



## MEMORANDUM

**To:** David Ramsay, City Manager  
**From:** Tracey Dunlap, Director of Finance and Administration  
**Date:** March 8, 2010  
**Subject:** City Council Retreat – Financial Update and Budget Process Planning

The purpose of this memo is to provide a brief recap of the year-end 2009 financial results, a discussion of the 2010 outlook, present the 2011-2016 financial forecast, and discuss preliminary annexation impacts. At the Retreat, we will also discuss the upcoming budget process and related policy issues.

### 2009 Year-End Results

The year-end results for 2009 are summarized in the Financial Management Report (FMR), which is included as Attachment A and was previously provided in the February 25 Council reading file. This section highlights those areas where actual results differed significantly from planned levels and that may impact the financial picture looking forward:

- The estimated 2009 **sales tax** in the amended budget assumed that revenues would decline 20% over 2008 actual receipts. Overall, sales tax ended the year down 18.5%, which represents a decline of almost \$2.8 million. To provide additional context, 2009 sales tax revenue was down almost \$4.3 million compared to 2007. At year end, all sectors experienced a double-digit decline in revenues from 2008 levels, with the contracting and wholesale sectors (which are heavily impacted by development activity) each declining by over 35%.
- **Business license revenues** fell short of the original 2009 budget by almost \$700,000. The revenue generating regulatory license portion of the fee (which was modified to be charged on a per FTE basis in 2009) generated just under \$2 million. 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 on the part of businesses.
- **Utility tax** receipts ended the year at about \$10.6 million, consistent with the amended budget, but the amended figure represents about 92% of the original budget. The declines were primarily in the economically-sensitive telecommunications and cable sectors.
- Actual 2009 **development fee revenues** fell short of the amended budget by over \$230,000. The budget was amended in June 2009 to reflect a projected reduction of almost \$600,000 from the adopted budget, so the actual results fell short of the original budget by over \$800,000. The Development Services functions have been actively reducing expenses

to help offset the shortfalls, in addition to the use of the Development Services reserve balance in the past two years.

- As part of the mid-biennium adjustments, the City Council approved the use of \$272,000 from the Contingency to fund the projected 2009 overage in the **fire overtime** budget. Actual fire overtime ended 2009 just over \$200,000 over budget, so the overtime budget was adjusted to reflect the actual results and the remaining contingency funds (about \$71,000) were placed in the Non-departmental budget. The City Council subsequently approved the use of most of this balance toward the final payment on the paging and alerting CIP project.
- **Contract jail costs** finished 2009 over budget by \$150,000, however, savings in other Police budget areas offset this overage. Efforts to secure more cost-effective contracts resulted in a reduction in costs later in the year, which is expected to continue in 2010.
- In most departments, the 2009 **expenditures** were under budgeted levels, due in part to turnover and vacancies in some departments, the implementation of reductions throughout the year, and 2009 budgeted expenditures that will actually occur in 2010. Overall, General Fund expenditures ended 2009 about \$1.8 million below budget, although total General Fund revenues ended the year \$160,000 below estimates. Of the net difference of about \$1.7 million:
  - The mid-biennial budget balancing strategy already assumed that \$800,000 in under-expenditures would occur.
  - Based on year-end accruals, about \$500,000 in budgeted expenditures committed in 2009 will actually be paid in 2010 (in other words, they do not truly represent under-expenditures in 2009, but are only a matter of timing).
  - As discussed below, the remaining \$400,000 should be considered for use in replenishing reserves.
- Consistent with the policy direction provided by the City Council during the mid-biennial budget review process, the remaining \$400,000 should be considered for **replenishment of reserves** that have been drawn down during 2008-2009. The City's adopted reserve policies call for replenishment of selected reserves as summarized below (shown in *italics*) with the staff recommendation:
  - *Council Contingency – "Replenished from the General Fund year-end transfer."* Staff recommends that this reserve be replenished to its target balance of \$250,000 through a year-end transfer of \$80,000.
  - *General Operating Reserve ("Rainy Day" fund) – Requires "a plan for replenishing the reserve within a two to three year period."* Since the use of this reserve is planned as a contingency in 2010 and will only occur if needed, no replenishment is required at this time.
  - *Revenue Stabilization Reserve – "Replenishing the reserve will constitute the first priority for use of year-end transfers from the General Fund."* Although all of this reserve have been used (over \$2 million), staff recommends waiting until year-end 2010 to make replenishments, if revenues through 2010 exceed estimates and generate year-end cash.
  - *Contingency Fund – "This fund can be replenished through interest earnings up to the maximum balance or through year-end transfer if needed."* To date, uses of \$515,000 have been authorized from this reserve. A \$50,000 reimbursement of an authorized use has been re-deposited into this fund and staff recommends

replenishing an additional \$320,000. If interest earnings in 2010 fall significantly short of projections (as discussed later in this memo), these funds could be used to backfill dedicated uses if needed.

- In 2009, the Council **set aside funds** against some specific contingencies, which were subsequently modified during the mid-biennial review. Specifically:
  - \$250,000 against reduced interest earnings due to declining interest rates. Note that this amount may not be sufficient to offset projected 2010 shortfalls and additional use of the Contingency Fund may be required,
  - \$100,000 against unemployment/staff restructuring costs.

While there are other potential financial risks, such as the outstanding Verizon utility tax refund claim of \$378,000, we are not recommending additional set asides at this time. If our efforts to fight this claim (in conjunction with other agencies) fail, the refund would be a draw on any year-end 2010 fund balance or could be funded from the Contingency Fund.

## 2010 Outlook

As we proceed into 2010, we see initial signs that revenues may be stabilizing. At the February 23 Council Finance Committee meeting, we reviewed the January "dashboard" results, which are provided as Attachment B. In addition, we received the February sales tax results recently, which are summarized in Attachment C. Some of the early trends include:

### *Revenues*

- The majority of **property tax** revenues are received in April/May and October/November, so it is too early to assess trends. The 2009 new construction valuation only increased the 2010 levy by 0.74% versus the 2% that we assumed for budget purposes. We will monitor receipts and delinquency rates as the initial payments are received to determine if a mid-year adjustment may be necessary.
- As shown in Attachment C, **sales tax** revenue in February is up 11.4 percent compared to February 2009. This is the first positive monthly comparison since February 2008 (factoring out one-time events). However, February receipts for 2010 are down significantly from February 2008 (14 percent). Sales tax revenue received this month is for activity in December. It is important to note that, in addition to the recession that started in the last quarter of 2008, unusually severe weather also negatively impacted retail sales in December 2008 (reflected in February 2009 revenue). Weather was not a negative factor this last December. The positive result in February follows a decline of 4.8 percent in January, which helps support the leveling off after last year's steep decline. As a result, year-to-date revenue performance is 4.1 percent compared to the same period last year. One risk factor that we are monitoring is the potential negative impact of the recent Toyota recalls and related sales curtailments.
- The **interest earnings** in the 2010 budget (\$2.6 million) were based on economic assumptions that were conservative at that time but the interest rate environment has changed significantly since that time. Based on current trends, the 2010 interest revenue estimate is \$1.5 million in 2010, due to declining balances and earnings rates. For most funds, this simply means a reduced share of allocated interest, which is generally not budgeted for on-going needs. For mandated uses such as capital funding, debt service payments, or other General Fund needs, some backfill from general resources will likely be required. At this point, we estimate the backfill required at \$530,000 for 2010. As noted

earlier, we have set-aside \$250,000 from 2008 year-end cash toward this need and the remainder could be funded from the Contingency Fund, as needed.

- **Development activity** continues at reduced levels, particularly related to Building permit fees. In January, total development services revenue fell short of the revised monthly average of \$208,000 by over \$110,000. The impacted departments continue to look at options to reduce expenditures, most recently contracting to provide an inspector for Issaquah over the next two years. Note that there is approximately \$500,000 remaining in the Development Services reserve and, if current trends continue, staff may recommend using a portion of this amount to backfill the revenue shortfall.
- **Business license fees** are in line with 2010 expectations and **utility tax revenues** are slightly short due to the warmer than average weather so far this winter. Note that the revenue and expenditure reductions required to recognize the failure of the voted private utility tax increase were made as part of the mid-biennial budget adjustments.

### *Expenditures*

- Year-to-date **General Fund expenditures** are in line with the 2010 amended budget, which reflects the service level reductions adopted in December. It is important to note that additional budget adjustments will be brought forward for Council adoption in April to recognize the 3.4% compensation (or equivalent) reductions, which were not finalized when the mid-biennial adjustments were made. At that time, we would also make any recommended reserve replenishments and other housekeeping adjustments.
- **Fire suppression overtime** in January was \$74,320, which exceeded the monthly budget of \$62,328 by \$11,992, and the first payroll in February continued that pattern. The Fire Department will be analyzing the impact of the new 48/96 schedule on overtime patterns and will be reporting back to the City Council.
- Due to successful negotiations for jail beds at other facilities with lower rates than those charged by King County, **jail contract costs** have come back into line with budget expectations. However, discussions related to **regional jail needs** are on-going and the results are expected to increase future jail costs.
- **City facilities** are still in need of expansion and planned improvements have been deferred pending the City Council's decision regarding annexation. Now that the decision has been made to proceed with annexation, a revised time-phased facilities plan is under development which will allow for a detailed financing plan to be developed.
- Staff will be tracking the ramp-up costs associated with **annexation** of the annexation area effective June 1, 2011. The City Council approved service packages at the end of 2009 to allow for initial hiring and training of police officers to staff the three patrol districts and associated support staff, funded from one-time resources. Further discussion of the impacts of annexation is provided later in this memo.
- While it is still too early to determine trends in most expenditure categories, for the most part, departments will be held to their 2010 budgeted amounts, even if there were under-expenditures in 2009.

### *Opportunities*

- The Association of Washington Cities (AWC) has notified the City that they will be discontinuing our current **medical benefit** programs by 2011. Staff has begun discussions about an alternative plan with the City's labor unions, which would move the City to a self-insured model. The hope is that this approach will allow us to stabilize our medical benefit

costs for the next two years, rather than continuing at an assumed increase of 10% per year.

- While overall development activity is low, there are projects that are pending that could have substantial impacts. For example, the **redevelopment of Park Place** is currently under review by the Design Review Board and, if approved, could begin by the end of 2010.
- Lower interest rates also present the potential for more **cost effective borrowing** for the City. To finance potential facilities expansion, it is likely that the City will need to issue new debt and could benefit from the lower interest rates currently available. In addition, these projects may benefit from lower construction costs currently being experienced due to the decrease in development activity.
- The City is continuing to pursue funds from federal **economic stimulus programs** and other grant-funding sources. In addition, the State Legislature is considering **fiscal flexibility bills** to provide City's with tools to help cope with current economic conditions.

### *Forecast*

The 6-year financial forecast has been updated to reflect the amended 2009-2010 budget and addresses the on-going needs of the existing City of Kirkland only. Since the currently approved annexation service packages were funded with one-time resources in 2010, they are addressed as part of the overall annexation discussion in the next section.

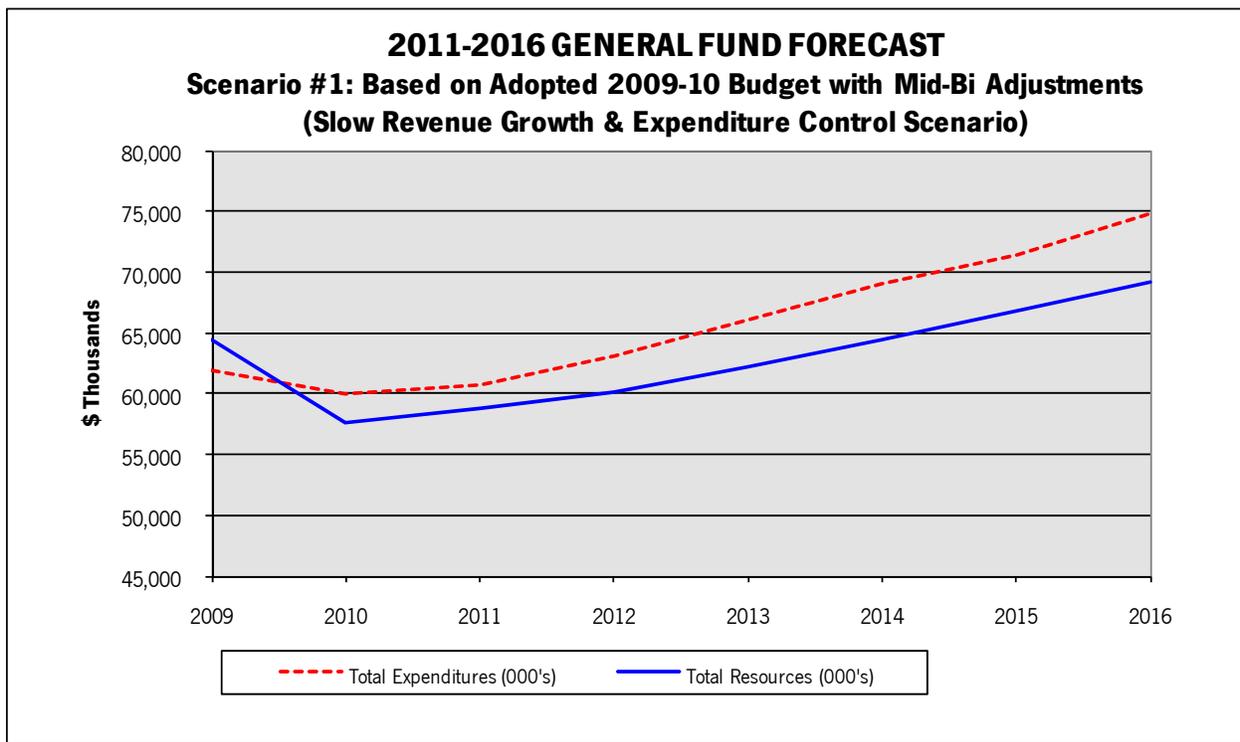
The key assumptions in the forecast are intended to recognize a slow recovery in revenues during 2011-2012 and more conservative growth estimates than those used in previous forecasts thereafter. Expenditure growth factors have been reduced to recognize more of a "total compensation" model for wages and benefits and account for potential impacts of the changes to the medical program. The key assumptions include:

- Revenues
  - 1% optional property tax and 1% annual growth in new construction property tax in 2011-2012 (versus 2% growth in new construction in prior forecasts), returning to 1% optional property tax and 2% annual growth in new construction property tax in 2013-2016,
  - Sales tax growth of 1% in 2011, 3% growth in 2012, and 6% annual growth reflected in 2013-2016 projections,
  - 3% annual growth in utility taxes in 2011 and 2012; 4% annual growth in utility taxes in 2013-2016,
  - No growth in other taxes (revenue generating regulatory license and gambling taxes) over 2010 reflected in 2011 and 1% growth in 2012, and 2% annual growth in these categories in 2013-2016,
  - No growth in other revenue over 2010 reflected in 2011, 1% growth in 2012, and 2% annual growth in 2013-2016,
  - No diversion of current revenue sources to/from CIP,
  - No use of reserves in 2011-2016.

- Expenditures

- 2009-2010 Budget with mid-biennial adjustments is the expenditure basis, excluding the one-time and annexation service packages starting in 2011,
- 3.4% compensation (and equivalent) reductions apply to 2010 only,
- The City's existing labor contracts call for annual increases based on the June-to-June Consumer Price Index (CPI-W) with a minimum of zero and no maximum and provides for step and longevity increases. In the past few years, the CPI-W has ranged from -0.7% (which is effectively no increase) and 6.19%. The forecast assumes CPI increases of 3.5% annually plus 1.1% for steps plus 0.4% for market adjustments, reclassifications, etc., for a total of 5% annual growth in wages in 2011-2016 (reduced from 6% in previous forecasts),
- 5% annual increase in total benefits in 2011-2012 (assuming flat medical cost growth and 10% growth in non-medical benefits, especially pension contributions). 7% annual increase in 2013-2016 (assuming 5% growth in medical costs and 10% increase in pension contributions). This is a reduction from the 10% annual increase in previous forecasts),
- 2% annual growth in supplies, services & capital in 2011-2016.

The summary results for the forecast are shown below and the graph and related assumptions is contained in Attachment D.



	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Resources (000's)	64,357	57,635	58,827	60,094	62,238	64,492	66,843	69,210
Total Expenditures (000's)	61,969	60,022	60,654	63,163	66,021	69,033	71,457	74,799
<b>Net Resources (000's)</b>	<b>2,388</b>	<b>(2,388)</b>	<b>(1,826)</b>	<b>(3,069)</b>	<b>(3,783)</b>	<b>(4,541)</b>	<b>(4,614)</b>	<b>(5,589)</b>
<b>Biennium Total (000's)</b>	<b>0</b>		<b>(4,895)</b>		<b>(8,324)</b>		<b>(10,203)</b>	

Given that any economic recovery is fragile and that a variety of forecast assumptions could be made, the table on the following page provides the impacts of changing each of the key assumptions by 1%. The figures reflect the annual impact of each 1% change on the net resources.

**Summary Impact of 1% Change in Key Variables**

<b>Variable</b>	<b>Impact of 1% Change in 2011</b>
<b>Resources</b>	
Sales Tax	125,536
Property Tax	99,048
Utility Taxes	109,693
Other Taxes	30,314
<b>Expenditures</b>	
Salaries	318,753
Benefits	115,035
Supplies, Services & Capital	157,855

There is still work to be done to balance the existing City budget during the 2011-2012 budget process. Policy questions and potential tools for that process are discussed later in this memo.

**Preliminary Annexation Outlook**

To get a jump start on the budget process, staff prepared initial annexation services packages in February that are currently under review by Finance and the City Manager’s Office. These service packages were prepared recognizing that economic conditions have worsened since the last estimates were prepared and the existing City’s overall service system was reduced due to continued revenue shortfalls.

At the same time, Finance has developed a month-by-month revenue projection showing the estimated revenue receipts from the annexation area beginning June 1, 2011. The expected on-going revenues in 2013 from the annexation area are reasonably close to earlier financial modeling. The initial annexation service package requests (including estimated facilities costs) exceed the anticipated revenues for this period except in 2012 due to a one-time payment from Woodinville Fire & Life Safety District. These preliminary numbers indicate that we will need to phase-in service levels over a longer period of time, as described below.

**Estimated Annexation Revenue (including State Sales Tax Credit) \***

	<b>2011</b>	<b>2012</b>	<b>2013</b>
Anticipated General Fund & Street Fund Revenues	\$9.9 million	\$20.2 million	\$18.5 million

\* Utilities and capital are excluded since they will be funded by rates or other sources.

In the past, staff has discussed using a “revenue-based” approach to phasing-in services. This approach would mean that we would match expenditures to available revenues on a prioritized basis, so that the costs of annexation do not make the existing City’s budget challenges worse. To help implement this process, we asked departments to submit their service packages in priority order. In addition, the City Manager’s Office intends to develop their recommendations using the guidelines from the core services exercise completed last year. The requested service

packages will be reviewed taking into account the department’s prioritization and the where the related services fall within the following categories:

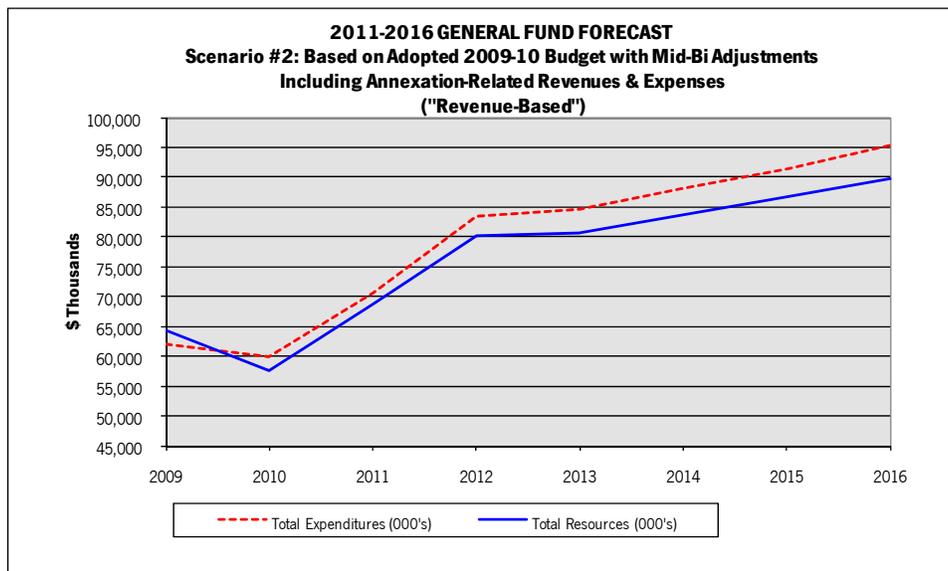
- Mandated – Required by federal or state law or contractual agreement.
- Essential – Service is a basic function of government, but the level of service is established by the City Council.
- Discretionary – Service, program, or activity established based on City Council direction.
- Administration – Department Directors and their Administrative Assistants.
- Internal Services – Insurance costs and charges from internal service funds (information technology, fleet, and facilities).
- 100% Revenue Supported – Services that are completely funded from dedicated revenue sources (e.g., utilities).

Note that the cash flow projections assume the facilities assumptions presented to the City Council on April 6, 2009 (which equates to annexation-related debt service costs of \$2.5 million per year). It also assumes that the City will begin to receive the annexation sales tax credit in September 2011. As the facilities planning progresses to the cost estimate stage, this analysis will be updated to refine the share of the costs allocated to the annexation area.

The actual review and City Manager’s recommendations regarding the service packages will take place over the next few months and refined estimates will be presented to the City Council upon completion of that process. The main policy question that emerges is:

- Does the City Council concur with using a “revenue-based” approach to phasing in service levels in the annexation area?

Assuming that the annexation budget will be established using the “revenue based” approach, adding the preliminary annexation revenues and expenses to the forecast does not increase the projected gap, as shown in the graph below.

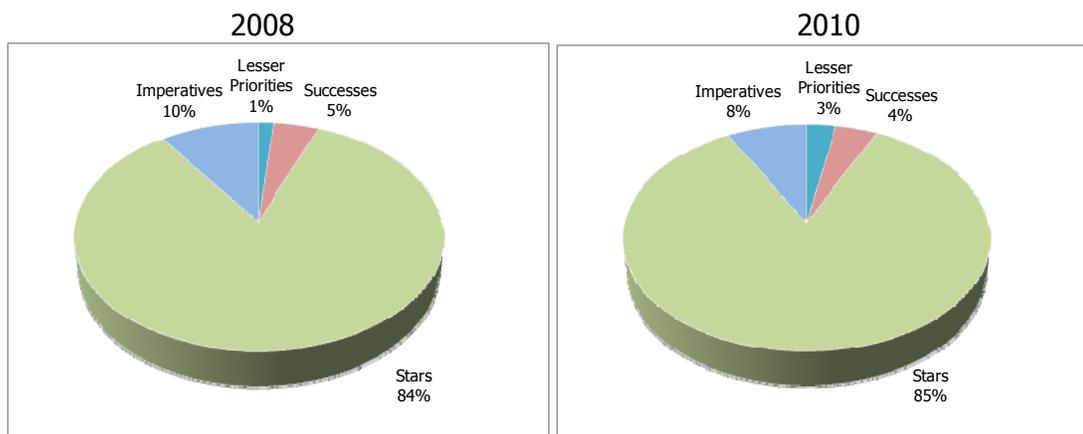


	2009	2010	2011	2012	2013	2014	2015	2016
Total Resources (000's)	64,357	57,635	68,726	80,283	80,738	83,662	86,712	89,783
Total Expenditures (000's)	61,969	60,022	70,552	83,352	84,521	88,203	91,326	95,372
<b>Net Resources (000's)</b>	<b>2,388</b>	<b>(2,388)</b>	<b>(1,826)</b>	<b>(3,069)</b>	<b>(3,783)</b>	<b>(4,541)</b>	<b>(4,614)</b>	<b>(5,589)</b>
<b>Biennium Total (000's)</b>	<b>0</b>		<b>(4,895)</b>		<b>(8,324)</b>		<b>(10,203)</b>	

## Budget Policy Issues

In addition to the annexation policy question posed previously, the following budget policy issues have been identified for discussion at the Retreat:

- What new revenue sources should we consider in developing the 2011-2012 budget (for example, fire transport fees, transportation benefit district, etc.)?
- Attachment E presents the City's current investment in the services that were ranked in the Citizen Survey and compares the results to the 2008 survey. The City continues to invest heavily in the "Star" services (those with High Importance and High Performance) but with Zoning shifting into the "Lesser Priorities" category, increasing that category as illustrated below. How can the survey information be used to inform the budget development process?



- In mid-2009, the City Council completed an evaluation of which City services should be considered core services. The results of that exercise are included in Attachment F and formed the basis for the reductions that were made as a result of the failure of the voted increase in the private utility tax. Does the new Council want to repeat the exercise of designating services as core? If so, the original analysis would need to be updated to reflect current costs after the reductions were made in 2009 and 2010.

As we approach the budget process, it is important to consider the "lessons learned" during this economic downturn and consider how they may impact future decision-making. Attachment G contains a "City Finances Think Piece" prepared by the City Manager. This memorandum is intended to provide a basis for beginning this discussion.

## 2011-2012 Budget Process

### *Council Process*

Development of the 2011-2012 biennial budget will be challenging because we will be working to close the existing City gap at the same time that we are gearing up for annexation and dealing with the uncertainties surrounding the economic recovery.

We will also be updating the Capital Improvement Program. The focus of the 2011-2016 CIP will be updating project timing and costs from the prior CIP, recognizing any major changes in funding sources, and identifying immediate needs for the annexation area. Since available revenues are declining and we will be developing and prioritizing annexation area needs over the next few years, this CIP will not update unfunded projects unless they are being funded from an existing or new source. The 2011-16 CIP will look more like an update rather than a full revisit of priorities and will provide an opportunity to report out on the progress to date on working off the funded backlog of projects and to revisit project start dates in light of the annexation, funding availability, and workload.

Attachment H presents a tentative budget schedule. The following are the key Council meeting dates for the 2011-2016 CIP and 2011-2012 Budget Processes:

**Regular Meeting Agenda**

May 18	2011-2016 CIP Presentation
December 7	2011-2012 Budget Adoption
	2011-2016 CIP Adoption
	2011 Final Property Tax

**Public Hearings**

September 21	Proposed Revenue Sources
November 16	2011-2012 Budget
	2011 Preliminary Property Tax

**Study Sessions**

October 28	<b>Special Study Session</b>	2011-2012 Budget 3:00-9:00
November 2	<b>Regular Study Session</b>	2011-2012 Budget
November 8	<b>Special Study Session</b>	2011-2012 Budget

In addition to these dates, we will be providing periodic updates to the City Council as follows:

- Council Retreat – March 19-20
- Budget Adjustments (year-end adjustments, 3.4% concessions, and other housekeeping) - April 20
- Mid-Year Budget Adjustments – June/July
- Monthly Dashboard – Finance Committee monthly meetings (last Tuesday of the month)
- Quarterly Financial Management Reports – Year-end 2009 – in this packet, 1Q - May 15, 2Q - August 15, 3Q - November 15

*Public Involvement*

In preparing for the 2009-2010 budget process, the 2008 City Council Retreat included a discussion of "Communicating and Engaging the Community about City Finances" (Attachment I contains the memo without referenced attachments). As a result of that discussion, staff carried out a variety of public outreach tasks as part of developing the 2009-2010 budget and making subsequent adjustments, including:

**Focus Groups**

- Conducted in June 2008 by EnviroIssues to help city develop key messages about the budget shortfall, participants were city residents, randomly selected by consultant

### City Update (newsletter)

- Summer 2008: Special Budget Edition "A Blueprint to Bridging the Budget Gap)
- 1<sup>st</sup> Quarter 2009: "City's Budget Challenges Continue" article
- 2<sup>nd</sup> Quarter 2009: "Council Takes Action to Build Sustainable Budget"
- 3<sup>rd</sup> Quarter 2009: "Q&A Proposed Increase to Private Utility"
- 4<sup>th</sup> Quarter 2009: "City Responds to Challenges from Revenue Loss"

### Currently Kirkland

- "Budget Update" with Mayor Lauinger, Dave Ramsay & Tracey Dunlap, July, 2008  
[http://kirkland.granicus.com/MediaPlayer.php?view\\_id=13&clip\\_id=1239](http://kirkland.granicus.com/MediaPlayer.php?view_id=13&clip_id=1239)

### Community Meetings

- Open Houses: September 17 & 29, 2008
    - Sept. 29 Open House video:  
[http://kirkland.granicus.com/MediaPlayer.php?view\\_id=13&clip\\_id=1300](http://kirkland.granicus.com/MediaPlayer.php?view_id=13&clip_id=1300)
  - September 27, 2008 – Parks Board/ KAN
  - September 23, 2008 – Everest Neighborhood Meeting
  - September 25, 2008 – Juanita Neighborhood Meeting
  - October 1, 2008 – Norkirk Neighborhood Meeting
  - March 23, 2009 – Moss Bay Neighborhood Meeting
  - May 20, 2009 – Market Neighborhood Meeting
  - September 16, 2009 – Market Neighborhood Meeting
  - September 21, 2009 – North Rose Hill Neighborhood Meeting
  - September 21, 2009 – Moss Bay Neighborhood Meeting
  - September 24, 2009 – Juanita Neighborhood Meeting
  - October 7, 2009 – Norkirk Neighborhood Meeting
- } 2009/2010 Budget
- } Utility Tax/Budget

### Business Community Meetings

- Chamber of Commerce Meetings "State of the City"
  - Mayor Lauinger, January 16, 2009
- Chamber of Commerce Meetings
  - Dave Ramsay, July 17, 2008
  - Dave Ramsay, July 21, 2009

### Other Activities

- Created new pages [www.ci.kirkland.wa.us/2009-2010budget](http://www.ci.kirkland.wa.us/2009-2010budget) "2009-2010 Budget Gap"
- Communication Training conducted by Michael Buschmohle July 10, 2008; key staff and council members attended
- News releases:
  - 8/28/08: "Budget Open Houses"
  - 6/25/09: "Utility Tax Ballot Statement Committee Recruitment"
  - 1/13/10: "Service, Staff Reductions Take Effect"
- E-mail alerts (List Serv announcements)
  - "City Council to Deliberate the Proposed 2009-2010 Biennial Budget" (sent 8/7/2008)
  - "City Council Holds Special Study Session on October 30" (sent 10/24/2008)
- Internal Communications
  - Budget Briefings with City Manager (2 x/month). Started in Feb. 2009
  - In Tune employee e-newsletter

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Staff is seeking feedback on the types of public involvement desired for development of the 2011-2012 budget process.

There has been previous discussion by Council of the "budgeting for outcomes" approach that the City of Redmond applied for the last biennium. In addition, the City of Bellevue will be undertaking a similar "priorities of government" process for the next biennium (which they are calling BudgetOne). A budgeting for outcomes process generally involves the following steps:

- Identifying all revenue available
- Setting high level priorities
- Allocating all revenues to priorities
- Creating a "requests for results"
- Preparing offers or proposals for all services related to priority results
- Ranking offers and deciding what to "buy"
- Developing the detailed budget based on accepted offers.

Generally, the ranking of offers is done by cross-discipline staff teams that may include citizen representation.

The core services exercise and the information we gain through the Citizen Survey provide similar information to inform the budget decision-making process. If the City Council is interested in following a more formal budgeting for outcomes approach, the ideal time to consider it for the 2013-14 budget process based on the following factors:

- The associated public involvement and priority based decision-making would incorporate the entire new City (including the annexation area), rather than just the existing City. Since the annexation will not be in place for the entire biennium and the service level will be phased-in, waiting for the first full budget after annexation would result in better feedback on both the current City and annexation area resident's part.
- The new City Manager will be settled into the position and will likely have perspectives on changes to the budget process.
- There will be adequate time to plan. Redmond included budget for dedicated additional staff resources and hiring consultants in the 2007-2008 budget so that they could prepare the necessary tools in advance of undertaking the 2009-2010 budget development. Similarly, Bellevue began planning for their process last year. The actual budget development stages of both processes in earnest in January.

## **Conclusion**

While there are some signs that 2010 might be the end of the free fall in City revenues, the techniques used to balance the current budget leave a gap to be closed during the upcoming 2011-12 biennium. The current approach to annexation is to match the expenditures to the expected revenues, so that the impact of annexation does not worsen the gap to be closed. At the retreat, staff is requesting feedback on the policy issues posed in this memo and on the budget process, as we will begin that process in the next few months.



# Financial Management Report as of DECEMBER 31, 2009

## AT A GLANCE:

### General Fund:

• Higher public utility tax and business license fees place 2009 revenue ahead of 2008.

• Sales and utility taxes and development fees slump.

• Even with utility tax rate and business fee structure change, 2009 revenues below budget. (page 3)

2009 Sales tax revenue down significantly (page 5)

Development-related fee revenue significantly down (page 3)

Potential no more (page 2 sidebar)

Have we hit bottom yet? (pages 7-8)

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## Summary of All Operating Funds: Revenue

General Government budgets were adjusted downward in June and December 2009 in response to the significant revenue shortfall. Reserves and expenditure reductions were used to offset the shortfall. Further reductions were taken in December after the voted private utility tax rate increase failed, which reduced 2010 budgets.

- **General Fund** actual 2009 revenue ended **3.6 percent higher** than last year, but **significantly lower than originally planned**. The increase in revenue was largely the result of an increase in the tax rate on public utilities in 2009, the change in the business license fee structure, and an increase in internal engineering charges from several large capital projects. The impact of the declining economy resulted in significant reductions in sales tax and planning fee revenues. Budgeted sales and utility tax revenues were adjusted downward in June. A more detailed analysis of General Fund revenue can be found on page 3, and sales tax revenue performance can be found beginning on page 5.
- **Other General Government Funds** actual 2009 revenue ended **1.2 percent lower than** last year. Internal rates were reduced for fleet (recognizing lower fuel prices) and technology (reduced personnel costs and use of fund cash for replacement charges as a budget reduction strategy). Recreation revenue increased primarily due to an accounting change in 2009 that moved all recreation revenue to the Recreation Revolving Fund. Lodging tax revenue and motor vehicle fuel tax revenue are down 23.4 percent and 9 percent respectively compared to last year. Motor vehicle fuel tax is collected on a flat rate per gallon, so increased fuel costs (resulting in less gas purchased) have a negative impact on this revenue. Lower fuel prices have moderated declines in this revenue as the year progressed.
- **Water Sewer Operating Fund** actual 2009 revenue ended **3.7 percent higher than** last year due to higher utility revenue from higher rates, but moderated by a significant decrease in connection charge fee revenue from declining development activity.
- **Surface Water Management Fund** actual 2009 revenue ended **1.6 percent higher than** last year. Rates are paid through property taxes, which are primarily received in April and October.
- **Solid Waste Fund** actual 2009 revenue ended **1 percent higher than** last year.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2008	12/31/2009	% Change	2008	2009	% Change	2008	2009
<b>General Gov't Operating:</b>								
General Fund	52,507,908	54,390,709	3.6%	53,895,913	54,549,760	1.2%	97.4%	99.7%
Other General Gov't Operating Funds	17,130,326	16,927,695	-1.2%	16,562,562	16,563,457	0.0%	103.4%	102.2%
<b>Total General Gov't Operating</b>	<b>69,638,234</b>	<b>71,318,404</b>	<b>2.4%</b>	<b>70,458,475</b>	<b>71,113,217</b>	<b>0.9%</b>	<b>98.8%</b>	<b>100.3%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	17,841,773	18,502,180	3.7%	17,821,208	19,807,210	11.1%	100.1%	93.4%
Surface Water Management Fund	5,330,988	5,418,523	1.6%	5,274,145	5,350,962	1.5%	101.1%	101.3%
Solid Waste Fund	8,516,909	8,599,186	1.0%	8,365,262	8,612,724	3.0%	101.8%	99.8%
<b>Total Utilities</b>	<b>31,689,670</b>	<b>32,519,889</b>	<b>2.6%</b>	<b>31,460,615</b>	<b>33,770,896</b>	<b>7.3%</b>	<b>100.7%</b>	<b>96.3%</b>
<b>Total All Operating Funds</b>	<b>101,327,904</b>	<b>103,838,293</b>	<b>2.5%</b>	<b>101,919,090</b>	<b>104,884,113</b>	<b>2.9%</b>	<b>99.4%</b>	<b>99.0%</b>

Budgeted and actual revenues exclude resources forward and interfund transfers.



### **Annexation Approved— P(otential) A(nnexation) A(rea) now just AA**

At its December 15 meeting, the Kirkland City Council took action to accept the annexation of the Finn Hill, North Juanita and Kingsgate neighborhoods. Voters in these neighborhoods approved annexation by just short of 60 percent in the November 2009 election.

This largely residential area is approximately seven square miles, extending north of Kirkland to approximately NE 145<sup>th</sup> Street. It adds about 33,000 people to the city's current population of 48,000. The annexation will make Kirkland the twelfth largest city in Washington and the sixth largest city in King County. The annexation is scheduled to become effective as of June 1, 2011. For information, visit [www.ci.kirkland.wa.us/annexation](http://www.ci.kirkland.wa.us/annexation).

## Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures ended **4.1 percent higher than** last year primarily due to higher personnel costs and an accounting change that moved all recreation expenditures to the General Fund (see the explanation of the accounting change in the box below).
- **Other Operating Funds** actual expenditures ended **12.6 percent lower than** last year due to the previously mentioned accounting change for Recreation Revolving fund expenditures, timing of vehicle and computer purchases, substantially lower fuel costs (down 37.3 percent) and despite generally higher personnel costs.
- **Water/Sewer Operating Fund** actual expenditures ended **7 percent higher than** last year due to higher water purchase (up 14 percent) and METRO sewer costs (up 12 percent) and despite a significant decline in regional water connection charges (with a corresponding reduction in connection revenue).
- **Surface Water Management Fund** actual expenditures ended **19.9 percent higher than** last year due to higher personnel costs and internal charges.
- **Solid Waste Fund** actual expenditures ended **1.3 percent lower than** last year.

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

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2008	12/31/2009	% Change	2008	2009	% Change	2008	2009
<b>General Gov't Operating:</b>								
General Fund	55,049,504	57,300,199	4.1%	56,149,141	59,175,445	5.4%	98.0%	96.8%
Other General Gov't Operating Funds	15,089,716	13,187,195	-12.6%	15,817,164	15,415,335	-2.5%	95.4%	85.5%
<b>Total General Gov't Operating</b>	<b>70,139,220</b>	<b>70,487,394</b>	<b>0.5%</b>	<b>71,966,305</b>	<b>74,590,780</b>	<b>3.6%</b>	<b>97.5%</b>	<b>94.5%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	13,653,019	14,613,569	7.0%	13,718,748	15,555,212	13.4%	99.5%	93.9%
Surface Water Management Fund	2,663,623	3,194,709	19.9%	2,695,982	3,605,721	33.7%	98.8%	88.6%
Solid Waste Fund	8,322,862	8,215,505	-1.3%	8,221,762	8,455,673	2.8%	101.2%	97.2%
<b>Total Utilities</b>	<b>24,639,504</b>	<b>26,023,783</b>	<b>5.6%</b>	<b>24,636,492</b>	<b>27,616,606</b>	<b>12.1%</b>	<b>100.0%</b>	<b>94.2%</b>
<b>Total All Operating Funds</b>	<b>94,778,724</b>	<b>96,511,177</b>	<b>1.8%</b>	<b>96,602,797</b>	<b>102,207,386</b>	<b>5.8%</b>	<b>98.1%</b>	<b>94.4%</b>

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

General Fund Revenue

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

- **Sales tax** revenue allocated to the General Fund for 2009 ended the year **17.1 percent lower than 2008**. A budget reduction of almost \$2.7 million was made mid-year recognizing the significant decline in actual revenue. A slight improvement in the last quarter brought actual revenue slightly ahead of the reduced budgeted amount. A detailed analysis of sales tax revenue can be found starting on page 5.
- **Utility tax** actual revenue collection ended **16.5 percent higher than last year** due to the shift of cable tax revenue from the Facilities Fund and increased tax rate for public utilities (water, sewer, and garbage). Factoring out cable tax, revenue would be up about 6.5 percent. However, revenue fell short of expectations and mid-year budget reductions of almost \$1 million. The reductions were made to reflect reduced actual revenue due to the economic downturn and electricity tax revenue resulting from an unexpected electricity rate decrease. Actual revenue ended up slightly ahead of the adjusted budgeted amount.
- **Other taxes** actual revenue ended **6.4 percent higher than last year** primarily due to the shift of admissions tax from the Facilities Fund and despite declining gambling tax revenue.
- The **business licenses (base fee) and franchise fees** actual revenue ended **8.5 percent higher than last year** primarily due to higher franchise fee revenue. The **revenue generating regulatory license** fee ended **92.1 percent higher than last year** due to a significant increase and restructuring of the fee. However, this revenue ended up about **\$660,000 under budget** largely due to the economic recession.
- The severe decline in development activity is reflected in **development-related fee** revenues, which collectively ended **24.8 per-**

cent lower than last year. Compared to 2008, **building permits and plan check revenue** ended collectively **24.1 percent lower, planning fees** ended **25.7 percent lower**, and **engineering services** revenue ended **27.3 percent lower**.

- Compared to last year: **Grant** revenue ended **39.2 percent higher** due to funding received for the environmental outreach program; **State shared revenues** ended **22.5 percent higher** due to mitigation revenue received for the loss of sales tax revenue resulting from sourcing rule changes; **Other intergovernmental services** revenue ended **33.7 percent higher** due to a contract providing staffing to the Regional Justice Training Center and higher Fire District #41 contract revenue partially due to additional firefighters added in 2009.
- **Internal Charges** ended **34.7 percent higher than last year** primarily due to a significant increase in capital project engineering charges.
- **Other charges for services** revenue ended **31.6 percent higher than last year** due to higher probation and prisoner housing/monitoring charges.
- **Miscellaneous revenue** ended **25.4 percent higher than last year** due a change to the allocation of interest revenue supporting debt service costs to the General Fund.
- **Other financing sources** are significantly **higher than last year** reflecting the use of reserves from other funds to backfill reduced revenues and transfers from the recreation revolving fund from the accounting change described on page 2.

**General Fund** actual 2009 revenue ended **3.6 percent higher** than last year, but **significantly lower than originally planned**. The increase in revenue was largely the result of an increase in the tax rate on public utilities in 2009, the change in the business license fee structure, and an increase in internal engineering charges from several large capital projects. The impact of the declining economy resulted in significant reductions in sales tax and development fee revenues.

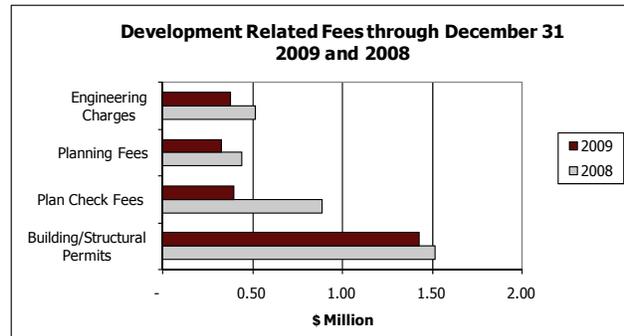
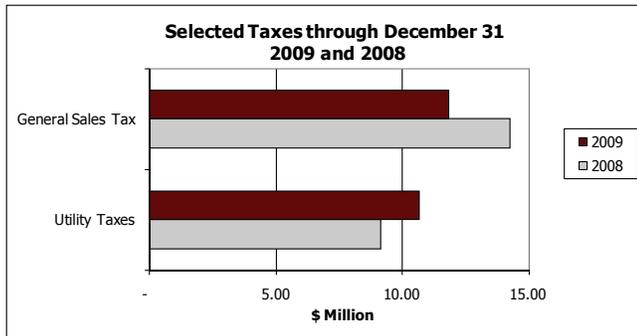
*The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.*

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2008	12/31/2009	% Change	2008	2009	% Change	2008	2009
<b>Taxes:</b>								
Retail Sales Tax: General	14,261,208	11,824,929	-17.1%	15,756,800	11,564,551	-26.6%	90.5%	102.3%
Retail Sales Tax: Criminal Justice	1,139,408	967,304	-15.1%	1,050,000	1,107,000	5.4%	108.5%	87.4%
Property Tax	9,245,728	9,396,769	1.6%	9,037,710	9,264,941	2.5%	102.3%	101.4%
Utility Taxes	9,161,597	10,672,711	16.5%	8,546,130	10,604,676	24.1%	107.2%	100.6%
Rev Generating Regulatory License	1,008,293	1,936,606	92.1%	990,000	2,599,920	162.6%	101.8%	74.5%
Other Taxes	571,934	608,619	6.4%	664,713	591,779	-11.0%	86.0%	102.8%
<b>Total Taxes</b>	<b>35,388,168</b>	<b>35,406,938</b>	<b>0.1%</b>	<b>36,045,353</b>	<b>35,732,867</b>	<b>-0.9%</b>	<b>98.2%</b>	<b>99.1%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	1,515,209	1,428,405	-5.7%	2,163,450	1,645,600	-23.9%	70.0%	86.8%
Business Licenses/Franchise Fees	1,547,013	1,678,466	8.5%	1,449,450	1,654,903	14.2%	106.7%	101.4%
Other Licenses & Permits	172,150	185,636	7.8%	193,900	183,500	-5.4%	88.8%	101.2%
<b>Total Licenses &amp; Permits</b>	<b>3,234,372</b>	<b>3,292,507</b>	<b>1.8%</b>	<b>3,806,800</b>	<b>3,484,003</b>	<b>-8.5%</b>	<b>85.0%</b>	<b>94.5%</b>
<b>Intergovernmental:</b>								
Grants	189,139	263,241	39.2%	155,260	218,754	40.9%	121.8%	120.3%
State Shared Revenues & Entitlements	709,705	869,176	22.5%	645,318	908,404	40.8%	110.0%	95.7%
Fire District #41	3,439,879	3,904,235	N/A	3,487,428	3,850,077	N/A	98.6%	101.4%
EMS	793,023	838,397	N/A	793,023	836,938	N/A	100.0%	100.2%
Other Intergovernmental Services	621,709	830,990	33.7%	439,609	654,713	48.9%	141.4%	126.9%
<b>Total Intergovernmental</b>	<b>5,753,455</b>	<b>6,706,039</b>	<b>16.6%</b>	<b>5,520,638</b>	<b>6,468,886</b>	<b>17.2%</b>	<b>104.2%</b>	<b>103.7%</b>
<b>Charges for Services:</b>								
Internal Charges	3,536,860	4,764,301	34.7%	3,511,012	4,905,963	39.7%	100.7%	97.1%
Engineering Services	515,972	375,245	-27.3%	610,000	357,134	-41.5%	84.6%	105.1%
Plan Check Fee	883,729	392,094	-55.6%	900,000	520,000	-42.2%	98.2%	75.4%
Planning Fees	438,350	325,822	-25.7%	1,194,637	247,157	-79.3%	36.7%	131.8%
Recreation*	82,385	-	-100.0%	83,000	-	-100.0%	99.3%	N/A
Other Charges for Services	690,566	908,478	31.6%	688,323	756,426	9.9%	100.3%	120.1%
<b>Total Charges for Services</b>	<b>6,147,862</b>	<b>6,765,940</b>	<b>10.1%</b>	<b>6,986,972</b>	<b>6,786,680</b>	<b>-2.9%</b>	<b>88.0%</b>	<b>99.7%</b>
<b>Fines &amp; Forfeits</b>	<b>1,414,371</b>	<b>1,504,982</b>	<b>6.4%</b>	<b>1,132,000</b>	<b>1,407,595</b>	<b>24.3%</b>	<b>124.9%</b>	<b>106.9%</b>
<b>Miscellaneous</b>	<b>569,680</b>	<b>714,303</b>	<b>25.4%</b>	<b>404,150</b>	<b>669,729</b>	<b>65.7%</b>	<b>141.0%</b>	<b>106.7%</b>
<b>Total Revenues</b>	<b>52,507,908</b>	<b>54,390,709</b>	<b>3.6%</b>	<b>53,895,913</b>	<b>54,549,760</b>	<b>1.2%</b>	<b>97.4%</b>	<b>99.7%</b>
<b>Other Financing Sources:</b>								
Interfund Transfers	1,334,495	4,477,317	N/A	1,441,253	3,899,053	N/A	92.6%	114.8%
<b>Total Other Financing Sources</b>	<b>1,334,495</b>	<b>4,477,317</b>	<b>N/A</b>	<b>1,441,253</b>	<b>3,899,053</b>	<b>N/A</b>	<b>92.6%</b>	<b>114.8%</b>
<b>Total Resources</b>	<b>53,842,403</b>	<b>58,868,026</b>	<b>9.3%</b>	<b>55,337,166</b>	<b>58,448,813</b>	<b>5.6%</b>	<b>97.3%</b>	<b>100.7%</b>

Budgeted and actual revenues exclude resources forward.

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

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2008	12/31/2009	% Change	2008	2009	% Change	2008	2009
Non-Departmental	1,254,191	1,199,905	-4.3%	1,391,813	1,254,877	-9.8%	90.1%	95.6%
City Council	351,677	343,678	-2.3%	362,034	353,175	-2.4%	97.1%	97.3%
City Manager's Office	3,507,040	3,221,365	-8.1%	3,784,425	3,386,417	-10.5%	92.7%	95.1%
Human Resources	1,026,646	1,009,257	-1.7%	1,122,706	1,081,720	-3.7%	91.4%	93.3%
City Attorney's Office	958,704	1,002,792	4.6%	991,985	993,790	0.2%	96.6%	100.9%
Parks & Community Services	5,851,805	6,959,926	18.9%	6,059,645	7,621,687	25.8%	96.6%	91.3%
Public Works (Engineering)	3,418,006	3,456,369	1.1%	3,578,878	3,686,124	3.0%	95.5%	93.8%
Finance and Administration	3,355,677	3,515,473	4.8%	3,536,915	3,671,314	3.8%	94.9%	95.8%
Planning & Community Development	3,367,756	2,733,663	-18.8%	3,381,197	2,835,702	-16.1%	99.6%	96.4%
Police	15,247,587	16,117,610	5.7%	15,019,785	16,557,994	10.2%	101.5%	97.3%
Fire & Building	16,710,415	17,740,161	6.2%	16,919,758	17,732,645	4.8%	98.8%	100.0%
<b>Total Expenditures</b>	<b>55,049,504</b>	<b>57,300,199</b>	<b>4.1%</b>	<b>56,149,141</b>	<b>59,175,445</b>	<b>5.4%</b>	<b>98.0%</b>	<b>96.8%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	1,506,971	1,705,441	13.2%	1,594,916	1,705,441	6.9%	94.5%	100.0%
<b>Total Other Financing Uses</b>	<b>1,506,971</b>	<b>1,705,441</b>	<b>13.2%</b>	<b>1,594,916</b>	<b>1,705,441</b>	<b>6.9%</b>	<b>94.5%</b>	<b>100.0%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>56,556,475</b>	<b>59,005,640</b>	<b>4.3%</b>	<b>57,744,057</b>	<b>60,880,886</b>	<b>5.4%</b>	<b>97.9%</b>	<b>96.9%</b>

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

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

Comparing to last year:

- Actual 2009 expenditures for **Non-Departmental** ended **4.3 percent lower** primarily due to a one-time refund payment in 2008 for leasehold excise tax over-collected in prior years and despite a significant increase in hydrant maintenance fees paid to the water utility.
- Actual 2009 expenditures for the **City Council** ended **2.3 percent lower** primarily due to a one time citizen survey in 2008 and despite higher facility charges.
- Actual 2009 expenditures for the **City Manager's Office** ended **8.1 percent lower** due to charges incurred in 2008 for setting up a regional dispatch agency, and despite higher internal service charges. Ongoing expenses for the regional dispatch agency are now budgeted in the Police and Fire departments.
- Actual 2009 expenditures for the **City Attorney's Office** ended **4.6 percent higher** due to increased personnel costs, contracted legal costs, and facility charges.
- Actual 2009 expenditures for the **Parks & Community Services Department** ended **18.9 percent higher** primarily due to the recreation revolving accounting change described on page 2, increased personnel costs and facility charges and despite lower operating supply and equipment costs.

2009 General Fund actual expenses ended 4.1 percent higher than 2008 primarily due to higher personnel costs, costs for the new regional dispatch agency, and increased internal service rates as noted to the left.

Actual expenditures ended 3.2 percent under budget primarily due to personnel cost savings and unfinished projects.

(Continued on page 5)

## Financial Management Report as of DECEMBER 31, 2009

- Actual 2009 expenditures for the **Finance and Administration Department** ended **4.8 percent higher** due to increased personnel and election costs and facility charges.
- Actual 2009 expenditures for the **Planning and Community Development Department** ended **18.8 percent lower** due to the shift of regional housing funding to another fund, one-time projects that were underway in 2008, and lower personnel costs as a result of reduction in development-related staffing levels.
- Actual 2009 expenditures for the **Police Department** ended **5.7 percent higher** due to charges for the regional dispatch agency and despite no change in personnel costs and lower jail costs. Kirkland dispatch staff were relocated to the new agency as of July 1st. Higher jail costs were a concern in 2008; expenses in 2009 are down about 3.4 percent from last year, but still ended the year \$153,000 over budget, which was offset by under-expenditures in other line items.
- Actual 2009 expenditures for the **Fire & Building Department** ended **6.2 percent higher** due to higher personnel costs (despite reduction to development-related building division staff) and charges for the regional dispatch agency. Fire suppression overtime expenses in 2009 are down 33 percent from last year due to the elimination of one-time funded staffing of Station 24 with overtime and adding staffing to provide more shift coverage. However, overtime still ended the year about \$170,000 over the original budget. Contingency reserves were used to adjust the department budget for the overage.

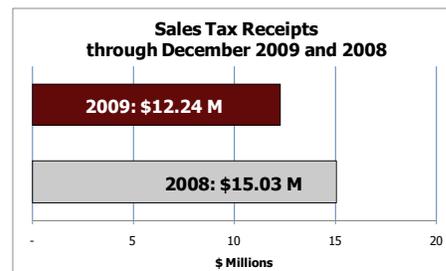


Green Kirkland Partnership  
Volunteers at Cotton Hill Park

**Sales Tax Revenue Analysis** Total 2009 actual revenue ended **18.5 percent lower than** last year (almost \$2.8 million). This is a continuation of the generally negative trend that began in the last quarter of 2007 and continued throughout 2008. Primary factors include significant reduction of development activity, as well as weak performance in key retail sectors. Comparative monthly revenue improved at the end of the year, as the comparisons are against months after the recession began at the end of 2008. All business sectors experienced negative performance compared to last year (see table on page 6).

### Review by business sectors:

- The **contracting** sector ended **35.9 percent down** compared to last year due to the completion of major projects and significant weakening in development activity due to the current economic recession. A few new large projects are underway, including a new high school and downtown transit center. However, they have not replaced the level of previous activity.
- Auto/gas retail** ended **11.4 percent down** compared to last year due to disappointing performance by key retailers. The last quarter of the year improved substantially, partially due to the "cash for clunkers" incentive program. Several retailers experienced positive sales performance at the end of the year.
- Wholesale** ended **38.2 percent down** compared to last year due to decreased development-related activity and changes to local coding sourcing rules from streamlined sales tax.
- General merchandise/miscellaneous retail** ended **13.5 percent down** compared to last year due to disappointing performance by key retailers, an indication of reduced consumer spending in response to economic conditions. This sector has also been impacted by streamlined sales tax.
- The **services** sector ended **14 percent down** compared to last year largely due to declines in software and car/equipment leasing, as well as impact from the sourcing rule change. The accommodations sector continued its negative performance for the entire year, down 15.1 percent compared to 2008.
- Other retail** ended **13.1 percent down** compared to last year due to generally negative performance in most retail sectors included in this group, especially building materials and electronic equipment. This sector is also impacted by streamlined sales tax sourcing rule changes and the closure of a major retailer.
- Retail eating/drinking** ended **13.1 percent down** compared to last year, continuing the negative trend that started in the second half of 2008. Reduced consumer discretionary spending is evident from the generally negative performance by most businesses in this sector as well as the closure of four restaurants.
- The **miscellaneous** sector ended **17.6 percent down** compared to last year due to slumping finance/insurance and real estate sectors.
- The **communications** sector ended **14.9 percent down** compared to last year due to reduced development-related activity and declining revenue from telecommunications companies.



### Streamlined Sales Tax

Washington State implemented new local coding sales tax rules as of July 1, 2008, as a result of joining the national Streamlined Sales Tax Agreement. Negative impact from this change is mitigated by the State of Washington.

Kirkland received about \$290,000 in mitigation payments over the last year. Payments for 2010 have been set at \$131,000 for the year, paid quarterly.

### Neighboring Cities

For Bellevue and Redmond, 2009 sales tax revenue declined by 19.1 percent and 6.7 percent respectively compared to 2008.

## City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-December		Dollar Change	Percent Change	Percent of Total	
	2008	2009			2008	2009
Services	1,696,462	1,459,736	(236,726)	-14.0%	11.3%	11.9%
Contracting	2,685,516	1,722,657	(962,859)	-35.9%	17.9%	14.1%
Communications	564,808	480,575	(84,233)	-14.9%	3.8%	3.9%
Auto/Gas Retail	2,990,763	2,650,663	(340,100)	-11.4%	19.9%	21.6%
Gen Merch/Misc Retail	2,230,501	1,930,424	(300,077)	-13.5%	14.8%	15.8%
Retail Eating/Drinking	1,295,765	1,125,423	(170,342)	-13.1%	8.6%	9.2%
Other Retail	1,761,238	1,545,962	(215,276)	-12.2%	11.7%	12.6%
Wholesale	881,824	544,895	(336,929)	-38.2%	5.9%	4.4%
Miscellaneous	924,213	784,591	(139,622)	-15.1%	6.1%	6.4%
<b>Total</b>	<b>15,031,090</b>	<b>12,244,926</b>	<b>(2,786,164)</b>	<b>-18.5%</b>	<b>100.0%</b>	<b>100.0%</b>

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

## City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2008	2009		
January	1,227,855	994,146	(233,709)	-19.0%
February	1,586,493	1,224,935	(361,558)	-22.8%
March	1,112,704	954,492	(158,212)	-14.2%
April	1,085,739	867,726	(218,013)	-20.1%
May	1,367,777	1,007,790	(359,987)	-26.3%
June	1,073,093	900,631	(172,462)	-16.1%
July	1,253,751	945,876	(307,875)	-24.6%
August	1,388,993	1,091,599	(297,394)	-21.4%
September	1,335,699	1,107,187	(228,512)	-17.1%
October	1,205,125	1,109,409	(95,716)	-7.9%
November	1,281,997	1,076,996	(205,001)	-16.0%
December	1,111,864	964,139	(147,725)	-13.3%
<b>Total</b>	<b>15,031,090</b>	<b>12,244,926</b>	<b>(2,786,164)</b>	<b>-18.5%</b>

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City. For example, sales tax received by the City in December is for sales activity in October. Monthly sales tax receipts through December 2008 and 2009 are compared in the table to the left.

- Negative monthly comparison trends, with the exception of February 2008, have been occurring since July 2007.
- Sourcing rule changes were adopted as of July 1, 2008 due to streamlined sales tax legislation. Mitigation payments from Washington State help offset the impact of revenue lost due to the changes. Factoring in these payments would change the decline in sales tax revenue between 2009 and 2008 to about 17.1 percent.
- Fourth quarter monthly performance improved slightly from the previous quarter primarily due to two reasons: 1) The economic downturn started in the last quarter of 2008, so the comparative base between the years is reduced, and 2) the federal "cash for clunkers" program helped boost automobile sales (primarily in October).

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

## Comparing to last year:

**Totem Lake**, which accounts for 31 percent of the total sales tax receipts, ended **18.3 percent down** primarily due to slumping automotive/gas

retail sales and generally weak retail and finance/real estate activity. About 65 percent of this business district's revenue comes from the auto/gas retail and general merchandise/miscellaneous retail sectors.

**NE 85<sup>th</sup> Street**, which accounts for over 16 percent of the total sales tax receipts, ended **10.4 percent down** primarily due to the general merchandise/miscellaneous retail and automotive/gas retail sectors, which contribute about 86 percent of this business district's revenue.

**Downtown**, which accounts for over 7 percent of the total sales tax receipts, ended **17.1 percent down** due to the loss of several retailers and poor performance in the retail eating/drinking and accommodations sectors; these sectors provide over 68 percent of this business district's revenue.

**Carillon Point/Yarrow Bay**, which accounts for over 2 percent of the total sales tax receipts, ended **23.5 percent down** compared to last year primarily due to poor performance from major software companies, retail eating/drinking and the accommodations sectors. Over 76 percent of this business district's revenue comes from business services, retail eating/drinking and hotels.

**Houghton & Bridle Trails**, which collectively account for over 2 percent of the total sales tax receipts, ended **22.4 percent down** collectively almost entirely due to entertainment/recreation, miscellaneous retail and other retail, which provides over 75 percent of these business districts' revenue.

**Juanita**, which accounts for about 2 percent of the total sales tax receipts, ended **9.1 percent down** primarily due to the retail eating/drinking sectors. A one-time recovery received in 2008 in this sector skews comparisons between the years. Factoring out the one-time 2008 receipt, this business district would be down about 5 percent. Retail eating/drinking and personal services provide over 45 percent of this business district's revenue.

When reviewing sales tax receipts by business district, it's important to point out that about 40 percent of the revenue received in 2009 is in the "unassigned or no district" category largely due to contracting revenue (which has declined compared to last year), and increasing revenue from Internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan - Dec Receipts		Dollar Change	Percent Change	Percent of Total	
	2008	2009			2008	2009
Totem Lake	4,638,102	3,790,629	(847,473)	-18.3%	30.9%	31.0%
NE 85th St	2,266,182	2,029,969	(236,213)	-10.4%	15.1%	16.6%
Downtown	1,118,506	927,065	(191,441)	-17.1%	7.4%	7.6%
Carillon Pt/Yarrow Bay	419,800	321,053	(98,747)	-23.5%	2.8%	2.6%
Houghton & Bridle Trails	390,494	302,952	(87,542)	-22.4%	2.6%	2.5%
Juanita	299,503	272,285	(27,218)	-9.1%	2.0%	2.2%
Unassigned or No District:						
Contracting	2,685,045	1,721,878	(963,167)	-35.9%	17.9%	14.1%
Other	3,213,458	2,879,095	(334,363)	-10.4%	23.3%	25.6%
<b>Total</b>	<b>15,031,090</b>	<b>12,244,926</b>	<b>(2,786,164)</b>	<b>-18.5%</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales Tax Revenue Outlook** Revenue performance for the months of the last quarter of 2009 improved to an average of 12 percent decline compared to the average 20 percent decline experienced over the first three quarters. This helped the year end at 18.5 percent decline, better than previously expected. Hopefully this is a sign that the bottom has been reached and recovery may be in sight. However, December 2009 is still almost 25 percent behind December 2007. Contracting activity has severely slumped with no sign of meaningful change for the near future. The local business climate remains fragile, illustrated by the closure of several businesses over the last year. Overall, 2009 sales tax revenue is almost \$4.3 million behind 2007. If 2010 revenue remains flat (as currently projected) compared to 2009, the current biennium sales tax receipts will decline over \$7 million compared to the previous biennium.

**OFFICE VACANCIES:**

According to CB Richard Ellis Real Estate Services, the Eastside vacancy rate is 18.3 percent for fourth quarter 2009 compared to 13 percent for fourth quarter 2008. Kirkland's 2009 rate is 30.4 percent, significantly higher than the 2008 rate of 8.6 percent largely due to the completion of the Lakeview Plaza. Google had intended to fully occupy this space, but has put about half of it out for sublease due to the recession.

The Puget Sound region appears to be stabilizing somewhat, with fourth quarter negative absorption of only 263,000 square feet of space compared to more than 2 million square feet returned in the prior 3 quarters. However, the area is still experiencing high vacancy rates and falling rents.

**LODGING TAX REVENUE:**

Lodging tax 2009 revenue is down 23.4 percent compared to the same period last year.

**Economic Environment Update** The Puget Sound regional economy appears to be stabilizing, but job growth is still lagging. According to Conway & Pedersen Economics' *Economic Forecaster*, job losses were greater than the rest of the nation because of the strong housing market pushed up construction employment. When the housing market collapsed and the jobs disappeared, the region had farther to fall. Optimism for the region's economic future remains because of the global recovery and the area's close ties to Asia. Boeing's successful first 787 Dreamliner flight and the success of Microsoft's Windows 7 are evidence that Washington State will outperform other states in economic recovery over the next three years according to Washington State's chief economist, Dr. Arun Raha. The rate of job loss has slowed and is expected to peak in the second quarter of 2010. Obstacles to recovery include small business credit availability, depressed construction activity, and low consumer confidence. These same factors will also hamper Kirkland's economic recovery, especially since small businesses comprise a substantial portion of retail activity and the resulting sales tax and business fees. Construction activity not only contributes development fee and sales tax revenues, but also increases the property tax base.

The U.S. **consumer confidence index increased** for the second consecutive month to **52.9** in December from 50.6 in November. This index is closely watched as consumer spending makes up about 2/3 of the nation's economic activity. An index reading of 90 indicates stability and over 100 indicates strong growth.

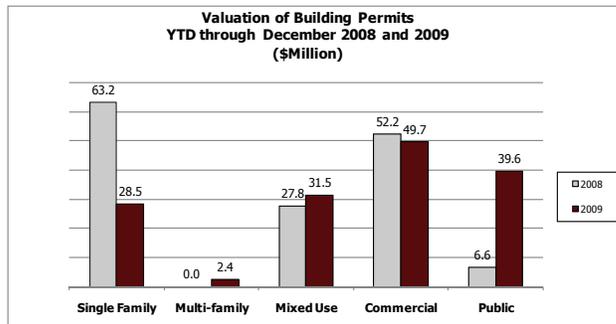
King County's **unemployment rate is 8.5 percent** in December compared to 5.6 percent in December 2008. This rate is below the Washington State and U.S. rates, which are 9.5 percent and 9.7 percent respectively. Generally, King County falls below these rates.

The **Western Washington chapter of Purchasing Managers survey index fell** again in November (last available) to **56.8**, down by 2.3 points from October. However, this is still a positive indication since an index reading greater than 50 indicates a growing economy and this index has been above 50 for four consecutive months.

(Continued on page 8)

**Economic Environment Update *continued***

Local **development activity** through December comparing 2009 to 2008 as measured by the valuation of City of Kirkland building permits is illustrated in the chart to the right. Single family activity plummeted, which was offset by the significant increase from two large projects in the public sector as well as some multi-family activity. Commercial/mixed use activity collectively were flat. Overall 2009 permit valuation ended slightly ahead of 2008, although permit revenues fell well short of budgeted levels.



Pending sales of **new and existing single-family homes** on the Eastside were up 78 percent in December 2009 compared to December 2008, the strongest performance in King County. However, median price dropped 5.5 percent (\$520,000 compared to \$550,000).

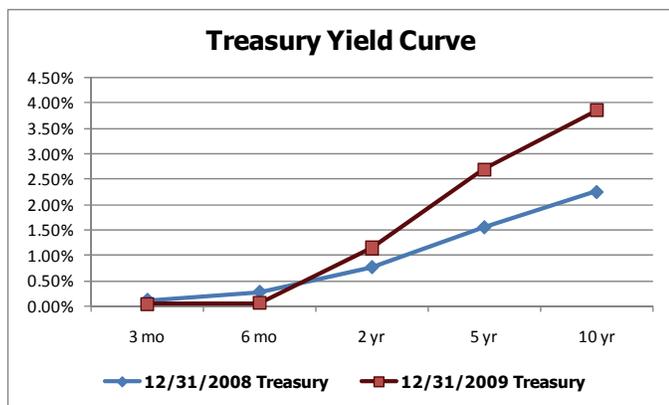
Eastside condominium sales were up 39.8 percent and the median price declined 6.3 percent to \$281,200. Factors for improved sales are attributed to the federal sales tax credit, low interest rates, improving stock market, and more realistic pricing by sellers. While the housing market improved in 2009 compared to 2008, median prices have not returned to the peak reached in 2007. The median price countywide is down about 16.5 percent from 2007.

**Seattle metro consumer price index (CPI)** peaked at 6.19 percent in June and August 2008. Both the local and national indexes have remained negative or low throughout 2009. The June 2009 CPI (-0.7 percent) is normally used to calculate City employee cost of living adjustments (COLA) for 2010. As a result, employees with closed bargaining units will receive no adjustment in 2010. (Four bargaining units and management had already agreed to this as part of a budget reduction strategy.) The year ended with Seattle CPI at 2.1 percent, which is far below the national city average of 3.4 percent.

**Investment Report**

**MARKET OVERVIEW**

Investment earning opportunities continued at all time lows throughout 2009. The Fed Funds rate remained in the range of 0.00 percent to 0.25 percent throughout the year. As can be seen in the accompanying graph, the treasury yield curve has reached new lows on the short end of the curve and steepened some at the longer end of the curve.

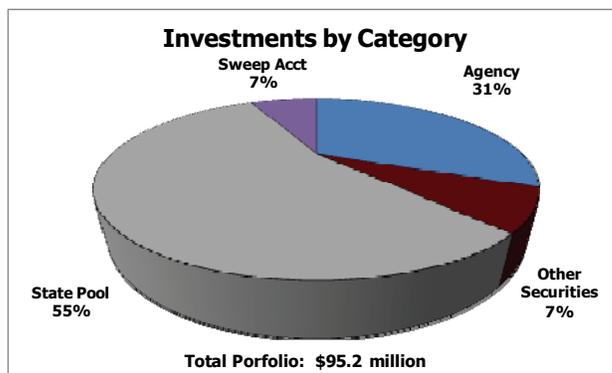


**CITY PORTFOLIO**

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

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established

maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City. The City's portfolio decreased about \$10 million in 2009. \$5 million of the decrease was due to an equivalent increase to the balance in the City's bank account to increase earnings to offset banking services cost. The remaining \$5 million decrease can be attributed to increased capital expenditures and decreased revenues. On December 31, 2008, Kirkland's portfolio balance was \$105.6 million compared to \$95.2 million on December 31, 2009.



**Diversification**

The City's current investment portfolio is composed of Government Agency bonds, State and Local Government bonds, the State Investment Pool and an overnight bank sweep account. Kirkland's Investment Policy allows up to 100% of the portfolio to be invested in US Treasuries or US Agency securities, with a limit of 30% of the portfolio invested in any one US Agency.

**2009 ECONOMIC OUTLOOK and INVESTMENT STRATEGY**

The professional forecasters of the Federal Reserve Bank of Philadelphia expect economic growth of 2.4 percent in 2010 following an approximate 2.5 percent decline in 2009. Core inflation for 2009 is expected to be 1.2 percent. The unemployment rate is expected to average 10 percent for 2010. The Fed Funds rate, currently at 0.00 to 0.25 percent is expected to stay at this level throughout 2010 and possibly through the first half of 2011.

Investment opportunities which provide greater yield are limited during this period of very low interest rates. The goal for 2010 will be to obtain benchmark yields while not investing too far out on the yield curve so that the City will not own a large number of low yield securities when interest rates begin to rise. Total investment income for 2010 is estimated to be \$1.4 million, about half of the interest income for 2009.

Investment Report *continued*

**Liquidity**

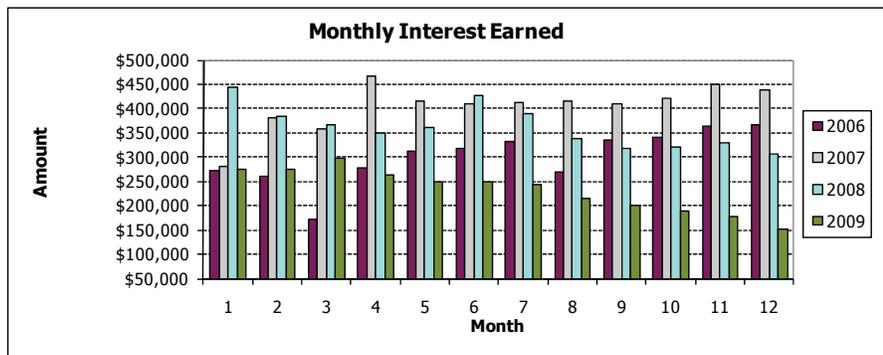
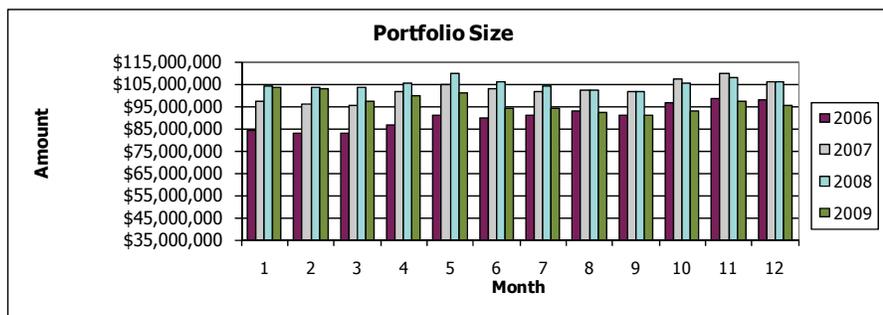
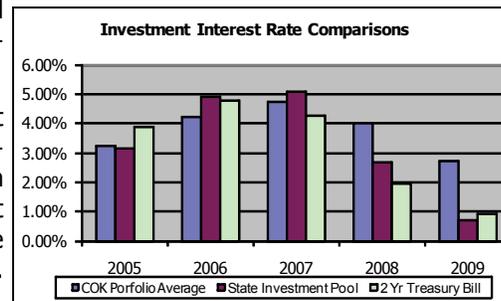
During 2009, the average maturity of the City's investment portfolio decreased from 2.01 years to 0.72 years as many of the securities with callable features were redeemed. The 2 year treasury rate is used to establish the target duration of the City's portfolio as seen in the table to the right. With the 2 year treasury rate at 1.14% at year end, the target duration is between 0.75 and 1 year. The portfolio at year end was slightly below this as several callable securities were called in the last quarter of 2009.

Benchmark Comparison	December 31, 2008	December 31, 2009
City Yield to Maturity (YTM)	3.57%	1.66%
City Annual Average YTM	4.03%	2.74%
City Year to Date Cash Yield	4.36%	3.04%
State Pool Average Yield	2.68%	0.70%
2 yr Treasury Note Avg YTM	1.97%	0.95%

**Yield**

The City portfolio yield to maturity decreased from 3.57% on December 31, 2008 to 1.66% on December 31, 2009. Through December 31, 2009, the City's annual average yield to maturity was 2.74%, which significantly outperformed the State Investment Pool annual average yield at 0.70% and as well as the 2 Year Treasury note annual average for 2009 at 0.95%.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.



## Reserve Summary

### General Operating Reserve

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

### Revenue Stabilization Reserve

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

### Contingency Fund

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

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

### General Government & Utility Reserves Summary

Reserves	2009-10 Est End Balance	2009 Auth. Uses	2009 Auth. Additions	Revised 2009-10 End Balance
<b>GENERAL PURPOSE RESERVES</b>				
Contingency	2,324,515	518,557		1,805,958
General Capital Contingency	2,444,561	266,514		2,178,047
Park & Municipal Reserve:				
General Oper. Reserve (Rainy Day)	2,712,836			2,712,836
Revenue Stabilization Reserve	1,082,380	1,000,000		82,380
Building & Property Reserve	2,059,669	125,000		1,934,669
Council Special Projects Reserve	271,960	104,276		167,684
<b>Total General Purpose Reserves</b>	<b>10,895,921</b>	<b>2,014,347</b>	<b>0</b>	<b>8,881,574</b>
<b>SPECIAL PURPOSE RESERVES</b>				
Excise Tax Capital Improvement:				
REET 1	8,370,417	2,349,314	266,078	6,287,181
REET 2	8,134,095		361,336	8,495,431
Equipment Rental:				
Vehicle Reserve	6,421,787			6,421,787
Radio Reserve	36,000			36,000
Information Technology:				
PC Replacement Reserve	494,373			494,373
Major Systems Replacement Reserve	247,900		197,600	445,500
Facilities Maintenance:				
Operating Reserve	550,000			550,000
Facilities Sinking Fund	1,051,963			1,051,963
Impact Fees				
Roads	3,429,578			3,429,578
Parks	237,809			237,809
Park Bond Reserve	558,981			558,981
Cemetery Improvement	523,405			523,405
Off-Street Parking	204,410			204,410
Tour Dock	70,175			70,175
Street Improvement	994,576			994,576
Firefighter's Pension	1,591,986			1,591,986
Park & Municipal Reserve:				
Litigation Reserve	51,329			51,329
Labor Relations Reserve	67,183			67,183
Police Equipment Reserve	48,093			48,093
LEOFF 1 Police Reserve	612,029			612,029
Facilities Expansion Reserve	800,000			800,000
Development Services Reserve	457,331			457,331
Tree Ordinance	28,980			28,980
Donation Accounts	161,257			161,257
Revolving Accounts	86,175			86,175
Water/Sewer Operating Reserve	1,799,424			1,799,424
Water/Sewer Debt Service Reserve	826,759			826,759
Water/Sewer Capital Contingency	3,018,240	239,200		2,779,040
Water/Sewer Construction Reserve	9,444,066	21,787		9,422,279
Surface Water Operating Reserve	394,485			394,485
Surface Water Capital Contingency	617,690			617,690
Surface Water-Transp. Related Rsv	1,302,179	23,000		1,279,179
Surface Water Construction Reserve	3,186,434			3,186,434
<b>Total Special Purpose Reserves</b>	<b>55,819,109</b>	<b>2,633,301</b>	<b>825,014</b>	<b>54,010,822</b>
<b>Grand Total</b>	<b>66,715,030</b>	<b>4,647,648</b>	<b>825,014</b>	<b>62,892,396</b>

Reserve Summary *continued*

USES AND ADDITIONS HIGHLIGHTS		
RESERVE	AMOUNT	DESCRIPTION
<b>2009 Council Authorized Uses</b>		
Contingency	\$54,750	Verizon franchise negotiations
	\$188,262	Hydrant Costs
	\$272,000	2009 Firefighter Overtime
	\$3,545	Return 2008 Interest Backfill to General Fund
General Capital Contingency	\$64,000	Downtown Transit Center
	\$43,800	NE 73rd Street Sidewalk additional funding
	\$98,544	Return 2008 Interest Backfill to General Fund
	\$60,170	Pandemic Flu Supplies
Revenue Stabilization Reserve	\$1,000,000	Backfill General Fund revenue deficit
Building & Property Reserve	\$125,000	Return 2008 Interest Backfill to General Fund
Council Special Projects Reserve	\$2,000	Council Retreat facilitator
	\$26,000	Funding for federal lobbyist services for 2009.
	\$25,000	Funding for Neighborhood Connections in 2010.
	\$20,000	Hopelink relocation
	\$13,770	Flexpass program
	\$12,506	Bank of America project review process
	\$5,000	Council special investigation
Excise Tax Capital REET 1	\$2,349,314	Municipal Court Building purchase
Water/Sewer Capital Contingency	\$54,000	Additional funding of \$54,000 for telemetry system upgrades at Supply Station #2 to coincide with a City-wide upgrade of telemetry panels at other water facility sites.
	\$128,000	Funding for the completion of the 2009 Water System Improvement Project.
	\$17,200	NE 73rd Street Sidewalk (watermain replacement) additional funding
	\$40,000	3rd Street Watermain Replacement
Water/Sewer Construction Reserve	\$21,787	Bridle View Annexation Water System Purchase from Redmond
Surface Water-Transp. Related Rsv	\$23,000	Downtown Transit Center (surface water component)
<b>2009 Council Authorized Additions</b>		
Excise Tax Capital REET 1	\$266,078	Closed Capital Projects
Excise Tax Capital REET 2	\$361,336	Closed Capital Projects
Major Systems Replacement Reserve	\$197,600	Closed Capital Projects

## General Government &amp; Utility Reserves Targets Summary

Reserves	Revised 2009-10 End Balance	2009-10 Target	Over (Under) Target
<b>GENERAL PURPOSE RESERVES</b>			
Contingency	1,751,208	4,915,571	(3,164,363)
General Capital Contingency	2,178,047	9,032,430	(6,854,383)
Park & Municipal Reserve:			
General Oper. Reserve (Rainy Day)	2,712,836	3,567,649	(854,813)
Revenue Stabilization Reserve	82,380	2,188,803	(2,106,423)
Council Special Projects Reserve	167,684	250,000	(82,316)
<b>General Purpose Reserves with Targets</b>	<b>6,892,155</b>	<b>19,954,453</b>	<b>(13,062,298)</b>
<b>SPECIAL PURPOSE RESERVES</b>			
Excise Tax Capital Improvement:			
REET 1	6,287,181	1,653,500	4,633,681
REET 2	8,495,431	8,477,130	18,301
Firefighter's Pension	1,591,986	1,103,000	488,986
Park & Municipal Reserve:			
Litigation Reserve	51,329	50,000	1,329
Water/Sewer Operating Reserve	1,799,424	1,799,424	0
Water/Sewer Debt Service Reserve	826,759	826,759	0
Water/Sewer Capital Contingency	2,779,040	3,018,240	(239,200)
Surface Water Operating Reserve	394,485	394,485	0
Surface Water Capital Contingency	617,690	617,690	0
<b>Special Purpose Reserves with Targets</b>	<b>22,843,325</b>	<b>17,940,228</b>	<b>4,903,097</b>
<b>Reserves without Targets</b>	<b>33,102,166</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>62,837,646</b>	<b>n/a</b>	<b>n/a</b>

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

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

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



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[www.ci.kirkland.wa.us](http://www.ci.kirkland.wa.us)

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

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

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- Eric Pryne, *Home sales on King County's Eastside lead December activity*, The Seattle Times, January 6, 2010
- *Washington State's Recovery: U Shaped?*, The Puget Sound Business Journal, January 29, 2010
- *A rooftop view of 2009*, The Seattle Times, February 7, 2010
- CB Richard Ellis Real Estate Services, Market View Puget Sound, Fourth Quarter 2009
- U.S. Bureau of Labor Statistics
- Washington State Economic & Revenue Forecast Council
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance Department

## January 2010 Financial Dashboard Highlights

February 19, 2010

- The dashboard report reflects the 2010 annual budget, including the budget adjustments adopted by the City Council during 2009. The actual revenues and expenditures summarized in the dashboard represent one month of data, which represents 8.33% of the calendar year.
- Total General Fund revenues are below expectations due to the following:
  - January sales tax revenue is down 4.8 percent compared to January 2009, which appears to confirm the leveling off after last year's steep decline. In general terms, the retail and services sectors showed improvement, however, the contracting sector continues to be down dramatically. Sales tax revenue received this month is for activity in November. It is important to note that the budgeted sales tax revenue will be adjusted downward when the 2010 budget is amended to reflect the 3.4% compensation concessions, which were not final at the time of the December mid-biennial budget adjustments.
  - Utility tax receipts are within expectations. As noted in a recent reading file item, Verizon has filed for a \$377,000 refund for past over-payments. The company has taken this action with jurisdictions across the state and the City is working with a group of other agencies to challenge the legal basis for this claim.
  - The business license revenues in January showed significant improvement over receipts in 2009. This improvement may not represent a trend because the City extended the due date of the January 2009 renewals to mid-February in recognition of the implementation of the new structure, delaying some January 2009 renewals into February. This anomaly should be normalized once the February renewals are received, so the two-month trend should be a more meaningful measure.
  - Development revenues continue to be down substantially, especially in Building, but expenditure reductions have been implemented to help offset the shortfall. Further discussion of January development activity follows the dashboard.
  - Revenues for January do not reflect planned transfers into the General Fund, many of which are done on a quarterly basis. In addition, selected large General Fund revenues are received in periodic increments including property tax (mostly received in April/May and October/November) and Fire District 41 and King County EMS payments (quarterly or semi-annually).
- 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 January was \$74,320, which exceeded the monthly budget of \$62,328 by \$11,992. The Fire Department will be analyzing the impact of the new 48/96 schedule on overtime patterns.
  - Due to successful negotiations for jail beds at lower rates than those charged by King County, jail contract costs have come back into line with budget expectations.
  - Fuel costs are still substantially below budgeted levels, but prices have risen over the past several months.

Attachments: January Dashboard  
Development Services Highlights

2/18/2010

## City of Kirkland Budget Dashboard

Annual Budget Status as of **1/31/2010** (Note 1)Percent of Year Complete **8.33%**

	2010 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Month	Last Month	
<b>General Fund</b>						
Total Revenues	57,634,909	2,889,373	5.0%		n/a	Property tax/FD41/EMS spike in 2Q
Total Expenditures (2)	59,403,635	4,785,752	8.1%		n/a	

## Key Indicators (All Funds)

<i>Revenues</i>						
Sales Tax	13,023,571	945,992	7.3%		n/a	Prior YTD = \$994,151; January was 8.12% in 2009
Utility Taxes	10,969,289	925,227	8.4%		n/a	
Business License Fees	2,998,723	246,377	8.2%		n/a	
Development Fees	2,410,072	96,003	4.0%		n/a	
Gas Tax	1,147,090	83,815	7.3%		n/a	
<i>Expenditures</i>						
GF Salaries/Benefits	42,112,278	3,322,337	7.9%		n/a	Excludes Fire Suppression Overtime
Fire Suppression Overtime	747,941	74,320	9.9%		n/a	
Contract Jail Costs	944,644	80,023	8.5%		n/a	
Fuel Costs	408,310	12,561	3.1%		n/a	

**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 second year of the biennium (2010).

Note 2 - Total budgeted expenditures exceed revenues due to planned use of reserves/cash balances to balance the budget.

n/a - not applicable

## Development Services Report – January 2010

A review of the January 2010 permit data allows us to offer the following:

- The January 2010 statistics continue to follow the trend that we witnessed in 2009. New single family residential permit applications which had shown a slight improvement in the last half of 2009 were down again in January (1 application received compared to 4 in January 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 and that is the case so far this year (22 applications year to date compared to 20 last year).
- While the monthly average for 2010 (165) is lower than the monthly average for 2009 (184), the total number of permits received in January 2010 (165) is lower than January 2009 (188).
- Building Department revenue for January 2010 was \$75,366, well below our revised projected monthly revenue average of \$160,000 for 2010. Year to date total revenue projected for the year falls short by \$84,634. We have been making on-going expenditure reductions in response to the shortfall in revenue. A Permit Technician position that was vacated by promotion will remain vacant through 2010. Some off-setting revenue will be generated by loaning one Building Inspector to another jurisdiction for the next 2 years.
- Public Works Department development revenue for January 2010 was \$8,752, which is below our monthly projected revenue average of \$29,333. Historically, January has produced less than average revenue. We anticipate the issuance of several large Franchise Utility permits which should help our revenue totals in February, March, and April.
- Planning Department revenue for January 2010 was \$11,314 which is below our adjusted monthly revenue average of \$16,035 for 2010.
- The redesigned McLeod project (addition to Hector's) received DRB approval in December. 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 February.

Touchstone is continuing the design review process for the redevelopment of Park Place. Buildings A, B & C facing 6<sup>th</sup> Street have received preliminary approval from the DRB. The next building to be reviewed is the hotel. 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

123 Fifth Avenue, Kirkland, WA 98033 425.587.3100

[www.ci.kirkland.wa.us](http://www.ci.kirkland.wa.us)

## MEMORANDUM

**To:** Dave Ramsay, City Manager

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

**Date:** February 23, 2010

**Subject:** February Sales Tax Revenue Analysis

The recent sunny weather also brings positive sales tax news—February revenue is **up 11.4 percent** compared to February 2009. This is the first positive monthly comparison since February 2008 (factoring out one-time events). However, February receipts for 2010 are down significantly from February 2008 (14 percent). Sales tax revenue received this month is for activity in December. **Year-to-date** revenue performance is also positive, **up 4.1 percent** compared to the same period last year.

The primary sectors boosting February 2010 performance compared to February 2009 are: auto/gas retail (up 32.3 percent or about \$71,000), contracting (up 17.3 percent or almost \$29,000), other retail (up 8.5 percent or almost \$15,000), wholesale (up 21.7 percent or about \$12,000), and services (up 6.9 percent or about \$11,000). The general merchandise/miscellaneous retail sector is down 4.5 percent or about \$11,000. It is important to note that, in addition to the recession that started in the last quarter of 2008, unusually severe weather also negatively impacted retail sales in December 2008 (reflected in February 2009 revenue). Weather was not a negative factor this last December.

### Business sector review:

- Even with the positive February performance, the **contracting** sector performance remains the biggest drain on revenue, **down 13.1 percent** (about \$47,000) compared to the same period last year. Compared to 2007, revenue is down 42 percent (about \$223,000). Significant activity this month includes the Lake Washington High School replacement, Lake Washington College Allied Health Building, and the Downtown Transit Center. In addition, a large multi-use project in Totem Lake is primarily responsible for the positive performance in February.
- Retail sectors sales tax revenue collectively improved compared to the same period in 2009, up 6.8 percent primarily due to auto/gas retail. Other retail is also up, but the general merchandise/miscellaneous retail and retail eating/drinking sectors remain down.
  - The **auto/gas retail** sector is **up 21.1 percent** compared to the same period last year. However, there is a concern about the potential negative impacts associated with the current controversy surrounding Toyota products. This sector provides about 37 percent of total retail sector sales revenue.
  - **Other retail is up 11.9 percent** compared to the same period last year primarily due to electronics, furniture, health care, and internet retailers. Streamlined sales tax rule changes have contributed to this improvement, along with some apparently one-time activity in electronics and health care.
  - The **general merchandise/miscellaneous retail** sector is **down 8.5 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.
  - The **retail eating/drinking** sector is **down 1.7 percent** compared to the same period last year despite positive performance for February. This sector was especially impacted in the previous year by severe weather.

- The **services** sector is **up 9.7 percent** compared to the same period last year, largely due to software and landscaping services (possibly impacted by streamlined sales tax rule changes as well). The accommodations sector actually has moved back to the positive side for the first time in over a year, up slightly (0.4 percent) compared to the same period last year.
- **Wholesale** is **up 22.9 percent** compared to the same period last year. This appears to be from streamlined sales tax sourcing rule changes as well as some potential development activity.
- The **miscellaneous** sector is **up 7.1 percent** compared to the same period last year primarily due to improvements to the finance/insurance and real estate sectors.
- The **communications** sector is **down 9.9 percent** compared to the same period last year due to changes in development activity as well as declining revenue from telecommunications companies.

#### City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-February		Dollar Change	Percent Change	Percent of Total	
	2009	2010			2009	2010
Services	264,294	289,977	25,683	9.7%	11.9%	12.6%
Contracting	355,311	308,620	(46,691)	-13.1%	16.0%	13.4%
Communications	79,645	71,782	(7,863)	-9.9%	3.6%	3.1%
Auto/Gas Retail	421,362	510,414	89,052	21.1%	19.0%	22.1%
Gen Merch/Misc Retail	392,925	359,539	(33,386)	-8.5%	17.7%	15.6%
Retail Eating/Drinking	183,667	180,548	(3,119)	-1.7%	8.3%	7.8%
Other Retail	292,789	327,615	34,826	11.9%	13.2%	14.2%
Wholesale	101,862	125,222	23,360	22.9%	4.6%	5.4%
Miscellaneous	127,226	136,298	9,072	7.1%	5.7%	5.9%
<b>Total</b>	<b>2,219,081</b>	<b>2,310,015</b>	<b>90,934</b>	<b>4.1%</b>	<b>100.0%</b>	<b>100.0%</b>

#### Streamlined Sales Tax Mitigation

The current calculation sets fixed 2010 quarterly payments at about \$32,000, for an annual total of almost \$131,000. The first 2010 payment will be received in March. The mitigation payment may be reduced for sales tax revenue received from businesses participating in the voluntary compliance program. 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.

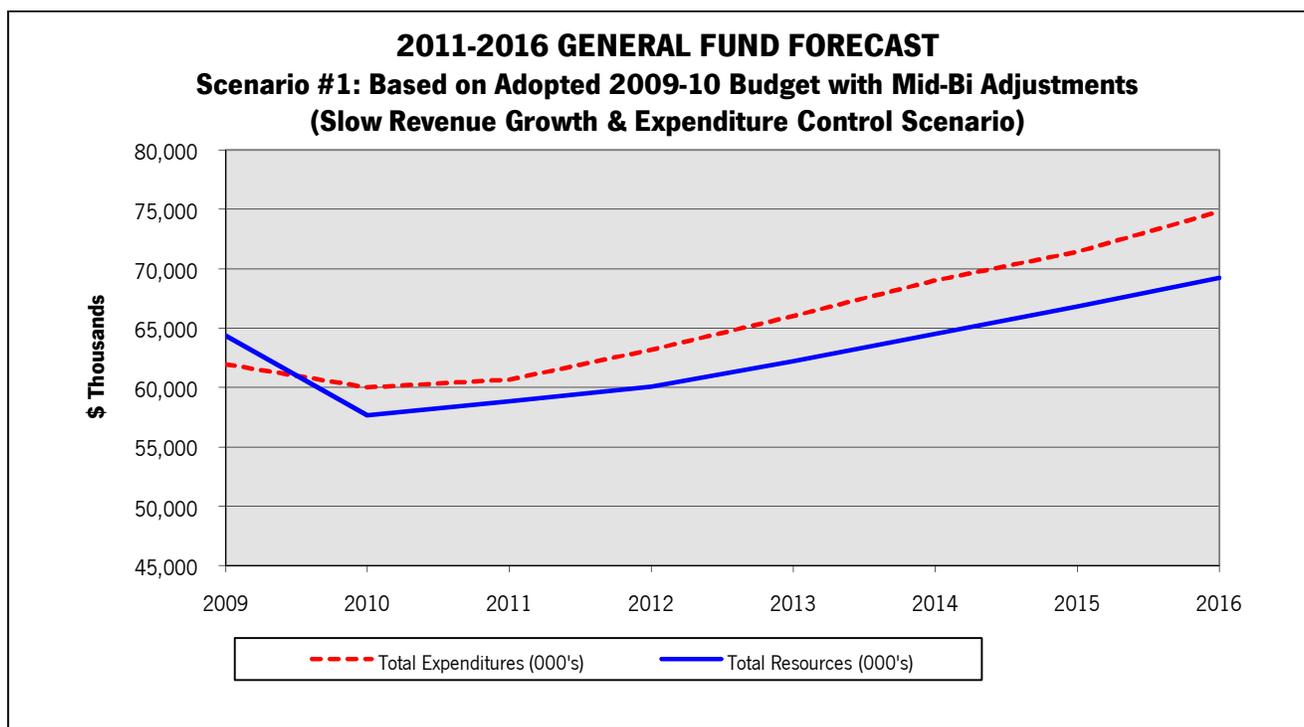
#### Conclusion

The positive performance in February supports the hope that the bottom has been reached. However, some of the improvement comparing to last year can be attributed to mild weather this year compared to unusually severe weather last year. In addition, several sectors seem to have a significant amount of one-time activity in February. Both the auto/gas retail and contracting sectors are very economically sensitive and as a result are volatile, particularly given recent actions by Toyota. Based on these factors, it may be premature to assume the rest of the year will remain positive and the recovery is certainly fragile.

On a national level, February consumer confidence fell unexpectedly to 46 compared to the revised 56.5 in January. This comes after three consecutive months of gain. Economists expected February to drop only slightly from January to 55. Continued concern about employment contributed to the decline. The "present situation" index, which indicates how consumers feel about current economic conditions, was at a historic low of 19.4. This means that consumers feel that things are worse now than last fall. Economists point out that the significant decline after three months of gain is similar to what happened in the recession of 1981-82, which also posted a very low present situation index number. Since other economic indicators, such as unemployment rate and housing values, are showing signs of improving, they are cautioning against reading too much into the one month index results.

On the other hand, consumer spending grew by 0.2 percent in February. Unfortunately one of the primary drivers was higher gasoline prices. Purchases of higher-priced durable goods continued to drop. Personal income also fell by 0.2 percent suggesting that Americans may need to continue cutting back on expenses.

The most recent update from the Washington State Economic and Revenue Forecast Council shows the state's economy improving slowly, but unemployment remains high. Washington State's unemployment rate is still lower than the national rate. The Council's executive director, Dr. Arun Raha, is predicting that the State will "have dug out of the hole we're in" by mid 2011.



	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Resources (000's)	64,357	57,635	58,827	60,094	62,238	64,492	66,843	69,210
Total Expenditures (000's)	61,969	60,022	60,654	63,163	66,021	69,033	71,457	74,799
<b>Net Resources (000's)</b>	<b>2,388</b>	<b>(2,388)</b>	<b>(1,826)</b>	<b>(3,069)</b>	<b>(3,783)</b>	<b>(4,541)</b>	<b>(4,614)</b>	<b>(5,589)</b>
<b>Biennium Total (000's)</b>	<b>0</b>		<b>(4,895)</b>		<b>(8,324)</b>		<b>(10,203)</b>	

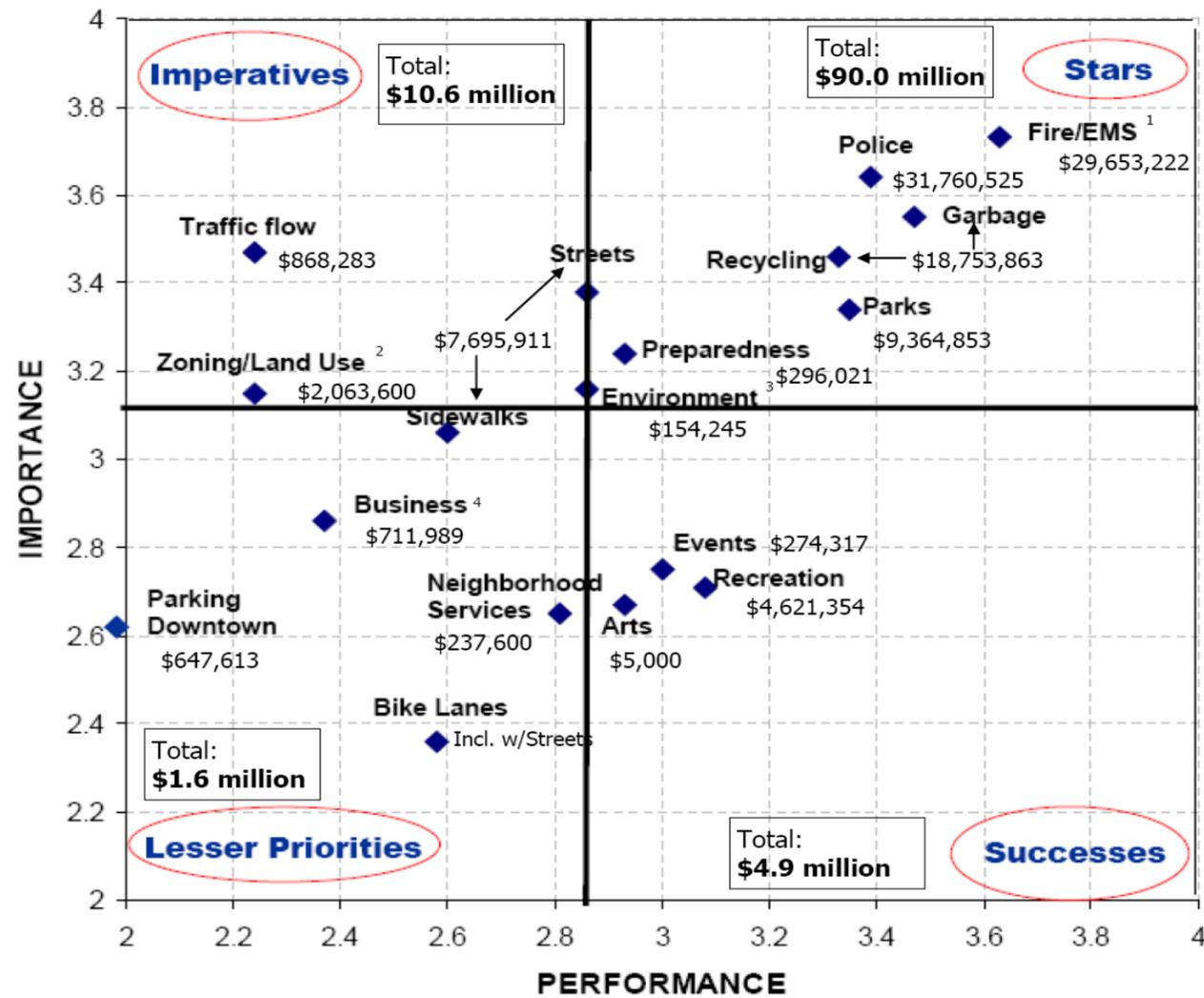
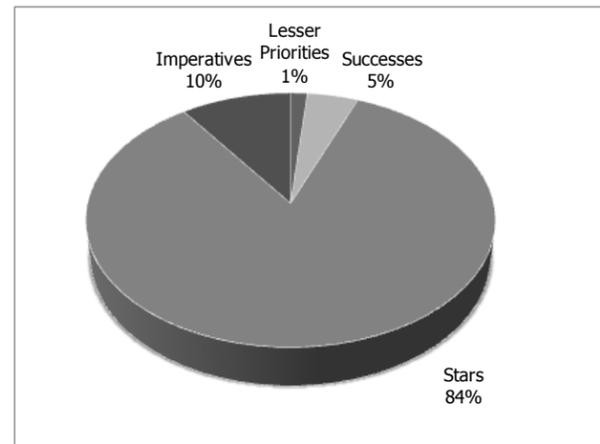
### Key Revenue Assumptions:

- Based on 2009-2010 Budget with Mid-biennial adjustments
- No diversion of current revenue sources to CIP
- No use of reserves in 2011-2016
- 1% optional property tax and 1% annual growth in new construction property tax in 2011-2012
- 1% optional property tax and 2% annual growth in new construction property tax in 2013-2016
- Sales tax growth of 1% in 2011, 3% growth in 2012, and 6% annual growth reflected in 2013-2016 projections
- 3% annual growth in utility taxes in 2011 and 2012; 4% annual growth in utility taxes in 2013-2016
- No growth in other taxes (revenue generating regulatory license and gambling taxes) over 2010 reflected in 2011 and 1% growth in 2012
- 2% annual growth in other taxes (revenue generating regulatory license and gambling taxes) in 2013-2016
- No growth in other revenue over 2010 reflected in 2011, 1% growth in 2012, and 2% annual growth in 2013-2016

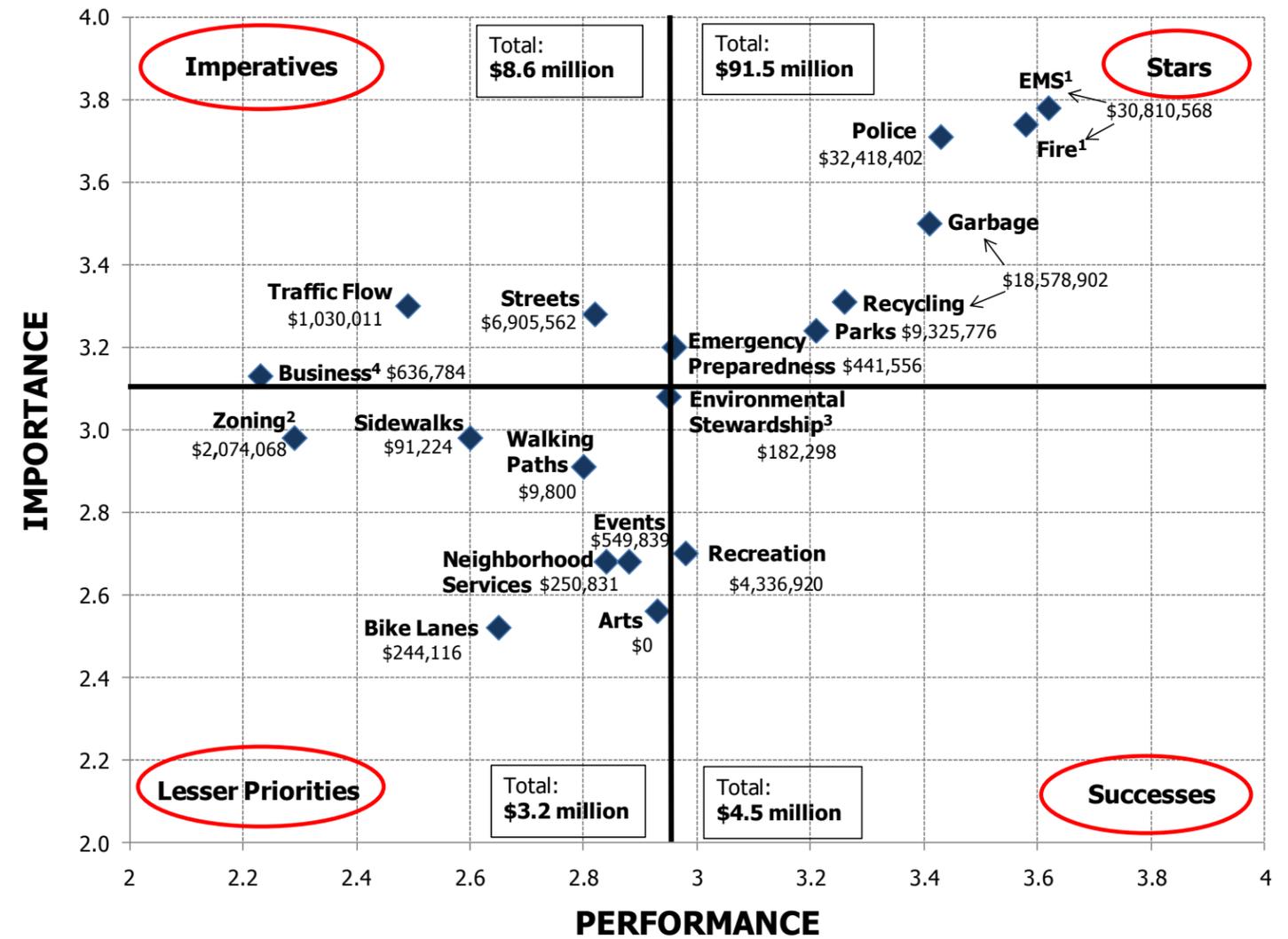
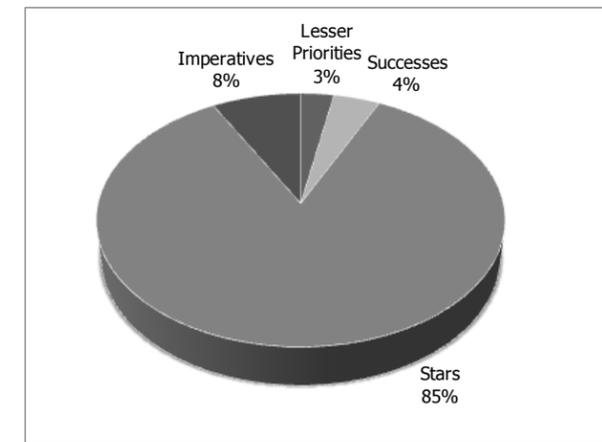
### Key Expenditure Assumptions:

- Based on 2009-2010 Budget with Mid-biennial adjustments excluding the one-time and annexation service packages starting in 2011
- 5% annual growth in wages in 2011-2016
- 5% annual increase in total benefits in 2011-2012 and 7% annual increase in 2013-2016
- 2% annual growth in supplies, services & capital in 2011-2016

### 2008 Survey 2009-2010 Original Budget



### 2010 Survey 2009-2010 Budget with Mid-Bi Adjustments



Notes:

1. Fire and EMS excludes Building Services and Emergency Preparedness.
2. Zoning only includes the Land Use Management portion of the Planning Budget.
3. Environmental Stewardship includes approximately \$30,000 from Planning and the remainder in Parks.
4. Business is the Economic Development budget.

## Excerpts from June 16, 2009 Council Packet

At the June 2, 2009 Study Session, Council expressed an interest in undertaking a “top-down” evaluation of core services to assist in identifying what service levels would need to be reduced in the event the voted private utility tax increase does not pass. At that meeting, a majority of Council members indicated that staff should proceed with the process of placing the private utility tax increase on the ballot. As a result, the purpose of identifying service levels to be reduced if the tax does not pass is for use in crafting our communications with the public as we move forward toward the election. Identifying core services would also be the first step in the larger exercise to match core services with core revenues, which has been discussed during the recent meetings regarding Council goals and the budget.

To assist with this exercise, staff prepared the 2010 Services Matrix. This matrix identifies City services into the following categories:

- **Mandated** – Required by federal or state law or contractual agreement.
- **Essential** – Service is a basic function of government, but the level of service is established by the City Council.
- **Discretionary** – Service, program, or activity established based on City Council direction.
- **Administration** – Department Directors and their Administrative Assistants.
- **Internal Services** – Insurance costs and charges from internal service funds (information technology, fleet, and facilities). Note that reductions in these costs only occur to the extent that service levels are reduced in the internal service fund budget.
- **100% Revenue Supported** – Services that are completely funded from dedicated revenue sources (e.g., utilities). Note that reductions in these services do not contribute to closing the General Fund gap, since revenue is lost offsetting any cost savings.

For each program or service, departments identified the approximate resources devoted to it, both in terms of dollars and FTEs, for 2010. The dollar estimates include whatever portion of staff is allocated to that task. It is important to note that a reduction in any given service may not save the full cost shown. Some services have some off-setting revenue or a portion of the cost that might be retained. **Shaded items** on the matrix are one-time funded service packages, so any savings in those areas do not contribute toward closing the on-going budget gap created by the private utility tax increase not passing.

The information provided on the matrix is a work in progress. While there is some consistency and continuity to the presentation, each department prepared their own matrix and sorted their services according to their own rationale. Questions about whether a program should be listed as mandated, essential or discretionary do not necessarily have a “right” answer. We will continue to refine and/or correct it to the extent that the Council finds it a useful tool for their budget deliberations.

To provide direction to staff on areas to consider for further budget cuts, staff is recommending that the Council review the 2010 Services Matrix to identify those services that they would designate as Core Services, defined as those services that should be supported by sustainable, predictable revenue sources. To expedite the process, we suggest the following process and timeline:

## Excerpts from June 16, 2009 Council Packet

- Councilmembers indicate core services by placing an "X" in the "Core?" column on the Services Matrix and return their input to Sandi Hines by June 24, either in hard copy or we can provide you with a copy of the Excel file on request.
- Staff will tally each Councilmembers input and report back on the results of that exercise as a starting point for further discussion at the July 1 Special Study Session. The results will indicate which services each Council member designated as "Core". This will form the baseline for discussion of which services should be removed from consideration for the utility tax-related reductions, those services where a reduction in the level of service might be considered, and which services or programs might be eliminated.
- Based on the input received at the July 1 Special Study Session, staff will make necessary changes, with a follow up discussion planned for the July 7 Study Session. Assuming that the list of services to be considered for reductions is agreed upon at that session, staff will develop specific service level reductions for City Council consideration at the August 4 City Council meeting. This process should provide adequate time to craft communication materials in advance of the November election.

### Attachments

July 1, 2009 – Service Matrix Special Study Session PowerPoint

Attachment A – 2010 Services Matrix Summary

Attachment B – Non-Core Expenditures as Percent of Total Rated Expenditures

Attachment C – Non-Core Expenditures by Category

Attachment D – Ongoing Services Rated as Non-Core

Attachment E – One-Time Funded Services Rated as Non-Core

Attachment F – Service Matrix

Kirkland City Council – Special Study Session  
Services Matrix – Core Exercise

July 1, 2009

# Agenda

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- ▶ **Background**
  - ▶ Budget Shortfall
  - ▶ 7 Strategies
- ▶ **Services Matrix – Core Exercise**
- ▶ **Summary Results**
- ▶ **List of Non-Core Services**
  - ▶ One-Time Funded
  - ▶ Ongoing Services



# Budget Shortfall

---

## Dollars in thousands

	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>Total (Shortfall)</b>	<b>(2,772)</b>	<b>(3,055)</b>	<b>-</b>	<b>(2,240)</b>	<b>(8,067)</b>

Focus of this discussion: What on-going reductions would be made if the voted increase to the private utility tax does not pass?



# Budget Balancing Strategies

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- ▶ Revisit the 8% Adjustment List
- ▶ Identify Additional Reductions
- ▶ Savings from Maintenance & Operations (M&O)
- ▶ Evaluate Year-end Cash Position/Reserves
- ▶ Capital Improvement Program
- ▶ Compensation Savings
- ▶ Work Schedule Reductions

**Budget Balancing Strategy - General Fund**  
**Framework - 7/7/09 Mid-Year Budget Review 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>Total (Shortfall)</b>		<b>(2,772)</b>	<b>(3,055)</b>	<b>-</b>	<b>(2,240)</b>	<b>(8,067)</b>
<b>Strategies</b>						
<b>1. 8% Adjustment List Remainder</b>	1 year - 2,622	-	-	-	-	-
<b>2. Additional Reductions</b>						
<b>Line Item Budgets</b>						
Dues & Memberships	47	-	47	-	-	47
Training and Travel & Subsistence	64	29	35	-	-	64
<b>Services Matrix</b>	TBD	-	-	-	-	-
<b>3. Savings from M&amp;O</b>						
<b>Internal Service Rates</b>						
Fleet Rates (mostly due to fuel savings)	129	129	-	-	-	129
IT Operating Rates	201	70	131	-	-	201
IT Replacement Rates	228	76	152	-	-	228
<b>Facilities Operating Rates</b>	TBD	-	-	-	-	-
Governor's Pension Rate Reductions	557	180	377	-	-	557
<b>4. Reserves/Year End Cash</b>						
Revenue Stabilization Reserve	1,000	1,000	-	-	-	1,000
Rainy Day Reserves	2,700	-	1,350	-	-	1,350
2008 Year-end Cash	1,500	1,500	-	-	-	1,500
<b>5. Capital Improvement Program</b>						
Projects Funded not Started	447	229	-	-	-	229
Projects to be Closed/Funds Repurposed	88	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>2,431</b>	<b>-</b>	<b>634</b>	<b>6,366</b>
<b>Net Surplus/(Shortfall) - Annual</b>		<b>529</b>	<b>(624)</b>	<b>-</b>	<b>(1,606)</b>	<b>(1,701)</b>
<b>Net Surplus/(Shortfall) - Biennial</b>			<b>(95)</b>		<b>(1,606)</b>	

Shaded items indicate Mid-Year Budget adjustment recommendations.

# Services Matrix Summary – 2010 Budget

Department/ Function	Mandatory	Essential	Discretionary	Revenue Supported	Administration	Internal Service/ Insurance	Total Expenditures
<b>GENERAL FUND</b>							
City Council	139,000	84,500	55,000	-	9,000	94,000	381,500
CMO/Court	1,218,000	118,000	808,000	279,000	349,000	449,000	3,221,000
Human Resources	447,741	392,870	28,726	-	102,057	90,642	1,062,036
CAO	411,846	109,000	142,358	-	267,687	59,879	990,770
Parks & Comm. Svc.	115,916	938,017	4,344,092	150,881	340,565	1,318,884	7,208,355
PW - Engineering	165,249	1,241,224	205,943	1,187,922	543,342	424,468	3,768,149
Finance & Administration	1,371,070	551,003	391,544	627,823	297,225	408,798	3,647,463
Planning & Community Development	774,079	716,241	477,017	-	528,346	286,464	2,782,147
Police	8,830,929	2,030,692	1,476,204	430,287	916,819	2,371,356	16,056,287
Fire/Building	1,223,360	13,137,868	265,638	-	432,700	2,365,663	17,425,229
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>14,697,190</b>	<b>19,319,415</b>	<b>8,194,522</b>	<b>2,675,913</b>	<b>3,786,740</b>	<b>7,869,154</b>	<b>56,542,935</b>
Non-Departmental	1,395,151	48,877	897,994	-	-	50,860	2,392,882
<b>SUBTOTAL GENERAL FUND</b>	<b>16,092,341</b>	<b>19,368,292</b>	<b>9,092,516</b>	<b>2,675,913</b>	<b>3,786,740</b>	<b>7,920,014</b>	<b>58,935,817</b>
% of General Fund	27%	33%	15%	5%	6%	13%	100%
<b>OTHER FUNDS</b>							
Streets	870,001	1,143,238	175,577	-	396,052	1,516,752	4,101,619
Fleet	80,770	1,981,002	5,000	-	148,955	171,948	2,387,675
Information Technology	572,107	2,176,529	743,910	133,451	282,963	88,909	3,997,869
Facilities	99,855	787,571	69,926	-	1,668,210	214,965	2,840,527
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,622,733</b>	<b>6,088,340</b>	<b>994,412</b>	<b>133,451</b>	<b>2,496,180</b>	<b>1,992,574</b>	<b>13,327,690</b>
<b>% Other Funds</b>	<b>12%</b>	<b>46%</b>	<b>7%</b>	<b>1%</b>	<b>19%</b>	<b>15%</b>	<b>100%</b>
<b>GRAND TOTAL</b>	<b>17,715,074</b>	<b>25,456,632</b>	<b>10,086,929</b>	<b>2,809,364</b>	<b>6,282,920</b>	<b>9,912,588</b>	<b>72,263,507</b>
<b>% Total</b>	<b>25%</b>	<b>35%</b>	<b>14%</b>	<b>4%</b>	<b>9%</b>	<b>14%</b>	<b>100%</b>

- ▶ 2010 Budget total is \$72.2 million – core exercise addressed \$59.5 million
- ▶ Excluded internal services/insurance expenditures and 100% revenue supported services (\$12.7 million)

# Non-Core Expenditures as Percent of Total Rated Expenditures

Department/ Function	Expenditures by Category Rated by Councilmembers					Non-Core Expenditures	Percent Rated Non-Core
	Mandatory	Essential	Discretionary	Administration	Total		
<b>GENERAL FUND</b>							
City Council	139,000	84,500	55,000	9,000	287,500	49,000	17%
CMO/Court	1,218,000	118,000	808,000	349,000	2,493,000	307,500	12%
Human Resources	447,741	392,870	28,726	102,057	971,394	43,476	4%
CAO	411,846	109,000	142,358	267,687	930,891	75,000	8%
Parks & Comm. Svc.	115,916	938,017	4,344,092	340,565	5,738,590	2,105,001	37%
PW - Engineering	165,249	1,241,224	205,943	543,342	2,155,758	178,004	8%
Finance & Administration	1,371,070	551,003	391,544	297,225	2,610,842	122,432	5%
Planning & Community Development	774,079	716,241	477,017	528,346	2,495,683	85,012	3%
Police	8,830,929	2,030,692	1,476,204	916,819	13,254,644	346,717	3%
Fire/Building	1,223,360	13,137,868	265,638	432,700	15,059,566	323,989	2%
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>14,697,190</b>	<b>19,319,415</b>	<b>8,194,522</b>	<b>3,786,740</b>	<b>45,997,868</b>	<b>3,636,131</b>	<b>8%</b>
Non-Departmental	1,395,151	48,877	897,994	-	2,342,022	894,744	38%
<b>SUBTOTAL GENERAL FUND</b>	<b>16,092,341</b>	<b>19,368,292</b>	<b>9,092,516</b>	<b>3,786,740</b>	<b>48,339,890</b>	<b>4,530,875</b>	<b>9%</b>
% of General Fund	33%	40%	19%	8%	100%		
<b>OTHER FUNDS</b>							
Streets	870,001	1,143,238	175,577	396,052	2,584,867	109,094	4%
Fleet	80,770	1,981,002	5,000	148,955	2,215,727	-	0%
Information Technology	572,107	2,176,529	743,910	282,963	3,775,509	173,034	5%
Facilities	99,855	787,571	69,926	1,668,210	2,625,562	24,815	1%
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,622,733</b>	<b>6,088,340</b>	<b>994,412</b>	<b>2,496,180</b>	<b>11,201,665</b>	<b>306,943</b>	<b>3%</b>
<b>% Other Funds</b>	<b>14%</b>	<b>54%</b>	<b>9%</b>	<b>22%</b>	<b>100%</b>		
<b>GRAND TOTAL</b>	<b>17,715,074</b>	<b>25,456,632</b>	<b>10,086,929</b>	<b>6,282,920</b>	<b>59,541,555</b>	<b>4,837,819</b>	<b>8%</b>
<b>% Total</b>	<b>30%</b>	<b>43%</b>	<b>17%</b>	<b>11%</b>	<b>100%</b>		

- ▶ \$4.8 million or 8% of rated expenditure total of \$59.5 million is non-core
- ▶ \$3.6 million of General Fund (excluding Non-Departmental) total of \$45.9 million is non-core
- ▶ \$894,744 of Non-Departmental total of \$2.3 million is non-core
- ▶ \$306,943 of other funds total of \$11.2 million is non-core

# Non-Core Expenditures by Category

Department/ Function	Expenditures Rated as Non-Core by Councilmembers					Total One-Time	Total Ongoing
	Mandatory	Essential	Discretionary	Administration	Total		
<b>GENERAL FUND</b>							
City Council	-	1,000	48,000	-	49,000	30,000	19,000
CMO/Court	-	-	307,500	-	307,500	42,500	265,000
Human Resources	-	16,569	26,907	-	43,476	-	43,476
CAO	-	-	75,000	-	75,000	-	75,000
Parks & Comm. Svc.	-	-	2,105,001	-	2,105,001	144,781	1,960,220
PW - Engineering	-	33,311	144,693	-	178,004	-	178,004
Finance & Administration	-	-	122,432	-	122,432	101,351	21,081
Planning & Community Development	-	-	49,323	35,689	85,012	5,000	80,012
Police	5,000	-	341,717	-	346,717	5,000	341,717
Fire/Building	106,384	108,489	109,116	-	323,989	214,873	109,116
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>111,384</b>	<b>159,369</b>	<b>3,329,689</b>	<b>35,689</b>	<b>3,636,131</b>	<b>543,505</b>	<b>3,092,626</b>
Non-Departmental	-	-	894,744	-	894,744	221,050	673,694
<b>SUBTOTAL GENERAL FUND</b>	<b>111,384</b>	<b>159,369</b>	<b>4,224,433</b>	<b>35,689</b>	<b>4,530,875</b>	<b>764,555</b>	<b>3,766,320</b>
% of General Fund	2%	4%	93%	1%	100%	17%	83%
<b>OTHER FUNDS</b>							
Streets	-	-	109,094	-	109,094	-	109,094
Fleet	-	-	-	-	-	-	-
Information Technology	-	20,436	152,598	-	173,034	87,706	85,328
Facilities	-	-	24,815	-	24,815	-	24,815
<b>SUBTOTAL OTHER FUNDS</b>	<b>-</b>	<b>20,436</b>	<b>286,507</b>	<b>-</b>	<b>306,943</b>	<b>87,706</b>	<b>219,237</b>
<b>% Other Funds</b>	<b>0%</b>	<b>7%</b>	<b>93%</b>	<b>0%</b>	<b>100%</b>	<b>29%</b>	<b>71%</b>
<b>GRAND TOTAL</b>	<b>111,384</b>	<b>179,805</b>	<b>4,510,941</b>	<b>35,689</b>	<b>4,837,819</b>	<b>852,261</b>	<b>3,985,558</b>
<b>% Total</b>	<b>2%</b>	<b>4%</b>	<b>93%</b>	<b>1%</b>	<b>100%</b>	<b>18%</b>	<b>82%</b>

- ▶ \$3.9 million of \$4.8 million in non-core expenditures are ongoing expenditures
- ▶ \$3 million of \$3.6 million in General Fund (excluding Non-Departmental) non-core expenditures are ongoing expenditures
- ▶ \$673,694 of \$894,744 in Non-Departmental non-core expenditures are ongoing expenditures
- ▶ \$219,237 of \$306,943 of other funds total of \$11.2 million is non-core

# Adjustments to Ongoing Non-Core Total

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- ▶ **Ongoing Non-Core Service Totals:**
  - ▶ \$3.9 million in expenditures
  - ▶ 24.13 FTEs
- ▶ **Adjustments to Total:**
  - ▶ Duplication of costs shown in Information Technology Fund
    - ▶ Multi Media Services charges in Non-Departmental of \$325,539
    - ▶ Graphics Specialist in Non-Departmental of \$36,905
  - ▶ Parks revenue from non-core services of \$479,156
  - ▶ Proposed reduction to address development services
    - ▶ Planning Department's hourly wages for interns of \$4,789
  - ▶ School Resource Officer
    - ▶ Cost partially offset by Lake Washington School District payment of \$75,060
- ▶ **Potential Addition to Total:**
  - ▶ Potential savings from internal service charges if equipment is reduced
    - ▶ Actual amount would need to be determined
- ▶ **Net Ongoing Non-Core Total:**
  - ▶ Approximately \$3.09 million after including adjustments
  - ▶ Potential savings from internal service charges may increase this amount slightly

# Adjusted On-going Non-Core Services

Department/ Function	FTE	Total Ongoing	Adjustments	Net Savings
<b>GENERAL FUND</b>				
City Council		19,000		19,000
CMO/Court	1.35	265,000		265,000
Human Resources	0.09	43,476		43,476
CAO	0.60	75,000		75,000
Parks & Comm. Svc.	14.15	1,960,220	447,856	1,512,364
PW - Engineering	1.35	178,004		178,004
Finance & Administration	0.26	21,081		21,081
Planning & Community Development	0.50	80,012	4,789	75,223
Police	2.95	341,717	75,060	266,657
Fire/Building	1.00	109,116		109,116
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>22.25</b>	<b>3,092,626</b>	<b>527,705</b>	<b>2,564,921</b>
Non-Departmental		673,694	362,444	311,250
<b>SUBTOTAL GENERAL FUND</b>	<b>22.25</b>	<b>3,766,320</b>	<b>890,149</b>	<b>2,876,171</b>
<b>OTHER FUNDS</b>				
Streets	1.46	109,094		109,094
Fleet	-	-		-
Information Technology	0.30	85,328		85,328
Facilities	0.12	24,815		24,815
<b>SUBTOTAL OTHER FUNDS</b>	<b>1.88</b>	<b>219,237</b>	<b>-</b>	<b>219,237</b>
<b>GRAND TOTAL</b>	<b>24.13</b>	<b>3,985,558</b>	<b>890,149</b>	<b>3,095,409</b>

# Proposed Process

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- ▶ **Council review non-core list of ongoing services:**
  - ▶ Clarification discussion
  - ▶ Potentially rule out items
  - ▶ If process is not completed tonight, continue at the 7/7 Study Session
- ▶ **Based on revised list of non-core ongoing services, staff will identify recommended reductions to address \$1.6 million gap**
  - ▶ Staff present recommended reductions list to Council at August 4th meeting (or another special study session)

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# Council Discussion



**Services Matrix Summary  
2010 Budget**

<b>Department/ Function</b>	<b>Mandatory</b>	<b>Essential</b>	<b>Discretionary</b>	<b>Revenue Supported</b>	<b>Administration</b>	<b>Internal Service/ Insurance</b>	<b>Total Expenditures</b>
<b>GENERAL FUND</b>							
City Council	139,000	84,500	55,000	-	9,000	94,000	381,500
CMO/Court	1,218,000	118,000	808,000	279,000	349,000	449,000	3,221,000
Human Resources	447,741	392,870	28,726	-	102,057	90,642	1,062,036
CAO	411,846	109,000	142,358	-	267,687	59,879	990,770
Parks & Comm. Svc.	115,916	938,017	4,344,092	150,881	340,565	1,318,884	7,208,355
PW - Engineering	165,249	1,241,224	205,943	1,187,922	543,342	424,468	3,768,149
Finance & Administration	1,371,070	551,003	391,544	627,823	297,225	408,798	3,647,463
Planning & Community Development	774,079	716,241	477,017	-	528,346	286,464	2,782,147
Police	8,830,929	2,030,692	1,476,204	430,287	916,819	2,371,356	16,056,287
Fire/Building	1,223,360	13,137,868	265,638	-	432,700	2,365,663	17,425,229
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>14,697,190</b>	<b>19,319,415</b>	<b>8,194,522</b>	<b>2,675,913</b>	<b>3,786,740</b>	<b>7,869,154</b>	<b>56,542,935</b>
Non-Departmental	1,395,151	48,877	897,994	-	-	50,860	2,392,882
<b>SUBTOTAL GENERAL FUND</b>	<b>16,092,341</b>	<b>19,368,292</b>	<b>9,092,516</b>	<b>2,675,913</b>	<b>3,786,740</b>	<b>7,920,014</b>	<b>58,935,817</b>
<b>% of General Fund</b>	<b>27%</b>	<b>33%</b>	<b>15%</b>	<b>5%</b>	<b>6%</b>	<b>13%</b>	<b>100%</b>
<b>OTHER FUNDS</b>							
Streets	870,001	1,143,238	175,577	-	396,052	1,516,752	4,101,619
Fleet	80,770	1,981,002	5,000	-	148,955	171,948	2,387,675
Information Technology	572,107	2,176,529	743,910	133,451	282,963	88,909	3,997,869
Facilities	99,855	787,571	69,926	-	1,668,210	214,965	2,840,527
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,622,733</b>	<b>6,088,340</b>	<b>994,412</b>	<b>133,451</b>	<b>2,496,180</b>	<b>1,992,574</b>	<b>13,327,690</b>
<b>% Other Funds</b>	<b>12%</b>	<b>46%</b>	<b>7%</b>	<b>1%</b>	<b>19%</b>	<b>15%</b>	<b>100%</b>
<b>GRAND TOTAL</b>	<b>17,715,074</b>	<b>25,456,632</b>	<b>10,086,929</b>	<b>2,809,364</b>	<b>6,282,920</b>	<b>9,912,588</b>	<b>72,263,507</b>
<b>% Total</b>	<b>25%</b>	<b>35%</b>	<b>14%</b>	<b>4%</b>	<b>9%</b>	<b>14%</b>	<b>100%</b>

### Council Rated Non-Core Expenditures as Percent of Total Rated Expenditures

Department/ Function	Expenditures by Category Rated by Councilmembers					Non-Core Expenditures	Percent Rated Non-Core
	Mandatory	Essential	Discretionary	Administration	Total		
<b>GENERAL FUND</b>							
City Council	139,000	84,500	55,000	9,000	287,500	49,000	17%
CMO/Court	1,218,000	118,000	808,000	349,000	2,493,000	307,500	12%
Human Resources	447,741	392,870	28,726	102,057	971,394	43,476	4%
CAO	411,846	109,000	142,358	267,687	930,891	75,000	8%
Parks & Comm. Svc.	115,916	938,017	4,344,092	340,565	5,738,590	2,105,001	37%
PW - Engineering	165,249	1,241,224	205,943	543,342	2,155,758	178,004	8%
Finance & Administration	1,371,070	551,003	391,544	297,225	2,610,842	122,432	5%
Planning & Community Development	774,079	716,241	477,017	528,346	2,495,683	85,012	3%
Police	8,830,929	2,030,692	1,476,204	916,819	13,254,644	346,717	3%
Fire/Building	1,223,360	13,137,868	265,638	432,700	15,059,566	323,989	2%
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>14,697,190</b>	<b>19,319,415</b>	<b>8,194,522</b>	<b>3,786,740</b>	<b>45,997,868</b>	<b>3,636,131</b>	<b>8%</b>
Non-Departmental	1,395,151	48,877	897,994	-	2,342,022	894,744	38%
<b>SUBTOTAL GENERAL FUND</b>	<b>16,092,341</b>	<b>19,368,292</b>	<b>9,092,516</b>	<b>3,786,740</b>	<b>48,339,890</b>	<b>4,530,875</b>	<b>9%</b>
<b>% of General Fund</b>	<b>33%</b>	<b>40%</b>	<b>19%</b>	<b>8%</b>	<b>100%</b>		
<b>OTHER FUNDS</b>							
Streets	870,001	1,143,238	175,577	396,052	2,584,867	109,094	4%
Fleet	80,770	1,981,002	5,000	148,955	2,215,727	-	0%
Information Technology	572,107	2,176,529	743,910	282,963	3,775,509	173,034	5%
Facilities	99,855	787,571	69,926	1,668,210	2,625,562	24,815	1%
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,622,733</b>	<b>6,088,340</b>	<b>994,412</b>	<b>2,496,180</b>	<b>11,201,665</b>	<b>306,943</b>	<b>3%</b>
<b>% Other Funds</b>	<b>14%</b>	<b>54%</b>	<b>9%</b>	<b>22%</b>	<b>100%</b>		
<b>GRAND TOTAL</b>	<b>17,715,074</b>	<b>25,456,632</b>	<b>10,086,929</b>	<b>6,282,920</b>	<b>59,541,555</b>	<b>4,837,819</b>	<b>8%</b>
<b>% Total</b>	<b>30%</b>	<b>43%</b>	<b>17%</b>	<b>11%</b>	<b>100%</b>		

### Non-Core Expenditures by Category

Department/ Function	Expenditures Rated as Non-Core by Councilmembers					Total One-Time	Total Ongoing
	Mandatory	Essential	Discretionary	Administration	Total		
<b>GENERAL FUND</b>							
City Council	-	1,000	48,000	-	49,000	30,000	19,000
CMO/Court	-	-	307,500	-	307,500	42,500	265,000
Human Resources	-	16,569	26,907	-	43,476	-	43,476
CAO	-	-	75,000	-	75,000	-	75,000
Parks & Comm. Svc.	-	-	2,105,001	-	2,105,001	144,781	1,960,220
PW - Engineering	-	33,311	144,693	-	178,004	-	178,004
Finance & Administration	-	-	122,432	-	122,432	101,351	21,081
Planning & Community Development	-	-	49,323	35,689	85,012	5,000	80,012
Police	5,000	-	341,717	-	346,717	5,000	341,717
Fire/Building	106,384	108,489	109,116	-	323,989	214,873	109,116
<b>SUBTOTAL GENERAL FUND (excl. Non-Dept.)</b>	<b>111,384</b>	<b>159,369</b>	<b>3,329,689</b>	<b>35,689</b>	<b>3,636,131</b>	<b>543,505</b>	<b>3,092,626</b>
Non-Departmental	-	-	894,744	-	894,744	221,050	673,694
<b>SUBTOTAL GENERAL FUND</b>	<b>111,384</b>	<b>159,369</b>	<b>4,224,433</b>	<b>35,689</b>	<b>4,530,875</b>	<b>764,555</b>	<b>3,766,320</b>
<b>% of General Fund</b>	<b>2%</b>	<b>4%</b>	<b>93%</b>	<b>1%</b>	<b>100%</b>	<b>17%</b>	<b>83%</b>
<b>OTHER FUNDS</b>							
Streets	-	-	109,094	-	109,094	-	109,094
Fleet	-	-	-	-	-	-	-
Information Technology	-	20,436	152,598	-	173,034	87,706	85,328
Facilities	-	-	24,815	-	24,815	-	24,815
<b>SUBTOTAL OTHER FUNDS</b>	<b>-</b>	<b>20,436</b>	<b>286,507</b>	<b>-</b>	<b>306,943</b>	<b>87,706</b>	<b>219,237</b>
<b>% Other Funds</b>	<b>0%</b>	<b>7%</b>	<b>93%</b>	<b>0%</b>	<b>100%</b>	<b>29%</b>	<b>71%</b>
<b>GRAND TOTAL</b>	<b>111,384</b>	<b>179,805</b>	<b>4,510,941</b>	<b>35,689</b>	<b>4,837,819</b>	<b>852,261</b>	<b>3,985,558</b>
<b>% Total</b>	<b>2%</b>	<b>4%</b>	<b>93%</b>	<b>1%</b>	<b>100%</b>	<b>18%</b>	<b>82%</b>

**City of Kirkland  
Services Matrix -- Core Exercise**

**Ongoing Services Rated as Non-Core (Less than 4 Council members rated service as core)**

Asterisk indicates services that were rated as partially core by some Council members

Department/Fund	Service Category (Mandated/ Essential/ Discretionary/ Administration)	Rated Core By	Partial Core	Number	Service	Expenditure	FTE
City Council	Essential	3	*	CC-5	Eastside Transportation Partnership Dues	500	-
City Council	Essential	1		CC-6	Kirkland Chamber Dues	500	-
City Council	Discretionary	1		CC-7	All City Dinner	-	-
City Council	Discretionary	1		CC-8	National League of Cities Dues	4,000	-
City Council	Discretionary	0		CC-9	Sister City International Dues	-	-
City Council	Discretionary	0		CC-10	City Council Meals	-	-
City Council	Discretionary	3	*	CC-12	City Council Travel and Training	14,000	-
CMO with Court	Discretionary	1		CM-7	On-Going KDA Funding	51,000	-
CMO with Court	Discretionary	0		CM-8	Economic Development/Coordinator	11,000	0.10
CMO with Court	Discretionary	3		CM-11	Neighborhood Matching Grants	27,500	-
CMO with Court	Discretionary	2		CM-12	Neighborhood Signs	3,500	-
CMO with Court	Discretionary	3		CM-14	Combined Volunteer Appreciation/All-City Dinner Event	1,000	-
CMO with Court	Discretionary	0		CM-16	Economic Development Intern	8,000	-
CMO with Court	Discretionary	2		CM-17	Enterprise Seattle Dues	6,000	-
CMO with Court	Discretionary	2		CM-19	Communications Services	126,000	1.00
CMO with Court	Discretionary	3		CM-20	Cultural and Special Events Services	26,000	0.25
CMO with Court	Discretionary	1		CM-21	Cultural Council Professional Services	5,000	-
Human Resources	Essential	3		HR-24	Tuition Reimbursement	16,569	0.02
Human Resources	Discretionary	2		HR-26	Organizational Training	15,540	-
Human Resources	Discretionary	3		HR-27	Special Projects for Department	4,548	0.05
Human Resources	Discretionary	3		HR-28	Employee Recognition Program	6,819	0.02
CAO	Discretionary	2	*	CA-8	Advise City Council, Boards and Commissions, City Manager, and departments. Draft and review documents.	75,000	0.60
Parks GF	Discretionary	3		PK-7	Pool Operations	238,604	1.55
Parks GF	Discretionary	1		PK-8	Landscape Maintenance - Parks	176,293	1.25
Parks GF	Discretionary	2		PK-11	Irrigation	169,860	1.50
Parks GF	Discretionary	1		PK-12	Long-Range Park Planning	98,475	0.85
Parks GF	Discretionary	3	*	PK-15	Youth Council Management	88,674	0.75
Parks GF	Discretionary	3		PK-18	Highland Center Specialized Recreation Program	7,204	-
Parks GF	Discretionary	2	*	PK-22	Community Service division administration	151,814	1.45
Parks GF	Discretionary	1	*	PK-23	Senior Council Support	15,255	0.30
Parks GF	Discretionary	3		PK-24	Night and Weekend coverage	189,986	1.50
Parks GF	Discretionary	1		PK-25	Art	17,000	-
Parks GF	Discretionary	2		PK-26	Juanita bay Park Ranger Program	15,846	0.15
Parks GF	Discretionary	2		PK-28	Youth Services	112,342	1.00
Parks GF	Discretionary	2	*	PK-30	Special Events	127,527	1.00
Parks GF	Discretionary	3	*	PK-32	Adult Sports	91,493	0.55
Parks GF	Discretionary	3	*	PK-33	Swim/Dive Team	27,745	0.10
Parks GF	Discretionary	3	*	PK-36	Adult General Programming	65,263	0.30
Parks GF	Discretionary	3	*	PK-37	Adult Fitness Programs	80,392	0.30
Parks GF	Discretionary	0		PK-38	Summer Concert Series	20,607	-
Parks GF	Discretionary	2		PK-39	Recreation Brochure	41,375	-
Parks GF	Discretionary	3		PK-40	Senior Center Van Service	53,299	0.70
Parks GF	Discretionary	3	*	PK-41	Senior Community Evening Classes	47,405	0.30
Parks GF	Discretionary	3	*	PK-42	Senior Fitness, Lifelong learning, enrichment programs	64,818	0.30
Parks GF	Discretionary	3	*	PK-43	Senior Center Special Events	14,492	0.10
Parks GF	Discretionary	3	*	PK-44	Senior Van Trips	20,003	0.20
Parks GF	Discretionary	2	*		Banking fees (credit card usage)	24,450	-
Public Works GF	Essential	3	*	PW-19	Support for Parking Programs/PAB	33,311	0.20

**City of Kirkland  
Services Matrix -- Core Exercise**

**Ongoing Services Rated as Non-Core (Less than 4 Council members rated service as core)**

Asterisk indicates services that were rated as partially core by some Council members

Department/Fund	Service Category (Mandated/ Essential/ Discretionary/ Administration)	Rated Core By	Partial Core	Number	Service	Expenditure	FTE
Public Works GF	Discretionary	1		PW-28	Traffic Counts	6,988	0.05
Public Works GF	Discretionary	1		PW-31	Neighborhood Traffic Control Program Coordination	130,804	1.05
Public Works GF	Discretionary	3		PW-32	PW Transportation Support for Neighborhood/Business District Planning	6,902	0.05
Finance	Discretionary	3	*	FA-21	Park Smart Support	21,081	0.26
Planning	Discretionary	2	*	PL-10	Urban forestry services	49,323	0.50
Planning	Administration	2			Hourly Wages - Interns	4,789	-
Planning	Administration	2			Professional Services - Annual Retreat	1,400	-
Planning	Administration	3	*		Printing/postage/miscellaneous	24,500	-
Police	Discretionary	3	*	PD-13	School Resource Officer	110,446	1.00
Police	Discretionary	3		PD-14	Neighborhood Resource Officer	106,801	1.00
Police	Discretionary	3		PD-17	Community Services Unit Supervisor	124,470	0.95
Fire & Building	Discretionary	2		FB-21	Public Education Coordination	109,116	1.00
Non-Departmental	Discretionary	2	*	ND-10	Employee Transportation Program	30,000	-
Non-Departmental	Discretionary	0			Flexpass	-	-
Non-Departmental	Discretionary	2		ND-11	Credit Card Fees	30,000	-
Non-Departmental	Discretionary	3		ND-12	KPC Admission Tax Rebate	45,000	-
Non-Departmental	Discretionary	3		ND-14	Fund 125 Subsidy	50,000	-
Non-Departmental	Discretionary	3		ND-15	Litigation Reserve Fund 157	150,000	-
Non-Departmental	Discretionary	3		ND-17	Office Furniture and Equipment - Breakage	6,250	-
Non-Departmental	Discretionary	1		ND-20	Multi Media Services (MMS)	325,539	-
Non-Departmental	Discretionary	3		ND-22	Graphic Specialist - Budget Adj	36,905	-
Street Fund	Discretionary	3		ST-42	Spraying	12,290	0.11
Street Fund	Discretionary	3		ST-44	Ancillary Operations	3,044	-
Street Fund	Discretionary	3	*	ST-45	Graffiti	68,549	1.00
Street Fund	Discretionary	2	*	ST-46	CBD Appurtenance	25,211	0.35
IT Fund	Discretionary	3		IT-20	Other video services	85,328	0.30
Facilities	Discretionary	2		FM-23	Janitorial -Art Display Cleaning	1,272	-
Facilities	Discretionary	3	*	FM-26	New Construction/Tenant Improvements	7,360	0.08
Facilities	Discretionary	2	*	FM-27	Training	8,344	-
Facilities	Discretionary	3	*	FM-30	Space Planning	7,840	0.04
<b>TOTAL</b>						<b>3,985,558</b>	<b>24.13</b>

**City of Kirkland  
Services Matrix -- Core Exercise**

**One-Time Funded Services Rated as Non-Core (Less than 4 Council members rated service as core)**

Asterisk indicates services that were rated as partially core by some Council members

Department/Fund	Service Category (Mandated/ Essential/ Discretionary/ Administration)	Rated Core By	Partial Core	Number	Service	Expenditure	FTE
City Council	Discretionary	0		CC-14	Community Survey	30,000	-
CMO with Court	Discretionary	2		CM-9	Legislative Services-State Leg. Advocate	30,000	-
CMO with Court	Discretionary	2		CM-15	Economic Development-Downtown Maint.	12,500	-
Parks GF	Discretionary	1		PK-13	Human Service grants one-time	113,781	-
Parks GF	Discretionary	0		PK-15	All City Youth Summit	4,000	-
Parks GF	Discretionary	0		PK-23	Senior Council Support (one-time)	27,000	-
Finance	Discretionary	0		FA-27	Document Management (one-time Svc Pkg)	101,351	-
Planning	Administration	1			Professional Services	5,000	-
Police	Mandated	1		PD-8	Accreditation - one-time costs	5,000	-
Fire & Building	Mandated	2		FB-1	Emergency Prep Coordinator	106,384	-
Fire & Building	Essential	3		FB-7	Fire Suppression - Personal Protective Clothing	108,489	-
Non-Departmental	Discretionary	1		ND-13	ARCH Funding	216,000	-
Non-Departmental	Discretionary	0		ND-21	MultiMedia Services Intern	5,050	-
IT Fund	Essential	0		IT-4	Help Desk (one-time)	20,436	-
IT Fund	Discretionary	0		IT-15	Web Assistant (one-time)	62,220	-
IT Fund	Discretionary	0		IT-20	Multi Media Services Intern	5,050	-
<b>TOTAL</b>						<b>852,261</b>	<b>-</b>

**CITY OF KIRKLAND SERVICES MATRIX**  
**FUND/DEPARTMENT: General Fund/City Council**

Shaded service indicates one-time funding in 2010  
→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CC-1	Mayor and Councilmembers		x	x	x	x	x	x	139,000	7.00	Salary and benefits	DA: part is core
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CC-2	Puget Sound Regional Council Dues		x		x	x	x		24,000			DA: part is core
CC-3	Association of Washington Cities Dues		x		x	x		x	33,500			DA: part is core JM: can we still use AWC health care if we aren't a member?
CC-4	Suburban Cities Association Dues		x		x	x	x	x	26,000			DA: part is core
→ CC-5	Eastside Transportation Partnership Dues				x		x	x	500			DA: part is core
→ CC-6	Kirkland Chamber Dues							x	500			
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→ CC-7	All City Dinner				x				-			
→ CC-8	National League of Cities Dues		x						4,000			
→ CC-9	Sister City International Dues								-			
→ CC-10	City Council Meals								-			
CC-11	Neighborhood Council Meetings - printing and postage of notice to neighbors	x		x	x			x	6,000			
→ CC-12	City Council Travel and Training		x		x			x	14,000			DA: part is core JM: mileage only?
CC-13	Council Retreat	x	x		x		x	x	1,000		Changed to in-city in 2009-2010 budget	
→ CC-14	Community Survey								30,000		2010 Service Package	
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Communications (fax, blackberries), Supplies			x	x		x	x	9,000			DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								94,000			
<b>Total</b>									<b>381,500</b>	<b>7.00</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/City Manager's Office**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CM-1	City Manager	x	x	x	x	x	x	x	218,000	1.00	Salary and Benefits	
CM-2	Judicial Services	x	x	x	x	x	x	x	1,000,000	9.74	Assumes all fines and forfeits assigned to Court	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CM-3	Council Support		x	x	x	x	x	x	73,000	0.75	Includes clerical support only, does not include policy-setting support services; .75 Exec. Asst. 1	DA: part is core
CM-4	Court Security	x	x	x	x	x	x	x	40,000		Contracted	
CM-5	Public Defender Screening	x	x	x	x	x	x	x	5,000	0.15	.15 Judicial Support Associate I	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CM-6	City Update	x		x	x		x		6,000		1 printed/mailed edition per year (\$4,080 postage/\$2,166 printing)	
→	CM-7							x	51,000		Funds KDA activities	
→	CM-8								11,000	0.10	Staff administration of community and business grants (currently budgeted in regular CMO code)	
	CM-9		x		x	x	x	x	106,000	1.00	Includes staff support for legislative and regional programs, performance measurement, and special projects	DA: part is core
→	CM-9		x		x				30,000		One-time Service Package for State Legislative Advocate	
	CM-10	x		x	x	x	x	x	89,000	0.70	Includes staff support, mailings and support services to neighborhoods and to the Neighborhood Connection Program	
→	CM-11			x	x			x	27,500		Grants to 9 neighborhoods	
→	CM-12			x	x				3,500		Annual budget for refurbishing neighborhood entry signs	
	CM-13	x	x	x	x	x	x	x	54,000	0.50	This program coordinates over 20,000 hours of volunteer time annually, for a value to the City of approximately \$340,000	
→	CM-14	x			x			x	1,000			
	CM-15		x	x		x	x	x	245,500	1.00	Includes staff support for the Economic development program, \$12,000 in professional services for the program, and other support services	DA: part is core

**FUND/DEPARTMENT: General Fund/City Manager's Office**

**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Shaded service indicates one-time funding in 2010

Discretionary Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→	CM-15 Economic Development-Downtown Maint.	x			x				12,500		One-time Service Package-Downtown Maintenance	
→	CM-16 Economic Development Intern								8,000			
→	CM-17 Enterprise Seattle Dues		x						6,000			
→	CM-19 Communications Services				x				126,000	1.00	Includes staff, mailings, and support services for communications program	
→	CM-20 Cultural and Special Events Services				x		x		26,000	0.25	Includes staff support of Cultural Council and special event volunteers	
→	CM-21 Cultural Council Professional Services				x				5,000			
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	CM-23 Asst. City Manager, Exec. Assts. 1 & 2		x	x	x	x	x	x	349,000	2.00	Includes salary; benefits; \$10,000 in professional services; supplies; printing; mailings; copies; dues, training and travel not associated with specific programs	DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	CM-22 Probation								279,000	3.35	Revenue can only be used for probation-2.0 Probation Officers, 1.0 Judicial Support Associate II, .35 Judicial Support Associate I	
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								449,000			
<b>Total</b>									<b>3,221,000</b>	<b>21.54</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Human Resources**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
HR-1	Labor Relations	x	x		x	x	x	x	87,937	0.64	Dir.30 FTE - \$52,959, HR Analyst & HR Coordinator .34 FTE - \$32,753 Supplies \$500, Operating Supplies \$1,000, Labor Relations Travel \$500 , Labor relations Trng \$225 Includes: Contract negotiations, Labor management mtgs w/bargaining units stipulated by contract, contract interpretation, mediations & Supplies- \$250; Advertising \$29,500; Printing \$1,500; Prof Svcs testing services mandated by contract (i.e. police, fire, etc.) \$31,800; Assessment Centers Pol & Fire \$26,200, Fed ex mailings \$1,000; Test Scoring \$450, Management Recruitment \$2,500, relocation 1 management \$1,500, staff time - \$68,395	
HR-2	Recruitments	x	x		x	x	x	x	163,095	0.71	HR Coor .02 FTE - \$1,819 Background checks for finalist and volunteer positions consistent with RCW 43.43. \$10.00 fee per individual implemented June 2006 and privacy laws requiring notifying individuals of results, \$4,500 fees	
HR-3	Background checks	x	x	x	x	x	x	x	6,319	0.02	WAC mandated expenses: DOT exams & CDL Exams - \$1,300; Hearing Tests - \$1,500; Bloodborne Pathogen Trng - \$4,000; Hep B shots - \$3,550; Hep C shots Fire - \$1,500 First Aid Kits - \$500 - Random Testing \$4,000: Staff time - \$28,476	
HR-4	Safety Program	x	x	x	x	x	x	x	44,826	0.28	Documentation of Claims consistent with WCIA guidelines Claims management staff time: \$36,612	
HR-5	Risk Management	x	x	x	x	x	x	x	36,612	0.36	Monetary recovery, collections and follow-up staff time: \$25,046 Prof Svcs - \$1,000; Ofc Supplies - \$200 , Operating Sup - \$100	
HR-6	Monetary recovery - Claims	x	x		x	x	x	x	25,046	0.26	Travel/Training - \$1900; staff time - \$6,102	
HR-7	LEOFF / Disability Board	x	x	x	x	x	x	x	9,302	0.06	Ofc Supplies - Travel/Training - \$1,061; staff time - \$6,635	
HR-8	Civil Service	x	x		x	x	x	x	7,696	0.06	State and Federal Laws staff time: \$7,119	
HR-9	Leave Administration	x	x		x	x	x	x	7,119	0.07	staff time: \$44,303 (staff time includes Director, Analyst & Coordinator time)	
HR-10	Policy Administration	x	x		x	x	x	x	44,303	0.36	Staff time:\$13,486 . Training required as affirmative legal defense by law and policy Trng-\$2,000;	
HR-11	Organizational Training	x	x		x	x		x	15,486	0.14		
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
HR-12	Industrial Psychologist	x	x		x	x	x	x	1,000		Evaluations for employees, Goodenough Company.	
HR-13	HR Employee Services	x	x	x	x	x	x	x	14,086	0.14	HRIS, Web Maintenance, EO Updates, Kirknet, Printing (PAF's) - \$600; Staff time: \$13,486	

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Human Resources**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Essential Services continued		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
HR-14	HR Staff Training - new hire	x	x		x	x	x	x	6,743	0.07	staff time:\$6,743	
HR-15	Orientation/Exit Interviews, ID Badges	x	x		x	x	x	x	26,973	0.28	Staff time: \$26,973 - supply costs to be determined	
HR-16	Employee Relations and Communications	x	x		x	x	x	x	101,700	1.00	and written warnings, grievance, and employee confidential issues. Staff time: \$101,700.	
HR-17	Re-Class/Reorg Salary Survey		x		x	x	x	x	65,346	0.54	Dir. .14 FTE -\$24,714 , HR Analyst & HR Coordinator .40 FTE - \$38,532, salary surveys internal and external, job description maintenance and certification, Salary survey publications \$2,100	DA: part is core
HR-18	MEBT Retirement Plan Committee Support	x	x		x	x	x	x	7,119	0.07	staff time: \$7,119	
HR-19	Benefits Administration - Health & Retirement	x	x		x	x	x	x	44,312	0.46	staff time : \$44,312	
HR-20	General Administration - Support		x	x	x	x		x	81,881	0.85	Budget Maintenance, PAF's, Personnel Files, AP/AR, IFAS, employee support, citizen inquiry staff time - \$81,881	DA: part is core JM: 1/2x
HR-21	Employee Assistance Program	x	x		x	x	x	x	9,500		The City has had 25% employee and family participation. This program is also required as part of Collective Bargaining and Federal CDL Drug testing. Fee was increased for 2009 - so HR reduced number of visits in order to contain cost for 09/10 to Wellness Prg \$9,200 & Flu Shots staff time - \$3,051. Pending medical benefits program changes contain premium reductions for Well-City and/or Wellness Programs.	DA: part is core
HR-22	Wellness Program		x		x	x		x	12,251	0.03		DA: part is core
HR-23	Diversity Program	x	x		x	x	x	x	5,390	0.03	Trng - \$2,500, Diversity program satisfying eeo eap requirements, harassment training initiative; staff time - \$2,890	
→ HR-24	Tuition Reimbursement				x	x		x	16,569	0.02	Reimbursement \$14,750 - Increased use over the past two years - staff time: \$1,819 Required pursuant to CBA and policy	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
HR-25	On-call / Pool Administration		x		x	x		x	1,819	0.02	HR On-call pool administration - staff time -\$1,819 This service provides short term staffing to City Hall for essential city staff ECTC-\$3,500, Rocky Mountain-\$4,040, Cascade Mgmt (2 reg slots 1500) - \$3,000, In-house Training \$5,000. All external training has already been reduced by over 40%, with the remainder of legal requirements now being met with in-house	
→ HR-26	Organizational Training				x			x	15,540		Special projects for department, including research and presentation materials requests for City Council, city manager and director - Staff time \$4,548	
→ HR-27	Special Projects for Department		x		x			x	4,548	0.05	Service Awards - \$5,000; staff time - \$1,819 this impacts approximately 80 employees annually. Already reduced 60%, considering further reduction on 8% list	
→ HR-28	Employee Recognition Program	x			x			x	6,819	0.02		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Human Resources**

 Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Director & Assistants		x	x	x	x	x	x	102,057	0.56	Director, strategic planning, meetings, budget approval	DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								90,642			
<b>Total</b>									<b>1,062,036</b>	<b>7.10</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/City Attorney's Office**

 Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CA-1	Public Defender	x	x	x	x	x	x	x	139,402			
CA-2	Prosecution	x	x	x	x	x	x	x	192,444			
CA-3	Witness Fees	x	x	x	x	x	x	x	5,000			
CA-4	Ordinances, instruments, and civil duties	x	x		x	x	x	x	75,000	0.60	e.g., "civil duties" might include legal actions brought by or against City, conducting investigations, responding to Auditor, and preparing franchises.	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
CA-5	Interpret statutes, Kirkland Municipal Code, rules, or contracts and review key documents	x	x		x	x	x	x	85,000	0.65		
CA-6	Code Enforcement		x	x	x	x	x	x	20,500	0.05		
CA-7	Legal process and recording fees	x	x	x	x	x	x	x	3,500			
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→ CA-8	Advise City Council, Boards and Commissions, City Manager, and departments. Draft and review documents.		x				x		75,000	0.60	e.g., prepare legal memoranda and other documents relating to City business.	DA: part is core
CA-9	Attend City Council meetings and review agenda packets		x		x		x	x	15,000			DA: part is core
CA-10	Information for service providers and WCIA requirements	x	x				x	x	20,108		e.g., assist WCIA outside counsel in defense of City.	
CA-11	Negotiation and drafting of contracts	x	x		x		x	x	20,000	0.10		
CA-12	Outside legal counsel	x	x		x		x		12,250		e.g., outside counsel retained to assist with selected matters. Does not include legal services charged to the Litigation Reserve.	
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Director and administrative staff		x	x	x		x	x	267,687	2.00		DA: part is core JL: Review

**FUND/DEPARTMENT: General Fund/City Attorney's Office**  
**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

 Shaded service indicates one-time funding in 2010

100% Revenue-Supported Services			Expenditures	FTE's	Notes	Councilmembers' Notes
Internal Charges & Insurance			Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance		59,879			
<b>Total</b>			<b>990,770</b>	<b>4.00</b>		

- \*Washington Cities Insurance Authority

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Parks and Community Services**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PK-1	Inspections / installations		X	X	X	X	X	X	112,099	1.00	Inspect play areas, docks, lighting, repair and document, ADA accessibility	DA: part is core
PK-2	Comprehensive Plan - Park Element		X	X	X	X	X	X	3,817	0.03	State Mandate	DA: part is core
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PK-3	Cemetery Operations		X	X	X	X	X	X	118,340	1.00	Cemetery labor, materials, and utilities	DA: part is core
PK-4	Ballfield Maintenance		X		X		X	X	383,326	3.50	Ballfield prep, maintenance, scheduling, administration	DA: part is core
PK-5	Park Mowing / turf maintenance		X		X		X	X	333,066	3.00	Mowing and turf maintenance, administration	DA: part is core
PK-6	Water Safety Instruction		X	X	X	X	X	X	103,286	0.35	Revenue supported program plus hourly employees. Revenue for this program is \$158,400.	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→ PK-7	Pool Operations		X		X			X	238,604	1.55	Maintenance & Operation of pool, utilities, supplies, labor, training, staffing: Revenue \$49,000	JL: Close?
→ PK-8	Landscape Maintenance - Parks				X				176,293	1.25	Maintenance of Landscape areas - Parks	
PK-9	Garbage / litter collection /park closure		X		X		X	X	146,860	1.20	Removal of garbage & litter, close parks and lock gates	DA: part is core
PK-10	Restroom operations		X		X		X	X	298,296	2.20	Maintenance, repairs, labor	DA: part is core
→ PK-11	Irrigation				X			X	169,860	1.50	Maintenance & operation of irrigation systems, utilities, supplies, labor, training	
→ PK-12	Long-Range Park Planning				X				98,475	0.85	Includes Natural Resources team, neighborhood connection program, GIS user group, special projects, grant administration	
PK-13	Human Service grants ongoing	X	X		X	X	X		450,299	-	Per capita: \$10.88	
→ PK-13	Human Service grants one-time		X						113,781	-	One-time Service Package - Human Services funding	
PK-14	CDBG & H.S. grant management, H.S. Advisory Committee		X		X	X	X	X	71,639	0.63	Human service grant management, advisory committee staff salary	DA: part is core
→ PK-15	Youth Council Management				X	X		X	88,674	0.75	Youth Souncil staff support, project support, school liaison	DA: part is core
→ PK-15	All City Youth Summit								4,000	-	One-time Service Package - All City Youth Summit	

**FUND/DEPARTMENT: General Fund/Parks and Community Services**

**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Shaded service indicates one-time funding in 2010

Discretionary Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PK-16	Teen Center Support and Management		x		x	x	x	x	196,837	0.30	Includes contract with Friends of Youth for 160,000	DA: part is core
PK-17	Beach Lifeguards	x			x		x	x	90,273	0.20	seasonal staffing + program management	
→ PK-18	Highland Center Specialized Recreation Program		x				x	x	7,204	-	Contract with Bellevue to provide specialized recreation	
PK-19	NKCC Programs & Operations		x		x	x	x	x	192,530	1.65	Customer service, facilities management, program registration, supplies, drop-in programs, printing, advertising etc. General fund operation of Community Services & Revenue fund	DA: part is core
PK-20	Senior Center Operations		x			x	x	x	191,102	1.20	Includes health and social services, additional hourly employees.	DA: part is core
PK-21	Facility Rentals				x	x	x	x	35,463	0.30	FTE staff and additional hourly employees:Revenue \$13,850	DA: part is core
→ PK-22	Community Service division administration				x		x		151,814	1.45	Customer services, facilities management, program registration, data base management, boat launch sales	DA: part is core
→ PK-23	Senior Council Support				x				15,255	0.30	This includes project money for Sr. Council	DA: part is core
→ PK-23	Senior Council Support (one-time)								27,000	-	One-time Service Package - support for Senior Council	
→ PK-24	Night and Weekend coverage		x		x			x	189,986	1.50	Staff for ballfield prep, garbage/litter, restroom maintenance after 5 pm Mon - Fri and all day Sat/Sun	JM: how much revenue offset?
→ PK-25	Art				x				17,000	-	Contracted cleaning service and staff maintenance/repairs	
→ PK-26	Juanita bay Park Ranger Program				x		x		15,846	0.15	.15 FTE, supplies and training for volunteer park rangers	
PK-27	Regional Human Services projects	x	x		x	x	x		46,507	0.25	Leadership with EHSF, membership to Eastside Human Services Forum, Alliance of Eastside Agencies, Communities count, EHAC	
→ PK-28	Youth Services	x			x				112,342	1.00	Assets, regional support, Teen mini grants, Teen traffic court, We've Got Issues	
PK-29	Business Services		x		x	x	x	x	186,699	1.30	Incl. hourly dock master and morage attendants. Revenues include concessions, moorage, private partnerships, sponsorships, boat launch. Revenues estimate \$157,300	DA: part is core
→ PK-30	Special Events				x	x			127,527	1.00	administration, coordinate Friday Market at Juanita Beach. Revenue estimate: \$35,100	DA: part is core
PK-31	Youth Sports: programs and camps		x		x	x	x	x	85,538	0.60	Revenue supported program: Revenue = 119,880	DA: part is core

Discretionary Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Stemoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→	PK-32 Adult Sports					x	x	x	91,493	0.55	Revenue supported program. Revenue = 99,815	DA: part is core MAB: not really CORE services but do have significant revenue
→	PK-33 Swim/Dive Team				x		x	x	27,745	0.10	Revenue = 22,600	DA: part is core MAB: not really CORE services but do have significant revenue
	PK-34 Preschool Programs				x	x	x	x	98,733	0.40	Additional hourly employees. Revenue = 130,195	DA: part is core MAB: not really CORE services but do have significant revenue
	PK-35 Youth Programs & camps				x	x	x	x	148,314	0.30	Additional seasonal employees. Revenue = 161,434	DA: part is core MAB: not really CORE services but do have significant revenue
→	PK-36 Adult General Programming					x	x	x	65,263	0.30	Contracted professional services. Revenue=88,241	DA: part is core MAB: not really CORE services but do have significant revenue
→	PK-37 Adult Fitness Programs					x	x	x	80,392	0.30	Contracted professional services. Revenue=67,700	DA: part is core MAB: not really CORE services but do have significant revenue
→	PK-38 Summer Concert Series								20,607	-	Program is budgeted for 2010, but with reduction of .5FTE, staffing not available to administer program in 2010.	MAB: These are not really CORE services but do have significant revenue
→	PK-39 Recreation Brochure	x					x		41,375	-	Publication of two brochures per year.	MAB: These are not really CORE services but do have significant revenue
→	PK-40 Senior Center Van Service	x					x	x	53,299	0.70	Senior transportation to PKCC, health, wellness, nutrition	MAB: These are not really CORE services but do have significant revenue
→	PK-41 Senior Community Evening Classes					x	x	x	47,405	0.30	Revenue- 42,900	DA: part is core MAB: not really CORE services but do have significant revenue
→	PK-42 Senior Fitness, Lifelong learning, enrichment programs					x	x	x	64,818	0.30	Revenue=55,000	DA: part is core MAB: not really CORE services but do have significant revenue
→	PK-43 Senior Center Special Events					x	x	x	14,492	0.10	Revenue=3500	MAB: These are not really CORE services but do have significant revenue
→	PK-44 Senior Van Trips					x	x	x	20,003	0.20	Revenue=15300	DA: part is core MAB: not really CORE services but do have significant revenue
→	Banking fees (credit card usage)						x	x	24,450	-	These are added into Recreation fees.	DA: part is core MAB: not really CORE services but do have significant revenue
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Stemoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Department Administration		x	x	x	x	x	x	316,565	2.22	Department administration, supplies, and park board support, citizen information service, external taxes, City website/Kirknet.	DA: part is core
	Stormwater Fees		x	x	x	x	x	x	24,000	-	Surface water fees	DA: part is core

**FUND/DEPARTMENT: General Fund/Parks and Community Services**

**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

 Shaded service indicates one-time funding in 2010

100% Revenue-Supported Services		Expenditures	FTE's	Notes	Councilmembers' Notes
PK-45	CIP Project Management	79,542	0.75	.5 FTE Planning Coordinator / .25 FTE Manager	
PK-46	Environmental Stewardship/Green Kirkland	71,339	-	CIP and grant funding of .63 FTE for 2010	
Internal Charges & Insurance		Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance	1,318,884			
<b>Total</b>		<b>7,208,355</b>	<b>36.53</b>		

**CITY OF KIRKLAND SERVICES MATRIX**  
**FUND/DEPARTMENT: General Fund/Public Works**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PW-1	Transportation Improvement Plan	x	x	x	x	x	x	x	6,875	0.05	5% Capital Projects Supervisor	
PW-2	Utility Comprehensive Planning	x	x	x	x	x	x	x	7,811	0.05	5% Capital Projects Manager	
PW-3	GMA Concurrency Planning		x		x	x	x	x	26,323	0.15	Transportation Eng Manager	DA: part is core
PW-4	Monitoring of Commute Trip Reduction (CTR) Employers		x		x	x	x	x	6,902	0.05	Transportation Engineer	DA: part is core
PW-35	Commute Trip Reduction Program		x		x	x	x	x	13,804	0.10	10% Transportation Engineer	DA: part is core
PW-5	Administer City's Trip Reduction Program		x		x	x	x	x	6,902	0.05	Transportation Engineer	DA: part is core
PW-6	SEPA Traffic Analysis		x	x	x	x	x	x	96,631	0.70	Transportation Engineer	DA: part is core
PW-7	Training (safety, pathogens, etc)		x			x	x	x	-	0.00	Included in staff rates	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PW-9	Public Works Mapping/GIS		x		x	x	x	x	34,719	0.30	25% GIS Analyst & 5% Capital Projects Manager	DA: part is core
PW-10	PW Customer Service @ Front Counter			x	x	x	x	x	49,343	0.60	20% Permit Tech, 10% Dev Eng Analyst, 100% (.30FTE) Vacant	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-11	Development Review Engineering			x	x	x	x	x	398,903	3.40	Solid Waste Coord., Dev Engineer, Sr Dev Plans Examiner, 30% Permit Tech, .10 Dev Svcs Manager	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-13	Inspection for Development			x	x	x	x	x	198,231	2.00	2 Development Engineering inspectors	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-14	Sidewalk clearance and sight distance			x	x	x	x	x	33,662	0.30	30% NTCP Coord = .15 FTE, 30% NTCP Admin = .15 FTE	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-15	PW Land Use Permit Review			x	x	x	x	x	47,441	0.30	.30 Development Svcs Manager	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-16	ROW Permit and ROW Vacations (non-user vacations) Administration				x	x	x	x	52,443	0.50	50% Development Engineering Analyst	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-17	Development Review Policy and Program Support/Administration				x	x	x	x	113,116	1.00	40% Dev Engineering Analyst, .45 Dev Svcs Manager	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-18	Performance/Maintenance Securities Processing				x	x	x	x	42,661	0.50	50% Permit Tech	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
→ PW-19	Support for Parking Programs/PAB Traffic Accident Analysis & Records Management				x	x	x		33,311	0.20	15% Transportation Eng Manager, 5% Transportation Engineer	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-20	Management	x			x	x	x		13,975	0.10	10% Transportation Engineer	MAB: I really don't know enough about these essential services to determine if they are "CORE"

Essential Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PW-21	Engineering for Traffic Signing, Marking and Signals (including ITS)			x	x	x	x	x	115,535	0.75	45% Transp. Engineer, 30% Transportation Eng Manager	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-22	Maintain BKR Traffic Model				x	x	x	x	6,902	0.05	5% Transportation Engineer	MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-23	Transportation Engineering Support for CIP			x	x	x	x	x	13,975	0.10	10% Transportation Engineer	MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-24	Bike, Pedestrian, Transit issue coordination			x	x	x	x		35,098	0.20	20% Transportation Engineering Manager	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-25	PW Research & Analysis Support				x	x	x	x	6,988	0.05	5% Transportation Engineer	MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-26	Regional Interagency Coordination				x	x	x	x	29,299	0.25	25% Capital Projects Engineer	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
PW-27	Adjacent agency CIP project coordination				x	x	x	x	15,622	0.10	10% Capital Projects Manager	DA: part is core MAB: I really don't know enough about these essential services to determine if they are "CORE"
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→	PW-28				x				6,988	0.05	5% Transportation Engineer	
	PW-29			x	x		x	x	12,317	0.13	(.04FTE) Transportation Engineer, 33% (.09FTE) Acctg Support Associate	
	PW-30		x		x		x	x	17,549	0.10	10% Transportation Engineering Manager	DA: part is core
→	PW-31				x				130,804	1.05	Traffic Control Coord. = .85FTE, 40% NTCP Admin = .20FTE	
→	PW-32			x	x			x	6,902	0.05	5% Transportation Engineer	
	PW-33		x	x	x		x	x	17,549	0.10	10% Transportation Engineering Manager	DA: part is core
	PW-34			x	x		x	x	13,835	0.15	.15 FTE NTCP Admin	
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
			x	x	x	x	x	x	473,342	3.55	PW Director, Admin Asst, Sr Financial & Admin Analyst, 25% Solid Waste Coord., 10% Sr Accountant, 15% Capital Projects Manager, .05 FTE Permit Tech	DA: part is core
			x		x	x		x	70,000			JM: ?

100% Revenue-Supported Services		Expenditures	FTE's	Notes	Councilmembers' Notes
PW-8	Capital Improvement Program (CIP) Administration	196,495	1.85	60% Capital Projects Manager, 25% Capital Projects Supervisor, 100% CIP Admin Support	
PW-12	CIP Review	92,514	1.00	1.0 CIP Inspector	
PW-36	Emergency Sewer Program Administration	6,931	0.09	33% Accounting Support Associate	
	CIP Outreach	53,718	0.50	100% CIP Neighborhood Outreach Specialist	
PW-37	Capital Project Management-Engineers	831,531	7.00	6.25 project engineers, 70% Capital Proj Supervisor, 5% Capital Projects Manager	
PW-38	CIP Accounting	6,732	0.09	33% Accounting Support Associate	
Internal Charges & Insurance		Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance	424,468			
<b>Total</b>		<b>\$ 3,768,149</b>	<b>27.55</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

Shaded service indicates one-time funding in 2010

**FUND/DEPARTMENT: General Fund/Finance & Administration**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FA-1	Financial Reporting	x	x	x	x	x	x	x	143,919	1.38	Financial statements & notes, research laws and regulations (RWC 43.09) , expenditure review, CAFR completion, GAAP knowledge thru annual training. accounting oversight, and seized property reporting (RCW 69.50.505)	
FA-2	Accounts Payable	x	x	x	x	x	x	x	146,581	1.66	Invoice payments, financial system updates, check printing, 1099's, and expenditure review (RCW 43.09)	
FA-3	Grant Accounting	x	x	x	x	x	x	x	23,535	0.21	Research law and regulations, department oversight, grant reporting, revenue monitoring, policy and procedure updates (Circular A-133)	
FA-4	Payroll	x	x	x	x	x	x	x	205,118	2.12	Produce bi-monthly payroll for all City employees, process benefits, implement collective bargaining contract provisions (FLSA) Fair Labor Standards Act	
FA-5	Tax Collections	x	x	x	x	x	x	x	56,467	0.53	Monitoring, reporting, customer contact of all tax: telephone (RCW 35A.82) admission(RCW 35.21.280) (RCW Title 80)	
FA-6	Debt Service and Cash Mgmt.	x	x	x	x	x	x	x	128,854	1.45	Banking, unclaimed property reporting (RWC 63.21), security bonds	
FA-7	Budget Preparation	x	x	x	x	x	x	x	125,691	1.10	Develop, balance, monitor and adjust department and fund budgets as required by (RCW 35A.34)	
FA-8	Fixed Asset Management	x	x	x	x	x	x	x	29,298	0.32	Inventory, purchases & surplus all assets - capital & attractive, including depreciation ad reporting of CIP, infrastructure, equipment, land, and ROW (RCW 43.09)	
FA-9	Annual Audit	x	x	x	x	x	x	x	108,689	0.53	State Auditors Office contract, data compilation, research, and department coordination \$53,800 (RCW 43.09)	
FA-10	Records Management		x	x	x	x	x	x	131,361	0.80	Meet statutory requirements for City-wide official records retention and maintenance (RCW 35A.39.010), provide training and support, public disclosure (RCW 42.56.580)	DA: part is core
FA-11	City Council Meetings & Support		x	x	x	x	x	x	137,556	1.45	Meeting agenda and packet creation (RCW 35A.13), set up, staffing, minutes (RCW 42.32.030)	DA: part is core
FA-12	Elections	x	x	x	x	x	x	x	134,000		Voter registration, primary and general election, voter pamphlet (RCW 29A)	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FA-13	Financial Analysis and Monitoring	x	x		x	x	x	x	58,101	0.50	FMR, sales tax analysis, expenditure & revenue monitoring, reserve analysis	
FA-14	Contract Costing	x	x		x	x	x	x	35,708	0.30	Cost management and bargaining unit contract proposals, participate in mgmt strategy sessions for contract negotiations	
FA-15	Special Analysis	x	x		x	x	x	x	59,197	0.50	Fiscal analysis of a variety of topics - i.e.. Cost of service studies, annexation, parking, jail studies, etc.	

Essential Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FA-16	Financial System Op/Maint		x	x	x	x	x	x	18,363	0.16	System maintenance, GL/JL maintenance, new user training, testing, troubleshooting, and ongoing training	DA: part is core
FA-17	Centralized Purchasing		x	x	x	x	x	x	198,829	2.00	Provides oversight of purchasing processes to assure compliance with City and State laws, buying and contract/bid management	DA: part is core
FA-18	Cemetery Administration		x	x	x	x	x	x	23,738	0.28	Maintain cemetery records, sell plots, niches, coordinate burial arrangements	DA: part is core
FA-19	Business License Administration	x	x	x	x	x	x	x	99,791	1.16	Maintain business license records, process annual renewals, collect delinquent accounts, provide customer support, needed to continue revenue stream	
FA-20	Staff & Public Support - Records Services		x	x	x	x	x	x	57,275	0.45	Manage City-wide records program	DA: part is core
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→ FA-21	Park Smart Support				x		x	x	21,081	0.26	Issue parking permits, provide counter customer service and send quarterly notices for updates regarding Park Smart program	DA: part is core
FA-22	Passport		x		x	x	x	x	37,544	0.54	Process passport applications for the U.S. State Department	MAB: this is \$ positive?
FA-23	False Alarm Administration	x	x		x		x	x	44,078	0.53	Administer Kirkland's False Alarm Program, process initial applications, renewals and fines for false alarm offenses, implements enforcement	
FA-24	Capital Improvement Program		x	x	x		x	x	70,424	0.60	Coordinate prep of long term planning for capital infrastructure needs. Monitor and manage the program as part of prudent fiscal practice to ensure integrity of the infrastructure	DA: part is core
FA-25	Mail Services and On-call Hourly Wages		x		x	x		x	93,932	1.10	Collect and distribute all incoming external and internal City mail. Manage permits and bulk mailings	DA: part is core
FA-26	Information Desk		x		x	x	x	x	23,134	0.30	Provide citizen support to all customers, answers the main phone line, supports the mail and copier room	
→ FA-27	Document Management (one-time Svc Pkg)								101,351		Implementation of City's Document Mgmt system, including training, development of procedures and documentation of city-wide processes	

**FUND/DEPARTMENT: General Fund/Finance & Administration**  
**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

 Shaded service indicates one-time funding in 2010

Administration		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FA-29	Director and Admin Assistant			x	x	x	x	x	297,225	2.00	Overall department management and administration	DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
FA-28	Utility Billing								627,823	6.84	Billing and customer service for water, sewer and solid waste customers	
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								408,798			
<b>Total</b>									<b>3,647,463</b>	<b>29.06</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

Shaded service indicates one-time funding in 2010

**FUND/DEPARTMENT: General Fund/Planning and Comm. Dev.**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PL-1	Building, mechanical & sign permits	x	x	x	x	x	x	x	246,613	2.50	Ongoing staff only including Overtime (\$2,000). 2 Planners and .5 Dev Review Manager	
PL-2	State mandated land use permits	x	x		x	x	x	x	228,648	2.00	Includes subdivisions, shoreline, SEPA, ROW vacations, some zoning. 1.0 Planning Supervisor and 1.0 Associate Planner	
PL-3	Comprehensive planning, regulations & shoreline management (State mandated)		x		x	x	x	x	226,860	2.00	Includes comprehensive plan & zoning code updates. 2.0 Sr. Planners	DA: part is core
PL-4	State mandated natural resource plans & regulations.		x		x	x	x	x	71,958	0.50	.50 Deputy Director	DA: part is core
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PL-5	Public regulatory information		x	x	x	x		x	173,955	2.00	Respond to counter and phone inquiries. 2.0 Planning Info Specialists	DA: part is core JM:? 1/2 revenue offset
PL-6	Code enforcement		x	x	x	x	x		231,107	2.00	1.5 Code Enforcement Officers; .50 Dev Review Manager and Communications (\$2,080)	DA: part is core
PL-7	ARCH	x	x		x	x	x	x	62,757		Ongoing ARCH 2010 dues only.	
PL-8	Comprehensive planning and regulations (non state mandated)		x	x	x	x	x		248,422	2.00	Includes some plan and code updates, affordable housing regs. .50 Deputy Director; .50 Planning Supervisor; 1.0 Sr. Planner	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PL-9	Land use permits not mandated by State		x		x	x		x	257,024	2.50	Includes discretionary permits required by Zoning Code. Reduction would require code amendments that would need short term staffing. .50 Planning Supervisor; 2.0 Planners	DA: part is core
→ PL-10	Urban forestry services				x	x			49,323	0.50	.50 Urban Forester	DA: part is core
PL-11	Comprehensive planning and regulations (non state mandated)		x		x	x		x	113,081	1.00	Includes neighborhood plans; private amendment requests and optional plan/code amendments. 1.0 Sr. Planner	DA: part is core
PL-12	Natural Resource plans and regulations		x		x	x	x	x	57,589	0.50	.50 Sr. Planner	DA: part is core
Administration		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Salaries & benefits		x	x	x	x	x	x	386,940	3.56	Ongoing staff for budgeting; personnel; departmental management; interdepartmental coordination; coordination with councils, boards & commissions; training; records (Director, Admin. Supervisor, 1.0 Sr. Office Spec., .5 Office Tech.) including Director travel/medical allowance (\$2,700)	DA: part is core
→	Hourly Wages - Interns				x	x			4,789		Remaining Interns salaries & benefits	
	Professional Services - Administrative	x	x		x	x	x	x	2,900		Ongoing recording secretary services for Hearing Examiner.	

Shaded service indicates one-time funding in 2010

Administration continued		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→	Professional Services - Annual Retreat		X		X				1,400		Facility rental and consultant for department annual retreat.	
	On- Call Administrative - Hourly Wages & benefits		X		X	X		X	32,647		Ongoing recording secretary services for PC, HCC, HE, DRB (\$10,770 wages & \$9,274 benefits). Also includes Admin. Aide (BS) (\$878), High School Admin. Intern (JM) (\$1,288), on-call for admin. vacation/sick (\$2,000) and overtime (\$2,000).	DA: part is core
	Office Supplies, operating supplies, furniture	X	X		X	X	X	X	15,000		Department office supplies (\$10,000), operating supplies (\$3,000), furniture (2,000)	
	Travel, training & dues for staff, PC, HCC and DRB		X		X	X		X	22,270		Staff and Planning Commission, Houghton Community Council and Design Review Board support. Travel (\$5,600), Training (\$8,655), Dues (\$8,015)	
	Software, repairs/maintenance		X		X		X	X	21,900		All software purchases (\$1,600) and maintenance (\$20,300)	
	Advertising	X	X		X	X	X	X	11,000		Advertising for projects and permits	
→	Printing/postage/miscellaneous		X		X		X		24,500		Department printing (\$23,000), postage (\$500) and meeting packet delivery (\$1,000)	DA: part is core
→	Professional Services		X						5,000		One-time Service Package - Cascade Cities Agenda Membership	
<b>100% Revenue-Supported Services</b>									<b>Expenditures</b>	<b>FTE's</b>	<b>Notes</b>	<b>Councilmembers' Notes</b>
	None											
<b>Internal Charges &amp; Insurance</b>									<b>Expenditures</b>	<b>FTE's</b>	<b>Notes</b>	<b>Councilmembers' Notes</b>
	Internal Charges & Insurance								286,464			
<b>Total</b>									<b>2,782,147</b>	<b>21.06</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Police**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PD-1	Responding to Calls for Service - Patrol Division	x	x	x	x	x	x	x	4,320,830	37.00	A total of 36 FTE's are allocated to the Patrol Division with oversight of the division provided by two 0.50 Management Staff personnel (Lieutenant). Uniform costs are \$1,280 per Patrol FTE, Training costs are \$625 per Patrol FTE, and Overtime costs are \$3,701 per Patrol FTE. Costs for Management Staff are \$147,840.	
PD-2	Public Safety Answering Point/911 Calls	x	x	x	x	x	x	x	1,695,674	0.20	With the transition to NORCOM for dispatch services in July 2009, the department will begin paying for services on a per call basis. Fees are included for that payment as well as portions of a Captain (.10) and a Lieutenant (.10) who will provide oversight to all NORCOM related issues. NORCOM fees total \$1,664,179 and costs for management staff are \$31,495.	
PD-3	Training		x		x	x	x	x			Training expenditures have been allocated to the position/division where the FTE(s) are budgeted.	
PD-4	Jail	x	x	x	x	x	x	x	1,334,539	15.00	Expenditures include salaries, benefits, uniform costs, and all Kirkland inmate expenditures. Revenues from Point Cities for Housing & Transport, total 2008 revenue received \$31,402. Training costs are \$500 per FTE. Unit is managed by Corrections Manager for a cost of \$136,653.	
PD-5	Outside Agency Incarceration Costs	x	x	x	x	x	x	x	944,644		Inmate housing charges	
PD-6	Records Maintenance	x	x	x	x	x	x	x	370,928	4.65	A total of 4.5 FTE's are allocated to Records with oversight provided by 0.15 Management Staff (Lieutenant). Uniform costs are \$345 per FTE and Training costs are \$500 per FTE. Overtime costs for the division are \$1,444. Costs for Management Staff are \$22,440.	
PD-7	Evidence	x	x	x	x	x	x	x	86,278	1.10	Uniform costs are \$345 for this position, Training costs are \$500, and Overtime costs are \$338. Oversight is provided by a Lieutenant (0.10 FTE) for a cost of \$14,960.	
PD-8	Accreditation		x	x	x	x	x	x	73,037	0.50	This position is filled by Management Staff (Lieutenant) personnel who serves as our Accreditation Manager in addition to other staff responsibilities. Included are \$5,000 yearly Accreditation fees.	
→ PD-8	Accreditation - one-time costs		x						5,000		One-time Service Package - Accreditation Expenses	

Essential Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PD-9	Investigations Division		x	x	x	x	x	x	946,451	7.15	A total of 7.0 FTE's are allocated to the Investigations Division with oversight provided by 0.15 Management Staff (Lieutenant). Uniform costs are \$1,060 per FTE, Training costs are \$625 per FTE, and Overtime costs are \$4,444 per FTE. A fund for fees for Special Investigations (\$3,000) is included with this division. Costs for Management Staff are \$22,620.	DA: part is core
PD-10	Management Staff		x	x	x	x	x	x	556,664	3.40	Management staff consists of 6 FTE's made up of 2 Captains and 4 Lieutenants. Portions of the Lieutenants' costs are allocated to provide oversight to other divisions within the department. Uniform costs are \$1,600 per FTE and Training costs are \$1,000 per FTE.	DA: part is core
PD-11	Traffic Division	x	x	x	x	x	x	x	488,576	4.15	A total of 4.0 FTE's are allocated to the Traffic Division with oversight provided by 0.15 Management Staff (Lieutenant). The Traffic Division performs many mandated services such as investigation of fatal or serious injury traffic collisions. Revenues are available from the Traffic Safety Commission for reimbursement of costs associated with special emphasis and/or equipment. Uniform and Overtime costs are included in the total expenditures for the division, and Training costs are \$625 per FTE. Costs for Management Staff are \$21,911.	
PD-12	Marine Patrol	x	x		x		x	x	39,000		Contract service with King County Sheriff's Office to provide for the routine patrol of waters to enforce laws and ordinances May through October of each year. Additionally, they may be called out to respond to serious emergency complaints or situations with a corresponding call out fee.	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→ PD-13	School Resource Officer	x			x			x	110,446	1.00	Revenues from Lake WA School District partially support this position with the current contract calling for a yearly payment from LWSD in the amount of \$75,060. Uniform costs are \$1,100, Training costs are \$625, and Overtime costs are \$4,548. Oversight of this position is provided by the Community Services Unit Supervisor.	MAB: These are both great but if cuts needed only places can think of as perhaps not "CORE" JM: core? Half revenue offset
→ PD-14	Neighborhood Resource Officer			x	x			x	106,801	1.00	Uniform costs are \$1,100, Training costs are \$625, and Overtime costs are \$4,548. Oversight of this position is provided by the Community Services Unit Supervisor.	MAB: These are both great but if cuts needed only places can think of as perhaps not "CORE"
PD-15	Family Violence Detective	x	x	x	x	x	x	x	113,729	1.00	This position is assigned to the Investigations Division. Although listed as Discretionary, the position is responsible for all Domestic Violence incidents in the City. Elimination of the position would create a burden on the Investigations Division by the increased workload. Uniform costs are \$1,060, Training costs are \$625, and Overtime costs are \$4,444.	

Discretionary Services continued		Asher	Burreigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PD-16	Family/Youth Advocate	x	x		x	x	x	x	89,640	1.00	Minimal revenues are generated from Advocacy services provided to the Point Cities. This position is assigned to the Investigations Division and reports to that Division's Sergeant. Although listed as Discretionary, the position is vital in providing assistance, intervention, and counseling to victims of domestic violence as well as providing immediate crisis intervention to those victims and appearing with them at court hearings. The position also oversees the DART (Domestic Abuse Response Team) volunteer program. Uniform costs are \$200, Training costs are \$500, and Overtime costs are \$338.	
→ PD-17	Community Services Unit Supervisor		x		x			x	124,470	0.95	The position provides direct supervision to the School Resource Officer and the Neighborhood Resource Officer. The position also interacts with citizen and business groups and provides crime prevention information to the public and serves as the department PIO. Uniform costs are \$1,100, Training costs are \$625, and Overtime costs are \$4,548.	
PD-18	Special Response Team	x	x		x	x	x	x	16,580	0.05	It should be noted that although categorized as discretionary, the elimination of this service/program poses liability concerns. Personnel costs for FTE's assigned to this unit are budgeted within other divisions. Training costs are \$2,000. Oversight of the unit is provided by management staff personnel (0.05 Lieutenant) for a cost of \$7480.	
PD-19	Crisis Negotiations Team	x	x	x	x	x		x	11,480	0.05	It should be noted that although categorized as discretionary, the elimination of this service/program poses liability concerns. Personnel costs for FTE's assigned to this unit are budgeted within other divisions. Training costs are \$1,500. Oversight of the unit is provided by management staff personnel (0.05 Lieutenant) for a cost of \$7480.	
PD-20	Eastside Narcotics Task Force	x	x	x	x	x		x	121,256	1.00	Revenues are generated from seizure of property or money associated with illicit drug activity. Revenues must be used to fund narcotics related programs or equipment. Uniform costs are \$1,060, Training costs are \$625, and Overtime costs are \$4,444. Additionally, a narcotics investigation fund in the amount of \$5,000 is attached to this position.	
PD-21	Crime Analysis	x	x	x	x	x		x	99,428	1.00	It should be noted that although categorized as discretionary, the position is responsible for mandated crime statistic reporting. The position also provides vital information on criminal activity (patterns, MO, etc.) that assists officers in the apprehension of criminals. Uniform costs are \$200, Training costs are \$500 and Overtime costs are \$338.	

Discretionary Services continued		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PD-22	K-9 Unit	x	x	x	x	x	x	x	113,487	1.00	Direct supervision provided by a Patrol Sergeant. Expenditures include necessary supplies for the police service dog as well as overtime for the officer. Uniform costs are \$1,000 and Training costs are \$1,000. Although listed as discretionary, the Explorers provide a variety of	
PD-23	Explorer Program		x	x	x			x	9,424	0.05	assistance to the City for Special Events, such as Traffic Control, etc. Budgeted expenditures pay for a small portion of their uniforms and training. The Post generates revenue from their assistance at City and regional events, using that revenue for purchases not funded by the General Fund Police budget. Oversight of the unit is provided by the CSU Sergeant (0.05) for a total cost of \$5734.	
PD-24	Chaplain's Program	x	x	x	x	x		x	750		The Police Chaplain performs a wide variety of volunteer services for the department and its' employees. The expenditures represent fees for attendance at a yearly training conference, a portion of which is funded by the FBI.	
PD-25	Volunteer Program		x	x	x			x	750		Necessary clothing & uniform items utilized by our volunteers including our Speed Watch volunteers & DART volunteers.	
PD-26	ProAct Unit	x	x	x		x	x	x	557,963	5.15	A total of 5 FTE's are assigned to this unit consisting of one Sergeant, three Officers, and one support position with oversight of the unit provided by 0.15 Management Staff (Lieutenant). Expenditures include salaries and benefits for the FTE's as well as uniforms and overtime. Training costs for the unit are \$3,000. A fund for fees for Special Investigations (\$1,600) is included with this unit. Costs for Management Staff are \$22,441.	
Administration		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PD-30	Director and Staff Coordinator	x	x	x	x	x	x	x	285,392	2.00	Salaries and benefits for Chief and Staff Coordinator. Uniform costs for Chief are \$1,500 and Training costs are \$3,129 (\$2,500 Chief, \$629 Staff Coordinator).	
PD-31	Support Staff		x		x	x	x	x	396,011	4.10	Staff consists of the Administrative Corporal, Training Officer, and two Administrative Support positions with oversight provided by .10 Management Staff (Lieutenant). Functions of this group include training, hiring and recruiting, background investigations, inventory and control, and the Telestaff timekeeping system for which the assigned Lieutenant has responsibility. The administrative support positions provide timekeeping and payroll, arrange all travel and training registrations, and perform a wide variety of clerical support. Uniform costs total \$2,000 (\$800 each for sworn position and \$200 each for support position), Training costs total \$2,250 (\$625 each for sworn positions and \$500 for each support position), and Overtime costs are \$2,576 (\$950 for each sworn position and \$338 for each support	DA: part is core

Administration continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
PD-36	Department Supplies & Other Miscellaneous Fees		x		x		x	x	132,663		includes department supplies consisting of firearms supplies (lethal & less lethal), civil unrest supplies, replacement body armor and office & operating supplies, as well as fees for postage, repairs & maintenance of equipment, association dues, and a wide variety of professional fees that provide support for functions in both the Operations and Services Divisions.	DA: part is core
PD-37	Communication Fees		x		x		x	x	62,190		Fees for all data lines, radio lines, pagers, and phones.	DA: part is core
PD-38	Professional Fees		x		x		x	x	40,563		Provision of funds for costs related to grant consulting and regional records management data bases which provide vital criminal history information.	DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
PD-27	CJTC Commander (One-time)								167,545		No FTE is associated with this position as it is a temporary position and funded only as long as the contract with the Training Commission is in effect. All costs associated with this position are reimbursed by the Criminal Justice Training Commission. Uniforms and Training for the position are provided by CJTC.	
PD-28	CJTC Instructor								116,506	1.00	All costs associated with this position are reimbursed by the Criminal Justice Training Commission. Overtime costs are \$3,701. Uniforms and Training for the position are provided by CJTC.	
PD-29	Parking Enforcement								146,236	2.00	uniforms, overtime, and supplies associated with Parking Enforcement. Oversight is provided by the Traffic Sergeant. Training costs are \$500 per FTE.	
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								2,371,356			
<b>Total</b>									<b>16,056,287</b>	<b>95.50</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Fire and Building**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FB-1	Emergency Management		x		x	x	x	x	100,354	0.50	.50 Admin Deputy Chief/benefits+ Emr Prep Coord/benefits (50% EMPG grant - one time funded) + Operating cost = \$25,214	DA: part is core
→ FB-1	Emergency Prep Coordinator	x	x						106,384		One-time Service Package- Emerg Prep Coord (50% EMPG grant)	
FB-2	Fire Training		x	x	x	x	x	x	434,989	2.20	20% Deputy Chief Salary/Benefits plus 2 Training Officers + Firefighter Training Costs	DA: part is core
FB-3	Fire Inspection	x	x	x	x	x	x	x	368,445	2.70	ADC .20, Fire Marshall (.90), DFM (.80), Inspector (80), Operating Cost = \$26,558	
FB-4	Fire Investigation	x	x	x	x	x	x	x	101,905	0.50	.10 Fire Marshal, .20 DFM& Inspector, = Operating cost/OT Stand-by =\$41,700	
FB-6	Fire/Bldg Records Management		x	x	x	x	x	x	111,283	1.60	85% Fire Clerk, 75% Building Clerk = Professional Services cost \$1,500	DA: part is core
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FB-7	Fire Suppression/EMS	x	x	x	x	x	x	x	574,742	3.80	80% Deputy Chief Salary/Benefits & Operating Costs plus 3 Shift Battalion Chiefs	
→ FB-7	Fire Suppression - Personal Protective Clothing	x	x			x			108,489		One-time Service Packages - personal protective clothing	
FB-8	Station 21	x	x	x	x	x	x	x	1,623,000	12.00	Salary/Benefits + 15% of all Stations Operating Budget	
FB-9	Station 22	x	x	x	x	x	x	x	2,183,073	16.00	Salary/Benefits + 20% of all Stations Operating Budget	
FB-10	Station 24	x	x	x	x	x	x	x	202,553		10% of Budget plus Firefighter OT (12 Hrs)=327,442	
FB-11	Station 25	x	x	x	x	x	x	x	1,684,150	12.00	Salary/Benefits + 15% of all Stations Operating Budget	
FB-12	Station 26	x	x	x	x	x	x	x	2,454,955	18.00	Salary/Benefits + 20% all Stations Operating Budget	
FB-13	Station 27	x	x	x	x	x	x	x	2,486,383	20.00	Salary/Benefits + 20% of all Stations Operating Budget	
FB-14	Reserve Program		x		x	x		x	51,600			JM: how much revenue offset?
FB-15	Trench Rescue and Training	x	x		x	x		x	8,100			JM: how much revenue offset?
FB-16	Hazardous Materials	x	x	x	x	x		x	21,900			JM: how much revenue offset?

Continued

Shaded service indicates one-time funding in 2010

Essential Services continued		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FB-17	Confined Space Rescue	x	x		x	x	x	x	6,450			
FB-18	Water Rescue	x	x		x	x	x	x	9,750			
FB-19	Motor Vehicle Rescue	x	x	x	x	x	x	x	11,520			
FB-24	Addressing		x		x	x	x	x	55,250	0.75	Permit Techs; recovered from fee revenues at 88%	DA: part is core
FB-25	Plan Review		x	x	x	x	x	x	643,442	6.10	Bldg. Plans Examiners, 2 (vacant) + Operating Costs; recovered from fee revenues at 88%	DA: part is core
FB-26	Construction Inspection	x	x	x	x	x	x	x	610,933	5.85	Building Inspectors + Operating Costs; recovered from fee revenues at 88%	
FB-27	Permitting	x	x	x	x	x	x	x	401,578	3.38	Permits Techs (one vacant Permit Tech position) Operating Costs; recovered from fee revenues at 88%	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FB-20	Chaplain's Program	x	x		x			x	8,400		Funded from Reserve Program Budget Line Item. The Chaplain's Program provides a wide variety of services and support for employees as well as citizens in crisis.	
→ FB-21	Public Education Coordination				x			x	109,116	1.00	Public Education Coordinator/Benefits/OT +operating cost \$11,308	
FB-22	My Bldg. Permit.com	x	x	x	x		x	x	64,783	0.60	Transactional Credit Card -time for committees.	
FB-23	Code Enforcement		x	x	x	x	x	x	83,339	0.85	Bldg. Inspectors, including landlord tenant resolution	DA: part is core
Administration		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Director (1); ADC (.30); Admin Asst. (2); Admin Clerk (.15)		x	x	x	x	x	x	432,700	3.45	Salaries/Benefits/OT/+ Operating Costs = \$23,924	DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								2,365,663			
<b>Total</b>									<b>17,425,229</b>	<b>111.28</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: General Fund/Non-Departmental**

 Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ND-1	Puget Sound Clean Air Agency	X	X		X	X	X	X	38,000		Mandatory per Washington State Clean Air Act RCW 70.94.093	
ND-2	2% Liquor Excise Tax	X	X		X	X	X	X	12,505		2% based on yearly liquor sales	
ND-3	LEOFF 1 Direct Medical Payments	X	X	X	X	X	X	X	36,338		Police and Fire LEOFF 1 Direct Medical Payments	
ND-4	LEOFF 1 Medical Insurance	X	X	X	X	X	X	X	466,433		Police and Fire LEOFF 1 Insurance Premiums	
ND-5	Mail Services - Postage		X	X	X	X	X	X	84,000		Citywide Postage	DA: part is core
ND-6	Debt Service	X	X	X	X	X	X	X	757,875		Parking Garage and City Hall	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ND-7	Repairs and Maintenance - Copier Maintenance	X	X	X	X	X	X	X	4,000		Routine maintenance and repairs on copy machines	
ND-8	Printing, Envelopes, Letterhead, Forms		X	X	X	X	X	X	15,062		Stationary supplies, forms for all departments	DA: part is core
ND-9	Operating Supplies - Office		X	X	X	X	X	X	29,815		Paper products, toner	DA: part is core
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→ ND-10	Employee Transportation Program		X					X	30,000		Commuting incentive for city employees	DA: part is core
→ ND-11	Credit Card Fees		X					X	30,000		Development Services Credit Card Fees	JM: ?
→ ND-12	KPC Admission Tax Rebate		X		X			X	45,000		Kirkland Performance Center - Admission Tax Rebate	
→ ND-13	ARCH Funding		X						216,000		One-time Service Package - Funding for ARCH Housing Trust Fund	
→ ND-14	Fund 125 Subsidy		X		X			X	50,000		Subsidy for Parks Maintenance Fund	
→ ND-15	Litigation Reserve Fund 157		X		X			X	150,000		Transfer of funding for the Litigation Reserve	
ND-16	Management Retreat	X	X		X			X	1,000		Yearly management retreat	

**FUND/DEPARTMENT: General Fund/Non-Departmental**  
**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Shaded service indicates one-time funding in 2010

Discretionary Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
→	ND-17 Office Furniture and Equipment - Breakage	x		x	x				6,250		Unforeseen breakage/loss of small office equipment	
	ND-18 Misc Equipment & Supplies For Copy Room	x	x	x	x		x	x	750		Supplies Equipment	
	ND-19 Misc Repairs to Microfiche Reader/Printer	x	x	x	x		x		1,500		Microfiche Reader for Ord	
→	ND-20 MMS		x						325,539		MMS Charges	DA: What is this? JG: What is MMS? TH: ? JM:? BS:?
→	ND-21 MultiMedia Services Intern								5,050		One-time Service Package - Charges for MMS Intern	
→	ND-22 Graphic Specialist - Budget Adj	x	x		x				36,905		Restore Graphic Specialist to .5 FTE	BS:?
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
					x							
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								50,860			
<b>Total</b>									<b>2,392,882</b>	<b>-</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: Street Operating Fund/Public Works**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ST-3	Streetlight Maintenance	x	x	x	x	x	x	x	29,075	0.25	Streetlight Inspect/Repair	
ST-4	Streetlight Operations		x	x	x	x	x	x	413,382	-	Budget Operational Costs - Streetlights	DA: part is core
ST-5	Signal Maintenance	x	x	x	x	x	x	x	119,607	1.45	Signal Maintenance/Repair	
ST-6	Electrical	x	x	x	x	x	x	x	43,609	0.10	Electrical Repair	
ST-8	Signal Operations	x	x	x	x	x	x	x	82,354	-	Budget Operational Costs - Signals	
ST-9	Sign Shop		x	x	x	x	x	x	114,195	2.00	SignShop Operations	DA: part is core
ST-10	Sign Shop Operations		x	x	x	x	x	x	67,780	-	Budget Operational Costs - Signs	DA: part is core
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ST-1	Bridges	x	x	x	x	x	x	x	6,284	0.20	Bridge Maintenance	MAB: I suppose these are all CORE
ST-2	Sidewalk Grind		x	x	x	x	x	x	13,691	0.15	Sidewalk Offset Grinding	DA: part is core MAB: I suppose these are all CORE
ST-7	Crosswalk Maintenance/Inspection		x	x	x	x	x	x	15,031	0.20	Lighted Crosswalk Maintenance/Inspection	MAB: I suppose these are all CORE
ST-11	NTCP		x		x	x	x	x	49,500	-	Program Cost Budget handled by Traffic Engineering	DA: what is this? MAB: I suppose these are all CORE
ST-12	Parking Management		x		x	x	x	x	55,830	0.50	Program Cost Budget handled by Traffic Engineering; Parking Coordinator	DA: part is core MAB: I suppose these are all CORE
ST-13	Shoulders		x		x	x	x	x	14,221	0.10	Shoulder Grading	DA: part is core MAB: I suppose these are all CORE
ST-14	Curb/Gutter		x	x	x	x	x	x	8,380	0.05	Curb/Gutter Repair	DA: part is core MAB: I suppose these are all CORE
ST-15	Temp Patch		x	x	x	x	x	x	22,602	0.15	Pothole Repair	DA: part is core MAB: I suppose these are all CORE
ST-16	Hot Patch		x	x	x	x	x	x	356,130	2.46	Asphalt Hot Patching	DA: part is core MAB: I suppose these are all CORE
ST-17	Saw Cuts		x	x	x	x	x	x	77,244	0.53	Asphalt Saw Cutting	DA: what is this? MAB: I suppose these are all CORE
ST-18	Extruded Curb		x	x	x	x	x	x	11,086	0.07	Extruded Curb Repair/Install	DA: part is core MAB: I suppose these are all CORE
ST-19	Conc. Repair		x	x	x	x	x	x	37,015	0.33	Flat Concrete Repair	DA: part is core MAB: I suppose these are all CORE

**FUND/DEPARTMENT: Street Operating Fund/Public Works**  
**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Shaded service indicates one-time funding in 2010

Essential Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ST-20	Gravel Paths		x	x	x	x		x	2,386	0.06	Gravel Path Maintenance	DA: part is core MAB: I suppose these are all CORE JM: 1/2
ST-21	Paths/Trails		x	x	x	x		x	770	0.02	Paths/Trails Maintenance	DA: part is core MAB: I suppose these are all CORE JM: 1/2
ST-22	Paths/Trails Operations		x	x	x	x		x	2,704	-	Budget Operational Costs - Paths/Trails	MAB: I suppose these are all CORE JM: 1/2 (half)
ST-23	Parking Facilities		x	x	x	x	x	x	10,725	0.13	Parking Facilities Maintenance	DA: part is core MAB: I suppose these are all CORE
ST-24	Parking Facilities Landscapes		x	x	x	x		x	3,075	0.04	Parking Facilities Landscapes Maintenance	MAB: I suppose these are all CORE
ST-25	Parking Facilities Operations		x	x	x	x	x	x	35,980	-	Budget Operational Costs - Parking Facilities	DA: part is core MAB: I suppose these are all CORE
ST-26	MC Import/Export		x	x	x	x		x	15,590	0.20	Spoils Loading	DA: what is this? MAB: I suppose these are all CORE JM: ?
ST-27	MC Inventory		x		x	x		x	9,332	0.12	Inventory Taking	DA: part is core MAB: I suppose these are all CORE JM: ?
ST-28	MC Facility Operation		x		x	x		x	4,467	0.05	Yard Operations	DA: part is core MAB: I suppose these are all CORE JM: ?
ST-29	Street Sweeping		x	x	x	x	x	x	102,156	0.75	Street Sweeping	DA: part is core MAB: I suppose these are all CORE
ST-30	Street Sweeping Operations		x	x	x	x	x	x	8,465	-	Budget Operational Costs - Street Sweeping	DA: part is core MAB: I suppose these are all CORE
ST-31	Flail Mowing		x		x	x	x	x	44,465	0.45	Mowing activities	DA: part is core MAB: I suppose these are all CORE
ST-32	Trees/Brush		x		x	x	x	x	64,168	0.25	Tree/Brush field work	DA: part is core MAB: I suppose these are all CORE
ST-33	Medians		x		x	x		x	70,408	0.85		DA: part is core MAB: I suppose these are all CORE JM: 1/2
ST-34	Median Operations		x		x	x		x	64,098	-	Budget Operational Costs - Medians	DA: part is core MAB: I suppose these are all CORE JM: 1/2
ST-35	Facility Maintenance - Grounds		x		x	x		x	26,503	0.37	City owned bldg landscape maintenance	DA: part is core MAB: I suppose these are all CORE
ST-36	Public Grounds Operations		x		x	x		x	10,930	0.13	Budget Operational Costs - Public Grounds	DA: part is core MAB: I suppose these are all CORE JM: ?
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ST-37	Alleys			x	x	x		x	11,165	0.07	Alley Maintenance	
ST-38	Crack Seal		x	x	x	x		x	19,897	0.13	Asphalt Crack Sealing	JM: 1/2 (half)

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Shaded service indicates one-time funding in 2010

Discretionary Services continued		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes	
→	ST-39	Snow/Ice	x	x	x	x	x	x	23,666	0.15	Snow/Ice Control		
	ST-40	Snow/Ice Operations	x	x	x	x	x	x	1,294	-	Budget Operational Costs - Snow/Ice Removal		
	ST-41	Street Litter			x	x	x	x	6,152	0.08	Street Litter	DA: part is core MAB: ?	
→	ST-42	Spraying				x	x		12,290	0.11	Spray program	DA: ? MAB: ?	
	ST-43	Roadside Litter			x	x	x	x	4,309	0.05	Litter removal from roadside	DA: part is core MAB: ?	
→	ST-44	Ancillary Operations				x	x		3,044	-	Budget Operational Costs - Ancillary	DA: what is this? MAB: ?	
→	ST-45	Graffiti				x		x	68,549	1.00	Graffiti Removal ROW and Parks	DA: part is core MAB: ?	
→	ST-46	CBD Appurtenance				x		x	25,211	0.35	CBD focus activities	DA: part is core MAB: ?	
Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes	
		Admin. Operations	x	x		x	x	x	334,122	1.60	Budget Operational Costs Including Maint/Supervision		
		Grounds Maintenance - Admin		x		x	x	x	61,930	0.60	Public Grounds Supervision	DA: part is core	
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes	
		None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes	
		Internal Charges & Insurance								1,516,752			
Total									4,101,619	16.10			

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: Equipment Rental Fund/Public Works**

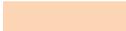
 Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ER-1	Vehicle Licensing	x	x	x	x	x	x	x	10,294	0.05	Fleet Supervisor's time (0.05 FTE - \$6,294), and licensing fees (\$4,000).	
ER-2	Vehicle Insurance	x	x	x	x	x	x	x	70,476	0.05	Fleet Supervisor's time (0.05 FTE - \$6,294), insurance cost (\$64,182).	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ER-3	Fuel/Fuel System & Tanks	x	x	x	x	x	x	x	602,470	0.40	Includes all fuel (\$558,310), system administration - Fleet Supervisor's time (0.20 FTE - \$25,176) Fleet Admin's time (0.20 FTE - \$13,888) , and fueling software support (\$5,096). Gasoline for all city vehicles.	
ER-4	Vehicle/Equipment Maintenance	x	x	x	x	x	x	x	730,338	4.00	Includes staff labor (\$392,444) consisting (4.0 FTE) mechanics and (0.15 FTE) inventory control shared with Public Works. Plus parts, outside vendors, shop equipment, tools, tires, lubricants, shop supplies, shop repair (\$310,948). Removal would require negotiations of impacts with the Teamster Union.	
ER-5	Vehicle/Equipment Acquisition	x	x	x	x	x	x	x	468,085	0.15	Fleet Supervisor's time (0.15 - \$18,881) plus amount budgeted for vehicle acquisition in 2010 (\$448,707), plus advertising of bids (\$497). Not replacing vehicles will increase the cost for repairs and maintenance.	
ER-6	Vehicle/Equipment Disposition	x	x	x	x	x	x	x	6,294	0.05	Includes Supervisor's time (0.5 FTE - \$6,294) included in surplus and auction of equipment. Exclusion will impact maintenance and replacement costs.	
ER-7	800 MHZ Radio/Access Repair	x	x	x	x	x	x	x	173,815	0.20	ESPCA access charges (\$108,510), repair contract (\$41,096), and Fleet Supervisor's time (0.15 FTE - \$18,636), and Admin Asst. time (0.05 FTE - \$6,573). Elimination would degrade our ability to operate with other governmental agencies as well as internally degrading the public safety communications for the City.	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
ER-8	Vehicle Cleaning	x		x	x			x	5,000		Vehicle washing at vendor White Swan, 90% is Police vehicles conducted by officers. Impact would be the Police officers time to care for their vehicles which would take away public safety duties and increase the use of the wash station at the maintenance center.	

**FUND/DEPARTMENT: Equipment Rental Fund/Public Works**  
**Continued**

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

 Shaded service indicates one-time funding in 2010

Administration		Asher	Burleigh	Greenway	Hodgson	Lauinger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	General Administration - Supervisor	x	x		x	x	x	x	77,994	0.60	Fleet Supervisor time (0.2 FTE - \$25,176) Internal Service Manager time (0.4 FTE- \$52,818)	
	Accounting, Budgeting, Database	x	x		x	x	x	x	70,961	0.90	Fleet Supervisor time (0.15 FTE - \$18,881) Admin Asst (0.75 FTE - \$52,080).	
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								171,948			
<b>Total</b>									<b>2,387,675</b>	<b>6.40</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: Information Technology Fund/IT**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
IT-1	Support for Finance systems	x	x	x	x	x	x	x	333,279	1.12	Mandated by the state and federal agencies (reporting to IRS, DRS, etc.). Includes all parts of finance systems (General Ledger, Accounts Payable, audit support, timekeeping, payroll, human resources, etc.).	
IT-2	Support for Document Management systems		x	x	x	x	x	x	93,231	0.37	New digital WAC mandates management of electronic records.	DA: part is core
IT-3	City-wide desktop software licensing	x	x	x	x	x	x	x	145,597	-	Contractual relationship with Microsoft for the next three years to keep software licenses up to date. Includes Microsoft Enterprise agreement and Microsoft Software Assurance.	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
IT-4	PC support		x	x		x	x	x	480,997	2.86	Includes help desk system, help desk staff, training, Council meeting support, PC replacements, desktop management, desktop security.	DA: part is core
→ IT-4	Help Desk (one-time)								20,436		One-time Service Package - Help Desk position	
IT-5	GIS		x		x	x	x	x	443,799	3.56	Includes data management and maintenance, data development, analysis, maps, mapbooks, GIS application maintenance, etc. GIS also receives significant CIP funding as a separate revenue source.	DA: part is core
IT-6	Central server and network support	x	x	x	x	x	x	x	428,785	2.30	Includes staff costs, cabling and cable installation, backup tapes, network equipment maintenance, and software, network consulting and support. Replacement funding for servers and network equipment is in the CIP.	
IT-7	Telecomm and support	x	x	x	x	x	x	x	130,936	0.54	Telephone system operation and maintenance, call accounting, bill management, voice mail, etc.	
IT-8	Permit system and support	x	x	x	x	x	x	x	298,438	0.47	Includes permits and inspections, business licensing, and field mobility. Expenditures include transfer from CIP for permit system replacement, \$214,200.	
IT-9	Police system and support	x	x	x	x	x	x	x	204,703	1.19	Police systems support for internal systems, automated tickets, helping NORCOM get started, support for Court, etc.	
IT-10	Fire system and support	x	x	x	x	x	x	x	50,387	0.23	Fire is dispatched through Bellevue and the majority of their system costs reside there and are paid through contract. We primarily support records management and inspection.	
IT-11	Copier purchase and support	x	x	x	x	x	x	x	2,600	-	Lease and maintenance costs for city copiers.	
IT-12	Franchising and management	x	x		x	x	x	x	38,449	0.25	Negotiate and manage telecommunication franchise agreements granted by the City. Includes antenna siting and leases, cable franchise, and franchise management.	
IT-23	eCityGov Alliance	x	x	x	x	x	x	x	77,000			

Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
IT-13	Parks system and support		X	X	X	X	X	X	37,472	0.19	Includes recreation software support and staff assistance.	DA: part is core
IT-14	Public works system and support	X	X	X	X	X	X	X	74,033	0.33	Maintenance management system which tracks utility assets such as pipes and valves and management of public works work orders.	
IT-15	Web system	X	X	X	X	X	X	X	160,824	1.15	Intranet and internet system and support.	
→ IT-15	Web Assistant (one-time)								62,220		One-time Service Package - Web Assistant	
IT-16	Print media production		X		X		X	X	182,126	1.73	Supports communication to the community and within the organization. Design and create information signs that get used on park kiosks; design, create and produce brochures, posters, flyers, invitations, newsletters, manuals for the organization. Prepares graphics for use with television and for web. Includes on-call graphic support.	DA: part is core
IT-17	City council meeting support	X	X	X	X		X	X	25,484	-	Produces live video of regularly scheduled Council meetings and study sessions. Includes preparation and test, actual filming and may include minor editing. Includes Granicus web streaming software.	
IT-18	Television station management		X		X		X	X	111,373	1.22	Ensures operations comply with FCC rules, develops and maintains program schedule (for web and TV). Schedules programs for airing on the channels, trouble shooting problems and maintenance of equipment. Includes searching for free programming, seeking sponsors, promoting TV channels, networking, preparing community notices, responds to special requests and inquiries.	
→ IT-20	Other video services		X		X			X	85,328	0.30	Youth Council, Currently Kirkland, Senior Council and other video services for the organization. Produce DVD copies, special request for services.	
→ IT-20	Multi Media Services Intern								5,050		One-time Service Package - Multi Media Services Intern	
Administration		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
IT-22	Director and Admin Assist		X	X	X	X	X	X	282,963	2.00		DA: part is core
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
IT-21	Utilities systems and support								46,431	0.19		
	Northshore Fire District Support								87,020		Northshore Help Desk 1.0 temporary FTE per contract.	
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								88,909			
<b>Total</b>									<b>3,997,869</b>	<b>20.00</b>		

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: Facilities Maintenance Fund/Public Works**

 Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

Mandated Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FM-1	ADA Code Compliance	x	x	x	x	x	x	x	25,287	0.10	Elevator & automatic door maintenance	
FM-2	Ergonomics		x		x	x	x	x	16,139	0.25	Installation of keyboard trays, etc.	DA: part is core
FM-3	Maintain Fire/Life & Safety Systems	x	x	x	x	x	x	x	49,323	0.15	Inspection, monitoring & maintenance of fire suppression & alarm systems (incl phone lines & Fire Station doors & alarm systems)	
FM-4	L&I Compliance	x	x	x	x	x	x	x	5,936	0.05	Boiler certification, training, safety meetings	
FM-5	Flags	x	x			x	x	x	1,802	0.02	Flags & conformance with "half-staff" schedule	
FM-6	DOH Compliance -Backflow Tstg	x	x		x	x	x	x	1,262		Required testing of backflow prevention assemblies on boilers, etc.	
FM-7	Pesticide Certification (Grounds)	x	x		x	x		x	106		Required certification and training for pesticide handling	
Essential Services		Asher	Burleigh	Greenway	Hodgson	Lauringer	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FM-8	24 Hour Coverage/Emergency Response	x	x		x		x	x	22,341		Standby Pay & Overtime	
FM-9	HVAC/Air Quality Issues & Energy Conservation	x	x	x	x	x	x	x	111,361	0.82	Maintenance of HVAC systems at all city buildings	
FM-10	Emergency Systems Support	x	x	x	x	x	x	x	32,773	0.10	Inspection & maintenance of generators & UPS	
FM-11	Public Building Infrastructure & Systems Maintenance		x	x	x	x	x	x	209,497	1.36	Maintenance of infrastructure & systems -painting, repair, plumbing, lighting, electrical, etc. (incl. supplies & gen prof svcs & rpr/maint)	DA: part is core
FM-12	Security Systems	x	x	x	x	x	x	x	34,233	0.30	Maintenance, installation and purchase of locks, keys, security systems, etc.	
FM-13	Pest Control	x	x	x	x	x	x	x	7,014	0.01	Contracted pest control services	
FM-14	Life Cycle Projects		x	x	x		x	x	39,837	0.40	Coordination, review and management of building life cycle projects	
FM-15	Rental Property Management & Maintenance		x	x	x		x	x	29,742	0.05	Coordination of rental properties & fees for contracted management & maintenance & leasehold excise taxes	DA: part is core
FM-16	Janitorial		x	x	x	x		x	193,801		Cleaning services at all city buildings	DA: part is core JM: 1/2 (half)
FM-17	Janitorial -Supplies	x	x	x	x	x		x	20,900		Supplies for cleaning all city buildings	

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: Facilities Maintenance Fund/Public Works  
Continued**

Shaded service indicates one-time funding in 2010

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Shaded service indicates one-time funding in 2010

Essential Services continued		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FM-18	Janitorial -Carpet & Upholstery Cleaning		x	x	x			x	31,107		Carpet & upholstery cleaning @ all facilities	DA: part is core JM: 1/2 (half)
FM-20	Landscaping -City Facilities		x	x	x			x	40,352	0.55	Public Grounds staff landscaping	DA: part is core
FM-21	Landscaping -City Facilities (hourly wages)		x	x	x			x	14,612		Public Grounds seasonal landscaping	
Discretionary Services		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
FM-22	Janitorial -Window Cleaning		x	x	x		x	x	2,064		Exterior window cleaning	
→ FM-23	Janitorial -Art Display Cleaning			x	x				1,272		Contracted City Hall art cleaning	
FM-25	Office Reconfiguration		x	x	x	x			7,895	0.14	Moving furniture, reconfiguring cubicles	
→ FM-26	New Construction/Tenant Improvements		x	x	x				7,360	0.08	New hard-wall offices, etc.	DA: part is core
→ FM-27	Training		x		x				8,344		Dues & memberships and training needed for maintenance staff to keep level of knowledge & certifications - Travel & Subsistence included	DA: part is core
FM-28	Inventory Control		x	x	x		x	x	11,075	0.13	Maintenance & distribution of supplies (esp. janitorial)	DA: part is core
FM-29	Project Management		x	x	x			x	14,939	0.15	Management of non-Life Cycle projects	DA: part is core
→ FM-30	Space Planning		x	x	x				7,840	0.04	Ongoing space planning efforts - largely coordination of consultants	DA: part is core
FM-31	Work Order System		x	x	x			x	9,138	0.10	Maintenance of work order system	
Administration		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Facilities Admin	x	x	x	x	x	x	x	44,332	0.50	Internal Services Manager (45%); Maint & Inv (5%)	
	Grounds Admin		x	x	x	x	x	x	43,910	0.40	Public Grounds Supervisor (35%); Street Division Manager (5%)	DA: part is core
	Other Admin Costs -Facilities & Grounds		x	x	x	x	x		41,935		Office supplies, uniforms, operating supplies, printing, RFO advertising, arborist, misc. consulting & contract services, etc.	DA: part is core
	Small Tools & Minor Equipment	x	x	x	x	x	x	x	5,626		Shop tools, broken hand tool replacements, etc.	
	Interfund Transfers		x		x		x	x	465,235		Lifecycle project transfer	DA: what is this?

**CITY OF KIRKLAND SERVICES MATRIX**

**FUND/DEPARTMENT: Facilities Maintenance Fund/Public Works**

Shaded service indicates one-time funding in 2010

→ Indicates service that was rated as "Core" by three (3) or fewer Councilmembers

**Continued**

Shaded service indicates one-time funding in 2010

Administration continued		Asher	Burleigh	Greenway	Hodgson	Lainger	McBride	Sternoff	Expenditures	FTE's	Notes	Councilmembers' Notes
	Municipal Court Lease	x	x	x	x	x	x	x	310,053		Lease & associated costs for Municipal Court space (rent, prop tax, prop ins, common area prof svcs)	
	Parks Maintenance Bldg Lease (KCHA)		x	x	x	x	x		94,327		Lease for Parks Maintenance space	DA: part is core
	Utilities		x	x	x	x	x	x	597,324		Water, Sewer, Electricity, Gas for all city buildings	DA: part is core
	Refuse Collection & Disposal		x	x	x	x	x	x	37,470		Trash removal at three fire stations outside Kirkland city limits & New Waste Management Charge	DA: part is core
	Accounts Payable	x	x	x	x	x	x	x	22,845	0.25	Requisition activities, etc.	
	Communication		x	x	x	x	x	x	4,418		Cell phones, pager	DA: part is core
	False Alarm Charges	x	x	x	x	x	x	x	735		Kirkland PD	
100% Revenue-Supported Services									Expenditures	FTE's	Notes	Councilmembers' Notes
	None											
Internal Charges & Insurance									Expenditures	FTE's	Notes	Councilmembers' Notes
	Internal Charges & Insurance								214,965			
<b>Total</b>									<b>2,840,527</b>	<b>5.95</b>		



**CITY OF KIRKLAND**  
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## MEMORANDUM

**To:** Kirkland City Council  
**From:** David Ramsay  
**Date:** March 8, 2010  
**Subject:** City Finances Think Piece

The purpose of this memo is to present a series of thoughts for Council's consideration regarding the City's financial challenges and opportunities. This will be presented primarily at the strategic level and will focus on the General Fund. This represents both a reflection back on the management of a city and a look ahead at the issues and dynamics that cities will be facing. What some are calling the "**new normal**." This should not be thought of as an attempt to present a comprehensive strategy; but rather a toolbox of strategies that could be applied to the City's financial policies and budget practices. The foundation for much of this thinking was presented in Tracey's issue paper of September, 2008 entitled "Longer-term Budget Strategy Discussion" (attached).

### Major Financial Themes

The term "**sustainable**" seems to be much in vogue these days. While it first appeared when dealing with the environment, it is now applied to a wide variety of issues including city finances. It is particularly relevant when re-evaluating what level of service a city can afford to provide in light of a major economic recession with declining revenues. Conversely, it should also be considered during trends of revenue increases when the tendency is to increase levels of service and the need for fiscal discipline becomes even more important. One of the key goals of a sustainable budget is to not be significantly affected by variances in key revenue sources (particularly on the downside).

Another term that speaks to a desirable financial quality is "**resilience**." This concept recognizes that city budgets are continually subjected to changing dynamics; many of which are negative (e.g. the economy, legislation, initiatives and court cases). Given these situations, an important measure of a city's financial policies is the ability to withstand and/or rebound from these negative impacts.

### Fundamental Budget Strategies

Creating a city budget that is both sustainable and resilient is no easy task. This challenge is made even more difficult by the ever increasing demands for services and the escalating costs of providing them. It is suggested that there are two fundamental strategies that should be the basis for dealing with this challenge. At the heart of these strategies is the maxim of using "**on-going revenue for on-going services**." Both seem all too obvious; but in practice are complex and often controversial requiring some very difficult decisions.

The first strategy requires decisions to be made as what are the City's "**core services**" and which ones are "**discretionary services**". Core services are those to be fundamental to being a city (e.g. police patrol and street maintenance or those that are mandated by Federal or State law). By default, all other services are discretionary. Making the distinction between "core" and "discretionary" services is more art than science. In short, it comes down to the Council's policies and opinions. To make matters even more complex, some core services may have a "base level of service" and in addition have a discretionary component on top of that. For instance, police patrol is a core service; but the number of patrol officers on a shift and the resulting response time standards are discretionary. In addition, there are some discretionary services that are considered crucial to the city's quality of life such as parks and open space. The combination of core services and top priority discretionary services would be then considered as the City's "**base level of service.**"

As part of the 2009 – 10 budget process, the City Council conducted such an exercise by identifying core services. The results of this exercise should be reviewed and revised as the first part of each subsequent budget process. Integral to this review exercise should be the following inputs: results of the community survey in which residents are asked to evaluate City services, a review of the City Council goals and the results of the performance measurements for each of these goals. Some agencies have used a "priorities of government" for this kind of comprehensive review and there are a number of other ways to approach this exercise to achieve similar results.

The second strategy involves deciding what is the City's "**base revenue**" and "**variable revenue**". Base revenue is the amount of on-going, predictable revenue that can be depended on with a high degree of confidence. This requires analysis of each of the City's key revenue sources (e.g. sales tax, property tax, utility tax, business tax, interest earnings). The sum of these calculations for each revenue source would form the budget's base revenue. In addition to this base revenue, there are other resources that can be brought to bear in the budget including: savings from previous years, grants and other one-time revenues and higher levels of revenue than the base. These sources would be considered as variable revenues. Variable revenues would be used to fund one-time projects and the capital improvement program – expenditures that can be scaled back or enhanced as resources allow. In addition to these sources, there are fees which are directly related to the cost of delivery of a particular service (e.g. building permit, recreation class). These would be treated separately from the "general revenue sources" described above.

This kind of analysis is currently done for each budget cycle and is used for revenue projections. Determining base levels of revenue with a high degree of confidence is very difficult. The great challenge would be to establish a valid base number; i.e. establish the level that is not too low and more importantly not too high. This is particularly true for sales tax. All sales tax above this base level would be considered as variable revenue. Another approach to managing sales tax revenue variances is to designate a portion of particularly volatile sources of sales (such as contracting) for capital purposes.

With the completion of these two strategies the final step would be to integrate them by using only the **base revenue for funding a base level of service**. Again, this base level of service would be selected from the core service list and top priority services from the discretionary list. Any increase to the base level of service would have to be justified by a

comparable increase in base revenue. Variable revenue would then be used for funding the reserves, the Capital Improvement Program and any discretionary one-time projects.

### Revenue Diversity

For budgets to be both sustainable and resilient, a diversity of key revenue sources will be an important factor. A review of Kirkland’s recent revenue history is interesting.

	<u>1999</u>	<u>2002</u>	<u>2005</u>	<u>2008</u>	<u>2009</u>
Property tax	18.16%	17.44%	14.81%	17.17%	15.96%
Sales tax	32.51%	28.58%	29.02%	26.49%	20.09%
Utility tax	15.57%	16.37%	14.96%	17.02%	18.13%
Business tax	0.23%	0.35%	2.84%	2.68%	4.06%
Other revenue	32.34%	36.88%	37.97%	34.08%	34.14%
Other Fin. Sources	1.19%	.37%	.41%	2.56%	7.61%

There are a number of factors that need to be taken into account when analyzing these numbers. For example: property tax was affected by the use of banked capacity in 2008 and 2009 and the use of reserves was reflected in the “Other Financing Sources” in 2009. Sales tax remains the single largest revenue source although even if 2009 is excluded, its share is decreasing. Utility tax has replaced property tax as the second largest revenue source. The increase in business tax revenue is the direct result of the implementation of the “head tax” that emerged from a tax burden study that revealed that residents were paying a growing share of taxes compared to businesses and when compared to neighboring cities.

Several observations can be made from the above figures. Budget sustainability would be increased if there was even **less reliance on sales tax**. This is particularly true when one takes into account the often heard community concerns about too much growth and the impacts of increased retail development on neighborhoods. The trend of utility tax playing a larger role should be seen positively as it is considered a relatively stable revenue source and one that tends to grow at the rate of inflation.

The share of property tax has shown a slight decrease factoring out the use of banked capacity. This warrants further review and discussion in light of creating a more sustainable budget.

**Property tax is a stable source of revenue and can be directly related to the community’s desired quality of life.** If there is to be less reliance on the volatility of sales tax, then sources like property tax need to play a larger role. Mercer Island is an example of a city that has established a high quality of life and has deliberately chosen to make property tax as the cornerstone of their revenue strategy. A potential strategy would involve a series of voted property tax levies (e.g. every 3 – 5 years with inflation factors). This would establish a more direct relationship with the electorate by enabling them to determine desirable levels of service.

### Dedicated Funding Sources

At first glance, this strategy would appear to run counter the long held tenets of fiscal flexibility and local control. However, it also speaks to the current realities of budget trends for cities. As described above, cities need to determine their budget priorities as expressed in the designation of core services. The resulting trend of these exercises (whether formal or informal) is that an ever increasing proportion of the General Fund is assigned to public safety. For Kirkland the

share of the General Fund assigned to public safety exceeds 60%. One now hears about some cities that are allocating in the 70% range and that the trend is going higher. Other important city services such as street maintenance, parks and planning are more and more relegated to discretionary status.

This is not to argue that public safety should be considered less of a priority. All community surveys and other prioritizing processes consistently result in public safety being rated as the most important. Rather, this strategy suggests that the City needs to develop additional, **dedicated funding sources that address the needs of other important services that are essential to the community's quality of life.**

Some of these funding sources could be local and others could be done on a regional basis. Examples of the former would be a Transportation Benefit District and/or a Street Utility for street maintenance. An example of the latter would be a Metropolitan Park District for parks that play a regional role. Another example of a regional service that involves public safety would be a Regional Fire Authority. Funding levels for these services would be dependent on need and willingness of the community to pay; not on their abilities to compete with other city priorities.

### **Election Strategy**

Another way to generate dedicated funding sources that are for specific purposes is through the ballot box. This strategy calls for making **elections an integral part of the on-going budget process rather than pursuing them only on a periodic basis.** This would involve both levy and bond ballot measures. As described above in the discussion of property taxes, the levies would focus primarily on levels of service. Examples could include park maintenance, street maintenance and police staffing. Levies can also be used for capital projects. Bonds would be used solely for capital projects. Examples could include park projects, road and sidewalk projects, information technology equipment and city facilities. A particularly interesting election strategy is the "menu approach" in which the voters are given a list of service level and project options that they can vote on individually.

Those who provide advice to cities regarding levy and bond measures emphasize the importance of establishing an "on-going relationship" with the electorate that includes listening carefully to their opinions and establishing credibility by delivering on promises (i.e. projects done on-time and within budget). By building a high level of trust with the community, ballot measure frequency can be increased. In doing so, levies and bonds could be considered as part of the budget process for both the General Fund and the CIP. School Districts are an example of managing service levels using regular, periodic levies.

### **Goals, Performance Management and the Budget Process**

City Council goals have now been established and the development of performance measures for each of these goals is a work in progress. A **performance management cycle** integrates the goals, performance measures and the budget process. This starts with a review of the goals and their performance measures. The results would guide any necessary goal revision and service level review and will provide direction for the budget process. Budget preparation including service packages should clearly reflect Council's goals and address the performance measures findings.

### **Financial Impact Reports**

An on-going analysis would help to fully understand the financial impact of actions being taken by the City. This would include all new City legislation (ordinances and resolutions), proposed projects and new programs, regulations or changes in levels of service. An example would be the recently revised Tree Ordinance. All City Council agenda items should be reviewed for their potential financial impact. For those items that could have a financial impact, the requesting Department would prepare a Financial Impact Report that would be reviewed by Finance. This would require both staff and the Council to address and resolve any financial impact that would result from the proposed action. In doing so, it will bring a new level of fiscal awareness to decision making processes.

### **Fiscal Discipline**

Fiscal discipline must be the overarching principle in developing and maintaining a sustainable budget. Fiscal discipline includes replenishing reserves, maintaining existing infrastructure and assuring the ability to maintain existing resources before initiating new levels of service. New programs and initiatives are a natural result of the inevitable changes that a vibrant and progressive community such as Kirkland will experience. The ability to respond to new needs and challenges can either be additive (requiring new base revenue) or prioritized (choosing a new program or enhanced service level at the expense of another program determined to be of less importance). In periods of revenue growth, it is often tempting to grow the service system. However, in the near-term revenue growth should be used to re-establish the safety net of tools, such as reserves and other conservative budget strategies. This will prepare the City for the future based on a solid foundation.

Again, the purpose of this paper has been to suggest a tool box of strategies aimed at developing a more sustainable and resilient budget. If there is support for some of them, the challenge would be the choosing the appropriate timing for implementation. Establishing a firm base would be essential. While some of the strategies may be appropriate for implementation sooner than later; it is suggested that the 2013-14 budget process would give both enough time for the impacts of annexation to be fully understood as well as hopefully adequate time for the economy to have recovered. In the meantime, fiscal discipline will be essential in dealing with the current financial challenges and the potential for a "new normal."



## CITY OF KIRKLAND

### Department of Finance & Administration

123 Fifth Avenue, Kirkland, WA 98033 425.587.3100

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## MEMORANDUM

**To:** David Ramsay, City Manager

**From:** Tracey Dunlap, Director of Finance & Administration

**Date:** September 22, 2008

**Subject:** Issue Paper – Longer-term Budget Strategy Discussion

### Background

At the budget study sessions in May 2008, the City Council requested some information to begin a discussion on longer-term budget strategies that might be useful in planning for the future. This issue paper is intended to provide “food for thought” on this topic, which is expected to be discussed in greater detail as part of the March 2009 City Council Retreat.

It is important to recognize that the City has in place a number of policies that helped prepare for the current downturn, so that immediate drastic action was not required when the downturn began in early 2008. These policies allow for a more measured strategy to respond to the downturn:

- “Banked” property tax capacity – The City Council did not implement all of the property tax increases available to them in past years. While much of this banked capacity was used in 2006 to fund public safety service enhancements, the remainder (about \$145,000 per year) is available for use toward the budget gap. Note that the framework for balancing the 2009-2010 budget assumes that this remaining banked capacity will be used.
- Set aside reserves – The City has two reserves specifically for use in the current circumstances:
  - The Revenue Stabilization reserve is established to “address temporary revenue losses due to economic cycles or other time-limited causes”, and
  - The General Fund Operating Contingency is also available “to provide funding for unforeseen expenditure needs for general city programs.”
- Budgeted conservatively – A number of the assumptions embedded in the budget are conservative, such as the assumption that all staff positions are filled, sales tax receipts are budgeted on a one-year lag, etc.
- Implemented an economic development program – The City has actively pursued economic development opportunities in recent years with the intent to strengthen and diversify the City’s commercial base.

While a future downturn cannot be avoided, it can be planned for by continuing to be prepared and pursuing conservative budget policies that include:

- Replenishing reserves when times are better,
- Living within our means (ongoing revenue for ongoing services),
- Diversifying the revenue base, and
- Other potential policy choices that will be discussed later in this issue paper.

Factors contributing to the City’s current financial difficulties, some that we can control or influence but some that we cannot control, include:

- Significant reliance on sales tax, especially in the volatile construction sectors and economically sensitive sectors such as automotive,
- The reliance on sales tax also leaves the City vulnerable to business decisions by large tax producers,
- Statutory limitation on property tax growth from existing property,
- Use of one-time resources to fund increases in levels of service and/or new on-going programs,
- Growth in wages and benefits greater than inflation, exacerbated by a higher than expected inflation rate, and
- Substantial increases in commodity costs, such as gasoline and materials used in infrastructure maintenance and construction.

### **Potential Strategies**

**Put volatile revenues in the CIP** where projects can be reprioritized or delayed to accommodate changes rather than attempting to change operating service levels. The City currently programs fixed dollar amounts into the CIP from taxes and general fund resources as follows:

- \$770,000 in on-going sales tax (\$270,000 for transportation, \$400,000 for technology [this will be reduced to \$200,000 per year to fund operating expenses that had previously been budgeted in the CIP] and \$100,000 for neighborhood connection program),
- \$800,000 in interest earnings (\$250,000 for public safety, \$300,000 for the technology initiative, and \$250,000 for general government projects [technology and facilities]), and
- An annual average of \$544,000 in gas tax revenues for street/transportation projects.

This approach means that variations in revenues are absorbed into the operating budget. For example, the recent increase in gas prices has resulted in a drop in gallons sold, which is the basis for the gas tax revenues (which are projected to drop by approximately 30%). With a fixed dollar amount programmed into the CIP, the full impact of the reduction was absorbed by the operating budget.

Kirkland may want to consider putting the some of the sales tax revenue from the “contracting” category into the CIP (at least the volatile portion) rather than a fixed dollar amount. In the past five years, the revenue from the contracting category has ranged from a high of \$3.3 million in 2006 to a low of \$1.5 million in 2003. As part of considering this policy, a more detailed analysis to establish a baseline level of sales tax from new construction would need to be conducted. Bellevue, Bothell, and Redmond put construction-related sales tax revenues into the CIP using a variety of approaches, which we will explore in more detail for the City Council retreat.

The City’s current policy is to budget sales tax revenues on a one-year lag, as a hedge against possible future economic events. At one time, the policy was to budget the sales tax revenue on a two-year lag, which provided an even greater hedge. It would be difficult to **return to a two-year lag** in the near term if events unfold as expected, because the transition would widen the 2009/10 shortfall. However, a return to a two-year lag may be worth considering if conditions develop more favorably. This change could also be accompanied by a policy of placing surplus receipts over the budgeted amounts into the CIP rather than using the growth to fund operating costs on a one-time basis, which can contribute to volatility in the operating budget.

**Use one-time revenues for one-time purposes** or said in the reverse – do not increase on-going expenditures unless you have a stable on-going revenue source. Over time, new programs and positions have been added using one-time cash resources and those activities are now in jeopardy with the decline in economic activity. There are a number of actions that would be recommended uses for one-time funds, including:

- Replenish reserves to target levels,
- Fund additional identified reserve needs, such as funding for major system replacements, network infrastructure needs, set asides to recognize accrued liabilities related to leave or toward volatile, cyclical expenses such as overtime and jail expense,

September 22, 2008

Page 3

- Begin setting aside funds for large projects, such as the Public Safety Facilities Expansion, to reduce future debt requirements,
- Consider projects that are truly one-time in nature (when the project is completed, the resources go away),
- Increase the General Fund CIP contribution on a one-time basis, possibly accelerating high priority projects or setting funds aside for future needs, and
- Retire long-term debt if economically advantageous to do so,

Even if some or all of the options above can be pursued, we would recommend that one-time resource not be used to hire staff to meet on-going needs or for new programs. New on-going needs should not be funded until on-going revenues can be identified to meet the need.

Further, when **on-going revenues increase more than budgeted in a year**, do not use all of the increase in the immediate year. Save some of it to maintain current service levels and absorb increases in on-going costs in subsequent years, restore desired service level reductions, and evaluate on-going service level enhancement needs identified in adopted planning documents. For on-going service level increases that cannot be supported from projected growth in on-going revenues, the City could develop an election strategy for the regular use of operating levies. In addition, the City should continue to pursue operating levies to fund the on-going costs associated with any capital bond votes. Further discussion on this topic will occur as we begin planning for the utility tax increase election in 2009 to balance the budget.

While there are some on-going **“unfunded mandates”** that the City cannot necessarily avoid (such as those imposed by the state or federal governments), the City can work to avoid self-imposing them. For example, staffing needs were identified relative to adoption of the tree ordinance, but not funded on an on-going basis as part of the adoption (although a portion has been funded from one-time funds). As new regulations are considered, the accompanying resource needs and on-going funding sources should be addressed. As new initiatives are undertaken, such as climate protection and sustainability, the question of “how do we fund it?” should be an integral part of the evaluation. Funding options may include imposing fees (where applicable), re-prioritizing existing efforts (reducing or eliminating lower priority activities to free up funding), increasing taxes (either those that the Council can increase or by pursuing an increase as part of a voted measure), and/or deferring implementation until on-going funding in excess of current needs becomes available.

As noted earlier, one of the causes of revenue volatility is the City's significant reliance on sales tax. The General Fund revenue sources in the 2007-2008 budget reflected sales tax is 28.6%, property tax is 16.5%, utility tax is 14.9%, and the business license fee is 2.5% (the remainder consists of a variety of interfund, intergovernmental, fee, and miscellaneous tax sources). By **diversifying revenue sources** to achieve a more sustainable revenue structure, greater stability might be achieved. The contemplated increases in utility taxes and restructuring of the business license fee would make progress in this regard. Increasing the utility tax results in a greater share of general fund revenue from this stable source that tends to grow with inflation. Restructuring the business license fee and surcharge will help to ensure that revenues from this source will increase with the growth in the employment base. Confirming that the business license fees are a permanent part of City's overall tax structure also reinforces the objective of revenue diversity.

Lastly, continuing to focus on **economic development** could assist the City in meeting its on-going revenue needs. Major developments that include significant retail and office uses are under consideration that could help better balance the City's revenue structure in the long-term.

Again, this overview is intended to be the beginning of a discussion of potential changes to the budget strategy. We expect that this will be a topic on the 2009 City Council Retreat agenda and that any changes selected might be implemented over a period of years.

<b>Tentative Schedule 2011-2012 Budget &amp; 2011-2016 CIP Timeline</b>
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**FEBRUARY**

2011-2016 CIP Kickoff	February 26
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**MARCH**

2011-2016 CIP Materials Due	March 19
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**APRIL**

2011-2016 CIP Department Meetings with City Manager	April 12-16
2011-2016 CIP Final Materials Due	April 23

**MAY**

Distribute Preliminary CIP Documents	May 13
2011-2016 CIP Presentation at Council Meeting	May 18

**JUNE**

2011-2012 Budget Kickoff	June 30
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**JULY**

IFAS Budget Training	July 6-9 July 12-16
Revenue Estimates Due	July 23

**AUGUST**

Basic Budget Due	August 4
Department Organization Charts Due	August 4
Preliminary Service Package Lists Due	August 4
Department Overviews Due	August 19
Basic Budget Meetings	August 23-27
<ul style="list-style-type: none"> <li>• Review Basic Budget</li> <li>• Identification of Policy Issues</li> <li>• Review Prelim. Service Package <u>List</u></li> </ul>	
Service Package Requests Due	August 27

**SEPTEMBER**

Outside Agency Request Due	September 3
Estimated Carryover Requests (Fund 010 Only)	September 10
Basic Budget/Service Package Meetings with City Manager	September 13-17
* Discussion of Policy Issues	
* Review Service Package Requests	
Public Hearing on Proposed Revenue Sources	September 21
Issue Paper Due	September 24
Final City Manager Budget & SP Decisions	September 30

**OCTOBER**

Budget Document Preparation	October 1 – 15
City Manager's Proposed Budget to City Council and Public	October 21
Finance Committee Review of Budget Issues and Process	October TBD
Council Budget Work Session (3 – 9pm)	October 28 (Thurs)

**NOVEMBER**

Council Study Session	November 2
Council Study Session	November 8 (Mon) if needed
Public Hearing on Proposed 2011-2012 Budget	November 16
Preliminary 2011 Property Tax Levy	November 16

**DECEMBER**

Budget Adoption & Final Tax Levy	December TBD
2011-2016 CIP Adoption	December TBD



## CITY OF KIRKLAND

### City Manager's Office

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## MEMORANDUM

**To:** Dave Ramsay, City Manager

**From:** Marilynne Beard, Assistant City Manager  
Marie Stake, Communications Program Manager

**Date:** March 3, 2008

**Subject:** COMMUNICATING AND ENGAGING THE COMMUNITY ABOUT CITY FINANCES

## INTRODUCTION

The upcoming 2009-2010 biennial budget process is anticipated to involve detailed and difficult discussions about how to address the imbalance between City revenues and expenses. Specifically, the City Council expressed an interest in further educating the community about the City's finances in the following areas:

- Revenue sources (how they work – especially property tax – and trends)
- Services provided and expenditure trends
- Current and forecasted financial condition and options

The City Council is also interested in discussing the role that the public may play in helping to resolve or reduce the long term structural imbalance between revenues and expenditures. The purpose of this memo is to provide a framework for developing meaningful ways to inform and engage the public about the financial challenges currently facing the City.

## BACKGROUND

As part of the 2007 retreat, the City Council received information on ways it could communicate the City's financial condition and what outcomes the City Council should consider before engaging the community in addressing the financial imbalance. In January 2008 the Finance Committee expressed the desire to better educate citizens about city finances (in particular property taxes) and the City's financial condition and outlook. The committee suggested that a comprehensive education campaign, using multiple City communications tools and programs, would be the first phase of this engagement process.

It is important to note that a communications plan is distinctly different from a public involvement plan. A communications plan works outward and is one-way (from the City to the Community). A public involvement plan is two-way and includes information out to the public as well as input to the City. One of

the key questions for the City Council to consider is whether it wishes to engage in a communications effort about the City budget or to involve the community in budget decisions.

The first part of this memo provides background on planning a communication/education strategy including a discussion of methods used by other cities. The second part of this memo describes the steps that should be used in planning for public participation as it relates to Kirkland's budget and financial condition. The planning process will inform us about the role the public may eventually play as well as key messages that should be included in an educational campaign.

## **COMMUNICATING ABOUT CITY FINANCES**

What does the public need to understand as the City Council discusses its 2009-2010 budget priorities and the current and forecasted financial condition?

### ***Challenges***

The City of Kirkland is continually challenged on how to effectively demystify the budget process, explain city finances, and educate citizens on how property taxes are calculated and how they support city services. The City's communications efforts must be meaningful so as to encourage public involvement and understanding. This year's budget deliberation and the discussion around the financial gap will need to raise public awareness about the tough choices that will need to be made by the City Council in the coming biennium.

Citizen surveys reflect confidence in the City's accountability and fiscal responsibility. In the 2008 citizen survey nearly 70% of respondents believe that their tax dollars are being well spent. The survey also indicates general satisfaction with the level and quality of services. When respondents were asked which service area should receive less investment in the next two years, the most frequent response was "Don't Know" (at 26%) with "Arts" receiving the only other double-digit ranking at 13%. This is consistent with prior year's survey results where respondents did not identify areas to reduce services. In contrast, respondents identified managing traffic flow, downtown parking, and zoning and land use as areas that should receive more resources. A relatively high level of citizen satisfaction is a mixed blessing. On one hand, it recognizes that the City is generally doing a good job of meeting public expectations. On the other hand, it may be difficult to get the public's attention when they are not worried or concerned.

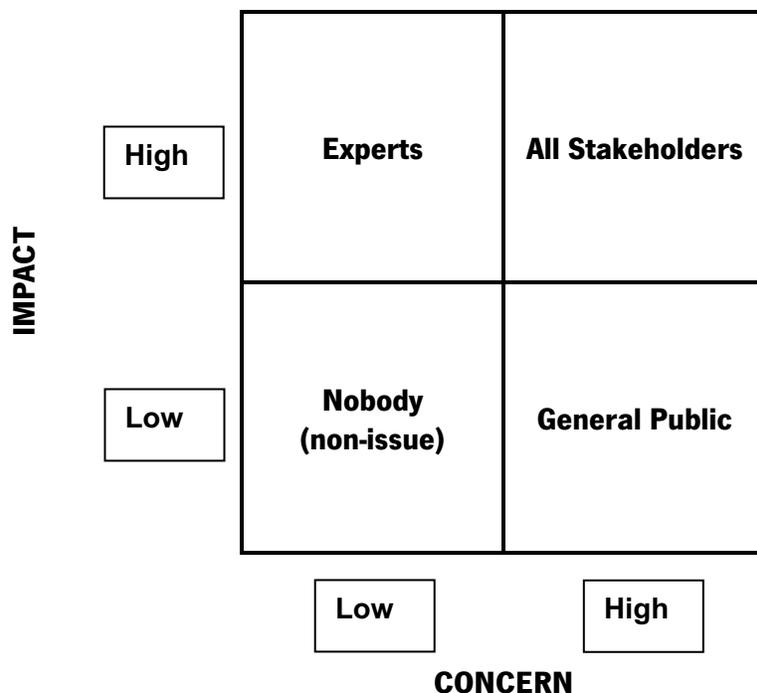
Kirkland has tried a number of different approaches to inform and engage the public about the City budget. Attendance is generally low and the impact was minimal considering the resources committed to these efforts. The following approaches have been used by Kirkland to inform and involve the community about the City budget:

- Neighborhood U session on understanding City finances including an interactive exercise involving balancing the City budget.
- Open houses designed to inform residents about services provided by the City, their relative cost and funding mechanisms (including an interactive exercise designed to encourage individual

discussions with department staff representatives and the ability to allocate “Kirkland Bucks” to priority service areas).

- Community conversations, focus groups and surveys that included questions about the desired level of services and taxation.
- Topic-specific communication efforts (e.g. Public Safety Staffing Initiative)
  - Presentations the neighborhood, business and service groups
  - Community meetings including question and answer time with staff
  - Multi-media communication methods including a video, brochures and web pages
- Voted tax measures including bond measures for capital projects (parks and public safety) as well as for operations. Development of the bond measure involved public input and, once the measure was placed on the ballot, independent campaign committees conducted public information campaign.
- Traditional budget and financial documents and public hearings.

Historically, getting the public interested and engaged in the subject of City finances has been challenging. The reason for the apparent lack of public interest may be due to a perceived lack of risk on the part of the public. This dynamic is described as “risk communication.” If “risk” is defined as the chance or probability of a negative event occurring and “hazard” is defined as the results of the negative event on an individual or group, then a high risk coupled with a high impact will result in public “outrage” or concern. The diagram below shows who is likely to be concerned in different situations.



If the perceived risk is low (i.e. the likelihood of the City experiencing severe fiscal stress) and the perceived hazard is low (the results such as tax increases or service level reductions aren't perceived to be too negative) then there is little need to be concerned. In the case of the City budget, recent surveys show that the public believes that the City does a good job of managing the City's finances and they are satisfied with the level of services. In fact, past budget decisions have not resulted in significant enough impacts to the public for them to be outraged or even concerned. We have often

explained this by saying that the City Council has already used all of the “easy” tools in the tool box, such as changes in budgeting practices that solve the current budget issues (e.g. changing the two-year sales tax

lag to one year or updating our internal cost recovery model to recover more of the General Fund's costs). As a result, community members may perceive that there is little risk of adverse impacts from City Council's budget actions.

Currently, the City Council and staff understand the magnitude of the financial challenges facing the City and the difficult choices that will likely need to be made with an increasing likelihood of a negative event to the community (the hazard of increasing taxes and/or lower levels of service). Until enough citizens believe that a threat of a hazard is real and imminent, it will be difficult to get their attention. The idea here is not to cause alarm, but to involve citizens who are willing to take action. Any new communications strategy needs to differentiate the current situation in a manner that creates a renewed level of interest.

Citizens may also choose not become involved, either because they don't see the relevance of the issue to them, they are too busy, or they've had a bad experience in the past. In particular, if citizens believe their efforts to become involved were not successful in the past, they won't become involved again (or become involved in counterproductive ways). Unsuccessful public participation efforts can result when the public doesn't understand its role ("we are asking for your input and we will make the decision versus we are asking you to tell us what to do") and/or if they do not understand how their input was used by the decision-makers. By clearly defining and communicating how the City Council will use the public's input will lead to increased public acceptance of whatever decisions the City Council ultimately makes.

A challenge in public participation is to engage the right people. In Beyond Public Meetings, the authors describe this challenge:

*"In any community engagement process, there are always some people who will be banging down the door to have their say. Often we tend to focus on these individuals and groups, typically adopting a mindset of, 'How do we best manage these people?'"*

*"If we approach this issue with such a mindset we will not, in fact, be engaging the community. It is more appropriate to approach this issue with the question, 'To what extent can I be sure that the voices I am hearing are the ones that can help me make a better decision?' From this perspective, community engagement is not about managing the articulate irate, but about seeking out those who can help."*

*"It can often be difficult for organizations to move past those who are demanding a big role in the process. Sometimes the proponent has to say to individuals or groups, 'We need and value your input, but we want to listen to others as well.'"*

As the City begins its educational process (and assuming it is a success in reaching a broad spectrum of individuals in the community) then it is likely that community concern will grow and prompt more people to become involved so that a broader community voice is heard. At the same time, it is important to recognize who the opinion leaders are in the community and to inform and involve them early. Whether or not they are "experts" on the topic, to the extent they are successful in influencing people in the community, their support will be vital going forward. A good example of Kirkland's success in this arena is

the early involvement of the Chamber of Commerce in the implementation of the new business license fee and recent impact fee increases.

For many cities, the most common educational campaign used to communicate city finances comes in the form of explaining “Where the City’s Money Comes From?” and “Where Your Tax Dollars Go?” Much of the public information is typically contained in “Budget in Brief” type publications with public participation occurring around the budget adoption process which includes public hearings. Kirkland has published budget overview documents for informative purposes and the biennial budget and financial reports are posted to the City’s “Budget” webpage [www.ci.kirkland.wa.us/depart/Finance\\_and\\_Administration/Budget.htm](http://www.ci.kirkland.wa.us/depart/Finance_and_Administration/Budget.htm) (see Attachment A for sample).

The following issues are often communicated to the public during the City’s budget adoption process:

- Impacts of mandates from other levels of government
- State and federal funding cuts
- Decreasing revenue
- Increasing costs
- Impacts of voter initiatives
- Comparisons with prior year budget
- Options for tax increases and service level increases

Cities also face the challenge of public misunderstanding of how property taxes are calculated and the misconception that the majority of property taxes go to support City services. A common public sentiment (sometimes heard in Kirkland) is “The City keeps raising taxes!” During the annexation study, residents of the City and the potential annexation area expressed concern that the annexation would “increase property taxes.” Most citizens are not aware of the reasons that property taxes vary from year to year nor do they understand the difference between a rate and a levy or the relative amounts received by the individual taxing jurisdictions. Given the public’s level of concern about property taxes, the City’s communications strategy should include a simple but effective discussion about the role property taxes play in Kirkland’s budget and how the City’s actions might impact residents’ tax levels.

### ***Communicating Through Key Messages***

The City Council Finance Committee has expressed a desire to initiate an educational campaign aimed at helping citizens better understand city finances, property taxes, and the City’s financial condition and outlook. Using the City newsletter (City Update), KGOV and KLIFE programming, City website and printed materials, the campaign can raise awareness and increase basic understanding. Recommendations to achieve this goal are included later in this section.

Some of the keys to a successful communications plan are extensions of the public participation process. For instance, once stakeholders are identified, materials can be crafted that speak to specific interests and concerns. Any communication strategy needs “key messages” that describe the situation in straightforward terms that are simple and memorable.

Key messages for the City may include:

- Kirkland is conservatively planning for our financial future.
- Kirkland's expenses are growing faster than revenue (the "structural imbalance").
- Kirkland faces a growing gap between expenses and revenue.
- Kirkland faces difficult budget decisions that will need to be addressed through . . .(TAX INCREASES, SERVICE LEVEL REDUCTIONS, BOTH).
- Kirkland's budget decisions will support . . .(TOP GOAL ONE, TOP GOAL TWO, and TOP GOAL THREE).
- Kirkland is committed to maintaining acceptable levels of essential services (SERVICE AREA ONE, SERVICE AREA TWO..) as well as non-essential services that contribute to our quality of life (SERVICE AREA ONE, SERVICE AREA TWO).
- Kirkland is committed to living within its financial means.
- Kirkland needs the community's help in sustaining the City's financial health.

These key messages need to be consistent throughout the process and articulated consistently by City officials involved in the process so that the organization speaks with one voice on the messages it agrees to provide. While individuals on the City Council or within the organization may not agree on the solution to the problem, there is value in presenting a unified message about the nature and scope of the problem.

### ***Communications Tools and Examples from Other Jurisdictions***

An effective communications strategy employs various methods for distributing information to target audiences and engaging stakeholders. Throughout any public participation process, it is vital to convey and provide relevant information to participating stakeholders. Based upon the research conducted on communicating and engaging the public about city finances, the following strategies and goals are presented for the City Council's consideration.

#### *Budget Overview Publications:*

In addition to standard "Budget In Brief" publications, some cities have produced materials that detail the upcoming budget process and financial forecasts and explain property taxes and city finances (revenue and expenses). One example of note is the City of Shoreline's "Special Budget Issue" of its newsletter called "Currents." (see Attachment B). The distribution of the Special Budget Issue is timed with the beginning of the annual budget adoption process. The publication is mailed to homes and businesses within city limits. The most recent issue was produced using a web press process (newspaper printing process and paper) which significantly reduced the printing costs.

In Kirkland's 2006 citizen survey, respondents expressed that a newsletter would be their top preference to receive City information. Currently, the City's newsletter is a monthly full page advertisement in the Kirkland Courier Reporter.

- Suggested Strategy: Increase and enhance printed materials
  - Increase presence and distribution of existing budget overview materials
  - Create an attractive, comprehensive Budget Overview publication
    - Direct mailing to homes, apartments and businesses

- Make available as counter copies at public buildings
- Make available at community, city and neighborhood events
- Estimated cost is between \$8,000 to \$15,000 depending on the size, paper, and color of the publication

### *Media Relations*

A key component to “telling” any story is to establish and maintain positive relations with print, television, Internet and radio media, including the City’s own media outlets (i.e. KGOV/KLIFE programming, city website). Results from the 2006 citizen opinion survey reflected that two of three heads of households get information about “city government and city services” from the newspaper (Kirkland Courier). Most newspapers have an on-line version to the printed paper which has the potential to reach a much wider audience.

- Suggested Strategy: Increase and enhance multi media opportunities that can tell our story
  - Guest editorials (no cost)
  - City Update
  - News Releases (no cost)
  - Create an innovative educational video (estimated cost for an in-house video ranges from \$6,500 to \$14,000 depending on the type of graphics used)

### *Presentations*

Past efforts to conduct workshops for the general public have been sparsely attended. Therefore, staff does not recommend developing a workshop format for educational purposes only. However, City Council and staff should take every opportunity to speak to interested groups about the City’s budget challenges. To be most effective, all speakers should use the same key messages and materials.

- Suggested Strategy: Enhance public speaking capacity
  - Consider engaging a consultant to advise City leaders regarding effective communication techniques with the goal of developing a speaker’s bureau that can deliver a consistent and effective message

On the public involvement scale of participation, educating and communicating to the public is a means of informing the public. If the Council wants to involve the public in the decision to be made, then planning for a public involvement strategy is important.

## **PLANNING FOR PUBLIC PARTICIPATION – AN OVERVIEW**

According to the International Association for Public Participation (IAP2), effective public participation acknowledges the desire for humans to participate in decisions that affect them, facilitates understanding and improves decisions. A formally planned public participation process has the potential to achieve:

- A clear definition of the problem/opportunity and development of clear, understandable information.
- A meaningful forum for sharing ideas and concerns and collaboration that focuses on the problem or opportunity and finding common ground.
- Incorporation of the public's issues (fears, concerns, needs and desires) into the decision process.
- A comprehensible decision process and clear decision criteria.
- Clear, understandable rationale for the decision.
- A better decision with improved public acceptance.

### ***The Planning Process***

Public participation planning requires a deliberate process that helps determine which approaches are appropriate or whether public participation is needed at all. A fundamental value of the Kirkland City Council is collaborative problem solving and decision making as evidenced in the Council Philosophy Statement and the City's history of collaboration and inclusiveness. Efforts such as the "Community Conversation-Kirkland 2022," the current Annexation Study outreach, the Public Safety Staffing Initiative communication effort and a variety of other education and outreach efforts have been used to inform the and/or involve the community.

The City Council is familiar with the International Association of Public Participation (IAP2) "Spectrum of Public Involvement" (see Attachment C). IAP2 views public participation as *"any process that involves the public in problem solving or decision making and uses public input to make the decision."* The public is any individual or group of individuals with an interest in the outcome of a decision. Often referred to as stakeholders, they are those who are affected directly or indirectly by the outcome of a decision (or perceive that they may be affected). Because different stakeholder groups have differing interests, a "one size fits all" approach to public involvement and communication is often ineffective. The appropriate level of engagement will depend on a clear definition of the decision to be made and the desired role of the public in making the decision. Once an appropriate level of engagement is chosen, a variety of tools can be used to engage stakeholder groups. A deliberative process to define the decision being made and to identify stakeholders and their needs is critical to planning a public involvement strategy that will provide meaningful and useful input to the decision and improve the decision itself. Organizations often proceed directly to choosing tools and taking actions, bypassing this important planning step. As a result, their efforts may fail to reach key stakeholders and may be ineffective in getting the desired input and public support they were seeking.

### **Defining the Decision to be Made and the Role of the Public**

A fundamental principal from IAP2's perspective is that effective public involvement is decision-oriented. Before developing a public participation plan, the problem to be solved, the opportunity to be explored or

the decision to be made should be clearly defined. If no tangible outcome or decision is anticipated, public participation is not advised. If input from the public cannot influence the decision or will not be used by the decision makers, it is not appropriate to ask the public to participate in making the decision.

IAP2 encourages considering the following questions that will help determine whether a public participation process is appropriate:

1. *What is the decision to be made and who will make the decision?*
2. *Can the public contribute to the decision?*
3. *If so, what is the public's role in the decision making?*

In public participation planning, it is vital that the outcome or decision be clearly defined.

Another key principal in the IAP2 model is that effective public participation is goal-driven. The series of statements below begin with the Finance Committee's suggested strategy and demonstrate how the desired outcomes or goals might be articulated before developing a public involvement strategy.

The City Council wants to EDUCATE the community about City finances . . .

*. . . so that . . .*

The City Council can INFORM the community about the City's financial condition . . .

*. . . so that (choose one or more of the following) . . .*

The community will SUPPORT City Council's decisions, OR

The community can PROVIDE INPUT to the City Council's decision, OR

The community can PROVIDE GUIDANCE to the City Council's actions, OR

The community will APPROVE voted tax measures to support the level of service they desire.

It is important to note that the four possible outcomes shown above involve distinctly different levels of public involvement (ranging from "Inform" to "Empower" on the IAP2 spectrum of public involvement) and, therefore, will necessitate different approaches and tools. An individual's perspective regarding the decision to be made and who will ultimately make the decision will drive the outcome they expect. The desired outcomes in the example above may or may not reflect Council's objectives in this public engagement effort but serve to demonstrate this element of the planning process.

If the goal is to simply have a better informed community, then a communications strategy that only "pushes out" information, rather than receiving information in, may be all that is needed. If the City Council is ultimately looking for public support, this one-way communications strategy may miss the mark.

In Beyond Public Meetings, the authors discuss the risks of what they call the “expert method.”

*“ . . . whereby it is seen as the job of the technical expert to educate the masses so that they can understand the situation and come to agreement. . . .The model suggests that more information will invariably do the trick. If we get the people to listen to us, they will know what we know, and will therefore come to the same conclusion. This of course inspires the responses that suggest that the objective community engagement is about better explaining our position, or providing better information.”*

Staff suggests that the City Council discuss a few key questions at its retreat so that efforts in developing public involvement approaches can be strategic. Later sections of this memo discuss some of the key challenges attendant to the topic of public finances and some suggested steps to take in moving forward.

### ***What is the decision to be made?***

Defining the decision (or series of decisions) will be helpful at the outset. As a starting point, staff suggests that the decision to be made could be one of the following:

- How to restore and maintain the financial capacity for the City to support the level of services desired by the community; or
- How to balance the 2009-2010 biennial budget; or
- How to balance the 2009-2010 biennial budget in a way that will lead to a more sustainable financial base.

### ***Who will make the decision?***

As it relates to the City Council’s desire to inform and engage the public about the City’s financial challenges, the planning process will most likely identify the City Council and/or citizens as the decision makers at different points in the process. The decision-maker can change during the process. For instance, a voted measure places the decision in the hands of the citizens. However, the decision about whether to put a measure on the ballot and the scope of the measure rests with the City Council. Ultimately, the City Council is responsible for the adoption of the budget and decisions associated with implementing tax increases or service level reductions (with or without a voted measure). Although there are limitations with regards to actions the City Council can take to balance the budget without a vote of the people, a ballot isn’t required unless City Council wants to raise taxes beyond current statutory limits. Some tax increases or new revenue sources are within Council’s legislative authority as are service level reductions. It is possible that the City Council could proceed on a “consult” strategy and later determine that they need to go to a vote.

Identifying the decision makers is generally accomplished by the sponsoring organization’s decision maker(s), with input from management and project staff, public participation staff and other internal stakeholders. This initial step provides for gaining internal commitment to planning and implementing an effective public participation process.

### ***How can the public contribute to the decision (and make it a better decision)?***

It is important to understand how distinct stakeholder groups perceive the issues surrounding the problem/opportunity to be addressed and the decision to be made. Talking with a few key stakeholders will begin to identify issues and potential impacts about the problem/opportunity and will help identify other individuals and stakeholders that need to be invited to participate. This phase of public participation planning also helps to identify groups that may not typically be thought of as being part of the public and those who may be hard to reach.

### ***What level of participation is appropriate?***

IAP2 suggests a series of questions aimed at helping an organization clarify expectations and assess its readiness to proceed. Questions posed include:

- *What is the probable level of difficulty in addressing the problem/opportunity?* How difficult will it be to solve the City's financial challenges in the short and the long term?
- *What is the potential for public outrage related to the project?* Are the potential actions needed to balance the budget likely to be very concerning to a broad base of citizens?
- *How important are the potential impacts to the public?* In the form of higher taxes or reduced levels of services (or both)?
- *How much do major stakeholders care about the problem/opportunity to be addressed and decision to be made?* At what level of tax increase and/or service level reductions/eliminations will the public begin to become more concerned and involved?
- *What degree of participation does the public appear to want?*

The answers to these questions inform the decision about where on the public participation spectrum one should land. IAP2 uses a scoring sheet to evaluate the answers. A very low score may result in a decision to not do any public involvement or to just "inform." A moderate score might suggest "consult." A high score may suggest "involve" while a very high score would call for "involve" at the very least with consideration for "collaborate" or "empower." It should be noted that the considerations and questions described earlier do not have to take a long time to discuss or arrive at a conclusion. In fact, once the decision is identified and the role of the public in the decision is decided, the remaining design is more straightforward.

### ***What tools and strategies should we use?***

Using the IAP2 model, we are now at the step where many organizations typically start – choosing the correct tools to achieve the level of public participation appropriate to the decision. Once the goals of

participation have been identified along with the appropriate level of involvement, it is possible to give considerable thought to the techniques that can be the most effective in achieving the goals of the process.

The next steps help to define the decision process and participation objectives by outlining action items, timelines, participants, decision makers and responsibilities involved. IAP2 suggests that “public participation must follow a logical and transparent process that allows the public to understand how and why the decision was made.” This step also involves identifying the specific objectives for public participation at each step in the decision process. A copy of a matrix produced by IAP2 shows the range of tools that can be used and the pros and cons of each 9 (*see* Attachment D).

Goals are broad, brief statements of intent that provide focus or vision for planning (discussed earlier in this memo). Objectives are meant to be realistic targets of what will be done and should be “specific, measurable, achievable, relevant and time sensitive (S.M.A.R.T.).”

Examples of objectives for a communications strategy as it relates to the financial gap issue may include:

- To conduct briefing sessions for all neighborhood associations regarding City Finances and the City’s financial condition.
- To reach every Kirkland resident and business through direct mail regarding City finances.

Examples of objectives related to a public participation strategy as it relates to the financial gap issue may include:

- To conduct a statistically valid survey of attitudes about taxation and levels of service.
- To develop a mechanism for involving opinion leaders in an advisory role to the City Council regarding actions to take to balance the budget.

These are simply examples of objectives. Clearly, the objectives would be based on the level of involvement chosen by the Council.

### ***Public Participation Experiences of Other Municipalities***

There are a range of tools and techniques that can be used obtain community input as part of a public participation process. This can be one-way (from the public to the City, such as a survey) or interactive (such as community forums or advisory groups). Below are some highlights of public participation efforts from various municipalities.

#### *On-line Budget Calculator*

Several years ago, the Association of Washington Cities (AWC) created an on-line tool called the Budget Calculator to help cities engage community members in helping to balance a budget, identifying service priorities or helping to reduce an imbalance between expenses and revenue. Below are comments from local and out-of-area cities that use this type of tool.

- **Spokane Valley, Washington:** Since 2004, the City has posted a customized budget calculator on its website ([www.spokeyvalley.org](http://www.spokeyvalley.org)). Spokane Valley's calculator allows for the browser to begin with a shortfall (deficit) amount. The browser can enter service reduction amounts by dollar amounts or by personnel. It is also possible to enter priorities for increasing revenue. For example, a browser using the Spokane Valley calculator could reduce or eliminate animal control services by a specified dollar amount and increase a utility tax by a certain percentage or by selecting "yes."

The calculator remains on the website year-round and according to the Public Information Officer, it currently receives fewer than 5 hits per week. The City's Public Information Officer attributes low interest to minimal marketing of the calculator.

- **Mukilteo, Washington:** Beginning with its 2008 annual budget process, the City posted a customized budget calculator (based on Spokane Valley's model) on its website ([www.ci.mukilteo.wa.us](http://www.ci.mukilteo.wa.us)). The calculator remains on the site year round and resulted in about a dozen emails to the Finance Department.

**Note:** Both cities require that the completed calculator to be saved to the browser's desk top, printed and mailed in.

- **St. Paul, Minnesota:** The City of St. Paul has used its "Budget Cruncher" online tool (<http://www.stpaul.gov/initiatives/budgetcruncher/>) for two years and has found it to be an effective tool during its annual budget development and adoption. (see Attachment E) The calculator is modeled after the League of Minnesota Cities simulation calculator. It has allowed web visitors "to juggle the actual dollar amounts" that the City uses in creating the budget and "see how tough it can be to close a multi-million dollar gap." "Calculations" can be submitted on-line and the browser can see results of other submittals. The 2007 Budget Cruncher received over 13,000 hits on the city's website. The City did extensive marketing of the calculator. An informative video of the Finance Director explaining the City's current financial gap and encouraging browsers to go to the calculator is also included on the St. Paul web page.

### *Public Opinion Surveys*

A statistically valid survey is both accurate and a reflection of current attitudes. A survey conducted for the purpose of gaining input about how to balance the City budget would need to focus solely on that topic. The challenge of using a survey is that the budget and City financial issues are so complex many people don't have sufficient background information to provide valid feedback. The survey would need to provide some basic introductory information to establish a common base of knowledge. Phone surveys are expensive; mail-in surveys are time intensive.

Focus groups are often used in advance of a survey to help develop survey questions. In developing a survey, it would be important for the City Council to agree on what options are "off the table" and what

options are feasible alternatives. Council would also have to agree on how the survey results will be used.

### *Pulse Pads*

Pulse pads are a unique method used in community forums to get instant feedback on an issue. The audience may be a randomly selected group of citizens (lending statistical validity to the results) or a self-selected or invited group of participants. Typically, a brief overview of the situation is provided by staff following by a series of questions that the audience answers through their touch pads. The anonymous results are instantly projected on a screen in the form of graphs, charts or tables. This method requires planning and staff support and, again, the City Council would need to be clear with the audience about how the input would be used. Pulse pads are available on a reservation basis through AWC and at no charge (except shipping to return the devices).

A new “instant public poll” tool was recently used by the State Auditor’s Office with the consulting services of Elway Research, Inc. Using a random dial out to statewide voters regarding Initiative 900/Performance Audits, participating callers used the phone dial pad to answer questions with instant results shown on screen. Non-polling callers could call in to ask questions of State Auditor Brian Sonntag. The program was aired on WTV, Washington State Public Affairs network (government access channel). The estimated cost for this type of survey is \$20,000.

### *Community Conversations*

There are many formats that could be used to engage the public in a conversation about City finances. These could range from using existing groups (e.g. KAN, business roundtable, Chamber of Commerce) to “open house” formats that invite the general public. The challenge here is getting the public to be interested or concerned enough to commit the time to attend a meeting, especially if it is unclear about how their input will be used. Self-selected attendance and existing groups also runs the risk of involving the “usual suspects” and may not reflect a broad representation of public opinion. If voter approval is sought or broad public support for significant tax increases or service level reductions, this method may fall short of the desired outcome.

### *Participatory Democracy – Eugene Decisions*

In the early 1990s, the City of Eugene engaged in a process called “Eugene Decisions” that involved several public participation methods to enlist the help of the community in deciding how to balance the budget. The project utilized a series of surveys and questionnaires (contained in a direct mailing), followed by a series of community workshops where participants used a booklet and worksheet to generate their own recommendations.

In the initial forums, City representatives provided a basic lesson in the Budget and explained the \$6 million budget shortfall. The subsequent forums were used to present the survey findings and to narrow the community’s support for the alternatives to either:

- Remain at the same level of services

- Reduce services; increase fees
- Find new revenue sources

Although the Eugene City Council did not implement the community's recommendation to institute a restaurant tax, \$4 million dollars of service reductions and increased fees were ultimately implemented. This process took about two years and had full-time staff dedicated to the effort. An article discussing the Eugene Decisions process is included (*see* Attachment F).

### *Advisory Committees*

A number of City's have engaged citizen advisory committees to assist the City Council is making budget decisions. In Oregon, a Budget Committee composed of the City Council and an equal number of citizens appointed by the Council is required by statute. The Budget Committee is responsible for hearing staff presentations, holding public hearings and deliberating on the budget. The Budget Committee then makes a recommendation to the City Council for final adoption.

Cities in Washington, including Kirkland, have engaged advisory groups for various planning efforts. Cities that have used advisory groups for budget decisions have experienced differing levels of success. One of the challenges associated with advisory groups is the composition of the group. The group may be chosen because they possess a certain expertise in financial matters. In this case, they may be well-informed but may not represent the "opinion leaders" that will influence the general public. On the flip side, the issue of "usual suspects" should be avoided as they may not be representative of the community.

As a means to engage its community to help solve a 2007 mid-year budget crisis, a local King County city recruited and established a Blue Ribbon Citizen Advisory Panel. The panel's charter was to find long-term solutions to improving the fiscal health of the City's general fund budget. According to the City Administrator, there was a public perception that the City was mismanaging its money but the reality was that the City had significantly higher expenses, a major shortfall in revenues and had been unable to make payment on money it borrowed (which had resulted in an audit finding).

This City experienced the misfortunate of personality conflicts among panel members with members publicly rejecting the panel's mission and members calling for the termination of certain city staff. The City plans to reinstitute the panel with a new recruitment effort and will look more to opinion leaders (those community members who have connections to residents and a following) to serve on the committee.

The City of Shoreline is also working towards convening an advisory committee. A copy of the staff memo, the advisory committee charter and related documents are included (*see* Attachment G).

Should the Kirkland City Council pursue a public participation process, the key will be in achieving early agreement about the goal of the public involvement effort, an understanding of who will ultimately make the decision, how the public's input will be used to improve the decision and identification of resources needed to accomplish the program.

### **SUMMARY**

The City Council plays a vital role in helping its citizens analyze issues and develop solutions and it values going beyond the usual means to receive public input. Typically, the community is more inclined to get involved when it is concerned. The recent phone survey indicates that citizens are not concerned about the City budget now. Consequently, it may be necessary for public confidence to be shaken (but not stirred) with “new” financial news in order to engage them.

Key questions for the City Council to consider at its retreat include:

1. What is the decision to be made and who will make the decision about the budget?
2. What is the goal of the public engagement strategy (e.g. educate, involve, empower)?
3. What level of public involvement does the City Council want to use, given the answers to numbers 1 and 2?
4. What are some of the key messages that are important for the City to communicate?
5. Which of the tools associated with the chosen level of public involvement is the City Council interested in pursuing?
6. Is the City Council interested in pursuing consulting/training on effective communication techniques for City officials (i.e. City Council and key management staff)?

Clearly there is a time and resource constraint in play. The City Council will begin its 2009-2010 Budget process in June with the mid-year budget study session during which it will provide general policy direction to the City Manager. Some of the techniques discussed in this memo take several months to develop and implement and may involve funding requests. It is hoped that the City Council can address some of the basic questions (in the order presented) so that staff can return with a more specific strategy.

### **Attachments:**

- Attachment A: City of Kirkland Budget in Brief and Fact Sheet
- Attachment B: City of Shoreline “Currents” Newsletter, “Special 2008 Budget Issue”
- Attachment C: International Association of Public Participation (IAP2) Public Involvement Spectrum
- Attachment D: International Association of Public Participation (IAP2) Public Involvement Tools List
- Attachment E: City of St. Paul, Minnesota, “Budget Cruncher”
- Attachment F: Eugene Decisions
- Attachment G: City of Shoreline Staff Memo regarding advisory committee.