
CITY OF KIRKLAND

CITY COUNCIL



Amy Walen, Mayor • Jay Arnold, Deputy Mayor • Dave Asher • Shelley Kloba
Doreen Marchione • Toby Nixon • Penny Sweet • Kurt Triplett, City Manager

Vision Statement

Kirkland is one of the most livable cities in America. We are a vibrant, attractive, green and welcoming place to live, work and play. Civic engagement, innovation and diversity are highly valued. We are respectful, fair, and inclusive. We honor our rich heritage while embracing the future. Kirkland strives to be a model, sustainable city that values preserving and enhancing our natural environment for our enjoyment and future generations.

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AGENDA

2016 KIRKLAND CITY COUNCIL RETREAT II

Tuesday, May 24, 2016
9:00 a.m. – 3:00 p.m.

Peter Kirk Room
123 5th Avenue
Kirkland, Washington 98033

PLEASE CALL 48 HOURS IN ADVANCE (425-587-3190) if you require this content in an alternate format or if you need a sign language interpreter in attendance at this meeting.

- | | |
|------------------------------------|--------------------|
| 1. Call to Order | 8:55 a.m. |
| 2. Roll Call | |
| 3. Agenda Overview | |
| 4. 2016 Community Survey | 9:00 – 10:00 a.m. |
| 5. Financial Update | 10:00 – 11:30 a.m. |
| 6. Lunch | 11:30 – 12:30 p.m. |
| 7. Emerging Issues | 12:30 – 2:00 p.m. |
| 8. City Council Topics of Interest | 2:00 – 3:00 p.m. |
| 9. Adjournment | 3:00 p.m. |

Times provided are our best estimate.
The order of items is subject to change during the Retreat.



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

MEMORANDUM

To: Kurt Triplett, City Manager
From: Marilynne Beard, Deputy City Manager
Date: May 12, 2016
Subject: 2016 COMMUNITY SURVEY RESULTS

RECOMMENDATION:

City Council receives a report on the results of the 2016 Community Survey and discusses the how the results might shape the 2017-2018 budget.

BACKGROUND DISCUSSION:

The City conducts a community survey every other year to gauge citizens' satisfaction with City services and to help establish priorities for the biennial budget. The survey provides key data points for the City's Performance Measure Report and is the source of the "Kirkland Quad" that indicates citizen's ratings of the importance and performance of service areas. The survey was designed and analyzed by EMC Research Market & Opinion Research Services located in Seattle. The survey took place between April 25th and May 2nd, 2016. A representative from the firm will provide a presentation at the retreat about the general findings, trends and their observations of the survey results. An executive summary of key findings is included in the draft survey report that is attached to this memo.

In the 2012 survey, cross tabulations were provided for pre- and post-annexation populations to determine if there were differing perspectives and to see how the City's newest residents rated Kirkland after the first six months of becoming part of the City. The same cross tabulations were provided in the 2014 survey and again in 2016 to see if attitudes have changed over the past four years.

A few questions were modified and/or replaced in the 2016 survey. Two questions about transit plans for the Cross Kirkland Corridor were eliminated. A new service category was created for Building Permits and Inspection to differentiate it from Zoning and Land Use. An open-ended question at the end asked respondents to name any topics that were not included in the survey that they would have wanted to talk about. The most frequent responses to this question included infrastructure, education, and public transportation.

With regard to general survey questions about the City, survey results were again very similar to the prior survey in terms of overall satisfaction with Kirkland as a place to live (86% said that Kirkland is a very good or excellent place to live with a seven point shift from "very good" to

“excellent”). Positive aspects of Kirkland were its convenience and accessibility, small town feel and access to water. Concerns were similar to last year’s responses, with over-development, growth and traffic mentioned most often. However the number of times some of those concerns were noted increased, including the number of times respondents mentioned traffic as a concern increasing from 10% from 15%.

As stated in the report’s Key Findings:

- The City's performance exceeds importance on 6 of the 19 services/functions tested and performance is comparable to importance for 8 other services/functions;
- The gap between importance and performance is largest for managing traffic flow by a wide margin. Other areas where the city is slightly underperforming include zoning and land use, maintaining streets, and services for people in need;
- The City is over-performing relative to importance on community events, recreation programs and classes, support for arts, recycling and garbage collection, bike safety and parks;

An on-line version of the survey was made available once the telephone survey had been completed. The on-line survey will be open until June 1 and the results will be forwarded to the City Council in June.



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City of Kirkland 2016 Biennial Residents Survey on Citizen Opinions & Priorities

DRAFT REPORT



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1 Project Overview

1.1 Project Goal

To assess and track residents' attitudes and opinions about quality of life in Kirkland, priorities for the future and satisfaction with city government and its services. Specifically, the survey covered the following topic areas:

- *Respondents' evaluation of Kirkland as a place to live, including what they like the most about the city and what concerns them, their satisfaction with the availability of good and services in the City, attitudes about personal safety, and neighborhood infrastructure.*
- *Overall ratings of city government, and specific ratings on government priorities, financial management, communication with residents, and overall service delivery.*
- *Ratings of the overall importance and assessment of the City's performance across 19 City services and functions.*
- *Questions about household emergency preparedness.*

1.2 Methodology

- ✓ Telephone survey of 502 registered voters in the City of Kirkland.
- ✓ Overall margin of error of +/- 4.4 percentage points at the 95% confidence level.
- ✓ Interviewing took place between April 25th and May 2nd, 2016.

This survey is the sixth in a biennial series of citizen surveys commissioned by the City of Kirkland. The previous surveys (2006, 2008, and 2010) were conducted by Elway Research and the 2012, 2014 and 2016 surveys were conducted by EMC research.

2 Key Findings

Kirkland as a Place to Live

- *Kirkland residents overwhelmingly give the city high marks as a place to live -- nearly nine-in-ten (86%) rate it positively.*
- *Overall ratings are consistent with previous years, while positive intensity has increased steadily since 2012 (35 →47% “Excellent”).*
- *Asked about top-of-mind benefits of living in Kirkland, respondents cite location/proximity to amenities and community/small town feel as the city’s leading aspects in 2016, followed by waterfront access and safety/quietness.*
- *The top-of-mind benefits are generally similar to 2014, although location/amenities has dropped amid slight increases in mentions for waterfront access, safety/quietness and small town feel.*
- *When asked for top-of-mind concerns with the direction of things in Kirkland, over-development and traffic top the list in 2016, as they did two years earlier.*
- *About one-in-five (22%) respondents have no particular concerns with things in Kirkland.*
- *A large majority (83%) of residents are at least “somewhat satisfied” with the mix of stores, goods and services available in the city, though only one-in-five (22%) are “very satisfied” with this attribute.*
- *Respondents are slightly more satisfied with the availability of stores, goods and services than in previous years, as net satisfaction has improved by 6 points since 2014.*
- *Most (97%) Kirkland residents say they feel safe walking in their neighborhood during the day.*
- *Most (82%) also report feeling safe walking in their neighborhood after dark but only two-in-five (38%) feel “very safe” and nearly one-in-five (15%) feel unsafe.*
- *While falling short of the ratings peak in 2014, neighborhood safety ratings remain higher than they were four years ago.*
- *Comprising over half of responses, crime (30% mentioned) and lighting issues (29%) are the leading top-of-mind safety issues for those who feel unsafe.*
- *Respondents are largely satisfied with their neighborhood infrastructure. About four-in-five (82%) are at least “somewhat satisfied,” including a third (34%) who are “very satisfied.”*
- *Residents’ infrastructure satisfaction ratings remain unchanged from 2014.*

Kirkland City Government

- *Kirkland City government receives strong ratings, overall (70% positive), and continues to get high marks for "delivering services efficiently" (71%) and "keeping citizens informed" (62%).*
- *While nearly a majority (47%) of residents continue to rate it positively, negative sentiment has increased for "focusing on the priorities that matter most" (29% "only fair/poor" in 2014 → 36% in 2016).*
- *Resident satisfaction remains split on the job the City is doing "managing the public's money" (37% positive; 34% negative).*
- *There is relatively low intensity – positive or negative -- across all City job ratings.*
- *Kirkland residents consider themselves slightly more informed about the City government than in past years but only one-in-ten (12%) consider themselves "well informed."*
- *The Reporter remains Kirkland residents' leading information source, though its share has dropped slightly amid increases in the City Update, the City's website and other news sources.*

City Services and Functions

- *Safety-related services – including fire/emergency medical services and police – are widely viewed as the most critical City services. A strong majority (60%+) of residents say that each are “extremely important” – more than any other service tested.*
- *Additional top-tier priorities include pedestrian safety, City parks, maintaining streets, the environment and managing traffic flow.*
- *Community events, arts, permitting and recreation programs/classes are seen as the least vital City services.*
- *There have been no major shifts in service priorities since 2014.*
- *Support for arts (+2.4%), availability of sidewalks (+2.3%) and support for neighborhoods (+2.1%) saw slight increases in importance yet none are among the top-tier priorities.*
- *Importance ratings for zoning and land use (+3.2%), attracting businesses (-2.0%) and recycling and garbage collection (-1.9%) are slightly lower than in 2014.*
- *The City continues to perform well on the services/functions residents consider most important – including recycling/garbage, fire/emergency medical, parks, police and pedestrian safety.*
- *Managing traffic flow is among the lowest-rated performance areas and continues to be the key improvement opportunity.*
- *Performance ratings have largely held steady for every service over the last two years.*
- *Recreation program/class performance ratings have fallen slightly since 2014; it is the only service with a statistically significant ratings drop.*
- *The City's performance exceeds importance on 6 of the 19 services/functions tested and performance is comparable to importance for 8 other services/functions.*
- *The gap between importance and performance is largest for managing traffic flow by a wide margin. Other areas where the city is slightly underperforming include zoning and land use, maintaining streets, and services for people in need.*
- *The City is over-performing relative to importance on community events, recreation programs and classes, support for arts, recycling and garbage collection, bike safety and parks.*

3 Attitudes About Kirkland

3.1 Rating Kirkland as a Place to Live

Question(s) Analyzed

Q5. How would you rate Kirkland as a place to live? Would you say it is Excellent, Very good, satisfactory, only fair, or poor place to live?

Finding

- *Kirkland residents overwhelmingly give the city high marks as a place to live -- nearly nine-in-ten (86%) rate it positively.*
- *Overall ratings are consistent with previous years, while positive intensity has increased steadily since 2012 (35 →47% “Excellent”).*

A strong majority (86%) of residents positively rate Kirkland as a place to live, including nearly half (47%) who give it an “Excellent” rating.

Figure 3-1 – Rating of Kirkland as a Place to Live (Overall)

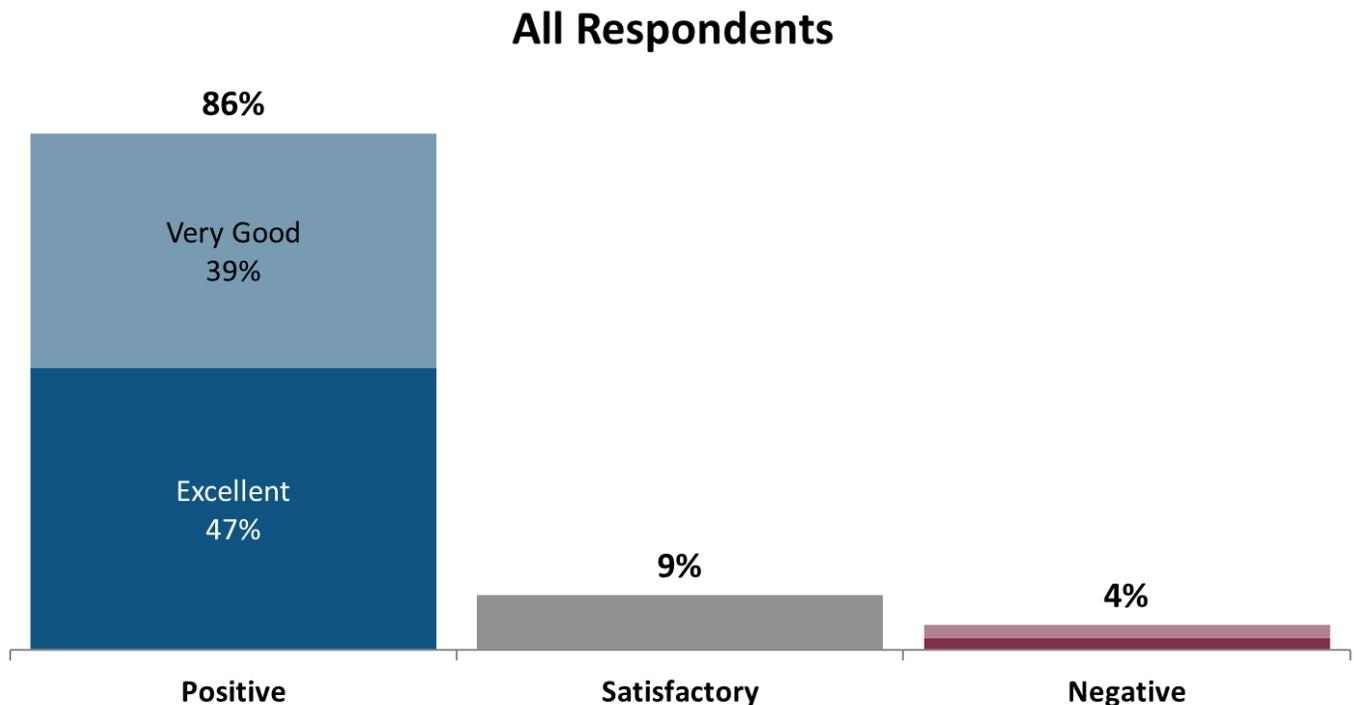
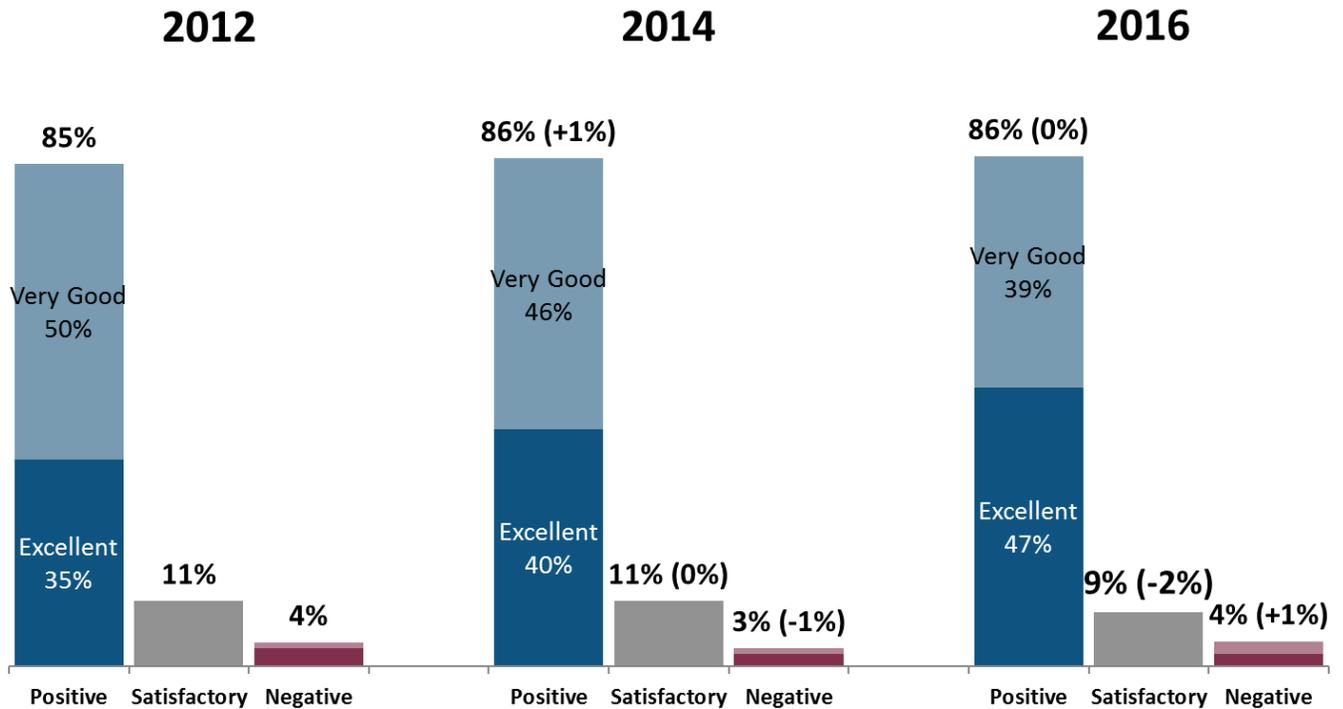


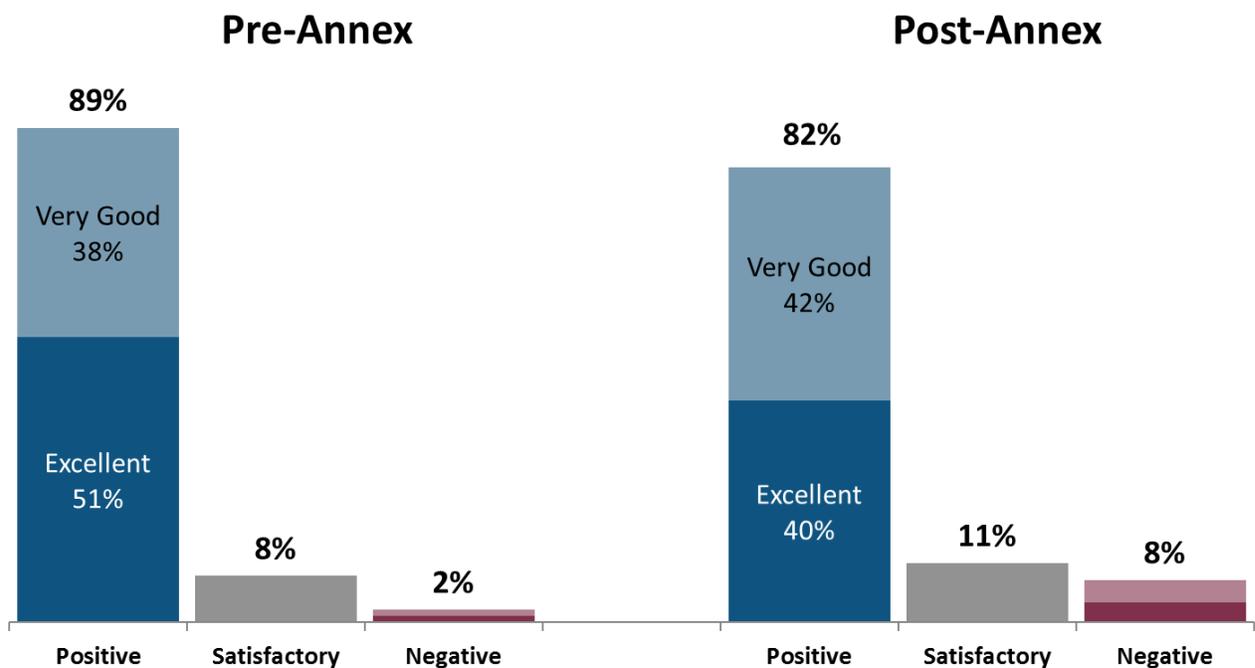
Figure 3-2 – Rating of Kirkland as a Place to Live, 2012 – 2016 Comparison



While the total share of positive sentiment is unchanged from previous years (85-86% “Very good” or higher), positive intensity has steadily increased from 2012 to 2016 (35→40→47% “Excellent”).

At least four-in-five residents in pre- and post-annex areas give Kirkland high marks as a place to live. Between the two, Old Kirkland residents have a slightly more positive outlook.

Figure 3-3 – Rating of Kirkland as a Place to Live, Pre/Post-Annex



3.2 Positives Aspects of Living in Kirkland

Question(s) Analyzed

Q6. What do you like best about living in Kirkland? (Single response)

Finding

- *Asked about top-of-mind benefits of living in Kirkland, respondents cite location/proximity to amenities and community/small town feel as the city's leading aspects in 2016, followed by waterfront access and safety/quietness.*
- *The top-of-mind benefits are generally similar to 2014, although location/amenities has dropped amid slight increases in mentions for waterfront access, safety/quietness and small town feel.*

Figure 3-4 – Kirkland Top-of-Mind Positives

	2014	2016	Change
Location/Close to Amenities	41%	27%	-14%
Small Town Feel/Community	20%	22%	+2%
Water/Water Front	6%	12%	+6%
Safe/Quiet	8%	11%	+3%
Parks	7%	6%	-1%
Green Space	4%	5%	+1%
The People	4%	2%	-2%
Schools	0%	2%	+2%
Weather	1%	<1%	<-1%
Other	7%	7%	+0%
No/None/Nothing	2%	2%	+0%
Don't Know	2%	4%	+2%

3.3 Concerns about Kirkland

Question(s) Analyzed

Q7. When you think about the way things are going in Kirkland, what if anything concerns you? (One Response)

Finding

- *When asked for top-of-mind concerns with the direction of things in Kirkland, over-development and traffic top the list in 2016, as they did two years earlier.*
- *About one-in-five (22%) respondents have no particular concerns with things in Kirkland.*

Only two particular areas of concern – over-development (16% mention) and traffic (15% mention) – reach double digits. Total mentions for transportation-related concerns -- including traffic and public transportation – have slightly increased since 2014.

Figure 3-5 – Kirkland Top-of-Mind Concerns

	2014	2016	Change
Over-development	16%	16%	0%
Traffic	10%	15%	+5%
City Government	4%	6%	+2%
Population Growth/Crowds	6%	6%	0%
Taxes/Spending	9%	5%	-4%
Public Transportation	1%	5%	+4%
Housing	2%	4%	+2%
Increased Prices	3%	4%	+1%
Crime	2%	3%	+1%
Infrastructure	3%	3%	0%
Lack of Small Businesses	1%	2%	+1%
School Funding	3%	1%	-2%
Police Presence	3%	1%	-2%
Parking	2%	1%	-1%
Jobs	1%	<1%	<-1%
Building Maintenance	2%	<1%	-2%
Other	5%	5%	0%
No/None/Nothing	23%	22%	-1%
Don't Know/Refused	3%	1%	-2%

3.4 Satisfaction with the Availability of Goods & Services

Question(s) Analyzed

Q15. Thinking about the types of stores, goods and services available in Kirkland... would you say that you are Very satisfied with the availability of goods and services in Kirkland, Satisfied, Dissatisfied, or Very dissatisfied with the availability of goods and services in Kirkland?

Finding

- A large majority (83%) of residents are at least “somewhat satisfied” with the mix of stores, goods and services available in the city, though only one-in-five (22%) are “very satisfied” with this attribute.
- Respondents are slightly more satisfied with the availability of stores, goods and services than in previous years, as net satisfaction has improved by 6 points since 2014.

Eight-in-ten (83%) residents are satisfied with the availability of goods and services in Kirkland, including one-in-five (22%) who are “very satisfied” with this attribute. Another one-in-five (16%) are dissatisfied but the intensity of this rating is negligible (2% “very dissatisfied”).

Figure 3-6 – Satisfaction with Availability of Goods & Services

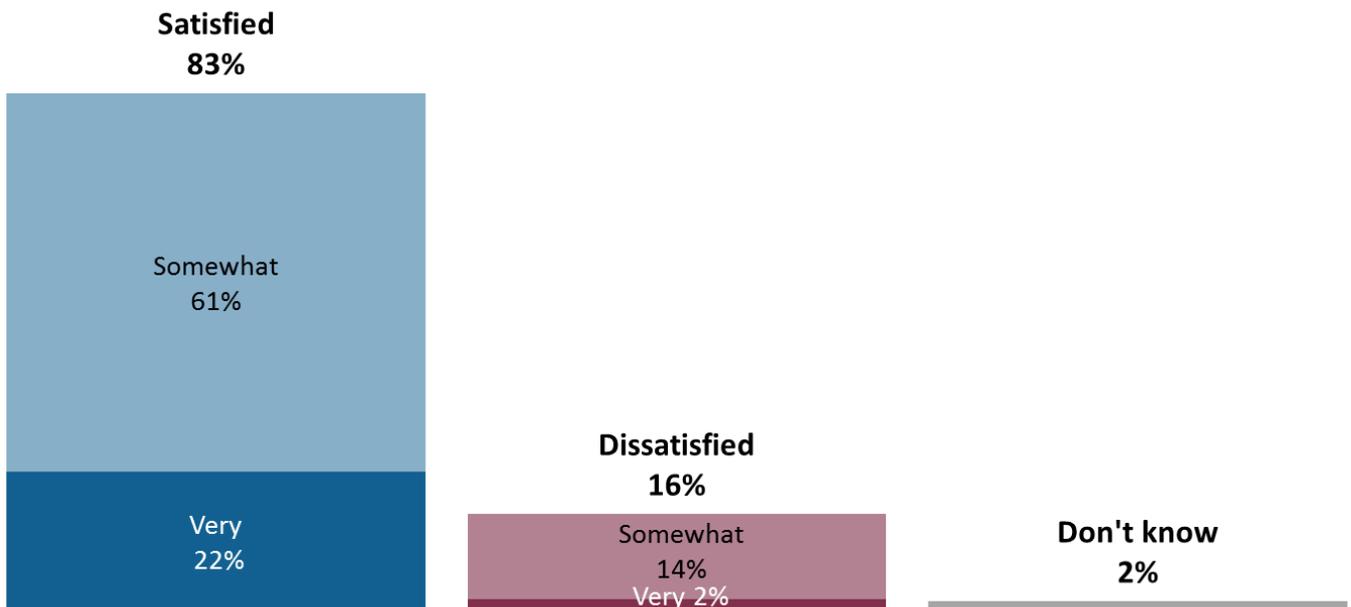
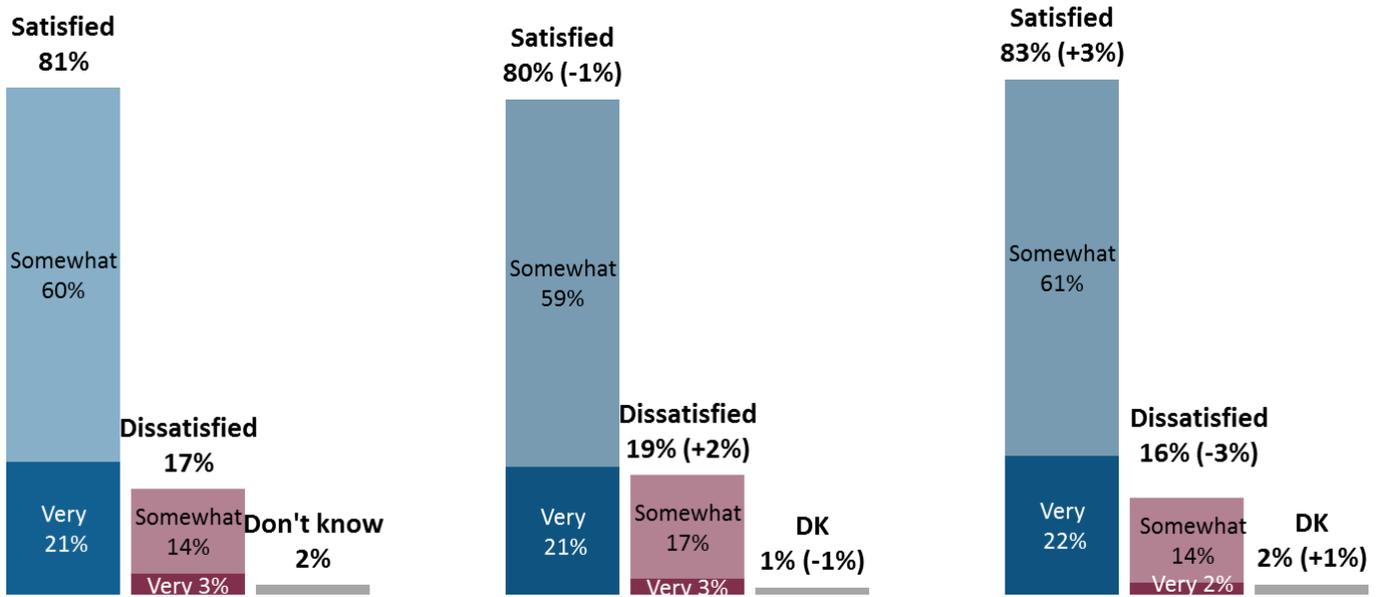


Figure 3-7 – Satisfaction with Availability of Goods & Services, 2012 – 2016 Comparison



3.5 Neighborhood Safety

Question(s) Analyzed

- Q16. In general, how safe do you feel walking alone in your neighborhood during the day? Would you say very safe, safe, somewhat unsafe, or very unsafe?
- Q17. And how safe do you feel walking alone in your neighborhood after dark? Would you say very safe, safe, somewhat unsafe, or very unsafe?
- Q18. *(If unsafe)* Why do you feel unsafe?

Finding

- Most (97%) Kirkland residents say they feel safe walking in their neighborhood during the day.
- Most (82%) also report feeling safe walking in their neighborhood after dark, but only two-in-five (38%) feel “very safe” and nearly one-in-five (15%) feel unsafe.
- While falling short of the ratings peak in 2014, neighborhood safety ratings remain higher than they were four years ago.
- Comprising over half of responses, crime (30% mentioned) and lighting issues (29%) are the leading top-of-mind safety issues for those who feel unsafe.

Figure 3-8 – Neighborhood Safety, Day & After Dark

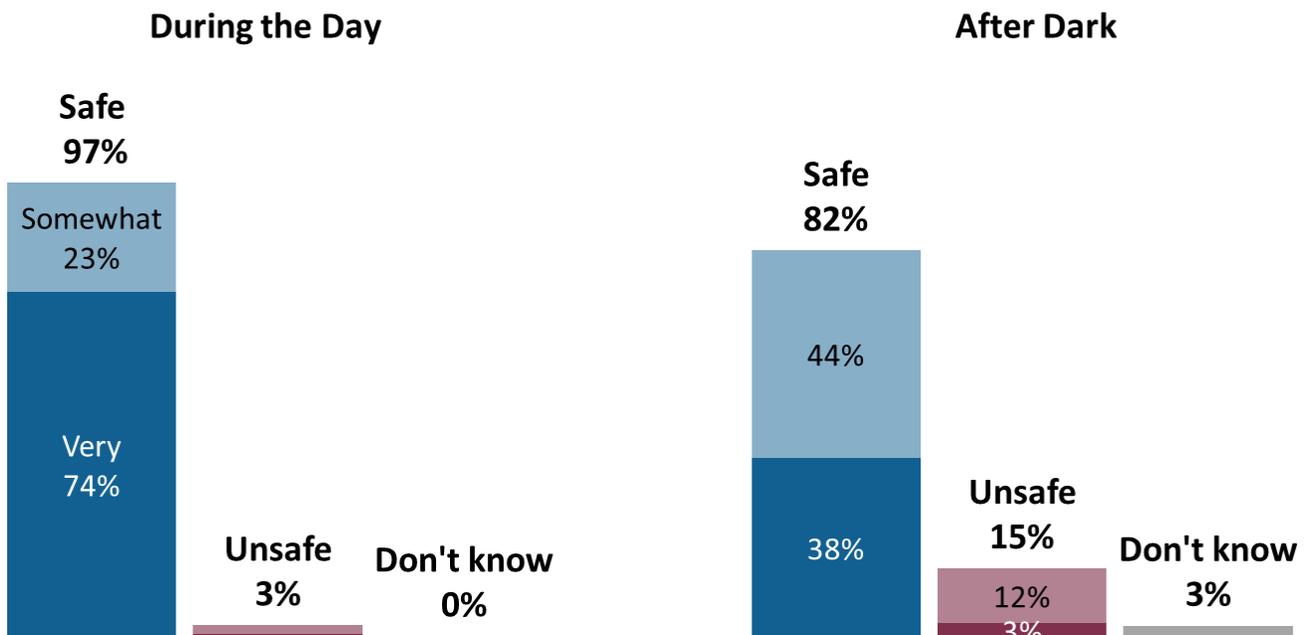


Figure 3-9 – Neighborhood Safety, 2012 – 2016 Comparison

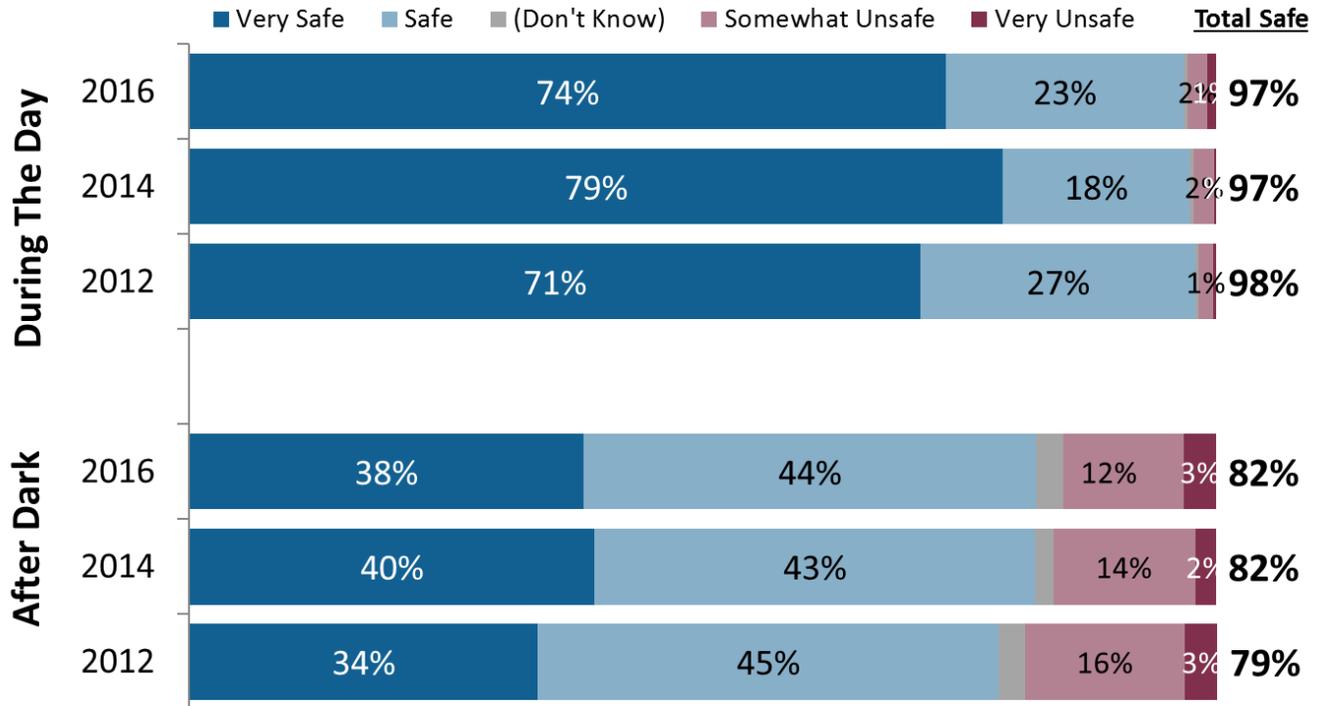
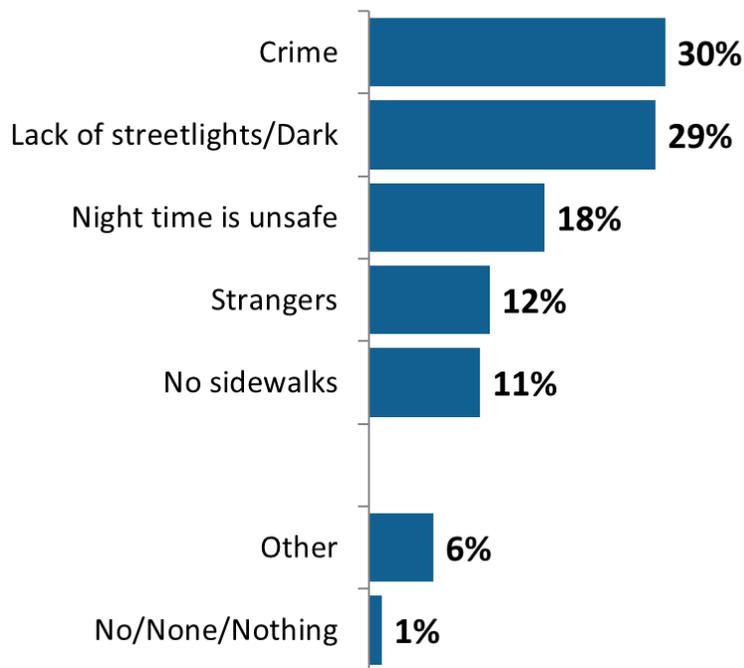


Figure 3-10 – Reasons for Feeling Unsafe After Dark

Residents who feel unsafe or very unsafe walking alone after dark

Weighted n=75; MoE= ± 11.3%



3.6 Satisfaction with Neighborhood Infrastructure

Question(s) Analyzed

Q19. In general, how satisfied are you with your neighborhood's infrastructure such as streets and sidewalks, and roadside landscaping? Are you very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

Finding

- Respondents are largely satisfied with their neighborhoods' infrastructure. About four-in-five (82%) are at least "somewhat satisfied," including a third (34%) who are "very satisfied."
- Residents' infrastructure satisfaction ratings remain unchanged from 2014.

Eight-in-ten (82%) residents continue to be satisfied with their neighborhood's "infrastructure such as streets and sidewalks, and roadside landscaping" -- 18% are dissatisfied, but only 5% are "very dissatisfied."

Figure 3-11 – Satisfaction with Neighborhood Infrastructure

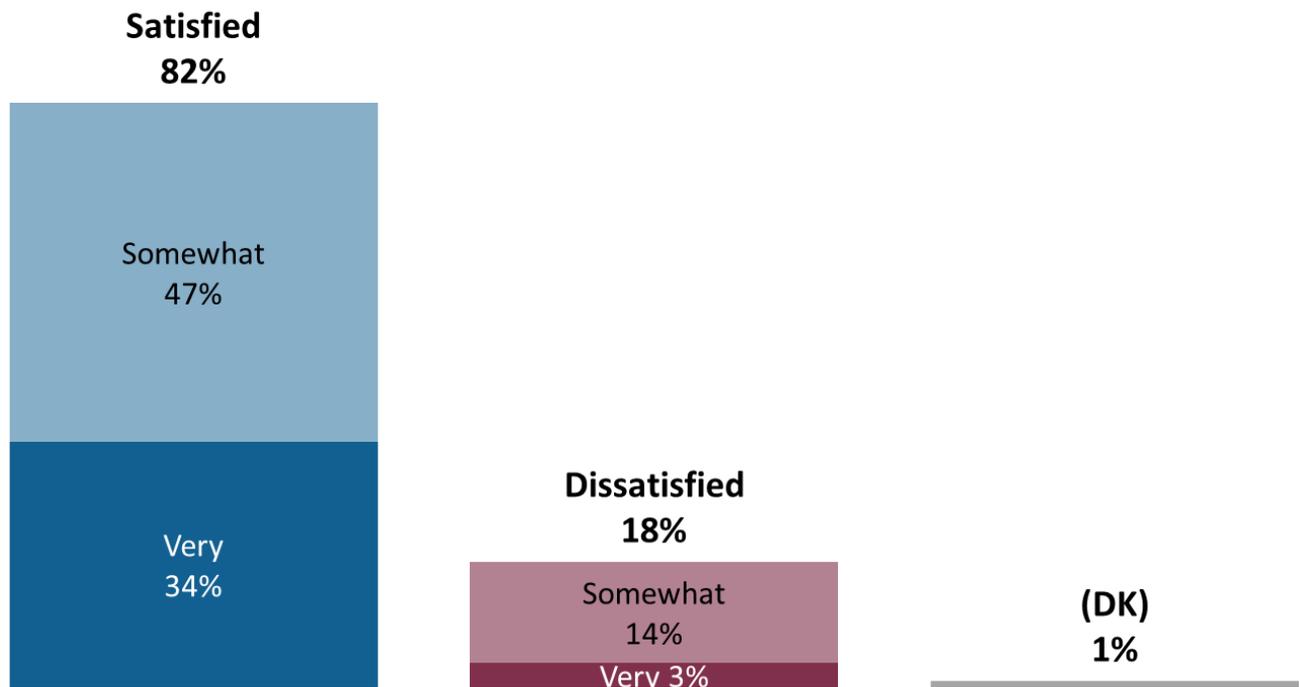
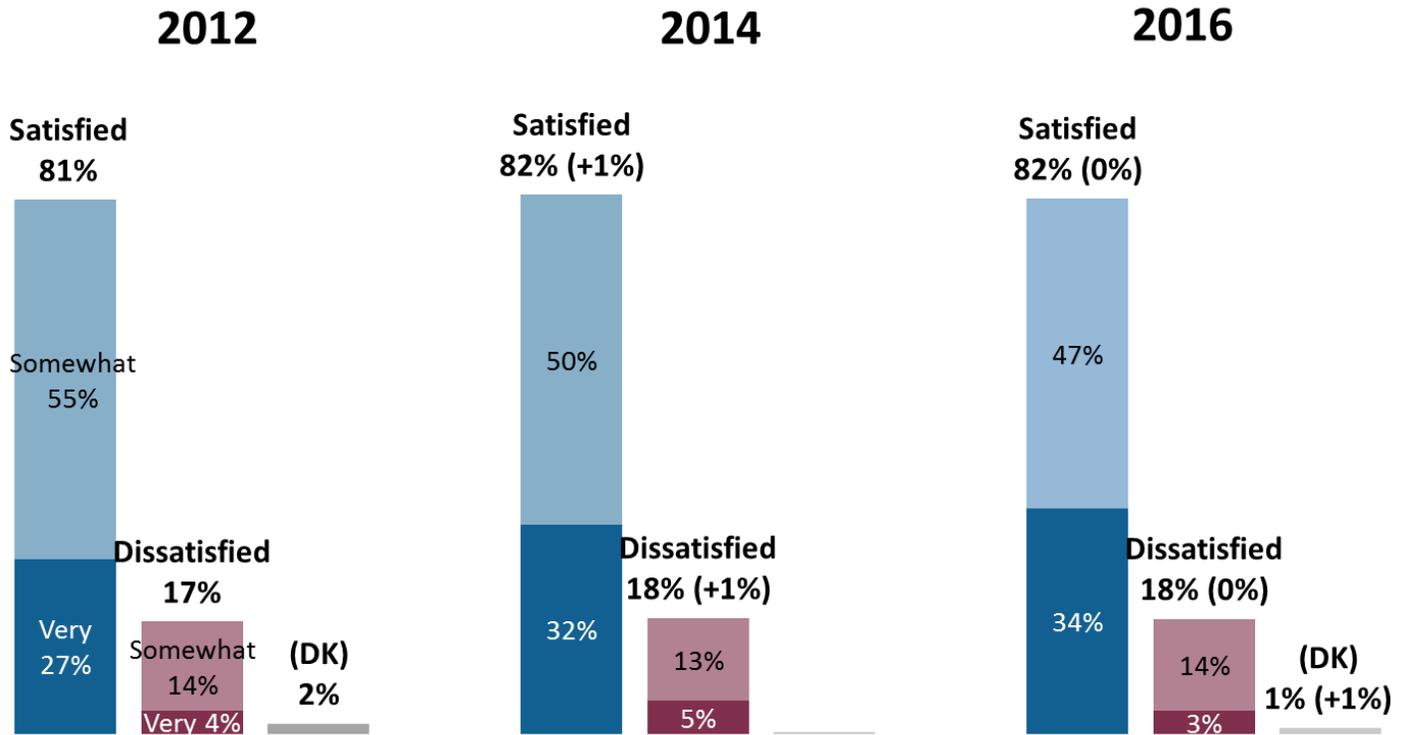


Figure 3-12 – Satisfaction with Neighborhood Infrastructure, 2012 – 2016 Comparison



4 Kirkland City Government

4.1 Kirkland Job Ratings

Question(s) Analyzed

Please tell me how you think Kirkland City government is doing in each of the following areas.

Use a scale of excellent, good, only fair, or poor. If you aren't sure one way or the other, please just say so.

- Q8. the job the City doing overall
- Q9. the job the City is doing managing the public's money
- Q10. the job the City does keeping citizens informed
- Q11. the job the City does delivering services efficiently
- Q12. the job the City does focusing on the priorities that matter most to residents

Finding

- *There is relatively low intensity – positive or negative -- across all City job ratings.*
- *Kirkland City government receives strong ratings, overall (70% positive), and continues to get high marks for "delivering services efficiently" (71%) and "keeping citizens informed" (62%).*
- *While nearly a majority (47%) of residents continue to rate it positively, negative sentiment has increased for "focusing on the priorities that matter most" (29% "only fair/poor" in 2014 → 36% in 2016).*
- *Resident satisfaction remains split on the job the City is doing "managing the public's money" (37% positive; 34% negative).*

Seven-in-ten (70%) of residents give the City an "Excellent" or "Good" rating for the job it is doing overall. While a quarter (25%) give the City a negative rating, the intensity of this sentiment is low -- very few (4%) rate it as "poor."

The City also gets very strong marks for delivering services efficiently. Seven-in-ten (71%) give the City a positive rating on this attribute, with little intensity on the negative side (2% "Poor").

Nearly two-thirds (62% "Excellent" or "Good") give the City a positive rating for the job it is doing keeping citizens informed. About a third (32%) give the City a negative rating for this attribute but only a few (7%) say it is doing a "Poor" job.

Regarding the job City does focusing on the priorities that matter most to residents, more residents are able to answer this question in 2016 (16% "Don't know") than they were in 2014 (25%). The positive ratings are roughly the same (63→62% "Excellent" or "Good") but negative ratings have increased by nearly 7 points (29→36% "Only fair" or "Poor").

Residents are split on the job the City is doing managing the public's money -- over a third (37%) rate it positively while nearly as many (34%) rate it negatively.

Figure 4-1 – City of Kirkland Job Ratings

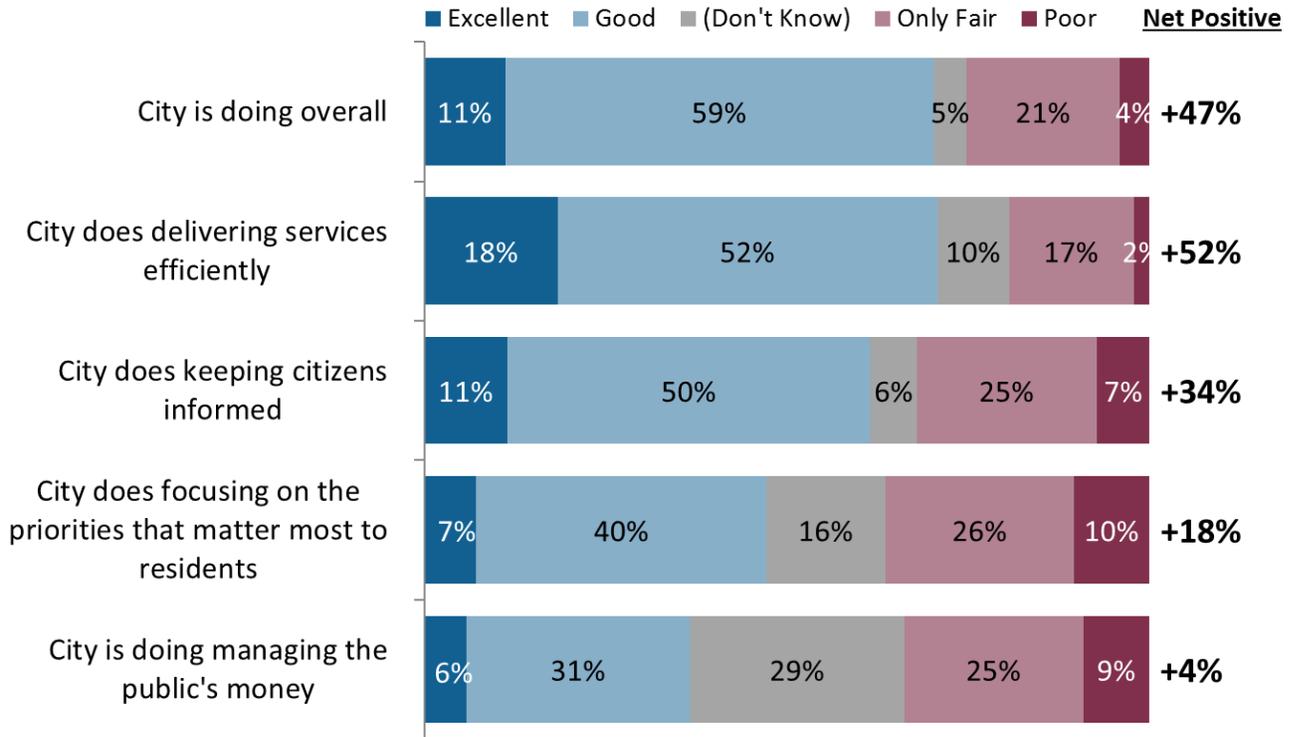
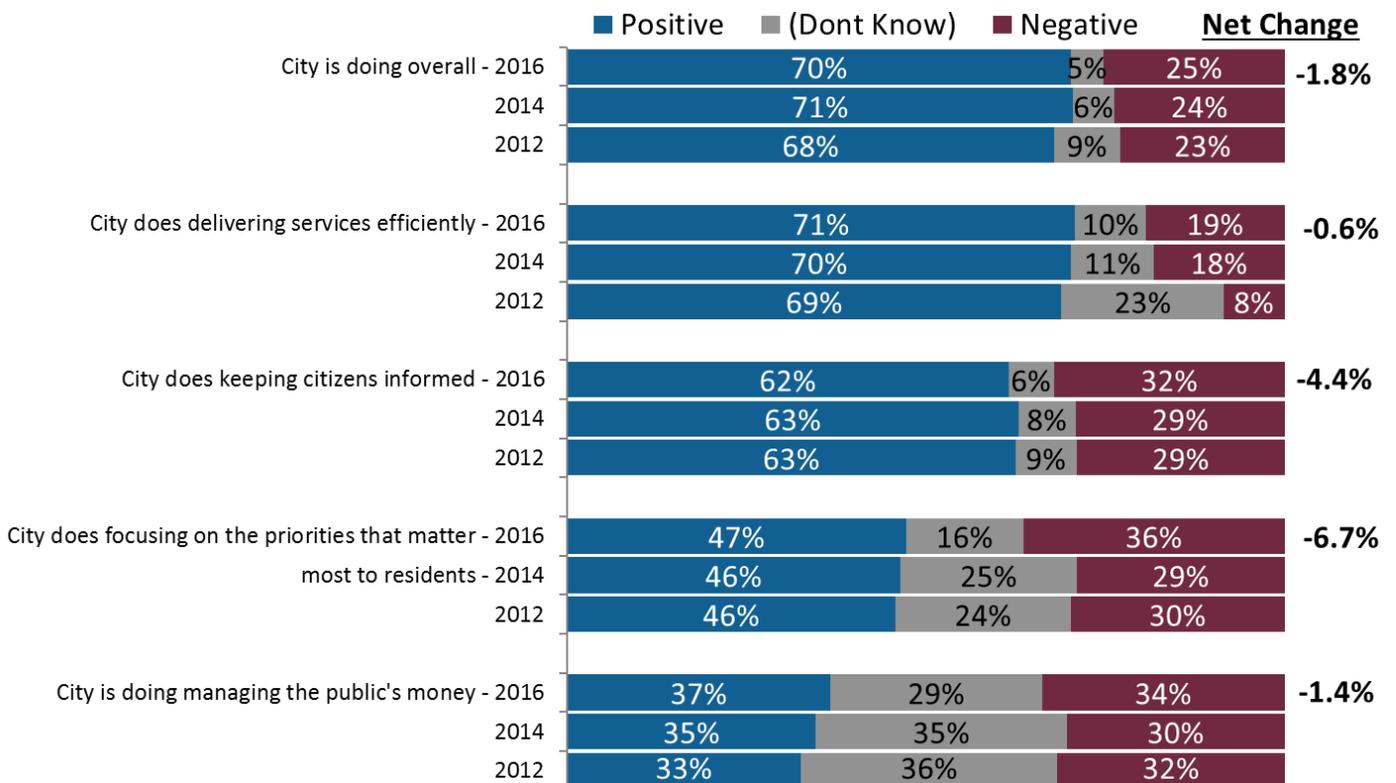
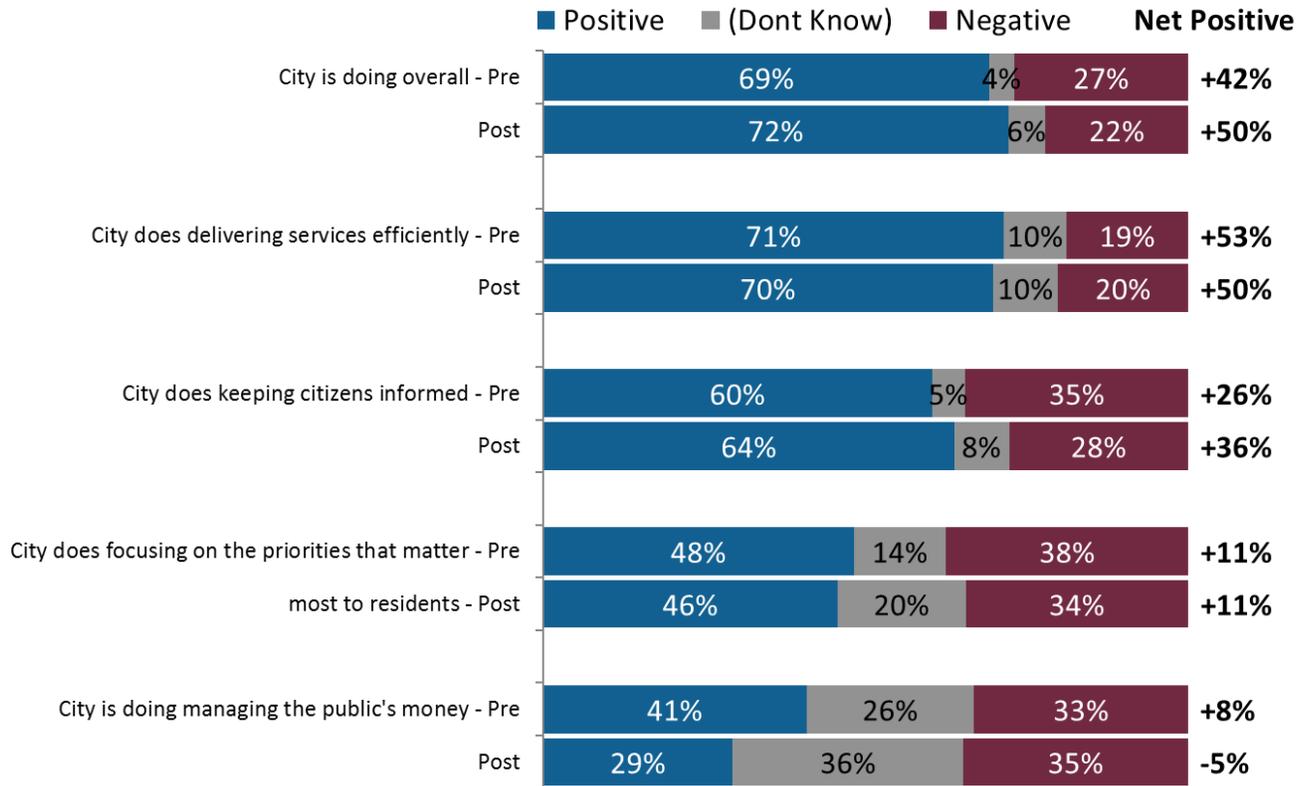


Figure 4-2 – City of Kirkland Job Ratings, 2012 - 2016



Job ratings are similar among pre- and post-annex areas for all but the “job the City is doing managing the public’s money” where post-annex area residents give a net negative 5-point rating (29% positive; 35% negative).

Figure 4-3 –City of Kirkland Job Ratings Pre- & Post- Annex



4.2 Information Level & Information Sources

Question(s) Analyzed

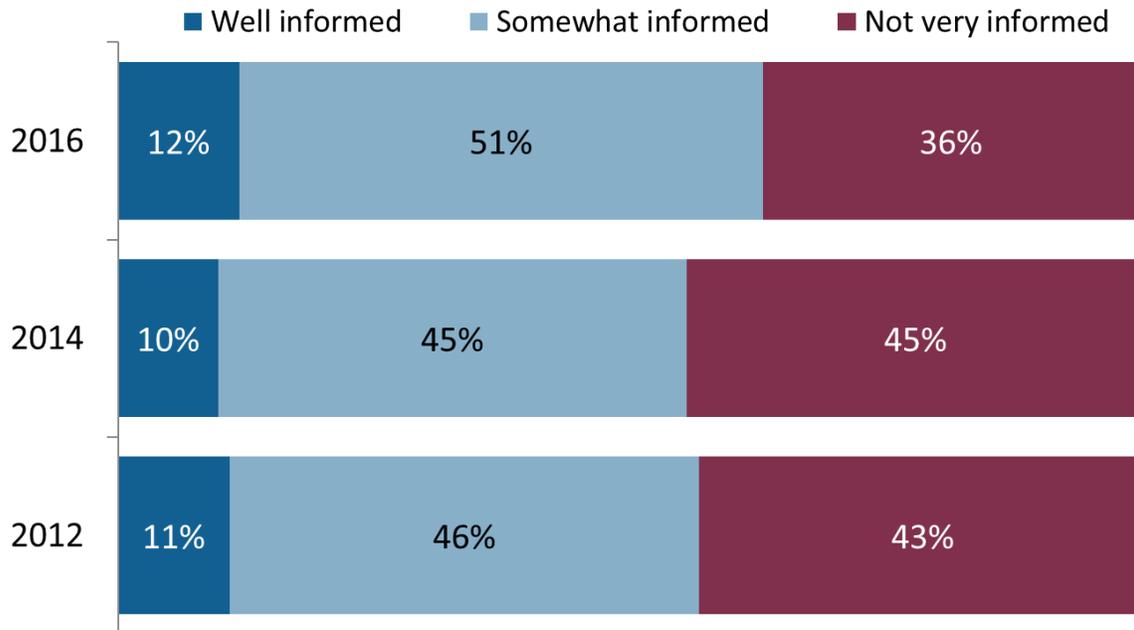
- Q24. In general, how well-informed would you say you are about Kirkland City government? Would you say you are well informed, somewhat informed, or not very informed?
- Q25. What is your primary source of information for finding out what is going on with Kirkland City government?

Finding

- *Kirkland residents consider themselves slightly more informed about the City government than in past years but only one-in-ten (12%) consider themselves “well informed.”*
- *The Reporter remains Kirkland residents’ leading information source, though its share has dropped slightly amid increases in the City Update, the City’s website and other news sources.*

Only one-in-ten (12%) respondents consider themselves "well-informed" about Kirkland City government. About half (51%) consider themselves "somewhat informed" and about a third (36%) say they are “not very informed.”

Figure 4-4 – Information Level



The Kirkland Reporter is residents' top source (26% mentioned) for news about City government, which is proportionally lower than it was in 2014 (31%). City-provided sources – including the City Update newsletter (18%) and the City website (18%, up from 13% in 2014) – round out the top three sources. These preferences are consistent between residents in pre- and post-annex areas.

Figure 4-5 – Information Sources

	2012	2014	2016	Change
Kirkland Reporter	31%	31%	26%	-5%
City Newsletter	16%	16%	18%	+2%
Kirkland/City Website	10%	13%	18%	+5%
City Television Channel	6%	5%	7%	+2%
Neighborhood association meetings	5%	5%	6%	+1%
City email list	6%	3%	5%	+2%
Facebook	1%	2%	5%	+3%
Local Blogs	3%	2%	3%	+1%
Twitter	1%	1%	0%	-1%
Other	13%	14%	5%	-9%
None	5%	4%	3%	-1%
Don't know/NA	3%	4%	4%	0%

Figure 4-6 – Information Sources Pre & Post Annex

	Pre-Annex	Post-Annex
Kirkland Reporter	28%	25%
City Newsletter	21%	17%
Kirkland/City Website	14%	20%
Facebook	6%	4%
City Television Channel	6%	7%
Neighborhood Association Meetings	6%	5%
Local Blogs	3%	3%
City Email List	2%	6%
Other	7%	5%
None	3%	4%
Don't know/NA	4%	4%

5 City Services and Functions

5.1 Importance

Question(s) Analyzed

Q13. I'm going to read to you a list of services and functions provided by the city. For each one, please tell me how important that city function is to you and your household. Use a scale of 1 to 5, where 1 means that it is "not at all important" and 5 means it is "extremely important."

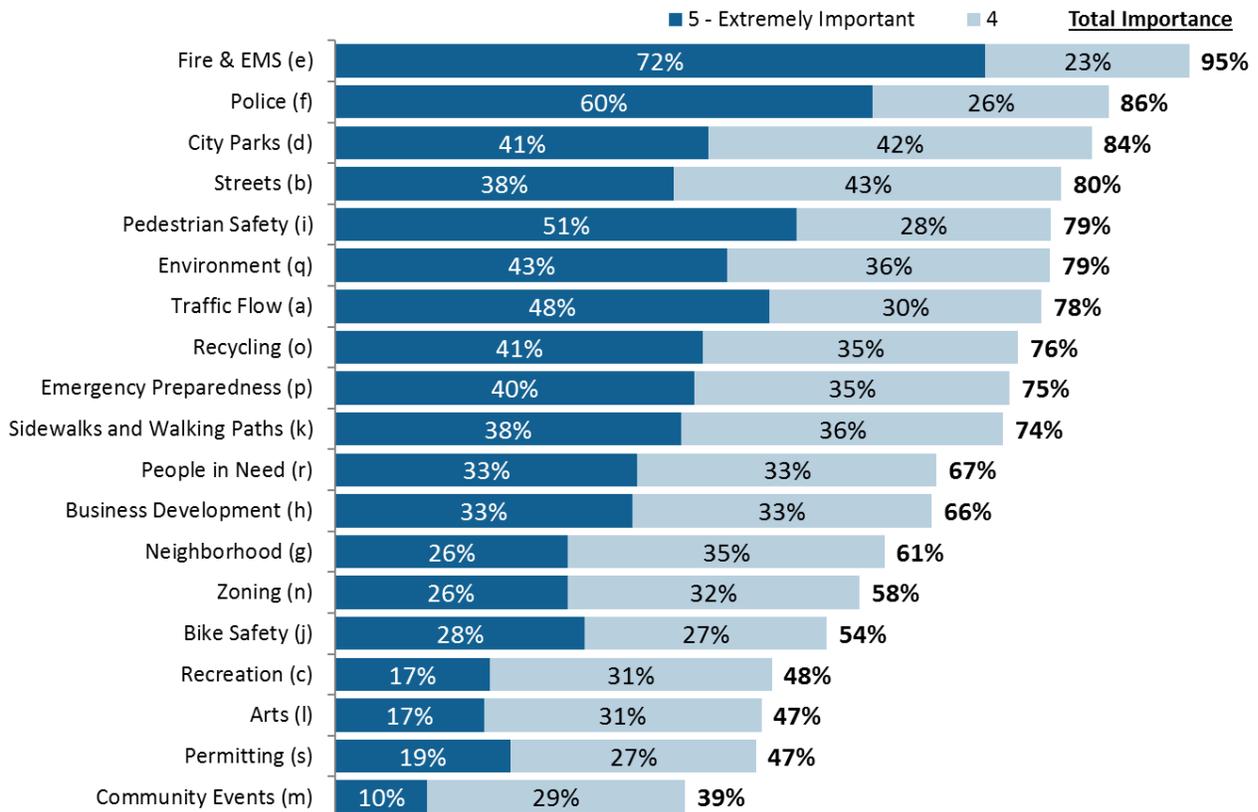
Finding

- *Safety-related services – including fire/emergency medical services and police – are widely considered the most critical City services. A strong majority (60%+) of residents say that each are "extremely important" – more than any other service tested.*
- *Additional top-tier priorities include pedestrian safety, City parks, maintaining streets, the environment and managing traffic flow.*
- *Community events, arts, permitting and recreation programs/classes are seen as the least vital City services.*

A majority of residents rate 15 of the 19 services as important (4 or 5 rating out of 5). Regarding intensity: nearly three-quarters (72%) of residents consider fire and emergency medical services to be "Extremely" important, followed by police (60%), pedestrian safety (51%) and traffic flow (48%).

Of the services with the lowest importance ratings, recreation (48% important), arts (47%) and permitting (47%) receive near-majority support, while community events (39%) is considered the least critical item.

Figure 5-1 – Service Importance Ratings



There are few differences in how Old and New Kirkland residents prioritize City services. Sidewalks/walking paths and community events are slightly more important to pre-annex area residents.

Figure 5-2 – Average Importance, Pre and Post-Annex

Service Item-Importance	Pre-Annex	Post-Annex
Fire and Emergency Medical Services	4.65	4.67
Police Services	4.44	4.35
Pedestrian Safety	4.28	4.17
City Parks	4.23	4.18
Managing Traffic Flow	4.21	4.10
Protecting our Natural Environment	4.17	4.11
Availability of Sidewalks and Walking Paths	4.12	3.86
Maintaining Streets	4.11	4.20
Emergency Preparedness	4.10	4.10
Recycling and Garbage Collection	4.05	4.14
Services for People in Need	3.97	4.01
Attracting and Keeping Businesses in Kirkland	3.91	3.83
Support for Neighborhoods	3.77	3.91
Zoning and Land Use	3.73	3.57
Bike Safety	3.56	3.53
Building, Permitting and Inspection	3.53	3.43
Recreation Programs and Classes	3.45	3.47
Support for Arts in the Community	3.44	3.41
Community Events	3.31	3.08

5.2 Importance – Four-Year Comparison

Finding

- *There have been no major shifts in service priorities since 2014.*
- *Support for arts (+2.4%), availability of sidewalks (+2.3%) and support for neighborhoods (+2.1%) saw slight increases in importance yet none are among the top-tier priorities.*
- *Importance ratings for zoning and land use (+3.2%), attracting businesses (-2.0%) and recycling and garbage collection (-1.9%) are slightly lower than in 2014.*

Figure 5-3 – Importance, 2012 – 2016 Comparison (Ranked by 2016 Importance)

Service Item	2012	2014	2016	Raw Change ('14-'16)	% Change ('14-'16)
ALL SERVICES/FUNCTIONS	3.95	3.97	3.93	-0.04	-1.0%
Fire and Emergency Medical Services	4.68	4.68	4.66	-0.02	-0.4%
Police Services	4.40	4.37	4.41	+0.04	+0.9%
Pedestrian Safety	4.22	4.26	4.24	-0.02	-0.5%
City Parks	4.14	4.21	4.21	+0.00	+0.0%
Managing Traffic Flow	4.01	4.14	4.17	+0.03	+0.7%
Protecting our Natural Environment	4.10	4.22	4.15	-0.07	-1.7%
Maintaining Streets	4.21	4.18	4.14	-0.04	-1.0%
Emergency Preparedness	4.16	4.05	4.10	+0.05	+1.2%
Recycling and Garbage Collection	4.27	4.16	4.08	-0.08	-1.9%
Availability of Sidewalks and Walking Paths	3.94	3.94	4.03	+0.09	+2.3%
Services for People in Need	3.96	4.00	3.98	-0.02	-0.5%
Attracting & Keeping Businesses in Kirkland	4.13	3.96	3.88	-0.08	-2.0%
Support for Neighborhoods	3.69	3.74	3.82	+0.08	+2.1%
Zoning and Land Use	3.76	3.79	3.67	-0.12	-3.2%
Bike Safety	3.45	3.61	3.55	-0.06	-1.7%
Building Permitting and Inspecting	-	-	3.49	N/A	N/A
Recreation Programs and Classes	3.44	3.47	3.46	-0.01	-0.3%
Support for Arts in the Community	3.31	3.35	3.43	+0.08	+2.4%
Community Events	3.17	3.25	3.23	-0.02	-0.6%

5.3 Performance

Question(s) Analyzed

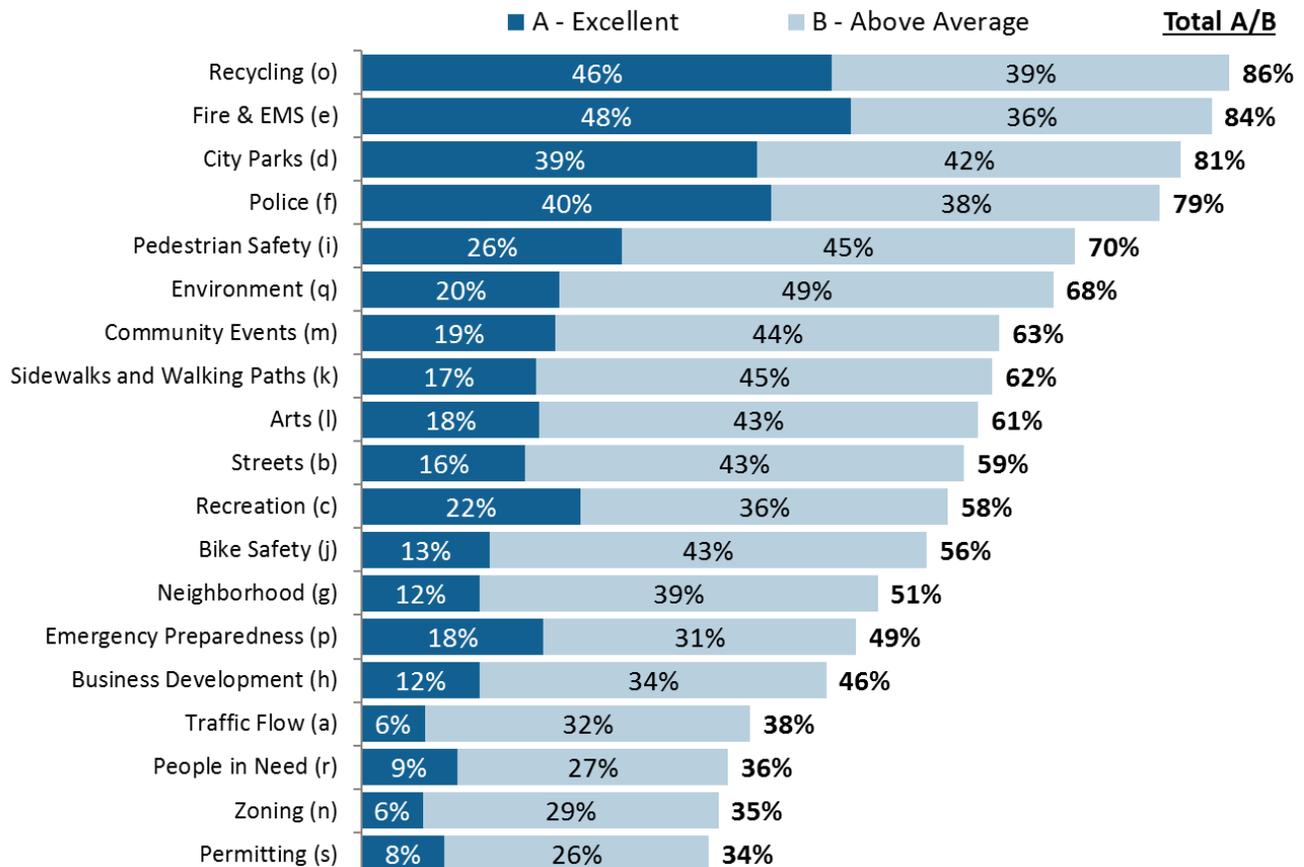
Q14. Using the same list, please tell me how well you think the city is doing in each area. Use an A thru F grading scale where A means Excellent, B means Above Average, C is Average, D is Below Average, and F is Failing.

Finding

- *The City continues to perform well on the services/functions residents consider most important – including recycling/garbage, fire/emergency medical, parks, police and pedestrian safety.*
- *Managing traffic flow is among the lowest-rated performance areas and continues to be the key improvement opportunity.*

The City is performing best on most of the services/functions that residents see as most important. Five of the top six services/functions in terms of importance are also in the top six in terms of performance. Of the other high-importance services, managing traffic flow (7th most important) ranks 16th in performance, with only two-in-five (38%) giving it an A or B grade. Maintaining streets (4th most important) ranks 10th in performance.

Figure 5-4 – Service Performance Ratings



As with the importance ratings, the overall performance ratings are very similar among pre- and post-annex area residents. Minor differences include police, protecting the environment, emergency preparedness, bike safety, maintaining streets and land use – which are all slightly higher-rated in Old Kirkland than New Kirkland.

Figure 5-5 – Average Performance, Pre and Post Annex

Service Item-Performance	Pre-Annex	Post-Annex
Fire and Emergency Medical Services	4.39	4.35
Recycling and Garbage Collection	4.31	4.29
City Parks	4.22	4.17
Police Services	4.20	4.07
Protecting our Natural Environment	3.95	3.72
Recreation Programs and Classes	3.95	3.85
Pedestrian Safety	3.93	3.91
Community Events	3.91	3.83
Support for Arts in the Community	3.87	3.75
Emergency Preparedness	3.83	3.68
Availability of Sidewalks and Walking Paths	3.73	3.68
Bike Safety	3.73	3.56
Maintaining Streets	3.72	3.51
Support for Neighborhoods	3.67	3.59
Services for People in Need	3.58	3.59
Attracting and Keeping Businesses in Kirkland	3.43	3.49
Building, Permitting and Inspection	3.41	3.29
Zoning and Land Use	3.27	3.07
Managing Traffic Flow	3.15	3.14

5.4 Performance – Four-Year Comparison

Finding

- *Performance ratings have largely held steady for every service over the last two years.*
- *Recreation program/class performance ratings have fallen slightly since 2014; it is the only service with a statistically significant ratings drop.*

Across all 19 services/functions tested, mean performance has declined by 1% -- by comparison, mean importance also declined by 1%, overall. Four of the 19 services saw a performance ratings increase, while the rest services/functions have stayed the same or have declined slightly.

Any ratings shifts between 2014 and 2016 are relatively minor. Bike safety (+1.9%) and emergency preparedness (+1.3%) are slightly higher while recreation programs (-3.0%) and Fire & EMS (-1.8%) saw the largest declines.

Figure 5-6 – Performance, 2012 – 2016 Comparison (Ranked by 2016 Performance)

Service Item	2012	2014	2016	Raw Change ('14-'16)	% Change ('14-'16)
ALL SERVICES/FUNCTIONS	3.76	3.81	3.77	-0.04	-1.0%
Fire and Emergency Medical Services	4.36	4.45	4.37	-0.08	-1.8%
Recycling and Garbage Collection	4.27	4.32	4.30	-0.02	-0.5%
City Parks	4.04	4.21	4.20	-0.01	-0.2%
Police Services	4.12	4.19	4.15	-0.04	-1.0%
Pedestrian Safety	3.98	3.95	3.92	-0.03	-0.8%
Recreation Programs and Classes	3.84	4.03	3.91	-0.12	-3.0%
Community Events	3.79	3.89	3.88	-0.01	-0.3%
Protecting our Natural Environment	3.81	3.89	3.87	-0.02	-0.5%
Support for Arts in the Community	3.81	3.86	3.83	-0.03	-0.8%
Emergency Preparedness	3.70	3.73	3.78	+0.05	+1.3%
Availability of Sidewalks and Walking Paths	3.69	3.75	3.71	-0.04	-1.1%
Bike Safety	3.65	3.6	3.67	+0.07	+1.9%
Support for Neighborhoods	3.56	3.67	3.64	-0.03	-0.8%
Maintaining Streets	3.58	3.62	3.64	+0.02	+0.6%
Services for People in Need	3.64	3.58	3.58	+0.00	+0.0%
Attracting & Keeping Businesses in Kirkland	3.26	3.47	3.45	-0.02	-0.6%
Building Permitting and Inspection	-	-	3.37	N/A	N/A
Zoning and Land Use	3.20	3.19	3.20	+0.01	+0.3%
Managing Traffic Flow	3.48	3.17	3.15	-0.02	-0.6%

5.5 Importance vs. Performance – Gap Analysis

Finding

- *The City's performance exceeds importance on 6 of the 19 services/functions tested and performance is comparable to importance for 8 other services/functions.*
- *The gap between importance and performance is largest for managing traffic flow by a wide margin. Other areas where the city is slightly underperforming include zoning and land use, maintaining streets, and services for people in need.*
- *The City is over-performing relative to importance on community events, recreation programs and classes, support for arts, recycling and garbage collection, bike safety and parks.*

A majority of services are rated on-par with their relative importance ratings. Managing traffic flow remains the key improvement opportunity (Performance is 76% of its Importance rating), along with zoning/land use (87%), maintaining streets (88%) and attracting/keeping businesses (89%).

Some service performance ratings far exceed their levels of importance, including community events (120%), recreation programs and classes (113%) and support for arts in the community (112%).

Figure 5-7 – Gap Analysis: Performance as a Percentage of Importance

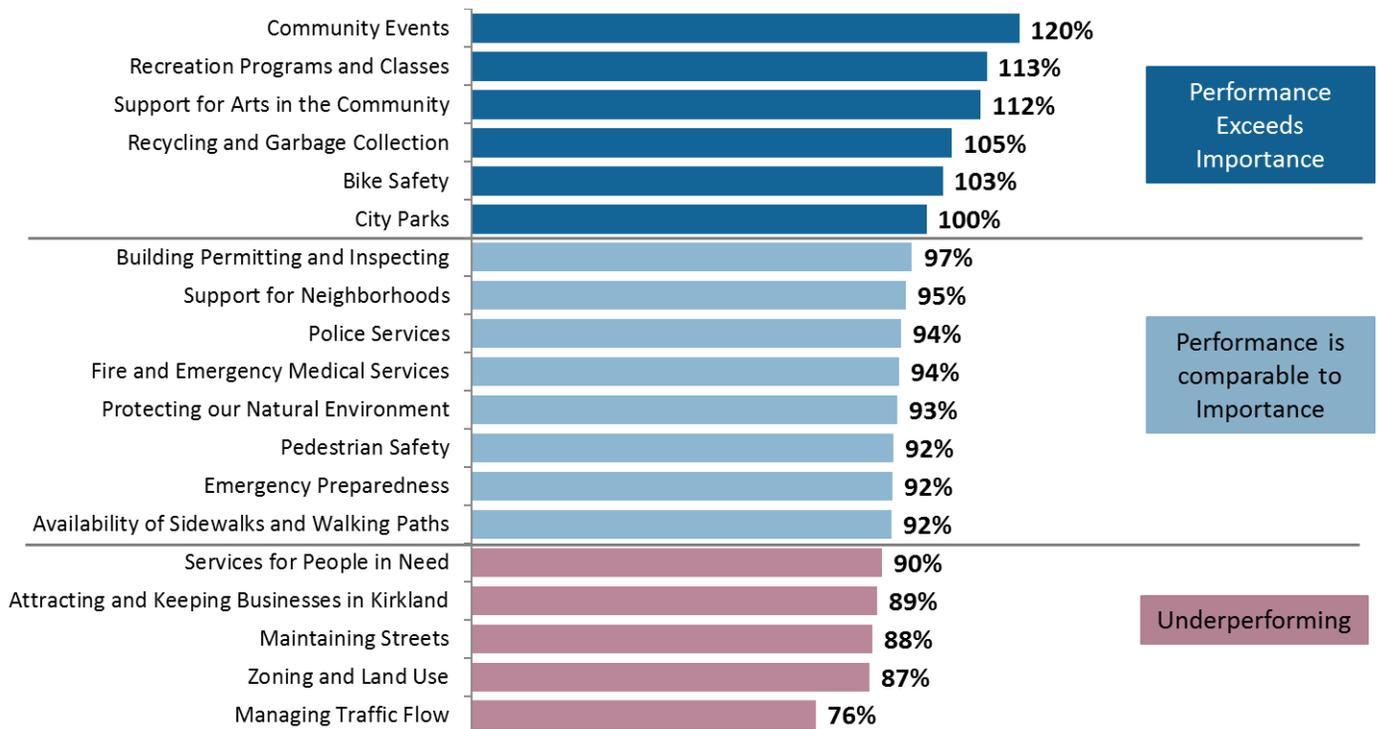


Figure 5-8 – Gap Analysis: Importance vs. Performance

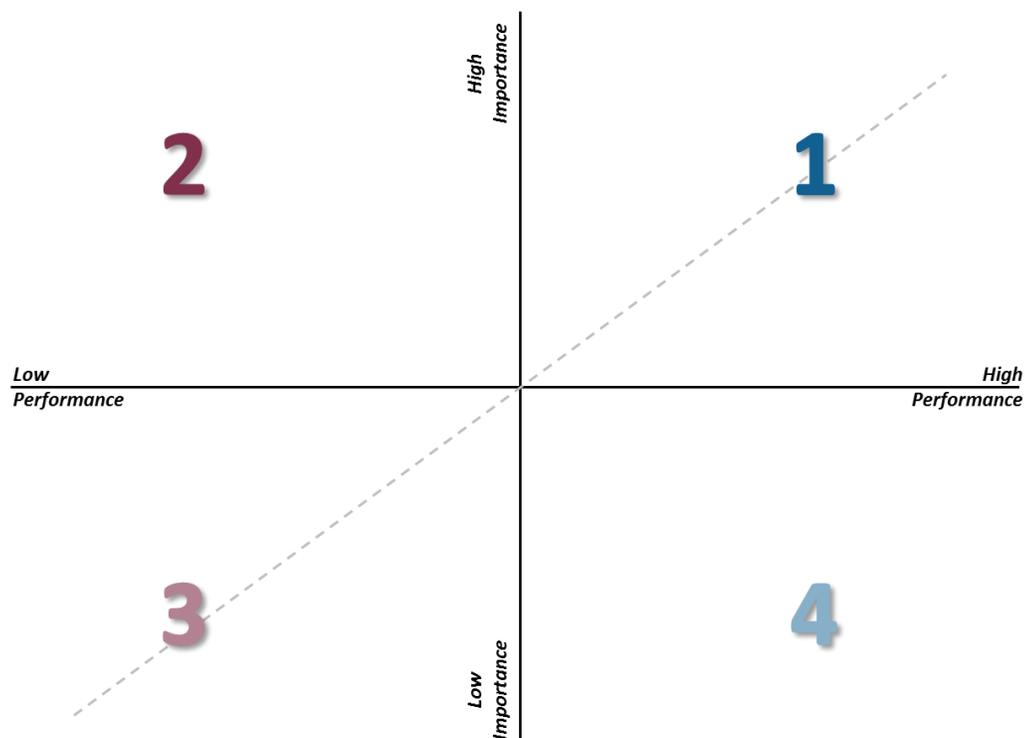
Service Item	Importance	Performance	Gap	Perf/Imp
ALL SERVICES/FUNCTIONS (AVERAGE)	3.93	3.77	-0.16	95.9%
Community Events	3.23	3.88	+0.65	120%
Recreation Programs and Classes	3.46	3.91	+0.45	113%
Support for Arts in the Community	3.43	3.83	+0.40	112%
Recycling and Garbage Collection	4.08	4.30	+0.22	105%
Bike Safety	3.55	3.67	+0.12	103%
City Parks	4.21	4.20	-0.01	100%
Building Permitting and Inspecting	3.49	3.37	-0.12	97%
Support for Neighborhoods	3.82	3.64	-0.18	95%
Police Services	4.41	4.15	-0.26	94%
Fire and Emergency Medical Services	4.66	4.37	-0.29	94%
Protecting our Natural Environment	4.15	3.87	-0.28	93%
Pedestrian Safety	4.24	3.92	-0.32	92%
Emergency Preparedness	4.10	3.78	-0.32	92%
Availability of Sidewalks and Walking Paths	4.03	3.71	-0.32	92%
Services for People in Need	3.98	3.58	-0.40	90%
Attracting & Keeping Businesses in Kirkland	3.88	3.45	-0.43	89%
Maintaining Streets	4.14	3.64	-0.50	88%
Zoning and Land Use	3.67	3.20	-0.47	87%
Managing Traffic Flow	4.17	3.15	-1.02	76%

5.6 Importance & Performance – Quadrant Analysis

Plotting the importance and performance on a quadrant chart allows items to be categorized in the following ways:

- 1) **High Importance & Performance** (top-right quadrant) – These are the services that residents view as very important and that the City is doing best with. Items in this category should be considered Kirkland’s **most valued strengths**.
- 2) **High Importance, Low Performance** (top-left quadrant) – Services falling into this category should be viewed as **opportunities for improvement**. These are the items that residents feel are very important but the City could be doing better with. Improving the services in this quadrant will have the greatest effect in improving citizens’ overall favorability of the City.
- 3) **Low Importance & Performance** (bottom-left quadrant) – Services in this category are **low-priority items** for residents and so lower performance here is not a critical issue for them. Some of these items may be raised by a vocal minority of residents but, for the most part, focusing too much on them will have a minimal impact on improving overall attitudes about the City.
- 4) **Low Importance, High Performance** (bottom-right quadrant) – This quadrant represents services that citizens think the City is doing well with but are believed to be less important. While items in this quadrant can be considered successes with certain niche groups, for most citizens, they are **not major drivers** of the City’s favorability.

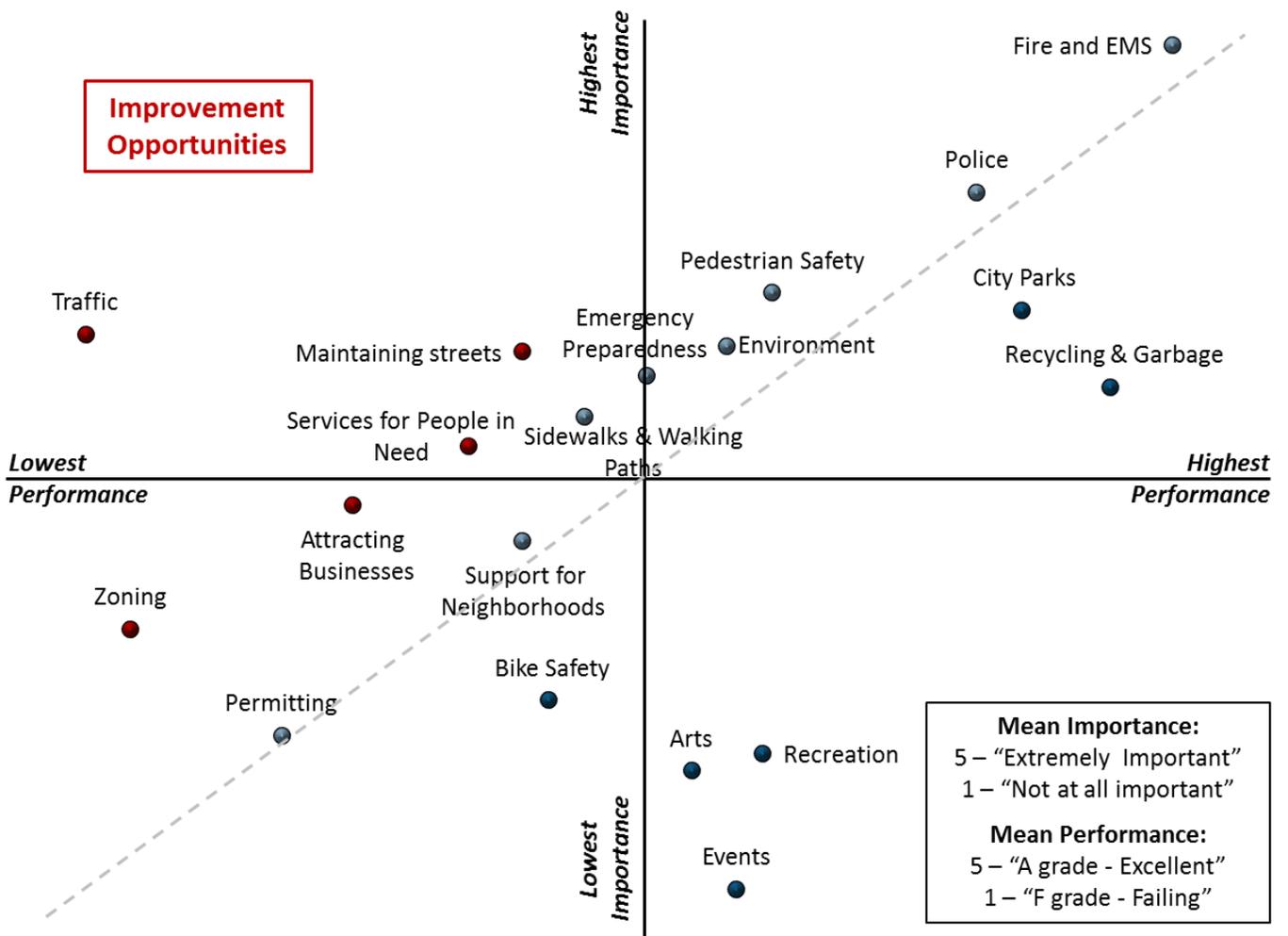
The diagonal line overlaying the chart represents where the ideal performance should be relative to the level of importance. Services falling on or near this line are performing optimally compared to how citizens value them. Items significantly left of the line may be potentially valuable improvement opportunities (even if they appear in quadrants 1 or 3) while items far right of the line may result in wasted resources if given too much focus.



The quadrant graph below shows that most services are about where they should be, with their performance ratings closely aligned with their respective levels of importance. It also shows that the City is performing adequately on most of the critical components, including fire & EMS, police, pedestrian safety, parks and protecting the environment.

As in previous years, managing traffic flow remains the top improvement opportunity by a wide margin. It is among residents' top-tier priorities but it has also received the lowest performance ratings of any service. There are also slight performance/importance gaps for maintaining streets, providing services for people in need, attracting and retaining businesses and zoning/land use. These services are also technically underperforming, albeit to a far lesser degree than managing traffic flow.

Figure 5-9 – Overall Importance & Performance Quadrant Chart



6 Emergency Preparedness

6.1 Measures Taken to Prepare

Question(s) Analyzed

The following are things that some people have done to prepare their household for disasters or emergencies? As I read each one, just say yes if you have done that at your home.

- Q20. Stored three days of food and water for use in the event of an emergency
- Q21. Put together a kit for the car, with things like food, flashlight, blankets, & tire chains
- Q22. Established a plan to communicate with friends or relatives out of state
- Q23. Put active, working smoke detectors in your home

Finding

- *Kirkland residents' emergency preparedness is essentially unchanged compared to two years ago.*

Nearly all residents (95%) have working smoke detectors in their home and about two-thirds (65%) have three days of stored food and water. Just over half (54%) of residents have an emergency kit for their car and a sub-majority (47%) have established a communications plan with friends and relatives outside the state.

Figure 6-1 – Emergency Preparedness Measures Taken

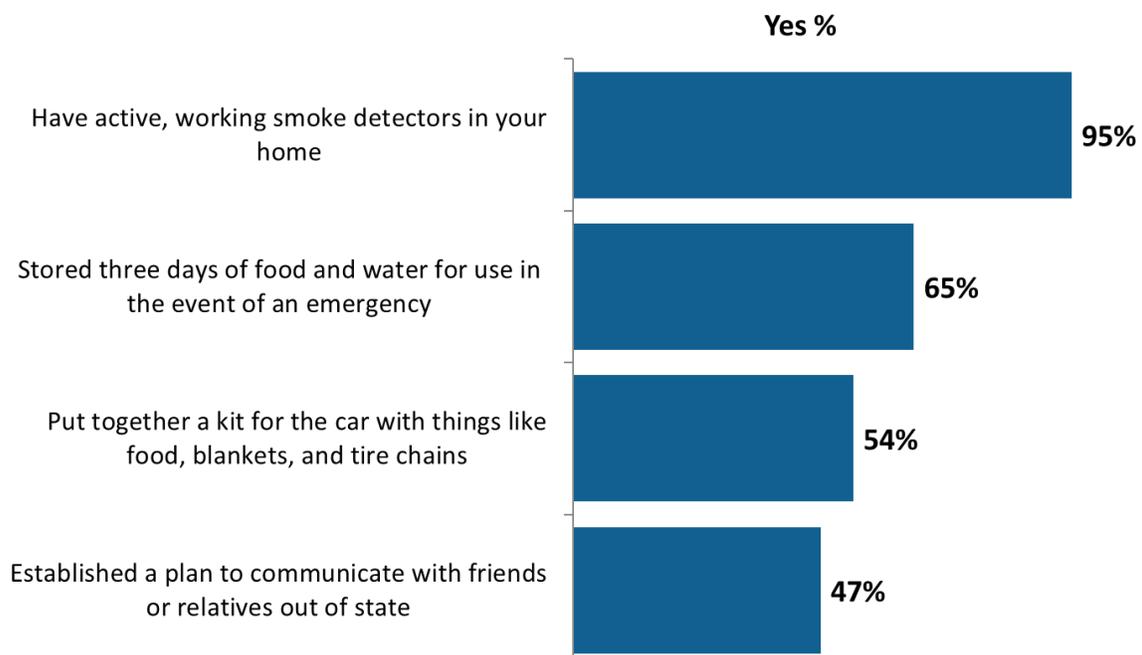
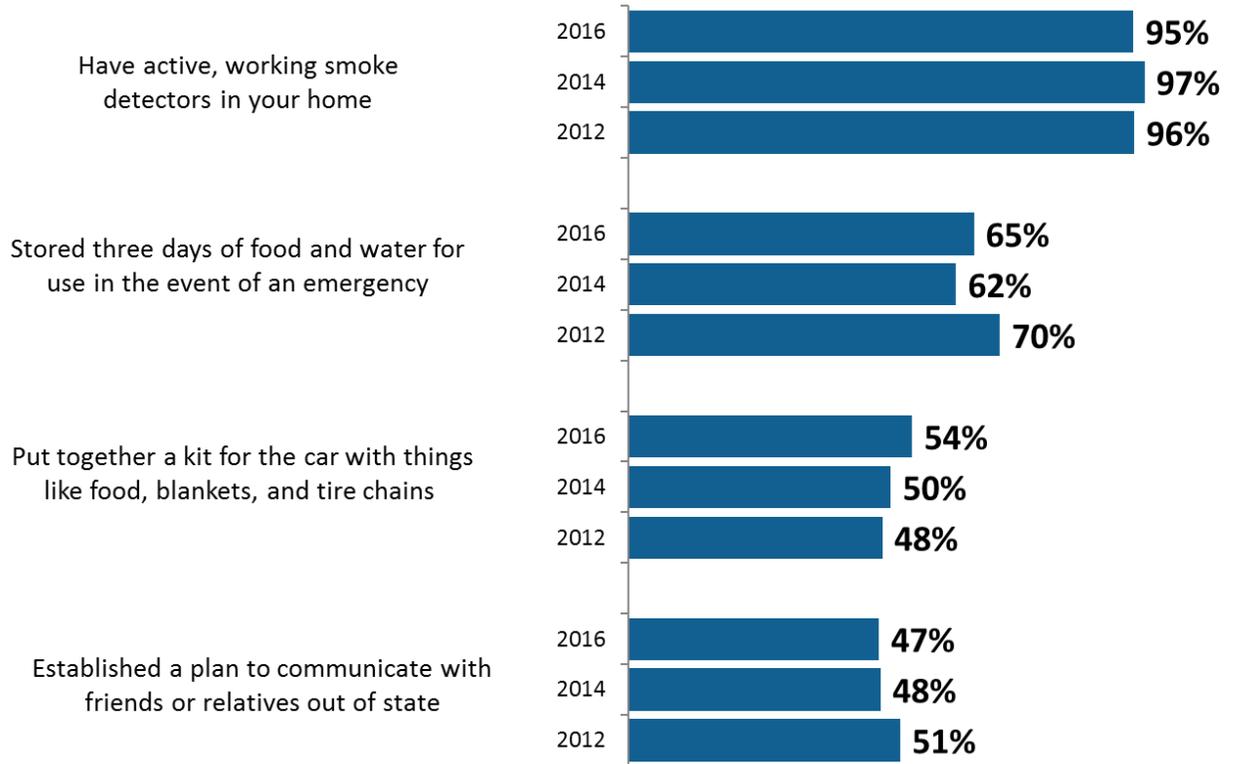


Figure 6-2 – Emergency Preparedness Measures Taken, 2012 – 2016 Comparison



Q20-23. The following are things that some people have done to prepare their household for disasters or emergencies. Please tell me which of the following you have done at your home...

7 Demographics

7.1 Neighborhood

Question(s) Analyzed

Q4. What neighborhood do you live in?

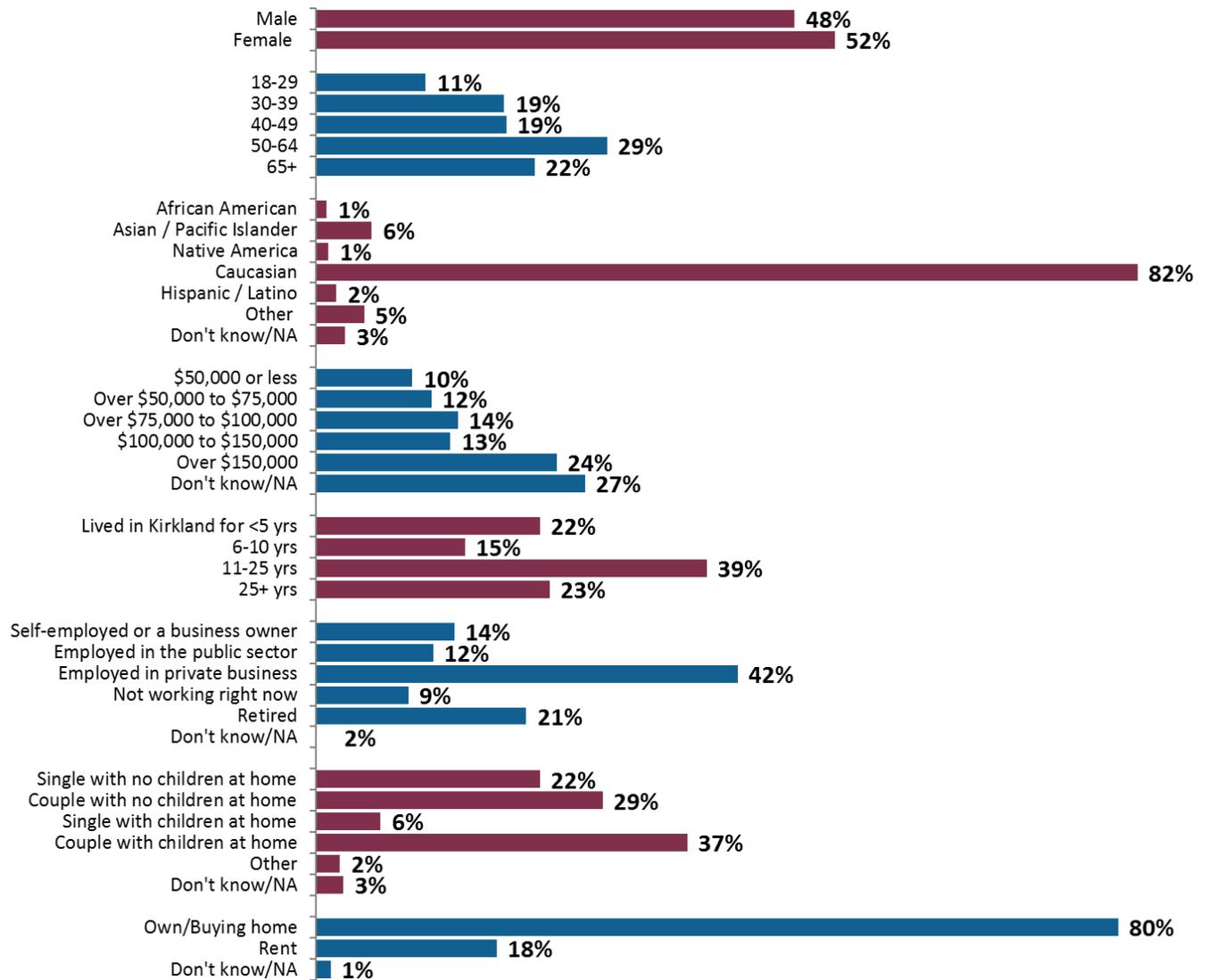
The table below shows the breakdown of respondents by neighborhood.

Figure 7-1 – Responses by Neighborhood, 2012 – 2016 Comparison

Neighborhood	2012	2014	2016
Finn Hill	14%	16%	17%
North Juanita (North of NE 124th)	15%	19%	14%
Kingsgate (also known as Evergreen Hill)	9%	14%	11%
North Rose Hill (North of NE 85th)	7%	6%	10%
South Juanita (South of NE 124th)	8%	1%	6%
Central Houghton	8%	6%	6%
Norkirk	4%	5%	5%
Bridle Trails	4%	5%	5%
Highlands	2%	3%	4%
Moss Bay	3%	3%	4%
Market	3%	5%	3%
Everest	<1%	2%	2%
Totem Lake	5%	2%	2%
South Rose Hill (south of NE 85th)	6%	3%	2%
Other	4%	9%	9%
Don't Know/NA	4%	1%	1%

7.2 Demographics

Figure 7-2 – Respondent Demographics



8 Topline Results

Telephone Survey
City of Kirkland
Conducted April 25th- May 2nd, 2016
n=502, MoE=±4.4
EMC Research #16-5961

All numbers in this document represent percentage (%) values, unless otherwise noted. Please note that due to rounding, percentages may not add up to exactly 100.

2014: n=501, MoE=±4.4 April 6th – 11th, 2014

2012: n=500, MoE=±4.4 January 30th – February 2nd, 2012

Hello, my name is _____, may I speak with **(NAME ON LIST)**.

Hello, my name is _____, and I'm conducting a survey for the City of Kirkland to find out how people in your area feel about some of the different issues facing them. We are not trying to sell anything, and are collecting this information on a scientific and completely confidential basis.

	2016	2014	2012
Old Kirkland	64%	59%	59%
New Kirkland	36%	41%	41%
1. Are you registered to vote at this address?			
Yes----->CONTINUE	100%	100%	100%
No-----> TERMINATE	--	--	--
Don't know/NA -----> TERMINATE	--	--	--
2. Gender [RECORD BY OBSERVATION]			
Male	48%	48%	48%
Female	52%	52%	52%
3. How long have you lived in Kirkland? [IF LESS THAN 12 MONTHS RECORD AS 1 YEAR]			
1 year	4%	4%	
2-5 years	18%	19%	
6-10 years	15%	18%	
11-25 years	39%	35%	
25+ years	23%	24%	

4. What neighborhood do you live in? **[READ LIST IF NECESSARY]**

	2016	2014	2012
North Juanita (North of NE 124th)	14%	19%	15%
Finn Hill	17%	16%	14%
Kingsgate (also known as Evergreen Hill)	11%	14%	9%
Central Houghton	6%	6%	8%
North Rose Hill (North of NE 85TH)	10%	6%	7%
Bridle Trails	5%	5%	4%
Market	3%	5%	3%
Norkirk	5%	5%	4%
Highlands	4%	3%	2%
Moss Bay	4%	3%	3%
South Rose Hill (south of NE 85TH)	2%	3%	6%
Everest	2%	2%	<1%
Totem Lake	2%	2%	5%
South Juanita (South of NE 124th)	6%	1%	8%
Other	8%	9%	4%
Don't Know/NA	1%	1%	4%

5. How would you rate Kirkland as a place to live? Would you say it is...?

Excellent	47%	40%	35%
Very Good	39%	46%	50%
Satisfactory	9%	11%	11%
Only Fair	2%	2%	3%
Poor	2%	1%	1%
Don't Know/NA	<1%	<1%	<1%

6. What do you like best about living in Kirkland? **[ONE RESPONSE-DON'T PROBE]**

Location/Close to Amenities	27%	41%
Small town feel/Community	22%	20%
Water/Water front	12%	6%
Safe/Quiet	11%	8%
Parks	6%	7%
Green space	5%	4%
The People	2%	4%
Schools	2%	0%
Weather	0%	1%
Other	7%	7%
No/None/Nothing	2%	2%
Don't Know	4%	2%

7. When you think about the way things are going in Kirkland, what if anything concerns you? **[ONE RESPONSE ONLY]**

	2016	2014
Over development	16%	16%
Traffic	15%	10%
Taxes/Spending	5%	9%
Population Growth/Crowds	6%	6%
City Government	6%	4%
Increased Prices	4%	3%
Infrastructure	3%	3%
Police presence	1%	3%
School Funding	1%	3%
Housing	4%	2%
Building Maintenance	0%	2%
Crime	3%	2%
Parking	1%	2%
Lack of small businesses	2%	1%
Public Transportation	5%	1%
Jobs	0%	1%
Other	5%	5%
No/None/Nothing	22%	23%
Don't Know/Refuse	1%	3%

Q8INT. Please tell me how you think Kirkland City government is doing in each of the following areas. Use a scale of excellent, good, only fair, or poor. If you aren't sure one way or the other, please just say so.

[BEFORE EACH: How would you rate (Insert QX)?

[PROMPT IF NESESARRY: Would you say it is excellent, good, only fair, or poor]

	Excellent	Good	Only Fair	Poor	(Don't know)	(NA)	Positive	Negative
[RANDOMIZE]								
8. the job the City doing overall								
2016	11%	59%	21%	4%	4%	1%	70%	25%
2014	9%	62%	21%	3%	5%	1%	71%	24%
2012	10%	58%	18%	5%	9%	--	68%	23%
9. the job the City is doing managing the public's money								
2016	6%	31%	25%	9%	27%	2%	37%	34%
2014	5%	30%	24%	7%	32%	3%	35%	30%
2012	5%	28%	24%	8%	34%	2%	33%	32%
10. the job the City does keeping citizens informed								
2016	11%	50%	25%	7%	6%	1%	62%	32%
2014	13%	50%	23%	6%	7%	1%	63%	29%
2012	12%	50%	22%	7%	8%	1%	63%	29%
11. the job the City does delivering services efficiently								
2016	18%	52%	17%	2%	9%	1%	71%	19%
2014	13%	57%	15%	3%	11%	1%	70%	18%
2012	16%	53%	17%	5%	8%	1%	69%	23%
12. the job the City does focusing on the priorities that matter most to residents								
2016	7%	40%	26%	10%	15%	1%	47%	36%
2014	6%	40%	22%	7%	23%	1%	46%	29%
2012	5%	41%	20%	9%	21%	3%	46%	30%
[END RANDOMIZE]								

13. I'm going to read you a list of services and functions provided by the city. For each one, please tell me how important that city function is to you and your household. Use a scale of 1 to 5, where 1 means that it is "not at all important" and 5 means it is "extremely important."

[BEFORE EACH IF NECESSARY: How important is (Insert QX)]

[AFTER EACH IF NECESSARY- 1 is "not at all important" and 5 is "extremely important"]

	1	2	3	4	5	(Don't know)	Mean
	Not at all Important			Extremely Important			
[RANDOMIZE]							
A. Managing Traffic Flow							
2016	3%	4%	14%	30%	48%	<1%	4.17
2014	2%	3%	17%	35%	43%	<1%	4.14
2012	3%	5%	18%	38%	36%	<1%	4.01
B. Maintaining Streets							
2016	1%	2%	16%	43%	38%	<1%	4.14
2014	1%	2%	17%	36%	43%	--	4.18
2012	1%	2%	15%	39%	43%	--	4.21
C. Recreation Programs and Classes							
2016	5%	11%	31%	31%	17%	4%	3.46
2014	5%	12%	30%	33%	18%	2%	3.47
2012	8%	10%	30%	32%	18%	1%	3.44
D. City Parks							
2016	1%	2%	12%	42%	41%	1%	4.21
2014	1%	3%	14%	35%	46%	<1%	4.21
2012	2%	2%	18%	35%	43%	1%	4.14
E. Fire and Emergency Medical Services							
2016	1%	<1%	4%	23%	72%	1%	4.66
2014	1%	1%	4%	19%	75%	1%	4.68
2012	1%	<1%	5%	16%	77%	<1%	4.68
F. Police Services							
2016	2%	2%	10%	26%	60%	1%	4.41
2014	2%	2%	9%	31%	56%	--	4.37
2012	2%	3%	9%	24%	61%	1%	4.40
G. Support for Neighborhoods							
2016	2%	6%	25%	35%	26%	6%	3.82
2014	2%	8%	27%	33%	25%	4%	3.74
2012	4%	9%	21%	36%	23%	6%	3.69
H. Attracting and Keeping Businesses in Kirkland							
2016	4%	6%	23%	33%	33%	2%	3.88
2014	3%	5%	19%	34%	37%	2%	3.96
2012	4%	3%	15%	32%	45%	1%	4.13

	1 Not at all Important	2	3	4	5 Extremely Important	(Don't know)	Mean
I. Pedestrian Safety							
2016	2%	3%	15%	28%	51%	<1%	4.24
2014	2%	4%	13%	32%	50%	<1%	4.26
2012	3%	4%	11%	32%	50%	<1%	4.22
J. Bike Safety							
2016	9%	11%	23%	27%	28%	3%	3.55
2014	8%	9%	25%	29%	28%	2%	3.61
2012	11%	11%	23%	27%	26%	2%	3.45
K. Availability of Sidewalks and Walking Paths							
2016	3%	5%	17%	36%	38%	1%	4.03
2014	2%	6%	20%	37%	34%	<1%	3.94
2012	3%	7%	19%	36%	36%	<1%	3.94
L. Support for Arts in the Community							
2016	4%	13%	33%	31%	17%	2%	3.43
2014	8%	13%	32%	28%	18%	1%	3.35
2012	8%	14%	32%	30%	15%	1%	3.31
M. Community Events							
2016	5%	16%	37%	29%	10%	3%	3.23
2014	7%	14%	36%	28%	12%	1%	3.25
2012	10%	14%	36%	32%	9%	<1%	3.17
N. Zoning and Land Use							
2016	7%	7%	24%	32%	26%	4%	3.67
2014	5%	6%	25%	29%	31%	4%	3.79
2012	3%	6%	28%	29%	28%	6%	3.76
O. Recycling and Garbage Collection							
2016	2%	4%	18%	35%	41%	--	4.08
2014	1%	4%	15%	37%	43%	--	4.16
2012	1%	2%	13%	36%	48%	--	4.27
P. Emergency Preparedness							
2016	2%	5%	15%	35%	40%	3%	4.10
2014	1%	3%	22%	31%	38%	4%	4.05
2012	2%	3%	18%	28%	46%	3%	4.16
Q. Protecting our Natural Environment							
2016	3%	3%	13%	36%	43%	1%	4.15
2014	2%	3%	15%	32%	48%	<1%	4.22
2012	4%	2%	17%	34%	42%	1%	4.10

	1 Not at all Important	2	3	4	5 Extremely Important	(Don't know)	Mean
R. Services for People in Need							
2016	2%	4%	20%	33%	33%	7%	3.98
2014	2%	5%	18%	35%	35%	5%	4.00
2012	3%	5%	19%	33%	35%	5%	3.96
S. Building, Permitting and Inspection							
2016	6%	9%	30%	27%	19%	8%	3.49
[END RANDOMIZE]							

14. Using the same list, please tell me how well you think the city is doing in each area. Use an A thru F grading scale where A means Excellent, B means Above Average, C is Average, D is Below Average, and F is Failing.

[BEFORE EACH IF NECESSARY: How well do you think the city is doing (INSERT X)]

[AFTER EACH IF NECESSARY A is "Excellent and F is "Failing"]

	A- Excellent	B- Above Average	C- Average	D- Below Average	F- Failing	Don't Know	Mean
[RANDOMIZE]							
A. Managing Traffic Flow							
2016	6%	32%	37%	14%	8%	2%	3.15
2014	6%	32%	39%	14%	6%	3%	3.17
2012	9%	46%	29%	9%	4%	3%	3.48
B. Maintaining Streets							
2016	16%	43%	30%	7%	2%	1%	3.64
2014	16%	45%	27%	9%	3%	2%	3.62
2012	13%	42%	34%	7%	2%	2%	3.58
C. Recreation Programs and Classes							
2016	22%	36%	21%	2%	1%	18%	3.91
2014	24%	41%	19%	1%	<1%	15%	4.03
2012	17%	39%	16%	5%	1%	21%	3.84
D. City Parks							
2016	39%	42%	13%	1%	1%	4%	4.20
2014	39%	43%	13%	2%	1%	3%	4.21
2012	28%	47%	16%	3%	1%	5%	4.04
E. Fire and Emergency Medical Services							
2016	48%	36%	7%	2%	1%	6%	4.37
2014	51%	31%	6%	1%	<1%	10%	4.45
2012	47%	31%	8%	2%	1%	11%	4.36
F. Police Services							
2016	40%	38%	12%	3%	3%	4%	4.15
2014	40%	36%	12%	3%	1%	7%	4.19
2012	40%	35%	11%	4%	3%	7%	4.12

	A- Excellent	B- Above Average	C- Average	D- Below Average	F- Failing	Don't Know	Grade
G. Support for Neighborhoods							
2016	12%	39%	29%	4%	2%	14%	3.64
2014	12%	39%	25%	5%	1%	18%	3.67
2012	11%	31%	28%	4%	3%	23%	3.56
H. Attracting and Keeping Businesses in Kirkland							
2016	12%	34%	28%	7%	5%	13%	3.45
2014	10%	34%	29%	7%	4%	14%	3.47
2012	10%	27%	28%	14%	5%	17%	3.26
I. Pedestrian Safety							
2016	26%	45%	21%	4%	1%	3%	3.92
2014	29%	40%	20%	6%	1%	5%	3.95
2012	27%	44%	18%	4%	1%	6%	3.98
J. Bike Safety							
2016	13%	43%	31%	4%	1%	8%	3.67
2014	11%	39%	29%	5%	2%	14%	3.60
2012	13%	38%	25%	7%	2%	16%	3.65
K. Availability of Sidewalks and Walking Paths							
2016	17%	45%	26%	7%	2%	2%	3.71
2014	22%	41%	25%	9%	1%	3%	3.75
2012	14%	47%	27%	6%	2%	4%	3.69
L. Support for Arts in the Community							
2016	18%	43%	20%	4%	2%	14%	3.83
2014	18%	43%	19%	4%	1%	15%	3.86
2012	17%	38%	22%	5%	1%	17%	3.81
M. Community Events							
2016	19%	44%	22%	2%	1%	12%	3.88
2014	20%	43%	23%	3%	1%	10%	3.89
2012	16%	41%	25%	4%	1%	14%	3.79
N. Zoning and Land Use							
2016	6%	29%	28%	10%	7%	19%	3.20
2014	6%	28%	28%	12%	6%	20%	3.19
2012	4%	26%	25%	9%	6%	29%	3.20
O. Recycling and Garbage Collection							
2016	46%	39%	11%	2%	1%	1%	4.30
2014	49%	36%	10%	3%	1%	2%	4.32
2012	45%	39%	10%	2%	2%	2%	4.27

	A- Excellent	B- Above Average	C- Average	D- Below Average	F- Failing	Don't Know	Grade
P. Emergency Preparedness							
2016	18%	31%	24%	3%	2%	22%	3.78
2014	14%	27%	21%	4%	1%	33%	3.73
2012	14%	29%	18%	5%	2%	32%	3.70
Q. Protecting our Natural Environment							
2016	20%	49%	19%	3%	2%	7%	3.87
2014	19%	47%	21%	2%	1%	10%	3.89
2012	17%	43%	21%	4%	2%	13%	3.81
R. Services for People in Need							
2016	9%	27%	28%	2%	2%	32%	3.58
2014	7%	30%	25%	4%	1%	34%	3.58
2012	9%	28%	20%	4%	1%	38%	3.64
S. Building, Permitting and Inspection							
2016	8%	26%	27%	5%	5%	28%	3.37

[END RANDOMIZE]

15. Thinking about the types of stores, goods and services available in Kirkland... would you say that you are?

	2016	2014	2012
Very satisfied with the availability of goods and services in Kirkland	22%	21%	21%
Satisfied	61%	59%	60%
Dissatisfied	14%	17%	14%
Very dissatisfied with the availability of goods and services in Kirkland	2%	3%	3%
Don't Know/NA	2%	1%	2%

16. In general, how safe do you feel walking alone in your neighborhood during the day?

Very Safe	74%	79%	71%
Safe	23%	18%	27%
Somewhat Unsafe	2%	2%	1%
Very Unsafe	1%	<1%	<1%
Don't know/NA	<1%	<1%	<1%

17. And how safe do you feel walking alone in your neighborhood after dark?

Very Safe	38%	40%	34%
Safe	44%	43%	45%
Somewhat Unsafe	12%	14%	16%
Very Unsafe	3%	2%	4%
Don't know/NA	3%	2%	2%

[IF Q17=3 or 4 ASK FOLLOW UP 18]

18. (IF UNSAFE) Why do you feel unsafe? (*n*=75, *MoE*= ±11.3%) [ACCEPT TWO RESPONSES-DO NOT PROBE]

	2016	2014	2012
Crime	30%	26%	
Lack of streetlights/Dark	29%	35%	
Night time is unsafe	18%	14%	
Strangers	12%	12%	
No sidewalks	11%	7%	
Other/Nothing	8%	7%	

(RESUME ASKING EVERYONE)

19. In general, how satisfied are you with your neighborhood's infrastructure such as streets and sidewalks, and roadside landscaping?

Very satisfied	34%	32%	27%
Somewhat satisfied	47%	50%	55%
Somewhat dissatisfied	14%	13%	14%
Very dissatisfied	3%	5%	4%
Don't know/NA	1%	<1%	2%

Q20INT. The following are things that some people have done to prepare their household for disasters or emergencies? As I read each one, just say yes if you have done that at your home. The first one is...

	Yes	No	(Don't Know)
[RANDOMIZE]			
20. Stored three days of food and water for use in the event of an emergency.			
2016	65%	34%	1%
2014	62%	37%	1%
2012	70%	29%	1%
21. Put together a kit for the car, with things like food, flashlight, blankets, & tire chains.			
2016	54%	45%	1%
2014	50%	50%	1%
2012	48%	52%	<1%
22. Established a plan to communicate with friends or relatives out of state.			
2016	47%	50%	2%
2014	48%	50%	2%
2012	51%	47%	2%
23. Have active, working smoke detectors in your home.			
2016	95%	4%	1%
2014	97%	2%	<1%
2012	96%	4%	1%

[END RANDOMIZE]

24. In general, how well-informed would you say you are about Kirkland City government? Would you say you are...?

	2016	2014	2012
Well Informed	12%	10%	11%
Somewhat informed	51%	45%	46%
Not very informed	36%	45%	43%
Don't know/NA	1%	<1%	--

25. What is your primary source of information for finding out what is going on with Kirkland City government?
[ASK OPEN ENDED- CODE USING LIST]

City Web Page	18%	13%	10%
Kirkland Reporter	26%	31%	31%
City Newsletter	18%	16%	16%
City Television Channel	7%	5%	6%
Local Blogs	3%	2%	3%
Twitter	0%	1%	1%
Facebook	5%	2%	1%
City email list	5%	3%	6%
Neighborhood association meetings	6%	5%	5%
None	3%	4%	5%
Don't know/NA	4%	4%	4%
Other	2%	14%	3%

Finally, I'd like to ask you a few questions for statistical purposes only.

26. Which the following best describes you at this time? Are you . . .

Self-employed or a business owner	14%	15%	17%
Employed In The Public Sector, Like a Governmental Agency or Educational Institution	12%	13%	10%
Employed In Private Business	42%	41%	36%
Not Working Right Now	9%	10%	14%
Retired	21%	20%	21%
Don't know/NA	2%	1%	2%

27. Which of the following best describes your household?

Single with no children at home	22%	23%	26%
Couple with no children at home	29%	35%	29%
Single with children at home	6%	4%	7%
Couple with children at home	37%	35%	33%
Other	2%	2%	1%
Don't know/Refused	3%	2%	3%

28. Which of the following best describes your race or ethnic background?

	2016	2014	2012
African American	1%	1%	1%
Asian / Pacific Islander	6%	4%	4%
American Indian / Native American	1%	1%	<1%
Caucasian	82%	85%	85%
Hispanic / Latino	2%	1%	2%
Other	5%	4%	3%
Don't know/NA	3%	4%	4%

29. Do you own or rent the place in which you live?

Own/(DNR: Buying)	80%	82%	76%
Rent	18%	15%	20%
Don't know/NA	1%	3%	4%

30. Finally, I am going to list four broad categories. Just stop me when I get to the category that best describes your approximate household income - before taxes - for 2013. **[ROTATE TOP/BOTTOM]**

\$50,000 or less	10%	14%	22%
Over \$50,000 to \$75,000	12%	16%	14%
Over \$75,000 to \$100,000	14%	14%	13%
\$100,000 to \$150,000	13%	16%	21%
Over \$150,000	24%	20%	12%
Don't know/NA	27%	21%	18%

31. Do you have a cell phone or not?

	2016	2014	2012
Yes	94%	92%	92%
No	5%	7%	6%
Refused	1%	1%	2%

[IF Q33=2 RESPONDENT DOES NOT HAVE CELLPHONE SKIP TO END]

32. How much do you rely on your cell phone? Would you say you rely on your cell phone... (n=470, MoE=±4.5%)

[READ RESPONSES]

All the time – it's your only phone	45%	37%	33%
A great deal – it's your primary phone	28%	28%	30%
Some – you use it occasionally	18%	18%	22%
Very little – you mostly have it for emergencies	8%	16%	13%
Don't know	--	<1%	--
Refused	1%	1%	1%

33. And for statistical purposes only, what year were you born? **[RECORD YEAR - VALID RANGE: 1900-1998: TERMINATE >= 1992]** IF "NA" ==> "Would you say you are age..." **[READ RESPONSES IN Q4]**

34. **[AGE - CODE AGE FROM PREVIOUS QUESTION]**

18-29	11%	11%
30-39	19%	24%
40-49	19%	19%
50-64	29%	27%
65+	22%	19%

35. And finally are there any topics we did not cover that are important to you?

Infrastructure	13%
Public transportation	12%
Education	12%
City services (police, fire, etc.)	9%
Parks / Recreation	7%
Government officials	6%
Traffic	6%
Affordable Housing	6%
Plastic bag policy	3%
Homelessness	3%
Other	15%
No/None/Nothing	2%
Refuse	9%

THANK YOU!



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

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Tom Mikesell, Financial Planning Manager

Date: May 13, 2016

Subject: CITY COUNCIL RETREAT – FINANCIAL PLANNING

The purpose of this memo is to provide information in preparation for the 2017-2018 budget process, including: a brief recap of the year-to-date 2016 financial results; a brief overview of the upcoming mid-year budget adjustments on the June 21 regular meeting agenda; an update to the "Price of Government"; the 2017-2022 financial forecast; and an update to the "Kirkland Quad".

FINANCIAL STATUS

The Financial Management Report (FMR) provides a review of revenue and expenditure performance for the quarter ending March 31, 2016 (**Attachment A**) and provides more detailed information on economic conditions and financial performance. Overall, financial conditions in the first quarter of 2016 continued to show improvement, with strong revenue growth particularly in areas related to development, and expenditures are on pace with budget expectations. The second quarter report should be available in mid-August.

The April dashboard report provides high level monitoring of the General Fund revenues and expenditures status and a few key revenue and expenditure indicators that are especially important to watch. The following are a few highlights from the April dashboard report (**Attachment B**):

- Total **General Fund revenues** were at 34.0 percent of the budget through the end of April, one third of the way through the year. Key revenues, including sales tax, utility taxes and development fees are all ahead of last year and sales tax and development fees are ahead of budget projections. It is worth noting that a property tax payment in excess of \$1 million, which was received in April of last year, did not post until early May of this year. This makes the comparison with prior year results look poor, however, this is only a timing issue and not indicative of poor revenue performance. While overall revenue trends are positive, the continuing volatile global economic conditions remain a concern.
- Overall, **General Fund expenditures** are consistent with budget projections with 32.8 percent of budget spent in the first quarter. This is largely because salaries and benefits make up a large portion of general fund expenditures and these costs were below budget through the first third of 2016.

The April sales tax memo (**Attachment C**) includes an analysis of sales tax revenue trends by business sectors and compares monthly and year-to-date data to last year. Year-to-date revenue is up 9.6 percent compared to the same period in 2015, with positive growth in most major sectors, led by the Contracting, Other Retail, Auto Retail and Services sectors. Year-to-date results show that the multi-year strength in contracting and auto sales continues, while services and retail revenues are beginning to show growth as well.

Development fee collections year-to-date continue to be strong, with revenues through April at 42.7 percent of budget. With this level of activity comes increased service demands, which result in the continuing evaluation of resource needs as discussed further in the next section.

MID-YEAR BUDGET ADJUSTMENTS

At the June 21 City Council meeting, the Council will be considering mid-year budget adjustments to adjust appropriations to reflect unanticipated revenues that have been identified that may be expended, recognize positions, projects, or programs authorized since the mid-biennial budget amendment, and incorporate housekeeping adjustments.

Significant mid-year adjustments are summarized as follows (further detail on each adjustment will be included in the June 21 Council meeting packet; final dollar amounts for the adjustments are still under review):

Council Directed/Other Requests and Previously Approved Adjustments – This category includes any additional changes identified by Council and formalizing previously approved actions (fiscal notes, etc.), such as:

- 3rd Street Watermain final reimbursement to King County as approved by Council at the February 16th meeting;
- Funding for Kirkland Performance Center technical equipment funding from the Lodging Tax Fund;
- Add temporary staffing, funded with passport application revenue, to address the increase in passport application activity;
- Add funding for the Rose Hill Pedestrian Path from NE 85th Street Sidewalk project;
- Add 0.3 FTE to an existing 0.7 FTE Senior Human Resources Analyst position in Human Resources to meet increased benefit-related activities (funded from the Health Benefits Fund) ;
- Change the one-time Public Disclosure Analyst position to an ongoing 1.0 FTE;
- Additional one-time resources in Human Resources to reduce and consolidate the number of job classifications in the City's position structure.
- Add ongoing position authority for 5 FTE Firefighter positions, to enable the recruitment of personnel in advance of the anticipated transition from one-time to ongoing funding for the fourth Firefighter position at Station 25. This request will allow the positions to be filled, trained and in service by January of 2017. The request will also include additional resources for academy costs totaling \$50,000.

Development Services Needs – With the continued strong level of development activity, there is a need to adjust staffing to maintain service levels. Adjustments identified to date include:

- Additional 1.0 Permit Tech in Building and Planning, funded with increased development fee revenues;

- Additional 1.0 Development Engineer in Public Works, funded with increased development fee revenues; and,
- Change a 1.0 Construction Inspector position from temporary to an ongoing 1.0 FTE.

There may be additional requests that are not identified at this time. The next opportunity for budget adjustments will occur as part of the biennial budget process at the end of 2016.

PRICE OF GOVERNMENT UPDATE

One of the strategic anchors used in the 2015-2016 budget process was affordability, as indicated by the "Price of Government". The "Price of Government" concept is defined in the book of the same name by David Osborne & Peter Hutchinson. It is measured as revenues from taxes and fees to the government compared to the aggregate personal income level of the City's constituents, with the 'price' expressed in percentage terms. In general terms, the calculation is used to help define a band in which residents are willing to pay for government services and to provide a comparison over time. The typical range for local governments is between 5 percent and 6 percent.

Kirkland's Price of Government graph in the 2015-16 Budget Message reflected actual revenue data for 2007-2013, 2014 estimates, and the 2015-2016 preliminary budget. The personal income data reflected actuals published by the U.S. Census Bureau (American Community Survey) for 2007-2013 and projections based on the Washington State Economic and Revenue Forecast Council personal income growth forecast.

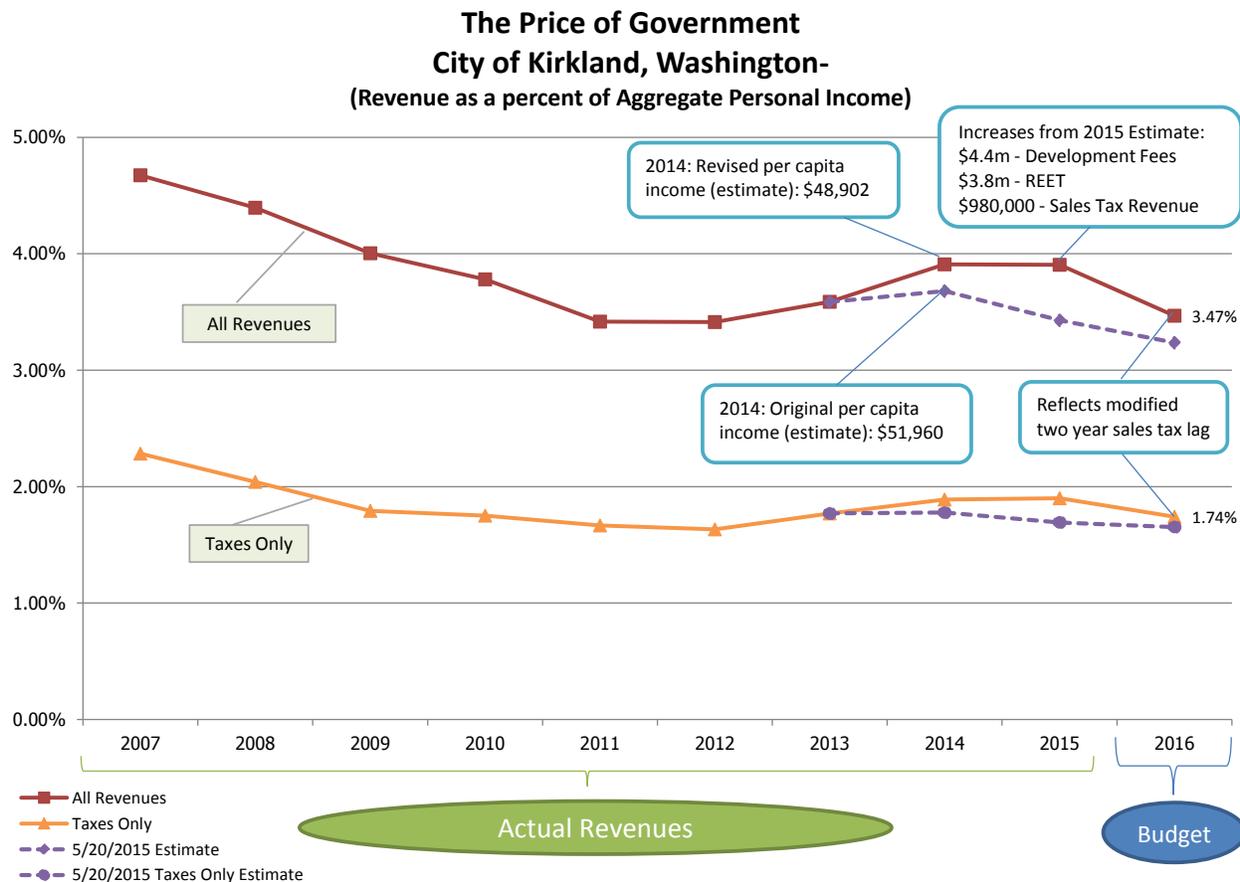
Staff has updated the Price of Government graph to now include 2014 and 2015 actual revenues and amended 2016 budgeted revenues. The update also includes revised Census estimated 2014 personal income figures and a new personal income growth forecast for 2015 and 2016. The revised graph is provided on the following page.

Since the last update (shown in purple on the graph), the Price of Government in Kirkland has risen in 2014 through 2016 based on new revenues from improved economic performance, although the total revenues are still below 4 percent and "taxes-only" are below 2 percent of Aggregate Personal Income. This outcome is similar to the two previous budget cycles where the price of government increased modestly as actual revenue data was added to the model and as personal income estimates were revised.

The majority of the rise in 2014 between the previous and current update is due to actual revenues exceeding the budgeted levels, particularly development fees, Real Estate Excise Tax (REET), and sales taxes. These increases are directly related to the high level of development activity that Kirkland experienced over the past several years, however this can fluctuate significantly with economic cycles.

The change in the 2014 estimate is due to revising the population and per capita income numbers to reflect the US Census Bureau's latest data set for the City of Kirkland, which was updated by the Census in late 2015 to account for the City's post-annexation boundaries. Previous price of government calculations used a blend of Census data from the 98033 and 98034 ZIP codes to estimate the annexation area's population and per capita income. This improvement in data from the Census Bureau has allowed for some updates to the Price of Government model's assumptions for per capita income.

Personal income estimates for 2015 and 2016 grew due to this change, but the growth is slightly countered by a higher projection of income growth from the Washington State Economic Revenue Forecast Council of 3.0 percent (previously 2.5 percent).



The change in the Price of Government over the past twelve months has happened without action on the part of the City, due to Census revisions and robust development revenue activity, which highlights that this broad metric should be viewed as a trend indicator taken in context with other measures, such as the quadrant chart and the forecast, both of which are updated below, rather than a single measure of financial stability in Kirkland.

FINANCIAL FORECAST

The baseline financial forecast has been updated to reflect estimated expenditures in 2015 and to account for all budgeted on-going expenditures in 2016. The forecast ends in 2022, allowing for analysis of the impact of the expiration of the annexation sales tax credit in 2021. The forecast includes the annexation state sales tax credit at \$3.9 million in 2016 through 2020. It is important to keep in mind that the state sales tax credit is only available to fund any actual shortfalls between annexation revenues and expenses, so actual revenue and expenditure variance in the annexation area may ultimately reduce the amount of the credit in future years.

The key assumptions in the Baseline Forecast include:

- Revenues

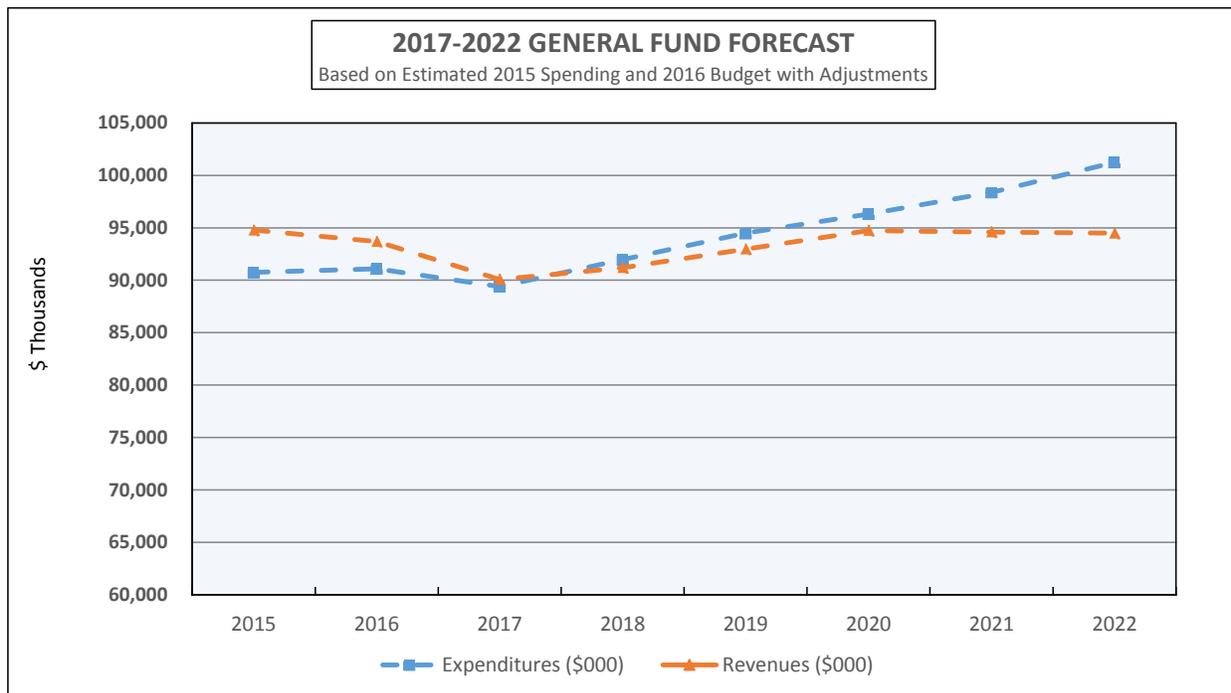
- Based on 2015 actuals and 2016 revenue estimates, including all adjustments made as of May 2016;
 - Utility taxes growth of 1% per year 2017-2022;
 - Sales tax growth of 5% in 2016; 0% growth in 2017 and 2018 consistent with modified two-year lag, and 3% per year 2019-2022;
 - Annexation sales tax credit (ASTC) assumptions:
 - \$3,935,000 in 2017-2020;
 - \$1,967,00 in 2021 reflecting the end of the 10th year on June 30, 2021; and,
 - Expired in 2022.
 - No use of reserves in 2016-2022;
 - 1% optional property tax and 1% annual growth in new construction property tax in 2016-2022;
 - 2% growth in other taxes (revenue generating regulatory license and gambling taxes);
 - Annual transfer of \$114,000 per year to fund CIT 0200 Geographic Information Systems in the CIP through 2022;
 - 1% annual growth in fines and forfeitures in 2017-2022;
 - 2% annual growth in other revenue in 2017-2022; and,
 - 1% growth in state shared revenue other than the ASTC. A discussion of the ten year history of state shared revenue distributions to Kirkland is included as **Attachment D**.
- Expenditures
 - Based on 2015 estimates (including potential carryovers) and 2016 amended on-going budget, including all adjustments made as of May 2016;
 - 3% annual growth in wages in 2015-2022 (assumes long term trend based on 2% raises, 0.5% steps & longevity, 0.5% market and other adjustments);
 - 5.1% annual increase in total benefits in 2017-2022, derived as follows:

Category	Average Share of Benefits (2012-2015)	Projected Growth	Share of Composite
Health, Dental, Life	62%	3.5%	2.2%
Pension Contributions	18%	12%	2.1%
MEBT	13%	3%	0.4%
Industrial Insurance	5%	7%	0.3%
All Other Benefits	2%	3%	0.1%
Composite Growth Rate			5.1%
 - 1% growth in supplies, services & capital in 2017-2022;
 - Estimated City Hall and Kirkland Justice Center debt and sinking fund transfers for years 2017-2022; and,

- 1% planned reserve replenishment until 2019, when reserves will be at target.

It is worth noting that the biennial estimate of revenues in excess of budget in 2015-2016 is net of development fee revenue in excess of budgeted amounts, as these resources would be assumed to be set aside to meet workload on permits in future years. These one-time revenues are subtracted from the 'Total Revenue' line in years 2017 through 2022.

Applying the above growth assumptions indicates an essentially balanced budget in 2017-2018, with a biennial deficit of \$79,000 or 0.04% of the biennial budget as shown in the graph below.

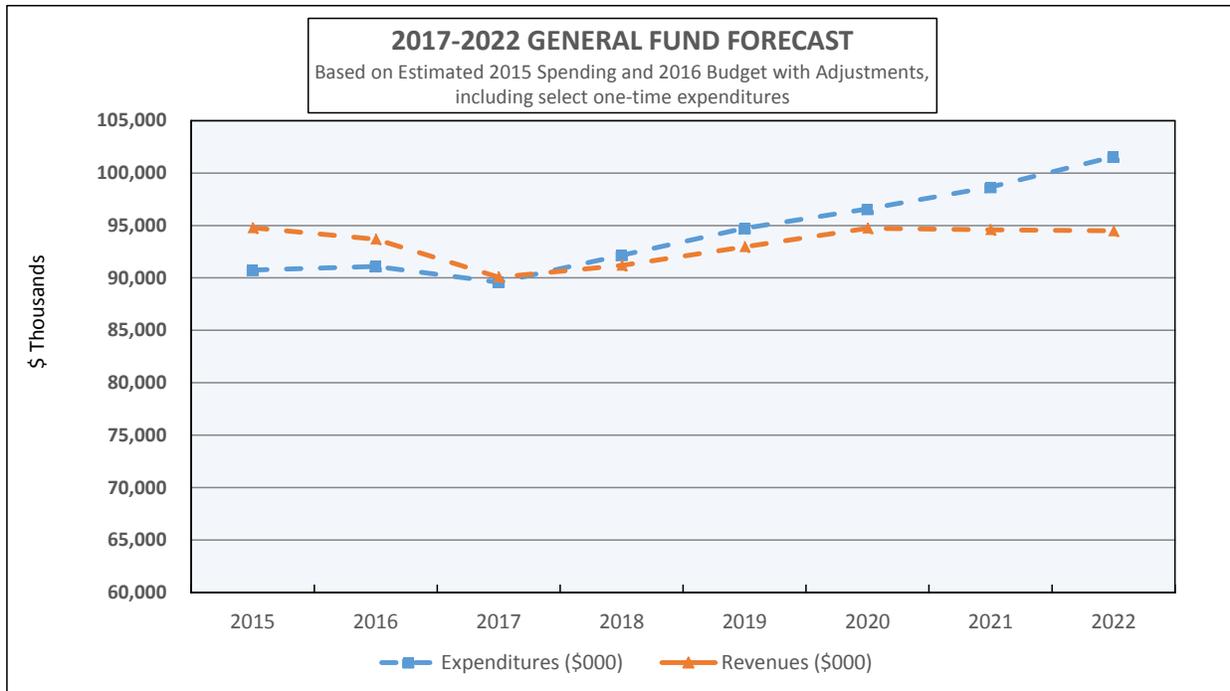


	2015	2016	2017	2018	2019	2020	2021	2022
Total Expenditures	90,747	91,093	89,394	91,954	94,487	96,315	98,386	101,247
Total Revenues	94,781	93,692	90,075	91,195	92,964	94,742	94,592	94,483
Net Resources	4,033	2,599	681	(760)	(1,524)	(1,573)	(3,794)	(6,764)
Less Developmnt Rev>Budget	(1,400)	(2,274)	-	-	-	-	-	-
Biennial		2,959		(79)		(3,097)		(10,558)

This forecast *excludes* expenditures that are funded on a one-time basis in the 2015-2016 budget. As part of the mid-year budget adjustments that will be brought to Council at its June 21 meeting, the City Manager plans to recommend ongoing funding of select expenditures that are currently funded on a one-time basis, including:

- Enhanced Human Services Grant: \$45,262 per year;
- Public Disclosure Analyst: \$107,114 per year; and,
- Station 25 Fourth Firefighter (5 FTEs total): \$636,800 in 2017, of which \$80,000 is for one-time equipment costs, approximately \$556,806 per year ongoing thereafter. This is predominantly funded by making the transfer of \$500k to the Public Safety Sinking one-time each year versus ongoing in nature. In future budgets the Public Safety Sinking Fund would be the first item funded each year with one time money.

Funding these one-time expenditures on an ongoing basis beginning in 2017-2018 increases the estimated biennial deficit to \$0.5 million, or 0.27 percent of the biennial budget, as shown on the graph on the following page.



	2015	2016	2017	2018	2019	2020	2021	2022
Total Expenditures	90,747	91,093	89,591	92,171	94,724	96,573	98,666	101,549
Total Revenues	94,781	93,692	90,075	91,195	92,964	94,742	94,592	94,483
Net Resources	4,033	2,599	484	(976)	(1,761)	(1,832)	(4,074)	(7,066)
Less Developmnt Rev>Budget	(1,400)	(2,274)	-	-	-	-	-	-
Biennial		2,959		(492)		(3,592)		(11,140)

Staff will continue to revise revenue estimates in preparing the Biennial Budget recommendation for City Council consideration in the fall, based on current financial data and future growth potential.

During the biennial budget process and through successive budget adjustments, Council approved an additional \$0.82 million in 2015 and \$0.86 million in 2016 supported by one-time balances, which might be considered for funding in the upcoming biennium (note: this list excludes those one-time funded service packages recommended for on-going funding noted earlier, as well as truly one-time 2015-2016 service packages and one-time items funded with a specific funding source). When added to the one-time funding for the Public Safety Sinking Fund transfer previously discussed, the biennial total rises to approximately \$1.4 million. These items are shown on the table on the following page.

One Time Items Likely to Continue	2015			2016		
	Wages & Benefits	Other Costs	Annual Costs	Wages & Benefits	Other Costs	Annual Costs
Public Safety Sinking Fund Transfer		500,000	500,000		500,000	500,000
Subtotal	-	500,000	500,000	-	500,000	500,000
Previously Funded with Resources Forward (or) Surplus						
2016 Community Survey	-	-	-	-	30,000	30,000
ARCH Housing Trust Fund	-	315,000	315,000	-	315,000	315,000
City Match Events Funding	-	32,000	32,000	-	32,000	32,000
Cultural Organizations Grant Matching one-time	-	5,000	5,000	-	5,000	5,000
Human Services Option #3	-	58,113	58,113	-	58,113	58,113
Inmate Medical	-	108,332	108,332	-	113,862	113,862
KAN additional grants	-	5,101	5,101	-	5,101	5,101
Kirkland Heritage Society preservation efforts	-	2,000	2,000	-	2,000	2,000
Leadership Eastside Scholarships	-	12,000	12,000	-	12,000	12,000
Municipal Court Security	67,176	-	67,176	67,176	-	67,176
Neighborhood Traffic Control Coordinator	57,002	281	57,283	59,790	281	60,071
Office Tech - Training Division	34,325	(12,401)	21,924	35,776	(13,127)	22,649
Public Records Request Assistance	13,173	-	13,173	13,296	-	13,296
KPC Operating Support	-	50,000	50,000	-	50,000	50,000
Social Worker at John Muir Elementary one-time	-	11,752	11,752	-	11,752	11,752
State Legislative Advocacy Services Mid Biennial	-	3,000	3,000	-	12,000	12,000
State Legislative Advocacy Services Service Package	-	48,000	48,000	-	48,000	48,000
Time Bank	-	3,000	3,000	-	3,000	3,000
Subtotal	171,676	648,178	819,854	176,038	684,982	861,020
Total	171,676	1,148,178	1,319,854	176,038	1,184,982	1,361,020

These costs are not included in the baseline forecast, and if included would increase the deficit to approximately \$3.2 million in 2017-2018, and increase the 2021-2022 biennial deficit to approximately \$13.9 million. However these one-time costs are often funded with under expenditures from previous years as prioritized by the Council. Other potential issues that may result in budget requests are described in the "Emerging Issues" item on the Retreat Agenda.

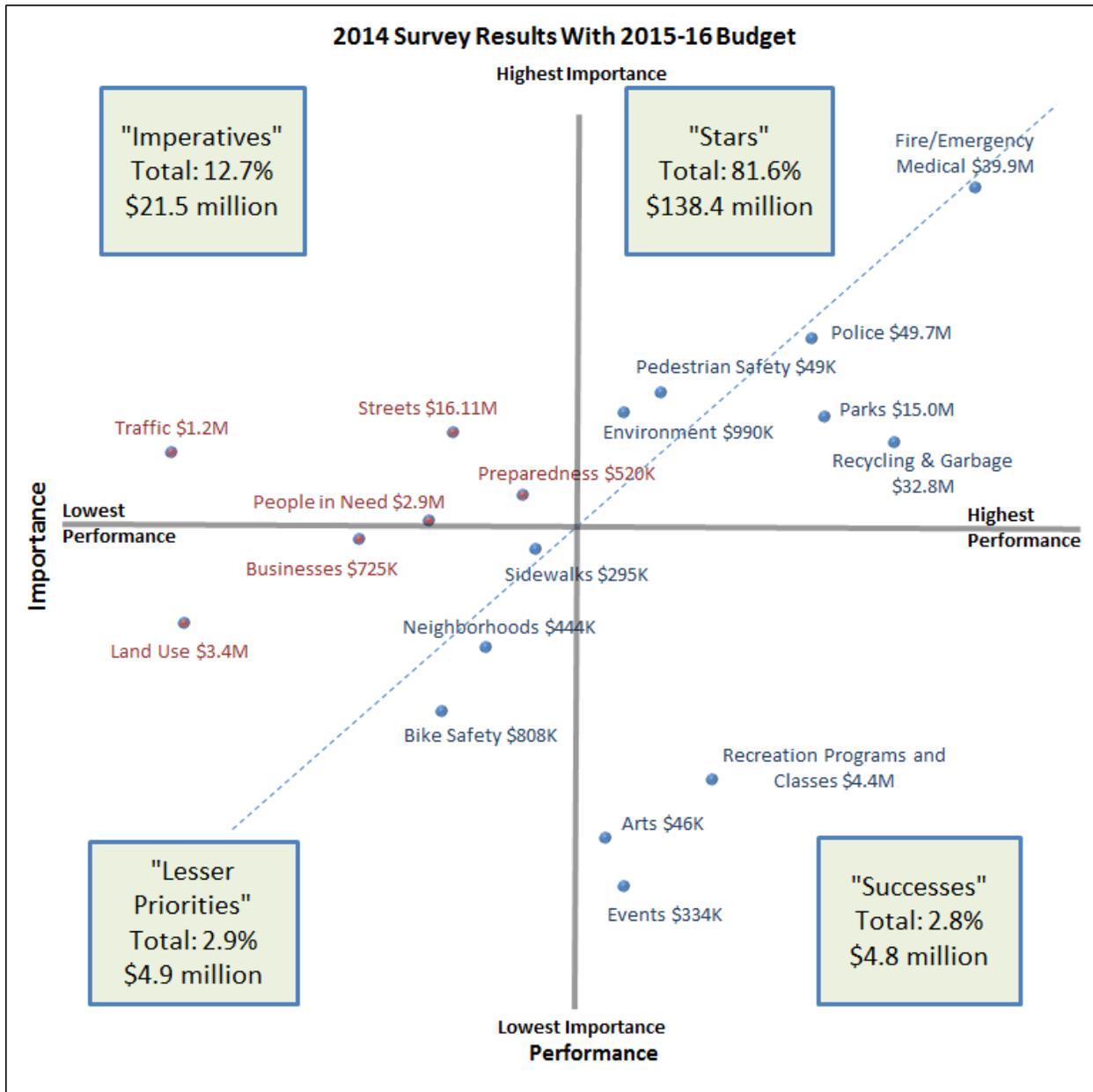
The impact of the expiration of the Annexation Sales Tax Credit (ASTC) in 2021 can be seen at the end of the projection period. Measures that have been taken to help the City adjust to the revenue reduction include:

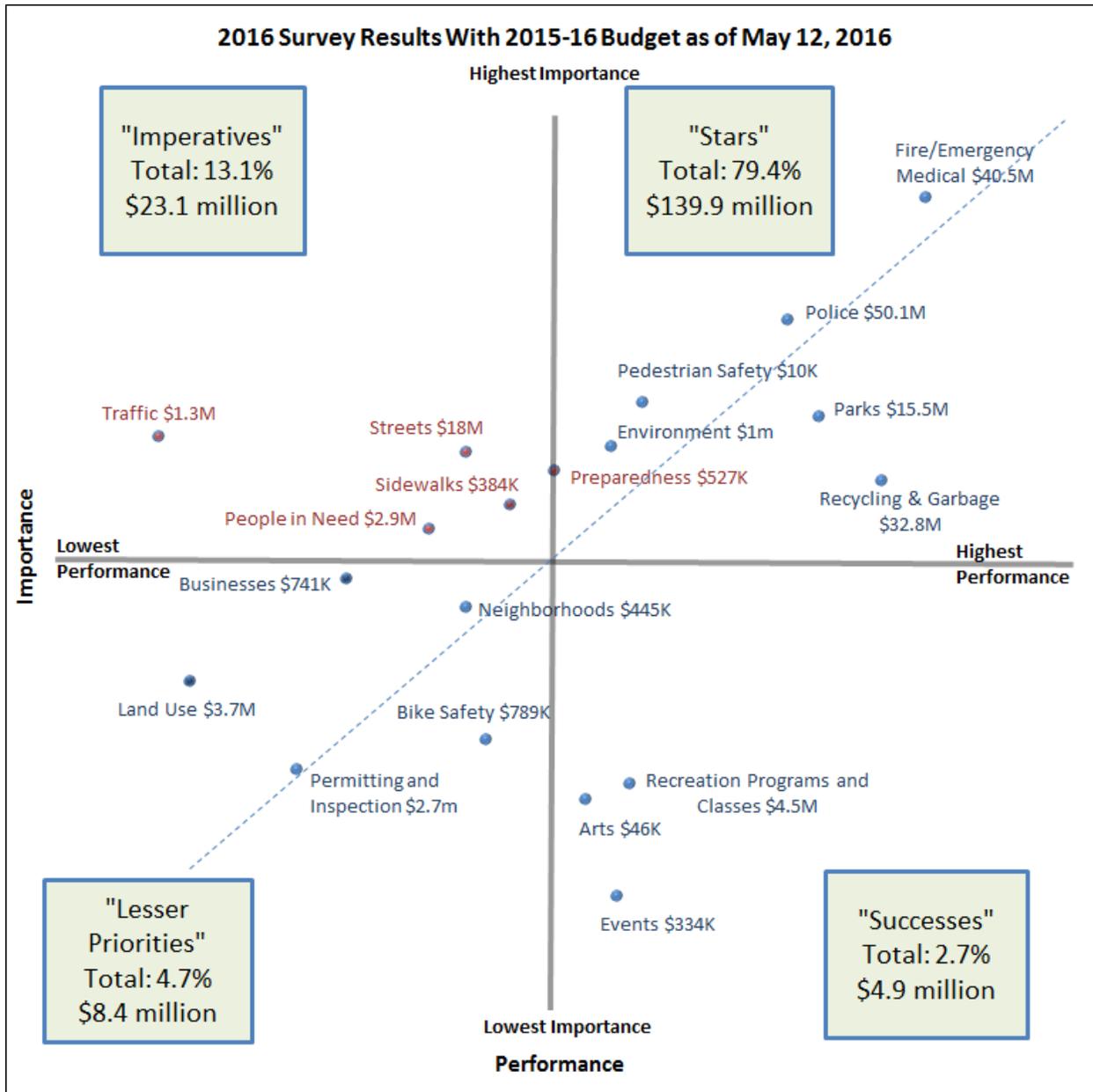
- The overall non-voted general fund debt service, including the bonds used to finance the Public Safety Building, decreased by \$450,000 in 2014 and by another \$450,000 in 2021. Funds freed up from these decreases are intended to offset the loss of the ASTC upon expiration and should not be re-appropriated to other on-going needs. However, funds from these sources been set aside through 2019 toward the Walkable Kirkland project in the Capital Improvements Program.
- The adopted budget assumes that 1% of revenues would go toward reserve replenishment until reserves reach their targets, which is projected in 2019. The removal of this requirement would reduce the operating budget by approximately \$850,000 a year, continuing through the expiration of the ATSC.

It bears mention that the forecast discussed above includes the impact of both of these measures. However, the forecast does not include an estimate of the potential revenue and expenditure impacts from the Totem Lake and Kirkland Urban developments which are both currently underway and scheduled for opening prior to the expiration of the ATSC. As more information about the scope and timing of the economic impact from each project becomes available, staff will be able to incorporate estimates into future forecasts.

THE KIRKLAND QUADRANT

Following the citizen survey every two years, staff compile the Kirkland Quadrant, by adding budget data to the high level look at how city services are perceived by the public, both in terms of importance and performance. The 2016 citizen survey took place between April 6th and April 11th, 2016. Citizens were asked to grade a number of services on a scale of 'A' to 'F', for performance, with 'A' being 'Excellent' and 'F' representing a failing grade. Citizens were also asked to rank services by their importance to them, with 5 being the highest and 1 being the lowest. Preliminary results are now available and are shown in the diagram on the following page. The 2014 survey is also shown for the purposes of comparison. Budgeted dollar amounts are shown next to the relevant data points to demonstrate resource allocations in each category.





Between the 2015 adopted budget and the revised budget as of May 12, 2016, the percentage of resources spent on “stars” and “imperatives”, those areas that citizens rate as highly important, remained essentially constant at 94.2 percent of resources allocated to areas in the quadrant.

Overall, the average performance ratings of City services decreased from 3.81 to 3.77, while the average importance of services also decreased from 3.97 to 3.93. The largest increases in performance were in ‘Bike Safety’ and ‘Emergency Preparedness’, while the largest increases in importance were in ‘Availability of Sidewalks and Walking Paths’ and ‘Support for Arts in the Community’. For the first time the survey sought feedback on Permitting and Inspection; citizen responses placed this service in the “lesser priorities” quadrant. This addition to the survey more than accounts for the increase in spending on “lesser priorities” noticed when

comparing the two charts. More in-depth discussion of the survey results will be provided separately at the retreat.

CONCLUSION

The City of Kirkland's near-term financial strength continues, as gauged by an analysis of recent data captured by the City's financial reporting tools, including the Financial Management Report, Financial Dashboard, and Monthly Sales Tax report. Growth in General Fund revenues continues, anchored by strength in sales tax collections, and expenditures continue to come in below budget. A review of the City's Strategic Anchors, including the Price of Government and the Kirkland Quad, demonstrates the City continues to provide the affordable, quality services that resident desire. The Financial Forecast provides a balanced baseline for evaluating expenditure options in the 2017-2018 Biennium. Future financial challenges posed by the expiration of the Annexation Sales Tax credit are being met through conservative financial planning and an economic development strategy that includes redevelopment of the City's economic cores.



Financial Management Report as of March 31, 2016

AT A GLANCE:

Kirkland receives Google eCity Award for Washington (page 2 sidebar)

2016 first quarter general fund revenues increased 9.7% over 2015 (page 3)

Sales tax revenue grew 9.9% in the first quarter (page 5)

Unemployment is static, Seattle inflation grows, and the housing market continues to improve (pages 7-8)

Inside this issue:

Expenditure Summary	2
General Fund Revenue	3
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Economic Environment	7-8
Investment Report	8-9
Reserve Summary	10-11

Summary of All Operating Funds: *Revenue*

- General Fund** revenue ended March **9.7 percent ahead** of 2015, an increase of \$1,848,478. Much of this increase came from Taxes and Charges for Services. Sales Tax and Revenue Generating Regulatory Licenses played a significant role, collectively accounting for nearly half of the increase. Actual revenues finished the quarter at 23.5 percent of revenues, 25 percent of the way through the year. This is expected because of the seasonal nature of property tax payments which are received largely in April and October. 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** first quarter revenue is **down 2.8 percent** from 2015. Actual revenue for the quarter was **22.5 percent of budget**, 1.0 percent less than 2015. The majority of this decrease is due to a reduction in Water and Sewer use by the Commercial sector. Additionally, the Regional Water Connection Charges are down 13.4 percent on the year because of one-time development revenue in the first quarter of 2015.
 - Surface Water Management Fund** revenues finished March at **6.7 percent of budget**. Revenues in the first quarter of 2016 were **11.5 percent lower** than they were in 2015. The decrease is due to a late payment in 2015 that artificially inflated first quarter revenues as well as reduced grant revenue in 2016. Both residential and commercial surface water fees are collected with property tax payments, and will therefore be primarily received in the second and fourth quarters.
 - Solid Waste Fund** finished the quarter with **24.4 percent of budgeted revenues**. This is **1.6 percent lower** than 2015. Billing is higher than in 2015, but there is increase of \$113,000 in accounts receivable so far in 2016.
- Overall, first quarter utility fund revenues were **down 2.9 percent** compared to 2015, and finished March at **20.1 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2015	3/31/2016	% Change	2015	2016	% Change	2015	2016
General Gov't Operating:								
General Fund	18,970,620	20,819,097	9.7%	86,443,318	88,591,256	2.5%	21.9%	23.5%
Other General Gov't Operating Funds	4,554,742	4,836,387	6.2%	26,485,966	27,122,539	2.4%	17.2%	17.8%
Total General Gov't Operating	23,525,361	25,655,484	9.1%	112,929,284	115,713,795	2.5%	20.8%	22.2%
Utilities:								
Water/Sewer Operating Fund	6,222,260	6,048,253	-2.8%	26,451,995	26,905,563	1.7%	23.5%	22.5%
Surface Water Management Fund	756,565	669,239	-11.5%	9,939,650	10,047,501	1.1%	7.6%	6.7%
Solid Waste Fund	4,187,387	4,119,569	-1.6%	16,445,443	16,853,760	2.5%	25.5%	24.4%
Total Utilities	11,166,211	10,837,061	-2.9%	52,837,088	53,806,824	1.8%	21.1%	20.1%
Total All Operating Funds	34,691,573	36,492,545	5.2%	165,766,372	169,520,619	2.3%	20.9%	21.5%

*Budgeted and actual revenues exclude resources forward and interfund transfers.

Kirkland Paves the Way for Online Commerce

Google's eCity Award recognizes the strongest online business community in each state. The cities that receive this award have businesses that are innovative in their use of the internet to identify new customers, improve relations and services to existing clients, and fuel their local economies.

"Kirkland is fortunate to be the community of choice for tech savvy businesses who are making good use of online marketing to grow," notes Kirkland Mayor Amy Walen. "Just as significant is the presence of Google Kirkland, which continues to provide the tools that help our businesses to prosper."

Google's analysis showed that the online strength of local small businesses in Kirkland is among the leading cities nationwide in the digital economy.

"We're proud to recognize this growing entrepreneurial spirit and the role that it plays in both creating jobs and sustaining local economies," said Darcy Nothnagle, Google's Head of External Affairs in the Northwest. Google recognizes that many internet-users are consumers in one way or another, and rewards cities that develop an online business presence. In 2015, Kirkland was one of these leaders.



Kirkland Mayor Amy Walen Accepts Google's eCity award on behalf of Kirkland from Darcy Nothnagle, Google's Head of External Affairs in the Northwest.

Summary of All Operating Funds: *Expenditures*

- General Fund** expenditures (excluding transfers) finished the first quarter of 2016 **up 3.3 percent** from the year before. Actual expenditures finished at **25.2 percent of budget**. Highlights include Services spending falling 7.1 percent from 2015, largely due to the AT&T Mobility settlement in 2015. Intergovernmental Professional Services offset the decrease in Services expenditures by growing 75.2 percent from 2015, largely because of a one-time pass through payment made to Bellevue related to A Regional Coalition for Housing project. A more detailed analysis of General Fund expenditures by department can be found on page 4 and 5.
- Other General Government Operating Funds** actual expenditures were **15.8 percent higher** than 2015, largely due to increases in the Street Operating Fund. Street Operating Fund expenditures increased **47.1 percent** due to the hiring of temp employees, increased Utility Services charges, and Capital Outlays. Capital Outlays expenditures in 2016 were for median landscaping improvements, originally budgeted in 2015. The Parks Levy Fund and the Parks Maintenance Fund were the only funds to spend less than in 2015, falling 16.4 and 8.0 percent respectively. The Parks Levy Fund spent more in 2015 due to the Green Kirkland program, while the Parks Maintenance Fund received a \$13,000 credit this quarter for supplies purchased in 2015.

In aggregate, other general government operating funds finished March at **25.0 percent** of budgeted funds.
- Water/Sewer Operating Fund** actual expenditures were **5.1 percent higher** than in 2015. This was largely because of an increase in the Metro Sewer Charge, as well as expenditures on Other Services. Increases in Other Services were mostly for Professional Services related to the update of the Sewer Master Plan, which was originally budgeted for 2015. In total, the Water/Sewer fund finished March at **24.7 percent of budget**.
- Surface Water Management Fund** expenditures at the end of the first quarter were **6.4 percent higher** than 2015. The majority of this increase is from salaries and benefits. Expenditures for labor were up in the first quarter due to acceleration of the work load for the Cochran Springs project. Overall Surface Water Management's budget decreased due to carry overs and one-time projects scheduled in 2015, though expenditures for these projects did not happen in the first quarter of 2015. Thus, project timing drives incongruence of higher expenditures in 2016 despite a lower budget. Expenditures at the end of March were **lower than budgeted, at 20.7 percent of budget**.
- Solid Waste Fund** expenditures were **1.1 percent higher** in 2016 than in 2015. Small increases in expenditures for the waste disposal contract (which was planned), personnel, and external taxes were the cause of the overall increase. Expenditures in the fund finished the first quarter at **24.8 percent of budget** which is in line with expected budget expenditures.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2015	3/31/2016	% Change	2015	2016	% Change	2015	2016
General Gov't Operating:								
General Fund	20,230,105	20,902,619	3.3%	83,500,121	82,962,015	-0.6%	24.2%	25.2%
Other General Gov't Operating Funds	4,789,883	5,548,665	15.8%	25,063,321	22,853,038	-8.8%	19.1%	24.3%
Total General Gov't Operating	25,019,988	26,451,284	5.7%	108,563,442	105,815,053	-2.5%	23.0%	25.0%
Utilities:								
Water/Sewer Operating Fund	5,382,950	5,655,677	5.1%	22,929,938	22,922,214	0.0%	23.5%	24.7%
Surface Water Management Fund	1,436,537	1,528,945	6.4%	7,877,204	7,374,048	-6.4%	18.2%	20.7%
Solid Waste Fund	3,978,400	4,023,226	1.1%	16,065,707	16,210,048	0.9%	24.8%	24.8%
Total Utilities	10,797,887	11,207,848	3.8%	46,872,849	46,506,310	-0.8%	23.0%	24.1%
Total All Operating Funds	35,817,876	37,659,132	5.1%	155,436,291	152,321,363	-2.0%	23.0%	24.7%

*Budgeted and actual expenditures exclude working capital, operating reserves, capital reserves, and interfund transfers.

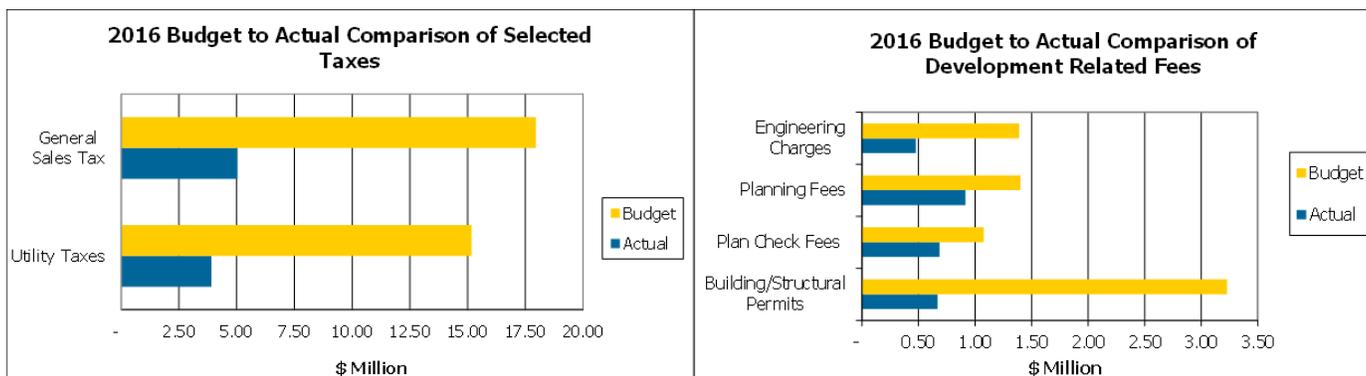
General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in the first quarter of 2016 was **9.9 percent higher** than it was in 2015. The increase is due to improved sales across the board, but particularly in the Contracting, Other Retail, and Miscellaneous sectors. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished March **8.9 percent higher** than 2015, **at 5.9 percent of budget**. Most property tax payments are received to the City in April and October, therefore this number will likely normalize during the second quarter of 2015.
- **Utility tax** collections finished March **0.5 percent higher** than March 2015 at **25.7 percent** of budget.
- **Other taxes** actual revenues were **2.1 percent higher** than in 2015, and finished at **33.8 percent of budget**. This increase is the result of higher revenues from Punch Board, Pull Tabs, and Card Games.
- The **business licenses (base fee) and franchise fees** were **4.9 percent** higher than in 2015 and finished March **at 25.9 percent** of budget. A portion of this growth is one-time revenue, as the City identified businesses operating without licenses, some of them owing up to three years of back-payments.
- Collections from the **revenue generating regulatory license fee** were **32.5 percent higher** than in 2015. Revenues were **at 39.3 percent of budget**. The difference is mostly due to a timing of payment issue, as a large payment received last year in April, arrived in March this year. This fee is charged to employers on a per-employee basis, and it can fluctuate based on the timing of when businesses submit their payments.
- **Plan check fees and planning fees** finished the quarter **up 95.3 percent** and **89.4 percent** respectively. **Building, Structural and Equipment permits** and **Engineering Services** were **down 13.6 percent** and **29.0 percent** compared to 2015. Much of the Planning Fee increases are due to activity at Totem Lake and Kirkland Urban, while decreases in Building and Structural Equipment as well as engineering services are related to abnormally high revenues in 2015 from Google Campus Phase 2 Expansion.
- **Fines and Forfeitures** were **down 4.2 percent from 2015** due to a decrease in both Traffic and Parking Infraction Penalties. However, an increase in Business License Penalties offset much of the lost revenue elsewhere. This revenue source finished March **at 15.0 percent of budget**. Traffic infraction penalties are not received in January, so the budget is collected in 11 months from February to December. Therefore, this category will be close to budget by year end if past trends hold for the current year.
- **Miscellaneous** revenue finished March **25.7 percent up** from 2015 due to increased Rental and Lease revenue from both dock rentals as well as rent now received from purchasing the pawn shop property in 2015. This category was **above budget projections at 31.0 percent of budget**.

General Fund Revenue ended the first quarter \$1,848,477 higher than in 2015 largely due to growth in taxes and charges for services.	General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
		3/31/2015	3/31/2016	% Change	2015	2016	% Change	2015	2016
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.	Taxes:								
	Retail Sales Tax: General	4,581,769	5,034,815	9.9%	17,963,747	17,963,747	0.0%	25.5%	28.0%
	Retail Sales Tax Credit: Annexation	1,081,700	1,189,982	10.0%	3,792,500	3,935,000	3.8%	28.5%	30.2%
	Retail Sales Tax: Criminal Justice	517,827	563,957	8.9%	2,036,370	2,097,461	3.0%	25.4%	26.9%
	Property Tax	969,224	1,055,561	8.9%	17,456,855	17,886,952	2.5%	5.6%	5.9%
	Utility Taxes	3,877,205	3,897,886	0.5%	15,015,081	15,175,950	1.1%	25.8%	25.7%
	Rev Generating Regulatory License	701,424	929,288	32.5%	2,338,315	2,364,399	1.1%	30.0%	39.3%
	Other Taxes	355,358	362,667	2.1%	1,063,075	1,072,758	0.9%	33.4%	33.8%
	Total Taxes	12,084,506	13,034,155	7.9%	59,665,943	60,496,267	1.4%	20.3%	21.5%
	Licenses & Permits:								
	Building, Structural & Equipment Permits	774,041	668,658	-13.6%	3,219,731	3,227,201	0.2%	24.0%	20.7%
	Business Licenses/Franchise Fees	1,129,482	1,184,622	4.9%	4,532,649	4,580,520	1.1%	24.9%	25.9%
	Other Licenses & Permits	176,043	188,392	7.0%	444,563	519,801	16.9%	39.6%	36.2%
	Total Licenses & Permits	2,079,567	2,041,671	-1.8%	8,196,943	8,327,522	1.6%	25.4%	24.5%
	Intergovernmental:								
	Grants and Federal Entitlements	75,074	73,328	-2.3%	162,125	132,000	-18.6%	46.3%	55.6%
	State Shared Revenues & Entitlements	279,502	328,413	17.5%	1,098,514	1,339,360	21.9%	25.4%	24.5%
	BMS	-	-	N/A	902,338	920,385	2.0%	N/A	N/A
	Total Intergovernmental	354,576	401,741	13.3%	2,162,977	2,391,745	10.6%	16.4%	16.8%
Charges for Services:									
Internal Charges	1,441,417	1,611,202	11.8%	6,159,409	7,100,764	15.3%	23.4%	22.7%	
Engineering Services	671,540	476,966	-29.0%	1,400,887	1,391,146	-0.7%	47.9%	34.3%	
Plan Check Fee	350,410	684,274	95.3%	951,346	1,077,458	13.3%	36.8%	63.5%	
Planning Fees	482,682	914,275	89.4%	1,457,383	1,400,915	-3.9%	33.1%	65.3%	
Recreation	475,681	563,840	18.5%	1,215,100	1,215,200	0.0%	39.1%	46.4%	
Other Charges for Services	450,614	464,962	3.2%	1,980,204	2,042,707	3.2%	22.8%	22.8%	
Total Charges for Services	3,872,342	4,715,520	21.8%	13,164,329	14,228,190	8.1%	29.4%	33.1%	
Fines & Forfeits	343,446	329,029	-4.2%	2,189,359	2,191,067	0.1%	15.7%	15.0%	
Miscellaneous	236,184	296,982	25.7%	1,063,767	956,465	-10.1%	22.2%	31.0%	
Total Revenues	18,970,620	20,819,097	9.7%	86,443,318	88,591,256	2.5%	21.9%	23.5%	
Other Financing Sources:									
Interfund Transfers	-	-	N/A	437,228	334,266	-23.5%	N/A	N/A	
Total Other Financing Sources	-	-	N/A	437,228	334,266	-23.5%	N/A	N/A	
Total Resources	18,970,620	20,819,097	9.7%	86,880,546	88,925,522	2.4%	21.8%	23.4%	

*Budgeted and actual revenues exclude resources forward.

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	3/31/2015	3/31/2016	% Change	2015	2016	% Change	2015	2016
Non-Departmental	558,983	502,927	-10.0%	2,911,258	2,606,504	-10.5%	19.2%	19.3%
City Council	198,670	217,969	9.7%	471,318	493,971	4.8%	42.2%	44.1%
City Manager's Office	430,510	583,123	35.4%	2,438,154	2,169,570	-11.0%	17.7%	26.9%
Municipal Court	603,751	620,524	2.8%	2,445,952	2,451,500	0.2%	24.7%	25.3%
Human Resources	364,995	379,909	4.1%	1,492,619	1,538,791	3.1%	24.5%	24.7%
City Attorney's Office	337,596	298,613	-11.5%	1,246,620	1,171,071	-6.1%	27.1%	25.5%
Parks & Community Services	1,832,467	1,724,225	-5.9%	8,423,620	7,928,882	-5.9%	21.8%	21.7%
Public Works (Engineering)	1,270,884	1,290,749	1.6%	5,421,184	5,866,373	8.2%	23.4%	22.0%
Finance and Administration	1,127,345	1,128,084	0.1%	4,715,638	4,692,308	-0.5%	23.9%	24.0%
Planning & Building	1,117,946	2,573,684	130.2%	8,492,888	8,325,580	-2.0%	13.2%	30.9%
Police	6,086,378	6,137,741	0.8%	25,154,856	25,065,894	-0.4%	24.2%	24.5%
Fire	6,300,580	5,445,071	-13.6%	20,286,014	20,651,571	1.8%	31.1%	26.4%
Total Expenditures	20,230,105	20,902,619	3.3%	83,500,121	82,962,015	-0.6%	24.2%	25.2%
Other Financing Uses:								
Interfund Transfers	533,011	639,784	20.0%	8,480,717	5,430,801	-36.0%	6.3%	11.8%
Total Other Financing Uses	533,011	639,784	20.0%	8,480,717	5,430,801	-36.0%	6.3%	11.8%
Total Expenditures & Other Uses	20,763,116	21,542,403	3.8%	91,980,838	88,392,816	-3.9%	22.6%	24.4%

*Budgeted and actual expenditures exclude working capital, operating reserves, and capital reserves.

Comparing 2016 and 2015 expenditures:

In 2016, excluding interfund transfers, General Fund expenditures were **3.3 percent higher** than 2015, and finished the first quarter at **25.2 percent of budget**. Specific reasons for increased expenditures are highlighted below:

- Expenditures for **Non-departmental** were **down 10.0 percent** due to the AT&T Mobility legal settlement payment early in 2015. Public Defender expenditures, which are newly charged to Non-departmental, partially offset these decreases. Non-departmental finished the first quarter **at 19.3 percent** of budget spent, similar to 2015.
- Actual 2016 expenditures for the **City Council increased 9.7 percent** from 2015. The increase is due to the Interfund IT Rental charge that mistakenly was not paid for the first 3 months of 2015, but was later corrected. City Council finished the quarter at **44.1 percent of budget**, which is normal as Membership Dues paid at the beginning of the year comprise a large portion of the overall budget.
- The **City Manager's Office** finished the first quarter **up 35.4 percent** from 2015 with **26.9 percent of budget** expended. The increase reflects the Deputy City Manager Reorganization, which occurred after the 1st quarter of 2015.
- Actual **Interfund Transfers** finished the first quarter **up 20.0 percent** from 2015 as the City is now making transfers for city hall construction debt service.
- First quarter expenditures for the **Parks & Community Services Department** were **down 5.9 percent** from 2015 due to an invoice for the Human Service Pooled Program, usually paid to Bellevue in the first quarter, which was paid early at the very end of 2015. Parks and Community Services finished the first quarter below

2016 General Fund actual expenditures (excluding "other financing uses") were 3.3 percent higher than they were in 2015.

Continued on page 5

Financial Management Report as of March 31, 2016

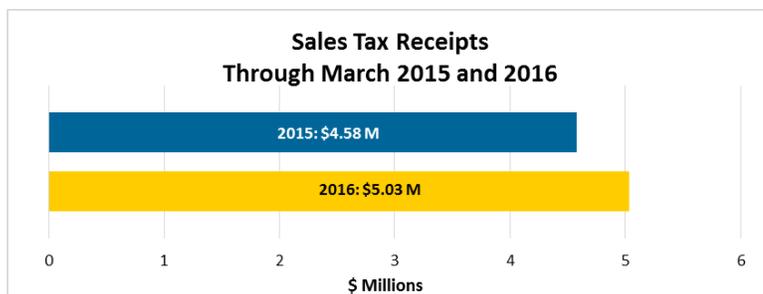
expected expenditures at **21.7 percent of budget**.

- **Public Works - General Fund** expenditures were **1.6 percent above 2015**. There was moderate growth in expenditures in Wages and Benefits that were mostly offset by decreased spending on Professional Services. Overall, Public Works - General Fund finished the quarter at **22.0 percent of budget**.
- **Planning and Building** finished the quarter **130.2 percent above 2015**, with **30.9 percent of the budget** expended. The difference stems from the merger of the Planning Department with the Building Division, which took place in June of 2015. The percent of budget expended is much higher in 2016 as changes in budgeted expenditures took place before changes to the actual expenditures, which artificially deflates expenditures as a percentage of budget in 2015. Future tables will account for this reorganization.
- **Police** expenditures ended the quarter **0.8 percent above 2015**, at **24.5 percent of budget**. This is consistent with performance in 2015.
- Expenditures for the **Fire Department** finished the first quarter **13.6 percent below 2015**. The Building division is no longer merged with Fire, which accounts for the drop in expenditures. Fire finished the quarter at **26.4 percent of budget**. Expenses are slightly above budget, but within expected ranges. A greater proportion of fire overtime expenses come early in the year, as overtime expenditures to maintain minimum staffing over the winter holidays inflates these costs in January.

Summary of Fire District 41 Funds	
Revenues & Expenditures	
Beginning Balance	5,230,000
Investment Interest	90,970
Expenditures:	114,893
Current Balance	\$ 5,206,077

Sales Tax Revenue Analysis

First quarter sales tax revenue was **9.9 percent** higher in 2016 than 2015. Increased activity in contracting, other retail, and miscellaneous composed the bulk of the revenue gains. Sales tax revenue received through March is from sales activity between November 2015 and January 2016.



Review by business sectors:

- **Contracting ended up 18.7 percent** through March compared to 2015. Construction is strong to start the year, though this is a volatile sector, and revenues may not remain this high through the year.
- Sales tax from the retail sectors was collectively **up 6.1 percent** compared to 2015.
- **Auto/gas retail** sector was **up 5.8 percent** compared to 2015.
- **General merchandise/miscellaneous retail** sector was **down 2.9 percent** in 2016 compared to 2015 due to reduced revenue from major retailers.
- **Retail eating/drinking** sector performance was **up 1.3 percent** compared to 2015.
- **Other retail** was **up 17.7 percent** compared to 2015 due to significant growth in Electronics and Non-store retailers. All categories with the exception of Sporting Goods grew from 2015.
- The **services** sector was **up 7.1 percent** compared to 2015. This growth came in spite of significant losses from the Other Info category, which fell 80 percent on the year due to abnormally high revenues in 2015. Other Services and Administrative Support each grew more than 20 percent, which more than made up for the decrease in other services.
- **Wholesale** revenues were **up 25.3 percent** in 2016. This sector is broken into durable and non-durable goods, both of which grew substantially.
- The **Miscellaneous** sector was **up 32.6 percent** in 2016, largely due to real estate revenue, which is up 70 percent on the year.
- **Communications** fell 8.9 percent on the year. Although the year over year comparison indicates falling revenues, in dollar terms, Communications revenue has been stagnant for several months, hovering around \$40,000 monthly.

Regional Sales Tax
Bellevue was up 8.3 percent, Redmond was up 61.3 percent through March 2016 compared to March 2015.

King County
King County's sales tax receipts were up 10.0 percent through the end of the quarter compared to 2015.

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total		Percent of \$ Change
	2015	2016			2015	2016	
Services	603,927	646,574	42,647	7.1%	13.2%	12.8%	9.4%
Contracting	645,482	766,332	120,850	18.7%	14.1%	15.2%	26.7%
Communications	126,960	115,714	(11,246)	-8.9%	2.8%	2.3%	-2.5%
Auto/Gas Retail	1,156,481	1,223,691	67,210	5.8%	25.2%	24.3%	14.8%
Gen Merch/Misc Retail	593,799	576,485	(17,314)	-2.9%	13.0%	11.4%	-3.8%
Retail Eating/Drinking	366,141	371,382	5,241	1.4%	8.0%	7.4%	1.2%
Other Retail	631,666	743,496	111,830	17.7%	13.8%	14.8%	24.7%
Wholesale	205,518	257,507	51,989	25.3%	4.5%	5.1%	11.5%
Miscellaneous	251,795	333,993	82,198	32.6%	5.5%	6.6%	18.1%
Total	4,581,769	5,035,174	453,405	9.9%	100.0%	100.0%	100.0%

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 2015 and 2016 sales tax receipts in the table to the left.

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2015	2016		
January	1,406,662	1,580,669	174,007	12.4%
February	1,783,689	1,958,877	175,188	9.8%
March	1,391,418	1,495,628	104,210	7.5%
Total	4,581,769	5,035,174	453,405	9.9%

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 first quarter of 2016 were 9.9 percent higher than the first quarter of 2015.
- Growth has been strong to start 2016. January and February were up 12.4 and 9.8 percent, while March came in at 7.5 percent. Though growth slowed as the first quarter progressed, the outlook is still positive going forward.
- Aside from Communications and General Merchandise/Miscellaneous Retail, every sector grew in the first quarter. Contracting performed particularly well, followed by Other Retail and Miscellaneous. These growth sectors, particularly Contracting, tend to be volatile and will fluctuate with changing economic conditions.
- Communications and General Merchandise are down 8.9 and 2.9 percent respectively after the first quarter. Communications revenue has remained flat for the past several months. General Merchandise decreased slightly from last year, though it is generally less volatile than other categories.

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 28.7 percent of the total sales tax receipts in the first quarter, was **up 4.8 percent** from 2015 due to the continued sales growth in the automotive/gas retail sector and repairs & maintenance with mostly positive results in other sectors. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which made up 13.4 percent of the total sales tax receipts in 2016, was **up 5.0 percent** compared to 2015. This area's sales grew due to improving auto retail and retail eating/drinking sales. General retail, which is the second largest sector, fell 0.9 percent on the year. Auto and general retail contribute 82.5 percent of this business district's revenue.

Downtown, which accounted for 5.0 percent of first quarter sales tax receipts, was **down 18.5 percent**. This is due to abnormally high revenues from the information category in 2015. If it wasn't for that anomaly, downtown revenues would

have fallen just 2.5 percent.

Carillon Point & Yarrow Bay, which account for 1.6 percent of the total sales tax receipts, were **up 4.4 percent** compared to 2015. About 61.8 percent of this business district's revenue came from retail eating/drinking and accommodations.

Houghton & Bridle Trails, which has produced 2.2 percent of the total sales tax receipts in 2016, were **up 2.4 percent** due to an increase in retail food stores and other retail, which offset a decrease in several other categories.

Juanita, which generated 1.4 percent of the total 2016 sales tax receipts, was **down 0.2 percent** compared to 2015. Revenues were up for retail eating/drinking, but down for several other sectors.

North Juanita, Kingsgate, & Finn Hill accounted for 2.6 percent of the total sales tax receipts in 2016 and were **down 0.5 percent** from 2015, with growth in North Juanita being offset by a decline in Finn Hill and Kingsgate. The former grew 1.9 percent, while the latter two fell a combined 2.6 percent. Finn Hill revenues were particularly poor, falling 5.7 percent spread across a few sectors.

Year-to-date tax receipts by business district for 2015 and 2016 are compared in the table on the next page.

Financial Management Report as of March 31, 2016

When reviewing sales tax receipts by business district, it's important to be aware that 49.1 percent of the revenues received in the first quarter of 2016 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	YTD		Dollar Change	Percent Change	Percent of Total	
	2015	2016			2013	2014
Totem Lake	1,381,098	1,447,433	66,335	4.8%	30.1%	28.7%
NE 85th St	642,615	674,654	32,039	5.0%	14.0%	13.4%
Downtown	306,096	249,535	(56,561)	-18.5%	6.7%	5.0%
Carillon Pt/Yarrow Bay	76,785	80,154	3,369	4.4%	1.7%	1.6%
Houghton & Bridle Trails	108,546	111,146	2,600	2.4%	2.4%	2.2%
Juanita	68,248	68,099	(149)	-0.2%	1.5%	1.4%
Kingsgate	40,977	41,088	111	0.3%	0.9%	0.8%
North Juanita	62,523	63,695	1,172	1.9%	1.4%	1.3%
Finn Hill	27,220	25,671	(1,549)	-5.7%	0.6%	0.5%
Unassigned or No District:						
Contracting	639,240	759,559	120,319	18.8%	14.0%	15.1%
Other	1,228,421	1,514,140	285,719	23.3%	26.8%	30.1%
Total	4,581,769	5,035,174	453,405	9.9%	100.0%	100.0%

Sales Tax Revenue Outlook After a slow start to 2015, revenues picked up in the third quarter and that growth has continued into the first quarter of 2016. Growth slowed in March, but remains above average for the quarter as a whole. It is expected that growth patterns are due to weaker receipts in the first quarter of 2015, and that the slowing in the month over month comparisons represents a reversion to a moderate growth trend. Staff will continue to monitor trends.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the first quarter of 2016 was 1.5 percent, significantly lower than the Puget Sound total vacancy rate of 12.0 percent, and an improvement from 2015's vacancy rate of 2.2 percent. Overall the Eastside is one of the stronger office markets in the Puget Sound region, with an office vacancy rate of 11.0 percent, just above downtown Seattle's vacancy rate of 10.3 percent.

The region currently has 6.4 million square feet of office space under construction, over 3.5 times more than this time last year. This includes projects on the Eastside, with over 1 million square feet planned in Bellevue.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2015, finishing the quarter up 3.0 percent, an increase of \$1,601. This meant revenues finished the first quarter at 20.7 percent of budget.

Economic Environment Update The Washington State economy continued to expand, adding 23,900 nonfarm jobs in the first quarter of 2016, according to the February 2016 update from the Washington State Economic and Revenue Forecast Council. Migration into Washington remains strong, and is projected to outperform 2015's high level of migration.

The Conference Board's **Consumer Confidence Index** decreased from 98.1 in January to 92.2 in February but rebounded slightly to 96.4 in March. A rating of 100 equals the 1985 consumer confidence level. Consumer confidence is expected to remain flat in upcoming months as consumers observe the soft labor market with caution. The Confidence Board found that there were mixed perceptions of the labor market, but consumers viewed the short-term more favorably as turmoil in the financial market calmed.

The Bureau of Labor Statistics **unemployment data** from March show the seasonally adjusted national rate remained steady at 4.9 percent. Washington State unemployment ended the quarter at 6.3 percent, decreasing from 6.5 percent in February 2016. Local unemployment rates declined for King County, moving from 4.9 percent in February 2016 to 4.1 percent in March 2016. Kirkland's unemployment rate increased slightly from 4.1 percent in January 2016 to 4.2 percent in February 2016. March numbers are not yet available as 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 March 2016. The index was at 54.5 in March, which is positive; an index reading greater than 50 signals an expanding economy. While the index shows growth, it is worth noting that the March index was 3.5 points lower than forecasted.

(Continued on page 8)

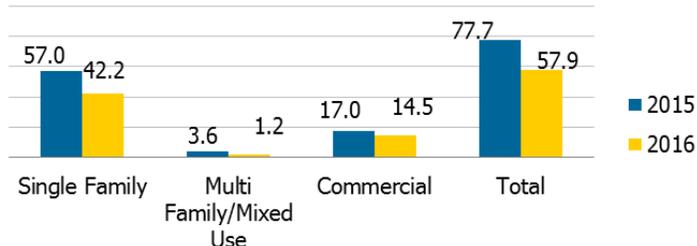
Economic Environment Update *continued*

Local **building permitting activity** has dropped 25.5 percent compared to March 2015. The impact was across the board, with single family, mixed use, and commercial all falling substantially. There was a particularly large drop in Single Family valuations, which goes against the recent trend of strong growth in single family valuations over 2015. A drop in Commercial valuations is unsurprising, as Google Phase II took place in the first quarter of 2015, and permitting activity for Kirkland Urban and Totem Lake will not start up for several months yet. However, once those two projects begin, permit activity will increase substantially.

The **housing market** continued to increase in the first quarter of 2016 with the Case-Shiller housing index for the Seattle metro area up to 188.94. The pre-recession peak index score was 192.3 in July 2007. There were 113,000 new housing permits issued in the first quarter of 2016 according to the Washington State Economic and Revenue Council.

Inflation in the Seattle area is high relative to the national rate. In February 2016, the Seattle core CPI increased 2.4 percent compared to the previous February, while the national CPI was at 0.7 percent year-to-year growth.

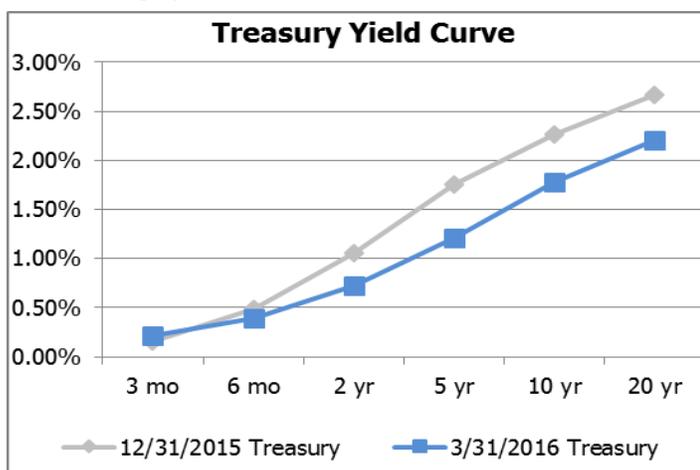
**Valuation of Building Permits
First Quarter Total 2015 and 2016
(in millions \$)**



Investment Report

MARKET OVERVIEW

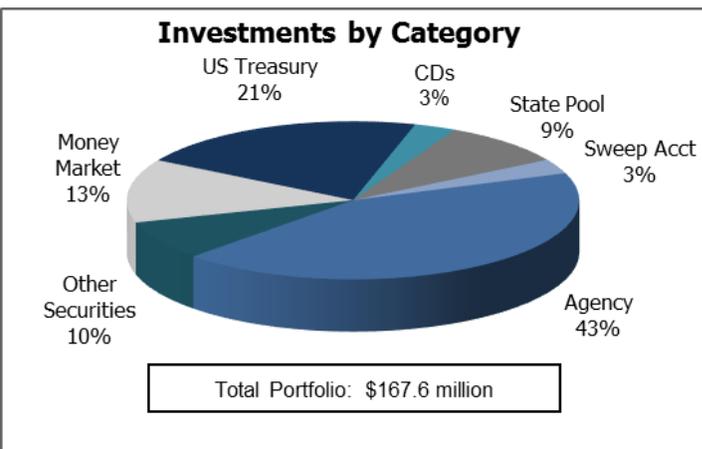
The mild economic growth continued into the 1st quarter of 2016. The Fed Funds rate increased in December 2015 to the range 0.25 to 0.50 percent and was initially thought to increase up to three more times in 2016. It is now expected that there will be only one increase in late 2016. The yield curve rose at the end of 2015 due to the increase in the Fed Funds rate and then fell in the longer end of the curve by the end of the first quarter 2016 as seen in the graph below.



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.

The City’s portfolio decreased \$6.6 million in the 1st quarter of 2016, moving from \$174.2 million on December 31, 2015 to \$167.6 million on March 31, 2016. The decrease in the portfolio is related, in part, to the normal cash flows of the 1st quarter, as the first half of property taxes is not received until the end of April and early May. The change in financial institutions is another factor for the reduction of the portfolio as more cash is being held in the banks during the transition between the old and new banks.



Diversification

The City’s current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Government Obligations, State and Local Government bonds, Bank CDs, Money Market Account and the State Investment Pool. 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 March 31, 2016

2016 ECONOMIC

OUTLOOK and

INVESTMENT STRATEGY

The outlook for growth in the U.S. economy looks weaker now than it did three months ago, according to 40 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.1 percent in 2016 and 2.4 percent in 2017. CPI inflation is expected to average 1.5 percent in 2016 and 2.2 percent in 2017. The unemployment rate is expected to average 4.8 percent in 2016 and fall to 4.6 percent in 2017. The Fed Funds rate, currently at 0.50%, is expected to rise one time in late 2016 to 0.75%.

The City's investment advisor, Government Portfolio Advisors (GPA) is currently recommending that the duration of the portfolio be increased slightly in relation to the benchmark. They believe that the Fed may be slow to raise Fed Funds and will recommend security purchases when opportunities to capture higher returns are available.

The State Pool is currently at 0.43% and will continue to remain low as the Fed Funds rate remains at 0.25 to 0.50 percent. Total estimated investment income for 2016 is \$942,000.

Investment Report *continued*

Liquidity

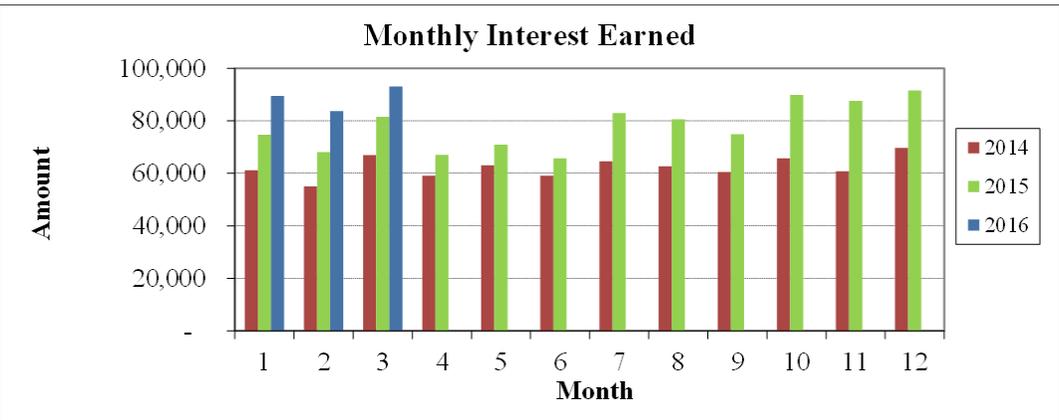
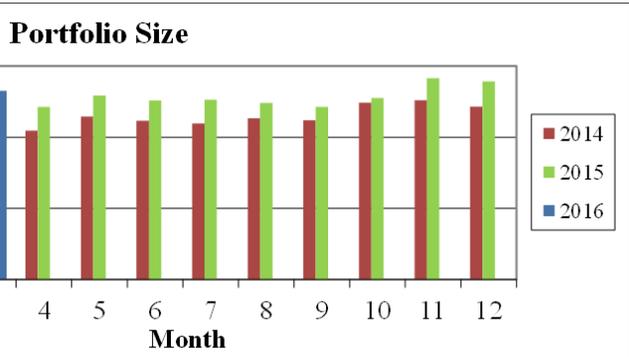
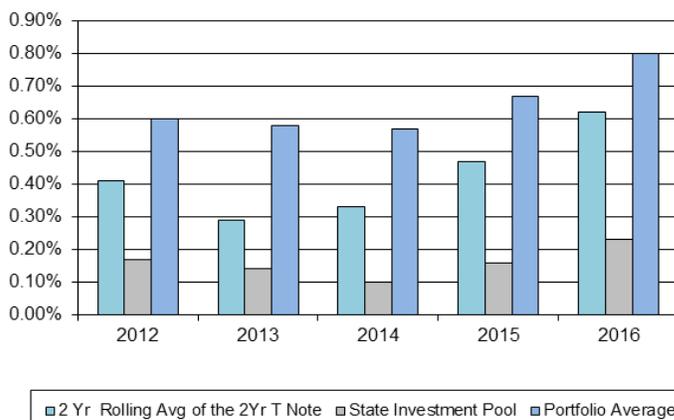
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio increased from 1.15 years on December 31, 2015 to 1.42 years on March 31, 2016 as securities with longer duration were purchased to realize greater yields.

Yield

The City Portfolio yield to maturity increased from 0.69 percent on December 31, 2015 to 0.85 percent on March 31, 2016. Through March 31, 2016, the City's annual average yield to maturity also increased to 0.80 percent. 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 0.63 percent on March 31, 2016.

The City's implementation of a more active investment strategy due to contracting with an investment advisor has resulted in increasing portfolio yields. The City's portfolio's rate of return is rising with the rise in interest rates and is keeping ahead of the benchmark rates as seen in the adjacent graph.

Investment Interest Rate Comparisons



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. Ending balances in the table below are based on budget. Actual balances in some reserves may vary based on revenue performance (e.g., Excise Tax and Impact Fees).

Reserve Analysis

- Positive General Fund performance in 2013-2014, along with planned contributions to reserves in 2015-2016 has allowed the City to plan to replenish many of the general purpose reserves to target levels by the end of 2016 as indicated in the table below. The City's fiscal policy is to set at least 1 percent of the General Fund adopted budget toward reserve replenishment toward 80 percent of the target level (100 percent for the Revenue Stabilization Reserve). Unplanned amounts available at the end of a biennium should help replenish to target faster, which is what happened at the end of 2014. Adequate fund balance and reserve levels are a necessary component of financial management strategy and a key factor in the external agencies' measurement of the City's financial strength (Standard and Poor's: AAA and Moody's Aa2).

General Capital Reserves

- Real estate activity has been growing significantly over the last few years and 2015 reached an all time high in **Real Estate Excise Tax (REET)** collections. However, **2016 is already 72.7 percent ahead of first quarter 2015**. The current ending balances do not reflect this revenue performance, however they do incorporate 2015-2016 uses in the 2015-2020 Capital Improvement Plan as adopted in December 2015.
- Impact fees (Parks and Transportation)** are a reflection of development activity, which remains strong. However, 2016 revenues are significantly behind 2015 (Parks **down 74 percent** and Transportation **down 71 percent**) due to revenue received from a single large development in the first quarter of 2015. Normalizing for this event, revenue is only slightly down from last year. There are large developments underway which are expected to generate significant fees in 2016 that likely will bring these revenues in line with last year. The balances below were adjusted during the 2015-2020 CIP adoption in December to fund capital projects that are budgeted during this biennium.
- The City adopted a new Capital Improvement Program (CIP) for 2015-2020, which made significant uses of REET and Impact Fees in the current budget period, as well as future years in response to projects identified in several long-range master plans that were adopted in 2015.

General Government & Utility Reserves Targets Summary

Reserves	Actual 2015 Beginning Balance	Adopted 2016 Ending Balance	Revised 2016 Ending Balance	2015-16 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	-
General Oper. Reserve (Rainy Day)	2,806,513	4,803,388	4,803,388	4,803,388	-
Revenue Stabilization Reserve	2,570,090	2,848,220	2,848,220	2,848,220	-
Building & Property Reserve	571,579	600,000	600,000	600,000	-
Council Special Projects Reserve	250,000	250,000	164,000	250,000	(86,000)
Contingency	2,426,425	4,036,425	4,036,425	5,512,218	(1,475,793)
General Capital Contingency	3,768,012	4,961,855	4,961,855	5,701,001	(739,146)
General Purpose Reserves with Targets	12,442,619	17,549,888	17,463,888	19,764,827	(2,300,939)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	150,000	150,000	150,000	150,000	-
Firefighter's Pension Reserve	1,493,687	1,225,835	1,225,835	933,405	292,430
Health Benefits Fund:					
Claims Reserve	2,058,311	2,058,311	2,058,311	2,058,311	-
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	1,000,000	-
Excise Tax Capital Improvement:					
REET 1	5,843,876	8,697,813	5,213,854	1,732,329	3,481,525
REET 2	4,888,788	7,146,044	6,000,344	2,436,255	3,924,089
Water/Sewer Operating Reserve:	2,414,471	2,659,932	2,659,932	2,659,932	-
Water/Sewer Capital Contingency:	1,107,600	613,300	613,300	613,300	-
Surface Water Operating Reserve:	706,364	893,306	893,306	893,306	-
Surface Water Capital Contingency:	845,163	391,380	391,380	391,380	-
Other Reserves with Targets	20,508,260	24,835,921	20,206,262	12,868,218	7,698,044
Reserves without Targets	44,926,198	58,197,292	48,329,747	n/a	n/a
Total Reserves	77,877,077	100,583,101	85,999,897	n/a	n/a

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).

The summary to the right details all Council authorized uses and additions in the 2015-16 biennium.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2015-16 Council Authorized Uses		
Prior 2015 Uses	\$14,019,287	
Lodging Tax Reserve	\$100,000	Kirkland Performance Center Technical Equipment
Real Estate Excise Tax 2 (REET 2)	\$360,000	Kirkland Intelligent Transportation System Phase 2
Street Improvement Reserve	\$95,958	Street Pavement Milling Machine
Water/Sewer Construction Reserve	\$104,036	3rd Street Watermain Upgrade
2015-16 Council Authorized Additions		
Prior 2015 Additions	\$96,077	

Financial Management Report as of March 31, 2016

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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. 2015 Beginning Balance	Adopted 2016 Ending Balance*	Additional Authorized Uses/Additions	Revised 2016 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000		50,000
General Oper. (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	4,803,388		4,803,388
Revenue Stabilization	Temporary revenue shortfalls	2,570,090	2,848,220		2,848,220
Building & Property	Property-related transactions	571,579	600,000		600,000
Council Special Projects	One-time special projects	250,000	250,000	(86,000)	164,000
Contingency	Unforeseen expenditures	2,426,425	4,036,425		4,036,425
Total General Fund/Contingency		8,674,607	12,588,033	(86,000)	12,502,033
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation	Outside counsel costs contingency	150,000	150,000		150,000
Labor Relations	Labor negotiation costs contingency	74,928	55,312		55,312
Police Equipment	Equipment funded from seized property	50,284	75,969		75,969
Fire OT & Equipment	Contingency for overtime and equipment	200,000	200,000		200,000
LEOFF 1 Police	Police long-term care benefits	618,079	618,079		618,079
Facilities Expansion	Special facilities expansions	150,982	50,663		50,663
Development Services	Revenue and staffing stabilization	2,572,520	2,612,670		2,612,670
Development Svcs. Technology	Permit system replacement	1,040,324	1,356,175		1,356,175
Tour Dock	Dock repairs	206,271	273,095		273,095
Tree Ordinance	Replacement trees program	56,267	65,488		65,488
Revolving/Donation Accounts	Fees/Donations for specific purposes	940,331	943,300	(25,000)	918,300
Lodging Tax Fund	Tourism program and facilities	310,420	190,548	(119,549)	70,999
Cemetery Improvement	Cemetery improvements/debt service	736,215	767,040	2,568	769,608
Off-Street Parking	Downtown parking improvements	259,161	391,613	(285,500)	106,113
Fire Equipment Life Cycle	20-year fire equipment costs	418,326	896,704		896,704
Police Equipment Life Cycle	20-year police equipment costs	343,114	806,243		806,243
Technology Equipment Life Cycle	20-year technology equipment costs	663,600	1,265,117		1,265,117
Firefighter's Pension	Long-term care/pension benefits	1,493,687	1,225,835		1,225,835
Total Special Purpose Reserves		10,284,509	11,943,851	(427,481)	11,516,370
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	5,843,876	8,697,813	(3,483,959)	5,213,854
REET 2	Transportation and other capital projects	4,888,788	7,146,044	(1,145,700)	6,000,344
Impact Fees					
Transportation	Transportation capacity projects	3,663,839	4,227,671	(2,300,900)	1,926,771
Parks	Parks capacity projects	1,727,746	2,007,936	(484,599)	1,523,337
Street Improvement	Street improvements	995,958	995,958	(995,958)	0
General Capital Contingency	Changes to General capital projects	3,768,012	4,961,855		4,961,855
Total General Capital Reserves		20,888,219	28,037,277	(8,411,116)	19,626,161
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating	Operating contingency	2,414,471	2,659,932		2,659,932
Water/Sewer Debt Service	Debt service	498,591	495,390	(460,000)	35,390
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	613,300		613,300
Water/Sewer Construction	Replacement/re-prioritized/new projects	10,051,937	17,664,869	(4,127,036)	13,537,833
Surface Water Utility:					
Surface Water Operating	Operating contingency	706,364	893,306		893,306
Surface Water Capital Contingency	Changes to Surface Water capital projects	845,163	391,380		391,380
Surface Water Construction	Trans. related surface water projects	5,656,579	7,597,175	(759,300)	6,837,875
Total Utility Reserves		21,280,705	30,315,352	(5,346,336)	24,969,016
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims	Health benefits self insurance claims	2,058,311	2,058,311		2,058,311
Rate Stabilization	Rate stabilization	1,000,000	1,000,000		1,000,000
Equipment Rental:					
Vehicle	Vehicle replacements	10,068,738	8,583,511	22,829	8,606,340
Radio	Radio replacements	59,463	74,764		74,764
Information Technology:					
PC Replacement	PC equipment replacements	459,063	518,292		518,292
Major Systems Replacement	Major technology systems replacement	656,200	1,165,089	135,200	1,300,289
Facilities Maintenance:					
Operating	Unforeseen operating costs	550,000	550,000		550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,897,262	3,748,621	(470,300)	3,278,321
Total Internal Service Fund Reserves		16,749,037	17,698,588	(312,271)	17,386,317
Grand Total		77,877,077	100,583,101	(14,583,204)	85,999,897

*Adjusted for actual cash balances in April



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, Director of Finance & Administration
 - Tom Mikesell, Financial Planning Manager
 - Neil Kruse, Senior Financial Analyst
 - George Dugdale, Senior Financial Analyst
 - Kyle Butler, Budget Analyst
 - Elijah Panci, Budget Analyst



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Economic Environment Update References:

- The Conference Board Consumer Confidence Index Press Release April 26, 2016
- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, March, 2016
- Quarterly Economic & Revenue Forecast, February 2016—Washington State Economic & Revenue Forecast Council
- Monthly Economic and Revenue Publication, March 2016—Washington State Economic & Revenue Forecast Council
- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2015
- 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

April 2016 Financial Dashboard Highlights

May 16, 2016

- The dashboard report reflects the 2016 share of the biennial budget adopted by the City Council on December 9, 2014 and adjusted on December 8, 2015. The actual revenues and expenditures summarized reflect results through April 30, 2016, 33.3 percent through the year.
- Total General Fund revenues received through April were at 34.0 percent of budget. Collections are slightly higher than expected due largely to strong sales tax and plan check fee revenue.
 - Sales tax revenues at the end of April were up 9.6 percent compared to April 2015 and were 36.6 percent of budget. All sectors, with the exception of communications, are up compared to 2015; high levels of contracting sales tax revenues account for over 20 percent of the year to date growth. The sales tax revenue reflects activity from February 2015 due to the two month lag in receipt of the funds from the Department of Revenue.
 - Utility tax receipts were \$5,210,019 in April, which is 34.3 percent of the budget. This is 1.0 percent higher than April 2015.
 - April business license revenues are 45.9 percent of budget; this is higher than last April's revenue by \$219,207, an increase of 19.0 percent. The above-budget performance this year is partly the result of city efforts to identify businesses operating without licenses. Many of these businesses owe the City up to three years of business license fees. The improvement in compliance with licensing means revenues should be higher on average going forward this year, but the collection of past due fees represents one-time revenues.
 - Development fees through the end of April were at 39.7 percent of budget. This is due to a high level of development activity to start the year, as Kirkland Urban and Totem Lake development begin to generate planning fee revenue. This is 8.8 percent higher than 2015, which was also a solid year.
 - Gas taxes finished April at \$559,602, which is 33.2 percent of the annual budget. This is higher than April 2015 by 6.0 percent, continues this year's strong performance over the past few years.
- Total General Fund expenditures were 32.8 percent of budget at the end of April.
 - General fund salaries and benefits were \$18.75 million, which is 31.5 percent of the annual budget, with one third of the year completed. Salaries and benefits are 1.5 percent higher than in 2015, due to one time and ongoing positions added as part of the 2015-16 budget to increase service levels and meet the needs of the citizens.
 - Fire suppression overtime expenditures were \$395,633 at the end of April, which is 47.3 percent of budget, and \$21,704 higher than in 2015. April's overtime was particularly high due to the minimum staffing requirement to fill an above average amount absences for the month.
 - Contract jail costs were 22.1 percent of budget at the end of April. This budget is for costs of housing inmates that cannot be kept at the Kirkland Justice Center jail for medical reasons. They are incurred only as necessary on an individual basis. Spending for these services was under budget last year, and is on pace to be so again this year.
 - Fuel costs ended April at \$91,406 or 12.4 percent of budget. Low fuel prices are driving decreased expenditures, though timing of fuel orders can also skew this number downwards. Delivery schedules are beginning to normalize, but low prices continue to keep expenditures under budget.

Attachments: April Dashboard

City of Kirkland Budget Dashboard

Date Completed

5/13/2016

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

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

Key Indicators (All Funds)

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

Status Key

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



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



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

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

Date: May 13, 2016

Subject: April Sales Tax Revenue

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

Comparing April 2016 to April 2015

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

2016 Sales Tax Receipts by Business Sector-Monthly Actuals

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

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

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

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

Year-to-Date Business Sector Review

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

City of Kirkland Actual Sales Tax Receipts

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

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

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

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

Neighboring City Performance

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

National and Regional Economic Context:

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

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

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

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

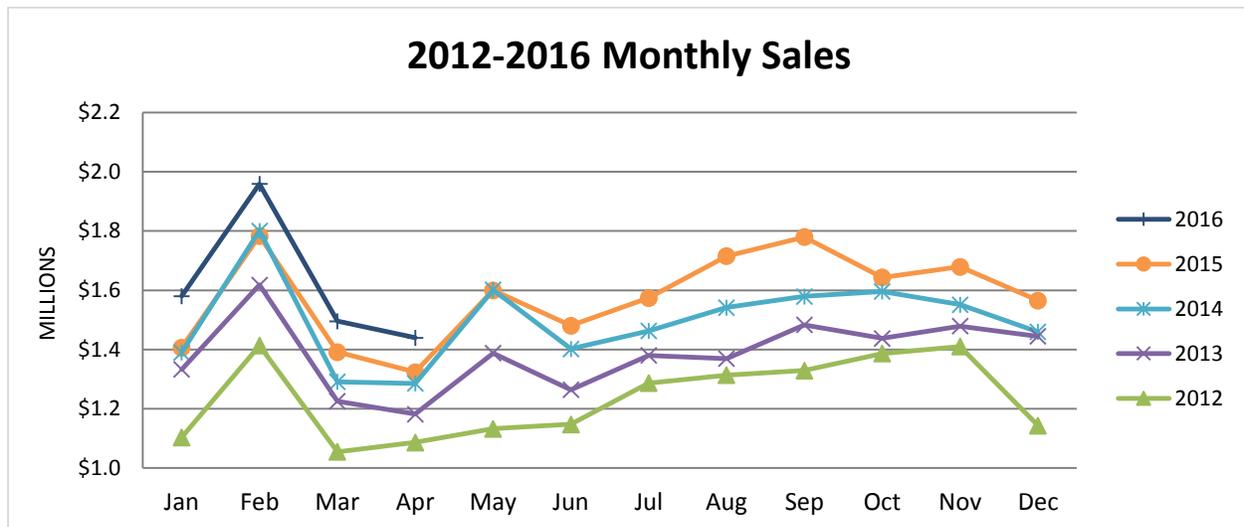
Statewide housing market and car sales data indicate continued strength. Statewide housing market values continue to rise as shown by the **Seattle Area Home Price Index**, which grew from 187 in January to 188.9 in February. This figure continues to get closer to the pre-recession high point of 192.3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

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

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

Conclusion

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



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



CITY OF KIRKLAND
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MEMORANDUM

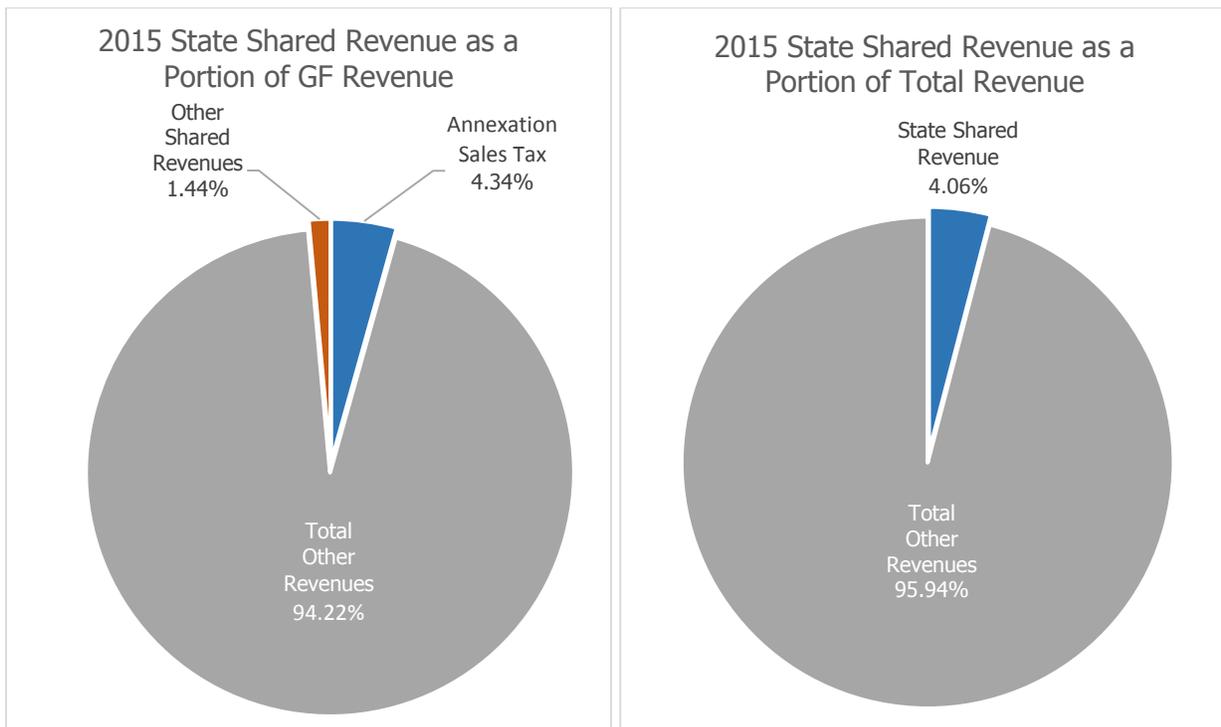
To: Kurt Triplett, City Manager

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

Date: May 8, 2016

Subject: State Shared Revenue History

At its April 1st meeting, the Council’s Legislative Workgroup requested a review of state shared revenue received by the City of Kirkland. In 2015, the state distributed a total of \$6.9 million to the City of Kirkland through 11 different programs. This represented approximately 4.06 percent of total City revenues for the year. Most of the shared revenue are deposited in the City’s General Fund. As shown in the chart below, state shared revenue represented 7.7 percent of total General Fund revenue in 2015. Of this amount, more than half is from the Annexation Sales Tax Credit program. The following section includes overviews of the individual revenue sharing programs, and a brief history of legislative changes to the distributions, where applicable.



Annexation Sales Tax Credit: \$3.9 million in 2015

The State allows cities to impose an additional sales tax on a temporary basis to help absorb the costs of local annexations. The allowable rate for this sales tax is 0.1 percent for annexations of areas with a population of 10,000-19,999, and 0.2 percent for annexation of areas with a population of 20,000 or greater. The additional tax may be imposed for a maximum of ten years. To ensure there is no additional impact to local taxpayers, the amount of revenue generated from the tax acts as a credit against the state sales taxes for the area. The tax credit is available only to areas where the cost to provide municipal services to the annexation area is greater than the additional revenue the city receives from the annexation area. Furthermore, the amount of the credit cannot exceed the difference between revenues and expenditures in the annexed area. In 2015, the state distributed \$16.3 million to 7 cities through this program.

Kirkland, having annexed the neighborhoods of Finn Hill, North Juanita, and Kingsgate in June 2011, has received this credit since July 2011 and currently expects to receive this tax credit until June 2021. Kirkland received \$3.9 million in 2015, 4.34 percent of General Fund Revenues.

Criminal Justice Assistance Program: \$103,000 in 2015

This is a state distribution from the State's General Fund, through the Municipal Criminal Justice Assistance Account. The state began this revenue sharing program in 2000, initially distributing \$4.6 million and increasing it by the state's Fiscal Growth Factor (average growth in state personal income for the ten previous fiscal years) each year thereafter. Based on the growth since the program's inception, the state distribution in 2016 is scheduled to be \$8.5 million. The money is distributed as follows:

- Violent Crime Distribution – 20 percent to cities with a three-year average violent crime rate in excess of 150 percent of the statewide three-year average. Kirkland does not qualify for this distribution.
- Contracted Programs Distribution – 10 percent to cities that contract the majority of law enforcement services to outside agencies. Kirkland does not qualify for this distribution.
- Population Distribution – 16 percent to cities according to population as determined by the latest Office of Financial Management (OFM) population estimate. No city may receive less than \$1,000.
- Special Programs Distribution – 54 percent is distributed to cities on a per capita basis to be used specifically for:
 - o innovative programs;
 - o programs to help at-risk children or child abuse victim response programs; and,
 - o programs designed to reduce the level of domestic violence or to provide counseling for domestic violence victims.

The only legislative change to state contributions occurred during the State's 2011-2013 biennium, in which distributions were temporarily reduced by 3.4 percent.

In 2015, Kirkland received \$22,000 under the Population Distribution and \$81,000 under the Special Programs Distribution. The amount for the Special Programs Distribution funds a

Family/Youth Advocate. This revenue grows consistently each year, largely due to increases in the Fiscal Growth Factor.

Court Salary Contributions: \$22,000 in 2015

In 2005, the state increased existing court fees, added several new fees, and directed the increased revenue to the state General Fund. Of this increased revenue, fifty percent is appropriated to the State Court Administrator to be distributed to local jurisdictions to pay a portion of district court judges' and eligible elected municipal court judges' salaries. It is distributed on the basis of eligible judge FTEs in each court as a proportion of eligible judge FTEs statewide.

Kirkland's distribution was \$22,000 in 2015. This distribution has not been altered legislatively since its original adoption; fluctuations in 2009 and 2010 occurred due to a change in payment frequency by the state, from an annual to quarterly distribution. Fluctuations can occur year-to-year as the pool of eligible judges statewide is not constant.

Fire Insurance Premium Tax: \$92,000 in 2015

Washington levies a 2 percent tax on most insurance premiums. Of the revenue it collects from fire insurance premiums, it distributes 25 percent to cities, towns, and fire protection districts to be used for firefighter pension funds. The state distributes this money according to the number of paid firefighters in each city, town, or fire protection district as a percentage of paid firefighters in the state. In the state's 2015 fiscal year, the total amount shared with cities/districts was \$4.4 million, of which Kirkland received \$92,000.

According to Milliman, the contracted actuary that conducted the most recent assessment of Kirkland's Firefighter's Pension Fund, the fund is actuarially fully funded to meet its obligations. As such, Milliman has advised that the City can use a portion of the monies in the Firefighter's Pension Fund to pay a portion of ongoing retired Firefighter health care costs. Therefore, the monies received from the state are also used to help offset a portion of this cost, which totaled \$643,170 in 2015.

The State Legislature's recently adopted Supplemental Operating Budget, changed the allocation methodology for this shared revenue, which would have eliminated Kirkland's distribution. This provision was ultimately vetoed by the Governor.

Impaired Driving – DUI: \$12,500 in 2015

In 1998, the State created an Impaired Driving Safety Account, into which it deposits 63 percent of fees charged to reissue licenses that were suspended as the result of operating motor vehicles under the influence of alcohol or other drugs. Expenditures from this account are used for projects to reduce impaired driving and to "provide funding to local governments for costs associated with enforcing laws relating to driving and boating while under the influence of intoxicating liquor or any drug."

Of the 63 percent of fee revenues deposited into the Impaired Driving Safety Account, 60 percent is distributed to counties and 40 percent is distributed to cities according to population. In 2015, Kirkland received \$12,500.

Liquor Excise Tax: \$255,000 in 2015

The state levies a separate Liquor Excise Tax, in the form of a sales tax, on both the retail sale of liquor (20.5 percent) and the sale of liquor at bars and restaurants (13.7 percent). The state deposits 35 percent of the revenues from these taxes, into the Liquor Excise Tax Fund to make the following distributions:

- \$10 million annually to the state General Fund; and of the remainder:
 - o 20 percent to counties; and,
 - o 80 percent to cities distributed according to population.

The state has legislated changes to distribution in the past, most notably in 2012 and 2013, in which quarterly distributions to cities and counties were not made in October 2012 or January, April, and July of 2013. Additionally, during the 2013-2015 biennium, just 22.5 percent of liquor sales tax revenues were diverted to the Liquor Excise Tax Fund as opposed to 35 percent. The State's 2015-2017 Biennial Budget returned the distribution to 35 percent. According to the MRSC's 2016 Budget Suggestions document, as a result of this change, the total distribution to cities will increase from \$15.5 million in the 2015 state fiscal year to \$25.3 million in the 2016 state fiscal year.

Kirkland's Liquor Excise Tax Revenue decreased significantly after 2012 from \$298,000 to \$55,000 in 2013, as a result of the cuts mentioned above. Revenues have since increased to \$154,000 in 2014 and \$225,000 in 2015, due to the partial impact of the return to the 35 percent distribution (the first half of the states 2016 fiscal year coincides with the end of Kirkland's 2015 fiscal year). As 2016 is the first full fiscal year in which the various state cuts to Liquor Excise distribution are no longer in effect, revenues should rebound to near 2012 levels. During the mid-biennial budget deliberations, the Council dedicated this additional revenue in 2016 (\$243,000) to fund a portion of the annual contributions to the Public Safety Sinking Fund.

Liquor Profits: \$724,000 in 2015

The privatization of liquor stores in Washington led to several changes to the tax code. The state now collects license fees from both retailers and distributors. Retailers pay 17 percent on total liquor revenues and an annual renewal fee of \$160, while distributors pay 10 percent on total liquor revenues and an annual renewal fee of \$1,320 for each licensed location. The state changed the distribution of these revenues, mandating that each category of recipients from the Liquor Revolving Fund (border areas, counties, cities/towns, and the MRSC) shall receive no less than the amount received during comparable periods prior to privatization, but does not mandate any growth of those distributions. After distributions to the MRSC, the state now distributes \$39,438,000 to counties, cities/towns, and border areas. The state distributes an additional \$10 million from the new licensing fee revenues for the enhancement of public safety programs, bringing the total distributions for counties, cities/towns, and border areas to \$49,438,000. Border areas receive 0.3 percent of these funds, and of the remainder, cities receive 80 percent, while counties receive 20 percent. The money to both cities and counties is distributed according to population.

As the current law only creates a floor for the amount to be distributed by the state, and does not mandate any planned growth of the Liquor Profits distribution, the state has only distributed

the minimum required since 2013. Liquor Profits are likely to increase as time goes on, meaning that the state is holding onto a greater portion of Liquor Profits year after year.

In terms of Kirkland's revenues, income more than doubled from 2011 to 2012, increasing from \$391,000 to \$806,000. There are two factors contributing to this increase, one being the new tax code, the other being the annexation of Juanita, Kingsgate, and Finn Hill. Though Kirkland's population did not double with annexation, the additional \$10 million distributed by the state in conjunction with annexation meant that Kirkland's total revenues under state shared Liquor Profits more than doubled.

Marijuana Enforcement: \$9,600 in 2015

When the state legalized recreational marijuana in 2012, it initially imposed a 25 percent tax at each level from producer to retailer. Over the first two years, the state did research and decided the initial tax policy was excessively burdensome for the industry. Starting in 2015, the state changed the tax on marijuana to a 37 percent excise tax at the point of sale. The state also changed the distribution method. For the 2015-2017 biennium, the state distributes \$6 million a year to counties and cities. Counties that have not prohibited the production, processing, or sale of marijuana receive 60 percent of this appropriation. It is distributed according to the total taxable sales of marijuana products (medical marijuana is not taxed) in the prior fiscal year in each county. The remaining 40 percent is distributed to eligible cities by the same criteria. Kirkland received \$9,600 in 2015, which was the first distribution the City received.

Starting in the State's 2018 fiscal year, if marijuana excise tax collections deposited into the State's General Fund in the prior fiscal year exceeds \$25 million, then the legislature must appropriate 30 percent of all marijuana excise taxes deposited into the State General Fund from that year to be distributed to counties, cities, and towns.

Motor Vehicle Fuel Tax (MVFT): \$1.7 million in 2015

The state imposes a tax on motor vehicle fuel and special fuels that is currently 44.5 cents per gallon, and scheduled to increase by 4.9 cents per gallon beginning on July 1, 2016. Revenues from these taxes are deposited into the Motor Vehicle Fund. After paying refunds and administrative expenses, the state distributes 10.6961 percent of the remaining fund to cities and towns. From that portion, the state deducts 2.83 percent for various other transportation programs, as well as an amount necessary to pay for the state's annual cost-audit of all street records for each city and town. The state distributes the remainder on a monthly basis to cities according to population.

In 2015, the state collected \$1.23 billion in Motor Fuels taxes, of which approximately \$127.8 million was distributed to cities. In 2015, Kirkland's portion was \$1.7 million. These revenues are deposited into the Street Operating Fund. After the Annexation Sales Tax Credit, this is the second largest portion of state shared revenue Kirkland receives. The state has not changed of this distribution to cities, either temporarily or on a permanent basis.

Multimodal Transportation: \$25,000 in 2015

The state started this distribution in 2015 to share a portion of additional revenues raised as a result of the new transportation package. It allocated a total of \$11.7 million to be distributed in

the 2016 and 2017 fiscal years, and bumped that figure up to \$25.1 million in 2018 and thereafter. This amount is split evenly between counties and cities. The portion to cities is distributed according to population. Kirkland is expected to receive \$89,000 annually under the initial distribution, and \$190,000 annually after the 2018 increase. These revenues are deposited in the Street Operating Fund and are used to fund Transportation projects in the six year Capital Improvements Program.

Streamlined Sales and Use Tax Mitigation: \$91,000 in 2015

The Streamlined Sales and Use Tax Agreement changed the distribution of sales tax revenue to the locality in which sales were delivered, rather than the locality from which they were shipped. As a result, localities with large commercial shipping/distribution centers lost significant amounts of sales tax revenue. To compensate for this, the state created the Streamlined Sales and Use Tax Mitigation Account into which it annually deposits, from the General Fund, the amount required to mitigate net losses under the aforementioned agreement. From July 2008 through December 2009, the state performed a study to determine the net loss for each city. The state used the net loss figure for each city as the baseline for mitigation payments. This baseline payment is designed to decrease over time as the state reduces payments every year by an offset amount that accounts for additional revenue resulting from new retailers opting into the program. In addition, the state temporarily reduced distributions by 3.4 percent in the 2011-2013 biennium.

Kirkland's portion of this revenue was \$91,000 in 2015, which has decreased steadily since the inception of the mitigation payment. There were early fluctuations in revenue under this provision, but it was nothing more than administrative bumps as the state implemented the new program. As new retailers opt into the program, the state adjusts the mitigation payments downward, which will eventually result in a reduced payment over time.

LEOFF Plan 2 Contribution

Since 1977, the state has funded 20 percent of the annual contribution rate of the LEOFF 2 retirement system. The LEOFF Plan 2 Board is authorized to set contribution rates based on an actuarial analysis of the plan in odd-numbered years. The rates are effective for the next biennium. An appropriation is made in the operating budget of the Department of Retirement Systems (DRS) to pay 20 percent of the contribution rate on a monthly basis for each member of the plan. The DRS pays this amount *to the LEOFF Plan 2 Fund on behalf of cities and fire districts*, thus cities themselves do not receive these funds. In 2015, the state contributed \$710,000 to the LEOFF Plan 2 Fund on behalf of Kirkland.

Conclusion

In 2015 state shared revenues composed 4.23 percent of Kirkland's total revenues, and 8.39 percent of General Fund revenues. The Annexation Sales Tax Credit accounts for 4.34 percent of General Fund revenues. The following table displays a ten year history of collections.

Kirkland's State Shared Revenue 10 Year History											
Revenue	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Annexation Sales Tax	-	-	-	-	-	1,088,061	3,543,431	3,787,395	3,763,633	3,864,058	16,046,577
CJ – Population	8,717	9,319	9,879	10,441	10,938	12,632	18,218	19,596	21,016	22,069	142,824
CJ – Special Programs	34,415	36,373	38,096	39,860	41,434	47,688	68,492	72,938	77,868	80,860	538,025
Court Salary Contribution	-	19,571	24,348	17,667	28,507	22,468	22,632	22,796	22,503	21,878	202,370
Fire Insurance Premium	55,586	68,210	70,929	67,634	74,559	77,880	79,217	91,513	97,205	91,852	774,586
DUI	7,602	10,891	8,653	15,835	9,113	11,864	15,111	14,804	14,715	12,512	121,101
Liquor Excise	196,184	215,056	230,506	236,566	243,575	279,788	297,734	54,584	153,576	224,855	2,132,424
Liquor Profits	296,804	345,310	323,675	333,110	393,203	391,968	806,344	732,422	726,201	723,679	5,072,716
Marijuana Excise Tax	-	-	-	-	-	-	-	-	-	9,582	9,582
Multimodal Transportation*	-	-	-	-	-	-	-	-	-	25,089	25,089
MVFT*	723,010	632,775	570,499	519,140	519,707	652,075	1,101,891	1,684,424	1,685,795	1,740,336	9,829,653
Sales Tax Mitigation	-	-	74,548	215,697	115,815	105,458	99,929	95,577	89,180	91,429	887,633
Total	1,322,319	1,337,506	1,351,133	1,455,950	1,436,851	2,689,881	6,052,998	6,576,050	6,651,693	6,908,198	35,782,579

*Multimodal and MVFT revenues are deposited into the Street Operating Fund



CITY OF KIRKLAND
City Manager's Office
123 Fifth Avenue, Kirkland, WA 98033 425.587.3001
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Marilynne Beard, Deputy City Manager
Kathy Brown, Public Works Director
George Dugdale, Sr. Financial Analyst

Date: May 12, 2016

Subject: EMERGING ISSUES

RECOMMENDATION:

It is recommended that the City Council receives an introduction and provides feedback on emerging issues that will be part of the upcoming 2017-2022 Capital Improvement Program and 2017-2018 Budget processes.

BACKGROUND AND DISCUSSION:

The 2017-2022 Capital Improvement Program (CIP) and 2017-2018 Budget processes are currently underway and staff wanted to provide an introduction on several issues that will be prominent discussion items:

- Fire Station Funding
- Police Strategic Plan
- The potential impacts of the proposed Critical Areas Ordinance and updated Surface Water Design Manual to the CIP
- Council Items of Interest identified at the February 24, 2016 Council Retreat.

Staff will present additional background on these issues at the May 24, 2016 Council Retreat.

Fire Station Funding

At the February 24th Council Retreat, staff presented options for funding fire station facility improvements, including options to use current revenues to "buy down" the debt required for the entire capital program ([click here for 2-24-16 Fire Station Funding Options packet](#)). Council requested that staff proceed with a funding plan for the construction of a new Fire Station 24 that did not include debt, which is an estimated \$10.1 million. This recommended option is presented in the table on the following page, followed by a description of each funding source.

Source	Amount
Existing Station 24 Land Sale	471,000
2015 REET 1 revenue above forecast	200,000
2016 REET 1 revenue over Budget	1,500,000
2017-2018 Increased REET 1 revenue	2,500,000
2015 General Fund Balance	1,763,000
REET 1 Reserves	3,700,000
Total	10,134,000

Existing Station 24 Land Sale (\$471,000)

In February 2016, the City received an estimate for the land value of the current Fire Station 24 site. The estimate provided a high, medium, and low value. The table above uses the medium figure.

REET 1 Revenue above 2015 Forecast (\$200,000)

At the November 17, 2015 study session, staff presented a revised estimate of 2015 REET 1 revenues. Actual revenue collection in 2015 was higher than this estimate, resulting in an additional \$200,000 in unobligated revenue.

REET 1 Revenue above 2016 Estimate (\$1.5 million)

REET revenue for the first four months of 2016 was 31% (approx. \$775,000) higher than in the same period of 2015. Revenue is also currently at 65% of the full year budget for 2016. Using a conservative forecast, and assuming revenues will fall back in line with 2015, would still generate approximately \$1.5 million in additional REET 1 revenue in 2016.

Increased REET Revenue in 2017-2018 (\$2.5 million)

The staff memo for the February 24th Council Retreat presented the option of increasing the budget for total REET revenues to \$5 million for the next two biennia (2017-2018 and 2019-2020). This increase would put the budget level with the 2015-16 budget. As the Station 24 rebuild is planned for 2017-2018, this plan assumes the adopted REET budget for the 2017-18 biennium is increased to \$5 million, generating \$1.25 million in additional REET 1 revenue each year or \$2.5 million for the biennium (with the REET 2 share of the revenue left available for transportation or other eligible projects).

2015 General Fund Balance and REET 1 Reserves (\$5.5 million)

Through higher than budgeted revenues, and lower than budgeted expenses, the City was left with approximately \$2.6 million in one-time General Fund balance in 2015. In addition, prior to the February 24th Council Retreat, staff identified approximately \$4.3 million in REET 1 reserves over programmed levels. Combining approximately \$1.8 million of the one-time General Fund cash with \$3.7 million of the REET 1 reserves, completes the proposed funding plan.

This funding plan would allow Council to fully fund Fire Station 24 without the issuance of debt. In addition, no reprioritization of other CIP areas would be required, and reserve replenishments can continue as currently planned, assuming that REET 1 receipts meet or

exceed assumed levels. Note that the figures shown do not include the \$2.5 million already funded for land acquisition. If land acquisition for the station is above the budgeted figure, staff will bring back a supplemental budget request for land acquisition.

At the February 24 Retreat, Council also asked staff to return with options for funding the balance of capital improvements through a ballot measure (possibly for 2018) along with a possible companion operating levy. The Council wanted to use a process similar to that used for the 2012 Park Ballot measure by convening a group similar to the Parks Funding Exploratory Committee (PFEC). Attachment A is a memo describing the PFEC process and how this might pertain to a similar process for fire system improvements. Deputy City Manager Marilynne Beard will present this information for further discussion at the upcoming Retreat.

REET 2 Revenues Above Projections

REET 2 revenues are substantially above forecasts just like REET 1. Staff is evaluating options for effectively investing these REET 2 revenues to accomplish Council priorities. One key priority will be to reserve a significant portion of these funds to help mitigate potential cost increases associated with new stormwater regulations as discussed later in the memo. Staff is also exploring the concept of further pedestrian safety investments in street lights and rapid flashing beacons, perhaps by utilizing the Neighborhood Safety Program as a model for engaging the community and prioritizing the projects. Staff will be seeking preliminary feedback on REET 2 options at the retreat.

Police Strategic Plan

In early 2016, the City engaged the services of BERK Consulting to conduct a Police Strategic Plan. A Steering Committee comprised of management and staff from the City Manager's Office and from functions across the Police Department has been convened to guide the project. The consultants have completed their initial data gathering, which included:

- Meeting with the Strategic Plan Steering Committee
- Interviews with City of Kirkland Councilmembers, city administration, and department directors.
- A community panel with representatives from the Kirkland community, including residents, business owners, the faith community, and the social service community.
- Employee engagement, including nine shift meetings and one command meeting with staff from across the organization.
- Review of the City's Comprehensive Plan and analysis of readily available data.

The consulting team has provided a draft Baseline Assessment Report summarizing their findings to date that was reviewed by the Steering Committee and that will be presented to the Public Safety Committee at their May 19 meeting. This report provides the basis for the beginning of a conversation with the department to validate and/or clarify the consultant's findings. The consultant's work continues with a staffing level analysis and evaluation of the records functions. Draft findings and recommendations are expected in mid-summer, with presentation of the results scheduled for presentation to the full Council at the August 16 Study Session. The outcome of this process will form the basis for options and recommendations for funding consideration as part of the 2017-2018 budget process.

CAO and Surface Water Manual CIP Impacts

At the June 21, 2016 Study Session, the Council will receive an update on the development of the draft Critical Areas Ordinance (CAO) and the updated Surface Water Design Manual (SDM). At the regular meeting on June 21, the Council will also receive the Preliminary 2017-2022 CIP. A cross-departmental staff group (including Planning, Public Works, Finance, and CMO) has been working to evaluate the impacts of the CAO and SDM on the City's capital improvement projects.

Both the CAO and the SDM represent regulatory frameworks required of the City by the Washington State Department of Ecology and other State and Federal regulators. Adoption of these regulations is required by Ecology and the intent is for adoption to occur no later than December 31, 2016. The proposed regulations strengthen the protection of the environment and sensitive areas and the mitigation of impacts from surface water run-off. However, they will, in some cases, increase the cost of City capital improvements and the maintenance of those improvements. Required environmental and surface water studies may also add to project design costs and extend the schedule for completing some projects.

The focus of current staff efforts is to identify opportunities and strategies to meet environmental policy objectives in the course of CIP work, while minimizing impacts to CIP project costs and schedules. Staff is exploring strategies that will foster success in all policy arenas: habitat protection; surface water management; parks; transportation; utilities. Permitting tools, such as mitigation banking, programmatic permits, and outcome-based best management practices (BMPs), could provide a means to this end. Including such tools in the CAO and SDM could substantially enhance environmental outcomes, while also minimizing cost and schedule impacts to the CIP and maintenance work.

While the full extent of the impacts cannot be known with certainty until the regulations are finalized and detailed estimating work can be completed at the project level, staff is working on an order of magnitude assessment of the impacts on funded projects in 2017-2018 and identifying potential funding strategies as part of the CIP process. One such strategy will likely be to set aside significant REET 2 revenues above current projections as a reserve to help pay for cost increases to already approved transportation projects.

Public Works Director Kathy Brown and Deputy City Manager Tracey Dunlap will present additional background information, including information on strategies used by other jurisdictions, for discussion at the May 24 Retreat.

February Council Retreat Items of Interest

At the February 24, 2016 Council Retreat, the Council brainstorming session resulted in a long list of Council topics of interest. To refine the list, the Councilmembers placed "dots" on items they considered priorities, resulting in the following list of priority topics that received at least one dot:

Top Priorities

Three Dots

- New NE transfer station in Kirkland and options for lease of old transfer station***

	<ul style="list-style-type: none"> • What to do with Lake & Central***
Two Dots	<ul style="list-style-type: none"> • Encourage tiny homes and mobile homes** • Community task force affordable housing strategies** • Council regional reports— make more efficient** • Council liaison to Boards & Commissions** • Increase outreach to different ethnicity and religious groups**
One Dot	<ul style="list-style-type: none"> • Community conversation re: housing and labor market (i.e., lack of affordable housing)* • Review affordable housing requirements in CBD and other gaps* • Civility—Items from the audience* • Improve community perception of “bang for the buck”* • Two town hall meetings/year citywide not topic-specific* • Update social media strategy* • Federal reform of marijuana taxation laws* • Mandate residential sprinklers* • Moving the quad dots*

Two themes emerged from the larger list of topics: Affordable Housing and Communications. An alternate summary of topics related to those two themes is provided below (the asterisks denote how many dots the item received).

<p>Theme: Affordable Housing</p> <ul style="list-style-type: none"> • Building affordable housing above south parking lot at City Hall • Community conversation re: housing and labor market (i.e., lack of affordable housing)* • Community task force affordable housing strategies** • Encourage tiny homes and mobile homes** • Review affordable housing requirements in CBD and other gaps* • Street camping regulations
<p>Theme: Communications</p> <ul style="list-style-type: none"> • City blog: conversations– answers • Civility—Items from the audience* • Council host/serve underserved groups (e.g., strawberry short cakes) • Council liaison to Boards & Commissions** • Council regional reports— make more efficient** • Improve community perception of “bang for the buck”* • Increase diversity on Boards & Commissions • Increase outreach to different ethnicity and religious groups**

- Integrate religious organizations with neighborhood associations
- Joint meeting with Boards & Commissions/Council Committee
- Moving the quad dots*
- Open collective bargaining sessions to public
- Televisе all Boards & Commissions meetings. All packets available before meeting
- Two town hall meetings/year citywide not topic-specific*
- Update social media strategy*
- Video recording of Council Retreat

Staff would like to discuss further the Council interests in the priority and theme areas to help identify strategies and resource needs to help inform the upcoming budget process. In particular affordable housing has risen as a priority for both Kirkland and the region. The Council has discussed the idea of a facilitated stakeholder process to engage Kirkland residents around the need for affordable housing and to build support for local and state efforts to create more housing. This was also highlighted as a potential initiative in the Mayor's State of the City Addresses to the business community and the neighborhoods. If the Council is interested in pursuing such a stakeholder process, staff recommends allocating funding for that process in the June budget update so that a process can take place this fall to inform both the Kirkland budget and the state legislative agenda.

**CITY OF KIRKLAND****City Manager's Office**

123 Fifth Avenue, Kirkland, WA 98033 425.587.3001

www.kirklandwa.gov**MEMORANDUM**

To: Kurt Triplett, City Manager

From: Marilynne Beard, Deputy City Manager

Date: May 5, 2016

Subject: COMMUNITY PROCESS TO SUPPORT POTENTIAL 2018 FIRE BALLOT MEASURE

At their February 2016 retreat, the City Council was presented with a staff report describing Fire and Emergency Services Funding Options. The funding options were based on system improvements outlined in Resolution 5163 describing short and medium-term steps recommended to improve fire services. The resolution included a provision for considering a ballot measure:

- *Consider Placing a Fire Station Bond Measure on the Ballot that may include:*
 - *Construction of new Station 24 near Juanita Elementary on purchased property;*
 - *Construction of a new Fire Station 27 east of I-4015 on purchased property;*
 - *Renovation and/or expansion of Stations 21, 22, and 26 as identified in the CIP.*
- *During the evaluation the Council should consider multiple options for accomplishing the capital facilities objectives, ranging from a single, comprehensive ballot measure to phased approaches, use of Councilmanic debt and strategic partnerships.*
- *Evaluate a companion operating levy to help staff the new Station 24 and other identified operating needs.*

The memo recommended that "Prior to evaluating any ballot measure, the Council needs to assess whether it is possible to fund the investments out of existing resources instead." At the end of the retreat, the City Council agreed to renovate Station 25, purchase land for two new stations (new station 24 and relocated 27) and construct station 24 using existing resources. They asked staff to return with options for funding the balance of capital improvements through a ballot measure along with a possible companion operating levy. The Council wanted to use a process similar to that used for the 2012 Park Ballot measure by convening a group similar to the Parks Funding Exploratory Committee (PFEC) to explore both capital and operating measures. The purpose of this memo is to describe the PFEC process and how this might pertain to a similar process for fire system improvements.

PFEC Charter and Process

The PFEC was established by the City Council to consider and make recommendations for possible future park funding ballot measures as well as a funding model to support ongoing park maintenance and operations.

The 2011 annexation of the Finn Hill, Juanita and Kingsgate neighborhoods prompted an update of the Parks, Recreation and Open Space Plan (PROS Plan). The PFEC was asked to update the City's vision for the PROS plan and to develop recommendations for investments in the parks and open space system.

The City Council appointed a group of nearly 50 members representing a cross-section of stakeholders (see Attachment I for a roster of members). They also appointed Councilmember Amy Walen to serve as the chair of the committee and to be a liaison to the City Council.

The committee's work was conducted in four phases:

- Phase 1 – Information gathering and evaluation
- Phase 2 – Define, refine and develop cost investments
- Phase 3 – Development of options and gauging public support
- Phase 4 – Developing and presenting recommendations

The Committee was supported by staff from the Parks and Community Services Department, the Finance and Administration Department and the City Manager's Office.

Shortly after their formation, an on-line open access survey was conducted to ascertain the public's perspectives and use of the current park system and whether or not there were perceived unmet needs. There were 725 responses and the PFEC used the results as one data source for their work.

Early-on, the PFEC developed underlying principles for how their recommendations would be considered and presented. The list of possible projects could be categorized as preservation, expansion or enhancement. The committee was also concerned with ongoing maintenance and believed appropriate maintenance support needed to be part of their recommendation.

The PFEC ultimately developed a recommendation for the City Council over a series of eight meetings that spanned six months. Their recommendation included a discussion of the timing and size of the ballot measure, underlying principles to consider in developing and updating a PROS Plan and a ballot measure, and recommendation regarding the content and size of the ballot measure and type of debt. The City Council received the PFEC's report in March 2012. In May 2012, the City contracted with EMC Research to conduct a statistically valid random sample survey of the public's attitudes and priorities for the park system.

The PFEC met one more time to discuss three ballot measure options that were developed following the Council's receipt of their report and the survey. They prepared a recommendation for the City Council. A ballot measure was approved by the City Council for the November 2012 election as was approved by the voters.

Possible Process and Timing for Fire Ballot Measure

Although the process for consideration of a fire service ballot measure does not need to follow the exact same timeline or format, the PFEC process did have the advantage of a collaborative and inclusive process that helped gain early community support and advocates for the measure. If the Council wanted to consider a fire ballot measure for the 2018 General Election using a similar process, it is recommended that a stakeholder group be appointed by early to mid-2017 and asked to complete their work by the first quarter of 2018. This group would evaluate both potential capital measures, as well as potential companion operating measures that would add staffing. This timeline would provide adequate time for the Council to consider their recommendation, conduct a survey (if desired) and to develop a ballot measure, while still maintaining an informed and engaged group of advocates for the measure.

The deadline for approving a ballot measure for the November 2018 General Election is in early August. If the Council wanted to consider the August primary election, a ballot measure would need to be approved in mid-May. If the measure is going to include a General Obligation Bond element for capital improvements, it will require a 60% majority approval with 40% of the voters who voted in the last general election to vote. Since 2016 is a presidential election year, the validation requirement may be more achievable.

Staff recommends engaging the services of a consultant to design and facilitate the stakeholder process. If Council agrees, a service package will be prepared for the 2017-2018 Budget.

Park Funding Exploratory Committee Roster

Board/Advisory Group

Name	Organization Represented
Amy Walen, Chair	City Council
Bhaj Townsend	Cultural Council
Nona Ganz	Green Kirkland Partnership
Robert Kamuda	Park Board
Barbara Ramey	Park Board
Jay Arnold	Planning Commission
Lauren Bolen	Senior Council
Sandeep Singhal	Transportation Commission
Chris Norwood	Youth Council

Institution/Business Group

Laurene Burton	Evergreen Hospital Medical Center
Rick Smith	Finn Hill Park & Recreation District
Vince Armfield	First Baptist Church of Kirkland
Val Gurin	Greater Kirkland Chamber of Commerce
Loita Hawkinson	Kirkland Heritage Society
Don Jury	Kirkland Kiwanis Club
Rick Ostrander	Kirkland Rotary Club
Jackie Pendergrass	Lake Washington School District
Paul Banas	Northwest University

Neighborhood Group

Lisa McConnell	Central Houghton Neighborhood Association
Scott Morris	Denny Creek Neighborhood Alliance
Jill Keeney	Everest Neighborhood Association
Kathy Schuler	Finn Hill Neighborhood Association
Mary Shular	Highlands Neighborhood Association
Mark Dunphy	Juanita Neighborhood Association
Kevin Hanefeld	Juanita Neighborhood Association
Craig Dulis	Kingsgate Neighborhood Association
Georgine Foster	Lakeview Neighborhood Association
Tom Reichert	Market Neighborhood Association
Bonnie McLeod	Moss Bay Neighborhood Association
Don Schmitz	North Rose Hill Neighborhood Association

Attachment I

Neighborhood Group (cont.)**Name****Organization Represented**

Suzanne Kagen

South Rose Hill/Bridle Trails Neighborhood Association

Anne Anderson

South Rose Hill/Bridle Trails Neighborhood Association

Lynda Haneman

Totem Lake Neighborhood Association

Park User/Advocate Group

Sants Contreras

Citizen at-large

Lynn Stokesbary

Citizen at-large

Laura Caron

Citizen at-large

Cindy Balbuena

Eastside Audubon

John Rudolph

Kirkland American Little League

Chuck Bartlett

Kirkland Dog Off-Leash Group

Steve Lytle

Kirkland Lacrosse

Ken McCumber

Kirkland National Little League

Curt Bateman

Lake Washington Youth Soccer Association

City Staff

Kurt Triplett

City Manager

Marilynne Beard

Assistant City Manager

Jennifer Schroder

Director of Parks & Community Services

Tracey Dunlap

Director of Finance & Administration

Michael Cogle

Deputy Director

Linda Murphy

Recreation Manager

Jason Filan

Park Operations Manager

Cheryl Harmon

Administrative Assistant