
CITY OF KIRKLAND

CITY COUNCIL



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

Vision Statement

*Kirkland is an attractive, vibrant, and inviting place to live, work and visit.
Our lakefront community is a destination for residents, employees and visitors.
Kirkland is a community with a small-town feel, retaining its sense of history,
while adjusting gracefully to changes in the twenty-first century.*

2014 KIRKLAND CITY COUNCIL FINANCIAL RETREAT

Friday, May 30, 2014
9:00 a.m.

Kirkland City Hall - Peter Kirk Room
123 5th Avenue
Kirkland, Washington

AGENDA

- | | |
|--|--------------------|
| 1. Call to Order | 9:00 a.m. |
| 2. Roll Call | |
| 3. Agenda Overview and Housekeeping | 9:00 – 9:10 a.m. |
| 4. 2014 Community Survey Results | 9:10 – 10:10 a.m. |
| 5. Break | 10:10 – 10:30 a.m. |
| 6. Financial Planning | 10:30 – 12:00 p.m. |
| 7. Lunch | 12:00 – 1:00 p.m. |
| 8. Health Care Update | 1:00 – 2:00 p.m. |
| 9. Americans with Disabilities Act (ADA) Update | 2:00 – 2:30 p.m. |
| 10. Break | 2:30 – 2:45 p.m. |
| 11. Discussion on Financial Topics of
Interest to the Council | 2:45 – 5:00 p.m. |
| 12. Adjournment | |

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 22, 2014

Subject: 2014 COMMUNITY SURVEY RESULTS

RECOMMENDATION:

City Council receives a report on the results of the 2014 Community Survey which is included as an attachment to this memo.

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 Quadrant" 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. A representative from the firm will provide a presentation at the retreat about the general findings, trends and their observations of the survey results. A summary of key findings is included on pages 4 to 6 in the survey report (Attachment A).

In the 2012 survey, the 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 are provided in the 2014 survey to see if attitudes have changed over the past two years.

A few questions were modified and/or replaced in the 2014 survey. A follow-up question was added to learn more from respondents that indicated they felt less safe walking in their neighborhood at night than in the day. The most frequently mentioned reasons were "lack of streetlights or darkness" (35%) with "crime" being the second most frequently mentioned answer (26%).

Two questions were added about transit plans for the Cross Kirkland Corridor. The first question asked was about the respondents' familiarity with the transit plans. Of those surveyed, 57% said they were somewhat unfamiliar or very unfamiliar with the plans. When asked if the City should fund interim transit on the corridor or wait until funding partners were available for future transit, 57% indicated that they preferred the City wait until funding partners were available.

With regard to general questions about the City, survey results were 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 compared to 85% in 2012). 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 those

concerns were noted increased from 15% to 22%. A discussion about the changes in responses with regard to service importance and performance is included in the Finance and Administration Department's memo in the retreat packet along with the implications for past investment and future opportunities. An on-line version of the survey was made available once the telephone survey had been completed. There were 195 responses to the on-line survey and the results are being formatted, analyzed and compared with the telephone survey results. The on-line survey results will be provided in June.



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City of Kirkland 2014 Telephone Survey on Citizen Opinions & Priorities



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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 18 City services and functions.*
- *Questions about household emergency preparedness.*
- *New questions about the Cross Kirkland Corridor.*

1.2 Methodology

- ✓ Telephone survey of 500 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 6th and 11th, 2014.

This survey is the fifth in a biannual 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 surveys were conducted by EMC research.

2 Key Findings

Kirkland as a Place to Live

- *The overall rating of Kirkland as a place to live continues to be overwhelmingly positive and there has been a significant increase in "excellent" ratings since 2012.*
- *When asked in an open end question (no response choices given) what they like best about living in Kirkland, location (convenience) most often is mentioned, followed by the small town feel, and the fact that Kirkland is safe and quiet. Responses are similar to 2012, although convenience is up significantly.*
- *When asked in an open end question what things concern them about the way things are going in Kirkland, the top response is "nothing."*
- *As in previous years, the top specific concerns are related to development/growth and traffic/infrastructure. Concerns about traffic/infrastructure have shown the biggest increase over 2012.*
- *Most residents are satisfied with the availability of goods and services in Kirkland -- however most are just "somewhat satisfied" rather than "very satisfied." There is no significant change compared to 2012.*
- *Most (97%) Kirkland residents say they feel safe walking in their neighborhood during the day.*
- *Most also (82%) say they feel safe walking in their neighborhood after dark, but only 40% feel "very safe" and one-in-five (16%) feel unsafe.*
- *There has been an 8 point increase in the percentage of residents who say they feel "very safe" walking in their neighborhood after dark and a 6 point increase in the percentage of residents who say they feel "very safe" walking in their neighborhood during the day.*
- *Lack of street lights and general concerns about crime make up over half the mentions among those who feel unsafe.*
- *Most residents continue to be satisfied with their neighborhood's infrastructure - fewer than one-in-five are dissatisfied.*
- *Although overall satisfaction with infrastructure has not changed from 2012 there has been a 5 point increase in residents who say they are "very satisfied."*

Kirkland City Government

- *Kirkland City government continues to get high marks overall, and also receives high marks for "delivering services efficiently" and "keeping citizens informed."*
- *The City also gets good marks for "focusing on the priorities that matter most to residents" although one-in-four residents is unable to rate the City on this metric.*
- *The City's rating for "managing the public's money" is divided, with more than a third unable to rate the City's performance in this area. There is little intensity in the negative ratings (% "Poor") suggesting that this is not a critical problem area.*
- *Most residents are not paying close attention to Kirkland City government, although a majority consider themselves either very (10%) or somewhat (45%) well informed.*
- *The fact that residents give the City generally high marks for keeping citizens informed suggests that most residents do not blame the City for their not being more informed.*
- *Respondents take advantage of a wide variety of information sources to find out "what is going on with Kirkland City government." The Kirkland Reporter continues to be the top source, followed by the City Newsletter, and the City website.*

Emergency Prep & Other Issues

- *Kirkland residents' emergency preparedness is essentially unchanged since 2012 on 3 of the 4 items, but those saying they have three days of stored food/water has decreased from 70% to 62%.*
- *Roughly four-in-ten residents say they are familiar with transit plans for the Cross Kirkland Corridor, although only one-in-ten say they are "very familiar" with the plans.*
- *After hearing a description of potential options for transit in the Cross Kirkland Corridor a majority of residents say they prefer that the city design the corridor for future high capacity transit but wait until Sound Transit is ready to build and operate transit rather than having the city providing interim transit in the corridor funded by the city and other partners.*

City Services and Functions

- *Most importance ratings for City services and functions are similar to 2012.*
- *Safety related services -- fire/emergency medical services and police -- continue to be seen as the City's most important functions and as in 2012 the percentage of residents rating these services as "extremely important" is significantly higher than for any other service/function.*
- *After fire and police, key services/functions include, pedestrian safety, City parks, and the environment.*
- *Community events, arts, and recreation programs/classes continue to be seen as the least vital functions, although close to half of residents still say these service are important.*
- *Of the top services/functions, City Parks and managing traffic flow have seen the biggest increase in importance.*
- *For the most part, the City continues to perform best on those services/functions that residents see as most important - fire/emergency medical, police, pedestrian safety City parks and recycling/garbage*
- *Attracting and keeping businesses in Kirkland, recreation programs and classes, City parks have all seen positive increases in performance ratings.*
- *The City's performance exceeds importance on 6 of the 18 services/functions tested and performance is comparable to importance for another 7 services/functions.*
- *The City is over performing relative to importance on community events, recreation programs and classes, support for arts, recycling and garbage collection, City parks and bike safety.*
- *The gap between importance and performance is largest on managing traffic flow by a significant margin. Other areas where the city is slightly underperforming include zoning and land use, maintaining streets, and services for people in need.*

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

- *The overall rating of Kirkland as a place to live continues to be overwhelmingly positive and there has been an increase "Excellent" ratings since 2012.*

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

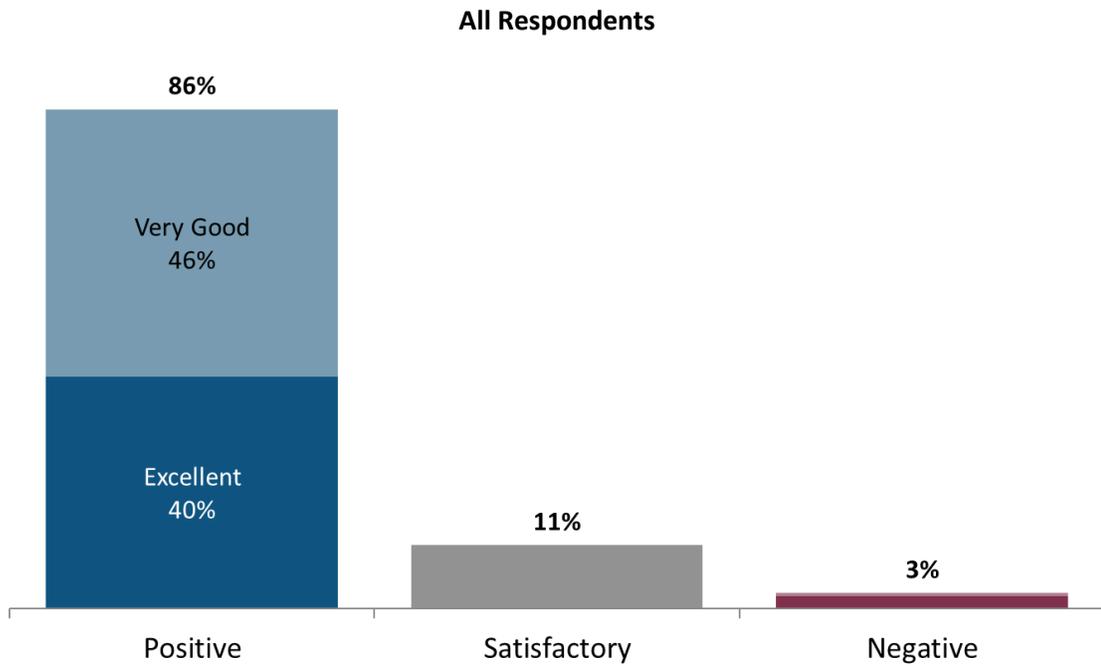
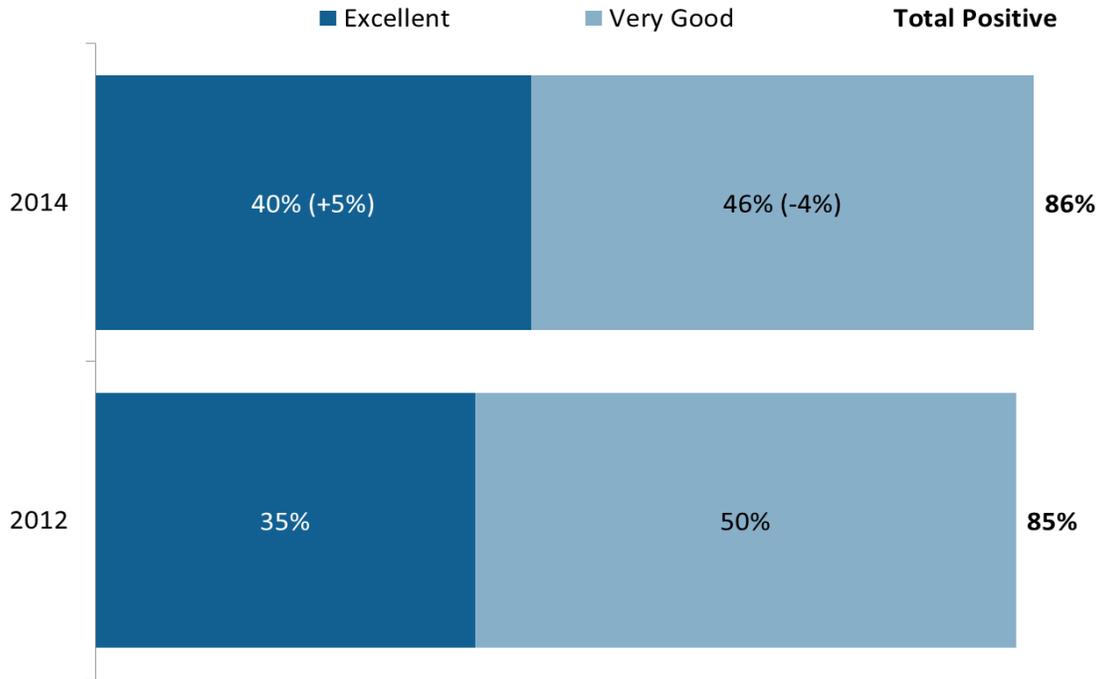
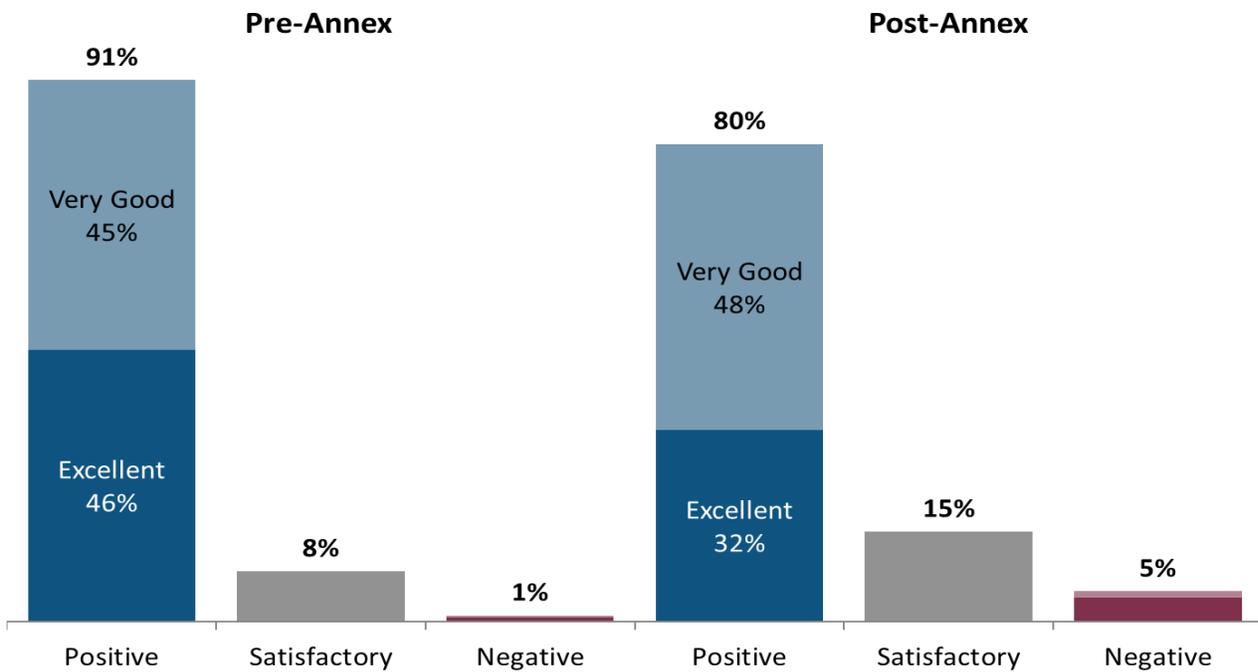


Figure 3-2 – Rating of Kirkland as a Place to Live by Year



Intensity of satisfaction (“Excellent”) is up 5 points since 2012, and most residents (86%) continue to give Kirkland a positive rating as a place to live.” Residents in the pre-annex areas continue to give a higher positive rating with greater intensity.

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? (One Response)

Finding

- *When asked in an open end question (no response choices given) what they like best about living in Kirkland, location (convenience) is most often mentioned, followed by the small town feel, and the fact that Kirkland is safe and quiet.*
- *Overall the responses are similar to the 2012 survey, although convenience is up significantly.*

Figure 3-4 – Kirkland Positives

	2012	2014	± Gap
Convenience/ Easy to get places (general location)	23%	36%	+13%
Small town feel/ Community/ Neighborhood	19%	23%	+4%
Safety	7%	8%	+1%
Access to water	11%	7%	(-4%)
Close to parks/ recreation	6%	7%	+1%
Downtown Kirkland	--	5%	+5%
Beautiful scenery/ Peaceful/ Clean	8%	4%	(-4%)
Nice place to live (general positive)	5%	2%	(-3%)
Family/ Raised here	3%	1%	(-2%)
Close to Seattle	4%	--	(-4%)
Other	10%	4%	(-6%)
Nothing	1%	2%	+1%
Don't Know	3%	1%	(-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 in an open end question what things concern them about the way things are going in Kirkland, the top response is "nothing."*
- *As in previous years, the top specific concerns are related to development/growth and traffic/infrastructure. Concerns about traffic/infrastructure have shown the biggest increase over 2012.*

Combining those who say “nothing” and those who are unable to think of a specific concern (“don’t know”), over a quarter (27%) of respondents do not offer a concern about the way things are going in Kirkland. Only two specific areas of concern – development/growth (21% mention) and traffic/infrastructure (16% mention) – reach double digit mentions.

Figure 3-5 – Kirkland Negatives

	2012	2014	± Gap
Over development/Growth	15%	21%	+6%
Traffic/Infrastructure	7%	16%	+9%
Taxes	4%	8%	+4%
Police/Issues with Police	5%	5%	0%
Leadership issues/Management	3%	4%	+1%
Housing	2%	4%	+2%
Education/Schools	2%	3%	+1%
Budget/Spending	6%	2%	(-4%)
Totem Lake Mall vacancy	3%	2%	(-1%)
More Businesses/Leaving	2%	2%	0%
Other	15%	7%	(-8%)
No/None/Nothing	27%	23%	(-4%)
Don't Know	8%	3%	(-5%)

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

- *Most residents are satisfied with the availability of goods and services in Kirkland -- however there is room for improvement as most are just "somewhat satisfied" rather than "very satisfied."*
- *There is no significant change compared to 2012.*

Eight-in-ten (80%) residents are satisfied with the availability of goods and services in Kirkland – one-in-five (20%) are dissatisfied, with only 3% “very dissatisfied.”

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

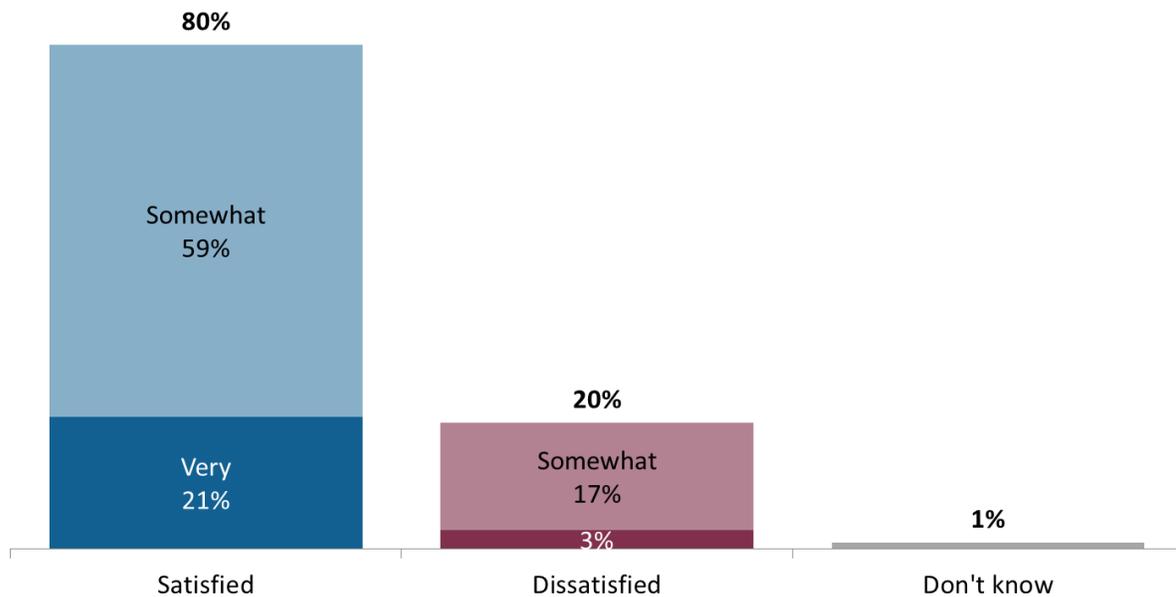
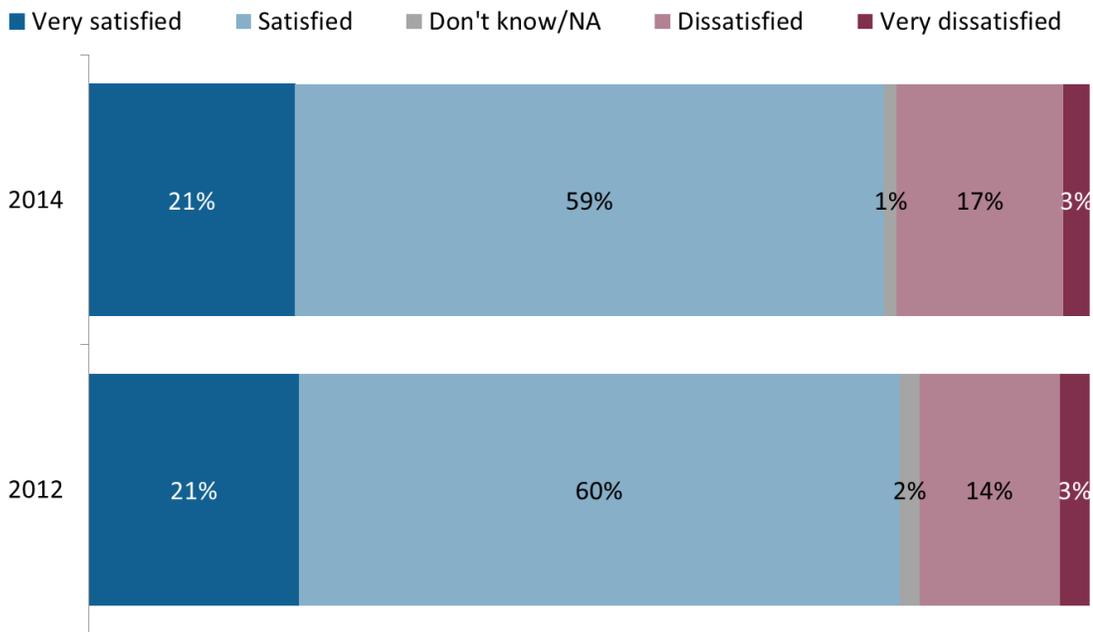


Figure 3-7 – Satisfaction with Availability of Goods & Services, 2012 and 2014



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 also (82%) say they feel safe walking in their neighborhood after dark, but only 40% feel "very safe" and one-in-five (16%) feel unsafe.
- There has been an 8 point increase in the percentage of residents who say they feel "very safe" walking in their neighborhood after dark and a 6 point increase in the percentage of residents who say they feel "very safe" walking in their neighborhood during the day.
- Lack of street lights and general concerns about crime make up over half the mentions among those who feel unsafe.

Figure 3-8 – Neighborhood Safety

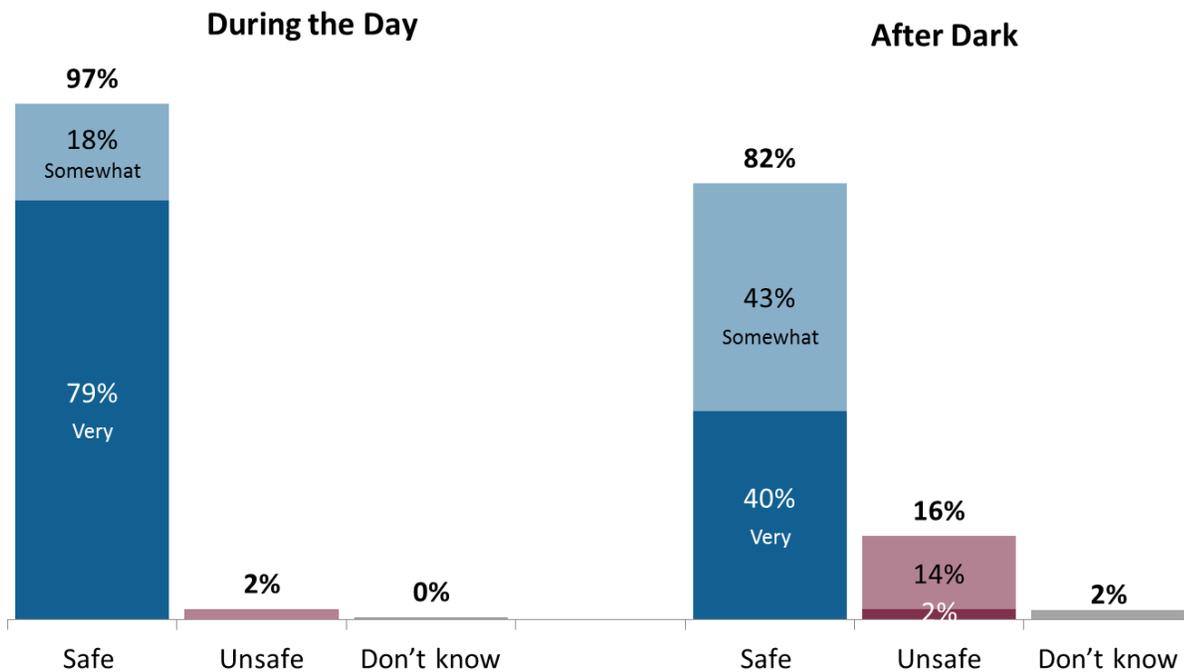


Figure 3-9– Neighborhood Safety 2012vs. 2014

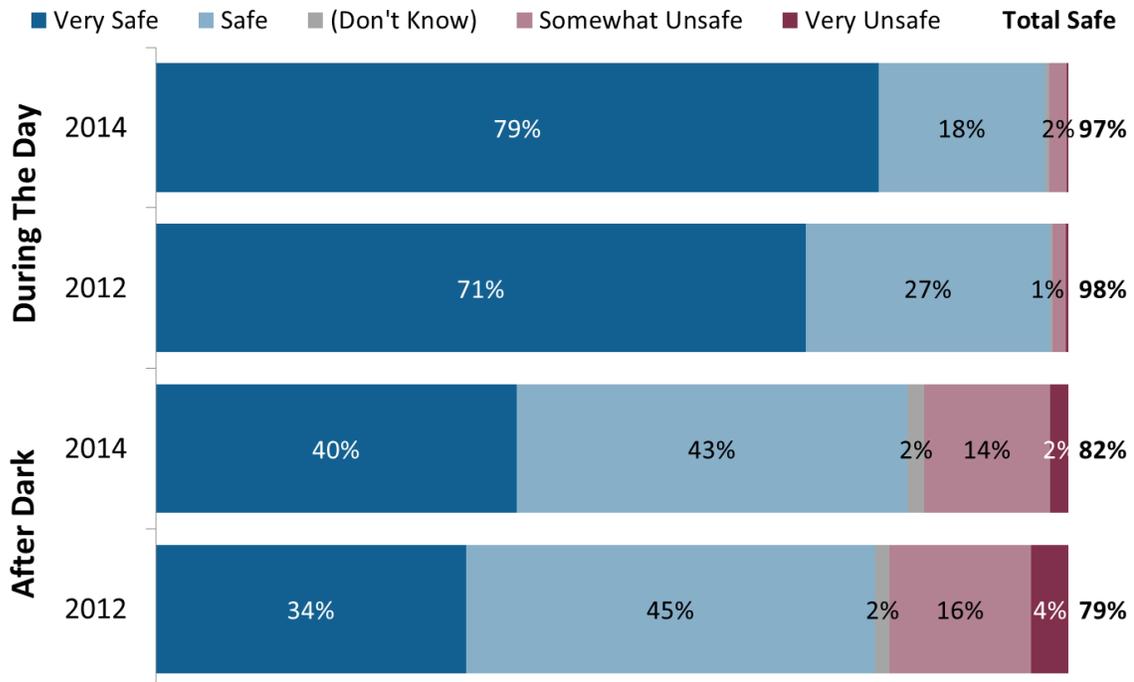


Figure 3-9 – Reasons for Feeling Unsafe After Dark

Reason	Percentage
Lack of streetlights/Dark	35%
Crime	26%
Night time is unsafe	14%
Strangers	12%
No sidewalks	7%
Other	7%

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

- *Most residents continue to be satisfied with their neighborhood's infrastructure - fewer than one-in-five are dissatisfied.*
- *Although overall satisfaction with infrastructure has not changed since 2012 there has been a 5 point increase in residents who say they are "very satisfied."*

Eight-in-ten (82%) residents say they are 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

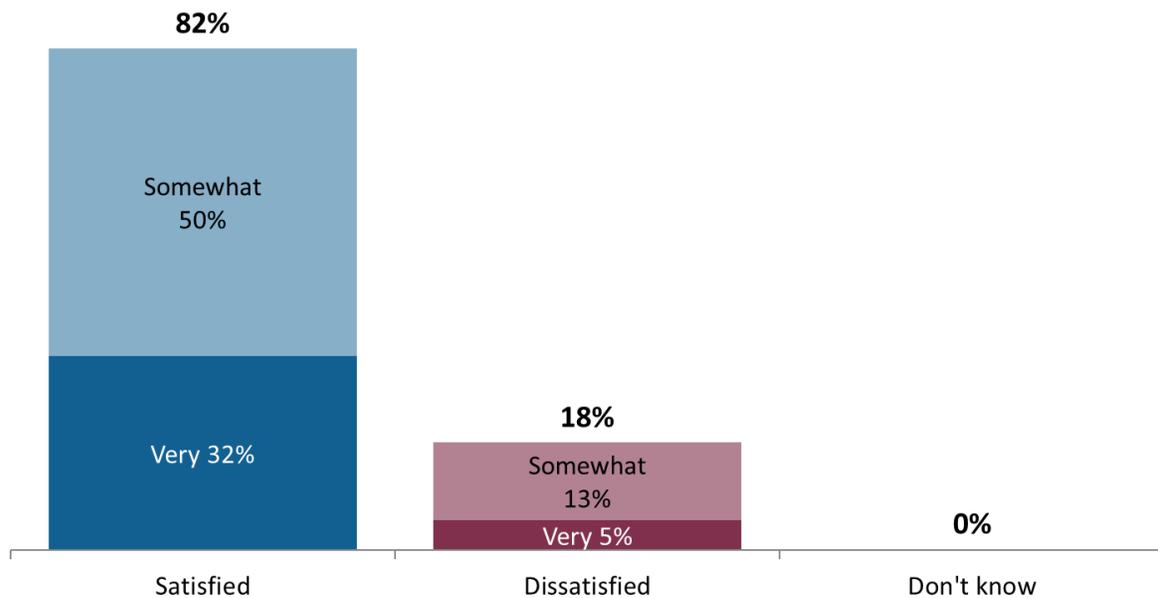
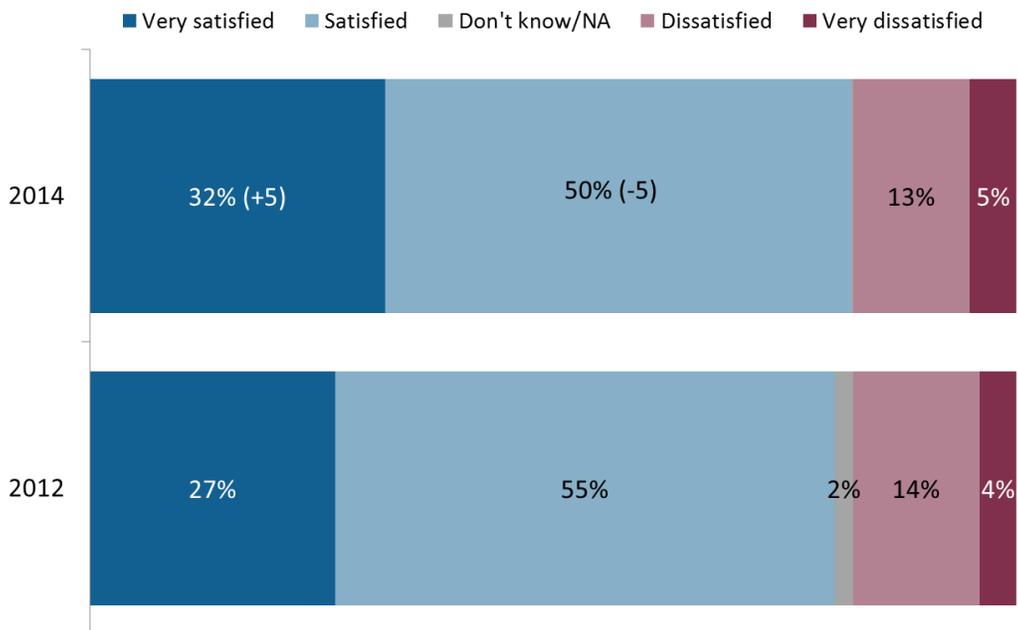


Figure 3-12 – Satisfaction with Neighborhood Infrastructure, 2012 vs. 2014



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

- *Kirkland City government continues to get high marks overall, and also receives high marks for "delivering services efficiently" and "keeping citizens informed."*
- *The City also gets good marks for "focusing on the priorities that matter most to residents" although one-in-four residents is unable to rate the City on this metric.*
- *The City's rating for "managing the public's money" is divided, with more than a third unable to rate the City's performance in this area. There is little intensity in the negative ratings ("%Poor") suggesting that this is not a critical problem area.*

Almost three quarters (71% "Excellent" or "Good") of residents give the City a positive rating for the job it is doing overall. Only 3% give the City a "poor" rating indicating that there is little intensity on the negative side.

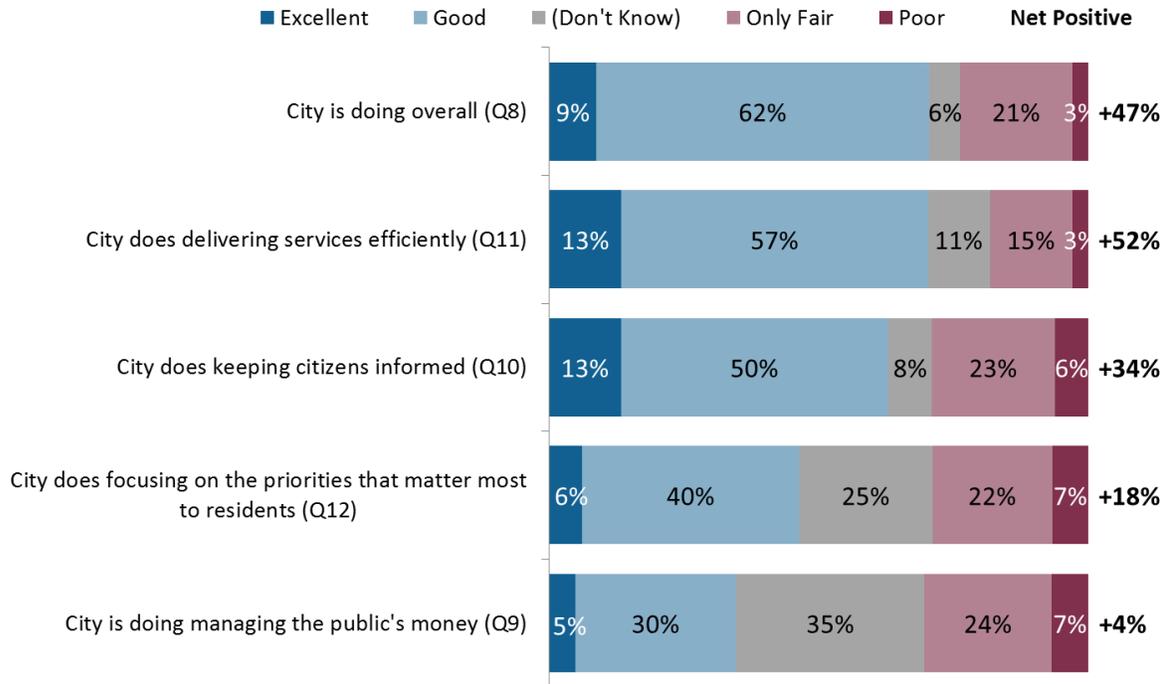
The City also gets very strong marks for delivering services efficiently. Two-thirds (70%) give the City a positive rating – and again, there is little intensity on the negative side (3% "Poor").

Nearly two-thirds (63% "Excellent" or "Good") of residents give the City a positive rating for the job it is doing keeping citizens informed. Fewer than a third (29%) give the city a negative rating for communications, with only 6% saying the City is doing a "Poor" job.

Residents' attitudes about the job the City does focusing on the priorities that matter most to them is net positive (46% "Excellent" or "Good" / 29% "Only fair" or "Poor"), however there is an information deficit, with one-in-four (25%) saying they are unable to rate the City on this measure.

Fewer residents in 2014 are divided over the job the City is doing managing the public's money (35% Positive / 31% Negative), but more than a third (35%) are still unable to rate the City's performance in this area.

Figure 4-2 – City of Kirkland Job Ratings



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 residents in post annex areas give a net negative 12 point rating.

Figure 4.2 –City of Kirkland Job Ratings Pre vs. Post Annex

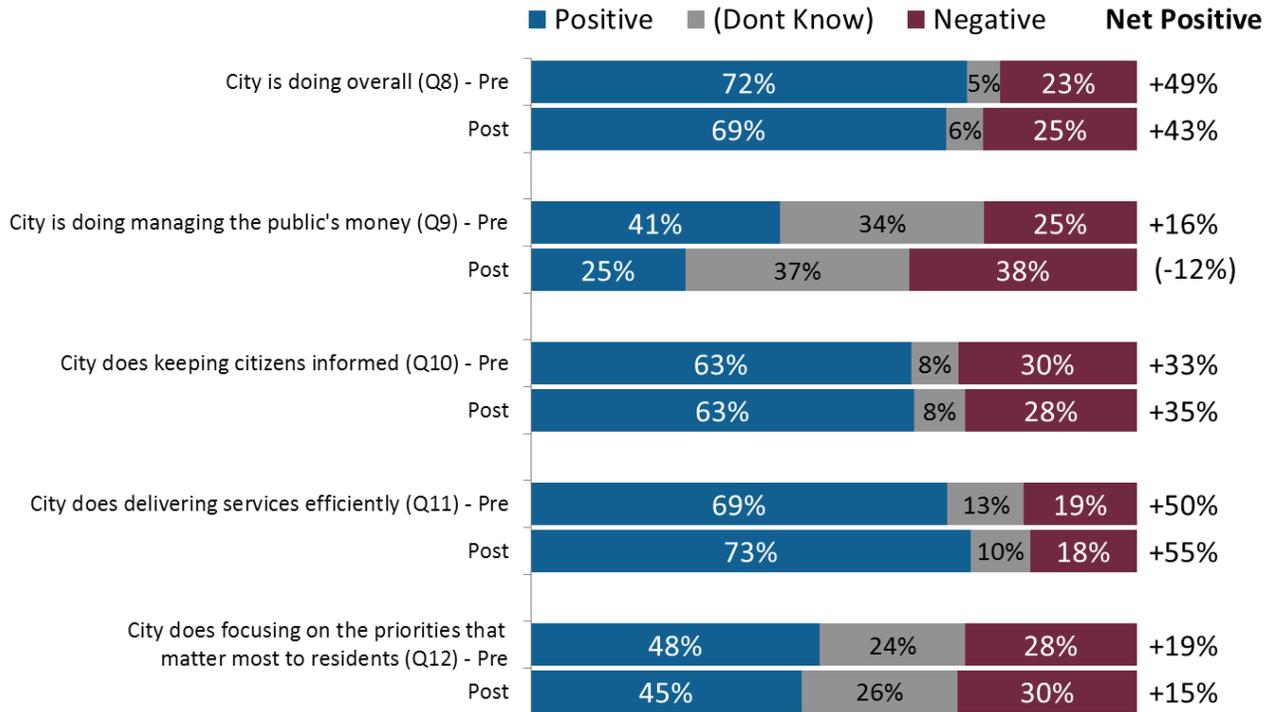
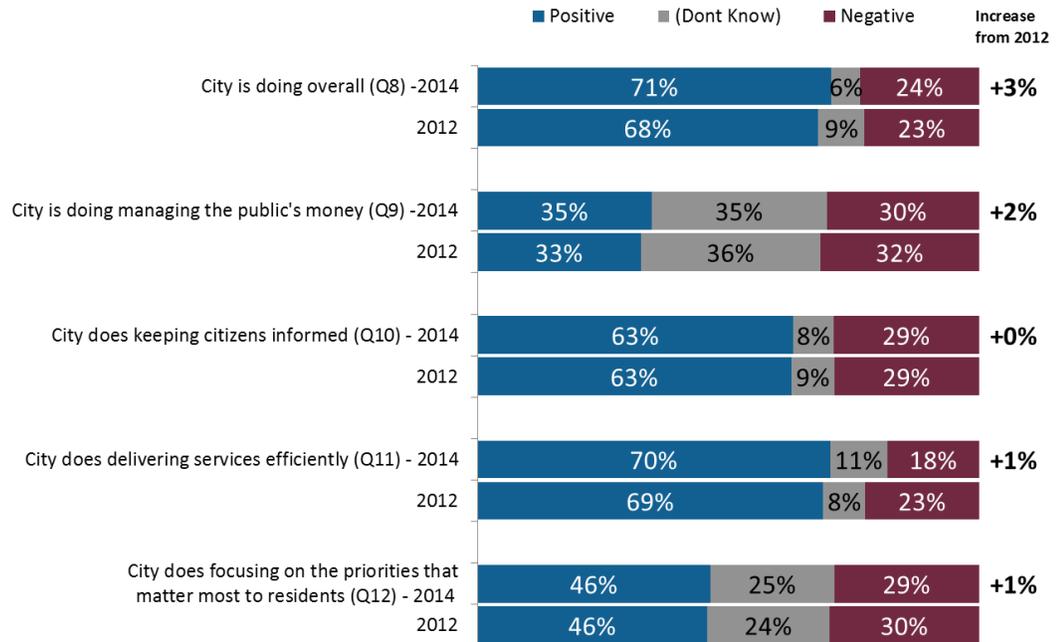


Figure 4-2 – City of Kirkland Job Ratings, 2012 vs. 2014



4.2 Information Level & Information Sources

Question(s) Analyzed

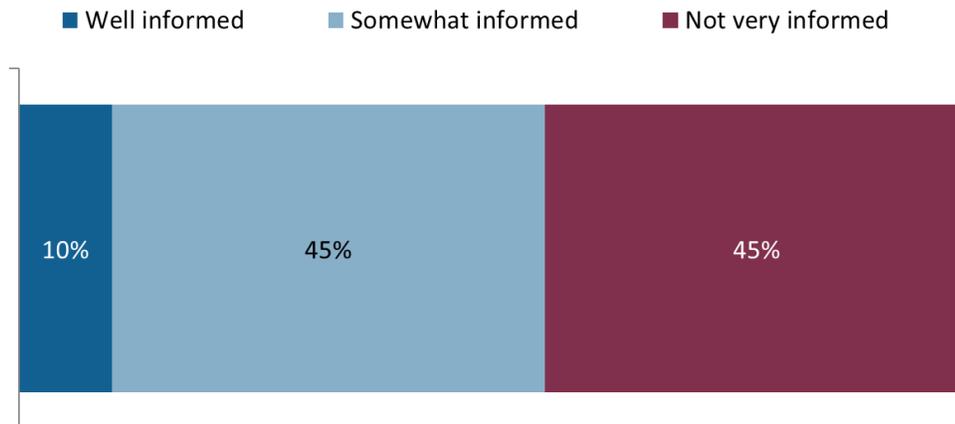
- Q26. In general, how well-informed would you say you are about Kirkland City government? Would you say you are well informed, somewhat informed, or not very informed?
- Q27. What is your primary source of information for finding out what is going on with Kirkland City government?

Finding

- *Most residents are not paying close attention to Kirkland City government, although a majority consider themselves either very (10%) or somewhat (45%) well informed. These results are similar to 2012.*
- *The fact that residents give the City generally high marks for keeping citizens informed suggests that most residents do not blame the City for their not being more informed.*
- *Respondents take advantage of a wide variety of information sources to find out "what is going on with Kirkland City government." The Kirkland Reporter continues to be the top source, followed by the City Newsletter, and the City website.*

Only one-in-ten respondents consider themselves "well-informed" about Kirkland City government. About half (45%) classify themselves as "somewhat informed" and about half (45%) say they are "not very informed." Pre-annex residents are more likely to consider themselves at least somewhat informed than are Post-annex residents (57% vs. 52%).

Figure 4-3 –Information Level



The Kirkland Reporter is the top source (31% mention) for news about City government, followed by the City Newsletter (16%) and the City website (13%). Information sources are similar among pre and post annex areas.

Figure 4-4 – Information Sources

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

Figure 4-4 – Information Sources Pre vs. Post Annex

	Pre-Annex	Post-Annex
Kirkland Reporter	34%	27%
City Newsletter	15%	17%
Kirkland/City Website	13%	13%
City Television Channel	5%	5%
Neighborhood association meetings	5%	4%
City email list	3%	4%
Facebook	2%	2%
Local Blogs	1%	3%
Twitter	1%	1%
Other	14%	14%
None	2%	8%
Don't know/NA	4%	3%

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

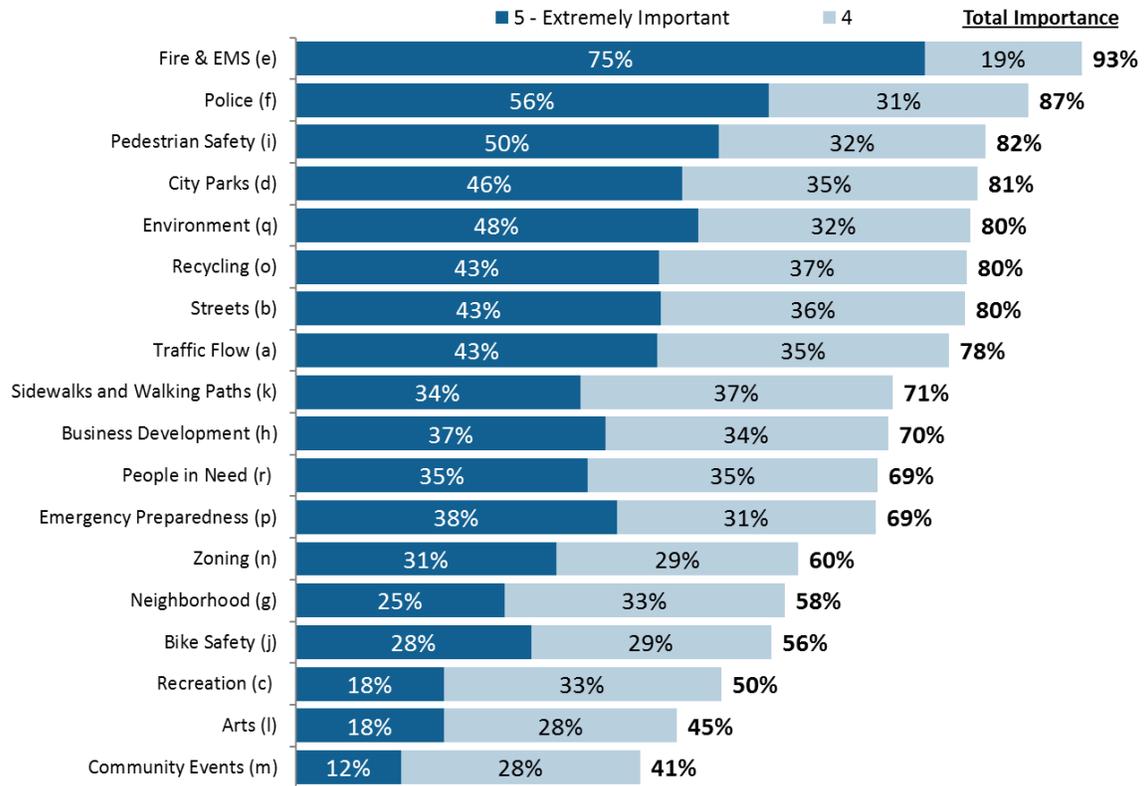
- *Safety related services -- fire/emergency medical services and police -- continue to be seen as the City's most important functions and as in 2012 the percentage of residents rating these services as "extremely important" is significantly higher than for any other service/function.*
- *After fire and police, key services/functions include, pedestrian safety, City parks, and the environment.*
- *Community events, arts, and recreation programs/classes continue to be seen as the least vital functions, although close to half of residents still say these service are important.*

Sixteen of the 18 functions/services tested are seen as important by a majority of residents – only “support for arts in the community” and “community events” fail to get a majority, although both are above 40% in overall importance.

Three-fourths of residents rate “fire and emergency medical services” as a 5 (“Extremely Important”) on a 5-point scale and 93% rate it as a 4 or a 5. A strong majority (56% “Extremely Important”) of residents also see “police services” as a critical City function – 87% rate police services as a 4 or a 5.

Pedestrian safety has moved into the next tier of services/functions seen as highly important with (82% Total Important, including 50% Extremely important), followed by City parks (81%; 46%),

Figure 5-1 – Importance (All Residents)



There continues to be minor differences in average importance between Pre-annex and Post-annex residents, but the overall order is largely the same.

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

Service Item	Pre-Annex	Post-Annex
	2014	
Fire and Emergency Medical Services	4.67	4.69
Police Services	4.42	4.31
Protecting our natural environment	4.27	4.16
Pedestrian safety	4.24	4.28
City Parks	4.21	4.22
Recycling and Garbage Collection	4.16	4.16
Maintaining streets	4.16	4.21
Managing Traffic Flow	4.13	4.16
Availability of Sidewalks and Walking Paths	4.04	3.80
Emergency Preparedness	4.02	4.09
Services for People in Need	3.98	4.02
Attracting and Keeping Businesses in Kirkland	3.97	3.96
Zoning and Land Use	3.83	3.73
Support for Neighborhoods	3.71	3.78
Bike safety	3.64	3.56
Recreation Programs and Classes	3.5	3.43
Support for Arts in the community	3.41	3.27
Community Events	3.32	3.16

5.2 Importance - Comparison with 2012

Finding

- *Most importance ratings are similar to 2012.*
- *Of the top services/functions, City Parks and managing traffic flow have seen the biggest increase in importance.*
- *The importance of bike safety has increased by 4.5 points while the importance for attracting and keeping businesses in Kirkland has decreased by 4 points.*

The mean importance for most services/functions is similar to 2012. Bike safety” (+4.5%), managing traffic flow (+3.4%) and protecting the natural environment (+3.0%) have shown the biggest increases in importance. Attracting and keeping businesses in Kirkland has shown the greatest decrease in importance, likely as a result of an increase in performance.

Figure 5-3 – Importance 2012 vs. 2014 (Ranked by Importance)

Service Item	Importance 2012	Importance 2014	Change	% Increase/ Decrease
ALL SERVICES/FUNCTIONS	3.95	3.97	+0.02	0.5%
Fire and Emergency Medical Services	4.68	4.68	+0.00	+0.0%
Police Services	4.40	4.37	(-0.02)	(-0.5%)
Pedestrian safety	4.22	4.26	+0.04	+0.9%
Protecting our natural environment	4.10	4.22	+0.12	+3.0%
City Parks	4.14	4.21	+0.07	+1.8%
Maintaining streets	4.21	4.18	(-0.03)	(-0.7%)
Recycling and Garbage Collection	4.27	4.16	(-0.11)	(-2.7%)
Managing Traffic Flow	4.01	4.14	+0.13	+3.4%
Emergency Preparedness	4.16	4.05	(-0.11)	(-2.7%)
Services for People in Need	3.96	4.00	+0.03	+0.9%
Attracting and Keeping Businesses in Kirkland	4.13	3.96	(-0.16)	(-4.0%)
Availability of Sidewalks and Walking Paths	3.94	3.94	+0.00	+0.1%
Zoning and Land Use	3.76	3.79	+0.03	+0.8%
Support for Neighborhoods	3.69	3.74	+0.05	+1.3%
Bike safety	3.45	3.61	+0.15	+4.5%
Recreation Programs and Classes	3.44	3.47	+0.04	+1.1%
Support for Arts in the community	3.31	3.35	+0.04	+1.2%
Community Events	3.17	3.25	+0.08	+2.5%

5.3 Performance

Question(s) Analyzed

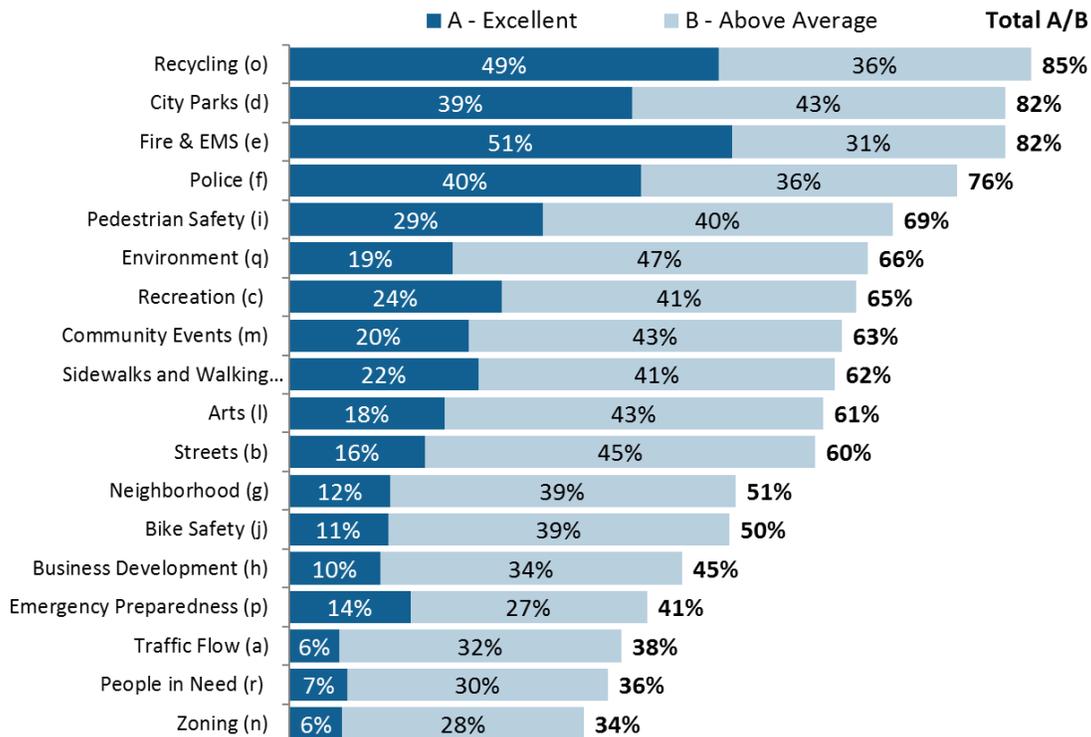
Q14. Using the same list, please tell me how well you think the city is doing in each area. Use an A thru F grading scale where A means Excellent, B means Above Average, C is Average, D is Below Average, and F is Failing.

Finding

- For the most part, the City continues to perform best on those services/functions that residents see as most important - fire/emergency medical, police, pedestrian safety City parks and recycling/garbage
- Managing traffic flow is a service area where performance significantly trails importance and represents an opportunity for the City to respond to a perceived deficiency.

Five of the top six services/functions in terms of importance are also in the top six in terms of performance, meaning that for the most part, the City is performing best on those services/functions that residents see as most important. Managing traffic flow which was seventh in average importance ranks 16th in performance, with just over half (55%) giving it an A or B grade.

Figure 5-4 – Performance Total A/B Grade



As with the importance ratings, there are some minor differences in average performance between Pre-annex and Post-annex residents, but the overall order is largely the same.

Figure 5-5 – Average Performance Pre and Post Annex

Service Item	Pre-Annex	Post-Annex
	2014	
Fire and Emergency Medical Services	4.52	4.35
City Parks	4.31	4.07
Recycling and Garbage Collection	4.31	4.33
Police Services	4.26	4.10
Recreation Programs and Classes	4.07	3.97
Pedestrian safety	4.03	3.84
Community Events	3.95	3.79
Protecting our natural environment	3.92	3.85
Support for Arts in the community	3.88	3.82
Emergency Preparedness	3.81	3.62
Availability of Sidewalks and Walking Paths	3.77	3.72
Support for Neighborhoods	3.73	3.57
Bike safety	3.66	3.50
Maintaining streets	3.64	3.60
Services for People in Need	3.63	3.49
Attracting and Keeping Businesses in Kirkland	3.49	3.43
Zoning and Land Use	3.18	3.20
Managing Traffic Flow	3.17	3.18

5.4 Performance - Comparison with 2012

Finding

- *Attracting and keeping businesses in Kirkland, recreation programs and classes, City parks have all seen positive increases in performance ratings.*
- *Most of the top services /attributes in importance have seen an increase in their performance rating.*
- *The performance rating for managing traffic flow has dropped significantly since 2012.*

Across all 18 services/functions mean performance is up 1.2%. Thirteen of 18 have shown a performance increase, 4 services/functions are down slightly, and managing traffic flow is down significantly (-8.8%), while also increasing in importance.

Figure 5-6 – Performance Year-to-Year Comparison (Ranked by Performance)

Service Item	Performance 2012	Performance 2014	Change	% Increase/ Decrease
ALL SERVICES/FUNCTIONS	3.76	3.81	+0.04	+1.2%
Fire and Emergency Medical Services	4.36	4.45	+0.08	+1.9%
Recycling and Garbage Collection	4.27	4.32	+0.05	+1.1%
City Parks	4.04	4.21	+0.18	+4.4%
Police Services	4.12	4.19	+0.07	+1.8%
Recreation Programs and Classes	3.84	4.03	+0.19	+5.1%
Pedestrian safety	3.98	3.95	(-0.03)	(-0.8%)
Protecting our natural environment	3.81	3.89	+0.08	+2.2%
Community Events	3.79	3.89	+0.10	+2.6%
Support for Arts in the community	3.81	3.86	+0.05	+1.3%
Availability of Sidewalks and Walking Paths	3.69	3.75	+0.06	+1.7%
Emergency Preparedness	3.70	3.73	+0.03	+0.8%
Support for Neighborhoods	3.56	3.67	+0.11	+3.0%
Maintaining streets	3.58	3.62	+0.04	+1.2%
Bike safety	3.65	3.60	(-0.05)	(-1.3%)
Services for People in Need	3.64	3.58	(-0.06)	(-1.7%)
Attracting and Keeping Businesses in Kirkland	3.26	3.47	+0.21	+6.4%
Zoning and Land Use	3.20	3.19	(-0.01)	(-0.3%)
Managing Traffic Flow	3.48	3.17	(-0.31)	(-8.8%)

5.5 Importance vs. Performance – Gap Analysis

Finding

- The City's performance exceeds importance on 6 of the 18 services/functions tested and performance is comparable to importance for another 7 services/functions.
- The City is over performing relative to importance on community events, recreation programs and classes, support for arts, recycling and garbage collection, City parks and bike safety.
- The gap between importance and performance is largest on managing traffic flow by a significant margin. Other areas where the city is slightly underperforming include zoning and land use, maintaining streets, and services for people in need.

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

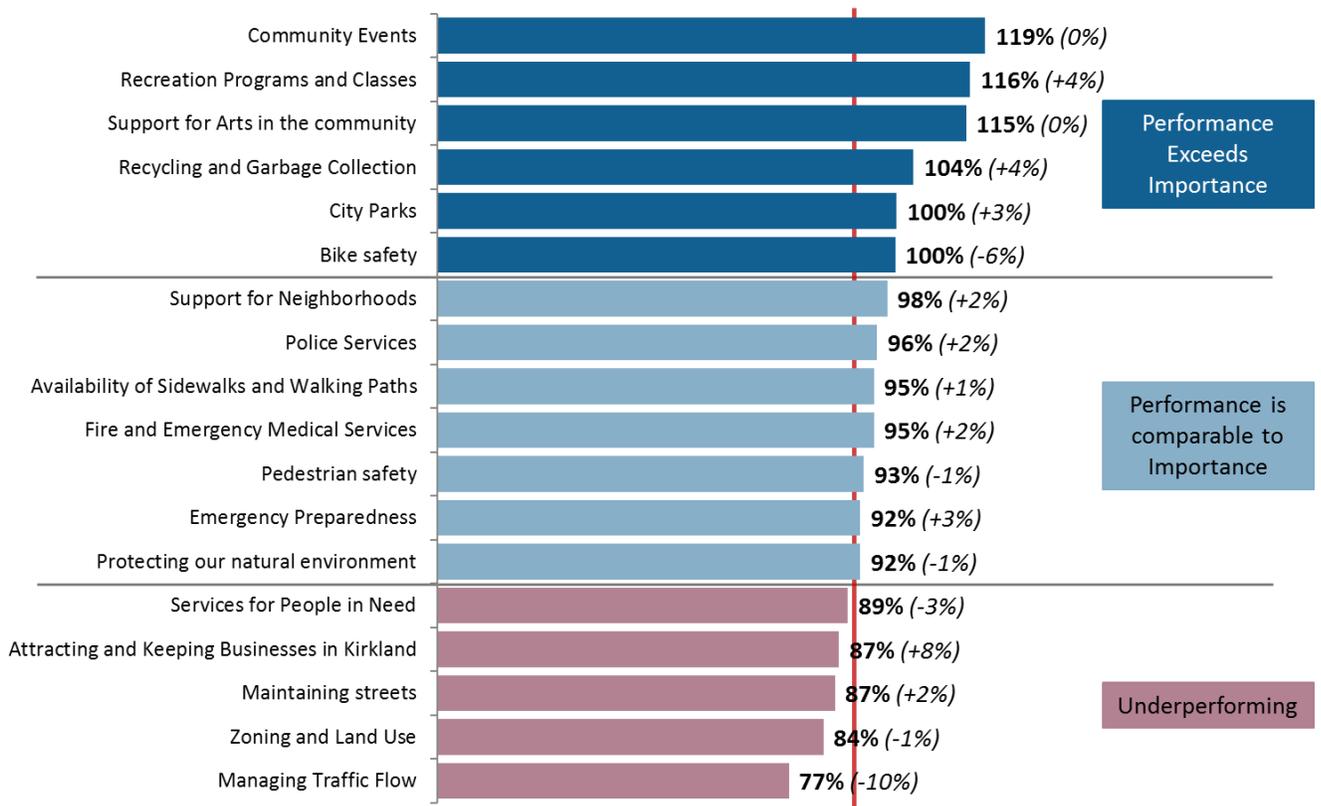


Figure 5-8 – Gap Analysis: Importance vs. Performance

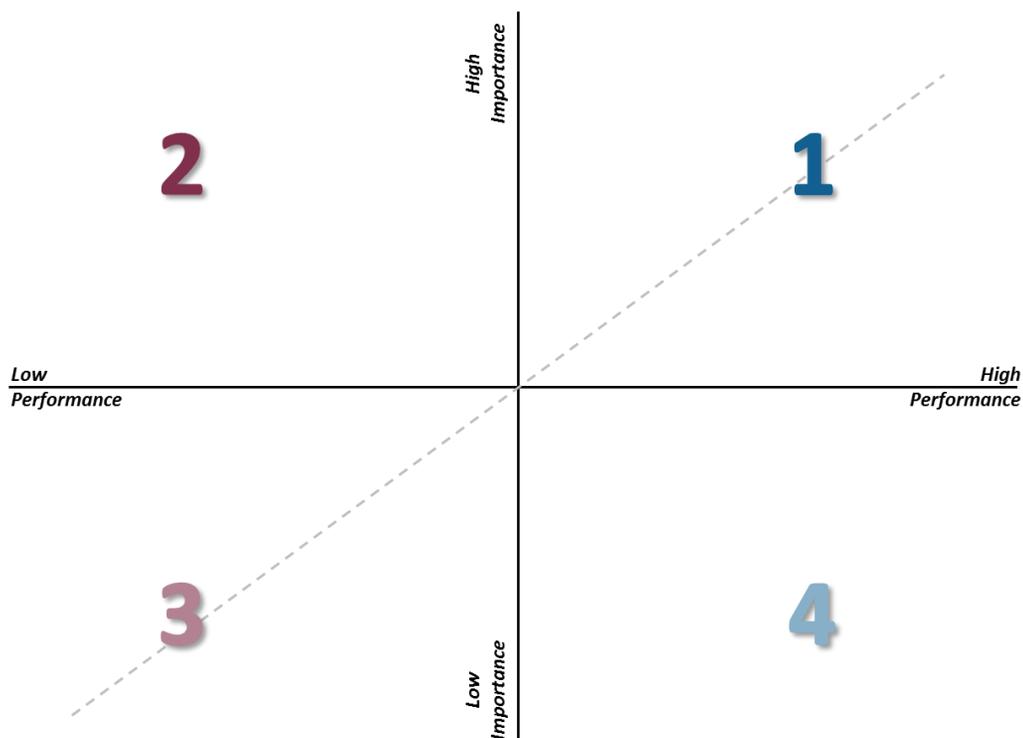
Service Item	Importance 2014	Performance 2014	Gap	Performance / Importance
ALL SERVICES/FUNCTIONS	3.97	3.81	+0.16	96.0%
Community Events	3.25	3.89	+0.63	119.4%
Recreation Programs and Classes	3.47	4.03	+0.56	116.0%
Support for Arts in the community	3.35	3.86	+0.51	115.2%
Recycling and Garbage Collection	4.16	4.32	+0.15	103.7%
City Parks	4.21	4.21	0.00	100.0%
Bike safety	3.61	3.60	-0.01	99.8%
Support for Neighborhoods	3.74	3.67	-0.07	98.0%
Police Services	4.37	4.19	-0.18	95.9%
Availability of Sidewalks and Walking Paths	3.94	3.75	-0.19	95.2%
Fire and Emergency Medical Services	4.68	4.45	-0.23	95.1%
Pedestrian safety	4.26	3.95	-0.30	92.8%
Emergency Preparedness	4.05	3.73	-0.32	92.2%
Protecting our natural environment	4.22	3.89	-0.33	92.1%
Services for People in Need	4.00	3.58	-0.42	89.5%
Attracting and Keeping Businesses in Kirkland	3.96	3.47	-0.50	87.5%
Maintaining streets	4.18	3.62	-0.56	86.7%
Zoning and Land Use	3.79	3.19	-0.60	84.1%
Managing Traffic Flow	4.14	3.17	-0.97	76.6%

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.

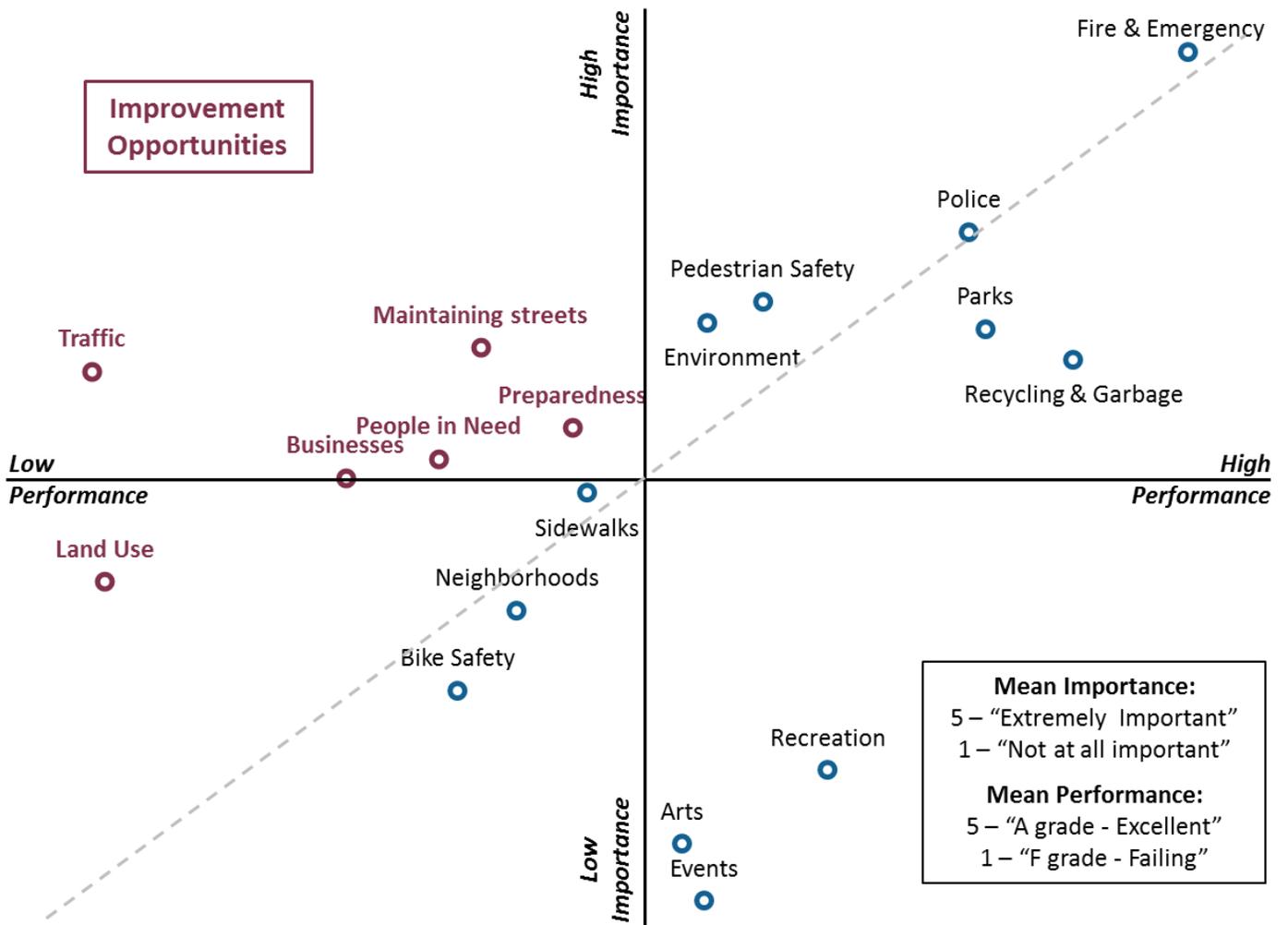
The diagonal line overlaying the chart represents where the ideal performance should be relative to the level of importance. Services falling on or near this line are performing optimally compared to how citizens value them. Items significantly left of the line may be potentially valuable improvement 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.



This view shows that, overall, many items are exactly where they should be, with appropriate performance levels for their importance. Further, it once again shows that the City is doing well with most of the higher importance items – fire & emergency, police, parks, pedestrian safety, recycling/garbage and environment.

The most critical area for improvement opportunities is managing traffic flow. Among the higher importance services/functions, city parks and recycling/garbage services are over performing.

Figure 5-9 – Overall Importance & Performance Quadrant Chart



6 Cross Kirkland Corridor Project

6.1 Familiarity with the Cross Kirkland Corridor Project

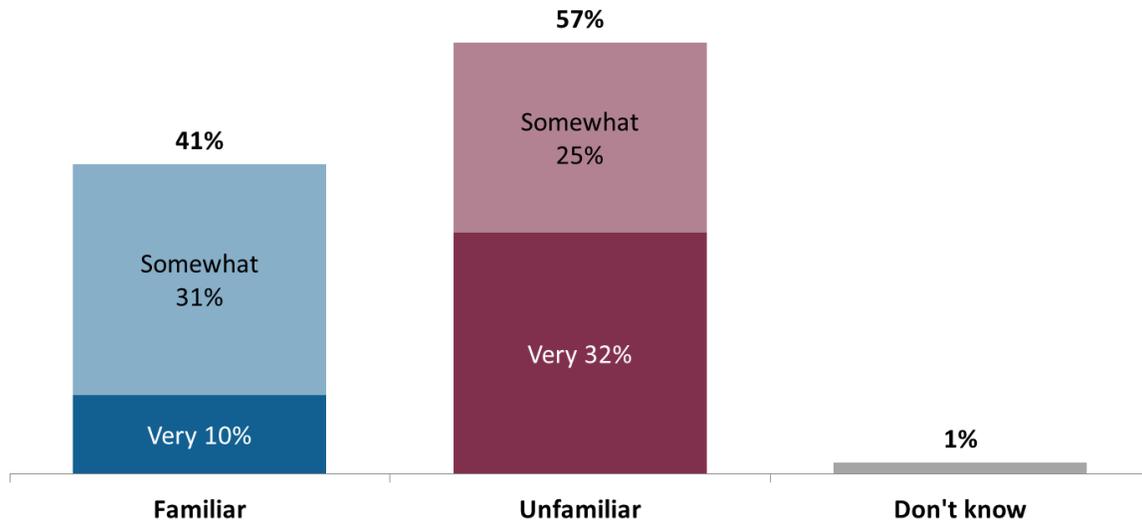
Question(s) Analyzed

Q20. How familiar would you say you are with transit plans for the Cross Kirkland Corridor - very familiar, somewhat familiar, not that familiar, or not at all familiar?

Finding

- *Roughly four-in-ten residents say they are familiar with transit plans for the Cross Kirkland Corridor, although only one-in-ten say they are "very familiar" with the plans.*

Figure 6-1 –Familiarity with the Cross Kirkland Corridor Project



6.2 Options for Transit in the Corridor

Question(s) Analyzed

Q21. As you may know, the Cross Kirkland Corridor was recently acquired by the City and provides a connection from the South Kirkland Park and Ride to Totem Lake. Along with bike and pedestrian trails, the City is planning to make the corridor ready for potential future light rail or bus rapid transit to connect residents from South Kirkland to Totem Lake and link Kirkland to light rail and other transit in Bellevue and Seattle. Right now the City is considering two options for transit in the corridor:

Please tell me which option you prefer?

Design the Cross Kirkland corridor for future high capacity transit, but wait for some years into the future until Sound Transit is ready to build and operate transit services as part of its regional investments.

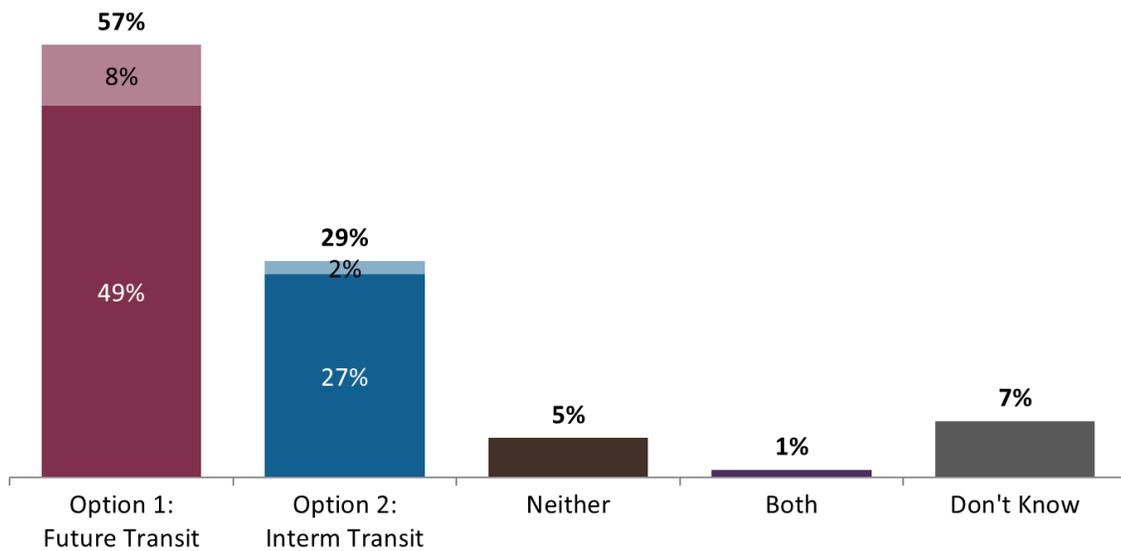
OR

Provide interim transit service on the Cross Kirkland corridor as soon as possible, funded by the City and other partners.

Finding

- *After hearing a description of potential options for transit in the Cross Kirkland Corridor a majority of residents say they prefer that the city design the corridor for future high capacity transit but wait until Sound Transit is ready to build and operate transit rather than having the city providing interim transit in the corridor funded by the city and other partners.*

Figure 6-2 – Corridor Options



7 Emergency Preparedness

7.1 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.

- Q22. Stored three days of food and water for use in the event of an emergency
- Q23. Put together a kit for the car, with things like food, flashlight, blankets, & tire chains
- Q24. Established a plan to communicate with friends or relatives out of state
- Q25. Put active, working smoke detectors in your home

Finding

- *Kirkland residents' emergency preparedness is essentially unchanged since 2012 on 3 of the 4 items, but those saying they have three days of stored food/water has decreased from 70% to 62%.*

Most all residents (97%) have working smoke detectors in their home and six-in-ten (62%) have three days of stored food and water. Half (50%) of residents have put together an emergency kit for their car and half (48%) have established a communications plan.

Figure 7-1 – Emergency Preparedness Measures Taken

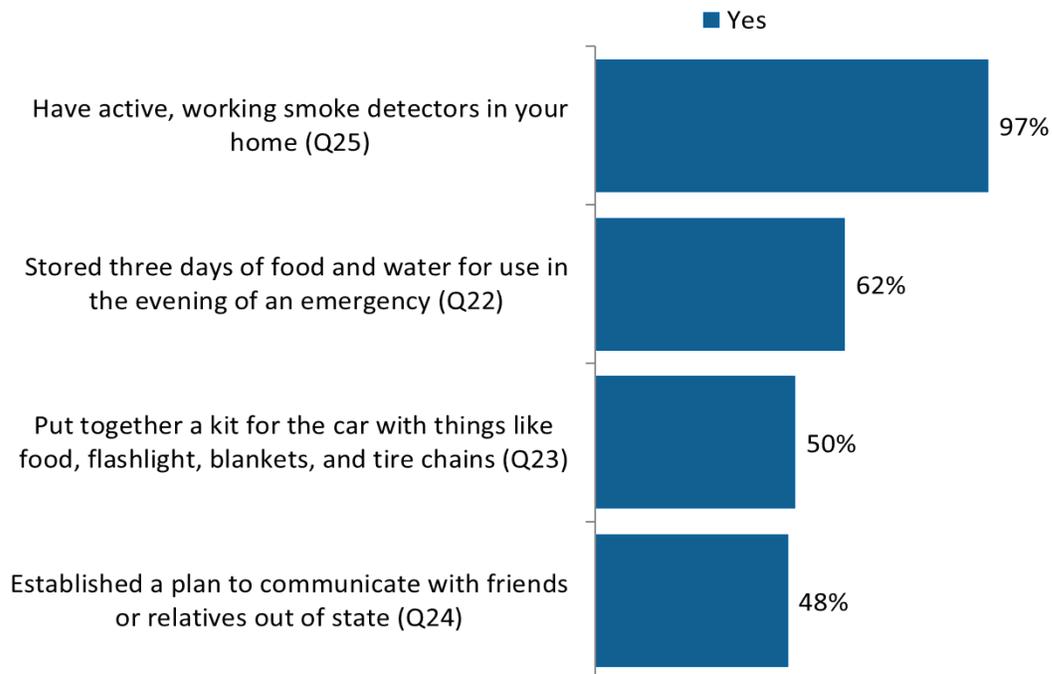
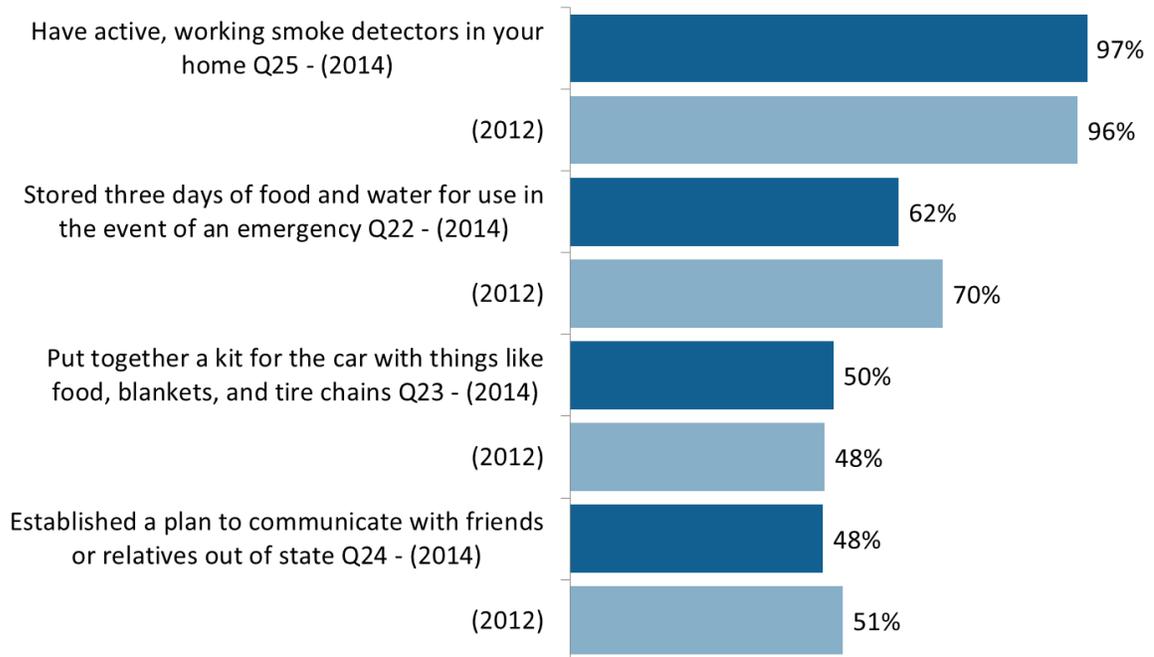


Figure 7-2 – Emergency Preparedness Measures Taken, 2012 and 2014



8 Demographics

8.1 Residency

8.2 Neighborhood

Question(s) Analyzed

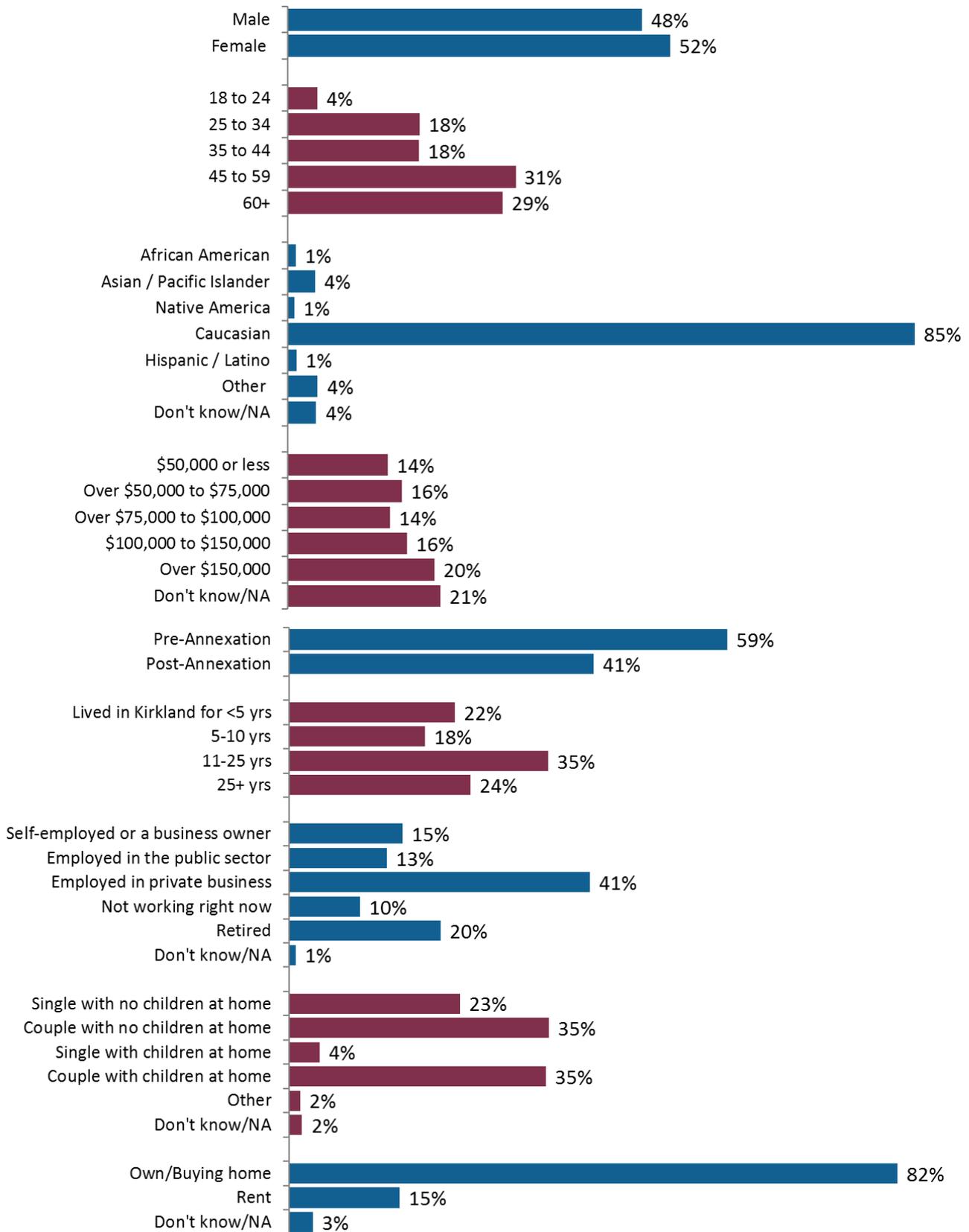
Q4. What neighborhood do you live in?

The table below shows the breakdown of respondents by neighborhood.

Figure 8-1 – Responses by Neighborhood, 2014 and 2012

Neighborhood	2012	2014
North Juanita	15%	19%
Finn Hill	14%	16%
Kingsgate	9%	14%
South Juanita	8%	1%
Central Houghton	8%	6%
North Rose Hill	7%	6%
South Rose Hill	6%	3%
Totem Lake	5%	2%
Norkirk	4%	5%
Bridle Trails	4%	5%
Market	3%	5%
Moss Bay	3%	3%
Highlands	2%	3%
Other	10%	11%
Don't Know/NA	4%	1%

8.3 Demographics



9 Topline Results

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.

	2014	2012
Old Kirkland	59%	59%
New Kirkland	41%	41%
1. Are you registered to vote at this address?		
Yes----->CONTINUE	100%	100%
No-----> TERMINATE	--	--
Don't know/NA -----> TERMINATE	--	--
2. Gender [RECORD BY OBSERVATION]		
Male	48%	48%
Female	52%	52%
3. How long have you lived in Kirkland? [IF LESS THAN 12 MONTHS RECORD AS 1 YEAR]		
1 year	4%	
2-5 years	19%	
6-10 years	18%	
11-25 years	35%	
25+ years	24%	
4. What neighborhood do you live in? [READ LIST IF NECESSARY]		
North Juanita (North of NE 124th)	19%	15%
Finn Hill	16%	14%
Kingsgate (also known as Evergreen Hill)	14%	9%
Central Houghton	6%	8%
North Rose Hill (North of NE 85TH)	6%	7%
Bridle Trails	5%	4%
Market	5%	3%
Norkirk	5%	4%
Highlands	3%	2%
Moss Bay	3%	3%
South Rose Hill (south of NE 85TH)	3%	6%
Everest	2%	<1%
Totem Lake	2%	5%
South Juanita (South of NE 124th)	<1%	8%
Other	9%	3%
Don't Know/NA	1%	4%

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

	2014	2012
Excellent	40%	35%
Very Good	46%	50%
Satisfactory	11%	11%
Only Fair	2%	3%
Poor	1%	1%
Don't Know/NA	<1%	--

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

Convenience (general location)	36%	23%
Small town feel/ Community/ Neighborhood	23%	19%
Safety	8%	7%
Access to water	7%	11%
Close to parks/ recreation	7%	6%
Downtown Kirkland	5%	--
Beautiful scenery/ Peaceful/ Clean	4%	8%
Nice place to live (general positive)	2%	5%
Family/ Raised here	1%	3%
Close to Seattle	--	4%
Other	4%	10%
Nothing	2%	1%
Don't Know	1%	3%

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

Over development/Growth	21%	15%
Traffic/Infrastructure	16%	7%
Taxes	8%	4%
Police/Issues with Police	5%	5%
Leadership issues/Management	4%	3%
Housing	4%	2%
Education/Schools	3%	2%
Budget/Spending	2%	6%
Totem Lake Mall vacancy	2%	3%
More Businesses/Leaving	2%	2%
Other	7%	15%
No/None/Nothing	23%	27%
Don't Know	3%	8%

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								
2014	9%	62%	21%	3%	5%	1%	71%	24%
2012	10%	58%	18%	5%	9%	--	68%	22%
9. the job the City is doing managing the public's money								
2014	5%	30%	24%	7%	32%	3%	35%	30%
2012	5%	28%	24%	8%	36%	--	33%	32%
10. the job the City does keeping citizens informed								
2014	13%	50%	23%	6%	7%	1%	63%	29%
2012	12%	50%	22%	7%	8%	--	62%	29%
11. the job the City does delivering services efficiently								
2014	13%	57%	15%	3%	11%	1%	70%	18%
2012	16%	53%	17%	5%	9%	--	69%	22%
12. the job the City does focusing on the priorities that matter most to residents								
2014	6%	40%	22%	7%	23%	1%	46%	29%
2012	5%	41%	20%	9%	24%	--	46%	29%
[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							
2014	2%	3%	17%	35%	43%	<1%	4.14
2012	3%	5%	18%	38%	36%	--	4.01
B. Maintaining streets							
2014	1%	2%	17%	36%	43%	--	4.18
2012	1%	2%	15%	39%	43%	--	4.21
C. Recreation Programs and Classes							
2014	5%	12%	30%	33%	18%	2%	3.47
2012	8%	10%	30%	32%	18%	1%	3.44
D. City Parks							
2014	1%	3%	14%	35%	46%	<1%	4.21
2012	2%	2%	18%	35%	43%	1%	4.14
E. Fire and Emergency Medical Services							
2014	1%	1%	4%	19%	75%	1%	4.68
2012	1%	-	5%	16%	77%	--	4.68
F. Police Services							
2014	2%	2%	9%	31%	56%	--	4.37
2012	2%	3%	9%	24%	61%	1%	4.40
G. Support for Neighborhoods							
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							
2014	3%	5%	19%	34%	37%	2%	3.96
2012	4%	3%	15%	32%	45%	1%	4.13
I. Pedestrian safety							
2014	2%	4%	13%	32%	50%	<1%	4.26
2012	3%	4%	11%	32%	50%	--	4.22
J. Bike safety							
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							
2014	2%	6%	20%	37%	34%	<1%	3.94
2012	3%	7%	19%	36%	36%	--	3.94
L. Support for Arts in the community							
2014	8%	13%	32%	28%	18%	1%	3.35
2012	8%	14%	32%	30%	15%	1%	3.31

	1 Not at all Important	2	3	4	5 Extremely Important	(Don't know)	Mean
M. Community Events							
2014	7%	14%	36%	28%	12%	1%	3.25
2012	10%	14%	36%	32%	9%	--	3.17
N. Zoning and Land Use							
2014	5%	6%	25%	29%	31%	4%	3.79
2012	3%	6%	28%	29%	28%	6%	3.76
O. Recycling and Garbage Collection							
2014	1%	4%	15%	37%	43%	--	4.16
2012	1%	2%	13%	36%	48%	--	4.27
P. Emergency Preparedness							
2014	1%	3%	22%	31%	38%	4%	4.05
2012	2%	3%	18%	28%	46%	3%	4.16
Q. Protecting our natural environment							
2014	2%	3%	15%	32%	48%	<1%	4.22
2012	4%	2%	17%	34%	42%	1%	4.10
R. Services for People in Need							
2014	2%	5%	18%	35%	35%	5%	4.00
2012	3%	5%	19%	33%	35%	5%	3.96
[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	Grade
[RANDOMIZE]							
A. Managing Traffic Flow							
2014	6%	32%	39%	14%	6%	3%	2.17
2012	9%	46%	29%	9%	4%	3%	2.48
B. Maintaining streets							
2014	16%	45%	27%	9%	3%	2%	2.62
2012	13%	42%	34%	7%	2%	2%	2.58
C. Recreation Programs and Classes							
2014	24%	41%	19%	1%	<1%	15%	3.03
2012	17%	39%	16%	5%	1%	21%	2.84
D. City Parks							
2014	39%	43%	13%	2%	1%	3%	3.21
2012	28%	47%	16%	3%	1%	5%	3.04
E. Fire and Emergency Medical Services							
2014	51%	31%	6%	1%	<1%	10%	3.45
2012	47%	31%	8%	2%	1%	11%	3.36
F. Police Services							
2014	40%	36%	12%	3%	1%	7%	3.19
2012	39%	35%	11%	4%	3%	7%	3.12
G. Support for Neighborhoods							
2014	12%	39%	25%	5%	1%	18%	2.67
2012	11%	31%	28%	4%	3%	23%	2.56
H. Attracting and Keeping Businesses in Kirkland							
2014	10%	34%	29%	7%	4%	14%	2.47
2012	10%	27%	28%	14%	5%	17%	2.26
I. Pedestrian safety							
2014	29%	40%	20%	6%	1%	5%	2.95
2012	27%	44%	18%	4%	1%	6%	2.98
J. Bike safety							
2014	29%	40%	20%	6%	1%	5%	2.95
2012	27%	44%	18%	4%	1%	6%	2.65
K. Availability of Sidewalks and Walking Paths							
2014	22%	41%	25%	9%	1%	3%	2.75
2012	14%	47%	26%	6%	2%	4%	2.69
L. Support for Arts in the community							
2014	18%	43%	19%	4%	1%	15%	2.86
2012	17%	38%	22%	5%	1%	17%	2.81

	A- Excellent	B- Above Average	C- Average	D- Below Average	F- Failing	Don't Know	Grade
M. Community Events							
2014	20%	43%	23%	3%	1%	10%	2.89
2012	16%	41%	25%	4%	1%	15%	2.79
N. Zoning and Land Use							
2014	6%	28%	28%	12%	6%	20%	2.19
2012	4%	26%	25%	9%	6%	29%	2.20
O. Recycling and Garbage Collection							
2014	49%	36%	10%	3%	1%	2%	3.32
2012	45%	39%	10%	2%	2%	2%	3.27
P. Emergency Preparedness							
2014	14%	27%	21%	4%	1%	33%	2.73
2012	14%	29%	18%	5%	2%	32%	2.70
Q. Protecting our natural environment							
2014	19%	47%	21%	2%	1%	10%	2.89
2012	17%	43%	21%	4%	2%	13%	2.81
R. Services for People in Need							
2014	7%	30%	25%	4%	1%	34%	2.58
2012	9%	28%	20%	4%	1%	38%	2.64

[END RANDOMIZE]

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

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

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

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

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

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

[IF Q17=3 or 4 ASK FOLLOW UP 18]18. **(IF UNSAFE)** Why do you feel unsafe? (*n*=79, *MoE*= ±11%) **[ACCPET TWO RESPONSES-DO NOT PROBE]**

Lack of streetlights/Dark	35%
Crime	26%
Night time is unsafe	14%
Strangers	12%
No sidewalks	7%
Other	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	32%	27%
Somewhat satisfied	50%	55%
Somewhat dissatisfied	13%	14%
Very dissatisfied	5%	4%
Don't know/NA	<1%	2%

20. How familiar would you say you are with transit plans for the Cross Kirkland Corridor - very familiar, somewhat familiar, not that familiar, or not at all familiar?

Very Familiar	10%
Somewhat Familiar	31%
Not that Familiar	25%
Not at all Familiar	32%
Don't Know/Refused	1%

21. As you may know, the Cross Kirkland Corridor was recently acquired by the City and provides a connection from the South Kirkland Park and Ride to Totem Lake. Along with bike and pedestrian trails, the City is planning to make the corridor ready for potential future light rail or bus rapid transit to connect residents from South Kirkland to Totem Lake and link Kirkland to light rail and other transit in Bellevue and Seattle. Right now the City is considering two options for transit in the corridor:

Please tell me which option you prefer?

[ROTATE]

[Option 1:] Design the Cross Kirkland corridor for future high capacity transit, but wait for some years into the future until Sound Transit is ready to build and operate transit services as part of its regional investments.

OR

[Option 2:] Provide interim transit service on the Cross Kirkland corridor as soon as possible, funded by the City and other partners.

[END ROTATE]

(IF UNDECIDED/NOT SURE) Well which option do you lean towards?

Option 1	49%
(Lean option 1)	8%
Option 2	27%
(Lean option 2)	2%
Neither	5%
Both	1%
Don't know	7%

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]			
22. Stored three days of food and water for use in the event of an emergency.			
2014	62%	37%	1%
2012	70%	29%	1%
23. Put together a kit for the car, with things like food, flashlight, blankets, & tire chains.			
2014	50%	50%	1%
2012	48%	52%	--
24. Established a plan to communicate with friends or relatives out of state.			
2014	48%	50%	2%
2012	51%	47%	2%
25. Have active, working smoke detectors in your home.			
2014	97%	2%	<1%
2012	96%	4%	1%

[END RANDOMIZE]

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

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

27. 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	13%	10%
Kirkland Reporter	31%	31%
City Newsletter	16%	16%
City Television Channel	5%	6%
Local Blogs	2%	3%
Twitter	1%	1%
Facebook	2%	1%
City email list	3%	6%
Neighborhood association meetings	5%	5%
None	4%	5%
Don't know/NA	4%	3%
Other	14%	3%

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

28. Which the following best describes you at this time? Are you. . .
- | | | |
|--|-----|-----|
| Self-employed or a business owner | 15% | 17% |
| Employed In The Public Sector, Like a Governmental Agency or Educational Institution | 13% | 10% |
| Employed In Private Business | 41% | 36% |
| Not Working Right Now | 10% | 14% |
| Retired | 20% | 21% |
| Don't know/NA | 1% | 2% |
29. Which of the following best describes your household?
- | | | |
|---------------------------------|-----|-----|
| Single with no children at home | 23% | 26% |
| Couple with no children at home | 35% | 29% |
| Single with children at home | 4% | 7% |
| Couple with children at home | 35% | 33% |
| Other | 2% | 1% |
| Don't know/Refused | 2% | 3% |

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

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

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

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

32. 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	14%	22%
Over \$50,000 to \$75,000	16%	14%
Over \$75,000 to \$100,000	14%	13%
\$100,000 to \$150,000	16%	21%
Over \$150,000	20%	12%
Don't know/NA	21%	18%

33. Do you have a cell phone or not?

Yes	92%	92%
No	7%	6%
Refused	1%	2%

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

34. How much do you rely on your cell phone? Would you say you rely on your cell phone... (n=458, MoE=±4.6%)

[READ RESPONSES]

All the time – it's your only phone	37%	33%
A great deal – it's your primary phone	28%	30%
Some – you use it occasionally	18%	22%
Very little – you mostly have it for emergencies	16%	14%
Don't know	<1%	
Refused	1%	

35. And for statistical purposes only, what year were you born? **[RECORD YEAR - VALID RANGE: 1900-1996: TERMINATE >= 1992]** IF "NA" ==> "Would you say you are age..." **[READ RESPONSES IN Q4]**

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

18 to 24	4%	6%
25 to 34	18%	16%
35 to 44	18%	18%
45 to 59	31%	31%
60 to 74	20%	
75+	10%	29%

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: Tracey Dunlap, Director of Finance and Administration
Neil Kruse, Interim Financial Planning Manager
George Dugdale, Budget Analyst

Date: May 22, 2014

Subject: CITY COUNCIL RETREAT – FINANCIAL PLANNING

The purpose of this memo is to provide a brief recap of the year-to-date 2014 financial results, a brief overview of the upcoming mid-year budget adjustments on the June 17 regular meeting agenda, update the "Price of Government", the 2013-2022 financial forecast, and the "Kirkland Quad", and provide a discussion of a variety of financial planning and budget considerations in preparation for the 2015-2016 budget process.

FINANCIAL STATUS

The Financial Management Report (FMR) provides a review of revenue and expenditure performance for the quarter ending March 31, 2014 (Attachment A) and provides more detailed information on economic conditions and financial performance. Overall, financial conditions in the first quarter of 2014 continued to show improvement, however, the rate of revenue growth has slowed 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 across funds 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 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. While overall revenue trends are positive, the continuing volatile global economic conditions and slow growth in the labor market remain a concern.
- Overall, **General Fund expenditures** are consistent with budget projections with 32.9 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 at budget through the first third of 2014.

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 8.8 percent compared to the same period in 2013, with substantial increases in the contracting, wholesales and miscellaneous sectors, and positive growth in most major sectors. Year-to-date results are encouraging, however, the large gains in some categories seen in 2013, particularly automotive sales, have slowed in 2014.

Development fees year-to-date have exceeded budget expectations, with revenues through April at 49.4 percent of budget. This result is due in part to large payments in January associated with the SRM project expanding Google's campus. 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. While the current trend is impressive, the volatile nature of building permits is tied to the construction market and can lead to spikes and drops in revenue throughout the year.

MID-YEAR BUDGET ADJUSTMENTS

At the June 17 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 last amendment, and incorporate housekeeping adjustments.

The mid-year adjustments are summarized as follows (further detail on each adjustment will be included in the June 17 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:

- Approved changes to capital projects, such as the acquisition of the Yuppie Pawn Shop property;
- Recognizing King County Park levy revenue and the use for the planned replenishment of the General Capital Contingency funding of the Yuppie Pawn shop property;
- Other pending adjustments to capital projects that need to occur prior to the adoption of the CIP update in December, such as the NE 85th Street award of bid and the remaining \$110,000-\$150,000 for funding the Kirkland Justice Center firing range;
- Approved uses of Council Special Projects reserve;
- Additional funding for the Aquatics Center Site Evaluation (\$185,000);
- Additional replenishment to the Litigation Reserve of \$100,000 due to additional legal costs associated with the Cross Kirkland Corridor;
- Uses of the City Manager contingency for MAC/AFSCME employee salary surveys (\$25,000) and climate population measures consulting (\$12,500);
- New grant revenue and the related expenses.

Development Services Needs – With the continued strong level of development activity, there is a need to adjust staffing to maintain service levels. In some cases, staff will be recommending making temporary development positions on-going FTEs to aid in recruiting in this very competitive environment. It is important to recognize that, if the development cycle declines significantly in the future, that these resources may need to be adjusted downwards to match decreases in revenues and service demands. Adjustments identified to date include:

- Various requests for one-time staffing resources to address workload issues;
- Development Construction Inspector position request for change in status from temporary to regular (creation of a 1.0 FTE).

Housekeeping Items – This category of adjustments are needed to adjust budget accounts, fund balances, etc., such as:

- Reconciling appropriation changes from the mid-biennial budget adjustments, such as the amount for the Voter-approved (UTGO) Debt Service refinanced in 2013 and an appropriation change in the Information Technology Fund resulting from an approved transfer from the General Fund.

The next opportunity for budget adjustments will occur as part of the biennial budget process at the end of 2014.

PRICE OF GOVERNMENT UPDATE

One of the strategic anchors used in the 2013-2014 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.

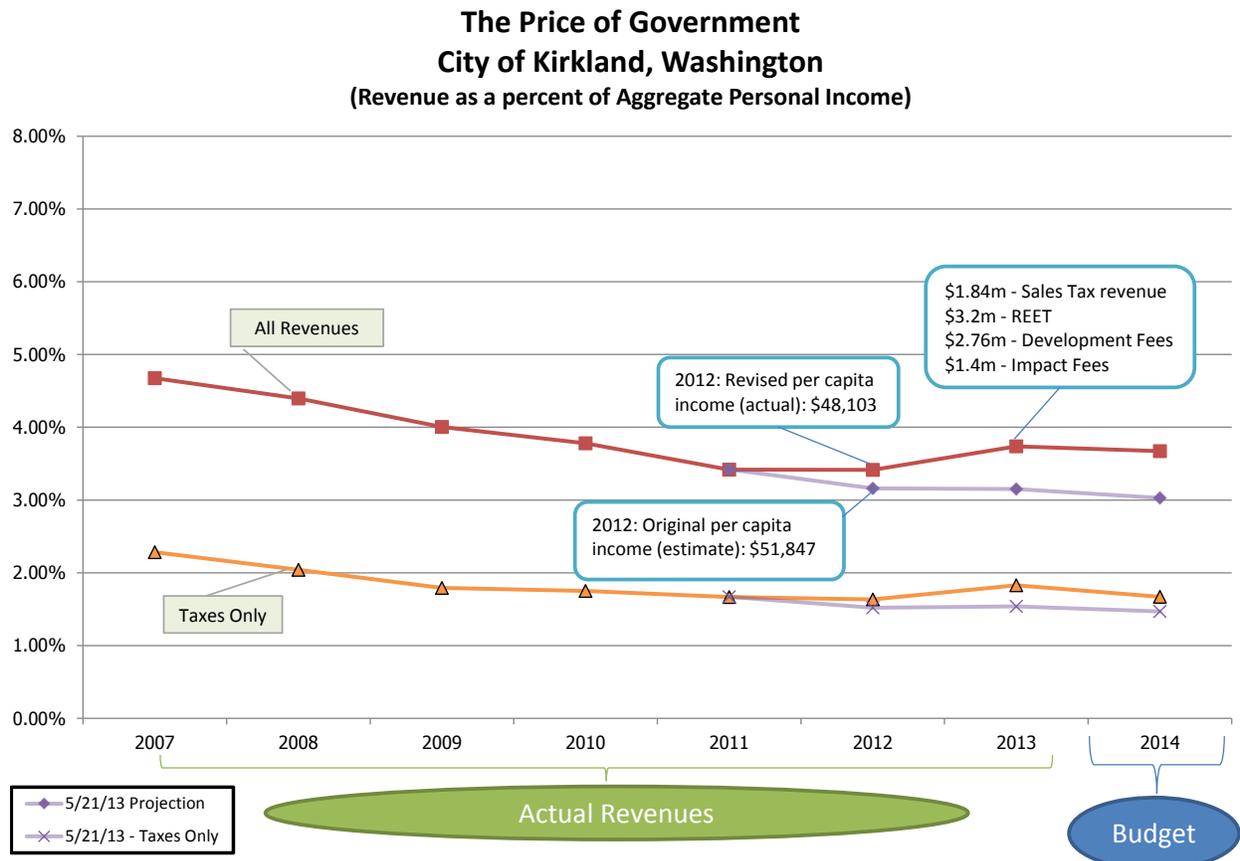
Kirkland's Price of Government graph in the Budget Message reflected actual revenue data for 2007-2011, 2012 estimates, and the 2013-2014 preliminary budget. The personal income data reflected actuals published by the U.S. Census Bureau (American Community Survey) for 2007-2011 and projections based on the Washington State Economic and Revenue Forecast Council personal income growth forecast.

The 2013 actual revenues and amended 2014 budget are now available, as well as actual 2012 personal income figures and a new personal income growth forecast. 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, although the total revenues are still below 4 percent and taxes only are below 2 percent. These results are roughly in line with 2010, the last full year before annexation. The majority of the rise in 2013 between the previous and current update is due to actual revenues exceeding the budget, particularly sales tax, development fees, Real Estate Excise Tax (REET), and impact fees. It is important to note that several of these categories are directly related to the high level of development activity and can be expected to fluctuate significantly with economic cycles.

The change in the 2012 Price of Government is due to revising the per capita income number to reflect the actual from the American Community Survey. In the prior projection, the 2011 figure was a hybrid figure of the pre-annexation area through June 1, 2011 and the estimated post-annexation data for the rest of the year; 2012 and subsequent years were projected using the State's income growth forecast. The actual 2012 personal income figure is lower than the estimate (\$48,103 versus \$51,847, a reduction of 7 percent), which means that the same level of taxes and fees are a proportionately larger share of the citizens per capita income. Personal

income estimates for 2013 and 2014 are also affected by this change, as well as a lower projection of income growth from the Washington State Economic Revenue Forecast Council.



The change in the Price of Government over the past twelve months has happened without action on the part of the City, which highlights that this broad metric should be viewed as a trend indicator and 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

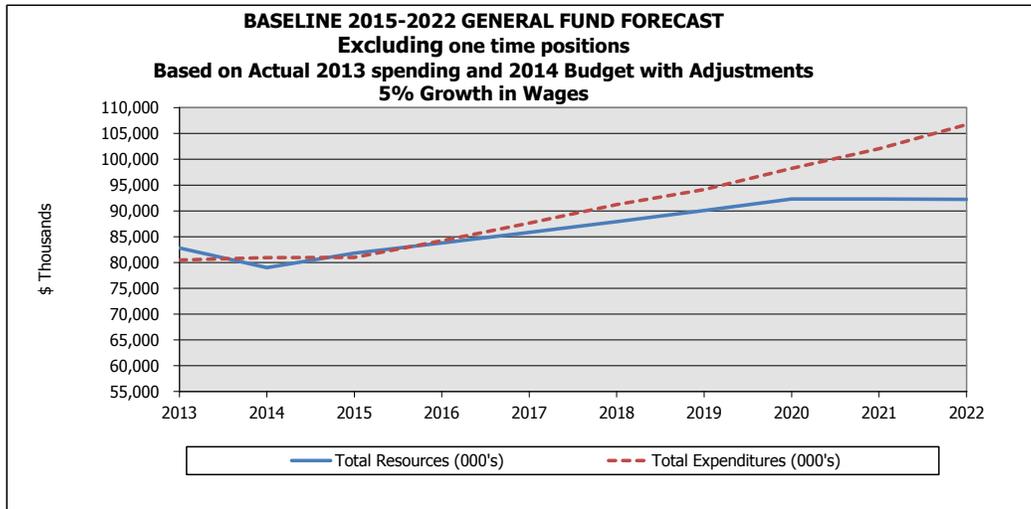
The baseline financial forecast has been updated to reflect actual expenditures in 2013 and to account for all budgeted on-going expenditures in 2014. The forecast ends in 2022, allowing for analysis of the impact of the expiration of the annexation sales tax credit in 2021. The forecast includes the annexation state sales tax credit at \$3.4 million in 2014, rising at 4 percent per year in future biennia in line with the forecast for other sales tax revenues. 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 may not rise at 4 percent per year for the entire period.

The key assumptions in the Baseline Forecast include:

- Revenues

- Based on 2013 actuals and 2014 amended on-going budget, including all adjustments made as of May 2014
- Utility taxes growth of 2% per year 2015-2022
- Sales tax growth of 4% per year 2015-2022
- Growth of 4% per year in annexation sales tax credit 2015-2021
- No diversion of current revenue sources to CIP
- No use of reserves in 2015-2022
- 1% optional property tax and 1% annual growth in new construction property tax in 2015-2022
- 2% growth in other taxes (revenue generating regulatory license and gambling taxes)
- 2% annual growth in other revenue in 2015-2022

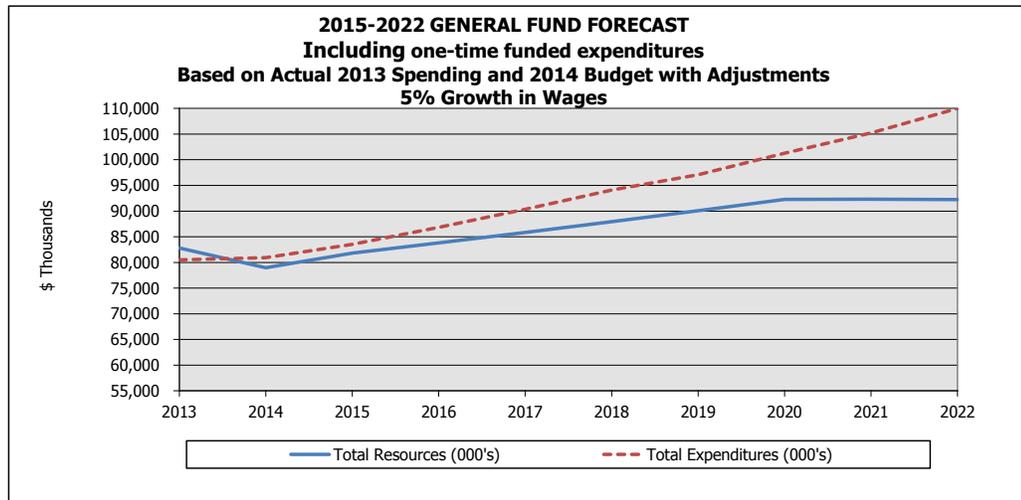
- Expenditures
 - Based on 2013 actuals and 2014 amended on-going budget, including all adjustments made as of May 2014
 - 5% annual growth in wages in 2015-2022 (assumes long term trend based on 2.5% raises, 1.5% steps & longevity, 1% market and other adjustments)
 - 7% annual increase in total benefits in 2015-2022
 - No annual growth in supplies, services & capital in 2015-2022
 - Estimated debt and sinking fund transfers for years 2015-2022
 - 1% planned reserve replenishment until 2018, when reserves will be at target



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Resources (000's)	82,804	78,987	81,043	83,000	85,012	87,079	89,205	91,390	91,388	91,271
Total Expenditures (000's)	80,489	80,932	80,962	84,201	87,623	91,235	94,143	98,249	102,066	106,724
Net Resources (000's)	2,315	(1,946)	81	(1,201)	(2,611)	(4,156)	(4,938)	(6,859)	(10,678)	(15,453)
Biennium Total (000's)	369		(1,120)		(6,767)		(11,798)		(26,131)	

- The baseline forecast, which excludes all one-time costs, indicates a budget shortfall in the 2015-16 biennium of approximately \$1.12 million, or 0.7 percent of the biennial budget. In 2013 sales tax revenues were significantly over budget, and if sales tax was to continue to be close to the 2013 amount, this revenue could fund the deficit in the baseline forecast.

During the Mid-Biennial budget process Council approved the addition of approximately \$2.3 million in one-time expenditures, mostly in salaries and benefits. In addition to the existing one time positions and services packages adopted in the original budget, this accounts for about \$3.4 million in approved one-time costs. A listing of these expenditures and a projection of their impacts if they continue into 2015-2016 is provided as Exhibit 1 at the end of this memorandum. If these costs were to continue the gap would widen and be closer to 2.9 percent, as shown in the chart as follows:



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Resources (000's)	82,804	78,987	81,814	83,795	85,832	87,925	90,076	92,289	92,316	92,228
Total Expenditures (000's)	80,489	80,932	83,519	86,849	90,367	94,080	97,065	101,282	105,217	110,000
Net Resources (000's)	2,315	(1,946)	(1,705)	(3,054)	(4,535)	(6,155)	(6,988)	(8,993)	(12,901)	(17,772)
Biennium Total (000's)	369		(4,759)		(10,690)		(15,981)		(30,673)	

- While all one-time costs may not be approved the likely shortfall will be somewhere between the two forecasts, which will require additional funding to close to gap between expenditures and revenues.
- The impact of the expiration of the Annexation Sales Tax Credit (ASTC) in 2021 can be seen at the end of the projection period in both forecasts. 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, decreases 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 accumulated before the expiration could be set aside toward one-time uses, such as capital improvements or recouping the annexation costs incurred by the City prior to the effective date.
 - The adopted budget assumes that 1% of revenues would go toward reserve replenishment until reserves reach their targets, which is projected in 2018. The removal of this requirement would reduce the operating budget by approximately \$1 million a year.

Even given these measures, the forecast would indicate that the loss of the ASTC adds significantly to the gap by the time it expires in 2021. At the June 2013 Retreat, a variety of potential long-range strategies to close the remaining gap at the end of the ASTC were discussed, including:

- Reduce reliance on the credit slowly over the remaining period by reducing the amount of ASTC assumed for budget and forecasting purposes. The ultimate gap to be filled upon expiration would be smaller if we assume the revenues remain at the current level.

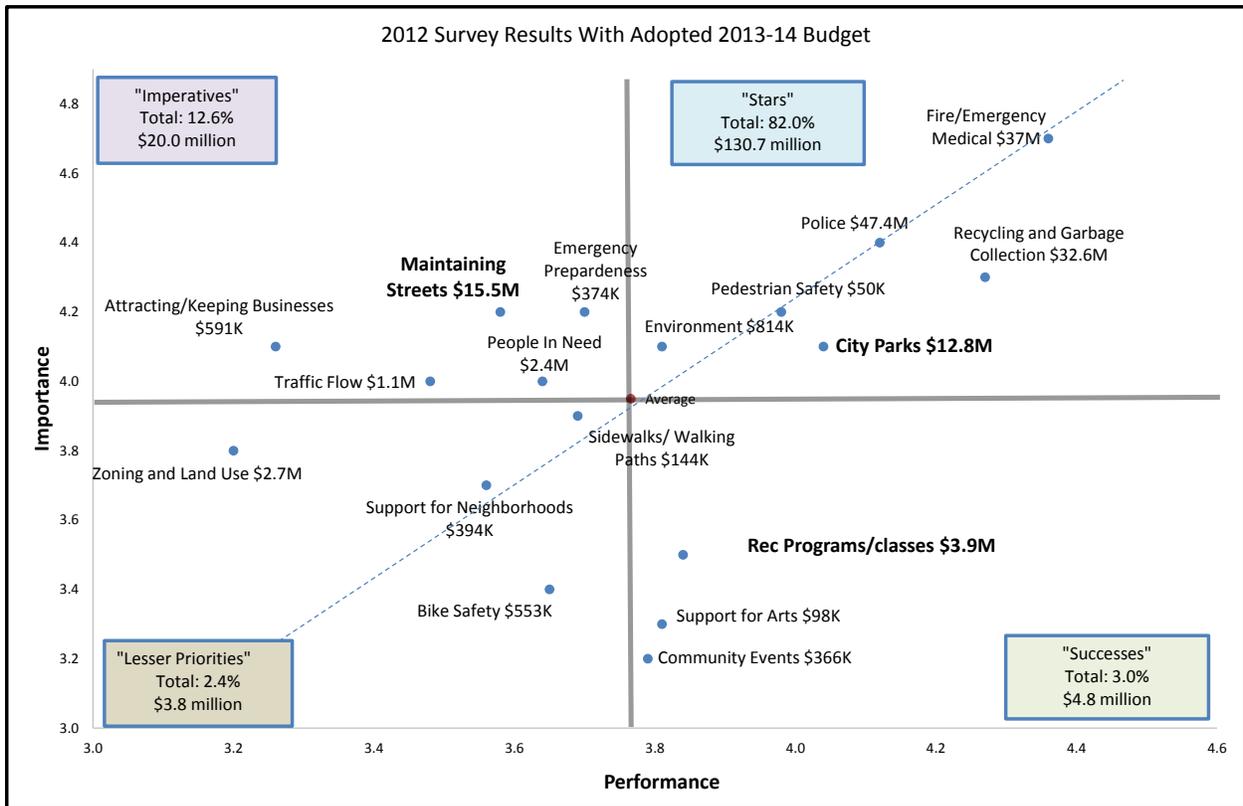
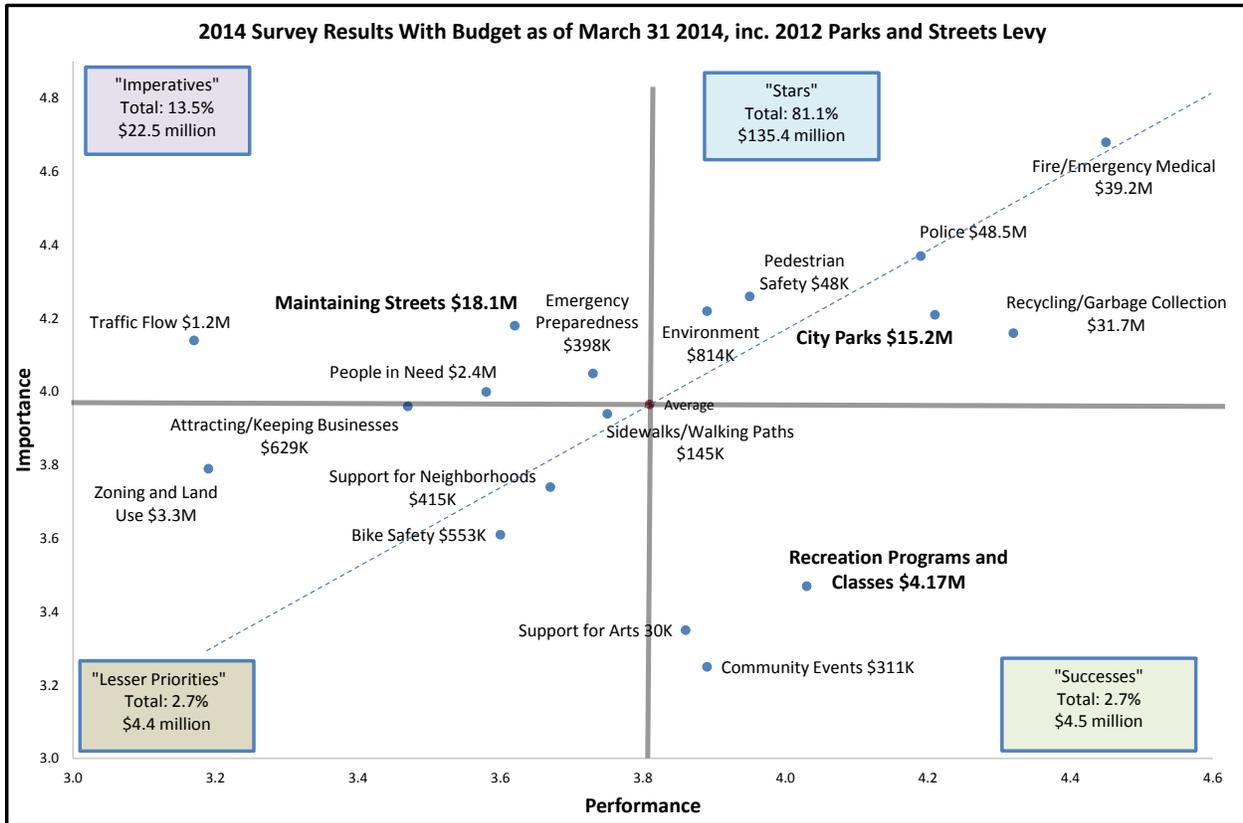
- Set aside a portion of non-annexation on-going revenue growth equivalent to the gap for one-time uses until the expiration date. At that time, the on-going funds would be available to fund the on-going costs that continue after the expiration of the ASTC. One of those uses is to reimburse the costs incurred by the City prior to the annexation effective date, which would take the form of reserve replenishment. Other potential one-time uses for the funds that are set aside could include increased funding for capital projects.
- If the City pursues forming a Regional Fire Authority (RFA), a decision will need to be made in terms of whether and how much the new tax imposed by the RFA would be offset by reducing the City's existing taxes. One argument for leaving a portion of the existing tax revenue in place (resulting in an overall increase in tax revenues) would be to offset the loss of the ASTC revenue. How much net taxes increase must be weighed carefully against the public's response, which may impact the outcome of an RFA vote.
- Pursuing a voted tax option, which might include a levy lid lift for public safety purposes (a large cost driver in the annexation) or establishing a fire benefit charge as authorized by RCW 35.13.256 reflecting the 2012 state legislature's approval of HB 2767. Both of these options would require that the impacts of the ASTC revenue loss would be sufficiently compelling to result in a positive outcome.

As future budgets are developed and funding decisions are made, opportunities for addressing the impacts of the ASTC expiration will be identified and considered in the decision-making criteria.

THE KIRKLAND QUADRANT

Following the citizen survey every two years, staff compile the Kirkland Quadrant, a high level look at how city services are perceived by the public, both in terms of importance and performance. In addition, resource allocation to each of the areas is tracked to measure how much City revenue is being spent on the services the public most value.

The 2014 citizen survey took place between April 6th and April 11th, 2014. Citizens were asked to score a number of services on a scale of 1 to 5, for both performance and importance, with 5 the highest and 1 the lowest. Preliminary results are now available and are shown in the diagram on the following page. The 2012 survey is also shown for the purposes of comparison.



Between 2012 and 2014, the percentage of resources spent on “stars” and “imperatives”, those areas that citizens rate as highly important remained constant at 94.6 percent of resources allocated to areas in the quadrant. However, there was a shift in resources away from those rated as high importance and high performance (“stars”), towards areas in which performance was not rated as highly. This is primarily due to the passage of the 2012 Parks and Streets Levies, which provided the City with more resources in certain areas including Maintaining Streets and City Parks.

Overall, the average performance of City services increased from 3.77 to 3.81, while the average importance of services increased from 3.95 to 3.97. The largest increases in performance were in Recreation Programs and Classes and City Parks, which suggests that the additional funding provided by the passage of the 2012 levies is enabling the City to improve services that citizens have invested in. There was a smaller increase in Maintaining Streets and Availability of Sidewalks and Walking Paths, which could be because these are larger scale improvement projects, which will take longer for the benefits to be realized.

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

LOOKING AHEAD TO THE 2015-2016 BUDGET PROCESS

At the [June 2013 Financial Retreat](#), the Council reviewed the City's fiscal policies that help address the issue of "Reprioritizing in the Rebound." The most relevant policy relates to reserve replenishment and provides, in part:

RESERVE AND FUND BALANCE POLICIES

"Reserve Replenishment (excerpt)

- *Reserve replenishments occur in two ways during periods of economic recovery:*
 - *Planned - A specific amount is included in the adopted budget, and*
 - *Unplanned - Ending fund balances are higher than budgeted, either due to higher than budgeted revenues or under-expenditures.*
- *Planned amounts are included as part of the adopted budget. Planned replenishments toward 80% of the target level shall be set to at least 1% of the General Fund adopted budget.*
- *Unplanned amounts available at the end of each biennium (if any) should help replenish to target faster. A high percentage (up to all) uncommitted funds available at the end of a biennium should be used for reserve replenishment until reserves meet 80% of target and the revenue stabilization reserve is at 100% of target. Some or all of those unplanned funds may be used in place of planned (budgeted) amounts in the following biennium to the extent it meets or exceeds the 1% budgeted amount.*
- *Once reserves reach 80% of target and revenue stabilization reserve is at 100%, funds may be used to meet other one time or on-going needs. Additional funds should be used to fund a variety of needs, based on the following process:*
 - *Set 50% of available cash toward reserves until they are at 100% of target.*
 - *The remaining 50% shall be available for one or more of the following needs, depending on the nature of the funds available (one-time or on-going) and in the following order of priority:*
 - *Fund liabilities related to sinking funds for public safety and information technology equipment,*
 - *Maintain current service levels,*
 - *Fund one-time projects or studies,*
 - *Increase funding for capital purposes,*
 - *Restore previous program service reductions,*
 - *Potential program and service enhancements."*

Reserve replenishment is clearly a high priority as additional revenues become available, as illustrated by the fiscal policy above. After reserves, the needs defined at the end of the quote in the policy will be a focus for the 2015-2016 budget process:

- **Equipment Sinking Funds** – As part of the 2013-2014 budget, the Council established new sinking funds for the replacement of public safety equipment and information technology infrastructure based on an assessment of needs over a 10 year period. As part of the 2015-2016 budget, the current status of these reserves will be reviewed, the equipment lists will be updated, and new items will be added, such as equipment at the Kirkland Justice Center (KJC), which will likely result in an increase in the overall funding requirement.

In addition to the equipment sinking funds, the amount set aside in the facilities sinking funds is likely to increase with completion of the Kirkland Justice Center (KJC). Additional contributions, as well as shifts in square footage toward General-Funded functions (with the additional KJC area), will disproportionately impact the General Fund.

- **Current Service Levels** – As illustrated by the forecast discussion above, additional revenues are needed each year just to maintain current service levels. This dynamic represents the first call on new on-going revenues. In addition, the expiration of the Annexation Sales Tax Credit creates an additional on-going revenue need in 2022 to support current service levels.
- **One-time Projects or Studies** – As has been the case for many years, there are a number of needs that have been funded historically with one-time cash, but in reality represent on-going commitments. Examples include funding for A Regional Coalition for Housing (ARCH) and a portion of the funding for Human Services. As discussed earlier and illustrated in Exhibit 1, the City has also added resources to needs that might be considered on-going using one-time funds. In addition to the need to fund these activities reliably, the City routinely has one-time projects or periodic studies that represent calls on one-time cash. Examples include strategic/master/comprehensive plan updates, changes to technology, etc.
- **Funding for Capital Purposes** – The 2013-2018 Capital Improvement Program, as updated in December 2013, reflects total capital needs of \$607 million, of which \$158 million are funded and \$449 million (74%) are unfunded. Over time, a variety of resources have been pursued to make progress on funding these needs, most recently, the approval of Propositions 1 and 2 of which both include significant capital components. However, needs can be expected to increase as the numerous plan updates that are currently in progress (Comprehensive Plan, Parks, Recreation, and Open Space Plan, Transportation Master Plan, Surface Water Master Plan, etc.) incorporate the needs of the areas annexed in 2011 and update the needs previously identified. Staff will undertake the full-scale development of the next CIP in 2015 in order to better incorporate the projects identified through the various plan updates.

Based on preliminary results from the plan updates, it is clear that reprioritizing existing projects and/or adding new funding will be required to make progress on the identified needs. As noted in the mid-biennial update, Real Estate Excise Taxes (REET) and impact fees have been coming in above budgeted levels due to the surge in development activity. Staff has set the majority of these additional amounts aside and no additional on-going use has been planned in the CIP update to provide a resource for the funding evaluation in 2015. The Council might also consider increasing the amount of General Fund resources set aside toward the CIP, which is currently \$270,000, to provide additional funding for unfunded activities.

- **Restore Previous Program Service Reductions** – During the past several years, the City made a number of service level reductions in response to revenue declines. Some of those reductions were restored through Propositions 1 and 2, such as pedestrian safety and parks maintenance funding, however, the lower service levels are still in place in most areas. Consideration of whether any of these programs or service levels should be restored is likely to be a topic as overall revenues improve.
- **Potential Program and Service Enhancements** – As discussed above, the City is actively engaged in updating many of its important long range planning documents. Those updates will identify service level needs and enhancements that far exceed the City's financial resources. The question of how to prioritize those needs and make progress on funding at least a portion of them is part of the broader performance management framework and will

likely be informed by the survey results and the other Kirkland 2035 planning efforts. The further development and application of the performance management data and the feedback received through the Kirkland 2035 process will provide additional guidance on how to prioritize needs as revenues rebound.

Initial Budget Focus and Policy Issues

At this early stage, the City Manager has identified the following draft themes and policy direction for the 2015-2016 budget process:

- Stay steady given the long-term revenue outlook:
 - Temporary REET use for maintenance and operations that ends after 2016;
 - Prepare for the end of the State annexation sales tax credit in 2021;
 - Continue to budget sales tax on a one-year lag and set aside a portion of sales tax revenue growth toward one time uses.
- Service packages (program additions) will be viewed in the context of reprioritizing or trade-offs. Said another way, proposed additions will be evaluated in the context of whether they can be supported by new revenues or through reductions in lower priority programs. The long list of one-time funded positions and programs (Exhibit 1) will be evaluated in this context as well.
- Setting aside funds toward unfunded capital needs rather than spending available General Funds solely on operations.
- Keep non-personnel expenditure cost growth to zero, with the exception of known external contractual obligations or other expected cost increases (e.g., fuel, utilities) that cannot be offset by savings elsewhere.

In addition, areas that are expected to receive additional focus include:

- For those departments that made cuts greater than 25% in discretionary training per FTE since the beginning of the recession (2007-2008), additions will be considered based on the business need identified by the departments (not to exceed 75% of the original amount). Those departments are Human Resources, Municipal Court, Finance and Administration, Planning, and Building.
- As mentioned earlier, the resource needs to meet the demands of increased development activity continue to be evaluated and short and long-term adjustments will be reviewed as part of the budget process.
- The Health Benefits Fund ended the year in a good position. The set aside for claims was sufficient to pay the actual claims submitted plus adding over \$1.4 million to the reserve balance. In addition, the rate stabilization reserve set aside by the Council at the implementation of the program did not need to be used and is now at the initial balance of \$1 million. Staff is working with the City's insurance broker to determine the reasonable level for benefit rates for 2015-2016, balancing existing reserves and risks with the actuarial determination of projected set asides toward potential claims liability. The Employee Benefits Advisory Committee is actively reviewing claims patterns and evaluating potential program changes to help manage costs. Staff is also working diligently to understand, react to, and implement the provisions of the Affordable Care Act. Further updates on these issues will be provided in an issue paper as part of the Preliminary 2015-2016 Budget.

- The Public Disclosure Ordinance adopted by the City Council in July 2013 calls for a specific deliberation on the level of resource to be allocated to that activity. This discussion is expected to occur as part of the initial budget study session.
- Issue papers are also expected to be developed to address the following topics:
 - Street Lights in the Annexation Areas
 - Risk Management Strategies
 - Update on Fire Strategic Plan, Consolidated Fire Station, RFA and related issues
 - CIP Engineering and Outreach Costs

Attachment D contains a revised calendar for the budget, CIP, and development services fee process for the year.

CONCLUSION

It continues to be welcome news that revenues are recovering, but there are a variety of unmet needs that represent a call on those resources. It is also important to recognize that we are recovering from a particularly low point as illustrated by the fact that sales tax revenues (\$16.6 million in 2013) have just now reached the level of the 2007 peak level of \$16.5 million, which did not include the annexation areas in 2011.

While balancing the 2015-2016 budget will still represent a challenge, current projections are not indicating the need for reductions seen in recent years. However, the City's unmet needs are significant and recovering revenues will not be sufficient to meet those needs, requiring trade-offs and prioritization.

Projected 2015-2016 Costs of One-time 2013-2014 Service Packages
(Estimates as of May 22, 2014)

One Time Costs	2015			2016			
	FTE	Wages & Benefits	Other Costs	Annual Total	Wages & Benefits	Other Costs	Annual Total
Finn Hill Staffing Overtime/Benefits	-	518,176	-	518,176	545,363	-	545,363
Senior Financial Analyst (Fire)	1.0	116,536	7,316	123,852	123,113	7,316	130,429
Police Support Associate	0.75	63,363	13,550	76,913	67,027	13,550	80,577
City Clerk Public Disclosure Analyst	1.0	87,868	7,316	95,184	92,918	7,316	100,234
PW Deputy Director - Superintendent	1.0	157,207	7,316	164,523	165,938	7,316	173,254
* Temporary Development Engineer	1.0	122,182	7,316	129,498	129,053	7,316	136,369
* Development On Call/OT Funding	-	156,234	-	156,234	164,148	-	164,148
Temporary CIP Outreach Coordinator	0.5	65,862	-	65,862	69,550	-	69,550
* Temporary Assistant Planner	1.0	96,348	-	96,348	36,590	-	36,590
* Temporary Building Inspector	1.0	115,267	7,316	122,583	121,775	7,316	129,091
Health Benefits Analyst (HR)	1.0	103,005	7,316	110,321	108,847	7,316	116,163
Neighborhood Traffic Control (Streets)	0.5	60,422	551	60,973	63,822	551	64,373
* Energov Support Position (IT)	1.0	113,899	2,900	116,799	120,333	2,900	123,233
Senior Applications Analyst (IT)	1.0	138,650	2,900	141,550	146,397	2,900	149,297
IT Network Security Staffing (IT)	1.0	138,596	2,900	141,496	146,340	2,900	149,240
GIS Analyst (IT)	0.5	43,803	-	43,803	46,147	-	46,147
Design Specialist (IT)	0.75	67,560	-	67,560	71,436	-	71,436
<i>Subtotal Staffing Costs</i>	13.00	2,164,975	66,697	2,231,672	2,218,798	66,697	2,285,495
State Legislative Advocacy Series		-	48,000	48,000	-	48,000	48,000
Municipal Court Security		45,449	-	45,449	47,867	-	47,867
KPC Operating Support		-	34,000	34,000	-	34,000	34,000
Human Svcs Option 2/Time Bank Funding		-	45,814	45,814	-	45,814	45,814
ARCH Housing Trust Fund		-	630,000	630,000	-	630,000	630,000
BABS Subsidy		-	110,000	110,000	-	110,000	110,000
Development Prof./Contract Svcs		-	67,000	67,000	-	67,000	67,000
<i>Subtotal Non-Staff Costs</i>		45,449	867,814	913,263	47,867	867,814	915,681
Total General Fund		2,210,425	934,511	3,144,936	2,266,665	934,511	3,201,176

REET Flexibility:							
Parks Operations and Maintenance		127,821	24,881	152,702	127,821	24,881	152,702
Street Grounds Tech/Laborer		105,804	-	105,804	111,897	-	111,897
<i>Subtotal REET Flexibility</i>		233,625	24,881	258,506	239,718	24,881	264,599
Grand Total		2,444,050	1,026,392	3,470,442	2,506,383	1,026,392	3,532,775

*Supported by Development fee revenues



Financial Management Report as of March 31, 2014

AT A GLANCE:

The City of Kirkland's new GID browser launches (page 2 sidebar)

Most 2014 1st quarter revenues increased over 2013 (page 3)

Sales tax revenue growth continued into 2014, although at a slower rate than in 2013 (page 5)

In the wider economy inflation is low and the housing market continues to improve (pages 7-8)

Inside this issue:

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Summary of All Operating Funds: *Revenue*

- General Fund** revenue ended the first quarter of 2014 **3.4 percent ahead** of the same period in 2013, an increase of \$579,000. Higher than budgeted revenues from sales tax and building, structural and equipment permits are primarily responsible for the increase in the General Fund. Revenues finished the first quarter at **22.5 percent of budget**, 25 percent of the way through the year. This is expected because most property tax revenue is collected in April. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- Other General Government Funds** revenue finished the first quarter **15.8 percent higher** than in 2013, up \$609,000. Revenue is higher than in 2013 primarily because property tax revenue from the 2012 Streets and 2012 Parks levies was not collected and distributed to the relevant funds during the first quarter of 2013. Property tax distribution to these funds began in June 2013 for the first half of the year, and 2014 revenue is on track to be roughly the same as in 2013 by the end of June. Actual revenue for other operating funds was **18.0 percent** of budget. This percentage will rise significantly as more property tax revenue comes into the funds in April.
- Water/Sewer Operating Fund** first quarter revenue was almost identical to 2013, **down 0.1 percent**. At the end of the first quarter, revenue was **23.1 percent of budgeted** revenue, which is the same percentage as in 2013.
- The **Surface Water Management Fund** revenues finished the first quarter of 2014 at **6.2 percent of budget**. Revenues during the first quarter of 2014 were **7.9 percent lower** than they were in 2013 because of a Department of Ecology grant received in 2013. Both residential and commercial surface water fees are collected through property tax, and will therefore be primarily received in the second and fourth quarters.
- First quarter revenue in the **Solid Waste Fund** was **25.2 percent of budget**. This is 9.5 percent higher than in 2013. First quarter revenue was higher across residential, commercial and multi-family properties. However, this is related to the timing of payments in 2014, and will even out during the year.
- Overall, in the first three months of 2014 utility funds revenues were **up 2.9 percent** compared to the same period last year, and finished the quarter at **20.6 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
General Gov't Operating:								
General Fund	17,123,987	17,703,346	3.4%	77,699,996	78,716,413	1.3%	22.0%	22.5%
Other General Gov't Operating Funds	3,840,105	4,448,751	15.8%	23,452,068	24,773,970	5.6%	16.4%	18.0%
Total General Gov't Operating	20,964,092	22,152,096	5.7%	101,152,064	103,490,383	2.3%	20.7%	21.4%
Utilities:								
Water/Sewer Operating Fund	5,632,573	5,628,092	-0.1%	24,374,608	24,342,543	-0.1%	23.1%	23.1%
Surface Water Management Fund	636,747	586,545	-7.9%	9,224,823	9,460,539	2.6%	6.9%	6.2%
Solid Waste Fund	3,657,450	4,003,843	9.5%	15,954,564	15,875,727	-0.5%	22.9%	25.2%
Total Utilities	9,926,771	10,218,480	2.9%	49,553,995	49,678,809	0.3%	20.0%	20.6%
Total All Operating Funds	30,890,863	32,370,576	4.8%	150,706,059	153,169,192	1.6%	20.5%	21.1%



Kirkland Maps Portal Makes Property Searches Fast and Easy

There's a new and improved way to find property, zoning, and utility information in Kirkland! In the first quarter of 2014 the City of Kirkland launched the new GIS map portal: Kirkland Maps - <http://maps.kirklandwa.gov> Kirkland Maps is a public mapping portal that allows the community to access, navigate to, and query selected data layers from the citywide GIS database and other sources. Using your computer, you can easily access the city's property, permitting, zoning and land use information, as well as utility, topographic, and sensitive areas information. You can also create a property report, apply for permits, pay utility bills, and print out maps.

The tool is linked to other City resources, such as mybuildingpermit.com, allowing you to view permit information across platforms and builds on Kirkland's existing resource the Capital Improvement Program (CIP) Interactive Map. The CIP map enables users to explore all existing or planned projects to learn status, details, funding and even communicate directly with the project's manager.

A mobile application allowing on the go access to all of the above is also coming soon!

What you can find on <http://maps.kirklandwa.gov>

- Street, topography, zoning maps
- Property information
- Permit history
- Parks, bus stops, fire station locations
- Transit and Kirkland snow/ice priority routes
- 2010 Census block, voting district and garbage/recycling collection information

Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures finished the first quarter of 2014 **up 7.9 percent** from 2013. Actual expenditures finished the quarter at **24.3 percent of budget**. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures were **up 10.9 percent** compared to the first quarter of 2013, mostly due to higher expenditures in the Information Technology and Parks Levy funds. The additional expenses in the Information Technology funds are related to personnel and significantly higher planned computer replacement costs in 2014. Parks Levy expenses were higher in the first quarter of 2014 because staffing costs in the fund did not begin until February 2013, and were low throughout the first quarter of 2013.
- **Water/Sewer Operating Fund** actual expenditures finished the quarter **9.8 percent higher** than in 2013. The majority of these additional expenditures were because the City paid two months metro sewer charge in January 2014, after not paying in December 2013. Therefore, the city effectively paid for four months during the first quarter of 2014. Expenditures at the end of March 2014 were **28 percent of budget**, largely because dues and memberships are paid in full in January, so this number will normalize as the year continues.
- **Surface Water Management Fund** expenditures at the end of March 2014 were **3.3 percent higher** than the same time in 2013, due to a small increase in personnel costs between years. Despite this increase there is still a vacancy in the Surface Water fund, which meant that first quarter expenditures were **lower than budgeted at 20.4 percent** of the yearly budget.
- **Solid Waste Fund** expenditures were **3.4 percent higher** during the first three months of 2014, compared to the same period in 2013. This increase is due to an expected increase in the cost of the waste disposal contract. As this increase was expected and all other expenses were also in line with budget, expenditure finished the first quarter of 2014 at **24.9 percent of budget**.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
General Gov't Operating:								
General Fund	17,393,951	18,765,029	7.9%	74,475,634	77,222,113	3.7%	23.4%	24.3%
Other General Gov't Operating Funds	4,330,542	4,801,832	10.9%	20,761,666	21,453,692	3.3%	20.9%	22.4%
Total General Gov't Operating	21,724,494	23,566,861	8.5%	95,237,300	98,675,805	3.6%	22.8%	23.9%
Utilities:								
Water/Sewer Operating Fund	5,260,029	5,777,618	9.8%	20,909,022	20,601,544	-1.5%	25.2%	28.0%
Surface Water Management Fund	1,251,707	1,293,001	3.3%	6,546,354	6,353,316	-2.9%	19.1%	20.4%
Solid Waste Fund	3,779,557	3,908,664	3.4%	15,374,063	15,668,380	1.9%	24.6%	24.9%
Total Utilities	10,291,293	10,979,283	6.7%	42,829,439	42,623,240	-0.5%	24.0%	25.8%
Total All Operating Funds	32,015,787	34,546,144	7.9%	138,066,739	141,299,045	2.3%	23.2%	24.4%

General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in the first quarter of 2014 was **7.4 percent higher** than it was during the same period of 2013. This was more than budgeted because sales tax is budgeted on a one year lag. **28.9 percent of budget** has been collected at the end of the first quarter. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished the first quarter at **6.7 percent of budget**. Most property tax payments are receipted to the City in April and October, therefore this number will climb significantly during the second quarter of 2014.
- **Utility tax** collections finished March 2014 **down 6.9 percent** compared to 2013. This is due to lower collections in water, sewer and solid waste taxes. However, utility tax collection is at expected levels based on the 2014 budget.
- **Other taxes** actual revenue was **43.7 percent of budget** at the end of the first quarter of 2014. The \$469,000 was almost identical to the amount received in the first quarter of 2013 and is primarily from gambling tax revenues.
- The **revenue generating regulatory license fee** was **8.2 percent higher** than the first quarter of 2013. This increase means revenues were ahead of the budgeted amount at **28.8 percent of budget**. This tax is charged to employers on a per-employee basis, and fluctuates based on the timing of when businesses submit their payments, as well as the number of employees at each business, therefore a strong performance in the first quarter does not necessarily indicate that revenues through the year will be higher.
- The **business licenses (base fee) and franchise fees** were **4.2 percent** higher than the same period in 2013 and finished the quarter slightly **ahead of budget at 25.9 percent**.
- **Development-related fee** revenues were collectively **up 11.8 percent** in the first quarter of 2014 because **Building Structural and Equipment permits** were **up 92.3 percent** following a large permit application for the Google expansion project received in January. All other development fees were down in the first quarter, compared to 2013. **Plan check fees** were **down 31.1 percent**, **Planning fees decreased 6.9 percent**, while **Engineering Services** collected **43.7 percent less** than in the same period in 2013. Despite this decrease, development related fee revenues were still ahead of budget for the quarter. Collectively **development fees** were at **31.8 percent of budget** at the end of the first quarter, with **Building, Structural and Equipment permits (42.7 percent)**, **Engineering Services (30.3 percent)**, and **Planning fees (31.3 percent)** all being ahead of budget with 25 percent of the year gone. Only **Plan Check fees** were behind with **14.6 percent of budget** collected.
- **Fines and Forfeitures** were **down 6.9 percent** compared to 2013 and were **behind budget expectations at 19.7 percent**, due to low traffic infraction penalties. Traffic infraction penalties are not receipted in January, so the budget is collected in 11 months from February to December. Therefore this category will likely be close to budget by year end.
- **Miscellaneous** revenue was **up \$136,000**, or **118.4 percent** from 2013 and was **ahead of budget at 34.6 percent**, largely due to an insurance recovery payment in 2014.

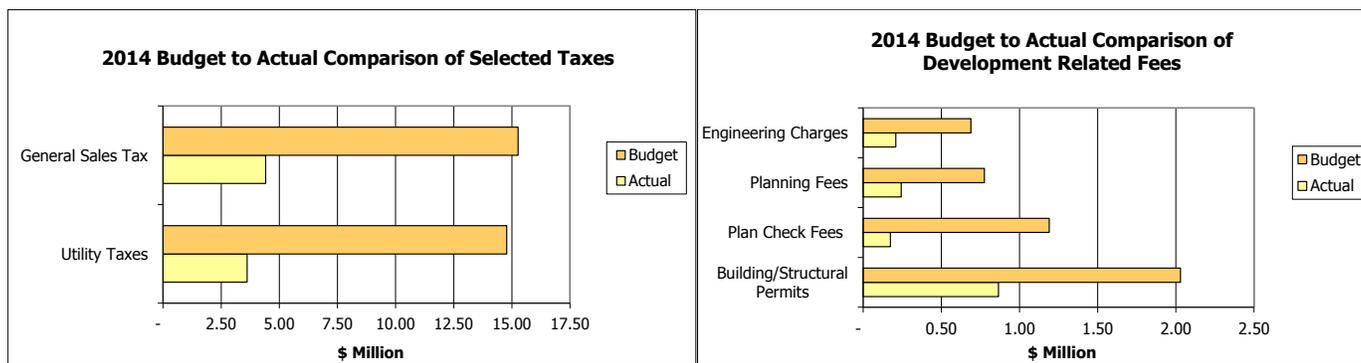
General Fund revenues ended the first quarter \$579,000 higher than in 2013 largely due to continued growth in sales tax, and development activity.

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

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

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
Taxes:								
Retail Sales Tax: General	4,109,153	4,414,642	7.4%	15,057,904	15,263,571	1.4%	27.3%	28.9%
Retail Sales Tax Credit: Annexation	978,797	1,054,952	7.8%	3,415,626	3,415,626	0.0%	28.7%	30.9%
Retail Sales Tax: Criminal Justice	451,682	481,247	6.5%	1,634,287	1,666,973	2.0%	27.6%	28.9%
Property Tax	1,105,695	1,129,825	2.2%	16,619,200	16,953,959	2.0%	6.7%	6.7%
Utility Taxes	3,885,690	3,618,714	-6.9%	14,618,866	14,779,443	1.1%	26.6%	24.5%
Rev Generating Regulatory License	626,913	678,254	8.2%	2,328,005	2,351,285	1.0%	26.9%	28.8%
Other Taxes	469,147	469,097	0.0%	1,063,975	1,073,303	0.9%	44.1%	43.7%
Total Taxes	11,627,077	11,846,732	1.9%	54,737,863	55,504,160	1.4%	21.2%	21.3%
Licenses & Permits:								
Building, Structural & Equipment Permits	450,124	865,707	92.3%	2,013,727	2,029,631	0.8%	22.4%	42.7%
Business Licenses/Franchise Fees	1,070,228	1,114,872	4.2%	4,193,597	4,297,593	2.5%	25.5%	25.9%
Other Licenses & Permits	142,557	163,503	14.7%	317,128	327,848	3.4%	45.0%	49.9%
Total Licenses & Permits	1,662,909	2,144,082	28.9%	6,524,452	6,655,072	2.0%	25.5%	32.2%
Intergovernmental:								
Grants and Federal Entitlements	10,662	13,899	30.4%	198,622	54,421	-72.6%	5.4%	25.5%
State Shared Revenues & Entitlements	239,440	292,580	22.2%	1,033,781	1,237,172	19.7%	23.2%	23.6%
EMS	-	-	N/A	884,645	884,645	0.0%	N/A	N/A
Total Intergovernmental	250,102	306,479	22.5%	2,117,048	2,176,238	2.8%	11.8%	14.1%
Charges for Services:								
Internal Charges	1,322,621	1,273,223	-3.7%	5,396,481	5,717,970	6.0%	24.5%	22.3%
Engineering Services	371,043	208,880	-43.7%	951,385	689,483	-27.5%	39.0%	30.3%
Plan Check Fee	252,620	174,123	-31.1%	1,082,220	1,189,607	9.9%	23.3%	14.6%
Planning Fees	260,918	243,036	-6.9%	848,164	775,550	-8.6%	30.8%	31.3%
Recreation	360,817	402,560	11.6%	1,160,300	1,160,300	0.0%	31.1%	34.7%
Other Charges for Services	491,713	472,203	-4.0%	2,210,020	2,190,907	-0.9%	22.2%	21.6%
Total Charges for Services	3,059,732	2,774,026	-9.3%	11,648,570	11,723,817	0.6%	26.3%	23.7%
Fines & Forfeits	409,113	380,788	-6.9%	1,928,925	1,929,999	0.1%	21.2%	19.7%
Miscellaneous	115,053	251,239	118.4%	743,138	727,127	-2.2%	15.5%	34.6%
Total Revenues	17,123,987	17,703,346	3.4%	77,699,996	78,716,413	1.3%	22.0%	22.5%
Other Financing Sources:								
Interfund Transfers	-	-	N/A	402,008	270,323	-32.8%	N/A	N/A
Total Other Financing Sources	-	-	N/A	402,008	270,323	-32.8%	N/A	N/A
Total Resources	17,123,987	17,703,346	3.4%	78,102,004	78,986,736	1.1%	21.9%	22.4%

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	3/31/2013	3/31/2014	% Change	2013	2014	% Change	2013	2014
Non-Departmental	340,855	318,882	-6.4%	1,657,558	1,363,673	-17.7%	20.6%	23.4%
City Council	202,520	191,986	-5.2%	403,932	403,932	0.0%	50.1%	47.5%
City Manager's Office	415,714	486,043	16.9%	2,064,111	1,907,968	-7.6%	20.1%	25.5%
Municipal Court	520,616	542,601	4.2%	2,249,404	2,299,621	2.2%	23.1%	23.6%
Human Resources	312,937	326,604	4.4%	1,288,257	1,401,068	8.8%	24.3%	23.3%
City Attorney's Office	337,877	338,440	0.2%	1,371,489	1,384,479	0.9%	24.6%	24.4%
Parks & Community Services	1,578,310	1,675,176	6.1%	7,453,991	7,406,903	-0.6%	21.2%	22.6%
Public Works (Engineering)	993,690	1,100,949	10.8%	4,756,261	5,066,598	6.5%	20.9%	21.7%
Finance and Administration	1,055,399	1,265,490	19.9%	4,590,803	4,739,597	3.2%	23.0%	26.7%
Planning & Community Development	812,163	869,434	7.1%	3,731,209	3,641,676	-2.4%	21.8%	23.9%
Police	5,633,498	5,824,968	3.4%	22,804,767	24,478,109	7.3%	24.7%	23.8%
Fire & Building	5,190,372	5,824,456	12.2%	22,103,852	23,128,489	4.6%	23.5%	25.2%
Total Expenditures	17,393,951	18,765,029	7.9%	74,475,634	77,222,113	3.7%	23.4%	24.3%
Other Financing Uses:								
Interfund Transfers	877,831	622,200	-29.1%	11,513,698	3,656,808	-68.2%	7.6%	17.0%
Total Other Financing Uses	877,831	622,200	-29.1%	11,513,698	3,656,808	-68.2%	7.6%	17.0%
Total Expenditures & Other Uses	18,271,782	19,387,229	6.1%	85,989,332	80,878,921	-5.9%	21.2%	24.0%

Comparing 2014 and 2013 expenditures:

In the first quarter of 2014, excluding interfund transfers, General Fund expenditures were **7.9 percent higher** than 2013, although this increase was budgeted for as expenditures were **24.3 percent** of budgeted expenses.

Across the General Fund most of the \$1.37 million increase in expenditures were personnel related. A number of temporary as well as some ongoing positions were added during the 2013-14 Mid Biennial process, which makes up some of this increase, while normal personnel increases make up most of the rest. Together salaries and benefits have increased \$1.06 million. Significant expenditure changes are highlighted below, for departments not highlighted below increases were largely due to personnel costs.

First quarter 2014 General Fund actual expenditures (excluding "other financing uses") were 7.9 percent higher than they were in 2013.

- Expenditures for **Non-departmental** were **down 6.4 percent** largely due to a number of small decreases in categories such as Operating Supplies. These decreases are largely due to timing rather than structural change, and will likely even out as the year progresses. Non-Departmental finished the first quarter at **23.4 percent of budget**.
- Actual expenditures for the **City Council** increased finished the first quarter at **47.5 percent of budget**. This is because a most of the City's dues and memberships are paid from the Council budget, and these are paid in full in January. Expenditures were **5.2 percent lower** than in 2013 because of a one time membership dues paid in 2013.
- The **City Manager's Office** finished the first quarter of 2014 **16.9 percent higher** than in 2013. This is partly due to personnel costs, but also because of higher professional services spending in 2014, related to Kirkland 2035 efforts. This increase in expenses was anticipated so the City Manager's office finished the first quarter at **25.5 percent of budget**.

Continued on page 5

Financial Management Report as of March 31, 2014

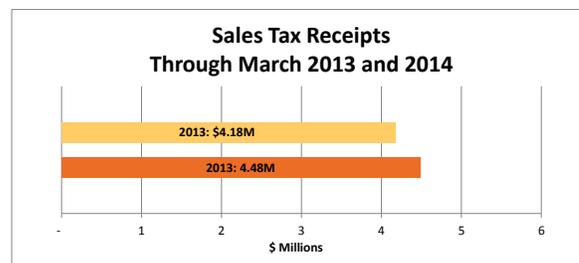
- **Public Works** General Fund expenditures were up **10.8 percent** due to new positions added in response to high demand for permit applications. These additional expenditures were budgeted for and have been offset by staffing vacancies, including the Maintenance Center Superintendent position, meaning Public Works finished the quarter at **21.7 percent of budget**.
- **Police** expenditures finished the first three months of 2013 at **23.8 percent of budget**. This is slightly below budget, with 25 percent of the year complete. However, the area with the lowest expenditures compared to budget is professional services, which is an area in which spending is not spent evenly throughout the year. Therefore savings in the first quarter do not indicate under expenditures will continue through the year.
- Expenditures for the **Fire & Building Department grew 12.2 percent** over the first quarter of 2013. This increase is related to higher personnel costs as positions were added to deal with the increased workload from development services activities that has resulted in higher contract work and overtime costs (which are offset by revenues). The department's expenses finished the first quarter at **25.2 percent of budget**, with 25 percent of the year gone. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are dedicated to the consolidated fire station capital project.
- The budget for **Interfund transfers** is lower than in 2013, because there were a large number of transfers budgeted for the Public Safety Building in 2013. Not all transfers budgeted for the Public Safety Building in 2013 were made, so these will be made in 2014, pushing 2014 transfers over 100 percent of budget. As interfund transfers are known and planned expenses actual expenditures should equal 100 percent of budget by the end of the biennium.

Summary of Fire District 41 Funds	
2014 Revenues & Expenditures	
Beginning Balance	5,223,879
Investment Interest	\$ -
Expenditures:	\$ 4,893
Current Balance	\$ 5,218,986

Sales Tax Revenue Analysis

The total in this section contains \$67,500 that is passed to the Street Operating Fund, therefore the total is \$67,500 higher than the sales tax figure in the General Fund Revenue table on page 3.

First quarter sales tax revenue was **7.3 percent** higher in 2014 than 2013. This growth in revenue was concentrated across the retail sales categories with vehicle sales making up the largest single increase. Sales tax revenue received through March is from sales between November 2013 –January 2014.



Review by business sectors:

- **Contracting is down 4.8 percent** through March compared to 2013. Contracting was among the largest growth sectors in the City through the first half of 2013, but slowed later in the year. A sharp decline in January 2014 meant the year started significantly below the 2013 number, but two months of moderate growth reduced the year-on-year decline by the end of the quarter.
- Sales tax from the retail sectors was collectively **up 7.3 percent** compared to 2013.
- The **auto/gas retail** sector was **up 7.8 percent** in the first quarter of 2014. Although auto sales continued to make up the largest increase in revenue across the quarter, sales slowed in March for the first time in two years.
- **General merchandise/miscellaneous retail** sector was **up 0.7 percent** in 2014 compared to 2013.
- The **retail eating/drinking** sector performance was **up 8.6 percent**, an increase of \$27,000, compared to the first quarter of 2013. Revenue increases can be attributed to many established restaurants posting improved sales along with the opening of some new businesses during the period analyzed.
- **Other retail** was **up 12.2 percent** compared to the same period last year due to strong increases in sales from building & garden stores, clothing, furniture, electronics and drug stores.
- The **services** sector was **up 4.8 percent** compared to 2013. Year-to-date sales in all services sectors were relatively close to the sales for 2013. The exception was publishing, where data from 2013 was skewed upward in the first quarter because a taxpayer paid multiple months at the same time last year.
- **Wholesale** was **down 3.3 percent** compared to last year, a decline of \$6,600. This was largely because of a number of sales of high end medical equipment in 2013, sales that are relatively infrequent. Outside of this category, this year's revenues have been strong and the difference between 2013 and 2014 sales tax revenue was reduced as the quarter progressed.
- The **miscellaneous sector** was **up 59.0 percent** due to a large payment from an aviation company as well as increased revenues from the statewide pool made up of sales tax revenue submitted to the Department of Revenue but not appropriately coded.

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City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-March		Dollar Change	Percent Change	Percent of Total		Percent of Change
	2013	2014			2013	2014	
Services	542,599	568,573	25,974	4.8%	13.0%	12.7%	8.5%
Contracting	696,617	662,844	(33,773)	-4.8%	16.7%	14.8%	-11.1%
Communications	107,761	125,905	18,144	16.8%	2.6%	2.8%	5.9%
Auto/Gas Retail	1,000,433	1,078,640	78,207	7.8%	24.0%	24.1%	25.6%
Gen Merch/Misc Retail	556,158	560,226	4,068	0.7%	13.3%	12.5%	1.3%
Retail Eating/Drinking	312,769	339,768	26,999	8.6%	7.5%	7.6%	8.8%
Other Retail	546,802	613,364	66,562	12.2%	13.1%	13.7%	21.8%
Wholesale	200,219	193,589	(6,630)	-3.3%	4.8%	4.3%	-2.2%
Miscellaneous	213,295	339,234	125,939	59.0%	5.1%	7.6%	41.2%
Total	4,176,653	4,482,143	305,490	7.3%	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 NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2013 and 2014 sales tax receipts in the table to the left.

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.

City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		\$ Change	% Change
	2013	2014		
January	1,333,113	1,390,304	57,191	4.3%
February	1,618,028	1,800,690	182,662	11.3%
March	1,225,511	1,291,149	65,638	5.4%
Total	4,176,652	4,482,143	305,491	7.3%

- Monthly sales tax revenues continued to climb in the first quarter of 2014, with each month posting gains compared to the same month in 2013. However, the double digit gains that were seen the early part of 2013 have slowed considerably, with two months in the quarter posting gains below 6 percent.
- In **January** sales were down in a number of categories, but a large payment from an aviation company, along with strong growth in automotive and eating/drinking retail sales, ensured overall growth for the month.
- **February** sales tax revenues were up compared to February 2013 in every category except wholesale. The largest increases were seen in automotive, other retail and contracting.
- In **March** growth continued across most categories, however, automotive sales posted their first decline for over two years.
- Smaller growth across most sectors has characterized first quarter sales tax revenue. The boom in revenues from contracting, auto retail and services has slowed and been replaced by growth in single digits across a number of sectors, particularly retail. This suggests that pent up demand for housing and cars following the recession is beginning to taper off and has been replaced by broader spending.

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 27.4 percent of the total sales tax receipts in the first quarter of 2014, was **down 1.6 percent** compared to 2013, or \$19,500.

However, this was due to a large refund paid to a manufacturing business in 2014, without this sales in Totem Lake would be up 3.2 percent compared to 2013, due to continued growth in the auto/gas retail section, which made up 63.6 percent of the total sales in Totem Lake in the first quarter of 2014.

NE 85th Street, which made up 13.7 percent of the total sales tax receipts in the first quarter of 2014, was **up 6.5 percent** compared to the same period last year. This area's sales grew due to improving auto retail and general retail sales, which accounted for 91.1 percent of the growth in this neighborhood.

Downtown, which accounted for 6.8 percent of first quarter sales tax receipts in 2014, was **up 14.0 percent** largely due to the continued growth of information services revenues. Outside of this category the first quarter also saw continued growth in the retail eating/drinking category. In total retail businesses contributed about 63.1 percent of revenues from downtown. Overall, the

percentage of total sales tax revenues from businesses downtown has continued to increase in the first quarter of 2014.

Carillon Point & Yarrow Bay, which accounted for 1.7 percent of the total sales tax receipts in the first quarter of 2014, were **down 0.5 percent** compared to 2013. The decline was due to a decline in revenue from stores in the "other retail" category. Despite this overall decline there was growth in the retail eating and hotel/motel categories that make up 61.9 percent of total revenues from this area.

Houghton & Bridle Trails, which produced 2.5 percent of the total sales tax receipts during the first quarter, were **down 1.3 percent** due to a decline in sales at eating & drinking establishments.

Juanita, which generated 1.5 percent of the total first quarter sales tax receipts, was **up 11.2 percent** compared to the same period in 2013. Continued positive growth in eating & drinking revenues along with growth in miscellaneous retail stores combined with small increases in some other categories for a total increase of \$6,500.

North Juanita, Kingsgate, & Finn Hill accounted for 3 percent of the total sales tax receipts in the first three months of 2014 and were collectively **up 2.4 percent** over the first quarter of 2013. Overall growth in the Kingsgate and Finn Hill neighborhoods was offset by a decline in revenues from stores in the North Juanita neighborhood.

First quarter tax receipts by business district for 2013 and 2014 are compared in the table on the next page.

Financial Management Report as of March 31, 2014

When reviewing sales tax receipts by business district, it's important to be aware that 47.9 percent of the revenue received in the first quarter of 2014 was in the 'unassigned or no district' category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - Mar Receipts		Dollar Change	Percent Change	Percent of Total	
	2013	2014			2013	2014
Totem Lake	1,245,532	1,225,998	(19,534)	-1.6%	29.8%	27.4%
NE 85th St	575,353	612,681	37,329	6.5%	13.8%	13.7%
Downtown	268,702	306,442	37,739	14.0%	6.4%	6.8%
Carillon Pt/Yarrow Bay	75,272	74,905	(367)	-0.5%	1.8%	1.7%
Houghton & Bridle Trails	113,708	112,243	(1,465)	-1.3%	2.7%	2.5%
Juanita	58,715	65,264	6,549	11.2%	1.4%	1.5%
Kingsgate	44,274	48,473	4,199	9.5%	1.1%	1.1%
North Juanita	61,399	60,102	(1,297)	-2.1%	1.5%	1.3%
Finn Hill	27,859	28,882	1,023	3.7%	0.7%	0.6%
Unassigned or No District:						
Contracting	695,980	662,403	(33,577)	-4.8%	16.7%	14.8%
Other	1,009,858	1,284,750	274,892	27.2%	28.8%	33.1%
Total	4,176,652	4,482,143	305,491	7.3%	100.0%	100.0%

- Sales Tax Revenue Outlook** Sales tax revenue in 2013 pushed revenue passed the 2007 peak of \$16.5 million and this growth continued into the first quarter of 2014 as sales tax revenues were higher in every month than they were during the same months of 2013. However, the 2013 and 2014 figures includes annexation area revenues, so pre-annexation City collections are still below where they were in 2007. Additionally, growth in 2013 was driven by a large growth in contracting and automotive sales, both of which were lower in at least one month in 2014 than they were in the same month in 2013. This suggests that the rate of growth has slowed, and as 2013 also saw strong growth it is likely that year on year growth will remain lower in 2014 than it was in 2013.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the first quarter of 2014 was 7.7 percent, almost half the Puget Sound average of 14.6 percent, and below the same period in 2013's vacancy rate of 13.4 percent. Overall the Eastside has the third lowest vacancy rate in the Puget Sound region, behind Downtown Seattle and Tacoma/Fife with an office vacancy rate of 13.8 percent in the first quarter of 2014.

Overall vacancy rates in the Puget Sound region have fallen for the third straight quarter with net absorption totaling over 500,000 square feet.

The region currently has 3,067,094 SF of office space under construction, including 180,000 SF in Kirkland and the continued expansion of Amazon near their current South Lake Union headquarters.

LODGING TAX REVENUE:

Lodging tax revenue fell slightly compared to 2013, finishing the first quarter down 4.8 percent, a decrease of \$2,100 which put revenues at 18.2 percent of budget.

Economic Environment Update The March update from the Washington State Economic and Revenue Forecast Council (ERFC) found the Washington economy added 12,400 net new jobs in the three months studied. Private, service-providing industries accounted for most of the job growth in November, December, and January, adding a net 10,100 jobs. The construction sector added 2,300 jobs but manufacturing was flat. Public sector payrolls added 1,800 jobs as growth at the state and local level outweighed a decline in federal employment. Washington employment also reached a major mile-stone, surpassing its pre-recession peak.

Consumer confidence continued to climb through the first quarter of 2014. The **Consumer Confidence Index** began the year at 80.7, fell slightly in February to 77.5 before rising to 82.3 in March. According to the Conference Board, "consumer confidence improved in March, as expectations for the short-term outlook bounced back from February's decline. While consumers were moderately more upbeat about future job prospects and the overall economy, they were less optimistic about income growth. Overall, consumers expect the economy to continue improving and believe it may even pick up a little steam in the months ahead."

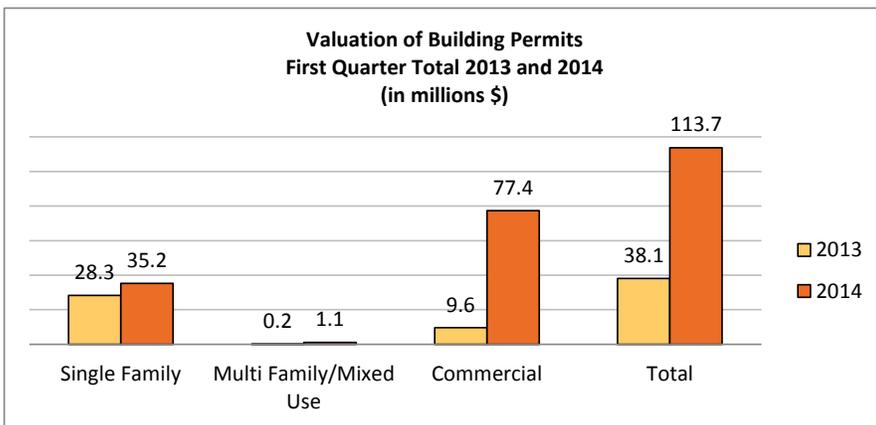
The U.S. **unemployment rate** for March 2014 was 6.7 percent, which was higher than the seasonally adjusted rate for Washington State, 6.3 percent. These rates are down from 7.5 percent nationally and 7.1 percent in Washington in March 2013. King County's provisional unemployment rate for March 2014 was 5.2 percent, up from 5.1 percent in March 2013. The unemployment rate in Kirkland was similar to King County rate of 5.3 percent in March 2014, up from 4.8 percent in March 2013. Note that the Bureau of Labor Statistics (BLS) data for the City of Kirkland does not yet include the 2011 annexation areas, and these areas will not be included until early 2015 when the database will be updated based on Census data according to the BLS. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Institute of Supply Management Western Washington Index continued to indicate positive growth in the first quarter of 2014. The index soared to 68.7 in February, the highest reading in two years, and, although it declined to 63.6 in March, remains strong. Index values above 50 indicate a healthy economy, something that has happened every month since July 2009.

(Continued on page 8)

Economic Environment Update *continued*

Local **development activity**, in terms of the valuation of the City's building permits for the first quarter of 2014, has risen significantly compared to 2013. This is illustrated in the chart to the right. Development activity has increased across the board, with a 24 percent increase in the value of single family permits, and a 550 percent increase in the value of multi family permits, although the overall dollar amount is still small. The largest percentage and overall dollar increase is in the commercial sector, as a number of large permits, including the Google expansion project, were paid in the first quarter of 2014.



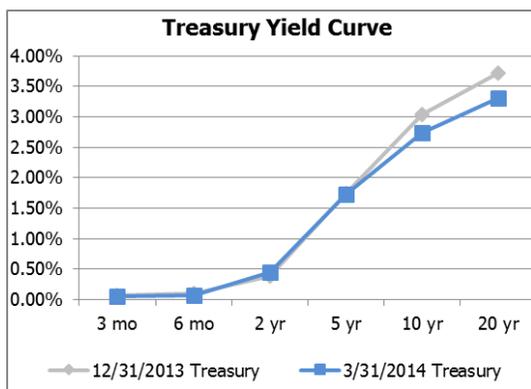
Regional **home prices** continue to rise. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices have risen in each of the last 23 months and, as of January 2014, are now 11.9% higher than in the previous January. Even with the recent gains, Seattle area home prices are still 15.0% lower than their 2007 peak.

Inflation in the Seattle area remains low and in line with national trends. In February 2014, the Seattle all items CPI was 1.2% higher than in the previous February compared to the 1.1% increase for the U.S. city average. Core inflation in Seattle was 1.5% compared to 1.6% for the nation.

Investment Report

MARKET OVERVIEW

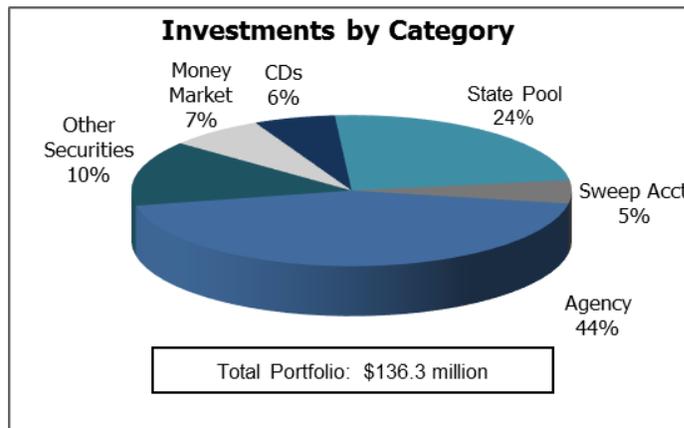
The economic growth remained at current low levels affected by poor weather in much of the country. The Fed Funds rate continued to remain at 0.25 percent, where it is expected to stay until mid-to-late 2015. The yield curve declined slightly in the long end of the curve and had little movement in the 5 year and under treasury rates.



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 in the 1st quarter of 2014 to \$136.3 million compared to \$144.9 million on December 31, 2013. The decrease in the portfolio is related to the normal cash flows of the first quarter, as the first half of property taxes is received at the end of April and to the construction costs of the Kirkland Justice Center.



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, the State Investment Pool and an overnight bank sweep account. 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, 2014

2013 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy looks stronger than that of three months ago, according to 45 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.8 percent in 2014 and 3.1 percent in 2015. CPI inflation is expected to average 1.8 percent in 2014 and 2.20 percent in 2015. The unemployment rate is expected to average 6.5 percent in 2014 and fall to 6.1 percent in 2015. The Fed Funds rate, currently at 0.25%, is expected to remain at this level throughout 2014 and into 2015.

The duration of the portfolio remains slightly under 2 years with the purchase of longer term securities in the last quarter of 2012. Investment activity for next 2 quarters will be minimal, allowing the duration to decline as the securities move to maturity. The opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.11% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2014 is \$690,000.

Investment Report *continued*

Liquidity

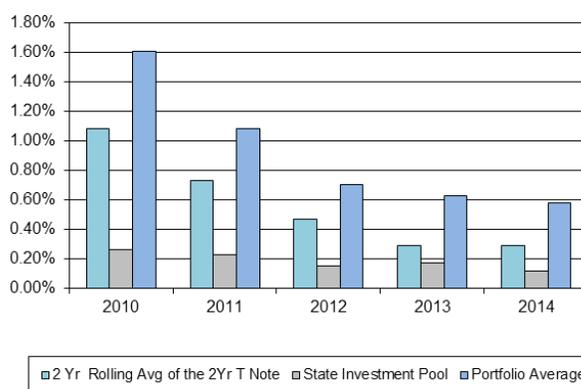
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.82 years on December 31, 2013 to 1.81 years on March 31, 2014 as the securities in the portfolio move closer to maturity.

Yield

The City Portfolio yield to maturity remained unchanged at 0.59 percent on December 31, 2013 and March 31, 2014. Through March 31, 2013, the City's annual average yield to maturity also remained unchanged at 0.58 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 0.30 percent on March 31, 2014.

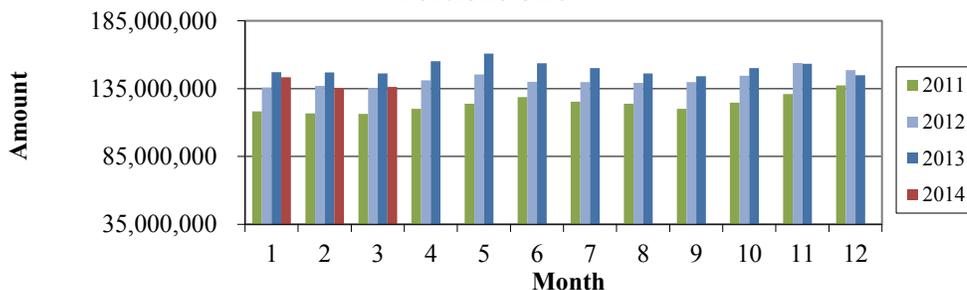
The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.

Investment Interest Rate Comparisons

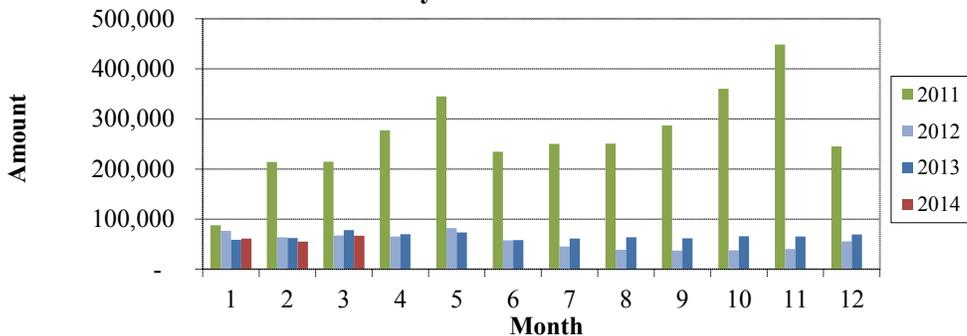


■ 2 Yr Rolling Avg of the 2Yr T Note ■ State Investment Pool ■ Portfolio Average

Portfolio Size



Monthly Interest Earned



RESERVES are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves display budgeted beginning 2013 and ending 2014 balances, with changes caused by subsequent authorized uses or additions.

Reserve Analysis

General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. Contributions have been made to replenish the reserves since then and with planned contributions in 2014, the reserve is expected to be at target by the end of 2014.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects and a significant portion is planned to be used during the current biennium, which will bring the reserve just slightly below target. Planned transfers have been delayed until 2014 due to the timing of funding needs for the Kirkland Justice Center Building.
- The **General Capital Contingency Reserve** was used to fund project cost increases in the previous biennium, so replenishment from General Fund 2012 year-end cash was planned in 2013. The recent use of \$820,000 of this reserve to provide funding for property acquisition for Totem Lake Park expansion has planned replenishment from King County Park Levy revenue over approximately 4 years.

General Capital Reserves

- Real estate activity remains relatively strong in 2014, although below the same period in 2013. **Real Estate Excise Tax (REET)** collections are the year **25.5 percent behind 2013**. Revenue is still on trending above budget expectations at 32% of budget after the first quarter.
- **Impact fees** are at about 67 percent of budget for both Park and Transportation. Park Impact fees are **17 percent below the same period last year**, while Transportation Impact fees are **about 18 percent ahead**. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. As with REET, the budgeted ending balance for Impact Fees will be reviewed at the end of 2014.

The City is in the process of completing several master plans this year, which likely will identify significant capital needs. The positive revenue performance above budget could be a source to help fund some of the newly identify capital projects.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	40,882	50,000	(9,118)
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	156,372	250,000	(93,628)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,686,587	4,810,795	3,990,795	5,735,330	(1,744,535)
General Purpose Reserves with Targets	11,363,999	13,311,752	12,460,634	17,598,322	(5,137,688)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,958	1,484,958	1,568,207	(83,249)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	2,933,824	1,071,000	1,862,824
REET 2**	2,284,826	2,319,112	1,975,800	2,225,500	(249,700)
Water/Sewer Operating Reserve:	2,414,471	2,414,471	2,414,471	1,979,380	435,091
Water/Sewer Debt Service Reserve:	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
Other Reserves with Targets	15,580,000	17,820,944	15,903,944	10,748,551	5,155,393
Reserves without Targets	35,751,424	35,847,270	34,850,940	n/a	n/a
Total Reserves	62,695,423	66,979,966	63,215,518	n/a	n/a

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

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

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 through March 2014

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2013-14 Council Authorized Uses		
2013 First Quarter Uses	\$302,000	
2013 Second Quarter Uses	\$626,319	
2013 Third Quarter Uses	\$489,981	
2013 Fourth Quarter Uses	\$1,103,451	NE 85th Street Corridor Project Budgets Gap
General Capital Contingency	\$820,000	Yuppie Pawn Shop Acquisition for Totem Lake Park
Real Estate Excise Tax 1 - Parks	\$500,000	Yuppie Pawn Shop Acquisition for Totem Lake Park
Real Estate Excise Tax 2 - Transp.	\$49,000	NE 112th Street Sidewalk
2013-14 Council Authorized Additions		
Real Estate Excise Tax 2 - Transp.	\$77,303	Return from NE 120th Street Extension (East)
Surface Water Transportation	\$49,000	Return from NE 112th Street Sidewalk

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

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

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

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

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

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	(9,118)	40,882
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(22,000)	156,372
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
Total General Fund/Contingency		8,677,412	8,500,957	(31,118)	8,469,839
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,187,020	0	1,187,020
Development Svcs. Technology Reserve	Permit system replacement	264,810	159,792	0	159,792
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,958	0	1,484,958
Total Special Purpose Reserves		6,567,734	5,809,842	0	5,809,842
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(1,573,688)	2,933,824
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(343,312)	1,975,800
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	0	995,958
General Capital Contingency*	Changes to General capital projects	2,686,587	4,810,795	(820,000)	3,990,795
Total General Capital Reserves		12,191,586	15,298,137	(2,737,000)	12,561,137
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital projects	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	(55,619)	4,524,610
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	1,485,091	(465,000)	1,020,091
Total Utility Reserves		20,411,741	19,837,432	(520,619)	19,316,813
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
Total Internal Service Fund Reserves		14,846,950	17,533,598	(475,711)	17,057,887
Grand Total		62,695,423	66,979,966	(3,764,448)	63,215,518

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

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013, which will be considered for budget adjustments.



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, Director of Finance & Administration
 - Michael Olson, Deputy Director of Finance & Administration
 - Neil Kruse, Senior Financial Analyst
 - Kyle Butler, Budget Analyst
 - George Dugdale, Budget Analyst



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Economic Environment Update References:

- The Conference Board Consumer Confidence Index Press Release March 25, 2014
- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, March, 2014
- Monthly Economic and Revenue Publication, March 11 2014—Washington State Economic & Revenue Forecast Council
- Monthly Economic and Revenue Publication, April 11 2014—Washington State Economic & Revenue Forecast Council
- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2014
- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2013
- Northwest Multiple Listing Service
- 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 2014 Financial Dashboard Highlights

May 19, 2014

- The dashboard report reflects the 2014 share of the biennial budget adopted by the City Council on December 11, 2012, as amended on April 2, 2013, June 18, 2013, and December 10, 2013. The actual revenues and expenditures summarized reflect results through April 30, 2014, 33 percent through the year.
- Total General Fund revenues received through April were at 34.0 percent of budget.
 - Revenues are now in line with budget expectations as some important revenues that are only received periodically were received in April. Property tax revenues were lower through April 2014, than at the end of April 2013 by \$1.3 million, however, due to fluctuation in the timing of payments.
 - Sales tax revenues through April 2014 were 7.6 percent higher than in April 2013 and are 37.1 percent of budget. This increase is largely due to strong performance in the auto/gas retail sector and the "other retail" sector. Car sales have been the driving force behind the increased sales tax revenues in the City, although these revenues have slowed in the past few months. All other sales sectors outperformed 2013 through the first four months of the year, with the exception of contracting, which was behind 2013 by 1.0 percent. The sales tax revenue reflects activity in February 2014 due to the two month lag in receipt of the funds from the Department of Revenue.
 - Utility tax receipts were 33.2 percent at the end of April, in line with budget expectations and 3.1 percent higher than in 2013. In addition, the City has collected \$11,300 in one-time recoveries in 2014 as part of an ongoing audit of telephone companies.
 - Business license revenues through the end of April were 37.4 percent of budget with 33 percent of the year complete. These revenues were down 1.9 percent from 2013, as April 2013 had a high number of business license payments received. Staff will monitor whether this is simply a fluctuation in payment patterns.
 - Development fees through the end of April were at 41.7 percent of budget with \$2,043,000 received so far. This is almost the same as the total received in the first four months of 2013. Revenues this year have been running above budget mostly due to over \$300,000 in fees from the Google redevelopment.
 - Gas taxes finished April at \$520,100, 30.7 percent of the annual budget. This is similar to 2013 when gas tax revenue through April was \$516,400.
- Total General Fund expenditures were 32.9 percent of budget at the end of April.
 - General fund salaries and benefits were \$17.7 million at the end of April, which is 32.3 percent of the annual budget. This is 6.8 percent higher than 2013 but it is in line with budget expectations for the first four months of 2014, as a number of new positions were added during the mid-biennial process.
 - Fire suppression overtime expenditures were \$268,000 at the end of April, 37.1 percent of budget, and \$108,100 higher than in 2013. This is because overtime has been needed to backfill four vacancies in the department to maintain daily minimum staffing, a portion of which may be offset by salary savings.
 - The 2013-14 one-time service package for \$506,460 of additional overtime funding to staff Fire Station #24 is shown separately on the Dashboard. Initially split evenly between 2013 and 2014, \$107,700 of the 2013 budget was transferred to 2014 as staffing began in August 2013. Expenditures at the end of April 2014 were \$144,300, which is 31.3 percent of budget.
 - At the end of April contract jail costs were 50.1 percent of budget 33 percent of the way through the year. Contract costs are expected to be much lower in the second half of the year as the new Public Safety Building will open, which has a much larger jail capacity, reducing the need for the City to rent jail bed space.
 - Fuel costs ended April at \$188,800 or 23.7 percent of budget, \$2,700 lower than April 2013. Fuel expenditures coincide with the delivery of the fuel, so comparisons to budget can fluctuate based on the timing of the last fuel order.

City of Kirkland Budget Dashboard

Date Completed

5/19/2014

Annual Budget Status as of 4/30/2014 (Note 1)
Percent of Year Complete 33.33%

	2014 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Report	Last Report	
General Fund						
Total Revenues (2)	78,986,736	26,821,903	34.0%			Property tax received earlier in 2013
Total Expenditures	80,932,459	26,602,043	32.9%			COLA added in April

Key Indicators (All Funds)

<i>Revenues</i>						
Sales Tax	15,533,571	5,767,946	37.1%			Prior YTD = \$5,358,636
Utility Taxes	14,779,443	4,909,594	33.2%			Telephone Utility Tax Audit = \$11,331
Business License Fees	2,852,358	1,067,607	37.4%			
Development Fees	4,897,441	2,043,976	41.7%			
Gas Tax	1,692,480	520,094	30.7%			
<i>Expenditures</i>						
GF Salaries/Benefits	54,892,388	17,724,645	32.3%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	721,957	267,980	37.1%			Excludes FS 24 Overtime
F.S. #24 Overtime Staffing	460,743	144,256	31.3%			
Contract Jail Costs	603,602	302,365	50.1%			
Fuel Costs	797,608	188,847	23.7%			

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 (2014).

Note 2 - Total budgeted expenditures in 2013 and 2014 exceed budgeted revenues due to planned use of reserves (ex: funding of CIP sinking fund reserves and use of Building and Property Reserve).

n/a - not applicable

Development Services Report – April 2014

Development Services is comprised of the Fire and Building, Public Works and Planning Departments. The Building Department reports on all building construction related permits including electrical, mechanical and plumbing trade permits, signs and grading permits. Fire permits are not reported on since they are tracked separately from the Building Department budget. Public Works Department revenue is generated from infrastructure improvement permits and Planning Department revenue is the result of land use permits. A review of the April, 2014 permit data allows us to offer the following:

- The April, 2014 Building Permit related statistics continue to indicate a leveling-off of the upward trend that we witnessed throughout 2013. New single-family residential permit applications for April were level with 30 applications received compared to 31 last year. We have received 83 applications so far this year compared to 108 last year which is a 23% decrease in new single-family permit activity. In contrast, there was a 31% increase in commercial tenant improvement permits and single-family remodel permits with 34 applications received compared to 26 last March.
- The monthly average of total building related permits received so far this year (459) is approaching the monthly average for 2013 (468), with the total number of permits received in April (558) exceeding April 2013 (438) by 27%.
- Building Department revenue for April was \$285,720 which is 104% the average monthly projected revenue of \$275,397 and year-to-date revenue is ahead by \$248,391 (\$1,349,980 has been collected to date, 41% of the budgeted annual revenue of \$3,304,768).
- Public Works Department development revenue for April, 2014 was \$105,170, which is \$26,565 more than the average monthly projected revenue of \$78,605 and year-to-date revenue is ahead by \$133,230 (\$447,649 has been collected to date, 47% of the budgeted annual revenue of \$943,257).
- Planning Department revenue for April, 2014 was \$71,868, which is \$17,750 above our adjusted monthly projected revenue average of \$54,118 for 2014. Year-to-date revenue is ahead by \$29,875 (38% of the budgeted annual revenue of \$649,416 has been collected).



CITY OF KIRKLAND
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance & Administration
 George Dugdale, Budget Analyst

Date: May 2, 2014

Subject: April Sales Tax Revenue

April sales tax revenue is **up 8.8 percent** compared to April 2013. **Year-to-date** revenues are **up 7.6 percent** compared to the same period last year. Results this month reflect retail sales from February 2014 due to the two month lag in reporting sales tax data.

Comparing April 2014 to April 2013

Analyzing the revenues from the same month of this year and last year allows for comparisons that focus on economic and seasonal trends to give insight and context to how each business sector is performing during a particular month.

2013-2014 Sales Tax Receipts by Business Sector-Monthly Actuals

Business Sector Group	March		Dollar Change	Percent Change	Percent of Total	
	2013	2014			2013	2014
Services	148,483	157,442	8,959	6.0%	12.6%	12.2%
Contracting	190,645	215,808	25,163	13.2%	16.1%	16.8%
Communications	36,323	40,233	3,910	10.8%	3.1%	3.1%
Auto/Gas Retail	306,512	315,176	8,664	2.8%	25.9%	24.5%
Gen Merch/Misc Retail	143,998	146,157	2,159	1.5%	12.2%	11.4%
Retail Eating/Drinking	96,690	103,717	7,027	7.3%	8.2%	8.1%
Other Retail	157,847	156,864	(983)	-0.6%	13.4%	12.2%
Wholesale	43,899	59,841	15,942	36.3%	3.7%	4.7%
Miscellaneous	57,587	90,565	32,978	57.3%	4.8%	7.0%
Total	1,181,984	1,285,803	103,819	8.8%	100.0%	100.0%

- April sales tax this year is up \$103,800 compared to April 2013. About 70 percent of the increase is split between wholesale, contracting and the miscellaneous sector.
- The **contracting** sector is **up 13.2 percent** compared to last April. This is significantly higher growth than March 2014 compared to March 2013.
- Retail sectors are collectively up 2.4 percent compared to the same month in 2013 or about \$16,900.
 - The **auto/gas retail** sector was **up 2.8 percent**, or \$8,700, rebounding from March 2014, which saw the first decline in this sector in over two years. Auto sales remain the largest sales tax generator, by dollar amount in the City.
 - **General merchandise/miscellaneous retail** are **up 1.5 percent** over April 2013, or about \$2,200. This sector also saw a rebound from a fall in revenue in March.

- **Other retail fell by 0.6 percent**, or about \$1,000, compared to April 2013. This decline was largely because of a \$12,400 decline in sales tax from furniture and home furnishing stores.
- The **retail eating/drinking** sector is **up 7.3 percent** compared to April 2013 due to strong sales among restaurants across the City.
- The **services** sector is **up 6.0 percent** over April 2013, or about \$9,000, due mostly to growth in the healthcare sector.
- **Wholesale** is **up 36.3 percent** compared to April 2013, or about \$16,000. After posting a year on year decline between February 2013 and February 2014, wholesale revenues have grown in the past two months.
- The **miscellaneous** sector is **up 57.3 percent** over April 2013, or about \$33,000. This was in part due to higher manufacturing, finance and real estate revenues, however, most of the increase was from the statewide pool, which is made up of sales tax revenue submitted to the Department of Revenue but not appropriately coded, making the local coding distribution unknown. Revenues in the pool are allocated to cities by the State, with large spikes indicating a larger than normal amount of revenue allocable to Kirkland. This is the second consecutive month with large gains in the statewide pool
- The **communications** sector is **up 10.8 percent**, or about \$3,900.

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 at the same point. This information gives us a broader context of how a sector is performing as the year goes on. Through the end of April sales tax is up 7.6 percent compared to last year.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-April		Dollar Change	Percent Change	Percent of Total		Percent of Change
	2013	2014			2013	2014	
Services	691,051	726,029	34,978	5.1%	12.9%	12.6%	8.5%
Contracting	887,319	878,659	(8,660)	-1.0%	16.6%	15.2%	-2.1%
Communications	144,084	166,138	22,054	15.3%	2.7%	2.9%	5.4%
Auto/Gas Retail	1,306,946	1,393,816	86,870	6.6%	24.4%	24.2%	21.2%
Gen Merch/Misc Retail	700,280	706,490	6,210	0.9%	13.1%	12.2%	1.5%
Retail Eating/Drinking	409,459	443,484	34,025	8.3%	7.6%	7.7%	8.3%
Other Retail	704,496	770,092	65,596	9.3%	13.1%	13.4%	16.0%
Wholesale	244,079	253,413	9,334	3.8%	4.6%	4.4%	2.3%
Miscellaneous	270,922	429,825	158,903	58.7%	5.1%	7.5%	38.8%
Total	5,358,636	5,767,946	409,310	7.6%	100.0%	100.0%	100.0%

- Retail sectors sales tax revenues collectively are up 6.2 percent compared to 2013.
 - The **general merchandise/miscellaneous retail** sector is **up 0.7 percent** compared to last year.
 - The **auto/gas retail** sector is **up 6.6 percent** compared to last year. Vehicle sales are still ahead of where they were through April 2013, but the rate of increase has slowed in the past two months. Gas station sales are slightly down.
 - The **retail eating/drinking** sector performance is **up 8.3 percent** compared to the same period in 2013, an increase of \$34,000. This is due to increases in sales at restaurants across the City.
 - Other retail is **up 9.3 percent** compared to 2013 due to strong increases in a number of categories particularly online retailers and building and garden stores.
- The **services** sector is **up 5.1 percent** compared to last year. Year-to-date revenue in most sectors is similar to 2013, and revenue from some service sectors such as arts and entertainment has been slightly over and slightly under their 2013 numbers at different points in the year.

The two exceptions to this are publishing sector, where revenue from 2013 is skewed upward because a taxpayer paid multiple months at the same time last year, and other information where 2014 revenues are currently skewed upwards for the same reason.

- **Wholesale is up 3.8 percent** compared to last year, an increase of \$9,300. In previous months year-to-date sales were lower than last year, as 2013 revenues contained large amounts of sales of medical equipment, which does not happen regularly. However, strong sales across the category mean year-to-date sales are now higher. Items in this category include food wholesale, medical equipment, computer equipment, sporting and recreation equipment, and industrial equipment.
- The **communications** sector is **up 15.3 percent** compared to last year, the largest percentage increase of any sector so far in 2014. This is due to strong growth across a number of companies within this competitive sector.
- The **contracting** sector is **down 1.0 percent** compared to 2013. Contracting was among the largest growth sectors in the City through the first half of 2013, but slowed later in the year. A sharp decline in January 2014, meant the year started significantly below the 2013 number, but three consecutive months of growth have reduced the year-on-year decline.
- The **miscellaneous** sector is **up 58.7 percent** due to a large payment from an aviation company as well as increased revenues from the statewide pool, described above.

Regional Economic Context:

The consumer confidence index declined from 83.9 in March to 82.3 in April. This is still higher than the beginning of the year when then index stood at 78.9 and is over 10 points higher than the same period in 2013. "Consumer confidence declined slightly in April, as consumers assessed current business and labor market conditions less favorably than in March," said Lynn Franco, Director of Economic Indicators at The Conference Board. "However, their expectations regarding the short-term outlook for the economy and labor market held steady. Thus, while sentiment regarding current conditions may have slipped a bit, consumers do not foresee the economy, or the labor market, losing the momentum that has been building up over the past several months."

The April update from the Washington State Economic and Revenue Council reported that the state's economy has added 7,900 net new jobs since the February forecast was released, 1,600 fewer than anticipated. According to the Bureau of Labor Statistics, Washington's unemployment rate fell slightly between February and March 2014, from 6.4 percent to 6.3 percent. This figure is below the state's 2013 average unemployment of 7.0 percent. The relatively low unemployment rates should be interpreted with some caution, since some analysts have argued that the declining unemployment rate is due to falling participation in the labor market, rather than strong employment numbers.

Housing construction rebounded slowed in the first quarter of 2014, confirming the preliminary results that were available last month. Housing permits averaged 30,800 in January and February, down from 34,600 in the fourth quarter of 2013, and the decline was present in both the multi-family and single family sectors.

Regional home prices continued to rise, according to the S&P/Case-Schiller Home Price Indices, although at a slower rate than in 2013. As of January, Seattle area home prices have risen in each of the last 23 months, and are 11.9 percent higher than they were a year prior. Even with the recent gains, Seattle area home prices are still 15 percent lower than their 2007 peak.

The growth in car sales appears to be slowing across the state, reflecting the sales tax data seen in Kirkland. Car and light truck sales in March were 248,400 down from 253,800 in February, and below the post-recession high of 280,800 in January. The number of new vehicles registered in March was the lowest since September 2012.

Conclusion

Sales tax revenues in 2014 have performed as expected, growing compared to 2013, but at a lower rate than the year-on-year growth seen between 2012 and 2013. The sectors that made up the largest growth in 2013, Contracting, Services and Auto/Gas Retail have all slowed, although most sectors are continuing to post some growth.

2014 CALENDAR

E-page 87

2015-16 Budget, 2014-18 CIP Update & Development Services Fee Update**JANUARY**

2014 Calendar to Fin & Admin Comm January 28
(rescheduled to February 11)

FEBRUARY

Dev. Svcs. Staffing Model/Dept Mtgs February 16
City Council Retreat February 21

MARCH

Dev. Svcs. Fee Model update/Dept Mtgs March
CIP Update Kickoff March 5
CIP Update – Materials Due March 25
Dev. Svcs. Intro to F&A Comm. March 25

APRIL

CIP Meetings with City Manager April 1-11
Dev. Svcs. Cost Recovery to depts April 18**
CIP to Finance & Admin Committee April 29
Internal Service Rates Kickoff April 30

MAY

Dev. Svcs. Cost Recovery Draft May 2**
Draft Internal Service Fund Rates Due May 22
Dev. Svcs Fee Progress Report to
Fin & Admin Comm. May 27
Internal Service Rates Meetings May 29
City Council Retreat May 30

JUNE

Internal Service Rates Meetings June 2
CIP Update – Materials for Council packet June 5
Final Internal Service Rates Due June 13
CIP Update – Council meeting June 17
Budget Adjustments to Council June 17
Dev. Services Fee Progress Report to
Fin & Admin Comm. June 24
Budget Kickoff June 26

JULY

Budget Workshops July 8-10
Department Org Charts Due July 14
Personnel Recaps Due July 14
Dev. Services Fee Study Session (tentative) July 15
Revenue Estimates Due July 18
Budget Workshops July 21-24

[Add'l Dev. Fee Public Process (if necessary) – TBD]

AUGUST

Budget Workshops August 4-6
Basic Budget Due August 6
Department Overviews Due August 13
Basic Budget Analysis August 13
Service Packages Due August 22

AUGUST CONT'D

Basic Budget Mtgs w/ City Manager August 25-29

- Review Basic Budget Analysis
- Identification of Policy Issues
- Review Service Packages/Reductions

Outside Agency Requests Due August 29

SEPTEMBER

Estimated Carryover Requests Due September 5
(Fund 010 Only)

Basic Budget/Service Packages/
Expenditure Reductions Meetings
with City Manager September 8-12

- Discussion of Policy Issues
- Review Service Packages/Reductions

Department Issue Papers Due September 12

Public Hearing –

Proposed Revenue Sources September 16

Final City Manager Decisions September 19
Budget Document Production September 22-30

[Dev. Fee Adoption – TBD]

OCTOBER

Budget Document Production October 1-17

Fin & Admin Committee Review of Budget
Issues & Process (Special Meeting) October 14

City Manager's Proposed Budget to
City Council & Public October 21

Council Budget Work Session (3-9pm) October 30

NOVEMBER

Council Study Session – Budget November 4
Public Hearing – Budget Input November 4

Special Study Session – Budget November 10
(if needed)

Public Hearing – Budget November 18
Preliminary Property Tax Levy November 18
Public Hearing – Prelim Property Tax November 18

DECEMBER

Budget Adoption December 9 or 16
CIP Update Adoption December 9 or 16
Final Property Tax Levy Adoption December 9 or 16

*Council Meeting/Action

**Task still in progress

Updated: 5/22/14



CITY OF KIRKLAND
Human Resources Department
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MEMORANDUM

To: Kurt Triplett, City Manager

From: James Lopez, Director of Human Resources and Performance Management
Nicole Bruce, Senior Human Resources Analyst

Date: May 20, 2014

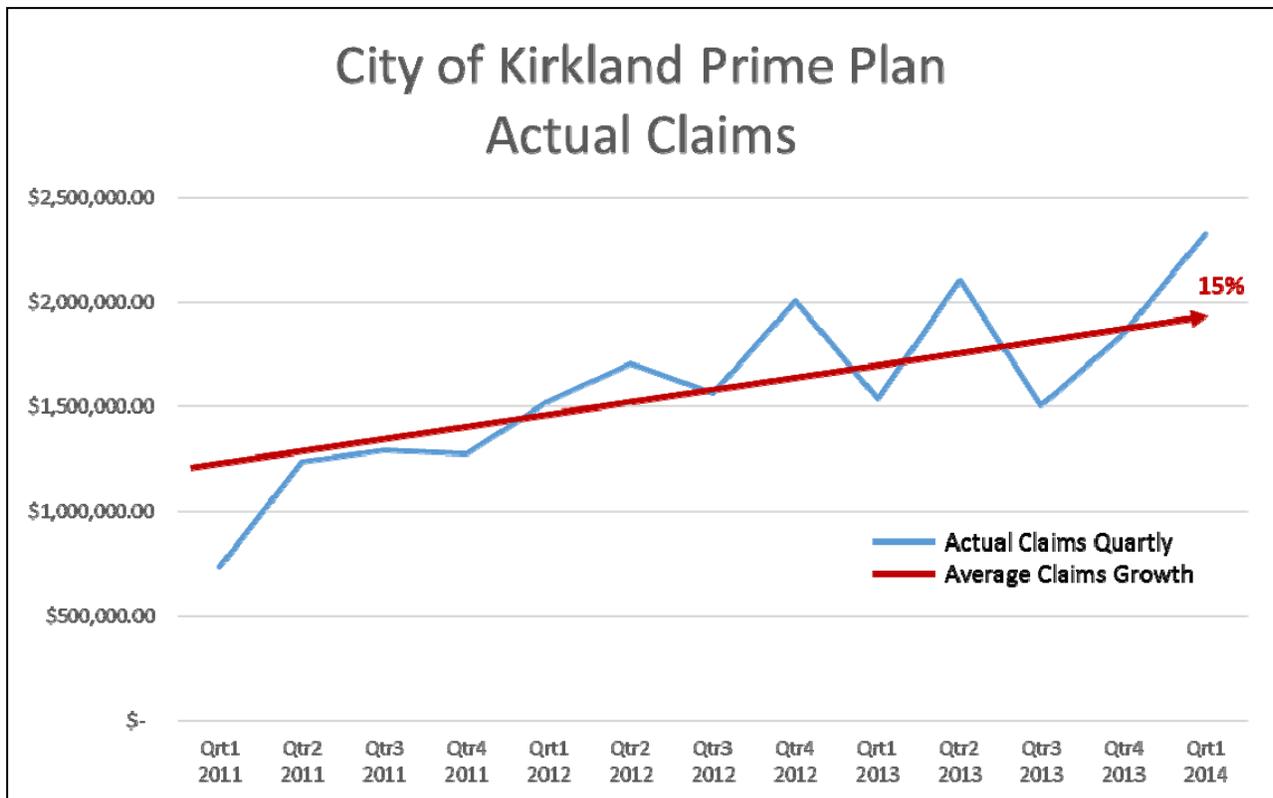
Subject: Health Care Update

RECOMMENDATION

That City Council receives an update on the development of the City's long term efforts to improve employee health while mitigating the rising cost of health care. This memorandum will also serve as an update to Council on the City's progress towards compliance with the Affordable Care Act ("ACA") and the possible financial impacts of this legislation. As a final note, the City has been keeping apprised of the options available in the marketplace and staff seeks Council approval to continue due diligence regarding the consideration of possible long term strategies as discussed below.

BACKGROUND

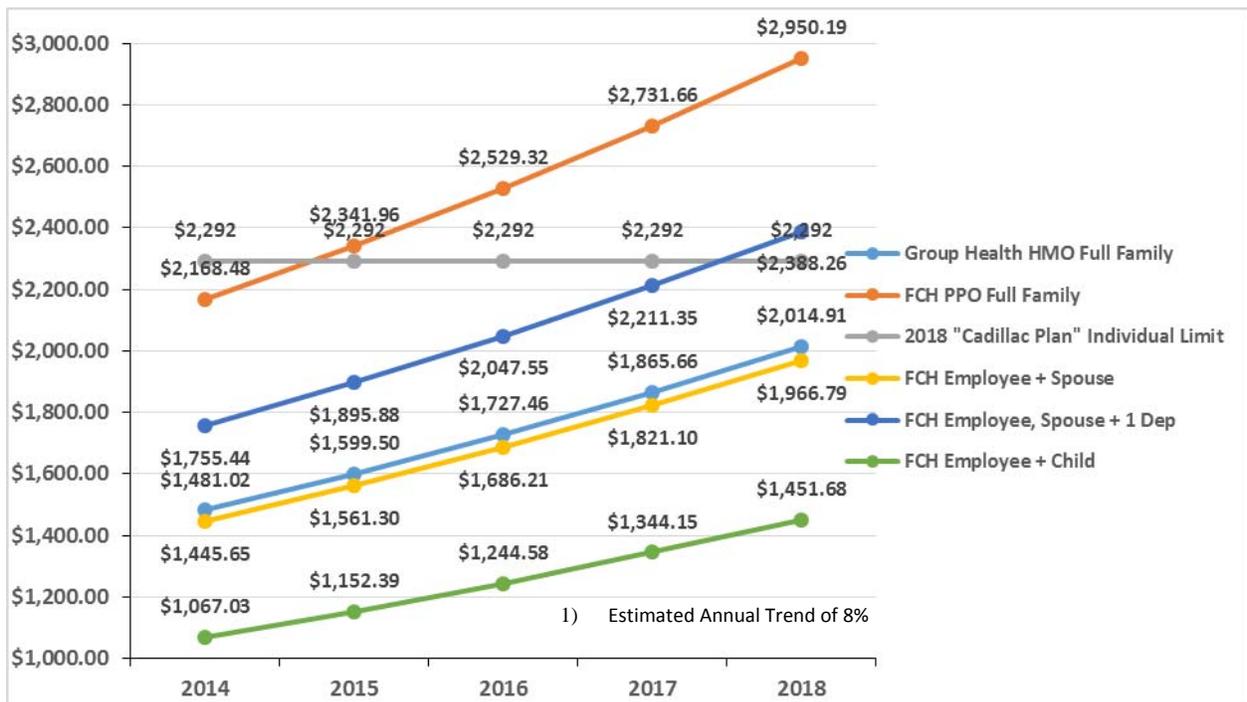
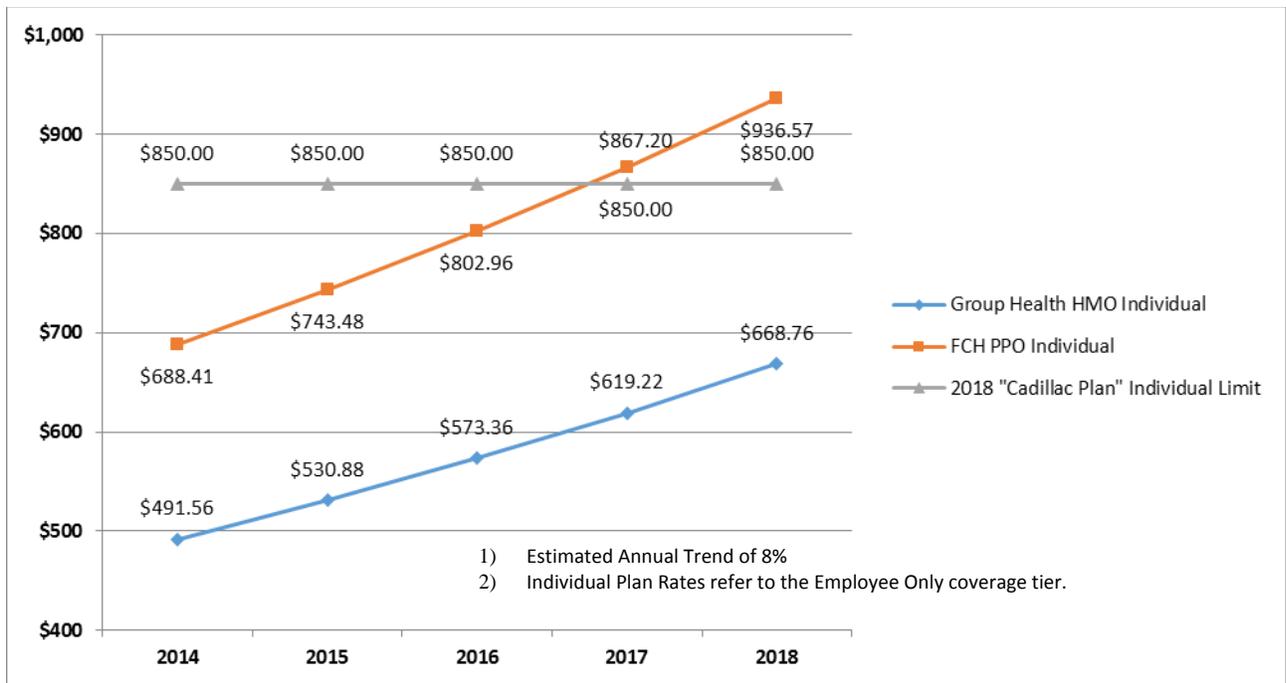
In the October 3, 2013 memorandum to Council, titled, "Health Care Update and 5 Year Benefits Framework", it was presented that the City now has more than three years of medical trend data and as with most employers, our cost for providing coverage to employees continues to rise. Since the City became self-insured in 2011, our claims growth has been slightly over 15% as illustrated in the graph below. However, as explained in the October 23, 2013 memorandum to Council, titled, "Health Care Costs and the Health Benefits Fund", the City's actual premium contributions to itself are based on several factors including claims, the actual number of participants, and policy decisions about whether the City wants to add to or use reserves to fund a portion of the difference between the "expected liability" and the "maximum liability". By prudently balancing reserves levels against expected liabilities, Kirkland has managed to keep our premium equivalent increases closer to 8.8% on average.



In addition to the standard claims growth, some requirements imposed by the ACA have been implemented into the plan as early as 2012. To date, the ACA plan design changes are costing the City an estimated \$150,000 per year. Attachment A shows a list of these changes.

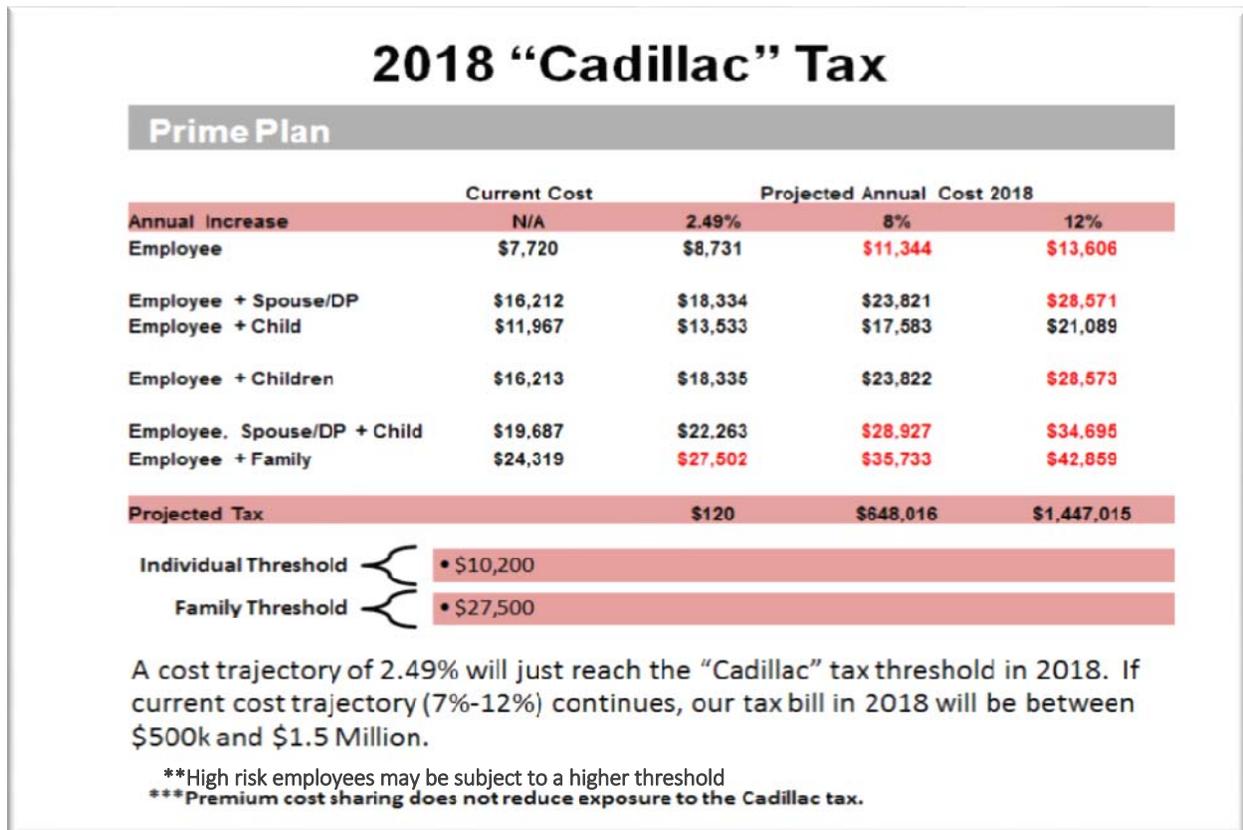
Moving forward, the part of the ACA that has the potential to be most impactful to the City is the "Cadillac Tax". This tax will be imposed on employers who offer actuarially rich benefit plans in 2018 and beyond. The "Cadillac Tax" was first introduced to Council during the October 15th Council study session. In the study session it was discussed that this tax could cost the City upwards of \$1.5 million in 2018 if we were to see premium increases of 12% per year.

As mentioned above, the City's three year premium increase has been closer to 8.8%. However as depicted in the graph below, even with an estimated annual increase of 8%, the City is on a trajectory to reach the "Cadillac Tax" threshold on the full family medical premiums by 2016. The City is also projected to reach the "Cadillac Tax" threshold on the employee only coverage prior to 2018. Currently, 75% of the employee population has one or more dependents enrolled on the on the plan. The "Cadillac Tax" will be assessed based on each individual employees' enrollment tier. For example, an employee with only a spouse enrolled on coverage will be lower than full family. The graphs below illustrates how assessments are made.



It is important to note that other costs such as the premiums the City pays for the Employee Assistance Program, Program Fees, as well as contributions to HRA VEBA and FSA accounts will also be added to the above rates to calculate the "Cadillac Tax". Within the ACA legislation there is a higher premium threshold for high-risk professions (Public Safety), however the City does not currently qualify for this higher threshold.

Another way to look at the impact of the “Cadillac Tax” is through the projected dollar amount that the City will have to pay if the premium thresholds are tripped. The chart below shows that if the City continues to have increases of around 8% the potential liability would be close to \$650,000. As the chart illustrates, staying under the tax requires that the increase per year would need to be limited to approximately 2.5%.



COMMUNICATION AND TRAINING

Over the past few months, the benefits team in the Human Resources Department has been focusing their efforts on communication to employees regarding the need to “bend the trend” in the growing cost of healthcare, the impacts of the ACA, and on educating them to be empowered stewards of health care. The benefits team has focused this communication effort in two areas, 1) market reform and plan design and 2) benefit core skills trainings.

As Council is aware, benefit changes are subject to union negotiations, therefore market reform and plan design discussions are taking place either at the bargaining table, with the Employee Benefits Advisory Committee (EBAC) or with our newly developed “Roundtable Discussions”. Both the EBAC and the Roundtable Discussions are focused around health care topics that the employee groups would like to learn more about. The City has increased the number of EBAC

meetings from quarterly to once per month to better streamline communication. The EBAC is also updated monthly on the growth in claims and our claims trends.

The second area of communication is the benefits core skills trainings, which focuses on the consumer side of health care. The benefit team has created four modules that we are delivering at department staff meetings with the intent to better educate our employee groups to be more engaged consumers of health care. The four modules are as follows:

1. Benefits 101 – This module will serve as a refresher course for employees to revisit the language of health care. What is my deductible and what is the difference between a deductible and the out of pocket maximum? What is the difference between co-pay vs. co-insurance? What is a premium and who pays the premium?
2. Plan Savings – This module will introduce different avenues for recognizing savings within the health plan. For example, employees can save themselves and the City money by learning how to read an explanation of benefits (EOB). Another avenue of savings is understanding how to sign up for and use mail order drugs.
3. Preventive Care 101 – In this module employees will learn about the programs the City currently offers to help prevent long and/or short term health issues. These programs have been historically underutilized and the goal of this module is to remind employees of the resources that are currently available to help manage their health care.
4. Making Informed Decisions – This module will further develop our employees understanding of choosing the right health care for the circumstance. For example, *“I am seeing flashing lights and spots in my vision, should I call the nurse line, go to an urgent care facility, or the ER?”*

Another way the benefit team is increasing communication regarding the City’s Health Care efforts is through our intranet site. In conjunction with the IT Department the benefit team has created a website called, Health Care Corner, where employees can go to get information regarding education, outreach and the latest developments in the City’s health care efforts.

The goal of this communication effort is to promote employee engagement and provide the tools necessary for employees to be empowered stewards of health care which will impact the long-term sustainability of our health plans.

Finally, as part of the City’s ongoing efforts to prepare for the future of health care, listed below are three possible long term strategies worthy of additional research and evaluation.

POSSIBLE LONG-TERM STRATEGIES

High Deductible Health Plan with Health Retirement Account

A High Deductible Health Plan is a Preferred Provider Organization (PPO) Plan with a deductible of at least \$1500 for an individual and \$3000 for a family. The trend in benefits is moving towards these types of consumer driven plans. These plans are said to increase awareness about health care savings and, in turn, can save the individual and the employer money in the long term. Typically, the “insurance” is reserved for the more expensive medical costs and

procedures and the employee is responsible for all expenses up to an amount that is higher than the traditional PPO Plan. Thus, it is referred to as a High Deductible Health Plan (HDHP).

To make the plan attractive to employees, the City would make a deposit into a Health Retirement Account (HRA) which can be used to cover some of the out-of-pocket expenses up to the higher deductible or it can be saved for retirement. Even if the City were to make a contribution into the HRA, they are still thought to save money because employees and their families will evaluate the cost vs benefit of spending their own money.

The City has received interest from our employee groups regarding assistance with retiree health care costs and an HRA is one way to offset some of the expenses after retirement. Unlike previous health-savings plans offered by employers, account balances that are not used in a plan year can be carried over to the next year, essentially beginning to save for retirement. HRA deposits are tax-deductible and the withdrawals that are used to pay approved out-of-pocket health care costs are tax-free. HRA's can also be transferred from job to job.

On-Site/Near-Site Clinic

In trying to control the rising cost of health care, there has been an increasing trend in employers offering on-site clinics to their employees. These clinics are located on an employer's campus and dedicated to serving its employees. These clinics are typically used by 60% of on-campus employees and 25% of employees' dependents. On-site clinics are frequently staffed by a registered nurse (RN), physician assistant (PA) and full or part-time physicians. Services can include primary care appointments, prescription drug dispensing, administration of vaccinations, providing health and wellness education, and referring employees to in-network doctors and specialists. It is estimated that in 2009 there were 2,200 such clinics operating and are anticipated to grow to 7,000 by 2015.

The main reason employers are contracting with vendors for services that operate these clinics is to take costs that are growing at a national average of 8% and turn a large portion of that percentage increase into fixed costs. The fixed cost is the per-employee-per-month fee that is paid to the vendor to provide these types of services. In addition to fixed cost there are also start-up costs associated with a clinic, however by the 2nd year most employers see a significant decrease in their medical expenses. The benefit team is currently in the process of conducting a Request for Proposal (RFP) on clinic providers to determine if this is a potential long-term strategy for the City.

Health Concierge Service

Health concierge services are fairly new in the marketplace. However, they are quickly showing favorable return on investments (ROI) for employers and getting praise from employees as well. The idea behind these services is to show market transparency and contain costs. Most of the savings provided by this service are generated by the referral assistance they provide to employees and their families. For example, if a primary care physician refers an employee or dependent for a surgery, the physician typically refers that individual to a provider the physician is familiar with or to an affiliated hospital/clinic. The physician does not take the associated cost of the service into consideration. This is where a concierge service becomes beneficial. An employee would call the concierge vendor and get a list of providers that offer the same services. The information they receive would include cost as well as location, hours of operation, links to the provider's website, and links to reviews about the physician. If an

employee were to choose one of these providers, the service will then schedule the appointment for the employee and also help with the transfer of their medical records.

Another service concierge vendors provide is reviewing charges that have been incurred for health services. This is another area where savings can occur for both the City and the employee. It can be very complex for employees to balance all of the bills that come after seeking treatment for services, especially if the bills are for complicated procedures. The concierge service audits the bill to be sure the charges are correct charges and that the employee has paid their provider the correct out-of-pocket expenses. Data shows that the average ROI for employers who offer this type of service to be 8:1. Providing this concierge service also increases employee satisfaction with the benefits provided by the employer.

A health concierge service can generate savings under most benefit frameworks, but it can be particularly effective when combined with a high deductible plan. Under the high deductible plan, the employee benefits financially by saving money on the cost of procedures and treatment. The concierge service provides options that allow the employee to choose to spend less and save more in their HRA account, either to use for additional claims in a current year or to "roll over" into future years or use.

CONCLUSION

This update to Council is an important milestone in the City's efforts to continue to provide high quality health care to our employees and their families, while mitigating the cost of that care. As we consider the data presented in this memorandum as well as the potential strategies touched upon, staff recommends at least three considerations govern future action.

First, even though our claims cost trend is increasing, our evaluation of best practices show that successful changes in claims utilization will first require additional focus on outreach, education and incentives to our employees rather than cost shifts or benefit reductions. Sustainable savings can only occur after employees understand why change is necessary, that change really can occur, and how such change can be achieved by Kirkland in ways that improve health, maintain quality care, and reduce cost. Therefore over the next year staff is recommending that education efforts are strengthened and plan design changes are limited to incentive-based approaches that reward employees for voluntary actions that improve health, reduce cost, and do not require collective bargaining. Examples of such initiatives might be to financially incentivize employees to select Group Health (which costs the City less across all benefits categories, while providing quality care) during open enrollment or to provide concierge services as a voluntary measure later this year.

Second, any proposed plan design changes must be part of a collaborative process with our labor groups and should emphasize promoting employee health, rewarding informed decisions and promoting market reform.

Finally, the City will need the flexibility to constantly monitor our progress, evaluate what is working, what is not, and act expeditiously to affect positive change prior to 2018. Moving forward staff will be periodically updating council and making recommendations concerning each of these points so that the City and its employees will be best prepared to address the future of health care together.

Affordable Care Act Required Changes

Below is a list of the changes that have been implemented in the City of Kirkland Prime Plan to comply with the Affordable Care Act.

- **Administrative Changes**
 - Payroll Tax Increase (eff. 1/1/13)
 - Employers are required to withhold the additional taxes from wages.
 - W2 Reporting (eff. 1/1/13)
 - Employers are required to report the aggregate cost of employer-sponsored health coverage on the W-2 form.
 - Comparative Effectiveness Fees (PCORI fee) (eff. 1/1/13)
 - Employers are required to pay a per enrolled member fee to help fund the Patient-Centered Outcomes Research Institute. In 2012 the fee was \$1 per member and in 2013 it was \$2 per member. The remaining fees will be indexed.
 - Summary of Benefits and Coverage (eff. 9/23/13)
 - Employers are required to provide participants a Health and Human Services (HHS) approved summary of benefits and coverage prior to enrollment.
 - Reinsurance Fee (eff. 1/1/14)
 - Employers are required to pay \$63 per enrolled member to HHS.
 - Exchange Notice eff. 1/1/14)
 - Employers are required to provide written notice to employees about the Exchanges offered in 2014.
- **Plan Design Changes**
 - 100% Coverage for Woman's Preventative Care (eff. 1/1/13)
 - Employers are required to cover woman's well visits, specific testing and screenings, contraception, breastfeeding support and supplies, and domestic violence screenings.
 - Pre-existing Condition Exclusion (eff. 1/1/14)
 - Employers are required to eliminate all pre-existing condition exclusions and limitations.
 - Clinical Trials (eff. 1/1/14)
 - Employers are required to allow coverage of usual care costs provided as part of an approved clinical trial.
 - Tobacco Cessation (eff. 1/1/14)
 - Employers are required to pay for FDA-approved tobacco cessation drugs with no cost share.
 - Emergency Room Services (eff. 1/1/14)
 - Employers are required to cover emergency services that are rendered at an out-of-network provider at the same level as an in-network provider.
 - Caps on Cost-sharing Limits (eff. 1/1/14)
 - Employers are required to limit the individual out-of-pocket maximums to \$6,600 and the family out-of-pocket maximums to \$12,700. Kirkland had to reduce this limit on our retiree plan. We also needed to restructure our plan to have co-payments be applied to our out-of-pocket maximums on both our Prime Plan and Retiree Plan; prior to this change employees would pay co-payments for all services regardless of hitting the out-of-pocket maximums.



CITY OF KIRKLAND
Human Resources Department
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www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: James Lopez, Director of Human Resources and Performance Mgmt.
Kathy Joyner, Safety/ Risk Analyst
Ray Steiger, Streets Division Manager
Rod Steitzer, Capital Projects Supervisor

Date: May 22, 2014

Subject: American with Disabilities Act Update to Council

RECOMMENDATION

That the Council receives an update on the American with Disabilities Act (ADA) as both the federal and state governments are giving ADA compliance renewed focus which has potentially significant financial impacts to the City. The staff recommendation is that the City moves forward with several American with Disabilities Act initiatives, including the potential submission of funding requests (if necessary) for consideration in the 2015/2016 budget, with the intention of completing a City wide ADA Transition Plan by the end of the 2016. This memorandum also provides a brief overview of the ADA and a summary of what the City is currently doing to be compliant with the Act.

BACKGROUND

The ADA provides comprehensive civil rights protections to persons with disabilities in the areas of employment, state and local government services, and access to public accommodations, transportation and telecommunications. The ADA was adopted in 1990 and is companion civil rights legislation with the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973. This legislation mandates that qualified disabled individuals shall not be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity. The Act also protects employees with disabilities by requiring employers to make reasonable accommodation for applicants and employees with disabilities.

As such, in order meet our obligations under law, the City of Kirkland and other public agencies are required to evaluate policies, programs, and services and to identify barriers under the ADA. Public agencies are further required to develop and have available to the public an ADA "Transition Plan" that provides for the means and timeframe to be compliant with Title II of the act.

The ADA is divided into five parts, covering the following areas:¹

Title I: Employment

Under Title I, employers, including governmental agencies, must ensure that their practices do not discriminate against persons with disabilities in the application, hiring, advancement, training, compensation or discharge of an employee, or in other terms, conditions and rights of employment.

Title II: Public Services

Title II prohibits state and local governments from discriminating against persons with disabilities or from excluding participation in or denying benefits of programs, services or activities to persons with disabilities. It is under this Title that the ADA Transition Plan is prepared. The ADA Transition Plan is intended to outline the methods by which physical or structural changes will be made to affect the non-discrimination policies described in Title II.

Title III: Public Accommodations

Title III requires places of public accommodation to be accessible to and usable by persons with disabilities. The term public accommodation as used in the definition often is misinterpreted as applying to public agencies, but the intent of the term is to refer to any privately funded and operated facility serving the public.

Title IV: Telecommunications

Title IV covers regulations regarding private telephone companies, and requires common carriers offering telephone services to the public to increase the availability of interstate and intrastate telecommunications relay services to individuals with hearing and speech impairments.

Title V: Miscellaneous Provisions

Title V contains several miscellaneous regulations, including construction standards and practices, provisions for attorney's fees and technical assistance provisions.

While the ADA has five separate titles, Title II is the section specifically applicable to "public entities" (state and local governments) and the programs, services, and activities they deliver. As noted above, Title II of the ADA states no qualified person with a

¹ http://www.ada.gov/ada_intro.htm;
http://en.wikipedia.org/wiki/Americans_with_Disabilities_Act_of_1990)

disability may be excluded from participating in, or denied the benefits of, programs, services, and activities provided by state and local governments because of a disability.

Since 1999 the Department of Justice had engaged in over 200 settlement agreements with 192 localities in all 50 states, the District of Columbia, and Puerto Rico. As noted on the DOJ website “[i]n most of these matters, the compliance reviews were undertaken on the Department’s own initiative under the authority of [T]itle II and, in many cases, [S]ection 504 of the Rehabilitation Act of 1973 because the governments receive financial assistance from the Department and are prohibited by the Act from discriminating on the basis of disability.”²

In addition to those investigations undertaken as a result of DOJ’s own initiative, complaints resulting in compliance reviews and sanctions can vary from state initiated investigations to citizen complaints.

In 2013, the Washington State Department of Transportation (WSDOT) adopted a new chapter in the Local Agency Guidelines (LAG) manual specifically identifying how agencies must go about being compliant with the transportation related requirements of Title II. The LAG manual contains requirements for agencies utilizing State and Federal funding, and Kirkland’s role as a Certifying Agency City (ability to administer our own projects and programs) includes the requirement that the LAG manual will be complied with. Further, based on a national trend, WSDOT will begin requiring that agencies using any Federal funding (i.e. grants through WSDOT) have and are able to present their ADA Transition Plan.

Since the inception of federal legislation addressing disability issues (Americans with Disabilities Act of 1990 (ADA) and the Rehabilitation Act of 1973 (Section 504) the City has engaged in many activities to achieve compliance with the federal laws. For example, in the 1990’s and again in 2002-2004, the Public Works Department successfully applied for Federal Community Development Block Grant (CDBG) funds through King County and completed a number of ADA compliant wheelchair ramp upgrades at a number of locations throughout the City. Improvements through the CDBG resources amounted to nearly \$300,000 on curb ramp upgrades. Similarly, in 1996 the City made upwards of \$40,000 in ADA upgrades to the Kirkland Senior Center improving restrooms and access to the facility.

Known ADA deficiencies within the public right of way are also addressed and corrected through the Capital Improvement Program. Specific capital projects that provide ADA upgrades include the Annual Sidewalk Maintenance Project and the biennial Crosswalk Upgrade Program. Transportation, street, non-motorized, and utility projects that impact existing noncompliant pedestrian improvements, or have opportunities for pedestrian improvements where none exist within the project limits usually require ADA upgrades. Grant related programs that provide for ADA upgrades through specific projects include Safe Route to Schools and Congestion Mitigation and Air Quality.

² <http://www.ada.gov/civicfac.htm>

The City has also crafted a process to handle requests from the general public for sign language, oral, and cued speech interpreters. In 2010, the Human Resources Director was appointed as the City's ADA Coordinator—a mandated position under the Act—and a grievance procedure was established for our Court. The City is currently in the process of applying the procedure designed for the Court to the entire government and will be posting an enterprise-wide ADA Notice and Grievance Procedure on our City website and at all City facilities shortly.

RECENT DEVELOPMENTS

Before outlining how the City of Kirkland is organized to move forward to meet our obligations under the Act, a brief summary of recent ADA-related developments, particularly in the area of transportation, highlight the importance of acting expeditiously to coordinate future ADA compliance efforts. In both of the examples below, required ADA compliance directives came after projects were designed, funded and either complete or well under way. Traditionally such changes would only occur on new projects at the time grant money is awarded.

WSDOT Sidewalk Ramp Example

On June 1, 2011, the City executed a contract with Pellco Construction Inc. for the construction of a project to improve the infrastructure around seven elementary schools in Kirkland. Specifically project work included connecting sidewalks by constructing curb, gutter, sidewalk, and storm drainage improvements to the seven schools. The Project, which was funded in part by a \$498,000 state grant, was completed on November 30, 2011 and accepted by the City on February 7, 2012.

However, on September 19, 2013, long after the close-out of the project, WSDOT Local Programs performed a field review of the work and identified what WSDOT concluded were deficiencies at approximately 80% of the locations that included ADA curb ramps and landings, cross slopes, and driveway ramps. Kirkland staff subsequently visited each site with WSDOT and re-measured and the number of non-compliant sites was reduced to about 25% of the locations.

Kirkland staff have completed a draft correction plan and are working with WSDOT Local Programs for plan approval. The plan includes a correction schedule, outreach, and reporting.

The exact cost to correct the deficiencies is not know at this time, however, the City is seeking indemnification for the deficient work from the contractor and consulting inspector. City staff may also need to request additional funding from the Council to correct any remaining deficiencies not fully indemnified.

FHWA APS Example

Another example is that the older-style 'audible' pedestrian signals have recently been determined by the Federal Highway Administration (FHWA) to no longer satisfy current ADA and Manual on Uniform Traffic Control Devices (MUTCD) requirements for pedestrian signal systems. FHWA now requires Accessible Pedestrian Signals and Pushbuttons (APS). APS is an integrated system that improves a signal's communication to pedestrians by providing visual, audible, and vibrotactile indications for users to cross a street at a signalized intersection.

The Federal Highway Administration (FHWA) now requires State Department of Transportations (DOTs) and local agencies to develop and follow a reasonable and consistent policy for addressing APS in the public right of way.

Kirkland's Intelligent Transportation System (ITS) Phase I and Phase II projects both received federal dollars. Both Phases were approved, designed, and in the process of implementation. FHWA and WSDOT originally informed Kirkland that the City would need to redesign the two ITS Phases and install APS. This would have increased the cost of Phase I by \$250,000 and the cost of Phase II by over \$500,000. Neither cost increase would be covered by the ITS grants. Kirkland CIP staff have worked with FHWA and WSDOT to modify the requirement with a Transition Plan since the change came after the ITS projects were designed and under implementation.

The new Transition Plan will include an APS policy (plan and schedule) that describes when existing pedestrian signals systems will be upgraded to accessible pedestrian signals and pedestrian pushbuttons.

The cost associated with APS upgrades can vary with type of upgrade and existing conditions. For signalized intersections, the cost ranges from \$50,000 to \$75,000. Costs are minimized with existing ADA compliant sidewalks and ramps, where the need for sidewalk and ramp upgrades, or the addition of pedestrian signal poles cause an increase in cost. For mid-block crossings, the cost ranges from \$30,000 to \$100,000. The feasible use of solar powered units with existing ADA compliant sidewalks and ramps minimize costs, where need for electric power and no existing improvements cause an increase in cost.

The purpose of highlighting these two examples is to show the Council how ADA compliance requirements are now receiving a renewed emphasis by the state and federal governments. Those governments set the rules, and the rules are changing in ways that can have significant cost impacts on City transportation projects moving into the future.

CITY OF KIRKLAND ADA IMPLEMENTATION TEAM

In response to this renewed ADA focus, in April of 2014 the City organized and convened an interdepartmental ADA implementation team ("Implementation Team") to ensure a comprehensive and timely approach toward addressing our responsibilities under the ADA. The Implementation Team now meets once a month and has representatives from each

department including several from Public Works given that departments' exposure to ADA concerns.

The goal of the team is to develop and implement a work plan to ensure compliance with the ADA. The City's work plan consists of two critical functions: 1) programmatic self-evaluation and 2) the development and eventual implementation of a Transition Plan. Importantly, as noted above, over the years the City has made important improvements to how it addresses ADA issues. The work of the Implementation Team builds on those efforts.

Essentially, programmatic self-evaluation provides the City with the information necessary to develop a Transition Plan. The self-evaluation will guide the City in determining if there are any existing barriers that may prevent qualified people with a disability from participating in any of the programs, services, and activities provided by the City. Title II also mandates that the City provide opportunities to interested persons, including individuals with disabilities or organizations representing individuals with disabilities, to participate in the self-evaluation process by submitting comments. The Implementation Team is looking at different options for involving interested individuals and organizations to participate. The team has also developed several checklists as a reference for compliance against core areas of concern. These areas include:³

- **General Effective Communication:** The City is required take steps to ensure that our communications with people with disabilities are as effective as communications with others.
- **Website Accessibility:** The City must provide qualified individuals with disabilities equal access to our programs and services.
- **Program Access:** The City of Kirkland must ensure that individuals with disabilities are not excluded from services, programs, and City sponsored activities.
- **Public Right of Way Elements/City Buildings/Trials/Parks:** Title II of the ADA requires the City to make its public right of way elements accessible by ensuring infrastructure such as, but not limited to trails, parks, buildings, streets, pedestrian crossings, sidewalks and ramps are accessible to people with disabilities.
- **Emergency Management:** Our Emergency Management programs, services, activities, and facilities must be accessible to people with disabilities.

The Transition Plan will be developed to implement changes identified in the self-evaluation process. The Transition Plan will include, but not be limited to the following items:

³ <http://www.ada.gov/pcatoolkit/toolkitmain.htm>

- A schedule for providing Accessible Pedestrian Systems (APS), curb ramps or other sloped areas where pedestrian walkways cross curbs, giving priority to walkways serving entities covered by the ADA, including State and local government offices and facilities, transportation, places of public accommodation, and employers, followed by walkways serving other areas.
- A report identifying the physical obstacles in the public entity's facilities that limit the accessibility of its programs or activities to individuals with disabilities and describe the methods that will be used to make the facilities accessible.
- A schedule for taking the steps necessary to achieve compliance with the ADA and, if the time period of the ADA Transition Plan is longer than one year, identify steps that will be taken during each year of the transition period.
- A description for how to respond to public requests for APS at specific locations.

Finally, the City is evaluating the costs of developing a Transition Plan. Staff recommends that the Council support moving forward with the ADA initiatives outlined above as well as potential submission of funding requests (if necessary) for consideration in the 2015/2016 budget, with the intention of completing a City wide ADA Transition Plan by the end of the 2016.

After the Transition Plan is completed, the Implementation Team will conduct periodic reviews to ensure ongoing compliance with ADA requirements.