



CITY OF KIRKLAND
Human Resources Department
505 Market Street, Suite B, Kirkland, WA 98033 425.587-3210
www.kirklandwa.gov

MEMORANDUM

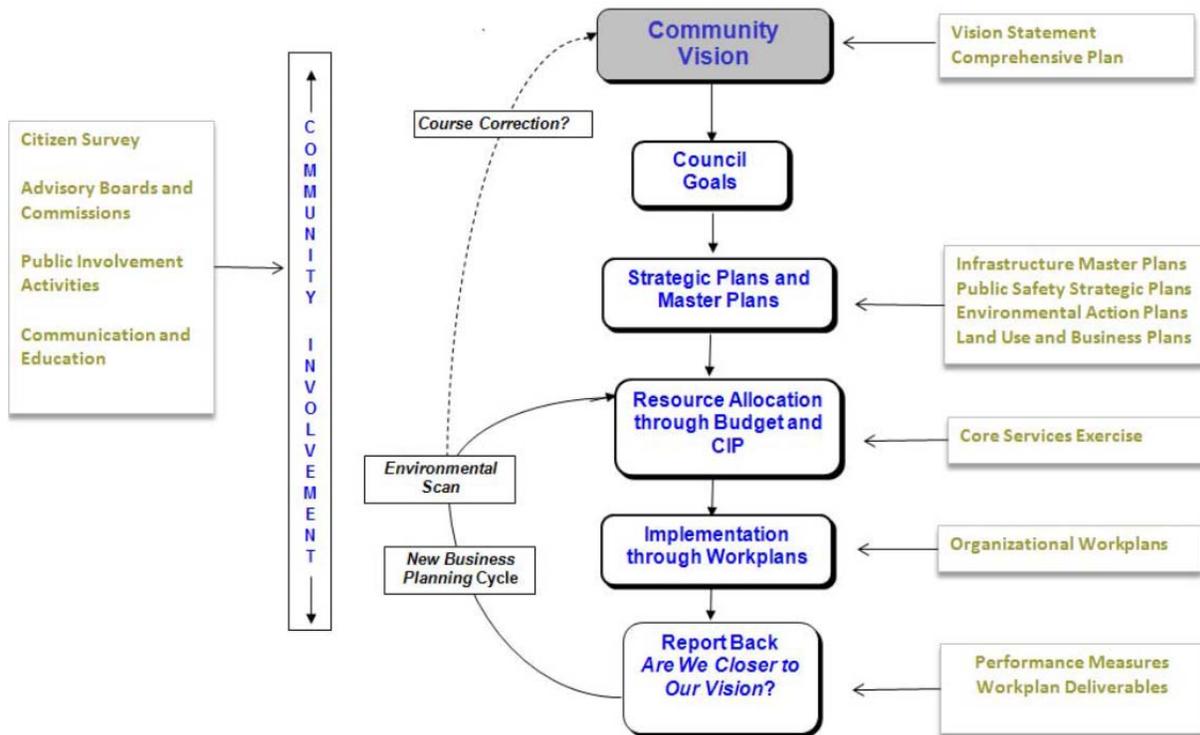
To: Kurt Triplett, City Manager
From: James Lopez, Director of Human Resources and Performance Management
Date: June 11, 2013
Subject: Strategic Planning and Performance Management

The City Council will be discussing the performance management in the context of City Council goals, priorities and the strategic planning process at the second half of the June 17 retreat. The purpose of this memorandum is to provide background information for the City Council's discussion as well as provide an overview of how the existing strategic planning process could evolve into a more effective performance management system that identifies, develops and prioritizes strategies and actions to achieve the City's vision. In developing this system, our view is that in order to be successful, the City must implement a process that measures what we do, communicates what we do, informs decision making at all levels of government and facilitates the development of an active, engaged workforce.

BACKGROUND

In 2011, the Council received a memorandum outlining the strategic planning process of the City. As noted in the memorandum, in recent years, the City Council has taken a more strategic approach to planning through the development of Council goals, performance measures and work plans. A copy of the diagram depicting the City's planning process is included below.

STRATEGIC PLANNING PROCESS



In September of 2012, the Director of Human Resources and Performance Management, the Director of Finance and Administration and a graduate level intern from the University of Washington's Evans School of Public Affairs undertook an initiative to refine the City's strategic management framework by building on the existing structure outlined in 2011. A copy of this report is provided in the Council packet ([Attachment A](#)). The project lasted over six months, ending in March of 2013. Recognizing that performance management "is not so much a set of single, independent processes; rather, ... is a series of interrelated processes, the combination of which is critical to the achievement of organizational and individual performance"¹ our team set out to review the City's existing strategic planning process with an eye toward finding ways to better align each stage of the process, effectively breaking down silos of information and making key performance criteria available to everyone.

As noted in the report, in undertaking this work we were guided by three core principles. First, we adopted an approach that leveraged existing systems rather than implementing an entirely new way of doing things. This decision was made easier by the fact that the City has an effective process already in place, including an award winning performance report that has been modeled by other cities across the country. Second, we focused on information (objectives, performance measures, targets) that is immediately relevant to decision makers

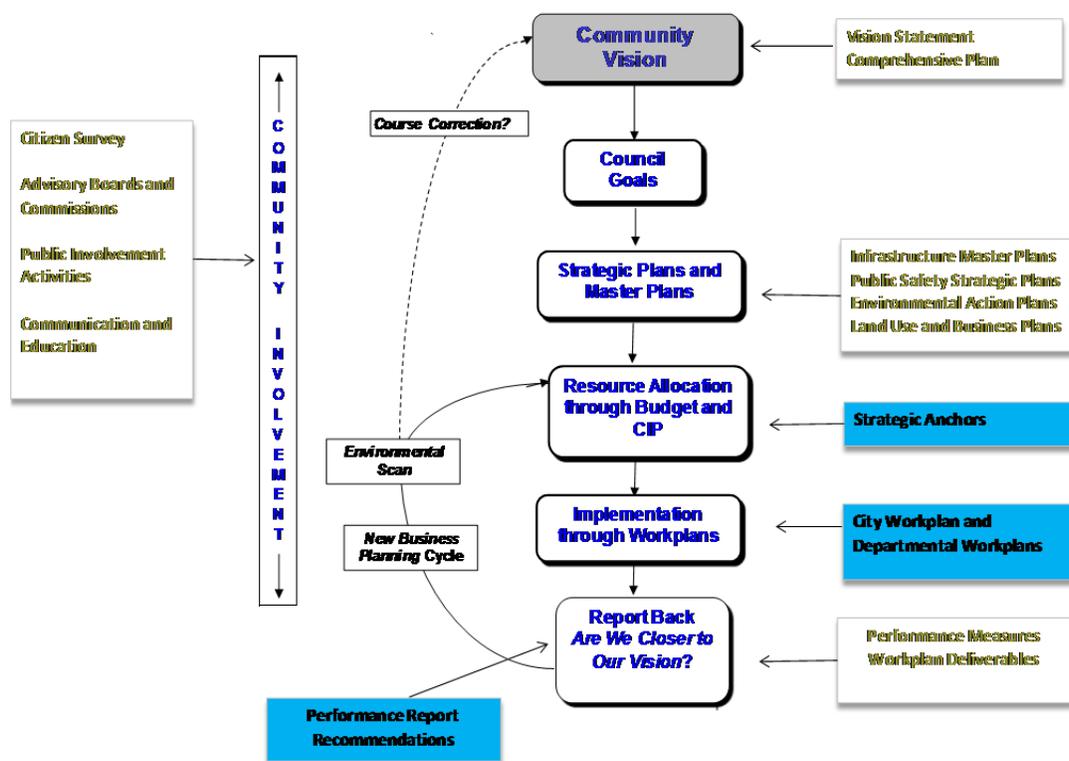
¹ Stiffler, Mark A. (2006). *Performance: Creating the Performance Driven Organization* (p. 9). John Wiley and Sons, Inc.

and residents evaluating the work of the City. As noted in the report, "[s]ystems to measure and evaluate overall performance can often be time consuming, requiring large commitments of resources to track metrics and often track irrelevant metrics, giving meaningless data." ²

Put another way, we were careful to structure our approach so as to help *improve the business of government, not get in the way of it*. Finally, wherever possible we sought to provide context to our work by citing a wide variety of the established literature on a given topic under consideration. As such, the report contains a significant amount of research, opinion and hopefully the latest thinking on many of the subjects discussed.

What follows is a brief summary of several of our key initial observations and recommendations found in the report. Most of the initial recommendations involve proposed improvements to the last phase of the City's strategic planning process, titled "Reporting Back, Are We Closer to our Vision?" It is the intent of the performance management team to provide the Council with recommendations on an ongoing basis.

STRATEGIC PLANNING PROCESS



² Dugdale, George. Clear, Comprehensive and Concise: towards a new strategic management framework in Kirkland WA (2013). Evans School of Public Affairs.

OBSERVATIONS AND RECOMMENDATIONS

1. STRATEGIC ANCHORS

Perhaps the most significant observation of our work is the acknowledgement that, for the last several years, the City has been guided by three key performance measures that have served as “strategic anchors”, or a lens to every major decision put before it. Importantly, however, until the recent publication of the 2013 budget where each of the three strategic anchors was prominently displayed in the first chapter of the document, these measures have remained in the background of the City’s performance measurement process.

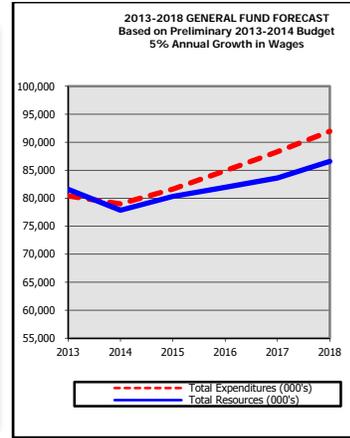
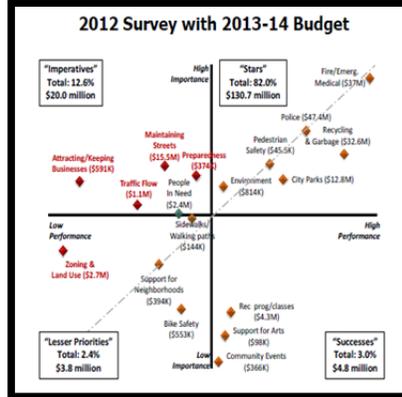
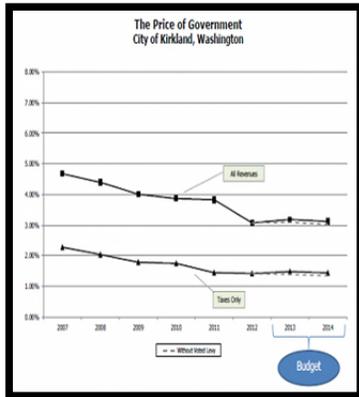
As noted by author Patrick Lencioni³, strategic anchors answer the question “how will we succeed” and for the City these anchors consider whether the City remains *affordable*, whether it is *responsive to the needs of its residents* and whether it is *financially sustainable* both in the near and long term. The significance of this practice should not be underestimated. Guided by these three specific inquiries, the City has been able to manage the tension of setting policies and delivering services that the community prioritizes. While the recommendations at the end of this section focus on the last phase of the strategic planning cycle, the influence of the anchors is found in at least 4 phases of the planning cycle, especially phase during the budgeting process (phase 4), with only phase 1 --vision development and phase 2 --the establishment of the City’s long term goals not currently applying.

As noted above, each anchor is explained in detail in the first chapter of the 2013 budget report ([Attachment B](#)). It is fair to say that by utilizing these anchors in major policy decisions, the City has been able to strategically manage an effective path toward its vision.

Below are graphical examples of each strategic anchor:

Price of Government (affordable)
Kirkland Quadrant (responsive)
Diverging Lines (financially sustainable)

³ Lencioni, Patrick. (2012). *The Advantage: Why Organizational Health Trumps Everything Else in Business*. Jossey-Bass.



Recommendation:

- Council should accept the three anchors as key decision making criteria to be used throughout the strategic planning process including establishing a more prominent place for these measures in the development of the annual performance report.

2. REVIEW OF PRIORITY AREAS ESTABLISHED IN THE KIRKLAND QUADRANT

As noted above, the Kirkland Quadrant is one of the three strategic anchors the City relies upon to help evaluate key decisions at nearly every phase of its strategic planning process. The Quadrant, first published in its current form in 2008, communicates the results of a community-wide survey that asks specific questions regarding the *importance* and the *performance* of several key policy areas identified by the Council. These key policy areas, known by staff as Council "Priority Areas" can be organized by Goal area and range in scope from very specific i.e. "Pedestrian Safety" to very general i.e. "Police". Each Priority Area gives the Council important community insight on areas of concern and supports the idea that the City is especially *responsive* to the needs of its residents.

While the Kirkland Quadrant continues to be a critical part of the decision making process of the City, staff has recognized at least two key areas in which the metric could be improved. First, with respect to some of the broader Priority Areas, it is not clear exactly what the community is evaluating when it is responding to the survey. For example, when considering the Priority Area "Environment" the community is faced with a term so broad it is not clear exactly what criteria is being used when evaluating the City's performance. In addition, the Council may want to revisit the number of Priority Areas it seeks to get community feedback on, without losing the ability to track progress over time. Given that the Council's perception of the community's priorities may change over time, it might be helpful to include more measures or at least refine a process by which the Priority Areas are re-evaluated to ensure they maintain sufficient priority to remain on the survey.

Recommendations:

- Each Priority Area should be evaluated to ensure that its meaning is clearly communicated to community.
- City should evaluate whether there are a sufficient number of Priority Areas to most effectively inform the Council on the City's performance.

3. REVIEW OF PERFORMANCE MEASURES IN THE PERFORMANCE REPORT

First established in 2006, the City's annual performance report is a primary mechanism to measure how well the City is performing against each established goal area set by the Council. A copy of the recently published 2012 Performance Report is included in this Council packet (Attachment C). Because the report is organized by goal area, it provides a direct road map of how the City is doing against the highest level expectations of the council, essentially aligning yearly performance to long term vision. The report is also presented in such a way as to emphasize not only metrics and other quantitative information, but it also illustrates through narratives of how the City is working to achieve its goals, in many cases in partnership with the community it serves.

As staff begins planning for next year's version of the performance report, two significant proposed changes need to be brought to the Council's attention. First, it appears that several of the performance measures used to define success under each goal area might not be the most accurate reflection of what it means to be successful under each measure. For example, several of the measures such as the BIBI index⁴-- used to monitor the health of our streams-- reflect a regional concern of which the City is one contributor.

These measures, known as "population measures"⁵ have their place in the report, but do not necessarily give the most meaningful information as to how well the City is doing to address a specific issue, given the limitations of what the City actually does to affect the solution. In the case of the BIBI index, most of the solutions involve regional efforts to keep our watershed clean. It might be more effective for the performance report to indicate how well the City is doing on each of the specific strategies it is undertaking to increase the BIBI index in addition to publishing the index itself, so that the Council can see if the City is pulling its weight on the issue. For example, in the future the City will likely be repairing culverts along the newly purchased Cross Kirkland Corridor, which will over time improve fish passage and help restore the health of streams. Measuring progress against discrete, shorter term, goals such as this can help to show that the City is making short term improvements that will help lead towards the long term vision of clean, environmentally sound, streams across Kirkland.

⁴ Benthic Index of Biotic Integrity

⁵ Freidman, Mark. *Trying Hard is Not Good Enough: How to Produce Measurable Improvements for Customers and Communities* (2005). Trafford.

Second, it appears the type of measures used during the report could be adjusted to place a greater emphasis on *outcome* measures. Staff recognizes that *quantity based (output) measures* that answer questions such as “how much did we do?”, as well as *efficiency measures* that answer questions such as “how well did we do it?” are critical to the performance evaluation process. However, in many cases the most meaningful community measures are *outcome measures* which answer the question “is anyone better off?” As such Council should consider evaluating the performance report to ensure that there is an appropriate balance between *output, efficiency* and *outcome measures*.⁶

Recommendation:

- **Each performance measure should be evaluated in terms of its effectiveness with an eye toward prioritizing measures that reflect community outcomes and answer the question “is anyone better off?”**

4. ALIGNING THE PERFORMANCE REPORT WITH THE STRATEGIC PLANS AND MASTER PLANNING PROCESSES

Consistent with the City's strong emphasis on being a community centric, responsive organization (see Strategic Anchors section above) the City is currently engaged in an unprecedented series of City-wide collaborative planning processes. These include the 10 year update to the City's Comprehensive Plan, the first ever City Multi-modal Transportation Master Plan, the implementation of the Fire Strategic Plan and an update to the Surface Water Master Plan to name only a few. While each of these plans offer some form of performance measurement as a component of its content, there exists an opportunity to better connect what drives performance in each of these plans to what is being reported in the annual Performance Report. While the time frame associated with many of these plans usually lands in the mid to long term horizon, it is still possible to provide qualitative, narrative updates on the development of these plans as part of the annual performance reporting process. Such an effort could help to better align the decisions, actions and performance measures found in each plan with the overall direction of the City. The City Manager's Office is the central organizing entity overseeing each of these initiatives. Performance management staff could work closely with the CMO to incorporate these updates into the annual performance report.

Request for Guidance:

- **Council direction is needed to determine if the Performance Report should be revised to include narrative updates from the many strategic planning documents in development across the City.**

⁶ See Freidman at 65-96 (discussing performance measurement categories).

5. CREATING AND MAINTAINING THE ENGAGED WORK FORCE

As Council is aware, one of the great strengths of our City government is its active and engaged workforce. While the development workforce engagement programs is beyond the scope of this memorandum, the reality that performance in any organization is more than just the strategies, measures and processes put in place to deliver results must be noted.⁷ Specifically, you can't have a high performing organization without a high performing workforce.

In response to several requests from the 2012 management retreat, Human Resources developed an innovative training program for managers and supervisors designed to provide the materials, tools and information necessary to succeed in the critical task of managing employees. The program, titled "Managing to Excellence" is made up of 7 modules and is given incrementally throughout the year. One of the essential components of the program is to see the supervisory process through the eyes of the employee, and for each manager and supervisor to reflect back on several key questions designed to ensure our workforce remains actively engaged in delivering positive outcomes for our community. The next phase of the Managing to Excellence program will involve a detailed look at best practices in the performance evaluation process. Linking performance evaluations directly to higher level goals of the organization can be an effective way to align critical resources at all levels of an organization. Such an approach recognizes the need to measure, report, acknowledge excellence and improve individual performance as a key part of the engine that drives the entire organization's performance. While creating and maintaining a high performing work force is primarily a management function, some of the key tools by which excellence is achieved require Council action such as the approval of labor contracts and departmental budgets. The Council may wish to receive regular updates on the City Manager's initiatives to create and maintain an engaged workforce. In addition it is worth noting that there are currently no metrics in the performance management report related to employee performance. The Council might want staff to develop some potential employee measures for Council review and approval.

Request for Guidance:

- **Council direction is needed regarding the frequency and extent it desires to receive information on workplace engagement initiatives.**
- **Should staff develop some employee engagement and performance metrics for inclusion in the annual performance management report?**

CONCLUSION

An effective performance management system must be, at its core, simple: simple to use, simple to understand and simple to communicate. At the same time such a system must be

⁷ See Huwe, Ruth A. Metrics 2.0: Creating Scorecards for High-Performance Teams and Organizations (2010) (pp. 241-266 (for a detailed discussion on Metrics and Motivation)).

sufficiently complex to facilitate critical functions such as informing decision making at all levels of government, providing critical feedback on how the City is performing, and focusing critical resources on those issues that are most pressing. Fortunately, the City of Kirkland has many of the building blocks of a highly effective performance management system already in place. In many ways, the work of the performance management team is to make sure all City initiatives are integrated and aligned as we continue to grow as an affordable, responsive and financially sustainable organization that implements the Council's Goals. Such an endeavor is an ongoing process and City staff looks forward to working closely with the Council to ensure the City continues on the right path into the future.

**CLEAR, COMPREHENSIVE & CONCISE:
towards a new strategic management
framework in Kirkland, WA**

George Dugdale, Evans School of Public Affairs



Acknowledgements

I would like to thank Justin Marlowe, Associate Professor of Public Affairs at the Evans School, for his time and support while I was working on this. I would also like to thank Tracey Dunlap and Jim Lopez at the City of Kirkland whose support and enthusiasm made this report possible.

Table of Contents

Acknowledgements	i
Introduction	1
The Challenge	2
The Questions	3
Methodology	4
Literature Review	6
Organizational Health and Culture	6
Effective Strategy	8
Measuring Performance	9
Current Planning and Performance in Kirkland	11
The Strategic Planning Process	11
Identification of mission/vision.....	11
Internal and external environmental scan	12
City Council Goals	12
Development of strategies to achieve the goals	13
Development of an action plan.....	14
Monitoring and measurement of progress towards goals.....	14
Analysis of the Current Planning and Performance System	16
Developing a New System	17
Strategic Anchors	17
Representing the Three Strategic Anchors	19
The Price of Government	20
The Kirkland Quadrant.....	21
Interaction of the three anchors	23
The Council Goals and Performance Measures	24
Planning Documents	28
The Budget.....	28
The City Work Program.....	28
Departmental Work Plans	28
The New Strategic Framework	29
Recommendations	32
Bibliography	34
Appendix A: Vision 2022	37
A Vision for Kirkland	37
Appendix B: Economic Development SWOT Analysis	39

ultimately puts the citizens of Kirkland in charge of strategic direction of the City.

Kirkland is a successful and well-managed city. The city has a relatively low crime rate, a thriving downtown core and a well-managed parks system. In addition a recent citizen survey found that 85% of residents rated Kirkland as either excellent or very good as a place to live.

The Challenge

The City wants to build on this strong base and refine its strategic management framework in a way that incorporates the city's existing goals, comprehensive plans, performance reports and budget process into one cohesive system. Once created this system would inform decision-making at all levels of government, creating a healthy organization that enables all employees to see their value to the city and, most importantly, presents the citizens of Kirkland with an affordable, responsive and sustainable local government.

Currently Kirkland has a number of strategic and performance frameworks. These range from overall strategic plans – such as the overall Comprehensive Plan – through long term departmental planning – including the recently released Fire Strategic Plan. In addition there are a range of annual plans such as the City Work Program and the annual Performance Report. Additionally, the biennial budget has a key strategic role, particularly in resource allocation making it a key component of strategic planning. While individually these documents help dictate strategy for some of the City's work, they do not always work together in a single cohesive framework. This can make internal planning more difficult and can make it more challenging for citizens to clearly see the performance of their government.

Developing a cohesive framework that incorporates short term-term and long-term departmental planning, the budget, and the overall Comprehensive Plan is the next major milestone in creating a good performance management system for Kirkland. Success would lead to increased effectiveness of each individual plan without radically altering the existing goals of the City. In recent years significant time and effort has already been invested in this process, developing strategic goals and desired outcomes, so the challenge is not to render this work redundant. In fact, no strategic framework can be successful without buy in at every level, so simply removing one set of goals and strategies and replacing them with another would be unlikely to succeed. Therefore, it is essential that the City's existing goals, Comprehensive Plans, Performance Reports and Budget are kept at the forefront of the new planning process.

Central to this challenge is creating a system that is simple for staff to use and easy for citizens to track. In recent years there have been a number of popular performance management systems, such as performance based budgeting, that have required an enormous amount of planning and development. Much of that work has already been done

in Kirkland, so that challenge is not to create, but to effectively represent, with the aim that citizens can be easily engaged in their government, making it as accountable as possible. However, it is unrealistic to expect the day to day activities of every staff member to have a noticeable impact on the highest level indicators. Therefore it is also crucial that there is a clear progression from the highest level, city wide, indicators down to individual performance measures within individual departments. Balancing departmental work and strategic plans will play an essential role in this. If successful the performance management system will enable people to have an at a glance view of how effectively the City is working, while also enabling departments to understand what is driving performance in their departments and how they can best use resources.

Establishing buy in from City staff is the final major challenge facing this work. The aim is to create a system that not only accurately represents the goals and activities of the City, but also helps directors to plan the future activities of their department while helping individual staff members to see their efforts reflected in the framework. Given the governance structure of Kirkland there is an additional challenge of balancing the strategic direction given by the Council with the day-to-day management requirements of the City Manager.

The Questions

Given the aims and objectives set out above this paper will seek to answer the following four questions:

1. How can the strategy and performance documents currently in place be better organized to create a single strategic framework?
2. What is the simplest and most effective way to represent the achievements of the City for both citizens and staff?
3. How can we ensure that the system effectively moves from the highest level metrics, down to measures that are reflected in individual staff member's day to day activities?
4. How can this be achieved with minimal burden on staff in terms of reporting, collecting and managing data?

Providing comprehensive answers to all four of the main questions is a long term process that will continue beyond the lifespan of this report. Therefore the major goals for this report are to start the process of answering these questions and to create the conditions under which more comprehensive answers can be found.

Methodology

This project ran over six months from September 2012 until March 2013. As mentioned, redesigning the strategic management framework at the City of Kirkland is a longer term process, of which this is a section. The methodology involved four steps: a review of City documentation to understand the current situation in Kirkland and the development of that system; a literature review of relevant academic work on performance management and process improvement; regular meetings with key staff contacts; and, interviews with department directors.

In order to understand the current framework in Kirkland and how it had developed a number of steps were taken. First a review of internal memoranda and other internal communications that referred to Council retreats and staff meetings that dealt with performance management. Secondly, investigation into current performance documents, in particular the 2013-2014 Preliminary Budget and the 2011 Performance Measures Report. The Budget Message contained the most up to date strategic thinking available, while the Performance Report combined the existing City Council Goals with the individual performance measures currently used.

Understanding past iterations of these documents was also necessary. For example, seeing the progression from the 2011-2012 Budget to the current biennium enabled me to see the development of the City's strategic thinking. Past performance reports and departmental plans provided similarly useful information.

While digesting the existing framework a literature review was also carried out. Some of the documents covered were signposted by the City of Kirkland, while other pieces were new materials relevant to ongoing discussions. As the direction of this project too shape several of these documents became focal points the new framework was built around. The literature review is split into three parts that three essential ingredients of a successful strategic framework. The review goes beyond the questions answered within this report to provide and academic grounding for future work at the City.

Regular meetings with the Director of Finance & Administration and the Director of Human Resources and Performance Management provided a significant proportion of the direction for the project. These meetings were, in essence, a steering committee for the project and provided not only direction on the City's ongoing activities, but constant feedback on the project thus far. The meetings also provided an opportunity to share information gathered from other sources. For example, throughout the process I spoke to a number of different faculty members at the Evans School and in turn reported back on these meetings to the steering group.

Finally, interviews with many of the Directors at the City (Table 1) were carried out. These meetings enabled a discussion on performance management within individual departments

to take place, and provided the opportunity to discuss overall strategic performance at the City from several points of view.

Table 1. Interviews conducted with Directors

Director	Department
Chief Eric Olsen	Kirkland Police
Eric Shields	Planning & Community Development
Jenny Schroder	Parks and Community Services
Ray Steiger	Public Works
Brenda Cooper	Information Technology

All interviewees were asked the same six questions (Table 2). These questions provided structure to the interview and ensured the same topics were covered. However, given the range of opinions and expertise among the directors, each of the conversations had a different emphasis, and different follow up questions were asked. The specific questions were chosen in consultation with academic advisor

Justin Marlowe, as well as the steering group at the City of Kirkland.

The overall aim of the questions was to understand what drives performance management in each department. By asking about internal and external opinions of the department the aims was to understand not just how performance is measured in theory, but how that interacts with perceptions of the department, and where there might be gaps.

Table 2. Questions Asked to Directors

Questions asked to each Director interviewed	
1	What drives internal performance management in your department?
2	What kind of information don't you have that you would like to have in order to evaluate your staff and department?
3	How do you know when there's a performance problem in your department? What signals and mechanisms are there?
4	Can you give me an example of a situation in which you felt someone – a citizen, Council Member, or other department head – reached an incorrect assumption about your department. What do you think drove that assumption?
5	The converse – can you give me an example of a time someone reached the correct assumption about your department? What drove that assumption?
6	What information is useful to you when thinking about the future performance of your department?

Literature Review

The aim of this literature review was to identify the factors that make a performance management system work in practice. As the City of Kirkland has already taken steps to create a framework this review sought out best practice and management theories that could be applied to this situation¹. The review is divided into three sections; the first looks at the conditions that need to exist within an organization in order for a performance framework to be successful, the second focuses on developing strategy, and the third reviews literature on how to create individual performance measures.

Organizational Health and Culture

Performance management in the public sector is often perceived in a negative light. Systems to measure and evaluate overall performance can often be time consuming, requiring large commitments of resources to track metrics and often track irrelevant metrics, giving meaningless data. These problems have led to a perception that such systems are meaningless and exist to make senior management happy. As one scholar in the 1990's wrote performance management is "...merely to decorate a budget document" (Bouckaert and Halachmi 1996).

Academics have suggested that the problem is often the underlying assumptions of performance management frameworks do not translate into the real world (R. D. Behn 2007). As governance decisions are made in real time, and not with reference to ideal circumstances, performance management efforts aimed at a perfect decision making environment proved unrealistic. This, in turn, breeds cynicism among public employees who believe that reform is habitual and passing (Moynihan 2005).

However, most scholars agree strategic performance management should be a vital component of any organization (Moore 1995). Developing a clear method of understanding exactly how activities and policies are impacting residents lives is the most effective way to ensure that citizens are getting value for the taxes they pay. Furthermore, successful performance management can help those working within an organization to properly understand their role in the overall picture, helping to drive employee morale and lead to better outcomes. (Levy 2012)

This long-held desire to see good performance management processes implemented in the public sector has led to a sustained effort at local, state and federal level to make government more results orientated. The federal Government Performance and Results Act implemented in the late 1990s was one significant milestone, and more recently systems such as performance based budgeting and Managing for Results (MFR) have also developed. The idea behind the more recent wave of performance is that by organizing around an

¹ An excellent introduction into the importance of strategic management can be found in: Moore, Mark H *Creating Public Value: strategic management in government*. Harvard University Press, 1995.

evaluation of long-term goals, and by learning through performance, organizations will become smarter (Moynihan 2005) (Walters, Abrahams and James 2003).

While systems such as MFR have documented success stories (Walters, Abrahams and James 2003) some have argued that they are also ineffective, in part because they can become a control mechanism for demanding compliance, rather than a tool for improvement (Franklin 2000). The critique is that there is a lack of compliance between senior management and staff, creating a disconnect that prevents overall improvement.

Moynihan argues that this disconnect stems from a lack of understanding about how organizational learning takes place (Moynihan 2005). Organizational learning is based on shared experiences and goals of employees and needs to predate the approach to reform (Senge 1990). Good organizational learning therefore thrives in an organization with a strong organizational culture. Academic literature has long stressed the importance of organizational culture (Schein 1992) and has argued that the most important movement towards strong organizational performance is to have “the right people on the bus” (Collins 2001). The idea being that without the right people in place, who are moving towards the same goal, no performance management system is going to have the desired approach.

This concept can be defined as Organizational Health. Health within an organization is defined by Patrick Lencioni as “when it is whole, consistent and complete, that is, when its management, operations, strategy, and culture fit together and make sense.” (Lencioni 2012). In this context a healthy organization is one that minimizes politics, internal confusion, staff turnover, while maximizing morale and productivity. Achieving this is seen by many as essential to having a performance system that works (Lencioni 2012) (Collins 2001).

In addition employees need to have ownership of the measures being created (Lencioni 2012). Managers cannot motivate employees that do not want to be motivated; rather they need to foster the circumstances under which staff can channel their own motivation toward achievable goals (Nicholson 2003). These circumstances require the identification of an organization’s core values (Lencioni 2012).

Values can be defined as fundamental beliefs and unwritten standards that guide behavior and judgments across situations (Rokeach 1973). In an organizational context they are the beliefs and attitudes that shape individual decisions and are considered a major component of organizational culture (Hatch and Schultz 1997), the “glue that holds an organization together as it grows” (Collins 2001). Identifying core values is one of the most important elements to creating organizational health (Lencioni 2012).

Organizations express values through their ideology and their actions (Abravanel 1983), therefore core values should already exist within an organization, and are not handed down by management (Van Rekom, Cees and Wierenga 2006). There are various methods for identifying core values (Lencioni 2012) (Van Rekom, Cees and Wierenga 2006), but most

importantly values should reveal themselves rather than being imposed. Understanding these values, and how they can relate to outcomes and goals is essential to an effective performance management strategy (Wood 2012).

Effective Strategy

Along with organizational health, understanding how to succeed requires an awareness of the organization's long term outcomes (T. H. Poister 2003). Long term outcomes should be descriptions of a desired state and are distinct from program outputs. Long term outcomes are also different from shorter term outcomes, otherwise known as goals (Guajardo and McDonnell 2000). For example, a long term outcome would be "a crime free neighborhood" whereas a goal is "a 50% reduction in violent crime in the next 10 years."

Managers who are concerned with overall performance must look at long term outcomes, because they represent program effectiveness. However, outcomes are generally influenced by a range of other factors beyond the control of individual managers (T. H. Poister 2003). For this reason it is important to track the right outcomes, and governments should only measure outcomes they have at least some control over (Hatry 2006). Finding the right outcomes requires a process of planning and should involve citizens, staff and an assessment of the core principles of government (Hatry 2006).

Choosing medium-term outcomes, or goals, allows a government to bridge the gap between long term outcomes and program outputs (Guajardo and McDonnell 2000). To make the link between individual programs and the desired long term outcomes, a planning tool such as a logic model or program theory can be used. If performed correctly, these tools demonstrate the theory and assumptions underlying organizational activities and help to illustrate pathways to success, as well as highlighting any fallacies in the assumptions (W.K Kellogg Foundation 2004).

Linking short term outputs to these medium term goals requires the development of a strategy. Tools such as a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) enable an organization to assess both the internal and external environment they are operating in (Humphrey 2004). Understanding the external as well as the internal environment is essential for understanding to what extent a strategy can be expected to work for any given program. (Porter 1979).

For a local government strategies should not only reflect the operational aims of the municipality, but must also reflect the values of the citizens (Bryson and Roering 1987). As citizens are both the clients and customers of City Government and elect the leaders of that government, they are essential stakeholders in strategy. Citizens reveal their tastes and preferences in part through direct Council elections, referendums and other forms of participation; however, involving citizens as stakeholders is also an essential part of developing strategy (Martin 2003).

Literature on strategy is primarily taken from the for profit sector, but with some adaptations much of what is written can be applied to the public sector (Bryson and Roering 1987). Moore writes that all organizations, regardless of sector, will benefit from committing themselves to a strategy that describes the values of the organization (Moore 2000). Combining values and strategy enables an organization to establish its 'strategic anchors'. These strategic anchors provide the filter or lens through which every decision is made as well as answering the question "how will we succeed?" (Lencioni 2012).

Identifying strategic anchors can be done in a number of ways. A common method is to map all the activities an organization does and then to link them together to see which activities are the most frequently used (Porter 1996). For governments this process should also include citizens. Once the three most important have been chosen they should be viewed strategies for long term success (Lencioni 2012). Unlike core values, these strategic anchors can change over time if the internal or external environment changes, but while they are current they should be the lens through which decisions are made.

Measuring Performance

The third aspect of a performance management framework is relevant and accurate performance measures that enable an organization to track progress. Measures can be broadly construed into four categories: inputs, outputs, efficiency measures and outcomes (Hatry 2006) (Friedman 2005). Outcomes are changes to circumstances, attitudes or behaviors of an external group; efficiency measures essentially answer the question "how well did we do?"; while inputs and outputs refer to the activities of the program or organization itself (Friedman 2005) (W.K Kellogg Foundation 2004).

Attempts to measure performance in government have existed for at least sixty years, but took on renewed impetus as taxpayer revolts, privatization and spending curbing initiatives took place in the 1990s. (Poister and Streib 1999). As these forces have continued throughout the past decade there has been an increasing attention placed on adapting performance measurement techniques from the private sector into government (Miller 2010).

In the for profit world measuring performance can be as simple as measuring units sold and profit made. Government has traditionally not thought of its performance in those terms as government programs are often conceptualized as being too broad based and intangible to effectively measure. However, understanding that government does make widgets and deliver for customers can help to start the process of what to measure (Miller 2010). These widgets are the basic outputs of government and form the backbone of measuring "how many did we do?" (Friedman 2005).

While essential to understanding what is provided counting widgets is only a first step in performance measurement. Academic literature also focuses on the importance of measuring the efficiency with which the widgets are delivered (Poister and Streib 1999).

Efficiency measures help to highlight the effectiveness of a program and provide important information about how effective the use of resources has been (Friedman 2005). Efficiency measures are how well a program was delivered, for example the percentage of students that graduated from high school (Friedman 2005).

It is also essential to measure whether a program is impacting the long term desired outcomes (Friedman 2005). Without this the inevitable conclusion will be a focus on what is being measured rather than on the desired outcome, something has happened in schools with 'teaching to the test'. (R. D. Behn 2004). Many whose work focuses on performance measurement argue that the clearest way to measure long term outcomes is to focus on a relatively small number of key indicators, and to show the outcomes as trend lines (Friedman 2005) (R. D. Behn 2004). This enables an organization to focus on the outcomes that really matter, and allows for clear and easily accessible representation of outcomes.

Finally, performance measurement literature stresses the importance of understanding the impacts a program is directly responsible for, and to draw the correct logical progression from one stage to the next (W.K Kellogg Foundation 2004). This can be viewed as the difference between performance accountability and population accountability (Friedman 2005). Population accountability refers to a geographic area, e.g. all the citizens of Kirkland, while performance accountability refers to how well individual operations are run. If the right performance measures are chosen then population measures can shift over the long term, but it requires an effective understanding of the links between programs and population (T. H. Poister 2003).

Current Planning and Performance in Kirkland

As the existing vision, comprehensive plan, performance documents, and departmental plans will remain an integral part of the new performance management framework it is important to understand the current system in Kirkland. The development is particularly important because the process of development reveals the thinking and aims behind the system, something that helps to identify core values and strategic anchors.

The Strategic Planning Process

Strategic plans have existed in Kirkland for some time. For example, in 2003 a Natural Resource Management Plan was developed with long term goals for the City around air, land, water and other environmental factors. This kind of individual area strategic plan has remained common and has included plans such as the Police Services Strategic Plan (2004), Downtown Strategic Plan (2007) and most recently a Fire Strategic Plan (2012). Many of these are renewed every 5-10 years as needs change within the City.

In theory all of these individual plans align with the 20-year plan Comprehensive Plan for the city, which is reviewed and updated annually. The Comprehensive Plan contains the vision statement for the City of Kirkland called Kirkland 2022 (Appendix A). This statement was an outgrowth of a “community visioning process” that began in 1992 and was updated in 2002. Although long, this statement provides a vision of how citizens want Kirkland to look in 2022, and enables the City to set its policy direction.

In 2009 the City Council began to take a more strategic approach to planning by committing to the following strategic planning process:

1. Identification of mission/vision
2. Internal and external environmental scan
3. Agreement on broad goals
4. Development of strategies to achieve the goals
5. Development of an action plan
6. Implementation of the action plan
7. Monitoring and measurement of progress

Identification of mission/vision

As mentioned, Kirkland had developed a vision statement over a number of years through consultation with citizens. The vision statement is a “verbal snapshot of the desired character and characteristics of the city in the year 2022”. The statement is written as if from the year 2022, with someone describing the ideal version of Kirkland that has been created. As part of Kirkland’s process to make all planning more strategic a shortened version of this statement was adopted for publication on the website and on every council agenda.

“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.”²

The shortened version remains written from the perspective of 2022, and also retains many of the substantial goals present in the long form version.

Internal and external environmental scan

In 2008 members of the City’s executive team carried out a number of SWOT analyses on six priority areas that had been identified by the Council. Since then additional analysis have been done on other priority areas. These analyses enabled staff to step back from the day to day activities and see whether there is anything in the internal or external environment that warrants changes to the City’s short or long term plans. As an example, the SWOT analysis for Economic Development is shown in Appendix B.

City Council Goals

The cornerstone of the current strategic framework is the City Council Goals. Between March and September 2009 the City Council identified 10 goal areas for the City’s long term focus (Table 3). These correlate closely with the vision statement laid out above and contain a goal as well as a value statement that serves as a long term outcome. In addition the goals were designed to be dynamic and have been refined since their creation.

Table 3. Kirkland Council Goals

Goal Area	Value Statement	Council Goal
Neighborhoods	The citizens of Kirkland experience a high quality of life in their neighborhoods.	Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character and infrastructure.
Public Safety	Ensure that all those who live, work and play in Kirkland are safe.	Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.
Human Services	Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.	Support a regional coordinated system of human services designed to meet the basic needs of our community and remove barriers to opportunity.
Balanced	Kirkland values an integral multi-modal system of	Reduce reliance on single occupancy vehicles and improve connectivity and multi-modal

² The full statement can be found in Appendix A

Transportation	transportation choices.	mobility in Kirkland in ways that maintain and enhance travel times, safety, health and transportation choices.
Parks and Recreation	Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.	Provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well being of the community.
Housing	The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, size and affordability.	Ensure the construction and preservation of housing stock that meets a diverse range of income and needs.
Financial Stability	Citizens of Kirkland enjoy high quality services that meet the community's priorities.	Provide a sustainable level of core services that are funded from predictable revenue.
Environment	We are committed to the protection of the natural environment through an integrated natural resource management system.	Protect and enhance our natural environment for current residents and future generations.
Economic Development	Kirkland has a diverse, business-friendly economy that supports the community's needs.	Attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.
Dependable Infrastructure	Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.	Maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

Development of strategies to achieve the goals

The large number of existing strategic plans, ranging from the overall comprehensive plan through to individual departmental plans, have largely been left in place as the strategic planning process has taken shape. Some Directors believe that shifting priorities that have happened as part of this process has caused inefficiencies as plans their department had started to implement no longer reflect overall strategic aims.

Some of these departmental plans such as the Fire Strategic Plan, have been updated since the planning stage started. However, this plan did not mention the City Council Goals, or the overall strategic plan for the City. This indicates that while the City has set some overall direction, this does not necessarily permeate all areas of planning.

Development of an action plan

The City currently has two major action plans. The first is the City Work Program and the second is the biennial budget.

The annual City Work Program is adopted by the City Council via a resolution and gives the City Manager discretion to set targets and goals for the year against the resolutions contained in the plan. This potentially serves three purposes. The first is to set Council priorities in advance of the budget so the budget can reflect those priorities. The second is to implement decisions already adopted in the budget. Finally, the work plan can operate as a hybrid of the first two models. Currently a draft work plan is presented during the budget process and revised to reflect final council direction in the budget process

The biennial budget is the other major action plan for the City. The major focus of any budget is resource allocation, but in recent decades as money has become scarcer in government it has become an increasingly important planning document. This process has accelerated since the start of the 2007-2008 financial crisis. Some governments have gone as far as to formalize their strategic planning around the budget process, using formats such as Results Based Budgeting. However, Kirkland has decided that following this or another scheme that uses a zero-based budget system is enormously time consuming and does not guarantee results.

As part of the new strategic planning process the budget message for the most recent 2013-14 budget has been significantly altered to reflect how the budget reflects “community priorities and council goals.” This includes how money has been spent on each goal area, and sets out recommendations for how money can be allocated in the next biennium.

Monitoring and measurement of progress towards goals

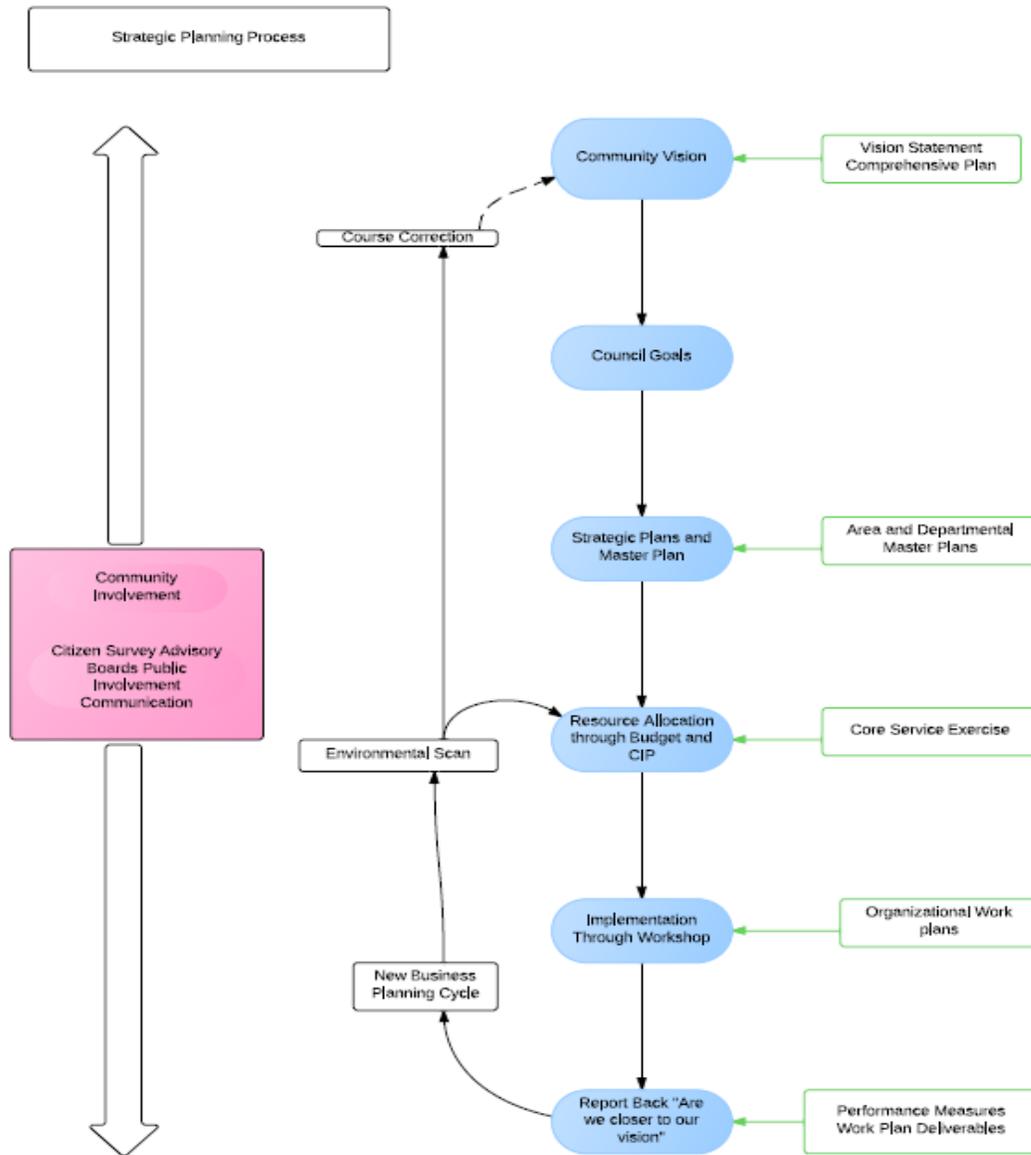
The final element of the strategic planning process is monitoring how the city is doing against the targets set out above. Currently there are two primary ways this is happening. The first is via the annual Performance Measures Report, and the second is the Citizen Survey that the City conducts every two years.

The annual Performance Measures Report is a short report published by the City that tracks progress against stated performance measures for each Council goal area. The performance measures were developed by Commissions, Boards, Council Committees and one staff committee before being passed by the City Council. The measures include funding, staff numbers, indicators of engagement and efficiency as well as citizen attitudes and some short term outcome data. These measures are discussed in greater detail in the next section.

The Citizen Survey is the primary tool by which the City gets feedback on performance from citizens. The survey is a biennial telephone survey of 500 registered voters in the City of Kirkland. The survey contains 38 questions including demographic information, concerns about the city, and how residents think the city is achieving in certain areas. The 2012 survey was the fourth iteration. Currently the only way to track changes in attitudes over time is to look at different versions of the quadrant side by side.

Figure 2 shows how the stages described above work in practice moving from the vision down to the tracking of individual measures.

Figure 2. Strategic Management Process in Kirkland



Analysis of the Current Planning and Performance System

The current system has provided a strong base for strategic planning. The council and the citizens of Kirkland have been closely involved, and the system is particularly strong with regard to long term planning. However, improvements are needed in three areas in particular:

- Linking the short and long term goals together.
- Providing a simple layout that enables citizens and staff to see progress.
- Choosing the right performance measures and representing these measures with a trend line.

While the system does in theory move from the vision down to individual metrics the different elements do not always tie together perfectly. This is particularly evident with the departmental strategic plans. As these are developed to fit the needs of individual departments they are not written with the overall strategic aims in mind. This means that the targets do not always correspond to the City Council goals.

This problem is understandable when there is no central point that each department and goal area planning process can look to when making strategic decisions. Developing a clear, easy to access, representation of performance that is widely available would make it possible for every new plan to be made with consistent goals in mind. If each department can see how they have performed against specific targets, how those targets drive progress towards a goal area, and how progress towards those goal areas fits into the City's long term strategic aims, then they can plan according to those aims.

The third important element is ensuring the right measures are chosen. Currently there are a number of measures under each goal area which have been chosen to show progress about that goal area. However, these metrics do not always fit together to show a complete picture of what success for that goal area means. Additionally, there is not enough emphasis on trend lines for measuring outcomes. Developing this will enable the city to more clearly show how conditions are improving for residents of Kirkland.

While the Council goals provide good strategic direction, much of the literature on performance management finds that to be most effective the number of goals should be kept to a minimum. With this in mind the City could consider focus on fewer goal areas. Additionally, the values statements within in each goal area are not all consistent. Some are statements of intent and represent a vision of Kirkland's future, while others are statements of what the city values. Making this more consistent would help create a more cohesive framework.

Developing a New System

Along with providing solutions to the three problems set out above, the new strategic management framework is guided by the principles of being relevant to staff and citizens, and relying heavily on what already exists. Everything within the new system needs to reflect these concepts, and as the system is being developed these twin lenses should be at the forefront of decision making.

“Relevant” refers to measures, targets and goals, which Council Members, staff, and citizens can look at and immediately understand both the measure and how it relates to them. For council members, this refers to how the framework helps the City to reach the City Council Goals. For staff, it means they should be able to relate the framework to their work. For citizens, it should provide immediate answers as to what the City is doing for them, and where their tax money is spent.

The emphasis placed on using existing measures acknowledges the work that has already been done in Kirkland. The majority of citizens of Kirkland are very positive about the job the City government is doing and so the new strategic framework should focus on building on this rather than trying to launch in a new direction. Additionally, as described above there has already been significant time and effort invested in developing strategic plans, council goals and shorter term measures. Attempting to start over again would not only be an unnecessary use of time, but runs the significant risk of alienating staff who have invested time and effort in developing plans.

Strategic Anchors

The most important progression in the newly developed framework is the use of three ‘strategic anchors’ as the headline measures of how Kirkland is performing. These anchors reflect the strategies that the City uses in successful decisions and over time the use of these three anchors will help Kirkland reach its vision.

In ‘The Advantage’ Patrick Lencioni describes the process of identifying key strategic anchors. These strategic anchors answer the fundamental question of “how will we succeed?” Strategic anchors are the common thread in everything that an organization does well. Essentially, given the twin lenses set out above, Lencioni says that these anchors should already exist in an organization. The process of identifying them is not by writing down an ideal decision, but rather by listing all the activities of an organization and seeing which key themes emerge as the common link. This means that the anchors are values that staff within an organization already have. If Kirkland could choose the right strategic anchors they should immediately be both relevant and existing to staff.

Because recent budgets have been created in difficult financial circumstances, tough decisions have had to be made, which provides an ideal opportunity to identify Kirkland’s strategic anchors. The criteria that form the basis of decision making in difficult circumstances are the fundamental principles of the City of Kirkland. In looking at both high

level and individual departmental decisions over the past few years the following strategic anchors revealed themselves.

The first anchor is a clear commitment to long term financial stability. As with most local governments Kirkland has suffered through significantly reduced revenues in recent budget cycles. However, a strong emphasis on long term financial stability has remained a priority. In 2011 the City transitioned to a self-insured medical program to gain more direct control over health benefit costs. Additionally, the city has a commitment to having a strong level of reserves and began rebuilding general reserves as soon as revenues could cover basic city services. This strategic anchor also exists at the council level, where one of the 10 goals is financial stability, and is valued highly by the citizens of Kirkland, who rated how the city is managing the public's money is the third most commonly chosen concern. Additionally, when asked if they would support cutting services or raising taxes to keep current service levels, more citizens supported cutting services.

This does not indicate that the citizens or City of Kirkland is simply seeking to keep government costs as low as possible. Rather, that financial sustainability is one of the core values supported. Further analysis of citizen attitudes to spending helped to reveal the second strategic anchor: affordability. In the survey of residents, when revenue rises were tied to a specific area there was far more support for raising taxes. This support for affordable increases in spending was confirmed in the November 2012 election, as citizens voted for two property tax levy lid lifts to support improved street infrastructure and for city parks. As the city and its citizens believed the increases were both necessary and affordable both ballot measures passed allowing extra spending for important government services.

Conversations with department directors within the city made the third value very clear: Kirkland is a community centric government, which is responsive to citizen needs. As with sustainability and affordability, responsiveness is not something that one department focuses on, or a culture the city is trying to foster, it is something that already exists. From the physical space inside Kirkland City Hall in which all departments are easily accessible to citizens, to the biannual survey of citizens – responsiveness to citizens is something employees feel passionate about. A number of departments spoke about responding to complaints and comments of individual citizens, and when asked what dictates performance management within the department every single department head mentioned, “we hear from citizens.”

So, the three measures that were chosen are the perception of the community, the affordability of city government to its citizens and the financial sustainability of Kirkland. These strategic anchors represent the decision making process that precedes all major government policy decisions. Vitaly, these are not new values handed down by the current city manager and they do not represent a departure from established thinking within

Kirkland. Instead they embody the thinking behind the best decisions that are made in Kirkland.

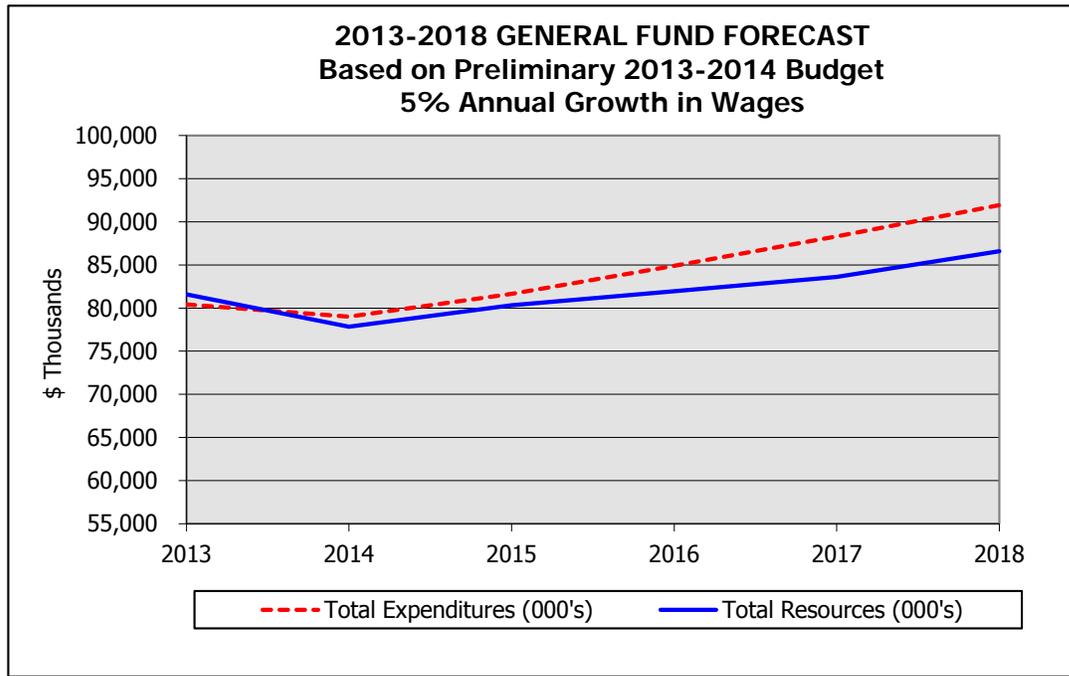
Representing the Three Strategic Anchors

In order for the progress and performance to be immediately relevant to staff, council members and citizens the data needs to be represented in a clear and accessible way. As the three strategic anchors already exist as essential decision making tools for the City of Kirkland, data is already collected and thought has been given to how to best to identify them. The Budget Message for 2013-2014 carries simple graphical representations of all three anchors, and given they are both existing and relevant these are the diagrams that should be used.

Financial Sustainability

For long-term financial sustainability there are two easily available measures that indicate good health. One is the bond rating, and the second is revenue and expenditure forecasts (Figure 3).

Figure 3. Five Year Revenue Forecasts



	2013	2014	2015	2016	2017	2018
Total Resources (000's)	81,572	77,842	80,323	81,950	83,625	86,584
Total Expenditures (000's)	80,420	78,994	81,640	84,889	88,320	91,940
Net Resources (000's)	1,152	(1,152)	(1,317)	(2,938)	(4,694)	(5,356)
Biennium Total (000's)	0		(4,255)		(10,050)	

Forecasts of future revenue and expenditures provide an easy “at a glance” metric and have the additional advantage of being a trend line, something Mark Friedman, author of Results Based Accountability, highlights as important for performance measures. The fact that expenditures rise above revenues in future years is indicative of the tax system in Washington State, rather than of financial profligacy on the part of the City. However, this is a concern because it means that external forces are at least partially responsible for the trend line.

In addition, each budget process balances the upcoming biennium through a series of decisions and actions on revenues, expenditures and service levels. The intent is to make decisions that help not just to balance the current balance but narrow the gap in the forecasted years. Therefore, the forecasted relative growth of revenues and expenditures facilitates an easy look at how effective current practices have been.

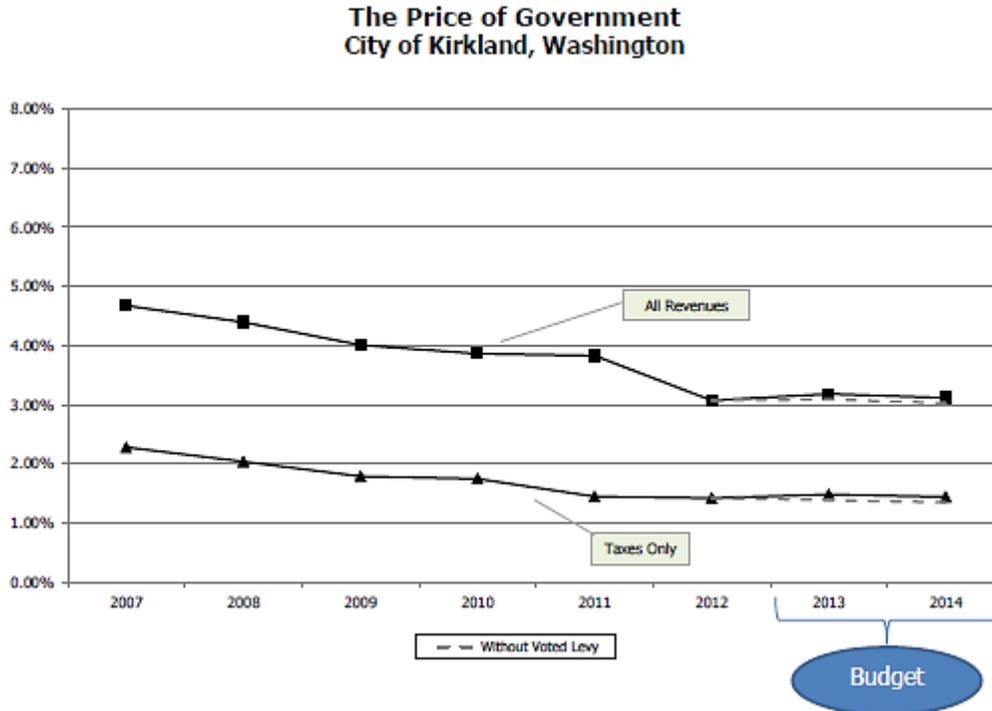
The impact of external forces on both the revenue and expenditures forecast necessitates the use of an external metric that measures how well the City’s financial management practices work. Currently the best available metric for this is the City’s bond rating. Bond ratings are essentially a measure of how stable a City’s finances are and are built using a range of factors, including best practices in financial management. The ratings are not perfect and recent studies have indicated that bond rating can be explained in large part by wealth within a community (Marlowe 2005), while the Washington State Legislature is currently considering a more comprehensive measure of how well a city’s finances are managed³. However, this has not yet been created so, although imperfect, bond ratings remain the most widely recognized and understood measure of financial health. Bond ratings are also externally produced, making them transparent and trustworthy for citizens.

The Price of Government

For current affordability, the best available representation is the current price of government (Figure 4). The Price of Government is a model that shows the total taxes and fees a municipality collects divided by the aggregate personal income of that municipality (Osborne and Hutchinson 2004).

³ <http://apps.leg.wa.gov/billinfo/summary.aspx?bill=1828>

Figure 4. The Price of Government



This calculation helps to define a band within which citizens are willing to pay for services. The idea is not to have a consistently downward trend in spending, but rather to establish a range that makes government affordable. For this reason the data is best used as a comparison over time within the same government, rather than across different governments.

The Kirkland Quadrant

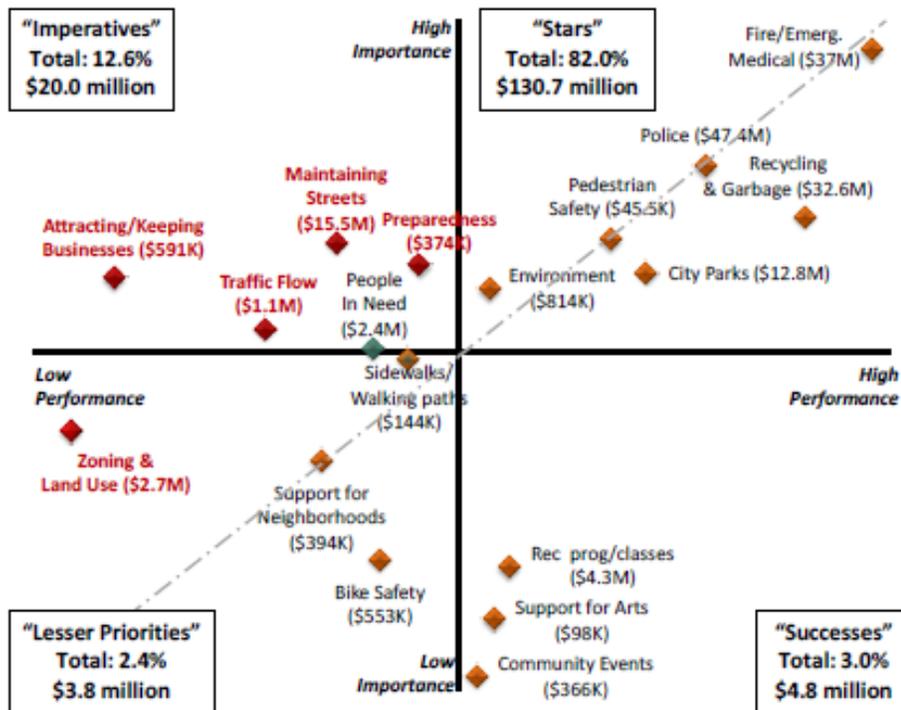
As part of the Citizen Survey a quadrant was developed to show how citizens think the City is doing against a range of outcomes (Figure 5). By mapping performance on the x-axis and importance on the y-axis the quadrant divides the areas shown into four categories.

- Stars – Those that are both high importance and high performance
- Imperatives – High importance but low performance
- Successes – High performance but low importance
- Lesser priorities – Low performance and importance

This quadrant provides an ideal representation of community perception. In the 2013-2014 Budget the City reported the amount of money that was spent on each area as well as the percentage of funds that were spent in each quadrant. This allows the City to use the quadrant to plan future improvements. In the diagram below, the areas that the quadrant shows could be improved are shown in red.

Figure 5. The Kirkland Quadrant

2012 Survey with 2013-14 Budget



Interaction of the three anchors

These three strategic anchors are powerful drivers of policy and performance in Kirkland. As the strategic anchors they are essential decision making tools, and the city does not make decisions unless it conforms to the three outcomes above. However, their real power lies in the interaction between them.

At times the three anchors will align and will point towards the same strategic decision (Table 4). However, there will be occasions when each anchor will suggest a different course and the central challenge is keeping this healthy tension in balance. The success of Kirkland as a Government will be dependent on keeping these three priorities in balance. For instance, if the citizens rate the City as performing poorly on a particular service, but are not willing to fund a tax increase, the City would then have to decide whether long term financial risk or community perception is what should drive the decision.

On a regular basis the interaction between the three also help serve as a system of checks and balances. The City could protect long term stability and reduce the price of government by making enormous cuts to services and taxes, but this would leave citizens without the services they consider important. Given that 94.6% of the 2013-2014 Budget was committed to services citizens rated as either high importance and high performance, or high importance and low performance, this would not be possible. Similarly while maintaining streets was rated as below average performance there was already over \$15m allocated for this in the budget, it would not have been possible to make improvements from existing revenues without compromising Kirkland's long term stability.

Table 4. Using Strategic Anchors to Make Decisions

Proposition 1: Levy for City Street Maintenance and Pedestrian Safety

The 2012 Citizen Survey revealed that citizens rated street maintenance as an important goal but they did not consider the City to be performing well. The City's desire to be a community responsive government mean something needed to be done.

Over the past six years the price of government had fallen in Kirkland from over 4% to approximately 3%. This indicated that citizens would accept a tax increase in order to receive a better service in area they considered high importance, but low performance. Therefore the City opted to put an initiative on the November 2012 ballot to increase property taxes, with the money to be spent on road improvement.

Raising money from voters would also not require any debt financing from the City, protecting its long term financial stability.

Through analysis of the three strategic anchors, the City was able to identify a need and a route to improvement that they believed would be acceptable to the citizens of Kirkland.

This analysis proved correct as the voter initiative passed, providing a stable long term funding source for street improvement in Kirkland.

The Council Goals and Performance Measures

The three anchors outlined above are the highest level performance metrics and represent the three strategies that will help the City overall to reach its long term vision. They can also help the City make large strategic decisions, such as the recently passed voter initiatives. However, they only indicate performance at the highest level. They do not help the City measure its progress against all of the City goals and do not help dictate short term progress against specific measures. In order to achieve these aims, the next level of the framework is the 10 council goals.

The City Council Goals (Table 3) have been developed over a number of years and contain both a value statement as well as a specific goal, defined in an internal memo as: “a broad statement of purpose or direction based on community needs.” While these goals were designed to be dynamic and reviewed by the Council each year, they have proved fairly stable and will remain largely unchanged in the short term.

There are also specific performance measures under each goal. These cover inputs such as funding, outputs such as construction, efficiency measures such as emergency response times and some outcomes, such as citizen attitudes and traffic accidents. These measures are published in the annual Performance Measures Report and form an essential aspect of how the citizens know if their government is delivering. For this reason, the annual report is essential to the overall framework for the City.

The performance measures used were chosen by the City Council in consultation with City staff. However, the fact that they were not chosen by staff in a larger process that involves a comprehensive outlook and their activities is potentially problematic. In discussions with Directors some expressed frustration that the measures in the report did not accurately represent their work. This is something that can be developed better by following the method set out below.

Choosing a new set of performance measures for this report would not solve that problem, it is a process that must take place with staff over time. However, to ensure that the metrics are measuring the right thing, and to ensure consistency across the goal areas a format for these measures should be chosen.

Among the simplest formats is the Results Based Accountability Framework (RBA) developed by Mark Friedman (Friedman 2005). Friedman argues that all performance metrics measure one of three things

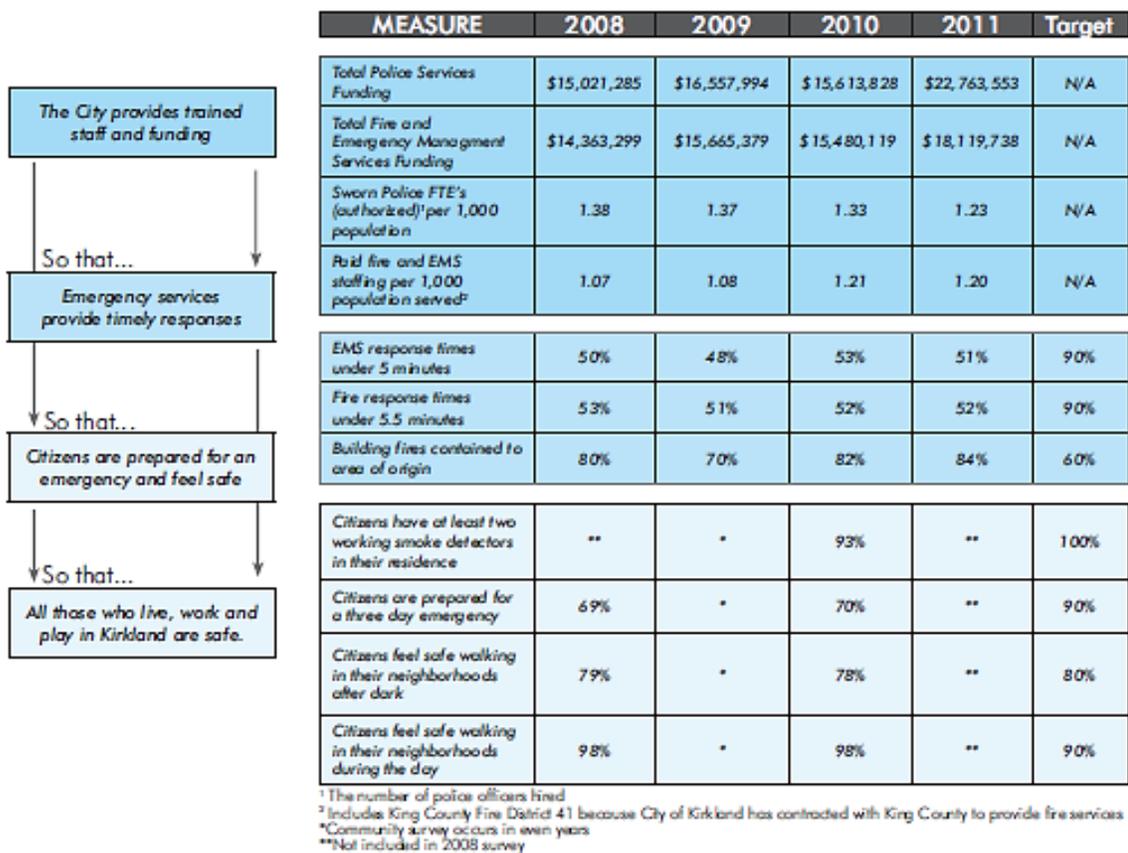
1. How many did we do?
2. How well did we do them?
3. Is anybody better off?

As they contain outputs, efficiency and outcomes these three questions go a long way to accurately assessing performance. All three questions are important, and the first two

should not be forgotten, but the ultimate aim is to ensure that you can answer yes to question three. Importantly, these outcomes should also be represented by trend lines to enable easy comparison over time.

The work to change the performance measures report into a new format that effectively uses the RBA method to achieve the best possible measures is still to come, and could be completed in time for performance reports in future years. However, using the public safety goal area as an example allows illustration of what the new design could look like and achieve⁴. Figure 6 shows how the data is presented in the current format.

Figure 6. Public Safety Goal Area



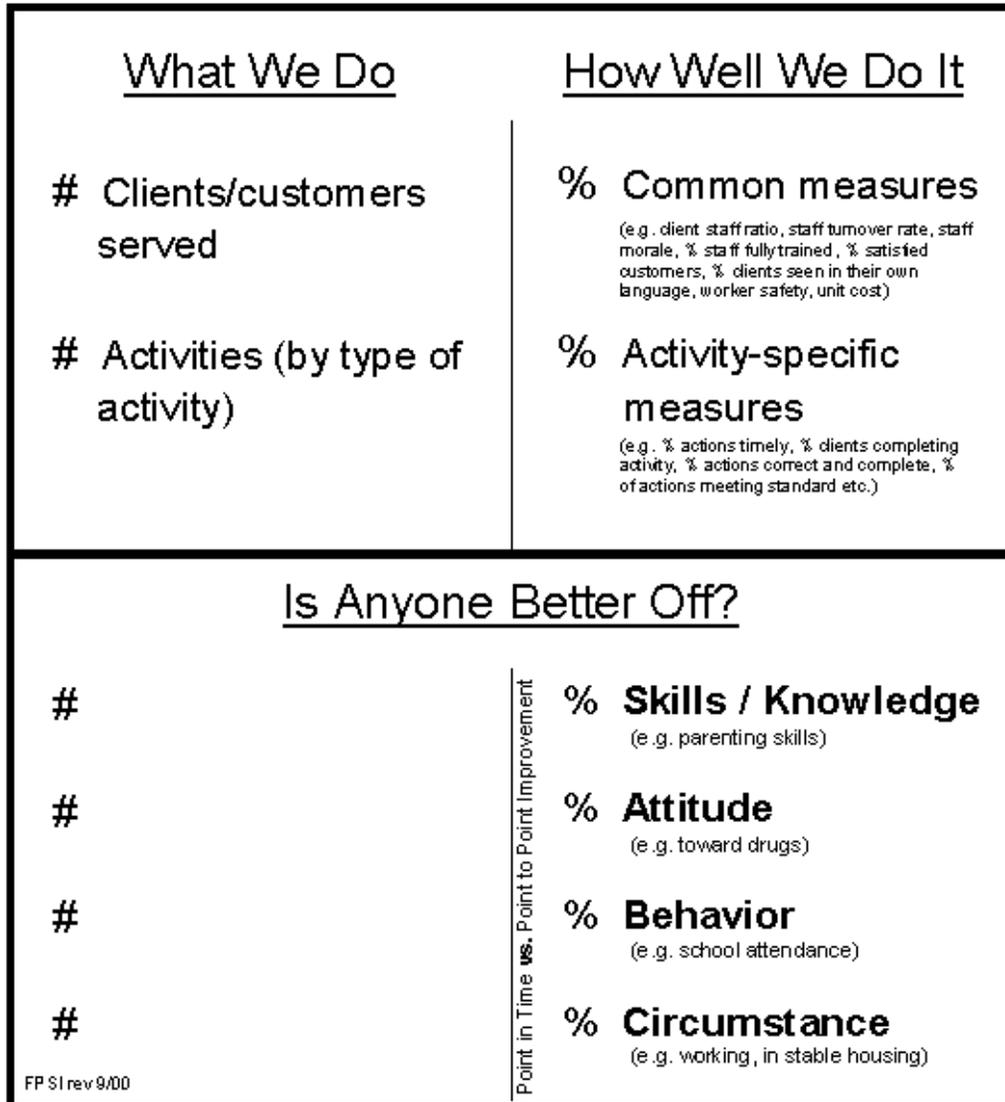
A logic model menu on the left hand side explains the progression from inputs through to outcomes. This logic model works well as statement of aims and intent, however, the measures do not always corresponded with model. Additionally, the progression from stage to stage is not always consistent and does not always accurately represent reality. For example, the City has a target of 90% of Fire and EMS response times within 5.5 minutes

⁴ Public safety has been chosen because most of the measures used already correspond well with the new framework, making it a good example. To see the other performance measures, the complete report can be found at: http://www.kirklandwa.gov/depart/CMO/Performance_Measures.htm

and have not been above 53% at any time since 2008. However, in the quadrant Fire and EMS is the highest performing area according to citizens. Therefore, the metrics chosen are not what's driving public perception.

To help improve the City should spend time using the outline below (Figure 7) to develop RBA measures for each goal area. Many of the same measures would fit into the new system. For example, "citizens feel safe walking in their neighborhoods during the day" is a change of circumstance measure. However, completing this process will help to categorize the measures and clarify outcomes. If the efficiency measures in the top right of the box are improving, but people are not better off then it becomes clear that the measures are not right.

Figure 7. Results Based Accountability Performance Measures



Taken from Friedman, Mark (2005) Trying Hard is Not Good Enough

An example of how the Public Safety goal area could look is shown in Figure 8. This box makes it easier to see quickly if people are better off because of the actions of the City. Furthermore it helps to draw a direct line from inputs, in this case funding, through outputs, number of officers, to desired outcomes. The example box shown keeps the current metrics, however, work could be done on whether those metrics most accurately represent reality. For example, the City has been consistently over target in keeping fires contained to the building of origin, but is below target in response times. This suggests that either the response time target is too low or that response time is not an accurate measure of whether people are better off.

Figure 8. Example Results Based Accountability Box for Public Safety Goal Area



In addition to asking the three questions, is anyone better off is represented by a trend line to enable a clear analysis of outcomes, based on past data. “Bending the trend” is one of the core principles in RBA as it provides enables comparison over time to tracked as well as allowing an organization to see what made a difference.

The box also makes it easier to see which performance measures do not directly relate to outcomes and are therefore, not necessarily useful to the City. This process of drawing a line from inputs to a trend line should help make the process of choosing and refining performance measures clearer.

Planning Documents

The Budget

The biennial budget is one of the most important documents in the new strategic framework. Two of the three strategic anchors are dependent on sound financial planning, and as the resource allocation mechanism the budget planning process is the time that most substantial changes can be made to the “how many did we do?” element of the performance measures. As different elements of the framework become integrated the importance of the budget is likely to grow therefore the budget features prominently in the framework. For example, the Financial Stability goal areas has been separated out from the other Council Goals to reflect the fact the budget is directly related to both sustainability and affordability. However, there is still work that needs to be done on integrating the budget with the other goal areas.

Give its importance the budget has a larger communication role within the new system. The 2013-2014 Budget established a significant amount of the information contained in the new framework. The City recognizes this and has produced a 2013-2014 Budget in Brief document. In future years this document should be better integrated with the annual performance measures report. This will create a simpler way for citizens to see the progress of the City.

The City Work Program

In 2012 the City began to integrate the Work Program with the Council Goals. This was done through discussion with Council Members who identified priorities. However, assuming the new strategic framework is established the decision on which areas to prioritize should be made with regard to performance and feedback from citizens. This means that the top level measures, the three strategic anchors, are not only the aim of the system, they also feedback into the annual plans.

Departmental Work Plans

While speaking to Directors it was clear that for many departments the work plans set between the City Manager and the Director are among the most important factors in performance management. Directors meet regularly with the City Manager to report against the goals set in the work plans, in turn they often measure their staff's performance against goals set in the plan. For this reason it essential that the links between the performance measures chosen for the goal areas and the individual work plans are strong.

The New Strategic Framework

Figure 9 shows a diagram of the potential new performance framework, which will sit within the already existing system (Figure 2). The new system does not supersede the work that already exists, but by improving reporting and analyzing of progress against those long term goals, helps to make the City more efficient.

The central insight offered is the identification of the three strategic anchors: affordable, responsive and sustainable. These three anchors are already present in the best decisions made in Kirkland, and should not be a new introduction. They have been identified by staff, through looking at City documents and through analysis of decisions such as Proposition 1 in November 2012. The representation of each anchor, described above, is also shown. Essential to the new system is that balancing these three strategies will enable the City to meet its long-term vision. Because of this the anchors can be placed in stages four through six on the overall City framework, with a particular focus on stage four, “resource allocation”.

In biggest changes to the current system appear in the “report back” box. An enlarged version of this stage is shown in Figure 9. Within this box the strategic anchors compliment the council goals and individual performance measures, as well as the departmental work plans. This diagram shows a potential structure for the future performance report. The report already serves as the primary external method of reporting back and by making it more integrated with the existing framework, can help to streamline the process.

Although not shown on the diagram, the system should be considered a loop rather than a hierarchical system. The strategic anchors measure both the effectiveness of current policies but also as guiding principles for future decision making. Because of this dual purpose the anchors provide a clear way of reporting progress as well as being an essential decision making tool.

For example, the teams within the city responsible for transportation have an overall transportation strategic plan. Following the resource allocation process a work plan is developed. The three central questions when developing the work plan should be:

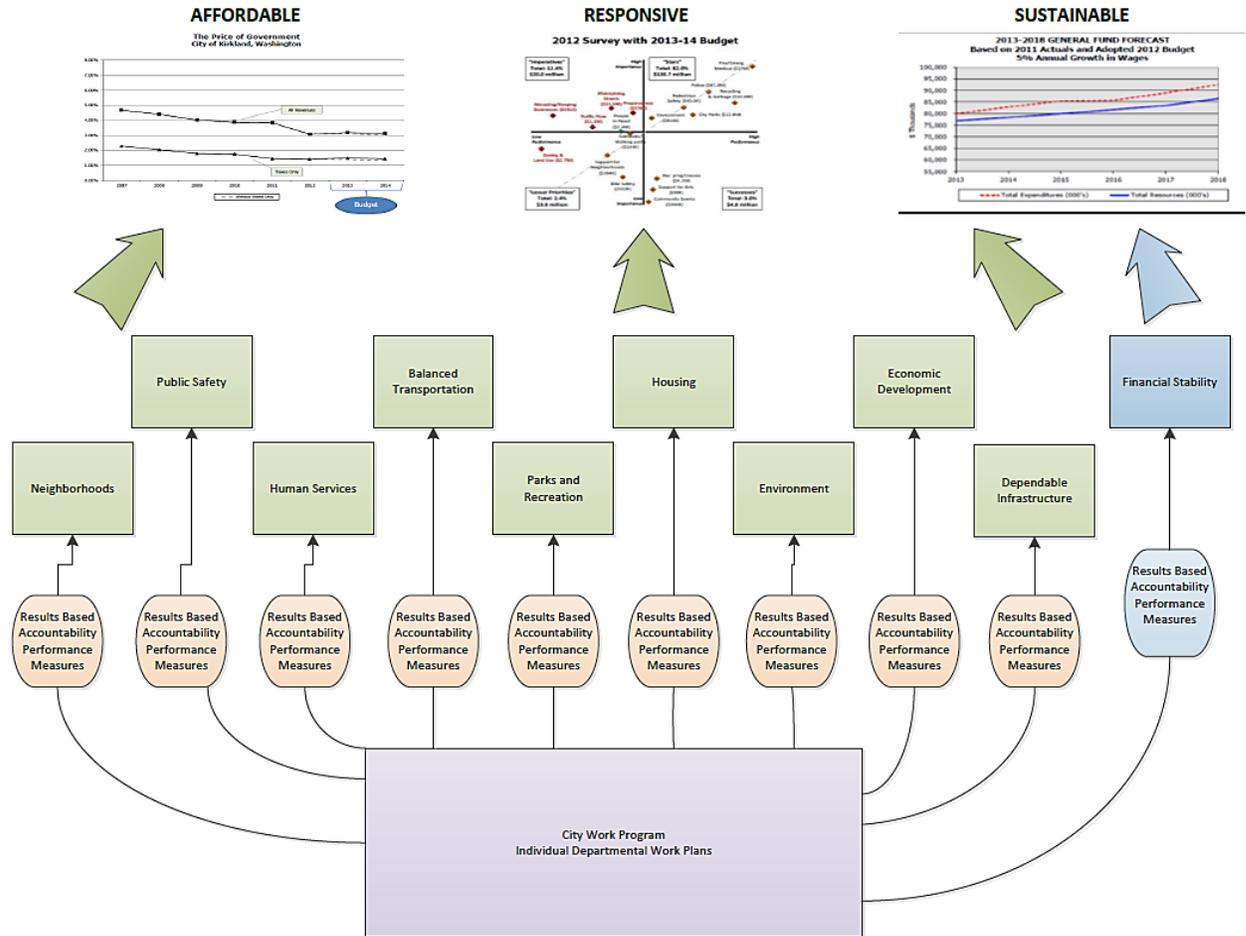
- Is this affordable?
- Is this sustainable?
- Is this responsive to the community’s needs?

Once these questions have been answered and the work plan developed it will then have specific goals attached to it. Rather than measuring simply inputs or outputs, these measures should be developed with the Results Based Accountability framework in mind, and should ultimately end with, “is anyone better off?” Over time these short term goals should help the City work towards the Council’s goal of “Balanced Transportation.” Performance against these goals should be reported back in the annual performance report. Once this report has been published there is an opportunity to reassess progress with the

three strategic anchors in mind. Has the work been sustainable/responsive/affordable? At this point changes can be made to the work plan and, if necessary, the individual performance measures.

As Figure 9 shows, nine of the goals lead up to the three anchors in general, indicating that success on these measures helps the City achieve its strategic aims. Financial Stability is treated differently because measures underneath that goal area directly impact the sustainability and affordability of the City. It's unique position reflects the overall importance of the City's budget which is one of the primary planning and performance measuring tools the City has.

Figure 9. The New Performance Framework



Recommendations

This document and the strategic framework it presents are just one stage of a larger strategic planning process in Kirkland that will move the City toward being a high performing organization. Along with adopting the framework set out above, there are other steps the City should follow.

1. Use Results Based Accountability Framework to Craft Performance Measure

The current performance measures need to be looked at again and set against the Results Based Accountability model. Many of the existing measures will transfer across and will remain useful measures. However, some new measures that are relevant to departmental work will also need to be developed. If new measures are being developed it is crucial that different departments are involved for two reasons. Measures need to be relevant to those who are delivering against them as it will help to ensure buy in from staff.

2. Create a 'Healthy Organization'

Kirkland is a successful and well run city and recommending the creation of a healthy organization does not suggest otherwise. Rather, as the literature review set out, all organizations need to externalize their core values and work to ensure that decisions are made based on those values. Core values should already permeate everything good that happens inside an organization and so the only way to identify them is through discussion among organizational leaders. The City has a Director meeting schedules for late Spring 2013 to discuss this issue.

3. Treat the Performance System as Dynamic

With the exception of the vision statement, which is set for the next decade, every element of performance management should be treated as a dynamic and flexible tool. This includes the strategic anchors and the Council goals which can change based on time and circumstance. Kirkland should set up a system that ensures these things are looked at regularly.

In particular the City should consider whether 10 Council goals is too many, and whether the values statements are consistent. Some of the goals cover areas in which the City has little direct role, meaning it is hard to choose outcomes and hard to measure the City's impact. These areas could potentially be combined into a more general area that looks at indicators the City is interested in, but has no direct control over.

4. Integrate Citizen Survey with Council Goals

When talking to Directors one of the most common queries was around what the quadrant was specifically revealing about attitudes. For example, what exactly do citizens think about when asked about “Zoning and Land Use”. To avoid this problem Kirkland should consider integrating the Council goals into the Citizen Survey. If citizens rate one of the goal areas as “low performing” then efforts can be directed into the specific measurements under that goal area to rectify the situation. This will further streamline the framework.

Additionally, if highlighting those performance measures in the budget or annual Work Program does not have an impact, then the City will know the performance measures are not accurately assessing what drives perception of that area. This is essential for becoming truly responsive to citizens.

5. Further Integration of the Budget Message with Performance Plan

As the Budget is one of the key drivers of both strategy and performance reporting, the budget message should be one of the City’s key communication tools. The City has already recognized this with the publication and distribution of the “Budget in Brief” booklet. However, this could be taken further and the City should assess whether integrating the Budget in Brief and the performance report is feasible.

6. Departmental Strategic Plans

This phase of the strategic planning process did not look at the existing long term departmental plans and how they fit into the new framework. The hope is that by using the same strategic anchors, and working toward the same Council goals, future departmental planning can be integrated better into the newly developed framework. However, the City needs to look at exactly how they feed into the planning.

7. Change Over Time for the Kirkland Quadrant

In the Kirkland Quadrant the City has a powerful tool that integrates citizen priorities with resource allocation. However, it currently does not show change over time. This would be helpful for both citizens and staff, as it would make it easier to track progress from one year to the next. It would also make the quadrant more in keeping with the trend lines of the other two strategic anchors. Developing this mechanism should be a short term priority for the City.

By embedding the framework set out above and following the recommendations for next stages, the City of Kirkland can continue to improve both its strategic planning, and the measurement of that planning.

Bibliography

- Abravanel, H. "Mediatory Myths in the Service of Organizational Theory." In *Symbolism in Organizations - Addresses, Essays, Lectures*, by L.R Pondy and T.C Danridge, 273-293. Greenwich, CT: JAI Press, 1983.
- Behn, Robert D. "Management by groping along." *Journal of Policy Analysis and Management* 7.4, 2007: 643-663.
- Behn, Robert D. *Performance Leadership: 11 better practices that can ratchet up performance*. IBM Center for the Business of Government, 2004.
- Bouckaert, Geert, and Arie Halachmi. *Organizational Performance and Measurement in the Public Sector: Toward Service, Effort and Accomplishment report*. Praeger, 1996.
- Bryson, John M, and William D Roering. "Applying Private-Sector Strategic Planning in the Public Sector." *Journal of the American Planning Association* 53:1, 1987: 9-22.
- Collins, James C. *Good to Great: Why Some Companies Make the Leap... and Others Don't*. HarperBusiness, 2001.
- Franklin, Aimee. "An Examination of Bureaucratic Reaction to Institutional Controls." *Public Performance and Management Review* (24)1, 2000: 8-21.
- Friedman, Mark. *Trying Hard is Not Good Enough*. Trafford on Demand Pub., 2005.
- Guajarado, Salomon A, and Rosemary McDonnell. *An Elected Official's Guide to Performance Measurement*. Government Finance Officers Association, 2000.
- Hatch, Mary Jo, and Majken Schultz. "Relations between organizational culture, identity and image." *European Journal of Marketing* 31. 5/6, 1997: 356-365.
- Hatry, Harry. *Performance Measurement: Getting results*. Urban Institute Press, 2006.
- Humphrey, Albert S. *The Origins of the SWOT Analysis Model*. 2004. www.businessballs.com (accessed March 2012).
- Kaplan, Robert S., and David P Norton. "The Balanced Scorecard-mesaures that drive performance." *Harvard Business Review* 70.1, 1992: 71-79.
- Lencioni, Patrick M. *The Advantage: Why Organizational Health Trumps Everything Else in Business*. San Francisco: Jossey-Bass, 2012.
- Levy, Paul E et al. "Employee Well-Being: Can Performance Management Systems Help? Yes, But They Sure Can Hurt Too!" *Work and Quality of Life*, 2012: 133-155.

- Marlowe, Justin. "Fiscal Slack and Counter-Cyclical Expenditure Stabilization: A First Look at the Local Level ." *Public Budgeting and Finance* 25.3, 2005: 48-72.
- Martin, Steve. "Engaging With Citizens and Other Stakeholders." In *Public Management and Governance*, 189-202. London and New York: Routledge, 2003.
- Miller, Ken. *We Don't Make Widgets: Overcoming the myths that keep government from radically improving*. Governing Books, 2010.
- Moore, Mark H. *Creating Public Value: strategic management in government*. Harvard University Press, 1995.
- Moore, Mark H. "Managing for Value: Organizational strategy in for-profit, nonprofit, and governmental organizations." *Nonprofit and Voluntary Sector Quarterly* 29. suppl 1, 2000: 183-208.
- Moynihan, Donald P. "Goal-Based Learning and the Future of Performance Management." *Public Administration Review*, Vol. 65, No.2, 2005: 203-216.
- Nicholson, Nigel. "How to motivate your problem people." *Harvard Business Review* 81.1, 2003: 56-67.
- Osborne, David., and Peter Hutchinson. *The price of government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*. 2004.
- Poister, Theodore H, and Gregory Streib. "Performance Measurement in Municipal Government: Assessing the State of the Practice." *Public Administration Review* 59.4, 1999: 325-335.
- Poister, Theodore H. *Measuring Performance in Public and Non-Profit Organizations*. Jossey-Bass, 2003.
- Porter, Michael E. "How Competitive Forces Shape Strategy." *Strategic Planning Readings*, 1979: 102-117.
- Porter, Michael E. "What is Strategy?" *Harvard Business Review* November-December, 1996: 61-78.
- Rokeach, M. *The Nature of Human Values*. New York: The Free Press, 1973.
- Schein, Edgar. *Organizational Culture and Leadership 2nd Ed*. San Francisco: Jossey-Bass, 1992.
- Senge, Peter. *The Fifth Discipline*. New York: Doubleday, 1990.
- Van Rekom, Johan, Van Riel Cees, and Berend Wierenga. "A Methodology for Assessing Organizational Core Values." *Journal of Management Studies* 43.2, 2006: 175-201.

W.K Kellogg Foundation. *Logic Model Development Guide*. W.K Kellogg Foundation, 2004.

Walters, Jonathan, Mark Abrahams, and Fountain James. "Managing for Results: an Overview." In *Reporting Performance Information: Suggested Criteria for Effective Communication*. 2003.

Wood, Stephen, et al. "Enriched job design, high involvement management and organizational performance: The mediating roles of job satisfaction and well-being." *Human Relations* 65.4, 2012: 419-445.

Appendix A: Vision 2022

“The Vision Statement is a verbal snapshot of Kirkland in the year 2022. It summarizes the desired character and characteristics of our community. It provides the ultimate goals for our community planning and development efforts.

The Vision Statement is an outgrowth of a community visioning process that occurred in 1992 and then again in 2002. The process in 1992 involved a series of community workshops in which approximately 250 Kirkland citizens worked to articulate commonly held desires for the Kirkland of the future. In 2002, the City sponsored an outreach program called “Community Conversations – Kirkland 2022.” The program centered around a video produced by the City about Kirkland’s past, present and future with three questions focusing on a preferred future vision. Nearly 1,000 people participated in one of the 51 conversations held by a wide range of groups in the community to discuss their preferred future in 20 years. In addition, individuals participated by viewing the video program on the City’s cable channel or on the City’s Internet web site and responding to the questions by mail or e-mail to the City. The responses from all three formats were summarized into major themes reflecting commonly held desires and formed the basis for the Vision Statement. The community visioning program was awarded the Puget Sound Regional Council’s 2020 Vision Award for its high level of innovation, creativity and success.

The Vision Statement is intended to set a direction instead of being a mere prediction. Rather than describing the features of Kirkland as we think they are likely to be, it expresses what we would like our community to become and believe we can achieve. It acknowledges past and current trends and Kirkland’s relationship to external factors, but also assumes an ability to shape the future in a positive way. The Vision Statement, therefore, is optimistic, affirming and enhancing the best of our attributes, past and existing, and aspiring for those we hope to have.

A Vision for Kirkland

Kirkland in 2022 is an attractive, vibrant, and inviting place to live, work and visit. Our lakefront community, with its long shoreline, provides views and access to the lake and is a destination place for residents 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.

The City is a place where people are friendly and helpful, ideas are respected and action is taken based on collaborative decisions. We have a diverse population made up of various income and age groups from various ethnic and educational backgrounds. We are committed to developing and strengthening a healthy community by creating programs that assist those in need, encourage individual expressions, provide enrichment opportunities for an increasingly diverse population, and promote healthy lifestyles. High quality local

schools are important to us. Our neighborhood, business, and civic associations; our faith-based groups; and our school organizations have strong citizen involvement.

Our neighborhoods are secure, stable and well-maintained, creating the foundation for our high quality of life. Each neighborhood has its own character which is a community asset. People from all economic, age, and ethnic groups live here in a variety of housing types. Our residential areas are well-maintained with single-family and multifamily homes and include traditional subdivisions, waterfront-oriented neighborhoods, urban villages and an equestrian community. We have worked to increase diversity and affordability, such as smaller homes on smaller lots, compact developments and accessory housing units. Mixed land uses in neighborhoods help to minimize driving. Many of our apartments and condominiums are close to commercial areas and transportation hubs.

Kirkland's economy is strong and diverse. A healthy mix of businesses provides valuable economic returns including varied employment opportunities and high wages, a strong tax base with sustainable revenues that help fund public services, and a broad range of goods and services. Our business districts are attractive, distinctive and integral to the fabric of the City. Many serve as community gathering places and centers of cultural activity. Businesses choose to locate in Kirkland because of our innovative and entrepreneurial spirit and because they are regarded as valued members of the community.

Downtown Kirkland is a vibrant focal point of our hometown with a rich mix of commercial, residential, civic, and cultural activities in a unique waterfront location. Our Downtown maintains a human scale through carefully planned pedestrian and transit-oriented development. Many residents and visitors come to enjoy our parks, festivals, open markets and community events.

Totem Lake Urban Center is an economic and employment center with a wide range of retail, office, industrial and light manufacturing uses as well as a regional medical center surrounded by related services. It is a compact mixed-use urban village with extensive pedestrian- and transit-oriented amenities, higher intensity residential development, public gathering places and cultural activities.

We accommodate growth and change while maintaining strong linkages with our past. Important historic landmarks are preserved, and new development occurs in a manner that is compatible with and respectful of its historic context.

Appendix B: Economic Development SWOT Analysis

Completed 2008

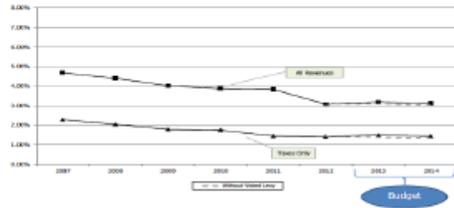
ECONOMIC DEVELOPMENT

Strength	Council support – has council’s attention Teamwork (Totem Lake Mall) Zoning starting to change to support economic development (e.g. NE 85 th corridor)
Weaknesses	We’re still not sure what we want to be when we grow up Picky – we may be too selective in businesses we’re trying to attract Lack of funding Training of staff No coherent plan Zoned commercial area is limited
Opportunities	Strong technology sector Attractiveness of Kirkland Unique niche Demographics Attract upscale companies 405 improvements New Microsoft employees coming in
Threats	Perception of parking problem downtown Neighborhoods versus business interests Neighboring cities Land availability Land values Transportation system Affordability to live here – limited labor pool due to cost of living

Appendix C: The New Performance Framework

AFFORDABLE

The Price of Government
City of Kirkland, Washington



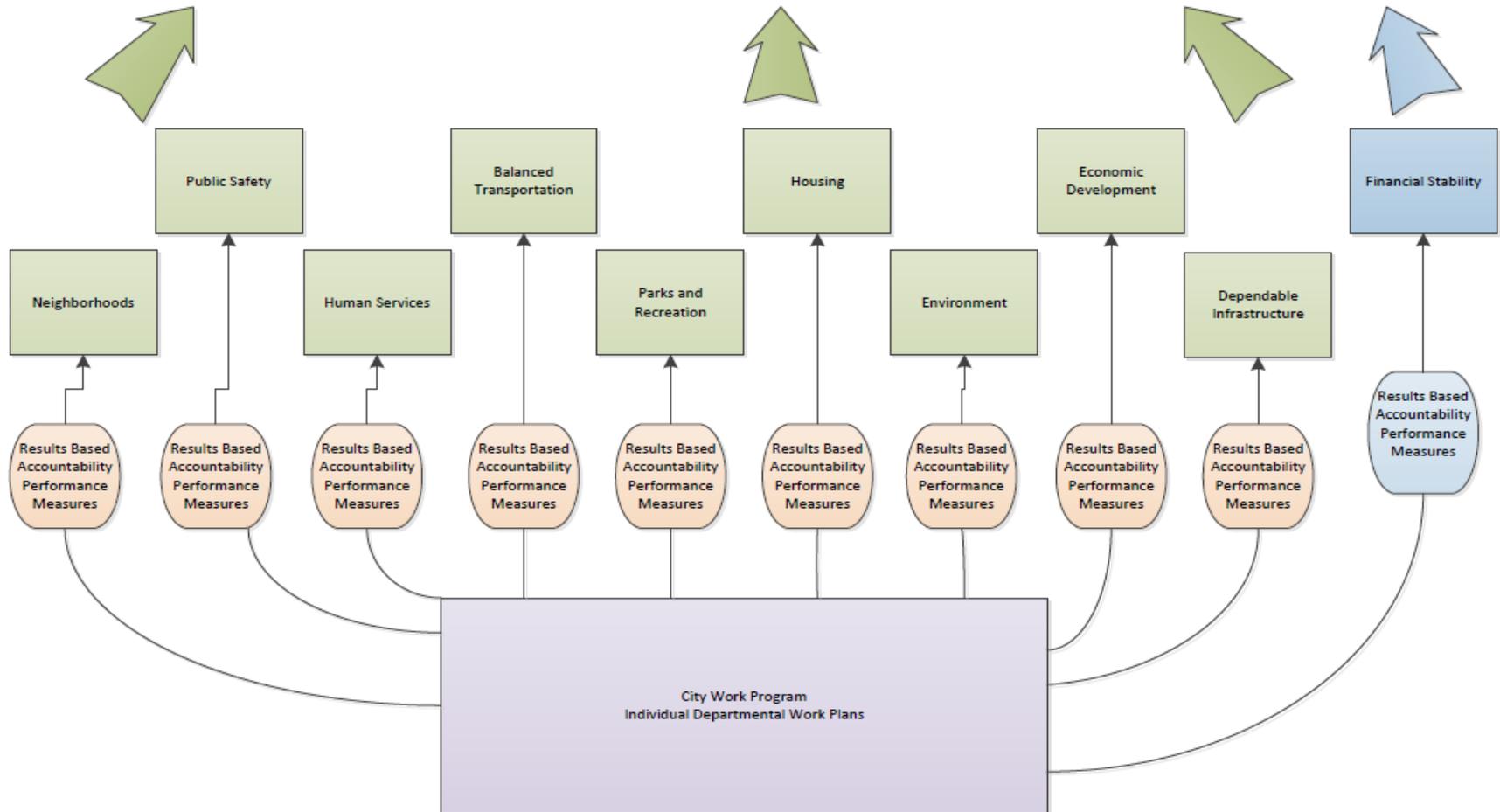
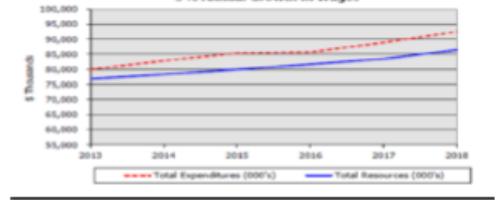
RESPONSIVE

2012 Survey with 2013-14 Budget



SUSTAINABLE

2013-2016 GENERAL FUND FORECAST
Based on 2011 Actuals and Adopted 2012 Budget
5% Annual Growth in Wages



CITY OF KIRKLAND

2013-2014 BUDGET
BUDGET MESSAGE

Dear Council Members and Citizens of Kirkland,

We are proud to present to you the City Manager's proposed 2013-2014 budget. Despite the continued economic challenges faced by the City, the proposed budget is balanced, financially sound and all financial elements necessary to retain our AAA credit rating are funded. All basic government operations are backed with on-going, predictable revenues, significant contributions are made to our reserves, and prudent sinking funds for public safety and technology equipment are established. This budget funds the priorities and vision of our citizens as identified by our community survey and achieves progress on the Goals adopted by the City Council. The City Manager's proposal enhances core public safety programs by funding the construction and operation of our new Public Safety Building for Police and Court services, as well as making significant initial investments in our Fire Strategic Plan. The budget protects our quality of life and the environment while also investing in job creation and economic development. The City Manager's proposal also identifies the street, park, sidewalk and pedestrian safety investments that will be made if the citizens of Kirkland approve Propositions 1 and 2 on November 6th.

These accomplishments are detailed in the budget for every department and program, but we have also organized the summary information much differently than in past budgets. We have done so to respond to requests from the Council to ensure the documents identify how the budget implements community priorities and Council Goals, and also to provide the Council with better information to make trade-offs between program budgets. In the introduction that follows we highlight revenues and expenditures (both reductions and increases), and then categorize all notable investments under the appropriate Council Goal. We also show how the proposed budget addresses the "improvement opportunities" identified in the 2012 community survey. We believe this new structure helps demonstrate to the Council and the public that this budget is responsive, sustainable and moves the City towards achieving the community's vision of Kirkland as an "attractive, vibrant, and inviting place to live, work and visit".

INTRODUCTION

The 2011-2012 biennium represented a time of unprecedented change at the City of Kirkland. Foremost among those changes was the annexation of the Juanita, Finn Hill, and Kingsgate neighborhoods, which increased the City's population and the geographic area served by over 60%. In addition, the 2011-2012 budget reflected continued service level reductions in response to economic conditions, implementation of a number of fund consolidations required by changes in government accounting standards, and included the City's decision to become self-insured for medical benefits. All of these changes render comparisons with past budgets of limited use. Instead, the 2013-2014 budget will set a new baseline for the City of Kirkland looking into the future.

This budget provides the opportunity to recalibrate the projected revenues and service needs, now that the City has been operating in the new neighborhoods since June 1, 2011. In addition, during the upcoming biennium, the City will update a number of strategic planning documents to incorporate the new neighborhoods and set a path for the new, larger City.



This budget was developed under the broad guidance of the 2012 City Work Program item:
Adoption of a 2013-2014 budget that demonstrates efficient, cost effective services.

This item links directly to the Council's goal of **Financial Stability**:
Provide a sustainable level of core services that are funded from predictable revenue.

There are three elements of the proposed budget that reflect policy implementation to further the objective of financial stability and sustainability during this time of slow economic recovery:

- The proposed 2013-2014 budget further implements the 2011 City Work Program item: *Explore new revenue options authorized by the state or requiring voter approval*. As part of the pursuit of more reliable revenue sources to support core services and based on community priorities and feedback, the City Council has placed two property tax levy lid lift propositions on the November 2012 ballot: Proposition 1 – Levy for City Street Maintenance and Pedestrian Safety and Proposition 2 – Levy for City Parks Maintenance, Restoration, and Enhancement. The preliminary budget has been constructed assuming that those levies pass, to provide a detailed look at how the funds would be spent.
- In late 2011, the City Council adopted Resolution R-4900 regarding **reserve replenishment** to provide a framework for replacing reserve funds that were used to help mitigate the impacts of the recession. This policy calls for 1% of the General Fund operating budget to be set aside toward reserve replenishments until reserves reach 80% of target (100% for revenue stabilization), which was projected at that time to take at least 7 years to accomplish. The on-going contribution helps make progress on the replenishment, taking the revenue stabilization reserve to 100% of target and the overall General Purpose Reserves to 71.6% of target. Staff is recommending that the reserve fiscal policies be amended to exclude the proposed levies from the reserve target calculation. The basis for this recommendation is that the levies are not intended to burden the General Fund and would be expected to absorb capital over-runs or unexpected operating expenses from levy proceeds.

Staff is also recommending that the Council pass a resolution to suspend the replenishment element restricting the use of unplanned funds until 80% of all targets are met due to the following special conditions:

- Continuation of the past practice of funding of some programs with one-time funds (ARCH Trust Fund, Kirkland Performance Center support, and others) given the discretionary nature of the funding levels and the absence of reliable ongoing resources for those purposes,
- One-time investment needed to establish the Public Safety/Information Technology sinking funds, and
- The objective of addressing some of the high-priority recommendations from the recently completed Fire Strategic Plan.

The Finance Committee supports both of these recommendations.

One of the benefits of building reserve replenishment into the operating budget is that it provides a hedge against the eventual expiration of the 10-year annexation sales tax credit in 2021. Assuming reserves will be at target by that time, the operating component of reserve replenishment can be discontinued. This action, taken with the drop in debt service requirements scheduled to occur at that time, should help the City continue current operations, despite the loss of a revenue source that currently generates over \$3.4 million per year.

- A need recognized during the 2011-2012 budget process was the establishment of **sinking funds** for the periodic replacement of public safety and information technology infrastructure equipment. In the past, this need has been met using one-time funds and capital improvement program funds, however, it had competed with other priorities even though it represents a predictable and on-going need. **The preliminary budget reflects the establishment of a sinking fund for these needs, which is described further in an issue paper.**

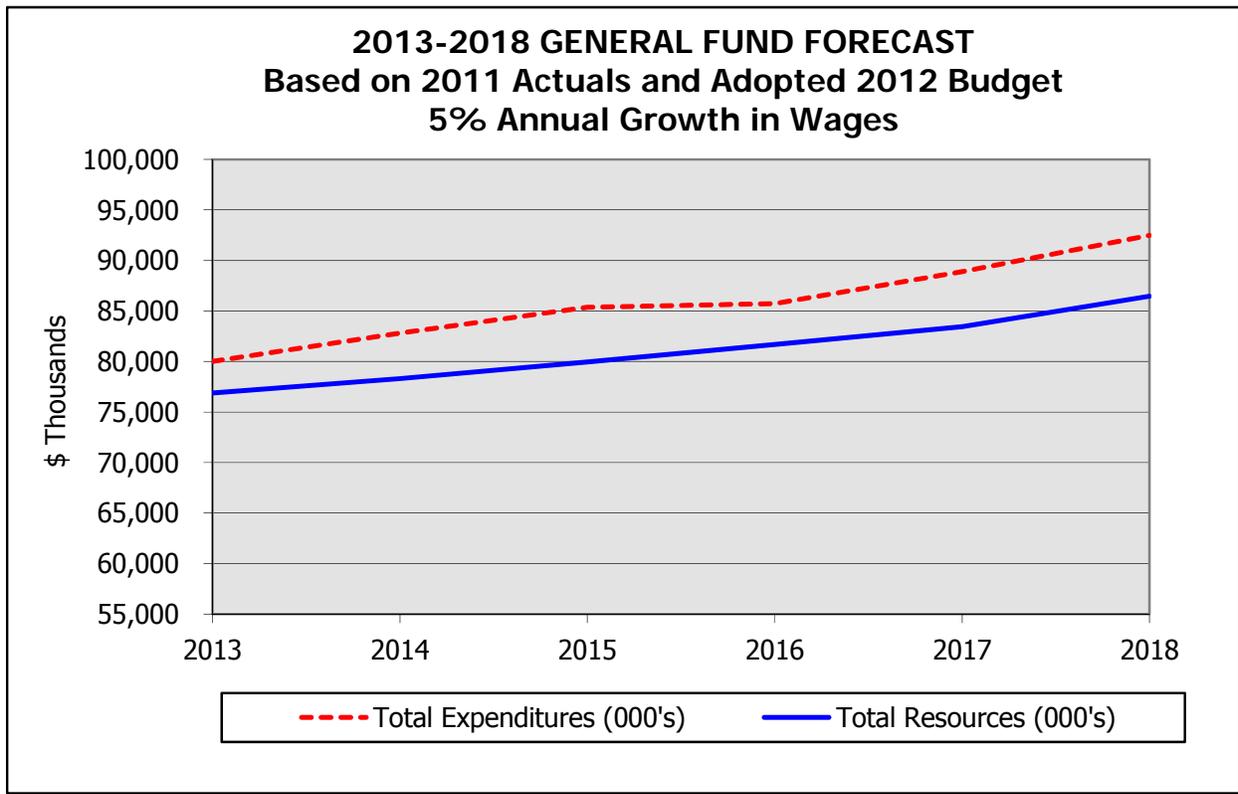
This budget also provides the opportunity to present recommendations in the context of the City Council goals, originally established in late 2009 and updated and reaffirmed in October 2011. The structure of the budget decision-making process and the document itself has been modified to better integrate the

goals and performance measures, with the end result being a suggested preliminary City Work Plan for the upcoming biennium.

Despite these steps to help ensure financial stability, there are always unknowns and uncertainties in any financial projection. The major risk to the sustainability of the proposed budget is the overall health of the U.S. and local economy. On the downside, the City's economic health would be jeopardized if the U.S. economy is thrown back into recession by the impacts resulting from the expiration of tax rate reductions and extended unemployment benefits at the end of 2012, along with the impacts of the looming Federal sequestration. The sequestration is a series of automatic across-the-board spending cuts to certain elements of the Federal budget, scheduled to take effect on January 2, 2013. Potential impacts from these actions on the City may include the reduction of the Build America Bond subsidy by 7.6% (about \$45,000 per year), reduced Federal grant programs including Community Development Block Grants and other public safety and environmental programs, and potential shifts in service provision due to reductions in State funding that would trickle down to local governments. On the positive side, the City's financial outlook could be positively impacted by proposed major developments, such as Park Place and Totem Lake Mall, and decisions of major employers to increase their local presence.

GENERAL FUND TRENDS

The General Fund forecast presented at the City Council Retreat in March 2012 projected a \$7.7 million shortfall for the 2013-2014 biennium.



	2013	2014	2015	2016	2017	2018
Total Resources (000's)	76,882	78,302	79,964	81,677	83,441	86,453
Total Expenditures (000's)	80,026	82,814	85,376	85,742	88,900	92,481
Net Resources (000's)	(3,144)	(4,512)	(5,412)	(4,065)	(5,459)	(6,027)
Biennium Total (000's)	(7,656)		(9,477)		(11,486)	

The 2013-2014 shortfall projected at that time was driven by the following major assumptions:

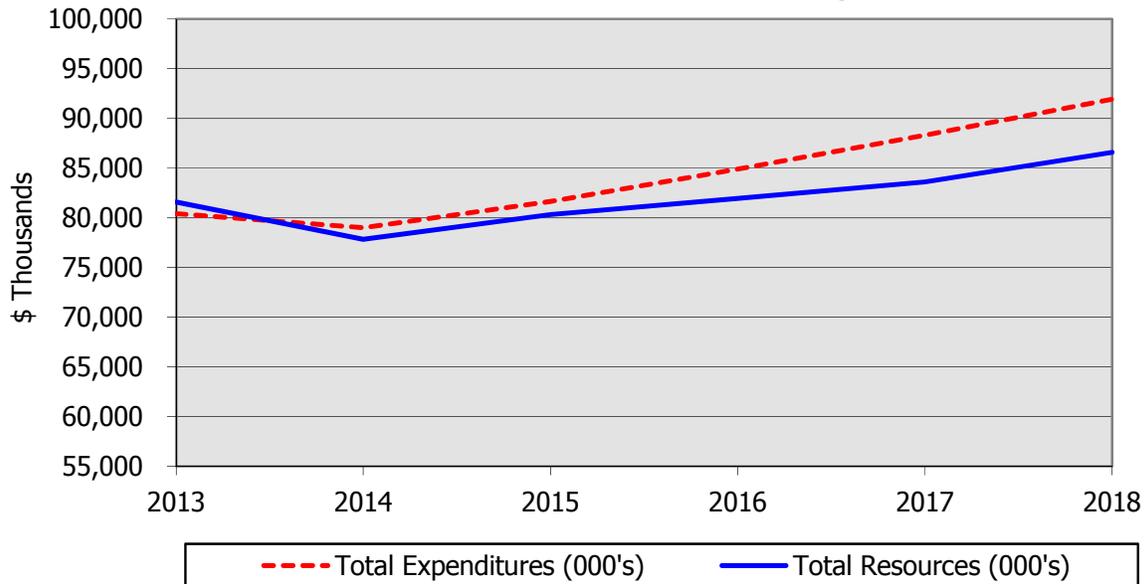
- Revenue collections from the new neighborhoods falling significantly below projections, especially in the area of sales taxes, where actual receipts were approximately one-third of the estimated amount that King County had provided during the annexation process.
- Telecommunications utility taxes falling below expectations, both in revenues from the new neighborhoods and the continuing decline due to changes in usage patterns and exemptions of certain services legislated by the Federal government.
- Assumed growth in salaries at 5% (2.5% for raises, 1.5% for steps/longevity, and 1% for market/other adjustments) and benefit cost growth of 7%. These assumptions were reduced from past forecasts to recognize the City's focus on controlling wage and benefit cost growth.
- Reserve replenishment at 1% of the General Fund budget, consistent with the City's fiscal policies.
- All vacant positions approved for annexation would be filled.

In developing this proposed budget, a number of actions were taken to address the projected shortfall and present a balanced budget for 2013-2014:

- Revise revenue projections, which closes the gap by approximately \$2.4 million, reflecting improvements in economic activity,
- Recalibrate new neighborhood public safety service level requirements based on actual experience, a reduction of \$1.9 million and 6.5 vacant FTEs,
- Reprioritize service levels in selected areas, with a focus on maintaining as much direct service to the public as possible, resulting in a reduction of \$1.6 million and 7.1 FTEs (5.6 vacant positions and 1.5 filled positions),
- Identify efficiencies, process improvements, and other refinements within the existing budget, resulting in a savings of \$1.0 million,
- Move away from inflation-based salary increases in selected labor contracts, resulting in slower cost growth, reducing the projection by approximately \$0.5 million,
- Recognize funds available from savings in 2011-2012, primarily due to positions held vacant throughout the City and lower than projected jail contract costs for inmate housing.

The revised forecast on the following page reflects a balanced budget for 2013-2014, although there is still a structural imbalance in subsequent years due to the underlying mismatch between predictable growth in revenues and the rate of cost increase to provide City services. The gap is smaller than it was in the prior forecast, due to actions taken to balance this budget and the City's continued focus on "bending the cost growth curve" to a more sustainable level.

**2013-2018 GENERAL FUND FORECAST
Based on Preliminary 2013-2014 Budget
5% Annual Growth in Wages**



	2013	2014	2015	2016	2017	2018
Total Resources (000's)	81,572	77,842	80,323	81,950	83,625	86,584
Total Expenditures (000's)	80,420	78,994	81,640	84,889	88,320	91,940
Net Resources (000's)	1,152	(1,152)	(1,317)	(2,938)	(4,694)	(5,356)
Biennium Total (000's)	0		(4,255)		(10,050)	

BUDGET SUMMARY

In keeping with the biennial budget format, most of the descriptions and comparisons presented in the budget reflect two-year totals. In some cases, annual changes are shown to illustrate trends.

The total biennial budget for 2013-2014 is \$540.4 million which is a 13.5% increase from the 2011-2012 budget of \$476.1 million. Factors contributing to the change include:

- The full two-year cost of providing services in the new neighborhoods,
- Increases in health benefit costs, which appear both in the operating funds and the medical self insurance internal service fund,
- The assumed program enhancements that would be funded by the proposed Street and Park voted levy lid lifts, if successful, which are budgeted in both the operating and capital funds and account for the large percentage increase in "Other Operating",
- Construction of the Public Safety Building and occupancy in mid-2014,
- Costs associated with setting up sinking funds for Public Safety and Information Technology equipment, which appear in both the General Fund and the Non-Operating capital fund,
- Increases in expected revenues from Real Estate Excise Tax (REET), impact fees, and lodging tax due to the improving economy,

- Water, sewer, and solid waste rate increases and a full year of revenues from the new neighborhoods in the surface water and solid waste utilities,
- An accounting change that results in the City utility tax appearing in both the utility funds and the General Fund, which duplicated the revenues in the budget but did not increase costs to ratepayers.

The following table shows the relative change in the budget’s major components:

	2011-12 Budget	2013-14 Budget	% Change
GENERAL GOV'T			
General Fund	161,231,911	171,895,906	6.6
Other Operating	18,604,602	27,609,860	48.4
Internal Service Funds	57,181,149	68,510,621	19.8
Non-Operating Funds	113,823,171	121,974,625	7.2
UTILITIES			
Water/Sewer	66,961,952	77,839,643	16.2
Surface Water	33,193,878	39,895,988	20.2
Solid Waste	25,102,501	32,634,724	30.0
TOTAL BUDGET	476,099,164	540,361,367	13.5

The general fund budget totals \$171.9 million, which represents a two-year increase of 6.6% over the previous two-year period. Much of the increase in the General Fund is driven by the full two-year cost of serving the new neighborhoods, growth in wage and benefit costs, establishing equipment sinking fund reserves for public safety and information technology, and funding service packages.

The typical focus for the Council’s budget discussion relates to the operating budget which accounts for basic services to the public. The most important (and largest) component of the operating budget is the General Fund which accounts for the majority of general government services and most of the City’s general purpose revenue sources. The following sections describe overall revenue and expenditure trends that influenced this budget recommendation and provide a context for understanding this budget and for future financial planning decisions.

REVENUE TRENDS

The revenue trends in 2011-2012 reflected two dynamics:

- The stabilizing of base revenues after the steep decline during the “Great Recession”, albeit at a considerably lower level than the peak in 2007, and
- The addition of the revenues from the new neighborhoods, which began slowly after the effective date in June 2011, with the majority of revenue sources not reaching predictable levels until the early part of 2012.

The addition of those revenues made property taxes the largest General Fund revenue source. Given uncertainties in the economy, the assumptions for revenue growth reflect caution, but assume a return to moderate growth after several years of decline.

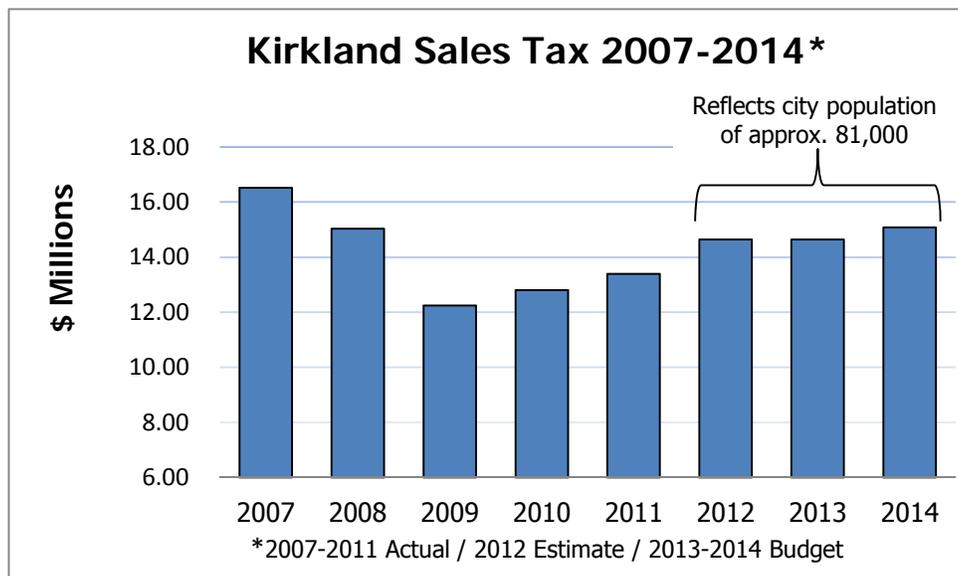
No increases in tax rates are reflected in the preliminary budget, except for the 1% optional increase in property tax and the voted levy lid lifts described below. Selected fee increases recommended by staff are highlighted later in this section. The budget also reflects proposals to extend the suspension of impact fees for changes in use and to provide some level of relief from the City’s revenue generating regulatory license fee for new small businesses, as discussed further below. Implementation would require action by the full City Council.

Property tax is currently the largest source of revenue for the operating budget and supports services in the General Fund, Street Operating Fund (117) and the Parks Maintenance Fund (125). A one percent increase in new construction is assumed along with a one percent optional increase in the levy, consistent with the assumptions used in the long-term forecasting model. Note that with the annexation, three City property tax rates apply to different areas of the City, with the pre-annexation City paying for existing voted debt, those previously served by Fire District 41 paying a tax component toward the District's remaining debt, and those previously served by Woodinville Fire and Rescue paying only the base rate.

For the Parks Maintenance Fund, property tax is the sole source of income which is legally restricted to new construction growth plus one percent. Historically, the growth in revenues has not been sufficient to offset the growth in costs, resulting in service level adjustments and/or some level of general fund subsidy. The maintenance of parks in the new neighborhoods is budgeted in this fund in recognition that the existing base levy paid throughout the City includes this component.

In addition, the preliminary budget assumes that the two ballot propositions on the November General Election ballot are successful. Passage of the measures would add \$0.204 per \$1,000 of assessed valuation to the property tax rate for street maintenance and pedestrian safety and \$0.16 per \$1,000 of assessed valuation for parks maintenance, restoration, and enhancement. If the levies pass, the street levy revenues will be accounted for in the City's existing Street Operating Fund (117) and a new 2012 Parks Levy Fund (128) will be created to account for the new parks operations and maintenance revenues. The capital projects funded with the Parks Levy are shown in the capital funds (310/320) in the preliminary budget; however, the final budget may change to reflect the revenues passing through Fund 128 for ease of reporting. Note that the Parks Levy includes funding to allow the Finn Hill Park District to cease operations, which would eliminate that component or portion of property tax in that area of the City. In the event that the levies do not pass, the assumed revenues and program costs would be removed in the final budget adopted by the Council.

Sales tax revenue has been volatile over the past few years, but appears to be stabilizing and shows signs of improvement. The following chart shows a comparison of sales tax revenue from the high point in 2007 through the budget projections for 2014. Note that the decrease in revenues from the 2007 peak of \$16 million to the 2010 trough of \$12 million represents a \$4 million dollar decline. The increase in 2012 and subsequent projections is due in part to the addition of revenues from the new neighborhoods.



The 2013 budgeted revenues reflect the City's one-year "lag" budget strategy, which sets 2013 sales tax revenues equal to expected 2012 revenues. For 2014, we are projecting a modest increase of 3% from 2013. While this is lower than the State's sales tax forecast that is projecting growth in the 4-5% range, the sustainable budget strategy would argue for caution in assuming such a significant turnaround during these uncertain economic times. At one point in time, the City employed a two-year lag strategy, which represents an even more conservative approach. Returning to the two-year lag would result in removing \$440,000 from the revenue assumptions for 2014. This strategy would be challenging given the changes in revenues during 2011-2012 related to annexation and might be best considered if revenues significantly stabilize and once the overall financial picture improves.

Utility taxes represent another large General Fund revenue source. Changes in budget estimates from one year to the next reflect anticipated changes in utility rates and potential variations in consumption. Revenue changes in this category vary by sector. In general, electric and gas revenues have been relatively stable to growing, while telecommunications revenues have been declining. Electric, gas, and water utility taxes are also significantly impacted by weather conditions. The telecommunications and cable sectors continue to be worth watching as the regulatory environment (and potentially taxing authority) changes to reflect current technology and consumer usage patterns respond to economic conditions.

Business license fees consist of a base fee of \$100 that is shown in the license and permit category and the revenue generating regulatory license fee of \$100 per full time equivalent employee (FTEs), which is shown in the tax category. The revenue for 2013 and 2014 assumes a 2% annual increase in FTEs over 2012 estimated revenues, which is consistent with recent experience. The recommendation of the Finance and Economic Development Committees to provide some level of relief from the City's revenue generating regulatory license fee for new small businesses (10 FTEs or less) for the first year after they open in Kirkland is also reflected in the preliminary budget, effective January 1, 2013. The one-year revenue impact of the change is assumed to be offset by year-end 2012 cash. If the full Council concurs with this recommendation, ordinances will be brought forward to implement this program and to extend the suspension of impact fees for changes in use through 2014.

Development fee revenues in the second half of 2012 have shown significant signs of improvement. The 2012 projections are expected to exceed the 2012 budget, despite the fact that the permits for redevelopment of Park Place did not occur as planned. At the end of 2005, the City established the Development Services reserve to recognize that development revenues associated with building and other activities are often collected in advance of the time that the work is conducted (for example, required inspections may occur in a subsequent budget period). In periods where revenues are reduced, the reserve has been used to help maintain staff to get the work completed and to help retain critical skills. The reserve has been used to backfill shortfalls in 2008 (\$400,000) and 2009 (\$425,000). The preliminary budget assumes that approximately \$1 million in revenues received in 2012 will be set aside for work to be done in 2013 and beyond. The current budget assumes that about \$600,000 of that amount will be expended in 2013-2014 as needed. The reserve has also been augmented with General Fund cash to fund the upcoming development fee and impact fee studies in the next biennium.

Interest income is expected to decline in the next biennium due to the continuation of historically low interest earnings rates. Interest earnings in the 2007-2008 biennium totaled \$9.4 million. Since that time, earnings have declined due to declining interest rates, with 2009-2010 earnings totaling \$4.6 million, and 2011-2012 earning projected at \$2.1 million. Given the Federal Reserve's recent announcement that they expect interest rates to remain at historic lows through 2015, the 2013-2014 budget assumes that interest rates will be between 0.50% and 0.42% for 2013-2014, which is still well above the rate earned in the State Investment Pool (currently 0.18%). Interest income is estimated at \$0.56 million in 2013 and \$0.43 million in 2014, for a total of \$0.99 million for the biennium.

Revenues from **user fees** were evaluated in developing the proposed budget. Consistent with adopted policies, the budget assumes that development and impact fees are increased with inflation. In addition, an inflation-related adjustment to the City's EMS transport fees was approved in October 2012. A new

right-of-way construction inspector position is funded through the extension of the right-of-way use fees through the inspection process of road cuts and repairs made by utility companies and new development. This change is part of the overall City effort to protect the road pavement condition index, which can be negatively impacted by inadequately restored road cuts, which are not currently inspected on a routine basis. **Further discussion of this topic is contained in an issue paper.**

Real Estate Excise Tax (REET) is generated by the sale of real property. During the economic downturn, the State Legislature provided for the use of REET funds for the operations and maintenance of facilities constructed with REET funds for a period of six years. The budget reflects using REET revenues to support some street and parks maintenance during the upcoming biennium.

THE KIRKLAND "PRICE OF GOVERNMENT"

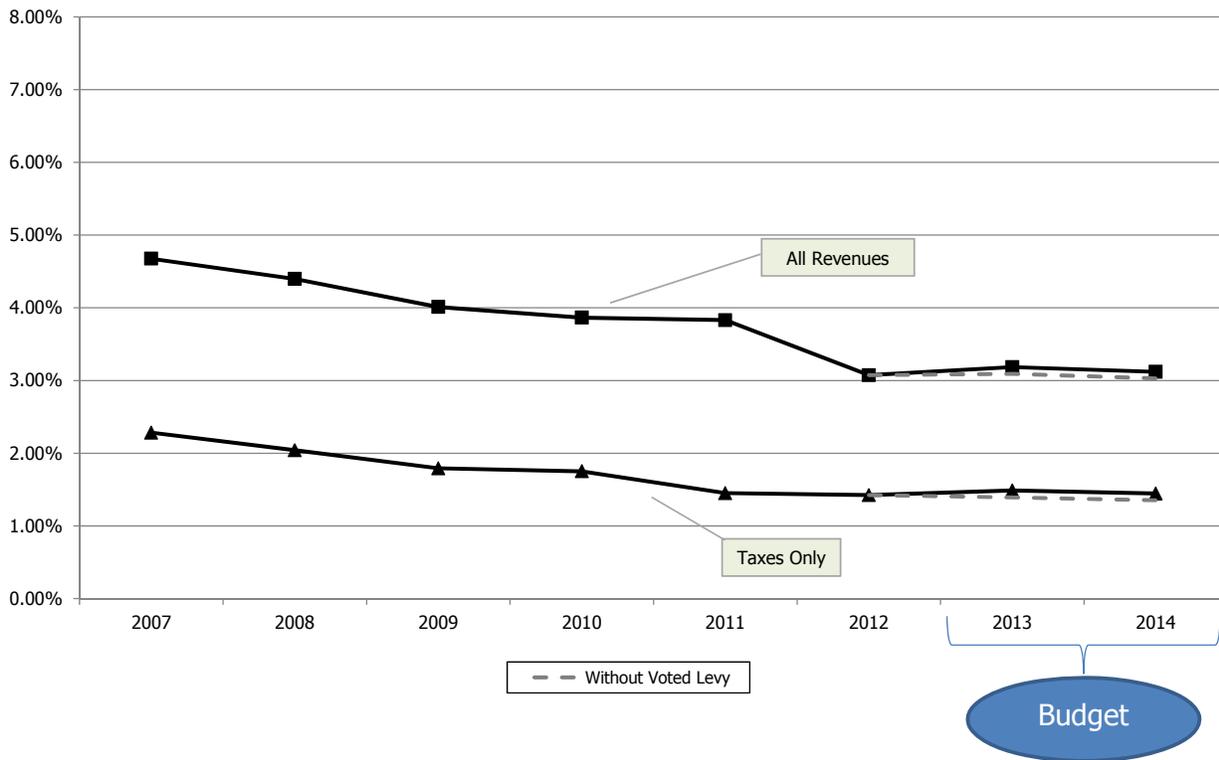
In evaluating these revenue assumptions, one question raised by taxpayers is "how affordable is government"? The "Price of Government" is a measure of this concept used by some jurisdictions as a comparison of the revenues from taxes and fees of the government to the aggregate personal income level of the City's constituents. In general terms, the calculation is used to help define a band in which residents are willing to pay for government services.

The graph that follows shows Kirkland's Price of Government over the past 6 years and the projection for the proposed budget. Over that period, total revenues as a percentage of personal income has slowly decreased from over 4% to approximately 3% in the proposed budget, including the proposed voted levies. The steeper decline in 2011 reflects that the tax and fee revenues that resulted from the annexation did not increase in proportion to the total personal income added.

To provide some context, since this is Kirkland's first time evaluating this measure, the City of Redmond has been tracking its Price of Government and provided the following observations.

"The City of Redmond's total "price of government" has consistently been between 5% and 6%, which is typical for local governments. This approach also illustrates that there can be a deliberate choice about how a community pays for service from the city. If user fees become too large, taxes should be reduced to retain the total target price. Likewise if taxes become too high, there may be resistance by the community to further increases in user fees. This approach does not provide a tool for universal evaluation across cities (even similar cities) as to the "correct" price. Differences in service delivery approaches and expectations make cross city comparisons virtually impossible. The value of this approach is largely with respect to the city's own history."

The Price of Government City of Kirkland, Washington



EXPENDITURE TRENDS

Salary and benefit costs comprise over 64% of the General Fund budget. **Salary cost** increases for two of the City's collective bargaining units, AFSCME and Teamsters, are set for the biennium at 2.5% in 2013 and 0% in 2014. The Police Guild contract is closed in 2013 but open in 2014; all other collective bargaining agreements are open for the biennium. Funds have been set aside in the Nondepartmental budget to be distributed for personnel increases on closed contracts and management & confidential employee (MAC) and in anticipated settlement of the open contracts. The City Manager recommends that the MAC increases be implemented consistent with the AFSCME and Teamsters contracts and the budget reflects that assumption.

Benefit cost increases have grown well in excess of inflation for a number of years. In 2011, the City transitioned to a self-insured medical program to gain more direct control over health benefit costs through proactive health promotion activities and to do so at an affordable price. The City experienced a one-time decrease in cost at the outset of the program, which allowed a separate rate stabilization reserve to be established for the Health Benefits Fund of \$1 million. In 2011, the City's experience resulted in an increase in "per employee per month" costs of 7%, below the former program's increase of 11%. However, in 2012, the program has experienced a higher than average claims pattern, which requires that an additional 13% be set aside toward potential claims liability. This experience is driven in part by a larger number of births to City employees than in prior years, which in turn reflects the hiring of many younger employees to serve the newly larger City. If claims return to a more expected level, the additional funds set aside could add to the rate stabilization reserve. However, if claims continue at an elevated level, some use of the rate stabilization reserve may be required. Now that the City has over 18 months of claims history, an Employee Health Benefits Committee will be convened to help with evaluating patterns and recommending program changes to help manage costs. **More information about this topic is contained in an issue paper.**

One of the objectives of this budget process was to ensure that the City provides efficient, cost effective services supported by predictable revenues. As described earlier, a number of actions were taken to address the projected shortfall and present a balanced budget for 2013-2014, consisting of recalibrations based on actual experience in the new neighborhoods, program reductions in lower priority areas, and efficiencies and process improvements within the base budget. **Specific reductions** are summarized as follows:

- Recalibrate new neighborhood public safety service level requirements based on actual experience, a reduction of \$1.9 million and 6.5 vacant FTEs. The Court and Police Department budgets were based on the assumption that the new neighborhoods would generate an additional 26,000 dispatched calls for service, which would generate a proportionate increase in court cases. In reality, the calls for service increased about 10,500. The following recalibrations are recommended as a result:
 - Reduce second Judicial position (1.0 FTE) and 2.5 FTE Judicial Support Associates and related costs at the Municipal Court (\$723,035)
 - Reconcile projected NORCOM expenses with actual call volumes (\$382,000)
 - Eliminate the additional Narcotics Task Force detective (1.0 FTE), K-9 Officer (1.0 FTE), and Administrative Support Associate (1.0 FTE) (\$812,257)
- Reprioritize service levels in selected areas, with a focus on maintaining as much direct service to the public as possible, resulting in a reduction of \$1.6 million and 7.1 FTEs (5.6 vacant positions and 1.5 filled positions):
 - Reduce additional vacant Neighborhood Outreach Coordinator from 0.5 FTE to 0.1 FTE (0.4 FTE reduction) - \$95,045
 - Reprioritize Economic Development resources to higher priority tasks by changing the Kirkland First model to function as a listserv and discontinue the quarterly dashboard report for the Business Roundtable (\$32,000)
 - Eliminate the Parks Business Services Manager position (1.0 FTE) and redistribute responsibilities (\$257,421)
 - Eliminate vacant 0.5 FTE Urban Forester in Planning and Community Development (\$112,805)
 - Eliminate 0.3 FTE Senior Planner (\$72,888)
 - Sunset the Parking Advisory Board and eliminate the 0.5 FTE Parking Coordinator position (\$126,043)
 - Reduce 2.0 FTE unfilled Police ProAct unit positions on hold from the 2011-2012 budget (\$516,266)
 - Eliminate Fire Wildland Response specialized training (\$23,142)
 - Eliminate the Field Arborist (1.0 FTE) in Parks Maintenance and fund one-time with REET flexibility funds (\$190,040)
 - Eliminate 0.9 FTE Grounds Technician position and the 0.5 FTE Locator positions in the Street Fund (\$215,722) – note that a Laborer position is recommended to be added one-time using REET flexibility revenues
- Identify efficiencies, process improvements, and other refinements within the existing budget, resulting in a savings of \$1.0 million:
 - Rearrange workload and reclassifying positions to lower classifications as circumstances allow, resulting in savings in Finance and Administration of \$50,189 and \$51,503 in Human Resources,
 - Line item expense reductions to reflect efficiencies, changes in business practices, or line item reconciliation:
 - City Council - \$32,610

- Public Works - \$65,015
- Finance and Administration - \$28,816
- Police - \$83,187
- Streets - \$182,250
- Information Technology - \$169,636
- Facilities - \$237,024
- Ensure the Cemetery fund administrative costs are charged to that fund - \$39,120,
- Additional Planning fee revenues due to the assumed increase in fees of 2.7% based on CPI - \$35,995.

As part of the budget process, the City Manager requested that each General Fund department identify ongoing reductions or new ongoing revenues equivalent to 2% and 5% of their normalized budget (excludes internal service charges). The internal service departments and other operating funds, excluding utilities, identified reductions as well. The reductions recommended by the City Manager were taken from this list to present the City Council with a sustainable budget. The recommended reductions total approximately 3.2% of the amount identified on the lists. The full lists are presented in the budget document, to provide a tool for evaluating options and trade-offs based on the Council's deliberations. The City Manager will continue to evaluate each position that becomes vacant to ensure that it is necessary to provide efficient, cost effective services.

Departments also developed 2% and 5% additions (or service packages), so that the City Manager and the Council could evaluate the best use of resources to achieve the City's goals in the short and long-term. The City Manager's recommendations regarding these service packages are summarized in the following sections, including a limited number of one-time funded service packages. The full list and recommendations are summarized later in the budget document.

COMMUNITY AND COUNCIL PRIORITIES

One of the main tools used to assess the **community's priorities** is through the Citizen Survey that the City conducts every two years. The results of the most recent survey (January 2012) were presented to the City Council at the March retreat. The overall results indicated that 85% of those surveyed rated Kirkland as a "very good" or "excellent" place to live. An additional 12% rated the City as "satisfactory". One of the key graphics from that survey is the "Quadrant" analysis, which provides an important basis for prioritizing the proposed budget recommendations. The survey report describes the Quadrant analysis as follows:

"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.*

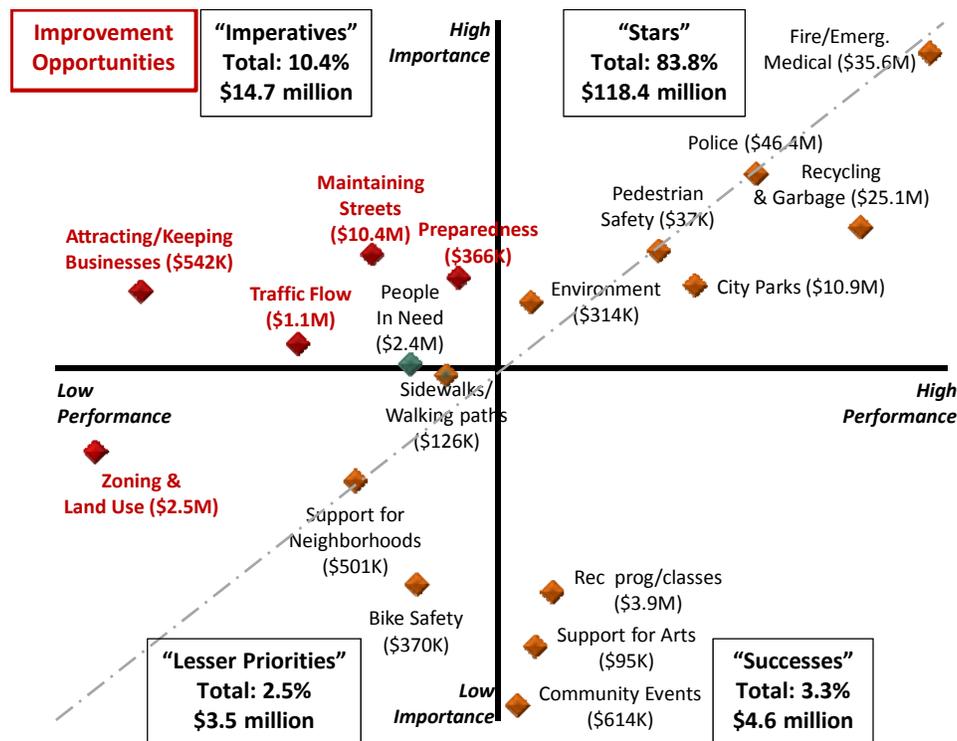
4) Low Importance, High Performance (bottom-right quadrant) – This quadrant represents services that citizens think the City is doing well with but are believed to be less important. While items in this quadrant can be considered successes with certain niche groups, for most citizens, they are not major 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, pedestrian safety, recycling/garbage. However, this analysis again highlights the critical areas for improvement opportunities -- attracting/keeping businesses, maintaining streets, and managing traffic flow. Zoning and land use is also significantly underperforming but it is less important overall to residents than the other issues.”

These four quadrants can also be referred to as “Stars”, “Imperatives”, “Lesser Priorities”, and “Successes”. The Quadrant chart from the 2012 survey is shown below, augmented by the estimated expenditures on the surveyed services in the 2011-2012 budget.

2012 Survey with 2011-12 Budget



This Quadrant chart provided key guidance on the areas that were opportunities for improvement identified by the community. Many of the recommendations that are summarized below focus directly on those priorities, for example:

<i>High Importance/Low Performance Quadrant</i>	
Attracting and Keeping Businesses	<ul style="list-style-type: none"> • Totem Lake Action Plan items, including further capital investments • Continued review of the tax and regulatory environment to remove barriers to new businesses, for example, the continued suspension of impact fee for change of use and waiver of the RGRL in the first year for small start-up businesses, and zoning changes • Continued investment in the economic development program and in capital projects in the City’s business districts
Managing Traffic Flow	<ul style="list-style-type: none"> • Adding resources to focus on implementation of the City’s Intelligent Transportation System (ITS) to help improve traffic flow • Additional investments in neighborhood traffic control and pedestrian safety through the proposed Proposition 1 Street Levy
Human Services/People in Need	<ul style="list-style-type: none"> • No reduction to Human Services funding levels • Increased ARCH funding
Emergency Preparedness	<ul style="list-style-type: none"> • Funding of an on-going Emergency Preparedness Manager position
Street Maintenance	<ul style="list-style-type: none"> • Additional investments in street maintenance through the proposed Proposition 1 Street Levy • Addition of the ROW inspector position • Continuation of REET funded maintenance activities, including median upkeep
<i>Low Importance/Low Performance Quadrant</i>	
Zoning and Land Use	<ul style="list-style-type: none"> • Growth Management GMA/EIS Comprehensive Plan update

Another important element of the budget process has been **educating the public and providing opportunities for public feedback**. Earlier in 2012, the City offered a five part Civics Academy to provide information and an interactive forum for participants to ask questions and provide input. In addition, the City is in the process of rolling out a series of videos on City services entitled “KirklandWorks”. The most recent video addresses Financial Stability, reflecting how the community’s values are reflected in the City’s financial management. A new feature on the budget webpage, Budget Bylines, has been introduced to provide easy-to-read summaries of budget-related information and deliberations in a newspaper article style after each Council meeting where the budget is discussed. The City Update newsletter continues to be a resource for addressing frequently asked questions and provide educational information. Public Hearings provide a formal time for the public to provide the City Council with input on the budget. A series of hearings are scheduled, with the first already completed in September and two further opportunities at the November City Council meetings.

KEY RECOMMENDATIONS BY GOAL AREA

The City Manager's recommendations were crafted to address the community and City Council priorities within the context of the City Council goals. The funded service packages, key policy recommendations, and major capital investments are presented within the goal area they primarily support, although many of the recommendations support multiple goals.



NEIGHBORHOODS

The citizens of Kirkland experience a high quality of life in their neighborhoods.

Goal: Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure.

- Ongoing funding for Neighborhood Traffic Control program through the Proposition 1 Streets Levy (if passed) - \$300,000
- Filling the additional 0.5 FTE CIP outreach position to enhance communication about projects
- Updating Growth Management Act (GMA) Comprehensive Plan and Environmental Impact Statement (EIS), \$326,000, which includes neighborhood planning
- Establishing opportunity funds for improvements in the new neighborhoods for sidewalks and pedestrian safety



PUBLIC SAFETY

Ensure that all those who live, work and play in Kirkland are safe.

Goal: Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.

- Completing the Public Safety Building CIP project (\$27.4 million in 2013-2014)
- Commencing operation of the Public Safety Building (One-time and Ongoing)
 - Jail Operations, 3.00 FTE, \$787,102
 - Public Safety Building operations and maintenance (O&M), 1.0 FTE, \$719,583
 - Help Desk Staffing for the Public Safety Building and Network Support, 0.20 FTE, \$51,349
 - **See issue paper for further discussion of the on-going costs for full year operations commencing in 2015**
- Police Strategic Plan, \$100,000
- Establish Police equipment sinking fund, \$250,000 one-time and \$250,000 ongoing
- Municipal Court Security, \$86,076
- Fire Strategic Plan implementation actions:
 - Finn Hill Fire Station Staffing (50% of 12-hour aid car coverage), \$649,130 one-time *[This funding is an opportunity fund to create an initial partnership with Northshore Fire District. The staffing is not likely to be financially sustainable beyond 2014 without a strong economic recovery or some sort of voter approved revenue.]*
 - Policy & Procedure Manual, \$17,000 one-time
 - City Emergency Manager, 1.0 FTE, \$322,814 - Ongoing
 - Senior Financial Analyst to help meet budgeting, financial analysis, and administrative needs in the Fire & Building Department, \$235,781 - One-time
 - Administrative Assistant Reclassification to Administrative Supervisor to help to meet the administrative and supervisory needs of the Fire & Building Department, \$12,089 - Ongoing
- Fire Records Specialist, 0.25 FTE one-time in 2013 to support the EMS transport fee program, \$24,716
- Consolidated Fire Station CIP Project (\$3.9 million in 2013-2014)
- Fire equipment CIP projects (\$431,200 on 2013-2014)
- Establish Fire equipment sinking fund, \$750,000 one-time and \$750,000 ongoing
- Increase EMS Transport Fee with inflation



Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.

Goal: To support a regional coordinated system of human services designed to meet the special basic needs of our community and remove barriers to opportunity.

- Maintained on-going funding levels for human service agencies at \$1.3 million
- Continued staffing for participation in regional human services initiatives



**BALANCED
TRANSPORTATION**

Kirkland values an integrated multi-modal system of transportation choices.

Goal: To reduce reliance on single occupancy vehicles and improve connectivity and multimodal mobility in Kirkland in ways that maintain and enhance travel times, safety, health and transportation choices.

- Non-motorized Transportation CIP projects totaling \$5.2 million for 2013-2014, including \$3.9 million for the Cross Kirkland Corridor interim trail and Master Plan, sidewalks, and pedestrian safety
- Transportation Engineer, 0.85 FTE, \$186,620 – Funded ongoing from permit revenues and expenditure offsets
- Transportation Engineer - Traffic Signal Operations, 0.75 FTE, \$178,074 to provide ongoing resources to maximize the investment in intelligent transportation system (ITS) technology to improve traffic flow
- Intelligent Transportation System (ITS) Software Support, \$50,000 – Ongoing cost of ITS system,
- Transportation CIP projects totaling \$1.2 million in 2013-2014
- Ongoing funding for Pedestrian Safety improvements through the Proposition 1 Streets Levy (if passed) - \$300,000



**PARKS, OPEN SPACES AND
RECREATIONAL SERVICES**

Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.

Goal: To provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well being of the community.

- Parks CIP projects totaling \$3.6 million in 2013-2014, including \$2 million from the Proposition 2 Parks Levy (if passed)
- Boat Launch Pay Station, \$19,500 (\$3,000 – Ongoing)
- Parks Operations and Maintenance (REET Funded) - \$299,928
 - Add a Senior Groundsperson position one-time funded with REET
 - Open restrooms at neighborhood parks
 - Provide seasonal labor to care for the City Cemetery and parks amenities
- Kirkland Performance Center one-time funding, \$68,000
- Ongoing Parks Operations & Maintenance service levels funded from the Proposition 2 Parks Levy (if passed)
 - Restore Maintenance and Operations, 2.5 FTE, \$1,111,575
 - Lifeguards, \$203,182
 - Forest Restoration, 3.0 FTE, \$712,484
 - OO Denny Park Maintenance, 1.0 FTE, \$261,181
 - Edith Moulton Park Renovation, \$5,660 (O&M only)
 - City-School Partnership Projects, \$5,960 (O&M only)
 - Cross Kirkland Corridor Trail Maintenance, 0.75 FTE, \$197,669



The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, size and affordability.

Goal: To ensure the construction and preservation of housing stock that meets a diverse range of incomes and needs.

- Increasing ARCH Housing Trust Fund contribution from \$432,000 to \$630,000
- Continued support of affordable housing projects in the City, specifically the Transit-Oriented Development at the South Kirkland Park & Ride



Citizens of Kirkland enjoy high quality services that meet the community's priorities.

Goal: Provide a sustainable level of core services that are funded from predictable revenue.

- No basic operations funded by one-time revenues
- Incorporating a component into the on-going budget for replenishment based on 1% of the General Fund budget
- Restoring the revenue stabilization reserve to 100% of target. The table below summarizes the recommended replenishments and target status:

2013-2014 General Purpose Reserves with Targets						
Reserve	Preliminary 2013-2014 Budget Target	2012 Estimated Ending Balance	Planned Additions to/(Use of) Reserves	2014 Estimated Ending Balance	(Under)/Over Target	2014 Ending Balance as % of Target
Contingency	4,401,617	2,201,870	224,555	2,426,425	(1,975,192)	55.1%
General Capital Contingency	5,318,355	3,919,463	-	3,919,463	(1,398,892)	73.7%
General Operating Reserve (Rainy Day Reserve)	4,333,295	2,806,513	-	2,806,513	(1,526,782)	64.8%
Revenue Stabilization Reserve	2,468,068	1,231,431	1,236,637	2,468,068	-	100.0%
Council Special Projects	250,000	189,534	60,466	250,000	-	100.0%
Building and Property Reserve	600,000	2,137,598	(1,566,019)	571,579	(28,421)	95.3%
TOTAL	17,371,335	12,486,409	(44,361)	12,442,048	(4,929,287)	71.6%

Note: Excluding the planned use of the Building and Property Reserve toward the Public Safety Building project would result in the 2014 Ending Balance for General Purpose Reserves being at 80.6% of Target.

- Establishing sinking funds for Public Safety and Information Technology equipment (\$1.5 million one-time and \$950,000 per year on-going), plus setting aside funding for major IT systems replacement (\$500,000 one-time)
- Pursuing new on-going revenue sources to stabilize support of on-going programs, through placement of the levy propositions on the November 2012 ballot for Streets and Parks
- Investing in development of a Performance Management System, \$50,000



We are committed to the protection of the natural environment through an integrated natural resource management system.

Goal: To protect and enhance our natural environment for current residents and future generations.

- Establish adequate rates to support the needs of the Sewer, Surface Water, and Solid Waste utilities, resulting in:
 - 6.82% rate increase in 2013 and no increase in 2014 for Sewer
 - No rate increase for Surface Water
 - 12.89% rate increase for 2013 and no increase in 2014 for Solid Waste
- Financing Sewer utility CIP projects totaling \$5.0 million for 2013-2014
- Financing Surface Water utility CIP projects totaling \$7.1 million for 2013-2014, including a \$5.7 million investment in Totem Lake

- Rain Garden Program (offset with hourly reductions), \$60,000 - Ongoing
- Maintenance Center Office Specialist (offset with reduction), 0.50 FTE, \$88,538 - Ongoing
- Surface Water Equipment, \$79,966 (\$18,880 – Ongoing)
- Ongoing funding for the Green Kirkland program through the Proposition 2 Parks Levy (if passed)



Kirkland has a diverse, business-friendly economy that supports the community's needs.

Goal: To attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.

- Continued implementation of the Totem Lake Action Plan, including:
 - Market Study of Totem Lake – Comprehensive Plan Update, \$25,000
 - Totem Lake Surface Water capital projects (\$5.2 million in 2013-2014)
 - An additional \$2.9 million in 2013-2014 toward the 120th Avenue road improvement CIP project
- Ongoing Cultural Arts Commission support - \$30,000
- As part of the tax and regulatory review to remove barriers to new businesses:
 - Continued suspension of impact fee for change of use
 - Waiver of the per FTE revenue generating regulatory license fee for new small businesses (less than 10 FTEs) during their first year of operation in Kirkland
- Continued 85th Street Corridor capital investments (\$2.4 million in 2013-2014)
- Setting funds aside to conduct development fee and impact fee studies to reflect the results of the Development Services Organizational Study and the Comprehensive Plan update
- Continued funding of programs with business and development interests, including the Kirkland Business Roundtable and the business retention program
- Lodging tax funding for special events, \$50,000 for 2013



Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.

Goal: To maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

- Establishing adequate rates to support the needs of the Water utility, resulting in a 3.37% rate increase in 2013 and 4.87% increase in 2014
- Financing Water utility CIP projects totaling \$5.5 million for 2013-2014
- Financing Street CIP projects totaling \$14.6 million for 2013-2014, including \$6 million from the proposed Roads Levy
- Right-of-way Construction Inspector, 1.0 FTE, \$236,566 – Ongoing from ROW permit fees
- Temporary Laborer (REET Funded), \$200,116 to continue maintenance activities
- Median Maintenance (REET Funded), \$120,000
- Ongoing funding for increased Street Overlay through the Proposition 1 Streets Levy (if passed) - \$5.4 million (includes 1.0 FTE CIP Engineer to manage programs)

In addition to recommendations directly related to the Goal areas, the following service packages are recommended:

Council/City Manager

- State Legislative Advocacy Services, \$96,000 - One-time
- Council Training, Travel & Subsistence, \$26,610 - Ongoing
- Administrative Transition City Manager's Office, \$8,684 - One-time
- Financing initial activities for the City Hall Renovation project totaling \$2.1 million for 2013-2014

Information Technology

- Temporary Service Desk Analyst, \$144,441 - One-time

- Copier & Plotter Replacements, \$131,000 - One-time
- Senior Applications Analyst, \$267,033 - One-time
- IT Network Security staff, \$265,598 - One-time
- Financing Information Technology CIP projects totaling \$2.3 million for 2013-2014
- Establish IT equipment sinking fund, \$500,000 one-time and \$900,000 ongoing

PRELIMINARY WORK PLAN

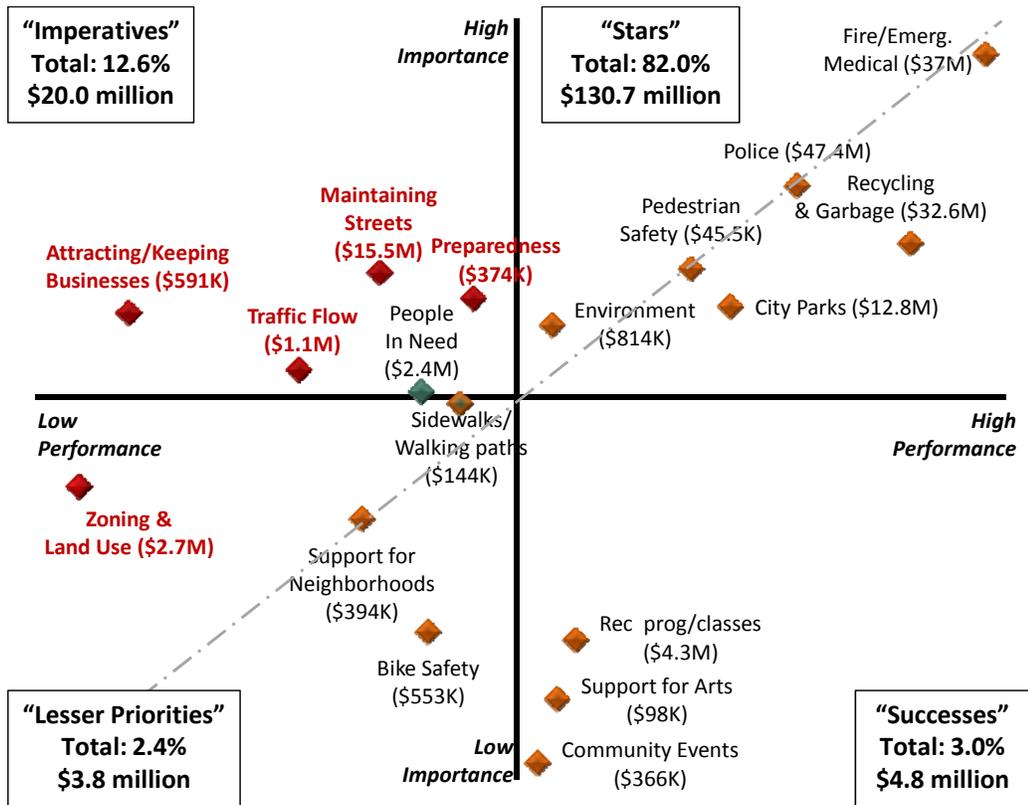
The recommendations suggest the following draft City work plan for the 2013-2014 biennium:

- Complete Master Plan and interim trail on Cross Kirkland Corridor (Council Goals: Balanced Transportation, Parks and Recreation, Economic Development, Neighborhoods).
- Complete construction of the Public Safety Building and bring to full operating capacity (Council Goals: Public Safety).
- Continue implementation of the Fire Strategic Plan recommendations, particularly those related to opportunities for regional cooperation (Council Goals: Public Safety).
- Update City planning documents to incorporate the new neighborhoods and set a course for the new, larger City (Council Goals: Neighborhoods, Balanced Transportation, Parks and Recreation, Diverse Housing, Economic Development, Dependable Infrastructure).
- Develop a City-wide multimodal Transportation Master Plan that defines and prioritizes investments in intelligent transportation systems (ITS), roads, sidewalks, and bicycle paths and redefines traffic concurrency (Council Goals: Balanced Transportation, Infrastructure, Economic Development, Neighborhoods).
- Begin implementation of the results of the Development Services Organizational study and evaluate the impact on development fees (Council Goals: Economic Development).
- Continue partnership initiatives with employees to achieve sustainability of wages and benefits (Council Goals: Financial Stability).
- Continue emphasis on Totem Lake revitalization through the Totem Lake Action Plan (Council Goals: Economic Development, Financial Stability).

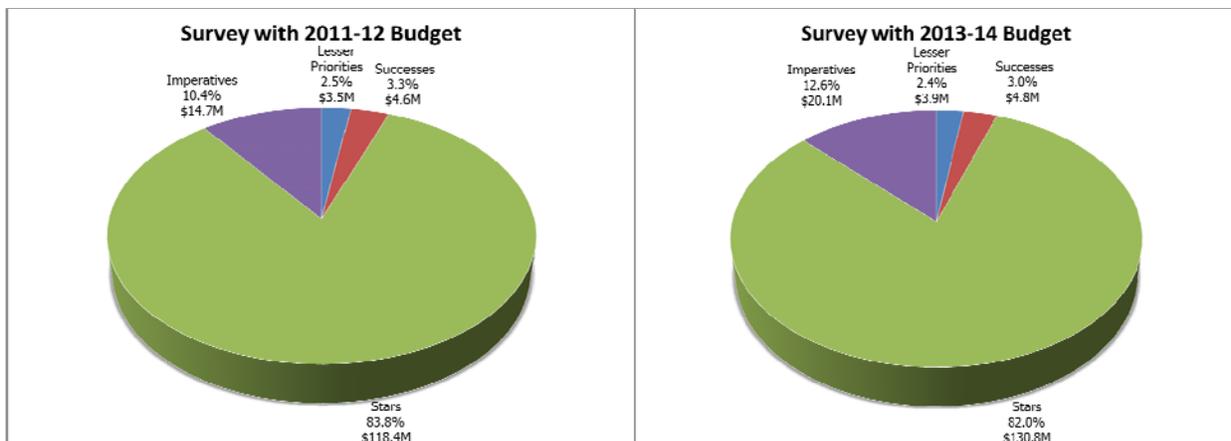
CONCLUSION

The proposed budget is focused on the City Council goals and community priorities. The recommended decisions result in proposed 2013-2014 investments in the services on the "Quadrant" analysis as summarized below.

2012 Survey with 2013-14 Budget



The pie charts on the below show the investments in each quadrant in the 2011-2012 budget versus the proposed 2013-2014 budget. The comparison shows that we have made progress in addressing the “imperatives” in the upper left quadrant, with the share of funding for the surveyed items in this quadrant increasing from 10.4% to 12.6%, or \$14.7 million to \$20.1 million. Although the percentage invested in “stars” decreased from 83.8% to 82.0%, the total dollars invested increased from \$118.4 million to \$130.8 million.



The budget reflects the service levels that will be provided if Proposition 1 – Levy for City Street Maintenance and Pedestrian Safety and Proposition 2 – Levy for City Parks Maintenance, Restoration, and Enhancement pass in the November 6, 2012 election. If those levy lid lifts are unsuccessful, the final budget will be adjusted to remove those revenues and expenditures.

Balancing the 2013-2014 budget required recalibrating the service needs and revenues from the new neighborhoods and prioritizing services to best meet the community's needs within financial constraints. In addition, continuing to replenish reserves that were used during the "Great Recession" and establishing sinking funds for periodic replacement of public safety and IT equipment are measures that help place the City on a more sustainable budget footing. The reductions and service packages identified during the process provide a basis for contingency planning if results are better or worse than projected.

As always, we expect that we will be discussing the budget with the City Council frequently during the biennium and making adjustments as conditions warrant. At a minimum, we expect to provide an update at the Council Retreat in March, with the mid-year budget report in June, and with the mid-biennium budget update in November 2013.

The development of the preliminary budget requires an enormous commitment by the City staff, especially the Financial Planning staff. We have every reason to be proud of the work done day in and day out by all City staff. With the support of the City Council, it is their efforts that make the City work for our citizens and make Kirkland an exceptional place to live.

Respectfully Submitted,

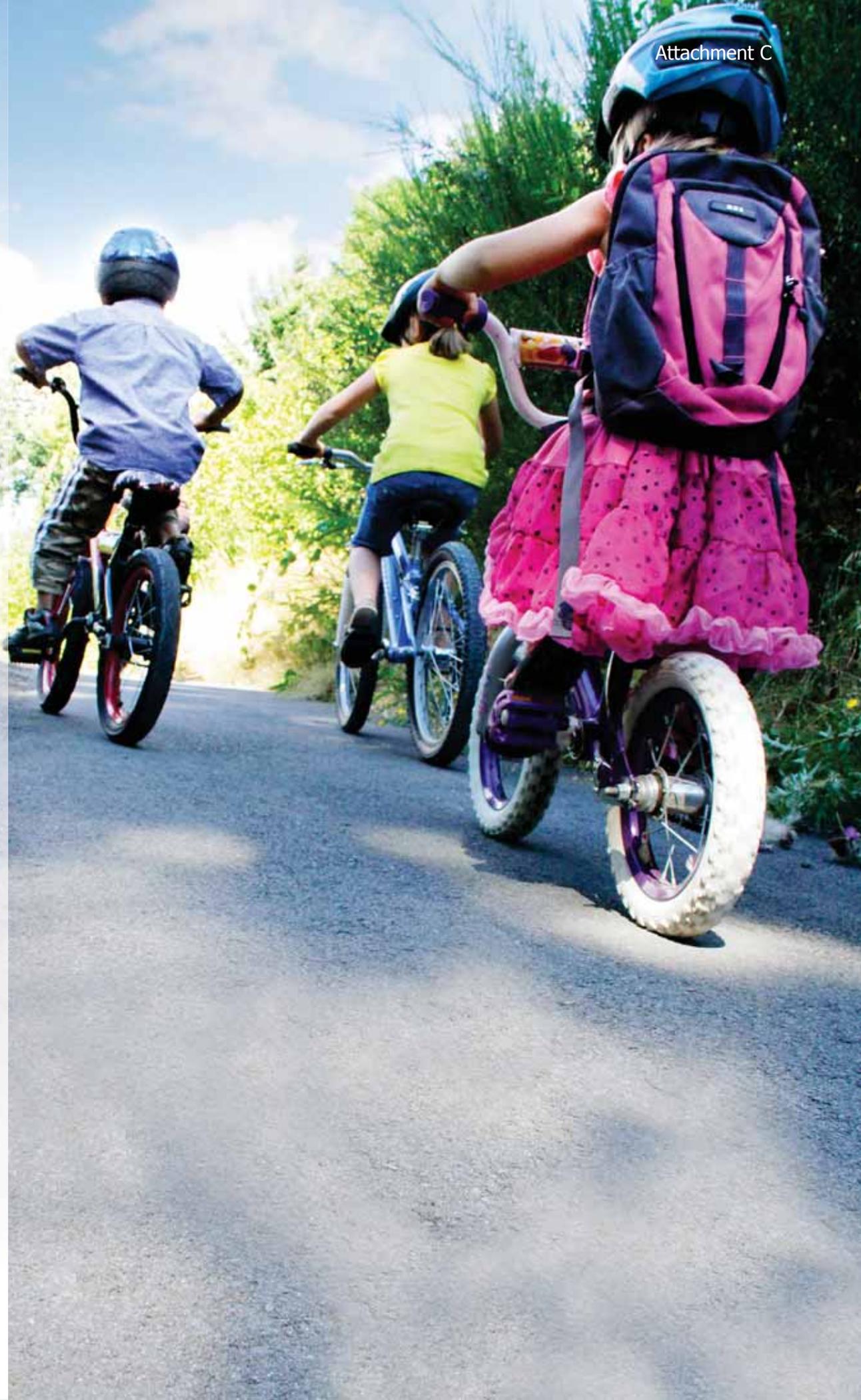


Kurt Triplett
City Manager



Tracey Dunlap
Director of Finance and Administration

CITY OF KIRKLAND performance measures 2012



ACKNOWLEDGEMENTS

Mayor

Joan McBride

Deputy Mayor

Doreen Marchione

Council Members

Dave Asher

Shelly Kloba

Toby Nixon

Penny Sweet

Amy Walen

City Manager

Kurt Triplett

Performance Measures Report Staff

James Lopez, Director of Human Resources & Performance Management

George Dugdale, Human Resources Intern

Contributing Departments

City Manager's Office

Human Resources

Economic Development Program

Finance & Administration

Fire & Building Department

Neighborhood Services Division

Parks & Community Services

Planning Department

Police Department

Public Works

Special Thanks

Kari Page

Dep Chief Jack Anderson & Captain Mike Ursino

Sharon Anderson

Phyllis Blower

Linda Murphy & Cheryl Harmon

Dawn Nelson

Tracey Dunlap

David Barnes

Ellen Miller-Wolfe

Phyllis Blower

Report Design

Dimitri Ancira, Senior Design Specialist

Rie Levinzon, Multimedia Intern

TABLE OF CONTENTS

Mayor’s Introduction:.....	page 4
City Council Values and Goals:.....	page 5
Introduction to Performance Measures:.....	page 6
Key Findings:.....	page 7
Neighborhoods:.....	page 8
Public Safety:.....	page 10
Human Services:.....	page 12
Balanced Transportation:.....	page 14
Parks and Recreation:.....	page 16
Housing:.....	page 18
Financial Stability:.....	page 20
Environment:.....	page 22
Economic Development:.....	page 24
Dependable Infrastructure:.....	page 26
Data Sources:.....	page 28

MAYOR'S INTRODUCTION

I am pleased to announce the publication of the City of Kirkland's 2012 Performance Measures Report.

The report is designed around the City Council's 10 goals for Kirkland—Balanced Transportation, Dependable Infrastructure, Economic Development, Human Services, Neighborhoods, Public Safety, Parks, Recreation and Open Space, Financial Stability and the Environment—and the long-term goals associated with each of those goal-areas.

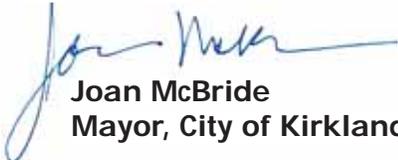
The following pages illustrate the City's progress toward those 10 goals.

Our hope is that you will use this report to not only stay connected to City programs and services, but also to connect to other members of the community and get involved with the City's community-based initiatives. One of those initiatives is Kirkland's public involvement campaign: "Kirkland 2035: Your Voice. Your Vision. Your Future." City leaders are developing that outreach campaign to hear how they would steer Kirkland into the next two decades. The contents of this report provide some context about where we are now as a City and how we should grow into the future.

The City Council and staff use this report to budget, develop business strategies, and to prioritize work projects. From public works to information technology, these measures stretch across all of our departments and service areas. Every City budget includes a copy of the performance measure report.

The Performance Measures Report is compiled each year to assess how the City is doing as we work to achieve the community's vision of being "an attractive, vibrant, and inviting place to live, work and visit."

As I noted last year, we are excited to share our report card with you and look forward to improving every day to enhance Kirkland as a wonderful place to live, work and play.


Joan McBride
Mayor, City of Kirkland



CITY COUNCIL VALUES AND GOALS

The purpose of the City Council Goals is to articulate key policy and service priorities for Kirkland. Council goals guide the allocation of resources through the budget and capital improvement program to assure that organizational work plans and projects are developed that incrementally move the community towards the stated goals. Council goals are long term in nature. The City's ability to make progress towards their achievement is based on the availability of resources at any given time. Implicit in the allocation of resources is the need to balance levels of taxation and community impacts with service demands and the achievement of goals. In addition to the Council goal statements, there are operational values that guide how the City organization works toward goal achievement:

- **Regional Partnerships** – Kirkland encourages and participates in the regional approaches to service delivery to the extent that a regional model produces efficiencies and cost savings, improves customer service and furthers Kirkland's interests beyond our boundaries.
- **Efficiency** – Kirkland is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment. We believe that a culture of continuous improvement is fundamental to our responsibility as good stewards of public funds.
- **Accountability** – The City of Kirkland is accountable to the community for the achievement of goals. To that end, meaningful performance measures will be developed for each goal area to track our progress toward the stated goals. Performance measures will be both quantitative and qualitative with a focus on outcomes. The City will continue to conduct a statistically valid citizen survey every two years to gather qualitative data about the citizen's level of satisfaction. An annual Performance Measure Report will be prepared for the public to report on our progress.
- **Community** – The City of Kirkland is one community composed of multiple neighborhoods. Achievement of Council goals will be respectful of neighborhood identity while supporting the needs and values of the community as a whole.

The City Council Goals are dynamic. They should be reviewed on an annual basis and updated or amended as needed to reflect citizen input as well as changes in the external environment and community demographics.

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.

NEIGHBORHOODS

The citizens of Kirkland experience a high quality of life in their neighborhoods.

Council Goal: Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure.

PUBLIC SAFETY

Ensure that all those who live, work and play in Kirkland are safe.

Council Goal: Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.

HUMAN SERVICES

Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.

Council Goal: Support a regional coordinated system of human services designed to meet the basic needs of our community and remove barriers to opportunity.

BALANCED TRANSPORTATION

Kirkland values an integrated multi-modal system of transportation choices.

Council Goal: Reduce reliance on single occupancy vehicles and improve connectivity and multi-modal mobility in Kirkland in ways that maintain and enhance travel times, safety, health and transportation choices.

PARKS AND RECREATION

Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.

Council Goal: Provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well being of the community.

HOUSING

The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, size and affordability.

Council Goal: Ensure the construction and preservation of housing stock that meets a diverse range of incomes and needs.

FINANCIAL STABILITY

Citizens of Kirkland enjoy high quality services that meet the community's priorities.

Council Goal: Provide a sustainable level of core services that are funded from predictable revenue.

ENVIRONMENT

We are committed to the protection of the natural environment through an integrated natural resource management system.

Council Goal: Protect and enhance our natural environment for current residents and future generations.

ECONOMIC DEVELOPMENT

Kirkland has a diverse, business-friendly economy that supports the community's needs.

Council Goal: Attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.

DEPENDABLE INFRASTRUCTURE

Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.

Council Goal: Maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

WHY MEASURE OUR PERFORMANCE?

Measuring performance provides a quantifiable way in which to see successes and areas in need of improvement. The City's progress is measured against data from previous years, targets set in master plans and benchmarks with other communities. By measuring our programs using a variety of data, we can see how Kirkland's present state relates to its past indicators and future plans.

Ultimately, the measures provide direction for resource allocation and help determine which policies and programs most effectively serve the community's needs.

Performance measures offer transparency and allow the public to hold the City accountable. The report highlights important City programs and services to inform the community what the City is doing for you. The report provides insight into costs, successes, areas of improvement, and citizen satisfaction as determined by the biennial community survey.

FORMAT OF REPORT

Performance measures provide a logical connection between City resources and desirable community outcomes through a "so that" format. If the City devotes resources to a service area, then they should be able to achieve desired outcomes in line with the Council goal.

Each service area includes a performance measures chart of City inputs, outputs, results and outcomes, and an analysis of the measures based on benchmarks and targets. Each section provides a description of why the specific measures were chosen, how the City is performing, and how the City is working towards achieving the goals.

Data comes from budgeted funding in final budget and Capital Improvement Program documents, department program tracking, master plans, and community and business surveys in even years. Because of the expanded scope of this report, some measures have been developed this year or are being developed for future reports, and have not had data collected. Goals and performance measures will be reviewed annually.

THE FUTURE OF THE REPORT

In recent years the City has been working to develop its performance management framework to create greater consistency across all strategic documents, while measuring performance in a clear and concise manner that allows citizens to track how their city is doing.

This system will lead to changes in format, and potentially content, in next year's performance report.

These changes will include an at a glance graphical representation of how the City is working to be affordable, sustainable and responsive to community needs. These graphics can currently be found in the 2013-2014 Budget message and their inclusion in future performance reports represents the increased consistency across different City reports.

The fundamental basis on which this report is built will not change. The 10 goal areas will remain the same and many of the same performance measures will continue to be used. Tracking the same performance measures over time is essential as it allows departments and citizens to see how performance has changed against a prior standard.

KEY FINDINGS

The 2012 Performance Measures Report serves as a report card on the City's progress toward the ten goal areas adopted by the City Council in 2009. The report shows the relative resources devoted to each area, the volume of outputs for each area and the outcomes or actual results. Measuring program outcomes can be the most challenging exercise but is the most meaningful as it expresses whether our efforts are accomplishing the intended results.

During the most recent reporting period from 2010 to 2012, the City experienced a series of financial challenges that required the City Council to make budget cuts in several priority areas. However, the City has worked hard to find ways to maintain levels of service despite reduced resources.

The annexation of the North Juanita, Finn Hill and Kingsgate neighborhoods in June 2011 has increased the population of the City from 48,000 to 81,000. This large population growth means the City now provides services to a larger area and population, while bringing additional revenue.

During the most recent reporting period from 2009 to 2011, the City experienced a series of financial challenges that required the City Council to make budget cuts in several priority areas. However, the City has worked hard to find ways to maintain levels of service despite reduced resources. The resulting cuts are evidenced in the changes in resource allocations in some areas.

Neighborhoods continue to evidence a high degree of satisfaction and participation in neighborhood programs. Communication channels such as listserv subscriptions and interactive websites have seen an increase in the number of subscribers. There was a decline in attendance and questions at City Council meetings in 2012. This followed a large increase in 2011 as citizens were engaged in the annexation process.

Public Safety services consistently rate as a high priority service and citizen surveys indicate that residents feel safe walking in their neighborhoods during the day and at night. Fire and EMS response times fall below the targets, although improved 911 dispatch and turn out protocols are improving response times.

Human Services has worked to maintain its level of spending per capita for human services, which are largely provided through contracts with non-profit agencies and coordinated through a series of regional efforts. Funded agencies have continued to meet the goals set out for them in City contracts.

Balanced Transportation efforts continued in 2012 with the purchase of 5.75 miles of the BNSF railroad right of way, creating the Cross Kirkland Corridor a trail from the South Kirkland Park and Ride to the City's northern boundary in the Totem Lake Business District.

Parks and Recreation funding increased in 2012 following three years of budget declines. This was made possible after voters passed Proposition 2 in November elections.

Housing diversity and affordability are a function of local zoning regulations and regional investments made through A Regional Coalition for Housing (ARCH). The City has been able to maintain its annual contributions to ARCH at a level commensurate with other local jurisdictions. Local affordable housing options continue to be added at a slow but steady pace.

Financial Stability is measured by the City's bond rating and reserve balances. The City Council used reserves to balance the 2009 and 2010 Budget in order to maintain services. Beginning in 2011, the City was able to begin replenishing reserves. General purpose reserve balances remain strong and the City's underlying financial policies and practices were strongly endorsed by Standard and Poor's AAA rating of the City's credit.

Environment is a consideration in many of the City's policies and operational practices. The City has established ambitious targets for reducing greenhouse gas emissions, reducing waste to the landfill and improving natural habitat. Kirkland continues to have the highest solid waste diversion rate in King County due to its innovative and readily-accessible recycling programs.

Economic Development is most important during economically challenging times but also most difficult. The high rate of office vacancies and decreased employment directly reflect the recession's impact on Kirkland. Citizens and businesses are satisfied with Kirkland as a place to do business and a place where residents have access to many of the goods and services they need.

Dependable Infrastructure is basic to a city's purpose. In 2012 the citizens of Kirkland voted to pass Proposition 1, which provides funds for the City to improve the condition of streets. The City will proactively complete projects that will achieve the goals of the Levy as soon as possible.

The City Council will review the City's performance on a regular basis to ensure they continue to express the community's needs and measure the community's progress towards the adopted goals and vision.

NEIGHBORHOODS

GOAL

Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure

City provides funding and outreach for neighborhood participation

MEASURE	2009	2010	2011	2012	Target
Subscriptions/number of e-bulletins sent out	802/161	917/139	1086/137	1154/340	N/A
Neighborhood CIP funding	0	\$25,000	0	0	N/A
Number/amount of neighborhood matching grants	7/\$22,547	9/\$5,493	11/\$11,130	13/14,570	N/A

Citizens participate in their neighborhoods and citywide forums

Volunteer hours in neighborhood projects	\$75,170	\$62,162	\$31,776	\$30,836	N/A
Number of attendees at City Council neighborhood meetings*	141	68*	262*	67	50+ per meeting
Number of questions submitted to City Council neighborhood meetings	95	21	100	34	N/A
KAN Neighborhood U attendees*	45	**	130	20	N/A

Citizens are satisfied with City services and the quality of life in their neighborhoods

Citizens surveyed are satisfied with neighborhood growth and character (satisfactory or better)	No survey in 2009	54%	No survey in 2011	***	90%
Citizens surveyed are satisfied with neighborhood infrastructure and maintenance (satisfactory or better)		**	90%	81%	90%

*There was one less City Council meeting with the neighborhoods in 2010 and 2012.

**Neighborhood U postponed from Fall 2010 to after Annexation May 2011.

*** Question not included in the 2012 Survey

HOW DO WE MEASURE NEIGHBORHOOD SERVICES?

E-bulletin communications, neighborhood funding and outreach programs demonstrate how the City actively connects residents with resources and stimulates participation in local government.

Rates of citizen participation in neighborhood activities reflect the neighborhood organizing work done through the Neighborhood Services Division.

Citizen satisfaction with neighborhood services and infrastructure demonstrates how well the City understands the needs of residents and subsequently invests in neighborhood planning and capital improvements.

WHY DID WE CHOOSE THESE MEASURES?

These measures account for the neighborhood organizing work done through the Neighborhood Services Division of the City Manager's Office. This is only one element of what influences a citizen's satisfaction with government and their neighborhood. E-bulletin communications, neighborhood association funding, and outreach programs demonstrate how the City actively connects residents with resources and stimulates participation in local government.

WHAT IS THE CITY OF KIRKLAND'S ROLE?

The City is committed to supporting neighborhoods by:

- Providing neighborhoods with resources to address needs;
- Strengthening the relationship between City Hall and the neighborhoods;
- Supporting the neighborhood associations in expanding their membership;
- Increasing awareness of City services; and
- Building partnerships to improve Kirkland's neighborhoods.

The Neighborhood Services staff provides outreach and resources through personal contact, **e-bulletins and the City website**. The City distributes **neighborhood matching grants** for neighborhood projects. Project creation and volunteerism enable residents to actively participate local government, build community and improve the quality of life in their neighborhood.

Neighborhood Services connects residents with citywide issues by coordinating **City Council meetings** in four neighborhoods per year. Citizens can talk directly to City Council members and ask questions regarding neighborhood and citywide issues.

The Kirkland Alliance of Neighborhoods (KAN), with the help of the City, leads yearly Neighborhood University sessions. These classes teach residents about city government, neighborhood organizing, and leadership. KAN meets five times a year to exchange information about neighborhood issues, network, provide educational opportunities for neighborhood leaders, and connect with city services.

WHAT ELSE INFLUENCES THESE MEASURES?

The City's annual funding for Neighborhood Matching Grants has varied significantly over the past few years (from \$3,500 to \$615 to roughly \$1,000 per neighborhood). Regardless of this variation, the neighborhood volunteer match has remained relatively constant and more than doubled the City's funds. There was one less City Council Meeting in the neighborhoods in 2012 because of scheduling issues.

The new neighborhoods are actively participating in Neighborhood U, Civics Academy, Kirkland Alliance of Neighborhoods meetings and City Council meetings with the Neighborhoods.



Success Story

Construction of asphalt walkway connecting a neighborhood to the Rose Hill Business District and Lake Washington High School.

Without Neighborhood Connection Program funding, staff looks for creative ways to bring scarce resources together to address community concerns.

A group of neighbors in the South Rose Hill Neighborhood worked with the City to create a safe walking route on a busy street adjacent to the Rose Hill Business District. 122nd Avenue NE south of NE 85th Street is a cut through for Lake Washington High School and connection to the busy NE 85th Street Corridor. Spill over parking from nearby retail businesses often blocked the social trail along the road and forced pedestrians onto the street.

Street Improvement Opportunity Funds were used to pay for inhouse crews to install an asphalt walkway creating a continuous safe walking path from NE 80th Street to NE 85th Street.



Neighborhood Work Party at Cotton Hill Park



First Neighborhood Meeting in the Community Gathering Place at 132nd Square Park



Neighborhood Work Party at Edith Moulton Park

PUBLIC SAFETY

GOAL Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response

The City provides trained staff and funding

MEASURE	2009	2010	2011	2012	Target
Total Police Services Funding	\$16,557,994	\$15,613,828	\$22,763,553	\$24,139,113	N/A
Total Fire and Emergency Management Services Funding	\$15,665,379	\$15,480,119	\$18,119,738	\$18,137,506	N/A
Sworn Police FTE's (authorized) ¹ per 1,000 population	1.37	1.33	1.23	1.23	N/A
Paid fire and EMS staffing per 1,000 population served ²	1.08	1.21	1.20	1.11	N/A

So that...

Emergency services provide timely responses

EMS response times under 5 minutes	48%	53%	51%	52%	90%
Fire response times under 5.5 minutes	51%	52%	52%	50%	90%
Building fires contained to area of origin	70%	82%	84%	57%	60%

So that...

Citizens are prepared for an emergency and feel safe

Citizens have at least two working smoke detectors in their residence	*	93%	*	96%	100%
Citizens are prepared for a three day emergency	*	70%	*	70%	90%
Citizens feel safe walking in their neighborhoods after dark	*	78%	*	79%	80%
Citizens feel safe walking in their neighborhoods during the day	*	98%	*	98%	90%

So that...

All those who live, work and play in Kirkland are safe.

¹ The number of police officers hired

² Includes King County Fire District 41 because City of Kirkland has contracted with King County to provide fire services

*Community survey occurs in even years

HOW DO WE MEASURE PUBLIC SAFETY?

Staffing and funding help the City to provide timely responses to emergencies. Response times and containing fires to the area of origin are proxy measures for good performance. The likelihood of a successful outcome is higher the faster emergency services can reach the site of the emergency. Factors that affect response times include the distances between a station and the incident, geographical barriers and traffic.

Measures from the Community Survey provide standard indicators of how citizens feel about public safety and how well they are prepared for emergencies.

HOW ARE WE DOING?

Overall, public safety was rated as both the most important, and highest performing area, by citizens of Kirkland. This rating reflects both the standards of law enforcement and fire services as well as the fact that these areas remain a community priority.

Funding and staffing levels remained mostly consistent between 2011 and 2012, although there was a slight decrease in fire and EMS staffing per 1,000 people.

In 2012 the percentage of residents that reported feeling safe walking their neighborhoods during the day (98%) and at night (79%) was at or above target.

EMS response times remain at the same level as in 2011, and are below target. There was also a reduction in the percentage of fires that were contained to the building of origin.

There has been a slight increase in the percentage of Kirkland residents who have at least two working smoke detectors in their house, although there has been no increase in the percentage of residents prepared for a three day emergency.

WHAT IS THE CITY DOING?

In 2012 the Police Department continued its commitment to community-based, high visibility strategies to reduce crime and maintain a high level of confidence in public safety. By utilizing many resources from Federal, State and locally funded programs the department is able to proactively address safety concerns from traffic and pedestrian safety to motor vehicle and identity theft.

The department continues to operate with a high degree of efficiency by utilizing accurate localized data to drive operations towards a more effective deployment of resources.

The City also finalized plans for a new public safety building. The new location will be more centrally located to the new outline of the City. The Police Department, Court and Jail operations will all be located in one facility, naturally aligning efficiencies.

The Kirkland Fire Department is a highly trained and well equipped organization, with the protection of our resident's lives, property and the environment as its focus. The Fire Department provides fire prevention inspections of commercial properties, fire related plan checks, fire investigations activities, emergency medical response and transport, fire suppression, hazardous material release responses, and emergency management to the over 80,000 residents of Kirkland. The members of the Kirkland Fire Department provide these services with the very highest degree of dedication and professionalism.



Community Emergency Response Team

The Community Emergency Response Team (CERT) program teaches citizens how to be prepared and trains them to be able to help others after a disaster. The 26-hour CERT course is taught by a trained team of first responders and other professionals. Training covers the Incident Command System, disaster preparedness, fire suppression, basic medical assessment and first aid, light search & rescue operations, and disaster psychology. The 8 week course is completed with a 4 to 5 hour drill that tests the CERTs on all aspects of the course.

CERT members understand the risks disasters pose to people and property. They have taken steps to reduce hazards and lessen the impact of disasters once they have occurred. When disasters overwhelm local response capability, they are trained to take care of themselves and give critical support to their family members, neighbors, and others in their immediate area until professionals arrive. When first responders arrive, CERT's will be able

▼ Continued

to provide them with useful information and support. Later, they will be able to help City reestablish stability to the community. CERTs may also help with non-emergency projects that help improve the safety of their community.

The CERT program is administered by the City of Kirkland Office of Emergency Management and the Kirkland Fire Department. Our first class of CERTs graduated in early 2006 with close to 300 citizens having participated in the course since then, this includes 3 present City Council members. In 2012 the CERT Program graduated 42 citizens as CERT members. The program is primarily CERT Volunteer driven and we have a very active "Leadership Team" to take the Kirkland CERT program into the future.

There are generally two classes a year Spring and Fall. To sign up or ask questions please call the Volunteer Services Coordinator, Patrick Tefft at (425) 587-3012.

HUMAN SERVICES

GOAL Support a coordinated regional system of human services designed to meet the basic needs of our community and remove barriers to opportunity.

City funds human service agencies

So that...

The City supports programs that help people meet basic needs

So that...

Kirkland meets the needs of our community

MEASURE	2009	2010	2011	2012	Target
Total human services funding ¹	\$2,440,583	\$2,440,583	\$2,202,081	\$2,513,170	N/A
Human services funding per capita	\$49.80	\$50.02	\$32.29	\$30.84	N/A
Number of programs funded in each community goal area:					
1. Food to Eat and Roof Overhead	14	14	18	18	N/A
2. Supportive Relationships within Families, Neighborhoods and Communities	13	13	13	13	N/A
3. Safe Haven from All Forms of Violence and Abuse	8	8	9	9	N/A
4. Health Care to Be as Physically and Mentally Fit as Possible	8	8	10	10	N/A
5. Education and Job Skills to Lead an Independent Life	4	4	6	6	N/A
Percent of Eastside residents requesting assistance that agencies were able to serve	*	*	*	*	*
Funded agencies meet or exceed human services contract goals	96%	96%	95%	94%	100%
Percent of applicant programs receiving funding from the City	81%	81%	77%	74%	100% of eligible programs

¹Includes all human services funding as listed in the budget.
*Measure being developed for future reports

HOW DO WE MEASURE HUMAN SERVICES?

The City contracts with a range of non-profit agencies that have multiple funding sources. The City uses measures such as funding level, and funding per capita to help measure our commitment to the non-profits we work with. In addition, the non-profits have service delivery goals they are held accountable for meeting and the City tracks these outcomes.

Human services needs are not tied by City boundaries and the need for these services outpaces all cities' ability to pay for them. To help manage this problem the City collects anecdotal reports from agencies about the level of need and looks at numbers of people turned away to help determine the level of need at different organizations.

HOW ARE WE DOING?

Demand for human services in Kirkland remains high. Programs supported by grant funding deliver numerous essential services to provide a safety net for Kirkland residents.

The City's investment in human services has continued to increase. The number of funded programs has grown from seven in 1987 to 56 in the 2011-2012 biennium. The amount of funding has also increased to \$2,513,170; a rise of \$311,089 since 2011. The 2012 annexation of 31,718 new residents to the city did cause a fall in per capita funding for Human Services.

The percentage of funded agencies reaching or exceeding their targets remained high at 94%. The City will continue to work with funded agencies to ensure this number gets to the target of 100%.

The City collects regular reports from the agencies about the difference they make in Kirkland, including the case study on this page. We are working on measures that will help to capture to quantify this impact in the future.

WHAT IS THE CITY DOING?

The City of Kirkland acts as a catalyst for local human services organizations by providing funding, leadership and other assistance to those making a difference in the lives of Kirkland residents. The City works both on its own and with other cities in King County to enable human services agencies to access funding and to evaluate their progress and the value they deliver to the city and region.

This support includes

- Participation in a pooled funding program where cities' funds are placed in a common account to streamline the application and reporting process for each program the cities jointly fund.
- Launching a regional outline data collection system that allows for consistent information and a better alignment of programs and funding.
- Coordination of a neighborhood food drive each fall, where food and cash donations are raided to benefit local food banks. Members of the Youth Council host their own food drive after the community food drives each year. Launching a regional outline data collection system that allows for consistent information and a better alignment of programs and funding.

REGIONAL PARTNERSHIPS

The Human Services Division staff represents Kirkland on a number of regional collaborative efforts.

- Eastside Human Services Forum
- Alliance of Eastside Agencies
- Eastside Homelessness Advisory Committee
- King County Alliance for Human Services
- North/East King County Funders Group
- Eastside Healthy Start
- Eastside Winter Shelter Task Force
- Committee to End Homelessness
- King County Community Development Block Grant Consortium
- Eastside Easy Rider Collaborative
- Eastside Refugee and Immigrant Coalition
- Kirkland Nourishing Network

Additionally, the City helps to coordinate neighborhood food drives each fall, where food and cash donations are raided to benefit local food banks. Members of the Youth Council host their own food drive after the community food drives each year.

Human Services Case Study

Testimonial – Tyler
March 2013

When Tyler first came to Friends of Youth, he had been couch surfing for years while working to graduate from Mount Si High School. After he lost his access to friends' couches, he tried sleeping in a tent in the woods. But when it got too cold, he got on a bus and ended up in Bellevue. There, he asked about a place to sleep at Friends of Youth's emergency shelter for young adults. Without the help he found, Tyler would have had no other option but to remain in the woods and go hungry.

Instead, he found a welcoming staff, warm meals cooked by volunteers, and a safe place to sleep and recover from the stress of being homeless before talking to counselors about the full range of housing, treatment and employment programs offered at Friends of Youth. Staff were able to find him a space in one of the non-profit organization's 80-plus housing units, New Ground Kirkland, for single adults ages 18-21. Through supportive case management services at New Ground, Tyler found a job and started work in September 2012 at a local pizza restaurant in Bellevue. He proved to be such a diligent worker that within a month, he was promoted to a managerial position.

At age 22, Tyler has recently "graduated" from Friends of Youth programs. His "diploma" is the satisfaction of moving into his own apartment.

"It feels amazing to have a place of my own," Tyler said. "It's a lot of paperwork you have to go through, though, to get an apartment," and that is what makes the assistance of Friends of Youth programs so valuable in helping young people achieve self-sufficiency.

For Tyler, the guidance and encouragement he found at Friends of Youth made all the difference. "Honestly, I don't think I would have made it this far without getting help from Friends of Youth."

BALANCED TRANSPORTATION

GOAL

Reduce reliance on single occupancy vehicles and improve connectivity and multi-modal mobility in Kirkland in ways that maintain and enhance travel times, safety and transportation choices.

City funds active transportation options

So that...

City can implement the adopted Active Transportation and Intelligent Transportation System Plans

So that...

Kirkland has an integrated multi-modal system of transportation that provides mobility and safe travel

MEASURE	2009	2010	2011	2012	Target
<i>Percent of Capital Improvement Program Transportation funding devoted to Active Transportation</i>	28.76%	34.48%	21%	29%	33%
<i>Percent of proposed Intelligent Transportation Systems projects completed</i>	*	4%	6%	9%	100% of ITS Strategic Plan
<i>Complete sidewalk construction on at least one side of all school walk routes</i>	*	81.1% ²	83% ²	88% ²	100% by 2019
<i>Percent of bicycle network construction improvement projects completed</i>	*	50%	50%	50%	100% by 2018
<i>Percentage of arterials that are complete streets</i>	*	58%	58%	59%	100%
<i>Residents surveyed are satisfied with maintenance of active transportation facilities¹</i>	**	84%	**	No Data	90%
<i>Automobile crashes involving bikes</i>	8	17	14	10	0
<i>Automobile crashes involving pedestrians</i>	13	16	20	15	0
<i>Percent of total trips using active transportation mode (transit, pedestrian, bicycle)</i>	***	***	***	***	35% of trips in transit/other mode by 2022
<i>Major arterial travel times</i>	***	***	***	***	***

¹ Active Transportation Facilities include sidewalks, bike lanes, pedestrian flags, in-pavement lights, etc

² Does not include new neighborhoods

* No data available

** Community Survey occurs in even years

*** Measure being developed for future reports

HOW DO WE MEASURE BALANCED TRANSPORTATION?

Kirkland's Intelligent Transportation System (ITS) Strategic Plan and Active Transportation Plan establish specific transportation goals.

Measuring funding level and the rate of project completion demonstrates the City's progress providing the infrastructure needed to create a balanced and mobile transportation system.

Measuring the number of crashes and residents satisfaction with the level of active transportation facilities reveals the difference these changes are making for residents.

HOW ARE WE DOING?

A second grant of \$2.2m has enabled the second phase of Kirkland's ITS to move forward, centered around the Totem Lake area. This should help further reduce congestion and improve travel times on roads. The City has now completed 9% of proposed ITS improvements.

The percentage of school walk routes with completed sidewalk construction on at least one side has improved from 83% in 2011 to 88% in 2012. The percentage of completed bicycle network improvements and arterials has remained the same.

Automobile crashes involving bikes and pedestrians declined from 2011 to 2012. However, previous year's data shows variation in these numbers, suggesting this is likely to be random fluctuation rather than a downward trend.

WHAT IS THE CITY DOING?

Providing a reliable, safe and efficient transportation system in Kirkland is achieved by maximizing the efficiency of the existing transportation network and encouraging alternative modes of transportation that help reduce congestion.

The City monitors traffic and increases mobility through intelligent transportation systems that use tools such as signal timing, traffic monitoring, real-time traffic information and transit signal priority. Since 2009 the City has received \$4m in grant money to partially fund the first and second phases of the Intelligent Transportation Systems technology being deployed in Kirkland.

The City purchased 5.75 miles of the BNSF railroad right-of-way through Kirkland in 2012 to create the Cross Kirkland Corridor. The first phase involves creating an interim trail and Master Plan, both of which are in progress at the start of 2013.

Kirkland's Active Transportation Plan will be absorbed into the new Transportation Master Plan as it is developed and written during 2013-14. The Transportation Master Plan is part of the City's Comprehensive Plan and gives targets and goals as the City moves forward in seeking to improve traffic and pedestrian safety.

Master Plan development has begun on the Cross Kirkland Corridor. A consultant has been hired to develop the Master Plan according to our citizens' desires and wishes. The Corridor is a valuable component of balanced transportation in Kirkland and may encompass trail and transit options in the future. For now, development of an interim trail is a top priority as well as completing a comprehensive Master Plan for the public's valuable resource.

In 2012, the Proposition 1 Streets Maintenance Levy was passed by a majority of our residents. In addition to street maintenance, the Levy will generate approximately \$300,000 of funding per year for pedestrian and biking safety, including safe routes to school and repairing up to 14 crosswalks with new highly visible warning lights.



Intelligent Transportation Systems (ITS) – Technology “drives” traffic improvements

Traffic flow is nearly always a topic of conversation when you live in one of the favorite cities in the Puget Sound. Kirkland's proximity to Lake Washington, with its beautiful shoreline, parks, and trails, attracts residents and businesses alike. And with that comes snarled traffic and frustration with long drive times to important destinations.

Kirkland is incorporating the latest ITS technology to monitor traffic in order to keep up with the demands of drivers, bikers, and pedestrians in Kirkland for safer streets and improved traffic flow. This technology makes it possible to monitor traffic real-time and to make adjustments to traffic signals in order to alleviate problems when and where they occur. Drivers will also be able to access driver information in a real-time environment.

▼ Continued

ITS involves implementation of technology to improve traffic flow. It has several components, including advanced traffic signal controllers (the 'brain' of the traffic signal), closed-circuit video cameras, video detection, APS (Accessible Pedestrian Signals), changeable lane assignment, traveler's information, and other applications. All of the field devices are monitored and adjusted in a "Traffic Management Center" in a real-time environment. Approximately 87% of funding comes from federal grants and 13% is contributed by the City. Because of a second grant, it will be possible to partially fund the second phase in the Totem Lake area. The goal is for all of Kirkland to experience a smooth ride home.

PARKS AND RECREATION

GOAL Provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well-being of the community.

Staff and volunteers maintain parks and run recreation programs

MEASURE	2009	2010	2011	2012	Target
FTE staff for parks maintenance and recreation programs	51.38	47.72	48.3	49.43	N/A
Park maintenance FTE's per 100 acres developed land	5.719	5.156	4.72	4.65	N/A
Number of volunteers	1,639	3,112	1,909	2,439	N/A
Volunteer hours	16,006	21,865	14,751	13,901	N/A

So that...

City invests in parks and recreational programs

Parks Capital Improvement Program	\$2,518,500	\$1,220,500	\$888,000	\$1,028,000	N/A
Parks Operating & Maintenance Funding	\$3,835,398	\$3,754,612	\$3,726,109	\$4,135,489	N/A
Recreation Operating & Maintenance Funding	\$2,209,598	\$2,072,283	\$1,879,750	\$2,067,630	N/A

So that...

City progresses on the Park, Recreation and Open Space Plan

Residents with neighborhood park within 1/4 mile radius	76%	76%	68%	68%	100%
Acres of natural area in restoration	25.4	30.01	38	40.3	379 acres by 2028
Percent of recreation classes meeting minimum enrollment	76%	79.8%	78%	83%	80%

So that...

Kirkland has an exceptional parks and recreation system

Citizens rate City parks as satisfactory or better	*	95%	*	96%	95%
--	---	-----	---	-----	-----

*Community survey occurs in even years

HOW DO WE MEASURE PARKS AND RECREATION SERVICES?

The budget and the number of FTE staff available to the Parks Department helps measure how often the City is able to maintain the parks. Given the important contribution that volunteers make to City's work, the number of volunteers and their total number of hours is also tracked.

The Comprehensive Park, Recreation and Open Space (PROS) Plan sets targets that provide benchmarks by which to measure the development and maintenance of Kirkland's parks and natural spaces, including:

- Residents should have access to a neighborhood park within a quarter mile of their home.
- All 379 acres of natural areas should be restored to their natural state by 2028.

Recreation services are measured by subscription rates. Tracking recreation class attendance demonstrates how well they match residents' preferences.

Citizen satisfaction with the parks, as determined by the Community Survey, provides another measure of how well the park system meets the community's needs.

HOW ARE WE DOING?

Following voter approval, Proposition 2 will enable levels of maintenance to be restored in 2013. Despite the reductions in services incurred between 2009 and 2012, citizens continue to be satisfied with their parks.

83% of recreation classes met the minimum enrollment target, an improvement from 2011 and a good indication that the classes offered meet the demands of citizens.

Annexation decreased the percentage of residents with a park within a ¼ mile radius in 2011. This number remained unchanged in 2012.

WHAT IS THE CITY DOING?

Parks and recreation services enhance the quality of life and health in a community. Despite its importance to the community, parks and recreation services have had to face the reality of shrinking resources. Maintenance standards in some parks were reduced as have some of the programs offered by the department.

For much of 2012, department leadership worked with community members to determine the most immediate needs in the parks system. The Park Funding Exploratory Committee developed a levy package to address reductions in maintenance and recreation programming, to ensure ongoing care and restoration of the City's urban forests through the Green Kirkland Partnership, to provide for needed renovation of the City's aging park facilities such as Edith Moulton Park, Waverly Beach Park and the Juanita Beach Park Bathhouse, to develop an interim bicycle and pedestrian trail on the Cross Kirkland Corridor and to acquire land for future neighborhood parks in areas of the city where new parks are needed.

In November, 2012, Kirkland voters approved this park funding package and will begin to see the positive impact on its park system in early 2013.

In 2012, the Green Kirkland Partnership collaborated with Pearl Jam to offset the band's carbon footprint from world touring by funding a 9-acre forest restoration in Crestwoods Park. This project accounted for a significant increase in the total number of trees planted annually in restoration projects: from 837 trees in 2011 to 3,538 trees in 2012. The City also installed rain gardens in Juanita Beach Park that allow water to soak into the ground while providing beautiful landscape features.



Marina Park



Pee Wee Soccer in Kirkland!

The pee wee soccer league, now in its third year, has been a great addition to the city's fall and spring course offerings. The program is designed to develop and improve soccer skills for ages 3 to 6, while focusing on sportsmanship, socialization and having fun.

For its inaugural season, in fall of 2010, the goal was to attract a total of 40 youth; over 90 registered. Following annexation in 2011, the program expanded from its original location at Emerson High School field to 132nd Square Park in the city's new Evergreen Hill (Kingsgate) neighborhood. The league is currently offered at both locations, over 250 children expected to participate each season.

Children are placed on teams and are assigned a volunteer coach. The program meets for seven weeks with the activities including practices and games. Allowing participants to play a "real" game with referees, substitutions and a running clock sets this program apart from other pee wee soccer offerings in the area. This gives children an opportunity to thoroughly "Experience It!"

HOUSING

GOAL Ensure the construction and preservation of housing stock that meets a diverse range of incomes and needs.

City funds affordable housing

So that...

City has a sufficient stock of affordable housing to meet the needs of the community

MEASURE	2009	2010	2011	2012	Target
<i>City contributions to ARCH Housing Trust Fund (A Regional Coalition for Housing)¹</i>	\$286,570	\$282,301	\$294,337	\$442,098	\$159,000 to \$269,000 ²
<i>Percent of annual average Growth Management Act low income housing target met (units affordable to those earning less than 50% of King County median income)</i>	44%	0%	56%*	84%*	100% (based on 69 units per year)
<i>Percent of annual average Growth Management Act moderate income housing target met (units affordable to those earning between 50-80% of King County median income)</i>	50%	14%	24%*	2%*	100% (based on 49 units per year)
<i>Total number of low and moderate income units brought online</i>	59	7	51*	59*	118 units per year

¹Includes General Funds, Community Development Block Grant Funds, and reallocation of affordable housing loans that have been repaid.

²The City's target range after the 2011 annexation increased to \$280,000 - \$350,000.

*ADU and housing market survey units not included.

HOW DO WE MEASURE HOUSING?

King County's Countywide Planning Policies determine the affordable housing targets for cities based on a variety of factors, including the projected affordable housing needs of low and moderate income households, the existing stock of market rate and subsidized housing, and the number of jobs by wage level and location.

Kirkland's progress towards meeting those targets include affordable housing units that have been built as a result of:

- Housing Trust Fund contributions
- Housing regulations that the City has adopted, such as Accessory Dwelling Units, density bonuses and tax exemptions.
- Private housing development with market rents at affordable levels.

HOW ARE WE DOING?

In 2011 the City made total contributions to ARCH of \$294,337. In 2012 contributions rose significantly to \$442,098.

The high ARCH contribution in 2012 included both an increase in City contributions due to the annexation of North Juanita, Finn Hill and Kingsgate neighborhoods, as well as a one-time increase in Community Development Block Grant (CDBG) consortium funds allocated to ARCH.

The City continues to move closer to meeting the affordable housing targets established in the Countywide Planning Policies. In particular, there has been constant progress toward the low income housing goals. In 2012 the City reached 84% of the low income housing target.

WHAT IS THE CITY DOING?

Kirkland continues to take a multi-faceted approach to creating a diverse housing stock that meets a variety of income ranges and needs. In 2012, the City amended the transportation and park impact fee exemptions for affordable housing. The amendments enacted state legislation for which the City had lobbied for several years. The changes allow the City to exempt 80% of the transportation and park impact fees for units targeted to those earning 80% or less than King County median income without having to repay those fees from City funds, as was previously required. This adds another tool to the City's growing list of regulations to encourage and enable affordable and diverse housing.

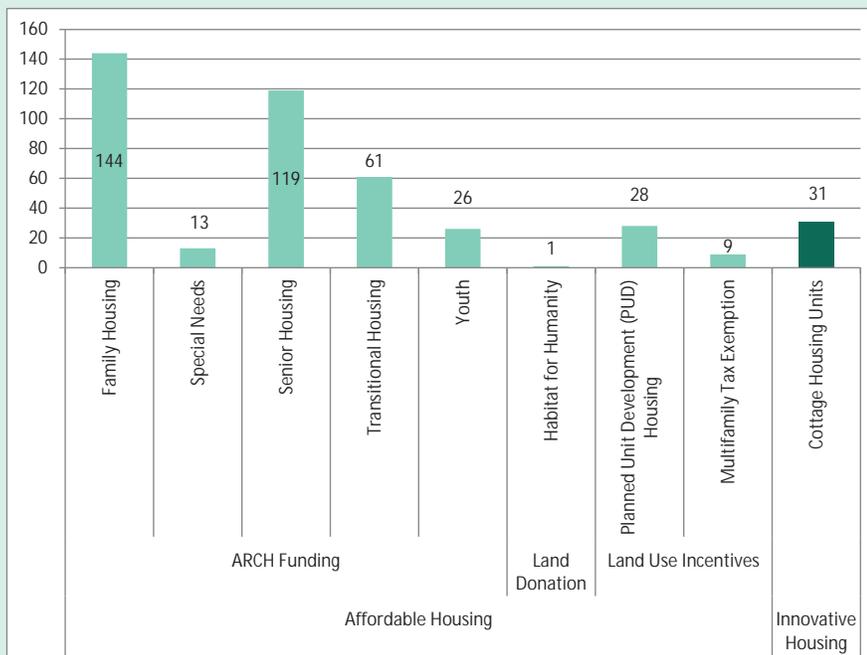
Previously adopted tools include:

- Accessory Dwelling Units
- Small lot single family allowances
- Cottage and carriage housing regulations
- Affordable housing requirements with offsetting density bonuses
- Multifamily residential tax exemptions
- Standards for transit-oriented development at South Kirkland Park and Ride

(see case study)

In addition, the City sees a significant return on its annual investment in the ARCH Housing Trust Fund. All of the low income units and about 10% of the moderate income units that the City has been given credit for producing are a result of financial contributions made by the City to affordable housing projects within Kirkland and other ARCH cities through the ARCH Housing Trust Fund.

AFFORDABLE & INNOVATIVE HOUSING LOCATED in KIRKLAND



Transit-Oriented development comes to South Kirkland Park and Ride

The city made significant progress on the South Kirkland Park and Ride transit-oriented development in 2012. This project includes:

- Development of 58 affordable apartments by Imagine Housing;
- Development of 186 market rate apartments and 6,700 square feet of commercial space by Polygon Northwest; and
- Construction of a 530 stall parking garage and new transit center by King County METRO.

In early 2012, the affordable housing portion of the project was awarded nearly \$1,000,000 in funding from the ARCH Housing Trust Fund, including contributions from Kirkland and 10 other member cities. The project also received federal, state and county funding. In April of 2012, the Design Review Board approved the residential and commercial portion of the project in Kirkland. (The new METRO parking garage is located on the Bellevue portion of the property.) Approval was granted for a four story building for the affordable housing and a five story building for the mixed use building with market rate housing over ground floor commercial. King County METRO has begun construction of the park and ride garage and it is expected to be completed by the middle of 2013. The residential portion of the project is anticipated to be complete by late 2014.

This project is the culmination of over a decade of policy and planning work, from the vision for a transit-oriented development at a Kirkland park and ride identified by the City's Housing Task Force in 2002, through Comprehensive Plan amendments approved by the City Council in 2008 to allow mixed use buildings to be part of the South Kirkland Park and Ride redevelopment, to new zoning and design regulations for the Yarrow Bay Business District adopted by the City Council and Houghton Community Council in 2011.

FINANCIAL STABILITY

GOAL Provide a sustainable level of core services that are funded from predictable revenue.

MEASURE	2009	2010	2011	2012	Target
Minimum balance in General Purpose Contingency Reserves	55%	55%	72%	74%	80% of budgeted reserve target
Credit Rating	AAA	AAA	AAA	AAA	AAA
Percent of funding allocated to high priority services (Stars and Imperatives) ¹	*	93%	*	94.2%	80% of rated services

¹ Citizens rated City services by their importance and how well the City provided them. "Stars" have high importance and high performance ratings; "imperatives" have high importance and lower performance ratings.
*Community survey occurs in even years

City is fiscally responsible

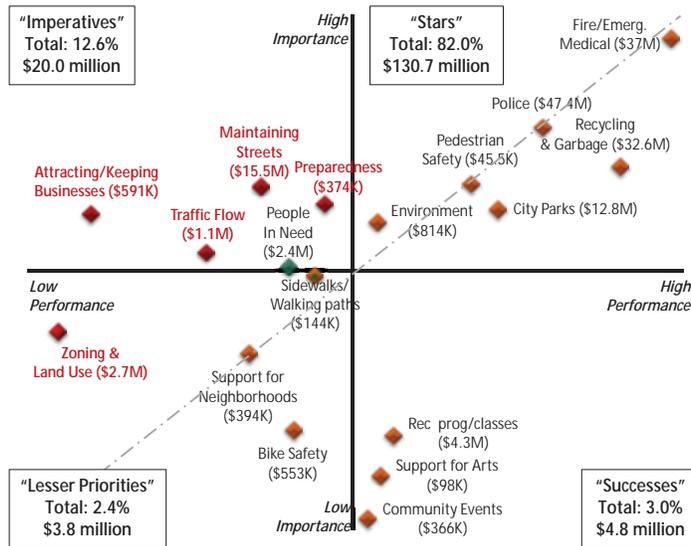
So that...

City can invest in community priorities

So that...

The citizens of Kirkland enjoy high quality services that meet the community's priorities

2012 Survey with 2013-14 Budget



HOW DO WE MEASURE FINANCIAL STABILITY?

Standard and Poor's credit rating provides an external assessment of the City's financial stability, and this measure is used in partnership with revenue and expenditure forecasts to create a picture of the City's stability.

The City also maps the percentage of money that goes to priority areas the citizens have chosen as the most important. Demonstrated in the Kirkland Quadrant, the "stars" and "imperatives" are the areas citizens have rated as "high performance, high importance" or "high importance, low performance."

The City also closely monitors available funding for reserves, which demonstrates the City's ability to respond to basic services through economic cycles and meet unforeseen needs.

HOW ARE WE DOING?

Contingency reserves were used to help balance the budget during the economic downturn, leading to a decrease in the minimum balance in the reserves. The Council began replenishing reserves with the start of the economic recovery in 2011. Replenishment to target will be a focus over the next several budget cycles.

Standard and Poor's AAA credit rating is the highest rating that can be achieved by a municipality and saves Kirkland taxpayers money through lower interest rates when borrowing. Kirkland has retained its AAA rating in recent years. The rating reflects factors including community demographics, use of best practices and financial strength.

Despite constrained budgets the City has continued to invest in areas that the community has highlighted as a priority. The most recent data shows that 94.2% of spending on the areas surveyed was allocated to high priority areas. Further, the City has also made long term decisions, such as the voter enacted 2012 Streets and Parks Levies, to facilitate greater spending on areas citizens have highlighted as important.

Balancing affordability, sustainability and responsiveness to citizen needs means that the City is able to ensure improvements are made in a financially responsible manner, while sufficiently prioritizing areas citizens are most concerned about.

WHAT IS THE CITY DOING?

Financial stability is essential to the City of Kirkland. The City prioritizes maintaining a stable financial base from which to fund core services, and ensures all major decisions are affordable. Kirkland establishes strong financial management policies by:

- Realistically estimating revenues and expenditures
- Consistently monitoring and amending the budget based on actual performance
- Creating a long-term financial plan
- Ensuring long-term capital improvement funding
- Managing investments and debt
- Maintaining reserves to offset economic downturns

The City's biennial budget is an essential planning document and provides strategic insight into current spending allocations and future spending priorities. The City is also working to further integrate the budget with the overall performance management framework to ensure that the spending decisions are responsive to citizen needs and council priorities, as well as sustainable and affordable.

Finance Case Study

Property Tax Levies

In 2012, two property tax levy lid lift measures were passed in Kirkland. Proposition 1 will provide funding for Street Maintenance and Pedestrian Safety, while Proposition 2 will help fund maintenance, restoration, and enhancement of the City's Parks. The streets measure was initiated internally through discussions of the slow decline in the city's pavement condition index (PCI) and the impacts of budget cuts on transportation programs during the Great Recession. The parks measure was initiated by a group of citizens concerned that the significant budget reductions to the parks & community services budget necessitated by the economic downturn, including a 20% reduction in parks maintenance staffing, would jeopardize parks in Kirkland.

Once these two priority areas had been identified, the City sought to establish the most effective way to fund improvements. As the general fund reserves were still being replenished and over 90% of spending on the areas surveyed was already committed to high importance services, it would not have been possible to use existing revenues to fund these needs. In addition, to maintain a stable financial outlook and protect Kirkland's AAA bond rating, new on-going revenues needed to be added to support the higher levels of on-going service being proposed. Therefore, the City decided to ask voters to approve a property tax levy lid lift to fund these two improvements.

In November 2012, both measures passed providing money that will help to improve the condition of streets in Kirkland and to continue funding Kirkland's renowned parks system and the attendant quality of life it provides.

By seeking funding for areas that the citizens consider important and by carefully assessing the financial situation in Kirkland before making these decisions, the City was able to create a funding stream that does not jeopardize future financial stability.

ENVIRONMENT

GOAL **Protect and enhance our natural environment for current residents and future generations**

MEASURE	2009	2010	2011	2012	Target
<i>Compliance with NPDES Stormwater Permits</i>	100%	100%	100%	100%	100%
<i>Diversion rate¹</i>	49.3%	50.1%	52%	53.3%	Increase
<i>City building electricity use (kilowatt/hour)</i>	2,875,575 kWh -5% change	2,581,213 kWh -10% change	2,674,348 kWh	2,669,158 kWh	Decrease
<i>City building natural gas usage (therm)</i>	68,507 therm +16% change	55,557 therm -19% change	66,795 therm	61,944 therm	Decrease
<i>Tree canopy coverage</i>	*	36%	40.7%		40%
<i>Benthic Index of Biotic Integrity in Forbes Creek²</i>	17.3	16	18	17	Increase
<i>Benthic Index of Biotic Integrity in Juanita Creek²</i>	20.5	19.5	20.5	22.5	Increase
<i>Waste entering landfill from residences</i>	14,320 tons (0%)	13,726 tons (-4.1%)	17,861 tons (+30.0%)	22,109 tons (+23.8%)	Annual 2.5% decrease
<i>Annual reduction in City's greenhouse gas emissions as a percent of 2005 levels</i>	23.4%	*	38%	*	80% below 2005 levels by 2050

¹ Diversion rate-percent of waste materials diverted from the landfill to be recycled, composted or reused. Includes single family and multi-family residences.

² BIBI scores of 10-15 indicate very poor, 18-26 indicate poor stream conditions. Scores are an average of the 3-4 testing sites' scores in each creek.

* No data available due to data collection occurring less than annually.

City implements comprehensive natural resource management system

So that...

Kirkland protects and enhances its natural environment

So that...

Current and future citizens of Kirkland enjoy a healthy natural environment and resources

HOW DO WE MEASURE ENVIRONMENTAL STEWARDSHIP?

National Pollutant Discharge Elimination System (NPDES) stormwater permit compliance encompasses the wide range of actions the City undertakes to improve surface water quality.

The Benthic Index of Biotic Integrity (B-IBI) provides a standard measure for the health of streams, which are vital ecosystems. This index is a measurement of human impact on a stream. The score can range from 10 to 50. A value of 50 indicates that a stream's biology is equivalent to what would be found in a "natural" stream in the region with little or no human impact (ecologically intact, able to support the most sensitive organisms); 10 indicates poor biological conditions within the stream (unable to support a large proportion of once-native organisms).

Recycling diversion rates and waste entering the landfill measure the effect of the City's waste reduction efforts.

High-resolution satellite imagery and remote sensing and geographic information system (GIS) mapping is used to determine the amount of tree leaf surface covering a large area. Urban tree canopy coverage is a gauge of growth balanced with development and natural resource protection. Low canopy coverage is linked to increased flooding, energy use and urban heat island effects and a decline in air quality.

The annual greenhouse gas emissions inventory of City operations measures our progress towards reducing emissions to 80% of 2005 levels by 2050.

HOW ARE WE DOING?

Since the NPDES Phase II Stormwater Permit became effective in 2007, Kirkland has maintained 100% compliance. B-IBI scores remain in the poor to very poor range in Juanita and Forbes Creek. However, these conditions are “population measures” therefore improvement requires concerted long term effort by multiple jurisdictions in our region. The City will work long term to improve the conditions in both creeks.

In 2012, for the sixth consecutive year, Kirkland single family residents achieved the highest recycling diversion rate among cities in King County at 66%. While the multifamily sector continues to be a challenge for many cities, the multifamily diversion rate increased to 17.9% which contributed to the increase in the city’s combined residential diversion rate to 53.3% in 2012. Kirkland’s tree canopy coverage increased from 2002 to 2010 and following annexation has reached its 40% target.

The City has made substantial progress towards meeting its long term emissions goal. We are pleased to report that an interim goal of a 10% reduction by 2012 was met despite the service area expanding from 11 to 18 miles, an additional 30,000 new citizens, an increase in City streets from 149 miles to 265 miles, and a 17% increase in City employees as a result of recent annexation. The City has continued to decrease its building electricity usage and its natural gas usage in 2012. Both of these numbers have declined each year since at least 2009.

These reductions have been made possible through increasing energy efficiency, reducing waste and increasing recycling, encouraging alternative commute options and enhancing the fleet’s fuel efficiency.

WHAT IS THE CITY DOING?

In 2012 the City supported installation of Low Impact stormwater development features such as rain gardens, cisterns, green roofs and permeable pavement. 15,039 tons of material were removed from the City stormwater system, protecting streams and lakes from pollution that runs off of streets and parking lots. Flood reduction and response was also a priority in 2012, as the City set up a sand bag filling station to help citizens protect themselves from flood waters, and developed plans for new culverts to relieve flooding in the Totem Lake area. A tributary of Juanita Creek (informally known as Billy Creek) was restored to reduce sediment delivery to downstream properties which will help to reduce flooding and property damage.

The Planning Department along with Public Works, Fire and Building Departments worked to formulate zoning codes that encourage sustainable actions by all citizens including the development community. These Green Codes promote electric cars and their infrastructure, solar panels, energy efficiency, allow clustering of houses and give density credits for use of Low Impact stormwater facilities. The City is one of the first in the State of Washington to use Green Codes, which have been successful and well used.

The City continued to expand its food scrap and recycling programs to businesses and multi-family residences by providing collection services at no extra cost and offering recycling materials and educational outreach to participants. Through special recycling events and programs in 2012, Kirkland diverted from the landfill 19 tons of electronic waste, 13,670 pounds of batteries, and 114 tons of reusable and hard-to-recycle materials including 2,450 pounds of polystyrene foam.

Kirkland remains committed to building its successful recycling program. In 2012, 160 businesses participated in Kirkland’s Commercial Organics Program, recycling 330 tons of food scraps and compostable service ware. The City continues to reduce waste through its biannual recycling collection events and by increasing opportunities for Kirkland residents to divert materials, such as the new ‘Used Cooking Oil Recycling Station’ established at the North Kirkland Community Center in 2012.

Having met the 40% tree canopy goal with annexation, the City drafted an Urban Forest Strategic Management Plan in 2012. This document provides a sustainable framework for efficient and consistent management of Kirkland’s urban forest.



Neighborhood Rain Garden Program

Rain gardens are a beautiful and effective means of reducing the volume and improving the quality of stormwater runoff. They are shallow depressions planted with a variety of plants that function like native forests to help slow and filter polluted runoff from downspouts, driveways and other hard surfaces.

The purpose of the City of Kirkland’s rain garden program is threefold: to reduce stormwater runoff, to educate our citizens about stormwater issues and to involve them in stormwater management by installing rain gardens on existing residential properties.

Constructing rain gardens to serve existing residential properties is a win-win proposition: The City receives the benefit of reduced stormwater flow at a very low cost compared to traditional flow control facilities in the city right of way, while the homeowner receives a beautiful garden that will complement their home. The project also educates residents about stormwater problems, and involves them in a solution to those problems.

The specific goal of the program is to install a cluster of 6-8 rain gardens on residential properties in a different neighborhood each year. Property owners agree to maintain the rain gardens.

2012 was the pilot year of the rain garden program. Seven rain gardens were constructed on six properties in October 2012. The City of Kirkland worked with a group of NE 138th Street homeowners along with Rain Dog Designs, a landscape design company, to design, construct and plant the gardens.

ECONOMIC DEVELOPMENT

GOAL

Attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.

City provides welcoming, supportive environment for businesses

MEASURE	2009	2010	2011	2012	Target
<i>Number of businesses helped with consultant services</i>	148	161	173	183	N/A

<i>Office space vacancy rate</i>	30.4%	24.2	7.9%	8.4%	<i>Eastside: 18%</i>
<i>Lodging tax revenue</i>	\$235,000	265,000	\$205,583	\$220,145	<i>Increase</i>
<i>Net new businesses</i>	606	469	1,475	471	<i>Increase</i>
<i>Visits to ExploreKirkland.org</i>	148,442	*	N/A	105,570	<i>Increase</i>
<i>New Green Businesses</i>	30	12	12	9	<i>Increase</i>
<i>Annual number of jobs</i>	30,631	30,492	N/A	***	<i>Increase</i>

So that...

Kirkland has a healthy business and tourism economy

So that...

Kirkland has a diverse, business-friendly economy that supports the community's needs

<i>Businesses are satisfied with Kirkland as a place to do business</i>	**	75%	**	***	80%
<i>Residents are satisfied with the availability of goods and services in Kirkland</i>	**	76%	**	81%	80%

* No data available due to website server crash
 ** Community survey occurs in even years
 *** No data available

HOW DO WE MEASURE ECONOMIC DEVELOPMENT?

Net new businesses and office space vacancy rates are both indicators of the health of the local business economy. Kirkland's vacancy rates have decreased as the economy continues to recover from the recession. Lodging tax revenue measures the vitality of the hospitality industry, which in turn supports other tourism assets such as restaurants and retail shops. Internet visits to the ExploreKirkland.com website demonstrate the public's interest in Kirkland and often translate to actual visits and extended stays in our city. The City's Green Business Program promotes business adoption of efficient and environmentally sound practices, hopefully resulting in more sustainable businesses that can weather difficult economic times and perpetuate stable City services.

HOW ARE WE DOING?

The City helps to grow the Kirkland economy by recruiting and retaining businesses, promoting Kirkland as a business location, and supporting arts and tourism. Together, these activities enhance the quality of life that residents of Kirkland enjoy and have come to expect.

The program ministers to small and large businesses. It has invested in a Retention Consultant who provides free services to small businesses in the areas of permitting, marketing, networking and expansion. New businesses are welcomed and can take advantage of a monthly orientation program. Technical assistance is provided one-on-one or through seminars and other educational and networking opportunities. By the same token, the City facilitates CEO-level networking and input on City policy through a quarterly Kirkland Business Roundtable. In past years, the Roundtable has weighed in on Totem Lake redevelopment policy and supported the Cross Kirkland Corridor.

Tourism programs promote the recreational and leisure opportunities in Kirkland, and bring revenues from outside of Kirkland into the City. Moreover, exposure to Kirkland through a business trip or attendance at an event may lead to a decision to relocate a home or business here. This past year the City developed a short tourism video that has been widely distributed throughout the region, and is used by many Kirkland businesses to promote themselves. The City has overhauled the ExploreKirkland.com website so that it is easier to use and better showcases the beauty that is Kirkland. In addition, the Tourism Development Committee funds events year-round that bring tourists and their dollars to Kirkland.

WHAT IS THE CITY DOING?

The City helps develop the economy of Kirkland through supporting businesses and promoting tourism. Kirkland's Economic Development Program promotes a quality business climate for Kirkland businesses, assists businesses in locating in Kirkland and provides a liaison with City departments. The success of economic development efforts is highly dependent on the general economic climate, regional policies and competing cities' policies regarding business. Local programs help sustain businesses through economic cycles by being responsive to business needs.

In the most recent survey, businesses highlighted room for improvement in taxes and licensing fees, parking, signage requirements, networking opportunities and outreach about City business services. To address businesses' concerns, the Business Retention Consultant provides outreach services to current businesses in the areas of real estate searches, zoning, permitting and business planning, including:

- Referrals to City staff, networking organizations and professional services
- One-on-one technical assistance
- Educational seminars
- Issue resolution between business and the City

The Kirkland Business Roundtable facilitates CEO-level discussion of economic challenges, opportunities and strategies for economic development in Kirkland. The City initiated KirklandFirst.org, encouraging residents to support local, Kirkland-based businesses and products while the Green Business program aids businesses in adopting environmentally-friendly practices and other cost-saving measures.

Tourism programs and events are promoted through the ExploreKirkland.org website, Facebook page and advertising in local and national publications. The City also offers networking opportunities to tourism purveyors.

O'Brien Auto Group

The O'Brien Auto Group is making a major investment in the Totem Lake Business District. Its Toyota of Kirkland dealership will be moving into a new 125,000 square foot space at the site of the derelict former Graham Steel building on NE 124th Street. A new dealership, Volkswagen of Kirkland, will move into a renovated space at the original Toyota dealership location.

In October 2012, at the City's Second Totem Lake Symposium, Michael O'Brien, Principal of the O'Brien Auto Group announced plans to invest \$20 million in constructing a state-of-the-art new facility for Toyota sales and service. The plans also include hiring 30 additional employees which brings total employment at the dealership to 160. Mr. O'Brien projects \$110 million in annual revenues from selling 1,900 new and 1,500 used vehicles per year. Once the new Toyota facility is completed, the O'Brien Group will also invest \$2 million to remodel the existing Toyota facility to allow the new Volkswagen dealership to open for business. The Volkswagen dealership will employ 100 people with projected annual revenues of \$60 million from selling 1,200 new and 1,200 used vehicles per year. Operating expenses at both dealerships will create revenue for area businesses providing gasoline, supplies, maintenance, dining and entertainment.

Mr. O'Brien noted that the resurgence in demand for automobiles, coupled with public infrastructure investments and zoning and regulatory changes, have helped to make the time right to expand his operations in Totem Lake.

The regulatory and infrastructure investments Mr. O'Brien alludes to include: Amendments to the 2011-2016 Capital Improvement Plan to address flooding problems (that had in the past negatively impacted Toyota's business Culvert replacement and beaver dam removal have greatly reduced the frequency and severity of roadway closures due to flooding. A new connecting roadway between Slater Ave NE and 124th Ave NE will be constructed to help improve circulation and access to many of the car dealerships that are so critical to the Kirkland economy.

DEPENDABLE INFRASTRUCTURE

GOAL

Maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

MEASURE	2009	2010	2011	2012
<i>Transportation Capital Projects Funding</i>	\$6,666,200	\$5,456,000	\$11,515,600	\$10,708,580
<i>Water/Sewer Capital Project Funding</i>	\$4,547,900	\$2,001,300	\$1,450,000	\$2,850,000
<i>Street Maintenance FTE</i>	12.3	12.3	19.3	16.25
<i>Water/Sewer Maintenance FTE</i>	16.2	16.2	20.3	19.81
<i>Pavement Condition Index¹ for Major and Minor Arterial Streets*</i>	52	50.3	60.8	60.8
<i>Pavement Condition Index for Collectors and Neighborhood Streets*</i>	68	68	76.1	76.1
<i>Citizens surveyed rate street maintenance as satisfactory or better</i>	**	94%	**	89%
<i>Sewer inflow and infiltration rate</i>	***	***	***	***
<i>Water Main Breaks</i>	0	1	1	2
<i>Sewer Obstructions</i>	3	3	0	0

*Pavement Condition Index (PCI) is a rating of the general condition of pavements based on a scale of 0 to 100. A PCI of 100 represents a newly constructed road with no distresses; a PCI below 10 corresponds to a failed road requiring complete reconstruction; a PCI of 41 or better equates to "fair or better". Data: 2009 PCI based on 2008 survey; 2010 Collector PCI based on 2010 Collector survey and 2008 Neighborhood Street survey

**Community survey occurs in even years

***Measure being developed for future reports

City funds and staffs infrastructure maintenance

So that...

Infrastructure monitoring indicates good conditions

So that...

Kirkland has well maintained and sustainable infrastructure that meets the functional needs of the community

HOW IS OUR PERFORMANCE?

The level of maintenance the City can perform is dictated by the Capital Projects Funding and the number of man hours, measured in full time equivalent (FTE) positions.

The pavement condition index (PCI) and the number of water main breaks and sewer obstructions demonstrate if the City is successfully maintaining infrastructure at required levels of service. The amount of storm water infiltration into the sanitary sewer system provides a picture of the state of repair of the sewer system.

Citizen satisfaction with streets helps determine if the City is meeting the community's infrastructure needs.

HOW ARE WE DOING?

In 2010, the Pavement Condition Index (PCI) for major and minor arterial streets fell below the target level of service and the PCI for collectors and neighborhood streets was close to the target level of service. Both measures improved with the addition of the annexation area but remained unchanged from 2011 and 2012.

Recent citizen surveys have indicated a gap between performance and importance ratings, for street maintenance. To close this gap and to improve the PCI index the City proposed a streets levy, which provides funding to improve the PCI and should close the gap between performance and importance in future years.

WHAT IS THE CITY DOING?

The Public Works Department maintains a comprehensive system of roads and sidewalks. The Prop 1 Levy will provide additional resources to address the gap between the priority and performance of well-maintained streets expressed by the citizens of Kirkland in the annual survey. Streets Levy funding will be used to leverage State and Federal government grants to improve safe walking routes to elementary and middle schools. An example of a completed project is the sidewalk improvements and new flashing crosswalk near Lakeview Elementary School in 2013. As more walk route needs are identified and improved, walking will become a more viable option in all school areas.

Professional personnel and reliable facilities ensure that citizens do not experience lapses in water or sewer service. When possible, improvements are made in conjunction with other projects in order to keep costs down. For example, with the construction of the new bridge at NE 116th and 120 Ave NE, water main replacements were completed as well.

Wastewater and Storm Drain personnel not only maintain a safe and effective sewer system, they also improve the infrastructure in ways that should improve business vitality and growth. One such project is the culvert replacement project currently underway in Totem Lake that will reduce flooding and control groundwater runoff.

All improvement projects are managed by a team of engineering professionals in the Capital Improvement Program which are currently working on high profile projects such as the Cross Kirkland Corridor Interim Trail and the construction of the new Public Safety Building in Totem Lake.

The City Council continues to explore and implement ways to help the City keep pace with infrastructure needs. Kirkland citizens can expect to maintain a high quality of life because of professional, reliable, and cost effective management of the City's infrastructure resources.

Prop 1 Streets Levy Projects for 2013-14

Kirkland taxpayers confirmed their priority to increase street maintenance and enhance pedestrian safety by passing the Proposition 1 Streets Levy in November of 2012 by a margin of nearly 55%. Now the real work begins to implement projects that address the concern voters feel about street maintenance and pedestrian safety in Kirkland. The City intends to proactively complete projects that will achieve the goals of the Levy as soon as possible. Here are some of the projects coming in 2013-14.



Street Preservation

Kirkland Public Works Department will double preventative maintenance on residential streets by applying "slurry seal" to the roads to prevent further erosion and restore a smooth driving surface. In addition, proactive pothole repair will reduce future road failures. Resurfacing of arterial streets will be doubled in 2013-14, reducing the backlog of deferred street maintenance.



2013 Crosswalk Initiative

As many as 14 existing pedestrian crosswalks will be upgraded to state of the art flashing light crossings which have been proven to be more visible to drivers. Also, ADA-compatible wheelchair ramps added with new construction projects will make walking a more viable option for people. Ultimately, as people feel comfortable and safe, they may add more pedestrian and biking options to their daily errands and routine.

DATA SOURCES

Neighborhoods

Neighborhoods Services Division
2010 and 2012 Citizen Surveys

Public Safety

Fire & Building Department
Police Department
2010 and 2012 Citizen Surveys

Human Services

Human Services Division
Agency Reports

Parks and Recreation

Parks & Community Services Department
Comprehensive Parks, Recreation and Open Spaces Plan, City of Kirkland
2010 and 2012 Citizen Surveys

Balanced Transportation

Transportation Division
Active Transportation Plan, City of Kirkland
ITS Strategic Plan, City of Kirkland
2010 Citizen Survey
Capital Improvement Projects Division

Housing

Planning Department
A Regional Coalition for Housing (ARCH)

DATA SOURCES

Financial Stability

Finance and Administration Department
Standard and Poor's Credit Rating
2010 and 2012 Citizen Surveys

Environment

Public Works Department

Economic Development

Economic Development Program
Finance and Administration Department
2010 and 2012 Citizen Surveys
2010 Business Satisfaction Survey
O'Brien Auto Group
CB Richard Ellis Real Estate Services, Market View Puget Sound, 4th Quarter 2008-2012
Washington State Employment Security Division, Puget Sound Regional Council, WA, Covered Employment by City, 2008-2011

Dependable Infrastructure

Public Works Department
Capital Improvement Program
2010 and 2012 Citizen Surveys

All financial numbers are based on budgeted amounts in revised budget and Capital Improvement Program documents. Budgeted amounts show how the Council is allocating funding to priority services.

NOTES



NOTES





ENVIRONMENT



HUMAN SERVICES



PARKS, OPEN SPACES AND RECREATIONAL SERVICES



FINANCIAL STABILITY



ECONOMIC DEVELOPMENT



BALANCED TRANSPORTATION



HOUSING



NEIGHBORHOODS



PUBLIC SAFETY



DEPENDABLE INFRASTRUCTURE



Produced by the City of Kirkland City Managers Office in cooperation with:
Parks and Community Services
Fire and Building
Police
Public Works
Information Technology