



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
Tom Mikesell, Financial Planning Manager

Date: November 25, 2014

Subject: **2015-2016 BUDGET ADOPTION**

RECOMMENDATION:

Council approves the attached ordinance adopting the budget for the 2015-2016 biennium and the related resolutions on the consent calendar.

BACKGROUND DISCUSSION:

In addition to formal adoption of the 2015-2016 Budget, the Council will need to act on resolutions covering a number of topics, including:

- Suspending reserve replenishment requirements;
- Authorizing the City Manager to deploy additional development services resources during the biennium contingent upon the commencement of development activity at the Totem Lake Mall and/or Parkplace projects; and,
- An update to the City's Investment Policy.

The resolutions (attached) to implement these policy changes are on the consent calendar and are explained in more detail below. The Final Budget ordinance and Exhibit A to the ordinance are also included as attachments at the end of this memorandum.

Suspending Reserve Replenishment Requirements

The City's current fiscal policies require a high percentage of (up to all) uncommitted funds available at the end of a biennium to be used for reserve replenishment until reserves meet 80% of target and the revenue stabilization reserve is at 100% of target. Furthermore, once these thresholds are met, policy dictates that 50% of additional funds be directed to reserves until they meet 100% of target. The fiscal policies also permit the Council to suspend the requirements to replenish reserves under special circumstances. The 2015-2016 Budget as proposed by the City Manager and amended by the Council assumes the suspension of the 2014 year-end replenishment due to the following special conditions:

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

This action reduces reserve contributions from uncommitted 2014 General Fund ending balances below 50%. However, even with this change, reserves are projected to exceed the 80% level in the 2015-16 biennium (with the revenue stabilization reserve at 100%). In order to suspend the reserve replenishment requirements, staff recommends that Council adopts the attached resolution, R-5085.

Contingent Authorization of Development Services Resources

Subsequent to finalizing the Preliminary Budget, the City received information indicating the increasing likelihood that either or both of the Totem Lake Mall and Parkplace redevelopment projects would begin in earnest during the biennium. In light of this possible near-term need, staff prepared two service packages including the staffing resources necessary to facilitate the development review of each project. The service packages for Parkplace and Totem Lake Mall, which would both be supported by development permit revenues from the projects, total \$606,953 and \$558,247, respectively.

Due to the possibility that either project could commence during the biennium, and given that the current development services staffing resources in the 2015-16 Preliminary Budget are not sized sufficiently to meet the development review, permitting and inspection demands of projects of this scope, staff recommends Council authorization of a Resolution to allow the City Manager to add resources quickly in the event that either or both projects commence during the biennium. Any potential appropriation increases resulting from this process would be presented to Council for approval at the next regularly scheduled budget adjustment.

To allow this ability to swiftly respond to these development projects should they commence activity, staff recommend that Council adopts the attached resolution, R-5086.

Investment Policy Update to Reflect Advisory Services

The City contracted with an investment advisor in August to provide non-discretionary investment advisory services to support the administration of the City's investment portfolio. The investment advisor provides investment analysis, recommendations and reporting while the City retains all decision making authority over investment transactions. Housekeeping revisions to the Investment Policy to acknowledge the use of an investment advisor are required. The Council Finance and Administration Committee reviewed the revised policy at their November 25, 2014 meeting and recommended forwarding the policy to the full Council for approval. The Committee also reviewed the City's Debt Management Policy fulfilling the 4 year review policy requirement. No changes to the Debt Management Policy are recommended at this time.

To revise the Investment Policy to reflect use of an investment advisor, staff recommends that Council adopts the attached resolution, R-5087.

2015-2016 Budget Adoption

The attached ordinance (Ordinance 4466) adopts the 2015-2016 Budget as proposed by the City Manager and amended by the City Council. By state law, the budget must be adopted by December 31, 2014. The budget is adopted at the fund level which sets the total expenditure authority for the biennium for each fund. The table below summarizes the changes to the 2015-16 Preliminary Budget.

	2015-16 Cost		
	Ongoing	One-time	Total
Preliminary 2015-16 Budget			583,025,422
General Fund			
Council Directed Actions			
Human Services Option 3	-	116,226	116,226
School Resource Officer	224,118	15,843	239,961
Northshore Public Health Center Set-Aside	-	80,000	80,000
Leadership Eastside Scholarships ¹	-	24,000	24,000
KAN Request	-	10,202	10,202
Social Worker at John Muir Elementary	-	23,504	23,504
Cultural Organization Grant Matching	-	10,000	10,000
Totem Lake Development Agreement	-	75,000	75,000
<i>Subtotal Council Directed Action</i>	<i>224,118</i>	<i>354,775</i>	<i>578,893</i>
Annexation Street Lights adjusted to June 15	(142,500)	-	(142,500)
General Fund Housekeeping	(1,324)	12,500	11,176
Subtotal General Fund	80,294	367,275	447,569
Special Revenue Funds			
Property Tax Adjustments	44,755	29,196	73,951
Annexation Street Lights adjusted to June 15	(142,500)	-	(142,500)
Subtotal Special Revenue Funds	(97,745)	29,196	(68,549)
General Capital Fund			
General Capital Contingency Replacement from GF	-	793,843	793,843
Wireless in Parks Phase 2	-	200,000	200,000
Green Kirkland	-	50,000	50,000
Subtotal General Capital Fund	-	1,043,843	1,043,843
Grand Total All Funds	(17,451)	1,440,314	1,422,863
Less Use of Unallocated Year End Resources			(386,454)
Net Appropriation Impact			1,036,409
Final 2015-16 Biennial Budget			584,061,831

These adjustments represent both transfers between line items in the budget as well as increases to the total appropriation. The net appropriation increases \$1.04 million as a result of these changes. In addition to the Council-directed changes listed at the top of the table, the following major adjustments are included:

- Adjusting Special Revenue fund budgets to account for higher property tax new construction estimates;

- Removing half of the 2015 appropriation in the General Fund and Street Fund for Street Lights in the annexation area to coincide with availability of the Annexation Sales Tax Credit, which is already fixed for half of 2015 based on the state fiscal year, which ends in June;
- Contribution to the General Capital Contingency from unallocated General Fund year end resources (these funds were identified as available in the preliminary budget, but not shown as transferred to the General Capital Fund);
- Development of wireless internet access in select City parks funded from outside contributions; and,
- Private contributions to support forestry projects in the Green Kirkland program.

Note that a portion of these needs are one-time in nature and funded through the use of unallocated year-end resources (386,454) and, therefore, do not require an adjustment to the total budget appropriation.

A summary of the 2015-2016 Final Budget by fund type including all adjustments, as compared to the 2013-2014 Amended Budget as of June 30, 2014, is included in the table below.

	2013-14 Amended Budget	2015-16 Final Budget	% Change
General Government			
General Fund	178,638,538	194,798,557	9.0%
Other Operating	30,399,499	31,384,551	3.2%
Internal Service Funds	69,527,520	77,886,892	12.0%
Non-Operating Funds	146,657,455	114,948,995	-21.6%
Utilities			
Water/Sewer	80,092,537	89,148,000	11.3%
Surface Water	44,112,640	41,966,491	-4.9%
Solid Waste	32,339,121	33,928,345	4.9%
Total Budget	581,767,310	584,061,831	0.39%

The 2015-2016 Final Budget totals \$584.06 million which represents an increase of 0.39% (\$2.3 million) from the Amended 2013-2014 Budget (as of June 30, 2014). This will be the comparison in the Final 2015-2016 Budget document.

Copies of the final budget document will be available during the first quarter of 2015.

ORDINANCE 0-4466

AN ORDINANCE OF THE CITY OF KIRKLAND ADOPTING THE BIENNIAL BUDGET FOR 2015-2016.

WHEREAS, the Kirkland City Council conducted a duly noticed public hearing on November 18, 2014, to take public comment with respect to the proposed Biennial Budget of the City of Kirkland for 2015-2016 and all persons wishing to be heard were heard; and

WHEREAS, the City Council finds that the proposed Biennial Budget for 2015-2016 reflects 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 Biennial Budget of the City of Kirkland for 2015-2016, as set out in Exhibit "A" attached and incorporated by this reference as though fully set forth, is adopted as the Biennial Budget of the City of Kirkland for 2015-2016.

Section 2. In summary form, 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>	<u>Estimated Revenues</u>	<u>Appropriations</u>
General	194,798,557	194,798,557
Lodging Tax	834,672	834,672
Street Operating	21,063,040	21,063,040
Cemetery Operating	856,334	856,334
Parks Maintenance	3,080,209	3,080,209
Park Levy	5,550,296	5,550,296
Contingency	4,036,425	4,036,425
Impact Fees	7,062,824	7,062,824
Excise Tax Capital Improvement	20,864,944	20,864,944
Limited General Obligation Bonds	6,837,479	6,837,479
Unlimited General Obligation Bonds	1,453,331	1,453,331
General Capital Projects	37,855,498	37,855,498
Transportation Capital Projects	35,121,922	35,121,922
Water/Sewer Operating	59,759,516	59,759,516
Water/Sewer Debt Service	1,368,834	1,368,834
Utility Capital Projects	28,019,650	28,019,650
Surface Water Management	23,888,452	23,888,452
Surface Water Capital Projects	18,078,039	18,078,039
Solid Waste	33,928,345	33,928,345
Health Benefits	26,577,496	26,577,496
Equipment Rental	21,842,793	21,842,793

Information Technology	14,351,934	14,351,934
Facilities Maintenance	15,114,669	15,114,669
Firefighter's Pension	1,716,572	1,716,572
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	584,061,831	584,061,831

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

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

Signed in authentication thereof this ____ day of _____, 2014.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney

CITY OF KIRKLAND
2015-16 BUDGET-Preliminary to Final Adjustments

O-4466
 Exhibit A

General Government Operating Funds

Fund	2013-14 Amended Budget*	2015-16 Prelim Budget	Adjustments	2015-16 Final Budget	Percent Change
General Fund					
010 General	178,638,538	194,737,442	61,115	194,798,557	9.05%
Special Revenue Funds					
112 Lodging Tax	707,327	834,672	-	834,672	18.00%
117 Street Operating	20,734,134	21,188,514	(125,474)	21,063,040	1.59%
122 Cemetery Operating	837,747	856,334	-	856,334	2.22%
125 Parks Maintenance	3,097,227	3,074,609	5,600	3,080,209	-0.55%
128 Park Levy	5,023,064	5,498,971	51,325	5,550,296	10.50%
Total Special Revenue Funds	30,399,499	31,453,100	(68,549)	31,384,551	3.24%
Internal Service Funds					
511 Health Benefits Fund	24,381,271	26,577,496	-	26,577,496	9.01%
521 Equipment Rental	19,112,149	21,842,793	-	21,842,793	14.29%
522 Information Technology	12,951,105	14,351,934	-	14,351,934	10.82%
527 Facilities Maintenance	13,082,995	15,114,669	-	15,114,669	15.53%
Total Internal Service Funds	69,527,520	77,886,892	-	77,886,892	12.02%
Total General Government Operating Funds	278,565,557	304,077,434	(7,434)	304,070,000	9.16%

General Government Non-Operating Funds

Fund	2013-14 Amended Budget*	2015-16 Prelim Budget	Adjustments	2015-16 Final Budget	Percent Change
Special Revenue Funds					
152 Contingency	2,426,425	4,036,425	-	4,036,425	66.35%
156 Impact Fees	3,953,397	7,062,824	-	7,062,824	78.65%
190 Excise Tax Capital Improvement	12,846,786	20,864,944	-	20,864,944	62.41%
Total Special Revenue Funds	19,226,608	31,964,193	-	31,964,193	66.25%
Debt Service Funds					
210 LTGO Debt Service	7,721,892	6,837,479	-	6,837,479	-11.45%
220 UTGO Debt Service	6,364,593	1,453,331	-	1,453,331	-77.17%
Total Debt Service Funds	14,086,485	8,290,810	-	8,290,810	-41.14%
Capital Projects Funds					
310 General Capital Projects	60,789,680	36,811,655	1,043,843	37,855,498	-37.73%
320 Transportation Capital Projects	50,632,075	35,121,922	-	35,121,922	-30.63%
Total Capital Projects Funds	111,421,755	71,933,577	1,043,843	72,977,420	-34.50%
Trust Funds					
620 Firefighter's Pension	1,922,607	1,716,572	-	1,716,572	-10.72%
Total Trust Funds	1,922,607	1,716,572	-	1,716,572	-10.72%
Total General Government Non-Op Funds	146,657,455	113,905,152	1,043,843	114,948,995	-21.62%

CITY OF KIRKLAND
2015-16 BUDGET-Preliminary to Final Adjustments

O-4466
 Exhibit A

Water/Sewer Utility Funds

Fund	2013-14 Amended Budget*	2015-16 Prelim Budget	Adjustments	2015-16 Final Budget	Percent Change
<i>Operating Fund</i>					
411 Water/Sewer Operating	54,516,992	59,759,516	-	59,759,516	9.62%
Total Operating Fund	54,516,992	59,759,516	-	59,759,516	9.62%
<i>Non-Operating Funds</i>					
412 Water/Sewer Debt Service	2,225,742	1,368,834	-	1,368,834	-38.50%
413 Utility Capital Projects	23,349,803	28,019,650	-	28,019,650	20.00%
Total Non-Operating Funds	25,575,545	29,388,484	-	29,388,484	14.91%
Total Water/Sewer Utility Funds	80,092,537	89,148,000	-	89,148,000	11.31%

Surface Water Utility Funds

Fund	2013-14 Amended Budget*	2015-16 Prelim Budget	Adjustments	2015-16 Final Budget	Percent Change
<i>Operating Fund</i>					
421 Surface Water Management	22,912,385	23,888,452	-	23,888,452	4.26%
Total Operating Fund	22,912,385	23,888,452	-	23,888,452	4.26%
<i>Non-Operating Fund</i>					
423 Surface Water Capital Projects	21,200,255	18,078,039	-	18,078,039	-14.73%
Total Non-Operating Funds	21,200,255	18,078,039	-	18,078,039	-14.73%
Total Surface Water Utility Funds	44,112,640	41,966,491	-	41,966,491	-4.87%

Solid Waste Utility Fund

Fund	2013-14 Amended Budget*	2015-16 Prelim Budget	Adjustments	2015-16 Final Budget	Percent Change
<i>Operating Fund</i>					
431 Solid Waste Utility	32,339,121	33,928,345	-	33,928,345	4.91%
Total Operating Fund	32,339,121	33,928,345	-	33,928,345	4.91%
Total Solid Waste Utility Fund	32,339,121	33,928,345	-	33,928,345	4.91%

TOTAL ALL FUNDS	581,767,310	583,025,422	1,036,409	584,061,831	0.39%
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*as of June 30, 2014