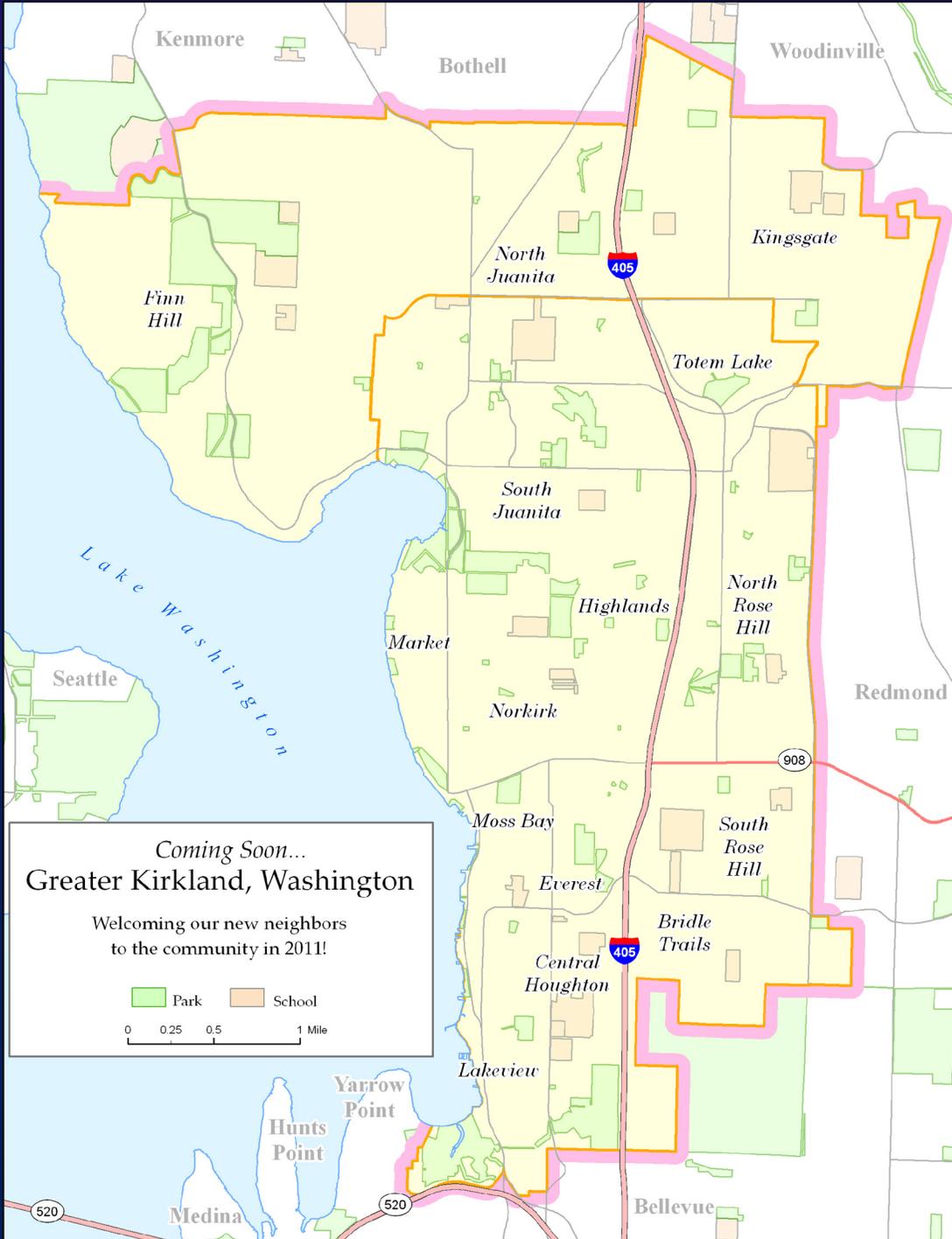
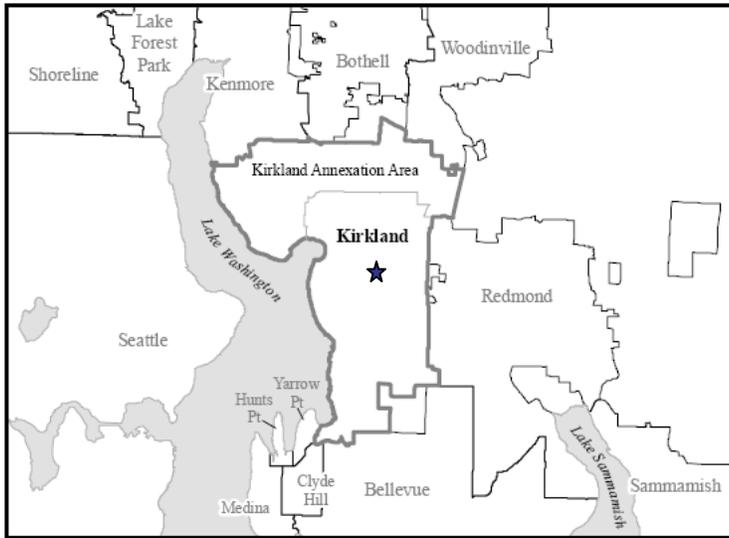


2011-2012 BUDGET





Kirkland at a Glance

Founded	1888
Incorporated	1905
Annexation Date (JFK area)	6/1/2011
Population	48,787/80,505*
Elevation	14 to 500 feet*
Land Area	11/18* square miles
Average Temperature	46.8 degrees
Average Annual Precipitation	38.6 inches
Miles of City Streets	149/254*
Miles of City Sewers	116
Miles of Water Lines	167
Residential Dwellings	24,342/36,153*
City Retail Sales Tax	9.5%
Fire Department Rating Class	4
City Employees (Full-Time Equivalents)	461.43/541.93*
General Obligation Bond Rating:	
Moody's	Aa2
Standard and Poor's	AAA

*Data includes annexation area

City Council

Mayor, Joan McBride ♦ Deputy Mayor, Penny Sweet ♦ David Asher ♦ Jessica Greenway
 Doreen Marchione ♦ Bob Sternoff ♦ Amy Walen

Administrative Staff

City Manager
Kurt Triplett

Assistant City Manager
Marilynne Beard

City Attorney
Robin Jenkinson

Director of Finance & Administration
Tracey Dunlap

Director of Fire & Building
Kevin Nalder

Director of Human Resources
William Kenny

Chief Information Officer
Brenda Cooper

Director of Parks & Community Services
Jennifer Schroder

Director of Planning & Community Development
Eric Shields

Chief of Police
Eric Olsen

Director of Public Works
Ray Steiger (Interim)

The City of Kirkland is located on the eastern shore of Lake Washington. It is a suburban city, surrounded by other suburban cities and pockets of unincorporated King County. The City is near several major transportation routes including Interstate 405, State Route 520, and Interstate 5. These routes connect the City economically and socially to the greater Seattle area.

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. The current estimated population including the annexation area added on June 1, 2011, is 80,505. Kirkland is the twelfth largest city in the State of Washington and the sixth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eighteen square miles - approximately twenty times its original size. This growth occurred primarily through the consolidation of the cities of Houghton and Kirkland in 1968, the annexations of Rose Hill and Juanita in 1988 and the annexation of North Juanita, Finn Hill, and Kingsgate areas (JFK area) in 2011.

Kirkland operates under a Council-Manager form of government. The City Council is the policy-making branch of Kirkland's government and consists of seven members elected at large to staggered, four-year terms. The Mayor is elected from within the Council. The City Council is supported by several advisory boards and commissions and the City Manager. The City Manager is appointed by the City Council and serves as the professional administrator of the organization, coordinating its day-to-day activities.

The City government offers a full range of municipal services which are provided by ten operating departments. The City boasts forty-five parks, including eleven that are located on the waterfront, as well as two community centers, a swimming pool, and a teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

2011 - 2012 Budget

KIRKLAND

WASHINGTON



Tracey Dunlap, P.E.
Director of Finance and Administration

Prepared by

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With special thanks to the following for their extra efforts in producing this document: Carol Wade, Nancy Otterholt, Eileen Sanders & Victoria Davies.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Kirkland
Washington**

For the Biennium Beginning

January 1, 2009

President

Executive Director



CITY OF KIRKLAND
2011-2012 BUDGET

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2011-2012 BUDGET
BUDGET MESSAGE

INTRODUCTION

The 2011-2012 biennium is a time of transition. First, the City has moved from a time of economic expansion into what is being termed the "Great Recession." In this aspect, we are not alone. Governments across the region and throughout the United States are struggling to recognize the new fiscal realities and communicate what they mean to their constituents. Kirkland, through its conservative fiscal policies and quick recognition of the decline, has fared better than many jurisdictions, but the transition has been difficult and has meant adjusting the City's service levels to match the expected revenues.

The second major transition is that the City will become substantially larger on June 1, 2011. With the completion of the annexation of Finn Hill, Juanita, and Kingsgate, the City will grow by over 33,000 residents, which represents both a challenge and an opportunity. The challenge is ramping up to provide services to the new area and the opportunity is to incorporate the resources from the annexation area, both human and financial, to help build toward the City's vision.

In response to the recession, the City used a combination of expenditure reductions, revenue enhancements, and the use of reserves to balance the budget in 2009-2010. General Fund projections for 2011-2012 indicated an on-going shortfall of \$7 million. This shortfall was primarily due to:

- Use of one-time resources to balance 2009-2010 (one-time cash, reserves, and furloughs) in hopes that economic conditions would improve looking forward. These one-time measures allowed the City to make fewer reductions than would otherwise have been necessary and reflected the cooperative spirit of the City's labor unions

and the prudent financial policies of the City Council that set funds aside in reserve against economic downturn. Unfortunately, while the economic situation has not continued to deteriorate, it has not significantly improved, meaning that we continue to have the \$5 million shortfall between on-going revenues and expenditures that existed in 2009-2010.

- Increase in Fire overtime (\$800,000) and Police contract jail costs (\$600,000) reflecting current trends.
- Removal of Liquor Control Board Profits (\$700,000), in the event that one or both of the pending State Initiatives were to pass.

Because of these factors and the uncertainty of any economic recovery, reductions in current service levels are necessary to present a balanced preliminary 2011-2012 budget. The preliminary budget was balanced using expenditure reductions totaling \$6.23 million and revenue increases totaling \$1.48 million.

This budget is intended to continue the City's conservative fiscal management, while setting up the City to be able to capitalize on any economic recovery. Specific actions used to balance the budget are discussed in greater detail later in this message and include:

- **Sustainability** was a key objective in developing this budget. As a result, the budget was balanced without using one-time actions, such as the use of reserves or furloughs. Other considerations related to sustainability, such as establishing sinking funds for equipment replacement, are identified as future priorities as revenues improve.
- **Service level reductions** are a substantial component to the strategy. The budget reflects tough decisions based on the City's priorities that result in reductions of approximately 4.1% overall but that impact different City services to

varying degrees. The “Core Services” exercise that the City Council undertook in July 2010 helped to inform the process of identifying reductions and preserving the City’s high priority services. Note that in the 2009-2010 budget, the reductions in Public Safety functions were less than 2%, while the reductions in other functions were as much as 8%. That trend continued in the reductions that were made in 2010 related to the failure of the private utility tax increase vote.

- In addition, we continued to focus on making sure that our **resources match our workload**, which is best illustrated by development services. With the continued downturn in development activity and related revenues and the uncertainty of any economic recovery, Building, Planning, and Public Works evaluated potential changes in workload expected in the upcoming biennium. Four school district projects in 2011 and expected revenues associated with Park Place redevelopment in 2012 help to maintain current resources. If the Park Place project does not proceed or other activity does not occur, further reductions in these areas may be necessary later in the biennium.
- In terms of **revenue sources**, the City Council is considering the implementation of Emergency Medical Service (EMS) Transport Fees, which could help prevent reductions in the fire service. These revenues are not reflected in the preliminary budget because Council has not acted on the fees at this time. In addition, the Council is considering whether to establish a Transportation Benefit District (TBD) to enhance current road maintenance activities, which has been factored into the preliminary Capital Improvement Program (CIP). While no decision has been made on these sources at this time, they will be discussed as part of the budget deliberations.

At the same time, the City is gearing up for annexation. Hiring for Police and related support functions to serve in the annexation area began in 2010 and will continue throughout 2011 and 2012. Consequently, expenditures will be growing

throughout the biennium. The annexation service packages proposed as part of this budget are intended to match the revenue expected from the annexation area, including funds from the state annexation sales tax credit. As a result, they did not contribute to the shortfall that needed to be closed to balance this budget.

Another objective in balancing the budget was to identify strategies to preserve our most important resources, our skilled and dedicated staff, to the extent possible. Annexation provided an opportunity to move some staff that would have faced a layoff into a position needed to provide service in the annexation area. In some cases, there was a timing difference between the date a position would be eliminated and the start of the new position associated with annexation. These gaps are funded one-time as “annexation bridge funding.”

Further complicating this budget are required changes in the City’s fund structure due to changing accounting regulations. Given this requirement, City staff also viewed it as an opportunity to simplify the City’s fund structure. These changes result in an increase in the size of the General Fund budget, primarily due to bringing reserves back into the fund rather than accounting for them in a separate fund. However, absent changes associated with annexation, the result would be to reduce the total budget by eliminating many interfund transfers. There is also a new internal service fund added to recognize the move to self-funded medical insurance.

As a result of all of these changes, historical comparisons are of limited use in evaluating this budget. Throughout the document, information has been included to illustrate the impacts of the major changes. The hope is that, during this time of transition, this budget will form the baseline for evaluating the future.

The number of non-annexation **service packages** considered was relatively limited compared with past budgets. Many of those recommended for funding came with their own funding sources (new revenues or expenditure offsets) or addressed high priority needs and are discussed later in this message.

As mentioned earlier, prudent financial planning by past City Council’s provided the City with reserves to help

weather the economic storm. We used over \$4.0 million in reserves in 2009-2010. **Reserve replenishment should represent the first priority as funds become available, to ensure that reserves will be available when needed in the future.** The City's fiscal policies call for planned replenishment of reserve uses over time. As a result, the preliminary budget includes returning \$600,000 to the Revenue Stabilization Reserve and replenishing the uses of the Contingency (\$150,000) and Council Special Projects Reserve (\$50,000). While the reserves continue to be below target levels, this represents a start at building them back up. Note that reserve targets are currently based on the budget before annexation. During 2011-2012, staff will undertake a detailed evaluation of reserves to determine appropriate target levels for the new, larger City.

In the midst of these challenges, the City continues to pursue a number of initiatives:

- The City is pursuing the expansion of **City facilities**, through the renovation of a recently purchased property for a new public safety building and upgrades to other City facilities. The needs are driven both by annexation and existing City space needs and will be financed using some cash resources set-aside for that purpose and with long-term debt. The debt service will be supported by existing City revenues freed up by retiring existing bonds and annexation area revenues. Note that the debt service and related revenues (including the annexation state sales tax credit) are not included in the preliminary budget, but will be incorporated in the final document.
- **Fire Station consolidation** continues to be pursued by Fire District #41 (in partnership with Kirkland). The hope is to have the project underway before the annexation effective date, when the City will assume the district in its entirety and it will be dissolved.

The City will be evaluating the impacts of annexation throughout the biennium and will begin updating the numerous plans that are currently in place, such as the strategic plans developed for Police and Fire, master plans in Parks, and comprehensive plans for

the utilities. However, the availability of resources will likely continue to limit the ability to fully implement these plans.

Given the reductions proposed in this budget, emerging needs or additional programs and activities will not be able to be "absorbed" by existing resources. This means that staff will need to bring these activities before the City Council more frequently for funding from reserves.

While many of these budget balancing actions make progress toward a more sustainable budget, forecasted expenditures continue to grow faster than forecasted revenues. As a result, the projected imbalance in the City's financial picture will continue to be a primary topic of discussion and decision-making. This issue is not unique to Kirkland, but is faced by cities throughout the state. The potential loss of the Liquor Control Board profits is an example of the external events that continue to erode the revenue base of local governments.

BUDGET OVERVIEW

In keeping with the biennial budget format, most of the descriptions and comparisons we present in the budget reflect two-year totals. In some cases, annual changes are shown to illustrate trends.

The total biennial budget for 2011-2012 is \$434,849,941 which is a 10.3% increase from the 2009-2010 budget of \$394,260,761. Factors contributing to the change include increases in revenues and expenditures required to provide services in the annexation area, offset in part by reductions necessary to balance the non-annexation budget and changes in the City's fund structure that eliminated some interfund transfer activity that resulted in duplicating those costs in past budgets. **The general fund budget totals \$153,294,091**, which represents a two-year increase of 26.4% over the previous two-year period.

The following table shows the relative change in the budget's major components:

(\$ in thousands)	09-10 Budget	11-12 Budget	% Change
GENERAL GOV'T			
General Fund	121,304	153,294	26.4
Other Operating	15,698	17,231	9.8
Internal Service Funds	33,140	55,472	67.4
Non-Operating Funds	113,248	88,510	-21.8
UTILITIES			
Water/Sewer	68,107	62,214	-8.7
Surface Water	24,185	27,270	12.8
Solid Waste	18,579	30,859	66.1
TOTAL BUDGET	394,261	434,850	10.3

Of the increase in the General Fund, \$25.7 million is due to costs associated with annexation and \$9.5 million is related to fund changes that consolidated reserves in the General Fund. **Normalizing for these two factors, the General Fund would be decreasing by \$3.2 million or -2.6%.**

A breakdown of the changes in the total budget (all funds) from 2009-2010 to 2011-2012 to identify the incremental causes includes:

(\$ in thousands)	
Annexation Impact	\$48,485
Health Benefits Internal Service Fund	15,736
General Capital Changes (CWIP)	4,169
Non-Annexation Service Packages	1,591
Impact Fee/REET Revenue Reductions	-7,048
Non-Annexation Budget Reductions	-6,501
Water/Sewer Reductions	-5,835
Net Fund Restructuring/Reserve Changes	-5,226
Decrease in One-Time Funded Activities	-4,780
Total Changes to Budget	\$40,589

The typical focus for the Council's discussion relates to the operating budget which accounts for basic services to the public. The most important (and largest) component of the operating budget is the General Fund which accounts for the majority of general government services and most of the City's general purpose revenue sources. The following sections describe overall revenue and expenditure trends that influenced this budget recommendation and provide a context for understanding this budget and for future financial planning decisions.

REVENUE TRENDS

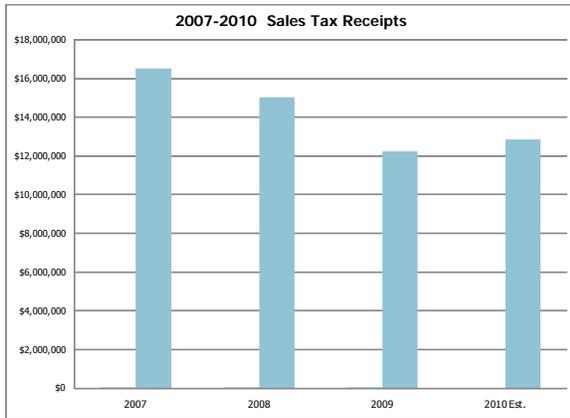
Beginning in 2008 and continuing throughout 2009-2010, a number of the City's major revenue sources declined due to the impacts of the "Great Recession." While the revenue decline appears to have bottomed out in 2010, the prospects for economic recovery remain uncertain. As a result, the assumptions on revenue growth reflect caution.

Another area of concern is the interest earned on the City's investments. In 2007-2008, interest earnings reached levels that had not been seen in several years, with earnings of \$4.8 million in 2007 and \$4.6 million in 2008. However, interest rates have declined in recent months, resulting in lower projected interest revenues for 2009 (\$3 million) and 2010 (\$1.6 million). This revenue source can be volatile and the City's policy of using the revenues for discretionary purposes, rather than relying on them as an on-going component of the budget, continues to be prudent.

No increases in tax rates are reflected in the preliminary budget, except for the 1% optional increase in property tax and an increase in the water utility tax rate to reflect the impacts of a recent state-wide Court decision, which is described later in the *Utilities* section.

In general terms, the City's revenue base will not markedly differ from most other cities of a similar size and service scope. The revenue base reflects the values of this community and its preferred land use which, in turn, will help focus economic development efforts.

Sales tax revenue has proven volatile over the past few years. The following chart shows a comparison sales tax revenue from 2007 through 2010. At the end of 2009, revenues had declined by 19% over 2008 levels, which themselves represented a decline of almost 10% from 2007. 2010 revenues ended the downward trend and, through September, have increased almost 6% from 2009 levels.



The 2011 budgeted revenues reflected the City’s one-year “lag” budget strategy, which set 2011 sales tax revenues equal to expected 2010 revenues. For 2012, we are projecting a modest increase of 3% from 2011. While this is lower than many sales tax forecasts that are projecting growth in the 6-7% range, the sustainable budget strategy would argue for caution in assuming such a significant turnaround during these uncertain economic times. If revenues exceed projections, we recommend using them to replenish reserves as previously discussed.

Property tax is another major source of revenue for the operating budget and supports services in the General Fund, Street Operating Fund and the Parks Maintenance Fund. A one percent increase in new construction is assumed along with a one percent optional increase in the levy, consistent with the assumptions used in the long-term forecasting model.

The allocation of property tax revenues to the Street Operating Fund is complicated in this budget due to the nature of the annexation revenues during the first year of the annexation. The City’s property tax rate does not apply until 2012, however, the City receives the County Road Tax levy collected from the effective date of June 1, 2011 through December 31, 2011. The Road Tax revenues must be restricted to road purposes and, as such, will be placed in the Street Operating Fund. The bulk of the revenue is expected at the end of 2011, but there will likely be some receipts in early 2012 based on the County’s remittance process. To provide funds for annexation activities in the General Fund, no property tax allocation is made to the Street Fund in 2011 and a reduced level is planned for 2012. This process is only anticipated for this budget period and should

result in adequate revenues for Street purposes. Once annexation revenues stabilize, we anticipate returning to the historical allocation process.

For the Parks Maintenance Fund, property tax is the sole source of income, which is legally restricted to new construction growth plus one percent. The growth in revenues is not sufficient to offset the growth in costs. As part of the budget reductions in 2009-2010, the General Fund subsidy to this fund of \$50,000 per year was eliminated. However, for 2011-2012, there was a projected shortfall in revenues to support the current level of service. The Parks Department reduced staffing in the fund by one position (which will assume an annexation position in 2011) and the required working capital was reduced based on historical trends. Given the property tax growth limitations, this problem is likely to continue in future years.

Utility taxes are a growing share of the General Fund revenue base, due in part to the decline in sales tax. Changes in budget estimates from one year to the next reflect anticipated changes in utility rates and potential variations in consumption. Utility taxes are the second largest General Fund revenue source. The telecommunications and cable sector continue to be worth watching as the regulatory environment (and potentially our taxing authority) changes to reflect current technology and consumer usage patterns respond to economic conditions.

Business license fees reflect the structure put in place by the City Council in 2009, which consists of a base fee of \$100 that is shown in the license and permit category and the revenue generating regulatory license fee of \$100 per full time equivalent employees (FTEs), which is shown in the tax category. The revenue for 2011 and 2012 assumes a 2% annual increase in FTEs over 2010 estimated revenues, which is less than historical patterns but consistent with recent experience. Based on policy direction during the last budget process, this source of revenue is considered a permanent part of the City’s revenue structure.

Development fee revenues declined significantly in 2008 and 2009, necessitating reductions in resources, and are relatively flat in 2010. The 2011-2012 budgeted revenues assume that the level of development activity will remain flat at this reduced level, with two exceptions. In 2011, there are four

school renovation projects that will require significant resources. In 2012, the initial Park Place redevelopment permits are expected. These activities help maintain current development services resources. If they do not occur, further adjustments may be necessary.

At the end of 2005, the City established the Development Services reserve to recognize that development revenues associated with building activities are often collected in advance of the time that the work is conducted (for example, required inspections may occur in a subsequent budget period). In periods where revenues are reduced, the reserve is there to help maintain staff to get the workload completed and to help retain critical skills. The reserve has been used to backfill shortfalls in 2008 (\$400,000) and 2009 (\$425,000). Depending on the final 2010 results, the City may utilize an additional \$120,000 from the reserve if needed. Further, if warranted by actual results in 2011-2012, up to \$275,000 could be used, which would leave a projected balance of \$60,000. Any revenues from annexation or Park Place that are in excess of current workload will be added to the reserve during the biennium. If development activity exceeds these assumptions, any additional resource needs will be brought back to the Council for action.

Interest income is expected to decline in the next biennium due to continuation of historically low interest earnings rates. In accordance with the City Investment Policy and Washington state statutes, available funds are invested in a manner which provides maximum security with the highest investment return while meeting the daily cash flow requirements. Portfolio investments are primarily limited to the Washington State Local Government Investment Pool, Government Sponsored Enterprises (GSE's) such as Federal Home Loan Bank (FHLB) and state or local government bonds with the highest credit ratings.

Earnings, which are currently 1.5%, are expected to level out between 0.6% and 0.9% for 2011-2012. Interest income in 2010 is estimated to be \$1.6 million, dropping to \$0.8 million in 2011 and \$0.5 million in 2012. During periods of declining rates investment portfolio duration is kept relatively short in

order have the funds available to purchase securities at higher rates when interest rates increase.

Liquor Control Board (LCB) Profits have been removed from the preliminary budget in anticipation of the potential impact if one or both of the pending State-wide initiatives related to closing state liquor outlets were to pass. Related **Liquor Excise Tax revenues** continue to be budgeted to recognize that the tax would continue under one of the initiatives and that an increase in sales tax can reasonably be assumed if one or both of the initiatives pass. In the event that the initiatives fail, we recommend using the revenues from LCB Profits to replenish reserves, including payments toward the equipment replacement sinking fund described in one of the issue papers.

EXPENDITURE TRENDS

The impact of inflation, as measured by the consumer price index which drives wage increases, is relatively minor in the upcoming biennium. The City's labor contracts escalate based on the June to June Seattle-Tacoma - Bremerton consumer price index, which was -0.1% as of June 2010 (the basis for 2011). As a result, no cost of living adjustments are assumed for 2011 and inflation is estimated at 2.5% for 2012. Note that the 3.4% salary reduction that was in place in 2010 expires at the end of the year, with salaries returning to 2009 levels.

Benefit cost increases have grown well in excess of inflation for a number of years. In addition, the Association of Washington Cities announced that the City's current health plans would be discontinued at the end of 2011. During the past year, there has been a detailed evaluation of how we can best meet our long-term health care insurance needs, how to do so at an affordable price, and how to have more direct control over our costs through proactive health promotion activities. This effort has resulted in the recommendation to move toward a self-insured medical program starting in 2011. This approach keeps the cost increase for 2011 at approximately 10%. After we have one year of claims history, the hope is that we will be able to moderate the cost increases based on our specific claims experience.

Contract jail costs and fire overtime are projected to increase based on 2009-2010 actual experience.

These expense line items reflect an increase of \$800,000 (fire overtime) and \$600,000 (jail costs) for 2011-2012. Note that \$200,000 of the fire overtime increase is being set-aside in reserve and, if overtime does not reach projected levels, will be available to help meet anticipated fire equipment replacement needs. The driving factors in contract jail costs are discussed in an issue paper.

At some point during the next biennium, each of the City's collective bargaining agreements with its labor unions will be open for negotiation. Reserves against potential wage settlements have been set aside.

The City made a number of adjustments to the fund structure in an attempt to simplify the overall budget structure. These changes impact the General Fund comparison of 2009-2010 to 2011-2012 because we rearranged the costs that had been budgeted in separate funds in a manner that increased the general fund total, but do not represent new costs to the City. These fund changes address a variety of issues and include consolidating most reserves into the General Fund (summarized in an issue paper) and result in an increase to the general fund budget of approximately \$9.5 million, but do not increase the City's costs.

EXPENDITURE REDUCTIONS

As discussed in the Introduction, a series of expenditure and service level reductions are an integral part of the budget balancing strategy. In addition, some City departments identified additional revenues or cost reallocations to help close the budget gap.

As indicated in the introduction, reductions were not applied on an across-the-board basis but impact different City services to varying degrees. The "Core Services" exercise that the City Council undertook in July 2010 helped to inform the process of identifying reductions and preserving the City's high priority services. Overall, these reductions total 4.1% of the General Fund budget (5.1% when revenue increases are taken into account) and are in addition to the reductions that were made 2009-2010.

The expenditure reductions total \$6.23 million plus \$1.48 million in revenue enhancements/reallocations

for 2011-2012. A breakdown by department and by specific reduction follows this message. To provide context, a comparison was done to the core services matrix, which reflected 2010 costs. The 2010 exercise classified \$2.49 million as non-core services and \$51.77 million as core/partial-core services. The recommended reductions from the non-core list represent over 20% of the non-core expenses. The remaining reductions from the core/partial-core services list represent about 4% of the core costs in 2010 dollars.

While there are impacts throughout the organization which are listed in detail later in the document, some of the key program impacts are highlighted as follows:

- **City Manager's Office** – Reduce Neighborhood CIP from \$100,000 to \$25,000 per year and move the sales tax funding the program back into the General Fund; eliminate 0.75 FTE Administrative Assistant II support for the CMO and Council; eliminate the mailed issue of City Update (all electronic).
- **Municipal Court** - Reduce 0.25 FTE Judicial Support Associate II, which will be bridged to an annexation position; reduce on-call and intern help.
- **Human Resources** – Reduce program line items; move some training in-house; shift some costs to departments; reduce hourly support.
- **City Attorney's Office** – Reduce use of outside counsel; negotiate reduction in prosecution/public defender contract.
- **Parks and Community Services** – Eliminate 1.0 FTE Human Services Manager position (unfilled) and 0.9 FTE van driver (consolidate service with Northshore Senior Center program); eliminate remaining seasonal maintenance hours and lifeguards at beaches. In Parks Maintenance Fund, eliminate 1.0 FTE groundsperson (bridged to annexation position).
- **Public Works (General Fund)** – Eliminate remaining Neighborhood Traffic Control Program staffing (0.5 FTE traffic Control Engineer); reduce 0.35 FTE Transportation Engineer impacting coordination with other agencies and data analysis; reduce 0.5 FTE

Program Assistant position resulting in more limited staff support of pedestrian flag program.

- **Finance & Administration** – Reduce 0.20 FTE budget analyst (discontinue GFOA budget award); reduce 0.25 FTE front desk position; reduce 0.20 FTE buyer; discontinue Park Smart support (reduce 0.25 FTE customer account associate, restored to meet annexation needs); eliminate 0.5 FTE accounting support associate (bridged to fill annexation position); reduce 0.25 FTE Senior Accounting Associate (backfill to meet self-funded medical plan financial reporting).
- **Planning & Community Development** – Eliminate 1.0 FTE Senior Planner (will fill annexation service package position) and reduce neighborhood plan updates and related professional services.
- **Police** – Eliminate ProAct Unit and reassign 4.0 FTEs to annexation positions, reduce 1.0 FTE corporal position (related to annexation hiring), eliminate 1.0 FTE Corrections officer position (vacant).
- **Fire & Building** – Eliminate remaining 0.45 FTE Community Education and Information Specialist position; institute “rolling brown outs” when staffing falls below minimum levels. Note that if the EMS Transport Fees are approved, the funds could be used to restore this reduction.
- **Streets** – Reduce 0.9 FTE utility person, which is bridged to an annexation position; reduce power costs; reduce expenses in support of annual Central Business District Spring Cleaning; reduce supplies, inventory, and small tools across fund.
- **Facilities** – The base budget for Facilities included reductions of costs (7.3% compared to the 2009-2010 budget) to reflect actual spending levels, so no additional reductions were recommended.
- **Fleet** – Eliminate 1.0 FTE Technician position (will backfill position required for annexation); 5% reduction in replacement charges.

- **Information Technology** – PC replacement cost reductions, discontinue Help Desk software maintenance and IFAS disaster recovery contract, reduce shared copiers, change IFAS database platform.

In total, 16.13 FTEs are reduced or eliminated, impacting the service levels in the existing City. Annexation provides the opportunity to keep some of the skilled individuals that can fill positions needed to serve the annexation area. 11.40 of the 16.13 FTEs are proposed to move to annexation positions as they become available, however, there will be some layoffs as a result of the recommended reductions.

In addition to the reductions, several departments identified revenue enhancements. The bulk of the revenue recognized is related to expected development permits associated with the Parkplace redevelopment. As noted earlier, if the permits are delayed or do not occur, further reductions in Building and Planning would be likely. Other revenue enhancements include increased parking enforcement revenue given the restructuring of the Park Smart program resulting in redeployment of the 0.5 FTE Parking Enforcement Officer to enforcement duties. Parks and Community Services has proposed increasing pool admission fees by \$1 per admission and is working to increase the percentage of revenues received from concessions.

SERVICE PACKAGES

The guidance provided to departments for preparation of the 2011-2012 Budget directed that only service packages with offsetting new revenue or expenditure reductions be submitted for consideration, with a few exceptions as directed by the City Council or City Manager. **As a result, only those packages that met those criteria were considered and are presented in the preliminary budget. This is a departure from prior budget where all requests were shown, regardless if they were considered for funding.**

Of those service packages considered, some were not recommended for funding at this time but could be brought back for consideration if funding became

available. The most significant item that does not appear on the list, but has been funded in the past is one-time funding for Human Service agencies. In addition to the new revenues or expenditure offsets, a limited amount of one-time funding projected year-end cash was identified to fund service packages.

In the abbreviated non-annexation service package list for all funds, departments requested 4.95 ongoing positions, of which 3.95 are recommended for funding. For those service packages recommended for funding in the General Fund, 6% are funded from expenditure offsets, 25% with additional revenues, and the remaining 69% from one-time resources. In the non-General Fund departments, 89% of the funded requests use one-time resources, with the bulk of the remainder funded using expenditure offsets.

Service packages associated with annexation were evaluated against the potential revenue that is expected to be available from the annexation area. A table at the end of this section summarizes the recommended annexation service packages.

The following discussion provides highlights of the service package recommendations included in the 2011-2012 preliminary budget.

Positions recommended for funding include:

- **1.0 FTE Judicial Support Associate II.** Earlier in 2010, the Municipal Court identified the need for additional resources to support increased probation workload, which was approved one-time for the remainder of the year. This one FTE continues that position on an on-going basis using probation revenues associated with the increased workload.
- As the City moves toward self-funded medical coverage, there is an increased administrative burden that is included as part of the cost of the new program. A **0.7 FTE Human Resources Analyst and 0.25 FTE Senior Accounting Associate** (SAA) are added to meet these demands. Note that the 0.25 SAA restores a service level reduction recommended to that position.

- Creation of a **0.75 FTE Police Budget Analyst** in 2012 is recommended to recognize a re-organization planned due to a pending retirement. This position is funded from expenditure offsets.
- Conversion of the temporary **0.75 FTE Web Assistant** to an on-going position to recognize that the position has been in place since 2004 and supports an existing level of service. IT cash is used in this biennium and the IT department will identify additional on-going savings to fund the position in the long-term.

Other recommended service packages include:

- The **Community Survey** is conducted every other year and is integral to the City's performance measures.
- The **Citizen-Based Budget Process support** is related to increased public involvement in the 2013-2014 budget process described further in an issue paper included in the preliminary budget.
- Continuation of the **state legislative advocate** is recommended for the biennium.
- A Regional Coalition for Housing (**ARCH**) funding is recommended to continue at the previous level of \$216,000 per year (\$432,000 for the biennium).
- Enhanced **parking enforcement technology** should improve parking enforcement and provide a tool to modify parking behavior. This service package includes the technology costs for the change and the addition of a **0.5 FTE Judicial Support Associate II** at the Court to handle increased workload. This position is funded from increased parking fine revenues achieved by the new technology and transitioning 0.5 Parking Enforcement Officer from Park Smart to enforcement.
- **Municipal court security** was provided in the previous biennium using Corrections Officer overtime to staff key times. This activity was grant funded and the grant will run out in mid-2011. This service package continues the current level of security at the Municipal Court through 2012.

- Two service packages to complete replacement of **Police and Fire radios** are funded from one-time resources. The current needs and on-going requirements are described in the issue paper on *Replacement Sinking Funds*.
- Required costs related to replacement of **Fire personal protective equipment** are funded with one-time resources.
- **Street costs** related to the Retro-Reflective Sign Program will be absorbed in the basic budget. The maintenance and operations costs of the Milling Machine, which is included in the CIP will be brought back for later consideration once a more detailed cost/benefit analysis is completed.
- **Information Technology costs** associated with two temporary 0.25 FTEs will be funded with IT Fund cash until those positions can fill on-going annexation service packages in mid-2011. One-time IT cash is also used to fund planned copier replacements.
- An **upgrade to a Surface Water Utility vehicle** is funded from utility reserves.
- There are three items labeled “**Annexation Bridge Funding**” on the approved service package list. These items represent the costs of carrying individuals in positions that have been recommended for reduction until they can fill new positions created as part of annexation. These positions are 0.5 Accounting Associate IV, 0.9 FTE Utilityperson, and 1.0 FTE Groundsperson.

Some noteworthy **service packages that are not funded** are:

- Continuation of the **Emergency Preparedness Coordinator** is not recommended and options for carrying out necessary activities are under evaluation.
- **One-time Human Services funding**, which was included in the previous biennium at \$113,780 per year was not considered as a service package.
- Several Parks and Community Services programs were not considered as service

packages but were identified as items to be brought forward if funding sources were identified from outside agencies. These programs include **Senior Program Support, Enhanced Wellness for Older Adults,** and the **Youth Summit.**

Annexation service packages represent a large increase in the recommended budget. The recommended service packages are funded with revenues from the annexation area, as are the on-going costs in 2011-2012 of those annexation service packages approved in 2010 (a total of 29.4 FTEs, 26 of which are in the Police department). Detailed annexation service packages are summarized elsewhere in the document. The recommended annexation service packages total \$16.4 million in the General Fund for the biennium and \$18.8 million in other funds, most notably the Solid Waste Utility. These costs are in addition to over \$6 million in interfund transfers and almost \$7 million in on-going costs associated with service packages approved in 2010. The recommended service packages contemplate the addition of 80.5 FTEs during the biennium, some of which will be filled by individuals displaced due to the budget reductions described earlier.

Any revenue growth anticipated over the next few years will be needed to fund existing service levels. The City Council has discussed a variety of possible voted tax measures for the future including a sidewalk bond, another parks bond and a public safety levy. The prioritization and coordination of these measures will be important to their success. Realistic planning for maintaining or enhancing service levels needs to take place with the community, so that they are informed about service deficiencies and can make choices about whether they should be funded from new revenue sources.

OUTSIDE AGENCIES

Each year the City Council provides funding for outside agencies. Funding for these agencies comes from the General Fund and lodging tax (as allocated by the Lodging Tax Advisory Committee). The amount of the funding and the number of agencies receiving funding has been reduced significantly during the past two years. Of the \$363,400 requested for 2011, \$279,000 is being recommended for funding, which is only \$330

higher than the 2010 funding level. The Kirkland Teen Union Building is funded at the current level. The Kirkland Performance Center is funded at the current level for the General Fund share and at an increased level from lodging tax.

The on-going funding level to the Kirkland Downtown Association is reduced by \$6,000. Specific funding recommendations have been made for 2011; for one-time funded activities, new requests will need to be filed for 2012. An issue paper and matrix summarizing the specific funding recommendations is included with this document.

UTILITIES

The City operates three utilities – a water/sewer utility, a solid waste utility and a surface water utility. Each of these utilities operates independently with its own rate structure. Annual rate changes are needed to acknowledge the general cost of operations, any new debt service obligations incurred in the previous year and “pass-through” increases from other agencies.

In addition to these cost elements, the City also has a series of financial policies in place that ensure that the utilities are managed in a prudent and sustainable manner. These policies fall in several categories, including reserves for working capital, operating contingencies, and unanticipated system failures, a debt coverage policy to provide flexibility and maintain the utilities’ strong credit rating, and policies to ensure that the level of reinvestment is adequate to maintain the system in a manner that provides a consistent level of service over time. These policies were established in 1998 and the City has succeeded in phasing them in since that time. The level of reinvestment in infrastructure since 1998 has significantly reduced water main breaks and sewer overflows and continues to be an important part of keeping the system sound as it ages.

The City’s **surface water utility** provides for the construction, operation, and maintenance of the surface water drainage, erosion control, water quality systems and education and stewardship programs. In September 2010, the City adopted a 5 percent rate increase for 2011 and 2012 for the surface water utility. This increase was prompted by an increase to

the Washington State Business and Occupation tax of 0.3 percent and the City’s desire to move toward funding full depreciation of its infrastructure (pipe systems, equipment, stream enhancements, detention systems). The City will provide surface water utility services in the annexation area beginning June 1, 2011. Staff will be updating capital needs during the biennium to reflect the needs of the new service area.

Solid waste rates fund collection and disposal services for garbage and recycling. The City contracts with Waste Management, Inc. for these services. The ability for the City to help fund the direct cost of pavement damage caused by heavy garbage hauler use requires a 3 percent increase for 2011 only. The City is currently in negotiations with Waste Management for rates for 2012 and beyond, which includes service to the newly annexed area. The large increase in the budget from 2009-2010 reflects providing service in the larger service area starting in mid-2011.

Water rates fund the construction, replacement and rehabilitation of water distribution and storage, the purchase of water, ongoing operation and maintenance of the water utility, and the City’s participation in water quality monitoring. The Cascade Water Alliance (CWA) supplies water to Kirkland and is increasing its wholesale water rates. Overall, water bills will see increases ranging from 1 to 3 percent in 2011 and 2.2 percent in 2012.

In addition, a recent Washington State Supreme Court decision ruled that the maintenance of fire hydrants cannot be paid through water utility rates. Instead, the cost must be paid through taxes – we propose the water utility tax. Water use rates were decreased and the water utility tax was increased a corresponding amount to comply with the new law. For most customers, the net effect of this shift should be minimal.

Wastewater (sewer) rates fund the construction operation and maintenance of the City’s wastewater collection system and Kirkland’s share of regional collection, treatment, disposal and bio-solids reuse program administered by King County. Due to increases in the County’s rates, inflation costs, and a decrease in new sewer connections, rate adjustments of 8.5 percent and 5.5 percent are being implemented in 2011 and 2012, respectively.

In total, the water/sewer utility budget decreases from 2009-2010 due to the timing of capital project expenditures and declines in CWA Regional Capital Facilities Charge pass through collections related to decreased development activity.

Looking at the impact of the proposed increases on the typical single family residence, the total monthly utility cost would increase approximately \$8.18 in 2011 and \$2.87 in 2012.

NON-OPERATING BUDGET

The non-operating budget is composed of capital projects, debt service and reserves. The capital project budget results from development of the six-year capital improvement program (CIP). The CIP is prepared every other year. The CIP cycle coincides with the budget process, which allows staff to resolve policy issues affecting the CIP and operating budgets more effectively. The 2011-16 preliminary CIP as presented on May 18, 2010 is incorporated into this document (updated to reflect the information presented at the September 21, 2010 Public Hearing).

The final CIP is expected to be adopted with the operating budget in December 2010. The budgeted CIP in 2011-2012 includes funded Construction-Work-in-Progress (CWIP) for projects funded in prior years that are not yet complete. This change in presentation provides a more consistent basis for comparing the budgets and should reduce the size of the carryover appropriation that will be presented to the City Council for approval in the first quarter of 2011. Note that there may be revisions from the preliminary CIP to the final to reflect changes during the intervening months.

The City's debt service budget does not change significantly from year to year unless new debt is issued or old debt is retired. In 2009, the 1989 Maintenance Center General Obligation Bond was retired and the 1989 Parks Voted General Obligation Bond was retired, which reduced the excess property tax levy. In 2009, the Public Works Trust Fund loan related to assumption of the Rose Hill Water District was retired. The City anticipates issuing new bonds to finance the public safety building and related facilities

improvements in late 2010 or 2011. If the bonds are issued before the end of 2010, the impacts will be reflected in the final budget.

As discussed earlier, changes in fund structure have resulted in many of the City's general purpose reserves moving to the General Fund. Several of the other fund consolidations and closures reduce the non-operating budget as well, including the Park and Municipal Reserve, Tour Dock, Street Improvement, Off-Street Parking Reserve, Cemetery Improvement, and Grant Control funds.

CONCLUSION

The preliminary budget is balanced, however, there are several policy issues to address before adoption of the final budget, including:

- Implementation of the EMS Transport Fee and/or the Transportation Benefit District,
- The outcome of the initiatives related to the Liquor Control Board Profits and Excise Taxes,
- The recent Totem Lake Symposium focused on revitalizing the City's largest business district and identified the potential for reprioritizing spending to help fund a Totem Lake Action Plan.

Balancing the 2011-2012 budget has been very challenging, but we believe that the measures taken can help place the City on a more sustainable budget footing. This budget represents a City in transition due to both the uncertainties of the economy and the annexation. Because of all the changes, it represents a baseline for evaluating the future. At the end of this biennium, we hope to have a clearer picture of the economy, the annexation, and the prospects for the redevelopment of Park Place and Totem Lake.

We expect that we will be revisiting the budget with the City Council frequently during the biennium and making adjustments as conditions warrant. At a minimum, we expect to provide an update at the Council Retreat in March, with the mid-year budget in June, and with the mid-biennium budget update in November.

Given all the changes, the development of this preliminary budget has been an enormous task for the City staff, especially the Financial Planning staff. We

have every reason to be proud of the work done day in and day out by all City staff. With the support of the City Council, it is their efforts that make the City work and make Kirkland an exceptional place to live.

Respectfully Submitted,

A handwritten signature in black ink that reads "Kurt Triplett". The signature is written in a cursive style with a long horizontal line extending from the end.

Kurt Triplett
City Manager

A handwritten signature in black ink that reads "Tracey Dunlap". The signature is written in a cursive style with a long horizontal line extending from the end.

Tracey Dunlap
Director of Finance and Administration

POSTSCRIPT

Between October and December 2010, the City Council held a series of study sessions and public hearings to review the 2011-2012 Preliminary Budget proposed by the City Manager. After making a number of changes, the City Council adopted the 2011-2012 Final Budget on December 7, 2010. Overall, the 2011-2012 Final Budget totals \$449.4 million, which represents a 12.8 percent increase compared to the 2009-2010 Amended Budget. The 2011-2012 Final Budget is summarized in the following table by fund type:

(\$ in thousands)	09-10 Budget	11-12 Budget	% Change
GENERAL GOV'T			
General Fund	121,339	158,469	30.6
Other Operating	15,840	17,231	8.8
Internal Service Funds	33,208	55,811	68.1
Non-Operating Funds	117,008	97,499	-16.7
UTILITIES			
Water/Sewer	68,107	62,234	-8.6
Surface Water	24,185	27,270	12.8
Solid Waste	18,579	30,859	66.1
TOTAL BUDGET	398,266	449,373	12.8

The 2011-2012 Budget incorporates budget reductions in response to the economic downturn, additions as a result of annexation, the move to medical self-insurance, and fund restructuring to comply with accounting rule changes. These changes make comparisons to the 2009-2010 budget challenging. The table below is an updated breakdown of the major changes between the 2009-2010 Amended Budget and the 2011-2012 Final Budget:

(\$ in thousands)	
Annexation Impact	\$48,471
Health Benefits Internal Service Fund	15,736
General Capital Changes (CWIP)	9,986
Debt Service (incl. State Sales Tax Credit)	2,822
Non-Annexation Service Packages	1,766
Remaining State Sales Tax Credit	1,718
Impact Fee/REET Revenue Reductions	-7,048
Non-Annexation Budget Reductions	-6,446
Water/Sewer Reductions	-5,873
Net Fund Restructuring/Reserve Changes	-5,246
One-Time Funded Activities	-4,780
Total Changes to Budget	\$51,106

The total General Fund budget is \$158.5 million, which represents an increase of 30.6% from the 2009-2010 Amended Budget. It should be noted that the increase is for a two year period. Several factors contribute to the significant increase, including costs for commencing services in the annexation area (about \$25.7 million), fund structure changes caused by new accounting rules resulting in consolidation of several non-operating funds (primarily reserves) into the General Fund (about \$9.5 million), and recognition of the debt service expense for the new Public Safety Building (about \$2.8 million). Normalizing for these factors, the General Fund would have declined by about 0.7 percent.

Factors contributing to the change from the Preliminary Budget include Council's restoration of selected expenditure reductions proposed by the City Manager such as:

- Adding \$117,656 in one-time funding for Human Services in 2011.
- Restoring lifeguards at Houghton and Waverly beaches with one-time funds (\$32,000).
- Eliminating the Neighborhood Connections capital improvement program and using the remaining funding of \$25,000 per year to:
 - Increase neighborhood grants from \$615 to \$1,000 per year,
 - Purchase liability insurance for neighborhood events at an annual cost of \$3,500,
 - Use \$14,955 for Human Services funding in 2011, and
 - Set-aside \$14,955 in a reserve in 2012.
- Using fire overtime/equipment budget set aside in a contingency reserve (\$100,000 in 2011 and \$80,195 in 2012) as bridge funding to avoid Fire station rolling brown outs in the first quarter of 2011. The Final Budget does not include revenue from an EMS transport fee that the City was evaluating at the time of adoption. If the new fee is implemented effective March 1, 2011, EMS transport fee revenue is anticipated to be used to offset the rolling brown-outs after the first quarter of 2011.

- Reinstating Chamber of Commerce and Eastside Transportation Partnership (ETP) dues of \$500 each per year.
- Setting aside the current City portion of Liquor Profit Revenues (\$731,210 for the biennium) in a Public Safety Reserve and recognizing the annexation area share of the liquor profits \$353,982, freeing up a portion of the State sales tax credit to reimburse a portion of the pre-annexation costs. Note that the City Manager's proposed budget did not assume the Liquor Profit revenues because of the pending ballot measures to repeal them. Those measures failed and this adjustment recognizes the revenues.

Other changes from the preliminary to the final budget include:

- Adding \$2.82 million for debt service in 2011-2012 for the Public Safety Building bonds.
- Acknowledging the annexation state sales tax credit revenues of \$4.5 million.
- Removal of the transfer of \$893,635 in ARCH trust fund reserves to the City of Bellevue (finalized in 2010).
- Recognizing the use of \$36,000 in radio reserves in the Equipment Rental Fund to purchase police radios in 2010.
- Recognizing lease revenues of \$375,000 in 2011-2012 from the lease of the future Public Safety Building to a retail tenant, My Home Wholesale, until construction begins.
- Recognizing replenishment of the Contingency from General Fund of \$150,000 (omitted in the Preliminary Budget).
- Adding \$200,000 in Parks Impact Fee revenues that will be used for the McAuliffe Park debt service.
- Recognizing the changes to the Preliminary 2011-2016 CIP of \$5.8 million.

These changes, along with other housekeeping adjustments, result in an increase from the Preliminary Budget of \$5.17 million in the General Fund and an increase in the total budget \$14.52 million.

Lastly, Council requested follow-up on a number of issues, including:

- A discussion of alternate approaches for setting Human Services, ARCH, and Outside Agencies funding.
- A report on the one-time and on-going costs associated with adding a new FTE.
- A discussion of options and potential sequencing of public involvement in the 2013-2014 Budget Process.
- A report on the performance of the Antique Mall paid parking.
- A plan to develop new sinking fund reserves for public safety and information technology equipment replacements for consideration during the 2013-2014 Budget Process.
- A discussion of performance measures and Council goals before the Council Retreat.
- Review reserves target policy in light of annexation, including duration of revenue stabilization.
- Discussion with the Parks Board to explore a possible future parks maintenance levy.
- A report on jail transport costs as part of the Public Safety Building planning process.
- Add the release of Labor & Industries FTE data to the City to assist with business license compliance to the legislative agenda.
- Consider implementing a 2-year sales tax lag (once revenues improve) as part of the 2013-2014 Budget Process.
- A report on sharing engineering resources with smaller cities.
- A report on City communications in non-electronic forms.
- A report on the history of KPC support by the City.
- Research the ability of a City to negotiate dues with regional agencies.



**City of Kirkland
2011-2012 Budget
Summary 2011-2012 Expenditure Reductions & Revenue Enhancements by Department/Function**

Department	Reduction Basis ¹	Recommended Expenditure Reductions		Recommended Revenue Enhancements		Total Recommended Expenditure Reductions & Revenue Enhancements		Recommended FTE Reductions
		Dollars	%	Dollars	%	Dollars	%	
General Fund								
City Council	670,369	7,840	1.2%	-	0.0%	7,840	1.2%	-
City Manager	3,095,155	255,690	8.3%	150,000	4.8%	405,690	13.1%	(0.75)
Municipal Court	3,383,744	100,898	3.0%	14,000	0.4%	114,898	3.4%	(0.25)
Human Resources	2,333,312	116,667	5.0%	-	0.0%	116,667	5.0%	-
City Attorney	2,061,151	103,000	5.0%	-	0.0%	103,000	5.0%	-
Parks	13,281,511	538,840	4.1%	20,000	0.2%	558,840	4.2%	(1.78)
Public Works ²	7,100,299	252,207	3.6%	150,000	2.1%	402,207	5.7%	(1.35)
Finance and Administration ³	6,690,437	334,539	5.0%	-	0.0%	334,539	5.0%	(1.65)
Planning ²	5,637,374	281,866	5.0%	123,000	2.2%	404,866	7.2%	(1.00)
Police	38,724,501	1,336,422	3.5%	184,617	0.5%	1,521,039	3.9%	(6.00)
Fire	32,227,773	1,617,362	5.0%	-	0.0%	1,617,362	5.0%	(0.45)
Building ²	3,870,823	-	0.0%	838,820	21.7%	838,820	21.7%	-
Subtotal General Fund (excl Non-Dept)	119,076,449	4,945,331	4.2%	1,480,437	1.2%	6,425,768	5.4%	(13.23)
Non-Departmental ⁴	4,225,247	67,024	1.6%	-	0.0%	67,024	1.6%	-
Subtotal General Fund	123,301,696	5,012,355	4.1%	1,480,437	1.2%	6,492,792	5.3%	(13.23)
Other Funds								
Streets	7,951,613	397,667	5.0%	-	0.0%	397,667	5.0%	(0.90)
Parks Maintenance (Fund 125)	1,913,211	124,599	6.5%	-	0.0%	124,599	6.5%	(1.00)
Facilities ⁵	5,442,548	-	0.0%	-	0.0%	-	0.0%	-
Fleet	6,111,921	331,607	5.4%	-	0.0%	331,607	5.4%	(1.00)
Information Technology	7,635,695	364,150	4.8%	-	0.0%	364,150	4.8%	-
Subtotal Other Funds	29,054,988	1,218,023	4.2%	-	0.0%	1,218,023	4.2%	(2.90)
TOTAL	152,356,684	6,230,378	4.1%	1,480,437	1.0%	7,710,815	5.1%	(16.13)

¹ The reduction basis reflects the 2011-2012 basic budget as submitted by the departments in July 2010.

² Reflects Parkplace Building revenues net of expenses and estimated Planning revenues. Public Works revenue set aside in reserves toward future resource needs.

³ Excludes functions that are 100% utility funded.

⁴ Most costs are fixed: debt service, retiree medical, intergovernmental professional services, interfund transfers, etc.

⁵ The base budget for Facilities included reductions of costs (7.3% compared to the 2009-2010 Budget) to reflect actual spending levels, so no additional reductions were recommended.

**City of Kirkland
2011-2012 Budget
Revenue Enhancements**

Package Number <i>General Fund</i>	Brief Description Revenue Enhancement	City Manager Recommendations					Brief Explanation of Impact of Reduction on Service Level/ Annexation Backfill Potential
		2011	2012	2011-12 Total	FTE Reduction if Any		
<i>City Manager</i>							
BRPM01	Reduce Sales Tax for Neighborhood Connections in CIP (Fund 310)	\$ 75,000	\$ 75,000	\$ 150,000	-		
	Subtotal City Manager	\$ 75,000	\$ 75,000	\$ 150,000	-		
<i>Court</i>							
BRCM11	Increase in Deferred Prosecution Reimbursements	\$ 6,000	\$ 8,000	\$ 14,000	-		
	Subtotal Court	\$ 6,000	\$ 8,000	\$ 14,000	-		
<i>Parks</i>							
BRPK05	Increase Revenue/Recreation	\$ 24,000	\$ 24,000	\$ 48,000	-	Increase rates at pool by \$1.00 per admission	
BRPK07	Increase Revenue/Business Services	\$ 8,000	\$ 8,000	\$ 16,000	-	Negotiate with Little league for % of revenue on concessions	
BRPK06	Reduction in van trip revenue	(22,000)	(22,000)	(44,000)	-		
	Subtotal Parks	10,000	10,000	20,000	-		
<i>Public Works *</i>							
BRPW04	Annexation Area Engineering development fees for schools	\$ 50,000	\$ -	\$ 50,000	-	Set aside in Development Services Reserves	
BRPW04	Park Place review fees	\$ -	\$ 100,000	\$ 100,000	-	Set aside in Development Services Reserves	
	Subtotal Public Works	50,000	100,000	150,000	-		
<i>Planning *</i>							
BRPL06	Park Place - Phase I Plan Review Fees (Planning portion)	\$ 92,250	\$ 30,750	\$ 123,000	-		
	Subtotal Planning	92,250	30,750	123,000	-		
<i>Police</i>							
BRPD07	Revenue generated by implementing parking enforcement technology after offsetting technology and Court FTE costs	\$ 93,733	\$ 90,884	\$ 184,617	-	annual rev of \$131K from Parking Enforcement Technology service package LESS: cost of Court's 0.5FTE and \$1,700 IT charges ALSO covers cost of 0.5 FTE of Parking Enforcement Officer -- \$36,000 in 2011 and \$38,162 in 2012	
	Subtotal Police	93,733	90,884	184,617	-		
<i>Building *</i>							
BRFB08	72% of plan review revenue for Park Place	\$ 265,680	\$ 88,850	\$ 354,530	-	Since we are using the progressive process, the final payment may not come in until 2012.	
BRFB09	97% of bldg. permit revenue for Park Place	\$ -	\$ 734,290	\$ 734,290	-	If construction does not start in 2012, this revenue should be put in reserves and the expenditure for temp inspection staff (above) will not occur.	
BRFB06	Structural plan review for Park Place	(50,000)	0	(50,000)	-		
BRFB07	Temp Inspection staff for Park Place	0	(200,000)	(200,000)	-		
	Subtotal Building	215,680	623,140	838,820	-		
	Total General Fund	542,663	937,774	1,480,437	-		

* Reflects Parkplace Building revenues net of expenses and estimated Planning revenues. Public Works revenue set aside in reserves toward future resource needs.

**City of Kirkland
2011-2012 Budget
Service Level/Expenditure Reductions**

Package Number <i>General Fund</i>	Brief Description of Reduction	City Manager Recommendations				Brief Explanation of Impact of Reduction on Service Level/ Annexation Backfill Potential
		2011	2012	2011-12 Total	FTE Reduction if Any	
City Council						
BRC001	Council Retreat Packets	(420)	(420)	(840)	0.00	Increased dependence on electronic packets - printed packets are less common since Council started using tablet computers.
BRC002	Reduce Communications Reimbursements from \$7k to \$3.5k	(3,500)	(3,500)	(7,000)	0.00	Potential for reduced access or will be responsible for payment of phone bills
Subtotal City Council		(3,920)	(3,920)	(7,840)	0.00	
City Manager						
BRCM01	Neighborhood CIP from \$100k/yr to \$25k/yr	(75,000)	(75,000)	(150,000)	0.00	Will reduce amount available for annual Neighborhood Capital Improvement Program projects. Options include less money per neighborhood and/or fewer neighborhoods per year. Also reduces neighborhood staff time by .05 FTE.
BRCM02	Eliminate Admin Assistant II	(41,378)	(42,820)	(84,198)	(0.75)	Would reduce support availability for Council and CMO, increasing the likelihood that customers would reach a recorded message; professional staff spend more time doing administrative tasks such as meeting logistics.
BRCM03	Reduce Kirkland Downtown Assn Support from \$50k to \$45k	(5,000)	(5,000)	(10,000)	0.00	KDA would be asked to submit recommendation for revised programming within the budgeted amount.
BRCM04	Eliminate mailed/printed versions of City Update newsletter (currently 1 per year), retains \$500 to print copies distributed to city buildings	(5,746)	(5,746)	(11,492)	0.00	City Update would be provided in electronic format only (currently three issues are electronic and one issue is printed and mailed to households). Reliance on electronic version only would reduce accessibility for readership.
Subtotal City Manager		(127,124)	(128,566)	(255,690)	(0.75)	
Court						
BRCM05	Eliminate on-call probation 20hr/month - Wages & Benefits	(8,590)	(9,211)	(17,801)	0.00	
BRCM06	Eliminate high school intern 20hr/week - Wages & Benefits	(11,341)	(11,560)	(22,901)	0.00	
BRCM07	Backfill JSA II position created by Annexation to start 5/1/11 at 0.75FTE - when current 1.0 FTE JSA II is promoted to Lead (dollar amount is the difference saved between 1.0 FTE and 0.75 FTE)	(19,160)	(13,971)	(33,131)	(0.25)	
BRCM08	Eliminate college intern - 12hr/week - Wages & Benefits	(9,287)	(10,278)	(19,565)	0.00	
BRCM09	Reduction of account used for multi-part forms in courtroom	(1,750)	(1,750)	(3,500)	0.00	
BRCM10	Office Supply reduction	(2,000)	(2,000)	(4,000)	0.00	
Subtotal Court		(52,128)	(48,770)	(100,898)	(0.25)	

**City of Kirkland
2011-2012 Budget
Service Level/Expenditure Reductions**

Package Number	Brief Description of Reduction	City Manager Recommendations				Brief Explanation of Impact of Reduction on Service Level/ Annexation Backfill Potential
		2011	2012	2011-12 Total	FTE Reduction if Any	
Human Resources						
BRHR01	Reduction in program - continue with low/no cost events.	(300)	(300)	(600)	0.00	Allows program to continue at substantially reduced amount
BRHR02	Eliminated Flu Shots \$4,300 per year.	(6,300)	(6,300)	(12,600)	0.00	With the move to a self-funded medical plan wellness care will include no cost flu shots. Note: program must be maintained at approximately \$4,500 per year per AWC guidelines if COK does not go to self-funded medical plan.
BRHR03	Recruitment - Advertising	(15,000)	(15,000)	(30,000)	0.00	Continue with low cost on-line recruiting strategies.
BRHR04	Provide signed certificates presented in a low cost paper certificate holder	(1,750)	(1,750)	(3,500)	0.00	Allows program to continue at substantially reduced amount
BRHR05	CPS Tests - computer scored exams, typically for support and paraprofessional positions.	(5,000)	(5,000)	(10,000)	0.00	Reduced to 7 tests per year.
BRHR06	Bloodborne Pathogen training	(4,000)	(4,000)	(8,000)	0.00	Moved to in-house training- impact on Safety Analyst time
BRHR07	Reduce in house training dollars for PPR and competency training programs. Move to in-house harassment training.	(4,000)	(4,000)	(8,000)	0.00	Moved to in-house training- impact on Analyst time
BRHR08	Eliminated funding - move to on-line research and updates	(1,225)	(1,225)	(2,450)	0.00	
BRHR09	Reduced by 70% - allows for some in-state/local travel and mileage reimbursement expenses	(2,375)	(2,375)	(4,750)	0.00	
BRHR10	Reduced by 72% - allows for one attendee to the annual LEOFF Conference for legal updates	(2,550)	(2,550)	(5,100)	0.00	
BRHR11	Supervisor Training course fees	(3,000)	(3,000)	(6,000)	0.00	
BRHR12	Reduced number of background checks	(1,500)	(1,500)	(3,000)	0.00	Annexation service package for HR increased operating costs will off-set this decrease.
BRHR13	A 12% service level reduction - costs would be paid by the requesting departments (Police & Fire) approx \$2,723	(2,723)	(2,723)	(5,446)	0.00	Will continue to review impacts of the adjustment to meet departments changing needs and assessment center requirements
BRHR14	Reductions in misc. expenses, courier services, legal opinions, HR retreat, misc.	(3,591)	(3,591)	(7,182)	0.00	
BRHR15	Misc. Operating Expenses	(167)	(167)	(334)	0.00	
BRHR16	Training Tapes	(50)	(50)	(100)	0.00	
BRHR17	Reduced based on 2009-10 expenditure	(1,200)	(1,200)	(2,400)	0.00	
BRHR18	Office Supplies	(173)	(173)	(346)	0.00	
BRHR19	Salary - Hourly & Benefits	(3,397)	(3,462)	(6,859)	0.00	
	Subtotal Human Resources	(58,301)	(58,366)	(116,667)	0.00	
City Attorney						
BRCA01	Discontinue cash payouts for management leave	(8,500)	(8,500)	(17,000)	0.00	
BRCA02	Reduce access to outside counsel resources	(3,000)	(3,000)	(6,000)	0.00	
BRCA03	Reduction in prosecution/defender services	(40,000)	(40,000)	(80,000)	0.00	Would require renegotiation of current contracts or a new RFP. Savings may be achieved in renegotiations that include the annexation area.
	Subtotal City Attorney	(51,500)	(51,500)	(103,000)	0.00	

**City of Kirkland
2011-2012 Budget
Service Level/Expenditure Reductions**

City Manager Recommendations						
Package Number	Brief Description of Reduction	2011	2012	2011-12 Total	FTE Reduction if Any	Brief Explanation of Impact of Reduction on Service Level/Annexation Backfill Potential
Parks						
BRPK01	Eliminate Human Services Manager Position	(94,583)	(100,370)	(194,953)	(0.88)	Eliminate 1 FTE, add back 5 hrs per week for Senior Council support, add intern support, reduce youth council support and reallocate youth services coordinator to human service projects, reallocate Deputy Director to directly oversee Youth/Human/Sr. Services, reduce some regional projects.
BRPK02	Eliminate Van driver	(71,515)	(74,895)	(146,410)	(0.90)	Eliminates regular driver, seasonal drivers. Cost is to contract with Northshore Sr. Ctr to provide services using our paratransit bus.
BRPK03	Eliminate seasonal maintenance (GF only)	(59,770)	(60,974)	(120,744)	0.00	Remaining seasonal park maintenance hours after '10 reduction
BRPK04	Eliminate lifeguards at beaches (Houghton & Waverly)	(37,981)	(38,752)	(76,733)	0.00	Remainder of beach lifeguarding hours after 25% reduction in '10
Subtotal Parks		(263,849)	(274,991)	(538,840)	(1.78)	
Public Works						
BRPW01	Reduction of 0.35 Transportation Engineer (Salary & Benefits)	(43,916)	(45,208)	(89,124)	(0.35)	Impact ability to assist with signal operation and less coordination with: King County, Metro, CIP and internal signal techs. Delay in data collection and analysis(traffic counts and accident data); inhibits ability to provide grant support, support for NTCP programs.
BRPW02	Reduction of 0.50 Traffic control Engineer (Salary & Benefits, IT replacement costs)	(57,538)	(59,281)	(116,819)	(0.50)	Elimination of Neighborhood Traffic Control Program.
BRPW03	Reduction of 0.50 Engineering Program Assistant (Salary & Benefits)	(22,493)	(23,771)	(46,264)	(0.50)	
Subtotal Public Works		(123,947)	(128,260)	(252,207)	(1.35)	
Finance						
BRFA01	Reduce miscellaneous administrative costs	\$ (5,525)	\$ (7,825)	\$ (13,350)		Reductions include: overtime for Admin Assistant, dept. travel & training, printing costs, meeting supplies, furniture replacement, etc. (Portion of armored car expenses moved to utilities).
BRFA02	Reduce Budget Analyst position to 0.8 FTE (Salaries & Benefits), travel & training.	\$ (21,466)	\$ (23,151)	\$ (44,617)	(0.20)	Reduce FMR content, reduce detail of sales tax reporting, discontinue GFOA budget award and remove budget sections only required for award qualification.
BRFA03	Reduce front desk position to 0.5 FTE (Salaries & Benefits), Reduce misc. office supplies & printing costs.	\$ (20,729)	\$ (21,399)	\$ (42,128)	(0.25)	Reduce passport acceptance hours to 4 hours/day from current 7 hrs/day. Reduced service level to public, increased work for all main street staff - phones and walk up customers.
BRFA03	Eliminate 0.25 Park Smart Program (Salaries & Benefits).	\$ (20,090)	\$ (20,802)	\$ (40,892)	(0.25)	Eliminate Park Smart program and F&A administrative role in any replacement.
BRFA04	Eliminate 0.5 ASA IV FTE (Salaries & Benefits),	\$ (38,074)	\$ (40,777)	\$ (78,851)	(0.50)	Elimination of 0.5 ASA IV: Reduced capacity and backup to process payroll changes, will result in delays in contract implementation/retro's and eliminate flexibility to process transactions after set deadlines. RECOMMENDATION WOULD BE TO BRIDGE POSITION UNTIL INDIVIDUAL CAN FILL SAME RESOURCE ADD FOR ANNEXATION SCHEDULED FOR JUNE 2011.
BRFA04	Reduce Senior Accounting Associate to 0.75 FTE (Salaries & Benefits), reduce travel & training.	\$ (22,736)	\$ (24,385)	\$ (47,121)	(0.25)	Senior Accounting Assoc. reduction will require department to reprioritize work. RECOMMEND BRINGING POSITION BACK TO FULL-TIME TO MEET ACCOUNTING REQUIREMENTS FOR SELF-INSURED MEDICAL (INCL. IN PROGRAM FUNDING)
BRFA05	Reduce Buyer position to 0.8 FTE (Salaries & Benefits), printing, travel & training. Eliminate overtime.	\$ (18,883)	\$ (20,497)	\$ (39,380)	(0.20)	Eliminate support of SPP by purchasing agent to provide capacity, assistance in obtaining quotes will revert back to departments. SOME ONE-TIME ANNEXATION FUNDING COULD BE USED FOR SHORT-TERM BACKFILL.
BRFA06	Records - Reduce office supplies, professional services, advertising & election costs.	\$ (16,600)	\$ (8,600)	\$ (25,200)		Eliminate NIGP 2012 Nat'l Forum. Records - Reduce 2011-12 Hearing Examiner Services, Legal Publications & notices. Reduce election costs based on range provided from King County.
BRFA07	Mail Services - Reduce Operating supplies	\$ (1,500)	\$ (1,500)	\$ (3,000)		Mail Svcs. - Reduce 2011-12 budget from 5,000 to 2,000. Based on 2009-2010 actuals.
Subtotal Finance		(165,603)	(168,936)	(334,539)	(1.65)	

**City of Kirkland
2011-2012 Budget
Service Level/Expenditure Reductions**

City Manager Recommendations						
Package Number	Brief Description of Reduction	2011	2012	2011-12 Total	FTE Reduction if Any	Brief Explanation of Impact of Reduction on Service Level/Annexation Backfill Potential
Planning						
BRPL01	Eliminate senior planner position Salary & Benefits	(118,512)	(122,074)	(240,586)	(1.00)	Reduce neighborhood plan updates.
BRPL02	IT Replacement Charges	(290)	(290)	(580)	0.00	Eliminate computer replacement charges associated with senior planner position reduction.
BRPL03	Ongoing Neighborhood Plans and Zoning Amendments	(18,000)	(18,000)	(36,000)	0.00	Eliminate professional services for neighborhood plans.
BRPL04	Reduce departmental printing	(1,350)	(1,350)	(2,700)	0.00	Reduce printing related to neighborhood plan updates.
BRPL05	Reduce departmental office supplies	(1,000)	(1,000)	(2,000)	0.00	Reduce departmental office supplies
	Subtotal Planning	(139,152)	(142,714)	(281,866)	(1.00)	
Police						
BRPD01	Eliminate the ProAct Unit which consists of 5 FTE's. The ProAct Support position will be reassigned to Records and the three officers will be reassigned to Patrol. The Sergeant position will be eliminated.	(425,053)	(454,273)	(879,326)	(4.00)	Reduction will result in fewer targeted investigations, fewer recovered stolen vehicles, less recovered stolen property, increased criminal activity with fewer criminals apprehended, increased downtown concerns with Peter Kirk Park and juveniles, slower response times by Patrol to other calls for service because of increased activity and concerns.
BRPD02	Eliminate the Police Hourly position in 2011 only.	(70,974)	0	(70,974)	0.00	The position will be fully eliminated in 2012 to fund a Service Package request.
BRPD03	Promotion of one Corporal for Annexation was scheduled in 2010, with three additional Corporal promotions scheduled for 2011.	(90,242)	(99,504)	(189,746)	(1.00)	The first annexation Corporal was originally scheduled to be promoted in March 2010; however, that promotion was subsequently changed to September 2010. This Corporal was to be used to assist in the hiring, testing, scheduling, and outfitting the 26 new officers being hired in 2010 for annexation. Currently, this work is being performed by the Administrative Corporal who is also doing his non-annexation duties (double duty). The reduction of this position lowers the number of officers for annexation by one on June 1, 2011 and reduces the number of first line supervisors in the annexation Patrol squads. The reduction of this position has the potential to create overtime (backfill) dependent on our success level with having sufficient officers trained (street ready) by June 1, 2011.
BRPD04	One Corrections position was left vacant in 2010 for 3.4% concessions; this will eliminate that position permanently.	(73,708)	(78,595)	(152,303)	(1.00)	Reduced staffing contradicts the 2008 consultant study and LEMAP report which indicate increased staffing is needed to provide adequate coverage and reduce liability exposure. Some functions such as booking and transport will necessitate the utilization of police officers to perform corrections functions, which will make them unavailable for calls for service.
BRPD05	Reduction of the Patrol uniform budget	(12,891)	(12,891)	(25,782)	0.00	Postpone replacement of worn-out uniforms
BRPD06	Reduction of the inmate housing budget beginning in 2012	0	(18,291)	(18,291)	0.00	
	Subtotal Police	(672,868)	(663,554)	(1,336,422)	(6.00)	
Fire						
BRFB01	Rolling "brown outs" of units and/or stations 1st quarter	(180,195)	(180,195)	(360,390)	0.00	Lower the level of service by increased response times
BRFB02	Rolling "brown outs" of units and/or stations 2nd quarter	(193,478)	(192,738)	(386,215)	0.00	Lower the level of service by increased response times
BRFB03	Rolling "brown outs" of units and/or stations 3rd quarter	(194,942)	(194,204)	(389,145)	0.00	Lower the level of service by increased response times
BRFB04	Rolling "brown outs" of units and/or stations 4th quarter	(193,380)	(193,380)	(386,760)	0.00	
BRFB05	Eliminate CEIS position (salaries & benefits)	(46,687)	(48,165)	(94,852)	(0.45)	
	Subtotal Fire	(808,681)	(808,681)	(1,617,362)	(0.45)	

**City of Kirkland
2011-2012 Budget
Service Level/Expenditure Reductions**

Package Number	Brief Description of Reduction	City Manager Recommendations				Brief Explanation of Impact of Reduction on Service Level/ Annexation Backfill Potential
		2011	2012	2011-12 Total	FTE Reduction if Any	
Non-Departmental						
BRND01	Reduce Employee Transportation Program costs	(10,000)	(10,000)	(20,000)	0.00	Decline in employee participation in program due to loss of bus pass. (from 30,000/yr to 20,000/yr)
BRND02	Reduce copy room office supplies	(300)	(300)	(600)	0.00	Reduce based on actuals (from 1,500/yr to 1,200/yr)
BRND03	Reduce copy paper for entire city	(2,050)	(2,050)	(4,100)	0.00	Based on actuals, conservation efforts by staff (from 26,100/yr to 24,050/yr)
BRND04	Reduce purchase of equip. for copy room/council chambers	(650)	(650)	(1,300)	0.00	Based on actuals 2007-2010 (from 750/yr to 100/yr)
BRND05	Reduce misc. office equipment/furniture replacement	(5,750)	(5,750)	(11,500)	0.00	Based on actuals 2008-2010 (from 6,250/yr to 500/yr)
BRND06	Reduce city-wide postage costs	(9,000)	(9,000)	(18,000)	0.00	Estimate included annexation costs (from 84,000/yr to 75,000/yr)
BRND07	Reduce copier charges	(700)	(700)	(1,400)	0.00	Based on actuals, conservation efforts by staff (from 5,500/yr to 4,800/yr)
BRND08	Reduce city-wide printing costs	(5,062)	(5,062)	(10,124)	0.00	Based on actuals/estimate from 2010 per City Buyer (from 15,062/yr to 10,000/yr)
	Subtotal Non-Departmental	(33,512)	(33,512)	(67,024)	0.00	
Total General Fund		(2,500,585)	(2,511,770)	(5,012,355)	(13.23)	
Other Operating Funds						
Streets						
BRST01	Reduce Operating Supplies, Material Inventory, small tools & utility services - waste disposal.	(54,500)	(54,500)	(109,000)	0.00	
BRST02	Operating supplies & small tools	(4,500)	(4,500)	(9,000)	0.00	
BRST03	Operating Supplies, Material Inventory & Utility Services - power costs	(28,000)	(28,000)	(56,000)	0.00	
BRST04	Repairs & Maintenance, Utility Services- power costs	(8,800)	(11,700)	(20,500)	0.00	
BRST05	Repairs and Maintenance- Annual CBD Spring Cleaning	(8,500)	(8,500)	(17,000)	0.00	
BRST06	Office Supplies, operating supplies, material inventory & small tools.	(7,500)	(7,500)	(15,000)	0.00	
BRST07	Small Tools	(1,500)	(1,500)	(3,000)	0.00	
BRST08	Operating Supplies, small tools, utility services - irrigation, repairs & maintenance.	(10,500)	(10,500)	(21,000)	0.00	
BRST09	Small Tools, General Admin (salary & benefits)	(72,120)	(75,047)	(147,167)	(0.90)	Salary and benefits per least senior Utility person position
	Subtotal Streets	(195,920)	(201,747)	(397,667)	(0.90)	
Parks Maintenance						
BRPM01	Salary & Benefits (1 Groundsperson)	(43,892)	(80,707)	(124,599)	(1.00)	
	Subtotal Parks Maintenance	(43,892)	(80,707)	(124,599)	(1.00)	
Fleet						
BRFL01	Reduction to Vehicle Replacement Reserve Charges	(79,512)	(79,512)	(159,024)	0.00	Delay of some vehicle purchases; higher maintenance costs
BRFL02	Reduction of Tech Position - Salary & Benefits	(84,018)	(88,565)	(172,583)	(1.00)	Increased downtime for vehicle maintenance and repair
	Subtotal Fleet	(163,530)	(168,077)	(331,607)	(1.00)	

**City of Kirkland
2011-2012 Budget
Service Level/Expenditure Reductions**

Package Number	Brief Description of Reduction	City Manager Recommendations					Brief Explanation of Impact of Reduction on Service Level/ Annexation Backfill Potential
		2011	2012	2011-12 Total	FTE Reduction if Any		
<i>Information Technology</i>							
BRIT01	Staff training materials	(500)	(500)	(1,000)	0.00		
BRIT02	Network cabling supplies	(400)	(400)	(800)	0.00		
BRIT03	Network station cables	(700)	(700)	(1,400)	0.00		
BRIT04	Training supplies for classes taught by IT staff	(500)	(500)	(1,000)	0.00		
BRIT05	Misc. network equipment	(400)	(400)	(800)	0.00		
BRIT06	Spare telephone sets	(745)	(745)	(1,490)	0.00		
BRIT07	One-time expenditure savings on pcs	(20,127)	(20,127)	(40,254)	0.00		
BRIT08	On-going rate reductions for lower spec pcs	(27,279)	(27,279)	(54,558)	0.00		
BRIT09	Network cable installation	(3,800)	(3,800)	(7,600)	0.00		
BRIT10	Telecommunications consulting	(7,000)	(7,000)	(14,000)	0.00		
BRIT11	Special network services	(2,000)	(2,000)	(4,000)	0.00		
BRIT12	Software training for staff	(2,000)	(3,000)	(5,000)	0.00		
BRIT13	Special vendor support	(500)	(500)	(1,000)	0.00		
BRIT14	ESRI special programming for GIS	(7,000)	(7,000)	(14,000)	0.00		
BRIT15	Spring & Fall ACCIS meetings	(500)	(500)	(1,000)	0.00		
BRIT16	Technical training for staff	(1,100)	(1,150)	(2,250)	0.00		
BRIT17	TRIM & Class training	(500)	(500)	(1,000)	0.00		
BRIT18	PC hardware coverage & repairs	(700)	(700)	(1,400)	0.00		
BRIT19	Microsoft product support	(1,250)	(1,250)	(2,500)	0.00		
BRIT20	Microsoft Technet	(750)	(750)	(1,500)	0.00		
BRIT21	Clientale Help Desk software maintenance	(29,823)	(29,823)	(59,646)	0.00		
BRIT22	General printer maintenance	(700)	(700)	(1,400)	0.00		
BRIT23	Symantec Ghost image software backup	(800)	(800)	(1,600)	0.00		
BRIT24	Fiber optic network	(500)	(500)	(1,000)	0.00		
BRIT25	Shared plotter maintenance	(1,900)	(1,900)	(3,800)	0.00		
BRIT26	IFAS disaster recovery	(36,054)	(36,054)	(72,108)	0.00		
BRIT27	Fire RMS support	0	(9,180)	(9,180)	0.00		
BRIT28	Map cutter maintenance	(500)	(500)	(1,000)	0.00		
BRIT29	Parks Class upgrade	0	(3,400)	(3,400)	0.00		
BRIT30	Move IFAS from Informix to SQL database	(14,693)	(12,471)	(27,164)	0.00		
BRIT31	Shared copiers, cut from 3 machines to 2	(12,000)	(12,000)	(24,000)	0.00		
BRIT32	Network training	(800)	(800)	(1,600)	0.00		
BRIT33	Database administrator training	(500)	(500)	(1,000)	0.00		
BRIT34	Web design training	(250)	(250)	(500)	0.00		
BRIT35	Misc. printing	(100)	(100)	(200)	0.00		
Subtotal Information Technology		(176,371)	(187,779)	(364,150)	0.00		
Total Other Operating Funds		(579,713)	(638,310)	(1,218,023)	(2.90)		
Total Operating Funds		(3,080,298)	(3,150,080)	(6,230,378)	(16.13)		

**City of Kirkland
2011-2012 Budget
Changes from Preliminary to Final General Fund Budget**

Item	Amount
Preliminary 2011-2012 Budget - General Fund	153,294,091
Council Directed Changes to Preliminary Budget:	
Human Services One-Time Funding in 2011	117,656
Lifeguards One-Time Funding in 2011	32,000
Reduction of Voluntary Separation Incentive Program Reserve to fund above	(134,701)
Increase Neighborhood Matching Grants (increase of \$6,545 per year)	13,090
Purchase Insurance for neighborhood events (\$3,500 per year)	7,000
Unallocated Neighborhood Connections Program balance (2012)	14,955
Fire Overtime: Bridge funding for first quarter 2011 rolling brownouts (line item - no change in appropriation)	0
Chamber of Commerce & Eastside Transportation Partnership Dues	2,000
Liquor Profits Set-Aside in Public Safety Reserve	731,210
Annexation Area Liquor Profits reimbursing pre-annexation costs	353,982
Other Changes to Preliminary Budget:	
Public Safety Building Debt Service:	
Current City Share	1,163,529
Annexation Area Share (Sales Tax Credit)	1,658,482
State Sales Tax Credit reimbursement of pre-annexation costs	2,324,575
Remove ARCH Trust Reserves (sent to Bellevue in 2010)	(893,635)
Adjustment to CIP transfer for Interest Backfill	(200,000)
Net Miscellaneous Adjustments	(15,676)
Total Changes to General Fund from Preliminary to Final Budget	5,174,467
Final 2011-2012 Budget - General Fund	158,468,558



**City of Kirkland
2011-2012 Budget
Service Package Requests**

Pkg. #		2011-12 Department Request				2011-12 City Manager Recommended			
		FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total
GENERAL FUND									
City Council									
010CC01	Community Survey	-	-	30,000	30,000	-	-	30,000	30,000
010CC02	Budget Task Force Support	-	-	25,000	25,000	-	-	25,000	25,000
Subtotal City Council		-	-	55,000	55,000	-	-	55,000	55,000
City Manager									
010CM01	Judicial Support Associate II	1.00	147,218	-	147,218	1.00	147,218	-	147,218
010CM02	State Legislative Advocate Services	-	-	54,000	54,000	-	-	54,000	54,000
Subtotal City Manager		1.00	147,218	54,000	201,218	1.00	147,218	54,000	201,218
Human Resources									
010ND03	Self Insurance Staffing^	0.70	147,460	3,716	151,176	0.70	146,646	4,091	150,737
Subtotal Human Resources		0.70	147,460	3,716	151,176	0.70	146,646	4,091	150,737
Finance & Administration									
010ND03	Self Insurance Staffing^	0.25	44,620	-	44,620	0.25	44,620	-	44,620
010ND04	Annexation Bridge Funding (ASA IV)^	-	-	15,666	15,666	-	-	15,666	15,666
Subtotal Finance & Administration		0.25	44,620	15,666	60,286	0.25	44,620	15,666	60,286
Planning & Community Development									
010PL01	ARCH Housing Trust Fund	-	-	432,000	432,000	-	-	432,000	432,000
Subtotal Planning & Community Development		-	-	432,000	432,000	-	-	432,000	432,000
Police									
010PD01	Parking Enforcement Technology	0.50	77,383	102,388	179,771	0.50	77,383	102,389	179,772
010PD02	Police Financial Analyst	0.75	89,898	9,629	99,527	0.75	89,898	9,629	99,527
010PD03	Municipal Court Security	-	55,078	-	55,078	-	-	55,078	55,078
010PD04	Portable Radio Replacements	-	-	35,000	35,000	-	-	35,000	35,000
Subtotal Police		1.25	222,359	147,017	369,376	1.25	167,281	202,096	369,377
Fire & Building									
010FB01	Emergency Preparedness Coordinator	1.00	230,265	-	230,265	-	-	-	-
010FB02	Personal Protective Equipment (PPE)	-	215,204	92,382	307,586	-	-	98,382	98,382
010FB03	Portable Radio Replacements	-	-	343,963	343,963	-	-	343,963	343,963
Subtotal Fire & Building		1.00	445,469	436,345	881,814	-	-	442,345	442,345
GENERAL FUND TOTAL		4.20	1,007,126	1,143,744	2,150,870	3.20	505,765	1,205,198	1,710,963
OTHER FUNDS									
Street Operating Fund									
117PW01	Retro-Reflective Sign Program	-	-	20,000	20,000	-	-	-	-
117PW02	Milling Machine O&M	-	92,011	-	92,011	-	-	-	-
010ND04	Annexation Bridge Funding (Graffiti Specialist)^	-	-	69,587	69,587	-	-	69,587	69,587
Subtotal Street Operating Fund		-	92,011	89,587	181,598	-	-	69,587	69,587
Parks Maintenance Fund									
010ND04	Annexation Bridge Funding (Groundsperson)^	-	-	31,169	31,169	-	-	31,327	31,327
Subtotal Surface Water Management Fund		-	-	31,169	31,169	-	-	31,327	31,327
Information Technology Fund									
522IT01	GIS Analyst 0.25 FTE	-	14,868	-	14,868	-	-	14,868	14,868
522IT02	Help Desk Technician 0.25 FTE	-	12,827	-	12,827	-	-	12,827	12,827
522IT03	Web Assistant 0.75 FTE	0.75	135,241	-	135,241	0.75	135,241	-	135,241
522IT04	Copier Replacement	-	-	69,170	69,170	-	-	69,170	69,170
Subtotal Information Technology Fund		0.75	162,936	69,170	232,106	0.75	135,241	96,865	232,106
Surface Water Fund									
421PW01	Utility Truck Upgrade	-	9,712	27,299	37,011	-	9,712	27,299	37,011
Subtotal Facilities Maintenance Fund		-	9,712	27,299	37,011	-	9,712	27,299	37,011
TOTAL OTHER FUNDS		0.75	264,659	217,225	481,884	0.75	144,953	225,078	370,031
TOTAL ALL FUNDS		4.95	1,271,785	1,360,969	2,632,754	3.95	650,718	1,430,276	2,080,994

^ Self Insurance Staffing - Service Package includes funding for positions in Human Resources and Finance Departments

^^ Annexation Bridge Funding - Service Package includes one-time funding for Finance Department, Street Fund and Parks Maintenance Fund



City of Kirkland
2011-2012 Budget
Annexation Service Package Requests

Pkg. #		2011-12 Department Request				2011-12 City Manager Recommended			
		FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total
GENERAL FUND									
Nondepartmental									
010ND01A	Intergovernmental Professional Services	-	35,000	-	35,000	-	35,000	-	35,000
010ND02A	Internal Rates - Annexation	-	1,970,221	1,012,218	2,982,439	-	1,970,221	1,012,218	2,982,439
Subtotal Nondepartmental		-	2,005,221	1,012,218	3,017,439	-	2,005,221	1,012,218	3,017,439
City Council									
010CC01A	Council Dues	-	76,530	-	76,530	-	76,530	-	76,530
Subtotal City Council		-	76,530	-	76,530	-	76,530	-	76,530
City Manager									
010CM01A	Communications	-	6,200	5,950	12,150	-	6,200	5,950	12,150
010CM02A	Neighborhood Services Coordinator	0.50	62,441	-	62,441	0.50	62,441	-	62,441
010CM03A	Graduate Intern	-	30,812	2,475	33,287	-	30,812	2,475	33,287
010CM04A	Pre-Annexation General Support	-	-	15,024	15,024	-	-	15,024	15,024
010CM05A	Municipal Court Judicial Services	1.00	206,631	4,000	210,631	1.00	206,631	4,000	210,631
010CM06A	Municipal Court Services	5.50	575,811	17,500	593,311	4.50	434,974	16,000	450,974
010CM07A	Municipal Court Probation Services	2.00	243,409	9,000	252,409	2.00	243,409	9,000	252,409
010CM08A	Neighborhood Matching Grants	-	2,460	-	2,460	-	2,460	-	2,460
010CM09A	Neighborhood Council Meeting Mailings	-	-	10,500	10,500	-	-	10,500	10,500
Subtotal City Manager		9.00	1,127,764	64,449	1,192,213	8.00	986,927	62,949	1,049,876
Human Resources									
010HR01A	Organizational Impacts	-	67,120	343	67,463	-	67,120	343	67,463
Subtotal Human Resources		-	67,120	343	67,463	-	67,120	343	67,463
City Attorney's Office									
010CA01A	Legal Services	-	551,700	-	551,700	-	551,700	-	551,700
Subtotal City Attorney's Office		-	551,700	-	551,700	-	551,700	-	551,700
Parks & Community Services									
010PK01A	Parks Maintenance	3.75	503,425	395,592	899,017	3.75	503,425	395,592	899,017
010PK02A	Parks & Recreation (PROS) Plan Update	-	-	100,000	100,000	-	-	100,000	100,000
010PK03A	Human Services	0.13	326,701	77,064	403,765	-	197,463	-	197,463
010PK04A	Recreation	1.50	231,297	9,388	240,685	1.00	193,566	9,388	202,954
Subtotal Parks & Community Services		5.38	1,061,423	582,044	1,643,467	4.75	894,454	504,980	1,399,434
Public Works									
010PW01A	Development Engineering Staffing	2.00	273,661	44,876	318,537	2.00	273,661	44,876	318,537
010PW03A	Accident System Update	-	-	2,000	2,000	-	-	2,000	2,000
010PW04A	Traffic Counts	-	15,000	-	15,000	-	15,000	-	15,000
010PW05A	BKR Model Update	-	-	30,000	30,000	-	-	30,000	30,000
010PW06A	Capital Projects Engineering Staff	1.70	193,200	40,179	233,379	1.70	193,200	40,179	233,379
010PW07A	GIS Analyst	0.50	76,089	7,437	83,526	0.50	76,089	7,437	83,526
Subtotal Public Works		4.20	557,950	124,492	682,442	4.20	557,950	124,492	682,442
Finance & Administration									
010FA01A	Lockbox Services	-	48,000	-	48,000	-	48,000	-	48,000
010FA02A	Accounting Associate IV	0.50	63,879	-	63,879	0.50	63,879	-	63,879
010FA03A	City Clerk Support	0.25	21,150	-	21,150	0.25	21,150	-	21,150
010FA04A	Business License/False Alarm Program Staffing	0.25	50,422	-	50,422	0.25	50,422	-	50,422
010FA05A	Audit Costs	-	25,000	-	25,000	-	25,000	-	25,000
010FA06A	Purchasing/Mail Backfill Overtime	-	6,409	5,965	12,374	-	-	5,965	5,965
010FA07A	Election Cost Increase	-	100,000	-	100,000	-	100,000	-	100,000
Subtotal Finance & Administration		1.00	314,860	5,965	320,825	1.00	308,451	5,965	314,416
Planning & Community Development									
010PL01A	Planner/Office Technician Area 2	1.00	124,742	-	124,742	1.00	124,742	-	124,742
010PL02A	Office Specialist Area 1	1.00	79,272	-	79,272	1.00	79,272	-	79,272
010PL03A	Urban Forester Area 2	0.50	59,299	14,000	73,299	0.50	59,299	14,000	73,299
010PL04A	Code Enforcement Officer Area 2	0.50	74,281	-	74,281	0.50	74,281	-	74,281
010PL05A	Development Review Manager Area 2	0.40	57,500	-	57,500	0.40	57,500	-	57,500
010PL06A	Senior Planners Area 3	1.90	349,183	(11,214)	337,969	1.90	349,183	(11,214)	337,969
010PL08A	Annexation Census Area 3	-	-	225,000	225,000	-	-	225,000	225,000
010PL09A	ARCH Area 3	-	65,000	150,000	215,000	-	65,000	75,000	140,000
Subtotal Planning & Community Development		5.30	809,277	377,786	1,187,063	5.30	809,277	302,786	1,112,063

City of Kirkland
2011-2012 Budget
Annexation Service Package Requests

Pkg. #		2011-12 Department Request				2011-12 City Manager Recommended			
		FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total
Police									
010PD01A	Ongoing Costs for Officers Hired in 2010	-	514,124	-	514,124	-	514,124	-	514,124
010PD02A	Police Officers	11.00	2,114,709	165,750	2,280,459	11.00	2,114,709	165,750	2,280,459
010PD03A	Patrol Vehicles	-	16,269	526,125	542,394	-	16,269	526,125	542,394
010PD04A	Patrol Supervision	-	154,972	-	154,972	-	154,972	-	154,972
010PD05A	Lieutenant - Command Staff	-	71,065	73,471	144,536	-	71,065	73,471	144,536
010PD06A	Investigations Personnel	-	40,547	228,083	268,630	-	40,547	228,083	268,630
010PD07A	Traffic Officers	-	17,018	238,425	255,443	-	17,018	238,425	255,443
010PD08A	K-9 Officer	-	6,383	97,135	103,518	-	6,383	97,135	103,518
010PD09A	Records Personnel	3.00	410,006	16,300	426,306	3.00	410,006	16,300	426,306
010PD10A	Corrections Personnel and Vehicle	3.00	395,621	160,325	555,946	3.00	395,621	160,325	555,946
010PD11A	Evidence & Support Staff	2.00	182,567	25,587	208,154	2.00	182,567	25,587	208,154
010PD12A	Narcotics Task Force Detective	-	6,710	350	7,060	-	6,710	350	7,060
010PD13A	Inmate Costs	-	1,090,134	-	1,090,134	-	1,090,134	-	1,090,134
010PD14A	Supplies & Services	-	68,985	-	68,985	-	68,985	-	68,985
010PD15A	Marine Patrol Services	-	73,000	-	73,000	-	73,000	-	73,000
010PD16A	NORCOM - Police	-	994,898	-	994,898	-	994,898	-	994,898
Subtotal Police		19.00	6,157,008	1,531,551	7,688,559	19.00	6,157,008	1,531,551	7,688,559
Fire & Building									
010FB01A	Building Services	3.00	455,775	-	455,775	3.00	455,775	-	455,775
010FB02A	9 Firefighters and Aid Car for Kingsgate Area	9.00	2,095,456	418,463	2,513,919	9.00	2,095,456	418,463	2,513,919
010FB03A	Assistant Fire Marshall/Investigator	1.00	243,698	45,016	288,714	1.00	243,698	45,016	288,714
010FB04A	Fire Office Technician	0.50	55,386	4,920	60,306	0.50	55,386	4,920	60,306
010FB05A	NORCOM - Fire	-	38,799	-	38,799	-	38,799	-	38,799
Subtotal Fire & Building		13.50	2,889,114	468,399	3,357,513	13.50	2,889,114	468,399	3,357,513
GENERAL FUND TOTAL		57.38	15,617,967	4,167,247	19,785,214	55.75	15,303,752	4,013,683	19,317,435

**City of Kirkland
2011-2012 Budget
Annexation Service Package Requests**

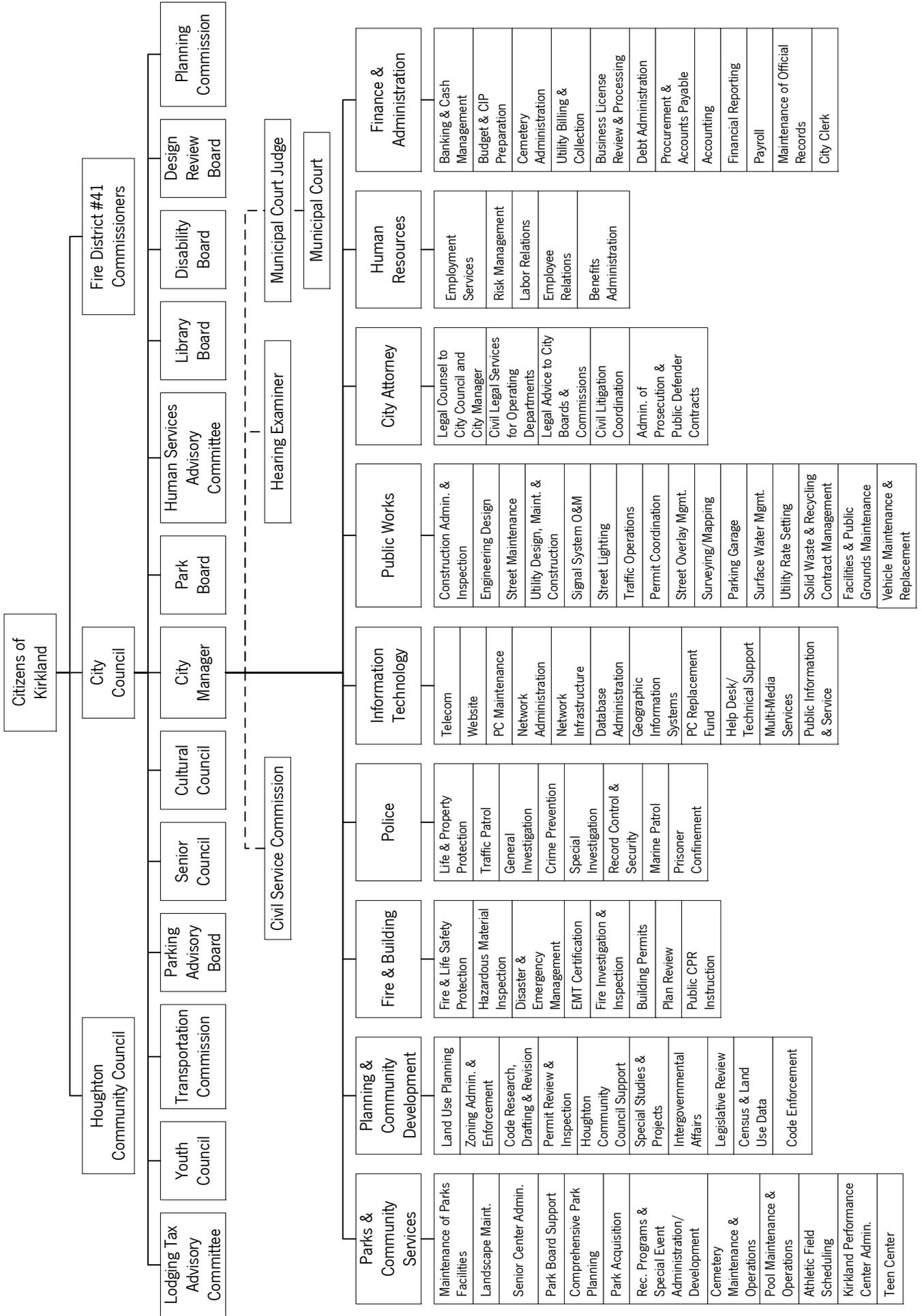
Pkg. #		2011-12 Department Request				2011-12 City Manager Recommended			
		FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total
OTHER FUNDS									
Street Operating Fund									
117PW01A	Grounds Field Crew	1.00	96,070	54,000	150,070	1.00	96,070	54,000	150,070
117PW02A	Utility Person - Signal Shop	1.00	373,329	60,652	433,981	1.00	373,329	60,652	433,981
117PW03A	Utility Person - Graffiti Tech	1.00	73,250	39,694	112,944	1.00	73,250	39,694	112,944
117PW04A	Utility Craftperson - Locator	1.00	128,385	39,042	167,427	1.00	128,386	39,042	167,428
117PW05A	Senior Maintenance Person	1.00	177,214	192,750	369,964	1.00	177,214	192,750	369,964
117PW06A	Field Crew	2.00	387,139	489,208	876,347	2.00	387,139	489,208	876,347
117PW07A	Utility Person - Maintenance Center Yard	1.00	126,873	32,000	158,873	1.00	126,873	32,000	158,873
117PW08A	Annexation Area/NE 124th St. ITS Traffic Signal Oper.	-	23,750	-	23,750	-	23,750	-	23,750
Subtotal Street Operating Fund		8.00	1,386,010	907,346	2,293,356	8.00	1,386,011	907,346	2,293,357
Surface Water Management Fund									
421PW01A	Field Arborist	0.50	68,680	5,152	73,832	0.50	68,680	5,152	73,832
421PW02A	Surface Water Engineering/Outreach Staffing	2.50	499,547	70,402	569,949	2.50	499,547	70,402	569,949
421PW03A	Surface Water O&M Staffing	5.00	828,346	774,926	1,603,272	5.00	828,346	774,926	1,603,272
Subtotal Surface Water Management Fund		8.00	1,396,573	850,480	2,247,053	8.00	1,396,573	850,480	2,247,053
Solid Waste Fund									
431PW01A	Solid Waste Staffing	1.50	340,743	18,920	359,663	1.50	340,743	18,920	359,663
431PW02A	Solid Waste Non-Personnel Costs	-	11,477,000	-	11,477,000	-	11,477,000	-	11,477,000
421PW03A	Utility Billing - Garbage	1.00	202,607	24,681	227,288	1.00	202,607	24,681	227,288
Subtotal Solid Waste Fund		2.50	12,020,350	43,601	12,063,951	2.50	12,020,350	43,601	12,063,951
Equipment Rental Fund*									
521PW01A	Fleet Emergency Vehicle Technicians	2.00	263,816	11,520	275,336	2.00	263,816	11,520	275,336
Subtotal Equipment Rental Fund		2.00	263,816	11,520	275,336	2.00	263,816	11,520	275,336
Information Technology Fund*									
522IT01A	Web Production Assistant	0.25	25,149	-	25,149	0.25	25,149	-	25,149
522IT02A	GIS Analyst 0.25	0.25	42,214	-	42,214	0.25	42,214	-	42,214
522IT03A	Applications Manager	1.00	208,888	5,731	214,619	1.00	208,888	5,731	214,619
522IT04A	Help Desk Lead	1.00	170,273	3,038	173,311	1.00	170,273	3,038	173,311
522IT05A	GIS Analyst	1.00	98,785	5,434	104,219	1.00	98,785	5,434	104,219
522IT06A	Help Desk Technician 0.25	0.25	37,498	-	37,498	0.25	37,498	-	37,498
522IT07A	Applications/Network Software & Hardware	-	174,055	569,584	743,639	-	174,055	569,584	743,639
522IT08A	GIS Data Development	-	-	337,900	337,900	-	-	337,900	337,900
Subtotal Information Technology Fund		3.75	756,862	921,687	1,678,549	3.75	756,862	921,687	1,678,549
Facilities Maintenance Fund*									
527PW01A	Facilities Life Cycle & Rate Model Update	-	-	25,000	25,000	-	-	25,000	25,000
527PW02A	Maintenance Center O&M	-	79,436	-	79,436	-	79,436	-	79,436
527PW03A	Municipal Court O&M	-	81,040	-	81,040	-	81,040	-	81,040
527PW04A	City Hall Facilities O&M	-	220,290	-	220,290	-	220,290	-	220,290
527PW05A	Facilities Staffing	0.50	76,513	-	76,513	0.50	76,513	-	76,513
Subtotal Facilities Maintenance Fund		0.50	457,279	25,000	482,279	0.50	457,279	25,000	482,279
TOTAL OTHER FUNDS		24.75	16,280,890	2,759,634	19,040,524	24.75	16,280,891	2,759,634	19,040,525
TOTAL ALL FUNDS		82.13	31,898,857	6,926,881	38,825,738	80.50	31,584,643	6,773,317	38,357,960



KIRKLAND PROFILE



CITY OF KIRKLAND





CITY OF KIRKLAND CITY COUNCIL GOALS

The purpose of the City Council Goals is to articulate key policy and service priorities for Kirkland. Council goals guide the allocation of resources through the budget and capital improvement program to assure that organizational work plans and projects are developed that incrementally move the community towards the stated goals. Council goals are long term in nature. The City's ability to make progress towards their achievement is based on the availability of resources at any given time. Implicit in the allocation of resources is the need to balance levels of taxation and community impacts with service demands and the achievement of goals.

In addition to the Council goal statements, there are operational values that guide how the City organization works toward goal achievement:

- **Regional Partnerships** – Kirkland encourages and participates in regional approaches to service delivery to the extent that a regional model produces efficiencies and cost savings, improves customer service and furthers Kirkland's interests beyond our boundaries.
- **Efficiency** – Kirkland is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment. We believe that a culture of continuous improvement is fundamental to our responsibility as good stewards of public funds.
- **Accountability** – The City of Kirkland is accountable to the community for the achievement of goals. To that end, meaningful performance measures will be developed for each goal area to track our progress toward the stated goals. Performance measures will be both quantitative and qualitative with a focus on outcomes. The City will continue to conduct a statistically valid citizen survey every two years to gather qualitative data about the citizen's level of satisfaction. An annual Performance Measure Report will be prepared for the public to report on our progress.
- **Community** – The City of Kirkland is one community composed of multiple neighborhoods. Achievement of Council goals will be respectful of neighborhood identity while supporting the needs and values of the community as a whole.

The City Council Goals are dynamic. They should be reviewed on an annual basis and updated or amended as needed to reflect citizen input as well as changes in the external environment and community demographics.

Kirkland is an attractive, vibrant and inviting place to live, work and visit. Our lakefront community is a destination for residents, employees and visitors. Kirkland is a community with a small-town feel, retaining its sense of history, while adjusting gracefully to changes in the twenty-first century.

NEIGHBORHOODS

The citizens of Kirkland experience a high quality of life in their neighborhoods.

Council Goal: Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure.

PUBLIC SAFETY

Ensure that all those who live, work and play in Kirkland are safe.

Council Goal: Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.

HUMAN SERVICES

Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.

Council Goal: To support a coordinated system of human services designed to meet the special needs of our community and remove barriers to opportunity.

BALANCED TRANSPORTATION

Kirkland values an integrated multi-modal system of transportation choices.

Council Goal: To reduce reliance on single occupancy vehicles.

PARKS, OPEN SPACES AND RECREATIONAL SERVICES

Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.

Council Goal: To provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well being of the community.

DIVERSE HOUSING

The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, sizes and affordability.

Goal: To ensure the construction and preservation of housing stock that meet a diverse range of incomes and needs.

FINANCIAL STABILITY

Citizens of Kirkland enjoy high-quality services that meet the community's priorities.

Council Goal: Provide a sustainable level of core services that are funded from predictable revenue.

ENVIRONMENT

We are committed to the protection of the natural environment through an integrated natural resource management system.

Council Goal: To protect our natural environment for current residents and future generations.

ECONOMIC DEVELOPMENT

Kirkland has a diverse, business-friendly economy that supports the community's needs.

Council Goal: To attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.

DEPENDABLE INFRASTRUCTURE

Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.

Council Goal: To maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

(Updated September 2009)

KIRKLAND'S CITY MANAGEMENT

City departments are involved in a number of long-range planning efforts to assure that community growth supports the balance of livability and prosperity. Financial planning occurs as an integral part of operating department initiatives. Examples of some of the more important planning tools that contribute to the City's financial strength are:

- **Fiscal Policies** which are adopted by the City Council and provide guidance in the areas of budgeting, capital improvements, reserves, debt, cash management and investments and financial reporting.
- **Investment Policies** that dictate the manner in which excess funds will be invested.
- The **Six-Year Capital Improvement Program (CIP)** which provides a long-term plan for building, enhancing, and maintaining the City's infrastructure. The CIP, which includes a financing plan and is adopted biennially, reflects other major capital plans including the Six-Year Transportation Improvement Plan, the Comprehensive Sanitary Sewer Plan, the Surface Water Management Master Plan, and the Water Distribution Master Plan.

Kirkland's Comprehensive Plan is updated annually. As required by the Growth Management Act (GMA), the 10 year major update process was completed in 2002 and 2003 to update Kirkland's vision statement and Comprehensive Plan.

Among the several elements included in the Comprehensive Plan as required by the GMA, a **Capital Facilities Element** is completed in coordination with the Six-Year CIP. A **Transportation Element** identifies needed transportation improvements, and an **Economic Development Element** was completed in 1998 that links community economic health with land use and growth policies.

Other master planning efforts, such as the **Fire Strategic Plan, Police Strategic Plan, Neighborhood Plans,** and **Kirkland's Comprehensive Park, Open Space and Recreation Plan** provide further examples of Kirkland's efforts to respond to the changing needs of the community through careful planning and community involvement.

The City's mission statement and basic values summarize the qualities that are an integral part of its management efforts:

We are committed to the enhancement of Kirkland as a community for living, working, and leisure with an excellent quality of life, which preserves the city's existing charm and natural amenities.

Basic Values

Integrity

Excellence

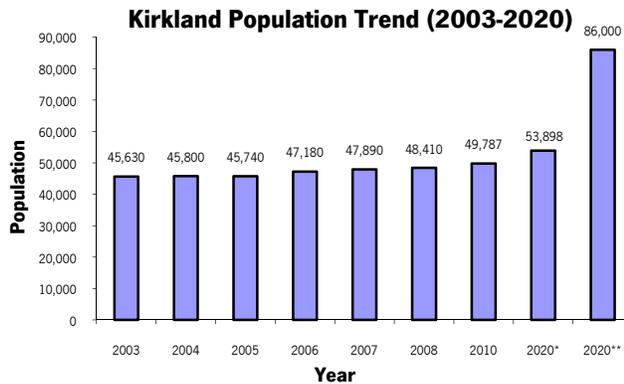
Respect for the Individual

Responsiveness

ECONOMIC ENVIRONMENT AND REVENUE TRENDS

POPULATION

Following the annexation of South Juanita, North Rose Hill and South Rose Hill in 1988, population growth has generally been modest, but steady. It increased moderately between 2008 and 2009. Future projections for growth do not show the annexation of Finn Hill, Kingsgate, and Juanita, which has a current population of 31,718. The following chart presents actual population data for the past seven years and projection for 2020.



*2020 Projection based on current City only
 **2020 Projection based on current City and Annexation Area

EMPLOYMENT BASE

A diverse range of businesses comprise Kirkland's employment base. Key factors contributing to Kirkland's attraction include the following:

- High quality of life, housing, and local amenities.
- Availability of high quality human resources.
- Proximity to other major business centers.
- Availability of high quality office space.

Approximately 26,500 individuals are employed within the City limits. The following table presents the City's top 10 employers as of 2010.

Kirkland's Major Employers

Employer	# Persons Employed
Evergreen Healthcare	2,603
Clearwire Legacy	593
City of Kirkland	581
Google, Inc.	468
Lake Washington School District	428
Wireless Data Services of N America, Inc.	413
Kenworth Truck Co.	394
WB Games, Inc.	305
Evergreen Pharmaceutical	269
IBM Corporation	258

UNEMPLOYMENT RATE

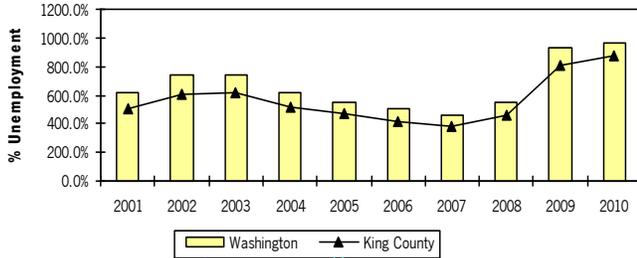
With the exception of 2001 through 2003, unemployment rates in King County generally run parallel to state and national rates but at a lower level. The last recession changed this trend in 2001 with the unemployment rate in King County surpassing the national unemployment rate until 2004. Since then, King County's unemployment rate has been consistently below the national rate, although beginning in the last quarter of 2008 it escalated in response to the current economic conditions. The following table and chart provide comparative unemployment rate data for the past 10 years.

Year	King County	Washington State	United States
2001	5.1	6.2	4.7
2002	6.1	7.4	5.8
2003	6.2	7.4	6
2004	5.2	6.2	5.5
2005	4.7	5.5	5.1
2006	4.1	5	4.6
2007	3.8	4.6	4.6
2008	4.6	5.5	5.8
2009	8.1	9.3	9.3
2010	8.8	9.6	9.6

Unemployment Rates¹

¹ The King County and Washington State rates are per the Washington State Employment Security Department. The U.S. rate is per the U.S. Bureau of Labor Statistics.

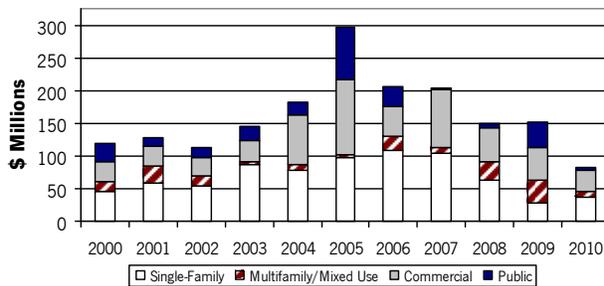
**Unemployment Rates
King County vs. Washington State (2000-2010)**



BUILDING ACTIVITY

Kirkland's local economy is, in many respects, a microcosm of the regional economy. The strong economy in the Puget Sound area beginning in 2004 is reflected in Kirkland's statistics for valuation of new construction (as shown in the following chart and table). Construction activity skyrocketed in 2005. Building permit valuation for 2006 and 2007 was down compared to 2005, but higher than historical trends. Activity in 2008 declined further compared to 2007 in response to local economic conditions. 2009 stayed equal to 2008 with change in the types of construction with the largest increase in the public sector. In 2010 we saw a decrease in building valuation for all sectors with the exception of single family which was only up slightly from 2009.

Permit Valuations (2000-2010)



Permit Valuations* (in 000's)

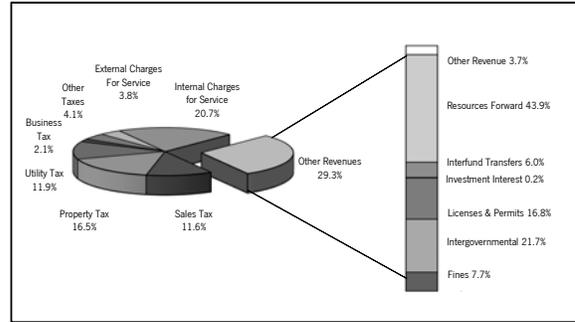
Year	Single Family	Multi-Family/ Mixed Use	Com- mercial	Public	Total
2000	45,732	13,919	31,928	27,401	118,980
2001	57,922	25,917	30,274	13,816	127,929
2002	55,190	14,095	28,518	15,720	113,523
2003	87,048	4,240	32,229	22,312	145,829
2004	77,401	9,774	75,076	19,451	181,702
2005	98,192	2,858	116,233	79,572	296,855
2006	108,539	22,001	44,367	31,008	205,915
2007	105,031	7,229	90,042	1,991	204,293
2008	63,229	27,793	52,221	6,622	149,865
2009	28,546	33,906	49,671	39,570	151,693
2010	36,883	9,200	30,911	4,989	81,983

* Based on building permits issued by the City of Kirkland Building Division.

GENERAL PURPOSE REVENUES

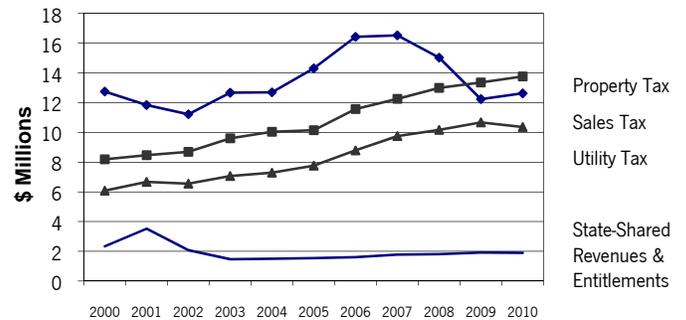
General purpose revenues can be used for any public purpose. In the General Fund, which accounts for most of the City's basic services, about 60 percent of the revenue received comes from taxes (see pie chart below).

2011-2012 Budgeted General Fund Revenue



Across all funds used to account for the City's operating activities, the four primary sources of general purpose revenue are sales tax, property tax, utility tax, and state-shared revenues and entitlements. Historical trends for these revenues over the past 10 years are displayed below.

Major Sources of General Purpose Revenue (2000-2010)



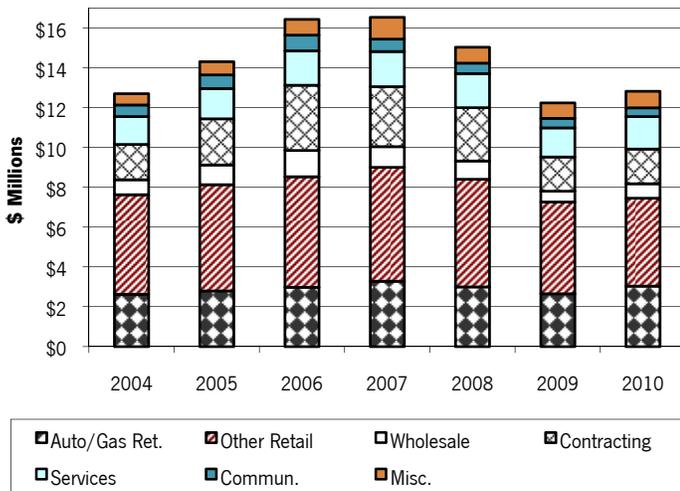
General Purpose Revenues (\$Millions)

The City's largest general purpose revenue source is property

Year	Sales Tax	Property Tax	Utility Tax	State Shared
2000	12.75	8.19	6.08	2.33
2001	11.84	8.47	6.65	2.05
2002	11.22	8.69	6.55	2.08
2003	12.67	9.60	7.06	1.47
2004	12.70	10.04	7.29	1.50
2005	14.31	10.16	7.76	1.54
2006	16.43	11.57	8.79	1.61
2007	16.53	12.26	9.75	1.78
2008	15.03	13.00	10.17	1.81
2009	12.24	13.36	10.67	1.92
2010	12.63	13.77	10.36	1.90

tax. For the period of 2004-2010, sales tax revenue generated by business sector is displayed in the following chart and tables.

Sales Tax Revenue by Business Sector



Bus. Sector	Percentage Change						
	03-04	04-05	05-06	06-07	07-08	08-09	09-10
Auto/Gas Retail	7.5%	2.8%	6.3%	10.2%	-8.7%	-14.0%	14.4%
Other Retail:							
Gen Merch/Misc	-6.6%	6.6%	6.7%	1.5%	-8.8%	-13.5%	-9.5%
Eating/Drinkng	7.6%	6.5%	3.9%	5.4%	-0.7%	-13.1%	-5.6%
All Other Retail	25.3%	13.3%	0.7%	-3.5%	-4.3%	-12.2%	4.1%
Other Retail Total	5.1%	8.7%	4.1%	0.8%	-5.5%	-38.8%	-11.0%
Wholesale	-41.3%	50.9%	34.0%	-15.8%	-10.7%	-38.2%	33.2%
Contracting	18.7%	30.3%	41.6%	-8.3%	-11.1%	-35.9%	0.5%
Services	5.5%	12.7%	13.4%	3.3%	-3.2%	-14.0%	12.3%
Communications	-38.4%	19.5%	15.1%	-17.1%	-16.5%	-14.9%	-9.5%
Miscellaneous	11.2%	-7.2%	17.7%	39.7%	-26.6%	-15.1%	5.3%
Total	0.2%	12.6%	14.8%	0.6%	-9.0%	-18.5%	4.6%

In analyzing the City's annual sales tax receipts from 2004 to 2010 the following is worth noting:

In 2005 and 2006, development-related sales tax was primarily responsible for most of the increase in sales tax revenue, which was up 12.6 percent between 2004 and 2005 and up 14.8 percent between 2005 and 2006. Slowing development-related sales tax was primarily responsible for the flat performance between 2006 and 2007. However, retail sectors performance helped offset the impact of declining development activity. Sales tax receipts in 2008 were down 9 percent compared to 2007 as a result of the continuing slow-down in development activity as well as the overall decline in business activity due to the general economic downturn. Sales tax revenue was down \$1.5 million dollars between 2007 and 2008, with all business sectors experiencing negative performance. Total 2009 actual revenue was down 18.5 percent compared to 2008, which translates to a \$2.8 million reduction in revenue. This was a continuation of the generally negative trend that began in the last quarter of 2007 and continued throughout 2008. Primary factors include significant softening in contracting revenue, as well as declining revenue in key retail sectors. Total 2010 revenue was up 4.6 percent compared to 2009, which is a \$580,000 increase in revenue.

The following are highlights in the trends for major sectors:

Bus. Sector	Sales Tax Revenue (\$Millions)						
	2004	2005	2006	2007	2008	2009	2010
Auto/Gas Retail	2.72	2.80	2.97	3.28	2.99	2.65	3.03
Other Retail:							
Gen Merch/Misc	2.22	2.37	2.52	2.60	2.37	1.93	1.75
Eating/Drinkng	1.11	1.18	1.23	1.29	1.29	1.13	1.06
All Other Retail	1.58	1.79	1.80	1.83	1.75	1.55	1.61
Other Retail Total	4.91	5.34	5.55	5.72	5.41	4.61	4.42
Wholesale	0.65	0.99	1.32	1.04	0.92	0.54	0.73
Contracting	1.78	2.32	3.28	3.01	2.68	1.72	1.74
Services	1.35	1.52	1.72	1.77	1.71	1.46	1.63
Communications	0.58	0.69	0.79	0.62	0.52	0.48	0.44
Miscellaneous	0.72	0.668	0.787	1.092	0.801	0.78	0.83
Total	12.70	14.31	16.43	16.53	15.03	12.24	12.82

- The “Contracting” business sector activity surged between 2004 and 2006, with continued activity at Evergreen Hospital, several large office and mixed-used/condomium projects, two hotels, the I-405 expansion, as well as significant single family construction activity. While revenue for this business sector declined between 2006 and 2007, it remained robust compared to historic trends. This sector continued to decline between 2007 and 2008 in response to the general economic conditions, ending the year down 11.1 percent compared to the prior year. 2009 continued the downward trend ending 35.9 percent below 2008. This was due to the completion of major projects and a general weakening in development activity. Revenue stabilized in 2010, up 0.5 percent. However, if you compare 2010 revenues to 2007 revenues are down 42 percent (1.3 million).
- The “Automotive/Gas Retail” business sector increased due to a major expansion at one key dealership and a generally strong performance by other dealerships between 2005 and 2006. Two additional dealerships opened in 2007, which contributed to the gain between 2006 and 2007. In 2008, the loss of one dealership and the severe decline in sales (especially during the last quarter), in response to economic conditions, contributed to this sector declining 8.7 percent compared to 2007. In 2009, this sector continued to falter and ended down 11.4 percent compared to 2008. 2010 ended up 14.4 percent higher than 2009, positive performance was experienced throughout most of the year.
- The “Other Retail” business sector had moderately strong performance in 2005 and 2006. Growth between 2006 and 2007 was flat due to the loss of two major retailers. In 2008, the economic conditions experienced both locally and nationally impacted this sector, which was down 4.3 percent comparing 2008 to 2007. The downward trend continued in 2009 with a 12.2 percent decline from 2008. Primarily due to internet retailers, healthcare, furniture, food retail and electronics, the retail sector was up 4.1 percent for 2010.
- The “Services” business sector was significantly impacted by development-related activity in 2005 and 2006. Slowing development activity is evident in the performance between 2006 and 2007. For 2008, receipts were down 3.2 percent compared to 2007 due to slowing development activity and despite strong performance in the accommodations sector. The services sector continued the downward trend in 2009 ending down 14.0 percent compared to 2008 largely due to declines in software and car/equipment leasing. Streamlined sales tax rule change and increases from temp agency, consulting services, software and publishing contributed to an increase of 12.3 in the services sector for 2010. Accommodations also improved to 13.2 percent higher than 2009.
- The “Wholesale” business sector has been significantly impacted by development-related activity in recent years. Receipts in 2008 were down 10.7 percent compared to 2007 largely due to declining development-related activity. 2009 continued significant declines of 38.2 percent compared to 2008. This sector has benefited from the streamlined sales tax sourcing rule changes and increased development activity, in 2010 this sector was up 33.2 percent.
- The “Communications” business sector performance has also been volatile over the last several years, largely due to one-time recoveries and development-related activity. This sector is yet another impacted by development-related activity, which is entirely responsible for the increases between 2004 and 2005 and between 2005 and 2006. Receipts in 2008 were down 16.5 percent compared to 2007 largely due to declining development activity and despite moderate growth in cellular phone services. The decline continued in this sector in 2009 down 14.9 percent compared to 2008. Changes in development activity and declining revenues from telecommunications companies contributed to this sector declining 9.5% for 2010.
- Sales Tax revenues have stabilized, showing a 4.6% increase over 2009. This improvement impacts most sectors and will continue to be closely monitored.



BUDGET GUIDE

A user's guide to understanding Kirkland's budget document



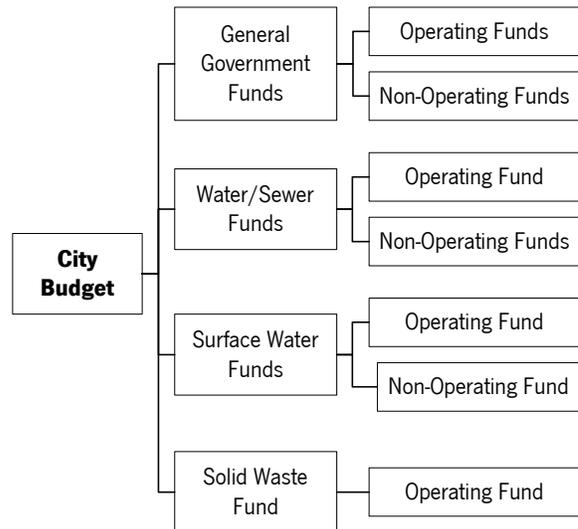
GUIDE TO BUDGET FUND STRUCTURE

The City Budget is composed of 24* separate funds that are each balanced independently – revenues equal expenditures. The City’s budget is divided into four primary sections – General Government, Water/Sewer Utility, Surface Water Utility and Solid Waste Utility. Within each of these primary sections there are operating and non-operating funds, with the exception of the Solid Waste Utility which is comprised of an operating fund only.

The general government operating funds include the General Fund, four special revenue funds, and four internal service funds. General government operating funds account for services to the public including public safety, street maintenance, land use, parks and administrative functions. Taxes, fees and charges, and contributions from other governments are the primary finance sources for general government functions. The general government non-operating funds account for debt service, capital improvements and reserves related to these operating funds.

Like the general government funds, the Water/Sewer Utility and the Surface Water Utility both have operating and non-operating components. The Solid Waste Utility consists of only an operating fund. All utility operating funds account for the cost of providing and maintaining services to its customers. Distinct from the general government funds, each of the utilities operate much the same as a business (enterprise), with customer charges (rates) supporting all costs. Resources of the utilities cannot be used to subsidize general government functions.

The budget document is presented in a manner that acknowledges these components as shown on the following chart.



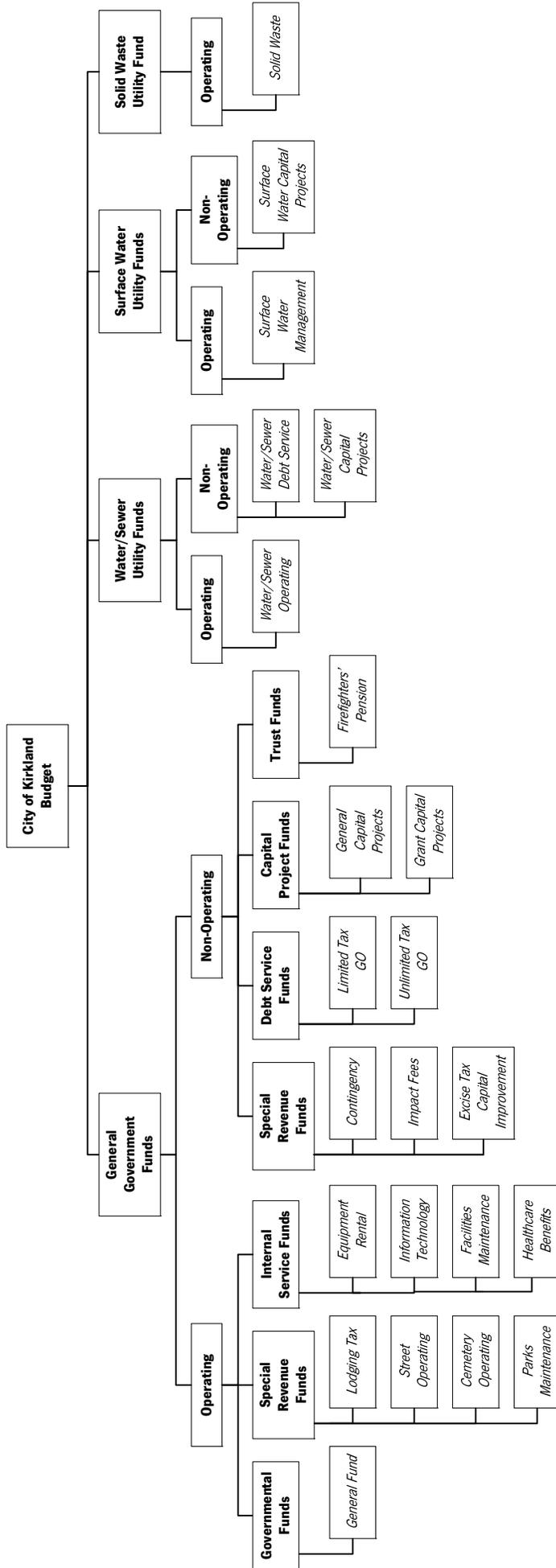
The chart on the following page illustrates the organization of funds in greater detail.

*The following funds were closed as of December 31, 2010 to be in compliance with the Governmental Accounting Standards Board new guidelines (GASB Statement 54) and to simplify the fund structure:

- Recreation Revolving Fund 126
- Park and Municipal Reserve Fund 157
- Tour Doc Fund 159
- Street Improvement Fund 170
- Off-Street Parking Reserve Fund 158
- Cemetery Improvement Fund 154
- Grant Control Fund 188

CITY OF KIRKLAND

Organization of Funds



BUDGETING, ACCOUNTING AND REPORTING BASIS

The City's financial structure is consistent with Washington State's required Budgeting, Accounting, and Reporting System (BARS). This system provides for a uniform chart of accounts and procedures for all Washington local governments. While each agency has minor differences, this system provides useful comparative data to the state regarding local spending.

BUDGETARY BASIS

Budget projections for revenues and expenditures are prepared on a cash basis.

Cash basis of accounting means that transactions are recognized at the point when cash is received or paid. This method matches the cash projected to be available to the cash projected for necessary payments.

Revenues are prepared at the "line-item" or source-of-revenue level (e.g., gas utility tax, amusement license, plumbing permit, etc.). General government operating revenues are summarized by revenue type (e.g., taxes, licenses and permits, charges for services, etc.) and across funds. Major revenue sources and trends are highlighted in the Budget Summary section.

Expenditure budgets, like revenues, are prepared at the "line-item" or object-of-expense level (e.g., regular wages, uniforms and clothing, office supplies, professional services, etc.). Summary totals are provided for "object groups" (e.g., wages, benefits, supplies, capital outlay etc.). Subtotals are provided by organizational units (divisions) within each department which represent costs by function. The financial overview page contained within each department section provides summary level financial data with data for comparative bienniums.

Non-operating fund expenditures are presented at the "by purpose" level (reserve, debt service, capital improvement and other).

ACCOUNTING AND REPORTING BASIS

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units.

Generally Accepted Accounting Principles are minimum standards and guidelines for financial accounting and reporting. Reporting in accordance with GAAP assures that financial reports of all state and local governments contain the same types of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria.

Governmental funds use the modified-accrual basis of accounting.

Under this basis, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be reasonably determined. "Available" means collectible within the current fiscal year or soon thereafter to pay for expenditures incurred during the fiscal year. Expenditures are recognized when the related obligations (goods have been purchased or services have been received) are incurred (two exceptions are employee leave benefits and long-term debt which are recognized when due).

Proprietary operations of the City - enterprise and internal service functions - use the accrual basis of accounting.

Under this method, revenues are recorded when earned (e.g., revenues for water/sewer utility services are recognized when billed) and expenses are recorded at the time obligations are incurred. This method is similar to private business enterprises.

BUDGET PROCESS

BUDGET PREPARATION PROCESS

Kirkland follows a biennial budget process. State law requires that the first year of a biennial budget be an odd numbered year. Accordingly, the preparation of the biennial budget occurs during an even numbered year, beginning in June and continuing through the end of the year. The following are key steps that the City takes to prepare its budget. (See the next page for a diagram of this process.)

1. The City Council holds its mid-year budget review meeting in June and receives a status report on the current biennial budget and an updated six-year financial forecast, with an emphasis on the coming biennium. In addition, the City Manager requests input from the City Council about budget priorities and overall direction.
2. In July, the Finance & Administration (F&A) Director makes the official “budget call” to all department directors requesting expenditure and revenue estimates for the current year and the coming two years.
3. The F&A Department prepares all general purpose revenue estimates, which mostly consist of taxes, state shared revenues and entitlements, and intergovernmental service revenues, during the first half of August. In addition, the F&A Department receives and reviews all departmental revenue estimates during the same time period. All departmental expenditure estimates for the current year and “basic budget” requests for the coming biennium, which represent the estimated cost of maintaining the current service level, are received and reviewed by the F&A Department during the second half of August.
4. In late August, the F&A Director and Assistant City Manager meets with each department to review their basic budget requests.
5. In early September, departments submit additional funding requests (called “service packages”) for new positions, equipment, and projects which are over and above their basic budgets. The F&A Department reviews all service package requests by mid-September. In years when funding is limited, departments may also be asked to submit proposed expenditure reductions.
6. In mid-September, the City Manager meets with each department to review their basic budget and service package requests. In addition, the City holds a public hearing in mid-September to gather citizen input on proposed revenue sources for the coming biennium.
7. The City Manager finalizes the preliminary budget proposal, which includes recommended service packages and reductions (if any), by the end of September. In early October, the City Manager and F&A Director brief the Council Finance Committee on the preliminary budget proposal.
8. In October, the F&A Department prepares and prints the preliminary budget document for the coming biennium. By November 1st, the preliminary budget document is filed with the City Clerk, distributed to the City Council and the departments, and made available to the public.
9. The City Council meets in November for a series of budget study sessions to review the City Manager’s proposed budget and to determine if there are any changes they wish to make.
10. The City holds a public hearing in mid-November to gather citizen input on the preliminary budget as well as on any changes made by the City Council during their budget deliberations.
11. In December, the City Council adopts the final property tax levy for the coming year and the final budget for the coming biennium each by ordinance via a simple majority of the members present. The appropriation approved by the City Council is at the individual fund level.
12. The F&A Department publishes the final budget document during the first quarter of the following year, distributes the document to the City Council and the departments, and makes copies available to the public.

BUDGET ADJUSTMENT PROCESS

There are two types of adjustments related to the adopted budget: 1) transfers between line items or between departments within the same fund; and 2) changes to an individual fund's total appropriation. The former is handled administratively when needed with the approval of the F&A Director. The latter can take place at various times during the biennium and requires Council approval by ordinance.

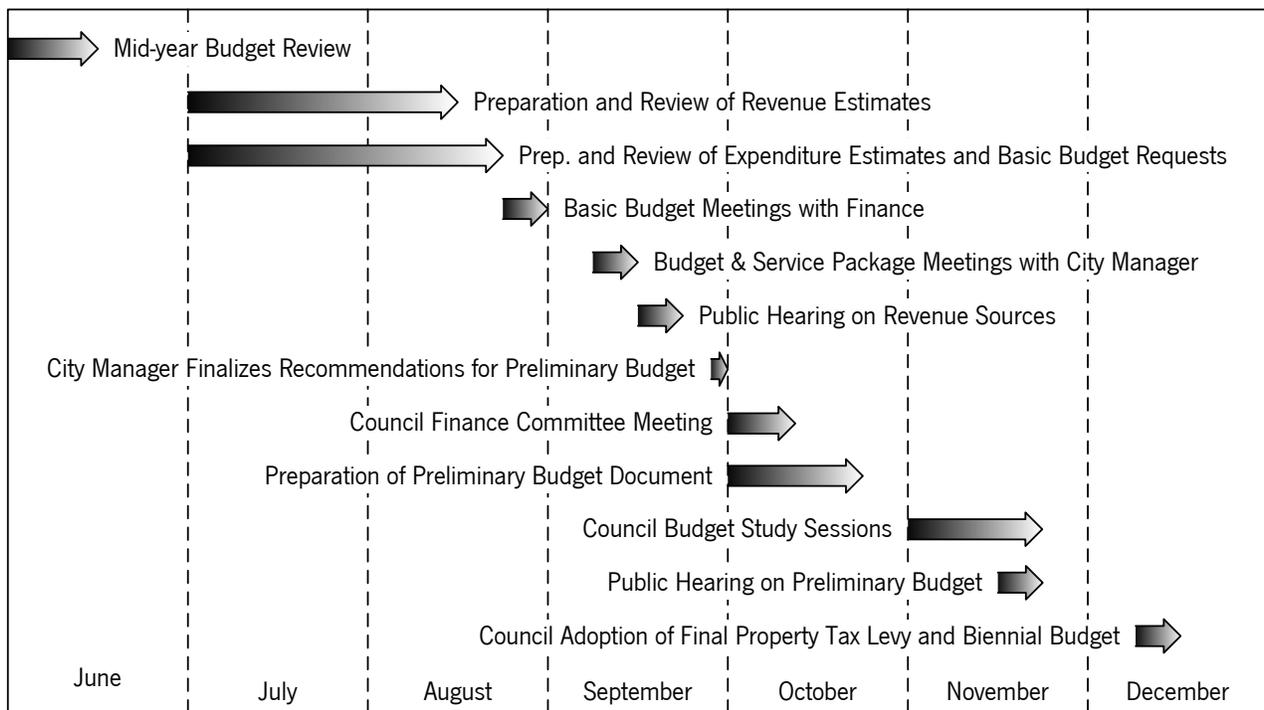
The first opportunity to adjust a fund's total appropriation generally occurs in March of the first year of the biennium. Typically, this is when funding for projects and other significant purchases that were not completed during the prior biennium is "carried over" to the new biennium. The second opportunity takes place during the mid-biennial budget review which culminates in December of the first year of the biennium. This adjustment primarily relates to the following: 1) outside agency and new service package funding requests for the second year of the biennium; 2) any unanticipated needs, events, or revenue sources. The final opportunity to adjust a fund's total appropriation occurs at the end of the biennium in December. This is the last time that adjustments for unanticipated needs, events, and

revenue sources can be recognized and approved. Also, this is when the General Fund's total appropriation is adjusted, if necessary, to provide the budgetary authority to transfer excess net resources to other funds in order to replenish or build-up reserves and to fund one-time service packages in the coming biennium. In addition to the three adjustment processes described above, other adjustments may occur during the biennium as needed.

The process for changing a fund's total appropriation is as follows:

1. Requests for budget adjustments are submitted in writing to the F&A Director.
2. If approved, requests are consolidated in an ordinance and presented to the City Council at a regular meeting at one of the three times noted above.
3. The City Council approves adjustments to a fund's total appropriation for the biennium by a simple majority of the members present.
4. Approved adjustments are incorporated into the existing biennial budget resulting in a revised appropriation for the current biennium.

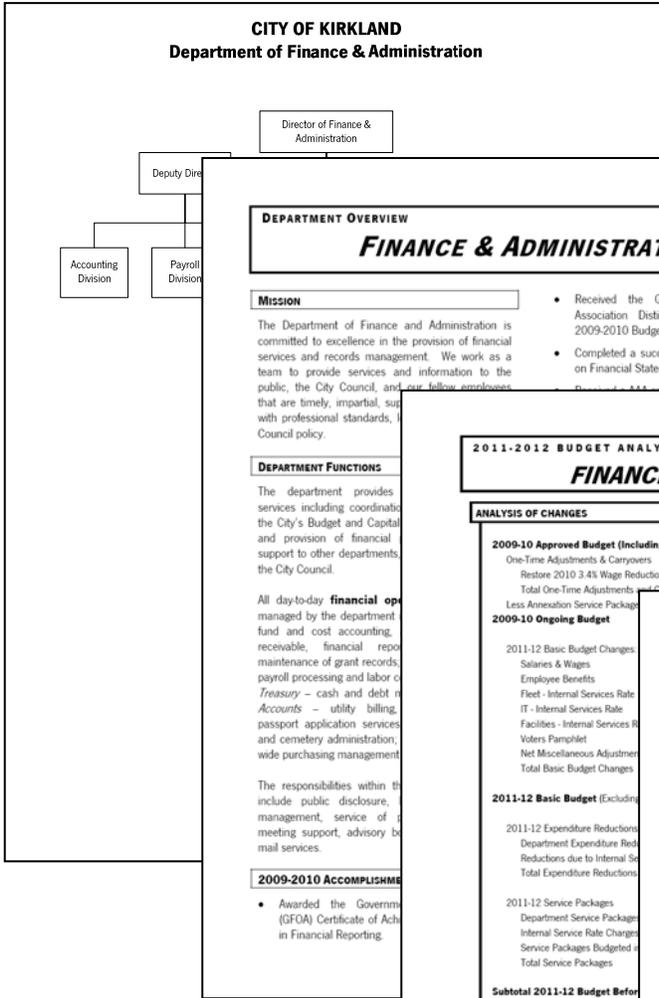
BIENNIAL BUDGET PREPARATION TIMELINE



GUIDE TO KIRKLAND'S BUDGET DOCUMENT

OPERATING FUND AND DEPARTMENT SECTIONS

The following sections are organized by fund and department. Within each fund, organization charts, department overviews, budget analyses and financial overviews are provided for each department as well as detailed schedules of revenues. Line item expenditure detail reports are provided in an ancillary document titled, "Budget Line Item Detail."



The reporting relationships are delineated in each department section. Positions that are funded by a different fund are indicated by a double-lined box.

The mission and functional areas are described in each department's overview along with accomplishments from the prior biennium and major goals to be accomplished in the coming biennium.

DEPARTMENT OVERVIEW
FINANCE & ADMINISTRATION

MISSION

The Department of Finance and Administration is committed to excellence in the provision of financial services and records management. We work as a team to provide services and information to the public, the City Council, and our fellow employees that are timely, impartial, and in accordance with professional standards, and in accordance with Council policy.

- Received the Government Finance Officers Association Distinguished Budget award for 2009-2010 Budget.
- Completed a successful audit and clean opinion on Financial Statements.

2011-2012 BUDGET ANALYSIS
FINANCE & ADMINISTRATION

ANALYSIS OF CHANGES

2009-10 Approved Budget (Including Carryovers & Furlough Concessions)	7,414,966
One-Time Adjustments & Carryovers	(317,612)
Restore 2010 3.4% Wage Reductions and Related Reductions	83,125
Total One-Time Adjustments and Carryovers	(234,487)
Less Annexation Service Packages	
2009-10 Ongoing Budget	
2011-12 Basic Budget Changes	
Salaries & Wages	
Employee Benefits	
Fleet - Internal Services Rate	
IT - Internal Services Rate	
Facilities - Internal Services Rate	
Voters Pamphlet	
Net Miscellaneous Adjustments	
Total Basic Budget Changes	
2011-12 Basic Budget (Excluding One-Time Adjustments and Carryovers)	
2011-12 Expenditure Reductions	
Department Expenditure Reductions	
Reductions due to Internal Services Rate	
Total Expenditure Reductions	
2011-12 Service Packages	
Department Service Packages	
Internal Service Rate Changes	
Service Packages Budgeted in 2009-10	
Total Service Packages	
Subtotal 2011-12 Budget Before Annexation	
Annexation:	
Ongoing Annexation Service Packages	
2011-12 Annexation Service Packages	
Interfund Adjustments	
Total Annexation Costs	
2011-12 Adopted Budget (Including One-Time Adjustments and Carryovers)	

2011-2012 FINANCIAL OVERVIEW
FINANCE & ADMINISTRATION

FINANCIAL SUMMARY BY OBJECT

	2007-2008 Actual*	2009-2010 Estimate	2009-2010 Budget	2011-2012 Budget	Percent Change
Salaries and Wages	3,804,970	4,110,062	4,192,190	4,610,357	9.97%
Benefits	1,290,357	1,525,537	1,601,153	1,969,637	23.01%
Supplies	62,589	27,653	41,873	32,880	-21.48%
Other Services	1,181,776	1,092,046	1,227,640	1,321,673	7.66%
Government Services	163,257	308,457	352,110	562,260	59.68%
Capital Outlay	-	-	-	-	n/a
TOTAL	6,502,949	7,063,755	7,414,966	8,496,807	14.59%

The Budget Analysis describes major increases and decreases that resulted in the Budget.

FINANCIAL SUMMARY BY DIVISION

	2007-2008 Actual*	2009-2010 Estimate	2009-2010 Budget	2011-2012 Budget	Percent Change
Financial Planning & Admin.	1,902,250	2,281,463	2,357,240	2,556,091	8.44%
Treasury/Customer Services	1,745,360	1,767,929	1,821,958	2,242,743	23.10%
Financial Operations	1,868,803	2,034,972	2,058,471	2,380,099	15.62%
City Clerk	986,536	979,391	1,177,297	1,317,874	11.94%
TOTAL	6,502,949	7,063,755	7,414,966	8,496,807	14.59%

The Financial Overview contains financial summaries by category of expense and program area.

POSITION SUMMARY BY DIVISION

	2007-2008 Actual*	Adjustments	2009-2010 Budget**	Adjustments	2011-2012 Budget***
Financial Planning & Admin.	5.00	1.25	6.25	0.55	6.80
Treasury/Customer Services	12.00	-0.25	11.75	0.75	12.50
Financial Operations	9.50	-0.90	8.60	0.70	9.30
City Clerk	4.00	-0.20	3.80	0.25	4.05
TOTAL	30.50	-0.10	30.40	2.25	32.65

GUIDE TO KIRKLAND'S BUDGET DOCUMENT

Revenue needed to support fund activities is presented in detail with summaries at the revenue category level. For each revenue item, data is presented for the prior biennium actual amount received, the total estimated for the current biennium, the current biennial budget, and the budgeted amount for the coming biennium.

		City of Kirkland 2011-12 Budget				
		Revenue				
		2007-08 Actual	2009-10 Estimate	2009-10 Budget	2011-12 Budget	Percent Change
Fund: General Fund (010)						
Taxes						
General Property Taxes						
Property Tax-Real & Personal	3111001	17,858,024	19,301,584	19,169,756	20,377,729	53.25%
Total for General Property Taxes:		17,858,024	19,301,584	19,169,756	20,377,729	53.25%
Retail Sales Use Taxes						
Retail Sales Use Tax	3131001	30,017,654	24,241,129	23,028,730	26,807,909	16.41%
Crim Justice-Local Sales Tax	3137101	2,298,592	1,900,704	2,236,140	2,718,109	21.55%
Total for Retail Sales Use Taxes:		32,316,246	26,141,833	25,264,870	29,526,018	16.86%
Business Taxes						
Rev Generating Regulatory Lic	3161001	1,989,530	3,929,386	5,167,388	4,855,010	-6.04%
Admissions Tax	3162001	0	220,549	251,675	216,000	-14.17%
Electric Utility Tax-Private	3164101	5,037,060	5,386,104	5,534,298	7,303,604	31.96%
Gas Utility Tax-Private	3164301	2,262,324	2,042,981	2,076,882	2,365,263	13.88%
Television Cable-Private	3164601	0	1,797,252	1,923,307	2,314,257	20.32%
Telephone Utility Tax-Private	3164701	6,123,075	5,885,533	5,902,968	7,817,512	32.43%
Water Customer Utility Tax	3167201	1,201,688	1,830,034	1,799,349	2,336,062	29.93%
Sewage Customer Utility Tax	3167401	1,227,644	1,855,055	1,915,088	2,155,954	12.57%
Garb/Solid Waste Cust Util Tax	3167501	1,187,598	1,653,974	1,681,473	2,250,949	33.86%
Surface Water Cust Utility Tax	3167801	733,910	750,032	736,837	1,056,312	43.35%
Total for Business Taxes:		19,762,827	25,350,900	26,989,265	32,672,923	21.05%
Excise Tax						
Leasehold Excise Tax	3172001	179,011	119,609	120,000	120,000	0.00%
Enhanced 911 Access Lines	3174101	419,700	226,499	214,986	0	0.00%
Punch Boards and Pull Tabs	3175101	498,602	343,990	461,218	973,238	111.01%
Bingo and Raffles	3175201	4,003	4,923	4,000	4,000	0.00%
Amusement Games	3175301	960	484	800	300	-62.50%
Business Tax Penalty Interest	3196001	4,451	5,695	3,000	4,200	40.00%
Total for Excise Tax:		1,106,727	701,200	804,004	1,101,738	37.03%
Total for Taxes:		71,043,824	71,495,517	72,227,895	92,678,408	28.31%
License and Permits						
Business Licenses Permits						
Pool Table License	3217001	2,400	1,150	2,000	1,000	-50.00%
Juke Box License	3217002	300	0	100	0	0.00%
Cabaret License	3217003	5,425	6,325	5,500	4,000	-27.27%
Electronic Games	3217004	3,050	550	3,500	600	-82.85%
Amusement License	3217009	712	0	400	0	0.00%
Penalties on Business Licenses	3218001	23,558	92,775	20,000	60,000	200.00%



FISCAL POLICIES



FISCAL POLICIES

BACKGROUND AND PURPOSE

The stewardship of public funds is one of the greatest responsibilities given to the officials and managers of the City of Kirkland. Therefore, the establishment and maintenance of wise fiscal policies enables city officials to protect public interests and ensure public trust.

This document incorporates past financial practices in defining the current policies to be used by the City to meet its obligations and operate in a financially prudent manner. These policies have been established to provide general fiscal guidelines and are intended to provide sound direction in the management of the City's financial affairs.

OPERATING BUDGET POLICIES

The municipal budget is the central financial planning document that embodies all operating revenue and expenditure decisions. It establishes the level of services to be provided by each department within the confines of anticipated municipal revenues.

- The City Council will adopt a biennial budget which will reflect estimated revenues and expenditures for the ensuing two years. A mid-biennium review and update will take place as prescribed by law during the first year of the biennium.
- The City Council will establish municipal service levels and priorities for the ensuing two years prior to and during the development of the preliminary budget.
- The City Manager shall incorporate the Council's priorities in the formulation of the preliminary and final budget proposal.
- Adequate maintenance and replacement of the City's capital plant and equipment will be provided for in the biennial budget.

- The biennial budget will be balanced with resources in that biennium.

REVENUE AND EXPENDITURE POLICIES

Annual revenues are conservatively estimated as a basis for preparation of the biennial budget and City service programs.

Expenditures approved by the City Council in the biennial budget define the City's spending limits for the upcoming biennium. Beyond legal requirements, the City will maintain an operating philosophy of cost control and responsible financial management.

- The City will maintain revenue and expenditure categories according to state statute and administrative regulation.
- Current revenues will be sufficient to support current expenditures.
- All revenue forecasts will be performed utilizing accepted analytical techniques.
- All fees for services shall be reviewed and adjusted (where necessary) at least every three years to ensure that rates are equitable and cover the total cost of service, or that percentage of total service cost deemed appropriate by the City.
- Revenues of a limited or indefinite term will be used for capital projects or one-time operating expenditures to ensure that no ongoing service program is lost when such revenues are reduced or discontinued.
- Grant applications to fund new service programs with state or federal funds will be reviewed by the City, as they become available, with due consideration being given to whether locally generated revenues will be required to support these programs when outside funding is no longer available.

- The City of Kirkland will establish and maintain Special Revenue Funds which will be used to account for proceeds from a substantial restricted or committed revenue source used to finance designated activities which are required by statute, ordinance, resolution or executive order.
- Biennial expenditures will be maintained within the limitations of biennial revenues. The City will not use short-term borrowing to finance current operating needs without full financial analysis and prior approval of the City Council.
- In order to ensure the continuity of services, the City will budget no more sales tax revenue than was received in the prior year as a hedge against possible future economic events.
- Interest income revenue will be used to finance one-time capital or time-limited goods or services including debt service on councilmanic bond issues.
- All authorized positions will be budgeted for a full year (or biennium) unless specifically designated by the City Council as a partial-year position.
- In the event that budget reductions are needed in order to balance revenues and expenditures, the City Council will provide policy direction to staff as to the priority order and combination for using the following strategies:
 - Raise revenue
 - Reduce expenditures
 - Use reserves
- The use of reserves to balance the budget will only be used to address short term temporary revenue shortfalls and expenditure increases.
- The biennial budget will be formally amended by the City Council as needed to acknowledge unforeseen expenditures. All requests for funding will be analyzed by the Finance and Administration Department. The Council will be provided with a discussion of the legality and/or policy basis of the expenditure, the recommended funding source, an analysis of the fiscal impact and a review of all reserves and

previously approved amendments since budget adoption.

- A request will not be approved at the same meeting at which it is introduced unless it is deemed an urgent community issue by a supermajority vote of the City Council. Requests made to Council outside of the formal budget adjustment process will be analyzed and presented to the Council for approval at the next regular Council meeting that allows sufficient time for staff to prepare an analysis and recommendation.

ENTERPRISE FUND POLICIES

The City will establish enterprise funds for City services when 1) the intent of the City is that all costs of providing the service should be financed primarily through user charges; and/or 2) the City Council determines that it is appropriate to conduct a periodic review of net income for capital maintenance, accountability, or other public policy purposes.

- Enterprise funds will be established for City-operated utility services.
- Enterprise fund expenditures will be established at a level sufficient to properly maintain the fund's infrastructure and provide for necessary capital development.
- Each enterprise fund will maintain an adequate rate structure to cover the costs of all operations, including maintenance, depreciation, capital and debt service requirements, reserves (as established by fiscal policy or bond covenant), and any other cost deemed necessary.
- Rates may be offset from available fund cash after requirements are met for cash flow and scheduled reserve contributions.
- Enterprise fund services will establish and maintain reserves for general contingency and capital purposes consistent with those maintained for general governmental services.
- Revenue bonds shall be issued only when projected operating revenues are insufficient for the enterprise's capital financing needs.

- The City will insure that net operating revenues of the enterprise constitute a minimum of 1.5 times the annual debt service requirements.
- The City will limit the maturities of all utility revenue bond issues to 25 years or less.

CASH MANAGEMENT AND INVESTMENT POLICIES

Careful financial control of the City's daily operations is an important part of Kirkland's overall fiscal management program. Achieving adequate cash management and investment control requires sound financial planning to ensure that sufficient revenues are available to meet the current expenditures of any one operating period. Once steps are taken to ensure that the City maintains a protected cash position in its daily operations, it is to the municipality's advantage to prudently invest idle funds until such time as they are required to make expenditures.

- The City's idle cash will be invested on a continuous basis in accordance with the City's adopted investment policies.
- The City will maintain a formal investment policy which is reviewed and endorsed by state and/or national professional organizations. The complete policy can be found in the appendix of this document.
- The City will invest all funds (in excess of current requirements) based upon the following order of priority: 1) legality; 2) liquidity; 3) safety; and 4) yield.
- Investments with City funds shall not be made for purposes of speculation.
- The City is prohibited from investing in derivative financial instruments for the City's managed investment portfolio.
- Proper security measures will be taken to safeguard investments. The City's designated banking institution will provide adequate collateral to insure City funds.
- The City's investment portfolio will be reviewed every three years by a qualified portfolio valuation service to assess the portfolio's degree of risk and compliance with the adopted investment policies.

- An analysis of the City's cash position will be prepared at regular intervals throughout the fiscal year.
- The City Council will be provided with quarterly reports on the City's investment strategy and performance.
- Sufficient cash shall be maintained to provide adequate funds for current operating expenditures.
- Where permitted, the City will pool its cash resources from various funds ("Treasurer's Cash") for investment purposes.
- Net investment income from Treasurer's Cash will be allocated in accordance with KMC 5.24.060 considering 1) average cash balance of the participating fund and 2) the minimum cash balance needs of each fund as determined by the Director of Finance and Administration. Net investment income is the amount of annual investment proceeds after an allocation of earned interest is made to certain funds as required by the State and Council-directed obligations are met for General Fund purposes.
- The City of Kirkland will select its official banking institution through a formal bidding process in order to provide the City with the most comprehensive, flexible, and cost-effective banking services available.

ACCOUNTING, FINANCIAL REPORTING AND AUDITING POLICIES

The City of Kirkland will establish and maintain a high standard of accounting practices. Accounting and budgetary systems will, at all times, conform to Generally Accepted Accounting Principles, the State of Washington Budgeting Accounting Reporting System (BARS) and local regulations.

- A comprehensive accounting system will be maintained to provide all financial information necessary to effectively operate the City.
- The City will meet the financial reporting standards set by the Governmental Accounting Standards Board.

- Full disclosure will be provided in all City financial reports and bond representations.
- An annual audit will be performed by the State Auditor's Office and include the issuance of a financial opinion.

RESERVE AND FUND BALANCE POLICIES

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

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

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

- The City will establish minimum fund balance targets for each fund based on the cash flow requirements of the fund. The City will include all fund balances in the biennial budget.
- The minimum fund balance will be attained and maintained through expenditure management, revenue management and/or contributions from the General Fund.
- All expenditures drawn from reserve accounts shall require prior Council approval unless previously authorized by the City Council for expenditure in the biennial budget.
- A Contingency Reserve Fund shall be maintained in accordance with RCW 35A.33.145 to meet any municipal expense, the necessity or extent of which could not have been reasonably foreseen at the time of adopting the biennial budget. The target balance will be consistent with state law at

\$0.375 per \$1,000 of assessed valuation. Annual contributions to the Contingency Fund will be budgeted from interest income and General Fund resources.

- The City will maintain a General Operating Reserve at an amount equivalent to five percent of the tax-supported general government budgets (General Fund, Street Operating Fund and Parks Maintenance Fund) for the second year of the biennium. The General Operating Reserve is available to address unforeseen revenue shortfalls or expenditure needs that occur during the current biennium. Annual contributions will be budgeted from General Fund resources as available to attain and maintain an established reserve level.
- The City will maintain a Revenue Stabilization Reserve to address temporary revenue losses due to economic cycles or other time-limited causes. The Revenue Stabilization Reserve will be maintained at ten percent of selected General Fund revenue sources which, in the judgment of the Director of Finance and Administration, are subject to volatility. The Revenue Stabilization Reserve may be used in its entirety; however, replenishing the reserve will constitute the first priority for use of year-end General Fund resources in excess of those needed to maintain the fund balance at the target level.
- The City will maintain a General Capital Contingency to address unforeseen project expenditures or external revenue shortfalls in an amount equivalent to ten percent of the funded six-year CIP, less proprietary fund projects. Contributions will be made from General Fund resources as they are available.
- The City Manager may authorize the use of capital funding reserves up to an aggregate total of \$100,000 per year in increments not to exceed \$25,000. The City Manager will provide regular reports to the City Council at a regular Council meeting if this authorization is used. Capital funding reserves include: General Capital Contingency, Street Improvement Reserve, REET Reserves, Impact Fee Reserves, Water/Sewer Capital Contingency, Water/Sewer Construction

Reserve, Surface Water Capital Contingency, and Surface Water Construction Reserve.

- The City will maintain a Capital Improvement Project Grant Match Reserve as a means of assuring the availability of cash resources to leverage external funding when the opportunity arises. The reserve will be maintained in the Real Estate Excise Tax Capital Reserve Fund and maintained through excise tax revenue received over and above the annual allocation to the Capital Improvement Plan.
- The City will maintain fully funded reserves for the replacement of vehicles and personal computers. Contributions will be made through assessments to the using funds and maintained on a per asset basis.
- Additional reserve accounts may be created by Council to account for monies for future known expenditures, special projects, or other specific purposes.
- All reserves will be presented in the biennial budget.

DEBT MANAGEMENT POLICIES

The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of Kirkland uses debt in two ways: (1) as a mechanism to equalize the costs of needed improvements to both present and future citizens; and (2) as a mechanism to reduce the immediate costs of substantial public improvements.

- The City will maintain a formal Debt Management Policy which is reviewed and endorsed by state and/or national professional organizations. The complete policy can be found in the appendix of this document.
- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will continually strive to maintain its bond rating by improving financial policies,

budget forecasts and the financial health of the City so its borrowing costs are minimized and its access to credit is preserved.

- All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt.
- The City of Kirkland will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- Interest, operating and/or maintenance expenses will be capitalized only for enterprise activities; and will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The general obligation debt of Kirkland will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:
 - General Debt – 2.5% of assessed valuation
 - Non-Voted – 1.5% Limited Tax General Obligation (LTGO) Bonds
 - Voted – 1.0% Unlimited Tax General Obligation Bonds
 - Utility Debt – 2.5% of assessed valuation
 - Open Space and Park Facilities – 2.5% of assessed valuation
- The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- Assessment bonds will be considered in place of general obligation bonds, where possible, to assure the greatest degree of public equity.

- Limited Tax General Obligation (LTGO) bonds will be issued only if:
 - A project requires funding not available from alternative sources;
 - Matching fund monies are available which may be lost if not applied for in a timely manner; or
 - Emergency conditions exist.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- General Obligation bonds will be issued with maturities of 30 years or less unless otherwise approved by Council.
- The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.
- The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt.
- Financial analysis of funding sources will be conducted for all proposed capital improvement projects.
- A Capital Improvement Budget will be developed and adopted by the City Council as part of the biennial budget and will be amended during the mid-biennial budget review process (during the first year of the biennium) to reflect any changes in the updated Capital Improvement Program.
- The Capital Improvement Program will be consistent with the Capital Facilities Element of the Comprehensive Plan.
- The City Manager may authorize the reallocation of CIP project funds between CIP projects within a CIP category up to \$50,000 per instance. Funding may only be reallocated within a CIP category (i.e. between Transportation projects, or Parks projects, or Public Safety projects, etc.) when one project is over budget and, in the same period, a second project within the same CIP category has been completed and is closing out under budget. The City Manager will provide regular reports to the City Council at a regular Council meeting if this authorization is used.

CAPITAL IMPROVEMENT POLICIES

Kirkland's City government is accountable for a considerable investment in buildings, parks, roads, sewers, equipment and other capital investments. The preservation, maintenance, and future improvement of these facilities are a primary responsibility of the City. Planning and implementing sound capital improvement policies and programs today will help the City avoid emergencies and major costs in the future, therefore:

- The City will establish and implement a comprehensive multi-year Capital Improvement Program.
- The Capital Improvement Program will be prepared biennially concurrent with the development of the biennial budget. A mid-biennium review and update will take place during the first year of the biennium.
- The City Council will designate annual ongoing funding levels for each of the major project categories within the Capital Improvement Program.