b>	<b>8,994,871</b>
Carryovers/Council Directed/ Other	(1,099,760)
External Revenue Offset	2,997,883
Reserves Reconciliation	(8,589,031)
<b>Unobligated Balance</b>	<b>2,303,963</b>

Utility operating fund monies represent \$1.6 million of the \$2.3 million unobligated balance. Staff recommends allocating these funds to the operating reserves of the respective utility funds. Internal service funds represent the next largest share at \$0.4 million of the unobligated balance. The Health Benefits Fund accounts for \$0.3 million of this amount, which staff recommends be allocated to the Claims Reserve. Staff recommends that the remaining \$0.1 million of unobligated balance in internal service funds be allocated to the respective operating reserves of the funds.

The remaining \$0.3 million of unobligated balance is attributed to smaller operating funds. As these funds do not have established reserves, staff recommends these unobligated funds be retained in working capital for the respective funds as shown in the following table.

<b>Uncommitted Fund Balances</b>	<b>Amount</b>
Utility Operating Funds	1,575,131
Internal Service Funds	389,136
Lodging Tax Fund	34,860
Street Operating Fund	58,902
Cemetery Operating	32,312
Park Levy/Park Maintenance Funds	213,622
<b>Net Change in Other Funds Resources Forward</b>	<b>2,303,963</b>

**SUMMARY:**

The total appropriation change of \$20.4 million is summarized by adjustment type in the following table.

<b>Adjustment Type</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
Carryovers	1,532,916	1,212,647	2,745,563
Council Directed	1,062,124	1,095,555	2,157,679
Housekeeping	30,400	1,485,424	1,515,824
Reserves	2,140,384	8,589,031	10,729,415
Sales Tax Repl.	533,300	-	533,300
Unobligated	431,243	2,303,963	2,735,206
<b>Total</b>	<b>5,730,367</b>	<b>14,686,620</b>	<b>20,416,987</b>

Adjustments by fund type are displayed in the table on the following page. Additional details can be found in the Budget Summary Attachment (**Attachment D**). The budget is adopted at the fund level which sets the total expenditure authority for the biennium for each fund. A summary of the adjustments and 2015-2016 revised budget by fund type is included in the table on the following page.

<b>Fund Type</b>	<b>Current 15-16 Budget</b>	<b>Adjustments</b>	<b>Revised 15-16 Budget</b>
<b>General Government:</b>			
General Fund	194,798,557	5,730,367	200,528,924
Other Operating Funds	31,384,551	718,203	32,102,754
Internal Service Funds	77,886,892	1,606,455	79,493,347
Non-Operating Funds	114,948,995	3,897,127	118,846,122
<b>Utilities:</b>			
Water/Sewer	89,148,000	6,262,865	95,410,865
Surface Water	41,966,491	1,837,721	43,804,212
Solid Waste	33,928,345	364,249	34,292,594
<b>Total Budget</b>	<b>584,061,831</b>	<b>20,416,987</b>	<b>604,478,818</b>

The next opportunity to adjust the budget will occur in June 2015. Issues that we are evaluating include adding capital projects staff to make progress in completing funded projects that are in the backlog.



# Financial Management Report as of December 31, 2014

## AT A GLANCE:

The City of Kirkland's Office of Emergency Management (OEM) is now on Facebook and Twitter (page 2 sidebar)

2014 year end revenues increased over 2013 (page 3)

Sales tax revenue growth slowed in the fourth quarter, compared to the third (page 5)

Unemployment continues to decrease, inflation is low and the housing market continues to improve (pages 7-8)

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## Summary of All Operating Funds: *Revenue*

- General Fund** revenue ended 2014 **3.2 percent ahead** of 2013, an increase of \$2.6 million. Most of the increase came from the tax category. Retail sales taxes, property taxes, and other taxes combined for \$2.2 million of the total. Actual revenues were higher than anticipated, finishing the year **at 107.4 percent** of budget. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- Water/Sewer Operating Fund** actual 2014 revenue is **up 3.6 percent** over 2013 year-end. Actual revenue for the year was **103.1 percent of budget**, reflecting higher than planned collections in water charges and other charges for service, likely due to a drier than average year.
- Surface Water Management Fund** revenues finished 2014 at **94.5 percent of budget**. Revenues in 2014 were **2.3 percent lower** than they were in 2013 due to two main factors. First, a payment for 2014 service was not received from the Lake Washington School District until January, resulting in lower collections commercial storm drainage fees. Also, Department of Ecology grant revenues expected in 2014 will not be received until 2015. Expenditures against these grants did not occur in 2014, and budget will be carried forward to 2015 concurrent with the anticipated grant revenue.
- Solid Waste Fund** finished the year with **102.7 percent of budgeted revenues**. This is **1.6 percent higher** than in 2013, due to growth in residential and commercial collections.
- Overall, in 2014 utility funds revenues were **up 1.8 percent** compared to 2013, and finished the year at **101.3 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
<b>General Gov't Operating:</b>								
General Fund	82,401,651	85,022,180	3.2%	77,699,996	79,131,481	1.8%	106.1%	107.4%
Other General Gov't Operating Funds	25,020,698	26,459,940	5.8%	23,452,132	24,695,374	5.3%	106.7%	107.1%
<b>Total General Gov't Operating</b>	<b>107,422,349</b>	<b>111,482,119</b>	<b>3.8%</b>	<b>101,152,128</b>	<b>103,826,855</b>	<b>2.6%</b>	<b>106.2%</b>	<b>107.4%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	24,896,223	25,780,904	3.6%	24,428,065	25,017,543	2.4%	101.9%	103.1%
Surface Water Management Fund	9,271,077	9,059,856	-2.3%	9,224,823	9,583,289	3.9%	100.5%	94.5%
Solid Waste Fund	16,054,027	16,305,834	1.6%	15,954,564	15,875,727	-0.5%	100.6%	102.7%
<b>Total Utilities</b>	<b>50,221,327</b>	<b>51,146,594</b>	<b>1.8%</b>	<b>49,607,452</b>	<b>50,476,559</b>	<b>1.8%</b>	<b>101.2%</b>	<b>101.3%</b>
<b>Total All Operating Funds</b>	<b>157,643,676</b>	<b>162,628,713</b>	<b>3.2%</b>	<b>150,759,580</b>	<b>154,303,414</b>	<b>2.4%</b>	<b>104.6%</b>	<b>105.4%</b>

### Connect with Office of Emergency Management on Social Media

The City of Kirkland's Office of Emergency Management (OEM) is now on Facebook and Twitter: [www.facebook.com/kirklandOEM](http://www.facebook.com/kirklandOEM) and @OEMKirkland on Twitter.

Currently, both sites provide emergency preparedness information and resources. During major disasters and emergencies, city information will be posted and regional information will be shared on these social media channels.

The OEM aims to create a link between the community and the OEM by raising awareness of emergency management and by providing useful links and information on how to prepare the whole community for all hazards. Thus, the Kirkland community and its neighbors are highly encouraged to 'like' and 'follow' both social media channels.

According to the Federal Emergency Management Agency (FEMA) "Increasingly the public is turning to social media technologies to obtain up-to-date information during emergencies and to share data about the disaster in the form of geo data, text, pictures, video, or a combination of these media."

"In Kirkland, social media is just one more way to reach out to the whole community. It is a great way to have conversations with people who actively use Twitter and Facebook. It is important to be engaged in as many forms of community communication as we can," notes Pattijean Hooper, the City's Emergency Manager.

## Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures excluding transfers finished 2014 **up 6.0 percent** from the year before. Actual expenditures finished the year at **98.1 percent of budget**. Personnel services spending, which **grew by 3.8%** over 2013 actuals, contributed the largest share of the total fund increase. A more detailed analysis of General Fund expenditures by department can be found on page 4.
- **Other General Government Operating Funds** actual expenditures were **13.5 percent higher** than 2013 due to higher spending in all funds except Cemetery Operating. The Street Operating Fund led the increase, largely due to a delay in PSE billing for street lighting electricity that had the effect of moving charges from 2013 to 2014. Spending in the Information Technology and Fleet Funds grew due to higher planned spending on computer hardware replacement and vehicle fleet replacement, respectively.  
  
In aggregate, other general government operating funds finished 2014 at **91.3%** of budgeted funds spent. The Facilities Maintenance Fund ended the year at the largest percent below budget, finishing the year at **72.7% of budgeted funds** spent. This was largely the result of below budget expenditures for maintenance at the Kirkland Justice Center.
- **Water/Sewer Operating Fund** actual expenditures were **0.8 percent higher** than in 2013. Growth in water purchase charges and taxes was nearly completely offset by declines in other spending categories. In total, the Water/Sewer fund finished 2014 at **97.3 percent of budget**.
- **Surface Water Management Fund** expenditures at the end of December 2014 were **6.9 percent higher** than 2013. Year over year growth was due largely to higher spending on professional services contracts. Expenditures at the end of 2014 were **lower than budgeted, at 88.9 percent** of the yearly budget. All spending categories finished below budget, with under-expenditures for salaries and benefits contributing the largest share.
- **Solid Waste Fund** expenditures were **1.1 percent higher** in 2014 than in 2013. Small increases in expenditures for the waste disposal contract and other charges were mostly offset by flat spending and declines elsewhere. Expenditures in the fund finished 2014 at **98.6 percent of budget**, as above budget spending on supplies was more than offset by savings in other areas.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
<b>General Gov't Operating:</b>								
General Fund	72,383,206	76,745,261	6.0%	74,462,940	78,242,251	5.1%	97.2%	98.1%
Other General Gov't Operating Funds	17,189,875	19,513,185	13.5%	20,736,979	21,362,661	3.0%	82.9%	91.3%
<b>Total General Gov't Operating</b>	<b>89,573,081</b>	<b>96,258,447</b>	<b>7.5%</b>	<b>95,199,919</b>	<b>99,604,912</b>	<b>4.6%</b>	<b>94.1%</b>	<b>96.6%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	20,767,593	20,927,767	0.8%	20,909,022	21,489,544	2.8%	99.3%	97.4%
Surface Water Management Fund	5,431,831	5,807,315	6.9%	6,546,354	6,532,048	-0.2%	83.0%	88.9%
Solid Waste Fund	15,537,161	15,704,029	1.1%	15,374,063	15,922,630	3.6%	101.1%	98.6%
<b>Total Utilities</b>	<b>41,736,584</b>	<b>42,439,111</b>	<b>1.7%</b>	<b>42,829,439</b>	<b>43,944,222</b>	<b>2.6%</b>	<b>97.4%</b>	<b>96.6%</b>
<b>Total All Operating Funds</b>	<b>131,309,665</b>	<b>138,697,558</b>	<b>5.6%</b>	<b>138,029,358</b>	<b>143,549,134</b>	<b>4.0%</b>	<b>95.1%</b>	<b>96.6%</b>

## Financial Management Report as of December 31, 2014

## General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in 2014 was **8.3 percent higher** than it was in 2013. This was more than budgeted, as sales tax is budgeted on a one year lag, with **115.2 percent of budget** collected by the end of the year. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished 2014 at **99.6 percent of budget**, which was slightly ahead of last year with **2.8 percent more** collected than in 2013. This was also above the 98 percent average property tax collections normally seen in King County.
- **Utility tax** collections finished 2014 **at budget with 100.4 percent** collected. Revenues were **down 0.7 percent** compared to 2013 due to partially offsetting factors of lower private utility (including electric and telephone) tax revenues collections and higher public utility (water, sewer, and solid waste) tax collections. Both years include the impact of one time revenue from an audit of telephone utility companies.
- **Other taxes** actual revenue was **36.9 percent higher** than in 2013 due mainly to an increase in revenue from card games, punch board and pull tabs and leasehold excise tax. This led to this category finishing the year at **137.1 percent of budget**.
- The **business licenses (base fee) and franchise fees** were **2.3 percent** higher than in 2013 and finished 2014 **above budget at 104.0 percent**.
- Collections from the **revenue generating regulatory license fee** were **0.3 percent higher** than in 2013. Revenues were above forecast at **105.7 percent of budget**. This tax is charged to employers on a per-employee basis, and it can fluctuate based on the timing of when businesses submit their payments.
- **Development-related fee** revenues were collectively **down 3.6 percent** in 2014 compared to the high level of revenue in 2013. **Plan check fees** finished the year **down 14.9 percent**, while **Building, Structural and Equipment permits** were **up 5.9 percent** over 2013. **Planning fees** revenue **decreased 2.5 percent**, while **Engineering Services** collected **11.9 percent less** than in 2013. Though below 2013 levels in several categories, **development-related fee** revenues still ended the year at **133.9% of budget**. Note that a significant portion of this additional revenue is for work yet to be completed and has been set aside in reserve for this purpose.
- **Fines and Forfeitures** were **down 2.2 percent from 2013** due to a decrease in civil traffic fines. This revenue source finished the year **above budget expectations at 109.8 percent**, due largely to parking fines.
- **Miscellaneous** revenue finished the year **up 17.2 percent** from 2013 due to higher collections from Rents, Leases and Concessions. This category was **above budget projections at 158.1 percent of budget**.

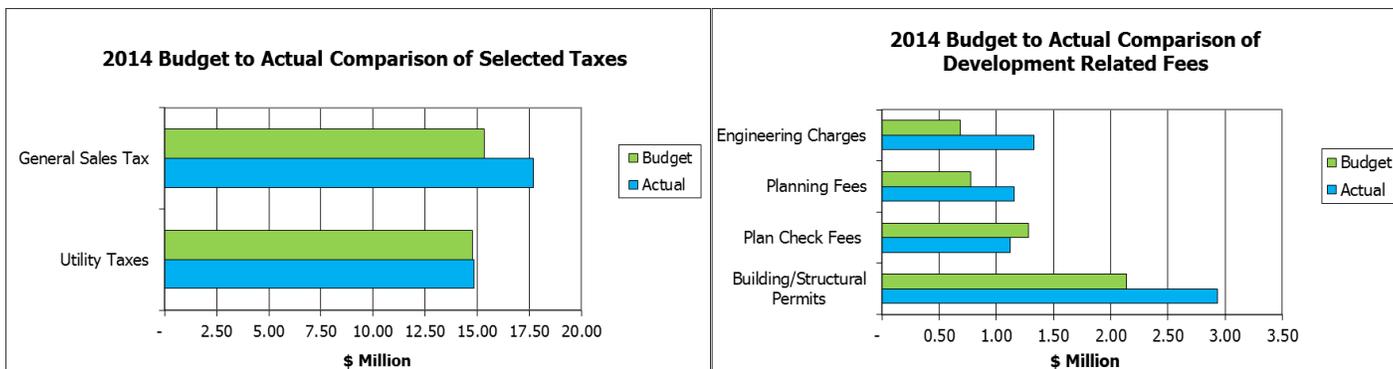
General Fund revenues ended 2014 \$2.6 million higher than in 2013 largely due to growth in sales and property taxes.

The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

- Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.
- In 2014 about 428 of the City's 556 regular employees were budgeted within the general fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
<b>Taxes:</b>								
Retail Sales Tax: General	16,335,313	17,693,747	8.3%	15,057,904	15,353,571	2.0%	108.5%	115.2%
Retail Sales Tax Credit: Annexation	3,787,395	3,763,633	-0.6%	3,415,626	3,415,626	0.0%	110.9%	110.2%
Retail Sales Tax: Criminal Justice	1,808,722	1,940,117	7.3%	1,634,287	1,666,973	2.0%	110.7%	116.4%
Property Tax	16,429,671	16,888,059	2.8%	16,619,200	16,953,959	2.0%	98.9%	99.6%
Utility Taxes	14,951,529	14,840,227	-0.7%	14,618,866	14,779,443	1.1%	102.3%	100.4%
Rev Generating Regulatory License	2,479,881	2,486,120	0.3%	2,328,005	2,351,285	1.0%	106.5%	105.7%
Other Taxes	1,074,672	1,471,230	36.9%	1,063,975	1,073,303	0.9%	101.0%	137.1%
<b>Total Taxes</b>	<b>56,867,183</b>	<b>59,083,132</b>	<b>3.9%</b>	<b>54,737,863</b>	<b>55,594,160</b>	<b>1.6%</b>	<b>103.9%</b>	<b>106.3%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	2,769,879	2,932,101	5.9%	2,013,727	2,140,892	6.3%	137.5%	137.0%
Business Licenses/Franchise Fees	4,365,953	4,465,260	2.3%	4,191,459	4,295,440	2.5%	104.2%	104.0%
Other Licenses & Permits	506,993	523,483	3.3%	319,266	330,001	3.4%	158.8%	158.6%
<b>Total Licenses &amp; Permits</b>	<b>7,642,825</b>	<b>7,920,844</b>	<b>3.6%</b>	<b>6,524,452</b>	<b>6,766,333</b>	<b>3.7%</b>	<b>117.1%</b>	<b>117.1%</b>
<b>Intergovernmental:</b>								
Grants and Federal Entitlements	102,803	157,740	53.4%	198,622	112,421	-43.4%	51.8%	140.3%
State Shared Revenues & Entitlements	1,012,717	1,105,059	9.1%	1,033,781	1,237,172	19.7%	98.0%	89.3%
EMS	884,645	884,645	0.0%	884,645	884,645	0.0%	100.0%	100.0%
<b>Total Intergovernmental</b>	<b>2,000,165</b>	<b>2,147,444</b>	<b>7.4%</b>	<b>2,117,048</b>	<b>2,234,238</b>	<b>5.5%</b>	<b>94.5%</b>	<b>96.1%</b>
<b>Charges for Services:</b>								
Internal Charges	5,229,777	5,390,549	3.1%	5,396,481	5,717,970	6.0%	96.9%	94.3%
Engineering Services	1,511,947	1,332,605	-11.9%	951,385	689,483	-27.5%	158.9%	193.3%
Plan Check Fee	1,318,431	1,122,116	-14.9%	1,082,220	1,279,914	18.3%	121.8%	87.7%
Planning Fees	1,185,075	1,155,380	-2.5%	848,164	775,550	-8.6%	139.7%	149.0%
Recreation	1,211,928	1,324,054	9.3%	1,160,300	1,160,300	0.0%	104.4%	114.1%
Other Charges for Services	2,197,827	2,172,728	-1.1%	2,210,020	2,190,907	-0.9%	99.4%	99.2%
<b>Total Charges for Services</b>	<b>12,654,985</b>	<b>12,497,432</b>	<b>-1.2%</b>	<b>11,648,570</b>	<b>11,814,124</b>	<b>1.4%</b>	<b>108.6%</b>	<b>105.8%</b>
<b>Fines &amp; Forfeits</b>	<b>2,167,477</b>	<b>2,120,029</b>	<b>-2.2%</b>	<b>1,928,925</b>	<b>1,929,999</b>	<b>0.1%</b>	<b>112.4%</b>	<b>109.8%</b>
<b>Miscellaneous</b>	<b>1,069,015</b>	<b>1,253,298</b>	<b>17.2%</b>	<b>743,138</b>	<b>792,627</b>	<b>6.7%</b>	<b>143.9%</b>	<b>158.1%</b>
<b>Total Revenues</b>	<b>82,401,651</b>	<b>85,022,180</b>	<b>3.2%</b>	<b>77,699,996</b>	<b>79,131,481</b>	<b>1.8%</b>	<b>106.1%</b>	<b>107.4%</b>
<b>Other Financing Sources:</b>								
Interfund Transfers	402,008	319,955	N/A	402,008	319,955	-20.4%	100.0%	100.0%
<b>Total Other Financing Sources</b>	<b>402,008</b>	<b>319,955</b>	<b>N/A</b>	<b>402,008</b>	<b>319,955</b>	<b>-20.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Resources</b>	<b>82,803,659</b>	<b>85,342,135</b>	<b>3.1%</b>	<b>78,102,004</b>	<b>79,451,436</b>	<b>1.7%</b>	<b>106.0%</b>	<b>107.4%</b>

**General Fund Revenue *continued***



General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
Non-Departmental	1,925,584	1,699,064	-11.8%	1,647,921	1,447,774	-12.1%	116.8%	117.4%
City Council	384,828	422,803	9.9%	403,932	457,470	13.3%	95.3%	92.4%
City Manager's Office	1,773,461	1,812,328	2.2%	2,064,111	1,951,468	-5.5%	85.9%	92.9%
Municipal Court	2,130,296	2,256,152	5.9%	2,249,404	2,301,428	2.3%	94.7%	98.0%
Human Resources	1,251,226	1,370,516	9.5%	1,263,257	1,451,068	14.9%	99.0%	94.4%
City Attorney's Office	1,327,445	1,322,968	-0.3%	1,371,489	1,384,479	0.9%	96.8%	95.6%
Parks & Community Services	7,012,622	7,542,480	7.6%	7,453,991	7,738,916	3.8%	94.1%	97.5%
Public Works (Engineering)	4,230,353	4,701,012	11.1%	4,756,261	5,079,098	6.8%	88.9%	92.6%
Finance and Administration	4,462,510	4,693,634	5.2%	4,590,803	4,874,055	6.2%	97.2%	96.3%
Planning & Community Development	3,470,275	3,711,738	7.0%	3,753,152	3,871,077	3.1%	92.5%	95.9%
Police	22,551,653	24,082,508	6.8%	22,804,767	24,447,897	7.2%	98.9%	98.5%
Fire & Building	21,862,953	23,130,057	5.8%	22,103,852	23,237,521	5.1%	98.9%	99.5%
<b>Total Expenditures</b>	<b>72,383,206</b>	<b>76,745,261</b>	<b>6.0%</b>	<b>74,462,940</b>	<b>78,242,251</b>	<b>5.1%</b>	<b>97.2%</b>	<b>98.1%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	8,035,883	6,138,738	-23.6%	10,352,901	4,915,588	-52.5%	77.6%	124.9%
<b>Total Other Financing Uses</b>	<b>8,035,883</b>	<b>6,138,738</b>	<b>-23.6%</b>	<b>10,352,901</b>	<b>4,915,588</b>	<b>-52.5%</b>	<b>77.6%</b>	<b>124.9%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>80,419,090</b>	<b>82,883,999</b>	<b>3.1%</b>	<b>84,815,841</b>	<b>83,157,839</b>	<b>-2.0%</b>	<b>94.8%</b>	<b>99.7%</b>

**Comparing 2014 and 2013 expenditures:**

In 2014, excluding interfund transfers, General Fund expenditures were **6.0 percent higher** than 2013, although this increase was budgeted for as year-end expenditures were **98.1 percent** of total budgeted expenses. Expenditures were higher in 2014 compared to 2013 in nearly every General Fund department, largely due to increases in personnel costs, either through additional overtime or cost of living adjustments. Other specific reasons for increased expenditures are highlighted below. Despite this increase, 2014 expenditures were under budget in each General Fund department. This is due primarily to salary, wage and benefit savings as well as savings on professional services contracts. Non departmental spending exceeded budget in 2014, due largely to spending from the legal services reserves.

2014 General Fund actual expenditures (excluding "other financing uses") were 6.0 percent higher than they were in 2013.

- Expenditures for **Non-departmental** were **down 11.8 percent** largely due to lower spending for outside legal services. Despite this decrease, Non-departmental finished 2014 **above budget expectations at 117.4 percent**, due largely to the use of the legal services reserve primarily for litigation related to the CKC.
- Actual **Interfund Transfers** finished 2014 at **124.9 percent of budget**. This is because a transfer from the General Fund for the Public Safety Building, which was budgeted in 2013, occurred in 2014.
- Actual 2014 expenditures for the **City Council increased 9.9 percent** from 2013, due largely to spending for the citizen survey, which is conducted every even numbered year consistent with development of the biennial budget.
- The **City Manager's Office** finished 2014 at **92.9 percent of budget** mostly due to savings in professional services. These savings were primarily related to the Police Strategic Plan, which has been delayed until the 2015-2016 biennium

Continued on page 5

## Financial Management Report as of December 31, 2014

- End of year expenditures for the **Parks & Community Services Department** were at **97.5 percent of budget**, due mainly to professional services contract expenditures being lower than budgeted.
- **Planning and Community Development** and **Public Works - General Fund** expenditures were **95.9 percent and 92.6 percent of budget**, respectively, due to personnel services savings in both departments.
- **Police** expenditures ended the year at **98.5 percent** of budget. Jail contract costs ended the year **172.9 percent over** budget due to the need to house inmates at third party facilities. However, salary and benefit savings for delayed hiring of Corrections Officers and below budget spending on supplies have more than offset this overage. As a result, Jail operations spending finished the year at **98.9 percent** of budget.
- Expenditures for the **Fire & Building Department** finished 2014 with-in projections at **99.5 percent of budget**. Above-budget spending on overtime to provide 24/7 coverage was covered by vacancy savings, resulting in overall savings in personnel services for the year. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are set aside for the consolidated fire station capital project.

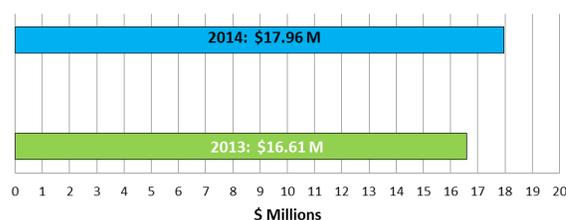
Summary of Fire District 41 Funds	
2014 Revenues & Expenditures	
Beginning Balance	5,223,879
Investment Interest	\$ 23,132
Expenditures:	\$ 50,230
<b>Current Balance</b>	<b>\$ 5,196,781</b>

### Sales Tax Revenue Analysis

The 2013 and 2014 totals in this section contain \$270,000 that is passed to the Street Operating Fund, therefore the total is \$270,000 higher than the sales tax figures in the General Fund Revenue table on page 3.

Year-end sales tax revenue was **8.2 percent** higher in 2014 than 2013. This growth in revenue was concentrated in services, other retail and auto/gas retail, with services making up the largest single increase. Sales tax revenue received through December is from sales between November 2013 and October 2014.

Sales Tax Receipts  
Through December 2013 and 2014



#### Review by business sectors:

- **Contracting ended up 4.4 percent** through December compared to 2013. Construction trends were similar to 2013, with several large commercial and multi-family projects continuing to drive growth along with increases in residential construction, however, growth slowed at the end of the year.
- Sales tax from the retail sectors was collectively **up 6.9 percent** compared to 2013.
- The **auto/gas retail** sector was **up 5.7 percent** compared to 2013.
- The **general merchandise/miscellaneous retail** sector was **up 4.3 percent** in 2014 compared to 2013 due to positive gains from retailers across the city.
- The **retail eating/drinking** sector performance was **up 7.8 percent** compared to 2013. Revenue increases can be attributed to improved sales at many established restaurants along with the opening of some new establishments over the course of the year.
- **Other retail** was **up 11.3 percent** compared to 2013 due to positive performance across most categories, including internet sales, building & garden stores and food & beverage retailers.
- The **services** sector was **up 12.4 percent** compared to 2013. This increase can be attributed to growth from professional scientific services and other services in the sector. Other services include personal care, pet care, dry cleaning and many other services.
- **Wholesale** revenues were **up 10.2 percent** in 2014, outpacing retail sales in general.
- The **miscellaneous** sector was **up 22.5 percent** in 2014, largely due to a one-time revenue in early 2014. If this revenue is excluded the sector would have finished the year up 5.2 percent.

#### Neighboring Cities

##### Sales Tax

Bellevue was up 4.5 percent, Redmond was down 6.8 percent through December compared to December 2013.

#### King County

King County's sales tax receipts were down 0.6 percent through the end of the year compared to 2013.

Business Sector Group	January-December		Dollar Change	Percent Change	Percent of Total		Percent of \$ Change
	2013	2014			2013	2014	
Services	2,096,563	2,357,155	260,592	12.4%	12.6%	13.1%	19.2%
Contracting	2,739,984	2,860,618	120,634	4.4%	16.5%	15.9%	8.9%
Communications	472,092	501,853	29,761	6.3%	2.8%	2.8%	2.2%
Auto/Gas Retail	4,147,690	4,384,706	237,016	5.7%	25.0%	24.4%	17.4%
Gen Merch/Misc Retail	2,004,660	2,091,289	86,629	4.3%	12.1%	11.6%	6.4%
Retail Eating/Drinking	1,371,105	1,477,789	106,684	7.8%	8.3%	8.2%	7.9%
Other Retail	2,125,084	2,364,892	239,808	11.3%	12.8%	13.2%	17.7%
Wholesale	759,399	837,107	77,708	10.2%	4.6%	4.7%	5.7%
Miscellaneous	888,736	1,088,338	199,602	22.5%	5.4%	6.1%	14.7%
<b>Total</b>	<b>16,605,313</b>	<b>17,963,747</b>	<b>1,358,434</b>	<b>8.2%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to "North American Industry Classification System" or NAICS). Nine business sector groupings are used to compare 2013 and 2014 sales tax receipts in the table to the left.*

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2013	2014		
January	1,333,113	1,390,304	57,191	4.3%
February	1,618,028	1,800,690	182,662	11.3%
March	1,225,511	1,291,149	65,638	5.4%
April	1,181,984	1,285,803	103,819	8.8%
May	1,387,795	1,601,648	213,853	15.4%
June	1,264,563	1,402,468	137,905	10.9%
July	1,380,475	1,462,879	82,404	6.0%
August	1,369,409	1,542,047	172,638	12.6%
September	1,483,066	1,579,688	96,622	6.5%
October	1,437,663	1,596,001	158,338	11.0%
November	1,479,089	1,551,384	72,295	4.9%
December	1,444,617	1,459,686	15,069	1.0%
<b>Total</b>	<b>16,605,313</b>	<b>17,963,747</b>	<b>1,358,434</b>	<b>8.2%</b>

*When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.*

- Sales tax revenues for the fourth quarter of 2014 were 5.6 percent higher than the fourth quarter of 2013.
- In October and November revenues were up 11.0 percent and 4.9 percent respectively on the strength of improved performance from the services, retail and wholesale sectors. December sales were up 1.0 percent, slowed by a weak month in contracting sales tax. If contracting is excluded from December's totals, the month was up 4.9 percent over the same month in 2013.

Sales tax revenue in 2014 was the highest on record at nearly \$18.0 million; the previous highs were 2013 at \$16.6 million and 2007's pre-recession/pre-annexation peak of \$16.5 million. The totals from 2014 and 2013 include annexation area revenues of \$516,000 in 2013 and \$531,000 in 2014. Three sectors, services, other retail, and auto/gas retail, accounted for over half of the sales tax growth. These growth sectors are heavily dependent on consumer spending and can be sensitive to the wider economic environment.

Revenues grew throughout 2014 against the economic backdrop of increasing consumer confidence levels and decreasing unemployment levels, so the economic outlook is encouraging.

*Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.*

#### Comparing to the same period last year:

**Totem Lake**, which accounted for 29.2 percent of the total sales tax receipts in 2014, was **up 5.6 percent** due to the continued sales growth in the automotive/gas retail sector and repairs & maintenance with mixed results in other sectors. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

**NE 85<sup>th</sup> Street**, which made up 13.9 percent of the total sales tax receipts in 2014, was **up 5.7 percent** compared to 2013. This area's sales grew due to improving auto retail and general retail sales. These two retail sectors contribute 82.2 percent of this business district's revenue.

**Downtown**, which accounted for 6.2 percent of 2014 sales tax receipts, was **up 1.6 percent**. Retail eating and drinking establishment revenues grew the most out of any sector downtown in 2014, with other sectors being mixed.

**Carillon Point & Yarrow Bay**, which account for 2.1 percent of the total sales tax receipts, were **up 5.3 percent** compared to 2013. About 68.1 percent of this business district's revenue came from retail eating/drinking and accommodations in 2014.

**Houghton & Bridle Trails**, which produced 2.5 percent of the total sales tax receipts in 2014, were **up 0.5 percent** due to growth in retail food stores, wholesale and amusements being mostly offset by decreases from other sectors.

**Juanita**, which generated 1.5 percent of the total 2014 sales tax receipts, was **down 0.5 percent** compared to 2013. Revenues were mixed with decreases in retail eating/drinking establishments and other businesses being slightly greater than increases from sporting goods and recreation sales.

**North Juanita, Kingsgate, & Finn Hill** accounted for 3.0 percent of the total sales tax receipts in 2014 and were **up 2.9 percent** over 2013. Overall, Kingsgate grew the most out of these neighborhoods with growth of 6.9 percent, with Finn Hill and North Juanita increasing modestly at 1.1 and 0.6 percent, respectively.

**Year-end tax receipts by business district for 2013 and 2014 are compared in the table on the next page.**

## Financial Management Report as of December 31, 2014

When reviewing sales tax receipts by business district, it's important to be aware that 41.7 percent of the revenues received in 2014 were in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - December Receipts		Dollar Change	Percent Change	Percent of Total	
	2013	2014			2013	2014
Totem Lake	4,974,159	5,251,717	277,558	5.6%	30.0%	29.2%
NE 85th St	2,354,155	2,488,823	134,668	5.7%	14.2%	13.9%
Downtown	1,101,528	1,119,629	18,101	1.6%	6.6%	6.2%
Carillon Pt/Yarrow Bay	350,227	368,939	18,712	5.3%	2.1%	2.1%
Houghton & Bridle Trails	446,991	449,119	2,128	0.5%	2.7%	2.5%
Juanita	266,131	264,747	(1,384)	-0.5%	1.6%	1.5%
Kingsgate	180,265	192,774	12,509	6.9%	1.1%	1.1%
North Juanita	239,467	240,946	1,479	0.6%	1.4%	1.3%
Finn Hill	96,275	97,339	1,064	1.1%	0.6%	0.5%
Unassigned or No District:						
Contracting	2,737,360	2,854,267	116,907	4.3%	16.5%	15.9%
Other	3,858,756	4,635,447	776,691	20.1%	23.2%	25.8%
<b>Total</b>	<b>16,605,313</b>	<b>17,963,747</b>	<b>1,358,434</b>	<b>8.2%</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales Tax Revenue Outlook** Sales tax growth slowed between the third and fourth quarter of 2014 after growing quickly during the first three quarters of the year. The high growth in year-over-year sales tax that was experienced in 2013 slowed over the course of the year in 2014, however, revenues have remained at record setting levels in dollar terms. Big ticket items, such as auto purchases and contracting services, were significant contributors to growth in 2014, but growth in services and other retail contributed more to increased revenues in 2014. Together, these four sectors accounted for 63.2 percent of the increases in sales tax for the year. All other major sectors in the City experienced growth in 2014, as did most districts with the exception of Juanita.

#### OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in 2014 was 4.5 percent, significantly lower than the Puget Sound total vacancy rate of 13.7 percent, and an improvement from 2013's vacancy rate of 8.1 percent. Overall the Eastside has become the strongest office market in the Puget Sound region, with an office vacancy rate of 11 percent, better even than downtown Seattle's vacancy rate of 12.4 percent.

The region currently has 5.5 million square feet of office space under construction, nearly 2.5 times more than this time last year. This includes projects on the Eastside, with over 1.5 million square feet planned in Bellevue and 180,000 in Kirkland, while the Amazon expansion is contributing to over 2 million square feet of new office space in Seattle's Lake Union neighborhood.

#### LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2013, finishing the year up 10.2 percent, an increase of \$25,021. This meant revenues finished 2014 at 114.8 percent of budget.

**Economic Environment Update** The Washington State economy continued to expand, adding 23,700 nonfarm jobs in the fourth quarter of 2014, according to the February 2015 update from the Washington State Economic and Revenue Forecast Council. This growth was stronger than forecasted and rounds out a year of strong employment growth in the state, with nonfarm employment growing by 90,300 jobs in 2014.

The Conference Board's **Consumer Confidence Index** decreased from 94.5 in October to 91.0 in November but rebounded to 92.6 in December. A rating of 100 equals the 1985 consumer confidence level. Consumer confidence has grown significantly over the course of the year, rising from 77.5 in December 2013 to the year's high point in October (94.5) and finishing the year at 92.6, a one-year increase of 15.1 points.

The Bureau of Labor Statistics **unemployment data** from December show the seasonally adjusted national rate decreased to 5.6 percent in December, decreasing 1.1 percent from December 2013's unemployment of 6.7 percent. Washington State unemployment ended the year at 6.3 percent in December, decreasing from 6.7 percent in December 2013. Local unemployment rates declined for King County, moving from 4.7 percent in December 2013 to 4.1 percent in December 2014. Kirkland's unemployment rate dropped from 4.5 percent in December 2013 to 4.2 percent in December 2014. Note that the Bureau of Labor Statistics (BLS) data for the City of Kirkland does not yet include the 2011 annexation areas, and these areas will not be included until early 2015 when the database will be updated based on Census data, according to the BLS. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Western Washington Purchasing Manager Index indicated continued growth in economic activity in December 2014. The index was at 56.2 in December, which is positive since an index reading greater than 50 signals an expanding economy.

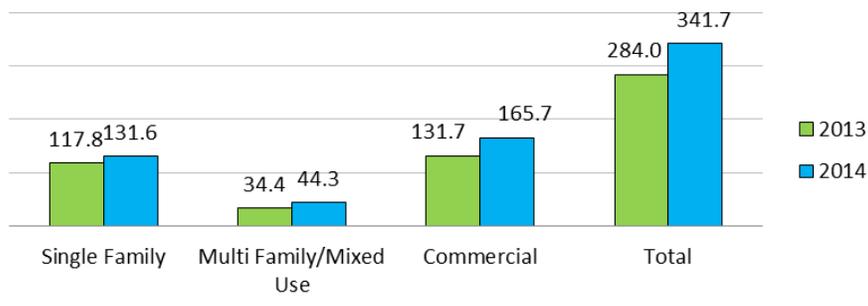
(Continued on page 8)

## Economic Environment Update *continued*

Local **building permitting activity** has risen compared to 2013 in terms of the valuation for 2014. Permitting activity has increased in every major category, with the largest dollar increase coming from commercial permits and the largest increase by percentage coming from multi-family/mixed use permits. Permit activity in the fourth quarter was equal to the third quarter, with each of those quarters accounting for 22 percent of the year's development valuations.

The **housing market** was strong, but stable in the fourth quarter of 2014 with the Case-Shiller housing index for the Seattle metro area remaining stable at nearly 170. The pre-recession peak index score was 192.3 in July 2007. There were 110,000 new housing permits issued in the fourth quarter of 2014 according to the Washington State Economic and Revenue Council, accounting for 27 percent of housing permits in 2014. The sale prices of existing home have remained robust over the past year and were stable during the fourth quarter, although prices were still 11.7 percent below their 2007 peak. **Inflation** in the Seattle area remained low. In December 2014, the Seattle core CPI increased 1.7 percent compared to the previous December while the national CPI increased only 0.8 percent.

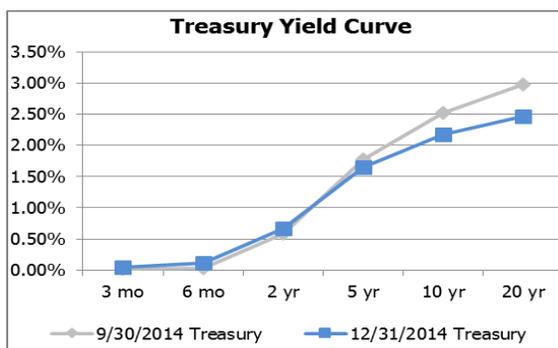
**Valuation of Building Permits**  
Fourth Quarter Total 2013 and 2014  
(in millions \$)



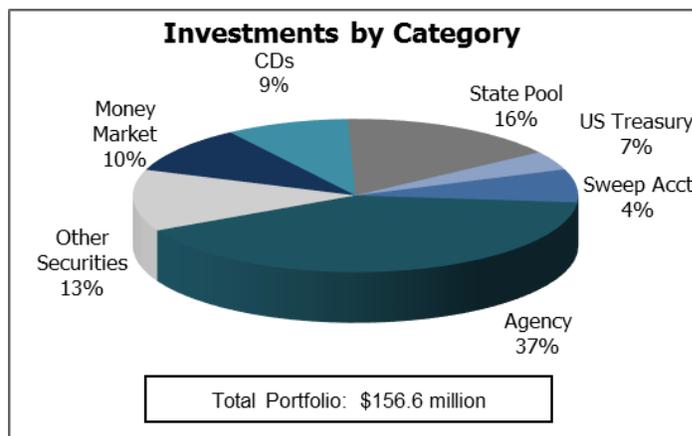
## Investment Report

### MARKET OVERVIEW

The U.S. economy slowed in the last quarter of 2014 with Gross Domestic Product (GDP) increasing at an annual rate of 2.2 percent October through December. The Fed Funds rate continued to remain at 0 to 0.25 percent, where it is expected to stay until mid-to-late 2015. The yield curve flattened slightly with rates from 6 months to 2 years rising and the 5 to 20 year rates falling.



The City's portfolio increased to \$156.6 million on December 31, 2014 compared to \$147 million on September 30, 2014. Portfolio balances typically increase in the 4<sup>th</sup> quarter with the collection of the 2<sup>nd</sup> half of the property taxes paid in October and November.



### CITY PORTFOLIO

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

### Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Agency bonds, State and Local Government bonds, the State Investment Pool, an overnight bank sweep account, a bank money market account and bank certificates of deposit. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

# Financial Management Report as of December 31, 2014

## 2014 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy looks mostly unchanged from that of three months ago, according to 39 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 3.2 percent in 2015 and 2.9 percent in 2016. CPI inflation is expected to average 1.1 percent in 2015 and 2.1 percent in 2016. The unemployment rate is expected to average 5.4 percent in 2015 and fall to 5.1 percent in 2016. The Fed Funds rate, currently at 0 to 0.25%, is expected to remain at this level throughout into middle or late 2015.

It is expected that rates will slowly but steadily increase throughout 2015. As opportunities are available, the City will purchase securities with longer duration to realize increased returns and continue to the process of rebalancing the investment portfolio.

The State Pool is currently at 0.13% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2015 is \$922,055.

## Investment Report *continued*

### Liquidity

The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio increased from 1.38 years on September 30, 2014 to 1.44 years on December 31, 2014.

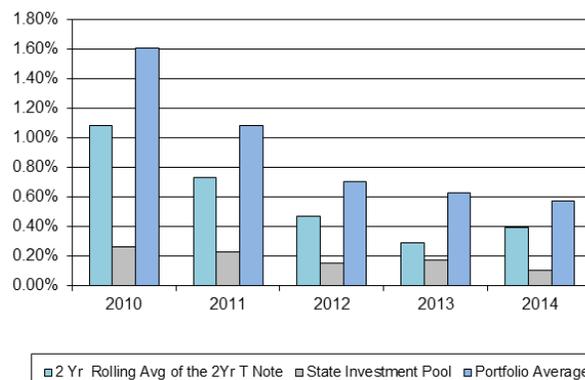
### Yield

The City contracted with Government Portfolio Advisors in the 2<sup>nd</sup> half of 2014. With their advice, the City began the process of rebalancing the investment portfolio to take advantage of rising interest rates. Rebalancing involves selling some of the low performing securities and replacing them with securities generating greater interest returns. As a result, the portfolio yield to maturity increased to 0.62 percent on December 31, 2014 from 0.57 percent on September 30, 2014. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council.

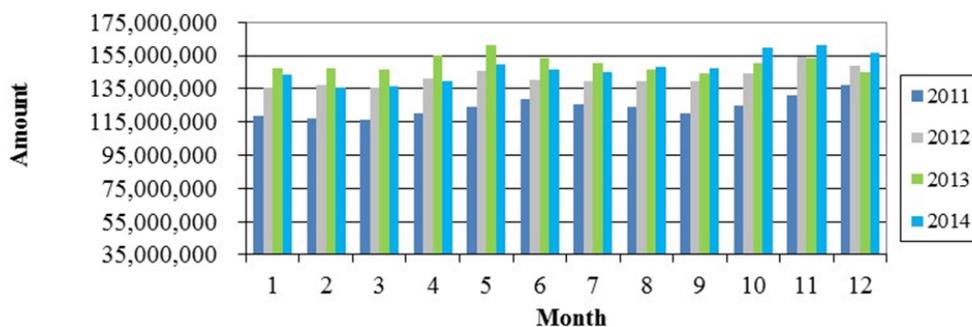
The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note which was 0.39 percent on December 31, 2014.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.

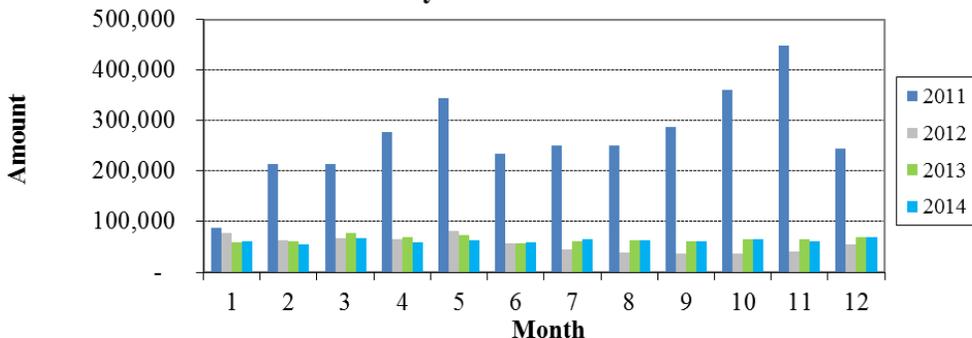
Investment Interest Rate Comparisons



Portfolio Size



Monthly Interest Earned



**Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of December 31, 2014. These amounts will be reconciled with actual results as part of the March 2015 budget adjustments.

## Reserve Analysis

### General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. The planned contributions in 2014 brought this reserve back to target levels by the end of the fourth quarter.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects and a significant portion was planned to be used during the 2013-14 biennium, causing it to finish the year slightly below target.
- The **General Capital Contingency Reserve** was used to fund project cost increases in the previous biennium, so replenishment is still underway, with over \$700,000 added in 2014. This fund is still in need of further replenishments in order to reach its target balance.

### General Capital Reserves

- Real estate activity was strong again in 2014, with activity similar to 2013. **Real Estate Excise Tax (REET)** collections finished the year **2.2 percent ahead of 2013**. Revenue through the end of the year was **196 percent of budget**, so the current budgeted ending balance does not reflect actual revenue trends. This budget amount was adjusted upward for the 2015-16 biennium. \$270,000 REET 2 reserves was authorized during the fourth quarter to fund targeted transportation projects on the Juanita Drive corridor.
- Impact fees** are also significantly ahead of the 2014 budget, finishing the year with \$2.8 million in revenue above budget. Transportation impact fees are 76.2 percent ahead of the same period last year and park impact fees are 44.1 percent ahead. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. Use of these funds will be evaluated as part of the 2015 CIP evaluation. As with REET, the budgeted ending balance for Impact Fees was increased for the 2015-16 biennium.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	3,382	50,000	(46,618)
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	15,059	250,000	(234,941)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,806,513	4,352,261	3,532,261	5,735,330	(2,203,069)
<b>General Purpose Reserves with Targets</b>	<b>11,483,925</b>	<b>12,853,218</b>	<b>11,823,287</b>	<b>17,598,322</b>	<b>(5,775,035)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,209	1,484,209	1,568,207	(83,998)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	2,922,724	1,071,000	1,851,724
REET 2**	2,284,826	2,319,112	1,663,483	2,225,500	(562,017)
Water/Sewer Operating Reserve:					
Water/Sewer Operating Reserve	2,414,471	2,414,471	2,414,471	1,979,380	435,091
Water/Sewer Debt Service Reserve:					
Water/Sewer Debt Service Reserve	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:					
Water/Sewer Capital Contingency	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:					
Surface Water Operating Reserve	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:					
Surface Water Capital Contingency	816,480	816,480	816,480	758,400	58,080
<b>Other Reserves with Targets</b>	<b>15,580,000</b>	<b>17,820,195</b>	<b>15,579,778</b>	<b>10,748,551</b>	<b>4,831,227</b>
<b>Reserves without Targets</b>	<b>35,751,424</b>	<b>37,434,612</b>	<b>37,584,031</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>62,815,349</b>	<b>68,108,025</b>	<b>64,987,096</b>	<b>n/a</b>	<b>n/a</b>

*The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.*

*General Purpose reserves are funded from general revenue and may be used for any general government function.*

*All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).*

\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June 2013.

\*\*Includes replenishments adopted in April 2013 and adjustments to actual cash balances adopted in June 2013; does not reflect increased collections in 2013-2014.

*The summary to the right details all Council authorized uses and additions in the 2013-14 biennium.*

USES AND ADDITIONS HIGHLIGHTS		
RESERVE	AMOUNT	DESCRIPTION
<b>2013-14 Council Authorized Uses</b>		
2013 First Quarter Uses	\$302,000	
2013 Second Quarter Uses	\$630,319	
2013 Third Quarter Uses	\$489,981	
2013 Fourth Quarter Uses	\$1,103,451	
2014 First Quarter Uses	\$1,369,000	
2014 Second Quarter Uses	\$174,300	
2014 Third Quarter Uses	\$1,023,355	
Council Special Project Reserve	\$14,013	Human Services Uses
REET 2 Reserve	\$270,000	Juanita Drive Quick Wins
SWM Transp. Reserve	\$204,700	100th Avenue Corridor
<b>2013-14 Council Authorized Additions</b>		
Real Estate Excise Tax 2 - Transp.	\$77,303	Return from NE 120th Street Extension (East)
Surface Water Transportation	\$49,000	Return from NE 112th Street Sidewalk
Council Special Projects Reserve	\$13,500	Return from 9-11 Memorial Sculpture
Development Services 2014 YE Addition	\$2,320,387	

## Financial Management Report as of December 31, 2014

*General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.*

*Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.*

*General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.*

*Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.*

*Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.*

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
<b>GENERAL FUND/CONTINGENCY</b>					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	(46,618)	3,382
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(163,313)	15,059
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
<b>Total General Fund/Contingency</b>		<b>8,677,412</b>	<b>8,500,957</b>	<b>(209,931)</b>	<b>8,291,026</b>
<b>SPECIAL PURPOSE RESERVES</b>					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,437,068	1,260,285	2,697,353
Development Svcs. Technology Reserve	Permit system replacement	264,810	404,810	1,060,102	1,464,912
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,209	0	1,484,209
<b>Total Special Purpose Reserves</b>		<b>6,567,734</b>	<b>6,304,159</b>	<b>2,320,387</b>	<b>8,624,546</b>
<b>GENERAL CAPITAL RESERVES</b>					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(1,584,788)	2,922,724
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(655,629)	1,663,483
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	(2,002)	993,956
General Capital Contingency*	Changes to General capital projects	2,806,513	4,352,261	(820,000)	3,532,261
<b>Total General Capital Reserves</b>		<b>12,311,512</b>	<b>14,839,603</b>	<b>(3,062,419)</b>	<b>11,777,184</b>
<b>UTILITY RESERVES</b>					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	(1,228,255)	3,351,974
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	2,577,367	(465,000)	2,112,367
<b>Total Utility Reserves</b>		<b>20,411,741</b>	<b>20,929,708</b>	<b>(1,693,255)</b>	<b>19,236,453</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
<b>Total Internal Service Fund Reserves</b>		<b>14,846,950</b>	<b>17,533,598</b>	<b>(475,711)</b>	<b>17,057,887</b>
<b>Grand Total</b>		<b>62,815,349</b>	<b>68,108,025</b>	<b>(3,120,929)</b>	<b>64,987,096</b>

\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June 2013.

\*\*Includes replenishments adopted in April 2013 and adjustments to actual cash balances adopted in June 2013; does not reflect increased collections in 2013-2014.



The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual and year over year comparisons** for year-to-date revenues and expenditures for all operating funds.
  - The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
  - **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
  - The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
  - The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.
- Tracey Dunlap, Deputy City Manager
  - Michael Olson, Deputy Director of Finance & Administration
  - Tom Mikesell, Financial Planning Manager
  - Neil Kruse, Senior Financial Analyst
  - George Dugdale, Senior Financial Analyst
  - Kyle Butler, Budget Analyst
  - Alyshia Saltman, Budget Analyst



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#### ***Economic Environment Update References:***

- The Conference Board Consumer Confidence Index Press Release December 30, 2014
- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, December, 2014
- Quarterly Economic & Revenue Forecast, November 2014—Washington State Economic & Revenue Forecast Council
- Monthly Economic and Revenue Publication, February 2015—Washington State Economic & Revenue Forecast Council
- CB Richard Ellis Real Estate Services, Market View Puget Sound, Fourth Quarter 2014
- CB Richard Ellis Real Estate Services, Market View Puget Sound, Fourth Quarter 2013
- S&P/Case-Shiller Seattle Home Price Index
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department



**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:** Tracey Dunlap, Director of Finance & Administration  
 Kyle Butler, Budget Analyst

**Date:** February 23, 2015

**Subject:** January Sales Tax Revenue

January sales tax revenue is **up 1.2 percent** compared to January 2014. This figure is skewed because of a large one-time revenue and several large sales tax refunds to businesses in January 2014; if these transactions are excluded, sales tax revenues grew by 4.3 percent year-over-year. Results this month reflect sales activity in November, due to the two month lag in reporting sales tax data.

### Comparing January 2015 to January 2014

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

#### 2014-2015 Sales Tax Receipts by Business Sector-Monthly Actuals

Business Sector Group	January		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	171,888	157,074	(14,814)	-8.6%	12.4%	11.2%
Contracting	139,114	213,040	73,926	53.1%	10.0%	15.1%
Communications	37,348	39,274	1,926	5.2%	2.7%	2.8%
Retail:						
Auto/Gas Retail	359,349	393,192	33,843	9.4%	25.8%	28.0%
Gen Merch/Misc Retail	160,223	172,080	11,857	7.4%	11.5%	12.2%
Retail Eating/Drinking	109,372	113,804	4,432	4.1%	7.9%	8.1%
Other Retail	190,973	192,541	1,568	0.8%	13.7%	13.7%
Wholesale	57,691	56,681	(1,010)	-1.8%	4.1%	4.0%
Miscellaneous	164,346	68,976	(95,370)	-58.0%	11.9%	4.9%
<b>Total</b>	<b>1,390,304</b>	<b>1,406,662</b>	<b>16,358</b>	<b>1.2%</b>	<b>100%</b>	<b>100%</b>

Comparing month to month, January sales tax collections this year are **\$16,400 (1.2 percent)** higher than January 2014. This is part of a slowing growth trend over recent months that is lower than the **4.9 percent** increase from November 2013 to November 2014 but higher than the **1.0 percent** increase from December 2013 to December 2014. January 2014 did have a number of unusually large transactions, including a large one-time receipt of sales tax from a major equipment purchase and several major sales tax refunds that were administered to businesses by the Department of Revenue. If these transactions are excluded, January 2015 grew by **4.3 percent** year-over-year. Next month's sales tax comparisons should provide a useful perspective on spending compared to past years, since it reflects holiday sales activity.

Contracting saw strong growth compared to January 2014 increasing by **53.1 percent**, however, this increase is largely due to a sales tax refund that was administered in January 2014, and if this is excluded the sector is up by **6.7 percent**. This adjusted increase in contracting coincides with growing development activity in the City. The top three improving sectors were rounded out by solid growth in Auto Sales (**9.4 percent**) and General Merchandise Retail (**7.4 percent**). January did experience decreases in revenues compared to 2014 in the miscellaneous sector (**58 percent**) and the services sector (**8.6 percent**). The drop in revenues from the miscellaneous sector is heavily skewed by the previously mentioned revenues from a large one-time purchase and several sales tax refunds, if those are excluded this sector is down **3.9 percent** compared to last year. Services revenues were due to a large one-time revenue in 2014 from an information services company; if this sale is factored out Services are up by **9.7 percent**.

Overall, the month to month comparison shows growth across most business sectors, with the exceptions of Miscellaneous, Services and Wholesale.

### 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 of the broader economic context for key factors in sales tax revenues.

#### 2014-2015 Wider Economic Indicators

Indicator	Most recent month of data	Unit	Month			Yearly Average	
			Current	Previous	Change	2014	2015
<b>Consumer Confidence</b>							
Consumer Confidence Index	January	Index	<b>102.9</b>	93.1	9.8	86.9	102.9
<b>Unemployment Rate</b>							
National	January	%	<b>5.7</b>	<b>5.6</b>	0.1	6.2	5.7
Washington State	December	%	6.3	6.2	0.1	6.0	n/a
King County	December	%	<b>4.1</b>	4.4	<i>-0.3</i>	4.7	n/a
Kirkland (pre annex boundaries)	December	%	<b>4.2</b>	4.4	<i>-0.2</i>	4.7	n/a
<b>Housing</b>							
New House Permits	December	Thousands	37.8	36.1	1.7	34.4	n/a
Seattle Area Home Prices	November	Index	169.8	170.4	<i>-0.6</i>	167	n/a
<b>Inflation (Core CPI)</b>							
National	December	% Change	0.8	1.3	<i>-0.5</i>	1.6	n/a
Seattle	December	% Change	1.7	2.1	<i>-0.4</i>	1.9	n/a
<b>Car Sales</b>							
New Vehicle Registrations	January	Thousands	<b>23.7</b>	24.9	<i>-1.2</i>	23.4	23.7

**Bold numbers** indicate data point is highest or lowest in that year.

Numbers in *italics* indicate a negative movement from the previous months data.

The **Consumer Confidence Index** increased sharply from 93.1 in December to 102.9 in January, riding a rising tide of consumer sentiment stemming from growth in the job market and a declining unemployment rate. The Bureau of Labor Statistics **unemployment data** from January show the seasonally adjusted national rate increasing slightly from 5.6 percent in December to 5.7 percent in January. December is the most recent available month for state and local unemployment rates. Washington State unemployment increased to 6.3 percent in December from 6.2 percent in November. Local unemployment rates declined for King County, moving from 4.4 percent in November to 4.1 percent in December. Kirkland's unemployment rate dropped from 4.4 percent in November to 4.2 percent in December. The low unemployment rates are encouraging, but they are partially due to





**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
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## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Director of Finance & Administration  
 Kyle Butler, Budget Analyst

**Date:** February 27, 2015

**Subject:** February Sales Tax Revenue

February sales tax revenue was **down 0.9 percent** compared to February 2014. The drop in revenues was driven by lower collections in two volatile sectors, Contracting and Automotive Retail, which were down 21.6 percent and 1.8 percent, respectively. All other major sectors improved by 5.5 percent in aggregate. Results this month reflect sales activity in December, due to the two month lag in reporting sales tax data.

### Comparing February 2015 to February 2014

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

#### 2014-2015 Sales Tax Receipts by Business Sector-Monthly Actuals

Business Sector Group	February		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	228,169	232,236	4,067	1.8%	12.7%	13.0%
Contracting	316,658	248,362	(68,296)	-21.6%	17.6%	13.9%
Communications	43,147	43,287	140	0.3%	2.4%	2.4%
Retail:						
Auto/Gas Retail	421,677	414,081	(7,596)	-1.8%	23.4%	23.2%
Gen Merch/Misc Retail	251,957	263,805	11,848	4.7%	14.0%	14.8%
Retail Eating/Drinking	121,541	136,926	15,385	12.7%	6.7%	7.7%
Other Retail	254,782	261,982	7,200	2.8%	14.1%	14.7%
Wholesale	74,527	82,093	7,566	10.2%	4.1%	4.6%
Miscellaneous	88,232	100,917	12,685	14.4%	5.0%	5.7%
<b>Total</b>	<b>1,800,690</b>	<b>1,783,689</b>	<b>(17,001)</b>	<b>-0.9%</b>	<b>100%</b>	<b>100%</b>

Comparing month to month, February sales tax collections this year are \$17,000 (**0.9 percent**) lower than February 2014. This is a continuation of a slowing growth trend over recent months that is now negative, but the negative changes are isolated to two sectors. The declines materialized in the Contracting and Auto/Gas Retail sectors, which are historically volatile and can vary greatly from month to month. For Contracting, this decline of **21.6 percent** was due to the timing of large projects in 2014 which were either completed or in a less material-intensive stage of the construction process by February 2015. The City's building department reports high levels of permit applications in the first two months of 2015, so it is possible that the weakness in Contracting is temporary. Automotive sales were down **1.8**

**percent** compared to February 2015, so it is difficult to know if this month's results were simply an anomaly or indicative of any larger trend. All other sectors showed growth in February when compared to the prior year, and the City's sales taxes were **up by 5.5 percent** if Contracting and Auto/Gas Retail are excluded.

Retail Eating/Drinking saw strong growth compared to February 2015, increasing by **12.7 percent**. The Wholesale sector improved by **10.2 percent** and General Merchandise Retail grew by **4.7 percent**. The Miscellaneous sector grew by **14.4 percent** because of increases in the Real Estate and Finance & Insurance Sectors. Overall, the month to month comparison shows growth across most business sectors, with the exceptions of the Contracting and Auto/Gas Retail sectors.

### 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 a sector's longer term performance and allows developing trends to be identified.

#### City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January - February		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Services	400,123	389,342	(10,781)	-2.7%	12.5%	12.2%
Contracting	456,317	461,902	5,585	1.2%	14.3%	14.5%
Communications	80,494	82,561	2,067	2.6%	2.5%	2.6%
Retail:						
Auto/Gas Retail	781,026	807,273	26,247	3.4%	24.5%	25.3%
Gen Merch/Misc Retail	411,650	435,409	23,759	5.8%	12.9%	13.6%
Retail Eating/Drinking	230,913	250,730	19,817	8.6%	7.2%	7.9%
Other Retail	445,688	454,497	8,809	2.0%	14.0%	14.2%
Wholesale	132,218	138,772	6,554	5.0%	4.1%	4.3%
Miscellaneous	252,565	169,865	(82,700)	-32.7%	7.9%	5.3%
<b>Total</b>	<b>3,190,994</b>	<b>3,190,351</b>	<b>(643)</b>	<b>0.0%</b>	<b>100%</b>	<b>100%</b>

Through the end of February, sales tax is flat, with **0.0 percent** change compared to last year, however this is skewed due to a single one-time transaction that occurred in January 2014 and several major sales tax corrections carried out by the Department of Revenue that altered the collections for 2014. If this one-time revenue and those corrections are excluded then sales tax collections are up 1.1 percent through the end of February compared to last year. Neighboring cities have had mixed results in sales tax collections so far this year according to data from the Department of Revenue. Redmond is down 10.8 percent through February compared to 2014, Bellevue is up 7.0 percent and Seattle is up 12.1 percent over the same timeframe. These results indicate that Kirkland's 0.0 percent growth so far this year is not part of a larger regional trend and is related to specific timing of transactions so far this year.

The largest growth by dollar amount of any sector is **Auto/Gas Retail**, where 2015 collections have increased \$26,000 over last year. The second largest growth by dollar amount is **General Merchandise/Miscellaneous Retail** with an increase of nearly \$24,000. **Retail Eating/Drinking** revenues have grown nearly \$20,000 compared to this point in 2014.

**Miscellaneous** is down **32.7 percent** because of the large one-payment from January 2014 that was mentioned earlier. If this payment, as well as a one-time sales tax correction by the DoR are factored out the sector has grown by **6.2 percent**. **Services** are down (**2.7 percent**) after two months because of a

large one-time revenue from the information technology sector in 2014; with this excluded the services sector is up 10.1 percent.

**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. Very few categories have changes since the January sales tax report. The updated categories are shown in the table below.

**2014-2015 Wider Economic Indicators**

Indicator	Most recent month of data	Unit	Month			Yearly Average	
			Current	Previous	Change	2014	2015
<b><i>Consumer Confidence</i></b>							
Consumer Confidence Index	February	Index	<b>96.4</b>	103.8	-7.4	86.9	100.1
<b><i>Inflation (Core CPI)</i></b>							
National	January	% Change	<b>-0.2</b>	<b>0.8</b>	<i>-1.0</i>	1.6	-0.2

**Bold numbers** indicate data point is highest or lowest in that year.

Numbers in *italics* indicate a negative movement from the previous months data.

At the time of this publication, new data for many of the economic indicators discussed in the January Sales Tax Memo are not yet available. Two new data points have been published, including the **Consumer Confidence** Index, which decreased from 103.8 in January to 96.4 in February. This index score of 96.4 remains higher than it was at any point in 2014. **National inflation data** (Consumer Price Index) for January has also become available since the last sales tax memo and it shows that the national CPI has actually experienced negative inflation (deflation) of 0.2 percent from January 2014 to January 2015. This is due to low gas prices.

**Conclusion**

As the chart below shows, sales tax revenues had increased steadily since 2010 but were flat in December and January when they are compared to the same month a year prior. February 2015 sales taxes were one percent lower than they were in February 2014, this change was largely due to lower revenues from the contracting and auto sales sectors, which can be volatile businesses due to external economic influences. The drop in contracting sales played the largest role in February’s year-over-year decline, this is partially due to the timing of large projects in the City that were more active a year ago. The City has been experiencing high levels of building permit applications in early 2015, so upcoming month’s sales tax data will provide more clarity on the construction sector’s revenue trend. According to the Washington State Economic Forecast Council, the national and state economies have been experiencing positive, if modest, growth and many economic indicators are encouraging. This positive trend has been matched by relatively high levels of consumer confidence. However, here in Kirkland the level of growth has been slow for the past four months, a situation that will be monitored closely.



**City of Kirkland**  
**2015-2016 Budget**  
**2015 March Budget Adjustment Summary**

Dept.	Description	Appropriation Adjustment	Adjustment Type			Funding Source			Funding Source/Notes
			Carryover	Council/Other	Housekeeping	Resources Forward	Internal Transf./Chrg.	Resources Forward	
<b>General Fund</b>									
CMO	Police Strategic Plan	100,000	100,000					100,000	
CMO	Regional Fire Authority Study	62,500	62,500					62,500	
CMO	Neighborhood Plans	51,656	51,656					51,656	
CMO	Outreach - K2035	61,982	61,982					61,982	
CMO	Pet License Marketing funds	4,100	4,100					4,100	
CMO	Active Transportation Plan Implementation	1,500	1,500					1,500	
CMO	Neighborhood Services Professional Services	11,430	11,430					11,430	
CMO	Economic Development Professional Services	8,000	8,000					8,000	
CMO	Legislative Travel & Subsistence	5,000	5,000					5,000	
PCS	NKCC Lobby Furniture Reupholstery	3,300	3,300					3,300	
PCS	Human Services Contracts/Eastside Winter Shelter	211,558	211,558					211,558	
PCS	2013-2014 Viva Volunteer Event Revenue	1,750	1,750					1,750	
PCS	Senior Council Projects/Intern	23,135	23,135					23,135	
PCS	Park Project Supplies	7,000	7,000					7,000	
PCS	2014 Leash Enforcement Invoice	3,575	3,575					3,575	
PCS	Blair House Reroofing	9,400	9,400					9,400	
PCS	Park Equipment Rentals for Inspections	7,950	7,950					7,950	
PCS	Youth Council Projects/Supplies	19,500	19,500					19,500	
PCS	ARC Project Professional Services	107,472	107,472					107,472	
PW	Web Page Redesign-Slalom Contract	72,441	72,441					72,441	
PW	PW Construction Inspectors Tablets	3,596	3,596					3,596	
PW	Transportation Consultant services	25,000	25,000					25,000	
PW	Smart Board	7,200	7,200					7,200	
PW	Active Transportation Plan Implementation	26,819	26,819					26,819	
PW	Commute Trip Reduction	10,000	10,000					10,000	
PW	BKR Model Operation & Maintenance	13,993	13,993					13,993	
PW	King County CTR Grant Consultant Services	17,965	17,965					17,965	
PW	Project Engineer Furniture	1,419	1,419					1,419	
F&A	Investment Analysis & Other Banking Expenses	17,000	17,000					17,000	
F&A	Public Disclosure Ordinance	25,000	25,000					25,000	
PCD	Land Use Consulting	15,340	15,340					15,340	
PCD	Planning Overtime	6,151	6,151					6,151	
PCD	GMA/Comp Plan Update/EIS	225,755	225,755					225,755	
PCD	Additional Permitting Assistance	13,014	13,014					13,014	
PCD	Transportation Master Plan	31,738	31,738					31,738	
PCD	Totem Lake Planned Action	74,517	74,517					74,517	
PCD	Zoning Code and Plan Amendments	7,500	7,500					7,500	
PCD	Zoning Code Charts to Tables	15,971	15,971					15,971	
PD	Police Unpaid Invoices	28,869	28,869					28,869	
PD	Inmate Barcode Scanner/Video Equipment/Software	111,449	111,449					111,449	

Dept.	Description	Appropriation Adjustment	Adjustment Type				Funding Source			Funding Source/Notes
			Carryover	Council/Other	Housekeeping	Resources Forward	Internal Transf./Chrg.	Resources Forward	External Revenue	
<b>General Fund (continued)</b>										
PD	Investigations Camera Equipment	4,300	4,300					4,300		
F&B	Fire Department Supplies	20,821	20,821					20,821		
F&B	Fire Department Accreditation	12,500	12,500					12,500		
F&B	Fire Stations Alarm Systems	1,250	1,250					1,250		
ND	Impact Fee Study	42,500	42,500					42,500		
F&B	Fire Prevention Staffing	281,952		281,952					281,952	
PW	On-Call Permit Tech	28,797		28,797				28,797		
Mult.	Park Place Redevelopment Staffing	606,953		606,953					606,953	
Mult.	Totem Lake Redevelopment Staffing	558,247		558,247					558,247	
N/A	Major Systems Reserve Replenishment	119,475		119,475					119,475	2013-14 and 2015 Utility Tax Audit Revenue
PCD	Planning Dues & Memberships	14,600			14,600			14,600		Correction, approved in 15-16 budget proces
PCS	NKCC and PKCC Camp Recreation Expenses	15,800			15,800			15,800		Correction, approved in 15-16 budget proces
N/A	Revolving Accounts-Recognize Actual Balances	144,225				144,225		144,225		
N/A	Building & Property Reserve-Recognize Actual Balance	1,446,738				1,446,738		1,446,738		
N/A	Development Svcs Reserves-Recognize Actual Balances	549,421				549,421		549,421		
N/A	Recognize Sales Tax Revenue Reduction	(533,300)		(533,300)					(533,300)	
N/A	Replace Sales Tax Loss with Resources Forward	533,300				533,300		533,300		
N/A	City Hall Debt Service Placeholder	431,243		431,243		-		431,243	-	
		<b>5,730,367</b>	<b>1,532,916</b>	<b>1,493,367</b>	<b>30,400</b>	<b>2,673,684</b>	<b>-</b>	<b>4,697,040</b>	<b>1,033,327</b>	
<b>Lodging Tax Fund</b>										
CM	Lodging Tax/Tourism - Professional Services	5,000	5,000					5,000		
CM	Resources Forward-Recognize Actual Balance	34,860				34,860		34,860		
	<b>Lodging Tax Fund Total</b>	<b>39,860</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>34,860</b>	<b>-</b>	<b>39,860</b>	<b>-</b>	
<b>Street Operating Fund</b>										
PW	Vehicle	24,900	24,900					24,900		
PW	Office Furniture & Equipment	5,966	5,966					5,966		
PW	Fire Station Fiber Connection	24,000	24,000					24,000		
PW	ITS Improvements	34,000	34,000					34,000		
PW	Parking Pay Stations Modem	3,000	3,000					3,000		
PW	Retrofit Medians	90,000	90,000					90,000		
PW	Median Life Cycle Study	30,000	30,000					30,000		
PW	LED Conversion	11,000	11,000					11,000		
PW	Replacement Trees	8,145	8,145					8,145		
PW	Sign Fabrication Software	12,000	12,000					12,000		
PW	School Zone Radar Speed Sign Replacements	19,000	19,000					19,000		
PW	Parking Space Feasibility Study	27,294	27,294					27,294		
PW	Sidewalk Grinder	26,000		26,000				26,000		
PW	Revolving Accounts-Recognize Actual Balances	1,802				1,802		1,802		
PW	Resources Forward-Recognize Actual Balance	58,902				58,902		58,902		
	<b>Street Operating Fund Total</b>	<b>376,009</b>	<b>289,305</b>	<b>26,000</b>	<b>-</b>	<b>60,704</b>	<b>-</b>	<b>376,009</b>	<b>-</b>	

Dept.	Description	Appropriation Adjustment	Adjustment Type				Funding Source			Funding Source/Notes
			Carryover	Council/Other	Housekeeping	Resources Forward	Internal Transf./Chrg.	Resources Forward	External Revenue	
<b>Cemetery Operating Fund</b>										
PCS	Resources Forward-Recognize Actual Balance	32,312				32,312		32,312		
<b>Cemetery Operating Fund Total</b>		<b>32,312</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,312</b>	<b>-</b>	<b>32,312</b>	<b>-</b>	
<b>Parks Maintenance Fund</b>										
PCS	City/School Partnership Supplies	6,000	6,000					6,000		
PCS	Juanita Beach Park Compliance Monitoring	4,000	4,000					4,000		
PCS	Juanita Beach Park Signs & Restriping	5,000	5,000					5,000		
PCS	Resources Forward-Recognize Actual Balance	115,397				115,397		115,397		
<b>Parks Maintenance Fund Total</b>		<b>130,397</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>115,397</b>	<b>-</b>	<b>130,397</b>	<b>-</b>	
<b>Parks Levy Fund</b>										
PCS	Green Kirkland Restoration	31,400	31,400					31,400		
PCS	Juanita Bay Park Restoration Grant	10,000	10,000						10,000	
PCS	Resources Forward-Recognize Actual Balance	98,225				98,225		98,225		
<b>Parks Levy Fund Total</b>		<b>139,625</b>	<b>41,400</b>	<b>-</b>	<b>-</b>	<b>98,225</b>	<b>-</b>	<b>129,625</b>	<b>10,000</b>	
<b>Impact Fees Fund</b>										
N/A	Resources Forward-Recognize Actual Balance	335,560				335,560		335,560		
<b>Impact Fees Fund Total</b>		<b>335,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,560</b>	<b>-</b>	<b>335,560</b>	<b>-</b>	
<b>Excise Tax Capital Improvement Fund</b>										
N/A	Resources Forward-Recognize Actual Balance	852,843				852,843		852,843		
<b>Excise Tax Capital Improvement Fund Total</b>		<b>852,843</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>852,843</b>	<b>-</b>	<b>852,843</b>	<b>-</b>	
<b>LTGO Debt Service Fund</b>										
N/A	Resources Forward-Recognize Actual Balance	(3,305)				(3,305)		(3,305)		
<b>LTGO Debt Service Fund Total</b>		<b>(3,305)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,305)</b>	<b>-</b>	<b>(3,305)</b>	<b>-</b>	
<b>UTGO Debt Service Fund</b>										
N/A	Resources Forward-Recognize Actual Balance	(3,588)				(3,588)		(3,588)		
<b>UTGO Debt Service Fund Total</b>		<b>(3,588)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,588)</b>	<b>-</b>	<b>(3,588)</b>	<b>-</b>	
<b>General Capital Projects Fund</b>										
PCS	Waverly Beach Park Renovations CPK 0087 100	429,500		429,500			429,500			REET 1 Reserves/Re-purpose Snyder's Corner
N/A	Net CIP Projects Carryover Reconciliation	673,648	673,648					337,524	336,124	
N/A	2015-2016 CIP Funding Adjustments	1,945,424			1,945,424		1,446,738		498,686	
<b>General Capital Projects Fund Total</b>		<b>3,048,572</b>	<b>673,648</b>	<b>429,500</b>	<b>1,945,424</b>	<b>-</b>	<b>1,876,238</b>	<b>337,524</b>	<b>834,810</b>	
<b>Transportation Capital Projects Fund</b>										
PW	Juanita Drive Quick Wins CNM 0090	270,000		270,000			270,000			REET 2 Reserves approved by Council December 2014
PW	CIP Projects Carryover Reconciliation	(565,714)	(565,714)					1,337,887	(1,903,601)	
N/A	Resources Forward Adjustment	(36,004)				(36,004)		(36,004)		
<b>Transportation Capital Projects Fund</b>		<b>(331,718)</b>	<b>(565,714)</b>	<b>270,000</b>	<b>-</b>	<b>(36,004)</b>	<b>270,000</b>	<b>1,301,883</b>	<b>(1,903,601)</b>	

Dept.	Description	Appropriation Adjustment	Adjustment Type				Funding Source			Funding Source/Notes
			Carryover	Council/Other	Housekeeping	Resources Forward	Internal Transf./Chrg.	Resources Forward	External Revenue	
<b>Water/Sewer Utility Operating Fund</b>										
PW	Water Capital Projects (misc.)	50,000	50,000					50,000		
PW	Telemetry Upgrades	40,000	40,000					40,000		
PW	Manhole Rehab	119,500	119,500					119,500		
PW	Water Comp Plan Update	7,400	7,400					7,400		
PW	Emergency Sewer Program Outreach	30,000	30,000					30,000		
PW	Resources Forward Adjustment	810,277				810,277		810,277		
<b>Water/Sewer Utility Operating Fund Total</b>		<b>1,057,177</b>	<b>246,900</b>	<b>-</b>	<b>-</b>	<b>810,277</b>	<b>-</b>	<b>1,057,177</b>	<b>-</b>	
<b>Water/Sewer Debt Service Fund</b>										
PW	Debt Service Funding Reduction	(460,000)			(460,000)		(460,000)			Due to change in debt service reserve requirements
PW	Resources Forward-Recognize Actual Balance	(5,634)				(5,634)		(5,634)		
<b>Water/Sewer Debt Service Fund Total</b>		<b>(465,634)</b>	<b>-</b>	<b>-</b>	<b>(460,000)</b>	<b>(5,634)</b>	<b>(460,000)</b>	<b>(5,634)</b>	<b>-</b>	
<b>Water/Sewer Capital Fund</b>										
PW	CIP Projects Carryover Reconciliation	(1,401,640)	(1,401,640)					(5,445,854)	4,044,214	External funding from Bond Proceeds/Grants
PW	Resources Forward Adjustment	7,072,962				7,072,962		7,072,962		
<b>Water/Sewer Capital Fund Total</b>		<b>5,671,322</b>	<b>(1,401,640)</b>	<b>-</b>	<b>-</b>	<b>7,072,962</b>	<b>-</b>	<b>1,627,108</b>	<b>4,044,214</b>	
<b>Surface Water Operating Fund</b>										
PW	Totem Lake/Juanita Creek Basin Stormwtr	127,554	127,554						127,554	Grant funding
PW	Dept. of Ecology Containment	4,580	4,580						4,580	Grant funding
PW	Storm Water Audit	20,000	20,000						20,000	Grant funding
PW	Dept. of Ecology Partnership	61,810	61,810						61,810	Grant funding
PW	Totem Lake Water Level Monitoring	15,000	15,000					15,000		
PW	Private Stormwater Inspection Hardware	5,000	5,000					5,000		
PW	Secure & Protect Ponds	108,000	108,000					108,000		
PW	Resources Forward Adjustment	441,190				441,190		441,190		
<b>Surface Water Operating Fund Total</b>		<b>783,134</b>	<b>341,944</b>	<b>-</b>	<b>-</b>	<b>441,190</b>	<b>-</b>	<b>569,190</b>	<b>213,944</b>	
<b>Surface Water Capital Fund</b>										
PW	CIP Projects Carryover Reconciliation	1,285,615	1,285,615					772,560	513,055	
N/A	Resources Forward Adjustment	(231,028)				(231,028)		(231,028)		
<b>Surface Water Capital Fund Total</b>		<b>1,054,587</b>	<b>1,285,615</b>	<b>-</b>	<b>-</b>	<b>(231,028)</b>	<b>-</b>	<b>541,532</b>	<b>513,055</b>	
<b>Solid Waste Fund</b>										
PW	Plastic Bag Ban	40,585		40,585				40,585		
PW	Resources Forward Adjustment	323,664				323,664		323,664		
<b>Solid Waste Fund Total</b>		<b>364,249</b>	<b>-</b>	<b>40,585</b>	<b>-</b>	<b>323,664</b>	<b>-</b>	<b>364,249</b>	<b>-</b>	
<b>Health Benefits Fund</b>										
N/A	Resources Forward Adjustment	295,084				295,084		295,084		
<b>Health Benefits Fund Total</b>		<b>295,084</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>295,084</b>	<b>-</b>	<b>295,084</b>	<b>-</b>	

Dept.	Description	Appropriation Adjustment	Adjustment Type				Funding Source			Funding Source/Notes
			Carryover	Council/Other	Housekeeping	Resources Forward	Internal Transf./Chrg.	Resources Forward	External Revenue	
<b>Equipment Rental Fund</b>										
PW	Resources Forward Adjustment	86,527				86,527		86,527		
<b>Equipment Rental Fund Total</b>		<b>86,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,527</b>	<b>-</b>	<b>86,527</b>	<b>-</b>	
<b>Information Technology Fund</b>										
IT	Adobe Live Cycle Training/Support	31,528	31,528					31,528		
IT	Franchise Update Legal Fees	14,418	14,418					14,418		
IT	Energov Support	23,714	23,714					23,714		
IT	SMartNet	44,985	44,985					44,985		
IT	ArcGIS Maintenance	19,569	19,569					19,569		
IT	FirstWatch Fire Software	6,900	6,900					6,900		
IT	Telecommunications Audit	10,155	10,155					10,155		
IT	Microsoft Enterprise Agreement	120,939	120,939					120,939		
IT	PDGroup Consulting	8,981	8,981					8,981		
IT	Network Study	36,381		36,381				36,381		
IT	Major Systems Replacement Reserve	293,089		293,089			293,089			Transfer from General Fund (Utility Tax Audit Revenue)
IT	PC Replacement Reserve-Recognize Actual Balance	(111,757)				(111,757)		(111,757)		
IT	Resources Forward Adjustment	17,640				17,640		17,640		
<b>Information Technology Fund Total</b>		<b>516,542</b>	<b>281,189</b>	<b>329,470</b>	<b>-</b>	<b>(94,117)</b>	<b>293,089</b>	<b>223,453</b>	<b>-</b>	
<b>Facilities Maintenance Fund</b>										
F&A	Sinking Fund Reserves-Recognize Actual Balance	590,640				590,640		590,640		
F&A	Resources Forward Adjustment	117,662				117,662		117,662		
<b>Facilities Maintenance Fund Total</b>		<b>708,302</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708,302</b>	<b>-</b>	<b>708,302</b>	<b>-</b>	
<b>Firefighter's Pension Fund</b>										
N/A	Resources Forward Adjustment	(1,237)				(1,237)		(1,237)		
<b>Firefighter's Pension Fund Total</b>		<b>(1,237)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,237)</b>	<b>-</b>	<b>(1,237)</b>	<b>-</b>	
<b>TOTAL OTHER FUNDS</b>		<b>14,686,620</b>	<b>1,212,647</b>	<b>1,095,555</b>	<b>1,485,424</b>	<b>10,892,994</b>	<b>1,979,327</b>	<b>8,994,871</b>	<b>3,712,422</b>	
<b>TOTAL ALL FUNDS</b>		<b>20,416,987</b>	<b>2,745,563</b>	<b>2,588,922</b>	<b>1,515,824</b>	<b>13,566,678</b>	<b>1,979,327</b>	<b>13,691,911</b>	<b>4,745,749</b>	

Line Item Adjustments/Fiscal Notes		
ND	New Cingular Utility Tax Refund Claim	225,000
PK	Waverly Beach Park Renovations CPK 0087 100	75,000
PW	100th Ave NE Corridor CST 0083	384,500
PW	Park Lane Ped Cor CNM 0064 (Water/Sewer)	5,000
PW	100th Ave NE Corridor CST 0083	204,700
PW	Kirkland Decant Facility Exp CSD 0082	125,200
PW	Park Lane Ped Cor CNM 0064	59,683
<b>TOTAL ALL FUNDS</b>		<b>1,079,083</b>

**City of Kirkland  
2015-2016 Budget**

**Active Capital Projects (Work in Process) from 2013-2014**

Description	2015 Beginning Project Balance
<b>General Capital Projects Fund</b>	
Forbes Lake Park Development CPK 0056	555,302
Open Space CPK 0049	100,000
Park Play Area Enhancements CPK 0066	187,549
Waverly Beach Park Renovation CPK 0087 100	496,819
Heritage Pk Hall Renovation CPK 0095 200	45,872
McAuliffe Park Development CPK 0108	164,191
Spinney Homestead CPK 0113 100	492,953
Terrace Park Renovation CPK 0115	514,953
Green Kirkland CPK 0121	56,666
Peter Kirk Pool Upgrades CPK 0123	92,991
Snyders Corner Park CPK 0124	75,000
Park & Open Space CPK 0131	48,979
Dock/Shoreline CPK 0133 100	233,763
Neighborhood Park CPK 0133 300	1,009
Edith Moulton Park CPK 0133 400	80,436
132nd Park Playfields CPK 0134	75,000
Everest Park Restroom CPK 0138	75,000
Totem Lake Park Master Plan CPK 0139 100	8,578
Public Safety Building CGG 0013 102	1,831,344
City Hall Expansion CGG 0035 100	1,865,529
Maintenance Center Expansion CGG 0037 002	1,168,486
North Kirkland Fire Station CGG 0039	5,196,781
Facilities Energy Efficiency	249,448
Facilities Life Cycle Projects-Active	383,998
Facilities Life Cycle Projects-Closures	542,820
NE 85th Street Utility Undergrounding CST 0075	487,293
State Street Utility Undergrounding CST 0076	12,727
Records Management System CGG 0006 110	196,205
Municipal Court Technology CGG 0006 205	12,059

<b>General Capital Projects Fund (continued)</b>	
Permit System Replacement CGG 0006 501	241,383
Network Servers CIT 0100	254,913
Network Infrastructure CIT 0110	97,884
Network Storage CIT 0120	286,973
Network Phone CIT 0130	50,000
Network Security CIT 0140	55,778
GIS Workplan CIT 0200	185,541
Finance/HR System CIT 0300	74,348
Maintenance Mgt System Upgrade CIT 0702	142,806
Disaster Recovery CIT 0901	125,000
Wireless in the Park Phase 2 CIT 0903	199,847
Disaster Supply Storage Units CPK 0056	37,014
Defibrillator Unit Replacement CPS 0062	28,221
Dive Rescue Equipment CPS 0067	55,000
SCBA Replacement CPS 0071	20,844
Fire Personal Protective Equipment CPS 0076	231,868
Police Equipment Closures	65,129
<b>General Capital Projects Fund Total</b>	<b>17,404,300</b>

<b>Transportation Capital Projects Fund</b>	
Annual Street Preservation One-time Project CST 0006 002	165,418
98th Avenue Bridge Project CST 0055	1,052,864
NE 120th Street Roadway Extension CST 0057 001	353,637
Juanita Drive Master Plan CST 0082	32,065
Annual Street Preservation CST 1406	324,730
Street Maintenance & Ped Safety Levy CST 1406 003	857,018
Annual Striping Program CST 1480	16,509
Regional Coordination CST 9999	80,043
Cross Kirkland Corridor Interim Trail CNM 0024 000	1,542,909
Cross Kirkland Corridor Master Plan CNM 0024 101	82,631
NE 100th/Spinney Homestead Pk Sdwk Ph 2 CNM 0034 001	71,610
Rose Hill Business District Sidewalks CNM 0051	2,565,836
NE 112th Street Sidewalk CNM 0053	9,249
6th Street Sidewalk CNM 0082	6,654
Park Ln Pedestrian Corridor Imprvmnts Ph 2 CNM 0064 001	815,072
Central Way Pedestrian Enhancements Ph 2 CNM 0065	41,487
12th Avenue Sidewalk CNM 0066	61,610
Lakeview School Walk Route Enhancements CNM 0068	19,793
JFK Non-motorized Program CNM 0073	101,310
6th Street S. Sidewalk CNM 0082	576,761
South Kirkland TOD/CKC Multi-Modal Conn. Ph 2 CNM 0084	98,463
Street Levy Pedestrian Safety CNM 1306 200	28,573
Annual Sidewalk Maintenance Program CNM 0057	296,403
Peter Kirk Restroom Renovation CTR 0004 002	10,541
6th Street/Kirkland Way Traffic Signal CTR 0065	1,191,299
NE 85th/132nd NE Intersection Improvements CTR 0078	695,712
NE 85th/124th NE Intersection Improvements CTR 0080	948,131
100th Ave NE/NE 132nd St. Intersection Imprvmnts CTR 0083	627,141
Growth & Transportation Efficiency GTEC CTR 0102	46,831
Kirkland ITS Implementation Phase I CTR 0111 000	848,604
Kirkland ITS Implementation Phase IIC CTR 0111 003	2,554,069
Downtown Pedestrian Safety Improvments CTR 0112	7,139
Citywide Safety & Traffic Flow Improvements CTR 0113	246,462
6th Street S./ 9th Avenue S. Traffic Signal CTR 0115	1,001,155
<b>Transportation Capital Projects Fund Total</b>	<b>17,377,729</b>

<b>Water/Sewer Capital Fund</b>	
7th Ave S Swr Main Replacement CSS 0064	547,510
NE 80th St Sewer Main CSS 0067	2,289,982
Sewer System Telemetry Upgrade CSS 0074	8,843
Inflow/Infiltration Reduct Upg CSS 075	114,736
5th Av S Swrmn Repl CSS 0078	155,301
7th-8th Av W Alley Swr CSS 0081	138,870
Supply Stn 3 Replacement CWA 0063	141,000
Vulnerability Anal. Facil Upgd CWA0093	326,773
N Reservoir Seismic Upg/Recoat CWA 0094	367,698
Telemetry System Upgrades CWA 0115	17,723
132nd Av NE/NE 8th St CWA 0016 CWA 0116	2,698,218
NE 85th St Watermain Rplcmnt CWA 0140	1,768,063
Park Lane Wtrmn CWA 0148	238,842
6th St Wtr Main Replacement CWA 0150	301,774
7th Ave S Wtr Main Replcmnt CWA 0151	164,470
<b>Water/Sewer Capital Fund Total</b>	<b>9,279,803</b>

<b>Surface Water Capital Fund</b>	
NE 85th Detention/Sediment Cnl CSD 0025	385,147
Cochran Sprng Lk WA Blvd Crss CSD 0048	233,611
Forbes Cr/KC Access Rd Culvert CSD 0051	144,107
Forbes Cr/Coors Pnd Chnl Grade CSD 0053	170,581
SWM Sediment Pond Reclam Ph 2 CSD 0058	79,736
Totem Lk Blvd Flood Cntrl Meas CSD 0059	1,138,301
NE 129th Pl/Juanita Creek CSD 0067	25,427
Totem Lk Twin Culvert Rplcmnt CSD 0075	566,358
NE 141 St-111 Av Clv CSD 0076	143,613
Goat Hill Storm CSD 0077	87,616
Billy Creek Ravine CSD 0078	71,479
Pub Sfty Bldg SW Qual CSD 0079	8,435
Kirkland Decant Facility Exp CSD 0082	1,021,796
7th Ave S Strm Main Rplcmnt CSD 0083	153,860
CKC Water Quality Retrofit CSD 0085	9,505
2014 Annual Replacement CSD 1447	178,898
NE 120th Roadway Ext SW CST 0057	139,484
NE 85th Utility Undergrounding CST 0075	35
100th Ave NE Corridor CST 0083	14,121
CKC Interim Trail CNM 0024	192,745
RH Business District Sidewalk CNM 0051	44,669
112th St. Sidewalk CNM 0053	16,672
6th St Sidewalk CNM 0059	8,280
Park Lane Ped Cor CNM 0064	1,917,155
Elem School Walkroute CNM 0067	319,729
JFK Non Motorized CNM 0073	30,000
2014 Annual Sidewalk CNM 1457	20,000
85th/132nd Ave Int Impr CTR 0078	47,227
85th/124th Ave Int Impr CTR 0080	45,607
NE 68th/108th Ave Impr CTR 0085	16,077
<b>Surface Water Capital Fund Total</b>	<b>7,230,271</b>
<b>Total Capital Projects</b>	<b>51,292,103</b>



**CITY OF KIRKLAND**  
**City Manager's Office**  
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001  
www.kirklandwa.gov

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## MEMORANDUM

**To:** Kurt Triplett, City Manager  
**From:** Tracey Dunlap, Deputy City Manager  
**Date:** March 24, 2015  
**Subject:** Fire Prevention Staffing Recommendation

As part of the 2014 fee study, Fire Prevention fees were completely overhauled, with a new fee structure and new rates. The new structure is designed to bring Fire Prevention fees closer to cost recovery targets and make fees simpler to administer. The new fees were projected to generate annual incremental revenue of \$210,913, taking total cost recovery to 96% of target. The additional revenue would more fully fund the fire plan review and inspection work performed by the Assistant Fire Marshal and other Fire Prevention staff, freeing up General Fund to add new resources to handle other workload in the division. Additional resources should provide added capacity for fire inspectors to carry out more non-fee generating inspections, consistent with the recommendations of the Fire Strategic Plan.

The adopted budget did not reflect the additional Fire Prevention fee revenues pending an evaluation of the resource needs of the Division. The March budget adjustments include the recommendation to add a 1.0 FTE fire inspector position to accelerate the frequency of annual inspections. The total cost for adding this position is \$155,267 (\$34,615 in one-time costs and \$120,652 in on-going costs per year). Recognizing this amount of the increased fire prevention fee revenue frees up General Fund resources to add the 1.0 FTE inspector position. Staff is recommending that only this amount of fire prevention fee revenue be recognized at this time, as revenues from the increased fees in the early months of the year are less than the original projections. As better data is collected to assess workload needs and fee revenues, further refinements to the fees may be recommended in the future.

In addition, the Fire Protection Engineer 1.0 FTE position approved as part of the 2013 mid-biennial budget process is shown in the Building Division budget, as it was funded from Building Permit fees to help expedite fire plan review. This position requires specialized expertise and will be dependent on development activity. To ensure that this relationship is clear, the Fire Protection Engineer will be an AFSCME position that will be budgeted in the Building Division, but will report directly to the Fire Marshal in the Fire Prevention Division.

Council approval of the new 1.0 FTE fire inspector position results in an adjustment to the biennial budget of \$281,952.

ORDINANCE O-4480

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING THE BIENNIAL BUDGET FOR 2015-2016.

1 WHEREAS, the City Council finds that the proposed adjustments to the Biennial Budget  
 2 for 2015-2016 reflect revenues and expenditures that are intended to ensure the provision of  
 3 vital municipal services at acceptable levels;

4  
 5 NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

6  
 7 Section 1. The April 2015 adjustments to the Biennial Budget of the City of Kirkland  
 8 for 2015-2016 are adopted.

9  
 10 Section 2. In summary form, modifications to the totals of estimated revenues and  
 11 appropriations for each separate fund and the aggregate totals for all such funds combined are  
 12 as follows:

<u>Funds</u>	Current Budget	Adjustments	Revised Budget
General	194,798,557	5,730,367	200,528,924
Lodging Tax	834,672	39,860	874,532
Street Operating	21,063,040	376,009	21,439,049
Cemetery Operating	856,334	32,312	888,646
Parks Maintenance	3,080,209	130,397	3,210,606
Parks Levy	5,550,296	139,625	5,689,921
Contingency	4,036,425		4,036,425
Impact Fees	7,062,824	335,560	7,398,384
Excise Tax Capital Improvement	20,864,944	852,843	21,717,787
Limited General Obligation Bonds	6,837,479	(3,305)	6,834,174
Unlimited General Obligation Bonds	1,453,331	(3,588)	1,449,743
General Capital Projects	37,855,498	3,048,572	40,904,070
Transportation Capital Projects	35,121,922	(331,718)	34,790,204
Water/Sewer Operating	59,759,516	1,057,177	60,816,693
Water/Sewer Debt Service	1,368,834	(465,634)	903,200
Utility Capital Projects	28,019,650	5,671,322	33,690,972
Surface Water Management	23,888,452	783,134	24,671,586
Surface Water Capital Projects	18,078,039	1,054,587	19,132,626
Solid Waste	33,928,345	364,249	34,292,594
Health Benefits	26,577,496	295,084	26,872,580
Equipment Rental	21,842,793	86,527	21,929,320
Information Technology	14,351,934	516,542	14,868,476
Facilities Maintenance	15,114,669	708,302	15,822,971
Firefighter's Pension	1,716,572	(1,237)	1,715,335
	584,061,831	20,416,987	604,478,818

13           Section 3. This ordinance shall be in force and effect five days from and after its  
14 passage by the Kirkland City Council and publication, as required by law.

15  
16           Passed by majority vote of the Kirkland City Council in open meeting this \_\_\_\_ day of  
17 \_\_\_\_\_, 2015.

18  
19           Signed in authentication thereof this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk

Approved as to Form:

\_\_\_\_\_  
City Attorney

RESOLUTION R-5121

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND APPROVING AN AMENDED AND RESTATED EMPLOYMENT AGREEMENT BETWEEN THE KIRKLAND CITY COUNCIL AND KURT TRIPLETT, ITS CITY MANAGER.

1           WHEREAS, after a formal recruitment and selection process, the  
2 Kirkland City Council appointed Kurt Triplett as City Manager in 2010;  
3 and

4  
5           WHEREAS, during his tenure as City Manager, Kurt Triplett  
6 helped guide the City through the annexation of Finn Hill, Juanita and  
7 Kingsgate, as well as the "Great Recession," while maintaining the City's  
8 AAA credit rating; and

9  
10          WHEREAS, the City Manager has been instrumental in the  
11 acquisition and development of the Cross Kirkland Corridor for the  
12 residents of Kirkland and the continued implementation of the Cross  
13 Kirkland Corridor Master Plan; and

14  
15          WHEREAS, the City Manager is working to complete and  
16 implement Kirkland 2035, a process to update the City's master plans  
17 for transportation, parks, and other vital services, including the  
18 Comprehensive Land Use Plan, to keep Kirkland a livable, walkable,  
19 green and vibrant city; and

20  
21          WHEREAS, the City Manager has continued to enhance the  
22 provision of efficient, cost-effective services by city government; and

23  
24          WHEREAS, the City Manager is implementing strategies to  
25 position the City well for the expiration of the annexation sales tax credit  
26 in 2021, including the redevelopment of the Parkplace and Totem Lake  
27 Malls; and

28  
29          WHEREAS, the City Council entered into an employment  
30 agreement with the City Manager as of June 28, 2010, which was  
31 subsequently amended in January 2011 and November 2013; and

32  
33          WHEREAS, the City Council conducted a review of the City  
34 Manager's performance during the period November 2014 through  
35 March 2015, and based on the review, the City Council desires to extend  
36 the duration of the City Manager's employment and increase his  
37 compensation; and

38  
39          WHEREAS, the City Council further desires to consolidate all  
40 amendments into a single amended and restated agreement.

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

43  
44 Section 1. The Amended and Restated Employment Agreement  
45 for the City Manager of the City of Kirkland, attached as Exhibit "A" and  
46 incorporated by this reference, is approved by the Kirkland City Council  
47 to be its agreement as to terms and conditions of employment with Kurt  
48 Triplett as Kirkland City Manager.

49  
50 Section 2. The Mayor is authorized to sign an Amended and  
51 Restated Employment Agreement which is substantially similar to that  
52 attached as Exhibit "A" on behalf of the City of Kirkland and its City  
53 Council.

54  
55 Passed by majority vote of the Kirkland City Council in open  
56 meeting this \_\_\_\_ day of \_\_\_\_\_, 2015.

57  
58 Signed in authentication thereof this \_\_\_\_ day of \_\_\_\_\_,  
59 2015.

\_\_\_\_\_  
MAYOR

Attest:

\_\_\_\_\_  
City Clerk

## **AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This Amended and Restated Employment Agreement is entered into between Kurt Triplett ("City Manager") and the City of Kirkland ("City") to describe the terms and conditions of the City Manager's employment with the City.

### **Recitals**

- A.** After a formal recruitment and selection process, the City Council of the City of Kirkland appointed Kurt Triplett as City Manager in 2010.
- B.** The parties entered into an Employment Agreement, as of June 28, 2010, which was subsequently amended in January 2011 and November 2013.
- C.** The City Council conducted a review of the City Manager's performance during the period November 2014 through March 2015, and based on the review, the City Council desires to extend the duration of the City Manager's employment and increase his compensation.
- D.** The parties wish to enter into an Amended and Restated Employment Agreement that sets forth all of the rights and obligations of the parties and that will supersede all prior negotiations, discussions or agreements.

### **1. Agreement and Effective Date**

The effective date of this Amended and Restated Employment Agreement is January 1, 2015. In accordance with the provisions of Chapter 35A.13 RCW, the City Manager is appointed by the Kirkland City Council ("Council") for an indefinite term and may be removed at any time by a vote of the majority of the Council.

### **2. Residence**

The City Manager shall reside within the City.

### **3. Powers and Duties**

The City Manager's powers and duties shall be as provided for by the laws of the State of Washington, by City ordinance, and as the Council may from time to time prescribe. The City Manager agrees to abide by the International City Management Association ("ICMA") Code of Ethics.

### **4. Salary**

The City Manager's annual salary shall be \$186,468. In January 2015, the City Manager received the two percent annual wage adjustment awarded to City employees in the Management and Confidential Employees ("MAC") group. In subsequent years, the

City Manager shall be eligible for and shall receive annual wage adjustments awarded to City employees in the MAC group. In addition, the Council shall review the City Manager's salary in December 2015 and annually thereafter to determine whether further salary adjustments are appropriate based on merit or other considerations. Any salary adjustments approved by the Council based on this review shall become effective January 1 of the following year. The City Manager's salary will not be reduced during the term of this Agreement (absent removal or resignation) unless the average salary for MAC employees is reduced, in which case the City Manager's salary may not be reduced by more than the MAC average reduction.

## **5. Performance Appraisals**

The Council and the City Manager shall discuss the City Manager's performance, and the Council shall complete an annual review of the City Manager's performance at a Council meeting in December. Performance appraisal may be combined with the annual salary review.

## **6. Benefits**

### ***Holidays and Leaves***

The City Manager shall accrue 20 days' vacation leave per year and shall be granted holidays, sick leave, and management leave as provided in Kirkland Municipal Code Chapter 3.80. Unused vacation leave may be carried forward to the next calendar year, so long as the total balance of vacation leave does not exceed 240 hours. There shall be no payment in lieu of vacation except as provided in Section 7, below.

The City Manager shall also be granted a Community Service Day on the same terms as employees in the MAC group.

### ***Benefits and Insurance***

The City Manager will be provided medical, dental, disability, employee assistance program, life insurance and other benefits not otherwise addressed in this Agreement on the same terms as employees in the Executive Management group. The City will reimburse the City Manager for the cost of an annual physical examination to the extent such cost is not covered by insurance, up to a maximum of \$1,500 per year or such amount as may be authorized in the biennial budget for members of the Executive Management group.

### ***Retirement***

In lieu of federal Social Security contributions, equivalent employer and employee contributions shall be made to the Municipal Employees Benefit Trust.

The City shall make required employer contributions on the City Manager's behalf into the Public Employees' Retirement System Plan 2 (PERS 2). The City Manager shall be responsible for the PERS 2 employee contribution. The City shall also contribute an amount equal to six percent of base salary to an ICMA 401A retirement plan for the City Manager's benefit, subject to and in accordance with the terms of the plan and Internal Revenue Code requirements.

The City Manager may elect to direct pre-tax dollars to a voluntary ICMA deferred compensation plan for City employees, subject to and in accordance with the terms of the plan and Internal Revenue Code requirements.

***Automobile and Travel***

In lieu of other expense reimbursement for travel within the local area, the City Manager shall receive \$425 per month to defray the expense of using a personal automobile for official travel. (Pursuant to Chapter 42.24 RCW, it is the determination of the Council that this means of reimbursement is less costly than providing an automobile to the City Manager.) The City Manager will also be entitled to mileage reimbursement (or use of City vehicles, if available) for City business travel outside the local area, meaning outside of a 50-mile radius of Kirkland City Hall. In addition, the City Manager may be reimbursed for other reasonable and necessary expenses incurred in the course of City business in accordance with City policy (currently Reimbursable Expense Policy No. 3-2).

**7. Termination and Severance Pay**

In the event the City Manager is removed from office or asked to resign by the Council during the term of this Agreement, the City Manager shall receive severance pay equal to six months' salary; *provided* that the City Manager shall not be eligible for severance pay if removed or asked to resign for malfeasance in office or conviction of a felony. Severance pay shall not be payable upon expiration of this Agreement (or any automatic extension hereof) if either party gives timely notice of intent not to renew under Section 10.

In the event the City Manager voluntarily resigns and gives at least 90 days' advance notice in writing, the City Manager shall be paid at separation for up to 240 hours of unused vacation, or such lesser amount as will avoid excess compensation liability to the City under applicable retirement laws.

**8. Indemnification, Hold Harmless and Defense**

The City shall indemnify, hold harmless and defend the City Manager from and against any claims related to or arising out of the exercise of his powers and duties as City Manager to the extent provided by and in accordance with Chapter 3.72 of the Kirkland Municipal Code and RCW 4.96.041.

**9. Entire Agreement**

This Agreement constitutes the entire agreement and supersedes any other agreements, oral or written, between the parties.

**10. Duration**

This Agreement is effective January 1, 2015, and shall continue in effect through December 31, 2020, absent prior termination. This Agreement will be automatically extended for additional one-year periods on the same terms and conditions, unless it is superseded by a new written agreement between both parties or unless either party gives the other written notice of intent not to renew at least six months prior to the expiration

date (i.e., before June 1, 2020, or, in the event of automatic extension, before the applicable subsequent anniversary date).

**11. Review**

Either party may request review and/or renegotiation of any provision of this Agreement during the duration of this Agreement, but no changes to any of the provisions may be made without the agreement of both parties.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Kurt Triplett, City Manager

\_\_\_\_\_  
Amy Walen, Mayor

Attest:

\_\_\_\_\_  
City Clerk