



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: David Ramsay, City Manager
From: Tracey Dunlap, Director of Finance and Administration
Date: November 5, 2009
Subject: Mid-Bi Budget Study Session Follow-up

This meeting will be a continuation of the November 12th Budget Study Session. Please refer to the packet materials provided for that meeting, available at the link below:

http://www.ci.kirkland.wa.us/Assets/City+Council/Council+Packets/111209/3a_StudySession.pdf

In addition, with the possible approval of annexation of the PAA, a number of service packages were submitted for 2010 to work toward an effective date in mid 2011. A summary of the requested service packages and the City Manager's recommendation is contained in Attachment A. The detailed service packages are provided in Attachment B.

Attachment C contains the quarterly Financial Management Report (FMR) through September 30, 2009.

City of Kirkland
 2009-2010 Mid-Biennial Budget Review
 Annexation Service Package Requests -- 11-10-09

Department	SP #	Service Package Title	FTE	Department Request	City Manager Recommendation	Notes
Finance & Admin.	010FA11	Budget Analyst	1.00	\$ 87,039	\$ 87,039	
Police	010PD06	Recruitment and Advertising		\$ 25,000	\$ 25,000	
Police	010PD07	Workplace Expansion		\$ 49,000	\$ 49,000	
Police	010PD08	Vehicles		\$ 162,400	\$ 162,400	Assumes June 1, 2011 effective date
Police	010PD09	Annexation Related Police Reorganization		\$ 66,141	\$ 66,141	
Police	010PD10	PTO Training Overtime		\$ 27,563	\$ 27,563	
Police	010PD11	Annexation Officers	26.00	\$ 1,319,219	\$ 1,319,219	Assumes June 1, 2011 effective date
		Subtotal Police Department	26.00	\$ 1,649,323	\$ 1,649,323	
Information Technology	522IT09	GIS Professional Services		\$ 265,000	\$ 177,000	Total estimated cost of \$265,000 funded by re-purposing \$177,000 of existing GIS CIP funding; remainder will be brought forward for future consideration.
Human Resources	010HR02	HR Analyst (0.7 FTE)	0.70	\$ 70,955	\$106,833	1.12 FTE HR Analyst starting 2/1/2010 recommended
Human Resources	010HR03	HR Analyst (0.7 FTE)	0.70	\$ 49,108		
Human Resources	010HR04	HR Coordinator (0.5 FTE)	0.50	\$ 33,196		
		Subtotal Human Resources Department	1.90	\$ 153,259	\$ 106,833	
Planning	010PL09	Planner	1.00	\$ 99,201	\$ 99,201	
City Manager	010CM12	Annexation General Support	0.40	\$ 35,084	\$ 35,084	
		Total	30.30	\$ 2,288,906	\$ 2,154,480	

CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Budget Analyst			010FA11		
DEPARTMENT		DIVISION		FUND		
Finance & Administration		Financial Planning		General Fund		
CITY PHILOSOPHIES						
DESCRIPTION AND JUSTIFICATION						
<p>In 2009, a temporary budget analyst position (1.0 FTE) was funded to backfill senior Finance resources to provide capacity required for those positions to focus on annexation analysis and implementation tasks. If annexation is approved, those tasks accelerate, including developing and maintaining a cash flow forecast, implementing the state sales tax credit and related record-keeping functions, facilities financial planning, interlocal agreement financial support, etc. In addition, once the initial implementation tasks are completed, there will be an on-going increase in Financial Planning workload, including tracking and reporting for the 10-year sales tax credit period, sizing and incorporating expanded CIP needs, and additional budget development and management demands associated with serving the larger City.</p>						
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____						
NUMBER OF FTE's REQUESTED		1.00				
COST SUMMARY		2009		2010		Total
		Ongoing	One-Time	Ongoing	One-Time	
Personnel Services		\$ -	\$ -	\$ 81,180	\$ -	\$ 81,180
Supplies & Services		\$ -	\$ -	\$ 5,859	\$ -	\$ 5,859
Capital Outlay		\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost		\$ -	\$ -	\$ 87,039	\$ -	\$ 87,039
Expenditure Savings		\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue		\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost		\$ -	\$ -	\$ 87,039	\$ -	\$ 87,039

CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Recruitment and Advertising	010PD06			
DEPARTMENT	DIVISION	FUND			
Police	Administration	General Fund			
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>Funding will be used primarily for advertising for recruitment of police officer candidates. In order to attract quality police officer candidates, sufficient funding for recruitment and advertising is necessary. Additionally, attendance by current Kirkland Police staff at various job fairs and other venues around the state will benefit our recruitment efforts and ensure that we are contacting the best qualified, diverse candidates. The potential exists for reallocating a portion of these funds for travel expenses incurred for recruitment purposes.</p>					
<p>Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____</p>					
NUMBER OF FTE's REQUESTED	0.00				
COST SUMMARY	2009		2010		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000

2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Recruitment and Advertising	010PD06
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Description	Org Key	Object	2009		2010		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

SUPPLIES & SERVICES							
Advertising	0108102110	5440100				\$ 25,000	\$ 25,000
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000

CAPITAL OUTLAY							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
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CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Workplace Expansion			010PD07	
DEPARTMENT	DIVISION		FUND		
Police	Patrol		General Fund		
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>With the addition of 37 new police officers and 3 new corrections officers, sufficient locker space is necessary. This request will provide for the purchase of additional lockers as well as an expansion of the current locker rooms to accommodate the added personnel. Additionally, office spaces need to be created, within the existing Police floor plan, for Command and Supervisory level personnel that will be promoted throughout the ramp-up timeline.</p>					
<p>Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____</p>					
NUMBER OF FTE's REQUESTED		0.00			
COST SUMMARY	2009		2010		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ 24,000	\$ 24,000
Capital Outlay	\$ -	\$ -	\$ -	\$ 25,000	\$ 25,000
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 49,000	\$ 49,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ -	\$ 49,000	\$ 49,000

CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Vehicles			010PD08	
DEPARTMENT	DIVISION		FUND		
Police	Patrol		General Fund		
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>The department will purchase a total of 2 vehicles in 2010. One unmarked staff car and one patrol car. Both vehicles purchased in 2010 will initially be used for recruitment purposes. Once recruitment activities are concluded, both vehicles will be retained as department pool cars. The department will require the purchase of additional vehicles in 2011 and 2012 as new personnel hired to serve the annexation area are deployed.</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED		0.00			
COST SUMMARY	2009		2010		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ 48,825	\$ 13,575	\$ 62,400
Capital Outlay	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000
Total Service Package Cost	\$ -	\$ -	\$ 48,825	\$ 113,575	\$ 162,400
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ 48,825	\$ 113,575	\$ 162,400

CITY OF KIRKLAND

2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation Related Police Reorganization			010PD09	
DEPARTMENT	DIVISION		FUND		
Police	Administration & Patrol		General Fund		
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>One Sergeant scheduled to be promoted in January 2010 is critical to our ability to successfully recruit and hire quality police officers. We will be assigning an existing Sergeant to be dedicated to recruitment and training of new officers. This newly promoted Sergeant is required to assume that Sergeant's current Patrol responsibilities. The Sergeant assigned to recruitment will supervise the recruitment team. The Sergeant will participate in all candidate interviews, which are scheduled to run from January 2010 to June 2010 at the rate of 40 interviews per month.</p> <p>One Captain scheduled to be promoted in April 2010 to handle the increase in overall staffing levels for annexation. The increase in population and staffing levels can be equated to the formation of a new Police Department. With annexation, the duties of a Captain will be split into three areas, Operations, Administration, and Professional Services. In addition to providing additional supervision and leadership, the position's responsibilities will include investigating complaints, dealing with personnel issues, planning and research, professional standards, emergency management, and the review and analysis of administrative reports.</p> <p>One Corporal will need to be hired in September 2010. This position will assume the duties of the current Administrative Corporal who has been reassigned to the recruitment team. The Corporal acts as quartermaster, ordering all uniform and equipment for Police personnel, maintains current inventory lists of all department owned equipment, supervises the Training Officer, schedules and instructs in the department's twice yearly in-service training, and provides a wide variety of support and assistance to the Services Division. Once the recruitment and hiring process is complete, this new position will be redeployed to Patrol.</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED		0.00			
COST SUMMARY	2009		2010		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ 49,466	\$ 750	\$ 50,216
Supplies & Services	\$ -	\$ -	\$ 8,185	\$ 7,740	\$ 15,925
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ 57,651	\$ 8,490	\$ 66,141
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ 57,651	\$ 8,490	\$ 66,141

2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation Related Police Reorganization	010PD09
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Description	Org Key	Object	2009		2010		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Salary	0108102110	5100100			\$ 25,285		\$ 25,285
Benefits	0108102110	5200100			\$ 2,135		\$ 2,135
Medical Savings Plan	0108102110	5204300			\$ 675		\$ 675
Uniforms	0108102110	5204200			\$ 747	\$ 750	\$ 1,497
Salary	0108302122	5100100			\$ 18,120		\$ 18,120
Benefits	0108302122	5200100			\$ 2,504		\$ 2,504
							\$ -
Total			\$ -	\$ -	\$ 49,466	\$ 750	\$ 50,216

SUPPLIES & SERVICES							
Telecom Charges	0108102110	5459401			\$ 259		\$ 259
IT Operating Charges	0108102110	5459101			\$ 7,410		\$ 7,410
IT Replacement Charge	0108102110	5459102			\$ 516		\$ 516
Equipment	0108102110	5350100				\$ 1,950	\$ 1,950
Office Furnshings	0108102110	5350200				\$ 2,500	\$ 2,500
Laptop with Docking Station	0108102110	5350300				\$ 3,290	\$ 3,290
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 8,185	\$ 7,740	\$ 15,925

CAPITAL OUTLAY							
							\$ -
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -				

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ 57,651	\$ 8,490	\$ 66,141
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CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	PTO Training Overtime			010PD10		
DEPARTMENT		DIVISION		FUND		
Police		Patrol		General Fund		
CITY PHILOSOPHIES						
DESCRIPTION AND JUSTIFICATION						
<p>In order to have sufficient Police Training Officers (PTO) to conduct field training for 37 newly hired officers, the department must train an additional 12 to 15 PTOs. The field training for new hires is 14-16 weeks of one-on-one training during which time, the PTO works solely with his/her assigned recruit officer. The training for our PTOs is one week of training, and is conducted in house by one of our PTO Coordinators (a Sergeant specifically trained for this purpose). While the PTO is in training, they are not available to work their normal Patrol shift and their shift must be backfilled by an officer on overtime. This request is for one-time funding for overtime for backfill.</p>						
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____						
NUMBER OF FTE's REQUESTED		0.00				
COST SUMMARY		2009		2010		
		Ongoing	One-Time	Ongoing	One-Time	Total
Personnel Services		\$ -	\$ -	\$ -	\$ 27,563	\$ 27,563
Supplies & Services		\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay		\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost		\$ -	\$ -	\$ -	\$ 27,563	\$ 27,563
Expenditure Savings		\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue		\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost		\$ -	\$ -	\$ -	\$ 27,563	\$ 27,563

2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	PTO Training Overtime	010PD10
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Description	Org Key	Object	2009		2010		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Overtime	0108302122	5100300				\$ 27,563	\$ 27,563
							\$ -
Total			\$ -	\$ -	\$ -	\$ 27,563	\$ 27,563

SUPPLIES & SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL OUTLAY							
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ -	\$ 27,563	\$ 27,563
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CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation Officers			010PD11	
DEPARTMENT	DIVISION		FUND		
Police	Patrol		General Fund		
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>A total of 37 police officers will need to be hired for annexation. In 2010, we will be hiring 26 of those officers on staggered dates throughout the year as follows: June 2010-4 Lateral Officers, July 2010-2 Lateral Officers, August 2010-10 Entry Level Officers, October 2010-2 Lateral Officers, December 2010-8 Entry Level Officers. The Lateral Officers (officers who have prior law enforcement experience) will be available for full duty approximately 16-20 weeks post-hire. This will allow us to have officers available to perform patrol duties while other officers are engaged in field training duties with Entry Level Recruits. The Entry Level Officers (individuals with no prior law enforcement experience) must first complete the 720 hour (approximately 20 week) Basic Law Enforcement Academy (BLEA) before they can enter the field training program conducted by our trained Police Training Officers (PTO). Our field training program consists of 14-16 weeks of one-on-one training which reduces the ability of the PTO to respond to calls for service during this time. Pre-hiring Lateral Officers in June, July and October will allow for backfill for Patrol for the PTOs who are engaged in recruit field training. In addition to salaries and benefits, costs are included for internal rates, equipment, uniforms, and other fees and supplies that are necessary for the addition of new FTEs.</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED	26.00				
COST SUMMARY	2009		2010		Total
	Ongoing	One-Time	Ongoing	One-Time	
Personnel Services	\$ -	\$ -	\$ 840,019	\$ 121,750	\$ 961,769
Supplies & Services	\$ -	\$ -	\$ 100,050	\$ 257,400	\$ 357,450
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ 940,069	\$ 379,150	\$ 1,319,219
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ 940,069	\$ 379,150	\$ 1,319,219

2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation Officers	010PD11
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Description	Org Key	Object	2009		2010		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Salary	0108302122	5100100			\$ 569,895		\$ 569,895
Benefits	0108302122	5200100			\$ 233,720		\$ 233,720
Medical Savings Plan	0108302122	5204300			\$ 7,275		\$ 7,275
Overtime	0108302122	5100300			\$ 25,928	\$ 46,350	\$ 72,278
Uniforms	0108302122	5204200			\$ 3,201	\$ 75,400	\$ 78,601
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 840,019	\$ 121,750	\$ 961,769

SUPPLIES & SERVICES							
Radio Operating	0108102110	5459301			\$ 4,151		\$ 4,151
Telecom Operating	0108302122	5459401			\$ 2,065		\$ 2,065
IT Operating	0108302122	5459101			\$ 64,610		\$ 64,610
Training	0108102140	5490200			\$ 9,984		\$ 9,984
Travel	0108102140	5430100			\$ 3,432		\$ 3,432
Ammunition	0108302122	5310400			\$ 10,400		\$ 10,400
Operating Supplies	0108202121	5310200			\$ 2,990		\$ 2,990
Equipment	0108302122	5350100			\$ 1,170	\$ 148,850	\$ 150,020
Office Supplies	0108502194	5310100			\$ 1,248	\$ 1,300	\$ 2,548
Background Investigation	0108202121	5410100				\$ 107,250	\$ 107,250
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ 100,050	\$ 257,400	\$ 357,450

CAPITAL OUTLAY							
							\$ -
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -				

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -				

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ 940,069	\$ 379,150	\$ 1,319,219
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CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	GIS Professional Services			522IT09	
DEPARTMENT	DIVISION	FUND			
Information Technology	GIS	Information Technology			
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>Annexation preliminary analysis is expected to include maps of the Potential Annexation Area (PAA) for land use, transportation, environmental issues, public safety, utilities, and parks/recreation, among others. In the PAA, available GIS data consists of King County sources and some Kirkland project mapping. However, the PAA GIS data is substandard and not current, and will not meet the needs of detailed spatial analysis. In order to support the city's PAA planning, the GIS program requires funding to extend key data layers out to the full extent of the PAA plus a nominal buffer. The primary data layers required for this planning and analysis work are: addresses, land parcels, easements, surface water drainage utilities, and street network. This one-time funding will be used to outsource this work through the city's existing GIS consultant and 2-3 other vendors on an accelerated time frame and will take 8 to 18 months. Additional funds will be required if Annexation occurs in 2011 to expand and improve other important GIS data layers. To offset the cost of this preliminary PAA GIS Data development work some of the existing GIS projects funded through the Capital Improvement Plan (CIP) will be deferred (such as Environmental Sensitive Area, 3D GIS data and System Integration).</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED		0.00			
COST SUMMARY		2009		2010	
		Ongoing	One-Time	Ongoing	One-Time
Personnel Services	\$ -	\$ -	\$ -	\$ -	\$ -
Supplies & Services	\$ -	\$ -	\$ -	\$ 265,000	\$ 265,000
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ -	\$ 265,000	\$ 265,000
Expenditure Savings	\$ -	\$ -	\$ -	\$ (177,000)	\$ (177,000)
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ -	\$ 88,000	\$ 88,000

CITY OF KIRKLAND 2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Human Resource Analyst			010HR02	
DEPARTMENT	DIVISION		FUND		
Human Resources	Human Resources		General Fund		
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>Funding is requested to hire a 0.7 FTE HR Analyst effective February 2010 to support the first phase of Police staffing with a potential anticipated annexation start date of June 1, 2011. It is estimated that the Police Department will hire thirty-seven commissioned officers to serve the annexation area. Police staffing has the earliest impact on City resources because the length of the on-boarding process which consists of testing, assessment centers, extensive back grounding, state training academies and department FTO programs yielding seventeen month probationary periods. Indications of the increased workload associated with Police staffing are already reflected with the increased number of phone and Internet inquiries for testing requirements, applicant status and hiring process, particularly for out-of-state applicants. Other workload demands include participation on the KPD Recruitment Team, coordinating a targeted advertising recruiting effort with Police and Public Safety.Com and other sources, civil service approval of assessment center processes, provisional and final new hire offer letters and benefits packages and orientation, employee on-boarding, benefit orientations, policy orientations, promotional exams, assessment center preparation and coordination, managing civil service eligibility lists, and preliminary screening of applicants on Gov Jobs Today. It is noted that all of this falls within an extremely difficult recruiting environment. With the downturn in the economy the number applicants is up but the number of qualified applicants is down. Additionally, Kirkland will be competing with other regional cities potentially including five other cities also with pending annexations and the City of Seattle.</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED		0.70			
COST SUMMARY		2009		2010	
		Ongoing	One-Time	Ongoing	One-Time
Personnel Services	\$ -	\$ -	\$ 59,626	\$ -	\$ 59,626
Supplies & Services	\$ -	\$ -	\$ 6,949	\$ 4,380	\$ 11,329
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost	\$ -	\$ -	\$ 66,575	\$ 4,380	\$ 70,955
Expenditure Savings	\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost	\$ -	\$ -	\$ 66,575	\$ 4,380	\$ 70,955

CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Human Resource Analyst			010HR03			
DEPARTMENT		DIVISION		FUND			
Human Resources		Human Resources		General Fund			
CITY PHILOSOPHIES							
DESCRIPTION AND JUSTIFICATION							
<p>Funding requested to hire a 0.7 FTE HR Analyst effective July 2010. This is required in order to support the staggered hiring of both Police and City staff for the annexation area with an anticipated annexation start date of June 1, 2011. It is estimated that the Police Department will hire as many as thirty-seven commissioned officers to serve the annexation area. It is anticipated that the first twenty-six officers will be hired on staggered dates throughout 2010. Police staffing has the earliest impact on City resources because the lengthy on-boarding process consisting of testing, assessment centers, extensive back grounding, state training academies (wait lists) and department FTO programs yielding seventeen month probationary periods. It is also expected that additional city-wide annexation staffing will commence in the summer and fall months of 2010, bringing additional demands on HR resources. Staggering the hire date for an additional HR Analyst to July, 2010 will provide a cost-effective way to extend the City's limited resources, while still providing adequate time for recruiting, on-boarding and on the job training as required for the City of Kirkland. Preliminary work will be necessary to support organizational growth with a focus on attracting and retaining the best qualified candidates for the City of Kirkland pre and post annexation. Added staff will strengthen HR's continued role in providing professional level, customer-service orientated expertise, advice and support to the City's management and employees.</p>							
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____							
NUMBER OF FTE's REQUESTED			0.70				
COST SUMMARY			2009		Total		
			Ongoing	One-Time			
			2010	Ongoing	One-Time		
Personnel Services			\$ -	\$ -	\$ 37,779	\$ -	\$ 37,779
Supplies & Services			\$ -	\$ -	\$ 6,949	\$ 4,380	\$ 11,329
Capital Outlay			\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost			\$ -	\$ -	\$ 44,728	\$ 4,380	\$ 49,108
Expenditure Savings			\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue			\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost			\$ -	\$ -	\$ 44,728	\$ 4,380	\$ 49,108

CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Human Resource Coordinator			010HR04		
DEPARTMENT		DIVISION		FUND		
Human Resources		Human Resources		General Fund		
CITY PHILOSOPHIES						
DESCRIPTION AND JUSTIFICATION						
<p>Funding requested to hire a 0.5 FTE HR Coordinator effective April 2010. This is necessary in order to support the additional hiring for the annexation area with an anticipated annexation start date of June 1, 2011. The staffing of an additional 0.5 FTE HR Coordinator will provide additional administrative support for functions of the current HR Analysts and Department Director. Increased city-wide staffing will increase day to day responsibilities, internal and external inquires, project support and maintain Human Resources functioning and service. A functional workspace for this position is readily available and will not require any new equipment purchases or internal service fees. It is estimated that additional city-wide annexation staffing will commence in the summer and fall months of 2010 bringing an additional demand on HR resources. Staggering the hire date to April 2010, will provide a cost-effective way to extend the City's limited resources while still providing adequate time for recruiting, on-boarding and on the job training to support the HR function for the City. The need for increased HR Coordinator support in HR will continue to grow as the City moves forward in recruiting the additional employees needed to service the annexation area. Added staff will strengthen HR's continued role in providing professional level, customer-service orientated expertise, advice and support to the City's management and employees.</p>						
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____						
NUMBER OF FTE's REQUESTED		0.50				
COST SUMMARY		2009		2010		Total
		Ongoing	One-Time	Ongoing	One-Time	
Personnel Services		\$ -	\$ -	\$ 32,796	\$ -	\$ 32,796
Supplies & Services		\$ -	\$ -	\$ 400	\$ -	\$ 400
Capital Outlay		\$ -	\$ -	\$ -	\$ -	\$ -
Total Service Package Cost		\$ -	\$ -	\$ 33,196	\$ -	\$ 33,196
Expenditure Savings		\$ -	\$ -	\$ -	\$ -	\$ -
Offsetting Revenue		\$ -	\$ -	\$ -	\$ -	\$ -
Net Service Package Cost		\$ -	\$ -	\$ 33,196	\$ -	\$ 33,196

CITY OF KIRKLAND 2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation Planner			010PL09	
DEPARTMENT		DIVISION		FUND	
Planning & Comm. Development		Land Use		General Fund	
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>A number of planning tasks will need to be done prior to the effective date of annexation. In early 2009, the Department lost an ongoing Planner position due to reductions in development fee revenues. At the same time however, the Council approved a temporary Planner position to prepare for the annexation election. Consequently, the ongoing position was converted to temporary. The temporary position is funded through the end of 2009. This service package would allow the position to continue in order to undertake the following tasks necessary to prepare for annexation: negotiate an interlocal agreement with King County specifying roles and responsibilities for reviewing development applications submitted prior to the effective date of annexation; amend the critical areas ordinance; amend the Shoreline Master Program to incorporate the annexation area and submit to DOE for approval; incorporate the annexation area into the 2010/2011 required update to the Comprehensive Plan (amending: Land Use, Transportation, Parks Recreation and Open Space, Utilities, Public Services and Capital Facilities); amend a variety of City maps to incorporate the annexation area; initiate updates of neighborhood plans; respond to public inquiries from PAA residents and developers about the change from King County to Kirkland zoning; and assist in creation of parcel and permit database for the PAA. In addition, the service package will enable an experienced planner to be maintained on staff in anticipation of the increase in workload that will occur when annexation takes effect.</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED		1.00			
COST SUMMARY		2009		2010	
		Ongoing	One-Time	Ongoing	One-Time
Personnel Services		\$ -	\$ -	\$ 99,201	\$ -
Supplies & Services		\$ -	\$ -	\$ -	\$ -
Capital Outlay		\$ -	\$ -	\$ -	\$ -
Total Service Package Cost		\$ -	\$ -	\$ 99,201	\$ -
Expenditure Savings		\$ -	\$ -	\$ -	\$ -
Offsetting Revenue		\$ -	\$ -	\$ -	\$ -
Net Service Package Cost		\$ -	\$ -	\$ 99,201	\$ -

2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation Planner	010PL09
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Description	Org Key	Object	2009		2010		Total
			Ongoing	One-Time	Ongoing	One-Time	
PERSONNEL SERVICES							
Salary Area 1	0105105810	5100100			\$ 21,776		\$ 21,776
Salary Area 2	0105205860	5100100			\$ 36,294		\$ 36,294
Salary Area 3	0105305820	5100100			\$ 14,518		\$ 14,518
Benefits Area 1	0105105810	5200100			\$ 7,984		\$ 7,984
Benefits Area 2	0105205860	5200100			\$ 13,306		\$ 13,306
Benefits Area 3	0105305820	5200100			\$ 5,323		\$ 5,323
							\$ -
Total			\$ -	\$ -	\$ 99,201	\$ -	\$ 99,201

SUPPLIES & SERVICES							
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL OUTLAY							
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING EXPENDITURE SAVINGS (if applicable)							
							\$ -
							\$ -
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

CORRESPONDING OFFSETTING REVENUE (if applicable)							
							\$ -
							\$ -
Total			\$ -	\$ -	\$ -	\$ -	\$ -

NET SERVICE PACKAGE REQUEST	\$ -	\$ -	\$ 99,201	\$ -	\$ 99,201
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CITY OF KIRKLAND
2010 ANNEXATION SERVICE PACKAGE REQUEST

TITLE	Annexation General Support			010CM12	
DEPARTMENT		DIVISION		FUND	
City Manager's Office		City Manager		General Fund	
CITY PHILOSOPHIES					
DESCRIPTION AND JUSTIFICATION					
<p>0.40 FTE of CMO Administrative Assistant to continue provision of webpage updates and general support. The need for outreach to people in the PAA will increase if the voters choose to annex, particularly between the vote and the effective date. CMO staff will have an increased workload related to negotiations with King County and others so the additional help will be needed. If this service package is not funded, information may not be available to the public in a timely manner. Coordination of meetings, etc. will need to be done by staff that is already limited due to budget reductions.</p>					
Is this Service Package tied to a CIP Project? <input type="checkbox"/> No <input type="checkbox"/> Yes CIP # _____					
NUMBER OF FTE's REQUESTED		0.40			
COST SUMMARY		2009		2010	
		Ongoing	One-Time	Ongoing	One-Time
Personnel Services		\$ -	\$ -	\$ 35,084	\$ -
Supplies & Services		\$ -	\$ -	\$ -	\$ -
Capital Outlay		\$ -	\$ -	\$ -	\$ -
Total Service Package Cost		\$ -	\$ -	\$ 35,084	\$ -
Expenditure Savings		\$ -	\$ -	\$ -	\$ -
Offsetting Revenue		\$ -	\$ -	\$ -	\$ -
Net Service Package Cost		\$ -	\$ -	\$ 35,084	\$ -



Financial Management Report as of SEPTEMBER 30, 2009

Summary of All Operating Funds: *Revenue*

General Government budgets were adjusted downward in June 2009 in response to the significant revenue shortfall. Budgets shown reflect these adjustments. Reserves and expenditure reductions are expected to offset the shortfall.

AT A GLANCE:

Higher utility and business tax revenues produce 2009 General Fund year-to-date revenues slightly ahead of 2008, but fall short of budgeted levels (page 2)

2009 Sales tax revenue down significantly (page 5)

Development-related fee revenue significantly down (page 3)

It's a wonderful day in the neighborhood (page 2 sidebar)

Economic downturn continues (pages 7-8)

Inside this issue:

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

- General Fund** actual 2009 revenue is **1.9 percent ahead** of the same period last year largely due to higher utility and business tax revenue and an increase in engineering charges from several large transportation projects. This is despite significant declines in sales tax and planning fee revenue. The tax rate on public utilities was increased in 2009, as was the business license fee and this accounts for the increase in these revenues despite the impact of the declining economy. Although higher, these revenues are still significantly lower than planned. 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 2009 revenue is **flat** compared to the same period last year. Internal rates were reduced for fleet (recognizing lower fuel prices) and technology (reduced personnel costs and use of fund cash for replacement charges as a budget reduction strategy). Recreation revenue increased primarily due to an accounting change in 2009 that moved all recreation revenue to the Recreation Revolving Fund.
- Lodging tax revenue and motor vehicle fuel tax revenue are down 23.7 percent and 8.4 percent respectively compared to the same period last year. Motor vehicle fuel tax is collected on a flat rate per gallon, so increased fuel costs have a negative impact on this revenue. Lower fuel prices have moderated declines in this revenue as the year progresses.
- Water Sewer Operating Fund** actual 2009 revenue is **1.2 percent ahead** of the same period last year due to higher utility revenue from higher rates, but moderated by a significant decrease in connection charge fee revenue from less development activity.
- Surface Water Management Fund** actual 2009 revenue is **1.7 percent ahead** of the same period last year. Rates are paid through property taxes, which are primarily received in April and October.
- Solid Waste Fund** actual 2009 revenue is **0.9 percent ahead** of the same period last year.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2008	9/30/2009	% Change	2008	2009	% Change	2008	2009
General Gov't Operating:								
General Fund	36,626,914	37,315,296	1.9%	53,895,913	54,999,587	2.0%	68.0%	67.8%
Other General Gov't Operating Funds	11,642,155	11,636,999	0.0%	16,562,562	16,522,460	-0.2%	70.3%	70.4%
Total General Gov't Operating	48,269,069	48,952,295	1.4%	70,458,475	71,522,047	1.5%	68.5%	68.4%
Utilities:								
Water/Sewer Operating Fund	12,798,353	12,950,093	1.2%	17,821,208	19,696,845	10.5%	71.8%	65.7%
Surface Water Management Fund	2,972,695	3,024,446	1.7%	5,274,145	5,231,700	-0.8%	56.4%	57.8%
Solid Waste Fund	6,304,258	6,362,545	0.9%	8,365,262	8,612,724	3.0%	75.4%	73.9%
Total Utilities	22,075,306	22,337,084	1.2%	31,460,615	33,541,269	6.6%	70.2%	66.6%
Total All Operating Funds	70,344,375	71,289,379	1.3%	101,919,090	105,063,316	3.1%	69.0%	67.9%

Budgeted and actual revenues exclude resources forward and interfund transfers.



Houghton Neighborhood Picnic

Kirkland Neighborhoods- A sense of community

Kirkland is endowed with a beautiful physical setting, strong sense of community, and distinct neighborhoods each with its own unique character. The City Council and staff work closely with each neighborhood to ensure high-quality services are provided, neighborhood associations are supported, and issues are responsively addressed. This is at the heart of what gives Kirkland a sense of community.

Kirkland Alliance of Neighborhoods (KAN) is a coalition of the City's eleven neighborhood associations. KAN members include the chairs and vice chairs of the various associations who meet with City officials five times a year to share information on important city-wide issues and events. KAN is an effective voice in communicating neighborhood concerns to the appropriate City entity.

KAN coordinates with City staff to develop an annual educational program called Neighborhood U. Neighborhood U presents topics such as neighborhood community building, emergency preparedness, and City finances. Topics are intended to inform neighborhood leaders and residents about City government. Neighborhood U is open to all Kirkland residents.

More information:
www.ci.kirkland.wa.us

Key word search "neighborhoods"

Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures are **4.1 percent ahead** of last year primarily due to higher personnel costs and an accounting change that moved all recreation expenditures to the General Fund (see the explanation of the accounting change in the box below).
- **Other Operating Funds** actual expenditures are **11.5 percent behind** the same period last year due to the previously mentioned accounting change for Recreation Revolving fund expenditures, timing of vehicle and computer purchases, substantially lower fuel costs (down 37 percent) and despite generally higher personnel costs.
- **Water/Sewer Operating Fund** actual expenditures are **4.9 percent ahead** of the same period last year due to higher water purchase and METRO sewer costs and despite a significant decline in regional water connection charges (with a corresponding reduction in connection revenue).
- **Surface Water Management Fund** actual expenditures are **15.7 percent ahead** of the same period last year due higher personnel costs and internal charges.
- **Solid Waste Fund** actual expenditures are **10.3 percent behind** the same period last year due to the timing of disposal contract billing payments.

An accounting change for the Recreation Revolving Fund occurred in 2009. The fund is now used to account for all parks and recreation-related revenue. All expenditures related to parks and recreation programs are consolidated in the General Fund. A periodic interfund transfer is budgeted from the Recreation Revolving Fund to the General Fund. The purpose of the accounting change was to better identify the General Fund subsidy of recreation programs and functions.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2008	9/30/2009	% Change	2008	2009	% Change	2008	2009
General Gov't Operating:								
General Fund	41,255,849	42,958,954	4.1%	56,149,141	58,726,316	4.6%	73.5%	73.2%
Other General Gov't Operating Funds	11,338,451	10,029,739	-11.5%	15,817,164	15,453,349	-2.3%	71.7%	64.9%
Total General Gov't Operating	52,594,300	52,988,693	0.7%	71,966,305	74,179,665	3.1%	73.1%	71.4%
Utilities:								
Water/Sewer Operating Fund	10,513,644	11,031,607	4.9%	13,718,748	15,535,894	13.2%	76.6%	71.0%
Surface Water Management Fund	1,977,845	2,287,742	15.7%	2,695,982	3,433,588	27.4%	73.4%	66.6%
Solid Waste Fund	6,250,670	5,609,034	-10.3%	8,221,762	8,429,430	2.5%	76.0%	66.5%
Total Utilities	18,742,159	18,928,383	1.0%	24,636,492	27,398,912	11.2%	76.1%	69.1%
Total All Operating Funds	71,336,459	71,917,076	0.8%	96,602,797	101,578,577	5.2%	73.8%	70.8%

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

Financial Management Report as of SEPTEMBER 30, 2009

General Fund Revenue

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

- **Sales tax** revenue allocated to the General Fund for 2009 was originally budgeted to decrease by 9.4 percent from the 2008 budget. However, the budget was reduced midyear by almost \$2.7 million recognizing the significant decline in actual revenue. Year-to-date General Fund sales tax revenue is down 19.1 percent compared to 2008. A detailed analysis of **sales tax** revenue can be found starting on page 5.
- **Utility tax** actual revenue collection is **14.9 percent ahead** of the same period last year primarily due to the shift of cable tax revenue from the Facilities Fund. Without this change, revenue would be up about 5 percent, although they are falling well below budget. Telecommunications tax revenue is less than expected reflecting changes in consumer spending due to the economic downturn and electricity tax revenue is lower due to a electricity rate decrease. Utility tax rates were increased for water, sewer, and garbage in 2009.
- **Other taxes** actual revenue is **20 percent behind** the same period last year primarily due to the one-time receipt of E-911 tax revenue in 2008 for reimbursement of dispatch expenses and declining gambling tax revenue and despite the shift of admissions tax from the Facilities Fund.
- The **business licenses (base fee) and franchise fees** actual revenue is **8.9 percent ahead** of the same period last year primarily due to higher franchise fee revenue. The **revenue generating regulatory license fee** is **88.4 percent ahead** of the same period last year due to a significant increase and restructuring of the fee. However, these revenues are falling well short of budget.
- The current recession is reflected in **development-related fee** revenues, which collectively are **down 25 percent** compared to the same period in 2008. Compared to the same period last year, **building permits and plan check revenue** are collectively **21.9 percent lower**, **planning fees** are **30.2 percent lower**, and **engineering services** revenue is **33.9 percent lower**.
- Compared to the same period last year: **Grant** revenue is **ahead 31.2 percent** due to funding received for the environmental outreach program; **State shared revenues** are **45.5 percent ahead** due to mitigation revenue received for the loss of sales tax revenue resulting from sourcing rule changes; **Other intergovernmental services** revenue is **48.9 percent ahead** due to a contract providing staffing to the Regional Justice Training Center and higher Fire District #41 contract revenue partially due to additional firefighters added in 2009.
- **Internal Charges** are **38.7 percent ahead** compared to the same period last year primarily due to a significant increase in capital project engineering charges.
- **Other charges for services** revenue is ahead **26.3 percent** compared to the same period last year due to higher probation and prisoner housing/monitoring charges.
- **Other financing sources** are significantly ahead of the same period last year reflecting the use of reserves from other funds to backfill reduced revenues and transfers from the recreation revolving fund from the accounting change described on page 2.

General Fund 2009 revenues are \$0.7 million higher than the same period in 2008 largely due to higher utility and business tax revenue, but are still falling short of budgeted levels. Significantly lower sales tax and development-related revenue negatively impact revenue performance.

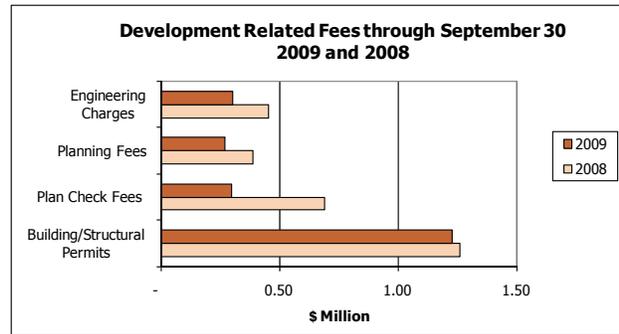
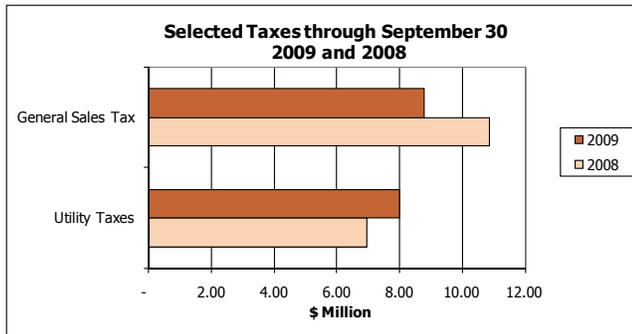
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

About 372 of the City's 470 regular employees are budgeted within this fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	9/30/2008	9/30/2009	% Change	2008	2009	% Change	2008	2009
Taxes:								
Retail Sales Tax: General	10,854,713	8,779,383	-19.1%	15,756,800	11,600,059	-26.4%	68.9%	75.7%
Retail Sales Tax: Criminal Justice	860,505	725,271	-15.7%	1,050,000	1,107,000	5.4%	82.0%	65.5%
Property Tax	5,037,932	5,063,439	0.5%	9,037,710	9,264,941	2.5%	55.7%	54.7%
Utility Taxes	6,945,425	7,977,859	14.9%	8,546,130	11,586,963	35.6%	81.3%	68.9%
Rev Generating Regulatory License	807,631	1,521,270	88.4%	990,000	2,654,920	168.2%	81.6%	57.3%
Other Taxes	410,343	328,219	-20.0%	664,713	658,900	-0.9%	61.7%	49.8%
Total Taxes	24,916,549	24,395,441	-2.1%	36,045,353	36,872,783	2.3%	69.1%	66.2%
Licenses & Permits:								
Building, Structural & Equipment Permits	1,258,577	1,223,389	-2.8%	2,163,450	1,645,600	-23.9%	58.2%	74.3%
Business Licenses/Franchise Fees	1,157,381	1,260,598	8.9%	1,449,450	1,673,471	15.5%	79.8%	75.3%
Other Licenses & Permits	186,247	144,918	-22.2%	193,900	183,500	-5.4%	96.1%	79.0%
Total Licenses & Permits	2,602,205	2,628,905	1.0%	3,806,800	3,502,571	-8.0%	68.4%	75.1%
Intergovernmental:								
Grants	169,381	222,281	31.2%	155,260	196,986	26.9%	109.1%	112.8%
State Shared Revenues & Entitlements	468,059	680,882	45.5%	645,318	681,104	5.5%	72.5%	100.0%
Fire District #41	1,735,286	1,967,465	N/A	3,487,428	3,754,077	N/A	49.8%	52.4%
EMS	396,512	419,199	N/A	793,023	836,938	N/A	50.0%	50.1%
Other Intergovernmental Services	466,428	694,606	48.9%	439,609	652,603	48.5%	106.1%	106.4%
Total Intergovernmental	3,235,666	3,984,433	23.1%	5,520,638	6,121,708	10.9%	58.6%	65.1%
Charges for Services:								
Internal Charges	2,393,244	3,320,425	38.7%	3,511,012	4,506,432	28.4%	68.2%	73.7%
Engineering Services	452,587	299,193	-33.9%	610,000	335,538	-45.0%	74.2%	89.2%
Plan Check Fee	686,970	296,740	-56.8%	900,000	520,000	-42.2%	76.3%	57.1%
Planning Fees	384,753	268,459	-30.2%	1,194,637	274,753	-77.0%	32.2%	97.7%
Recreation*	81,779	-	-100.0%	83,000	-	-100.0%	98.5%	N/A
Other Charges for Services	498,047	629,262	26.3%	688,323	750,426	9.0%	72.4%	83.9%
Total Charges for Services	4,497,380	4,814,079	7.0%	6,986,972	6,387,149	-8.6%	64.4%	75.4%
Fines & Forfeits	962,574	1,030,513	7.1%	1,132,000	1,445,647	27.7%	85.0%	71.3%
Miscellaneous	412,540	461,925	12.0%	404,150	669,729	65.7%	102.1%	69.0%
Total Revenues	36,626,914	37,315,296	1.9%	53,895,913	54,999,587	2.0%	68.0%	67.8%
Other Financing Sources:								
Interfund Transfers	28,838	2,993,063	N/A	1,441,253	3,393,739	N/A	2.0%	88.2%
Total Other Financing Sources	28,838	2,993,063	N/A	1,441,253	3,393,739	N/A	2.0%	88.2%
Total Resources	36,655,752	40,308,359	10.0%	55,337,166	58,393,326	5.5%	66.2%	69.0%

Budgeted and actual revenues exclude resources forward.

*2009 Recreation revenue is accounted for in the Recreation Revolving Fund; See accounting note on page 2.

General Fund Revenue *continued*

General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	9/30/2008	9/30/2009	% Change	2008	2009	% Change	2008	2009
Non-Departmental	982,952	800,489	-18.6%	1,391,813	1,144,474	-17.8%	70.6%	69.9%
City Council	294,319	276,148	-6.2%	362,034	344,345	-4.9%	81.3%	80.2%
City Manager's Office	2,623,422	2,449,420	-6.6%	3,784,425	3,471,443	-8.3%	69.3%	70.6%
Human Resources	769,917	770,599	0.1%	1,122,706	1,084,530	-3.4%	68.6%	71.1%
City Attorney's Office	703,130	752,415	7.0%	991,985	994,041	0.2%	70.9%	75.7%
Parks & Community Services	4,407,086	5,231,062	18.7%	6,059,645	7,520,744	24.1%	72.7%	69.6%
Public Works (Engineering)	2,532,647	2,513,048	-0.8%	3,578,878	3,712,442	3.7%	70.8%	67.7%
Finance and Administration	2,540,434	2,677,449	5.4%	3,536,915	3,668,610	3.7%	71.8%	73.0%
Planning & Community Development	2,523,009	2,093,358	-17.0%	3,381,197	2,831,838	-16.2%	74.6%	73.9%
Police	11,449,757	12,099,887	5.7%	15,019,785	16,547,704	10.2%	76.2%	73.1%
Fire & Building	12,429,176	13,295,079	7.0%	16,919,758	17,406,145	2.9%	73.5%	76.4%
Total Expenditures	41,255,849	42,958,954	4.1%	56,149,141	58,726,316	4.6%	73.5%	73.2%
Other Financing Uses:								
Interfund Transfers	345,094	568,144	64.6%	1,594,916	1,597,441	0.2%	21.6%	35.6%
Total Other Financing Uses	345,094	568,144	64.6%	1,594,916	1,597,441	0.2%	21.6%	35.6%
Total Expenditures & Other Uses	41,600,943	43,527,098	4.6%	57,744,057	60,323,757	4.5%	72.0%	72.2%

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

Facilities charges (an internal service charge) for General Fund departments were increased as a result of an accounting change. In previous years, cable and admissions tax were allocated directly to the Facilities Fund, which in effect subsidized the rate charged to General Fund departments. Beginning in 2009, these revenues are directly allocated to the General Fund. The resulting increase to the internal rate charged to the General Fund is covered by the revenue shift.

Comparing to the same period last year:

- Actual 2009 expenditures for **Non-Departmental** are **18.6 percent behind** primarily due to a one-time refund payment in 2008 for leasehold excise tax over-collected in prior years.
- Actual 2009 expenditures for the **City Council** are **6.2 percent behind** primarily due to a one time citizen survey in 2008 and the elimination of meals at Council meetings and despite higher facility charges.
- Actual 2009 expenditures for the **City Manager's Office** are **6.6 percent behind** due to one-time charges incurred last year for setting up a regional dispatch agency, and despite higher internal service charges. As of 2009, ongoing expenses for the regional dispatch agency are budgeted in the Police and Fire departments.
- Actual 2009 expenditures for the **City Attorney's Office** are **7 percent ahead** due to higher personnel costs, contracted legal costs, and facility charges.
- Actual 2009 expenditures for the **Parks & Community Services Department** are **18.7 percent ahead** primarily due to the recreation revolving accounting change described on page 2, higher personnel costs and facility charges.

Compared to 2008 2009 General Fund actual expenditures are 4.1 higher primarily due to increased internal service rates as noted to the left and higher personnel costs.

(Continued on page 5)

Financial Management Report as of SEPTEMBER 30, 2009

- Actual 2009 expenditures for the **Finance and Administration Department** are **5.4 percent ahead** due to higher personnel and election costs and facility charges.
- Actual 2009 expenditures for the **Planning and Community Development Department** are **17 percent behind** due to the shift of regional housing funding to another fund, one-time projects that were underway in 2008 and lower personnel costs as a result of reduction in development-related staffing levels and despite higher facility charges.
- Actual 2009 expenditures for the **Police Department** are **5.7 percent ahead** due to charges for the regional dispatch agency and despite flat personnel costs and lower jail costs. Kirkland dispatch staff were relocated to the new agency as of July 1st. Higher jail costs were a concern in 2008; expenses in 2009 are down about 6 percent from last year, but still expected to end the year about \$200,000 over budget.
- Actual 2009 expenditures for the **Fire & Building Department** are **7 percent ahead** due to higher personnel costs (despite reduction to development-related building division staff) and charges for the regional dispatch agency. Fire suppression overtime was a concern last year; expenses in 2009 are down almost 26 percent from last year as the result of discontinuing the one-time funded staffing of Station 24 with overtime. However, overtime is still expected to end the year about \$300,000 over budget.

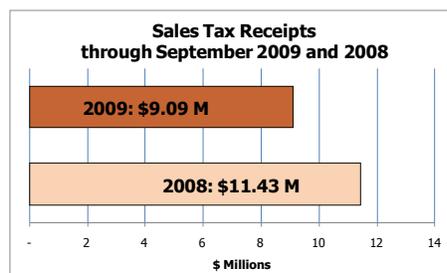


Patriot Day Ceremony at City Hall

Sales Tax Revenue Analysis Total 2009 actual revenue is down 20.4 percent (over \$2.3 million) compared to the same period last year. This is a continuation of the generally negative trend that began in the last quarter of 2007 and continued throughout 2008. Primary factors include significant softening in contracting revenue, as well as declining revenue in key retail sectors. All business sectors continue to experience negative performance compared to the same period last year (see table on page 6).

Review by business sectors:

- The **contracting** sector is **35.5 percent down** compared to the same period last year due to the completion of major projects and significant weakening in development activity due to the current economic recession.
- **Auto/gas retail** is **17.7 percent down** compared to the same period last year due to disappointing performance by key retailers. September revenue (reflecting July activity) improved substantially compared to last year due to the "cash for clunkers" incentive program. However, this program's duration is only two months, so there is concern activity in this sector will decline significantly after the program ends.
- **Wholesale** is **42.3 percent down** compared to the same period last year primarily due to a reduction in development-related activity and changes in local coding sourcing rules from streamlined sales tax.
- **General merchandise/miscellaneous retail** is **12.1 percent down** compared to the same period last year due to disappointing performance by key retailers, an indication of reduced consumer spending in response to economic conditions. This sector has also been impacted by streamlined sales tax.
- **Other retail** is **13.3 percent down** compared to the same period last year due to generally negative performance in most retail sectors included in this group, especially building materials and electronic equipment. This sector is also impacted by streamlined sales tax sourcing rule changes.
- The **services** sector is **14.9 percent down** compared to the same period last year largely due to declines in software and car/equipment leasing, as well as impact from the sourcing rule change. The accommodations sector continued negative performance for the entire year, down 16.3 percent compared to the same period last year.
- **Retail eating/drinking** is **13.3 percent down** compared to the same period last year. This sector continues its negative trend that started in the second half of 2008. Reduced consumer discretionary spending is evident from the generally negative performance by most businesses in this sector as well as the closure of four restaurants so far this year.
- The **miscellaneous** sector is **17.6 percent down** compared to the same period last year due to slumping finance/insurance and real estate sectors.
- The **communications** sector is **14.9 percent down** compared to the same period last year due to reduced development-related activity and declining revenue from telecommunications companies.



Streamlined Sales Tax

Washington State implemented new local coding sales tax rules as of July 1, 2008 as a result of joining the national Streamlined Sales Tax Agreement. Negative impact from this change is mitigated by the State of Washington. Kirkland has received about \$260,000 in payments over the last year, although the State is considering an adjustment that could reduce this amount by \$39,000.

Neighboring Cities

Bellevue and Redmond 2009 sales tax revenue through September is down 20.4 percent and 6.7 percent respectively compared to the same period in 2008.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-September		Dollar Change	Percent Change	Percent of Total	
	2008	2009			2008	2009
Services	1,290,894	1,098,976	(191,918)	-14.9%	11.3%	12.1%
Contracting	1,964,617	1,267,765	(696,852)	-35.5%	17.2%	13.9%
Communications	427,712	359,606	(68,106)	-15.9%	3.7%	4.0%
Auto/Gas Retail	2,281,831	1,877,232	(404,599)	-17.7%	20.0%	20.6%
Gen Merch/Misc Retail	1,731,749	1,521,413	(210,336)	-12.1%	15.1%	16.7%
Retail Eating/Drinking	976,522	846,895	(129,627)	-13.3%	8.5%	9.3%
Other Retail	1,342,854	1,130,587	(212,267)	-15.8%	11.7%	12.4%
Wholesale	706,244	407,454	(298,790)	-42.3%	6.2%	4.5%
Miscellaneous	709,681	584,454	(125,227)	-17.6%	6.2%	6.4%
Total	11,432,104	9,094,382	(2,337,722)	-20.4%	100.0%	100.0%

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2008 and 2009 year-to-date sales tax receipts in the table to the left.

City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2008	2009		
January	1,227,855	994,146	(233,709)	-19.0%
February	1,586,493	1,224,935	(361,558)	-22.8%
March	1,112,704	954,492	(158,212)	-14.2%
April	1,085,739	867,726	(218,013)	-20.1%
May	1,367,777	1,007,790	(359,987)	-26.3%
June	1,073,093	900,631	(172,462)	-16.1%
July	1,253,751	945,876	(307,875)	-24.6%
August	1,388,993	1,091,599	(297,394)	-21.4%
September	1,335,699	1,107,187	(228,512)	-17.1%
Total	11,432,104	9,094,382	(2,337,722)	-20.4%

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 September is for sales activity in July. Monthly sales tax receipts through September 2008 and 2009 are compared in the table to the left.

- Negative monthly comparison trends, with the exception of February 2008, have been occurring since July 2007.
- Sourcing rule changes were adopted as of July 1, 2008 as a result of streamlined sales tax legislation. Mitigation payments from Washington State have been received, which help offset the impact of revenue lost due to the rule changes. Factoring in these payments would change the decline between 2009 and 2008 to about 18.5 percent.
- In September, the federal "cash for clunkers" program positively impacted automobile sales, which is reflected in improved monthly performance. Unfortunately the program duration is only two months.

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

Comparing to the same period last year:

Totem Lake, which accounts for over 31 percent of the total sales tax receipts, is **22.6 percent down** primarily

due to slumping automotive/gas retail sales and generally weak retail and finance/real estate activity. Almost 65 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 almost 17 percent of the total sales tax receipts, is **11.3 percent down** primarily due to the general merchandise/miscellaneous retail and automotive/gas retail sectors, which contribute about 86 percent of this business district's revenue.

Downtown, which accounts for almost 8 percent of the total sales tax receipts, is **18.7 percent down** due to the loss of several retailers and poor performance in the retail eating/drinking and accommodations sectors; these sectors

provide over 68 percent of this business district's revenue.

Carillon Point & Yarrow Bay, which accounts for over 2 percent of the total sales tax receipts, is **27.3 percent down** compared to last year primarily due to poor performance from major software companies, retail eating/drinking and the accommodations sectors. About 76 percent of this business district's revenue comes from business services, retail eating/drinking and hotels.

Houghton & Bridle Trails, which accounts for over 2 percent of the total sales tax receipts, are **28.1 percent down** collectively almost entirely due to miscellaneous retail and other retail, which provides over about 65 percent of these business districts' revenue.

Juanita, which accounts for about 2 percent of the total sales tax receipts, is **11.8 percent down** primarily due to retail eating/drinking. A one-time recovery received in 2008 in this sector skews comparisons between the years. Factoring out the one-time 2008 receipt, this business district would be down about 6.7 percent. Retail eating/drinking and personal services provide 45 percent of this business district's revenue.

When reviewing sales tax receipts by business district, it's important to point out that almost 40 percent of the revenue received in 2009 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 - Sep Receipts		Dollar Change	Percent Change	Percent of Total	
	2008	2009			2008	2009
Totem Lake	3,591,028	2,779,184	(811,844)	-22.6%	31.4%	30.6%
NE 85th St	1,736,918	1,539,998	(196,920)	-11.3%	15.2%	16.9%
Downtown	862,983	701,880	(161,103)	-18.7%	7.5%	7.7%
Carillon Pt/Yarrow Bay	324,939	236,343	(88,596)	-27.3%	2.8%	2.6%
Houghton & Bridle Trails	310,426	223,351	(87,075)	-28.1%	2.7%	2.5%
Juanita	230,677	203,384	(27,293)	-11.8%	2.0%	2.2%
Unassigned or No District:						
Contracting	1,962,863	1,265,362	(697,501)	-35.5%	17.2%	13.9%
Other	2,412,270	2,144,880	(267,390)	-11.1%	23.2%	25.8%
Total	11,432,104	9,094,382	(2,337,722)	-20.4%	100.0%	100.0%

Sales Tax Revenue Outlook 2009 sales tax performance continues the negative trend experienced since the second half of 2007. During the first half of 2008, slumping contracting revenue was offset by generally positive performance in key retail sectors, especially automotive/gas retail and retail eating/drinking. This year, the retail sectors are experiencing negative performance and retailers have closed as well. Development-related activity continues to be a real concern as it was the source of much of the revenue growth in the last few years and there isn't much optimism that development activity will significantly improve until the overall economy has stabilized. Nationally, consumer confidence remains volatile, dropping in September to 53.1 from 54.4 in August. A reading of 90 would indicate recovery. The economy depends on consumer consumption for 70 percent of its activity, so weak consumer confidence illustrates the challenge to achieving sustained economic recovery.

OFFICE VACANCIES:

According to CB Richard Ellis Real Estate Services, the Eastside vacancy rate is 17.4 percent for third quarter 2009 compared to 10.5 percent for third quarter 2008. Kirkland's 2009 rate is 27.6 percent, significantly higher than the 2008 rate of 7.8 percent largely due to the completion of the Lakeview Plaza. Google had intended to fully occupy this space, but has put about half of it out for sublease due to the recession.

The Puget Sound region continues to struggle, reaching the highest vacancy rate in 15 years, 18.2 percent. Despite the negative trend, Forbes Magazine recently named Seattle to the top 10 list of cities that will recover faster than the rest of the nation.

LODGING TAX REVENUE:

Lodging tax 2009 revenue is down 23.7 percent compared to the same period last year.

Economic Environment Update The Puget Sound region economic recovery remains weak even as national headlines declare that the recession is over. Job loss is expected to continue through the rest of 2009, with moderate job growth resuming in 2010. A recent Elway Poll found Washington residents seem more resigned to the idea that the state's economy will not bounce back quickly and the current conditions will be the norm for at least another year.

The U.S. **consumer confidence index slipped to 53.1** in September from 54.5 in August. Consumers remain concerned about job security. Economists are concerned that the outlook for holiday shopping may be bleak unless consumers change their attitudes toward spending. National retail sales were up 0.1 percent in September, the first time since August 2008. But analysts say shoppers still aren't coming in unless they see deep discounts.

King County's **unemployment rate increased to 8.8 percent** in September compared to 4.6 percent in September 2008. This rate is consistent with the Washington State rate, but still below the national of 9.5 percent. Generally, King County falls below the statewide unemployment rate.

The **Western Washington chapter of Purchasing Managers survey index fell slightly** in September to **52.2**, down by 0.6 points from August. The national survey index also fell by 0.3 points to 52.6. An index reading greater than 50 indicates a growing economy, while scores below suggest a shrinking economy.

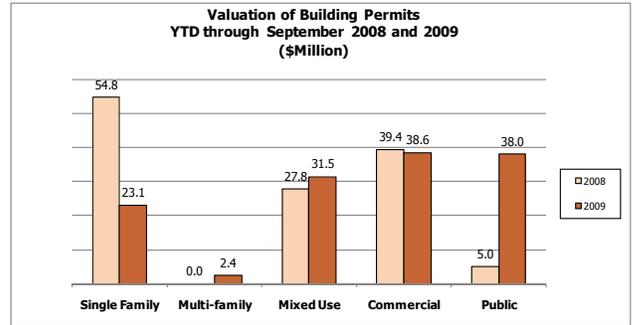
Economists are still predicting a slow U-shaped recovery and that it will take some time to get back to the previous level of activity. It is important to note that, while the decline in the overall economy may have hit bottom, we are seeing no real signs of that occurring so far in Kirkland.

The Puget Sound region may benefit from its association with Asia. China is expected to expand by 8 percent in 2010. Opportunities from a weak dollar and stimulus driven demand for American goods may help Washington exports. But, lower spending of foreign imports in the U.S. will negatively impact import traffic at local ports.

(Continued on page 8)

Economic Environment Update *continued*

Local **development activity** through September comparing 2009 to 2008 as measured by the valuation of City of Kirkland building permits is illustrated in the chart to the right. Activity dropped considerably in the single family sector. Commercial activity improved significantly as the year has progressed, and along with two large public projects, permit activity by valuation is slightly ahead of last year. Overall building permit revenues are down slightly from 2008 levels.



Pending sales of **new and existing single-family homes** on the Eastside are up nearly 30 percent in September 2009 compared with a September 2008. However, the median price of a single family home declined 6.4 percent from September 2008 (\$515,000 compared to \$550,000). The situation with condominiums isn't as rosy.

Pending sales were up by about 41 percent, but closed sales dropped by more than 13 percent. The significant hike in pending sales is a result of slowness on the part of lenders in approving short sales. The median price for Eastside condominiums declined by 5.8 percent in September 2009 to \$292,000 from \$310,000 in September 2008.

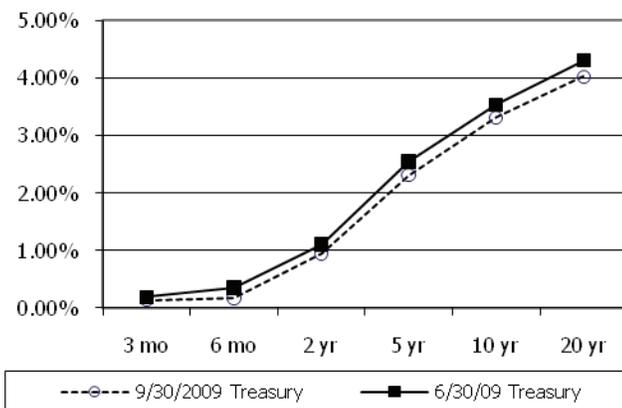
Seattle metro CPI consistent with the national index, was volatile throughout last year. Seattle peaked at 6.19 percent in June and August 2008. The national index peaked at 6.2 percent in July 2008. Both the local and national indexes have remained negative throughout 2009. The June 2009 CPI (-0.7 percent) is normally used to calculate City employee cost of living adjustments (COLA) for 2010. As a result, employees with closed bargaining units will receive no adjustment next year. (Four bargaining units had already agreed to this beforehand as part of a budget reduction strategy.) The most recent national index as of September is -1.7 percent.

Investment Report

MARKET OVERVIEW

The Fed Funds rate remained at zero to 0.25 percent for the third quarter of 2009. While the economic indicators state that the economy grew slightly in the 3rd quarter, unemployment remains near 10 percent and many indicators for growth remain level or continued their downward trend. The yield curve dropped slightly across the curve during the quarter.

Treasury Yield Curve

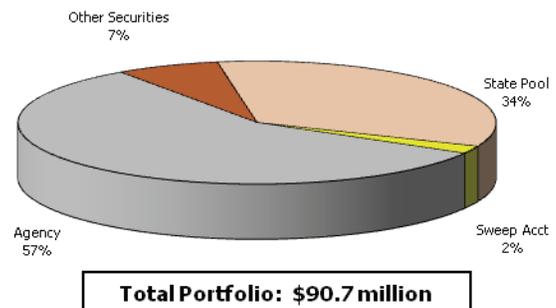


CITY PORTFOLIO

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

The City's portfolio continued to decrease in the 3rd quarter of 2009 to \$90.7 million compared to \$94.3 million on June 30, 2009. The reduction in the portfolio is primarily related to the decline in revenues.

Investments by Category



Diversification

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

2009 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The forecasters surveyed by the Federal Reserve Bank of Philadelphia see improved prospects for growth in 2009 and over the next four years, while the labor market remains sluggish. GDP growth for 2009 is now expected to be negative 2.6 percent (down from negative 2.8 percent) and core inflation to be 1.7 percent. The forecasters continue to see little threat of accelerating inflation. The unemployment rate is expected to average 9.2 percent in 2009. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level through the 2nd quarter of 2010.

The duration of the portfolio will continue decreasing as securities mature and are called. New security purchases will be made as opportunities to obtain moderate returns become available. The objective during periods of low interest rates is to keep the portfolio duration shorter, with greater liquidity, so that the City is in a position to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently near 0.40 percent and will continue to decline as the Fed Funds rate remains at 0.25 percent. Total estimated investment income for 2009 is \$2.8 million.

Investment Report *continued*

Liquidity

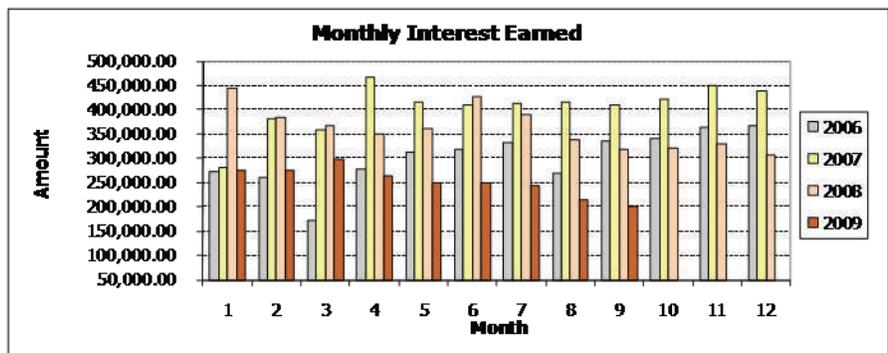
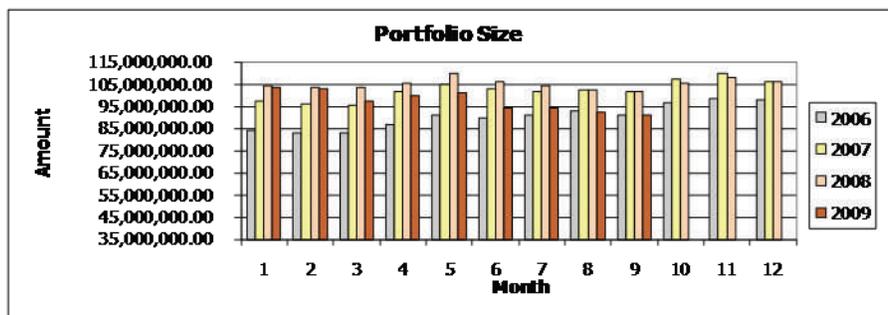
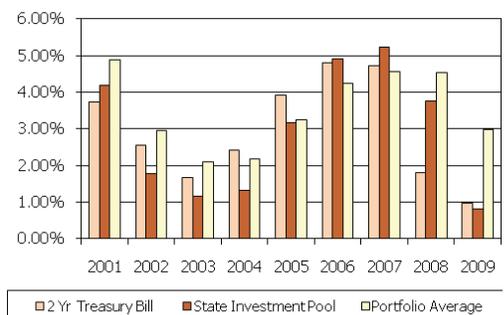
The target duration for the City's portfolio is based on the 2 year treasury rate which decreased from 1.11 percent on June 30, 2009 to 0.95 percent on September 30, 2009. The average maturity of the City's investment portfolio decreased from 1.81 years on June 30, 2009 to 1.52 years on September 30, 2009 due to the higher yielding securities being called on their call dates. It is expected that the higher yielding securities will continue to be called on their call dates as the interest rates of the securities are higher than current rates.

Benchmark Comparison	June 30, 2009	Sept. 30, 2009
City Yield to Maturity (YTM)	2.84%	2.65%
City Average YTM	3.12%	2.98%
City Year to Date Yield	3.29%	3.06%
State Pool Average Yield	0.94%	0.81%
2 yr Treasury Note Avg YTM	0.95%	0.97%

Yield

The City Portfolio yield to maturity decreased slightly from 2.84 percent on June 30, 2009 to 2.65 percent on September 30, 2009. Through September 30, 2009, the City's annual average yield to maturity was 2.98 percent. The City's portfolio outperformed the State Investment Pool annual average yield to maturity of .81 percent and the 2 Year Treasury Note annual average for 2009 of 0.97 percent due to the rapid decline in interest rates. 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.

Investment Interest Rate Comparisons



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:

General Government & Utility Reserves Summary

Reserves	2009-10 Est End Balance	2009 Auth. Uses	2009 Auth. Additions	Revised 2009-10 End Balance
GENERAL PURPOSE RESERVES				
Contingency	2,324,515	54,750		2,269,765
General Capital Contingency	2,444,561	107,800		2,336,761
Park & Municipal Reserve:				
General Oper. Reserve (Rainy Day)	2,712,836			2,712,836
Revenue Stabilization Reserve	1,082,380	1,000,000		82,380
Building & Property Reserve	2,059,669			2,059,669
Council Special Projects Reserve	271,960	101,875		170,085
Total General Purpose Reserves	10,895,921	1,264,425	0	9,631,496
SPECIAL PURPOSE RESERVES				
Excise Tax Capital Improvement:				
REET 1	8,370,417	2,349,314		6,021,103
REET 2	8,134,095			8,134,095
Equipment Rental:				
Vehicle Reserve	6,421,787			6,421,787
Radio Reserve	36,000			36,000
Information Technology:				
PC Replacement Reserve	494,373			494,373
Major Systems Replacement Reserve	247,900			247,900
Facilities Maintenance:				
Operating Reserve	550,000			550,000
Facilities Sinking Fund	1,051,963			1,051,963
Impact Fees				
Roads	3,429,578			3,429,578
Parks	237,809			237,809
Park Bond Reserve	558,981			558,981
Cemetery Improvement	523,405			523,405
Off-Street Parking	204,410			204,410
Tour Dock	70,175			70,175
Street Improvement	994,576			994,576
Firefighter's Pension	1,591,986			1,591,986
Park & Municipal Reserve:				
Litigation Reserve	51,329			51,329
Labor Relations Reserve	67,183			67,183
Police Equipment Reserve	48,093			48,093
LEOFF 1 Police Reserve	612,029			612,029
Facilities Expansion Reserve	800,000			800,000
Development Services Reserve	457,331			457,331
Tree Ordinance	28,980			28,980
Donation Accounts	161,257			161,257
Revolving Accounts	86,175			86,175
Water/Sewer Operating Reserve	1,799,424			1,799,424
Water/Sewer Debt Service Reserve	826,759			826,759
Water/Sewer Capital Contingency	3,018,240	199,200		2,819,040
Water/Sewer Construction Reserve	9,444,066			9,444,066
Surface Water Operating Reserve	394,485			394,485
Surface Water Capital Contingency	617,690			617,690
Surface Water-Transp. Related Rsv	1,302,179	23,000		1,279,179
Surface Water Construction Reserve	3,186,434			3,186,434
Total Special Purpose Reserves	55,819,109	2,571,514	0	53,247,595
Grand Total	66,715,030	3,835,939	0	62,879,091

No Council Authorized Additions as of September 30, 2009.

Reserve Summary *continued*

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2009 Council Authorized Uses		
Contingency	\$54,750	Verizon franchise negotiations
General Capital Contingency	\$64,000	Downtown Transit Center
	\$43,800	NE 73rd Street Sidewalk additional funding
Revenue Stabilization Reserve	\$1,000,000	Backfill General Fund revenue deficit
Council Special Projects Reserve	\$2,000	Council Retreat facilitator
	\$26,000	Funding for federal lobbyist services for 2009.
	\$25,000	Funding for Neighborhood Connections in 2010.
	\$20,000	Hopelink relocation
	\$13,770	Flexpass program
	\$10,105	Bank of America project review process
	\$5,000	Council special investigation
Excise Tax Capital REET 1	\$2,349,314	Municipal Court Building purchase
Water/Sewer Capital Contingency	\$54,000	Additional funding of \$54,000 for telemetry system upgrades at Supply Station #2 to coincide with a City-wide upgrade of telemetry panels at other water facility sites.
	\$128,000	Funding for the completion of the 2009 Water System Improvement Project.
	\$17,200	NE 73rd Street Sidewalk (watermain replacement) additional funding
	\$23,000	Downtown Transit Center (surface water component)

2009 Council Authorized Additions

No Council Authorized Additions as of September 30, 2009

General Government & Utility Reserves Targets Summary

Reserves	Revised 2009-10 End Balance	2009-10 Target	Over (Under) Target
GENERAL PURPOSE RESERVES			
Contingency	2,269,765	4,915,571	(2,645,806)
General Capital Contingency	2,336,761	9,032,430	(6,695,669)
Park & Municipal Reserve:			
General Oper. Reserve (Rainy Day)	2,712,836	3,567,649	(854,813)
Revenue Stabilization Reserve	82,380	2,188,803	(2,106,423)
Council Special Projects Reserve	170,085	250,000	(79,915)
General Purpose Reserves with Targets	7,571,827	19,954,453	(12,382,626)
SPECIAL PURPOSE RESERVES			
Excise Tax Capital Improvement:			
REET 1	6,021,103	1,653,500	4,367,603
REET 2	8,134,095	8,477,130	(343,035)
Firefighter's Pension	1,591,986	1,103,000	488,986
Park & Municipal Reserve:			
Litigation Reserve	51,329	50,000	1,329
Water/Sewer Operating Reserve	1,799,424	1,799,424	0
Water/Sewer Debt Service Reserve	826,759	826,759	0
Water/Sewer Capital Contingency	2,819,040	3,018,240	(199,200)
Surface Water Operating Reserve	394,485	394,485	0
Surface Water Capital Contingency	617,690	617,690	0
Special Purpose Reserves with Targets	22,255,911	17,940,228	4,315,683
Reserves without Targets	33,051,353	n/a	n/a
Total Reserves	62,879,091	n/a	n/a

The summary above details all Council authorized uses and additions to each reserve through September 2009.

An additional transfer of \$1 million from the Revenue Stabilization Reserve was approved with mid-year budget adjustments, which effectively uses up this reserve as a resource.

The table to the left compares the revised ending balance to the targets established in the budget process for those reserves with targets.



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

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

Economic Environment Update References:

- *Consumer confidence slips in September*, Market Watch, September 29, 2009
- *Pacific Northwest purchasing managers' optimism falls slightly*, Puget Sounds Business Journal, October 6, 2009
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- CB Richard Ellis Real Estate Services, Market View Puget Sound, Third Quarter 2009
- U.S. Bureau of Labor Statistics
- Washington State Economic & Revenue Forecast Council
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance Department