



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
Sri Krishnan, Financial Planning Manager

Date: July 8, 2011

Subject: **2011-2012 MID-YEAR BUDGET ADJUSTMENTS AND CAPITAL IMPROVEMENT PROJECT CLOSURES**

RECOMMENDATION:

City Council receives an update on the City's financial condition, receives an overview of the capital improvement projects (CIP) closures included in the proposed budget adjustments, and approves the ordinance adjusting the 2011-2012 budget appropriation for selected funds during the regular meeting on July 19.

BACKGROUND DISCUSSION:

The Mid-Year Budget review addresses a variety of topics regarding the current budget biennium. This memo describes the various attachments included in the packet, including:

- **Financial Status** – The Financial Management Report (FMR) for the period ending March 31, 2011 (Attachment A), the May Dashboard Report (Attachment B), and the June sales tax memo (Attachment C) are included.
- **Budget Adjustments** – A recommendation concerning mid-year budget adjustments needed to meet unanticipated needs, recognizing additional resources, closing capital projects and housekeeping adjustments (Attachment D) and supporting documentation (Attachments E-K).

FINANCIAL STATUS

The Financial Management Report (FMR) provides an overview of revenue and expenditure performance for the first quarter of 2011 (Attachment A). The first quarter report was delayed as a result of the redesign of the reserve section. The second quarter report should be available in mid-August. The annexation of North Juanita, Finn Hill, and Kingsgate neighborhoods, effective June 1, impacts expenditures and revenues at different times throughout the year and makes it challenging to interpret this report. In particular, the City incurred increasing expenses month-by-month leading up to and immediately following the annexation, but revenue from the annexation area will not begin to be collected until July and the bulk of the revenue will not be received until the fourth quarter of this year.

The monthly dashboard report provides high level monitoring of the General Fund revenues and expenditures status and a few key revenue and expenditure indicators across funds that are especially important to watch. To address the differences in the timing of annexation-related expenditures and revenues two dashboard versions are provided: one that includes annexation-related budget and another that excludes it. The following are a few highlights from the May dashboard report (Attachment B):

- General Fund revenues are slightly below expectations but higher than May 2010. The 2011 budget includes revenues projected for the annexation area. If annexation revenues are removed from the budget May revenues received would be at 45.9 percent of budget. In 2010 May revenues were at 39.4 percent of budget.
- May sales tax revenue is up 5.4 percent compared to May 2010 due to one-time Washington State Department of Revenue amnesty program revenues. Excluding these one-time revenues would result in sales tax revenue being down 1.0% for May. Year-to-date revenue performance is up 2.8 percent compared to the same period last year.
- Utility tax receipts are within budget expectations. With annexation revenues removed from the budget, utility taxes are actually slightly ahead of estimated collection-to-date.
- The business license revenues year-to-date are ahead of last year by \$256,726, and ahead of budget expectations. Part of the increase is due to business licenses in the new neighborhoods.
- Although higher than revenues through May 2010, development revenues are below budget expectations.
- Gas tax revenues fell short of expectations due to reduced usage resulting from increased prices (gas tax is collected on a per gallon basis).
- General Fund expenditures are slightly trailing the budget including annexation. Excluding 2011 annexation service packages from the budget, expenditures through May are consistent with budget expectations.
- Fire Suppression overtime and jail contract costs are in line with budget expectations. The overtime budget reflects the March adjustment to recognize the EMS Transport fee revenues and restoration of most of the suppression overtime budget reduced as part of the 2011-2012 Budget as originally adopted.

The June sales tax memo (Attachment C) includes an analysis of sales revenue trends by business sectors and compares June and year-to-date data to last year. June sales tax revenue is up 3.7 percent compared to June 2010. As with the May sales tax revenue, the monthly comparison is skewed due to one-time Washington State Department of Revenue amnesty program revenues. Excluding these one-time revenues would result in sales tax revenue being marginally positive (up 0.4 percent) for June. Year-to-date revenue performance is up 3.0 percent compared to the same period last year. Excluding one-time amnesty revenues would result in the year-to-date performance being up 1.3 percent. The budget assumes that sales tax from the City before annexation would be equal to the 2010 collections.

Though annexation became effective June 1, sales tax revenue from the new neighborhoods will not begin to accrue to the City until July 1, with the first revenues received in September 2011.

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 2011-2012 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-bi review processes.

Carryovers and other one-time housekeeping adjustments to the 2011-2012 Budget were presented and adopted by the Council on March 15 and May 3. As usual for the Mid-Year Adjustment process, adjustments are recommended for unexpected issues such as grant funding and Council use of reserves that have occurred since the last adjustment. Unusual to this point in the biennium are adjustments to the Capital Improvement Program (CIP) which provide for the closing of completed projects that have project savings to return to their original funding source.

Listed below is a summary of the recommended adjustments to the 2011-2012 budget totaling \$5,058,160. The CIP closures discussed below will not require a budget adjustment.

Budget Adjustments includes housekeeping adjustments, items previously approved by Council (for which fiscal notes were done) and other requests which change the 2011-12 budget. Examples of some of the larger adjustments are listed below, with further adjustment details found on the 2011 Mid Year Budget Adjustment Summary (Attachment D).

- **Zone 1 Coordinator, \$66,668:** Recognizing grant reimbursements for professional service fees paid to the Zone 1 Coordinator.
- **1.3% Building Permit Surcharge, \$66,000:** Recognizing the estimated 2011-12 revenues and expenses for providing My Building Permits Online services.
- **Tree Canopy Analysis, \$20,000:** Recognizing grant revenue and the use of the tree canopy reserve for completion of a Tree Canopy Analysis. Attachment E provides additional details regarding this budget adjustment.
- **Use of Development Services Reserve, \$57,000:** Recognizing the use of permit application fees previously set aside in reserves for additional resources in Planning and Community Development for development review activities. The details of this budget adjustment are included as Attachment F. This budget adjustment does not require an appropriation change to the 2011-12 budget.

- **Transfer of Fire District 41 Cash Assets and Planned Expenses, \$5,722,726:** Recognizing the transfer of \$5.7 million from Fire District 41 to the City as a result of the assumption of Fire District 41 and recognizing the following proposed expenses included in the Interlocal Agreement approved by Council on May 4, 2011:
 - Completion of a Fire Strategic and Master Plan - \$70,000
 - Paying the Volunteer Fire Fighters stipend through 2011 - \$60,000
 - Temporary 0.875 FTE Records Management Specialist position through 2011 in the Fire & Building Department - \$42,268
 - Construction of a consolidated fire station using bond proceeds - \$4,000,000
 - Setting aside the remaining balance as a reserve to pay debt service, station construction costs in excess of the bond proceeds, and other administrative costs associated with the transfer of assets from the District.

- **Woodinville Water District Franchise Fees, \$199,500:** Recognizing the addition of Woodinville Water District Franchise fees per the Franchise agreement approved by City Council on May 17, 2011.

- **Secret Service Task Force Staffing, \$119,665:** Recognizing expected revenues and expenses related to backfilling one position in the Police Department in order to continue staffing the Secret Service Task Force through May 31, 2012, funded with seizure revenues received from the program. If additional revenues are received future budget adjustments would be presented to City Council for approval.

- **Impacts from State Budget Changes, (\$106,437):** This recognizes a 3.4% reduction in state shared revenues as well as an increase in funding required for ammunition for Police Cadets attending the academy.

- **Staffing for Adequate Fire & Emergency Response (SAFER) Grant, (\$2,072,520):** Recognizing the use of reserves to offset the lost revenue resulting from the removal of the assumed SAFER Grant which the City was not successful in securing. The SAFER grant was intended to fund Fire and EMS services in the new neighborhoods of North Juanita, Finn Hill and Kingsgate.

- **Annexation Census Costs, (\$225,000):** Recognizing the use of the annexation area census savings due to passage of Senate Bill 5505, which provided the City the ability to use the decennial census figures as an alternative to conducting a population census within one month after the effective date of annexation. This savings provides an offset against an increase in costs to provide Fire and EMS services in the new neighborhoods of North Juanita, Finn Hill and Kingsgate. In addition, a portion is used to offset the reduced revenue resulting from removal of the assumed SAFER grant.

- **Solid Waste Funding for Street Preservation, \$300,000:** Recognizing the transfer of funds from the Solid Waste Fund to the Transportation Capital Fund for street preservation per the utility rates adopted on September 21, 2010. This adjustment only recognizes the Street Preservation fee for 2011. The 2012 Street Preservation fee will be brought forward for Council consideration as part of the CIP discussions later this fall.

- **Municipal Storm Water Capacity Grant, \$201,165:** Recognizing the revenue and expenses associated with a Surface Water grant obtained from the Department of Ecology to increase municipal storm water capacity.

- **City Manager's Office Staffing Changes, \$51,144:** Transfer of responsibilities and intern staffing for writing content for the City's TV programming from Information Technology to the City Manager's Office (offset by the reduction of the interfund transfer to Information Technology of \$51,144). This organizational change also includes the conversion of a temporary 0.40 FTE Administrative Assistant to an ongoing 0.40 FTE position funded by ongoing savings.

The adopted 2011-2012 Budget includes a one-time service package for budget process improvement in 2012. Following discussions with the City Council, the City Manager's Office is recommending that this service package funding be used for focus groups and survey activity related to improving the budget process. This proposed use does not require a budget adjustment.

- **Temporary Construction Inspector in Public Works, \$57,003:** Funding a temporary Construction Inspector for the remainder of 2011 to address a backlog of development-related inspections. This one-time expenditure will be offset by additional development fee revenues, which are estimated to exceed the budgeted amount in 2011 (see Attachment G).
- **Internal Service Rates, (\$111,907):** The IT rate model was updated to reflect staffing adjustments which resulted in a net reduction of \$111,907.
- **REET Flexibility, \$194,534:** Based on Council direction at the July 5 meeting, funding operating and maintenance functions in the Public Works and Parks departments with the use of Real Estate Excise Tax (REET) revenues in 2011 as allowed under HB 1953 (see Attachment H).
- **Other adjustments, \$518,619:** Of this amount, internal service funds increase is \$328,297 (primarily adjustments for vehicle purchases), adjustments to utility funds total \$190,648, and other net adjustments of \$326.

CIP Project Closures – Staff has completed a detailed review and reconciliation of capital projects, resulting in the closure of over 200 completed or superseded capital projects. These project closures will result in the net savings being set aside in capital funds and will not require any budget adjustments. The following is a summary of the results of the review:

- **Parks Capital Projects** – Reconciled the funding and expenditures of all Parks projects including those funded by the 2003 Park Bond proceeds. All of the 2003 Park Bond proceeds have been spent. In some cases, project closures required additional funding, while other projects were completed under budget. The reconciliation of Parks capital projects results in a net savings of \$192,476 in REET I funds.
- **Transportation Capital Projects** – Closing projects with the following net savings:
 - REET II Reserve - \$392,980
 - Surface Water (Transportation portion) - \$304,432
 - General purpose revenues - \$20,769
- **Utility Capital Projects** – Closing projects with the following net savings:
 - Surface Water Contingency - \$320,161
 - Water/Sewer Utility Reserve - \$657,121

- **Neighborhood Connections Projects** – Closing neighborhood connections projects results in a net savings of \$91,839 in general purpose revenues.
- **Facilities Capital and Life-Cycle Projects** – The reconciliation process recognizes project closures and repurposing of funds for the planned Public Safety Building, Maintenance Center Expansion, and future City Hall Refurbishment projects. Closing facilities projects results in savings that will help meet prior commitments towards facilities expansion projects totaling \$5.4 million. Of this amount, \$4 million (\$2.2 million in REET I, \$0.8 million in Reserves, \$1.0 million from deferred facility projects) is for the Public Safety Building and the remainder is for future facilities expansion projects beyond 2012.

Staff recommends returning the total general purpose revenue savings of \$112,608 to the General Capital Contingency to help fund the projected balance.

Attachment I is a complete listing of projects that are being recommended for closure with net remaining balances of \$7,415,645. These balances are being set aside in the capital funds and therefore do not change the 2011-12 budget appropriation. Council approval of the comprehensive closure list will allow staff to complete the process of closing the projects from a financial standpoint.

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 2011-2012 revised budget by fund type, is included in the table below:

Fund Type	Current 11-12 Budget	Adjustments	Revised 11-12 Budget
General Government:			
General Fund	163,096,373	157,287	163,253,660
Other Operating Funds	17,692,126	100,000	17,792,126
Internal Service Funds	56,835,976	328,297	57,164,273
Non-Operating Funds	105,069,240	4,281,928	109,351,168
Utilities:			
Water/Sewer	66,972,469	(10,517)	66,961,952
Surface Water	31,732,437	201,165	31,933,602
Solid Waste	31,295,829	-	31,295,829
Total Budget	472,694,450	5,058,160	477,752,610

An ordinance adopting the recommended mid-year budget adjustments and project closures is attached. Staff will continue to monitor revenue and expenditures in the coming months and update Council through the monthly sales tax memo and the quarterly Financial Management Report. The next budget adjustment period will be the Mid-Biennial Review that will be presented

to Council in November 2011, which will include the following budget adjustments identified to date:

- Consolidated Fire Station Debt Service – The details for the payment of the debt service are currently being developed in coordination with the King County Treasurer.
- Animal Services – Contract costs for this service are currently being reviewed.
- Proposed resource realignments in Public Works and Information Technology.
- Capital Improvement Program (CIP) changes resulting from the CIP update process currently underway.



Financial Management Report as of MARCH 31, 2011

AT A GLANCE:

Higher tax, licensing and permitting revenue and engineering charges push 2011 ahead of 2010 year-to-date (page 3)

2011 Sales tax revenue ahead of 2010 (page 5)

Kirkland's got a new online address (page 2 sidebar)

Recovering economy holding ground and slowly improving? (pages 7-8)

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Summary of All Operating Funds: *Revenue*

- General Fund** actual 2011 revenue is **12.8 percent ahead** of the same period last year (more than \$1.3 million), largely due to higher tax, licenses and permits revenue and an increase in engineering charges. Additionally, the Recreation Fund was combined with the General Fund in 2011. As a result, recreation fee revenues are now reflected in the General Fund and account for almost 25 percent of the revenue gain received in the first quarter of 2011 compared to 2010. However, recreation class revenue is down 4.1 percent compared to the same period last year. A more detailed analysis of General Fund revenue can be found on page 3, and sales tax revenue performance can be found beginning on page 5.
 - Other General Government Funds** actual 2011 revenue is **0.9 percent ahead** of the same period last year. Accounting for the move of recreation revenues to the General Fund this year, 2011 Other General Government Funds are 14.5 percent ahead of the same period last year. Lodging tax revenue is up 8.1 percent compared to the same period last year. Motor vehicle fuel tax is down 1.8 percent compared to the same period last year. The fuel tax is collected on a flat rate per gallon, so higher fuel prices may result in reduced consumption. Facilities rental revenue is up significantly due to rental revenue from the building purchased in 2010, which will be renovated for a new public safety facility. The building is currently occupied by a tenant until the project is underway.
 - Water Sewer Operating Fund** actual 2011 revenue is **6.6 percent ahead** of the same period last year, largely due to a sewer rate increase.
 - Surface Water Management Fund** actual 2011 revenue is **31.1 percent ahead** of the same period last year primarily due to the receipt of grant revenues and the timing of interest revenue received in 2011. Rate revenue is up 10.4 percent, partially due to a rate increase effective in 2011. Rates are paid through property taxes, which are primarily received in April and October.
 - Solid Waste Fund** actual 2011 revenue is **0.9 percent behind** the same period last year.
- This report will be a challenge to interpret in 2011 due to annexation, which will impact expenditures and revenues at different times throughout the year. In particular, the City will incur increasing expenses month-by-month as we are gearing up for annexation, but no revenue from the annexation area will be collected until July and the bulk of the revenue will not be received until the fourth quarter.*

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2010	3/31/2011	% Change	2010	2011	% Change	2010	2011
General Gov't Operating:								
General Fund	10,426,356	11,757,461	12.8%	54,706,544	69,725,756	27.5%	19.1%	16.9%
Other General Gov't Operating Funds	3,141,764	3,168,824	0.9%	15,798,095	16,490,820	4.4%	19.9%	19.2%
Total General Gov't Operating	13,568,120	14,926,285	10.0%	70,504,639	86,216,576	22.3%	19.2%	17.3%
Utilities:								
Water/Sewer Operating Fund	4,290,593	4,574,168	6.6%	20,660,066	19,810,646	-4.1%	20.8%	23.1%
Surface Water Management Fund	203,676	267,011	31.1%	5,270,500	6,477,992	22.9%	3.9%	4.1%
Solid Waste Fund	2,142,604	2,123,972	-0.9%	8,627,630	12,810,339	48.5%	24.8%	16.6%
Total Utilities	6,636,873	6,965,150	4.9%	34,558,196	39,098,977	13.1%	19.2%	17.8%
Total All Operating Funds	20,204,993	21,891,436	8.3%	105,062,835	125,315,553	19.3%	19.2%	17.5%

Budgeted and actual revenues exclude resources forward and interfund transfers.



Kirkland's Got a New Online Address

With the upcoming annexation of the Finn Hill, North Juanita and Kingsgate areas, some residents will see a change in their postal address. The City of Kirkland also has had an address change. As of April 6, 2011, the official City of Kirkland government website changed to:

www.kirklandwa.gov.

City email addresses also change to the new domain.

"As we welcome our new neighbors in the annexation area, we wanted to have an easier web and email address for all of our residents to use," notes City Manager Kurt Triplett.

To contact an individual City Council or staff member, use the following email pattern:

First Letter of First Name + Full Last Name
@kirklandwa.gov.

Example: Joe Smith,
jsmith@kirklandwa.gov.

There is an online city staff directory at www.kirklandwa.gov (Select: Contact Us.)

The new domain (kirklandwa.gov) will work concurrently with the old web and email addresses through 2012. This will allow for the update over time of city documents, stationery, publications, web pages, and links to other web-sites.

To report broken links on the City's website, email webmaster@kirklandwa.gov or call the IT Department at 425-587-3200.

Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures are **5.2 percent ahead** of last year primarily due to increased personnel and supply costs associated with preparation for annexation, public safety radio replacement and the restoration of a 3.4 percent salary reduction taken by most employees related to furlough days in 2010. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures are **5.2 percent ahead** of the same period last year due to higher computer hardware expenses, substantially higher facility utility costs, and despite substantially lower vehicle/equipment purchases. Facility utility costs are up more than 50 percent, mainly due to winter weather and partially due to the addition of the building purchased for the public safety facility. Vehicle replacement costs vary year-to-year depending on the planned replacement cycle.
- **Water/Sewer Operating Fund** actual expenditures are **18.0 percent ahead** of the same period last year primarily due to an increase in water purchases and regional water connection charges (with a corresponding increase in connection revenue).
- **Surface Water Management Fund** actual expenditures are **0.2 percent behind** the same period last year due to lower personnel costs and normal variability in the timing of payment for various services.
- **Solid Waste Fund** actual expenditures are **37.0 percent ahead** of the same period last year due to the timing of disposal contract billing payments. The individual monthly contract payments are significant, so timing of the payments can skew comparisons. However, total payments made by the end of the year match up to the contract.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2010	3/31/2011	% Change	2010	2011	% Change	2010	2011
General Gov't Operating:								
General Fund	14,561,397	15,312,577	5.2%	58,149,798	67,468,176	16.0%	25.0%	22.7%
Other General Gov't Operating Funds	3,339,617	3,512,576	5.2%	13,326,213	16,489,268	23.7%	25.1%	21.3%
Total General Gov't Operating	17,901,015	18,825,153	5.2%	71,476,011	83,957,444	17.5%	25.0%	22.4%
Utilities:								
Water/Sewer Operating Fund	3,517,264	4,149,185	18.0%	15,903,927	16,454,624	3.5%	22.1%	25.2%
Surface Water Management Fund	759,077	757,635	-0.2%	3,387,458	4,338,993	28.1%	22.4%	17.5%
Solid Waste Fund	1,479,102	2,026,512	37.0%	8,596,408	12,444,389	44.8%	17.2%	16.3%
Total Utilities	5,755,443	6,933,332	20.5%	27,887,793	33,238,006	19.2%	20.6%	20.9%
Total All Operating Funds	23,656,458	25,758,485	8.9%	99,363,804	117,195,450	17.9%	23.8%	22.0%

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

General Fund Revenue

Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.

- **Sales tax** revenue allocated to the General Fund for 2011 was **4.6 percent ahead** of the same period last year. A detailed analysis of total **sales tax** revenue can be found starting on page 5.
- **Utility tax** actual revenue collection was **1.7 percent ahead** of the same period last year, despite significantly lower revenue from telephone utilities (15.6 percent). All other utility revenue in the first quarter of 2011 exceeded revenue collections in the same period last year.
- **Other taxes** actual revenue was **14.7 percent behind** the same period last year due to lower gambling revenue.
- The **business licenses (base fee) and franchise fees** actual revenue was **29.8 percent ahead** of the same period last year. This increase is due to timing of franchise fee payments, with a late 2010 payment received in the first quarter of 2011. Removing this payment makes the actual revenues in the first quarter of 2011 ahead 7.6 percent compared to the same period last year.
- The **revenue generating regulatory license** fee was **8.1 percent ahead** of the same period last year and ahead of budget expectations. Part of the increase is due to the renewal of Google's business license in January, reflecting their ramp up in staffing.
- The **development-related fee** revenues, were collectively **ahead 44.4 percent** compared to the same period in 2010. Compared to the same period last year, **building permits** and **plan check revenue** were collectively **ahead 21.5 percent**
- and **engineering services** revenue was **736.2 percent ahead** due to receipt of two large school permits. **Planning fees** revenue was **ahead 20.2 percent** due to a significant increase in review applications, which may be a hopeful sign of improvement in future development activity. The increase in total development-related fees is also due to historically low collections during the same period in 2010.
- Compared to the same period last year: **Grant** revenue is **behind 17.4 percent** due to funding received for several grants in the first quarter of 2010 that were not received in 2011; **Other intergovernmental services** revenue is **41.9 percent below** last year's actual due to the elimination of a contract to provide staffing to the regional Criminal Justice Training Center, a contract providing building inspection services to the City of Issaquah and a reduction in the provision of intergovernmental court services. It should be noted that revenue from Fire District 41 is usually received quarterly. The first quarter payment was not receipted until the second quarter due to the necessary reconciliation calculation for 2010 charges to the district.
- **Internal Charges** are **15.5 percent ahead** compared to the same period last year. Most internal charges have increased due to additional costs for annexation.
- **Other financing sources** Interfund Transfers budget is significantly lower than 2010 due to fund restructuring, including the combining of the recreation fund with the General Fund.

General Fund 2011 revenues are \$1,331,105 higher than the same period in 2010 largely due to higher property and sales taxes and business licenses/franchise fees revenue and despite lower intergovernmental revenue.

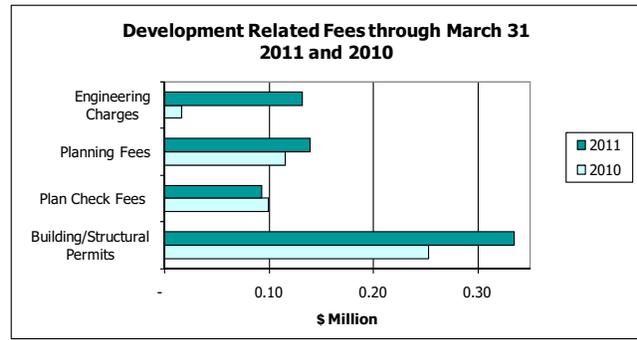
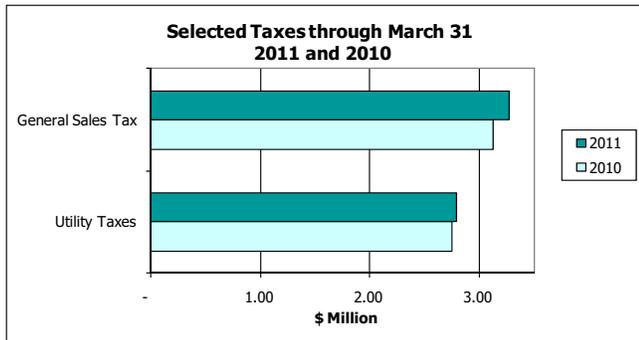
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

About 412 of the City's 521 regular employees are budgeted for 2011 within this fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	3/31/2010	3/31/2011	% Change	2010	2011	% Change	2010	2011
Taxes:								
Retail Sales Tax: General	3,129,978	3,274,456	4.6%	11,464,179	12,885,899	12.4%	27.3%	25.4%
Retail Sales Tax Credit: Annexation	-	-	N/A	-	1,129,866	N/A	N/A	N/A
Retail Sales Tax: Criminal Justice	241,152	244,298	1.3%	1,129,140	1,149,997	1.8%	21.4%	21.2%
Property Tax	443,187	607,005	37.0%	9,904,815	13,261,709	33.9%	4.5%	4.6%
Utility Taxes	2,748,632	2,796,567	1.7%	10,965,526	12,436,696	13.4%	25.1%	22.5%
Rev Generating Regulatory License	617,310	667,300	8.1%	2,567,468	2,406,234	-6.3%	24.0%	27.7%
Other Taxes	111,802	95,391	-14.7%	466,129	312,250	-33.0%	24.0%	30.5%
Total Taxes	7,292,060	7,685,017	5.4%	36,497,257	43,582,651	19.4%	20.0%	17.6%
Licenses & Permits:								
Building, Structural & Equipment Permits	252,445	334,533	32.5%	1,436,990	1,748,605	21.7%	17.6%	19.1%
Business Licenses/Franchise Fees	456,203	592,014	29.8%	1,720,921	2,878,614	67.3%	26.5%	20.6%
Other Licenses & Permits	82,580	84,384	2.2%	175,460	217,579	24.0%	47.1%	38.8%
Total Licenses & Permits	791,228	1,010,931	27.8%	3,333,371	4,844,798	45.3%	23.7%	20.9%
Intergovernmental:								
Grants and Federal Entitlements	154,177	127,308	-17.4%	503,699	1,894,984	276.2%	30.6%	6.7%
State Shared Revenues & Entitlements	237,197	193,356	-18.5%	809,010	979,578	21.1%	29.3%	19.7%
Fire District #41	(59,100)	-	N/A	3,598,238	3,684,071	N/A	N/A	N/A
EMS	-	-	N/A	866,231	868,678	N/A	N/A	N/A
Other Intergovernmental Services	144,824	84,121	-41.9%	547,394	386,248	-29.4%	26.5%	21.8%
Total Intergovernmental	477,098	404,785	-15.2%	6,324,572	7,813,559	23.5%	7.5%	5.2%
Charges for Services:								
Internal Charges	1,179,579	1,362,543	15.5%	4,707,822	5,589,009	18.7%	25.1%	24.4%
Engineering Services	15,701	131,297	736.2%	225,000	393,669	75.0%	7.0%	33.4%
Plan Check Fee	99,470	93,089	-6.4%	408,252	1,115,779	173.3%	24.4%	8.3%
Planning Fees	115,403	138,662	20.2%	245,420	455,041	85.4%	47.0%	30.5%
Recreation	-	311,258	N/A	-	1,162,406	N/A	N/A	26.8%
Other Charges for Services	184,017	195,011	6.0%	770,890	1,709,373	121.7%	23.9%	11.4%
Total Charges for Services	1,594,170	2,231,860	40.0%	6,357,384	10,425,277	64.0%	25.1%	21.4%
Fines & Forfeits	237,660	328,361	38.2%	1,539,268	2,435,490	58.2%	15.4%	13.5%
Miscellaneous	34,139	96,508	182.7%	654,692	623,981	-4.7%	5.2%	15.5%
Total Revenues	10,426,356	11,757,461	12.8%	54,706,544	69,725,756	27.5%	19.1%	16.9%
Other Financing Sources:								
Interfund Transfers	-	-	N/A	2,275,530	175,494	N/A	N/A	N/A
Total Other Financing Sources	-	-	N/A	2,275,530	175,494	N/A	N/A	N/A
Total Resources	10,426,356	11,757,461	12.8%	56,982,074	69,901,250	22.7%	18.3%	16.8%

Budgeted and actual revenues exclude resources forward.

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	3/31/2010	3/31/2011	% Change	2010	2011	% Change	2010	2011
Non-Departmental	290,493	218,853	-24.7%	1,525,820	1,741,543	14.1%	19.0%	12.6%
City Council	170,300	139,790	-17.9%	353,130	318,241	-9.9%	48.2%	43.9%
City Manager's Office	732,691	791,232	8.0%	3,115,861	3,500,729	12.4%	23.5%	22.6%
Human Resources	246,901	292,690	18.5%	1,124,972	1,206,812	7.3%	21.9%	24.3%
City Attorney's Office	248,112	264,300	6.5%	984,121	1,160,116	17.9%	25.2%	22.8%
Parks & Community Services	1,514,901	1,501,740	-0.9%	6,722,519	7,053,447	4.9%	22.5%	21.3%
Public Works (Engineering)	830,012	831,820	0.2%	3,340,832	3,678,383	10.1%	24.8%	22.6%
Finance and Administration	865,373	978,941	13.1%	3,743,652	4,093,047	9.3%	23.1%	23.9%
Planning & Community Development	682,469	691,799	1.4%	2,730,557	3,079,987	12.8%	25.0%	22.5%
Police	4,408,487	4,866,456	10.4%	17,188,807	21,971,010	27.8%	25.6%	22.1%
Fire & Building	4,571,661	4,734,957	3.6%	17,319,527	19,664,861	13.5%	26.4%	24.1%
Total Expenditures	14,561,397	15,312,577	5.2%	58,149,798	67,468,176	16.0%	25.0%	22.7%
Other Financing Uses:								
Interfund Transfers	151,969	629,344	314.1%	1,024,920	3,575,316	248.8%	14.8%	17.6%
Total Other Financing Uses	151,969	629,344	314.1%	1,024,920	3,575,316	248.8%	14.8%	17.6%
Total Expenditures & Other Uses	14,713,366	15,941,921	8.3%	59,174,718	71,043,492	20.1%	24.9%	22.4%

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

The 2011 Budget incorporates budget reductions in response to the economic downturn, additions as a result of annexation, the move to medical self-insurance, the restoration of 3.4 percent salary reductions taken in 2010, and fund restructuring to comply with accounting rule changes. These changes make comparisons to the 2010 budget challenging. Specific factors for individual departments are noted below:

Comparing to the same period last year:

- Actual 2011 expenditures for **Non-Departmental** were **24.7 percent behind** 2010 primarily due to initial savings from self-insurance for public safety retiree medical insurance premiums.
- Actual 2011 expenditures for the **City Council** were **17.9 percent behind** 2010 primarily due to a one time citizen survey paid in the first quarter of 2010.
- Actual 2011 expenditures for the **City Manager's Office** were **8.0 percent ahead** due to an increase in Municipal Court staffing with corresponding workload and revenue increases.
- Actual 2011 expenditures for **Human Resources** were **18.5 percent ahead** compared to the same period in 2010 due to an increase in personnel costs related to annexation and self-insurance staffing.
- Actual 2011 expenditures for **City Attorney's Office** were **6.5 percent ahead** compared to the same period in 2010 due to an increase in legal fees.
- Actual 2011 expenditures for the **Parks & Community Services Department** were **0.9 percent behind** 2010 due to unfilled positions and service level reductions taken in 2011.

Compared to 2010, 2011 General Fund actual expenditures are 8.3 percent ahead, despite reductions taken in response to the economic downturn, primarily due to restoration of a 3.4 percent salary reduction taken in 2010, costs associated with the upcoming annexation, and fund restructuring to comply with accounting rule changes.

(Continued on page 5)

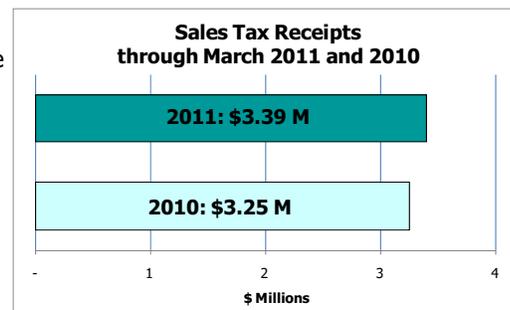
Financial Management Report as of MARCH 31, 2011

- Actual 2011 expenditures for the **Public Works Department** are **0.2 percent ahead** of 2010 almost entirely due to staffing reductions and reallocations.
- Actual 2011 expenditures for the **Finance and Administration Department** are **13.1 percent ahead** due to election costs paid in 2011 and added costs in anticipation of annexation.
- Actual 2011 expenditures for the **Planning and Community Development Department** are **1.4 percent ahead** due to personnel costs.
- Actual 2011 expenditures for the **Police Department** are **10.4 percent ahead** due to staffing (and related expenses) hired in anticipation of annexation, which commences June 1, 2011. Increases to jail costs, which have been a concern over the last few years, have moderated due to contracts with other agencies for lower rates than those charged by King County.
- Actual 2011 expenditures for the **Fire & Building Department** are **3.6 percent ahead** due to an increase in benefit costs and the replacement of portable radios. Fire suppression overtime expenses in 2011 are down about 28 percent compared to the same period last year.



Ribbon cutting at the grand opening of the Kirkland Transit Center on February 25, 2011

Sales Tax Revenue Analysis 2011 sales tax revenue, in the first quarter, is **up 4.4 percent** compared to the same period last year. Normalizing for a significant field recovery in January the increase drops to 3.2 percent. The primary reasons are improvements to the retail sectors (up 5.3 percent collectively over the same period last year) largely driven by auto/gas retail and general merchandise/miscellaneous retail. Declines in the other retail and wholesale sectors offset gains in other sectors in the first quarter of 2011.



Review by business sectors:

- The **auto/gas retail** sector is **up 9.4 percent** compared to last year. Although remaining positive, this sector has slowed over the last couple of months.
- **Other retail** is **down 6.1 percent** compared to last year due to declines in electronics, and health/personal retailers despite increased revenues to food and beverage retailers and building and garden retailers.
- The **services** sector is **up 3.9 percent** compared to last year, largely due to internet services and professional scientific sectors and despite a negative performance in the health care sector. The accommodations sector is up 8.0 percent or about \$3,800.
- **Wholesale** is **down 15.2 percent** compared to last year due to variations in development-related activity and despite positive impacts from the streamlined sales tax sourcing rule change.
- The **miscellaneous** sector is **up 1.0 percent** compared to the same period last year due to slight increases in the real estate sector.
- The **contracting** sector is **up 0.5 percent** compared to last year despite negative performance in March. While this is a significant improvement from last year, the sector is significantly below the peak year of 2007 (43.2 percent below).
- The **general merchandise/miscellaneous retail** sector is **up 12.6 percent** compared to last year despite weak performance in March. This sector had the largest declines in revenue performance in 2010, so the positive year-to-date performance is encouraging.
- The **retail eating/drinking** sector performance is **down 0.1 percent** compared to last year as many restaurants continue to struggle to return to positive performance.
- The **communications** sector is **up 42.5 percent** compared to last year due to significant development related activity from a telecommunications company in early 2011.

Streamlined Sales Tax

Washington State implemented new local coding sales tax rules as of July 1, 2008 as a result of joining the national Streamlined Sales Tax Agreement. Negative impacts from this change are mitigated by the State of Washington. The first quarter 2011 payment of about \$27,000 was received in March.

Neighboring Cities

Bellevue and Redmond 2011 sales tax revenue through March is up 2.6 percent and 13.5 percent respectively compared to the same period in 2010. Redmond is much higher due to \$1.5 million in field recoveries received in February 2011.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-March		Dollar Change	Percent Change	Percent of Total	
	2010	2011			2010	2011
Services	416,657	433,090	16,433	3.9%	12.8%	12.8%
Contracting	423,797	426,013	2,216	0.5%	13.1%	12.6%
Communications	114,218	162,764	48,546	42.5%	3.5%	4.8%
Auto/Gas Retail	732,477	801,329	68,852	9.4%	22.6%	23.6%
Gen Merch/Misc Retail	484,908	545,860	60,952	12.6%	14.9%	16.1%
Retail Eating/Drinking	262,947	262,723	(224)	-0.1%	8.1%	7.7%
Other Retail	444,480	417,226	(27,254)	-6.1%	13.7%	12.3%
Wholesale	177,779	150,822	(26,957)	-15.2%	5.5%	4.4%
Miscellaneous	190,212	192,135	1,923	1.0%	5.9%	5.7%
Total	3,247,475	3,391,962	144,487	4.4%	100.0%	100.0%

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2010 and 2011 year-to-date sales tax receipts in the table to the left.

City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2010	2011		
January	945,992	1,082,225	136,233	14.4%
February	1,364,023	1,366,850	2,827	0.2%
March	937,460	942,887	5,427	0.6%
Total	3,247,475	3,391,962	144,487	4.4%

- Monthly revenue performance in 2011 has maintained the improvements seen in 2010 after the mostly double digit declines experienced throughout 2009.
- January 2011 was substantially ahead of January 2010 however, a substantial portion of the gain was one-time. Field recoveries and large one-time receipts accounted for almost half of the gain. The increase was 7.8 percent after factoring out these one-time events.
- Receipts for February reflect activity during the critical holiday retail sales month of December. Positive performance for holiday shopping experienced both nationally and regionally may have contributed to January's good results, but were not experienced in Kirkland in February.
- 2011 sales tax revenue was budgeted to remain the same as 2010, so positive performance is a net gain to offset volatility that may be experienced later this year in this revenue source or in other revenue sources.

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City. For example, sales tax received by the City in March is for sales activity in January. Monthly sales tax receipts through March 2010 and 2011 are compared in the table above.

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

Comparing to the same period last year:

Totem Lake, which accounts for almost 31 percent of the total sales tax receipts, is **up 3.5 percent** primarily due to positive performance in the automotive/gas retail sales.

Almost 57 percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which accounts for over 15 percent of the total sales tax receipts, is **up 1.7 percent** primarily due to automotive/gas retail sector. These sector contribute about 38 percent of this business district's revenue.

Downtown, which accounts for over 6 percent of the total sales tax receipts, is **down 5.2 percent** due to poor performance in the retail eating/drinking sector. The retail eating/drinking and accommodations sectors and other retail provide over 69 percent of this business district's revenue.

Carillon Point & Yarrow Bay, which account for about 5 percent of the total sales tax receipts, are **up 133.8 percent**

compared to last year primarily due to communications, other retail and the accommodations sectors, and despite poor performance in the retail eating/drinking sector. About 29 percent of this business district's revenue comes from business services, retail eating/drinking and accommodations.

Houghton & Bridle Trails, which account for about 2 percent of the total sales tax receipts, are **up 18.8 percent** collectively almost entirely due to other retail, primarily due to a new retail business that opened in May 2010. The retail sectors provide about 72 percent of these business districts' revenue.

Juanita, which accounts for about 2 percent of the total sales tax receipts, is **down 9.9 percent** primarily due to retail eating/drinking. Retail auto/gas and business services. These sectors, along with miscellaneous retail, provide almost 71 percent of this business district's revenue.

When reviewing sales tax receipts by business district, it's important to point out that over 40 percent of the revenue received in 2011 is in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from Internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan - Mar Receipts		Dollar Change	Percent Change	Percent of Total	
	2010	2011			2010	2011
Totem Lake	999,424	1,034,647	35,223	3.5%	30.8%	30.5%
NE 85th St	511,279	519,741	8,462	1.7%	15.7%	15.3%
Downtown	231,108	219,146	(11,962)	-5.2%	7.1%	6.5%
Carillon Pt/Yarrow Bay	70,089	163,875	93,786	133.8%	2.2%	4.8%
Houghton & Bridle Trails	70,387	83,605	13,218	18.8%	2.2%	2.5%
Juanita	71,490	64,438	(7,052)	-9.9%	2.2%	1.9%
Unassigned or No District:						
Contracting	423,797	426,013	2,216	0.5%	13.1%	12.6%
Other	869,901	880,497	10,596	1.2%	28.9%	27.8%
Total	3,247,475	3,391,962	144,487	4.4%	100.0%	100.0%

Sales Tax Revenue Outlook Sales tax receipts has been positive for 2011 compared to 2010, as illustrated in the monthly chart on the previous page. One-time field recoveries has supplemented the increase by a little more than one percent. Upside trends pose potential risks—the general merchandise/miscellaneous retail, automotive/gas retail and communications sectors has contributed the largest amount of gain, but these sectors are very sensitive to economic conditions. Contracting saw a significant increase in January, which offset the declines experienced in February and March. Other retail, wholesale and retail eating/drinking have not shown signs of recovery. The impact from streamlined sales tax sourcing rule changes has negatively impacted some sectors, but is offset by gains in others. The shaky economic recovery poses significant risk to the City's ability to maintain services, since sales tax is one of the primary sources of general fund revenue. Changes in revenue structure over the last few years has provided some balance to offset the volatility inherent in sales tax.

OFFICE VACANCIES:

According to CB Richard Ellis Real Estate Services, the Eastside vacancy rate is 17.4 percent for the first quarter of 2011 compared to 19.7 percent for the first quarter of 2010. Kirkland's 2011 vacancy rate is 21.6 percent, significantly lower than the 2010 rate of 30.6 percent. Continuing trends seen in 2010, the first quarter of 2011 has seen a steady decrease in vacancy rates in Kirkland.

The Puget Sound regional market recovery appears to continue with nearly 425,000 square feet of positive absorption during the first quarter, with 31 percent occurring on the Eastside. Positive absorption occurs when the total amount of available office space decreases during a set period.

Brokers agree that as the economy improves vacancy rates will continue to drop and rental rates will increase.

LODGING TAX REVENUE:

Lodging tax 2011 revenue is up 8.1 percent compared to the same period last year.

Economic Environment Update Washington State's economy continues to recover, but slowly and hesitantly according to the latest update from the Washington State Economic and Revenue Forecast Council. Employment continues to rise at a slow pace, and consumer spending appears to be holding. However, home prices according to the CaseShiller Home Price Index for Seattle declined each of the past eight months and in March were 6.6 percent lower than 2010. The Japanese earthquake and tsunami are a short-term threat to recovery as there is evidence of exports to Japan backing up at Washington ports. As Japanese infrastructure is rebuilt and shipments are able to be received, it is expected that exports to Japan will recover. The national forecast in contrast is more positive than what is presented for the state. The side bar on page 9 presents information on the national forecast based on a survey done by the Federal Reserve Bank of Philadelphia.

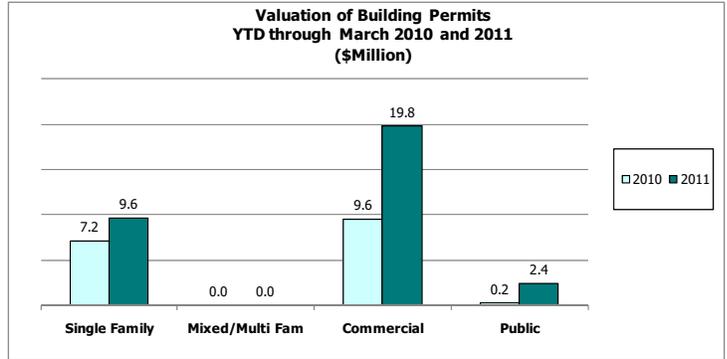
The U.S. **consumer confidence index** fell to **63.8** in March after jumping to 72.0 in February, the highest level in three years. February was considerably higher than January, which was 64.8. Despite the drop in March, consumer confidence levels for the first quarter of 2011 have remained near levels not seen since May 2010 (63.3). An index of 90 indicates a stable economy and one at or above 100 indicates growth.

King County's **unemployment rate** was **8.4 percent** in March 2011 compared to 8.9 percent in March 2010. While remaining high compared to a few years ago, King County is considerably lower than both Washington State and national rates, which are 9.7 and 9.2 percent respectively.

The Western Washington chapter of **Purchasing Managers survey index** saw a **decrease** in March at **65.0**, down from 71.2 in February. The national survey index also decreased to 61.2 from 61.4. Both indexes are similar to those seen throughout 2010. An index reading greater than 50 indicates a growing economy, while scores below 50 suggest a shrinking economy.

(Continued on page 8)

Local **development activity** through March comparing 2010 to 2011 as measured by the valuation of City of Kirkland building permits is illustrated in the chart to the right. Activity has improved in the single family, commercial and public sectors. However, there has been no activity in the mixed use/multifamily. The first quarter 2011 building permit valuation was 87 percent more than the first quarter of 2010.



Closed sales of **new and existing single-family homes** on the Eastside were down 5.5 percent in March 2011 compared to March 2010. However, the median price of a single family home increased 0.4 percent (\$497,150 compared to \$495,000).

Closed sales for condominiums were down 11.5 percent and the median price dropped 5.4 percent (to \$240,000 from \$253,832).

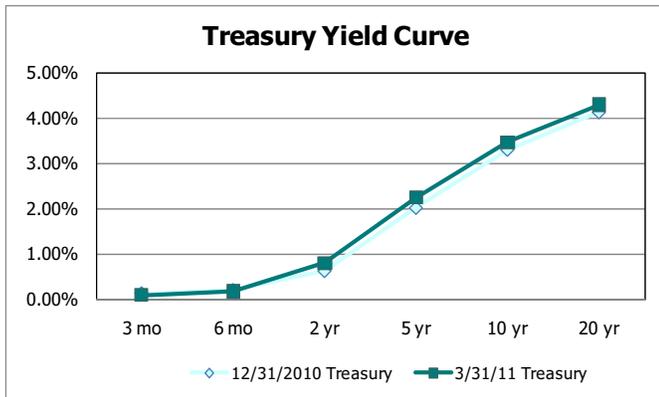
Countywide, closed sales were down 4.5 percent compared to 2010. March had more single family closed sales than any month since June 2010. This upswing in sales is attributed to consumer concerns about potential increases to mortgage interest rates, which have been increasing since November 2010, and lower prices.

Seattle metro consumer price index (CPI), in February was the highest it has been since December 2009, at 2.1 percent. The Seattle index is calculated bi-monthly. The national index was 2.3 percent in February and 3.0 percent in March. Since December, the CPI in Seattle and nationally has increased by more than 1.0 percent. According to the U.S. Bureau of Labor Statistics, this increase was impacted by higher prices for gasoline and shelter. The June 2010 index was the contractual basis for 2011 cost of living (COLA) increases and was down 0.10 percent compared to June 2009, which means that employees received no cost of living adjustment in 2011, for the second consecutive year. CPI is used to identify periods of inflation or deflation.

Investment Report

MARKET OVERVIEW

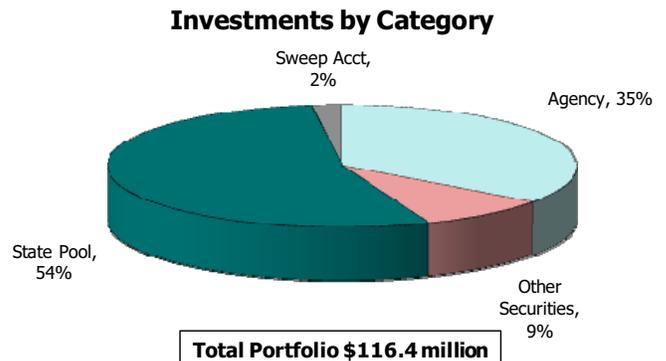
The Fed Funds rate remained at 0.25 percent during the first quarter of 2011 as the economy continued giving mixed signals of a slow recovery. The yield curve remained almost unchanged with only slight increases in interest rates from the 2 Year maturity out to the 20 Year maturity.



CITY PORTFOLIO

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

The City's portfolio decreased in the first quarter of 2011 to \$116.4 million compared to \$118.3 million on December 31, 2010. The decrease in the portfolio is related to the normal cash flows of the first quarter, as the first half of property taxes is received at the end of April.



Diversification

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

Investment Report *continued*

2011 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

As of March 31st, the outlook for growth in the U.S. economy looks more positive now than it did just three months ago, according to 43 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 3.2 percent in 2011. CPI inflation is expected to average 1.7 percent in 2011 and 2.0 percent in 2012. The unemployment rate is expected to average 9.1 percent in 2011 and fall to 8.5 percent in 2012. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level throughout 2011.

The duration of the portfolio will decrease as securities mature and are called. Opportunities for increasing portfolio returns are scarce as shorter term interest rates continue at historically low levels. New security purchases will be made as opportunities to obtain moderate returns become available. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.23 percent and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2011 is \$785,000.

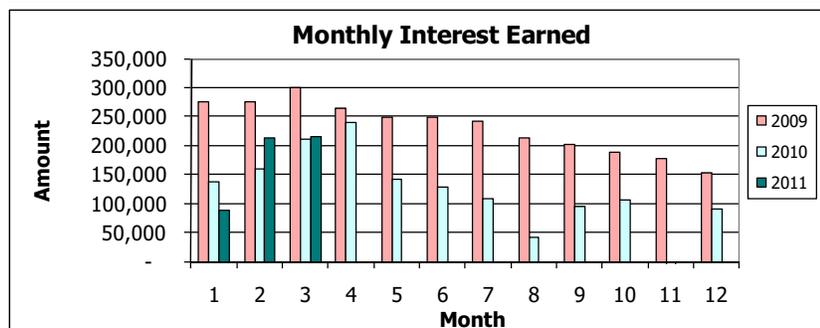
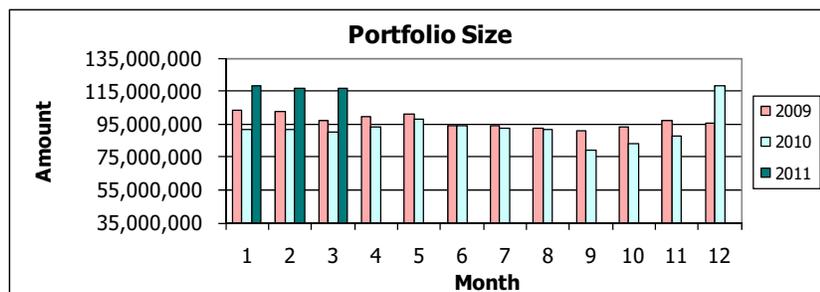
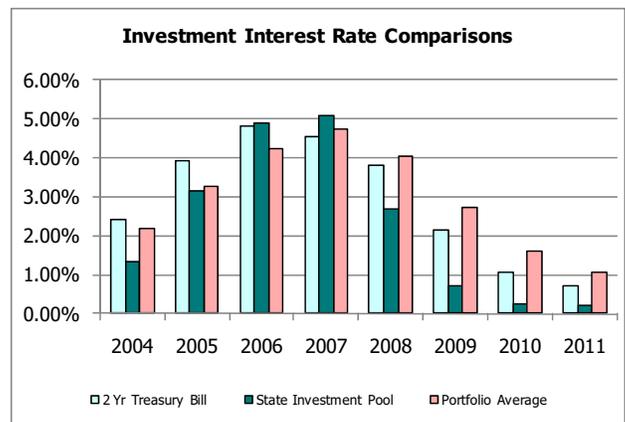
Liquidity

The target duration for the City's portfolio is based on the 2 year treasury rate which increased from 0.61 percent on December 31, 2010 to 0.80 percent on March 31, 2011. The average maturity of the City's investment portfolio increased slightly from 1.07 years on December 31, 2010 to 1.28 years on March 31, 2011 due to the purchase of longer term securities which gained slightly higher yields. It is expected that those securities will be called on their call dates as the interest rates of the securities are higher than current rates.

Benchmark Comparison	December 31, 2010	March 31, 2011
City Yield to Maturity	1.00%	1.03%
City Average YTM	1.61%	1.08%
City Year to Date Yield	1.75%	1.48%
90 Day Treasury Bill	0.17%	0.09%
2 yr Rolling Avg 2 yr T Note	0.80%	0.78%

Yield

The City Portfolio yield to maturity increased from 1.00 percent on December 31, 2010 to 1.03 percent on March 31, 2011. Through March 31, 2011, the City's annual average yield to maturity was 1.08 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.78 percent on March 31, 2011. The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the graph above.



Reserves are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances at the end of the biennium as of March 31, 2011.

Reserve Analysis

General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn and allowed the City to mitigate some negative impacts to services. General Fund 2010 year-end cash is used to replenish this reserve in the amount of \$600,000 in 2011 and further replenishment will be a high priority.
- The **Building and Property Reserve** is a planned use as part of the funding sources available for facility expansion and renovation projects, which include the new Public Safety Building, Maintenance Center, and City Hall.

General Capital Reserves

- The downturn in real estate transactions over the last few years has significantly impacted **Real estate excise tax (REET)** collections resulting in adjustments to capital project planning to reflect available funding. First quarter 2011 revenue is about 18 percent ahead of first quarter 2010 and appears to be on target with budget. However, since this revenue is highly volatile, it is difficult to predict whether this trend will continue throughout the year. It also is less than half of the revenue received in 2007.
- **Impact fees** have also been significantly reduced as a result of the severe downturn in development activity, resulting in adjustments to capital projects plans. First quarter 2011 revenue is about 20 percent behind the same period in 2010 and both years fall far below historical trends. As a result, there is no planned use of this revenue for projects in the current budget cycle.

Internal Service Fund Reserves

- **Systems Reserve** (Information Technology) during the current biennium is expected to use most of this reserve for replacement of the Maintenance Management System.
- The **Radio Reserve** (Fleet) was used in its entirety as small part of the funding source for a major replacement of police and fire radios that began in 2010, and is expected to finish by the end of 2012.
- City Council provided direction to staff as part of the 2011-12 budget process to develop recommendations for establishing new sinking fund reserves for technology and public safety equipment (including radios) for consideration in the 2013-14 budget process to address the lack of ongoing funding for the periodic replacement of these items.

General Government & Utility Reserves Targets Summary

Reserves	2011 Beginning Balance	Adopted 2012 Ending Balance	Revised 2012 Ending Balance	2011-12 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,127,496	(1,320,983)
Revenue Stabilization Reserve	131,431	731,431	731,431	2,279,251	(1,547,820)
Council Special Projects Reserve	201,534	251,534	246,534	250,000	(3,466)
Contingency	2,051,870	2,201,870	2,201,870	4,016,232	(1,814,362)
General Capital Contingency:	4,844,957	4,669,463	4,669,463	6,766,320	(2,096,857)
General Purpose Reserves with Targets	10,086,305	10,710,811	10,705,811	17,489,299	(6,783,488)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	70,000	70,000	70,000	50,000	20,000
Firefighter's Pension Reserve	1,596,900	1,736,098	1,736,098	1,568,207	167,891
Health Benefits Fund:					
Claims Reserve	0	1,424,472	1,424,472	1,424,472	0
Rate Stabilization Reserve	0	500,000	500,000	500,000	0
Excise Tax Capital Improvement:					
REET 1	1,530,280	1,019,907	1,019,907	1,035,000	(15,093)
REET 2	7,121,695	4,975,718	4,892,465	11,484,000	(6,591,535)
Water/Sewer Operating Reserve:	1,979,380	1,979,380	1,939,380	1,979,380	(40,000)
Water/Sewer Debt Service Reserve:	822,274	508,717	508,717	508,717	0
Water/Sewer Capital Contingency:	1,793,630	1,793,630	1,793,630	250,000	1,543,630
Surface Water Operating Reserve:	412,875	412,875	412,875	412,875	0
Surface Water Capital Contingency:	858,400	858,400	858,400	758,400	100,000
Other Reserves with Targets	16,185,434	15,279,197	15,155,944	19,971,051	(4,815,107)
Reserves without Targets	29,828,776	35,498,348	35,393,348	n/a	n/a
Total Reserves	56,100,515	61,488,356	61,255,103	n/a	n/a

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

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

All Other Reserves with Targets have restrictions for use either from the funding source or in the case of Litigation Reserve, by Council-directed policy.

The summary to the right details all Council authorized uses and additions to each reserve for the biennium through March 2011

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2011-12 Council Authorized Uses		
Council Special Projects Reserve	\$5,000	Eastside Severe Weather Shelter
Excise Tax Capital REET 2	\$83,253	6th Street
Street Improvement Fund	\$5,000	Highway 520 Traffic Counts
Water/Sewer Operating Reserve	\$40,000	NE 85th Street Emergency Watermain Repair
Water/Sewer Construction Reserve	\$100,000	99th Place NE/100th Ave NE Sidewalk
2011-12 Council Authorized Additions		

No Authorized City Council additions as of March 31, 2011

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

Note: Fund structure changes required by new accounting requirements moved many of the General Purpose reserves out of the Parks & Municipal Reserve Fund (which was closed) and to the General Fund.

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

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

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

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

Reserves	Description	2011 Beginning Balance	Adopted 2012 Ending Balance	Additional Authorized Uses/Additions	Revised 2012 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	0	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	131,431	731,431	0	731,431
Building & Property Reserve	Property-related transactions	1,972,213	1,972,213	0	1,972,213
Council Special Projects Reserve	One-time special projects	201,534	251,534	(5,000)	246,534
Contingency	Unforeseen expenditures	2,051,870	2,201,870	0	2,201,870
Total General Fund/Contingency		7,213,561	8,013,561	(5,000)	8,008,561
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	70,000	70,000	0	70,000
Labor Relations Reserve	Labor negotiation costs contingency	70,606	70,606	0	70,606
Police Equipment Reserve	Equipment funded from seized property	50,086	50,086	0	50,086
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	800,000	0	800,000
Development Services Reserve	Revenue and staffing stabilization	502,011	652,011	0	652,011
Tour Dock	Dock repairs	81,745	81,745	0	81,745
Tree Ordinance	Replacement trees program	29,117	29,117	0	29,117
Donation Accounts	Donations for specific purposes	185,026	185,026	0	185,026
Revolving Accounts	Fee/reimbursement for specific purposes	436,386	436,386	0	436,386
Cemetery Improvement	Cemetery improvements/debt service	439,415	439,415	0	439,415
Off-Street Parking	Downtown parking improvements	10,776	10,776	0	10,776
Firefighter's Pension	Long-term care/pension benefits	1,596,900	1,736,098	0	1,736,098
Total Special Purpose Reserves		4,890,147	5,179,345	0	5,179,345
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	1,530,280	1,019,907	0	1,019,907
REET 2	Transportation capital projects	7,121,695	4,975,718	(83,253)	4,892,465
Impact Fees:					
Roads	Transportation capacity projects	525,095	1,112,245	0	1,112,245
Parks	Parks capacity projects	2,033	3,038	0	3,038
Street Improvement	Street improvements	1,092,258	1,092,258	(5,000)	1,087,258
General Capital Contingency	Changes to General capital projects	4,844,957	4,669,463	0	4,669,463
Total General Capital Reserves		15,116,318	12,872,629	(88,253)	12,784,376
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	1,979,380	1,979,380	(40,000)	1,939,380
Water/Sewer Debt Service Reserve	Debt service reserve	822,274	508,717	0	508,717
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,793,630	1,793,630	0	1,793,630
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	7,870,665	9,871,542	(100,000)	9,771,542
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	412,875	412,875	0	412,875
Surface Water Capital Contingency	Changes to Surface Water capital projects	858,400	858,400	0	858,400
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	2,483,250	3,666,250	0	3,666,250
Surface Water Construction Reserve	Trans. related surface water projects	2,848,125	3,376,431	0	3,376,431
Total Utility Reserves		19,068,599	22,467,225	(140,000)	22,327,225
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve	Health benefits self insurance claims	0	1,424,472	0	1,424,472
Rate Stabilization Reserve	Rate stabilization	0	500,000	0	500,000
Equipment Rental:					
Vehicle Reserve	Vehicle replacements	7,718,221	8,047,063	0	8,047,063
Radio Reserve	Radio replacements	0	0	0	0
Information Technology:					
PC Replacement Reserve	PC equipment replacements	258,311	318,646	0	318,646
Major Systems Replacement Reserve	Major technology systems replacement	245,500	84,900	0	84,900
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,039,858	2,030,515	0	2,030,515
Total Internal Service Fund Reserves		9,811,890	11,031,124	0	11,031,124
Grand Total		56,100,515	61,488,356	(233,253)	61,255,103



123 5th Avenue
Kirkland, Washington 98033
425-587-3101

- ◆ Tracey Dunlap, Director of Finance & Administration
- ◆ Michael Olson, Deputy Director of Finance & Administration
- ◆ Sri Krishnan, Financial Planning Manager
- ◆ Neil Kruse, Senior Financial Analyst
- ◆ Tammy McCorkle, Budget Analyst
- ◆ Karen Terrell, Budget Analyst

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

- It provides a **summary budget to actual comparison** for year-to-date revenues and expenditures for all operating funds. The report also compares this year's actual revenue and expenditure performance to the prior year.
- The **Sales Tax Revenue Analysis** report takes a closer look at the City's largest and most economically sensitive revenue source.
- **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
- The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
- The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.

Economic Environment Update References:

- Carol A. Kujawa, MA, A.P.P., *NAPM-Western Washington Report On Business*, National Assoc. of Purchasing Management, March, 2011
- Eric Pryne, *More Spring in Local Home Sales, But Too Soon to Call it a Trend*, The Seattle Times, April 6, 2011
- Lucia Mutikani, *February Consumer Confidence Jumps to 70.4*, Market Watch, February 22, 2011
- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2011
- Economic & Revenue Update—Washington State Economic & Revenue Forecast Council
- Consumer Board Confidence Index
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department

May 2011 Financial Dashboard Highlights**June 21, 2011**

- The dashboard report reflects the 2011 annual budget adopted by the City Council on December 7, 2010 and budget adjustments adopted in March 2011. The actual revenues and expenditures summarized in the dashboard reflect five months of data, which represents 41.67% of the calendar year. This report will be a challenge to interpret in 2011 due to annexation, which will impact expenditures and revenues at different times throughout the year. In particular, the City will incur increasing expenses month-by-month as we are gearing up for annexation, but no revenue from the annexation area will be collected until July and the bulk of the revenue will not be received until the fourth quarter. As a result, in the first part of the year, we will provide two dashboard versions: one that includes the annexation-related budget and one that excludes it.
- Total General Fund revenues are slightly below expectations but higher than May 2010 due to the following:
 - The 2011 budget includes revenues projected for the annexation area. If annexation revenues are removed from the budget May revenues received would be at 45.9 percent of budget. In 2010 May revenues were at 39.4 percent of budget.
 - Selected large General Fund revenues are received in periodic increments including property tax (mostly received in April/May and October/November) and Fire District 41 and King County EMS payments (quarterly or semi-annually). Fire District 41 revenues for the first quarter and two months of the second quarter were received and 51.56 percent of projected property taxes have been received.
 - May sales tax revenue is up 5.4 percent compared to May 2010. The monthly comparison is skewed due to one-time Washington State Department of Revenue amnesty program revenues. Excluding these one-time revenues would result in sales tax revenue being down 1.0% for May. Year-to-date revenue performance is up 2.8 percent compared to the same period last year. Sales tax revenue received this month is for activity in March.
 - Utility tax receipts are within budget expectations. With annexation revenues removed from the budget, utility taxes would be at 43.8 percent of budget.
 - The business license revenues year-to-date are ahead of last year by \$256,726, and ahead of budget expectations. Part of the increase is due to business licenses in the new neighborhoods.
 - Development revenues are below budget expectations, although higher than revenues through May 2010 by \$315,376. With projected annexation revenues removed from the budget, development revenues would be at 39.4 percent of budget. More information about development activity in May is available at the end of the dashboard report.
 - Gas tax revenues fell short of expectations due to reduced usage resulting from increased prices (gas tax is collected on a per gallon basis). With projected annexation revenues removed from the budget, gas tax falls short of expectations at 39.0 percent of budget.
- Total General Fund expenditures are within expectations.
 - Overall, General Fund expenditures are slightly trailing the budget including annexation (36.6%). With 2011 annexation service packages removed from the budget May expenditures would be at 40.9 percent of budget.
 - Fire Suppression overtime and jail contract costs are in line with budget expectations. Note that the overtime budget reflects the March adjustment to recognize the EMS Transport fee revenues and restoration of most of the suppression overtime budget.
 - Fuel costs are currently in line with budget expectations, although the average price per gallon through May was \$3.54 and the 2011 budget is based on an average of \$3.10 per gallon. If fuel costs continue to rise they may exceed budget.

City of Kirkland Budget Dashboard

Annual Budget Status as of

(Note 1)

Percent of Year Complete

41.67%

REFLECTS BUDGET

6/21/2011

INCLUDING ANNEXATION

REVENUES AND EXPENSES

	2011 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Month	Last Month	
General Fund						
Total Revenues	69,901,250	27,131,728	38.8%			Property tax/FD41/EMS spike in 2Q
Total Expenditures (2)	71,043,492	26,025,922	36.6%			

Key Indicators (All Funds)

<i>Revenues</i>						
Sales Tax	13,355,899	5,445,632	40.8%			Prior YTD = \$ 5,296,249
Utility Taxes	12,436,696	4,738,175	38.1%			
Business License Fees	2,841,234	1,461,727	51.4%			
Development Fees	3,961,939	1,315,270	33.2%			
Gas Tax	1,253,253	414,767	33.1%			
<i>Expenditures</i>						
GF Salaries/Benefits	47,067,582	17,573,274	37.3%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	824,109	241,914	29.4%			
Contract Jail Costs	1,620,868	355,173	21.9%			
Fuel Costs	418,500	171,642	41.0%			

Status Key

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



Note 1 - Report shows annual values during the first year of the biennium (2011).

Note 2 - Total budgeted expenditures exceed revenues in 2011 and are offset by revenues exceeding expenditures in 2012, due to the biennial budget.

n/a - not applicable

City of Kirkland Budget Dashboard

Annual Budget Status as of

(Note 1)

Percent of Year Complete

41.67%

REFLECTS BUDGET

6/21/2011

EXCLUDING ANNEXATION

REVENUES AND EXPENSES

	2011 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Month	Last Month	
General Fund						
Total Revenues	59,069,786	27,131,728	45.9%			Property tax/FD41/EMS spike in 2Q
Total Expenditures (2)	63,592,997	26,025,922	40.9%			

Key Indicators (All Funds)

<i>Revenues</i>						
Sales Tax	12,986,200	5,445,632	41.9%			Prior YTD = \$5,296,249
Utility Taxes	10,823,609	4,738,175	43.8%			
Business License Fees	2,469,064	1,461,727	59.2%			
Development Fees	3,334,566	1,315,270	39.4%			
Gas Tax	1,063,853	414,767	39.0%			
<i>Expenditures</i>						
GF Salaries/Benefits	43,597,599	17,573,274	40.3%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	770,504	241,914	31.4%			
Contract Jail Costs	1,248,300	355,173	28.5%			
Fuel Costs	418,500	171,642	41.0%			

Status Key

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



Note 1 - Report shows annual values during the first year of the biennium (2011).

Note 2 - Total budgeted expenditures exceed revenues in 2011 and are offset by revenues exceeding expenditures in 2012, due to the biennial budget.

n/a - not applicable

Development Services Report – May 2011

A review of the May 2011 permit data allows us to offer the following:

- New single-family residential permit applications for May were up with 15 applications received compared to 5 in May of last year. So far this year we have had 45 new single-family applications compared to 33 last year. There was a decrease in commercial tenant improvement permits and single-family remodel permits (143 applications year to date compared to 150 last year).
- The monthly average of total permits received so far in 2011 (220) is slightly ahead of the monthly average for 2010 (208), with the total number of permits received in May 2011 (273) exceeding May 2010 (249).
- Building Department revenue for May was \$137,149, which is 23% below our Base Budget projected monthly revenue average of \$179,391 for the first 5 months of 2011. This projected monthly average will increase to \$237,946 beginning in June with the additional projected revenue of \$58,555 due to annexation area permitting. In addition to this increased revenue from our new customers, we anticipated issuing two schools in the annexation area and another one within the current city limits in June. All of these schools are currently under review and each is valued at around \$100,000 in permit fees which should offset any revenue shortfalls in the first 5 months. This projected monthly average will increase again to \$416,911 for November and December with the additional projected revenue of \$178,965 for the redevelopment of Parkplace. We hope to see some of this revenue sooner if Touchstone agrees to the Progressive Plan Review approach to provide review services during the design process.
- Public Works Department development revenue for May 2011 was \$36,193, which is \$8,015 below the monthly projected revenue average of \$44,208. However, Public Works has received 52% of their budget revenue in the first five months of 2011 and several large projects (such as the new schools and several annexation area development projects) are currently under review and will generate significant fee revenue in the third quarter of 2011.
- Planning Department revenue for May 2011 was \$137,029 which is \$99,432 above our adjusted monthly projected revenue average of \$37,597 for 2011. Two major Process IIB permits were received in May that account for much of this revenue, Totem Station (a mixed use project in Totem Lake), and the International Community School remodel. Year to date, Planning revenues exceed budget by \$99,748.



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
 Karen Terrell, Budget Analyst

Date: June 29, 2011

Subject: June Sales Tax Revenue Analysis

June sales tax revenue is **up 3.7 percent** compared to June 2010. The monthly comparison is skewed due to one-time Washington State Department of Revenue amnesty program revenues. Excluding these one-time revenues would result in sales tax revenue being up 0.4 percent for June. **Year-to-date** revenue performance is **up 3.0 percent** compared to the same period last year. Excluding one-time amnesty revenues would result in the year-to-date performance being up 1.3 percent. Sales tax revenue received this month is for activity in April.

Comparing June 2011 performance to June 2010, the following business sector trends are noteworthy:

- **Auto/gas retail** sector is **up 13.7 percent** this month (about \$33,000), primarily due to positive performance by most of the key businesses in this sector.
- The **miscellaneous** sector performance is **up 31.4 percent** (about \$25,000). This category includes about \$33,000 of the local portion of sales tax remitted to the Department of Revenue as part of the amnesty program. Factoring out these one-time revenues, this sector would be down 10.8 percent.
- The **services** sector is **up 13.0 percent** (about \$14,300) primarily due to strong performance in the administrative support, arts and entertainment and professional scientific categories.
- **Other retail** is **up 3.0 percent** (almost \$2,700), primarily due to a positive performance in electronics, furniture, clothing and food and beverage retailers in this sector.
- **Retail eating/drinking** sector is **up 3.1 percent** (about \$2,700). A one-time correction to an establishment in this sector accounts for most of the increase.
- **Communications** is **down 4.0 percent** (about \$1,500), due to negative performance in telecommunications.
- **Wholesale** is **down 9.8 percent** (about \$6,500), due to a decrease in the durable goods category.
- The **general merchandise/miscellaneous retail** sector is **down 8.4 percent** (about \$10,800), due to declines in taxable retail sales for two key retailers.
- **Contracting** sector performance is **down 15.6 percent** (about \$21,700), the fifth consecutive negative monthly performance.

Year-to-Date Business sector review:

- Retail sectors sales tax revenue collectively are up 4.3 percent compared to 2010, specifically:
 - The **general merchandise/miscellaneous retail** sector is **up 6.0 percent** compared to last year, despite the negative performance this month.

- The **auto/gas retail** sector is **up 8.6 percent** compared to last year. This category tops the retail sector with the largest dollar increase year to date.
 - The **retail eating/drinking** sector performance is **up 1.5 percent** compared to last year. While this is a small increase it is an improvement from the consistently negative performance this sector experienced last year.
 - **Other retail** is **down 3.3 percent** compared to last year, despite the positive performance this month.
- The **miscellaneous** sector is **up 19.5 percent** compared to last year, due to the one-time amnesty program revenue. Factoring out one-time amnesty revenues received in May and June, this category would be down 6.2 percent.
 - The **communications** sector is **up 15.5 percent** compared to last year due to the significant development related activity from telecommunications companies earlier this year.
 - The **services** sector is **up 1.3 percent** compared to last year, largely due to positive performance in the accommodation, internet and professional scientific categories and despite negative performance in the healthcare category. The accommodations category is up 7.7 percent or about \$8,000.
 - The **contracting** sector is **down 5.8 percent** compared to last year due to the completion of several large projects (e.g. Lake Washington High School and Kirkland Transit Center) that generated significant revenues last year and various commercial tenant improvements.
 - **Wholesale** is **down 11.1 percent** compared to last year, largely due to continued declines in the durable goods category.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-June		Dollar Change	Percent Change	Percent of Total	
	2010	2011			2010	2011
Services	793,331	803,774	10,443	1.3%	12.6%	12.4%
Contracting	838,283	789,722	(48,561)	-5.8%	13.3%	12.2%
Communications	224,382	259,164	34,782	15.5%	3.6%	4.0%
Auto/Gas Retail	1,439,819	1,563,956	124,137	8.6%	22.8%	24.1%
Gen Merch/Misc Retail	868,492	920,426	51,934	6.0%	13.8%	14.2%
Retail Eating/Drinking	518,344	526,062	7,718	1.5%	8.2%	8.1%
Other Retail	820,174	793,066	(27,108)	-3.3%	13.0%	12.2%
Wholesale	402,277	357,624	(44,653)	-11.1%	6.4%	5.5%
Miscellaneous	400,243	478,414	78,171	19.5%	6.3%	7.4%
Total	6,305,345	6,492,208	186,863	3.0%	100.0%	100.0%

Conclusion

While the year continues on a positive note, performance for June is disappointing because, without the revenues from the Washington State Department of Revenue amnesty program, the sales tax figures would be up only 0.4 percent for this period. The City did not see as large of an increase in revenue from the amnesty program this month as it did last month. The final amnesty revenues are anticipated in July.

The sales tax from the newly annexed areas will not begin to accrue to the City until July 1, with the first revenues received in September 2011.

On a national level, the June consumer confidence index fell to 58.5 from the May index of 61.7, a sign that consumers are very concerned about current conditions and continue to be worried about the short-term outlook. Consumers rated both current business and labor market conditions less favorably than in May, and fewer consumers than last month foresee conditions improving over the next six months.

The Washington State economy continues to grow, but at a much slower pace than originally anticipated. Economic indicators continue to decline, similar to the national situation. The high gas prices, slow job growth and declining housing market continue to deter consumers' spending and confidence. The Japanese disaster was another setback to the state's recovery. Eventually reconstruction activity will be a plus for our state's economy, but in the near term the devastation has disrupted supply chains and reduced demand for Washington products.

Washington employment grew at a slower pace than expected in the last three months. Washington employers added 8,400 net new jobs in March and April. There was no job growth in May. Washington State economists had expected 14,800 jobs in the March forecast. Aerospace and software are expanding, but construction remains in a prolonged slump.

The private sector added 11,100 jobs in March, April, and May but public sector employment declined by 2,700 jobs yielding a statewide gain of 8,400 jobs. Construction employment was unchanged over the last three months, while manufacturing added 2,600 of which 1,800 were in the aerospace sector. Private service-providing industries, which account for two out of three jobs in Washington, added 8,500 jobs. Though Washington employment growth was weaker than the March forecast projected, the level of employment is higher because of revised historical data. Job growth is expected to improve gradually during the remainder of 2011. Boeing and Microsoft are expanding again, adding significantly to jobs and incomes.

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
					Internal Transf./Chrg.	Reserves	Resources Forward	External Revenue	
OTHER FUNDS continued									
Street Operating Fund									
Council Directed/Other	PW	Use of Street Improvement Reserve for SR 520 Tolling	5,000						Line Item - Transfer out of Reserves to General Fund
Council Directed/Other	PW	Antique Mall Parking Lot Striping	1,500						Off Street Parking Reserve
Council Directed/Other	PW	REET Flexibility for Street Maintenance O&M	100,000	100,000	100,000				REET reserves
Street Operating Fund Total			106,500	100,000	100,000	-	-	-	
Real Estate Excise Tax Fund									
Council Directed/Other	N/A	REET Flexibility for General Fund and Street O&M	194,534						REET Reserves
Real Estate Excise Tax Fund Total			194,534	-	-	-	-	-	
UTGO Debt Service Fund									
Housekeeping	N/A	Resources Forward Reconciliation	(16,189)	(16,189)			(16,189)		Resources Forward
UTGO Debt Service Fund Total			(16,189)	(16,189)	-	-	(16,189)	-	
General Capital Projects Fund									
Council Directed/Other	N/A	Neighborhood Connections Program Project Closures	91,839						Return to General Capital Contingency
Council Directed/Other	PW	Facilities Deferred Life Cycle Projects for Facilities Expansion	1,982,538						Facilities Life Cycle funding
Council Directed/Other	PW	Facilities Deferred Projects for Facilities Expansion	1,079,651						General Purpose Revenue funding
Council Directed/Other	PW	Facilities Deferred Projects for Facilities Expansion	2,297,984						REET 1 funding
Council Directed/Other	IT	Technology Project Closures	41,707						Technology project closures set aside
Council Directed/Other	PK	Transportation CIP Project Closures	(71,466)						General Capital Contingency funding project closures
Council Directed/Other	PK	Parks CIP Project Closures REET 1	192,476						REET 1 set aside from Parks project closures
Council Directed/Other	FB	Public Safety CIP Re-prioritize for Tables Grant Match	(27,650)						Public Safety CIP funding
Council Directed/Other	FB	Consolidated Station Bond Proceeds per Fire District #41 ILA	4,000,000	4,000,000				4,000,000	Fire District #41 Bond Proceeds
General Capital Projects Fund Total			9,587,079	4,000,000	-	-	-	4,000,000	
Transportation Capital Projects Fund									
Council Directed/Other	PW	Transportation CIP Project Closures	392,981						REET 2 funding
Council Directed/Other	PW	Transportation CIP Project Closures	126,222						General Purpose/Other funding
Council Directed/Other	PW	Solid Waste Funding for Street Preservation Program ST 0006	300,000	300,000	300,000				Transfer in from Solid Waste Working Capital Reserve
Grant Capital Projects Fund Total			819,203	300,000	300,000	-	-	-	
Water/Sewer Utility Operating Fund									
Council Directed/Other	PW	Use of Reserves for 85th St Water Main Leak	2,500						Line Item - Transfer from Water/Sewer Operating Rsv
Council Directed/Other	PW	Changes Due to Rose Hill Water District Building Demolition	(6,218)	(6,218)				(6,218)	Intergovernmental Revenue
Housekeeping	N/A	Resources Forward Reconciliation	(4,299)	(4,299)			(4,299)		Resources Forward
Water/Sewer Utility Operating Fund Total			(8,017)	(10,517)	-	-	(4,299)	(6,218)	

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
					Internal Transf./Chrg.	Reserves	Resources Forward	External Revenue	
Water/Sewer Capital Fund									
Council Directed/Other	PW	Transportation-related Water CIP Project Closures	68,998						Water/Sewer Utility reserve
Council Directed/Other	PW	Water/Sewer CIP Project Closures	588,123						Water/Sewer Utility reserve
Council Directed/Other	PW	Additional Use of Reserves for WSDOT NE 116th St Interchange	32,000						Line Item - Transfer from Water/Sewer Capital Rsv
Water/Sewer Capital Fund Total			689,121	-	-	-	-	-	
Surface Water Operating Fund									
Council Directed/Other	PW	Municipal Storm Water Capacity Projects	201,165	201,165				201,165	Department of Ecology
Housekeeping	PW	Senior Inspector - Correcting an Omission	187,917						Line Item - Transfer from Surface Water Reserve
Surface Water Operating Fund Total			389,082	201,165	-	-	-	201,165	
Surface Water Capital Fund									
Council Directed/Other	PW	Transportation-related Surface Water CIP Project Closures	304,432						Surface Water transportation reserve
Council Directed/Other	PW	Surface Water CIP Project Closures	320,161						Surface Water reserve
Surface Water Capital Fund Total			624,593	-	-	-	-	-	
Health Benefits Fund									
Housekeeping	N/A	Adjusting Medical Claims Reserve	1,424,472						Line Item - Transfer of Budget to Medical Claims Rsv
Health Benefits Fund Total			1,424,472	-	-	-	-	-	
Equipment Rental Fund									
Council Directed/Other	N/A	Changes due to New Engine Company and Annexation Vehicles	412,941	412,941	412,941				Fleet Rates & Cost of Vehicle Purchase/Refurbishment
Housekeeping	N/A	Resources Forward Reconciliation	78,407	78,407			78,407		Resources Forward
Equipment Rental Fund Total			491,348	491,348	412,941	-	78,407	-	
Information Technology Fund									
Housekeeping	IT	Reallocating Tasks from IT to CMO	(51,144)	(51,144)	(51,144)				Multi Media Charges
Housekeeping	IT	IT Rates Adjustment for Annexation Positions	(111,907)	(111,907)	(111,907)				IT Rates
Information Technology Fund Total			(163,051)	(163,051)	(163,051)	-	-	-	
Facilities Fund									
Council Directed/Other	PW	City Facilities Parking Lot Striping	2,250						Facilities Reserve
Facilities Fund Total			2,250	-	-	-	-	-	
Firefighters' Pension Fund									
Housekeeping	N/A	Resources Forward Reconciliation	(1,883)	(1,883)			(1,883)		Resources Forward
Firefighters' Pension Fund Total			(1,883)	(1,883)	-	-	(1,883)	-	
TOTAL OTHER FUNDS			14,154,042	4,900,873	649,890	-	56,036	4,194,947	
TOTAL ALL FUNDS			14,595,918	5,058,160	749,424	-	(22,906)	4,331,642	



CITY OF KIRKLAND
Planning and Community Development Department
 123 Fifth Avenue, Kirkland, WA 98033 425.587.3225
 www.ci.kirkland.wa.us

MEMORANDUM

Date: June 13, 2011

To: Kurt Triplett, City Manager

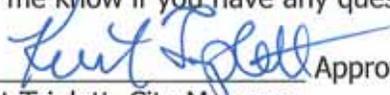
From: Paul Stewart, Deputy Planning Director

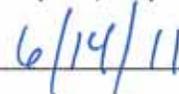
Subject: Approval for Forestry Account Funds for Tree Canopy Assessment

The City applied for and received a grant from the Washington Department of Natural Resources to undertake a tree canopy assessment. The grant application requested \$10,000 from the State and indicated that the City would provide \$10,000 for a total project cost of \$20,000.

The \$10,000 share from the City would come from the City's Forestry Account (#157 520 5820 APL 600100). This account was established as part of Chapter 95 of the Kirkland Zoning when the tree regulations were adopted in 2005 by the City Council. The account currently has approximately \$29,000. The majority of the funds for this account come from civil penalties for illegal tree removal or tree restoration payments. The funds can be used for a variety of purposes including planting or maintaining trees, urban forestry education or public tree nursery.

The Finance Department has requested your approval for the expenditure of these funds from the forestry account for the City's share of the Tree Canopy Assessment as provided for in the grant application. Please let me know if you have any questions.


 _____ Approved
 Kurt Triplett, City Manager


 _____ Date

CC: Deb Powers, Planning
 Tammy McCorkle, Finance
 Prins Cowin, Planning


CITY OF KIRKLAND

Planning and Community Development Department
 123 Fifth Avenue, Kirkland, WA 98033 425.587-3225
 www.ci.kirkland.wa.us

MEMORANDUM

To: Kurt Triplett, City Manager
 Tracey Dunlap, Finance Director

From: Eric Shields, Planning Director

Date: July 7, 2011

Subject: REQUEST FOR USE OF RESERVES

Approved w/ my edits
(Not to exceed \$57,000)

This memo is a follow up to the proposal I submitted to you earlier to utilize a \$57,000 reserve fund for development review staffing in the Planning Department. When Nancy and I met with you about this proposal, you expressed two general concerns:

1. A reluctance to approve new on-going positions without some assurance that the workload justifying the positions is likely to continue for a considerable length of time; and
2. The desire for additional data about historical permit and staff levels.

In response to your first concern, we are proposing to change our request to use the funds only for temporary additional hours for existing part-time and "on-call" staff to assist during the balance of this year. Prior to 2012, we will evaluate whether development activity justifies moving forward with hiring on-going positions approved in the 2012 budget.

With regard to the second concern, Nancy and I have reviewed available historical data and do not have sufficient information to prepare a meaningful analysis. To do so, we would need to develop a methodology to consider a variety of factors over the course of several years, including:

1. Numbers of building and land use applications received and permits issued.
2. Variety and complexity of different permit types and particular permit circumstances.
3. Permit fee revenues.
4. Budgeted staff time and time actually devoted to development review tasks relative to other planning tasks such as long range planning.
5. Changes to development regulations over time and resulting changes to staff review requirements.
6. Economic conditions and trends.
7. Work demands due to annexation – involving both implementation of new zoning and transference of permits from King County to Kirkland.

In my previous memo on this subject, I highlighted a number of workload indicators and revenue trends to justify use of the reserve funds to assist with the current work load. One of the indicators is the number of pre-(application)submittal conferences. This year we have had 54 to date, compared with 67 for all of last year. This increase in pre-submittal conferences, aside from requiring additional work to prepare for the conferences themselves, is an indicator of potential future permit activity. Planning staff have also reported a noticeable increase in public records requests which take significant time to process. However, I do not have comparative data on this and I cannot say whether this is a trend that will continue.

Memo to Tracey Dunlap

July 7, 2011

While I understand that you are not convinced that the indicators I provided justify moving ahead with on-going positions, I hope you will consider them adequate to justify using the funds for temporary increases through the end of this year, as follows:

1. Provide receptionist coverage at the front counter, freeing assistant planners to focus on development review tasks:
 - a. Add up to 20 additional hours per week for the existing half time Office Technician (estimated cost: **\$18,435** for 6 months); and
 - b. Add up to 20 hours of "on-call" support (estimated cost: **\$10,298** for six months);
2. Increase hours for existing part time staff as follows:
 - a. Development Review Manager, up to 4 hours per week (estimated cost: **\$6,989** for 6 months);
 - b. Urban Forester, up to 8 hours per week for development review tasks (estimated cost: **\$10,838** for six months). The Urban Forester is a full time position, with half of the time currently devoted to development review. The additional hours for development review would displace time working on tasks currently funded through the storm water utility. Alternatively, we could use the funds to hire a consulting arborist to help with development review;
 - c. Senior Planner, up to 8 hours per week for development review (estimated cost: **\$11,712** for six months)

The total for the above is **\$58,272**, which exceeds the \$57,000 reserve. However, the figures were calculated for a six month period, which is more than the time remaining this year. I will carefully monitor use of the fund to make sure that we do not spend more than is available.

Cc: Nancy Cox

Es:reserves2 6-28



CITY OF KIRKLAND
 Department of Public Works
 123 Fifth Avenue, Kirkland, WA 98033 425.587.3800
 www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager
 Tracey Dunlap, Director of Finance and Administration

From: Ray Steiger, P.E., Public Works Director
 Julie Elsom, Sr. Operations and Finance Analyst
 Rob Jammerman, Development & Environmental Services Manager

Date: July 7, 2011

Subject: Public Works Development Services Inspection Demands

RECOMMENDATION:

Hire a Temporary Public Works Construction Inspector through the end of 2011, with the possibility of funding through 2012 if the need persists. The cost of a Construction Inspector for the remainder of 2011 is approximately \$56,814 and can be funded using permit revenue.

BACKGROUND DISCUSSION:

Development Services permit review workload has exceeded current inspection staff resources. The two current Development Construction Inspectors are not able to keep up with the current demand for inspection services. Much of the impact is due to two significant WSDOT projects (the SR 520 widening and the I-405/NE 116th Interchange expansion); both of these projects require night and weekend work which is not able to be handled by current City inspection resources. Staff has considered a number of alternatives to provide these inspection services: hire an outside consultant firm, utilize WSDOT personnel, use CIP inspection personnel, or recruit from existing City personnel to fill the position on a temporary basis. All approaches have pros and cons; at this time, the best option is to fill the position on a temporary basis utilizing existing City staff.

In addition to the State projects, the initial grading and utility construction on two elementary projects will demand close to a full time Public Works Inspector. Major projects that will be issued permits in the next 90 days include:

Project	PW Permit Revenue (review and inspection only)
Sandburg Elementary	48,000
Keller Elementary	49,000
Capital Partners Short Plat	21,000
WSDOT 520 & NE 116 th	120,000
Harmon Ridge Plat	25,000
AG Bell Elementary (prelim work)	4,000

Vintners Ridge (prelim drainage work)	10,000
TOTAL	\$283,000

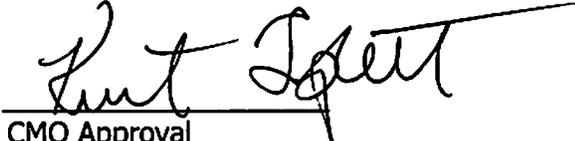
As indicated above, these projects are estimated to bring in \$283,000 in Public Works permit revenue (review and inspection only). This list only includes major projects and does not include all of the smaller individual projects which will also generate additional revenue. Identified projects are currently in review, and/or staff is confident they will proceed forward shortly. However, in order to support the additional volume of work, additional resources are necessary.

Revenue through the end of May totals \$275,319; this is ahead of the monthly average. If the year to date monthly average is achieved each month, the projected revenue at year end would be \$660,767, which is \$130,275 over budget. At this time, Public Works would propose recognizing an additional \$56,814 in permit fee revenue to support hiring a temporary Construction Inspector for the remainder of 2011. At the end of the year staffing needs will be reassessed.

PUBLIC WORKS RECOMMENDATION:

Public Works is requesting your approval to proceed quickly with hiring a temporary Construction Inspector for the remainder of 2011. The cost will be offset by anticipated revenue in excess of what is currently budgeted. Public works will continue to monitor revenue and expenses; we will keep City Manager and Finance apprised of any changes and will address any shortfalls. Based on this approval, staff will proceed with hiring, utilizing an internal only recruitment process.


Finance Approval


CMO Approval



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

MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance and Administration

Date: July 5, 2011

Subject: **PROPOSED USE OF REAL ESTATE EXCISE TAX (REET) REVENUES TO FUND OPERATIONS & MAINTENANCE IN 2011**

RECOMMENDATION:

Council review the list of proposed uses of Real Estate Excise Tax (REET) revenues in 2011 to fund operating and maintenance functions and direct staff to reflect the changes in the next budget amendment brought forth for Council action.

BACKGROUND DISCUSSION:

On May 16, 2011 the Governor signed HB 1953 permitting local real estate excise taxes to be used for maintenance and operation expenditures of existing capital facilities through calendar year 2016. The law becomes effective on July 22, 2011 and restricts this specific, limited-duration use of REET I and REET II revenues to the greater of \$100,000 or 35% of each type of REET revenue up to \$1 million annually.

At the City Manager's request, the Parks and Public Works departments compiled the following list of items to be funded with REET revenues in 2011 as allowed under HB 1953.

Proposed Parks Department uses totaling \$94,534:

- Restore service to neighborhood restrooms at North Kirkland Community Center, South Rose Hill, Phyllis Needy - \$14,739
- Restore 6 portable toilets at neighborhood parks (Woodlands, Tot, Spinney, Terrace, Forbes Creek, Rose Hill Meadow) - \$7,643
- Community park watering (new area by transit center at Peter Kirk park) - \$3,000
- Clean and preserve 27 public art pieces - \$ 9,013
- Seasonal help (900 hours of painting and staining) - \$15,911
- Seasonal help to support cemetery maintenance - \$9,728
- New roof and paint for the Waverly Beach restroom - \$18,500
- New roof and paint for the Houghton Beach restroom - \$16,000

Use of REET revenues for road maintenance will require an amendment to the Kirkland Municipal Code. Staff will propose such an amendment at the July 19 Council meeting.

Potential Public Works Department uses totaling approximately \$100,000:

- Leasing roadside mower and attachments
- Hiring two grounds crew personnel or equivalent to begin maintenance of roadway shoulders and medians

Anticipated REET I and REET II revenues in 2011 are available to fund the items listed above.

2011-12 Budget
2011 Mid-Year Budget Review
CIP Project Closures as of June 30, 2011

IL #	Project Description	Balance	REET 1	REET 2 Reserve	Surface Water Transportation	Surface Water Contingency	Water/Sewer Utility Reserve	Gen. Purpose Revenues	Other Sources (see notes)	Notes
TRANSPORTATION										
CNM 0042	116th Ave NE Non-Motorized Improvements	175,578			323,343			(147,765)		Project closed in 2009 under budget, however General Gov't portion over budget
CNM 0052	NE 73rd Street Sidewalk	(2,805)			(369)		68,998	(71,434)		Funding approved by Council 12/7/2010
CST 0056 000	132nd Ave Roadway Improvements	33,987							33,987	Housekeeping project closure
CST 0061 000	119th Ave Roadway Extension	(32)						(32)		Housekeeping project closure
CTR 0070	NE 124th/124th Ave Intersection Improvements	614,484	-	393,027	(18,542)			240,000		Project finished in 2010; return funds to source
CTR 0082 000	Central Way/Park Place Signal	(46)		(46)						Housekeeping project closure
TOTAL TRANSPORTATION PROJECTS TO BE CLOSED		821,166	-	392,980	304,432	-	68,998	20,769	33,987	
SURFACE WATER UTILITY										
CSD 0051 000	Forbes Creek/KC Access Road Culvert	144,108					144,108			Project on hold until 2013-return to reserve
CSD 0053 000	Forbes Creek/Coors Pond Channel Grade	176,053					176,053			Project on hold until 2013-return to reserve
TOTAL SURFACE WATER UTILITY PROJECTS TO BE CLOSED		320,161	-	-	-	-	320,161	-	-	
WATER/SEWER UTILITY										
CSS 0956 000	2009 Emergency Sewer Program	589,009					589,009			Project complete-return to utility reserve
CWA 0065 000	Supply Station #2 Improvements	(886)					(886)			Project complete-fund from utility reserve
TOTAL WATER/SEWER UTILITY PROJECTS TO BE CLOSED		588,123	-	-	-	-	588,123	-	-	
NEIGHBORHOOD CONNECTIONS										
Various	Neighborhood Connections Projects	91,839						91,839		Balance after completing active projects
TOTAL NEIGHBORHOOD CONNECTION PROJECTS TO BE CLOSED		91,839	-	-	-	-	-	91,839	-	
PARKS										
CPK 0078 500	Juanita Elem. Playground Impr.	(400)	(400)							Project complete-funded from final Park Bond reconciliation
CPK 0091 000	SRM (north) Neigh Park Develop.	(185,272)		(185,272)						Project complete-funded from final Park Bond reconciliation
CPK 0095 000	Heritage Park Dev	(31,205)		(31,205)						Project complete-funded from final Park Bond reconciliation
CPK 0110 000	Water Distr. #1 Property	(110,477)		(110,477)						Project complete-funded from final Park Bond reconciliation
CPK 0125 000	Dock Renovations	(811)		(811)						Project complete-funded from final Park Bond reconciliation
RPK 0003 000	Park Bond Reserve	520,641	520,641							Final reconciliation of Park Bond
TOTAL PARKS PROJECTS TO BE CLOSED		192,476	192,476	-	-	-	-	-	-	
TECHNOLOGY										
CGG 0006 301	Disaster Recovery System Impr.	1,392						1,392		Housekeeping project closure
CGG 0006 500	Permit Plan Replacement	(81,625)						(81,625)		Housekeeping project closure-funded from IT project savings
CGG 0006 800	Upgrade PCs	(1,726)						(1,726)		Housekeeping project closure-funded from IT project savings
CGG 0006 900	Multimedia	(16)						(16)		Housekeeping project closure-funded from IT project savings
CGG 0006 100	Prior Year Savings from GIS	123,681						123,681		Net Prior Year Savings from GIS
TOTAL TECHNOLOGY PROJECTS TO BE CLOSED		41,707	-	-	-	-	-	41,707	-	
FACILITIES										
CGG 0030 001	Council Chamber Renovation	117,606						117,606		Close project and transfer net funds for Future Facilities Expansion projects
CGG 0031 001	Police Evidence Lab/Storage Phase II	304,184						304,184		Close project and transfer net funds for Future Facilities Expansion projects
CGG 0032 001	Police Dept. Safety Improvements Phase I	1,047						1,047		Close project and transfer net funds for Future Facilities Expansion projects
CGG 0033 001	IT Dept. Reconfiguration Phase I	(26,292)						(26,292)		Close project and transfer net funds for Future Facilities Expansion projects
CGG 0035 000	City Hall Public Safety Expansion	2,883,106	2,200,000					683,106		Close project and transfer net funds for Future Facilities Expansion projects
CGG 0035 001	Municipal Court Building Purchase	97,984	97,984							Close project and transfer net funds for Future Facilities Expansion projects
TOTAL FACILITIES PROJECTS TO BE CLOSED		3,377,635	2,297,984	-	-	-	-	1,079,651	-	
FACILITIES - LIFE CYCLE										
PROJECTS FOR BUILDINGS TO BE CLOSED REPURPOSED										
Various	City Hall Fund	725,147						725,147		Close project and transfer net funds for Future Facilities Expansion projects
Various	Rental Properties	78,084						78,084		Close project and transfer net funds for Future Facilities Expansion projects
Various	Fire Station Fund	313,297						313,297		Close project and transfer net funds for Future Facilities Expansion projects
Various	Heritage Hall Fund	1,192						1,192		Close project and transfer net funds for Future Facilities Expansion projects
Various	Performing Arts Center Fund	70,180						70,180		Close project and transfer net funds for Future Facilities Expansion projects
Various	Maintenance Center Fund	327,171						327,171		Close project and transfer net funds to Maintenance Center Expansion CGG 0037 002
Various	North Kirkland Comm. Ctr Fund	166,724						166,724		Close project and transfer net funds for Future Facilities Expansion projects
Various	Parking Garage Fund	23,464						23,464		Close project and transfer net funds for Future Facilities Expansion projects
Various	Teen Center Fund	44,899						44,899		Close project and transfer net funds for Future Facilities Expansion projects
Various	Senior Center Fund	232,379						232,379		Close project and transfer net funds for Future Facilities Expansion projects
TOTAL PROJECTS FOR BUILDINGS		1,982,538	-	-	-	-	-	1,982,538	-	
TOTAL BALANCE BY FUNDING SOURCE		7,415,645	2,490,460	392,980	304,432	320,161	657,121	1,192,259	2,058,232	

ORDINANCE NO. 4314

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING THE BIENNIAL BUDGET FOR 2011-2012.

WHEREAS, the City Council finds that the proposed adjustments to the Biennial Budget for 2011-2012 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 2011 adjustments to the Biennial Budget of the City of Kirkland for 2011-2012 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	163,096,373	157,287	163,253,660
Lodging Tax	525,824	-	525,824
Street Operating	14,215,172	100,000	14,315,172
Cemetery Operating	762,492	-	762,492
Parks Maintenance	2,188,638	-	2,188,638
Contingency	2,246,510	-	2,246,510
Impact Fees	1,931,783	-	1,931,783
Excise Tax Capital Improvement	12,866,748	-	12,866,748
Limited General Obligation Bonds	6,364,062	-	6,364,062
Unlimited General Obligation Bonds	2,160,676	(16,189)	2,144,487
General Capital Projects	47,413,910	4,000,000	51,413,910
Transportation Capital Projects	30,316,569	300,000	30,616,569
Water/Sewer Operating	45,956,044	(10,517)	45,945,527
Water/Sewer Debt Service	2,962,187	-	2,962,187
Utility Capital Projects	18,054,238	-	18,054,238
Surface Water Management	17,130,512	201,165	17,331,677
Surface Water Capital Projects	14,601,925	-	14,601,925
Solid Waste	31,295,829	-	31,295,829
Health Benefits	15,735,691	-	15,735,691
Equipment Rental	18,618,953	491,348	19,110,301
Information Technology	11,765,579	(163,051)	11,602,528
Facilities Maintenance	10,715,753	-	10,715,753
Firefighter's Pension	1,768,982	(1,883)	1,767,099
	<u>472,694,450</u>	<u>5,058,160</u>	<u>477,752,610</u>

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 _____, 2011.

Signed in authentication thereof this _____ day of _____,2011.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney