



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.ci.kirkland.wa.us

MEMORANDUM

To: David Ramsay, City Manager
From: Tracey Dunlap, Director of Finance and Administration
Date: January 7, 2010
Subject: Budget Update

RECOMMENDATION:

City Council receive information on the budget status and upcoming processes.

DISCUSSION:

Since the mid-biennial budget adjustments were adopted at the December 15 City Council meeting, the Financial Planning staff has been updating the line item budgets to reflect the detailed adjustments to provide City departments with revised information to manage from in 2010. Given the broad scope of the changes adopted, this process is expected to be complete by January 15. In addition, the activities associated with year-end closing are taking place throughout the Finance Department, in advance of the preparation of the Comprehensive Annual Financial Statement and the arrival of the State Auditor's Office in early March. As in all government organizations, the December 2009 books will not be "closed" for several weeks, at which time we will have the final 2009 financial results.

We are providing the November 2009 Dashboard Report (Attachment A) and the November Investment Summary report (Attachment B), which would ordinarily be reviewed at the Council Finance Committee meeting; however, the Committee did not meet in December. As you will see, results are continuing in the same pattern as we have seen throughout 2009. We have received the December sales tax results (for October retail sales), which are also attached (Attachment C). Overall, December sales tax revenue is down 13.3 percent compared to December 2008 and year-to-date revenue is down 18.5 percent compared to last year. Actual 2009 revenue is behind 2008 by almost \$2.8 million. Final year-end 2009 results will not be available until after the January 19 meeting and we will be preparing the 4th Quarter Financial Management Report (FMR) in February for inclusion in the City Council Retreat packet for early March.

As we look forward into 2010, we will be undertaking a variety of budget activities simultaneously throughout the year, including:

- Updating the expenditure service packages for 2011-2012 associated with annexation and developing a month-by-month cash flow analysis to support the decision-making process.

- Preparing the financial condition and strategies discussion for the March City Council Retreat, which will include a policy analysis of sustainable budgeting practices.
- Developing the 2011-2016 Capital Improvement Program, which will include an initial assessment of immediate annexation projects.
- Implementing a major upgrade to the financial system, which is expected to provide additional tools for budget reporting.
- Updating the rates for all City utilities and development fees (in conjunction with Public Works and the Development Services Team).
- Restructuring the City's fund structure to recognize changes in Government Accounting Standards Board requirements and in preparation for the 2011-2012 budget process.
- Developing the 2011-2012 budget, both for the existing City and for the implementation of the annexation. It will be necessary to identify the annexation-related costs separately in this initial budget development to support the use of the State Sales Tax credit funds.

The 2011-2012 budget will be unique in that comparisons of the budget to prior years will not be particularly meaningful, both due to the changes in the fund structure and the additional of annexation revenues and expenditures. In the next several weeks, Financial Planning will be developing a detailed schedule for these events, including identifying needed Council action dates and periodic check-ins.

We anticipate that a budget adjustment will be brought forward in late February or early March to reflect the final results of the 3.4% compensation reduction negotiations (furloughs or other position reductions). Given the economy and the challenges facing the City as we look ahead to 2011-2012, frequent and complex discussions of the budget will continue throughout 2010, as they dominated the agenda for 2009.

November 2009 Financial Dashboard Highlights

December 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 eleven months of data, which is 91.67% of the year complete.
- Total General Fund revenues are below expectations due to the following:
 - November sales tax revenue is down 16 percent compared to November 2008. This decline is higher than that posted in October, reflecting the end of the “cash for clunkers” impacts. However, the local automotive/gas retail sector was down only 7.9 percent for the month compared to November 2008, which is much better than the national trend of about 30 percent decline. Year-to-date revenue is down 19 percent compared to the same period last year. Actual 2009 revenue is behind the same period in 2008 by over \$2.6 million. Sales tax revenue received this month is for activity in September. To provide additional context, year-to-date sales tax revenue is down almost \$4 million compared to the same period in 2007.
 - The decline in business license revenues continues, with November monthly revenues falling short of projections by over \$47,000; year-to-date, we have collected 72.1% 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.
 - Utility tax receipts continue to lag budget, at 84% year-to-date in 2009 versus 91% last year.
 - Development revenues continue to be down, especially in Building, but expenditure reductions have been implemented to help offset the shortfall. Further discussion of November 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.
 - Fire Suppression overtime in November was \$60,422, with the year-to-date actual exceeding the annual budget by \$98,188. It appears that this line item may be over-budget by less than the Department’s estimate of \$272,000.
 - Jail Contract Costs have exceeded the budget, but under-expenditures by the Police Department in other categories are expected 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: November Dashboard
Development Services Highlights

Annual Budget Status as of **11/30/2009** (Note 1)
 Percent of Year Complete **91.67%**

	2009 Original Budget	2009 Amended Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
					Current Month	Last Month	
General Fund							
		(Note 2)					
Total Revenues	59,821,768	58,393,326	52,370,900	89.7%			
Total Expenditures	61,552,551	60,349,757	53,181,778	88.1%			

Key Indicators (All Funds)

<i>Revenues</i>							
Sales Tax	14,700,801	12,020,059	11,280,790	93.8%			Prior YTD = \$13,919,334 Jan-Nov 2008 was 92.6% of budget
Utility Taxes	11,586,963	11,586,963	9,768,570	84.3%			
Business License Fees	3,077,720	3,077,720	2,219,513	72.1%			Significant decline from estimates
Development Fees	3,373,273	2,775,891	2,393,106	86.2%			
Gas Tax	1,133,278	1,133,278	962,036	84.9%			
<i>Expenditures</i>							
GF Salaries/Benefits	42,645,103	41,943,803	37,603,703	89.7%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	719,190	719,190	817,378	113.7%			May be over-budget by less than estimated by Fire Dept (\$272K)
Contract Jail Costs	899,680	899,680	951,046	105.7%			Underexpending in other categories to offset
Fuel Costs	558,310	367,242	310,209	84.5%			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 – November 2009

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

- The November 2009 statistics continue to follow the trend that we witnessed in the second half of 2008. New single family residential permit applications showed some improvement in November (11 applications received compared to 1 in November 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 (271 applications year to date compared to 338 last year).
- The monthly average for 2009 (188) is lower than the monthly average for 2008 (222), although the total number of permits received in November 2009 (161) is only slightly lower than November 2008 (166).
- Building Department revenue for November 2009 was \$115,440, which is below our revised projected monthly revenue average of \$181,125 for 2009. Year to date total revenue projected for the first 11 months falls short by \$252,480. We have been making on-going expenditure reductions to help offset this shortfall in revenue.
- Public Works Department development revenue for November 2009 was \$19,374, which is below our monthly projected revenue average of \$43,285. This revenue brings the year-to-date revenue for Public Works to \$525,688 which is \$6,270 short of the \$519,418 budgeted revenue estimate.
- Planning Department revenue for November 2009 was \$16,565, which is above our projected adjusted monthly revenue average of \$15,950 for 2009. Year to date total revenue is 133% of budget.
- The redesigned McLeod project received DRB approval in November. 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. We expect them to apply for their permit in January.
- Touchstone is continuing the design review process for the redevelopment of Park Place. To date, the DRB has held 9 project review meetings and has tentatively approved Building A at the gateway corner. Buildings B and C along 6th Street will undergo review in December and the remaining 4 buildings in early 2010 with a Project Decision anticipated in late winter/early spring. 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
Portfolio Management
Portfolio Summary
November 30, 2009**

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
State Investment Pool	41,450,727.25	41,450,727.25	41,450,727.25	42.70	1	1	0.328	0.333
Passbook/Checking Accounts	6,394,043.51	6,394,043.51	6,394,043.51	6.59	1	1	0.296	0.300
Federal Agency Issues - Coupon	43,000,000.00	43,790,072.50	42,944,897.33	44.24	1,267	718	3.586	3.636
Miscellaneous Securities - Coupon	6,180,000.00	6,530,409.70	6,278,559.55	6.47	1,359	988	4.015	4.070
	97,024,770.76	98,165,252.96	97,068,227.64	100.00%	649	382	2.006	2.034

Investments	Total Earnings	
	November 30 Month Ending	Fiscal Year To Date
Current Year	176,213.54	2,620,694.19
Average Daily Balance	97,540,737.19	97,759,537.21
Effective Rate of Return	2.20%	2.93%

Michael Olson
 Michael Olson, Deputy Director, Finance & Admin.

12-17-09

State of Washington
Date: 11/30/2009 5:14 pm

Local Government Investment Pool

Treasury Management System
ReportID: LgipStatement

Statement of Account for No: 01090

November 2009

Primary Account

TRACEY DUNLAP
CITY OF KIRKLAND
123 5TH AVE
KIRKLAND, WA 98033-6189

Date	Description	Deposits	Withdrawals	Balance
10/31/2009	Ending Balance			34,150,225.72
11/3/2009	Deposit	6,000,000.00	0.00	40,150,225.72
11/30/2009	Direct Deposit	1,289,618.75	0.00	41,439,844.47
11/30/2009	Earnings	10,882.78	0.00	41,450,727.25

Account Summary

Previous Month's Balance:	34,150,225.72	Gross Earnings:	12,027.52
Deposits:	7,289,618.75	Administrative Fee:	1,144.74
Withdrawals:	0.00	Net Earnings:	10,882.78
Ending Balance:	41,439,844.47	Net Ending Balance:	41,450,727.25
Administrative Fee Rate:	0.0350 %	Average Daily Balance:	39,793,213.01
Gross Earnings Rate:	0.3677 %		
Net Earnings Rate:	0.3327 %		



Account Name: CITY OF KIRKLAND
 Account Number: 777224149

SUMMARY - USD

For period 11/01/2009 - 11/30/2009

ACTIVITY - Settled/Cleared Cash Activity

<u>Transaction Type</u>	<u>Amount</u>
Purchases	0.00
Purchase Reversals	0.00
Sales	0.00
Sale Reversals	0.00
Withdrawals	0.00
Receipts	0.00
Deliveries	0.00
Principal Reversals	0.00
Interest	288,400.00
Interest Reversals	0.00
Interest Adjustments	0.00
Maturities	0.00
Calls	5,975,000.00
Puts	0.00
Paydowns	0.00
Paydown Adjustments	0.00
Payups	0.00
Payup Adjustments	0.00
Cash Dividends	0.00
Balance Changes	0.00
Stock Dividends	0.00
Closeouts	0.00
Net Activity	6,263,400.00

Your Sales Representative is: CRAIG J. OLIVER
 (888) 827-4381

Statement Contents

- *Summary
- *Activity - Settled/Cleared Cash Activity
- *Activity - Projected Activity for Next Statement Period
- *Holdings
- *Cash Flow Projections

HOLDINGS - Custody

<u>Category</u>	<u>Par/Shares</u>	<u>Original Face</u>	<u>Principal Cost</u>	<u>Market Value</u>
US Government Agency Securities	43,000,000.00	43,000,000.00	42,944,897.33	43,752,289.00
Municipal Securities	6,180,000.00	6,180,000.00	6,278,559.55	6,555,183.05
Total Custody Holdings	49,180,000.00	49,180,000.00	49,223,456.88	50,307,472.05



IF YOU HAVE QUESTIONS ABOUT YOUR ACCOUNT, CALL YOUR COMMERCIAL ACCOUNTS SERVICE CENTER REPRESENTATIVE TOLL FREE AT 1.800.426.1411. TTY/TDD USERS MAY CALL 1.800.232.6299 TOLL FREE.

CITY OF KIRKLAND
 GENERAL ACCOUNT
 ATTN TREASURY MANAGER
 123 5TH AVE
 KIRKLAND WA 98033-6121

ACCOUNT NUMBER
 16754004
 STATEMENT PERIOD
 11-01-2009 TO 11-30-2009
 C OSK O



CHECKING

CORPORATE CHECKING		16754004
BEGINNING BALANCE	5,000,000.00	
TOTAL CREDITS	24,926,825.47	
TOTAL MISC DEBITS	20,103,879.68	
TOTAL CHECKS	4,822,945.79	
SERVICE CHARGES/FEES	.00	
ENDING BALANCE	5,000,000.00	
NUMBER OF CREDITS	338	
NUMBER OF MISC DEBITS	38	
NUMBER OF CHECKS	810	

ACTIVITY DETAIL

POSTED	TRANSACTION DESCRIPTION/SERIAL NUMBER	DEBIT AMOUNT	CREDIT AMOUNT	REFERENCE #
11-02	SETTLEMENTAMERICAN EXPRESS0000004480			
11-02	SETTLEMENTAMERICAN EXPRESS0000004480		20.29	LACH264564
11-02	VENDOR PAYWA STATE OFM 281374		27.78	LACH045294
11-02	PAYMENT BAC PAYMODE 620373263		3,117.60	LACH826740
11-02	PROP TAX KING COUNTY 073098510		23,346.77	LACH141979
11-02	PROP TAX KING COUNTY 073094010		150,809.18	LACH726420
11-02	PROP TAX KING COUNTY 073090010		432,236.42	LACH726421
11-03	SETTLEMENTAMERICAN EXPRESS0000004480		1,387,278.49	LACH726422
11-03	PAYMENT BAC PAYMODE 620373847		17.70	LACH771728
11-03	PROP TAX KING COUNTY 073098510		31,239.92	LACH108142
11-03	PROP TAX KING COUNTY 073094010		34,463.14	LACH537974
11-03	PROP TAX KING COUNTY 073090010		113,503.52	LACH537975
11-03	FUNDS TRANSFER FROM DDA ACCOUNT 00000078960911		317,312.20	LACH537976
11-04	PAYMENT BAC PAYMODE 620374342		5,648,493.40	I-GEN10911
11-04	PROP TAX KING COUNTY 073098510		34,032.13	LACH872452
11-04	PROP TAX KING COUNTY 073094010		53,674.77	LACH496453
11-04	PROP TAX KING COUNTY 073090010		143,157.86	LACH496454
11-05	SETTLEMENTAMERICAN EXPRESS0000004480		433,324.75	LACH496455
11-05	PROP TAX KING COUNTY 073098510		11.44	LACH397545
11-05	VENDOR PAYWA STATE OFM 284219		403.96	LACH300360
11-05	PROP TAX KING COUNTY 073094010		645.06	LACH844371
11-05	PROP TAX KING COUNTY 073090010		3,398.51	LACH300361
11-05	PAYMENT BAC PAYMODE 620374970		3,710.53	LACH300362
11-05	WIRE IN TIME:0959 ET TRN:2009110500107599		13,970.70	LACH503308
11-06	SETTLEMENTAMERICAN EXPRESS0000004480		3,046,400.00	TTFT107599
11-06	VENDOR PAYWA STATE OFM 293559		7.43	LACH835635
11-06	PAYMENT BAC PAYMODE 620375456		8,607.52	LACH744773
11-06	PROP TAX KING COUNTY 073098510		15,493.32	LACH828232
11-06	PROP TAX KING COUNTY 073094010		99,393.72	LACH790990
11-06	PROP TAX KING COUNTY 073090010		394,178.75	LACH790991
11-09	SETTLEMENTAMERICAN EXPRESS0000004480		916,071.13	LACH790992
11-09	SETTLEMENTAMERICAN EXPRESS0000004480		10.56	LACH679956
			27.82	LACH188048

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ACCOUNT STATEMENT

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PUBLIC SECTOR BKG-WA/ID
800 FIFTH AVENUE
SEATTLE WA 98104

PAGE 1 OF 2

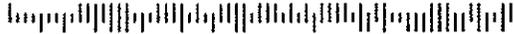


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TOLL FREE AT 1.800.426.1411.
TTY/TDD USERS MAY CALL 1.800.232.6299 TOLL FREE.

HD 0030 00 000 361 030668 #001 AV 0.335

CITY OF KIRKLAND
SWEEP ACCOUNT
ATTN TREASURY MANAGER
123 5TH AVE
KIRKLAND WA 98033-6121

ACCOUNT NUMBER
78960911
STATEMENT PERIOD
11-01-2009 TO 11-30-2009
C 1SK 0



IMPORTANT INFORMATION ABOUT YOUR ACCOUNT

We recently made changes to our \$35 Overdraft Item Fee. Effective as of 10/19/09, when we determine your account is overdrawn by a total amount less than \$10 for a day, we do not charge overdraft item fees on the account that day. We also lowered the combined number of overdraft & returned item fees that we may charge an account to no more than 4 per day. Please note other fees may still apply, such as the Extended Overdrawn Balance Charge. For more info, visit www.bankofamerica.com/factsaboutfees

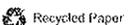
SUMMARY OF YOUR ACCOUNTS

CHECKING		SAVINGS	
<u>FIRSTCHOICE BUS. INT.</u>	<u>78960911</u>	<u>FIRSTCHOICE BUSINESS</u>	<u>78960911</u>
BEGINNING BALANCE	5344801.11	BEGINNING BALANCE	.00
DEPOSITS	10899464.87	ENDING BALANCE	.00
INTEREST THIS PERIOD	1296.76	AVERAGE DAILY BAL	.00
WITHDRAWALS	9057307.33		
ENDING BALANCE	7188255.41		
MINIMUM BALANCE	2186834.61		
TOTAL NUMBER OF CHECKS	0		
INTEREST YEAR-TO-DATE	8,177.58		
ANNUAL PERCENTAGE YIELD EARNED	.30%		
DAYS INTEREST EARNED	30		

FIRSTCHOICE BUS. INTEREST CHECKING ACTIVITY

POSTED	TRANSACTION DESCRIPTION/SERIAL NUMBER	DEBIT AMOUNT	CREDIT AMOUNT	REFERENCE #
11-02	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		2,490,526.90	I-GEN10911
11-04	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		331,856.43	I-GEN10911
11-05	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		3,186,236.61	I-GEN10911
11-06	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		372,615.38	I-GEN10911
11-10	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		587,339.92	I-GEN10911
11-17	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		311,947.87	I-GEN10911
11-18	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		151,492.50	I-GEN10911
11-19	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		68,987.66	I-GEN10911
11-25	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		266,083.38	I-GEN10911
11-27	FUNDS TRANSFER FROM DDA ACCOUNT 000000016754004		3,132,378.22	I-GEN10911
11-30	INTEREST PAYMENT		1,296.76	I-GEN10911
11-03	FUNDS TRANSFER TO DDA ACCOUNT 000000016754004	5,648,493.40		I-GEN10911
11-09	FUNDS TRANSFER TO DDA ACCOUNT 000000016754004	306,406.98		I-GEN10911
11-12	FUNDS TRANSFER TO DDA ACCOUNT 000000016754004	800,848.06		I-GEN10911
11-13	FUNDS TRANSFER TO DDA ACCOUNT 000000016754004	228,938.74		I-GEN10911
11-16	FUNDS TRANSFER TO DDA ACCOUNT 000000016754004	126,870.19		I-GEN10911

CONTINUED



City of Kirkland
Investment Portfolio Analysis
As of November 30, 2009

Month	Kirkland Portfolio				Monthly Interest Earned				Year to Date Interest Earned*			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
January	84,055,869.85	96,909,155.99	103,988,286.94	103,541,786.98	272,737.24	280,819.31	444,988.46	274,939.49	272,737.24	280,819.00	444,988.46	274,939.49
February	82,830,671.86	96,085,321.27	103,679,277.19	102,716,691.52	262,077.02	381,883.77	382,743.31	275,472.76	519,581.45	658,819.21	818,477.50	540,907.48
March	82,863,554.44	95,346,025.83	103,711,918.61	97,432,252.91	171,177.34	358,862.64	366,551.37	299,032.12	792,366.65	1,017,501.85	1,171,103.08	830,395.66
April	86,728,062.30	101,516,820.60	105,547,783.40	99,585,851.15	277,517.31	466,647.89	349,945.00	263,979.46	1,073,064.10	1,484,149.74	1,496,414.93	1,094,381.35
May	90,880,252.42	104,582,719.89	109,507,596.54	101,219,267.24	313,201.61	414,428.13	360,747.55	249,214.19	1,408,977.23	1,898,577.87	1,852,065.76	1,346,424.04
June	89,488,838.61	102,630,107.80	105,653,810.36	94,275,179.32	316,637.53	408,752.06	425,863.14	249,387.78	1,707,794.36	2,282,025.48	2,270,026.87	1,596,396.75
July	91,050,653.83	101,847,425.12	103,951,542.45	93,934,600.51	332,358.09	411,511.68	390,061.86	242,559.23	2,047,486.59	2,681,060.12	2,666,274.18	1,844,066.13
August	92,595,514.28	102,297,705.53	102,258,867.53	92,304,934.02	268,890.72	414,903.75	339,485.75	213,486.32	2,325,925.07	3,112,489.03	3,009,290.87	2,056,672.45
September	91,116,452.56	101,786,112.17	101,335,890.13	90,782,010.62	336,470.75	409,907.94	318,008.60	201,104.11	2,667,986.50	3,511,311.19	3,340,875.93	2,256,492.05
October	96,386,548.59	107,127,775.67	105,524,775.93	92,910,515.99	340,479.21	420,305.41	321,953.37	188,460.58	3,010,942.45	3,920,032.46	3,663,564.22	2,444,762.05
November	98,841,841.83	109,802,765.61	107,919,426.21	97,068,227.64	363,376.96	449,864.28	328,826.66	176,213.54	3,403,956.58	4,401,098.09	3,983,178.44	2,620,694.19
December	97,907,593.59	105,897,534.48	105,638,449.55		367,519.79	438,092.68	307,183.45		3,773,836.94	4,841,504.74	4,267,304.67	
Average	90,378,821.18	102,152,455.83	104,893,135.40	96,886,301.63	301,870.30	404,664.86	361,363.21	239,440.87	n/a	n/a	n/a	n/a

*Will not foot to Monthly Interest Earned due to calls

Month	Kirkland Yield to Maturity				State Pool Yield				2 Yr T-Bill				YTD Interest**		% of Budget	
	City 2006	City 2007	City 2008	City 2009	State2006	State2007	State2008	State2009	Tbill 2006	Tbill 2007	Tbill 2008	Tbill 2009	2009	Budget 2009	Actual	Budget
January	3.89%	4.55%	4.80%	3.24%	4.23%	5.21%	4.36%	1.27%	4.54%	4.94%	2.17%	0.94%	188,640.59	75,300.00	6%	3%
February	3.94%	4.58%	4.55%	3.37%	4.42%	5.28%	3.79%	1.07%	4.69%	4.65%	1.65%	1.00%	213,933.64	130,300.00	7%	4%
March	3.97%	4.56%	4.27%	3.30%	4.50%	5.24%	3.14%	1.03%	4.82%	4.58%	1.62%	0.81%	482,288.56	352,820.50	16%	12%
April	4.09%	4.69%	4.16%	3.05%	4.66%	5.23%	2.70%	0.89%	4.87%	4.60%	2.29%	0.91%	782,192.03	806,670.50	27%	27%
May	4.14%	4.75%	4.01%	2.95%	4.85%	5.19%	2.43%	0.67%	5.04%	4.92%	2.66%	0.92%	1,076,698.52	1,116,320.50	37%	38%
June	4.32%	4.79%	3.98%	2.84%	4.99%	5.21%	2.29%	0.74%	5.16%	4.87%	2.63%	1.11%	1,652,439.95	1,559,820.50	56%	53%
July	4.36%	4.82%	3.94%	2.75%	5.16%	5.21%	2.28%	0.62%	4.97%	4.56%	2.52%	1.13%	1,760,642.24	1,628,870.50	60%	55%
August	4.42%	4.87%	3.95%	2.65%	5.19%	5.23%	2.33%	0.57%	4.79%	4.15%	2.36%	0.97%	1,986,880.16	1,677,620.50	68%	57%
September	4.41%	4.99%	3.76%	2.65%	5.20%	5.12%	2.39%	0.47%	4.71%	3.97%	2.00%	0.95%	2,019,624.00	1,851,370.50	69%	63%
October	4.45%	4.77%	3.80%	2.43%	5.19%	4.91%	2.47%	0.42%	4.71%	3.94%	1.56%	0.90%	2,203,389.91	2,266,470.50	75%	77%
November	4.48%	4.90%	3.61%	2.03%	5.22%	4.70%	2.19%	0.33%	4.62%	3.04%	1.00%	0.67%	2,492,253.45	2,569,870.50	85%	87%
December	4.51%	4.89%	3.57%		5.21%	4.56%	1.82%		4.82%	3.05%	0.76%			2,937,370.50	0%	100%
Average	4.25%	4.75%	4.03%	2.84%	4.90%	5.09%	2.68%	0.73%	4.81%	4.27%	1.94%	0.94%	n/a	2,937,370.50	n/a	n/a

City of Kirkland
Investment Portfolio
Average Life
As of 11/30/2009

	Actual	Target	2 Yr T-Note
Avg Days to Maturity	382	274 - 365	0.67%
Avg Years to Maturity	1.05	.75 - 1.00	

City of Kirkland
Investment Portfolio
Maturity Structure
As of 11/30/2009

Days to Maturity	Latest Maturity Dates	Amount	% of the Total	Target %
Overnight	11/1/2009	47,844,770.76	49.3%	
2 days to 6 mo	4/20/2010	4,858,061.33	5.0%	
6 mo to 1 yr	11/15/2010	2,105,436.00	2.2%	
1 yr to 2 yrs	11/23/2011	9,988,350.00	10.3%	
2 yrs and less subtotal		64,796,618.09	66.8%	> 65.0%
2 yrs to 3 yrs	6/25/2012	22,053,325.00	22.7%	
3 yrs to 4 yrs	2/25/2013	10,218,284.55	10.5%	
4 yrs to 5 yrs		0.00	0.0%	
Greater than 2 yrs		32,271,609.55	33.2%	< 35.0%
<i>Total</i>		97,068,227.64	100.0%	

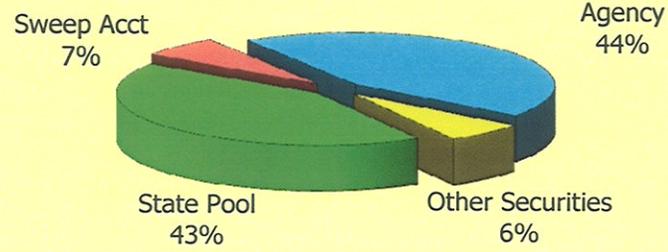
City of Kirkland
Investment Portfolio
Diversification Structure
As of 11/30/2009

Type of Security	Amount	Type %	Type Max %	Class Max %
Local Government Investment Pool	41,450,727.25	43%		100%
Bank Sweep Account	6,394,043.51	7%		
Federal Farm Credit Bank	19,981,400.00	21%	50%	
Federal Home Loan Bank	18,105,436.00	18%	50%	
Federal Home Loan Mtg Corp	947,903.25	1%	50%	
Federal Nat't Mtg Assn	3,910,158.08	4%	50%	
Federal Agency Total	42,944,897.33	44%		100%
Other Securities	6,278,559.55	6%	50.0%	
Total Portfolio	97,068,227.64	100%	n/a	n/a

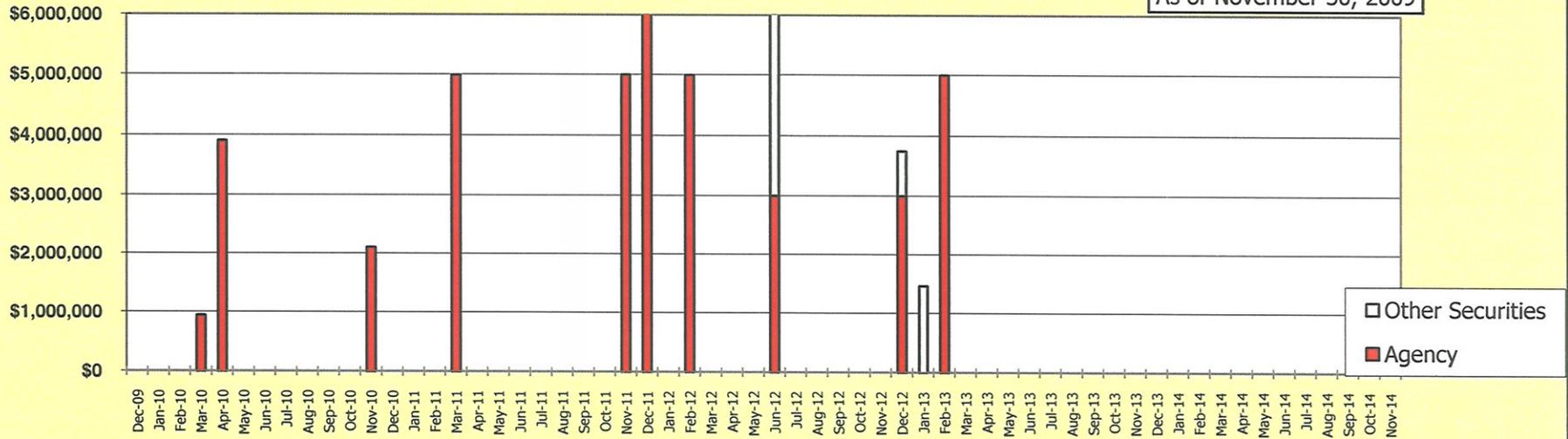
Investments by Category

State Investment Pool
\$41,450,727.25

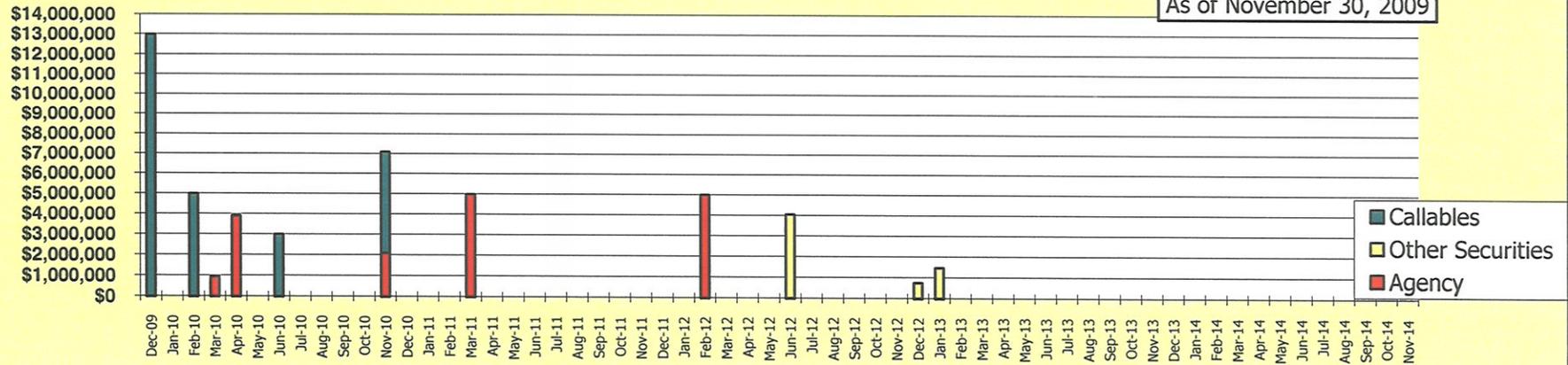
Total Portfolio
\$97,068,227.64

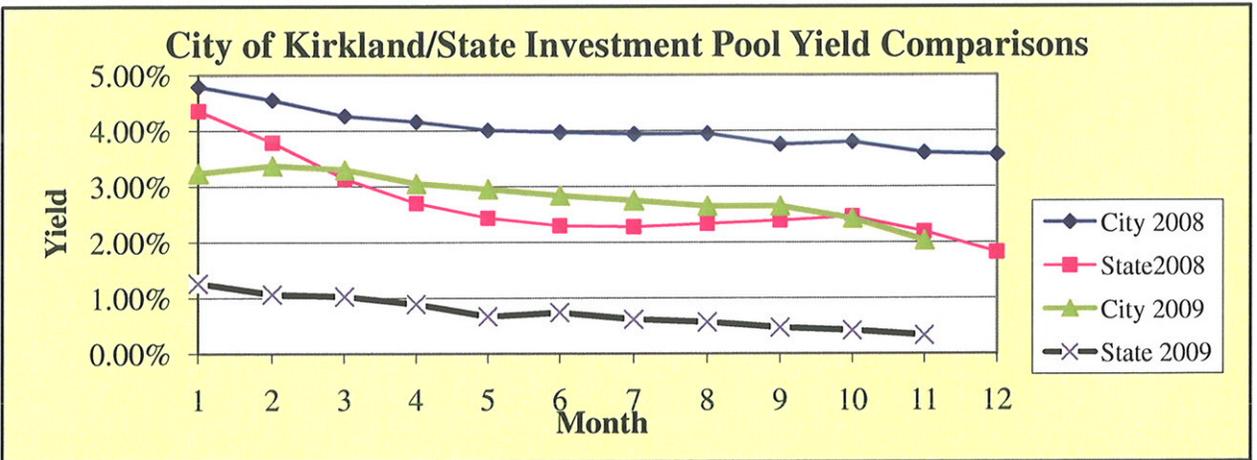
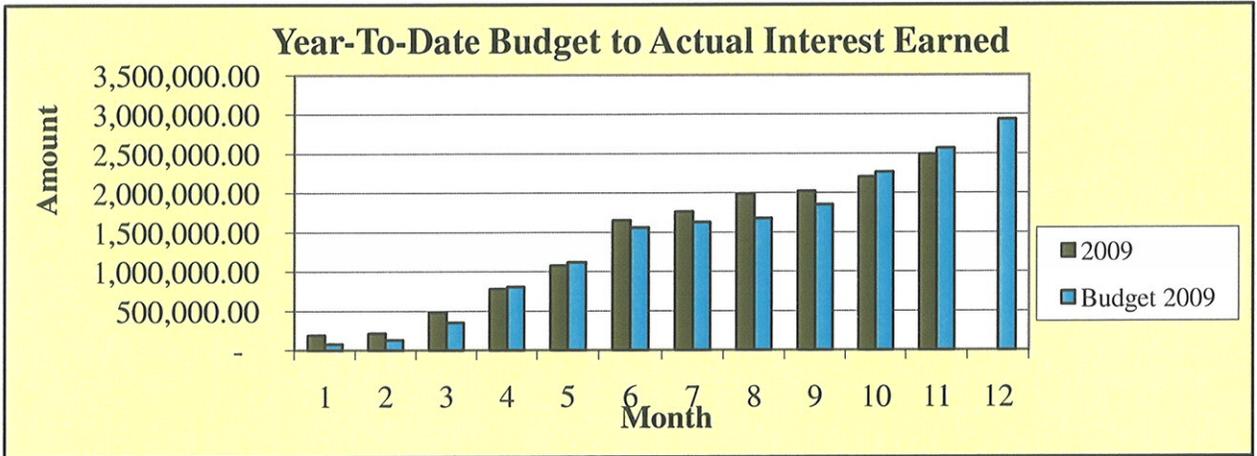
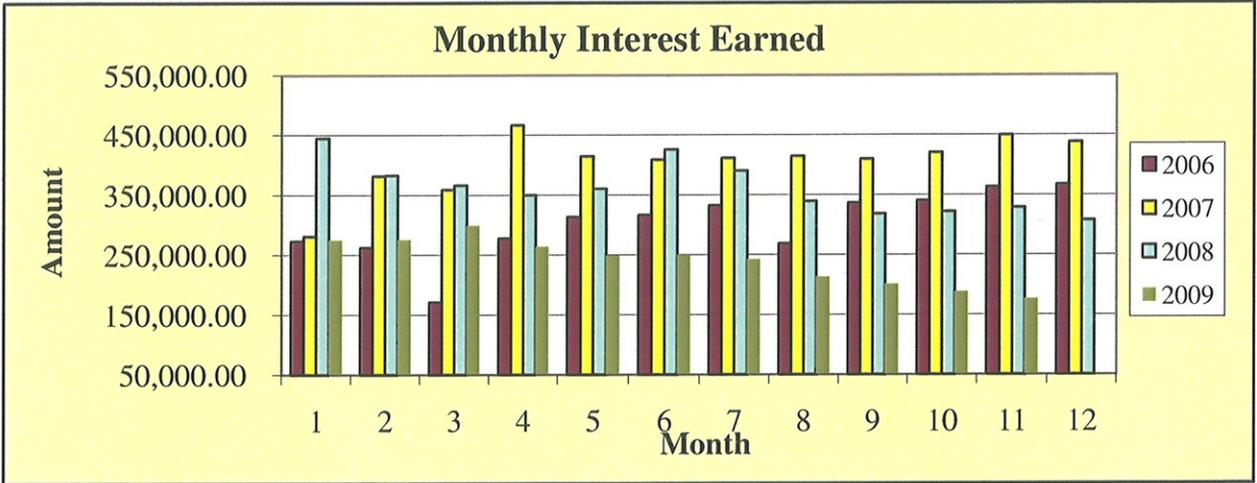
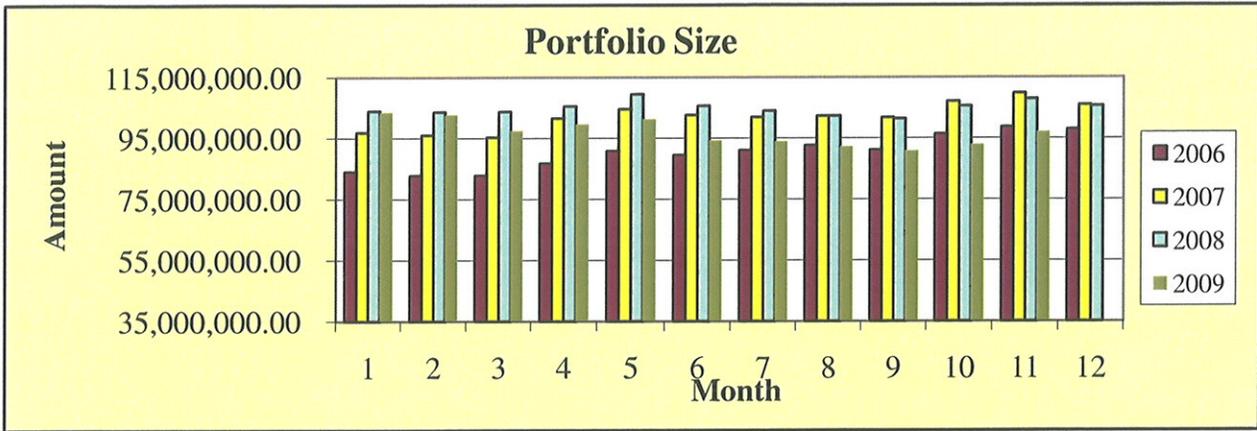


Portfolio Maturities As of November 30, 2009



Maturities and Calls As of November 30, 2009





**City of Kirkland
Portfolio Management
Portfolio Details - Investments
November 30, 2009**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
State Investment Pool												
SYS1	1	State Investment Pool			41,450,727.25	41,450,727.25	41,450,727.25	0.333		0.333	1	
Subtotal and Average			39,793,575.77		41,450,727.25	41,450,727.25	41,450,727.25			0.333	1	
Passbook/Checking Accounts												
SYS488	488	Bank of America Sweep Account			6,394,043.51	6,394,043.51	6,394,043.51	0.300		0.300	1	
Subtotal and Average			5,527,037.87		6,394,043.51	6,394,043.51	6,394,043.51			0.300	1	
Federal Agency Issues - Coupon												
3128X0P60	499	Federal Home Loan Mtge Corp.		06/28/2006	1,000,000.00	1,013,510.00	947,903.25	4.000		5.568	106	03/17/2010
3136F6W54	495	Federal National Mtg Assn.		05/19/2006	2,000,000.00	2,037,500.00	1,966,400.00	4.810		5.293	125	04/05/2010
31359MA94	498	Federal National Mtg Assn.		06/28/2006	2,000,000.00	2,040,000.00	1,943,758.08	4.750		5.577	140	04/20/2010
3133MCLA1	491	Federal Home Loan Banks		05/19/2006	2,000,000.00	2,125,625.00	2,105,436.00	6.625		5.290	349	11/15/2010
31331YWG1	533	Federal Farm Credit Bank		11/21/2008	5,000,000.00	5,154,687.50	4,988,350.00	3.000		3.105	457	03/03/2011
3133XSN95	532	Federal Home Loan Banks		11/24/2008	5,000,000.00	5,140,625.00	5,000,000.00	3.150		3.150	722	11/23/2011
31331GGQ6	534	Federal Farm Credit Bank		12/15/2008	5,000,000.00	5,012,500.00	5,000,000.00	3.000		3.000	744	12/15/2011
3133XSQH4	537	Federal Home Loan Banks		12/29/2008	5,000,000.00	5,017,187.50	5,000,000.00	3.000		3.000	758	12/29/2011
31331GND7	542	Federal Farm Credit Bank		03/13/2009	5,000,000.00	5,093,750.00	4,993,050.00	2.250		2.299	808	02/17/2012
3133XLGK3	511	Federal Home Loan Banks		06/25/2007	3,000,000.00	3,102,187.50	3,000,000.00	5.750		5.750	937	06/25/2012
3133XNPD5	521	Federal Home Loan Banks		12/14/2007	3,000,000.00	3,015,000.00	3,000,000.00	4.500		4.500	1,109	12/14/2012
31331NGO	541	Federal Farm Credit Bank		02/25/2009	5,000,000.00	5,037,500.00	5,000,000.00	3.000		3.000	1,182	02/25/2013
Subtotal and Average			45,941,564.00		43,000,000.00	43,790,072.50	42,944,897.33			3.636	718	
Miscellaneous Securities - Coupon												
68607LXL6	531	Oregon State Taxable Pension B		11/19/2008	2,700,000.00	2,861,271.00	2,788,965.00	4.755		3.750	913	06/01/2012
250343FR6	536	Deschutes School District		12/23/2008	1,240,000.00	1,319,099.60	1,271,310.00	3.750		2.985	927	06/15/2012
735524JB7	535	Port of Vancouver, WA		12/18/2008	755,000.00	783,289.85	754,713.10	4.300		4.310	1,096	12/01/2012
387883KH	530	Grant County PUD #2		10/31/2008	1,485,000.00	1,566,749.25	1,463,571.45	5.110		5.500	1,127	01/01/2013
Subtotal and Average			6,278,559.55		6,180,000.00	6,530,409.70	6,278,559.55			4.070	988	
Total and Average			97,540,737.19		97,024,770.76	98,165,252.96	97,068,227.64			2.034	382	



CITY OF KIRKLAND
Department of Finance & Administration
 123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
 www.ci.kirkland.wa.us

MEMORANDUM

To: Dave Ramsay, City Manager

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

Date: November 23, 2009

Subject: November Sales Tax Revenue Analysis – READING FILE

November sales tax revenue is **down 16 percent** compared to November 2008. The local automotive/gas retail sector was down only 7.9 percent for the month compared to November 2008, which is much better than the national trend of about 30 percent decline. **Year-to-date** revenue is **down 19 percent** compared to the same period last year. Actual 2009 revenue is behind the same period in 2008 by over \$2.6 million. Sales tax revenue received this month is for activity in September.

The primary sectors keeping November 2009 overall performance negative compared to November 2008 are: contracting (down 35.3 percent or about \$92,000), general merchandise/miscellaneous retail (down 19 percent or about \$33,000), wholesale (down 32.3 percent or about \$18,000), services (down 9.4 percent or about \$15,000) and retail eating/drinking (down 12.8 percent or about \$14,000).

The table below compares not only 2008 to 2009 by month, but also 2007 to 2008 and 2007 to 2009. The impact of the severe economic downturn that started last fall is reflected in December 2008 compared to December 2007 (reflecting October activity). This was the beginning of double-digit comparative monthly declines that occurred throughout 2009 (except last month). Next month should be an initial indicator whether our local economy has actually bottomed out. Year-to-date sales tax revenue is down almost \$4 million compared to the same period in 2007.

City of Kirkland Actual Monthly Sales Tax Receipts 2007-2009*

Month	Sales Tax Receipts			Percent Change 07 to 08	Percent Change 08 to 09*	Percent Change 07 to 09*
	2007	2008	2009*			
January	1,267,021	1,227,855	994,146	-3.1%	-19.0%	-21.5%
February	1,525,665	1,586,493	1,224,935	4.0%	-22.8%	-19.7%
March	1,154,890	1,112,704	954,492	-3.7%	-14.2%	-17.4%
April	1,604,395	1,085,739	867,726	-32.3%	-20.1%	-45.9%
May	1,496,755	1,367,777	1,007,790	-8.6%	-26.3%	-32.7%
June	1,422,662	1,073,094	900,631	-24.6%	-16.1%	-36.7%
July	1,428,250	1,253,751	945,876	-12.2%	-24.6%	-33.8%
August	1,253,921	1,388,993	1,091,599	10.8%	-21.4%	-12.9%
September	1,445,966	1,335,699	1,107,187	-7.6%	-17.1%	-23.4%
October	1,299,258	1,205,125	1,109,410	-7.2%	-7.9%	-14.6%
November	1,348,896	1,281,997	1,076,995	-5.0%	-16.0%	-20.2%
December	1,278,789	1,111,864		-13.1%	n/a	n/a
Total	16,526,468	15,031,091	11,280,787	-9.0%	-19.0%	-24.0%

*YTD through November

Business sector review:

- The **contracting** sector performance remains consistent, **down 35.8 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 (14 percent compared to 17.6 percent in 2008). The only significant activity this month is the Lake Washington High School replacement. The Bank of America redevelopment project is still just finishing the demolition phase and the Lake Washington College Allied Health Building and Downtown Transit Center broke ground in the last two months. Unfortunately, there are few large new projects currently in the pipeline, which could cause further revenue decline in 2010.
- Retail sectors sales tax revenue collectively are **down 13.1 percent** (just over \$1 million) compared to the same period in 2008.
 - Despite the positive performance last month and smaller decline this month, the **auto/gas retail** sector is **down 12.7 percent** year to date. This is over one third of the retail sector decline in sales tax revenue. As mentioned previously, the local dealerships seem to have experienced less of a negative impact from the end of the "cash for clunkers" program than the national trend. National sales improved somewhat in October; the results for local dealerships will be reflected in next month's receipts. This largest retail sector greatly impacts total sales tax receipts.
 - The **general merchandise/miscellaneous retail** sector is **down 13.3 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 13.3 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 13.3 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.
- **Wholesale** is **down 39.6 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 14.4 percent** compared to the same period last year, primarily due to the slumping finance/insurance and real estate sectors.
- The **services** sector is **down 14.2 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 eleventh month in a row, down about 15.6 percent compared to the same period last year after normalizing for a one-time event in 2008.
- The **communications** sector is **down 14.2 percent** compared to the same period last year due to changes in development activity as well as declining revenue from telecommunications companies. Last month, monthly revenue improved compared to the same month last year (up 6.5 percent). Apparently a positive trend has not been established as this month is down 15.6 percent compared to November 2008.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-November		Dollar Change	Percent Change	Percent of Total	
	2008	2009			2008	2009
Services	1,586,057	1,360,410	(225,647)	-14.2%	11.4%	12.1%
Contracting	2,456,020	1,576,063	(879,957)	-35.8%	17.6%	14.0%
Communications	514,147	441,095	(73,052)	-14.2%	3.7%	3.9%
Auto/Gas Retail	2,791,790	2,437,020	(354,770)	-12.7%	20.1%	21.6%
Gen Merch/Misc Retail	2,072,236	1,796,166	(276,070)	-13.3%	14.9%	15.9%
Retail Eating/Drinking	1,201,626	1,037,427	(164,199)	-13.7%	8.6%	9.2%
Other Retail	1,620,236	1,405,459	(214,777)	-13.3%	11.6%	12.5%
Wholesale	826,479	499,156	(327,323)	-39.6%	5.9%	4.4%
Miscellaneous	850,635	727,991	(122,644)	-14.4%	6.1%	6.5%
Total	13,919,226	11,280,787	(2,638,439)	-19.0%	100.0%	100.0%

Conclusion

November revenue performance is similar to previous months in 2009 except for October, which experienced the spike from the "cash for clunkers" program. The positive news for November is the potential significant decline in the automotive sector resulting from the end of the incentive program did not occur. However, development activity is remaining consistently at least 35 percent below the same period last year and retail sectors continue to struggle. As mentioned earlier, next month will be a key indication whether the local economy has reached bottom, since last December was the start of double-digit monthly declines. Development-related activity is not expected to improve until the overall economy has stabilized or major projects such as Totem Lake Mall or Park Place proceed.

Volatility in the economic situation is illustrated by the contrast in consumer confidence and consumer spending. U.S. consumer confidence unexpectedly increased in November to 49.5 from 48.7 in October despite continuing concerns about employment. In comparison, this index averaged 58 in 2008 and 103.4 in 2007.

Consumer spending trailed forecasts, which raises concerns about the strength of the recovery. The U.S. Commerce Department reported the third quarter gross domestic product grew at 2.8 percent (annual basis) compared to the prior estimate of 3.5 percent. Consumer spending grew at 2.9 percent annual pace compared to the 3.2 percent forecasted by economists and the 0.9 percent decline in the previous quarter.

Personal income in Washington State is improving, indicating economic recovery. However, consumers still aren't spending, instead putting money into savings and paying off debts according to Washington State Chief Economist Arun Raha recently. The slower-to-recover economy will generate \$760 million less in state revenue than he predicted just two months ago.

Nationally, holiday sales are expected to be anywhere from down 1 percent to up 3 percent compared to last year. A survey by the Consumer Federation of America indicates that consumers plan to spend more during this holiday season than during the depth of the recession last year and the National Retail Federation predicts an average of \$683 per person shopping budget. However, the Conference Board (responsible for the consumer confidence index) is projecting only \$390 in holiday shopping per household. Considering that the first dollar figure is per person and the second is per household, there is a significant variability in these projections. Based on past performance, the actual results will probably fall somewhere in the middle.

Local retailers are changing strategies this year, including carrying less high-priced merchandise and offering free gift wrapping according to a recent article in the Seattle Times. In addition to the recession last year, severe weather also significantly impacted last year's retail sales, which hopefully won't be repeated this year. So, once again, a lower base in 2008 may help improve the comparison to 2009. Revenue from November activity will be received in January.