



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

**To:** Dave Ramsay, City Manager

**From:** Tracey Dunlap, Director of Finance and Administration  
Sri Krishnan, Acting Financial Planning Manager

**Date:** November 5, 2009

**Subject:** **2009-2010 Mid-Biennial Budget Update**

### **RECOMMENDATION:**

City Council hold its Mid-Biennial Budget Review on November 12<sup>th</sup> to receive an update on the City's financial condition and to review the City Manager's recommendation for adjustments to the 2009-2010 biennial budget.

### **BACKGROUND DISCUSSION:**

State law requires that a mid-biennial review be completed after September 1<sup>st</sup> and before December 31<sup>st</sup> during the first year of the biennium. The purpose of this memo and its attachments is to provide a brief financial update to the City Council, present recommended adjustments that are needed to the adopted 2009-2010 Budget, and provide information on related policy decisions.

### **Financial Update**

As the end of the first year of the biennial budget approaches, concerns with revenue trends continue to dominate the estimates for 2009 and the outlook for 2010. The September Dashboard, presented to the Finance Subcommittee on October 27, is included as Attachment A. While the national recession may have ended at mid-year, there has been no improvement to the City's revenue outlook. Revenue highlights include:

- Overall, we expect the decline in **sales tax** revenues in 2009 to be approximately 20%. We recently received the October results, which are included as Attachment B. October sales tax revenue posted the best results so far for 2009, down only 7.9 percent compared to October 2008. The primary driver for the improvement in monthly revenue is the automotive/gas retail sector, as a result of the "cash for clunkers" program. Year-to-date revenue is down 19.3 percent compared to the same period last year. Actual 2009 revenue is behind the same period in 2008 by over \$2.4 million (much of this decline was recognized as part of the mid-year budget adjustments adopted in July). Sales tax revenue received in October is for activity in August. The improved October revenue performance should be viewed cautiously, considering two factors: (1) the spike in automobile sales is most likely a one-time event caused by the "cash for clunker" program and this sector's revenue will likely decline for the

last two months of this year; and (2) the level of economic activity last October had already started declining compared to 2007. So, as this year proceeds, the monthly comparisons will be against an already reduced base compared to the prior year.

The draft adjustments for 2010 assume that sales tax results will be flat from 2009. We are no longer making the additional reduction in 2010 for the opening of new Costco stores in the area and the relocation of Toyota of Kirkland, since these events are not expected to occur next year. The Washington State Economic and Revenue Forecast Council is still anticipating a return to moderate growth in sales tax beginning in 2010; however, consistent with the City's "one-year lag" policy and the fact that Kirkland's revenue decline has been more severe than the statewide average, we recommend staying with a "no growth" assumption. If there is a rebound in sales tax receipts, those revenues should be set aside toward required reserve replenishments (recognizing the significant draw down on reserves), which are discussed later in this report.

- **Utility tax** receipts continue to lag budget, with current receipts coming in \$1.2 million short of budget. All sectors are experiencing a decline, which reflects both changes in consumer spending patterns and actual rate changes that were significantly different than those planned by the utility providers in mid-2008 (when the budget was established). This gap may improve slightly in the last three months of the year with water and sewer charges from the summer, although any improvement in revenues in the later months may be offset by the 17.1% decrease in gas rates beginning October 1, 2009.

The decline in revenues in 2009 has a carryover impact on the 2010 budget. As with sales tax, we are not projecting much improvement in this sector and the 17.1% decrease in gas rates (versus the 5% increase projected by PSE in mid-2008) offsets much of the impact of potential rate increases by other providers. In addition, the failure of the voted private utility tax increase from 6 to 7.5% removes \$2.24 million in revenue from this line item in the budget for 2010.

- There has been a significant decline in **business license** revenues since the mid-year budget review in early July. In the subsequent three months (July through September), the revenues fell short of projections by over \$277,000; year-to-date (75% of the way through 2009), we have collected 59.8% of the budgeted amount. The shortfall is driven by the decline in employment due to the overall economic downturn, including relocation of a couple of businesses with over 100 employees each, and increased accuracy in FTE reporting. We are continuing with our increased collection efforts, but expect that revenues will fall short of the budgeted level by as much as \$700,000. For 2010, we are assuming that the decline will stabilize and that revenues will be consistent with 2009 experience.
- **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. Fee revenues are down substantially and the development-related functions have been reducing costs to match expected declines in revenue. There is not much optimism that development activity will significantly improve until the overall economy has stabilized and major projects such as Totem Lake Mall or Park Place proceed. The low level of development activity also results in concerns regarding the amount of new construction property tax assumed for 2010, especially given that several of the current projects, such as the Transit Center, are public projects and will not add to the property tax base.

On the expenditure side, most departments have been actively reducing costs throughout 2009. Estimated under-expenditures at the end of 2009 are expected to help offset the declines in revenues described previously. Highlights related to expenditures include:

- Overall, General Fund expenditures are trailing the budget (actuals through September at 71.8%, 75% of the way through the year), reflecting actions that have been taken to date to slow spending. In fact, the pace of under-expenditure increased in September, reflecting position vacancies and other cost reduction measures. The reductions include lower than budgeted benefit costs and conservation efforts that resulted in reduced paper, printing, and postage costs City-wide. The estimated total General Fund expenditures are expected to be over \$500,000 below budget, despite the Fire & Building department estimate that is over-budget by approximately \$300,000, as described below.
- Fire Suppression overtime is projected to be over-budget by approximately \$272,000, primarily driven by a higher than expected number of disabilities. This is the primary driver putting the Fire & Building department budget over by \$300,000.
- Jail Contract Costs are at 87% of budget through September and are expected to exceed the budget by year end. The Police Department is planning to under-expend in other categories to help offset the overage. For 2010, the department is expecting jail costs to return closer to the budgeted level, especially considering the lower rates in the recent contract that the City entered into with Snohomish County.
- Fuel costs are still substantially below budgeted levels, although prices have risen over the past several months. Current projections are that budgeted fuel costs in 2010 can be reduced by about \$100,000.
- In mid-2009, the City purchased the building that houses the Municipal Court using Real Estate Excise Tax (REET) reserves, which are expected to be replenished when bonds are issued for the larger Public Safety/City Hall improvements. This purchase, coupled with other cost savings in the facilities fund, resulted in a savings in 2009 of approximately \$118,000 and \$202,000 in 2010 (net of required improvements to the building). Staff is recommending that these savings be used as a one-time measure to offset revenue shortfalls, however, they should not be treated as on-going savings as the funding will be needed to service future debt service.
- The June 2009 CPI was -0.7%, which results in a zero cost of living adjustment (COLA) in 2010 for the closed bargaining units and management & confidential (MAC) employees. The Police Guild (commissioned and non-commissioned) contracts are open in 2010 and are currently under negotiation, so no savings from the COLA for these units can be recognized at this juncture and related funds are set-aside in the COLA reserve.
- Medical health benefit costs continue to increase at a rate that is higher than inflation (10% in 2010, consistent with the budget assumptions). The Association of Washington Cities has notified its members that the current plans will be replaced in 2011, including those used by the City of Kirkland. An internal committee is currently evaluating alternatives for consideration in 2010.

- The 2010 NORCOM budget was approved by the City Council at the November 2 meeting and is \$219,000 below the budgeted level.

### Budget Balancing Strategy

On August 4, 2009, a budget balancing strategy framework (Attachment C) was presented to Council to close the gap estimated at \$10 million (assuming that the voted private utility tax increase measure did not pass). That framework included a series of recommended strategies toward closing that gap, although \$2.1 million of that gap remained to be closed. As part of the mid-biennial budget review, the budget projections for revenues and expenditures have been updated and, based on the revenue trends highlighted earlier in this report, **the gap has grown to \$13.1 million**. The table below summarizes the revised shortfall projection and the recommended strategies for closing the gap.

**Budget Balancing Strategy - General Fund  
Framework - 11/12/09 Mid-Bi Update**  
Dollars in thousands

	8/4/09 Study Session			11/12/09 Mid-Bi Update		
	2009	2010	Total	Without Utility Tax	2010	Total
<b>Total (Shortfall)</b>	<b>(3,772)</b>	<b>(6,295)</b>	<b>(10,067)</b>	<b>(4,999)</b>	<b>(8,142)</b>	<b>(13,141)</b>
<b>Strategies</b>						
1. Budget Reduction List/Services Matrix	-	1,615	1,615	-	1,615	1,615
2. Additional Reductions	29	82	111	29	366	395
3. Savings from M&O/Additional Revenues	455	660	1,115	1,373	1,281	2,654
4. Reserves/Year End Cash	2,500	1,350	3,850	3,030	2,807	5,837
5. Capital Improvement Program	317	-	317	567	-	567
6. Compensation Savings	-	973	973	-	973	973
7. Work Schedule Reductions	-	-	-	-	1,100	1,100
<b>Total Potential Savings</b>	<b>3,301</b>	<b>4,680</b>	<b>7,981</b>	<b>4,999</b>	<b>8,142</b>	<b>13,141</b>
<b>Net Surplus/(Shortfall)</b>	<b>(471)</b>	<b>(1,615)</b>	<b>(2,086)</b>	<b>-</b>	<b>-</b>	<b>-</b>

Highlights of the detailed changes to the framework and the revised budget balancing strategies follow. The new detailed framework is contained in Attachment D (note that items that have already been implemented are shaded gray and revised figures are shaded in yellow). The discussion below follows the line items on the detailed framework.

#### *Changes to Forecast Assumptions*

The August 4 framework assumed that **sales tax** would decline 20% in 2009 and remain flat in 2010 (after adjustments for changes at Costco and Toyota). Sales tax receipts are on track to the 2009 revised figure, however, we have revised the 2010 figure to remove the adjustments for the new Costco stores and relocation of Toyota, neither of which appear to be occurring in 2010. The current 2010 figure represents the 2009 estimate, reflecting the one-year lag sales tax policy. As noted earlier, the State Economic and Revenue Forecast Council is forecasting improvement in State sales tax receipts, however, we recommend continuing with the more conservative projection.

**Other revenue sources** are declining as part of the recession (gambling taxes, other licensing revenues, investment interest, etc.), which added about \$1 million to the shortfall.

As noted earlier, the decline in revenues in 2009 **utility tax** revenues has worsened and that decline has a carryover impact on the 2010 budget. We are not projecting improvement in this sector, in fact, the decline is more significant in 2010 because of the 17.1% decrease in gas rates (versus the 5% increase projected by PSE in mid-2008) and the decline in the more discretionary utility revenues (telecommunications and cable) due to changes in consumer spending. The revised projection also removes the revenue from the voted private utility tax increase.

As described above, there has been a significant decline in **business license** revenues since the mid-year budget review in early July and we expect that revenues will fall short of the budgeted level by as much as \$700,000. For 2010, we are assuming that the decline will stabilize and that revenues will be consistent with 2009 experience.

Fire suppression **overtime** is projected to exceed budgeted levels by \$272,000 in 2009 and we are assuming a similar level of activity in 2010 (\$300,000 consistent with the August 4 figure).

### *Budget Balancing Strategies*

Changes to the 7 budget balancing strategies are summarized as follows:

1. The "**Budget Reduction List**" identified by the City Council on August 4 is unchanged (Attachment E). With the failure of the voted private utility tax increase, these reductions will need to be implemented effective January 1, 2010. Staff is finalizing the notification process for impacted employees.
2. The updates to the **Additional Reductions** category are: (1) the 2010 reduction in Dues & Memberships has been updated to reflect the General Fund portion only (a reduction of \$16,000), and (2) the strategy of "Fire minimum staffing /other overtime reductions" is shown as recommended in 2010. The latter change reflects Council direction at the August 4 Study Session to consider reducing minimum staffing requirements from 18 to 17 and to pursue other approaches for reducing overtime with the bargaining unit. Chief Nalder will be available to discuss the implications of the reduction in minimum staffing and other overtime reduction approaches that are under consideration at the Study Session.
3. **Savings from Maintenance & Operations (M&O)** – A number of these strategies were implemented at mid-year. The only change in the internal service rate line items is the additional fuel savings in 2010, estimated at \$100,000. Several new line items have been added to the recommendations:
  - Facilities Rates/Court Building Lease Savings – As discussed earlier, we are recommending that \$320,000 in Facilities/Court lease saving be applied one-time to the additional revenue shortfalls. This should not be considered an on-going savings, as the funds will be needed to service debt related to the Court purchase.
  - Parking Fine Increase – At the December 1 City Council meeting, an ordinance will be brought forward to increase all parking fines by \$10 per ticket. This increase is estimated to generate \$100,000 in additional revenues in 2010.
  - Estimated Under-expenditures in 2009 – As part of the mid-biennial update, all departments were asked to estimate their year-end expenditures in detail. As the result of cost reduction measures implemented to date and more conservative spending, we are estimating that General Fund expenditures (excluding Fire overtime) will end the year approximately \$800,000 under budget, which will help offset a portion of the revenue decline.

- NORCOM Budget - As described in the consent item on the November 2 Council Meeting agenda, the 2010 budget for NORCOM is \$219,000 lower than the amount assumed in the adopted budget, which is a savings to the General Fund.
4. Use of **reserves and year-end cash** were adopted at mid-year to backfill part of the revenue shortfall: use of an additional \$1 million from the Revenue Stabilization Reserve and use of \$1.5 million in year-end 2008 cash. Earlier this year, the City Council directed that staff should assume the use of half the Rainy Day Reserve funds (\$1.35 million out of the \$2.7 million balance). To recognize that the Police Guild contracts are still under negotiation, staff is showing an additional use of the Rainy Day Reserve toward the budget shortfall equal to the amount set aside in the COLA reserve (\$296,000). Any savings once the negotiations are completed should reduce this assumed reserve use. The remainder of the Rainy Day Reserve should be left intact in case circumstances deteriorate further. Staff is further recommending use of \$272,000 from the Contingency Fund toward the overage in Fire overtime in 2009. The strategy for dealing with the 2010 estimated overage is discussed above under item #2. A summary of the reserve uses is provided in the Update on Reserve Status section of this report, beginning on page 8.

In the past few months, staff has conducted a thorough review of the City's cash balances and has identified four additional one-time sources to help balance the projected shortfall:

- The Street Fund balance grew by over \$400,000 at the end of 2008 and is projecting an under-expenditure of \$230,000 for 2009. One major source of funding for the Street Fund is an allocation of General Fund property tax revenues. We are recommending a reduction to the allocation of property tax revenues (one-time) in 2010 by \$200,000, which will result in drawing down the growing fund balance in the Street Fund and make additional property tax available to the General Fund to help balance the shortfall.
- The Cost of Living Adjustment (COLA) Reserve is set aside for distribution of salary and benefit adjustments as they become known. The amount set aside in this reserve balance was estimated as part of the 2009-2010 budget development in 2008. We have reconciled the actual 2009 uses and have identified \$370,000 in remaining balance for that year, a part of which carries forward as a savings in 2010 (\$130,000). These savings are due to lower than estimated benefit rates, vacancies, and differing demographics related to dependent coverage and are applied toward balancing the 2010 shortfall.
- The Limited Tax General Obligation (LTGO) Bond Fund is a conduit for the payment of debt service on non-voted (councilmanic) general obligation bonds. It is not required to maintain a reserve balance, although a fund balance has built up in that fund over the years. Staff recommends reducing the transfer to the LTGO bond fund for debt service one-time by \$150,000 to draw down the unnecessary balance.
- To date, the City has used \$2 million in the Revenue Stabilization Reserve to backfill revenue shortfalls. The actual balance in that reserve before the uses was \$2,082,380 and staff recommends applying the remaining \$82,380 to the 2010 shortfall.
- There is a contingency reserve in the Nondepartmental budget, which currently stands at \$581,000. Staff recommends reducing this reserve by \$258,000 in 2009 and \$229,000 in 2010 to balance the budget. This action would leave \$94,000 in the reserve for unexpected needs.

Note that all of these cash uses only apply to one-time needs and, if revenues do not recover after 2010, these resources will not be available to back fill shortfalls in 2011. In fact, the

City's policies require that some of these reserves be replenished as a "first call" on any year-end cash, which is discussed further below.

- As part of the **Capital Improvement Program** update, a thorough review of all capital projects was conducted. As a result, a number of completed projects were closed, resulting in the return of approximately \$288,000 to the General Fund. In addition, the City Council directed that several projects that were funded but not started be moved to the unfunded category, making an additional \$279,000 available to the General Fund. The total CIP savings is almost \$567,000 and the sources are summarized in the table below. These figures represent an increase from the earlier estimates based on completion of the detailed review.

CIP Category	Funding Balance Available	Redirected to General Fund	Redirected to Other Purposes	Notes on Deferred Projects & Funds Redirected to Other Purposes*
<b>Funded Not Started</b>				
Public Safety	259,500	259,500	0	Rescue Boat & Portable Generators
Technology	217,500	19,900	197,600	*Major Systems Repl. Reserve
<b>To Be Closed</b>				
Public Safety	254,900	254,900	0	Projects are complete
Technology	172,600	7,600	165,000	*Major Systems Repl. Reserve
Neigh. Connections	25,000	25,000	0	Projects are complete
<b>Total</b>	<b>929,500</b>	<b>566,900</b>	<b>362,600</b>	

- Compensation Savings** – The 2009-2010 budget assumed that all the bargaining units (except MAC) would receive a cost of living adjustment (COLA) of 6.19% in 2009 (based on the actual June-to-June 2008 inflation rate) and an estimated COLA of 3.5% in 2010. The COLA increases for unrepresented employees in the Management and Confidential group (MAC) were budgeted at 3.19% in 2009 and 3.5% in 2010. All bargaining units except for the Police Guild agreed earlier in the year to forego a COLA in 2010, resulting in a savings of \$973,000 in 2010. This figure is unchanged and the Police Guild negotiations (commissioned and non-commissioned) are currently in progress, so the COLA savings for those units (\$296,000) in 2010 is still shown as potential.
- Work Schedule Reductions** – Management is currently negotiating work schedule reductions or equivalent concessions with its labor unions equivalent to a 3.4% decrease in compensation, which would result in a net savings to the General Fund of \$1.1 million in 2010. One option under discussion is the introduction of furloughs, which may include closing City Hall and other facilities and suspending non-public safety services for a specific number of days (with all staff unpaid except for 24/7 operations in Police and Fire). Equivalent reductions in 24/7 Public Safety operations could also be applied through other compensation adjustments. The final structure of a furlough program would determine specific policy guidance that would be required before implementation. If these negotiations are unsuccessful, additional staffing reductions will be necessary to achieve the identified savings.

### Budget Adjustments

In addition to the budget adjustments to implement the budget balancing strategies described above, there will be a variety of other budget adjustments brought forward for Council approval in December. The details of these adjustments will be provided in a subsequent study session packet, but they fall into the following broad categories:

- *Development Services Reductions* – Given the continuing decline in development services permit revenues, additional reductions were made in late 2009 to better align resources with activity levels.
- *Annexation Service Package Requests* – With the possible approval of annexation of the PAA, a number of service packages were submitted to work toward an effective date in mid-2011. Those service packages will be discussed at the November 17 Budget Study Session.
- *Council Directed/Other Requests and Previously Approved Adjustments* - Any additional changes identified by Council and formalizing previously approved actions (fiscal notes, etc).
- *CIP Adjustments* - Formalizing changes based on the 2009-2014 CIP update presented to the City Council in September.
- *Housekeeping Items* - Adjustments that may be needed to adjust budget accounts, fund balances, etc.

### Update on Reserve Status

The City's reserve philosophy is summarized in the City's fiscal policies as follows:

*"Adequate fund balance and reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.*

*Maintenance of fund balance for each accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages.*

*City and state regulations have been established to allow the City of Kirkland to create and maintain specific reserve funds. Prudent use of reserve funds enables the City to defray future costs, take advantage of matching funds, and beneficial (but limited) opportunities. Reserve funds provide the City with the ability to exercise flexible financial planning in developing future capital projects. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition."*

Reserves have been an essential part of balancing the budget during these difficult economic times, but only provide a short-term tool to ride out the cycle and transition to more sustainable levels. In addition, several of the reserves have specific replenishment requirements, for example:

- **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). 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 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 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 - This 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 {biennial} budget." The fund can be **replenished through interest earnings up to the maximum balance or through the year-end transfer if needed.**
- Council Special Project Reserve - This reserve is available to the City Council to fund special one-time projects that were unforeseen at the time the budget was prepared. When the reserve is used, it is **replenished from the General Fund year-end transfer.**

The table below summarizes the planned uses and expected status of these reserves at the end of 2010 versus the targets. The purpose of providing these descriptions is to illustrate the point that replenishing the reserves used during this downturn will be a significant draw on resources in the future. Staff recommends that, if there is any year-end cash at the conclusion of 2010, that it be set aside toward replenishing a portion of the reserve uses to date. A detailed plan for that process will need to be developed during the 2011-12 biennial budget process.

Reserve Balances and Uses

	Starting Balance	Adopted Uses	Additional Uses Authorized after Budget Adoption	Planned Uses	Estimated Ending Balance (12/31/2010)	Target
Contingency Fund	2,324,515	-	(243,012)	(272,000)	1,809,503	4,915,571
General Operating Reserve	2,712,836	-	-	(1,646,000)	1,066,836	3,567,649
Revenue Stabilization reserve	2,082,380	(1,000,000)	(1,000,000)	-	82,380	2,188,803
Council Special Projects	271,960	-	(101,875)	-	170,085	250,000
<b>Total</b>	<b>7,391,691</b>	<b>(1,000,000)</b>	<b>(1,344,887)</b>	<b>(1,918,000)</b>	<b>3,128,804</b>	<b>10,922,023</b>

## Other Policy Issues

### *Outside Agencies Funding for 2010*

The 2009 Budget included a one-time appropriation of \$50,000 for KPC, \$13,020 for Community Grants, and \$15,000 for July 4<sup>th</sup> Fireworks. The Community Grants and Fireworks are one component of the outside agency funding package which is reviewed and appropriated annually by the City Council using one-time resources. KPC is a partner agency, but is funded using one-time resources. Due to funding limitations for 2009, this funding within the General Fund was reduced from \$116,375 (2008 approved) to \$78,020 (2009 approved). As a result, Community Grant applicants were funded at about one half of the amount received in previous years. The following table shows the requested and approved one-time funding amounts for the KPC, Community Grants, and July 4<sup>th</sup> Fireworks.

<b>Organization &amp; Event</b>	<b>2008 Approved</b>	<b>2009 Requested</b>	<b>2009 Approved</b>
Kirkland Performance Center (KPC)	50,000	50,000	50,000
<b><i>Subtotal Partner Agencies</i></b>	<b><u>50,000</u></b>	<b><u>50,000</u></b>	<b><u>50,000</u></b>
Bridle Trails Park Foundation –Banner for Picnic	325	500	150
Celebrate Kirkland – July 4 <sup>th</sup> Parade	4,500	6,000	2,100
Celebrate Kirkland – July 4 <sup>th</sup> Picnic	4,500	4,500	2,100
Concours d' Elegance – Police Support & Banners	2,500	4,525	1,170
Eastside Heritage Center –City Hall Displays	1,250	4,500	585
Interlaken Trailblazers –Volkssporting 2009	300	300	140
Junior Softball World Series – Event Support*	5,000	10,000	-
Kirkland Arts Center –Free/Subsidized Classes	4,000	4,000	1,870
Kirkland Downtown Association –Classic Car Show*	3,500	4,500	-
Kirkland Heritage Society -Cataloging	2,000	2,000	935
Kirkland Interfaith Transitions in Housing -7 Hills of Kirkland	7,000	7,000	3,270
Kirkland Wednesday Market -Conference	-	3,000	-
Transportation Choices Coalition –Dues	<u>1,500</u>	<u>1,500</u>	<u>700</u>
<b><i>Subtotal Community Grants</i></b>	<b><u>36,375</u></b>	<b><u>52,325</u></b>	<b><u>13,020</u></b>
July 4 <sup>th</sup> Fireworks (Coordinated through Celebrate Kirkland)	<u>30,000</u>	<u>30,000</u>	<u>15,000</u>
<b><i>Subtotal Fireworks</i></b>	<b><u>30,000</u></b>	<b><u>30,000</u></b>	<b><u>15,000</u></b>
<b><i>Total General Fund – One-Time</i></b>	<b><u>116,375</u></b>	<b><u>132,325</u></b>	<b><u>78,020</u></b>

\*Funded from Lodging Tax Fund

At the June 2 Budget Study Session, Council directed staff to suspend the Community Grant application process, pending the mid-biennial budget update. No General Fund funding has been included for these activities in the current 2010 projections. Council indicated an interest in funding the KITH-7 Hills of Kirkland in 2010 (the 2009 request of \$7,000 was funded at \$3,270). In addition, KPC indicated their need for the \$50,000 contribution in their recent presentation to Council. Staff is looking for direction from Council for one-time funding for KPC, Community Grants, and July 4<sup>th</sup> Fireworks in 2010. Options include:

- Forego funding for one year,
- Fund some or all of the programs from one-time sources (cash or Council Contingency) at the same level,
- Fund some or all of the programs at a different level from one-time sources.

In addition to General Fund contributions to outside agencies, the Lodging Tax Advisory Committee (LTAC) has made its funding recommendations, as summarized in the memorandum in Attachment F. LTAC is recommending funding of \$30,000 in 2010 (out of \$76,520 in requests). This is a reduction from the 2009 funding level of \$54,250 in recognition that revenues are down about 25% and there are some larger projects scheduled for 2010, including implementation of the branding study and refurbishing the exploreKirkland website.

#### *Enterprise Seattle Funding*

As part of the budget balancing decisions for 2009-2010, the Council suspended payment of the 2010 membership dues to Enterprise Seattle. This decision means that no one from Kirkland would be eligible to serve on that Board. Council referred the discussion to the Economic Development

Committee with the intent of bringing back a recommendation as part of the mid-biennial budget process. That recommendation is pending and staff will need direction on a funding source if the decision is made to restore the funding (the 2010 dues are \$6,000). One potential funding source would be the Council Contingency.

### *City Manager Recruitment Costs*

The Council has formed a subcommittee for the City Manager search and is currently considering proposals received from recruiting firms. The cost of the search and any potential relocation costs have not been included in the 2010 budget. Costs for this type of recruitment and related relocation costs can run \$50,000 or more. As costs are refined, a funding source for this expenditure will need to be identified. One potential source would be the Contingency Reserve Fund, which is available "to meet any municipal expense, the necessity or extent of which could not have been reasonably foreseen at the time of adopting the biennial budget". Note that a separate resolution would be required if this is the selected funding source.

### *Finding of Substantial Need*

The adopted 2010 budget assumed that the City would implement the optional levy increase of 1%. To carry out this increase, the City Council will need to adopt the resolution establishing a finding of substantial need. This resolution was brought forward to Council on November 2, but consideration was postponed until November 17 pending the upcoming budget study session. If no finding of substantial need is adopted, the property tax revenues for 2010 would be reduced by \$275,415 (the 1% increased assumed of \$149,034 plus the IPD decrease of -0.848% or \$126,381), increasing the projected deficiency in 2010 and necessitating additional reductions in service levels. The preliminary property tax levy needs to be adopted on November 17, so staff will introduce the issue for discussion at the November 12 study session.

### *Initiative 1033*

Based on initial election results, it appears that Initiative 1033 will fail. As a result, there are no Council actions required related to this issue.

### **Next Steps**

The next steps for the mid-biennial process are:

November 12 **Mid-biennial Budget Special Study Session**

Topics: Financial Update, Budget Balancing Strategy, Reserve Status, Other Policy Issues

November 17 **Mid-biennial Budget Study Session (continued)**

Topics: Follow up from 11/12, Annexation Service Packages, Overview of Regular Meeting Actions

**Regular Meeting**

Finding of Substantial Need on Property Tax Increase  
Public Hearings on Budget & Preliminary Levy  
Preliminary Levy Adoption (must occur on this date)

November 5, 2009

Page 12

December 1 **Mid-bi Budget Study Session (continued)**

Topics: Follow up from 11/17, 3.4% Concessions Status/Potential Reductions

**Regular Meeting**

Parking Fine Increase

December 15 Mid-Bi Budget Adoption

Final Levy Adoption

## September 2009 Financial Dashboard Highlights

October 23, 2009

- The dashboard report reflects the budget adjustments adopted by the City Council in July. The statistics are calculated off the amended budget; the original budget is shown for reference. The actual revenues and expenditures summarized in the dashboard represent nine months of data, which is 75% of the year complete.
- Total General Fund revenues are below expectations due to the following:
  - Sales tax in September was 17.1% below September 2008, resulting in a year-to-date decline of 20.4%. Actual 2009 revenue is behind the same period in 2008 by \$2.3 million. The largest deficits by category are seen in Wholesale (-45.5%), General/Misc. Merchandise (-20%), and Contracting (-45.7%). September saw an improvement in Auto/Gas Retail (10.2%), due to the initial “cash for clunkers” incentive. While we also expect improvement in October results (based on August sales), it may be short lived given the expiration of the clunker incentive program. Sales tax revenue received this month is for activity in July.
  - There was a significant decline in business license revenues for September, with the monthly revenues falling short of projections by over \$115,000; year-to-date, we have collected 59.8% of the budgeted amount. The shortfall is driven by the decline in employment due to the overall economic downturn, including relocation of a couple of businesses with over 100 employees each, and increased accuracy in FTE reporting. We are continuing with our increased collection efforts, but expect that revenues will fall short of the budgeted level by as much as \$700,000.
  - Utility tax receipts continue to lag budget, with current receipts coming in \$1.2 million short of budget. This gap may improve slightly in the last three months of the year with water and sewer charges from the summer, although any improvement in revenues in the later months may be offset by the 17.1% decrease in gas rates beginning October 1, 2009.
  - Development revenues continue to be down, however expenditure reductions have been implemented to offset the shortfall. Further discussion of September development activity follows the dashboard.
- Total General Fund expenditures are within expectations.
  - Overall, General Fund expenditures are trailing the budget, reflecting actions that have been taken to date to slow spending. In fact, the pace of under-expenditure has increased in September, reflecting position vacancies and other cost reduction measures.
  - Fire Suppression overtime in September was \$86,564, taking the year-to-date actual to 98% of the annual budget. The Department’s estimate is that overtime will be over budget by approximately \$272,000, primarily driven by a higher than expected number of disabilities.
  - Jail Contract Costs are currently at 87% of budget, but the Police Department is planning to under-expend in other categories to help offset the overage. For 2010, the department is expecting jail costs to return closer to the budgeted level.
  - Fuel costs are still substantially below budgeted levels, but prices have risen over the past several months.

Attachments: September Dashboard  
Development Services Highlights

**Annual Budget Status as of**      **9/30/2009** (Note 1)  
**Percent of Year Complete**      **75.00%**

	2009 Original Budget	2009 Amended Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
					Current Month	Last Month	
<b>General Fund</b>							
Total Revenues	59,821,768	58,393,326	40,308,354	69.0%			
Total Expenditures	61,552,551	60,323,757	43,330,313	71.8%			

**Key Indicators (All Funds)**

<i>Revenues</i>							
Sales Tax	14,700,801	12,020,059	9,094,383	75.7%			Prior YTD = \$11,432,213 Jan-Sept 2008 was 76.06% of budget
Utility Taxes	11,586,963	11,586,963	7,977,858	68.9%			
Business License Fees	3,077,720	3,077,720	1,839,091	59.8%			Significant decline from estimates
Development Fees	3,373,273	2,775,891	2,087,781	75.2%			
Gas Tax	1,133,278	1,133,278	777,145	68.6%			
<i>Expenditures</i>							
GF Salaries/Benefits	42,645,103	41,943,803	30,977,158	73.9%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	719,190	719,190	707,161	98.3%			Disabilities continue to be high
Contract Jail Costs	899,680	899,680	786,598	87.4%			Underexpending in other categories to offset
Fuel Costs	558,310	367,242	243,882	66.4%			Cost/gallon will be below budgeted rate but rising

**Status Key**

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



Note 1 - Report shows annual values during the first year of the biennium (2009).

2 - 2009 Budget was amended through mid-yr adjustments as of July 2009

## Development Services Report – September 2009

A review of the September 2009 permit data allows us to offer the following:

- The September 2009 statistics continue to follow the trend that we witnessed in the second half of 2008. New single family residential permit applications, which had shown improvement for the last three months in a row, were down in September (3 applications received compared to 4 in September of last year). In the past, when we have seen a downturn in new development permits, we have seen an increase in commercial tenant improvement permits and single-family remodel permits but that is not the case so far this year (222 applications year to date compared to 294 last year).
- While the monthly average for 2009 (187) is lower than the monthly average for 2008 (222), the total number of permits received in September 2009 (189) is only slightly lower than September 2008 (201).
- Building Department revenue for September 2009 was \$115,092, below our revised projected monthly revenue average of \$181,125 for 2009. Year to date total revenue projected for the first 9 months falls short by \$107,437. We have been making on-going expenditure reductions commensurate with this shortfall in revenue.
- Along with various smaller projects, we expect Evergreen Hospital Medical Center to submit a \$5 million Pre-surgery remodel in October that will generate approximately \$17,000 at intake and \$26,000 at issuance.

Public Works Department development revenue for September 2009 was \$34,706 which is below our monthly projected revenue average of \$43,285. We also had to reduce our year-to-date revenue by \$28,380 because a project traffic impact fee was mistakenly credited to a permit revenue account

- Planning Department revenue for September 2009 was \$20,641 which is above our projected adjusted monthly revenue average of \$15,950 for 2009. Year to date total revenue is 127% of budget.
- The redesigned McLeod project is proceeding with design review and should complete the process in October. We have entered into an agreement to be paid in advance for providing code compliance review services during the design process prior to receiving their building permit application.
- Touchstone is continuing the design review process for the redevelopment of Park Place. The Conceptual Design conference was held in January. At the meeting the DRB identified key issues and discussed the process for review. There have been numerous subsequent Design Response Conferences. The DRB will hold additional meetings as they work their way through the development.

The applicant has indicated a desire to apply for the first permits (demolition and grading) possibly by the end of 2009. Permits for buildings will be phased, probably beginning in 2010. Meanwhile Development Review Services is in preliminary discussions with the Park Place design team to provide review services during the design process. As with the McLeod Project, this approach has the potential of generating substantial fees prior to the actual submittal of their permit applications and a shorter review period once they submit.



## CITY OF KIRKLAND

### Department of Finance & Administration

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## MEMORANDUM

**To:** Dave Ramsay, City Manager

**From:** Tracey Dunlap, Director of Finance & Administration  
Neil Kruse, Budget Analyst

**Date:** October 27, 2009

**Subject:** October Sales Tax Revenue Analysis

October sales tax revenue posted the best results so far for 2009, **down only 7.9 percent** compared to October 2008. The primary driver for the improvement in monthly revenue is the automotive/gas retail sector, as a result of the "cash for clunkers" program. This sector was up 26 percent from last October (about \$69,000). Other retail and communications also experienced positive results for the month. **Year-to-date** revenue is **down 19.3 percent** compared to the same period last year. Actual 2009 revenue is behind the same period in 2008 by over \$2.4 million. Sales tax revenue received this month is for activity in August.

The primary sectors keeping October 2009 overall performance negative compared to October 2008 are: contracting (down 40.4 percent or almost \$93,000), general merchandise/miscellaneous retail (down 19.4 percent or about \$32,000), and retail eating/drinking (down 18.4 percent or about \$21,000).

### 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%
October	1,205,125	1,109,410	(95,715)	-7.9%
<b>Total</b>	<b>12,637,229</b>	<b>10,203,792</b>	<b>(2,433,437)</b>	<b>-19.3%</b>

### Business sector review:

- The **contracting** sector continues its dismal performance, **down 36 percent** compared to the same period last year. This sector's contribution to 2009 sales tax revenue has shrunk 3.6 percent from last year (13.8 percent compared to 17.4 percent in 2008). The only significant activity this month includes the Lake Washington High School replacement and tenant improvements at Google. In addition, the Bank of America redevelopment project started last month and the Downtown Transit Center is breaking ground this month. Unfortunately, there are few large new projects currently in the pipeline, which could cause further revenue decline in 2010. The chart below compares monthly revenue performance for this sector. October performance improved slightly compared to September primarily due to activity at the Lake Washington High School project.

**Contracting Sales Tax Revenue  
by Month**

<b>Month</b>	<b>Dollar Change 08 to 09</b>	<b>Percent Change 08 to 09</b>
January	(15,694)	-7.7%
February	(76,377)	-31.6%
March	(74,544)	-37.7%
April	(67,122)	-36.7%
May	(77,810)	-33.4%
June	(71,311)	-40.7%
July	(99,118)	-45.6%
August	(103,607)	-38.9%
September	(111,269)	-45.1%
October	(92,957)	-40.4%
<b>YTD</b>	<b>(789,809)</b>	<b>-36.0%</b>

- Retail sectors sales tax revenue experienced some improvement from last month primarily due to the previously mentioned increase in automobile sales as well as other retail. However, the **retail** sectors collectively remain in negative territory for the year, **down 13.3 percent** (about \$935,000) compared to the same period in 2008.
  - The **auto/gas retail** sector is **down 13.2 percent** year to date despite this month's spike in sales caused by the "clunkers" program. The program was in effect for July and August, making October the last month additional sales tax revenue resulting from this program will be realized. National auto sales in September fell after the program ended and the month was the second worst of the year. October sales are expected to improve somewhat over September, with a prediction of about 6 percent decline nationally. It is important to remember that October 2008 was already a diminished base for comparison, down 30 percent compared to October 2007. The concern remains that the "clunkers" program may have accelerated sales that would have happened anyway. The impact to Kirkland dealerships will be revealed next month when receipts from September sales activity are received.
  - The **general merchandise/miscellaneous retail** sector is **down 12.8 percent** compared to the same period last year due to disappointing performance by key retailers. This sector is impacted by the streamlined sales tax sourcing rule change.
  - **Other retail is down 14 percent** largely due to generally negative performance in most retail sectors included in this group, especially building materials and electronic equipment as well as the closure of a major retailer. Some positive monthly improvement occurred in sectors that are impacted by the streamlined sales tax sourcing rule change. However, this is a mixed blessing, as other sectors have been negatively impacted by the sourcing rule change.
  - The **retail eating/drinking** sector is **down 13.7 percent** compared to the same period last year due to negative performance experienced by most major businesses, as well as the closure of four restaurants this year. Receipts received this month reflecting August activity were especially disappointing (down 18.4 percent compared to the same month last year). Normally the summer months are key for this sector, especially July (revenue received in September), when good weather and special events provide the best opportunity for increased activity. Unfortunately, these factors only slightly improved this sector's performance last month; monthly receipts were down 10 percent compared to the same month in 2008.
- **Wholesale is down 40.2 percent** compared to the same period last year, primarily due to the difference in development-related purchases compared to last year and changes in sourcing rules from streamlined sales tax.

- The **miscellaneous** sector is **down 16 percent** compared to the same period last year, primarily due to the slumping finance/insurance and real estate sectors.
- The **services** sector is **down 14.7 percent** compared to the same period last year, largely due to declines in software, car/equipment leasing and accommodations. The accommodations sector continued negative performance for the tenth month in a row, down about 16.8 percent compared to the same period last year after normalizing for a one-time event in 2008. Monthly receipts (reflecting August activity) are down 19.9 percent.
- The **communications** sector is **down 14.1 percent** compared to the same period last year due to changes in development activity as well as declining revenue from telecommunications companies. Monthly revenue actually improved compared to the same month last year (up 6.5 percent). This appears to be coming from telecommunication services rather than development activity. It is the first month this sector has seen positive performance, so it's too early to determine whether it has bottomed out and will start to grow again.

#### City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-October		Dollar Change	Percent Change	Percent of Total	
	2008	2009			2008	2009
Services	1,420,849	1,211,615	(209,234)	-14.7%	11.2%	11.9%
Contracting	2,194,573	1,404,764	(789,809)	-36.0%	17.4%	13.8%
Communications	465,256	399,475	(65,781)	-14.1%	3.7%	3.9%
Auto/Gas Retail	2,547,780	2,212,385	(335,395)	-13.2%	20.2%	21.7%
Gen Merch/Misc Retail	1,896,777	1,654,244	(242,533)	-12.8%	15.0%	16.2%
Retail Eating/Drinking	1,093,283	942,969	(150,314)	-13.7%	8.7%	9.2%
Other Retail	1,472,496	1,265,634	(206,862)	-14.0%	11.7%	12.4%
Wholesale	769,786	460,547	(309,239)	-40.2%	6.1%	4.5%
Miscellaneous	776,429	652,159	(124,270)	-16.0%	6.1%	6.4%
<b>Total</b>	<b>12,637,229</b>	<b>10,203,792</b>	<b>(2,433,437)</b>	<b>-19.3%</b>	<b>100.0%</b>	<b>100.0%</b>

#### Streamlined Sales Tax

The City has received more than \$260,000 in mitigation payments in four quarterly payments. The most recent payment received in September was about \$65,000. This compares to payments of \$45,000 in June, \$77,000 in March, and \$75,000 in December 2008. The volatility in the payment amounts results from both variable economic activity for businesses impacted by the sourcing rule changes as well as continuing adjustments to the calculation data by the Department of Revenue (DOR). DOR is in the process of reconciling the first year results and it appears that their initial calculations indicate Kirkland was overpaid by about \$39,000, which may be credited against future payments.

Adding the (adjusted) mitigation payments to sales tax revenue in 2009, total sales tax would be down 17.2 percent compared to the same period in 2008. Based on Council direction, the mitigation payments will be treated as revenues to the General Fund rather than placing them in the Revenue Stabilization Reserve.

As a reminder, the purpose of the mitigation payments is to replace sales tax revenue loss due to the change in sourcing rules, which began July 1, 2008. Currently the DOR is in the process of determining what that loss is by analyzing the difference by quarter between 2009 and 2008. The challenging aspect of this analysis is in isolating the impact of sourcing rule changes from other business activity changes. After the annual loss is determined, DOR will establish an annual payment for 2010 by the end of 2009 or early next year and it will be paid quarterly next year. The timeline is dependent on the resolution of some policy issues, including the repayment of past overpayments. The mitigation payments received will be reduced by gains caused from additional revenue received by the City from businesses located outside the state enrolled in the voluntary compliance program.

**Conclusion**

October revenue performance improved significantly from previous months in 2009; however, two factors should be taken into account. The spike in automobile sales is most likely a one-time event caused by the "cash for clunker" program and this sector's revenue will likely decline for the last two months of this year. The second factor is the economic activity last October had already started declining compared to 2007. So, as this year proceeds, the monthly comparisons will be against an already reduced base compared to the prior year. As a result, hopefully we will start seeing much smaller decline or even growth in monthly revenue comparisons if the local economy has reached bottom.

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. There isn't too much optimism that development activity will significantly improve until the overall economy has stabilized and major projects such as Totem Lake Mall or Park Place proceed. Retail sectors continue to struggle, reflective of reduced consumer discretionary spending and closing businesses.

On the national front, a slump in consumer confidence in October was a surprise, as economists were expecting it to remain consistent with September. Instead, it dropped from 53.4 to 47.7, which is far under the 90 points needed to show that the national economy is on solid ground. Consumers remain quite pessimistic about job security and income, which does not bode well for the upcoming holiday shopping season. The U.S. economy depends on consumer consumption for about 70 percent of its activity, so lagging consumer confidence is illustrative of the challenge to a sustained economic recovery.

The Washington State economy has stabilized somewhat, but job growth is not expected to resume until next year. A recent major concern is the potential relocation by Boeing of the 787 airliner production to South Carolina, which would be a major setback to the region's job growth.

The Pacific Northwest Purchasing Managers' Index decreased between August and September by 0.6 points, from 52.8 to 52.2. Index numbers above 50 indicate economic growth and this is the third time in the past four months the index has been above 50.

**Budget Balancing Strategy - General Fund  
Framework - 8/4/09 Budget Follow-up Study Session**

Dollars in thousands

	Potential Savings Available	One-Time		Ongoing		Total
		2009	2010	2009	2010	
Projected Near-Term Shortfall due to Economy		(2,772)	(3,055)	-	-	(5,827)
Projected Ongoing Shortfall due to Utility Tax		-	-	-	(2,240)	(2,240)
<b>Projected Shortfall in Baseline Utility Tax</b>		<b>(500)</b>	<b>(500)</b>	-	-	<b>(1,000)</b>
<b>Projected Shortfall in Business License Fees</b>		<b>(200)</b>	<b>(200)</b>	-	-	<b>(400)</b>
<b>Projected Overspending in Fire Overtime</b>		<b>(300)</b>	<b>(300)</b>	-	-	<b>(600)</b>
<b>Total (Shortfall)</b>		<b>(3,772)</b>	<b>(4,055)</b>	<b>-</b>	<b>(2,240)</b>	<b>(10,067)</b>
<b>Strategies</b>						
<b>1. Budget Reduction List/Services Matrix</b>	1,615	-	348	-	1,267	1,615
<b>2. Additional Reductions</b>						
Line Item Budgets						
Dues & Memberships	47	-	47	-	-	47
Out-of-State Training/Travel & Subsistence	64	29	35	-	-	64
Fire Minimum Staffing Reduction	369	-	-	-	-	-
<b>3. Savings from M&amp;O/Additional Revenues</b>						
Internal Service Rates						
Fleet Rates (mostly due to fuel savings)	129	129	-	-	-	129
IT Operating Rates	201	70	131	-	-	201
IT Replacement Rates	228	76	152	-	-	228
Governor's Pension Rate Reductions	557	180	377	-	-	557
Court Building Lease Savings	TBD	-	-	-	-	-
Revenue - Parking Fine Increase (\$10/ticket)	100	-	-	-	-	-
<b>4. Reserves/Year End Cash</b>						
2008 Year-end Cash	1,500	1,500	-	-	-	1,500
Revenue Stabilization Reserve	1,000	1,000	-	-	-	1,000
Rainy Day Reserves	2,700	-	1,350	-	-	1,350
Contingency	2,325	-	-	-	-	-
<b>5. Capital Improvement Program</b>						
Projects Funded not Started	447	229	-	-	-	229
Projects to be Closed/Funds Repurposed	253	88	-	-	-	88
<b>6. Compensation Savings</b>						
AFSCME/Teamsters	344	-	-	-	344	344
MAC	270	-	-	-	270	270
IAFF	339	-	-	-	339	339
PSEU (Police Lts.)	20	-	-	-	20	20
Police Commissioned & Support Guild*	296	-	-	-	-	-
<b>7. Work Schedule Reductions</b>						
Furlough	56/day	-	-	-	-	-
Reduced Work Week (1 hour/week)	375	-	-	-	-	-
24/7 Operations Equivalent-Furlough	TBD	-	-	-	-	-
24/7 Operations Equivalent-Wrk Wk Red.	TBD	-	-	-	-	-
<b>Total Potential Savings</b>		<b>3,301</b>	<b>2,440</b>	<b>-</b>	<b>2,240</b>	<b>7,981</b>
<b>Net Surplus/(Shortfall) - Annual</b>		<b>(471)</b>	<b>(1,615)</b>	<b>-</b>	<b>-</b>	<b>(2,086)</b>

**NOTES**

\* Collective bargaining agreement is currently open, so savings are shown as potential pending negotiations.

Shaded items indicate approved Mid-Year Budget adjustments.

*Italicized items are changes from last version*

**Budget Balancing Strategy - General Fund**  
**Framework - 11/12/09 Mid-Bi Update without Utility Tax**

Dollars in thousands

	Potential Savings Available	One-Time		Ongoing		Total
		2009	2010	2009	2010	
Projected Near-Term Shortfall due to Sales Tax		(2,772)	(2,642)	-	-	(5,414)
Other Near-Term Shortfall due to Economy		(351)	(787)			(1,138)
Projected Ongoing Shortfall due to Utility Tax		-	-	-	(2,240)	(2,240)
<b>Projected Shortfall in Baseline Utility Tax</b>		<b>(982)</b>	<b>(1,497)</b>	-	-	<b>(2,479)</b>
<b>Projected Shortfall in Business License Fees</b>		<b>(622)</b>	<b>(676)</b>	-	-	<b>(1,298)</b>
<b>Projected Overspending in Fire Overtime</b>		<b>(272)</b>	<b>(300)</b>	-	-	<b>(572)</b>
<b>Total (Shortfall)</b>		<b>(4,999)</b>	<b>(5,902)</b>	<b>-</b>	<b>(2,240)</b>	<b>(13,141)</b>
<b>Strategies</b>						
<b>1. Budget Reduction List/Services Matrix</b>	1,615	-	348	-	1,267	1,615
<b>2. Additional Reductions</b>						
Line Item Budgets						
Dues & Memberships	47	-	31	-	-	31
Out-of-State Training/Travel & Subsistence	64	29	35	-	-	64
Fire Minimum Staffing/Other OT Reduction	369	-	300	-	-	300
<b>3. Savings from M&amp;O/Additional Revenues</b>						
Internal Service Rates						
Fleet Rates (mostly due to fuel savings)	229	129	100	-	-	229
IT Operating Rates	201	70	131	-	-	201
IT Replacement Rates	228	76	152	-	-	228
Governor's Pension Rate Reductions	557	180	377	-	-	557
Facilities/Court Building Lease Savings	320	118	202	-	-	320
Revenue - Parking Fine Increase (\$10/ticket)	100	-	100	-	-	100
Estimated Under Expenditures in 2009	800	800	-	-	-	800
NORCOM - reduced 2010 budget	219	-	219	-	-	219
<b>4. Reserves/Year End Cash</b>						
2008 Year-end Cash	1,500	1,500	-	-	-	1,500
Revenue Stabilization Reserve	1,082	1,000	82	-	-	1,082
Rainy Day Reserves	2,700	-	1,646	-	-	1,646
Contingency (for Fire OT)	2,325	272	-	-	-	272
Street Fund	200	-	200	-	-	200
COLA Reserve	500	-	500	-	-	500
LTGO Bond Fund	150	-	150	-	-	150
Non-Department Contingency	581	258	229	-	-	487
<b>5. Capital Improvement Program</b>						
Projects Funded not Started	477	279	-	-	-	279
Projects to be Closed/Funds Repurposed	453	288	-	-	-	288
<b>6. Compensation Savings</b>						
AFSCME/Teamsters	344	-	-	-	344	344
MAC	270	-	-	-	270	270
IAFF	339	-	-	-	339	339
PSEU (Police Lts.)	20	-	-	-	20	20
Police Commissioned & Support Guild*	296	-	-	-	-	-
<b>7. Work Schedule Reductions</b>						
Furlough/Equivalent Reduction	1,100	-	1,100	-	-	1,100
<b>Total Potential Savings</b>		<b>4,999</b>	<b>5,902</b>	<b>-</b>	<b>2,240</b>	<b>13,141</b>
<b>Net Surplus/(Shortfall) - Annual</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES**

\* Collective bargaining agreement is currently open, so savings are shown as potential pending negotiations.

Grey shaded items indicate approved Mid-Year Budget adjustments.

Yellow shaded items indicate changes since 8/4/09 presentation

*Italicized items are changes from last version*

Development Services-related shortfall/reductions are excluded (\$978,000)

City of Kirkland  
 Recommended Budget Reduction List

Department/Fund	Number	Core Exercise Number	Service	Non-Core		Partially Core		Additional Reductions		TOTAL		Notes
				Reduction Amount	FTE Reduction	Reduction Amount	FTE Reduction	Reduction Amount	FTE Reduction	Reduction Amount	FTE Reduction	
City Council	BR-1	CC-5	Eastside Transportation Partnership Dues <b>(RESTORED REDUCTION WITH 2 COUNCILMEMBERS PAYING \$100 EACH)</b>	300						300	-	This would eliminate the City of Kirkland's membership in the Eastside Transportation Partnership potentially reducing the City's regional presence on transportation matters. <b>(ORIGINALLY \$500. REDUCED TO \$300, 2 COUNCILMEMBERS WILL PAY \$100 EACH FOR 2010 DUES, IF CONTINUING.)</b>
City Council	BR-2	CC-6	Eliminate Kirkland Chamber of Commerce Membership <b>(STERNOFF TO CONTRIBUTE HIS \$500 OF BR-4 TO THIS ITEM)</b>	-						-	-	This would eliminate the City of Kirkland's membership in the Kirkland Chamber of Commerce. <b>(ORIGINALLY \$500. MR. STERNOFF TO CONTRIBUTE HIS \$500 OF TRAVEL &amp; TRAINING BUDGET (SEE BR-4) TO THIS ITEM)</b>
City Council	BR-3	CC-8	National League of Cities Dues	3,700						3,700	-	This would eliminate the City of Kirkland's membership in the National League of Cities.
City Council	BR-4	CC-12	City Council Travel and Training (Reduce to \$500 per Council member per year) <b>(ORIGINALLY: \$11,070. ALSO SEE BR-2)</b>			11,570				11,570	-	The travel and training budget was already reduced to eliminate all out of state travel. The remaining budget of \$3,500 provides for attendance at AWC conferences, regional meetings and Suburban Cities meetings. This reduction may reduce Kirkland's presence in the region or require that Council members pay their own expense. <b>(ORIGINALLY: \$11,070. SEE BR-2)</b>
City Council	BR-5		Eliminate Subscriptions					245		245	-	This would eliminate the City Council's subscriptions for the Municipal Research and Services Directory and the Washington Directory of City Officials. The City would need to rely on alternatives methods such as the internet for contact information.
City Council	BR-6		Eliminate Replacement Furniture					450		450	-	This would require reliance on existing furniture.
City Council	BR-7		Reduce Replacement Phone/Handheld Devices					400		400	-	City Council would need to retain existing hand held devices longer and may not have the ability to switch technologies (e.g. from Blackberry to I-Phone or visa versa) as quickly. Remaining budget is \$400.
City Council	BR-8		Eliminate Home Fax Maintenance (\$500)					500		500	-	Fax repairs may be delayed with the potential for reduced access to City documents.
City Council	BR-9		Eliminate Neighborhood Council meeting printing & postage <b>(RESTORE ORIGINAL \$5,000 REDUCTION BY TAKING AN ADDITIONAL \$5,000 FROM BR-11)</b>					-		-	-	Neighborhood Council meetings are advertised through websites, reader boards, list serv subscriptions and postcards that are mailed to every household in the neighborhood. This reduction would eliminate the postcards creating greater reliance on electronic notification and potentially reducing the number of questions asked in advance of the meeting. <b>(ORIGINALLY: \$5,000. RESTORED THIS REDUCTION WITH FURTHER REDUCTIONS TO BR-11)</b>
<b>Subtotal City Council</b>				<b>4,000</b>	<b>-</b>	<b>11,570</b>	<b>-</b>	<b>1,595</b>	<b>-</b>	<b>17,165</b>	<b>-</b>	
CMO	BR-10	CM-8	Tourism Coordinator (formerly Economic Development Coordinator)	10,871	0.10					10,871	0.10	This position coordinates all tourism activities for the City. The General Fund portion (0.10 FTE) provides support for program activities that are not directly related to tourism and that cannot be funded from Lodging Tax revenues. This will decrease support for tourism coordination by 10%. The position is currently vacant.
CMO	BR-11	CM-11	Neighborhood Matching Grants <b>(ORIGINALLY: \$14,500. ADDITIONAL \$5,000 REDUCTION TO RESTORE BR-9)</b>	19,500						19,500	-	Reduce maximum amount of neighborhood matching grants from \$3,500 per neighborhood per year to \$1,000 per neighborhood per year. Neighborhood matching grants are used for neighborhood websites, neighborhood picnics, neighborhood clean-up projects and special projects such as the Juanita neighborhood banners and pedestrian safety projects. The reduction would limit the scope of projects that could be completed and/or require more contributions and donations from other sources. <b>(ORIGINALLY \$14,500. ADDITIONAL \$5,000 REDUCTION TO RESTORE BR-9. REVISED BUDGET EQUATES TO \$615 PER NEIGHBORHOOD PER YEAR.)</b>
CMO	BR-12	CM-12	Neighborhood Signs	3,500						3,500	-	Neighborhood entry signs become worn and damaged due to vandalism, automobile accidents or other incidents. Whenever possible, the City will seek restitution from individuals or from insurance providers to replace or repair signs that were damaged by vandals or as a result of an insured accident. Neighborhood signs need to be refurbished periodically due to the normal wear and tear. This reduction would eliminate the ability to perform periodic maintenance. Sign repair or replacement would need to be funded through individual requests to Council during the year. Eventually, neighborhood signs would be eliminated as they passed their useful life and became too worn or damaged.
CMO	BR-13	CM-16	Economic Development Intern	8,000						8,000	-	This would eliminate funding for intern hours used to support special projects for the economic development program and support for the Business Roundtable events. The intern has provided research support and consultant oversight for projects such as Kirkland First, the business sustainability study and focused projects regarding such as retail signage. Without intern assistance, projects will take longer to complete.
CMO	BR-14	CM-17	Enterprise Seattle Dues	6,000						6,000	-	Enterprise Seattle provides economic development networking opportunities and promotional services for business sector in King County. This would eliminate the City's ability to participate in Enterprise Seattle activities.
CMO	BR-15	CM-20	Cultural and Special Events Services	26,680	0.25					26,680	0.25	The Special Projects Coordinator currently manages the volunteer program (0.50 FTE) and also provides staff support to the Cultural Council and special event volunteer coordination. This reduction would eliminate support for special events volunteers and transfer Cultural Council support to Economic Development Manager. This would retain 0.50 FTE dedicated to Volunteer Program. The reduced 0.25 FTE would be replaced by transferring the equivalent FTE for administration of Tourism program which is partial replacement of the vacant Tourism Coordinator.
CMO	BR-16	CM-21	Cultural Council Professional Services	5,000						5,000	-	This reduction will eliminate funding for outside consulting or grants to other organizations made by the Cultural Council. Examples of special projects completed by the Cultural Council include development and distribution of an informational DVD on public art and grants to local arts organizations.
CMO	BR-17		Eliminate City Payment of Monthly Phone/Handheld Service for Intergovernmental Relations Manager					1,625		1,625	-	The IG Manager will use their personal cell phone as needed and seek reimbursement for extraordinary charges incurred for City business. This may reduce the City's ability to reach the IG Manager when out of the office.
CMO	BR-18		Reallocate .15 of Economic Development Manager to Tourism					22,881	0.15	22,881	0.15	In 2008, the Tourism Program was merged with Economic Development and placed under the management of the Economic Development Manager. Since then, the Tourism Coordinator position has become vacant requiring additional from the Economic Development Manager. This budget change allocates a portion of the Economic Development Manager to the Lodging Tax fund to acknowledge her direct support of the Tourism program which is considered a component of the City's economic development program.
<b>Subtotal CMO</b>				<b>79,551</b>	<b>0.35</b>	<b>-</b>	<b>-</b>	<b>24,506</b>	<b>0.15</b>	<b>104,057</b>	<b>0.50</b>	

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Court	BR-19		Operating Supplies \$1,500; Office Supplies \$1,00 (\$6,500 remains)					2,500		2,500	-	This reduction will require the Court to reuse old file folders which will create additional work because the paperwork and labels need to be removed prior to reuse. It should also be noted that even though we are proposing an office supply cut, the State Administrative Office of the Courts (AOC) has announced that the state may no longer supply the tractor-fed paper, labels, thermal receipt paper, and printer ribbons used in daily court operations beyond 2010. These costs will be transferred to the local jurisdictions.
Court	BR-20		Printing (\$5,500 remains)					1,500		1,500	-	The Court is in the process of changing vendor-printed court forms. Staff has identified 2-3 forms that can be printed "in-house" and not as a multi-part form.
Court	BR-21		Repairs and Maintenance (eliminate)					1,000		1,000	-	This funding provides maintenance as needed on the Court's recording system used to record all courtroom proceedings (FT R Gold). The Court will continue to use an older version of FTR Gold recording program. There may be implications if technology changes and does not support the older version. Court rule mandates recording of all court hearings.
Court	BR-22		On-Call Probation 150 Hours @ \$29.31 = \$4,397 + \$736 benefits = \$5133 (350 hrs remain)					5,133		5,133	-	On-Call probation officers have been used to cover peak workloads, vacation and sick leave time for full-time staff. In 2008, regular probation officer time (PO) was increased from 1.5 FTE to 2.0 FTE based on the volume of cases which will help to provide vacation and sick coverage. The on-call probation officer (PO) will be limited to 8 hours per week to conduct intake appointments only. This means less appointment spaces will be available to meet with defendants. Therefore, the length between defendant appointments will increase, or the appointment will have to be rescheduled when a PO is sick.
<b>Subtotal Court</b>				-	-	-	-	<b>10,133</b>	-	<b>10,133</b>	-	
Human Resources	BR-23		Service Award (Replaces HR-24: Tuition Reimbursement and HR-27: Special Projects)	3,000						3,000	-	A \$3,000 reduction leaves an on-going balance of \$2,000 a year for the Service Award Program. In anticipation of further budget reductions the Service Award Program was re-worked to come in at \$2,000 a year beginning in 2009. The revised program recognizes 20 year and above employees with an award style plaque, all other employees are recognized with a City Sealed Certificate.
Human Resources	BR-24	HR-26	Organizational Training	12,000				2,470		14,470	-	Training reductions include: \$3,500 ECTC program eliminated, \$3,000 Cascade Management program eliminated, \$2,500 Diversity Training program funding eliminated. Reduce In-house Training by \$3,000 leaves a remaining balance of \$2,000 a year.
Human Resources	BR-25		Recruitment - Advertising (Replaces HR-24 and HR-27)	6,000						6,000	-	New on-line advertising and recruitment strategies have yielded a cost savings in this area. Advertising options will include City Website, NW Jobs Banner Ad, Craig's List, or any no-cost professional organization, (ex: AWC). Other advertising at the Department's selection and cost. The remaining balance on this line item would be \$23,250 per year.
Human Resources	BR-26		Blood borne Pathogen Consultant (Replaces HR-24 and HR-27)	4,000						4,000	-	Blood borne Pathogen Training would shift to In-house training increasing time demands on the Safety Management Risk Analyst and other HR Staff. Eliminates line item, (Professional Services dollars).
Human Resources	BR-27		EAP (Replaces HR-24 and HR-27)	1,500						1,500	-	Previously reduced from 8 to 5 sessions. Need to maintain reduced levels to meet the needs of the City's employees and Federal & State CDL and Drug requirements. The adjusted cost in this line item is \$8,000 per year.
Human Resources	BR-28		CPS-Standardized Job Tests (Replaces HR-24 and HR-27)	4,000						4,000	-	Reduction in the number of tests per year. The remaining balance in this line item is \$4000 which allows for only 5 tests per year for selected positions.
Human Resources	BR-29		Flu Shots Co-pay (Replaces HR-24 and HR-27)	2,580						2,580	-	Employee Co-Pay \$15.00
Human Resources	BR-30		Applicant Travel (Replaces HR-24 and HR-27)	1,750						1,750	-	Eliminate line item. Future needs will be met by a mid-year budget adjustment or from department.
Human Resources	BR-31		Relocation for new management (Replaces HR-24 and HR-27)	1,500						1,500	-	Eliminate line item. Future needs will be met by a mid-year budget adjustment or from department.
Human Resources	BR-32		Office Supplies (Replaces HR-24 and HR-27)	327				4,025		4,352	-	Reduction includes -Office Supplies - \$1,902, postage - \$500, Misc operating - \$500, Labor Relations Support \$1,000, Training Tapes -\$450. (Leaves approximately \$4,100 in the budget)
<b>Subtotal Human Resources</b>				<b>36,657</b>	-	-	-	<b>6,495</b>	-	<b>43,152</b>	-	
CAO	BR-33		Cancel Cell phone/PDA service					1,800		1,800	-	The CAO staff will use their personal cell phone as needed and seek reimbursement for extraordinary charges incurred for City business. Immediate legal questions or emergencies may now have longer response times.
CAO	BR-34		Repairs and Maintenance					110		110	-	Department equipment will not be maintained. CAO may have to use other department's equipment.
CAO	BR-35		Miscellaneous					90		90	-	
<b>Subtotal CAO</b>				-	-	-	-	<b>2,000</b>	-	<b>2,000</b>	-	
CAO (Non-Departmental)	BR-36	ND-15	Litigation Reserve Fund 157			30,000				30,000	-	Based on expenditures to date, reduced replenishment from \$50,000 to \$20,000.
<b>Subtotal CAO (Non-Departmental)</b>				-	-	<b>30,000</b>	-	-	-	<b>30,000</b>	-	

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Parks GF	BR-37	PK-12	Long-Range Park Planning	35,684	0.35					35,684	0.35	Eliminate Park Project Coordinator position (note: this position also affiliated with PK-26 Juanita Ranger Program). Impact: reduced department support for special projects, eliminates department GIS mapping capabilities; reduces ability to provide timely response to citizen inquiries and requests; reduced department support for Neighborhood Connection Program, Green Team and other inter-department service teams; may require reduced public participation plans for park planning projects; reduces ability to seek and pursue grant opportunities; reduces staff support for Park Board; reduced participation in inter-governmental local and regional intergovernmental planning efforts.
Parks GF	BR-38		Reallocate portion of Park Planning & Development Manager position to CIP	44,136	0.50					44,136	0.50	Re-allocate additional 0.35 FTE of Park Planning and Development Manager from General Fund to CIP to reflect anticipated time spent managing CIP projects. (note: requires corresponding elimination of CIP-funded .50FTE Project Coordinator position in order to minimize budgetary impact to CIP)
Parks GF	BR-39	PK-26	Juanita Bay Park Ranger Program	15,846	0.15					15,846	0.15	Eliminate the Park Ranger Program
Parks GF	BR-40	PK-25	Maintenance of Public Art (formerly called "Art")	9,013						9,013	-	Contracted cleaning service and staff maintenance/repairs
Parks GF	BR-41	PK-38	Summer Concert Series	20,607						20,607	-	This program was cut in 2009. This amount reflects an expenditure that was tied to revenues, however with the 2009 staff cut, there is not staffing to build partnerships to obtain sponsorships/revenue. It is important to note that if these funds are left in the budget, it doesn't bring back the concert series. It could be used to produce some concerts, but not the full series.
Parks GF	BR-42	PK-8	Landscape Maintenance-Parks (addressed through the Consolidated Maintenance Plan)			261,582	1.50			261,582	1.50	Reduction includes eliminating 5,000 seasonal labor hours in addition to eliminating 1.5 grounds positions, Reduction in staff resources will impact the level of maintenance of park system: Remove garbage cans from neighborhood parks, reduce irrigation to athletic fields and landscape beds, reduce number of labor hours to clean restrooms and pick up litter, reduce responsiveness to requests to support volunteer projects, reduce the amount of turf maintenance performed annually.
Parks GF	BR-43	PK-11	Irrigation (addressed through the Consolidated Maintenance Plan)									
Parks GF	BR-44	PK-24	Night & Weekend Coverage (addressed through the Consolidated Maintenance Plan)									
Parks GF	BR-45	PK-30	Special Events Liaison (formerly Special Events)			17,592	0.25			17,592	0.25	Eliminate 0.25 FTE for administration of Friday Night Market by contracting management of market. 0.25 of this position was funded by revenue from the Market, with no general fund support. By contracting the management of the market, the general fund will net revenue.
Parks GF	BR-46	PK-43	Senior Center Special Events	10,992						10,992	-	Eliminates events such as holiday celebrations, Steppers lunches and themed walks, baby boomers health fair, etc.
Parks GF	BR-47		Reorganize Community Services Division (Replaces PK-22: Community Service Division Administration, PK-23: Senior Council Support, and PK-28: Youth Services)			100,257	0.75			100,257	0.75	Impacts will be to Youth Services, Senior Services, Recreation, and 505 administrative offices. Eliminate Northwest Senior Games, Senior Council Health fair, educational videos, pedestrian safety, reduce support for Senior stepper program, reduce Youth Council service projects, We've Got Issues programs, eliminate Blue Fish Festival, eliminate participation with Eastside Refugee and Immigrant Coalition, Eastside Healthy Start, Reduce participation with Myparksandrecreation.com, close parks administration office at 4:00 p.m. Monday through Friday. Please see attached organization chart, and memo for further explanation of impacts.
Parks GF	BR-48		Increase revenue to senior van service (Replaces PK-22: Community Service Division Administration, PK-23: Senior Council Support, and PK-28: Youth Services)			20,000				20,000	-	Currently van service is fully subsidized, this alternative will ask riders to share cost of service from full subsidy to partial-subsidy. Will build in a sliding-scale for riders in need. Currently, we provide 10,000 trips per year. This proposal will add a cost to the rider of \$2.50 for each trip. This would add an estimated \$25,000 revenue, but with attrition, sliding scale for those who cannot afford it, and taxes, a realistic revenue target is \$20,000.
Parks GF	BR-49		Eliminate mutt mitts					10,000		10,000	-	Eliminate pet waste bags. Pet owners will need to provide their own dog waste bags, potential for increase dog waste in parks.
Parks GF	BR-50		Reduce lifeguard hours at beaches					23,000		23,000	-	Reduce lifeguard services to guard during peak times only ( according to 3 years of data ). Begin guard program two weeks later in the summer, and provide guarding during times when the most people are in the water. Open July 1- Labor Day, guard Waverly 1-5 PM Monday-Friday, 2-5 PM Saturday & Sunday; guard Houghton 1-6 PM Monday-Sunday. Reduces hourly staffing by 350 hours/year.
<b>Subtotal Parks GF</b>				<b>136,278</b>	<b>1.00</b>	<b>399,431</b>	<b>2.50</b>	<b>33,000</b>	<b>-</b>	<b>568,709</b>	<b>3.50</b>	
Parks Maintenance (Non-Departmental)	BR-51		Eliminate Fund 125 subsidy	50,000						50,000	-	Reduced level of maintenance to athletic fields, including reduction in irrigation, turf maintenance, frequency of attending to garbage, litter and repairs. Reduce the amount of time allocated for preparing fields for practice and games. Reduces hourly staffing by 500 hours/year.
<b>Subtotal Parks Maintenance (Non-Departmental)</b>				<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	

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Public Works GF	BR-52	PW-31	Neighborhood Traffic Control Program funding (see also BR-87 in Street Fund)	70,442	0.50					70,442	0.50	Eliminate Neighborhood Traffic Control Program Coordinator (.50 FTE), and Transportation Engineering on call funding. Elimination of 47% of the NTCP; the NTCP is also responsible for the pedestrian flag program. Traffic solutions to mitigate speeding and other ongoing safety issues would be limited to only phase I solutions (low cost solutions) even where phase II solutions are warranted. No additional Pedestrian flag locations will be added, inspection of in pavement flashers will be on a complaint basis, and the indication time necessary to deploy VMB (Variable Message Boards) will increase. Reduces hourly staffing by 650 hours/year.
Public Works GF	BR-53		Allocating remainder of Solid Waste Coordinator to Solid Waste					26,277		26,277	-	This position does not do any General Fund activities and should be charged to Solid Waste.
Public Works GF	BR-54		Update CIP Model (Replaces PW-19: Support for Parking Programs/PAB)	33,311				21,318		54,629	-	Aggressively charge to CIP projects and update the CIP charge model to reflect current allocation factor.
Public Works GF	BR-55		Policy & Programs on call funding (Replaces PW-28: Traffic Counts)	1,745						1,745	-	Elimination of hourly staff as backup for Public Works Director Admin. Assistant. Existing staff will absorb duties formerly completed by hourly staff. Impacts would be potential and minor delays in overall completion dates and response times as existing staff absorb additional duties. Reduces hourly staffing by 113 hours/year.
Public Works GF	BR-56		Development Engineering on-call funding (Replaces PW-28: Traffic Counts)	5,243				101		5,344	-	Elimination of hourly staff as backup for Public Works Counter. Existing staff will absorb duties formerly completed by hourly staff. Impacts would be potential and minor delays in overall completion dates and response times as existing staff absorb additional duties. Reduces hourly staffing by 348 hours/year.
<b>Subtotal Public Works GF</b>				<b>110,741</b>	<b>0.50</b>	<b>-</b>	<b>-</b>	<b>47,696</b>	<b>-</b>	<b>158,437</b>	<b>0.50</b>	
Finance & Admin	BR-57		Reduce Professional Services					1,500		1,500	-	Eliminates department retreat. Less opportunity to have department-wide training and development
Finance & Admin	BR-58		Reduce Operating Supplies					2,000		2,000	-	Eliminates department retreat. Less opportunity to have department-wide training and development
Finance & Admin	BR-59		Eliminate General Financial Consulting Professional Services					5,500		5,500	-	May delay or limit ability to respond to special analysis requests; requests will need to be funded as needed.
Finance & Admin	BR-60		Travel & Training Reduction from out-of-state travel reductions list					3,265		3,265	-	Reductions not taken during 2009 Mid-Year process
Finance & Admin	BR-61		Reallocate Accounting Support Associate-IV position to CIP					20,401	0.25	20,401	0.25	Allocate percentage of time actually spent on CIP projects to be funded by CIP
Finance & Admin	BR-62		Reduce Department Wide Office Supplies					1,200		1,200	-	Additional conservation of supplies department-wide
<b>Subtotal Finance &amp; Admin</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,866</b>	<b>0.25</b>	<b>33,866</b>	<b>0.25</b>	
Planning	BR-63		Professional Services - Annual Retreat	1,400						1,400	-	The annual retreat would be cancelled or scaled back. The funds are typically used for facility rental and supplies and for a training facilitator or professional education.
Planning	BR-64		Printing/postage/miscellaneous					21,500		21,500	-	The City would not be able to print amendments to the Zoning Code and Comprehensive Plan (Code Publishing). Postcard and mail out notices would not be sent out to surrounding property owners for development applications or long range planning projects (would require change to Zoning Code). Packet delivery and preparation may be delayed. The bulk of this budget is for printing. Miscellaneous items include meeting packet preparation and delivery for the Planning Commission, Hearing Examiner, HCC and DRB. Electronic methods of delivery would need to be used.
<b>Subtotal Planning</b>				<b>1,400</b>	<b>-</b>	<b>21,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,900</b>	<b>-</b>	
Police	BR-65	PD-17	Community Services Unit Sergeant (Supervisor)	104,098	1.00					104,098	1.00	This position supervises 2 FTE's (School Resource Officer & Neighborhood Resource Officer); supervision of those positions would be reassigned to other divisions within the department. Elimination of the Sergeant would reduce our ability to establish and maintain positive communication and working relationships with community members and business owners by at least half. It would also reduce our ability to provide community education on crime prevention and participation in community sponsored events, activities, and festivities. Internal programs such as the Citizens' Police Academy would likely be discontinued.
Police	BR-66		Reduction of current overtime budget					10,458		10,458	-	Elimination of attendance at community and neighborhood meetings and other events where Police attendance is requested; reduction in Crime Prevention education to businesses and citizens
Police	BR-67		Reduction of current uniform budget					19,948		19,948	-	Postpone replacement of worn-out uniforms
Police	BR-68		Reduction of current operating supplies budget (COUNCIL RESTORED PROPOSED REDUCTION OF \$800)					-		-	-	None; historically, Parking Enforcement has under spent. Also reduce supplies purchased for in-house training. (COUNCIL RESTORED PROPOSED REDUCTION OF \$800)
Police	BR-69		Reduction of current ammunition budget (COUNCIL RESTORED PROPOSED REDUCTION OF \$1,020)					-		-	-	Reduction in firearms training for Special Response Team (COUNCIL RESTORED PROPOSED REDUCTION OF \$1,020)
Police	BR-70		Reduction of current Special Response Team operating supplies budget (COUNCIL RESTORED PROPOSED REDUCTION OF \$650)					-		-	-	None; no new items will be authorized for purchase and the team will be directed to conserve current supplies when training (COUNCIL RESTORED PROPOSED REDUCTION OF \$650)
Police	BR-71		Reduction of current Crisis Negotiation Team operating supplies budget (COUNCIL RESTORED PROPOSED REDUCTION OF \$650)					-		-	-	None; no new items will be authorized for purchase and the team will be directed to conserve current supplies (COUNCIL RESTORED PROPOSED REDUCTION OF \$650)
<b>Subtotal Police</b>				<b>104,098</b>	<b>1.00</b>	<b>-</b>	<b>-</b>	<b>30,406</b>	<b>-</b>	<b>134,504</b>	<b>1.00</b>	

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<b>Fire &amp; Building: Alternative reductions are a combination of one-time (\$60,000) and on-going (\$49,180) reductions. By applying one-time funds, 0.55 FTE of the Community Education and Information Specialist will be funded for 2010 only. If the utility tax rate increase does not pass, that portion of the position will not be funded in 2011 unless new on-going sources or grants can be identified.</b>													
Fire & Building	BR-72	(Replaces FB-21: Public Education Coordination)	Eliminate the Volunteer Firefighter Compensation	60,000						60,000	-	This is one-time funded in 2010. Impact would be determined by Volunteer participation.	
Fire & Building	BR-73		Office supplies, Operating supplies, Office equipment, computer hardware, Repairs & maintenance, Miscellaneous, Software, Dues	7,800							7,800	-	Delay in purchasing
Fire & Building	BR-74		Reduction in Communication, Advertising, Printing, and Professional services	2,300							2,300	-	Reduction of methods to communicate to the public and ability to contract for plan development or renewal.
Fire & Building	BR-75		Reduction in Training and Travel	8,300							8,300	-	Reduction of Staff training and development and ongoing training for systems currently used (Decon, Telestaff, GIS)
Fire & Building	BR-76		Reduction in Administrative OT <b>(WORKLOAD TO BE ABSORBED WITHOUT USE OF OVERTIME)</b>	1,000							1,000	-	No longer reserve rooms at the fire stations for the public using overtime, reorganize staff workload. <b>(WORKLOAD TO BE ABSORBED WITHOUT USE OF OVERTIME)</b>
Fire & Building	BR-77		Office supplies, Operating supplies, Small tools, Office equipment, Repairs & maintenance, Miscellaneous, Software	3,900							3,900	-	Delay in purchasing, issues will arise if a large fire investigation occurs or if the number of fires increase, we will not have the funds to supply/restock supplies.
Fire & Building	BR-78		Reduction in Communication, Printing	1,400							1,400	-	Reduction of methods to communicate to the public
Fire & Building	BR-79		Professional services	4,000							4,000	-	Reduction in ability to hire a Fire engineer specialist for larger building projects
Fire & Building	BR-80		Office supplies, Operating supplies, Small tools, Office equipment	2,600							2,600	-	Delay in purchasing, issues will arise if a disaster occurs and more supplies are needed or to restock EOC supplies.
Fire & Building	BR-81		Reduction in Communication, Printing	1,200							1,200	-	Reduction of methods to communicate to the public
Fire & Building	BR-82		Reduction in Training and Travel	1,700				1,200			2,900	-	Reduction of Staff training and development
Fire & Building	BR-83		Eliminate the 2 Aid vehicles reserved for disaster response	4,560							4,560	-	This will eliminate the use of these 2 vehicles for treatment and transport of injured people above and beyond the standard aid fleet
Fire & Building	BR-84		Eliminate the Vehicle used by the Community education and information specialist position (Fire Prevention)	6,720							6,720	-	This will cause this position to coordinate with fleet and other staff to get supplies and equipment to community educational events
Fire & Building	BR-85		Eliminate Overtime for GIS work for Dept. personnel	3,700							3,700	-	The department will not have "off-duty" participation to assist GIS in department needs.
<b>Subtotal Fire &amp; Building</b>				<b>109,180</b>	-	-	-	<b>1,200</b>	-	<b>110,380</b>	-		
Street Fund	BR-86	ST-44	Ancillary Operations	3,044						3,044	-	Used to fund unexpected services and repairs that fall outside the established budget. Costs incurred are expected to be reimbursed by insurance or direct payment from responsible parties.	
Street Fund	BR-87		Neighborhood Traffic Control Program funding (see also BR-52 in Public Works GF)	50,000						50,000	-	Eliminate capital funding for phase II (physical changes and projects) traffic control measures.	
Street Fund	BR-88		Allocation of 10% of Grounds Crew to Surface Water					15,275		15,275	-	Revisions to the General Requirements of the Clean Water act include strict NPDES regulations. To meet imposed federal requirements, the grounds crew work tasks have shifted to concentrate on Surface Water related tasks and are now charging time to the Surface Water fund.	
Street Fund	BR-89		Allocation of Arborist to Surface Water					9,518		9,518	-	Due to the benefits of the urban landscape to water quality, erosion control and flooding. The surface water fund should be charged the full cost of the Arborist.	
Street Fund	BR-90		Allocation of 75% of street sweeping to Surface Water					53,581		53,581	-	Recent studies indicate street sweeping is a vital component of the Surface Water system. Street sweeping helps make waterways cleaner and healthier for people and fish. Street sweeping reduces the amount of pollutants discharged and minimizes the potential for contaminated sediments to reach bodies of water. Street sweeping is also cost effective compared to treating storm water prior to discharge. FTE shift to Surface Water equivalent to .25.	
Street Fund	BR-91		Streets & Grounds Seasonal Funding (Replaces ST-46: CBD Appurtenance and ST-42: Spraying)	25,211		12,290		17,825		55,326	-	Eliminate all of the seasonal funding for weed control, path and trails, aesthetic maintenance, curb painting, and other grounds, street and city facility seasonal work. Reduces hourly staffing by 3,600 hours/year.	
<b>Subtotal Street Fund</b>				<b>78,255</b>	-	<b>12,290</b>	-	<b>96,199</b>	-	<b>186,744</b>	-		
Equipment Rental	BR-92		EPSCA Radios					24,523		24,523	-	Currently 102 General Government 800MHz radios (includes all departments except Fire and Police), 18 portable, 76 vehicles, 8 base stations. This will affect Emergency Operations Readiness. Reduction of 92 General Government 800 MHz radios, (each radio has annual EPSCA charges of \$368.76 access, and \$135.63 for repair; total of \$504.39). 10 Radios will be retained for emergency operation purposes. Of the \$46,404 savings identified only \$24,523 is a reduction to the General Fund.	
<b>Subtotal Equipment Rental</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,523</b>	<b>-</b>	<b>24,523</b>	<b>-</b>		

City of Kirkland  
 Recommended Budget Reduction List

Department/Fund	Number	Core Exercise Number	Service	Non-Core		Partially Core		Additional Reductions		TOTAL		Notes
				Reduction Amount	FTE Reduction	Reduction Amount	FTE Reduction	Reduction Amount	FTE Reduction	Reduction Amount	FTE Reduction	
IT Fund	BR-93		Phone system hardware warranty coverage					14,100		14,100	-	Phone system hardware now gets its warranty coverage built into its replacement cycle (five years) similar to network servers, which get warranty coverage for their replacement lifecycle built in at purchase too. This should have virtually no affect on service over the next few years. Of the \$17,000 savings identified only \$14,100 is a reduction to the General Fund.
IT Fund	BR-94		Fully implement Backup to Disk					18,200		18,200	-	Once we have fully implemented Backup to Disk, we will no longer need to purchase tapes or pay maintenance on backup to tape software. Of the \$21,906 savings identified only \$18,200 is a reduction to the General Fund.
IT Fund	BR-95		Reduce training, professional services, office supplies, etc.					16,500		16,500	-	Reduces flexibility when completing system projects since this reduces funding for outside resources. Decreases staff readiness to deal with new technologies. Of the \$19,930 savings identified only \$16,500 is a reduction to the General Fund.
IT Fund	BR-96		Reduce Senior Graphics Design Specialist by 0.50 FTE (Full layoff of this position). (Replaces IT-20: Other Video Services)	35,200	0.50					35,200	0.50	This would severely impact the amount of professional graphics that we produce for the city. We have already cut this function so far that we are losing the ability to approve and manage all of the public-facing graphics. Printed matter (signs, brochures, flyers, posters, banners, etc.) that we produce would probably look less coherent and linked, and some would have a lower quality. Also may shift costs as this work will in most cases need to be done anyway. Of the \$44,015 savings identified only \$35,200 is a reduction to the General Fund.
IT Fund	BR-97		Reduce Multimedia Communications Manager by 0.25 FTE. (Replaces IT-20: Other Video Services)	25,100	0.25					25,100	0.25	This staff position is responsible for overseeing all of our graphics and television communication tools. In addition, this individual helps with franchises, telecommunications leases, complaints from cable customers and other misc. tasks. The first 0.25 cut in these duties would result in lower levels of services for telecommunication providers wanting to relocate to the city of Kirkland and for citizens who are unhappy with their cable services. Of the \$31,351 savings identified only \$25,100 is a reduction to the General Fund.
<b>Subtotal IT Fund</b>				<b>60,300</b>	<b>0.75</b>	<b>-</b>	<b>-</b>	<b>48,800</b>	<b>-</b>	<b>109,100</b>	<b>0.75</b>	
Facilities	BR-98		Janitorial - Art Display Cleaning	1,230						1,230	-	Eliminates contract service for cleaning of wall art and lobby art throughout City Hall.
Facilities	BR-99		Maintenance Center janitorial reduction (Replaces FM-30: Space Planning)	5,469						5,469	-	Janitorial contract reduced from 5 days to 3 days per week at the Maintenance Center. Of the \$8,200 savings identified, \$5,469 is a reduction to the General Fund.
Facilities	BR-100		Facility Grounds Crew seasonal funding					13,062		13,062	-	Eliminate all of the seasonal funding for weed control, path and trails, aesthetic maintenance, curb painting, and other grounds, street and city facility seasonal work. Of the \$14,304 savings identified, \$13,062 is a reduction to the General Fund. Reduces hourly staffing by 931 hours/year.
<b>Subtotal Facilities</b>				<b>6,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,062</b>	<b>-</b>	<b>19,761</b>	<b>-</b>	
<b>TOTAL Budget Reductions (General Fund)</b>				<b>777,159</b>	<b>3.60</b>	<b>474,791</b>	<b>2.50</b>	<b>373,481</b>	<b>0.40</b>	<b>1,625,431</b>	<b>6.50</b>	

Reallocation of General Fund FTEs to Other Funds: **(0.90)** Of the 6.5 FTE reduction to the General Fund, 0.9 FTE is not a reduction, but a reallocation to other funds.  
 Hourly and seasonal staffing reductions as FTEs (across all funds): **6.53** Corrected 8/31/09 -- changed from 3.49 to 6.53 -- previous version omitted some seasonal hours  
 Total FTE reduction across all funds: **12.13**

Note:  
 In addition to General Fund impact, other funds will see reductions totaling: 50,970


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

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**MEMORANDUM**
**To:** Marilynne Beard, Assistant City Manager, Tracey Dunlap, Finance Director

**From:** Ellen Miller-Wolfe, Economic Development Manager

**Date:** October 20, 2009

**Subject:** Lodging Tax Advisory Committee (LTAC) Funding Recommendation

**RECOMMENDATION:**

The LTAC met on October 1, 2009 and recommended that the organizations in the chart below receive funding in 2010 at the levels specified. The LTAC understood that the approved budget of \$30,000 did not cover the total amount of funds requested, \$76,520. However, the LTAC recognized that lodging taxes are down approximately 25% for the year, suggesting that funding for grants should be comparable to 2009. (Last year the LTAC funded \$54,250 for grants, \$15,000 of which was for Kirkland Uncorked.) The LTAC also appreciated that it was necessary at this time to reserve funds for some larger projects scheduled for 2010, such as the implementation of the branding study that is currently underway and the refurbishing of the exploreKirkland website. These are projects that will benefit the entire tourism industry in Kirkland, including the applicants for grant funds. The LTAC indicated that a mid-year review to determine whether there might be additional funds to augment these grants should be scheduled.

Finally, the LTAC appreciates that to sustain the Tourism Program funding, Tier 1 activities, or those that generate hotel stays, should be given precedence over other activities.

<b>Organization</b>	<b>Purpose of Grant</b>	<b>Requested Amount</b>	<b>LTAC Recommendation</b>
Bold Hat Productions	<b>Kirkland Uncorked Marketing</b> - Funding requested to purchase advertising from local media for the 3-day event that features local art, fine wine, gourmet food and jazz.	\$15,000	\$ 2,000
Concours d' Elegance	<b>Concours d' Elegance Event Marketing</b> - Funding requested to support advertising that would allow the event, a display and celebration of vintage cars, cycles and hydroplanes at Carillon Point, to reach a national audience.	\$ 8,000	\$ 8,000 (Tier 1*)
Little League Baseball & Softball	<b>Junior Softball World Series Event Support</b> - Funding to be used to purchase hotel rooms, meals, rental of teen center, etc., operations that are allowable under the grant and bring 10 teams to Kirkland each summer.	\$10,000	\$ 8,000 (Tier 1)

Kirkland Arts Center	<b>Kirkland Artist Studio Tours Event Marketing</b> – Funding to market the Kirkland Art Center’s Mother’s Day weekend studio tour that included 25 Kirkland studios and an estimated 3000 visitors in 2009.	\$ 4,000	\$ 2,000
Kirkland Downtown Association (KDA)	<b>Classic Car Show</b> – Funding to market the car show, a cooperative effort of the Legends Car Club and KDA, which brings cars from all over the Northwest and California, and visitors to downtown Kirkland	\$ 3,500	\$ 2,000
Kirkland Downtown Association (KDA)	<b>Kirkland Downtown Association General Promotion</b> – Funding requested for office staffing, holiday lighting and shopping, and Jazz performance and 2 <sup>nd</sup> Thursday promotion.	\$17,180	\$ 2,000
Kirkland Interfaith Transitions in Housing (KITH)	<b>Seven Hills of Kirkland</b> – Funding to be used to support an event guide, advertisements in sports magazines, direct mailings to cyclists, and the creation of event merchandise.	\$ 5,250	\$ 2,000
Kirkland Performance Center	<b>Marketing Brochure</b> – Funding for a major marketing piece that will draw patrons from across the Puget Sound area and beyond to KPC and market Kirkland as a cultural tourism destination.	\$10,000	\$ 2,000
Pro-Motion Events, Inc	12 K’s of Christmas –Funding to be used for ads, expo booth design, and booth rental fee at Seattle Marathon Expo, graphic design and brochure.	\$ 3,590	\$ 2,000
Total		\$76,250	\$30,000

\*The LTAC recommended that all events that could demonstrate the generation of a substantial number of overnight stays should be designated Tier 1 events and funded at the \$8,000 level. All other events were determined to be primarily Tier 2 or daytrip events and funded at the \$2,000 level.