



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

---

## **MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Director of Finance & Administration  
Neil Kruse, Acting Financial Planning Manager

**Date:** June 5, 2014

**Subject:** **2014 MID-YEAR BUDGET ADJUSTMENTS**

### **RECOMMENDATION:**

City Council approves the ordinance adjusting the 2013-2014 budget appropriation for selected funds and the conversion of a temporary development services position to a regular 1.0 FTE.

### **BACKGROUND DISCUSSION:**

This memo addresses recommendations concerning mid-year budget adjustments needed to meet unanticipated needs, recognizing additional resources, and housekeeping adjustments, as initially introduced at the May 30 Council Financial Retreat. The 2013-2014 amended budget as of June 30, 2014 will be the basis for comparison during the upcoming 2015-2016 budget process.

### **MID-YEAR BUDGET ADJUSTMENTS**

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

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

This budget adjustment allows for appropriation increases where it is anticipated that total expenditures may be in excess of the adopted 2013-2014 budget.

Unless there is an immediate need, budget adjustments that represent ongoing increases in the level of service are generally not introduced at mid-year. Rather, they are submitted as service package requests during the budget preparation and mid-biennial review processes.

Total appropriation adjustments result in a net budget increase of \$787,063 primarily due to adjustments to capital projects and despite appropriation decreases in other funds resulting from housekeeping modifications to reconcile the mid-biennial appropriation. The budget adjustment

summary (Attachment A) shows both line item and appropriation changes. Line item changes are administrative adjustments within funds and are provided for reference. Appropriation adjustments change the total budget and require adoption of the ordinance. The table below summarizes the total changes by category.

<b>Type of Adjustment</b>	<b>Line Item Change</b>	<b>Appropriation Change</b>	<b>Total Change</b>
Council Directed/Other Requests	\$2,522,795	\$1,411,307	\$3,934,102
Housekeeping Items	-	(624,244)	(624,244)
<b>Total Adjustments</b>	<b>\$2,522,795</b>	<b>\$787,063</b>	<b>\$3,309,858</b>

***Council Directed/Other Requests and Previously Approved Adjustments*** – The first category of adjustments includes any additional changes identified by Council and formalizing previously approved actions (fiscal notes, etc.). Some of these requests have been approved by the Council since the adjustments in December 2013, but the formal appropriation adjustment is occurring as part of the mid-year budget update. It also includes recognition of new revenue, other uses of reserves, and other line item adjustments. Total adjustments under this category amount to \$3,934,102, but the actual appropriation adjustment is \$1,411,307.

The following is a list of adjustments:

*Project-Related*

- Adjustments to capital projects totaling \$2,796,000, of which \$807,500 represent an appropriation change, including:
  - Yuppie Pawn Shop Property Acquisition (\$2,340,000) — Property acquisition for expansion of Totem Lake Park as approved by Council in February. The appropriation amount is \$590,000, which includes funding from REET 1 reserve and rental revenue from the tenant for one year. The balance of funding occurred within the capital fund, which is the reason for the difference in the appropriation amount.
  - NE 85<sup>th</sup> Street Sidewalk (\$217,500) — Adjustment to reflect revised costs from the results of the construction bid, which is covered by additional grant funding from the Transportation Improvement Board (TIB) as described in the award of bid memo on the current Council agenda.
- Recognition of the King County Park Levy for 2013-2014 (\$380,000) — This levy was not programmed in the original 2013-2014 budget, partially due to the previous levy expiring in 2013. The levy proceeds were part of the funding strategy for Yuppie Pawn Shop and are committed to payback the use of the General Capital Contingency reserve from 2013 through 2017.
- Aquatics Center Siting Study/Peter Kirk Pool Boiler Upgrade (\$185,000) — Funding for analyzing sites for a new Aquatics Center and upgraded Peter Kirk Pool boiler for year-round use; funded from 2013 year-end General Fund cash.
- The funding for the firing range at the Kirkland Justice Center assumed that there would be an external contribution from King County for contracted use of the range. The County has declined to enter into a contract at this time and staff is working to identify the funding source for the remaining cost. No adjustment is included at this time, but the final

recommendation on the funding source will be brought forward for Council approval in a future action.

#### *Development Services Needs*

- Recognition of development related revenue and use of development services reserves to fund additional temporary staffing, including a planner and assistant planner to assist with the heavier workload from increased development activity funded by the development services staffing reserve with the anticipation of additional revenue that will replenish these reserves.
- As discussed at the Council retreat, recruitment for qualified temporary development services positions has become increasingly difficult. The City Manager is recommending changing the status of selected positions to regular FTE's. The specific request at this time is for a Development Engineer in Public Works, currently funded as a 1.0 temporary position, to be converted to a regular 1.0 FTE, which requires Council approval. Workload and related revenue is expected to be sufficient to provide ongoing funding, which will be re-evaluated if circumstances change. It is important to recognize that, if the development cycle declines significantly in the future, that these resources may need to be adjusted downwards to match decreases in revenues and service demands.

#### *Reserve Uses*

- Litigation Reserve Replenishment (\$100,000) — Additional funding for the litigation reserve due to additional legal costs related to the Cross Kirkland Corridor.
- Totem Lake Planned Action EIS (\$75,300) – The City Council has expressed interest in pursuing a Planned Action EIS for the Totem Lake area to facilitate development. The Council Special Projects reserve is the recommended funding source (see fiscal note in Attachment B).
- Kirkland Performance Center (KPC) Operating Support (\$16,000) – At the May 30 City Council Financial Retreat, the Council directed that the KPC operating support in 2014 be restored to the pre-recession level of \$50,000, an increase of \$16,000, funded from the Council Special Projects reserve (see fiscal note in Attachment B).
- Totem Lake Business District Planned Action EIS (\$75,300) – At the February 21st City Council Retreat (focused on Kirkland 2035 and the Comprehensive Plan update) the Council recommended that the Planning Department conduct a Planned Action EIS for the Totem Lake Business District. Over the past few months the Planning staff have evaluated various methodologies for conducting such an EIS and have concluded that the most efficient way to achieve it is to do it through the current consultant performing the Comprehensive Plan EIS. The \$75,300 is the estimated cost from the consultant to accomplish the Planned Action EIS. The EIS is proposed to be funded from the Council Special Projects reserve (see fiscal note in Attachment B).
- Previously Approved Uses of Council Special Projects Reserve (\$53,500) for Kirkland Performance Center Storage Loft construction reimbursement (\$15,000), Nourishing Networks Operational Support (\$25,000) and contingent funding of the Spirit of America 9/11 Memorial Sculpture (\$13,500) depending on the Council's decision following the outcome of the community survey. The adjustments occur within the General Fund, so no appropriation adjustment is necessary.

- Use of Surface Water operations operating reserves to fund a master plan amendment (\$59,232) and NPDES legal services (\$12,500). Use of Solid Waste operating reserves to fund solid waste rates development (\$14,250).
- Use of the City Manager Contingency (\$37,500) to fund a salary survey (\$25,000) and Climate Change Population Measures study (\$12,500).

#### *Other Requests*

- King County Commute Trip Reduction Grant (\$50,000) — Grant funding for commute trip reduction efforts.
- Growth and Transportation Efficiency Center (GTEC) Grant Match (\$50,000) — Use of General Fund commute trip reduction professional services as a grant match for the GTEC program in the CIP.
- Use of professional services to fund staffing time for various programs, such as a temporary management analyst in HR for performance measures program development (\$44,770), increased hours for the Special Projects Coordinator for tourism marketing and waterfront optimization project in the Lodging Tax fund (\$13,970), and on-call Environmental Outreach staffing for Green Kirkland in the Park Levy Fund (\$23,000).
- Information Technology Service Desk Analyst (\$43,878) — A temporary position for 7 months to assist in the increased workload from bringing the Kirkland Justice Center technology online and a large number of computer replacements this year. This request replaces the approved mid-biennial service package for an intern and the cost is net of this service package; funded by 2013 expenditure savings in this fund.
- Allocating additional interest revenue for investment advisory services starting in mid-2014 (\$30,000). The investment advisor will assist City staff with the management of the City's investment portfolio by providing non-discretionary advisory services for the City's investment portfolio and investment policy. The City's last portfolio review recommended the use of an advisor, especially given the limited internal resources dedicated to managing the portfolio and the expectation of rising interest rates which would result in the need for more active trading in the portfolio to ensure the most advantageous yield. Costs for managing the portfolio along with advisory services are expected to be more than offset by improved interest revenue due to a more active strategy. Interest earned on the City's common investment fund, less earmarked expenditures and administration costs, are distributed to all of the participating funds per the City's financial policy. The contract for these services is expected to be on the July 1 City Council meeting agenda.
- Advanced Transportation Symposium (\$11,658) — Staffing support and speaker costs, partially offset by donations of \$3,500.

***Housekeeping Items*** – The second category of adjustments are needed to adjust budget accounts, fund balances, etc., resulting in appropriation decreases of \$624,244. These adjustments reconcile appropriation changes from the adopted mid-biennial budget, such as the amount for the Voter-approved (UTGO) debt service refinanced in 2013 and transfers between funds.

#### **SUMMARY**

The budget is adopted at the fund level which sets the total expenditure authority for the biennium for each fund. A summary of the adjustments and 2013-2014 revised budget by fund type is included in the table on the following page:

<b>Fund Type</b>	<b>Current 13-14 Budget</b>	<b>Adjustments</b>	<b>Revised 13-14 Budget</b>
<b>General Government:</b>			
General Fund	178,434,519	204,019	178,638,538
Other Operating Funds	30,399,499	-	30,399,499
Internal Service Funds	69,443,116	84,404	69,527,520
Non-Operating Funds	145,779,955	877,500	146,657,455
<b>Utilities:</b>			
Water/Sewer	80,232,537	(140,000)	80,092,537
Surface Water	44,136,500	(23,860)	44,112,640
Solid Waste	32,554,121	(215,000)	32,339,121
<b>Total Budget</b>	<b>580,980,247</b>	<b>787,063</b>	<b>581,767,310</b>

**City of Kirkland  
2013-2014 Budget  
2014 Mid Year Budget Adjustment Summary**

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Reserves	External Revenue	
<b>General Fund (010)</b>								
Council Directed/Other	CA	Litigation Reserve Replenishment	100,000					
Council Directed/Other	CM	Advanced Transportation Symposium Donation	3,500	3,500			3,500	Sponsorship Donations
Council Directed/Other	CM	Transportation Summit Staff Support	8,158					
Council Directed/Other	HR	Salary Surveys	25,000					
Council Directed/Other	PW	Climate Change Population Measures	12,500					
Council Directed/Other	HR	Temporary Management Analyst	44,770					
Council Directed/Other	PK	Kirkland Performance Center Storage Loft Reimbursement	15,000					City Council Special Projects Reserve
Council Directed/Other	PK	Kirkland Performance Center Operations Support	16,000					City Council Special Projects Reserve
Council Directed/Other	PK	Nourishing Networks Operational Support	25,000					
Council Directed/Other	PK	Spirit of America 9/11 Sculpture	13,500					
Council Directed/Other	PK	Aquatics Facility Siting/PK Pool Boiler	185,000					
Council Directed/Other	PL	Temporary Assistant Planner	113,767	90,307			90,307	Plan Check Fee Revenue
Council Directed/Other	PL	Temporary Planner	62,277					
Council Directed/Other	PL	Totem Lake Planned Action EIS	75,300					Council Special Projects Reserve
Council Directed/Other	PW	King County Commute Trip Reduction Grant	50,000	50,000			50,000	King County CTR Grant
Council Directed/Other	ND	Investment Advisor	30,000	30,000			30,000	Interest Revenue
Housekeeping	ND	Midbiennial Service Pkg Funding Adjustment	30,212	30,212	30,212			Adjustment to Operating Transfer
<b>General Fund Total</b>			<b>809,984</b>	<b>204,019</b>	<b>30,212</b>	<b>-</b>	<b>173,807</b>	
<b>OTHER FUNDS</b>								
<b>Lodging Tax Fund (112)</b>								
Council Directed/Other	CM	Tourism Marketing	8,488					
Council Directed/Other	CM	Waterfront Optimization	5,482					
<b>Lodging Tax Fund Total</b>			<b>13,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Parks Levy Fund (128)</b>								
Council Directed/Other	PK	On-call Environmental Outreach	23,000					
<b>Parks Levy Fund</b>			<b>23,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>UTGO Debt Fund (220)</b>								
Housekeeping	ND	Debt Service Appropriation Correction	(360,000)	(360,000)			(360,000)	Correction to Previous Adjustment
<b>UTGO Debt Fund Total</b>			<b>(360,000)</b>	<b>(360,000)</b>	<b>-</b>	<b>-</b>	<b>(360,000)</b>	

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Reserves	External Revenue	
<b>General Capital Projects Fund (310)</b>								
Council Directed/Other	PK	Yuppie Pawn Shop Property Acquisition	2,340,000	590,000		500,000	90,000	REET 1/Rental Credit
Council Directed/Other	PK	King County Park Levy	380,000	380,000			380,000	King County Park Levy
<b>General Capital Projects Fund Total</b>			<b>2,720,000</b>	<b>970,000</b>	<b>-</b>	<b>500,000</b>	<b>470,000</b>	
<b>Transportation Capital Projects Fund (320)</b>								
Council Directed/Other	PW	GTEC Grant Match	50,000	50,000	50,000			General Fund Xfr
Council Directed/Other	PW	NE 85th Street Corridor Projects	217,500	217,500			217,500	TIB Grant
<b>Transportation Capital Projects Fund</b>			<b>267,500</b>	<b>267,500</b>	<b>50,000</b>	<b>-</b>	<b>217,500</b>	
<b>Water/Sewer Utility Operating Fund (411)</b>								
Housekeeping	PW	CWA Connection Charges correction	(140,000)	(140,000)			(140,000)	Correct CWA Connection Charges
<b>Water/Sewer Utility Operating Fund Total</b>			<b>(140,000)</b>	<b>(140,000)</b>	<b>-</b>	<b>-</b>	<b>(140,000)</b>	
<b>Surface Water Operating Fund (421)</b>								
Council Directed/Other	PW	Surface Water Master Plan Amendment	59,232					
Council Directed/Other	PW	NDPES Legal Services	12,500					
Housekeeping	PW	National Estuary appropriation correction	(23,860)	(23,860)			(23,860)	Correct Grant Revenue
<b>Surface Water Operating Fund Total</b>			<b>47,872</b>	<b>(23,860)</b>	<b>-</b>	<b>-</b>	<b>(23,860)</b>	
<b>Solid Waste Fund</b>								
Council Directed/Other	PW	Solid Waste Rate Development	14,250					
Housekeeping	PW	Appropriation Housekeeping	(215,000)	(215,000)	(215,000)			Correction for Prior Adjustment
<b>Solid Waste Fund Total (431)</b>			<b>(200,750)</b>	<b>(215,000)</b>	<b>(215,000)</b>	<b>-</b>	<b>-</b>	
<b>Equipment Rental Fund (521)</b>								
Housekeeping	PW	Wood Chipper	61,350	61,350	61,350			REET 1 Xfr-Correction for Prior Adjustment
Housekeeping	PW	Appropriation Housekeeping	(16,946)	(16,946)	(16,946)			Correction for Prior Adjustment
<b>Equipment Rental Fund Total</b>			<b>44,404</b>	<b>44,404</b>	<b>44,404</b>	<b>-</b>	<b>-</b>	
<b>Information Technology Fund (522)</b>								
Council Directed/Other	IT	Service Desk Analyst	43,878					
Housekeeping	IT	Graphics Design-GF Support	40,000	40,000	40,000			GF Xfr in-Correction to Prior Adjustment
<b>Information Technology Fund Total</b>			<b>83,878</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	
<b>TOTAL OTHER FUNDS</b>			<b>2,499,874</b>	<b>583,044</b>	<b>(80,596)</b>	<b>500,000</b>	<b>163,640</b>	
<b>TOTAL ALL FUNDS</b>			<b>3,309,858</b>	<b>787,063</b>	<b>(50,384)</b>	<b>500,000</b>	<b>337,447</b>	

**FISCAL NOTE**

CITY OF KIRKLAND

Source of Request							
Eric Shields, Director of Planning & Community Development / Jennifer Schroder, Director of Parks & Community Services							
Description of Request							
Two requests to fund 1) Totem Lake Planned Action EIS, \$75,300 and 2) Kirkland Performance Center 2014 operational support, \$16,000 from the Council Special Projects Reserve.							
Legality/City Policy Basis							
Fiscal Impact							
<b>One-time use of \$91,300 of the Council Special Projects Reserve.</b> The reserve is able to fully fund this request.							
Recommended Funding Source(s)							
<i>Reserve</i>	Description	2014 Est End Balance	Prior Auth. 2013-14 Uses	Prior Auth. 2013-14 Additions	Amount This Request	Revised 2014 End Balance	2014 Target
	Council Special Projects Rsv.	250,000	132,128	0	91,300	26,572	250,000
	2013-14 Prior Authorized Use of Council Special Projects Reserve: \$71,628 to fund Human Services Option #2, \$7,000 for the 4th of July Fireworks, \$15,000 for Kirkland Performance Center Storage Loft reimbursement, Nourishing Networks Central operations, \$25,000, and Spirit of America 9-11 Memorial Sculpture purchase, \$13,500.						
<i>Revenue/Exp Savings</i>							
<i>Other Source</i>							
Other Information							
Prepared By	Neil Kruse, Senior Financial Analyst				Date	June 5, 2014	

ORDINANCE O-4445

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING THE BIENNIAL BUDGET FOR 2013-2014.

WHEREAS, the City Council finds that the proposed adjustments to the Biennial Budget for 2013-2014 reflect revenues and expenditures that are intended to ensure the provision of vital municipal services at acceptable levels;

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

Section 1. The Mid-Year 2014 adjustments to the Biennial Budget of the City of Kirkland for 2013-2014 are hereby adopted.

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

<u>Funds</u>	Current Budget	Adjustments	Revised Budget
General	178,434,519	204,019	178,638,538
Lodging Tax	707,327		707,327
Street Operating	20,734,134		20,734,134
Cemetery Operating	837,747		837,747
Parks Maintenance	3,097,227		3,097,227
Parks Levy	5,023,064		5,023,064
Contingency	2,426,425		2,426,425
Impact Fees	3,953,397		3,953,397
Excise Tax Capital Improvement	12,846,786		12,846,786
Limited General Obligation Bonds	7,721,892		7,721,892
Unlimited General Obligation Bonds	6,724,593	(360,000)	6,364,593
General Capital Projects	59,819,680	970,000	60,789,680
Transportation Capital Projects	50,364,575	267,500	50,632,075
Water/Sewer Operating	54,656,992	(140,000)	54,516,992
Water/Sewer Debt Service	2,225,742		2,225,742
Utility Capital Projects	23,349,803		23,349,803
Surface Water Management	22,936,245	(23,860)	22,912,385
Surface Water Capital Projects	21,200,255		21,200,255
Solid Waste	32,554,121	(215,000)	32,339,121
Health Benefits	24,381,271		24,381,271
Equipment Rental	19,067,745	44,404	19,112,149
Information Technology	12,911,105	40,000	12,951,105
Facilities Maintenance	13,082,995		13,082,995
Firefighter's Pension	1,922,607		1,922,607
	580,980,247	787,063	581,767,310

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

Passed by majority vote of the Kirkland City Council in open meeting this \_\_\_\_ day of \_\_\_\_\_, 2014.

Signed in authentication thereof this \_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
MAYOR

Attest:

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

Approved as to Form:

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