



**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 of Finance and Administration  
Sri Krishnan, Financial Planning Manager

**Date:** December 5, 2012

**Subject:** **2013-2014 BUDGET ADOPTION**

RECOMMENDATION:

Council approves the attached ordinance adopting the budget for the 2013-2014 biennium and the related resolutions and ordinances on the consent calendar.

BACKGROUND DISCUSSION:

As part of the Council's action to adopt the 2013-2014 Budget, the Council will need to act on the following related items:

- Suspending reserve replenishment requirements
- Updating the City's fiscal policies
- Extending suspension of impact fees for change of use
- Exempting revenue generating regulatory license (RGRL) fees for the first year for new, small (10 FTEs or fewer) businesses inside the City

Background information for each of the items listed above and the adjustments included in the final budget are provided below. The resolutions and ordinances to implement policy changes are on the consent calendar and included as attachments to this memorandum. 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 (Attachment A). The fiscal policies also permit the Council to suspend the requirements to replenish reserves under special circumstances. The 2013-2014 Budget as proposed by the City Manager and amended by the Council assumes the suspension of the replenishment element restricting the use of unplanned funds until 80% of all targets are met due to the following special conditions:

- Continuation of the past practice of funding 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.

In order to suspend the reserve replenishment requirements, staff recommends that Council adopts the attached resolution, R-4947.

### **Updating Fiscal Policies**

The City's current fiscal policies do not address the impact of voted property tax levies on establishing reserve targets. Staff proposes that in establishing targets for the Contingency Reserve, General Operating Reserve, Revenue Stabilization Reserve, Council Special Projects Reserve, and the General Capital Contingency, voted property tax levies be excluded from the calculations, since the levies were not intended to burden the General Fund and are expected to absorb unexpected costs from levy proceeds. This proposed amendment of the City's fiscal policies is presented for Council action in the attached resolution, R-4948.

### **Extending Suspension of Impact Fees for Change of Use<sup>1</sup>**

At their meeting on January 18, 2011, the City Council adopted Ordinance 4288 amending the Kirkland Municipal Code (KMC) to temporarily suspend the charging of impact fees for a "change in use" of an existing building through December 31, 2013 (Attachment B). At the Council's direction, staff has drafted an ordinance (Ordinance 4393) that would amend the Kirkland Municipal Code Section 27.04.035 extending the expiration date from December 31, 2013 to December 31, 2014 to match the 2013-2014 budget cycle. A transportation impact fee update will also occur in 2013/2014 as part of the Comprehensive Plan update process and this update will help inform the Council as it decides whether to restore the fee in the future, or sunset it permanently.

### **Exempting Revenue Generating Regulatory License (RGRL) Fees**

At the Council's direction, staff has drafted an ordinance (Ordinance 4394) that would amend the City's code regarding Revenue Generating Regulatory License (RGRL) fees to encourage economic development within the City. The proposed amendment would add a new subsection to KMC 7.02.160 that would exempt a business with 10 or fewer employees or FTE's located within the city limits of Kirkland from the RGRL for the first year of business operation only. Businesses exempt from the RGRL under this subsection will still be required to pay the basic license fee under KMC 7.02.120 and register the number of employees and FTE's with the City.

### **2013-2014 Budget Adoption**

The attached ordinance (Ordinance 4396) adopts the 2013-2014 Budget as proposed by the City Manager and amended by the City Council. By state law, the budget must be adopted by

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<sup>1</sup> The 2013-2014 Budget includes increasing the impact and development fees based on inflation. These fee changes will be processed administratively and effective early in 2013.

December 31, 2012. 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 Preliminary Budget, which total \$3.35 million:

	2013-2014 Preliminary Budget	Adjustments	2013-2014 Final Budget
<b>General Fund</b>	171,895,906	(269,068)	171,626,838
<b>Other Funds:</b>			
<b>Street Operating</b> - Reduction in projected levy revenues	20,294,540	(127,254)	20,167,286
<b>Park Levy</b> - Levy funds going through operating fund then transferred to CIP	2,747,711	2,258,366	5,006,077
<b>Equipment Rental</b> - Operating transfer in for utility vehicle in approved service package	19,059,357	31,000	19,090,357
<b>Excise Tax Capital Improvement</b> - Revised revenue estimates, early repayment of loan and change in the timing of ST 0057 funding	15,375,429	(2,778,254)	12,597,175
<b>General Capital Projects</b> - Revised Capital Improvement Program	54,679,019	80,329	54,759,348
<b>Transportation Capital Projects</b> - Revised Capital Improvement Program	35,099,887	4,316,496	39,416,383
<b>Utility Capital Projects</b> - Remove 2013-14 interest due to loan payback in 2012	22,442,804	(27,743)	22,415,061
<b>Surface Water Management</b> - Remove Department of Ecology Grant	21,553,357	(109,000)	21,444,357
<b>Surface Water Capital Projects</b> - Remove 2013-14 interest due to loan payback in 2012	18,342,631	(27,328)	18,315,303
All other funds with no changes from 2013-14 Preliminary Budget	158,870,726	-	158,870,726
<b>Total</b>	<b>540,361,367</b>	<b>3,347,544</b>	<b>543,708,911</b>

Factors contributing to the change in the Final 2013-2014 Budget from the Preliminary Budget include: funding Human Services at the Option #2 level, the Time Bank, and CERT classes on a one-time basis in 2013-2014. The one-time needs identified amount to \$50,814 per year. The Council directed staff to use Council Contingency along with reducing the proposed level of funding for ARCH to fund these one-time needs. Additionally, Council directed that the one-time sales tax revenue resulting from receipts in excess of budgeted levels in October 2012 be used to replenish reserves as part of the budget adjustment during the first quarter of 2013. The table below summarizes Council directions on the changes to the preliminary 2013-2014 Budget from the meetings on November 7<sup>th</sup> and November 20<sup>th</sup>.

	Annual Amount	Biennial Amount
<b>Uses:</b>		
Human Services at Option # 2 Level	44,814	89,628
Time Bank	1,000	2,000
CERT	5,000	10,000
<b>Total Uses</b>	<b>50,814</b>	<b>101,628</b>
<b>Funding Sources:</b>		
Reduction in ARCH Funding	15,000	30,000
Council Contingency	35,814	71,628
<b>Funding Needed</b>	<b>-</b>	<b>-</b>

The Council's direction on the funding of these one-time needs in 2013-2014 is included in the attached ordinance adopting the 2013-2014 Budget.

Other major adjustments to the Preliminary Budget include:

- **Converting ongoing hourly wages to FTE** – Authorize addition of 0.35 FTE in the City Manager's Office using existing on-call staff funding to support LTAC (0.06 FTE) and economic development (0.29 FTE). This change has no net budget impact.

In addition to the adjustments to the General Fund discussed above, the Final Budget includes the following adjustments to other funds:

- **Street Operating** – Reflecting the revised revenue estimate from the passage of Proposition 1, a reduction in budget of \$127,254.
- **Park Levy** – Receipting all revenues from the passage of Proposition 2 in the Park Levy Fund and then transferring it to the Capital Improvement Funds to provide a clear segregation of the levy funds for accountability purposes increases the budget by \$2.26 million. This results in the revenues appearing in both the levy fund and the Capital fund.
- **Equipment Rental** – Recognizing a transfer in to fund the purchase of a vehicle as approved in a service package, an increase in appropriation of \$31,000.
- **Excise Tax Capital Improvement** – Recognizing revised revenue estimates, repayment of the interfund loan to purchase the Cross Kirkland Corridor (CKC) in 2012 and the funding of the NE 120<sup>th</sup> Roadway Extension project (ST 0057) reduces the beginning balance of this fund. The total change is a reduction of \$2.78 million.
- **General Capital Projects** – Recognizing the CIP changes as discussed at the November 20<sup>th</sup> Council meeting and the adjustments to the Park Levy (Proposition 2) funded project as discussed in the 2013-2018 CIP adoption memo – net addition of \$80,329 in 2013-2014.
- **Transportation Capital Projects** – Recognizing the CIP changes as discussed at the November 20<sup>th</sup> Council meeting and the adjustments to the Street Levy (Proposition 1) funded project (Street Maintenance and Pedestrian Safety – ST 0006 003) – net addition of \$4.3 million in 2013-2014.
- Reducing interest revenue in 2013-14 from early repayment of the interfund loan to purchase the CKC:
  - **Utility Capital Projects** – Reduce budget by \$27,743
  - **Surface Water Capital Projects** – Reduce budget by \$27,328
- **Surface Water Management** – Reducing the budget by \$109,000 because the anticipated grant from the Department of Ecology is already included in the 2011-2012 budget.

A summary of the 2013-2014 Final Budget by fund type, as compared to the 2011-2012 Amended Budget as of December, 2012, is included in the table below.

Fund Type	2011-12 Amended Budget	2013-14 Final Budget	% Change
<b>GENERAL GOVERNMENT</b>			
General Fund	161,361,264	171,626,838	6.4%
Other Operating	18,604,602	29,740,972	59.9%
Internal Service Funds	57,122,240	68,541,621	20.0%
Non-Operating Funds	117,935,647	123,593,196	4.8%
<b>UTILITIES</b>			
Water/Sewer	66,961,952	77,811,900	16.2%
Surface Water	33,193,878	39,759,660	19.8%
Solid Waste	25,102,501	32,634,724	30.0%
<b>TOTAL BUDGET</b>	<b>480,282,084</b>	<b>543,708,911</b>	<b>13.2%</b>

The 2013-2014 Final Budget totals \$543.71 million which represents an increase of 13.2% or an increase of \$63.4 million from the Amended 2011-2012 Budget (as of December 2012), including the year-end adjustments. This will be the comparison in the Final 2013-2014 Budget document.

#### **Follow-up Requested by Council**

Along with modifications to the biennial budget, Council requested several reports as future follow-up items. See Attachment C for the list of follow-up items as presented to Council on November 7, 2012. Note that, most of the items listed will be brought forward through Council subcommittees.

Copies of the final budget document will be available during the first quarter of 2013.

ORDINANCE O-4396

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

WHEREAS, the Kirkland City Council conducted a duly noticed public hearing on November 20, 2012, to take public comment with respect to the proposed Biennial Budget of the City of Kirkland for 2013-2014 and all persons wishing to be heard were heard; and

WHEREAS, the City Council finds that the proposed Biennial Budget for 2013-2014 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 2013-2014, 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 2013-2014.

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	171,626,838	171,626,838
Lodging Tax	690,652	690,652
Street Operating	20,167,286	20,167,286
Cemetery Operating	816,308	816,308
Parks Maintenance	3,060,649	3,060,649
Park Levy	5,006,077	5,006,077
Contingency	2,296,510	2,296,510
Impact Fees	3,111,739	3,111,739
Excise Tax Capital Improvement	12,597,175	12,597,175
Limited General Obligation Bonds	7,719,330	7,719,330
Unlimited General Obligation Bonds	1,770,853	1,770,853
General Capital Projects	54,759,348	54,759,348
Transportation Capital Projects	39,416,383	39,416,383
Water/Sewer Operating	52,829,481	52,829,481
Water/Sewer Debt Service	2,567,358	2,567,358
Utility Capital Projects	22,415,061	22,415,061
Surface Water Management	21,444,357	21,444,357
Surface Water Capital Projects	18,315,303	18,315,303
Solid Waste	32,634,724	32,634,724
Health Benefits	24,617,930	24,617,930
Equipment Rental	19,090,357	19,090,357

Information Technology	12,061,934	12,061,934
Facilities Maintenance	12,771,400	12,771,400
Firefighter's Pension	1,921,858	1,921,858
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	543,708,911	543,708,911

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 11<sup>th</sup> day of December, 2012.

Signed in authentication thereof this 11<sup>th</sup> day of December, 2012.

\_\_\_\_\_  
MAYOR

Attest:

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

Approved as to Form:

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

**CITY OF KIRKLAND**  
**2013-14 BUDGET-Preliminary to Final Adjustments**

O-4396  
 Exhibit A

**General Government Operating Funds**

Fund	2011-12 Amended Budget	2013-14 Prelim Budget	Adjustments	2013-14 Final Budget	Percent Change
<b>General Fund</b>					
010 General	161,361,264	171,895,906	(269,068)	171,626,838	6.36%
<b>Special Revenue Funds</b>					
112 Lodging Tax	537,249	690,652	-	690,652	28.55%
117 Street Operating	14,716,526	20,294,540	(127,254)	20,167,286	37.04%
122 Cemetery Operating	762,492	816,308	-	816,308	7.06%
125 Parks Maintenance	2,588,335	3,060,649	-	3,060,649	18.25%
128 Park Levy	-	2,747,711	2,258,366	5,006,077	#DIV/0!
<b>Total Special Revenue Funds</b>	<b>18,604,602</b>	<b>27,609,860</b>	<b>2,131,112</b>	<b>29,740,972</b>	<b>59.86%</b>
<b>Internal Service Funds</b>					
511 Health Benefits Fund	15,735,691	24,617,930	-	24,617,930	56.45%
521 Equipment Rental	19,155,624	19,059,357	31,000	19,090,357	-0.34%
522 Information Technology	11,460,982	12,061,934	-	12,061,934	5.24%
527 Facilities Maintenance	10,769,943	12,771,400	-	12,771,400	18.58%
<b>Total Internal Service Funds</b>	<b>57,122,240</b>	<b>68,510,621</b>	<b>31,000</b>	<b>68,541,621</b>	<b>19.99%</b>
<b>Total General Government Operating Funds</b>	<b>237,088,106</b>	<b>268,016,387</b>	<b>1,893,044</b>	<b>269,909,431</b>	<b>13.84%</b>

**General Government Non-Operating Funds**

Fund	2011-12 Amended Budget	2013-14 Prelim Budget	Adjustments	2013-14 Final Budget	Percent Change
<b>Special Revenue Funds</b>					
152 Contingency	2,246,510	2,296,510	-	2,296,510	2.23%
156 Impact Fees	1,971,968	3,111,739	-	3,111,739	57.80%
190 Excise Tax Capital Improvement	12,866,748	15,375,429	(2,778,254)	12,597,175	-2.10%
<b>Total Special Revenue Funds</b>	<b>17,085,226</b>	<b>20,783,678</b>	<b>(2,778,254)</b>	<b>18,005,424</b>	<b>5.39%</b>
<b>Debt Service Funds</b>					
210 LTGO Debt Service	11,370,553	7,719,330	-	7,719,330	-32.11%
220 UTGO Debt Service	2,144,487	1,770,853	-	1,770,853	-17.42%
<b>Total Debt Service Funds</b>	<b>13,515,040</b>	<b>9,490,183</b>	<b>-</b>	<b>9,490,183</b>	<b>-29.78%</b>
<b>Capital Projects Funds</b>					
310 General Capital Projects	52,653,591	54,679,019	80,329	54,759,348	4.00%
320 Transportation Capital Projects	32,914,691	35,099,887	4,316,496	39,416,383	19.75%
<b>Total Capital Projects Funds</b>	<b>85,568,282</b>	<b>89,778,906</b>	<b>4,396,825</b>	<b>94,175,731</b>	<b>10.06%</b>
<b>Trust Funds</b>					
620 Firefighter's Pension	1,767,099	1,921,858	-	1,921,858	8.76%
<b>Total Trust Funds</b>	<b>1,767,099</b>	<b>1,921,858</b>	<b>-</b>	<b>1,921,858</b>	<b>8.76%</b>
<b>Total General Government Non-Op Funds</b>	<b>117,935,647</b>	<b>121,974,625</b>	<b>1,618,571</b>	<b>123,593,196</b>	<b>4.80%</b>

**CITY OF KIRKLAND**  
**2013-14 BUDGET-Preliminary to Final Adjustments**

O-4396  
 Exhibit A

**Water/Sewer Utility Funds**

Fund	2011-12 Amended Budget	2013-14 Prelim Budget	Adjustments	2013-14 Final Budget	Percent Change
<b><i>Operating Fund</i></b>					
411 Water/Sewer Operating	45,945,527	52,829,481	-	52,829,481	14.98%
<b>Total Operating Fund</b>	<b>45,945,527</b>	<b>52,829,481</b>	<b>-</b>	<b>52,829,481</b>	<b>14.98%</b>
<b><i>Non-Operating Funds</i></b>					
412 Water/Sewer Debt Service	2,962,187	2,567,358	-	2,567,358	-13.33%
413 Utility Capital Projects	18,054,238	22,442,804	(27,743)	22,415,061	24.15%
<b>Total Non-Operating Funds</b>	<b>21,016,425</b>	<b>25,010,162</b>	<b>(27,743)</b>	<b>24,982,419</b>	<b>18.87%</b>
<b>Total Water/Sewer Utility Funds</b>	<b>66,961,952</b>	<b>77,839,643</b>	<b>(27,743)</b>	<b>77,811,900</b>	<b>16.20%</b>

**Surface Water Utility Funds**

Fund	2011-12 Amended Budget	2013-14 Prelim Budget	Adjustments	2013-14 Final Budget	Percent Change
<b><i>Operating Fund</i></b>					
421 Surface Water Management	18,442,953	21,553,357	(109,000)	21,444,357	16.27%
<b>Total Operating Fund</b>	<b>18,442,953</b>	<b>21,553,357</b>	<b>(109,000)</b>	<b>21,444,357</b>	<b>16.27%</b>
<b><i>Non-Operating Fund</i></b>					
423 Surface Water Capital Projects	14,750,925	18,342,631	(27,328)	18,315,303	24.16%
<b>Total Non-Operating Funds</b>	<b>14,750,925</b>	<b>18,342,631</b>	<b>(27,328)</b>	<b>18,315,303</b>	<b>24.16%</b>
<b>Total Surface Water Utility Funds</b>	<b>33,193,878</b>	<b>39,895,988</b>	<b>(136,328)</b>	<b>39,759,660</b>	<b>19.78%</b>

**Solid Waste Utility Fund**

Fund	2011-12 Amended Budget	2013-14 Prelim Budget	Adjustments	2013-14 Final Budget	Percent Change
<b><i>Operating Fund</i></b>					
431 Solid Waste Utility	25,102,501	32,634,724	-	32,634,724	30.01%
<b>Total Operating Fund</b>	<b>25,102,501</b>	<b>32,634,724</b>	<b>-</b>	<b>32,634,724</b>	<b>30.01%</b>
<b>Total Solid Waste Utility Fund</b>	<b>25,102,501</b>	<b>32,634,724</b>	<b>-</b>	<b>32,634,724</b>	<b>30.01%</b>

<b>TOTAL ALL FUNDS</b>	<b>480,282,084</b>	<b>540,361,367</b>	<b>3,347,544</b>	<b>543,708,911</b>	<b>13.21%</b>
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PUBLICATION SUMMARY  
OF ORDINANCE O-4396

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

SECTION 1. Adopts the Biennial Budget of the City of Kirkland for 2013-2014.

SECTION 2. Sets out in summary form, the totals of estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined.

SECTION 3. Authorizes publication of the ordinance by summary, which summary is approved by the City Council pursuant to Section 1.08.017 Kirkland Municipal Code and establishes the effective date as five days after publication of summary.

The full text of this Ordinance will be mailed without charge to any person upon request made to the City Clerk for the City of Kirkland. The Ordinance was passed by the Kirkland City Council at its meeting on the \_\_\_\_\_ day of \_\_\_\_\_, 2012.

I certify that the foregoing is a summary of Ordinance \_\_\_\_\_ approved by the Kirkland City Council for summary publication.

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