C I T Y O F K I R K L A N D

CITY COUNCIL

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Jessica Greenway • Tom Hodgson • Bob Sternoff • David Ramsay, City Manager

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AGENDA
KIRKLAND CITY COUNCIL SPECIAL MEETING
Special Study Session - Peter Kirk Room
Thursday, June 5, 2008
6:00 p.m.

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1. *CALL TO ORDER*
2. *ROLL CALL*
3. *STUDY SESSION,* Peter Kirk Room
   - *a.* 2008 Mid-Year Budget Review
     - (1). 2008 Mid-Year Budget Adjustments
     - (2). Mid-Year Financial Update
     - (3). 2009-2010 Budget Guidance
4. *ADJOURNMENT*

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

To: David Ramsay, City Manager

From: Tracey Dunlap, Director of Finance and Administration

Date: June 2, 2008

Subject: 2008 Mid-Year Budget Adjustments and 2009-10 Budget Direction

RECOMMENDATION

City Council receive an update on the City's financial condition, review the mid-year adjustment to the 2007-08 budget appropriation for selected funds, and provide guidance regarding preparation of the 2009-10 budget.

BACKGROUND:

At the City Council Retreat in March, the Council requested that there be a series of meetings to discuss the budget outlook and tools available before the Mid-Year Budget Study Session scheduled for June 5. The first Study Session on May 7 included a review of additional information related to the expenditure tools and discussion of early policy issues, as well as a review of the communications strategy. At the May 29 Study Session, we presented the revenue, reserve and policy tools in more depth.

The Mid-Year Budget review addresses a variety of topics regarding the current budget biennium, including:

- **Budget Adjustments** - A recommendation concerning mid-year budget adjustments needed to meet unanticipated needs and appropriate changes already approved by Council. The plan is to bring the adjustment ordinance for approval at the June 17 City Council meeting.
- **Financial Trends** – Highlights of the Financial Management Report (FMR) for the period ending March 31, 2008 (Attachment A) and current status of key financial indicators.

In addition, this memorandum summarizes the policy questions related to establishing a strategy for use in developing the budget for the 2009-10 biennium.

MID-YEAR BUDGET ADJUSTMENTS

State law prohibits expenditures from exceeding the budgeted appropriation for any fund and requires the City to adjust budget 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 biennial 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 process.

In March 2008, the City Council reviewed and adopted adjustments to the 2007-2008 budget. Since that time, unexpected issues have arisen and uses of reserves have occurred creating a need for additional budget adjustments to the 2007-08 budget. Listed below is a brief summary of the recommended adjustments.

- **Sales Tax** – The 2008 sales tax budget includes funding for one-time annexation costs. This adjustment will reduce the sales tax budget to the 2007 actual amount, creating the one-year lag, and will reduce related one-time annexation service package costs.

- **EMS Levy** – The new EMS levy includes additional revenue of almost $274,000 greater than the current 2008 budget, which will be recognized by this adjustment. The Public Safety Committee directed staff to do an evaluation of the fire strategic plan goals to look for effectiveness and efficiency opportunities to improve services. This study will cost $30,000 and will be funded by additional EMS funding. Also, a second study is recommended to study overtime issues and provide options. This study will cost $7,500 and will be funded through available professional services budget in the Fire and Building Department.

- **Fire District #41** – Each year a reconciliation of the prior year contract with Fire District 41 is completed and a current year contract amount is finalized. The 2007 reconciliation is complete and the final 2008 contract amount has been calculated. The final 2008 contract nets an additional $128,929 to the City. This adjustment will recognize the additional revenue and be used to help offset firefighter overtime in 2008.

- **Leasehold Excise Tax** – The credit issued to the City by the State for the Evergreen Hospital refund essentially eliminates all revenue that we would have received for the year. An adjustment is needed to eliminate the $160,000 budget for 2008 and will be used as the offsetting funding reduction for the remaining reduction of one-time annexation service packages.

- **Adult Probation Revenue and staff** – The City receives probation revenue that can only be used to provide probation services. The Public Safety Committee reviewed and recommended a proposal to increase a .5 probation officer to 1.0 full time to address the excessive caseload currently being handled by staff. There is sufficient revenue above budget to fund this .5 position.

- **Housekeeping Adjustments** – Since the last budget adjustment in March, additional revenues or events have happened that require adjustment to the biennial budget. Most of these have either gone before Council at a previous meeting (and this is the administrative action to adjust the budget), or they are recognizing new revenue that has been received for a dedicated purpose (i.e. grant funding). A brief list of these items follows:

    - FEMA reimbursement for park storm damage ($16,206)
    - Grant for payroll storage ($2,078)
    - Cascade Agenda Leadership City membership with the Cascade Land Conservancy ($5,000 from Council Special Projects Reserve)
    - Donation from Merrill Gardens for AV equipment at Peter Kirk Community Center ($38,000)
    - Purchase of a scoreboard at Lee Johnson Field and associated donations ($57,445)
    - Additional funding for the NE 120th Place/Casa Juanita Apt. Crosswalk Upgrade project from REET 2 reserves ($35,000)
    - Additional funding for the Verizon franchise negotiations ($35,000)
    - Minor adjustments between funds ($76,970)

The next budget adjustment will be presented to Council in December 2008 as part of the 2008 year-end process.

FINANCIAL STATUS

The Financial Management Report provides an update on the City's financial condition for the current fiscal year through March 31, 2008. The report includes discussions on the economic environment, budget to actual comparison for all operating funds, sales tax performance, investment activity, and the status of reserves.

At the City Council Retreat, staff identified a number of financial trends that were of concern. Some of these items impact 2008, while others pertain to planning for 2009-10. An update on these trends is provided as follows:

- Further reductions in **sales tax** revenues continue to look likely due to several factors:

    - As part of the mid-year budget adjustments, the 2008 budgeted sales tax revenue will reflect the 2007 actual results (all growth has been removed). The forecast presented at the retreat assumed a reduced level of growth for 2009 of 2% and 2010 of 6%. As of the May sales tax report, year to date sales tax receipts in 2008 are 9.5% lower than 2007. Normalizing the large receipt and credit from 2007 puts 2008 year to date at 6.8% below 2007 actuals. If 2008 were to end with the overall sales tax declining by 6.8%, we would fall short of the budget by over $1 million. Based on the continued month-to-month declines, we will need to continue closely monitoring these trends as the budget is developed.

    - One of the major auto dealerships in the City is anticipated to relocate its sales operation outside the current City boundaries (into the potential annexation area) during 2009, while maintaining its service operation in the City. This move is estimated to result in a reduction to on-going sales tax revenues of approximately $500,000. This event is reflected in the revised forecast assuming the move occurs mid 2009.

    - Costco had announced the opening of new stores in Redmond and Bellevue by the end of 2008, although more recent discussions indicate that the stores will open by the end of 2009. By Costco's estimates, the opening of these stores could impact the Kirkland store sales by one third. The forecast presented later in this report moves the impact of this action to 2010, with the reduction recovered over a five year period, consistent with the City's experience with the opening of the Issaquah store back in 1995.

- As described on May 7, we have received notification from the Department of Revenue that a significant **Leasehold Excise Tax** credit has been issued to Evergreen Hospital based on past overpayments of this tax by the hospital. The credit is over $300,000, which will effectively eliminate our annual revenue from this source (budgeted in the General Fund at $160,000 per year) for 2008 and 2009 and will severely reduce our annual revenues from 2010 onward. This reduction has been reflected in the revised forecast.

- The **telecommunications tax revenues** continue to come in strong in 2008. While this segment has proven to be volatile over time and there are lobbying efforts underway in Congress to limit these taxes, we are considering increasing our estimates as part of the 2009-10 budget development.

- Another revenue source impacted by the economy and high gas prices is the **motor vehicle fuel tax (gas tax)** that the City receives from the State. Gas tax is charged on a per gallon rate and distributed to cities on a per capita basis. Consequently, as the price of gas increases no additional revenue is generated and people purchase less which means less taxes collected. Additionally, where the gas is purchased does not factor into how much money the City receives since it is distributed on a per capita basis. As of April, 2008 revenue is trending about 30% behind 2007. If this trend continues for the rest of the year, we could receive about 85% of the budgeted gas tax, or a reduction of $180,000. Gas taxes are dedicated to street maintenance (Street Operating Fund) and street improvements (Transportation CIP).

- There continues to be uncertainty related to **development activity**. Through April, development revenues are essentially flat with 2007 levels. We will continue to monitor these revenues closely and provide an update as more information becomes available. If revenues fall short of projections, we will evaluate whether a portion of the Development Services Reserve may be needed to offset the shortfall. In addition, the fees for expedited review are at less than 10% of the budgeted amount, although there is currently an attendant decrease in expenditures related to third party professional services to offset this shortfall. It is likely that we will revisit the 2007-08 approved service package that proposed to add 3 staff positions to perform this function (currently vacant) and continue to use third parties due to the inherent volatility in this activity.

- While there is continuing concern over sales tax trends, one area that may produce positive results is the impact of the **streamlined sales tax** implementation, which is effective July 1, 2008 meaning we will begin to see the impacts in September receipts. It is difficult to gauge the impact on the City of Kirkland (the State estimates the Kirkland would benefit slightly, approximately $50,000), but we will monitor the results as they are available.

- At this writing, **Fire overtime** has exceeded the biennial budget. We are anticipating that by the end of 2008, overtime will exceed the budgeted level for the biennium by $1.1 million to $1.3 million. A report from the Fire Department on the plan to address overtime is contained in Attachment B. While the Fire Department expects peak levels to subside, additional funding will be required to offset this expense. As part of the mid-year adjustment, we are adding revenues from the new EMS levy $274,000 (with some offsetting expenses to study enhancements to current service levels) and taking into account the net payment due from Fire District #41 ($129,000). In 2007, we underspent the General Fund budget by about $3.3 million, with actual year end expenditures of $50.6 million in the General Fund versus a budget of $53.9 million. For the same period, revenues fell short by only $300,000. While some of the underexpenditures were associated with annexation service packages and delays in activities or payments that are expected to take place in 2008, we still expect there to be year end cash available due to underexpenditures, which may help to offset the remaining overtime amount. We will continue to monitor both the overtime and overall expenditure levels closely. The forecast assumes an increase in the on-going fire overtime budget of $350,000 per year for 2009-10.

- The 2007/08 budget has programmed additions to **reserves** totaling $1.02 million. The 2007 replenishment fell short due to interest income being allocated to other funds with dedicated interest rather than the General Fund based on larger than planned cash balances. The budgeted and actual replenishments are shown in the following table:

Reserve	07 Budgeted Addition	2007 Actual Addition	2007 Over/(Short)	08 Budgeted Addition	Remaining Amount to Add
Contingency	62,500	13,997	(48,503)	62,500	111,003
General Capital Contingency	197,087	42,371	(154,716)	197,087	351,803
Revenue Stabilization Reserve	250,000	54,230	(195,770)	250,000	445,770
Total Reserves	**509,587**	**110,598**	**(398,989)**	**509,587**	**908,576**

Additionally, another $1.74 million was added to the reserves as part of the 2006 year-end process. Both additions result in increases in projected reserve balances for the 2007-08 period of $2.76 million. The following table shows the projected ending 2008 reserve balances compared with their targets:

Reserve	Actual 2007 Beginning Bal	Authorized Uses	Budgeted Additions	Projected 08 Ending Bal	Target	Balance Over/(Short)
Contingency	2,815,790	365,936	125,000	2,574,854	3,698,455	(1,123,601)
General Capital Contingency	4,195,869	-	394,174	4,590,043	5,822,280	(1,232,237)
Revenue Stabilization Reserve	1,582,380	-	500,000	2,082,380	2,143,422	(61,042)
Total Reserves	**8,594,039**	**365,936**	**1,019,174**	**9,247,277**	**11,664,157**	**(2,416,880)**

We recommend that one-time cash available at the end of 2008 be used to replenish the operating reserves as close to target levels as possible, to ensure maximum flexibility to address 2009-10.

- There are a number of events expected in 2009 that will require either the use of one-time cash and/or increases to the budget. Among these events are:
    - The expected start of combined dispatch operations by **NORCOM** which has two impacts on the City's 2009/10 budget: (1) the funding of one-time costs associated with technology, asset transfer, and backup facilities (Kirkland's share of the estimated 2009 one-time costs is $660,000 [total cost of $990,000 offset by $330,000 in grants], with the 2010 current estimate at $140,000), and (2) Kirkland will retain certain records-related functions that may require staff support, in addition to NORCOM's on-going costs (the forecast reflects a rough estimate of $150,000 in incremental costs).
    - The City continues to consider regional and local options related to **jail space**. Regardless of the option that is eventually pursued, it is almost certain that the costs of housing prisoners will increase during the 2009/10 budget period.
    - The cost of **expanding facilities** to meet the City's space needs will begin to be felt during the next budget process. While the City has set aside some reserves toward these costs, and existing debt will be retiring that may help with the funding strategy, there will be new operating costs associated with the expanded facilities that will need to be funded. An example of this is the Annex building that is scheduled to be remodeled and occupied by staff starting spring/summer of 2009.
    - Fire and Finance staff are currently working to develop recommendations related to the evaluation of **Fire Prevention Staffing** and the impact of residential sprinklers. The recommendations will be presented to the Public Safety Committee and brought forward as part of the 2009/10 budget process.

- There are several **redevelopment projects** that are currently under discussion, including Park Place, Totem Lake, and projects in downtown. While most of these projects would not be complete during the next budget cycle, they could generate new construction sales tax revenues, which while one-time in nature, could be beneficial to the budget outlook. It is important to note that both Totem Lake and Park Place are seeking City participation in project elements that provide public benefit, so all of the revenues generated by the projects may not be available to meet the City's on-going costs.

At the City Council Retreat, we presented a forecast that reflected the following assumptions:

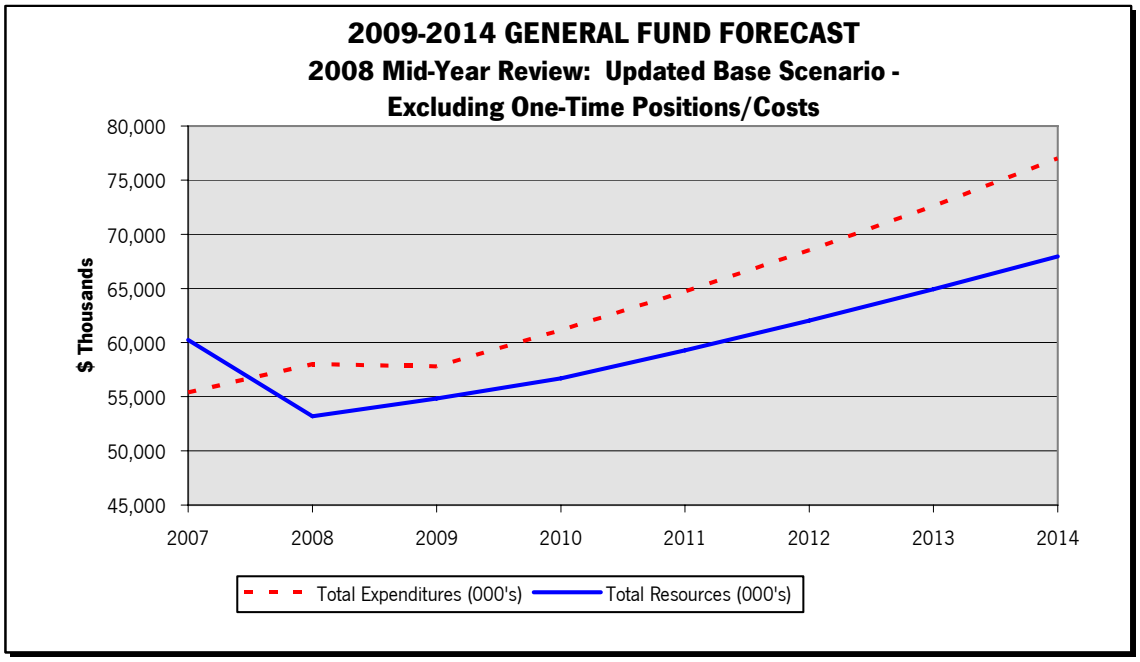
- Reduction in sales tax to a more moderate 2% growth rate assumed for 2009 (2010 still at 6% growth),
- Departure of major auto sales center, and
- Opening of the new Redmond/Bellevue Costco stores (a one third decrease at the Kirkland location assumed to recover over forecast period (Year 1 – 10%, Years 2-3 – 20% each, Years 4-5 – 25% each).

This scenario forecasted a 2009/10 budget gap of $5.9 million ($2.5 million in 2009 and $3.4 million in 2010). It is important to note that this forecast reflects on-going revenues and expenditures only; it does not include the programs and positions funded with one-time resources.

The forecast on the following page contains an updated version of the base forecast that reflects the following changes in assumptions:

- Costco new store openings moved out to 2010 (sales tax impact)
- Impact of the auto dealership loss moved out to start mid 2009 (sales tax impact)
- 2008 property tax budget adjusted to 98% of the approved levy to recognize delinquencies
- Impact of the leasehold tax credit
- Reflects reduction in 2008 budgeted sales tax to the 2007 actuals ($348,354)
- Includes NORCOM on-going cost of $150,000 per year and additional firefighter overtime of $350,000.

The updated gap under these assumptions is $7.39 million ($2.96 million in 2009 and $4.43 million in 2010).



	2007	*2008*	2009	2010	2011	2012	2013	2014
Total Resources (000's)	*60,233*	*53,188*	54,841	56,700	59,286	62,035	64,922	67,955
Total Expenditures (000's)	*55,405*	*58,015*	57,796	61,132	64,697	68,512	72,604	76,987
Net Resources (000's)	***4,828***	***(4,828)***	**(2,954)**	**(4,432)**	**(5,411)**	**(6,477)**	**(7,681)**	**(9,032)**
Biennium Total (000's)	***0***		**(7,386)**		**(11,888)**		**(16,713)**	

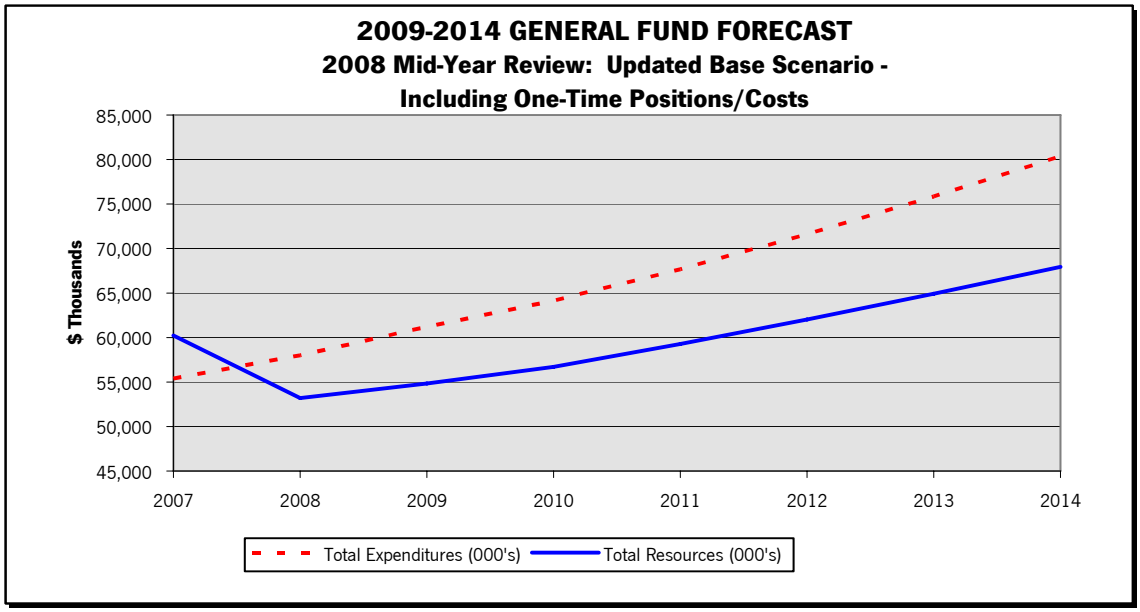
Key Revenue Assumptions:

- No additional diversion of current revenue sources to CIP
- No use of reserves in 2009-2014
- 1% optional property tax and 2% annual growth in new construction property tax in 2009-2014
- **2008 budgeted sales tax adjusted to 2007 actuals**
- 2% growth in sales tax over 2008 reflected in 2009
- **Includes anticipated sales tax loss from auto dealership sales office move (June 2009) and Redmond and Bellevue Costco stores opening (2010 - loss recovered during 2010 through 2015)**
- 6% annual growth in sales tax reflected in 2010-2014 projections
- 4% annual growth in utility taxes in 2009-2014
- 2% annual growth in other taxes (revenue generating regulatory license and gambling taxes) in 2009-2014
- EMS levy maintained at prior level since additional funding will come with additional costs
- **Includes elimination of leasehold excise tax for 2009 due to Evergreen Hospital credit and nominal amount starting in 2010**
- 5% annual growth in other revenue in 2009-2014
- Excludes one-time outside agency funding and one-time service package funding beginning in 2009 (including overtime staffing at North Finn Hill Fire Station assuming the station consolidation)

Key Expenditure Assumptions:

- Based on 2007-2008 Working Budget
- 6% annual growth in wages in 2009-2014
- 10% annual increase in total benefits in 2009-2014
- 2% annual growth in supplies, services & capital in 2009-2014
- Excludes all one-time funded positions and adjustments beginning in 2009
- **Includes ongoing costs for NORCOM beginning in 2009 ($150,000)**
- **Includes additional ongoing funding of firefighter overtime starting in 2009 ($350,000)**

We are also providing a version of the forecast that includes the General Fund one-time funded programs and positions (including estimated one-time NORCOM costs), to provide a snapshot of the gap from current service levels (one-time and on-going). The total gap exceeds $13.8 million, assuming that the one-time activities would continue through 2009 and 2010. The listing of one-time funded items is included as Attachment C. The total of the one-time funded matrix differs from the forecast including the one-time costs because some programs on the one-time matrix are funded from sources other than the General Fund.



	2007	*2008*	2009	2010	2011	2012	2013	2014
Total Resources (000's)	*60,233*	*53,188*	54,841	56,700	59,286	62,035	64,922	67,955
Total Expenditures (000's)	*55,405*	*58,015*	61,211	64,141	67,683	71,623	75,846	80,368
Net Resources (000's)	***4,828***	***(4,828)***	**(6,370)**	**(7,441)**	**(8,397)**	**(9,588)**	**(10,923)**	**(12,413)**
Biennium Total (000's)	***0***		**(13,810)**		**(17,985)**		**(23,337)**	

Key Revenue Assumptions:

- No additional diversion of current revenue sources to CIP
- No use of reserves in 2009-2014
- 1% optional property tax and 2% annual growth in new construction property tax in 2009-2014
- **2008 budgeted sales tax adjusted to 2007 actuals**
- 2% growth in sales tax over 2008 reflected in 2009
- **Includes anticipated sales tax loss from auto dealership sales office move (June 2009) and Redmond and Bellevue Costco stores opening (2010 - loss recovered during 2010 through 2015)**
- 6% annual growth in sales tax reflected in 2010-2014 projections
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Key Expenditure Assumptions:

- Based on 2007-2008 Working Budget
- 6% annual growth in wages in 2009-2014
- 10% annual increase in total benefits in 2009-2014
- 2% annual growth in supplies, services & capital in 2009-2014
- **Includes one-time funded positions and adjustments budgeted in 2008**
- **Including overtime staffing at North Finn Hill Fire Station assuming no station consolidation**
- **Includes ongoing NORCOM costs ($150,000) and additional ongoing firefighter overtime ($350,000) starting in 2009**
- **Includes one-time NORCOM costs of $660,000 in 2009 and $140,000 in 2010**

2009-10 BUDGET DEVELOPMENT GUIDANCE

At the June 5 Study Session, we anticipate continuing the discussion on the budget policy questions:

- Are there any expenditure reduction options that the Council does not want to pursue further (it's "off the table")?
- Is there a preferred expenditure reduction strategy or strategies and, if there is more than one that staff should pursue, which is the most preferred?
    - Should reductions be made by lowering levels of service "across the board" by cutting all department expenditures by a percentage?
    - Should level of service reductions be targeted in specific areas, and if so, which ones should be evaluated?
    - Should reductions be identified through the elimination of specific programs, and if so, which ones should be evaluated?
- Does the Council want to develop criteria for staff to use in developing an expenditure reduction recommendation?
- What mix of revenue, reserves, and expenditure tools should we pursue?

We also expect to bring forward a recommended strategy based on Council's discussion of the proposed format as presented at the May 29 meeting. Please bring the materials from the May 29 study session on June 5, in case we want to use the service matrices in the discussion.

Next Steps

The Budget Kickoff is scheduled for July 2, with the City Council budget study sessions beginning in late October. Labor cost strategies will be discussed at Executive Sessions on June 3 and 17 and initial budget policy guidance will be addressed at the June 5 Special Study session. The tax burden study is expected to be complete by the end of June and presented at the mid-July City Council meeting.

Summary Scorecard

To assist the City Council as it deliberates on the tools available to balance the budget, the "scorecard" on the following page has been developed that provides a rough estimate of the dollar impacts of incremental changes.

Budget Scorecard - Estimated Annual Impact Matrix

Tool	2009	Notes
Expense		
1% reduction in the general fund budget	$590,000	
0% increase in base non-labor budgets	$250,000	Eliminate 2% growth assumption
1% reduction in annual wage growth	$310,000	2nd Year $644,000
1% reduction in annual benefit growth	$100,000	2nd Year $220,000
Policy		
Revise Fleet Replacement Reserve	$240,000	Direction to proceed with this option given at May 7 meeting
General Fund contribution to CIP		
Sales Tax	$770,000	
Interest Income	$800,000	
Revenue Stabilization Reserve Balance	$2,082,380	Budgeted 2008 ending balance
Revenue		
Remaining property tax banked capacity	$145,000	
1% increase property tax (voted after first 1%)	$130,000	
1% increase City utility taxes	$280,000	
1% increase private utility taxes (voted)	$1,200,000	
1% increase business tax	$14,000	
Head tax on businesses (in place of current business license structure)*	$700,000	Replace with Redmond structure at $90/FTE

** Figure shown is estimated net new revenue.*

Financial Management Report

AS OF MARCH 31, 2008

AT A GLANCE:

General Fund revenues ahead of last year by 2.9 percent. Sales tax revenue performance continues negative trend for first quarter 2008 (see page 5)

Development revenue down overall (see page 3)

Fuel prices up = fuel tax revenue down? (see page 1)

Eastside home sales fall 22 percent; prices are flat (see page 8)

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Summary of All Operating Funds: *Revenue*

- **General Fund** actual 2008 revenue is **2.9 percent ahead** of the same period last year largely due to higher utility tax and plan check revenue. This is despite disappointing sales tax revenue and a significant decline in building permit revenue. 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 2008 revenue is **2.9 percent ahead** of the same period last year due to higher internal service rates, higher recreation fee revenue (earlier registrations for summer classes and a new fitness pass program), and a significant insurance recovery for park property damage. This is despite a 30 percent decline in motor vehicle fuel tax revenue and variability in timing of cable tax revenue. Motor vehicle fuel tax is collected on a flat rate per gallon and distributed by the State based on population. Increased fuel costs that decrease consumption (fewer gallons sold) have a negative impact on this revenue.
- **Water Sewer Operating Fund** actual 2008 revenue is **6.3 percent higher** than last year due primarily to sewer rate revenue and an increase in connection charge fee revenue. Budgeted revenue increased 8 percent over 2007 due to higher rates. Actual revenue is tracking slightly lower, at 6.3 percent. This is within a normal seasonal variation for this fund.
- **Surface Water Management Fund** Surface Water fees are paid through property tax collection, which are primarily received in April and October. Revenue can be somewhat volatile depending on the timing of property tax collections. Actual 2008 revenue is **24.1 percent ahead** of the same period last year illustrating this volatility since the utility rate did not increase from 2007 to 2008.
- **Solid Waste Fund** revenue collection was budgeted to increase in 2008 over 2007 due to higher rates and normal growth. Actual 2008 revenue is **1.7 percent ahead** of the same period last year, which is slightly lower than planned due to normal variability in billing collections.

	Year-to-Date Actual			Budget			% of Budget	
Resources by Fund	**3/31/2007**	**3/31/2008**	**% Change**	**2007**	**2008**	**% Change**	**2007**	**2008**
General Gov't Operating:								
General Fund	10,292,628	10,589,068	2.9%	54,543,885	53,236,722	-2.4%	18.9%	19.9%
Other General Gov't Operating Funds	3,090,597	3,180,216	2.9%	17,133,704	17,060,113	-0.4%	18.0%	18.6%
Total General Gov't Operating	**13,383,225**	**13,769,284**	**2.9%**	**71,677,589**	**70,296,835**	**-1.9%**	**18.7%**	**19.6%**
Utilities:								
Water/Sewer Operating Fund	3,669,418	3,901,126	6.3%	16,494,804	17,821,208	8.0%	22.2%	21.9%
Surface Water Management Fund	234,850	291,465	24.1%	5,233,189	5,274,145	0.8%	4.5%	5.5%
Solid Waste Fund	1,925,842	1,957,833	1.7%	7,909,347	8,365,262	5.8%	24.3%	23.4%
Total Utilities	**5,830,110**	**6,150,424**	**5.5%**	**29,637,340**	**31,460,615**	**6.2%**	**19.7%**	**19.5%**
Total All Operating Funds	**19,213,335**	**19,919,708**	**3.7%**	**101,314,929**	**101,757,450**	**0.4%**	**19.0%**	**19.6%**

* Budgeted and actual revenues exclude resources forward and include interfund transfers.

Reality TV Wins Kirkland Youth Council International Recognition

An educational video produced by the City of Kirkland, with the acting support of the Kirkland Youth Council, has been selected as an International Safety Media Awards (ISMA) Silver winner. "We've Got Issues/Pedestrian Safety" – a public service announcement video on youth pedestrian safety - was judged by an international panel comprised of safety experts from around the world. The video includes actual film footage of inattentive high school drivers and pedestrians. The City was honored at the 9th World Injury Prevention and Safety Promotion conference in Merida, Mexico, March 16 -18, 2008. The Alaska Injury Prevention Center, a non-profit organization in Anchorage, Alaska, is sponsoring the 2nd International Safety Media Awards. The video can be viewed on the City's website: www.ci.kirkland.wa.us

Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures were budgeted to increase in 2008 over 2007 largely due to increased personnel costs. Actual expenditures are **10.8 percent ahead** of the same period last year primarily due to higher employee salary and benefit costs (including the settlement of labor contracts with back payments for 2007). **Other Operating Funds** expenditures were budgeted to decrease in 2008 over 2007 primarily due to the timing of vehicle purchases. Actual expenditures are **2.5 percent ahead** of the same period last year primarily due to higher personnel costs.
- **Water/Sewer Operating Fund** Actual 2008 expenditures are only **0.4 percent ahead** of the same period last year primarily due to a significant reduction in regional connection charges and despite higher personnel, water purchase, and METRO sewer costs.
- **Surface Water Management Fund** expenditures were budgeted to decrease in 2008 over 2007 primarily due to the timing of one-time projects and despite higher personnel costs. Actual 2008 expenditures are **20.6 percent ahead** of the same period last year due to significant progress made on plans previously budgeted.
- **Solid Waste Fund** expenditures were budgeted to increase in 2008 over 2007 due to higher solid waste contract rates. Actual 2008 expenditures are **7.5 percent ahead** of the same period last year due to normal variability in disposal contract billing payment amounts.

	Year-to-Date Actual			Budget			% of Budget	
Expenditures by Fund	**3/31/2007**	**3/31/2008**	**% Change**	**2007**	**2008**	**% Change**	**2007**	**2008**
General Gov't Operating:								
General Fund	12,750,860	14,122,915	10.8%	54,787,102	56,232,016	2.6%	23.3%	25.1%
Other General Gov't Operating Funds	3,753,681	3,847,048	2.5%	17,364,419	17,013,678	-2.0%	21.6%	22.6%
Total General Gov't Operating	**16,504,541**	**17,969,963**	**8.9%**	**72,151,521**	**73,245,694**	**1.5%**	**22.9%**	**24.5%**
Utilities:								
Water/Sewer Operating Fund	4,302,860	4,319,013	0.4%	16,919,851	16,918,779	0.0%	25.4%	25.5%
Surface Water Management Fund	520,403	627,511	20.6%	5,646,029	5,525,222	-2.1%	9.2%	11.4%
Solid Waste Fund	1,933,793	2,078,784	7.5%	7,860,184	8,221,762	4.6%	24.6%	25.3%
Total Utilities	**6,757,056**	**7,025,308**	**4.0%**	**30,426,064**	**30,665,763**	**0.8%**	**22.2%**	**22.9%**
Total All Operating Funds	**23,261,597**	**24,995,271**	**7.5%**	**102,577,585**	**103,911,457**	**1.3%**	**22.7%**	**24.1%**

* Budgeted and actual expenditures exclude working capital, operating reserves, capital reserves, and include 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 for 2008 was expected to increase slightly over 2007. Instead, actual 2008 revenue is **down 0.5%** compared to the same period last year. A detailed analysis of **sales tax** revenue can be found starting on page 5.
- **Utility tax** actual revenue collection is **6.7 percent ahead** of the same period last year primarily due to growth in electricity and telephone tax revenue.
- **Other taxes** actual revenue is **70.3 percent ahead** of the same period last year due to the one-time receipt of E-911 tax revenue for reimbursement of dispatch equipment and overtime.
- **Business licenses and franchise fees** actual revenue is **6.8 percent ahead** of the same period last year due to strong franchise fee revenue. The **revenue generating regulatory license** fee is **4.8 percent ahead** of the same period last year, in part due to collection of delinquent accounts. Variability of the timing of renewals from larger businesses can skew year-to-year comparisons.
- **Development-related fees** revenues are a mixed bag. Actual 2008 revenue is **down 3.9 percent collectively** over the same period last year. **Building/structural permits** actual 2008 revenue is **24.9 percent lower** than the same period in 2007. **Plan check** fees actual revenue is **46.2 percent higher** compared to the same period in 2007. **Other development fees** and **engineering services fees** are **down 18.8 percent** and **24.6 percent respectively** compared to the same period last year. The trends for development-related revenue in 2008 reflect the volatility that is inherent in development activity and also are reflected in sales tax revenue performance (see page 5).
- **Grant** revenue is **down 65.1 percent** compared to the same period last year due to the normal variability in the number of grants received.
- **Fines and forfeits** revenue is **16.5 percent ahead** of the same period last year due to normal variability of this revenue.

General Fund 2008 revenues are only $0.3 million ahead of the same period in 2007 largely due to utility taxes, plan check fees, and other taxes. This is despite weak sales tax revenue and declines in building permits, other development fees, and grants.

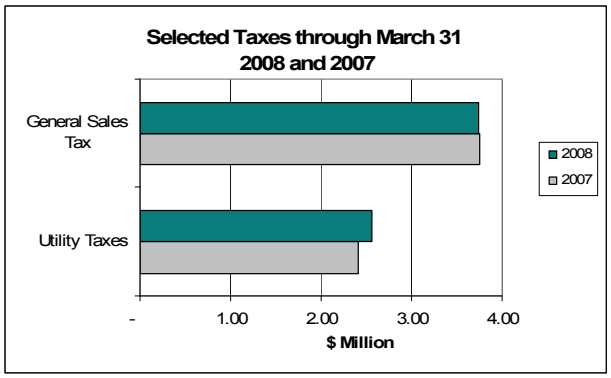
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

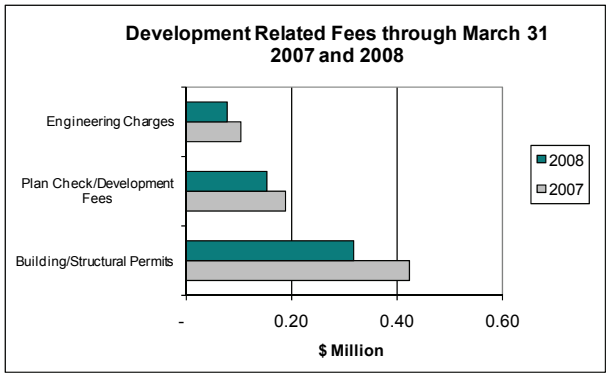
About 374 of the City's 470 permanent employees are budgeted within this fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	3/31/2007	3/31/2008	% Change	2007	2008	% Change	2007	2008
Taxes:								
Retail Sales Tax: General	3,755,081	3,734,554	-0.5%	15,918,981	16,104,800	1.2%	23.6%	23.2%
Retail Sales Tax: Criminal Justice	280,977	302,397	7.6%	1,114,253	1,050,000	-5.8%	25.2%	28.8%
Property Tax	385,463	408,933	6.1%	8,790,086	9,030,480	2.7%	4.4%	4.5%
Utility Taxes	2,404,986	2,565,108	6.7%	8,723,683	8,145,822	-6.6%	27.6%	31.5%
Rev Generating Regulatory License	265,644	278,475	4.8%	936,671	990,000	5.7%	28.4%	28.1%
Other Taxes	105,221	179,184	70.3%	462,597	453,500	-2.0%	22.7%	39.5%
Total Taxes	**7,197,372**	**7,468,651**	**3.8%**	**35,946,271**	**35,774,602**	**-0.5%**	**20.0%**	**20.9%**
Licenses & Permits:								
Building, Structural & Equipment Permits	422,598	317,195	-24.9%	2,078,436	2,163,450	4.1%	20.3%	14.7%
Business Licenses/Franchise Fees	363,170	387,873	6.8%	1,421,435	1,449,450	2.0%	25.5%	26.8%
Other Licenses & Permits	32,458	72,070	122.0%	188,749	193,900	2.7%	17.2%	37.2%
Total Licenses & Permits	**818,226**	**777,138**	**-5.0%**	**3,688,620**	**3,806,800**	**3.2%**	**22.2%**	**20.4%**
Intergovernmental:								
Grants	88,265	30,815	-65.1%	182,160	18,500	-89.8%	48.5%	166.6%
State Shared Revenues & Entitlements	138,870	151,055	8.8%	623,230	645,318	3.5%	22.3%	23.4%
Fire District #41	-	-	N/A	3,184,310	3,358,499	N/A	N/A	N/A
EMS	-	-	N/A	504,376	519,507	N/A	N/A	N/A
Other Intergovernmental Services	166,341	139,922	-15.9%	589,478	439,609	-25.4%	28.2%	31.8%
Total Intergovernmental	**393,476**	**321,792**	**-18.2%**	**5,083,554**	**4,981,433**	**-2.0%**	**7.7%**	**6.5%**
Charges for Services:								
Internal Charges	840,636	870,068	3.5%	3,443,777	3,511,012	2.0%	24.4%	24.8%
Engineering Services	104,269	78,570	-24.6%	635,000	610,000	-3.9%	16.4%	12.9%
Plan Check Fee	276,220	403,960	46.2%	958,700	900,000	-6.1%	28.8%	44.9%
Other Development Fees	189,197	153,635	-18.8%	968,960	1,194,637	23.3%	19.5%	12.9%
Recreation	-	5,790	N/A	79,516	83,000	4.4%	N/A	7.0%
Other Charges for Services	187,672	158,515	-15.5%	880,191	653,174	-25.8%	21.3%	24.3%
Total Charges for Services	**1,597,994**	**1,670,538**	**4.5%**	**6,966,144**	**6,951,823**	**-0.2%**	**22.9%**	**24.0%**
Fines & Forfeits	208,873	243,283	16.5%	1,317,860	1,132,000	-14.1%	15.8%	21.5%
Miscellaneous	76,687	78,828	2.8%	553,002	404,150	-26.9%	13.9%	19.5%
Total Revenues	**10,292,628**	**10,560,230**	**2.6%**	**53,555,451**	**53,050,808**	**-0.9%**	**19.2%**	**19.9%**
Other Financing Sources:						N/A		
Interfund Transfers	-	28,838	N/A	988,434	185,914	N/A	N/A	15.5%
Total Other Financing Sources	**-**	**28,838**	**N/A**	**988,434**	**185,914**	**N/A**	**N/A**	**15.5%**
Total Resources	**10,292,628**	**10,589,068**	**2.9%**	**54,543,885**	**53,236,722**	**-2.4%**	**18.9%**	**19.9%**

* 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	
	3/31/2007	3/31/2008	% Change	2007	2008	% Change	2007	2008
Non-Departmental	243,917	259,270	6.3%	1,128,527	1,202,474	6.6%	21.6%	21.6%
City Council	128,848	138,745	7.7%	316,392	359,934	13.8%	40.7%	38.5%
City Manager's Office	689,715	957,767	38.9%	3,468,879	3,605,217	3.9%	19.9%	26.6%
Human Resources	242,015	249,226	3.0%	1,036,649	1,126,554	8.7%	23.3%	22.1%
City Attorney's Office	218,180	231,167	6.0%	997,460	1,013,008	1.6%	21.9%	22.8%
Parks & Community Services	1,153,409	1,331,957	15.5%	5,888,034	5,996,291	1.8%	19.6%	22.2%
Public Works (Engineering)	918,037	867,620	-5.5%	3,786,746	3,574,763	-5.6%	24.2%	24.3%
Finance and Administration	827,999	872,827	5.4%	3,417,487	3,573,612	4.6%	24.2%	24.4%
Planning & Community Development	852,065	934,741	9.7%	4,107,113	3,475,234	-15.4%	20.7%	26.9%
Police	3,245,152	3,914,132	20.6%	14,114,877	14,783,667	4.7%	23.0%	26.5%
Fire & Building	4,106,446	4,224,432	2.9%	15,819,578	16,383,585	3.6%	26.0%	25.8%
Total Expenditures	**12,625,783**	**13,981,884**	**10.7%**	**54,081,742**	**55,094,339**	**1.9%**	**23.3%**	**25.4%**
Other Financing Uses:								
Interfund Transfers	125,077	141,031	12.8%	705,360	1,137,677	61.3%	17.7%	12.4%
Total Other Financing Uses	**125,077**	**141,031**	**12.8%**	**705,360**	**1,137,677**	**61.3%**	**17.7%**	**12.4%**
Total Expenditures & Other Uses	**12,750,860**	**14,122,915**	**23.5%**	**54,787,102**	**56,232,016**	**63.2%**	**23.3%**	**25.1%**

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

2008 expenditure budgets were higher than 2007 for most departments primarily due to higher personnel costs, including an unsettled labor contract from 2007 that settled in 2008. In addition to this general trend, specific highlights and budget to actual comparisons by selected departments are listed below:

- Actual 2008 expenditures for the **City Manager's Office** are **38.9 percent ahead** of the same period last year primarily due to the payment of NORCOM regional dispatch transition costs and also higher personnel salaries and benefit costs.
- Actual 2008 expenditures for the **Parks & Community Services Department** are **15.5 percent ahead** of the same period last year primarily due to the timing of human service agency contract payments.
- Actual 2008 expenditures for the **Public Works Department** are **5.5 percent behind** the same period last year primarily due to a position vacancy and the completion of the one-time Verizon fiber project inspection.
- Actual 2008 expenditures for the **Planning Department** are **9.7 percent ahead** of the same time last year primarily due to the timing of payments to ARCH (A Regional Coalition for Housing), an environmental impact review for a downtown shopping center, and despite position vacancies.
- Actual 2008 expenditures for the **Police Department** are **20.6 percent ahead** of the same period last year

(Continued on page 5)

Compared to 2007, 2008 General Fund actual expenditures are tracking slightly ahead of last year primarily due to higher personnel costs, settlement of a labor contract that included back-pay for 2007 in 2008, and timing of major projects.

due primarily to higher personnel costs, back payment of 2007 wages as a result of a labor contract settlement, staffing vacancies in 2007, and higher jail costs.

- Actual 2008 expenditures for the **Fire & Building Department** are **2.9 percent ahead** of the same period last year largely due to the timing of Fire dispatch contract costs. While down slightly from the same period last year, fire operations overtime costs remain a concern.

A "green" cottage development in Kirkland

We have winners:

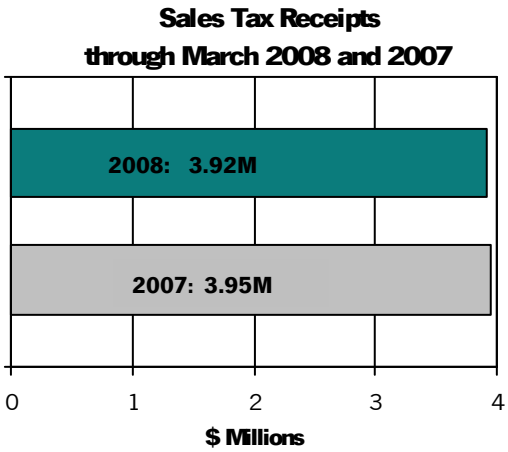
- **Kirkland recently received national recognition for its Innovative Active Aging program. This award program recognizes outstanding community planning and strategies that support active aging and smart growth thereby improving the quality of life for older residents. The award was accepted by Deputy Mayor Joan McBride at an award ceremony held by the Environmental Protection Agency in Washington, D.C. in February.**
- **The City's Green Building Program received the "Build Green Hammer Award" in the "Build Green Advocate, Public Sector" category. Built Green is a program of the Master Builders Association in partnership with King and Snohomish Counties. Kirkland recently issued its first "green" building permit, which entitled the recipient to an expedited review process.**
- **Everyone likes to complain about red tape. It was refreshing to hear that Kirkland tied for first place with the City of Renton in a recent survey by the Master Builders for the jurisdiction with the best permit process. This accolade demonstrates Kirkland's commitment to customer service and the City's knowledgeable development services staff.**

Sales Tax Revenue Analysis

2008 actual revenue is **down 0.5 percent** compared to the same period last year primarily due to significant softening in contracting revenue (see table on page 6).

Review by business sectors:

- The **contracting** sector is **down 14.7 percent** compared to the same period last year due to the completion of major projects and a general weakening in development activity. A small upswing in March is the result of two new large projects in progress.
- The **wholesale** sector is **up 19 percent** over the same period last year due to the level of development activity in this sector compared to last year in contrast to the negative performance in other development-impacted sectors.



- The **services** sector is **up 10 percent** compared to the same period last year largely due to the accommodations industry as a result of one new hotel and the renovation of another.
- **Retail eating/drinking** is **up 12.2 percent** compared to the same period last year due to relatively good results from several larger businesses as well as the collection of a past-due account from prior years.
- **Auto/gas retail**, usually one of the strongest "ongoing" performers, is faltering this year **up only 1.7 percent** over the same period last year primarily due to significant negative performance in March.
- **General merchandise/miscellaneous retail** is **down 3.4 percent** compared to the same period last year due to disappointing performance by key retailers—possibly a sign of weakening consumer confidence.
- **Other retail declined 3.7 percent** compared to the same period last year due to the closure of two major retailers.

Auto/ gas retail growth helped balance declines in development revenue in 2007, but slowed during first quarter 2008.

This report summarizes results through March 31, 2008. April and May results have shown significant declines, with receipts thru May down 9.5%.

Bellevue 2008 sales tax revenue is up 8 percent over the same period last year primarily due to the high level of development-related activity in 2007. Redmond sales tax revenue is flat, up only 0.6 percent.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January - March		Dollar Change	Percent Change	Percent of Total	
	2007	2008			2007	2008
Services	406,094	446,858	40,764	10.0%	10.3%	11.4%
Contracting	750,763	640,744	(110,019)	-14.7%	19.0%	16.3%
Communications	136,160	141,346	5,186	3.8%	3.4%	3.6%
Auto/Gas Retail	775,882	788,835	12,953	1.7%	19.7%	20.1%
Gen Merch/Misc Retail	664,759	642,270	(22,489)	-3.4%	16.8%	16.4%
Retail Eating/Drinking	284,880	319,565	34,685	12.2%	7.2%	8.1%
Other Retail	455,563	438,544	(17,019)	-3.7%	11.5%	11.2%
Wholesale	248,893	296,070	47,177	19.0%	6.3%	7.5%
Miscellaneous	224,582	212,820	(11,762)	-5.2%	5.8%	5.4%
Total	**3,947,576**	**3,927,052**	**(20,524)**	**-0.5%**	**100.0%**	**100.0%**

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2007and 2008 year -to-date sales tax receipts in the table to the left.

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2007	2008		
January	1,267,021	1,227,855	(39,166)	-3.1%
February	1,525,665	1,586,493	60,828	4.0%
March	1,154,890	1,112,704	(42,186)	-3.7%
Total	**3,947,576**	**3,927,052**	**-39,166**	**-0.5%**

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 actually made in January. Monthly sales tax receipts through March 2007 and 2008 are compared in the table to the left.

February 2008 experienced the only positive monthly increase compared to the same month in the prior year since July 2007.

2008 sales tax revenue is budgeted to increase 1.2 percent compared to actual performance of a decline of 0.5 percent compared to the same period last year.

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.

Totem Lake, which accounts for over 32 percent of the total sales tax receipts, is **up only 1.4 percent** compared to the same period last year primarily due to the closure of two major retailers and despite strong performance in auto/gas retail. Over 60 percent of this business district's revenue comes from the auto/gas retail and general merchandise/miscellaneous retail sectors.

NE 85th Street, which accounts for over 14 percent of the total sales tax receipts, is **down 4.1 percent** compared to the same period last year primarily due to the automotive/gas retail and general merchandise/miscellaneous retail. Almost 80 percent of this business district's revenue comes from these two business sectors.

Downtown, which accounts for over 7 percent of the total sales tax receipts, is **up 5.8 percent** compared to the same period last year primarily due to moderately strong performance in the retail eating/drinking and accommodations sectors, which provide over 40 percent of this business district's revenue and despite declines in other retail and miscellaneous sectors (manufacturing).

Carillon Point & Yarrow Bay, which accounts for almost 4 percent of the total sales tax receipts, is **up 23.6 percent** compared to same period last year primarily due to strong performance in the business services and hotel sectors. Almost 70 percent of this business district's revenue comes from business services, retail eating/drinking and hotels.

Houghton & Bridle Trails, which accounts for almost 4 percent of the total sales tax receipts, is **down 1.1 percent** compared to the same period last year almost entirely due to miscellaneous retail, which provides almost 32 percent of these business districts' revenue.

Juanita, which accounts for just over 2 percent of the total sales tax receipts, is **up 18.4 percent** compared to the same period last year primarily due to the retail eating/drinking sector, which provides over 40 percent of this business district's revenue.

When reviewing sales tax receipts by business district, it's important to point out that 39 percent of the revenue received in 2008 is in the "unassigned or no district" category largely due to contracting revenue (which has declined compared to last year), and increasing 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	
	2007	2008			2007	2008
Totem Lake	1,250,788	1,268,897	18,109	1.4%	31.7%	32.3%
NE 85th St	592,503	568,161	-24,342	-4.1%	15.0%	14.5%
Downtown	267,173	282,612	15,439	5.8%	6.8%	7.2%
Carillon Pt & Yarrow Bay	104,512	129,215	24,703	23.6%	2.6%	3.3%
Houghton & Bridle Trails	147,113	145,481	-1,632	-1.1%	3.7%	3.7%
Juanita	70,273	83,193	12,920	18.4%	1.8%	2.1%
Unassigned or No District:						
Contracting	750,763	640,745	-110,018	-14.7%	19.0%	16.3%
Other	764,451	808,748	44,297	5.8%	21.2%	22.7%
Total	**3,947,576**	**3,927,052**	**-20,524**	**-0.5%**	**100.0%**	**100.0%**

Sales Tax Revenue Outlook

The disappointing performance in the retail sectors, especially automotive/gas retail, may be a sign of lagging consumer confidence. While down from last year, development-related revenue still remains relatively strong in relation to historical trends but could drop even more dramatically if the economy continues to slow. A major impact is expected from Costco opening stores in Redmond and Bellevue some time in 2009-2010. By their estimates, the Kirkland store will lose about one third of their sales from the opening of the new stores and this impact would be felt possibly starting in late 2009. In addition, a major automobile dealership is planning to relocate their sales activities outside the City limits.

Developing ongoing business activity is critical to ensure the City's financial health. Opportunities for growth in ongoing revenue exist from the redevelopment of Totem Lake Mall and Park Place, the completed expansions of major car dealerships, and the two additional hotels. These risks and opportunities serve as reminders that sales tax is an economically sensitive revenue source. In good times, sales tax growth easily outpaces the rate of inflation and is an attractive funding source for service packages. On the other hand, an economic recession and the return of more normal development-related activity can quickly threaten the City's financial ability to maintain existing services (as it did in 2002).

OFFICE VACANCIES:
The Eastside vacancy rate remains low at 9.3 percent and Kirkland's rate is 4.7 percent as of the first quarter of 2008 according to CB Richard Ellis Real Estate Services.

LODGING TAX REVENUE:
Lodging tax 2008 revenue is up 12.6 percent compared to the same period last year due to overall strong performance in the accommodations industry as well as the new hotel , which opened downtown in late 2007.

Economic Environment Update

Once again, mixed economic indicators: Local job growth continues to be strong in 2008 with almost 127,000 jobs added in the Seattle-Tacoma metropolitan area since January 2005. The unemployment rate in King County is 3.6 percent as of March 2008, well below the national and Washington State average of 5.2 percent. While less glowing than 2007, the Puget Sound region economic climate is forecasted to be relatively bright in 2008 compared to the national forecast according to Conway Pedersen Economics. The reasoning is the local economy is more in tune with the international economy with exports of Boeing airplanes and Microsoft software.

However, the Puget Sound office market saw its first quarter of negative absorption in 5 years. The Eastside office market continued strong performance, with positive absorption. Even with the one quarter of negative regional absorption, the Puget Sound region office market is expected to remain one of the strongest in the nation for some time.

Two of the local confidence indexes illustrate concerns by local executives and purchasing managers. The Hebert Research-Business Journal Confidence Index survey posted another sharp drop for the first quarter of 2008, hitting its lowest level since the last recession ended in 2003. At 50.5, the index is almost 4 points lower than the prior quarter and well under the historical mean of 55.9. The Western Washington purchasing managers survey showed flagging optimism in the state's economy, falling 7.7 points to 53.5 in March and the 90-day forecast dropped 3.6 points to 56.6. (It should be noted that a score of more than 50 points signals an expanding economy, while a score of less than 50 points indicates a shrinking economy.)

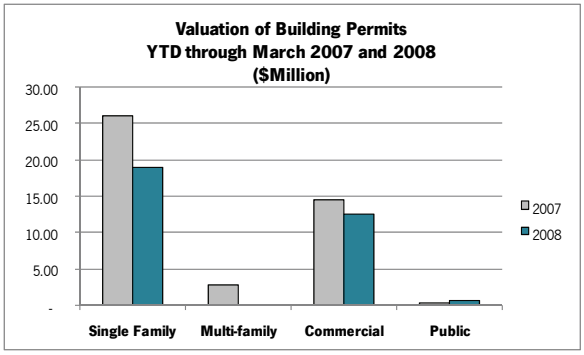
As mentioned in the sales tax analysis, significant risks from business changes and slowing development activity could pose a financial challenge in the near future for the City.

(Continued on page 8)

Economic Environment Update *continued*

Local **development activity** comparing 2008 to 2007 as measured by the valuation of City of Kirkland building permits is illustrated in the chart below. Activity has dropped considerably—in the single family and multi-family sectors especially. Concerns about the slowing local real estate market could have a significant impact on residential development activity in 2008.

Pending sales of **new and existing single-family homes** in King County are down 39 percent in March 2008 compared with a year earlier and prices declined 3.3 percent for closed sales compared to the same month last year. The median price of a single family home in March was $439,900—down from $455,000 in March 2007. On the Eastside, closed sales of single family homes are down 22 percent and the median price is down 6.7 percent to $592,725. Contributing factors to the slow-down in sales are housing prices overshooting wages, economic uncertainty and tightening consumer credit. Local economists predict 2008 housing prices to flatten to zero or decline as part of market correction and the demand for housing will keep the correction time short. A more positive housing outlook was depicted from the PMI Mortgage Insurance Company's Spring 2008 U.S. Market Risk Index, which ranks the nations' 50 largest metropolitan areas according to the likelihood that home prices will be lower in two years. The Puget Sound region is rated relatively low risk with a score of 5 percent compared to Riverside-San Bernardino-Ontario CA with a score of 93 percent and Las Vegas with a score of 91 percent.



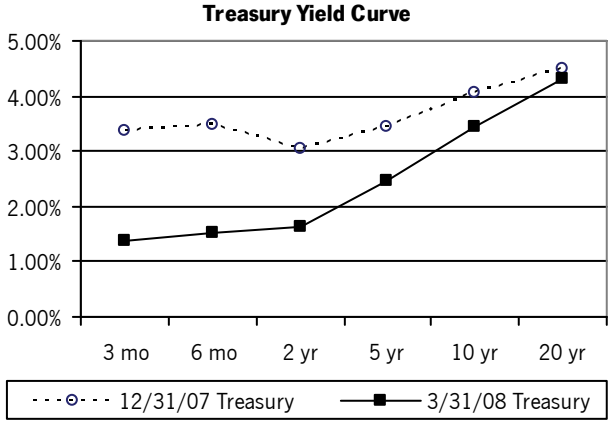
Seattle metro CPI continues to track higher than the national average (5.1 percent compared to the national average of 4.4 percent as of February). This is an increase from the Seattle index for June 2007, which was 3.31 percent. The June 2007 CPI is used to calculate City employee cost of living adjustments (COLA) for 2008. As a result, 2008 COLA's range from 2.98 to 3.31 percent depending on the bargaining unit contract.

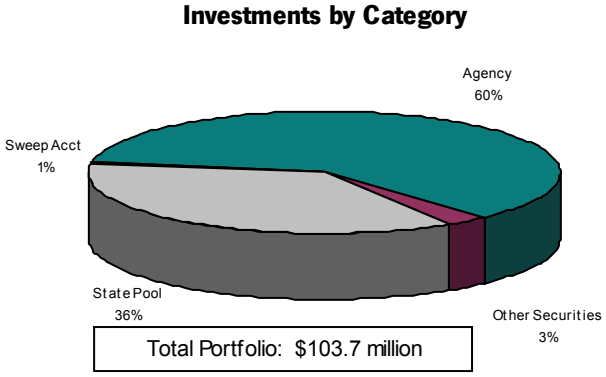
Investment Report

MARKET OVERVIEW

Fed Funds rate dropped dramatically from 4.25 percent to 2.25 percent during the first quarter of 2008 as the fallout of the subprime mortgage market continued to impact the economy. The yield curve decline was greater in the 3 month to five year range creating a more normal upward sloping yield curve.

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 slightly in the 1st quarter of 2008 to $103.7 million compared to $105.9 million on December 31, 2007.





CITY PORTFOLIO

It is the policy of the City of Kirkland to invest public funds in a manner which provides the highest investment return with maximum security while meeting the City's daily cash flow requirements and conforming to all Washington state statutes governing the investment of public funds.

Diversification

The City's current investment portfolio is composed of Government Agency bonds, State and Local Government bonds, US Treasury notes, the State Investment Pool and an overnight bank sweep account. City investment procedures allow for 100% of the portfolio to be invested in US Treasury or Federal Government obligations.

2008 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for 2008 continues to look poor with the weak economic growth and the severity of the housing downturn. However, the economists are not predicting a contraction. GDP growth for 2008 is expected to be 1.8% and core inflation to range between 2% and 2.2%. The forecasters see little threat of accelerating inflation. The unemployment rate is expected to average 5.1% in 2008. The Fed Funds rate, currently at 2.25% as of March 18, 2008, is expected to be further reduced at the April 30 meeting to 2.00%.

The duration of the portfolio will decrease as securities mature and are called. New security purchases will be made as opportunities for increased 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 near 2.65% and will continue to decline as the Fed Funds rate declines. Total estimated investment income for 2008 is $4.2 million.

Investment Report *continued*

Liquidity

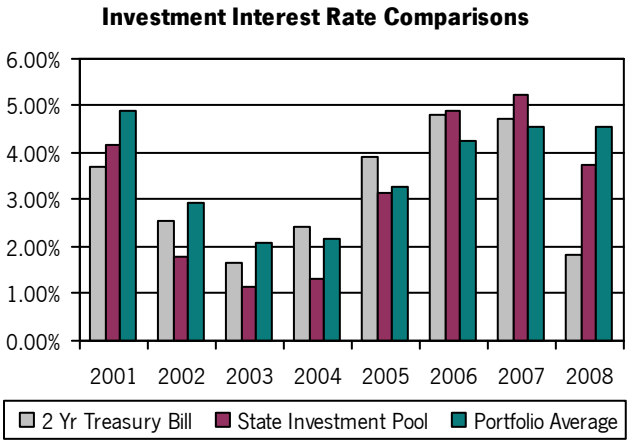
The target duration for the City's portfolio is based on the 2 year treasury rate which decreased from 3.05 percent on December 31, 2007 to 1.62 percent on March 31, 2008. The average maturity of the City's investment portfolio increased slightly from 2.01 years on December 31, 2007 to 2.05 years on March 31, 2008 due to the purchase of longer term securities to lock in higher yields. It is expected that those securities will be called on their call dates as interest rates are declining.

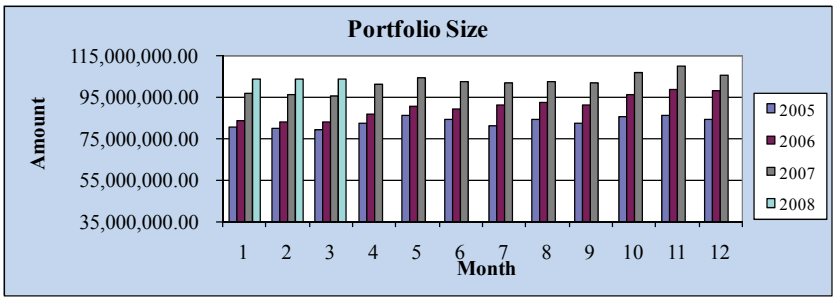
Yield

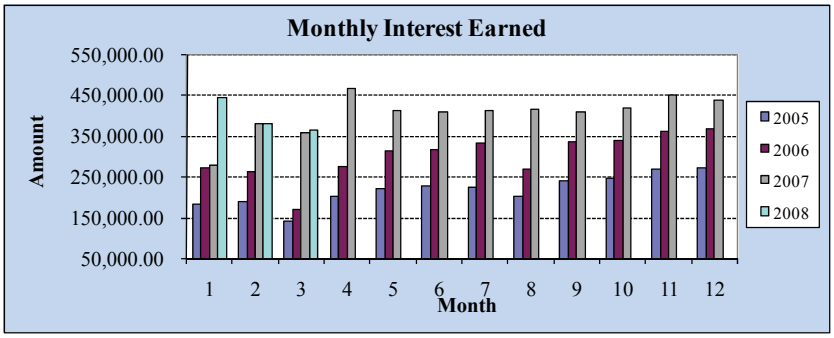
The City Portfolio yield to maturity decreased from 4.89 percent on December 31, 2007 to 4.27 percent on March 31, 2008. Through March 31, 2008, the City's annual average yield to maturity was 4.54 percent. The City's portfolio outperformed the State Investment Pool annual average yield to maturity of 3.76 percent and the 2 Year Treasury Note annual average for 2008 of 1.81 percent due to the rapid decline in interest rates.

Benchmark Comparison	December 31, 2007	March 31, 2007
City Yield to Maturity (YTM)	4.89%	4.27%
City Average YTM	4.75%	4.54%
City Year to Date Yield	4.73%	4.48%
State Pool Average Yield	5.09%	3.76%
2 yr Treasury Note Avg YTM	4.27%	1.81%

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 adjacent graph.







Reserve Summary

General Operating Reserve

For the City's "Rainy Day" fund, the target is established by fiscal policy at five percent of the operating budget (excluding utility and internal service funds). Each year, the target amount will change proportional to the change in the operating budget. To maintain full funding, the increment between five percent of the previous year's budget and the current budget would be added or subtracted utilizing interest income and year-end transfers from the General Fund. It is a reserve to be used for unforeseen revenue losses and other temporary events. If the reserve is utilized by the City Council, the authorization should be accompanied by a plan for replenishing the reserve within a two to three year period.

Revenue Stabilization Reserve

The Revenue Stabilization Reserve was approved by Council in July 2003 and was created by segregating a portion of the General Operating Reserve. The purpose of this reserve is to provide an easy mechanism to tap reserves to address temporary revenue shortfalls resulting from temporary circumstances (e.g. economic cycles, weather-related fluctuations in revenue). Council set the target at ten percent of selected General Fund revenue sources which are subject to volatility (e.g. sales tax, development fees and utility taxes). The Revenue Stabilization Reserve may be used in its entirety; however, replenishing the reserve will constitute the first priority for use of year-end transfers from the General Fund.

Contingency Fund

The Contingency Fund was established pursuant to RCW 35A.33.145 to "provide monies with which to meet any municipal expense, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the annual budget." State law sets the maximum balance in the fund at $.375 per $1,000 of assessed valuation. This reserve would be used to address unforeseen expenditures (as opposed to revenue shortfalls addressed by the Revenue Stabilization Reserve). The fund can be replenished through interest earnings up to the maximum balance or through the year-end transfer if needed.

Reserves are an important indicator of the City's fiscal health. They effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are otherwise dedicated to a specific purpose (special purpose reserves). The City's reserves are listed with their revised estimated balances at the end of the biennium in the table below:

Reserves	2007-08 Est End Balance	2008 Auth. Uses	2008 Auth. Additions	Revised 2007-08 End Balance
GENERAL PURPOSE RESERVES				
Contingency	3,193,826			2,827,890
General Capital Contingency	3,312,834			3,312,834
Park & Municipal Reserve:				
General Oper. Reserve (Rainy Day)	2,712,836			2,712,836
Revenue Stabilization Reserve	2,082,380			2,082,380
Building & Property Reserve	1,921,002			1,911,002
Council Special Projects Reserve	309,960	5,000		271,960
Total General Purpose Reserves	**13,532,838**	**5,000**	**0**	**13,118,902**
SPECIAL PURPOSE RESERVES				
Excise Tax Capital Improvement:				
REET 1	6,673,678			5,877,284
REET 2	6,067,898			6,067,898
Equipment Rental:				
Vehicle Reserve	5,907,138			5,907,138
Radio Reserve	36,000			36,000
Information Technology:				
PC Replacement Reserve	453,670			453,670
Major Systems Replacement Reserve	666,500			666,500
Facilities Maintenance:				
Operating Reserve	550,000			550,000
Facilities Sinking Fund	1,439,951			1,439,951
Impact Fees				
Roads	1,984,145			1,984,145
Parks	920,086			920,086
Park Bond Reserve	502,916			502,916
Cemetery Improvement	476,401			476,401
Off-Street Parking	29,564			29,564
Tour Dock	73,211			73,211
Street Improvement	1,121,498			960,398
Firefighter's Pension	1,359,860			1,359,860
Park & Municipal Reserve:				
Litigation Reserve	20,004			20,004
Labor Relations Reserve	51,255			51,255
Police Equipment Reserve	26,519			26,519
LEOFF 1 Police Reserve	625,754			625,754
Facilities Expansion Reserve	800,000			800,000
Development Services Reserve	1,290,831			1,290,831
Tree Ordinance	13,750			13,750
Donation Accounts	143,859			143,859
Revolving Accounts	148,606			148,606
Water/Sewer Operating Reserve	1,511,245	39,106		1,472,139
Water/Sewer Debt Service Reserve	820,155			820,155
Water/Sewer Capital Contingency	1,703,640			1,203,440
Water/Sewer Construction Reserve	8,738,358			7,903,358
Surface Water Operating Reserve	320,299			320,299
Surface Water Capital Contingency	876,760	158,500		516,260
Surface Water-Transp. Related Rsv	1,417,365			1,181,365
Surface Water Construction Reserve	1,240,563			1,240,563
Total Special Purpose Reserves	**48,011,479**	**197,606**	**0**	**45,083,179**
Grand Total	**61,544,317**	**202,606**	**0**	**58,202,081**

Reserve Summary *continued*

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2008 Council Authorized Uses		
Council Special Projects Reserve	$5,000	Funding for 2008 membership dues to the Cascade Land Conservancy to become a Cascade Agenda Leadership City.
Water/Sewer Operating Reserve	$39,106	Funding for the emergency repair of a watermain leak on NE 85th Street.
Surface Water Capital Contingency	$158,500	Additional funding for the Juanita Creek Channel Enhancement project.
2008 Council Authorized Additions		
No Council Authorized Additions as of March 31, 2008.		

The summary in the section above details all Council authorized uses and additions to each reserve through March 2008.

Reserves	Revised 2007-08 End Balance	2007-08 Target	Over (Under) Target
GENERAL PURPOSE RESERVES			
Contingency	2,827,890	3,698,455	(870,565)
General Capital Contingency	3,312,834	5,822,280	(2,509,446)
Park & Municipal Reserve:			
General Oper. Reserve (Rainy Day)	2,712,836	3,134,779	(421,943)
Revenue Stabilization Reserve	2,082,380	2,143,422	(61,042)
Council Special Projects Reserve	271,960	250,000	21,960
General Purpose Reserves with Targets	**11,207,900**	**15,048,936**	**(3,841,036)**
SPECIAL PURPOSE RESERVES			
Excise Tax Capital Improvement:			
REET 1	5,877,284	1,435,000	4,442,284
REET 2	6,067,898	4,959,200	1,108,698
Information Technology:			
Major Systems Replacement Reserve	666,500	1,025,000	(358,500)
Firefighter's Pension	1,359,860	1,103,000	256,860
Park & Municipal Reserve:			
Litigation Reserve	20,004	50,000	(29,996)
LEOFF 1 Police Reserve	625,754	855,000	(229,246)
Development Services Reserve	1,290,831	1,290,831	0
Water/Sewer Operating Reserve	1,472,139	1,511,245	(39,106)
Water/Sewer Debt Service Reserve	820,155	820,155	0
Water/Sewer Capital Contingency	1,203,440	1,703,640	(500,200)
Surface Water Operating Reserve	320,299	320,299	0
Surface Water Capital Contingency	516,260	876,760	(360,500)
Special Purpose Reserves with Targets	**20,240,424**	**15,950,130**	**4,290,294**
Reserves without Targets	**26,753,757**	**n/a**	**n/a**
Total Reserves	**58,202,081**	**n/a**	**n/a**

The table to the left compares the revised ending balance to the targets established in the budget process .

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

- Tracey Dunlap, Director of Finance & Administration
- Michael Olson, Deputy Director of Finance & Administration
- Sandi Hines, Financial Planning Manager
- Sri Krishnan, Senior Financial Analyst
- Neil Kruse, Budget Analyst

www.ci.kirkland.wa.us

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

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

Economic Environment Update References:

- *Purchasing managers less optimistic about economy,* Puget Sound Business Journal, April 9, 2008
- *Survey finds gloomy Puget Sound area execs planning to rein in spending*, Puget Sound Business Journal, May 2, 2008
- Elizabeth Rhodes, *Home prices declining, inventory building around Puget Sound,* The Seattle Times, April 4, 2008
- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2008
- Northwest Multiple Listing Service
- Washington State Economic and Revenue Forecast Council
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- U.S. Bureau of Labor Statistics
- City of Kirkland Building Division
- City of Kirkland Finance Department

Attachment B

CITY OF KIRKLAND
Fire & Building Department
123 Fifth Avenue, Kirkland, WA 98033 425.587.3000
www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

From: Jeff Blake, Fire Chief

Date: May 29, 2008

Subject: Fire Overtime and Efficiency/Effectiveness Study

As you are aware the Fire Department overtime expenditures in 2007 exceeded our overtime budget. We have looked at potential causes of the over expenditures and found that there are several factors contributing to these increased costs. Staff has been preparing options for immediate, short, and long term solutions to maintaining minimum staffing levels. Working with your office, Finance, and Public Safety Committee, we are looking for solutions to funding emergency services for the community.

Overtime Staffing:
There does not appear to be any immediate fix, other than reducing the levels of service. I do not recommend reducing levels of service, as we are already below what we should be for staffing. In 2009 I recommend we hire one additional firefighter to bring all platoons to the same number of firefighters. When we added EMS staffing at the Totem Lake fire station, our formula indicated we should hire eight firefighters, when in reality we needed nine. Using a portion of the additional EMS money to hire a firefighter would insure we gain full benefit of the new level of EMS service added at Totem Lake. This will also have an immediate effect on overtime expenditures for that platoon and will be at reduced cost vs. overtime for maintaining our minimum daily staffing level. The attached example of a service package shows the costs of hiring one additional firefighter.

At the Council retreat, Council requested monthly reporting of the overtime expenditures for fire department. The table on the following page shows our experience year to date, and a comparison of the previous two years. As the table illustrates, overtime is down slightly over last year however, it has not returned to a level which might be expected for a more “normal” year.

Attachment B
May 29, 2008

Fire Suppression Overtime by Month 2005 through April 2008				
	2005	**2006**	**2007**	**2008**
January	80,378	80,102	110,433	90,246
February	51,293	58,298	91,869	87,533
March	49,382	66,308	96,248	97,308
April	51,451	81,095	127,033	87,100
May	48,988	71,751	84,985	
June	57,150	76,602	85,256	
July	65,320	109,202	135,955	
August	94,025	143,281	201,746	
September	127,498	116,347	172,715	
October	179,114	98,377	136,099	
November	70,091	80,354	109,115	
December	58,547	83,364	80,870	
Total Annual Actual	**933,237**	**1,065,081**	**1,432,324**	**362,187**
Budget	690,579	747,217	736,152	741,860
Annual (Over) Under Budget	**(242,658)**	**(317,864)**	**(696,172)**	**379,673**

	2005-06	**2007-08**
Biennial Actual	**1,998,318**	**1,794,511**
Biennial Budget	**1,437,796**	**1,478,012**
(Over) Under Budget	**(560,522)**	**(316,499)**

There were various factors contributing to the increased need to cover daily staffing with overtime, having a better understanding of how some of these factors will likely increase or decrease over the next five to ten years could allow for better planning and budgeting. By being better able to plan and budget, we may well reduce the "surprise" years like 2007, when overtime expenditures far exceeded our budget. In a review of our past 10 years, we find that about every three years there is a sharp increase in the use of overtime to maintain our minimum daily staffing. Now that we have been tracking our experience, we may be able to establish a trend or pattern which will also lead to better planning and budgeting strategy. By hiring a consultant to look at our overtime expenditures, they may be able to identify options which we have not identified or used in the past to address our concern with these spikes in overtime costs. Eastside Fire and Rescue did a similar study a couple of years ago and have been pleased with the options implemented from their study. The cost of the study should be approximately $7,500 and give us potential solutions to our overtime concerns. This study can be funded with existing budget in Fire & Building.

Efficiency and Effectiveness:

The Public Safety Committee is interested in having an evaluation of our strategic plan goals; looking for effectiveness and efficiency opportunities to improve services. Insuring the priorities established in the Phase I and II staffing initiatives, in 2000, are consistent with our needs today. Hiring a consultant to complete an evaluation would provide a third party review of our progress and evaluate our needs; giving both council and staff a consultant's independent evaluation could be beneficial for the community. In talking with other fire departments and a consultant, we should anticipate a cost of approximately $25,000 to $30,000 for this study, depending on the number of components in the evaluation. In a conversation with a consultant about the study, based on an example of scope of work, he believes we could complete the study in 60 to 75 days. The study would be valuable in the budget process with regards to understanding how the additional EMS levy monies might be best used to improve our level of service.

Attachment B
May 29, 2008

It is my recommendation:

- We build into the 2009-10 budget the hiring of one firefighter in 2009 to begin to off set some of the overtime costs on the platoon with one less firefighter than our other two platoons.

- We hire a consultant this year, 2008, to perform a financial study on our overtime use and options for reducing overtime expenditures.

- We hire a consultant, in 2008, to perform an efficiency and effectiveness study of our fire and medical operations.

Each of the items above can and should be considered independently of one another; each has a specific purpose and will produce different outcomes for potential implementation. The hiring of one firefighter and overtime study is a short term option to solving the concerns about overtime expenditures. The Effectiveness and Efficiency study is a longer term study to insure we both deploy and/or add resources to be most beneficial.

Attachment B

CITY OF KIRKLAND

2007-2008 SERVICE PACKAGE REQUEST

TITLE	Fire Operations Efficiency and Effectiveness Study	
DEPARTMENT	**DIVISION**	**FUND**
Fire & Building	Administration	General Fund

CITY PHILOSOPHIES

Financial Stability
A Safe Community

DESCRIPTION AND JUSTIFICATION

Working with the Public Safety Committee it was their suggestion and interest in having an evaluation of our strategic plan goals; looking for effectiveness and efficiency opportunities to improve services. Insuring the priorities established in the Phase I and II staffing initiatives, in 2000, are consistent with our needs today. Hiring a consultant to complete an evaluation would provide a third party review of our progress and evaluate our needs; giving both council and staff a consultant's independent evaluation could be beneficial for the community. The exact costs won't be known until the scope of work is established; a cost range of $25,000 to $30,000 has been suggested for this type of project. In a conversation with a consultant about the study, based on an example of scope of work, he believes we could complete the study in 60 to 75 days. The study would be valuable in the budget process with regards to understanding how the additional EMS levy monies might be best used to improve our level of service.

Is this Service Package tied to a CIP Project? ☑ **No** ☐ **Yes** **CIP #** _____

NUMBER OF FTE's REQUESTED

COST SUMMARY	2007 Ongoing	2007 One-Time	2008 Ongoing	2008 One-Time	Total
Personnel Services	$ -	$ -	$ -	$ -	$ -
Supplies & Services	$ -	$ -	$ -	$ 30,000	$ 30,000
Capital Outlay	$ -	$ -	$ -	$ -	$ -
Total Service Package Cost	**$ -**	**$ -**	**$ -**	**$ 30,000**	**$ 30,000**
Expenditure Savings / Offsetting Revenue	$ -	$ -	$ -	$ -	$ -
Net Service Package Cost	**$ -**	**$ -**	**$ -**	**$ 30,000**	**$ 30,000**

SERVICE PACKAGE COST SUMMARY WORKSHEET

Attachment B

TITLE	Fire Operations Efficiency and Effectiveness Study

		2007		2008		
Description	Account #	Ongoing	One-Time	Ongoing	One-Time	Total
PERSONNEL SERVICES						
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
SUPPLIES & SERVICES						
Consultant Professional Services					$ 30,000	$ 30,000
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
						$ -
	Total	**$ -**	**$ -**	**$ -**	**$ 30,000**	**$ 30,000**
CAPITAL OUTLAY						
						$ -
						$ -
						$ -
						$ -
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
EXPENDITURE SAVINGS / OFFSETTING REVENUE						
						$ -
						$ -
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
	NET SERVICE PACKAGE COST	**$ -**	**$ -**	**$ -**	**$ 30,000**	**$ 30,000**

Attachment B

CITY OF KIRKLAND

2009-2010 SERVICE PACKAGE REQUEST

TITLE	Additional Firefighter	
DEPARTMENT	**DIVISION**	**FUND**
Fire & Building	Emergency Services	General Fund

CITY PHILOSOPHIES

A Safe Community

DESCRIPTION AND JUSTIFICATION

Hire one additional firefighter to bring all platoons to the same number of firefighters. This will have an immediate effect on overtime expenditures for that platoon and will be a reduced cost vs. overtime for maintaining our minimum daily staffing level.

Is this Service Package tied to a CIP Project? ☑ **No** ☐ **Yes** **CIP #** _____

NUMBER OF FTE's REQUESTED	1.00				
	2009		**2010**		
COST SUMMARY	**Ongoing**	**One-Time**	**Ongoing**	**One-Time**	**Total**
Personnel Services	$ 111,261	$ 14,254	$ 109,289	$ -	$ 234,804
Supplies & Services	$ 11,291	$ 100	$ 4,883	$ -	$ 16,274
Capital Outlay	$ -	$ -	$ -	$ -	$ -
Total Service Package Cost	**$ 122,552**	**$ 14,354**	**$ 114,172**	**$ -**	**$ 251,078**
Expenditure Savings / Offsetting Revenue	$ 31,337	$ 3,670	$ 29,194	$ -	$ 64,201
Net Service Package Cost	**$ 91,215**	**$ 10,684**	**$ 84,978**	**$ -**	**$ 186,877**

SERVICE PACKAGE COST SUMMARY WORKSHEET

Attachment B

TITLE	Additional Firefighter

		2009		2010		
Description	Account #	Ongoing	One-Time	Ongoing	One-Time	Total
PERSONNEL SERVICES						
Salary	0109202220*5100100	$ 74,196		$ 80,328		$ 154,524
Benefits	0109202220*5200100	$ 26,765		$ 28,661		$ 55,426
FSA Contribution	0109202220*5204300	$ 300		$ 300		$ 600
Overtime	0109202220*5100300	$ 10,000				$ 10,000
Protective & Uniform Clothing	0109202220*5204200		$ 13,054			$ 13,054
Physical & Psychological Exams	0109102210*5201900		$ 1,200			$ 1,200
	Total	**$ 111,261**	**$ 14,254**	**$ 109,289**	**$ -**	**$ 234,804**
SUPPLIES & SERVICES						
IT Rental Charge	0109202220*5459101	$ 4,474		$ 4,608		$ 9,082
IT Telecom Charge	0109202220*5459401	$ 267		$ 275		$ 542
SCBA Face piece and speaker	0109202220*5310200	$ 1,050				$ 1,050
Small tools/Supplies	0109202220*5350100	$ 145				$ 145
Pager Rental	0109202220*5420100		$ 100			$ 100
Recruitment Academy Training	0109402240*5490200	$ 4,520				$ 4,520
EMT/D-Fib Training	0109402240*5490200	$ 835				$ 835
						$ -
						$ -
						$ -
						$ -
						$ -
	Total	**$ 11,291**	**$ 100**	**$ 4,883**	**$ -**	**$ 16,274**
CAPITAL OUTLAY						
						$ -
						$ -
						$ -
						$ -
	Total	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
EXPENDITURE SAVINGS / OFFSETTING REVENUE						
Fire District #41 Reimb (25.57%)		$ 31,337	$ 3,670	$ 29,194	$ -	$ 64,201
						$ -
	Total	**$ 31,337**	**$ 3,670**	**$ 29,194**	**$ -**	**$ 64,201**
	NET SERVICE PACKAGE COST	**$ 91,215**	**$ 10,684**	**$ 84,978**	**$ -**	**$ 186,877**

City of Kirkland Temporary Positions & One-time Programs

Attachment C
Updated 6/2/08

Current Temporary Positions (excluding Special Projects)

Position	Department	Effective FTE	First Budgeted	2008 Budget	Funding Source(s)	Comment
Plans Examiner	Fire & Building	0.50	2001	45,452	GF Cash Balance/OT exp offset	
Public Grounds Tech	PW-Street Operating	1.00	2003	81,956	GF cash balance	Some seasonal labor in 2002
Field Arborist	PW-Street Operating	0.50	2004	53,789	GF cash balance	
System Administrator	Information Technology	1.00	2004	106,897	CIP budget	
Graffiti Specialist	PW-Street Operating	1.00	2004	82,791	GF cash balance	Included within department seasonal labor duties 2004-06; first dedicated funding for regular staffing 2007
NTCP Support	Public Works	0.50	2007	29,122	GF cash bal/hourly exp offset	
Urban Forester	Planning & Comm Dev	0.25	2008	24,295	GF revenue/GF Cash balance	additional hours to .50 FTE
Applications Analyst-PD	Information Technology	1.00	2005	94,929	GF cash balance	Mid-year 2005
Building Permit Technician	Fire & Building	1.00	2006	63,394	GF cash balance	Mid-year 2006
Web Production Assistant	Information Technology	1.00	2006	78,351	GF cash balance	05-06 Mid-biennial
GIS Analyst	Information Technology	1.00	2006	86,804	CIP budget	Mid-year 2006
Human Resources Analyst	Human Resources	0.70	2007	56,977	GF cash balance	
Code Enforcement Officer	Planning & Comm Dev	0.50	2007	56,127	GF cash balance	Continuation after end of Mercer Island contract
Emergency Prep Coordinator	Fire & Building	1.00	2007	68,916	Grant Revenue/GF cash balance	.50 one-time service pkg funding (other half .50 from one-time grant funding)
Environmental Stewardship Outreach	Parks & Community Svcs	0.50	2007	53,588	GF revenue/GF Cash balance	
Videographer	Information Technology	0.50	2007	35,683	GF Interest Revenue	.50 FTE; .50 temp
Total		**11.95**		**1,019,071**		

Special Projects One-Time Positions

Position	Department	Effective FTE	First Budgeted			Comment
Communication Admin Support	City Manager's Office	0.75	2007	59,590	GF Sales tax (OT)	
Finance/Budget Support	City Manager's Office	1.00	2007	90,230		
NORCOM Project Captain	Police	1.00	2007	128,524	GF cash balance	Backfilled positions would return to previous positions; patrol reduction through attrition
Business Analyst	Finance & Admin	1.00	2006	87,840	CIP Budget	Backfilled position is in Customer Accounts for Document Management Project
Electrical Inspector	Fire & Building	1.00	2007	81,860	None	Backfill for Evergreen Hospital temp assignment; project completed, position not filled after permanent employee left.
Help Desk Position	Information Technology	0.50	2008	36,734	GF dev revenue/IT cash	2007 Midbiennial adjustment
Total		**5.25**		**484,778**		

Grand Total Temporary Positions	**17.20**		**1,503,849**		

Other Recurring One-time Programs Budgeted in 2008

Position	Department	2008 Budget	Notes
Finn Hill Staffing OT	Fire & Building	350,000	
ARCH	Planning & Comm Dev	216,000	
Economic Development	City Manager's Office	114,200	
Human Services per capita	Parks & Community Svcs	96,673	
Development Review Professional Services	Planning & Comm Dev	136,000	
Kirkland Performance Center	Parks & Community Svcs	50,000	
Kirkland Downtown Association OT	City Manager's Office	14,400	
Other Outside Agencies One-time	City Manager's Office	61,000	
Celebrate Kirkland 4th of July Fireworks	City Manager's Office	17,250	
Copier Replacements	Information Technology	51,590	
Public Art	City Manager's Office	50,000	
Commute Trip Reduction Plan	Public Works	50,000	
124th Avenue Parkside M&O	Parks & Community Svcs	36,291	
Disaster Recovery & Test Environment	Information Technology	33,300	
Legislative Advocate-State	City Manager's Office	30,000	
Traffic Counts (every other year)	Public Works	15,000	$30,000 every other year
Police Accredidation Expenses	Police	25,480	varies by year
Employee Flex pass	Nondepartmental	21,630	
Legislative Advocate-Federal	City Manager's Office	20,000	
Neighborhood Plans Update	Planning & Comm Dev	20,000	
Green Building Program	Planning & Comm Dev	18,500	
Kirkland Free Wireless	Information Technology	17,607	
Firefighters Pension Actuarial Study	Finance & Admin	8,000	$16,000 every 2 years
Currently Kirkland	Information Technology	15,613	
Leash Law Enforcement	Parks & Community Svcs	10,800	
Community Survey	City Council	10,000	
BKR Model Support	Public Works	10,000	
Transportation Mgt Plan Support	Public Works	10,000	
Green Power	Public Works-Facilities	10,000	
Multimedia Support	Information Technology	10,000	
Senior Council Support	Parks & Community Svcs	9,500	
EnhanceWellness Program for Older Adults	Parks & Community Svcs	7,500	
Goose Patrol	Parks & Community Svcs	7,306	
Think Again Program	Fire & Building	4,488	
All City Youth Summit (every other year)	Parks & Community Svcs	2,000	$4,000 every other year
NORCOM One-time Costs	City Manager's Office	660,000	09 cost only; '10 cost =$140k
Total One-time Other Programs		**2,220,128**	

Total One-time Positions & Other Programs	**3,723,977**

Breakdown of Costs by Fund

General Fund	2,927,933
Street Operating Fund	218,536
Facilities Maintenance Fund	10,000
Information Technology Fund	567,508
	3,723,977