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# CITY OF KIRKLAND

## CITY COUNCIL



Joan McBride, Mayor • Penny Sweet, Deputy Mayor • Dave Asher • Jessica Greenway  
Doreen Marchione • Bob Sternoff • Amy Walen • Kurt Triplett, City Manager

### *Vision Statement*

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

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123 Fifth Avenue • Kirkland, Washington 98033-6189 • 425.587.3000 • TTY 425.587.3111 • [www.kirklandwa.gov](http://www.kirklandwa.gov)

### AGENDA

#### KIRKLAND CITY COUNCIL MEETING

#### City Council Chamber

#### Tuesday, July 19, 2011

#### 6:00 p.m. – Study Session – Peter Kirk Room

#### 7:30 p.m. – Regular Meeting

COUNCIL AGENDA materials are available on the City of Kirkland website [www.kirklandwa.gov](http://www.kirklandwa.gov), or at the Public Resource Area at City Hall on the Friday afternoon prior to the City Council meeting. Information regarding specific agenda topics may also be obtained from the City Clerk's Office on the Friday preceding the Council meeting. You are encouraged to call the City Clerk's Office (425-587-3190) or the City Manager's Office (425-587-3001) if you have any questions concerning City Council meetings, City services, or other municipal matters. The City of Kirkland strives to accommodate people with disabilities. Please contact the City Clerk's Office at 425-587-3190. If you should experience difficulty hearing the proceedings, please bring this to the attention of the Council by raising your hand.

**EXECUTIVE SESSIONS** may be held by the City Council to discuss matters where confidentiality is required for the public interest, including buying and selling property, certain personnel issues, and lawsuits. An executive session is the only type of Council meeting permitted by law to be closed to the public and news media

**ITEMS FROM THE AUDIENCE** provides an opportunity for members of the public to address the Council on any subject which is not of a quasi-judicial nature or scheduled for a public hearing. (Items which may not be addressed under Items from the Audience are indicated by an asterisk\*.) The Council will receive comments on other issues, whether the matter is otherwise on the agenda for the same meeting or not. Speaker's remarks will be limited to three minutes apiece. No more than three speakers may address the Council on any one subject. However, if both proponents and opponents wish to speak, then up to three proponents and up to three opponents of the matter may address the Council.

1. *CALL TO ORDER*
2. *ROLL CALL*
3. *STUDY SESSION, Peter Kirk Room*
  - a. Open Public Meetings and Records
4. *EXECUTIVE SESSION*
5. *HONORS AND PROCLAMATIONS*
6. *COMMUNICATIONS*
  - a. *Announcements*
  - b. *Items from the Audience*
  - c. *Petitions*
7. *SPECIAL PRESENTATIONS*
  - a. Municipal Court Judge Michael Lambo
8. *CONSENT CALENDAR*

**GENERAL CORRESPONDENCE**

Letters of a general nature (complaints, requests for service, etc.) are submitted to the Council with a staff recommendation. Letters relating to quasi-judicial matters (including land use public hearings) are also listed on the agenda. Copies of the letters are placed in the hearing file and then presented to the Council at the time the matter is officially brought to the Council for a decision.

**ORDINANCES** are legislative acts or local laws. They are the most permanent and binding form of Council action, and may be changed or repealed only by a subsequent ordinance. Ordinances normally become effective five days after the ordinance is published in the City's official newspaper.

**RESOLUTIONS** are adopted to express the policy of the Council, or to direct certain types of administrative action. A resolution may be changed by adoption of a subsequent resolution.

**QUASI-JUDICIAL MATTERS** Public comments are not taken on quasi-judicial matters, where the Council acts in the role of judges. The Council is legally required to decide the issue based solely upon information contained in the public record and obtained at special public hearings before the Council. The public record for quasi-judicial matters is developed from testimony at earlier public hearings held before a Hearing Examiner, the Houghton Community Council, or a city board or commission, as well as from written correspondence submitted within certain legal time frames. There are special guidelines for these public hearings and written submittals.

**PUBLIC HEARINGS** are held to receive public comment on important matters before the Council. You are welcome to offer your comments after being recognized by the Mayor. After all persons have spoken, the hearing is closed to public comment and the Council proceeds with its deliberation and decision making.

- a. *Approval of Minutes:* (1) July 5, 2011 Special Meeting  
(2) July 5, 2011  
(3) July 7, 2011 Special Meeting

- b. *Audit of Accounts:*  
    *Payroll*     \$  
    *Bills*       \$

- c. *General Correspondence*

- d. *Claims*

- e. *Award of Bids*

- (1) Annual Street Preservation Program, Phase II 2011 Slurry Seal Project

- f. *Acceptance of Public Improvements and Establishing Lien Period*

- g. *Approval of Agreements*

- h. *Other Items of Business*

- (1) Totem Lake Flood Control Measure Update

- (2) Ordinance O-4313 Relating to Penalty for Failure to Respond to Certain Civil Infractions

- (3) Surplus Vehicles/Equipment for Sale

9. *PUBLIC HEARINGS*

10. *UNFINISHED BUSINESS*

- a. Bond Refunding Introduction
- b. Code of Ethics and Code of Conduct
- c. Establishing an Ad-Hoc Exploratory Committee to Consider Possible Future Park Funding Ballot Measures
- d. Cultural Council Options

11. *NEW BUSINESS*

- a. Ordinance O-4314 Amending the Biennial Budget for 2011-2012
- b. Resolution R-4887 Stating the City of Kirkland's Commitment to the Feet First Agenda, Which Demonstrates Support for More Walkable and Vibrant

Communities and for Pedestrian Enhancements That Improve Safety, Mobility, and Access for All

**NEW BUSINESS** consists of items which have not previously been reviewed by the Council, and which may require discussion and policy direction from the Council.

- c. Ordinance O-4314 Amending Kirkland Municipal Code Chapter 5.18 Relating to Real Estate Tax and Authorizing the Expenditure of Second Quarter Percent Real Estate Excise Tax for the Operations and Maintenance of Existing Capital Projects
- d. Ordinance O-4315 Adopting a Moratorium on the Establishment of Medical Marijuana Collective Gardens Defining "Medical Marijuana Collective Gardens;" Providing for a Public Hearing; Establishing an Effective Date, and Providing That the Moratorium, Unless Extended, Will Sunset Within Six (6) Months of the Date of Adoption

**ITEMS FROM THE AUDIENCE**  
Unless it is 10:00 p.m. or later, speakers may continue to address the Council during an additional Items from the Audience period; provided, that the total amount of time allotted for the additional Items from the Audience period shall not exceed 15 minutes. A speaker who addressed the Council during the earlier Items from the Audience period may speak again, and on the same subject, however, speakers who have not yet addressed the Council will be given priority. All other limitations as to time, number of speakers, quasi-judicial matters, and public hearings discussed above shall apply.

12. *REPORTS*

a. *City Council*

- (1) Regional Issues

b. *City Manager*

- (1) Calendar Update

13. *ITEMS FROM THE AUDIENCE*

14. *ADJOURNMENT*



**CITY OF KIRKLAND**  
Department of Finance & Administration  
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100  
[www.kirklandwa.gov](http://www.kirklandwa.gov)

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## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Director, Finance and Administration  
Kathi Anderson, City Clerk

**Date:** July 7, 2011

**Subject:** **Review of the Public Records Act and Overview of the Open Public Meetings Act**

This presentation is an opportunity for the City Council to receive an update on key elements of the Public Records Act and the Open Public Meetings Act. We have recently conducted training for all City employees on these same subjects. This information is highly recommended by our insurance pool, to the extent that WCIA has contributed to half the cost of these sessions.

Our presenter Ramsey Ramerman's legal practice has focused on helping governments comply with the Washington State Public Records Act, RCW Chapter 42.56 and Open Public Meetings Act, RCW Chapter 42.30. He has trained thousands of public employees on open government compliance and lectures at the University of Washington School of Law. He is the founding president of the Washington Association of Public Records Officers and serves as the local government representative on the Washington State Sunshine Committee. He has argued several cases before the Washington State Supreme Court and, while in private practice, assisted dozens of local governments – including counties, cities, school districts, public hospital districts, ports, public utility districts and public housing authorities – with open government compliance. Currently, he is an Everett assistant city attorney. Previously, he worked at Foster Pepper PLLC, Division II of the Court of Appeals and the Pierce County Prosecuting Attorney's Office.

**KIRKLAND CITY COUNCIL SPECIAL MEETING****Minutes****July 5, 2011****1. CALL TO ORDER**

Mayor McBride called the Special Meeting of the Kirkland City Council to order at 4:30 p.m.

**2. ROLL CALL**

Members Present: Mayor Joan McBride, Deputy Mayor Penny Sweet, Councilmembers Dave Asher, Jessica Greenway, Doreen Marchione and Amy Walen. Councilmember Bob Sternoff was present, and then recused himself from the meeting for the appearance of fairness.

**3. PARK BOARD INTERVIEWS**

- a. Rob Butcher
- b. Jason Gardiner
- c. Ellen Haas
- d. Dan Mathews
- e. Steven Swedenburg
- f. Jason Laukaitis
- g. Adam White
- h. Denise Campbell
- i. Frederick Ockerman
- j. Sandi Patterson

**13. SELECTION AND APPOINTMENT OF PARK BOARD MEMBER**

Following discussion of the applicants' qualifications, Councilmember Marchione moved to appoint Adam White to an unexpired term ending 3/31/2013 and to select Ellen Haas as the alternate should an additional vacancy occur with six months on the Park Board. Deputy Mayor Sweet seconded the motion, which passed 5-0, with Councilmember Walen abstaining.

**11. ADJOURNMENT**

The July 5, 2011 Special Meeting of the Kirkland City Council was adjourned at 5:45 p.m.

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City Clerk

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Mayor



KIRKLAND CITY COUNCIL REGULAR MEETING MINUTES  
July 05, 2011

1. CALL TO ORDER
2. ROLL CALL

ROLL CALL:

Members Present: Councilmember Bob Sternoff, Councilmember Doreen Marchione, Deputy Mayor Penny Sweet, Councilmember Dave Asher, Councilmember Jessica Greenway, Councilmember Amy Walen, and Mayor Joan McBride.

Members Absent: None.

Council agreed to add discussion of the proposed use of real estate excise tax (REET) revenues to fund operations and maintenance in 2011 under New Business, item 11.a.

3. STUDY SESSION, Peter Kirk Room
  - a. Public Safety Building Update

Joining Councilmembers for this discussion were City Manager Kurt Triplett, Assistant City Manager Marilynne Beard, Police Chief Eric Olsen, Captain Mike Ursino, Captain Gene Markle, Lieutenant Bob Balkema, Public Works Director Ray Steiger and Financial Planning Manager Sri Krishnan.

4. EXECUTIVE SESSION
- None.
5. HONORS AND PROCLAMATIONS
  - a. Parks and Recreation Month Proclamation

Park Board Chair Bob Kamuda and member Jennifer Davies accepted the proclamation on behalf of the citizens of Kirkland.

6. COMMUNICATIONS
  - a. Announcements
  - b. Items from the Audience
  - Ron Posthuma
  - c. Petitions

7. SPECIAL PRESENTATIONS

a. Police Chief's Presentation

Police Chief Eric Olsen provided an overview of the Department's mission and values, organization and current issues.

8. CONSENT CALENDAR

a. Approval of Minutes: June 21, 2011

b. Audit of Accounts:

Payroll \$1,958,008.55

Bills \$1,673,723.19

run #1016 checks #526673 - 526685

run #1017 checks #526688 - 526837

run #1018 checks #526838 - 526893

run #1019 checks #526894 - 526997

c. General Correspondence

d. Claims

e. Award of Bids

f. Acceptance of Public Improvements and Establishing Lien Period

g. Approval of Agreements

(1) Resolution R-4885, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND APPROVING A SEWER FACILITY AGREEMENT WITH GEORGE WATERMAN AUTHORIZING THE CITY MANAGER TO SIGN SAID AGREEMENT ON BEHALF OF THE CITY OF KIRKLAND."

h. Other Items of Business

(1) Procurement Activities

Motion to approve the Consent Calendar.

Moved by Councilmember Amy Walen, seconded by Councilmember Doreen Marchione

Vote: Motion carried 7-0

Yes: Councilmember Bob Sternoff, Councilmember Doreen Marchione, Deputy Mayor Penny Sweet, Councilmember Dave Asher, Councilmember Jessica Greenway, Councilmember Amy Walen, and Mayor Joan McBride.

9. PUBLIC HEARINGS

- a. King County Proposition No. 1: King County Proposition No. 1 Veterans and Human Services Levy The King County Council has passed Ordinance No. 17072 concerning funding for regional veterans, health, and human services. This proposition would replace an expiring levy and fund capital facilities and services that reduce medical costs, homelessness, and criminal justice system involvement with half of proceeds supporting veterans and their families. It would authorize King County to levy an additional property tax of 5 cents per \$1,000 of assessed valuation for collection in 2012 and authorize annual increases by the percentage increase in the consumer price index of 1%, whichever is greater, with a maximum increase of 3%, for the five succeeding years. Should this proposition be:

(1) Resolution R-4886, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND STATING THE CITY COUNCIL'S SUPPORT FOR KING COUNTY PROPOSITION NO. 1, THE VETERANS AND HUMAN SERVICES LEVY."

Mayor McBride explained the parameters of the hearing and declared it open. Interim Deputy Director for Parks and Community Services, Michael Cogle, described the scope of King County Proposition No. 1. Testimony was provided by Jennifer McFarland, Jennifer Davies, Jeff Churchill, Bill Hallerman, and Pat Lemus, No further testimony was offered and the Mayor closed the hearing.

Motion to approve Resolution R-4886, entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND STATING THE CITY COUNCIL'S SUPPORT FOR KING COUNTY PROPOSITION NO. 1, THE VETERANS AND HUMAN SERVICES LEVY."

Moved by Councilmember Amy Walen, seconded by Councilmember Doreen Marchione

Vote: Motion carried 7-0

Yes: Councilmember Bob Sternoff, Councilmember Doreen Marchione, Deputy Mayor Penny Sweet, Councilmember Dave Asher, Councilmember Jessica Greenway, Councilmember Amy Walen, and Mayor Joan McBride.

10. UNFINISHED BUSINESS

- a. Letter Regarding King County Congestion Relief Charge  
City Manager Kurt Triplett reviewed the background and issues addressed in the proposed letter to the King County Council. Mayor McBride called for a vote on whether to send the draft letter as presented. Mayor McBride, Councilmember Asher, Councilmember Greenway and Councilmember Marchione voted yes; Deputy Mayor Sweet, Councilmember Sternoff and Councilmember Walen voted no. The letter will be sent as written.

11. NEW BUSINESS

- a. Proposed Use of Real Estate Excise Tax (REET) Revenues to Fund Operations and Maintenance in 2011 City Manager Kurt Triplett described the recommended uses for the REET revenues for the current year.

Motion to accept the staff recommendation for the proposed Use of Real Estate Excise Tax (REET) Revenues to Fund Operations and Maintenance in 2011  
Moved by Councilmember Dave Asher, seconded by Councilmember Bob Sternoff  
Vote: Motion carried 7-0

Yes: Councilmember Bob Sternoff, Councilmember Doreen Marchione, Deputy Mayor Penny Sweet, Councilmember Dave Asher, Councilmember Jessica Greenway, Councilmember Amy Walen, and Mayor Joan McBride.

12. REPORTS

- a. City Council

(1) Regional Issues

Councilmembers shared information regarding the Puget Sound Regional Council Executive Board meeting; EnterpriseSeattle Board meeting; Growth Management Planning Council meeting; Association of Washington Cities conference; Bridle Trails Party in the Park; Portland bike paths; Cascade Water Alliance Board meeting; Kudos Kirkland; Council commented on and expressed their appreciation for Kirkland 4th of July Celebration activities, volunteers and staff.

- b. City Manager

(1) Joint Council Meeting With Boards and Commissions Chairs  
City Manager Triplett reviewed the proposed structure and topics for the July 7, 2011 meeting.

(2) Calendar Update

(3) Proposed Moratorium on Marijuana Collective Gardens  
City Manager Triplett made note of the issues around this topic and proposed options for discussion and direction at the July 19, 2011 meeting.

13. ITEMS FROM THE AUDIENCE

Mike Nykreim  
Jacob Bond

14. ADJOURNMENT

The Kirkland City Council regular meeting of July 5, 2011 was adjourned at 9:03 p.m.

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City Clerk

Mayor



KIRKLAND CITY COUNCIL SPECIAL MEETING MINUTES  
July 07, 2011

1. CALL TO ORDER
2. ROLL CALL

ROLL CALL:

Members Present: Councilmember Dave Asher, Councilmember Jessica Greenway, Councilmember Doreen Marchione, Mayor Joan McBride, and Councilmember Bob Sternoff.

Members Absent: Deputy Mayor Penny Sweet, and Councilmember Amy Walen.

Deputy Mayor Sweet and Councilmember Walen were both absent/excused as they were out of town.

3. Joint Meeting with City of Kirkland Boards and Commissions Chairs

Joining Councilmembers were Cultural Council Chair Amy Whittenburg, Design Review Board Chair Erik Mott, Human Services Advisory Committee Chair Santiago Ramos, Parking Advisory Board Chair "A" Liengboonlertchai, Park Board Chair Robert Kamuda, Planning Commission Chair Jay Arnold, Senior Council Chair Kathy Iverson, Transportation Commission Chair Don Samdahl, Youth Council Leadership Team member Jasmine Clark, and Economic Development Manager Ellen Miller-Wolfe representing Tourism Development Committee, .

4. ADJOURNMENT

The Kirkland City Council special meeting of July 7, 2011 was adjourned at 8:50 p.m.

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City Clerk

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Mayor



**CITY OF KIRKLAND**

Department of Finance and Administration

123 Fifth Avenue, Kirkland, WA 98033 425.587.3100

[www.kirklandwa.gov](http://www.kirklandwa.gov)

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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Kathi Anderson, City Clerk

**Date:** July 11, 2011

**Subject:** CLAIM(S) FOR DAMAGES

**RECOMMENDATION**

It is recommended that the City Council acknowledge receipt of the following Claim(s) for Damages and refer each claim to the proper department (risk management section) for disposition.

**POLICY IMPLICATIONS**

This is consistent with City policy and procedure and is in accordance with the requirements of state law (RCW 35.31.040).

**BACKGROUND DISCUSSION**

The City has received the following Claim(s) for Damages from:

- (1) Donald E. Fyffe  
2007 227 Avenue NE  
Sammamish, WA 98074

**Amount:** \$677.96

**Nature of Claim:** Claimant states damage occurred to the vehicle as a result of street construction.

**Note:** Names of claimants are no longer listed on the Agenda since names are listed in the memo.



**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

**From:** Dave Snider, P.E., Interim Capital Projects Manager  
Ray Steiger, P.E., Public Works Director

**Date:** July 7, 2011

**Subject:** 2011 STREET PRESERVATION PROGRAM (PHASE II SLURRY SEAL PROJECT)  
AWARD CONTRACT

### RECOMMENDATION:

It is recommended that City Council award the construction contract for the Phase II Slurry Seal Project, of the Annual Street Preservation Program, to Blackline, Inc., of Spokane, Washington, in the amount of \$182,195.15.

### BACKGROUND DISCUSSION:

The Slurry Seal Project is the Phase II element of the Annual Street Preservation Program. It involves the application of a thin layer of liquid asphalt that has been mixed with a fine aggregate. The "slurry" is then placed on low-volume residential streets where light to moderate surface wear is occurring. Slurry seal is a versatile and cost effective way to extend the life of the City's residential streets where the Pavement Condition Index (PCI) range is approximately 56 to 85. It protects the asphalt surface from the effects of aging while improving the existing PCI; the 2011 Project will seal approximately 13 lane miles of roadway in seven areas of the City (Attachment A).

Phase I of the Annual Street Preservation Program, the Overlay Project, was awarded at the June 21<sup>st</sup> City Council meeting; construction on the Phase I Project will begin on July 11, 2011.

With an engineer's estimate of \$240,000, the first advertisement for the Slurry Seal Project was published on June 15<sup>th</sup>; 4 bids were received on June 30, 2011 with Blackline Inc., being the lowest responsive bidder, as shown below:



<b>CONTRACTOR</b>	<b>TOTAL BID</b>
<b>Blackline, Inc</b>	<b>\$182,195.15</b>
Asphalt Maintenance Associates, Inc.	\$231,609.52
<i>Engineer's Estimate</i>	<i>\$240,000.00</i>
Valley Slurry Seal	\$299,053.94
Intermountain Slurry Seal	\$312,312.00

The Annual Street Preservation Program is included in the Capital Improvement Program (CIP) with a yearly budget of \$2,500,000. When the 2011 – 2016 CIP was approved by City Council, it was anticipated that \$375,000 of the total annual budget would be available through the creation of a Transportation Benefit District (TBD). As per City Council's recommendation in the fall of 2010, the TBD was tabled and the anticipated funding has been removed from the 2011 Program budget. However, in October, 2010, City Council approved a new Solid Waste Utility rate that includes a contribution of \$300,000 to the Street Preservation Program to account for pavement damage caused by garbage and recycle collection trucks on City streets. The impact of these two funding modifications establishes the Project's base budget at \$2,425,000. At their June 21<sup>st</sup> meeting, Council was also informed of mitigation payments received from Northshore Utilities District (NUD) and Puget Sound Energy (PSE) in the amounts of \$126,537 and \$29,500, respectively, for utility work that occurred on two of the 2011 Overlay streets. When combined with City Council approved carry-overs from the 2009 and 2010 Street Preservation Programs of \$108,000, the addition of these two external contributions to the base budget brings the 2011 Program budget to \$2,689,037 (Attachment B).

In 2010, the average cost per square yard of slurry seal was \$1.72, and the low bid was \$1.50 (Attachment C). Although the low bid received in 2011 is \$1.45, the average cost per square yard in 2011 has increased slightly to \$1.81, representing an approximate 6% increase in average costs between 2010 and 2011. This year's average cost increase is slightly higher than the average annual cost increase of approximately 4 % per year since 2002 when the City first began the slurry seal program.

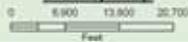
Construction of this Project is extremely weather and temperature dependent and will begin in early August; the construction duration will be approximately one month. In advance of the work, Public Works staff will supply an informational brochure to all property owners living along the planned Slurry Seal routes (Attachment D). The brochure describes the City's Street Preservation Program together with important facts on the Slurry Seal treatment. The information in this brochure and schedule updates will also be incorporated into the Public Works section of the City's web site. In addition, door-hanger notices will be distributed to all adjacent homes and business at least 24 hours prior to Slurry Seal applications.

Attachments: (3)

# Street Preservation Project - 2011 Slurry Seal Plan



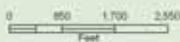
Vicinity Map



Note: This map does not include streets to be treated with other maintenance techniques (i.e. Hot Mix Overlay, Crack Seal, etc.).

**Legend**

- 2011 Slurry Seal Streets
- Street
- Neighborhoods:**
  - Bridle Trails
  - Central Houghton
  - Everest
  - Fin Hill
  - Highlands
  - Kingsgate
  - Lakeview
  - Market
  - Miss Bay
  - North
  - North Juanita
  - North Rose Hill
  - South Juanita
  - South Rose Hill
  - Steele Lake
  - Kirkland City Limits (Polygon)
  - City Limits



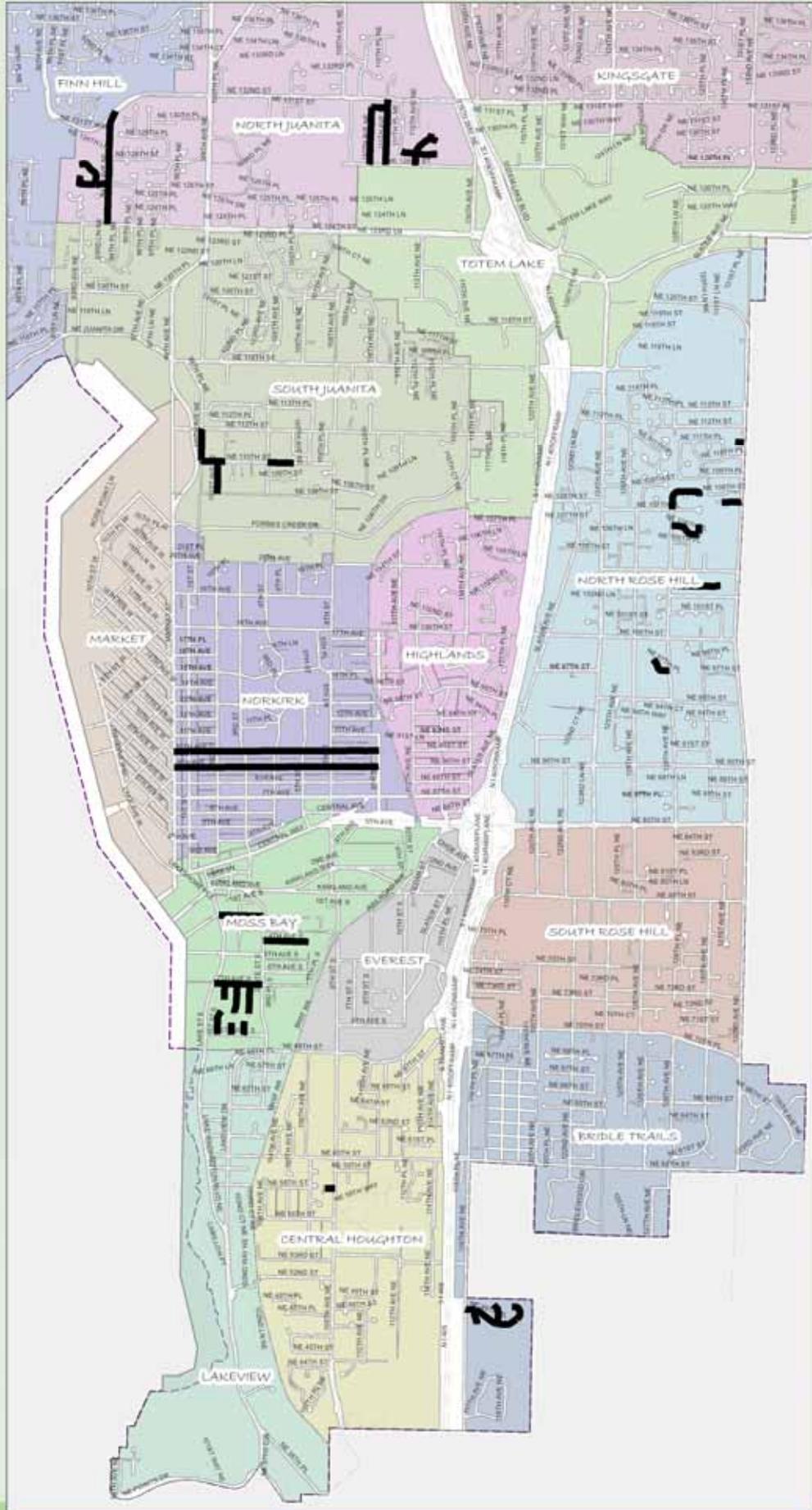
CITY OF KIRKLAND  
DEPARTMENT OF PUBLIC WORKS



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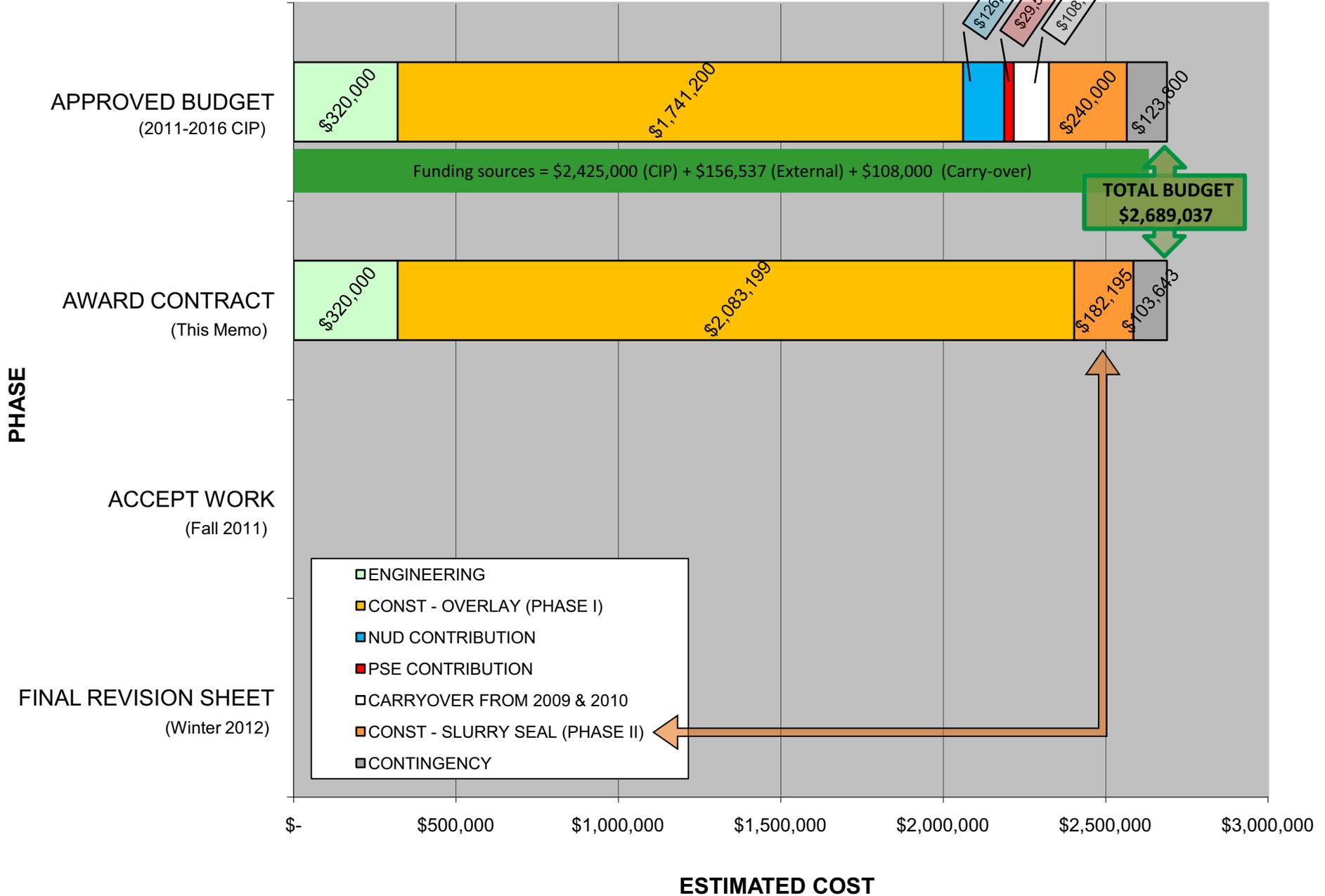
Print Date: 4/7/2011

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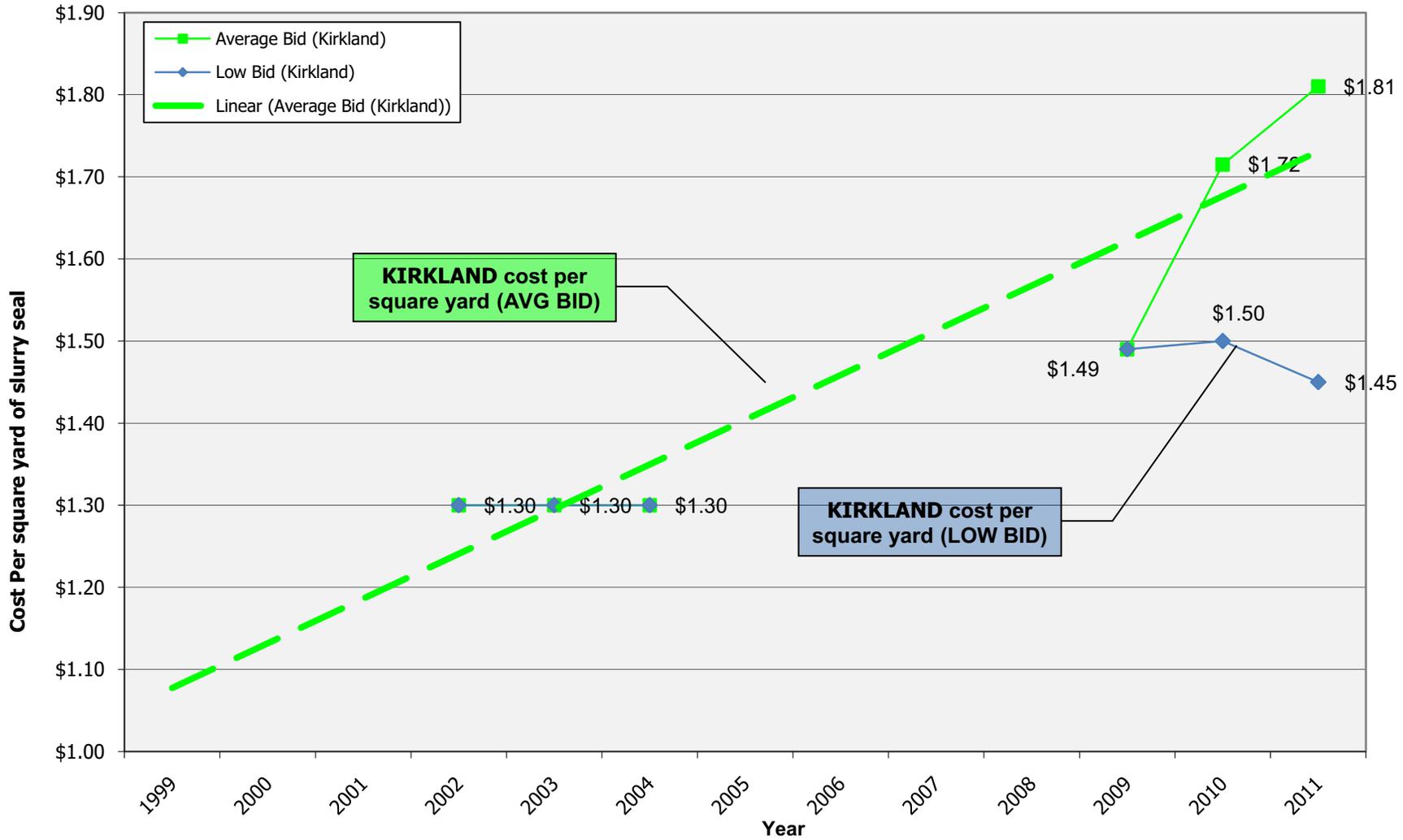


# 2011 SLURRY SEAL PROJECT (ST-1106)

## Project Budget Report



### Kirkland Slurry Seal Project Cost Comparison



E-Page 18



### City of Kirkland, Public Works Department

Constructing and maintaining the public infrastructure to ensure efficient and reliable public utilities to Kirkland residents.

### Slurry Seal

The City of Kirkland maintains 593 lane miles of roadway within the City limits. Slurry sealing is one of many effective tools in the City's preventative maintenance program and is typically applied to streets that are in fair to good condition. Slurry seals prolong pavement life by applying a thick, cold liquid mixture of asphalt and rock to the existing pavement surface. In general a Slurry Seal extends the pavement life by 5 to 10 years. Slurry seals are less expensive than typical asphalt overlays, but take longer to thoroughly cure (or dry) before the street can be reopened to traffic.

## Slurry Seal Preventative Maintenance



For More Information:

**Construction Hotline**  
425-587-3838

Andrea Dasovich, PE  
City of Kirkland, Public Works Department  
Project Engineer  
Phone: 425-587-3827  
adasovich@kirklandwa.gov

Visit our web site for more information:  
[www.kirklandwa.gov/depart/Public\\_Works](http://www.kirklandwa.gov/depart/Public_Works)



**City of Kirkland**  
Public Works Department

123 Fifth Avenue  
Kirkland, WA 98033  
425-587-3800 ph  
425-587-3807 fax  
[www.kirklandwa.gov](http://www.kirklandwa.gov)



**City of Kirkland**  
Public Works Department

*Caring for your  
infrastructure to keep  
Kirkland healthy, safe and  
vibrant.*

# The City of Kirkland's Slurry Seal Program:

A key part of the City's Annual Street Preservation Program designed to maximize the life of your neighborhood streets. Funding for this project is through the City's Capital Improvement Program.

## Phase One

City crews seal cracks in the roads and repair small areas of damaged pavement.

Residents living on streets to be slurry sealed are asked to prune back their vegetation to allow maintenance vehicles to get next to the curb. All low growing plant material should be pruned back behind the curb, and all trees are required to be trimmed to provide a 14-foot vertical clearance from the road surface.

**No road closures will occur in this phase, however temporary delays might occur.**



## Phase Two

As the date of the actual slurry seal application gets closer, the existing pavement surface will be swept and all vegetation will be removed. Any final repairs that need to be made to the pavement surface prior to the slurry seal application will be made at this time. **No road closures will occur in this phase, however temporary delays might occur.**

## Phase Three

You will receive at least 24-hour advance notice of when the slurry seal is to be applied to the prepped roads by the contractor. Please remove all cars, recreational vehicles, and personal items and equipment from the road and refrain from watering your lawn. **This is a one day process that requires a one-day road closure.** When the slurry seal is first applied, the material is brown and sticky. To prevent damage to the fresh slurry and avoid tracking, cars, bikes, people, and pets must be kept off the street until the seal is cured and the street is reopened. After the curing process is completed, the barricades and signs will be removed showing the road is reopened.

## Phase Four

After the surface has dried it is normal for loose sand to shed from the surface. The Contractor is scheduled to sweep the streets approximately one week and then again three weeks after the slurry seal application.

*Thank you in advance for your patience and cooperation as we maintain your neighborhood streets.*



Caring for your infrastructure to keep Kirkland healthy, safe and vibrant

All information on the slurry seal process can be made available in alternative formats including language interpretation and American Sign Language (ASL), upon request by calling 425-587-3011. TTY/TTD (425) 587-3111



To receive updates via email on City and Neighborhood news, please subscribe to the Neighborhood E-Bulletin at [www.kirklandwa.gov/EBulletin.htm](http://www.kirklandwa.gov/EBulletin.htm)



**CITY OF KIRKLAND**  
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www.kirklandwa.gov

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## **MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Ray Steiger, P.E., Public Works Director

**Date:** July 7, 2011

**Subject:** TOTEM LAKE FLOOD CONTROL MEASURES UPDATE

### **RECOMMENDATION:**

It is recommended that City Council receive this update of the ongoing Totem Lake Boulevard Flood Control Measures Project – CNM 0059.

### **BACKGROUND DISCUSSION:**

The Totem Lake area has experienced a number of flood events during the fall and winter months over the past few years. Development in the basin, natural erosion, and surface water runoff, combined with the growth of vegetation, accumulation of sediment, and other factors along the watercourse downstream of Totem Lake are restricting its natural flow (Attachment A). The City has been required to close roads in the vicinity of Totem Lake with regular frequency, and this has had a profound impact on commerce and travel in the Totem Lake neighborhood (Attachments B, C, D). In response to these issues, a City sponsored capital improvement project was developed with the majority of funding provided by the King County Flood Control Zone District's Sub-Regional Opportunity Fund.

In early 2011, the City contracted with the consulting firm CH2M Hill, of Bellevue, WA, to undertake a detailed survey of the drainage system from Totem Lake, downstream (and west) to approximately Juanita High School. The drainage system includes piped conveyance and natural open channels for this Juanita Creek tributary that eventually enters Lake Washington at Juanita Beach Park. Using GIS and survey techniques, the Consultant worked with City staff to measure the water surface level along the Project limits, to ascertain the system and watercourse geometry, and to locate the stream/watercourse channel bottom. The survey also confirmed specific locations of considerable accumulations of sediment along the watercourse, the presence of significant invasive vegetation, and a number of beaver dams. The identification of these "stream barriers" indicates that there are a finite number of locations along the drainage course that appear to impact the entire Totem Lake basin (Attachment E).

From the Consultant's findings, two locations along the drainage course, #1 and #4, appear to be critical and are being addressed immediately; their impacts appear to be such that their removal will likely alleviate future area flooding. In association with the Consultant's findings, staff is proceeding with securing all appropriate State permitting for addressing these locations.

Location #1 is adjacent to I-405, immediately upstream of twin culverts that cross I-405 (Attachment E). Due to the density of the grasses and vegetation along this drainage channel there is a significant accumulation of sediment blocking the flow of water. Working closely with the Washington State Department of Transportation (WSDOT), the City has been granted access through the WSDOT right-of-way west of Totem Lake Boulevard. Further, because the City does not have large enough equipment to access Location #1, staff has been in conversation with the King County Rivers Group to have the work performed under an existing 2008 Interlocal Agreement with the City. The County crews are uniquely qualified for watercourse work, as it is their primary focus for King County, and they are available to immediately proceed with this maintenance activity.

Location #4, further to the west, is an active beaver dam for which the City has had a State Department of Fish and Wildlife programmatic permit for dam removals in the past. The activities to do away with this barrier require hand removal of the various materials used to build the dam. The permit lapsed in 2010; however, it has already been renewed by the State.

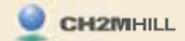
The Consultant's recommendation is to address locations #1 and #4 immediately and, by doing so, the hydraulic modifications may result in minimizing or eliminating the other known downstream barriers. Staff will be monitoring the water level upon removal of the barriers and will also prepare additional measures to remove other barriers, as needed and as future funding for this Project becomes available. Initial estimates are that the removal of these two initial barriers will provide up to three feet of additional storage capacity to Totem Lake – this will become valuable as we approach the next fall and winter rainy seasons.



# City of Kirkland 2011 Totem Lake Flood Control Feasibility Analysis



--- Open Channel  
— Pipe



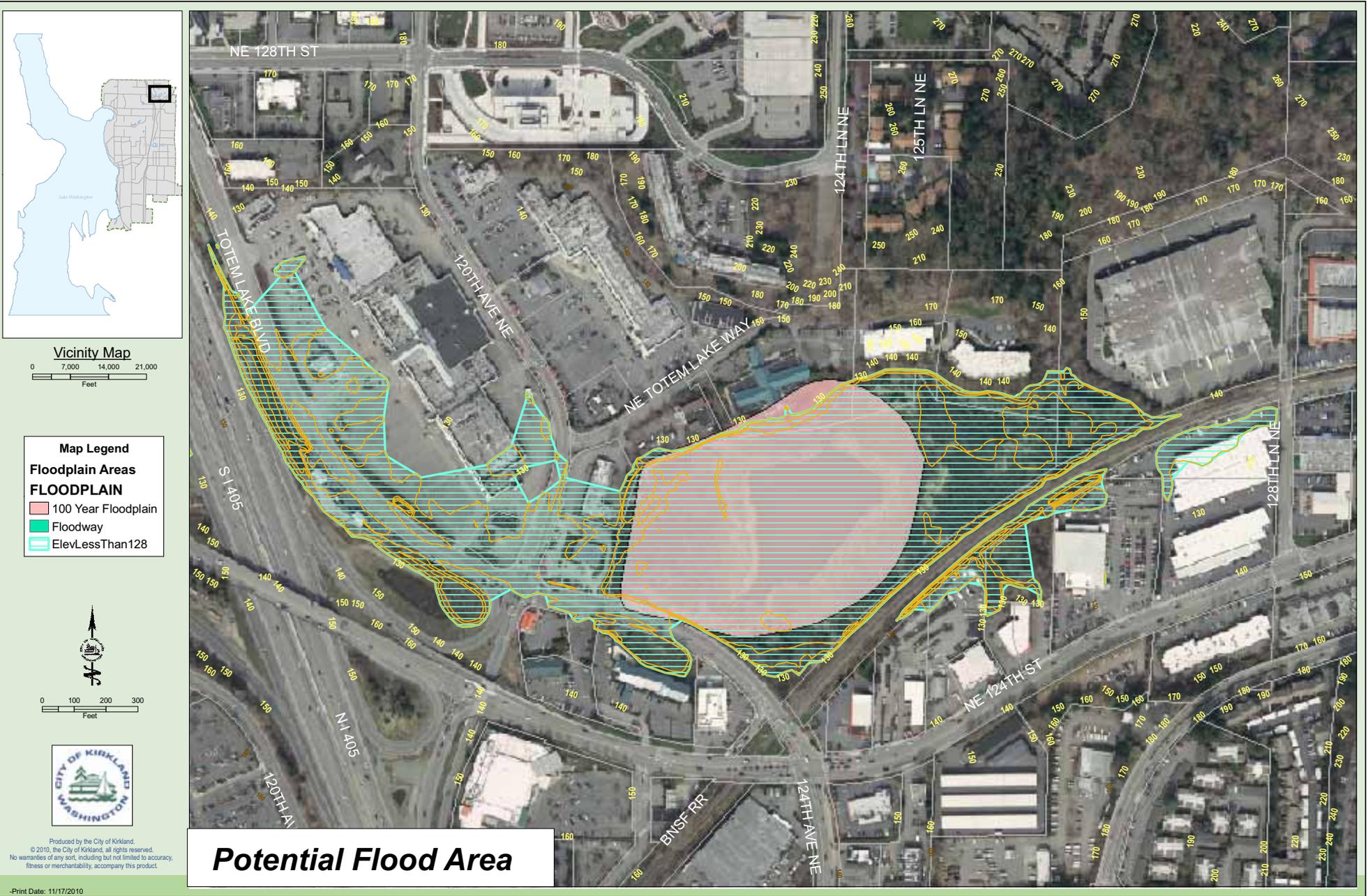




Figure 13: Intersection of Totem Lake Blvd and NE 120<sup>th</sup> Street, Facing South



Figure 14: Totem Lake Blvd and Totem Lake Mall, Facing East

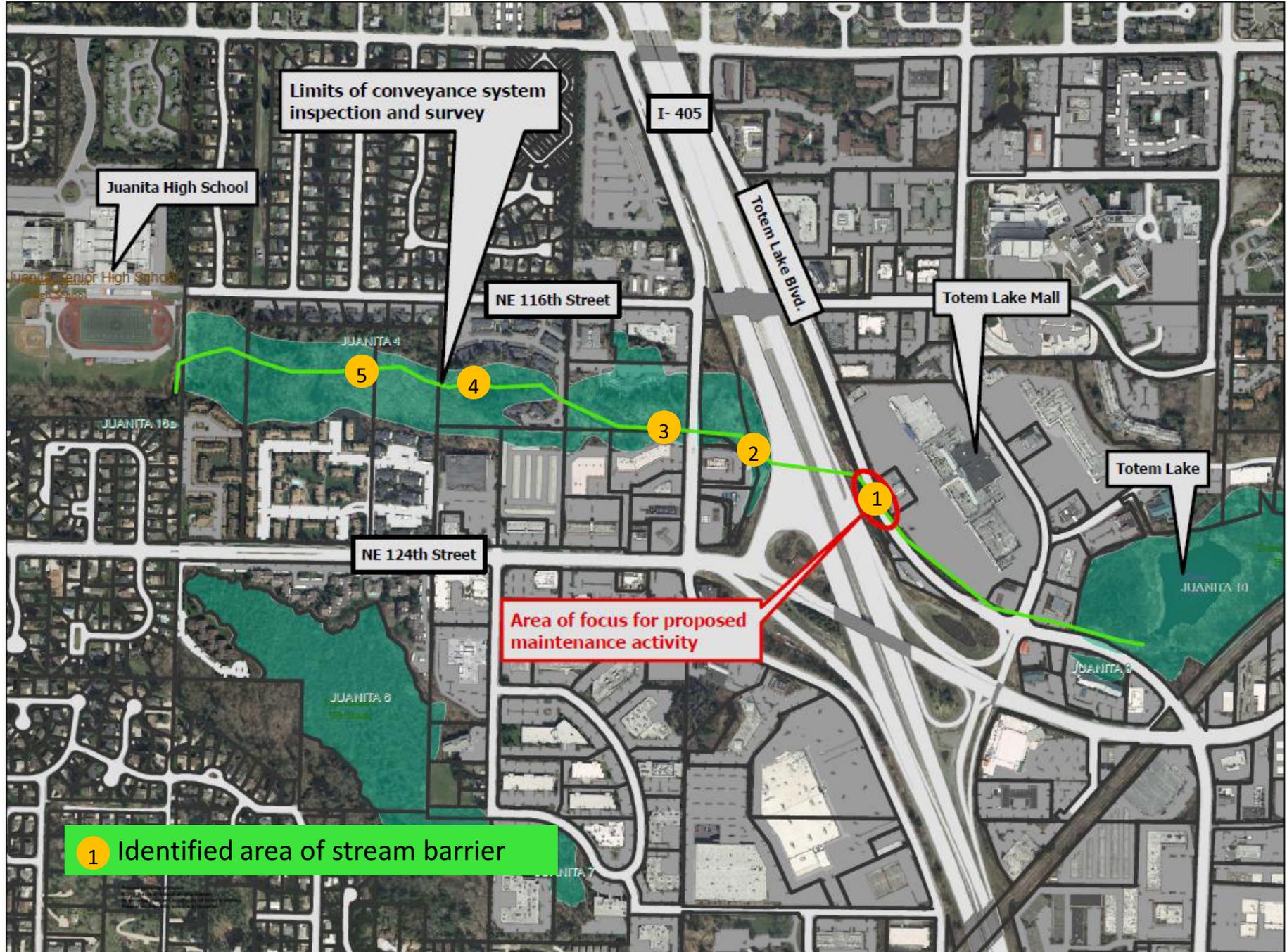


**Figure 5: Pizza Hut Entrance and Totem Lake Blvd, Facing East**



**Figure 6: Pizza Hut Entrance and Totem Lake Blvd, Facing North**

Totem Lake Flood Control and Feasibility Analysis  
Site Map





## CITY OF KIRKLAND

City Attorney's Office

123 Fifth Avenue, Kirkland, WA 98033 425.587.3030

[www.kirklandwa.gov](http://www.kirklandwa.gov)

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### MEMORANDUM

**To:** Kurt Triplett, City Manager  
**From:** Robin Jenkinson, City Attorney  
**Date:** July 7, 2011  
**Subject:** Infraction Penalty

#### **RECOMMENDATION:**

Council approves the attached ordinance amending the infraction penalty for failure to respond to certain civil infractions in KMC 12.45.040.

#### **BACKGROUND DISCUSSION:**

RCW 46.63.110(4) limits the monetary penalty cities can collect for failure to respond to a notice of traffic infraction to an amount not to exceed twenty-five dollars. Kirkland Municipal Code currently sets the penalty at thirty-five dollars. The attached ordinance amends the penalty in KMC 12.45.040 to be consistent with state law.

ORDINANCE NO. 4313

AN ORDINANCE OF THE CITY OF KIRKLAND RELATING TO PENALTY FOR FAILURE TO RESPOND TO CERTAIN CIVIL INFRACTIONS.

The City Council of the City of Kirkland do ordain as follows:

Section 1. Kirkland Municipal Code Section 12.45.040 is hereby amended to read as follows:

12.45.040 Failure to respond—Unlawful.

It is unlawful for a person who has been issued a civil infraction relating to parking, standing, stopping, or pedestrian infractions, defined by city ordinance, to fail to respond in the manner directed on the notice of infraction. Unless otherwise specified by state law or city ordinance, the penalty for such failure to respond shall be ~~thirty~~ twenty-five dollars. This penalty is in addition to penalties imposed for the underlying infraction.

Section 2. 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



**CITY OF KIRKLAND**  
**Department of Public Works**  
 123 Fifth Avenue, Kirkland, WA 98033 425.587.3800  
 www.ci.kirkland.wa.us

## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Tim Llewellyn, Fleet Supervisor  
Ray T. Steiger P.E., Public Works Director

**Date:** July 7, 2011

**Subject:** SURPLUS EQUIPMENT RENTAL VEHICLES/EQUIPMENT FOR SALE

### RECOMMENDATION:

It is recommended that the City Council approve the surplusing of the Equipment Rental vehicles/equipment identified in this memo.

### BACKGROUND DISCUSSION:

The surplusing of vehicles or equipment which have been replaced with new vehicles or equipment, or no longer meet the needs of the City, is consistent with the City's Equipment Rental Replacement Schedule Policy. The following equipment has been replaced by new equipment, and if approved by City Council, will be sold in accordance with purchasing guidelines at public auction or to public agencies.

<u>Fleet #</u>	<u>Year</u>	<u>Make</u>	<u>VIN/Serial Number</u>	<u>License #</u>	<u>Mileage</u>
A01-05X	2001	Ford Crown Victoria	2FAFP71W91X181382	34105D	54,150
BG-7	2007	John Deere Turf Gator	WO6X4HD004908	n/a	n/a
C02-02X	2002	Ford Crown Victoria	2FAFP71W12X143700	34409D	80,176
C03-07X	2003	Ford Crown Victoria	2FAHP71W63X216781	36373D	64,601
C03-08X	2003	Chevrolet Tahoe	1GNEK13Z53J289463	36235D	101,024
F-10	2002	Dodge 3500 Flatbed	3B6MC36572M268481	34407D	41,616
F209X	1998	Jeep Cherokee	1J4FJ28S7WL254816	23996D	63,509
F309X	1997	Ford Road Rescue Aid Car	1FDKE40F7VHB00658	23988D	86,761
MR-4C	2007	John Deere Mower 2653B	TC2653T010412	n/a	n/a
P07-12	2007	Ford Crown Victoria	2FAHP71W37X132679	44117D	87,892
PU-36	2003	Chevrolet Tracker 4x4	2CNBJ13C136940039	36234D	29,178
S-04	2004	Ford Tymco 600 Sweeper	1FVAB6BV75DU79872	38316D	38,700
S-05	2000	Ford Tymco 600 Sweeper	3B6MC36572M268481	31770D	40,192

For clarification purposes, A01-05X, a 2001 Ford Crown Victoria, was purchased in 2001 for use by the Police Administration Division. It was replaced at the end of its normal life in 2009, but retained for 2 years due to the addition of a Corrections Lieutenant.

BG-7 is a John Deere Turf Gator that met its expected useful life of 4 years. It has been replaced.

C02-02X is a 2002 Ford Crown Victoria which served its useful life as a Police Patrol vehicle, and was then assigned a "second life" in the Crime Prevention division with lower mileage utilization. It has been replaced with another Police Patrol vehicle which completed its normal life within the Patrol Division.

C03-07X is a 2003 Ford Crown Victoria which served its useful life as a Police Patrol vehicle, and was then assigned a "second life" in the Crime Prevention division with lower mileage utilization. It has been replaced with another Police Patrol vehicle which completed its normal life within the Patrol Division.

C03-08X is a 2003 Chevrolet Tahoe which served its useful life as a Police Patrol vehicle, and was then assigned a "second life" in the Crime Prevention division with lower mileage utilization. It has been replaced with another Police Patrol vehicle which completed its normal life within the Patrol Division.

F-10 is a Dodge 3500 Flatbed Truck operated by the Storm/Sewer Division of Public Works. It was extended 1 year beyond its anticipated useful life of 8 years.

F209X is a 1998 Jeep Cherokee which completed its original 8 years in Fire Administration, and was retained in a lower mileage assignment in Emergency Management for an additional 5 years.

F309X is a 1997 Ford Road Rescue Aid Car which completed its original 8 years in Fire Operations Division, and was retained in a lower mileage assignment in Emergency Management for an additional 6 years.

MR-4C is a 2007 riding John Deere Mower 2653B which reached its anticipated useful life of 4 years. It has been replaced.

P07-12 is a 2007 Ford Crown Victoria assigned to Police Patrol which was retained 1.5 years beyond its original anticipated useful life of 2.5 years. It has been replaced.

PU-36 is a 2003 Chevrolet Tracker assigned to Parks Administration which had completed its 8 year anticipated useful life. The replacement (a pickup) for PU-36 was transferred from Administration to Maintenance, where there was a stronger operational need. Although PU-36 will be surplus, it will be retained during the summer season, and possibly be given a second life as a Fleet pooled vehicle in the fall due to low mileage.

S-04 is a 2004 Ford Tymco 600 Streetsweeper assigned to Public Works Streets Division. It achieved its anticipated useful life of 7 years. It has been replaced.

S-05 is a 2000 Ford Chassis with a 2004 Tymco Streetsweeper unit assigned to Public Works Streets Division. In 2000, a fire destroyed the original Streetsweeper unit, and a new unit was installed at the Tymco plant in Waco, Texas. S-05 has achieved its 7 year anticipated useful life on the streetsweeper unit (and an additional 4 years on the cab and chassis). It has been replaced.

Cc: Donna Burris, Internal Services Manager



**CITY OF KIRKLAND**  
 Department of Finance & Administration  
 123 Fifth Avenue, Kirkland, WA 98033 425.587.3100  
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## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Tracey Dunlap, Director of Finance and Administration  
 Michael Olson, Deputy Director

**Date:** July 7, 2011

**Subject:** BOND REFUNDING INTRODUCTION

### RECOMMENDATION:

Council receives a briefing on the planned refunding of selected outstanding bonds to realize interest savings.

### BACKGROUND DISCUSSION:

SDM Advisors was selected as the City's Financial Advisor in October 2010 through a competitive process (Request for Proposals). The primary role of the Financial Advisor is to support the debt issuance activity of the City including making recommendations on the timing, sizing, maturity schedules, call provisions and other details of bond issues and reviewing and making appropriate recommendations on all ordinances, official statements, and other documents necessary for debt issuance.

At that time, SDM Advisors reviewed all outstanding general obligation debt issuances of the City to determine if any outstanding debt could be refunded at a net present value savings. The 1999 Limited Tax General Obligation Bonds (LTGO) are callable now and the 2001 LTGO can be advance refunded to produce interest rates savings.

Due to the small size of the 1999 LTGO (\$610,000 outstanding), it is more cost effective to combine this refunding with the 2001 LTGO refunding (\$4,730,000 outstanding). The combined 1999 and 2001 refunding will provide a net present value savings to the City, estimated at over \$300,000.

SDM Advisors has provided the following preliminary schedule to accomplish a bond sale for this refunding:

<u>DATE</u>	<u>ACTIVITY</u>
7/19	City Council briefing
7/27	Bond rating application submitted
8/1 <sup>(1)</sup>	City Council approval of Bond Ordinance (tentative)

Wk of 8/1	Bond rating update calls
8/10	Ratings Received
8/23	Bond Sale
9/7	Bond Closing
10/7	Redemption of the 1999 Bonds
12/1	Redemption of the 2001 Bonds

<sup>(1)</sup> The Bond Ordinance may take a form that provides for delegation of sale activities to the City Manager, Director of Finance and Administration or others, with or without consultation with the Finance Committee or others. This would provide greater flexibility relative to selection of market timing.



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

**To:** Kurt Triplett, City Manager

**From:** Marilynne Beard, Assistant City Manager  
Robin Jenkinson, City Attorney

**Date:** July 7, 2011

**Subject:** CODE OF ETHICS AND CODE OF CONDUCT

### **RECOMMENDATION:**

City Council reviews the attached draft Code of Ethics and Code of Conduct, provides additional edits as needed and authorizes staff to forward the Code of Ethics to the contracted agency serving as the Ethics Officer for review.

### **BACKGROUND DISCUSSION:**

At the June 21, 2011 City Council meeting, the Council received an update on the status of the Draft Code of Ethics, recommendations of the Council Ethics committee and a first draft of a Code of Conduct. At that meeting, the City Council agreed to contract with an outside agency to serve as an Ethics Officer and directed staff to interview and execute a contract with an appropriate agency. The Council further agreed to pursue a Code of Conduct and referred the draft Code of Ethics to the Council's Ethics Committee for revision.

### **Code of Ethics**

The attached draft Code of Ethics reflects the decision of the Council to contract with an outside agency for services that would otherwise be performed by a local Ethics Board and incorporates language changes that have been received from individual Council members (Attachment A). Edits incorporated in the attached draft are clarifying in nature rather than raising substantive policy issues. Policy issues raised by Council and requiring further discussion are summarized below:

- Include the Municipal Court Judge in the definition of City Official covered by the Code of Ethics. Staff discussed this suggestion with the Council Ethics committee and pointed out that all judges are covered by their own Judicial Code of Conduct and are accountable to the State's Judicial Review Board. It was agreed to not make this change.

- Clarification of definitions and descriptions. There were three areas in the draft Code of Ethics where members had questions about the language. The committee agreed to refer these questions to the contracted Ethics Officer staff for advice on possible alternative language. The three areas are:
  - Definition of "Relative" (Definitions) – Clarification was requested on how far this description should go (e.g. to include step-relatives).
  - Description of "Conflict of Interest" (Section D) -- There was concern that the description of conflict of interest was overly broad.
  - Finding of Sufficiency (Section 3.A.2) – There was concern about the connotation of "sufficiency" and a request to determine if there is other wording that would be an appropriate substitution.

If the City Council concurs with the edits presented to date, staff will provide the draft Ethics Code to whichever outside party is chosen as the City's contracted Ethics Officer. A response with any suggested edits will be presented to the City Council for review and concurrence. Ultimately the City Council will adopt the Code of Ethics by resolution and a training plan will be developed.

### **Code of Conduct**

The Council Ethics Committee discussed the draft Code of Conduct at their July 6, 2011 meeting. There was a consensus that the document could be shorter and that care should be taken not to overlap with the Code of Ethics and the City Council Policies and Procedures. Attachment B is a revised Code of Conduct that reflects the suggested edits of the Committee. The revision clarifies that the Code of Conduct applies to all City Officials (i.e. City Council and Boards and Commissions). If the City Council concurs with the revised Code of Conduct, it can be adopted by resolution at the same time as the Code of Ethics or sooner if Council determines it is appropriate.

**ATTACHMENT A**  
**CITY OF KIRKLAND**  
**CODE OF ETHICS**

**SECTION 1 - POLICY**

**Policy Purpose**

The Kirkland City Council has adopted a Code of Ethics for members of the City Council and the City's boards and commissions to ensure public confidence in the integrity of local government and its effective and fair operation. This policy will provide the basis for education and training for city officials, both elected and appointed, to ensure that the highest standards and best practices with regard to ethics will be followed.

**Definitions**

**"Material financial interest"** means (1) remuneration from outside employment or services as an independent contractor in excess of \$1,000 per year from any person or entity; (2) ownership of a non-managerial equity interest in excess of \$10,000 in any privately held entity or one percent or greater of any publicly traded entity; (3) a managerial interest in any for-profit entity doing business with the City, whether compensated or not; (4) an interest as a trustee, director or officer an any entity doing business with the City, and (5) status as a creditor of a person or entity that has a City contract, sale, lease, purchase or grant and where the face of the debt is \$10,000 or more.

**"Official"** means members of the City Council and members of Council appointed City boards and commissions and other Council-appointed task groups or committees, including youth members.

**"Relative"** for the purposes of this Code means: persons related by blood, marriage, or legal adoption (including grandparent, parent, spouse, domestic partner, brother, sister, child, grandchild or any person with whom the Official has a close personal relationship such as a fiancée or co-habitant).

**A. INTENT**

The citizens and businesses of Kirkland are entitled to have fair, ethical and accountable local government which has earned the public's full confidence for integrity. In keeping with the City of Kirkland commitment to excellence, the effective functioning of democratic government therefore requires that:

- public officials, both elected and appointed, comply with both the letter and spirit of the laws and policies affecting the operations of government;
- public officials be independent, impartial and fair in their judgment and actions;
- public office be used for the public good, not for personal gain; and
- public deliberations and processes be conducted openly, unless legally confidential, in an atmosphere of respect and civility.

B. COMPLY WITH THE LAW AND CITY POLICY

Officials shall comply with the laws of the nation, the State of Washington and the City of Kirkland in the performance of their public duties. These laws include, but are not limited to: the United States and Washington constitutions; laws pertaining to conflicts of interest, election campaigns, financial disclosures and open processes of government; and City ordinances and policies. *See Appendix A.*

C. ACT IN THE PUBLIC INTEREST

Recognizing that stewardship of the public interest must be their primary concern, Officials will work for the common good of the people of Kirkland and not for any private or personal interest, and they will ensure fair and equal treatment of all persons, claims and transactions coming before the Kirkland City Council, boards and commissions. Officials need to be mindful that making special requests of staff – even when the response does not benefit the Official personally, puts staff in an awkward position.

1. Gifts and Favors. Officials shall not take any special advantage of services or opportunities for personal gain, by virtue of their public office, which are not available to the public in general. They shall not accept or solicit any gifts, favors or promises of future benefits except as allowed by Kirkland Municipal Code 3.80.140.

2. Use of Public Resources. Generally, except for infrequent use at little or no cost to the City, Officials shall not use public resources that are not available to the public in general, such as City staff time, equipment, supplies or facilities, for private gain or personal purposes.

3. Representation of Third Parties. Officials shall not appear on behalf of the private interests of third parties before the Council or any board, commission or proceeding of the City, or in interaction with staff.

4. Campaign Solicitation. As required by RCW 42.17.750, no Official shall knowingly solicit or encourage, directly or indirectly, any political contribution from any City employee.

5. Campaign Activities. As required by RCW 42.17.130, no Official may use or authorize the use of the facilities of the City for the purpose of assisting a campaign for the election of any person to any office, or for the promotion of or opposition to any ballot proposition in a manner not available to the general public on the same terms.

6. Nepotism. The City Council will not appoint ~~Relatives~~relatives of City Council Members to boards or commissions or other appointed positions.

7. Solicitations of Charitable Contributions. No Official may make direct personal solicitations for charitable contributions from City employees.

D. CONFLICT OF INTEREST

In order to ensure their independence and impartiality on behalf of the common good, Officials shall not use their positions to influence government decisions in which they or their ~~Relatives~~relatives have a material financial interest or ~~where they have an organizational responsibility or personal a~~relationship which may give the appearance of a conflict of interest.

All Officials shall file a City of Kirkland Disclosure Statement annually. In accordance with Chapter 42.17 RCW, members of the Kirkland City Council shall also disclose investments, interests in real property, sources of income, and creditors through the filing of a Public Disclosure Commission Form F-1, "Personal Financial Affairs Statement." Members of boards and commissions shall be advised as part of the application process, that they will be required to file the applicable City of Kirkland Disclosure Statement within ten days of appointment. Officials shall abstain from participating in deliberations and decision-making where conflicts exist.

Officials shall make public any conflict of interest the Official has with respect to any issue under consideration by the body. The nature of such conflict need only be described in terms that make clear the existence of a conflict. The Official shall leave the meeting room, not participate in discussions of the subject and shall not vote on it if:

1. The Official has a material financial interest in the subject,
2. The Official is a ~~Relative~~relative of or has a close personal or professional relationship with a person who has a material financial interest in the subject, or
3. The ordinances of the City of Kirkland or Chapter 42.23 RCW prohibit the Official's involvement.

If the Official has only a casual association with the subject or the parties, the Official must state the relationship, and then may fully participate.

E. CONDUCT OF OFFICIALS

1. Personal integrity. The professional and personal conduct of Officials must be above reproach and avoid even the appearance of impropriety. Officials shall refrain from abusive conduct, threats of official action, personal accusations or verbal attacks upon the character or motives of other members of Council, boards and commissions, the staff or public. Officials shall maintain truthfulness and honesty and not compromise them for advancement, honor, or personal gain. Additionally, Officials shall not directly or indirectly induce, encourage or aid anyone to violate the Code of Ethics and it is incumbent upon Officials to make a good faith effort to address apparent violations of this Code of Ethics, as provided in Section 3.A.

2. Respect for Process. Officials shall perform their duties in accordance with the processes and rules of order established by the City Council and board and commissions governing the deliberation of public policy issues, meaningful involvement of the public, and implementation of policy decisions of the City Council by City staff.

3. Conduct of Public Meetings. Officials shall prepare themselves for public issues; listen courteously and attentively to all public discussions before the body; and focus on the business at hand. They shall refrain from interrupting other speakers; making personal comments not germane to the business of the body; or otherwise interfering with the orderly conduct of meetings.

4. Decisions Based on Merit. Officials shall base their decisions on the merits and substance of the matter at hand, rather than on unrelated considerations.

5. ~~Ex parte Communications. In quasi-judicial matters,~~ ~~5. Communication.~~ Officials shall publicly disclose substantive information that is relevant to a matter under consideration by the Council or boards and commissions, which they may have received from sources outside of the public decision-making process.

6. Attendance. As provided in RCW 35A.12.060, a Council Member shall forfeit his or her office by failing to attend three consecutive regular meetings of the Council without being excused by the Council. Unless excused, members of boards and commissions are expected to attend all meetings. It is a violation of this Code of Ethics for members of boards and commissions to be absent without excuse from more than 20 percent of meetings in a twelve-month period.

F. CONFIDENTIAL INFORMATION

Officials shall keep confidential all written materials and verbal information provided to them during executive sessions to ensure that the City's position is not compromised. Confidentiality also includes information provided to Officials outside of executive session when the information is considered to be exempt from disclosure under exemptions set forth in the Revised Code of Washington. Questions about whether or not information is confidential should be referred to the City Attorney. The release of confidential or disclosure-exempt information must be considered and approved by the full Council prior to disclosure.

G. RETENTION, DESTRUCTION, AND IMPROPER CONCEALMENT OF RECORDS

Transparency, openness, and accountability are fundamental values of the City of Kirkland – and are also required by the laws of the state of Washington. The public has a right to inspect and copy public records unless exempt by law from disclosure. All materials relating to the conduct of City government that are prepared, possessed, used or retained by any Official, including email and other electronic records, are subject to requirements for retention, protection, and disclosure. Officials may assume that all copies of materials received from City staff have already been archived and do not need to be retained. Officials shall not discard, damage, or destroy the original copy of any public record unless directed by the City Public Records Officer (the City Clerk), who has responsibility to ensure that the City complies with the record retention schedules established under Chapter 40.14 RCW. Officials shall promptly provide any records requested by the Public Records Officer in response to a disclosure request under the Public Records Act, Chapter 42.56 RCW. It is the responsibility for the Public Records Officer, together with the City Attorney, to decide which records meet the definition of "public record" and whether or not they are exempt from disclosure; Officials must not take it upon

themselves to decide whether a record meets the definition of a public record, that a record is exempt from disclosure, or to otherwise conceal a record. Willful failure to act in accordance with this subsection is a violation of the Code of Ethics and may subject the City to substantial financial penalties and costs.

H. ADVOCACY

When acting in an official capacity as a City of Kirkland Official representing Kirkland, Officials shall represent the official policies or positions of the City Council, board or commission to the best of their ability when the City Council, board or commission has taken a position or given an instruction. When presenting their individual opinions and positions, members shall explicitly state they do not represent their body or the City of Kirkland, nor will they allow the inference that they do. Officials have the right to endorse candidates for all Council seats or other elected offices. It is inappropriate to make or display endorsements during Council meetings, board/commission meetings, or other official City meetings. However, this does not preclude Officials from participating in ceremonial occasions, community events, or other events sponsored by civic groups.

I. POLICY ROLE OF OFFICIALS

Officials shall respect and adhere to the council-manager structure of Kirkland City government as outlined by Chapter 35A.13 RCW. In this structure, the City Council determines the policies of the City with the advice, information and analysis provided by the public, boards and commissions, and City staff. Except as provided by state law, Officials shall not interfere with the administrative functions of the City or the professional duties of City staff; nor shall they impair the ability of staff to implement Council policy decisions.

**SECTION 2 – BOARD OF ETHICS OFFICER**

~~The establishment of a citizen Board of Ethics City Council creates the position of Ethics Officer. The City Manager will contract with one or more agencies to fill this position. The Ethics Officer will provide for annual review of the Code of Ethics, review of training materials provided for education regarding the Code of Ethics, and advisory opinions concerning the Code of Ethics. The Ethics Officer shall also be responsible for~~ Board ~~also be responsible for~~ has a role in the prompt and fair enforcement of its provisions in the rare occasion when informal measures to deal with ethical lapses have failed.

A. BOARD ESTABLISHED

There is created ~~the position~~ a Board of Ethics Officer for the City of Kirkland. The purpose of ~~establishing an of this Board of Ethics Officer position is to retain an objective third party with a high level of expertise in the conduct of ethics investigations and issuance of advisory opinions. is to~~ The Ethics Officer shall issue advisory opinions on the provisions of this Code of Ethics and ~~to determine the sufficiency of complaints alleging violations of this Code of Ethics, as set forth below.~~

~~1. The Board of Ethics shall be composed of three members, and one alternate member ("first alternate") none of whom shall be an Official or City employee. The board~~

~~members shall be appointed by the City Council. The alternate member may attend all meetings of the Board of Ethics, but shall have no voting rights except as otherwise provided. The term of each board member shall be three years. The first three members shall be appointed for one, two or three year terms, respectively, to be determined by lot. No board member may serve more than six years.~~

~~2. The Board of Ethics shall determine and elect its Chair. The Chair shall serve for a period of one year, unless reelected. The Chair may serve no more than two consecutive terms as Chair. In the event a Board member must recuse himself or herself or otherwise be unavailable to conduct Board business, the first alternate member shall serve in his/her place. If a second alternate member is required, the Board shall select such alternate member from prior Board members who have served during the preceding six years ("second alternate"). The second alternate Board member shall be chosen by agreement of the remaining Board members. In the event no former Board members are available, the City Council shall appoint an alternate Board member. In filling any vacancy or making an appointment to the Board of Ethics, the City Council shall strive to select members with diverse perspectives and areas of expertise appropriate to the review of ethical matters, and who are of good general reputation and character.~~

~~3. Any action by the Board of Ethics shall require the affirmative vote of two Board members.~~

~~4. The Board of Ethics shall meet no less than one time per year to recommend updates to the Code of Ethics and training materials as set forth below. The Board of Ethics shall meet as needed to respond to requests for advisory opinions and complaints as set forth in Subsection D.~~

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#### B. ADVISORY OPINIONS

1. Upon request of any Official, the ~~Board of Ethics~~ Officer may render written advisory opinions concerning the applicability of the Code of Ethics to hypothetical circumstances and/or situations solely related to the persons making the request. The ~~Board of Ethics~~ Officer will not render opinions on matters that are the purview of other government agencies or officials, e.g., the Public Disclosure Commission, the City Public Records Officer, etc.

2. Upon request of any Official, the ~~Board of Ethics~~ Officer may also render written advisory opinions concerning the applicability of the Code of Ethics to hypothetical circumstances and/or situations related to a matter of city-wide interest or policy.

3. The ~~Board of Ethics~~ Officer will endeavor to respond to requests for advisory opinions within forty-five (45) days of submission of the request, or more rapidly if the requester expresses urgency in the request.

#### C. ADVISORY OPINIONS – EFFECT ON ENFORCEMENT

A person's conduct based in reasonable reliance on an advisory opinion rendered by the ~~Board of Ethics~~ Officer shall not be found to violate this Code of Ethics, as long as all material facts have been fully, completely, accurately presented in a written request for an advisory opinion,

and the person's conduct is consistent with the advisory opinion. The ~~Board of Ethics Officer~~ reserves the right to reconsider the questions and issues raised in an advisory opinion and, where the public interest requires, rescind, modify, or terminate the opinion, but a modified or terminated advisory opinion will not form the basis of a retroactive enforcement action against the original requestor. Advisory opinions will contain severability clauses indicating that should portions of the opinion be found to be unenforceable or not within their authority, the remainder of the opinion shall remain intact.

#### D. ADDITIONAL DUTIES

The ~~Board of Ethics Officer~~, in addition to its other duties may recommend changes or additions to this Code of Ethics to the City Council. The ~~Board~~ Ethics Officer shall provide input into and review the training materials and program developed for this Code of Ethics.

### SECTION 3 – ADDRESSING ETHICAL INFRACTIONS

Violations or infractions of ethics codes often occur inadvertently because of a lack of knowledge of ethics code requirements. Most people intend and want to do the right thing. Officials themselves have the primary responsibility of ensuring that ethical standards are understood and met and that the public can continue to have full confidence in the integrity of government. ~~Officials~~ The chairs of boards and commissions and the Mayor and City Council have the additional responsibility of intervening by bringing any issue to another Official's attention when actions of Officials which appear to be in violation of this Code of Ethics are brought to their attention. Officials should point out infractions of this Code of Ethics to the offending Official. The formal complaint process outlined below is intended to be used when informal processes fail and to provide for the fair and effective administration and enforcement of this Code of Ethics.

#### A. COMPLAINT PROCESS

A formal complaint should be filed if and only if all other efforts to resolve the problem have been exhausted without satisfactory resolution. A formal complaint is a serious matter and not to be made lightly.

1. Complaint Requirements – Service. Any person may submit a written complaint to the City Clerk alleging one or more violations of this Code of Ethics by an Official. The complaint must:

- a. Set forth specific facts with enough precision and detail for the ~~Board of Ethics Officer~~ to make a determination of sufficiency. A complaint is sufficient if it precisely alleges and describes acts which constitute a prima facie showing of a violation of a specified provision of this Code of Ethics that is within the purview of the Ethics Officer; and
- b. Set forth the specific section(s) and subsection(s) of this Code of Ethics that the complaining party believes has been violated; and
- c. Provide an explanation by the complaining party of the reasons why the alleged facts violate this Code of Ethics; and
- d. Be signed under penalty of perjury by the person(s) submitting it in a manner consistent with Chapter 9A.72 RCW; and

e. State each complaining person's correct name, address at which mail may be personally delivered to the submitter and the telephone number and email, if available, at which each complaining person may be contacted.

The City Clerk shall promptly mail and email a copy of the complaint to the person complained against and submit the complaint to the ~~Board of Ethics Officer~~ for a determination of sufficiency.

2. Finding of Sufficiency. The ~~Board of Ethics Officer~~ shall submit a written report with a finding of sufficiency or insufficiency within fifteen (15) days of its receipt of the written complaint. Determination of sufficiency is a process as to form, required above, and determining the possibility of a violation, if the facts of the complaint are determined to be as presented. The finding of insufficiency by the ~~Board of Ethics Officer~~ is final and binding, and no administrative or other legal appeal is available: through the Ethics Officer. A finding of insufficiency due to form (Complaint Requirements 1b, c, d, and e) may be corrected and resubmitted to the City Clerk for further consideration by the Ethics Officer. A correction of a complaint by the person(s) originally submitting it must be received by the City Clerk within ten days of the date of the letter of notification of the finding of insufficiency..- If the finding is one of sufficiency of the complaint, then the complaint shall be investigated as set forth below.

3. Dismissal. The ~~Board of Ethics Officer~~ shall dismiss the complaint if the ~~Board of Ethics Officer~~ determines the complaint is ~~insufficient~~:

- a. ~~insufficient;~~
- b. ~~the~~ ~~the~~ The violation was inadvertent and minor; or
- c. ~~aa~~ ~~b~~.— A violation occurred, but appropriate actions have been taken to fully address the allegedly unethical conduct.

4. Notice. Notice of action by the ~~Board of Ethics Officer~~ shall be provided as follows:

a. Notice of a finding of insufficiency or dismissal of a complaint by the ~~Board of Ethics Officer~~ shall be mailed to the person who made the complaint and the person complained against within seven (7) days of the decision by the ~~Board of Ethics Officer~~. A finding of insufficiency or dismissal of a complaint by the ~~Board of Ethics Officer~~ is final and binding, and no administrative or other legal appeal is available: through the Ethics Officer, except a correction as to form may be submitted as provided in Section 3.a.2..-

b. Within seven (7) days of the ~~Board of Ethics Officer~~ rendering a finding of sufficiency, the City Clerk shall mail notice to the person who made the complaint and the person complained against, of the public hearing which will be held to determine if a violation has occurred. Notice shall be provided at least thirty (30) days prior to the date set for the hearing. The person complained against shall have the right to file a written answer to the charge and to appear at the hearing with or without legal counsel, submit testimony, be fully heard, and to examine and cross examine witnesses.

5. Stipulations. Violation of any provision of the Code of Ethics should raise questions for the Official concerned as to whether resignation, compensatory action, or a sincere apology is appropriate to promote the best interests of the City and to prevent the cost – in time, money and emotion – of an investigation and hearings. At any time after a complaint

has been filed with the ~~Board of Ethics Officer~~, the ~~Board of Ethics Officer~~ may seek and make recommendations that the City Council enter into a stipulation with the person complained against. The recommended stipulation will include the nature of the complaint, relevant facts, the reasons the ~~Board of Ethics Officer~~ thinks a stipulation is appropriate, an admission of the violation by the person complained against, a promise by the person complained against not to repeat the violation, and if appropriate, a recommended remedy or penalty. The recommended stipulation shall be mailed to the person who made the complaint and the person complained against and forwarded to the City Council for action.

#### B. CONDUCT OF HEARINGS

1. All hearings on complaints found to be sufficient by the ~~Board of Ethics Officer~~ shall be conducted by the Hearing Examiner. The hearing shall be informal, meaning that the Hearing Examiner shall not be bound by the strict rules of evidence prevailing in courts of law or equity. The Hearing Examiner may call witnesses on his or her own motion and compel the production of books, records, papers, or other evidence as needed. To that end, the Hearing Examiner shall issue subpoenas and subpoenas duces tecum. All testimony shall be under oath administered by the Hearing Examiner. The Hearing Examiner may adjourn the hearing from time to time to allow for the orderly presentation of evidence. The Hearing Examiner shall prepare an official record of the hearing, including all testimony, which shall be recorded by mechanical device, and exhibits; provided that the Hearing Examiner shall not be required to transcribe such records unless presented with a request accompanied by payment of the cost of transcription.

2. Within thirty (30) days after the conclusion of the hearing, the Hearing Examiner shall, based upon a preponderance of the evidence, make and fully record in his or her permanent records, findings of fact, conclusions of law, and his or her recommended disposition. A copy of the findings, conclusions, and recommended disposition shall be mailed to the person who made the complaint and to the person complained. Additional copies of the findings, conclusions, and recommendations shall be forwarded to the ~~Board of Ethics Officer~~ and City Council.

#### C. CITY COUNCIL ACTION

Final City Council action to decide upon stipulations and recommendations from the ~~Board of Ethics Officer~~ and findings, conclusions, and recommendations from the Hearing Examiner shall be by majority vote in a public meeting. If the proceeding involves a member of the City Council, that member will not participate in any executive session unless requested and shall not vote on any matter involving the member. Deliberations by the Council may be in executive session; however, upon request of the person against whom the complaint was made, a public hearing or public meeting before the Council will be held on the issue of penalties.

#### D. DISPOSITION

In the event the Hearing Examiner's finds that the person against whom the complaint was made has violated the Code of Ethics, then the City Council may take any of the following actions by a majority vote of the Council. The action of the City Council shall be final and not

subject to further review or appeal except as may be otherwise provided by law or as provided in Subsection E below.

1. Dismissal. Dismissal of the complaint without penalties.
2. Referral. A complaint may be referred to another agency with jurisdiction over the violation, such as the Public Disclosure Commission. Final action on the complaint may be stayed pending resolution of the matter by the agency to which it was referred.
3. Admonition. An admonition shall be an oral non-public statement made by the Mayor, or his/her designee, or if the complaint is against the Mayor, the Deputy Mayor or his/her designee to the Official.
4. Reprimand. A reprimand shall be administered to the Official by a resolution of reprimand by the City Council. The resolution shall be prepared by the City Council and shall be signed by the Mayor or, if the complaint is against the Mayor, the Deputy Mayor.
5. Censure. A resolution of censure shall be a resolution read personally to the person in public. The resolution shall be prepared by the City Council and shall be signed by the Mayor or if the complaint is against the Mayor, the Deputy Mayor. The person shall appear at a City Council meeting at a time and place directed by the City Council to receive the resolution of censure. Notice shall be given at least twenty (20) calendar days before the scheduled appearance at which time a copy of the proposed resolution of censure shall be provided to the person. The resolution of censure shall be read publicly, and the person shall not make any statement in support of, or in opposition thereto, or in mitigation thereof. The resolution of censure shall be read at the time it is scheduled whether or not the Official appears as required.
6. Removal – Member of Board or Commission- or Other Appointed Task Group or Committee. In the event the individual against whom the complaint was made is currently a member of a City board or commission or other task group or committee, appointed by the City Council, the City council may, in addition to other possible penalties set forth in this section, and notwithstanding any other provision of the Kirkland Municipal Code, by a majority vote remove the individual from such board or commission effective immediately.
7. Civil Penalties. The City Council may assess a civil penalty of up to One Thousand Dollar (\$1,000.00) or three (3) times the economic value of anything received in violation of this Code of Ethics or three times (3) the economic value of any loss to the City, whichever is greater. Any monetary penalty assessed civilly shall be placed in the City's general fund.
8. Contract void. As provided by RCW 42.23.050, any contract made in violation of Chapter 42.23 RCW, "Code of ethics for municipal officers – contract interests," is void.
9. Other penalties. The City Council may impose a ~~budget reduction or restriction~~, loss of a committee assignment, or loss of appointment as a representative of the City for any regional or multi-jurisdictional body or membership on any board or commission which requires an appointment or confirmation of an appointment by the City Council.

E. REVIEW OF CIVIL PENALTIES

If the City Council orders a person to pay a civil penalty, the person may seek a writ of review from the superior court pursuant to Ch. 7.16 RCW, within thirty (30) days of the City Council's order.

F. PROTECTION AGAINST RETALIATION

Neither the City nor any Official may take or threaten to take, directly or indirectly, official or personal action, including but not limited to discharge, discipline, personal attack, harassment, intimidation, or change in job, salary, or responsibilities, against any person because that person files a complaint with the ~~Board of Ethics~~ Officer.

G. PUBLIC RECORDS

Records filed with the ~~Board of Ethics~~ Officer become public records that may be subject to inspection and copying by members of the public, unless an exemption in law exists. To the extent required to prevent an unreasonable invasion of personal privacy interests protected by RCW 42.56.230(2), identifying details may be redacted when an unsubstantiated complaint is made available in response to a public records request; however, in each case, the justification for the redaction shall be explained fully in writing. A finding by the ~~Board of Ethics~~ Officer determining that a complaint is sufficient shall contain at the beginning the following specific language:

NOTICE: ANY PORTION OF THIS FINDING DETERMINING SUFFICIENCY OF ANY PORTION OF A COMPLAINT DOES NOT DETERMINE THE TRUTH OR FALSITY OF THE ALLEGATIONS CONTAINED IN THE COMPLAINT FILED WITH THE ~~BOARD OF ETHICS OFFICER~~. THE ~~BOARD OF ETHICS OFFICER~~ HAS ONLY DETERMINED THAT IF CERTAIN FACTS CONTAINED IN THE COMPLAINT ARE FOUND TO BE TRUE DURING A LATER HEARING TO BE CONDUCTED BY THE HEARING EXAMINER, THEN VIOLATION(S) OF THE ETHICS CODE MAY BE FOUND TO HAVE OCCURRED.

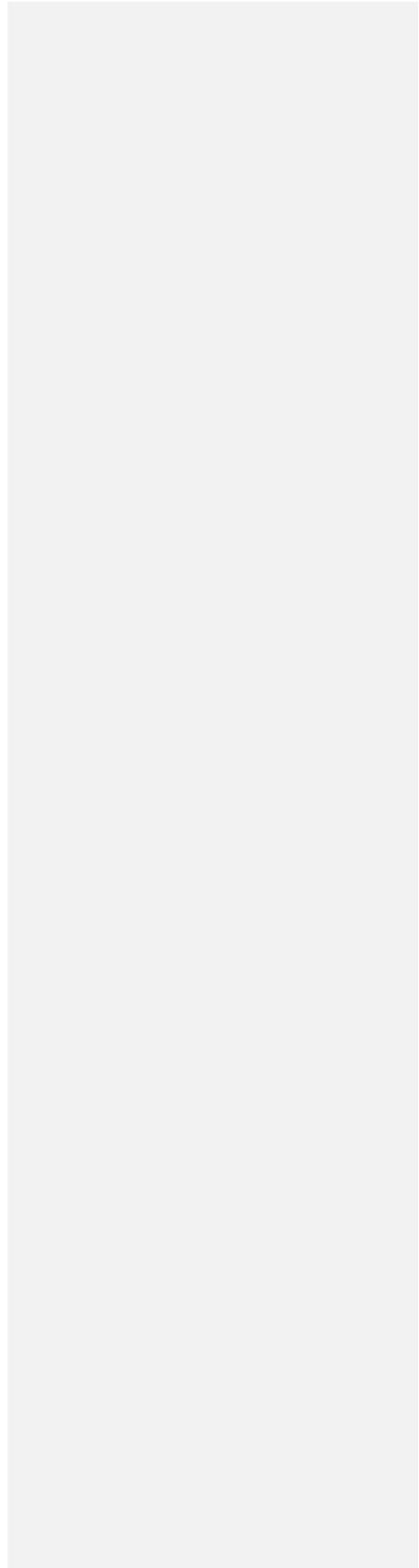
The City shall release copies of any written reports resulting from an investigation of a sustained complaint, any Hearing Examiner orders, and any written censures or reprimands issued by the City Council, in response to public records requests consistent with Chapter 42.56 RCW and any other applicable public disclosure laws.

H. LIBERAL CONSTRUCTION – LIMITATION PERIOD – EFFECTIVE DATE

- a. This Code of Ethics shall be liberally construed to effectuate its purpose and policy and to supplement existing laws that relate to the same subject.
- b. Any action taken under this Code of Ethics must be commenced within three years from the date of violation.

c. This Code of Ethics shall take effect \_\_\_\_\_.

DRAFT ONLY



**CITY OF KIRKLAND  
CODE OF CONDUCT  
Revised July 7, 2011**

The Code of Conduct is supplemental to the Kirkland Municipal Code and the Code of Ethics and applies to the City Council and all members of City advisory boards and commissions. The Code of Conduct describes how Kirkland officials treat each other and work together for the common good of the community. Conducting the City's business in an atmosphere of respect and civility is the underlying theme in this Code. City Officials are responsible for holding themselves and each other accountable for displaying actions and behaviors that consistently model the ideals expressed in the code.

Implicit in the Code of Conduct is recognition of the worth of individual members and an appreciation for their individual talents, perspectives and contributions. The Code will ensure an atmosphere where individual members, staff and the public are free to express their ideas and work to their full potential.

*As a City Official of the City of Kirkland, I agree to these principles of conduct:*

***We consistently demonstrates the principles of professionalism, respect and civility in working for the greater good of Kirkland.***

We assure fair and equal treatment of all people.

We conduct ourselves both personally and professionally in a manner that is above reproach.

We refrain from abusive conduct, personal charges or verbal attacks on the character or motives of Council members, commissioners, staff and the public.

We take care to avoid personal comments that could offend others.

Show no tolerance for intimidating behaviors.

We listen courteously and attentively to all public discussions and treat all people the way we wish to be treated.

We serve as a model of leadership and civility to the community.

Our actions inspire public confidence in Kirkland government.

***Keeping in mind the common good as the highest purpose, we will focus on holding efficient meetings that achieve constructive solutions for the public benefit.***

We work as a team to solve problems and render decisions that are based on the merits and substance of the matter.

We respect differences and views of other people.

***We adhere to the principles and laws governing the Council/Manager form of government and treat all staff with respect and cooperation.***

We will refrain from interfering with the administrative functions and professional duties of staff.

We will not publicly criticize individual staff but will privately communicate with City Manager any concerns about a Department or Department Head or staff person.

We will refrain from negotiating or making commitments without the involvement and knowledge of City Manager.

We will work with staff in a manner that consistently demonstrates mutual respect.

We will not discuss personnel issues, undermine management direction, or give or imply direction to staff.

We will communicate directly with the City Manager or department directors when asking for information, assistance or follow up.

We will not knowingly blindside one another in public and will contact staff prior to a meeting with any questions or issues.

We will not attend City staff meetings unless requested by staff.

**I acknowledge that I have received this Code of Conduct**

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**Name**

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**Date**



**CITY OF KIRKLAND**  
 Department of Parks & Community Services  
 505 Market Street, Suite A, Kirkland, WA 98033 425.587.3300  
 www.kirklandwa.gov

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## MEMORANDUM

**To:** Kurt Triplett, City Manager

**From:** Jennifer Schroder, Director  
Michael Cogle, Interim Deputy Director

**Date:** July 8, 2011

**Subject:** **ESTABLISHING AN AD-HOC EXPLORATORY COMMITTEE TO CONSIDER POSSIBLE FUTURE PARK FUNDING BALLOT MEASURES**

### **RECOMMENDATION:**

That the City Council takes the following actions related to establishing an ad-hoc exploratory committee and consideration of a possible future park funding ballot measure:

- 1) Decide whether any members of the Council shall be members of the Exploratory Committee and if so, appoint those members and name one as Chair;
- 2) Appoint the initial members of ad-hoc Exploratory Committee to consider and make recommendations on future park funding ballot measure;
- 3) Concur with the acceleration of 2012 budgeted PROS plan funding into 2011 to hire Trust For Public Trust for Public Land (TPL) as the Exploratory Committee strategic and public outreach consultant and to begin the Comprehensive Park, Recreation and Open Space (PROS) Plan update.

### **BACKGROUND DISCUSSION:**

At its regular session of June 7<sup>th</sup>, the City Council provided direction on establishing an ad-hoc exploratory committee to consider and make recommendations on possible future park funding ballot measures. Staff presented a list of potential stakeholders for Council consideration, which included:

City Council	Audubon Society
Park Board	Faith Community
Park Users/Advocates	Youth Council
Neighborhood Associations	Senior Council
Chamber of Commerce	Green Kirkland
Service Clubs	Finn Hill Park and Recreation District
Sports organizations	Denny Creek Neighborhood Alliance
School District and PTSA	Kirkland Dog Off-Leash Group (KDOG)

In addition, Council directed that the following additional stakeholder groups be invited to participate on the Committee:

- Evergreen Hospital Medical Center
- Lake Washington Technical College
- Totem Lake Urban Center

Although not originally identified as key stakeholder groups, staff suggests that the Kirkland Cultural Council and Kirkland Heritage Society both be added to the list, particularly given the Council's interest in having the Committee consider the historic Kirkland Cannery building.

The Council also expressed interest in "at-large" citizen representation on the Committee, recognizing that there may be individuals not necessarily tied to an organization who may want to serve.

### **APPOINTED MEMBERSHIP AND CHAIR**

First, the Council needs to decide whether any members of the Council shall be members of the Exploratory Committee. If Councilmembers will participate, it is the staff recommendation that these members are formally appointed by the Council at the July 19 Council meeting and that one of the Councilmembers is appointed to serve as the Chair of the Committee.

Once the Council formally appoints the Committee, staff will work with the appointed Chairperson to schedule and convene the first meeting (targeted for mid- to late-August).

Staff has also contacted stakeholder groups and select individuals to solicit their interest and to request names of their representatives. A list of names submitted as of July 11<sup>th</sup> is included as **Attachment A**. An updated list will be provided to the Council at their meeting of July 19<sup>th</sup>.

It is possible that some organizations may not have selected their representative prior to the Council meeting, in which case staff will work to ensure that the stakeholder representative is identified prior to the Committee's first meeting.

**A list of any additional members shall be brought to the August 2 Council meeting for appointment.**

### **PROJECT CONSULTANT: TRUST FOR PUBLIC LAND**

Staff recommends that the City hire the non-profit organization Trust for Public Land (TPL) as the Exploratory Committee strategic and public outreach consultant and to begin the Comprehensive Park, Recreation and Open Space (PROS) Plan update. TPL offers a range of conservation services and helps communities plan for growth, raise funds to acquire land, and renovate parks and playgrounds, and conducts conservation research. Since 1972, TPL has completed more than 4,250 park and conservation projects in communities nationwide. TPL has familiarity with Kirkland as they served in a similar capacity for the City in 2001/2002.

Accelerating the PROS Plan work at this time will provide efficiency to both processes due to the public outreach, data collection and mapping as part of the work for the Exploratory Committee, which is consistent with the scope of work planned for the PROS Plan update.

TPL's primary roles for the project would include:

- Assist staff in the coordination and facilitation of Committee meetings.

- Develop and deploy an early public outreach strategy to include public open houses and a public opinion survey this fall. Information gathered from public outreach efforts would be used to inform the work of the Committee and Council as well as to serve as the required public participation component of the 2012 Park, Recreation, and Open Space (PROS) Plan Update. A special emphasis will be placed on outreach to Kirkland's new neighborhoods.
- Develop data and assist with mapping needs to guide decision-making.
- Assist Committee in developing and presenting preliminary findings and recommendations to the Council.

### **PROPOSED FUNDING AND POTENTIAL COSTS**

Council approved in the 2011-2012 Biennium Budget \$100K for the PROS Plan update which is scheduled to begin in 2012. Staff is proposing to bring forward some of this budgeted money into 2011 to hire TPL.

Our initial estimate for these consultant services with TPL is \$30,000 - \$40,000. TPL's scope could be expanded at a later time should the Council want additional technical and strategic support next year in conducting further public outreach, gauging citizen support, and considering potential ballot measures.

Attachment A – Proposed Exploratory Committee

Park Funding Exploratory Committee List  
As of July 13, 2011

	<b>Stakeholder Group</b>	<b>Representative</b>
1	Park Board	Robert Kamuda
2	Park Board	Barbara Ramey
3	Senior Council	Lauren Bolen
4	Youth Council	Chris Norwood
5	Denny Creek Neighborhood Alliance	Scott Morris
6	Finn Hill Park & Recreation District	Rick Smith
7	Lake Washington School District	Jackie Pendergrass
8	Lake Washington PTSA	<i>-to be determined-</i>
9	Central Houghton Neighborhood Association	<i>-tbd-</i>
10	Everest Neighborhood Association	<i>-tbd-</i>
11	Finn Hill Neighborhood Association	<i>-tbd-</i>
12	Highlands Neighborhood Association	Mary Schular
13	Juanita Neighborhood Association	Mark Dunphy
14	Juanita Neighborhood Association	Kevin Hanefeld
15	Kingsgate Neighborhood Association	<i>-tbd-</i>
16	Lakeview Neighborhood Association	Georgine Foster
17	Market Neighborhood Association	<i>-tbd-</i>
18	North Rose Hill Neighborhood Association	<i>-tbd-</i>
19	Norkirk Neighborhood Association	<i>-tbd-</i>
20	South Rose Hill/Bridle Trails Neighborhood Association	Suzanne Kagen
21	South Rose Hill/Bridle Trails Neighborhood Association	<i>-tbd-</i>
22	Totem Lake Neighborhood Association	<i>-tbd-</i>
23	Greater Kirkland Chamber of Commerce	Val Gurin
24	Kirkland American Little League	John Rudolph
25	Kirkland National Little League	Ken McCumber
26	Kirkland Lacrosse	Steve Lytle
27	Lake Washington Youth Soccer Association	Curt Bateman
28	Kirkland Kiwanis Club	<i>-tbd-</i>
29	Kirkland Rotary Club	Rick Ostrander
30	Eastside Audubon	Cindy Balbuena
31	First Baptist Church of Kirkland	Vince Armfield
32	Green Kirkland Partnership	Nona Ganz
33	Lake Washington Technical College	<i>-tbd-</i>
34	Evergreen Hospital Medical Center	Laurene Burton
35	Citizen at-large	Sants Contreras
36	Citizen at-large	Lisa McConnell
37	Citizen at-large	Lynn Stokesbary
38	Citizen at-large	Laura Caron
39	Cultural Council	Bhaj Townsend
40	Kirkland Heritage Society	Loita Hawkinson

**CITY OF KIRKLAND**

123 Fifth Avenue, Kirkland, WA 98033 425.587.3000  
www.kirklandwa.gov

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**MEMORANDUM**

**To:** Kurt Triplett, City Manager  
**From:** Ellen Miller-Wolfe, Economic Development Manager  
**Date:** July 1, 2011  
**Subject:** **Kirkland Cultural Council: Options for Future Operation**

**Recommendation**

City Council reviews potential options for the future of the Cultural Council and provides staff direction on which option to implement.

**Background**

The City Council met on March 1, 2011, to act on the Cultural Council's request to place a line item in the budget accounting for \$8,000 it received from 4 Culture and money it had raised. At the time, the Council asked that staff return for further discussion about the future of the Cultural Council given no available City funding in the current budget.

The Kirkland Cultural Council was founded in 2003 when a group of citizens raised money to purchase the Ballentine sculpture collection for the City of Kirkland. Its mission, delineated in Council Resolution R-4353, was to advise the City Council on public art, particularly donated public art pieces, and to promote strategic planning and development for arts, culture and heritage in the community. At the time of the Cultural Council's creation, the City Council recognized that decisions regarding public art acquisitions can be sensitive, and acknowledged the benefit (and buffering) that a citizen board could provide. The resolution also anticipated that the Cultural Council would eventually become a 501c3.

In the intervening years, the Cultural Council has taken on additional roles, most notably in 2007, oversight of the 1% for art program. The program requires that capital projects over \$500,000 provide a percentage for public art. And, in recognition of its expertise and outreach in public art, the Cultural Council has been invited, (most recently in the cases of the Bank of America settlement and Parkplace), to participate in art selections for private development interests.

Through seed funding for major arts and cultural events such as the Artists Studio Tour, Kirkland Uncorked and the Seattle International Film Festival (SIFF), oversight of a feasibility study for the Cannery, and development of a Strategic Plan for the Arts, the Cultural Council has taken on many projects that support local arts, culture and

heritage, and, by extension, supported the local economy during difficult economic times. (See Cultural Council Accomplishments attachment).

### **Recent Activity**

In 2010, the Cultural Council established CACHET, a collaboration of arts, culture and heritage organizations in Kirkland, and under the auspices of CACHET, sponsored the first arts competition for best individual artist and organization. Also, in 2010, the Cultural Council launched downtown 'artilization', an effort to restore an art presence in downtown Kirkland and to sustain existing galleries and other downtown businesses. The Cultural Council's hard work has resulted in the revival of monthly art walks and spurred the proliferation of lively pop-up galleries, temporarily filling vacant retail spaces. The 2011 work plan calls for the continuation of many of these previous efforts along with an artist live/work initiative and continued fundraising efforts.

### **Funding Challenges**

In the current economic climate, the City has had to cut back or curtail funding for many community activities. In the case of the Cultural Council, the City Council determined that there would be no 2011-12 dollars budgeted beyond the support provided by the Economic Development Manager as one part of that position's overall job description. Instead, the Cultural Council has relied upon a small grant from King County's 4Culture in the amount of \$8,000 that enables City Manager's Office (CMO) staff member Julie Huffman to spend 5 hours a week on Cultural Council work between March and September. These 4Culture funds are not expected to increase. Moreover, 4Culture has suggested that it may require a City match in the future.

Despite limited funding, the Cultural Council continues to take on significant projects, all of which require staff support and/or staff oversight. It is not uncommon for a Cultural Council project to require guidance from the City Attorney's Office, Finance, IT and Parks Departments and coordination by the City Manager's Office. This also is the case with the fundraising efforts the Cultural Council has undertaken to support its work. The Cultural Council anticipates that fundraising will generate approximately \$5,500.

These impacts on City resources that are not budgeted for are the main reason for bringing the status of the Cultural Council to the City Council's attention. In addition, the resolution that created the Cultural Council intended that it eventually become a 501c3, and that expectation has been reiterated by more recent City Councils. Staff is requesting that the City Council reflect on the Cultural Council's continuing status and provide direction as to what operational model the Cultural Council might adopt in the future.

### **Options for the Future**

What follows are several possible options that have been generated to begin the discussion with the assumption that additional options might also be developed and evaluated:

**Option #1 , Status Quo** – The Cultural Council would operate as it has for the past year. Staffing would be provided on a limited basis for monthly meetings and for public art review. Other subcommittees would meet independent of staff, and check in only when the City imprimatur is required.

**Comment** – This option is not sustainable as staffing is inadequate to service the needs of the Cultural Council, especially making sure that projects comply with City requirements. A sustainable option would require additional funding. It is estimated that approximately \$25,000 is needed to fund a quarter time position to staff the Cultural Council to the level needed to match projected activities.

The Cultural Council has discussed streamlining its operation based on its strong desire to remain a City commission. Items discussed include fewer meetings (every other month), winnowing the work plan to address only highest priorities and partnering with other organizations to implement projects.

**Option #2, Provide City Funding** – The City Council revisits the budget decision and chooses to provide up to \$25,000 to the Cultural Council, either through Council contingency funds or some other source.

**Option #3, Modified Cultural Council** – In this option, the City retains a few Cultural Council duties and others are either terminated or adopted by other groups. An example is retention of the public art function by providing for a curatorial board to be summoned on an as-needed basis to make recommendations to the City Council regarding loans and permanent acquisitions to the City collection and to curate one percent for art projects. Other desired functions could either migrate to a 501c3 or an existing organization.

**Comment** – The Cultural Council has expertise in curating public art. However, those instances where that expertise is needed are limited; thus the idea of calling a curatorial board together on an as-needed basis. Other functions of the Cultural Council also may merit continuation. However, given scarcity of resources, migrating them to either another existing organization or a new 501c3 may be the most workable solution.

**Option #3, Focus on Cultural Tourism** – This model would incorporate cultural tourism as a line item in the Tourism Development Committee (aka Lodging Tax Advisory Board) annual budget. The funding is limited to the marketing and promotion of tourism activities.

**Comment** - Currently individual arts and cultural events such as the Artist Studio Tour and Kirkland Uncorked are funded through this mechanism. In the future, a specified amount could be set aside for arts-related events and programs each year. This option would require support by the Tourism Development Committee. If programs are to be staffed by the City, a decision to fund additional staffing for cultural tourism out of the LTAC budget also would need to be made. Currently there is .6 FTE devoted to the Tourism program.

**Option #4a, 501c3** – This option would eliminate the Cultural Council as a City function and require that the Cultural Council become completely independent of the City.

**Comment:** While this option has been discussed since the Council's creation, it is not the Cultural Council's desired outcome at this time. The Cultural Council believes that its legitimacy is in part related to its connection to the City. Also, some concern has been raised by other arts organizations that the competition for dollars will put the Cultural Council at odds with local arts groups when their intent was to be supportive of local arts agencies. Often local arts agencies, even as non-profits, are funded with government dollars. A city-wide community fund also has been suggested that could incorporate an arts component.

**Option #4b, 501c3 with transition and partnership** - In an alternative scenario, over a period of time the City would assist the Cultural Council in establishing a 501 c3. A modest amount of funding (between \$5000 and \$10,000 dollars) could be provided through Council contingency or some other source to allow the Cultural Council to transition over the next six to twelve months to a 501c3. As with other outside agencies (such as the KDA and KPC) that are doing the work of the City, the City could contract for services such the public art program that the City does not have the resources to provide. This could provide a strong relationship and some funding from the City, but also allow the Cultural Council to raise money and make staffing decisions unconstrained by legal requirements that bind government entities.

**Conclusion:** The City of Kirkland is known for arts, culture and heritage. Two signature institutions, the Kirkland Arts Center and Kirkland Performance cater to residents as well as to visitors. Galleries are key to the attractiveness of downtown. Programs including Studio East and the International Ballet School are critical to making sure there are both performance artists and knowledgeable audiences going into the future. Although the Cultural Council is not a direct provider of these services, it symbolizes for many the City's commitment to the arts. Although the City budget for the Cultural Council has diminished, there continues to be a commitment to help the Council find a new way of operating in the new economy that we all must confront.

# Kirkland Cultural Council Achievements 2002-2010

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<p>City Council passes resolution 4353 creating Kirkland Cultural Council</p>	<p>Created Mission Statement &amp; Action Plan.</p>	<p>Christine Bourdette sculpture design approved.</p>	<p>Recycled art exhibits at City Hall and Library held.</p>	<p>Brought "There Goes the Neighborhood" performance art to streets of downtown Kirkland.</p>	<p>Purchased Charlotte Renata Simpson work entitled "Bath House."</p>	<p>Produced Art in Public Places DVD to illustrate integrated art to developers.</p>	<p>Seeded art and tourist draws: 1<sup>st</sup> annual Seattle International Film Festival in Kirkland, Summer Concert Series, and the Kirkland Artist Studio</p>	<p>Created Artilization Committee to encourage a vibrant City through better utilization of empty spaces for the arts. Partnered with Chamber &amp; Parkplace.</p>	
<p>Cultural Council founding members selected &amp; appointed.</p>	<p>Developed Strategic Plan.</p>	<p>Coordinated Biennial Art Exhibit visit from Vancouver BC.</p>	<p>Collaborated with DOT to select Vicky Scuri as artist for soundwall installation along I-405 corridor.</p>	<p>Selected planning artist, Pam Beyette, for redevelopment of Totem Lake.</p>	<p>Assisted the Norkirk Neighborhood to utilize their city grant funding to purchase Matador sculpture by Micajah Bienvenu.</p>	<p>Collaborated with Sound Transit to select Christine Bourdette as artist for Totem Lake Freeway Station.</p>	<p>Collaborated with 4Culture to present Cabiri street performance at Kirkland Uncorked festival, and Lelavision at the Tree Lighting Festival.</p>	<p>Artilization committee: -created a guide to opening a pop up gallery, with sample legal documents -supported 2 pop up galleries and KAC store - selected artists for Heathman Hotel's monthly Vintimate series featuring food, art and wine - partnered with Merrill Gardens to provide art shows and classes.</p>	
	<p>Facilitated public neighborhood discussions regarding the arts.</p>	<p>Organized Landscape painting exhibit "Terrific Terrains" at City Hall.</p>	<p>Developed Kirkland downtown public art walking tour</p>	<p>Organized public Open House to kick off Kirkland Cannery project.</p>	<p>City Council approved "Percent for Art" program and set aside \$50k to fund public art. KCC utilized \$35k to initiate a strategic plan for the arts.</p>	<p>Seeded art and tourist events: Kirkland Artist Studio Tour (KAST), Summer Concert Series, and Kirkland Uncorked.</p>	<p>Initiated the Kirkland Collaboration of Arts, Culture Heritage, Theatre (CACHET) to increase coordination between local arts organizations.</p>		
	<p>Public Art Policy adopted by City Council.</p>	<p>Coordinated community meetings with KAC, KPC, Parks, Kirkland Neighborhoods to gather feedback on structure of the KCC.</p>	<p>Consulted private attorney to evaluate 501(c)3 status.</p>	<p>Facilitated pre-design study for Kirkland Cannery project.</p>	<p>Vicky Scuri soundwall installation along I-405 corridor completed.</p>	<p>Initiated the 20/20 Vision for the Arts and Culture strategic planning process: hired outside consultant; held community forum.</p>	<p>Selected artist for the first "1% for the arts" piece, in collaboration with the Kirkland Heritage Society, as well as Phase 1 of the redevelopment of Juanita Beach Park.</p>	<p>Awarded an NEA grant through the stimulus package to fund staffing.</p>	
	<p>Initiated "Artists in Action" series at Kirkland Wednesday Market with \$1500 grant from 4Culture.</p>		<p>Spearheaded the campaign to raise \$250,000 to purchase the bronze public art sculptures that were on loan, securing the exhibit for the City.</p>	<p>Brought site specific art performance "urban beach walk" to downtown Kirkland.</p>	<p>Installed "Gyro 2" donated sculpture at Fire Station 21.</p>	<p>Assisted the Houghton neighborhood in selecting and purchasing John Hoge sculpture for Carillon Woods Park.</p>	<p>Requested by a settlement agreement to assist Bank of America in selection of artist and art design for plaza in private development.</p>	<p>Seeded the Seattle International Film Festival in Kirkland, as well as KAC for the seventh annual Kirkland Artist Studio Tour.</p>	
	<p>Organized Recycled Art Exhibit at City Hall.</p>			<p>Initiated "Art in Private Development" program to encourage developers to integrate art into their projects.</p>	<p>Seeded the 1<sup>st</sup> annual Kirkland Uncorked art and wine event, as well as the Summer Concert Series.</p>	<p>Provided technical assistance to Merrill Gardens with selecting an artist and art piece through Art in Private Development program.</p>	<p>Organized the first CACHET networking and educational forum.</p>	<p>Organized CACHET training and networking events: -use of Social Media for arts organizations -making media connections</p>	
	<p>Researched 501c3 status option.</p>						<p>Explored creation of a foundation to fund arts, culture and heritage in Kirkland.</p>	<p>Collaborated with tourism interests to create CreativeKirkland.com, a tourist website showcasing local artists &amp; businesses.</p>	
							<p>Finalized the Vision 20/20 Strategic Arts Plan, and presented recommendations to City Council.</p>	<p>Explored options for artist live/work spaces (affordable housing).</p>	



**CITY OF KIRKLAND**  
Department of Finance & Administration  
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## **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:

<b>Fund Type</b>	<b>Current 11-12 Budget</b>	<b>Adjustments</b>	<b>Revised 11-12 Budget</b>
<b>General Government:</b>			
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
<b>Utilities:</b>			
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
<b>Total Budget</b>	<b>472,694,450</b>	<b>5,058,160</b>	<b>477,752,610</b>

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)

## Inside this issue:

Expenditure Summary	2
General Fund Revenue	3
General Fund Expenditures	4
Sales Tax Revenue	5
Economic Environment Update	7
Investment Report	8
Reserve Summary	10

## 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
<b>General Gov't Operating:</b>								
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%
<b>Total General Gov't Operating</b>	<b>13,568,120</b>	<b>14,926,285</b>	<b>10.0%</b>	<b>70,504,639</b>	<b>86,216,576</b>	<b>22.3%</b>	<b>19.2%</b>	<b>17.3%</b>
<b>Utilities:</b>								
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%
<b>Total Utilities</b>	<b>6,636,873</b>	<b>6,965,150</b>	<b>4.9%</b>	<b>34,558,196</b>	<b>39,098,977</b>	<b>13.1%</b>	<b>19.2%</b>	<b>17.8%</b>
<b>Total All Operating Funds</b>	<b>20,204,993</b>	<b>21,891,436</b>	<b>8.3%</b>	<b>105,062,835</b>	<b>125,315,553</b>	<b>19.3%</b>	<b>19.2%</b>	<b>17.5%</b>

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](http://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](mailto:jsmith@kirklandwa.gov).

There is an online city staff directory at [www.kirklandwa.gov](http://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](mailto: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
<b>General Gov't Operating:</b>								
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%
<b>Total General Gov't Operating</b>	<b>17,901,015</b>	<b>18,825,153</b>	<b>5.2%</b>	<b>71,476,011</b>	<b>83,957,444</b>	<b>17.5%</b>	<b>25.0%</b>	<b>22.4%</b>
<b>Utilities:</b>								
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%
<b>Total Utilities</b>	<b>5,755,443</b>	<b>6,933,332</b>	<b>20.5%</b>	<b>27,887,793</b>	<b>33,238,006</b>	<b>19.2%</b>	<b>20.6%</b>	<b>20.9%</b>
<b>Total All Operating Funds</b>	<b>23,656,458</b>	<b>25,758,485</b>	<b>8.9%</b>	<b>99,363,804</b>	<b>117,195,450</b>	<b>17.9%</b>	<b>23.8%</b>	<b>22.0%</b>

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.

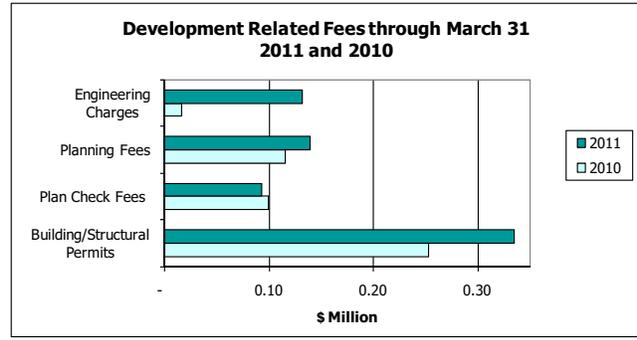
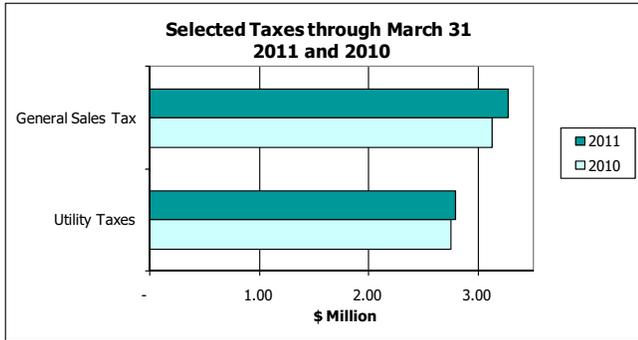
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

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
<b>Taxes:</b>								
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%
<b>Total Taxes</b>	<b>7,292,060</b>	<b>7,685,017</b>	<b>5.4%</b>	<b>36,497,257</b>	<b>43,582,651</b>	<b>19.4%</b>	<b>20.0%</b>	<b>17.6%</b>
<b>Licenses &amp; Permits:</b>								
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%
<b>Total Licenses &amp; Permits</b>	<b>791,228</b>	<b>1,010,931</b>	<b>27.8%</b>	<b>3,333,371</b>	<b>4,844,798</b>	<b>45.3%</b>	<b>23.7%</b>	<b>20.9%</b>
<b>Intergovernmental:</b>								
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%
<b>Total Intergovernmental</b>	<b>477,098</b>	<b>404,785</b>	<b>-15.2%</b>	<b>6,324,572</b>	<b>7,813,559</b>	<b>23.5%</b>	<b>7.5%</b>	<b>5.2%</b>
<b>Charges for Services:</b>								
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%
<b>Total Charges for Services</b>	<b>1,594,170</b>	<b>2,231,860</b>	<b>40.0%</b>	<b>6,357,384</b>	<b>10,425,277</b>	<b>64.0%</b>	<b>25.1%</b>	<b>21.4%</b>
<b>Fines &amp; Forfeits</b>	<b>237,660</b>	<b>328,361</b>	<b>38.2%</b>	<b>1,539,268</b>	<b>2,435,490</b>	<b>58.2%</b>	<b>15.4%</b>	<b>13.5%</b>
<b>Miscellaneous</b>	<b>34,139</b>	<b>96,508</b>	<b>182.7%</b>	<b>654,692</b>	<b>623,981</b>	<b>-4.7%</b>	<b>5.2%</b>	<b>15.5%</b>
<b>Total Revenues</b>	<b>10,426,356</b>	<b>11,757,461</b>	<b>12.8%</b>	<b>54,706,544</b>	<b>69,725,756</b>	<b>27.5%</b>	<b>19.1%</b>	<b>16.9%</b>
<b>Other Financing Sources:</b>								
Interfund Transfers	-	-	N/A	2,275,530	175,494	N/A	N/A	N/A
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>2,275,530</b>	<b>175,494</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Resources</b>	<b>10,426,356</b>	<b>11,757,461</b>	<b>12.8%</b>	<b>56,982,074</b>	<b>69,901,250</b>	<b>22.7%</b>	<b>18.3%</b>	<b>16.8%</b>

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%
<b>Total Expenditures</b>	<b>14,561,397</b>	<b>15,312,577</b>	<b>5.2%</b>	<b>58,149,798</b>	<b>67,468,176</b>	<b>16.0%</b>	<b>25.0%</b>	<b>22.7%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	151,969	629,344	314.1%	1,024,920	3,575,316	248.8%	14.8%	17.6%
<b>Total Other Financing Uses</b>	<b>151,969</b>	<b>629,344</b>	<b>314.1%</b>	<b>1,024,920</b>	<b>3,575,316</b>	<b>248.8%</b>	<b>14.8%</b>	<b>17.6%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>14,713,366</b>	<b>15,941,921</b>	<b>8.3%</b>	<b>59,174,718</b>	<b>71,043,492</b>	<b>20.1%</b>	<b>24.9%</b>	<b>22.4%</b>

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)

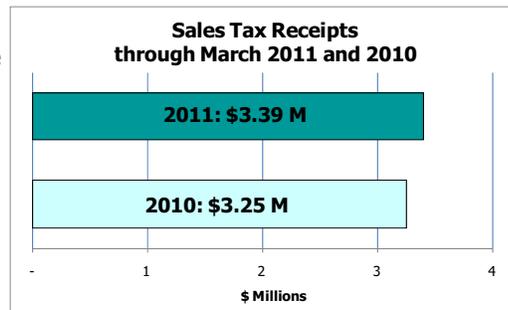
**Financial Management Report as of MARCH 31, 2011**

- 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%
<b>Total</b>	<b>3,247,475</b>	<b>3,391,962</b>	<b>144,487</b>	<b>4.4%</b>	<b>100.0%</b>	<b>100.0%</b>

*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%
<b>Total</b>	<b>3,247,475</b>	<b>3,391,962</b>	<b>144,487</b>	<b>4.4%</b>

- 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 85<sup>th</sup> 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%
<b>Total</b>	<b>3,247,475</b>	<b>3,391,962</b>	<b>144,487</b>	<b>4.4%</b>	<b>100.0%</b>	<b>100.0%</b>

**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.

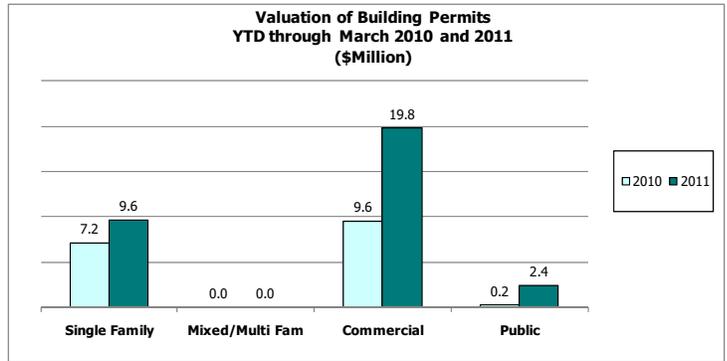
King County's **unemployment rate** was **8.4 percent** in March 2011 compared to 8.9 percent in March 2010. While remaining high compared to a few years ago, King County is considerably lower than both Washington State and national rates, which are 9.7 and 9.2 percent respectively.

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)

**Economic Environment Update *continued***

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).

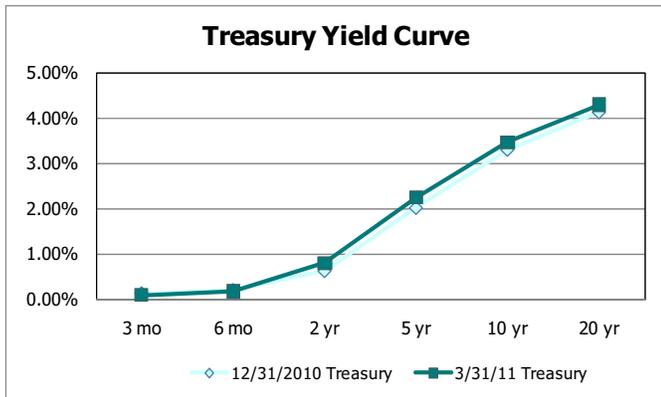
Countywide, closed sales were down 4.5 percent compared to 2010. March had more single family closed sales than any month since June 2010. This upswing in sales is attributed to consumer concerns about potential increases to mortgage interest rates, which have been increasing since November 2010, and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

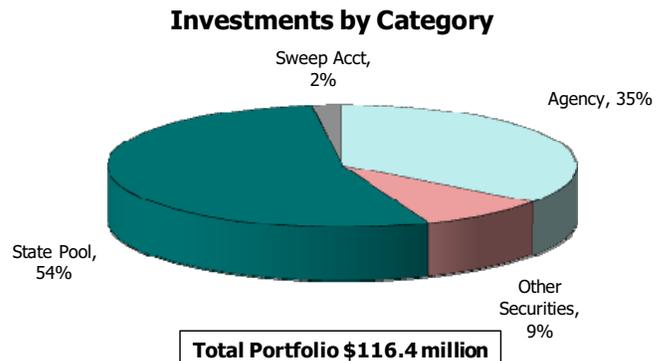
The Fed Funds rate remained at 0.25 percent during the first quarter of 2011 as the economy continued giving mixed signals of a slow recovery. The yield curve remained almost unchanged with only slight increases in interest rates from the 2 Year maturity out to the 20 Year maturity.



**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.

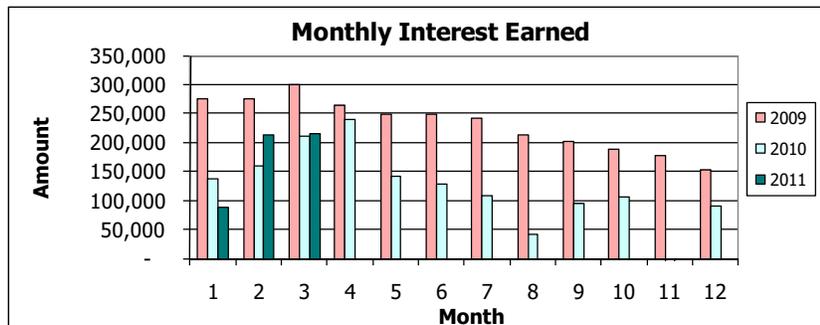
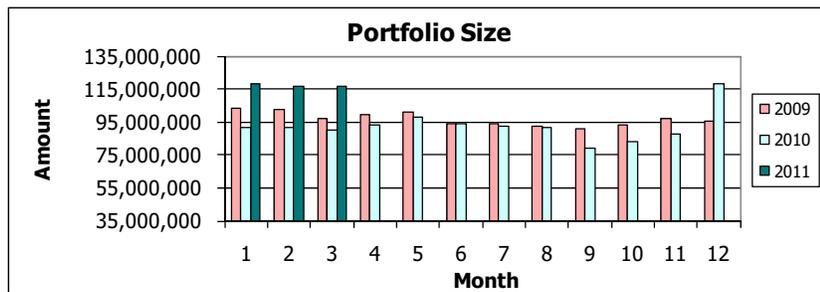
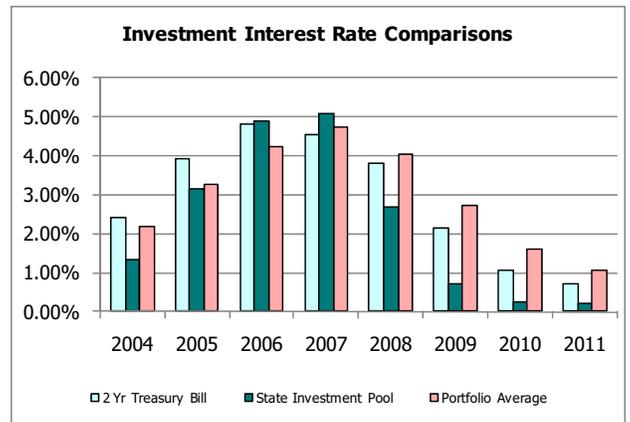
**Liquidity**

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
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
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)
<b>General Purpose Reserves with Targets</b>	<b>10,086,305</b>	<b>10,710,811</b>	<b>10,705,811</b>	<b>17,489,299</b>	<b>(6,783,488)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
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
<b>Other Reserves with Targets</b>	<b>16,185,434</b>	<b>15,279,197</b>	<b>15,155,944</b>	<b>19,971,051</b>	<b>(4,815,107)</b>
<b>Reserves without Targets</b>	<b>29,828,776</b>	<b>35,498,348</b>	<b>35,393,348</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>56,100,515</b>	<b>61,488,356</b>	<b>61,255,103</b>	<b>n/a</b>	<b>n/a</b>

*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
<b>2011-12 Council Authorized Uses</b>		
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
<b>2011-12 Council Authorized Additions</b>		

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
<b>GENERAL FUND/CONTINGENCY</b>					
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
<b>Total General Fund/Contingency</b>		<b>7,213,561</b>	<b>8,013,561</b>	<b>(5,000)</b>	<b>8,008,561</b>
<b>SPECIAL PURPOSE RESERVES</b>					
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
<b>Total Special Purpose Reserves</b>		<b>4,890,147</b>	<b>5,179,345</b>	<b>0</b>	<b>5,179,345</b>
<b>GENERAL CAPITAL RESERVES</b>					
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
<b>Total General Capital Reserves</b>		<b>15,116,318</b>	<b>12,872,629</b>	<b>(88,253)</b>	<b>12,784,376</b>
<b>UTILITY RESERVES</b>					
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
<b>Total Utility Reserves</b>		<b>19,068,599</b>	<b>22,467,225</b>	<b>(140,000)</b>	<b>22,327,225</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
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
<b>Total Internal Service Fund Reserves</b>		<b>9,811,890</b>	<b>11,031,124</b>	<b>0</b>	<b>11,031,124</b>
<b>Grand Total</b>		<b>56,100,515</b>	<b>61,488,356</b>	<b>(233,253)</b>	<b>61,255,103</b>



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[www.kirklandwa.gov](http://www.kirklandwa.gov)

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.

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#### ***Economic Environment Update References:***

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- 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	
<b>General Fund</b>						
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	
<b>General Fund</b>						
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%
<b>Total</b>	<b>6,305,345</b>	<b>6,492,208</b>	<b>186,863</b>	<b>3.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### 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.



E-Page 85 Adjustment Type		Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
						Internal Transf./Chrg.	Reserves	Resources Forward	External Revenue	
<b>OTHER FUNDS continued</b>										
<b>Street Operating Fund</b>										
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
<b>Street Operating Fund Total</b>				<b>106,500</b>	<b>100,000</b>	<b>100,000</b>	-	-	-	
<b>Real Estate Excise Tax Fund</b>										
Council Directed/Other	N/A		REET Flexibility for General Fund and Street O&M	194,534						REET Reserves
<b>Real Estate Excise Tax Fund Total</b>				<b>194,534</b>	-	-	-	-	-	
<b>UTGO Debt Service Fund</b>										
Housekeeping	N/A		Resources Forward Reconciliation	(16,189)	(16,189)			(16,189)		Resources Forward
<b>UTGO Debt Service Fund Total</b>				<b>(16,189)</b>	<b>(16,189)</b>	-	-	<b>(16,189)</b>	-	
<b>General Capital Projects Fund</b>										
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
<b>General Capital Projects Fund Total</b>				<b>9,587,079</b>	<b>4,000,000</b>	-	-	-	<b>4,000,000</b>	
<b>Transportation Capital Projects Fund</b>										
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
<b>Grant Capital Projects Fund Total</b>				<b>819,203</b>	<b>300,000</b>	<b>300,000</b>	-	-	-	
<b>Water/Sewer Utility Operating Fund</b>										
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
<b>Water/Sewer Utility Operating Fund Total</b>				<b>(8,017)</b>	<b>(10,517)</b>	-	-	<b>(4,299)</b>	<b>(6,218)</b>	

E-Page 86 Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source				Funding Source/Notes
					Internal Transf./Chrg.	Reserves	Resources Forward	External Revenue	
<b>Water/Sewer Capital Fund</b>									
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
<b>Water/Sewer Capital Fund Total</b>			<b>689,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Surface Water Operating Fund</b>									
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
<b>Surface Water Operating Fund Total</b>			<b>389,082</b>	<b>201,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,165</b>	
<b>Surface Water Capital Fund</b>									
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
<b>Surface Water Capital Fund Total</b>			<b>624,593</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Health Benefits Fund</b>									
Housekeeping	N/A	Adjusting Medical Claims Reserve	1,424,472						Line Item - Transfer of Budget to Medical Claims Rsv
<b>Health Benefits Fund Total</b>			<b>1,424,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Equipment Rental Fund</b>									
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
<b>Equipment Rental Fund Total</b>			<b>491,348</b>	<b>491,348</b>	<b>412,941</b>	<b>-</b>	<b>78,407</b>	<b>-</b>	
<b>Information Technology Fund</b>									
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
<b>Information Technology Fund Total</b>			<b>(163,051)</b>	<b>(163,051)</b>	<b>(163,051)</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Facilities Fund</b>									
Council Directed/Other	PW	City Facilities Parking Lot Striping	2,250						Facilities Reserve
<b>Facilities Fund Total</b>			<b>2,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Firefighters' Pension Fund</b>									
Housekeeping	N/A	Resources Forward Reconciliation	(1,883)	(1,883)			(1,883)		Resources Forward
<b>Firefighters' Pension Fund Total</b>			<b>(1,883)</b>	<b>(1,883)</b>	<b>-</b>	<b>-</b>	<b>(1,883)</b>	<b>-</b>	
<b>TOTAL OTHER FUNDS</b>			<b>14,154,042</b>	<b>4,900,873</b>	<b>649,890</b>	<b>-</b>	<b>56,036</b>	<b>4,194,947</b>	
<b>TOTAL ALL FUNDS</b>			<b>14,595,918</b>	<b>5,058,160</b>	<b>749,424</b>	<b>-</b>	<b>(22,906)</b>	<b>4,331,642</b>	



**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

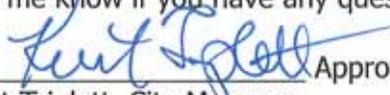
**From:** Paul Stewart, Deputy Planning Director

**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.

  
 Kurt Triplett, City Manager Approved

6/14/11 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 116<sup>th</sup> 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:

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

Vintners Ridge (prelim drainage work)	10,000
<b>TOTAL</b>	<b>\$283,000</b>

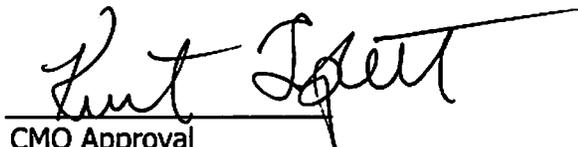
As indicated above, these projects are estimated to bring in \$283,000 in Public Works permit revenue (review and inspection only). This list only includes major projects and does not include all of the smaller individual projects which will also generate additional revenue. Identified projects are currently 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
<b>TRANSPORTATION</b>										
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
<b>TOTAL TRANSPORTATION PROJECTS TO BE CLOSED</b>		<b>821,166</b>	-	<b>392,980</b>	<b>304,432</b>	-	<b>68,998</b>	<b>20,769</b>	<b>33,987</b>	
<b>SURFACE WATER UTILITY</b>										
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
<b>TOTAL SURFACE WATER UTILITY PROJECTS TO BE CLOSED</b>		<b>320,161</b>	-	-	-	<b>320,161</b>	-	-	-	
<b>WATER/SEWER UTILITY</b>										
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
<b>TOTAL WATER/SEWER UTILITY PROJECTS TO BE CLOSED</b>		<b>588,123</b>	-	-	-	-	<b>588,123</b>	-	-	
<b>NEIGHBORHOOD CONNECTIONS</b>										
Various	Neighborhood Connections Projects	91,839						91,839		Balance after completing active projects
<b>TOTAL NEIGHBORHOOD CONNECTION PROJECTS TO BE CLOSED</b>		<b>91,839</b>	-	-	-	-	-	<b>91,839</b>	-	
<b>PARKS</b>										
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 reconciliator of Park Bond
<b>TOTAL PARKS PROJECTS TO BE CLOSED</b>		<b>192,476</b>	<b>192,476</b>	-	-	-	-	-	-	
<b>TECHNOLOGY</b>										
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
<b>TOTAL TECHNOLOGY PROJECTS TO BE CLOSED</b>		<b>41,707</b>	-	-	-	-	-	<b>41,707</b>	-	
<b>FACILITIES</b>										
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
<b>TOTAL FACILITIES PROJECTS TO BE CLOSED</b>		<b>3,377,635</b>	<b>2,297,984</b>	-	-	-	-	<b>1,079,651</b>	-	
<b>FACILITIES - LIFE CYCLE</b>										
<b>PROJECTS FOR BUILDINGS TO BE CLOSED REPURPOSED</b>										
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
<b>TOTAL PROJECTS FOR BUILDINGS</b>		<b>1,982,538</b>	-	-	-	-	-	<b>1,982,538</b>	-	
<b>TOTAL BALANCE BY FUNDING SOURCE</b>		<b>7,415,645</b>	<b>2,490,460</b>	<b>392,980</b>	<b>304,432</b>	<b>320,161</b>	<b>657,121</b>	<b>1,192,259</b>	<b>2,058,232</b>	

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
	<hr/> 472,694,450	5,058,160	<hr/> 477,752,610

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

**CITY OF KIRKLAND****Department of Public Works**

123 Fifth Avenue, Kirkland, WA 98033 425.587.3800

[www.kirklandwa.gov](http://www.kirklandwa.gov)

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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** David Godfrey, P.E., Transportation Engineering Manager  
Ray Steiger, P.E., Public Works Director

**Date:** July 7, 2011

**Subject:** RESOLUTION CONCERNING BECOMING A FEET FIRST AGENDA CITY

**RECOMMENDATION**

It is recommended that the City Council adopt the attached resolution endorsing the Feet First Agenda.

**BACKGROUND***Summary*

[Feet First](#) is a walking advocacy organization promoting walkable communities in Seattle and surrounding cities. One of Feet First's initiatives is promotion of a nine point agenda. Feet First has identified Kirkland as one of a handful of cities in Washington that meets all nine of the agenda points. By adopting the Feet First agenda Kirkland becomes an "Agenda City" and Feet First will recognize Kirkland in their promotional material, on their website and at their 10 Year Anniversary this October, 2011. Feet First's program is similar to the Cascade Land Conservancy Agenda City program of which Kirkland is currently a participant. One difference is that participation in the Feet First program does not have a cost.

In May, representatives from Feet First presented their program to the Transportation Commission. The Commission supports adoption of the agenda by the City Council.

*The Agenda*

The following section describes each of the nine points of the agenda and how the City of Kirkland meets that point. The last two pages of this memo further describe each point of the agenda.

1. *An Active Transportation Plan or Pedestrian Master Plan*  
The City of Kirkland adopted its Active Transportation Plan in March, 2009.
2. *A Complete Street Policy*  
In September, 2006, Kirkland became the first city in Washington to adopt a Complete Streets Ordinance (KMC 19.08.055).

3. *Supportive land use policies*

Kirkland has adopted land use policies that support pedestrian friendly development. Goals and policies in the Comprehensive plan explicitly link compact land use patterns with support of a multimodal transportation system.

4. *A Pedestrian Advisory Committee or Active Living Task Force*

Kirkland's Active Living Task Force is no longer meeting, but the Transportation Commission serves in the role of a Pedestrian Advisory Committee. For example, the Transportation Commission developed the Active Transportation Plan and an Interest Statement for the Eastside Rail Corridor.

5. *An integrated departmental approach*

Examples of an integrated approach in Kirkland include the award winning pedestrian safety promotional videos produced by the Youth and Senior Councils with the support of staff from several departments.

6. *Projects promoting walking and pedestrian safety*

Pedestrian related capital projects totaling \$6.25 million are funded in the current 2011-2016 Capital Improvement Program. This includes crosswalk upgrades, sidewalk maintenance, school walk route improvements and an annual non-motorized program.

7. *Pedestrian safety*

Kirkland has had a wide range of pedestrian safety initiatives. The pedestrian crossing flag program is one example of such initiatives.

8. *Promote walking in communities*

Council's Goal Area of Balanced Transportation is an example of high level support for walking in the community. "Walk your child to school day" has become an annual opportunity to get more people involved with walking in their communities. Kirkland's walking map shows all types of destinations where walking can be used for transportation as well as exercise.

9. *Performance measurement system*

The Active Transportation Plan contains a set of strategies that are to be reported on each year. Additionally, pedestrian counts have been made at key locations in each of the past 3 years in cooperation with the Washington State Department of Transportation.



## Feet First Agenda



### MISSION

who we are - what we do

Walking is an essential part of our everyday lives. Walking connects us to people, places and to other forms of transportation. We are all pedestrians.

Feet First promotes walkable communities and envisions people walking every day for their health, transportation, environment, community and pleasure.

Committing to the Feet First Agenda demonstrates support for more walkable and vibrant communities and for pedestrian enhancements that improve safety, mobility and access for all.

### GOALS

promoting walkable communities

**1** Promote walking as an important public policy that:

- Connects communities;
- Improves health and physical fitness;
- Helps the environment by reducing our carbon footprint;
- Improves mobility and provides transportation options;
- Increases community safety by providing eyes on the street; and
- Enhances business district vitality.

**2** Implement a comprehensive set of policies, plans, projects and programs resulting in walkable communities throughout the region.



## INITIATIVES

strategies for action

### CHILDREN NEED MORE OPPORTUNITIES TO BE ACTIVE:

*The percentage of children walking to school has dropped from 66% to 13%<sup>1</sup> over the last 30 years while the number of overweight children has increased 300%<sup>2</sup>.*

### WALKING WILL HELP YOU LIVE LONGER:

People who engage in moderate activity – the equivalent of walking for 30 minutes a day for 5 days a week – *live about 1.3 to 1.5 years longer* than those who are less active<sup>3</sup>.

### WALKABILITY IS GOOD FOR HOME VALUES:

In a typical metropolitan area, a one-point increase in *Walk Score* is associated with an increase of housing value from \$700 to \$3,000<sup>4</sup>.

1. US Centers for Disease Control and Prevention
2. National Center for Health Statistics
3. Franco, Oscar H., et al. "Effects of Physical Activity on Life Expectancy With Cardiovascular Disease" *Archives of Internal Medicine* 165 (2005): 2355-2360.
4. Cortright, Joseph. "Walking the Walk." CEO's for Cities (2009).

1. **An Active Transportation Plan or Pedestrian Master Plan**  
Adoption of this comprehensive document should guide all pedestrian oriented policies and strategies.
2. **A Complete Street Policy**  
An adoption of a policy recognizing that public streets need to be designed to accommodate multiple uses including pedestrian, bicycle, transit, freight and vehicle mobility.
3. **Supportive land use policies**  
Adoption of policies resulting in pedestrian-friendly and sustainable developments, vibrant neighborhoods and communities.
4. **A Pedestrian Advisory Committee or Active Living Task Force**  
The creation of and support for a community-based group is essential to effectively advocate for projects and programs that promote walking.
5. **An integrated departmental approach**  
Staff, preferably from multiple departments, should be assigned to support and coordinate pedestrian-related policies and activities.
6. **Projects promoting walking and pedestrian safety**  
Capital Improvement Programs and operating budgets should include projects that encourage walking and enhance pedestrian safety e.g. sidewalks, crossings, wayfinding signs, amenities including benches, shelters, and lighting. A dedicated funding source for these projects should be identified.
7. **Pedestrian safety**  
Legislation, policies, education, engineering and enforcement strategies should be implemented and supported enhancing pedestrian safety.
8. **Promote walking in communities**  
Policies and programs should be implemented that promote walking to and from schools, parks, libraries, public transportation, work, home and shopping.
9. **Performance measurement system**  
Measures should be put in place to monitor the levels pedestrian activity and the effectiveness of pedestrian-oriented strategies.

For more information please contact us:  
Feet First is a 501(c)(3) non-profit organization.

 **feet first**

314 1st Avenue S  
Seattle, WA 98104  
[www.feetfirst.org](http://www.feetfirst.org)  
[info@feetfirst.info](mailto:info@feetfirst.info)



RESOLUTION R-4887

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND STATING THE CITY OF KIRKLAND'S COMMITMENT TO THE FEET FIRST AGENDA, WHICH DEMONSTRATES SUPPORT FOR MORE WALKABLE AND VIBRANT COMMUNITIES AND FOR PEDESTRIAN ENHANCEMENTS THAT IMPROVE SAFETY, MOBILITY, AND ACCESS FOR ALL.

WHEREAS, in September of 2006, Kirkland became the first community in the State of Washington to adopt a complete streets ordinance; and

WHEREAS, in March of 2009 the City of Kirkland adopted an Active Transportation Plan and is currently implementing the plan's strategies, and

WHEREAS, the Kirkland Comprehensive Plan contains a wide range of goals and policies promoting land use that is supportive of walking; and

WHEREAS, the Kirkland Transportation Commission is an active and effective voice of advocacy for pedestrians; and

WHEREAS, City staff across all departments work in an integrated manner to carry out Council's direction to maintain Kirkland as a walkable, pedestrian friendly City; and

WHEREAS, City Council regularly uses significant funds to construct and maintain capital projects supporting pedestrian mobility and safety; and

WHEREAS, the City of Kirkland is a leader in pedestrian safety innovation; and

WHEREAS, the City regularly engages in programs to support and encourage walking for transportation and to measure progress toward achieving walking goals; and

WHEREAS, the implementation of these City of Kirkland policy actions and budgetary investments resulted in Kirkland being named one of the "Top 10 Most Successful Walkable Suburbs in the United States" in an October, 2010 article in *The Wall Street Journal*;

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. The City of Kirkland is a Feet First Agenda City and will continue to implement policies and programs which support pedestrian mobility in order to add to the vibrancy, health and safety of our community.

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



**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  
Robin Jenkinson, City Attorney

**Date:** July 7, 2011

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

### **RECOMMENDATION:**

Council approve ordinance to amend the Kirkland Municipal Code to allow for expenditure of REET revenues in accordance with recently amended legislation.

### **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

#### *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.

At the July 5 City Council meeting, the Council reviewed the list of proposed uses of Real Estate Excise Tax (REET) revenues in 2011 to fund operating and maintenance functions and directed staff to reflect the changes in the next budget amendment. It was also noted that the use of REET revenues for road maintenance would require an amendment to the Kirkland Municipal Code, which is reflected in the attached ordinance.

The attached Ordinance removes a provision from KMC Section 5.18.045 that restricted the expenditure of second quarter REET funds to projects specified in the transportation portion of the capital facilities plan and therefore prevents the City from using these funds for roads maintenance. This restriction was placed on second quarter REET funds voluntarily by the City when the provision was adopted in 1996--it was not required under state law. Removal of the restriction will give the City the maximum flexibility allowed under state law for expenditure of second quarter REET funds. Any proposed expenditure of REET funds either for capital or maintenance would still require Council review and approval. It should also be noted that the current state legislation allowing for expanded use of second quarter REET funds will expire on December 31, 2016.

ORDINANCE NO. 4315

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING KIRKLAND MUNICIPAL CODE CHAPTER 5.18 RELATING TO REAL ESTATE TAX AND AUTHORIZING THE EXPENDITURE OF SECOND QUARTER PERCENT REAL ESTATE EXCISE TAX FOR THE OPERATIONS AND MAINTENANCE OF EXISTING CAPITAL PROJECTS.

The City Council of the City of Kirkland do ordain as follows:

Section 1. Kirkland Municipal Code ("KMC") Section 5.18.030 is hereby amended to read as follows:

**5.18.030 Consistency with state tax.**

The taxes imposed in this chapter shall comply with all applicable rules, regulations, laws and court decisions regarding real estate excise taxes as imposed by the state under Chapter 82.45 RCW, Chapter 82.46 RCW and Chapter 458-61 WAC. The provisions of those chapters to the extent they are not inconsistent with this chapter shall apply as though fully set forth in this chapter.

Section 2. KMC Section 5.18.045 is hereby amended to read as follows:

**5.18.045 Distribution of additional excise tax.**

The King County treasurer shall place one percent of the proceeds of the additional tax imposed by Section 5.18.012 of this chapter in the county current expense fund to defray costs of collection. Remaining proceeds from the additional tax imposed by Section 5.18.012 shall be distributed to the city monthly. These proceeds shall be used by the city consistent with the requirements of RCW 82.46.035 (and as that section may be amended). ~~In addition, revenues generated from the tax imposed under Section 5.18.012 of this chapter shall be used by the city solely for financing projects specified in the transportation portion of the capital facilities plan element of the city's comprehensive plan.~~ This section shall not limit the existing authority of the city to impose special assessments on property benefited thereby in the manner prescribed by law.

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

**CITY OF KIRKLAND**

City Attorney's Office

123 Fifth Avenue, Kirkland, WA 98033 425.587.3030

[www.kirklandwa.gov](http://www.kirklandwa.gov)**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Robin Jenkinson, City Attorney

**Date:** July 8, 2011

**Subject:** Medical Marijuana Collective Garden Moratorium

**RECOMMENDATION:**

Council approves the attached ordinance adopting a six-month moratorium within the City of Kirkland on the establishment, location, operation, licensing, maintenance or continuation of medical marijuana collective gardens and setting August 2, 2011, as the date for a public hearing on the moratorium.

**BACKGROUND DISCUSSION:**

During the 2011 legislative session, the Legislature passed Engrossed Second Substitute Senate bill (E2SSB) 5073. While still illegal under federal law, the bill would have legalized medical marijuana dispensaries and collective gardens. However, due to communications from the U.S. Attorney's office that state workers may be subject to criminal charges, the Governor vetoed numerous portions of the bill, including sections that would have permitted dispensaries.

**Other sections of the bill were signed into law by the Governor and will go into effect July 22, 2011.**

The Governor's partial veto of the bill left intact the allowance for medical marijuana collective gardens, but eliminated many sections of the bill regarding the manner in which the collective gardens are to be regulated. This has resulted in a confusing legal landscape which cities must now negotiate.

The possession or distribution of marijuana has been and continues to be a violation of state law pursuant to Chapter 69.50 RCW (Washington's Uniform Controlled Substances Act), and federal law, through the Controlled Substances Act ("CSA").

In 1998 the voters of Washington State approved Initiative 692, now codified as Chapter 69.51A RCW, which created a limited defense to marijuana charges under state, not federal, law if the person charged could demonstrate that he or she was a qualifying patient or designated provider as those terms are defined in Ch. 69.51A RCW.

The Governor signed the E2SSB 5073, but vetoed several portions expressing her reservations about provisions that involved state employees in activities that could be interpreted as in violation of federal laws. The City Manager convened a working group of the City Attorney's office, Planning, and Police to evaluate the issues relating to E2SSB 5073. City of Kirkland analysis had identified that there may be similar liability issues for City staff under the state legislation.

Under E2SSB 5073 there is no limit to the number of medical marijuana collective gardens that may be located at any site, nor restrictions as to where collective gardens may be located in relation to other uses. Fortunately, under Section 1102 of E2SSB 5073, the City has authority to adopt and enforce zoning, business licensing, health and safety requirements and business taxes on the production, processing, and dispensing of medical marijuana.

The City needs time to analyze the complicated issues presented by E2SSB 5073, such as the proper zoning and location of medical marijuana collective gardens; design standards to ensure the health, safety and welfare of those participating in collective gardens or living and working near collective gardens; and evaluate other issues such as licensing, and the legal impact of this legislation, since these activities continue to violate federal law.

If the City takes no action, medical marijuana collective gardens will be allowed without regulation on July 22, 2011.

Therefore, a moratorium is necessary to permit staff to establish regulations related to medical marijuana collective gardens that protect the public health, safety, and welfare. If the moratorium ordinance is passed, a public hearing will occur on August 2, 2011, for the Council to consider public comment.

Copies of the letter received by the Governor from U.S. Attorneys Michael C. Ormsby and Jenny A. Durkan prior to vetoing portions of E2SSB and the Governor's Veto Message are attached.

Attachments

**U.S. Department of Justice***United States Attorney**Eastern District of Washington*

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P. O. Box 1494 Fax (509) 353-2766  
Spokane, Washington 99210-1494*

Honorable Christine Gregoire  
Washington State Governor  
P.O. Box 40002  
Olympia, Washington 98504-0002

April 14, 2011

Re: Medical Marijuana Legislative Proposals

Dear Honorable Governor Gregoire:

We write in response to your letter dated April 13, 2011, seeking guidance from the Attorney General and our two offices concerning the practical effect of the legislation currently being considered by the Washington State Legislature concerning medical marijuana. We understand that the proposals being considered by the Legislature would establish a licensing scheme for marijuana growers and dispensaries, and for processors of marijuana-infused foods among other provisions. We have consulted with the Attorney General and the Deputy Attorney General about the proposed legislation. This letter is written to ensure there is no confusion regarding the Department of Justice's view of such a licensing scheme.

As the Department has stated on many occasions, Congress has determined that marijuana is a controlled substance. Congress placed marijuana in Schedule I of the Controlled Substances Act (CSA) and, as such, growing, distributing, and possessing marijuana in any capacity, other than as part of a federally authorized research program, is a violation of federal law regardless of state laws permitting such activities.

The prosecution of individuals and organizations involved in the trade of any illegal drugs and the disruption of drug trafficking organizations is a core priority of the Department. This core priority includes prosecution of business enterprises that unlawfully market and sell marijuana. Accordingly, while the Department does not focus its limited resources on seriously ill individuals who use marijuana as part of a medically recommended treatment regimen in compliance with state law as stated in the October 2009 Ogden Memorandum, we maintain the authority to enforce the CSA vigorously against individuals and organizations that participate in unlawful manufacturing and distribution activity involving marijuana, even if such activities are permitted under state law. The Department's investigative and prosecutorial resources will continue to be directed toward these objectives.

Honorable Christine Gregoire

April 14, 2011

Page 2

Consistent with federal law, the Department maintains the authority to pursue criminal or civil actions for any CSA violations whenever the Department determines that such legal action is warranted. This includes, but is not limited to, actions to enforce the criminal provisions of the CSA such as:

- 21 U.S.C. § 841 (making it illegal to manufacture, distribute, or possess with intent to distribute any controlled substance including marijuana);
- 21 U.S.C. § 856 (making it unlawful to knowingly open, lease, rent, maintain, or use property for the manufacturing, storing, or distribution of controlled substances);
- 21 U.S.C. § 860 (making it unlawful to distribute or manufacture controlled substances within 1,000 feet of schools, colleges, playgrounds, and public housing facilities, and within 100 feet of any youth centers, public swimming pools, and video arcade facilities);
- 21 U.S.C. § 843 (making it unlawful to use any communication facility to commit felony violations of the CSA); and
- 21 U.S.C. § 846 (making it illegal to conspire to commit any of the crimes set forth in the CSA).

In addition, Federal money laundering and related statutes which prohibit a variety of different types of financial activity involving the movement of drug proceeds may likewise be utilized. The Government may also pursue civil injunctions, and the forfeiture of drug proceeds, property traceable to such proceeds, and property used to facilitate drug violations.

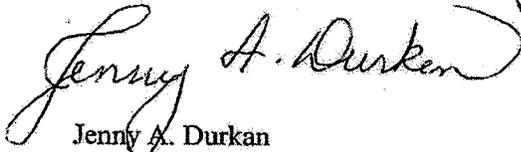
The Washington legislative proposals will create a licensing scheme that permits large-scale marijuana cultivation and distribution. This would authorize conduct contrary to federal law and thus, would undermine the federal government's efforts to regulate the possession, manufacturing, and trafficking of controlled substances. Accordingly, the Department could consider civil and criminal legal remedies regarding those who set up marijuana growing facilities and dispensaries as they will be doing so in violation of federal law. Others who knowingly facilitate the actions of the licensees, including property owners, landlords, and financiers should also know that their conduct violates federal law. In addition, state employees who conducted activities mandated by the Washington legislative proposals would not be immune from liability under the CSA. Potential actions the Department could consider include injunctive actions to prevent cultivation and distribution of marijuana and other associated violations of the CSA; civil fines; criminal prosecution; and the forfeiture of any

Honorable Christine Gregoire  
April 14, 2011  
Page 3

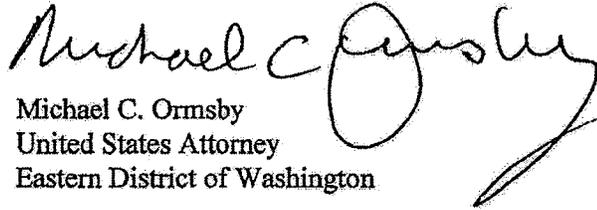
property used to facilitate a violation of the CSA. As the Attorney General has repeatedly stated, the Department of Justice remains firmly committed to enforcing the CSA in all states.

We hope this letter assists the State of Washington and potential licensees in making informed decisions regarding the cultivation, manufacture, and distribution of marijuana.

Very truly yours,



Jenny A. Durkan  
United States Attorney  
Western District of Washington



Michael C. Ormsby  
United States Attorney  
Eastern District of Washington

CHRISTINE O. GREGOIRE  
Governor



STATE OF WASHINGTON  
OFFICE OF THE GOVERNOR

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April 29, 2011

To the Honorable President and Members,  
The Senate of the State of Washington

Ladies and Gentlemen:

I am returning herewith, without my approval as to Sections 101, 201, 407, 410, 411, 412, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 701, 702, 703, 704, 705, 801, 802, 803, 804, 805, 806, 807, 901, 902, 1104, 1201, 1202, 1203 and 1206, Engrossed Second Substitute Senate Bill 5073 entitled:

“AN ACT Relating to medical use of cannabis.”

In 1998, Washington voters made the compassionate choice to remove the fear of state criminal prosecution for patients who use medical marijuana for debilitating or terminal conditions. The voters also provided patients’ physicians and caregivers with defenses to state law prosecutions.

I fully support the purpose of Initiative 692, and in 2007, I signed legislation that expanded the ability of a patient to receive assistance from a designated provider in the medical use of marijuana, and added conditions and diseases for which medical marijuana could be used.

Today, I have signed sections of Engrossed Second Substitute Senate Bill 5073 that retain the provisions of Initiative 692 and provide additional state law protections. Qualifying patients or their designated providers may grow cannabis for the patient’s use or participate in a collective garden without fear of state law criminal prosecutions. Qualifying patients or their designated providers are also protected from certain state civil law consequences.

Our state legislature may remove state criminal and civil penalties for activities that assist persons suffering from debilitating or terminal conditions. While such activities may violate the federal Controlled Substances Act, states are not required to enforce federal law or prosecute people for engaging in activities prohibited by federal law. However, absent congressional action, state laws will not protect an individual from legal action by the federal government.

Qualifying patients and designated providers can evaluate the risk of federal prosecution and make choices for themselves on whether to use or assist another in using medical marijuana. The United States Department of Justice has made the wise decision not to use federal resources to prosecute seriously ill patients who use medical marijuana.

April 29, 2011

Page 2

However, the sections in Part VI, Part VII, and Part VIII of Engrossed Second Substitute Senate Bill 5073 would direct employees of the state departments of Health and Agriculture to authorize and license commercial businesses that produce, process or dispense cannabis. These sections would open public employees to federal prosecution, and the United States Attorneys have made it clear that state law would not provide these individuals safe harbor from federal prosecution. No state employee should be required to violate federal criminal law in order to fulfill duties under state law. For these reasons, I have vetoed Sections 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 701, 702, 703, 704, 705, 801, 802, 803, 804, 805, 806 and 807 of Engrossed Second Substitute Senate Bill 5073.

In addition, there are a number of sections of Engrossed Second Substitute Senate Bill 5073 that are associated with or dependent upon these licensing sections. Section 201 sets forth definitions of terms. Section 412 adds protections for licensed producers, processors and dispensers. Section 901 requires the Department of Health to develop a secure registration system for licensed producers, processors and dispensers. Section 1104 would require a review of the necessity of the cannabis production and dispensing system if the federal government were to authorize the use of cannabis for medical purposes. Section 1201 applies to dispensaries in current operation in the interim before licensure, and Section 1202 exempts documents filed under Section 1201 from disclosure. Section 1203 requires the department of health to report certain information related to implementation of the vetoed sections. Because I have vetoed the licensing provisions, I have also vetoed Sections 201, 412, 901, 1104, 1201, 1202 and 1203 of Engrossed Second Substitute Senate Bill 5073.

Section 410 would require owners of housing to allow the use of medical cannabis on their property, putting them in potential conflict with federal law. For this reason, I have vetoed Section 410 of Engrossed Second Substitute Senate Bill 5073.

Section 407 would permit a nonresident to engage in the medical use of cannabis using documentation or authorization issued under other state or territorial laws. This section would not require these other state or territorial laws to meet the same standards for health care professional authorization as required by Washington law. For this reason, I have vetoed Section 407 of Engrossed Second Substitute Senate Bill 5073.

Section 411 would provide that a court may permit the medical use of cannabis by an offender, and exclude it as a ground for finding that the offender has violated the conditions or requirements of the sentence, deferred prosecution, stipulated order of continuance, deferred disposition or dispositional order. The correction agency or department responsible for the person's supervision is in the best position to evaluate an individual's circumstances and medical use of cannabis. For this reason, I have vetoed Section 411 of Engrossed Second Substitute Senate Bill 5073.

I am approving Section 1002, which authorizes studies and medical guidelines on the appropriate administration and use of cannabis. Section 1206 would make Section 1002 effective January 1, 2013. I have vetoed Section 1206 to provide the discretion to begin efforts at an earlier date.

## ORDINANCE NO. 4316

AN INTERIM ORDINANCE OF THE CITY OF KIRKLAND ADOPTING A MORATORIUM ON THE ESTABLISHMENT OF MEDICAL MARIJUANA COLLECTIVE GARDENS, DEFINING "MEDICAL MARIJUANA COLLECTIVE GARDENS"; PROVIDING FOR A PUBLIC HEARING; ESTABLISHING AN EFFECTIVE DATE, AND PROVIDING THAT THE MORATORIUM, UNLESS EXTENDED, WILL SUNSET WITHIN SIX (6) MONTHS OF THE DATE OF ADOPTION.

WHEREAS, the possession or distribution of marijuana has been and continues to be a violation of state law pursuant to Chapter 69.50 RCW (Washington's Uniform Controlled Substances Act), and federal law, through the Controlled Substances Act ("CSA"); and

WHEREAS, in 1998 the voters of Washington State approved Initiative 692, now codified as Chapter 69.51A RCW, which created a limited defense to marijuana charges under state, not federal, law if the person charged could demonstrate that he or she was a qualifying patient or designated provider as those terms are defined in Ch. 69.51A RCW; and

WHEREAS, in 2011, the state legislature passed Engrossed Second Substitute Senate Bill (E2SSB) 5073 making significant amendments to the medical marijuana law in Washington; and

WHEREAS, the Governor signed the E2SSB 5073, but vetoed several portions expressing her reservations about provisions that involved state employees in activities that could be interpreted as in violation of federal laws; and

WHEREAS, E2SSB 5073 will be effective on July 22, 2011; and

WHEREAS, E2SSB 5073 authorizes "collective gardens" where up to ten qualifying patients may join together to produce, grow and deliver up to 45 marijuana or cannabis plants for medical use; and

WHEREAS, under E2SSB 5073 there is no limit to the number of medical marijuana collective gardens that may be located at any site nor restrictions as to where collective gardens may be located in relation to other uses; and

WHEREAS, medical marijuana collective gardens are not currently addressed in the Kirkland Zoning Code and under Section 1102 of E2SSB 5073 cities may adopt zoning requirements for collective gardens; and

WHEREAS, unless a zoning moratorium is imposed, medical marijuana collective gardens may be located within the City of Kirkland while the City lacks the necessary tools to ensure the location is appropriate and that the potential secondary impacts of collective gardens are minimized and mitigated; and

WHEREAS, the City Council deems it to be in the public interest to establish a zoning moratorium pending consideration of land use regulations to address medical marijuana collective gardens; and

WHEREAS, under RCW 35A.63.220 and RCW 36.70A.390 a public hearing must be held within 60 days of the passage of this Ordinance,

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

The City Council of the City of Kirkland do ordain as follows:

Section 1. The recitals set forth above are hereby adopted as the Kirkland City Council's preliminary findings in support of the moratorium imposed by this Ordinance. The Kirkland City Council may, in its discretion, adopt additional findings at the conclusion of the public hearing referenced in Section 4 below.

Section 2. Pursuant to the provisions of RCW 35A.63.220 and RCW 36.70A.390, a zoning moratorium is hereby enacted in the City of Kirkland prohibiting the licensing, establishment, maintenance or continuation of any medical marijuana collective garden. A "medical marijuana collective garden" is an area or garden where qualifying patients engage in the production, processing, transporting and delivery of marijuana for medical use as set forth in the E2SSB 5073 and subject to the limitations therein.

Section 3. Medical marijuana collective gardens as defined in Section 2 are hereby designated as prohibited uses in the City of Kirkland. In accordance with the provisions of RCW 35A.82.020 and Kirkland Municipal Code 7.02.290, no business license shall be issued to any person for a collective garden, which are hereby defined to be prohibited uses under the ordinances of the City of Kirkland.

Section 4. As provided in RCW 35A.63.220 and RCW 36.70A.390, the City Council sets a public hearing for August 2, 2011, which begins at 7:30 p.m. or as soon thereafter as the business of the City Council shall permit in order to take public testimony and to consider adopting further findings justifying the imposition of the moratorium set forth in Section 2 above.

Section 5. The moratorium set forth in this Ordinance shall be in effect for a period of six months from the date this Ordinance is passed and shall automatically expire on that date unless extended as provided in RCW 35A.63.220 and RCW 36.70A.390, or unless terminated sooner by the Kirkland City Council.

Section 6. The City Manager is hereby authorized and directed to develop draft regulations regarding collective gardens. The regulations shall be referred to the Kirkland Planning Commission for review and recommendation for inclusion in the Kirkland Zoning Code.

Section 7. If any provision of this ordinance or its application to any person or circumstance is held invalid, the remainder of the

ordinance, or the application of the provision to other persons or circumstances is not affected.

Section 8. 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