



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Avenue, Kirkland, WA 98033 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Director of Finance & Administration
Sri Krishnan, Financial Planning Manager

Date: June 11, 2013

Subject: **2013 MID-YEAR BUDGET ADJUSTMENTS**

RECOMMENDATION:

City Council approves the ordinance adjusting the 2013-2014 budget appropriation for selected funds.

BACKGROUND DISCUSSION:

The Mid-Year Budget review normally addresses a variety of topics regarding the current budget biennium. However, this review will be accomplished at the Council retreat on June 17th. Therefore this memo addresses recommendations concerning mid-year budget adjustments needed to meet unanticipated needs, recognizing additional resources, and housekeeping adjustments.

MID-YEAR BUDGET ADJUSTMENTS

State law prohibits expenditures from exceeding the budgeted appropriation for any fund and requires the City to adjust appropriations when:

1. Unanticipated revenue exists and will potentially be expended;
2. New funds are established during the budget year which were not included in the original budget; or
3. The City Council authorizes positions, projects, or programs not incorporated into the current year's budget.

This budget adjustment allows for appropriation increases where it is anticipated that total expenditures may be in excess of the adopted 2013-2014 budget.

Unless there is an immediate need, budget adjustments that represent ongoing increases in the level of service are generally not introduced at mid-year. Rather, they are submitted as service package requests during the budget preparation and mid-biennial review processes.

Carryovers and other one-time housekeeping adjustments to the 2013-2014 Budget were presented and adopted by the Council on April 2. As usual for the Mid-Year Adjustment process,

the adjustments included in this action are for unexpected issues such as grant funding and Council use of reserves that have occurred since the last adjustment and final adjustments reflecting actual beginning cash balances (Resources Forward).

Total appropriation adjustments result in a net budget increase of \$8,212,067 primarily due to adjustments for actual beginning cash balances and new capital projects added with external revenue sources. The budget adjustment summary (Attachment A) shows both line item and appropriation changes. Line item changes are administrative adjustments within funds and are provided for reference. Appropriation adjustments change the total budget and require adoption of the ordinance.

Council Directed/Other Requests and Previously Approved Adjustments – The first category of adjustments includes any additional changes identified by Council and formalizing previously approved actions (fiscal notes, etc). Some of these requests have been approved by the Council since the adjustments in April 2013, but the formal appropriation adjustment is occurring as part of the mid-year budget update. Appropriation changes under this category amount to \$3,718,164.

The following is a list of adjustments:

- New capital projects totaling \$3,107,000, requiring matching City funding of \$556,000 and receiving new external funding of \$2,551,000:
 - 98th Avenue (Forbes Creek) Bridge Seismic Upgrade (\$1,415,00) — Seismic upgrades to this bridge funded by a Federal Highway Bridge Program grant and city funding for grant-ineligible internal engineering costs of \$15,000 from Real Estate Excise Tax (REET) 2 reserves.
 - Surface Water Decant Facility (\$1,268,000) — Improvements to the City's decant facility funded by a Department of Ecology grant of \$951,000 and the city match of \$317,000 funded from the Surface Water Capital Reserve.
 - NE 112th Street Sidewalk (\$424,000) — Project received \$200,000 grant funding from the Washington State Transportation Improvement Board and the city match of \$224,000 is funded from REET 2 reserves (\$214,000) and from the 2013 Street Levy pedestrian safety program (\$10,000).
- Funding to purchase property adjacent to Juanita Heights Park from the Park & Acquisition Program and 2012 Park Levy for Neighborhood Park Land Acquisition (\$666,625).
- Use of REET 1 Reserves for the award of bid for the Public Safety Building construction project, including painting bid alternate (\$259,031).
- Funding of \$120,000 for a master plan for Totem Lake Park. This consisted of repurposing the remaining balance in the Shoreline Restoration project (\$82,000) and use of REET 1 Reserves (\$38,000).
- Use of REET 2 Reserves for acceptance of work for the Central Way Pedestrian Enhancements Phase 2 project (\$50,000). This project also returned approximately \$21,000 to the Surface Water Transportation Reserve for a net increase of \$29,000.
- The use of approximately \$49,000 from park easement proceeds to fund up to \$30,000 for the Peter Kirk Park/Transit Center restroom renovation project and the balance for restoration efforts at Kiwanis Park as part of the Green Kirkland program. (This request is also on the June 18th agenda as a separate consent item.)

- Funding for the 6th Street Sidewalk project due to reduced available external funding (\$25,243 from Surface Water Transportation Reserve and \$3,045 from REET 2 Reserves). While the total project budget remains the same, this adjustment reallocates \$60,000 of cost from the General Government to Surface Water based on revised engineering estimates.
- Use of Council Special Project of \$11,000 for Celebrate Kirkland Fourth of July Fireworks.
- Use of development services reserves to fund additional temporary staffing, including a construction inspector, building staff, a permit system technology analyst, resources to improve development application forms, plan review consulting, and planning staff and contracted services. This will assist with the heavier workload from increased development activity, as well as provide resources to complete the permit system project and implement selected recommendations from the development services (Zucker) report.

2013 Resources Forward – Beginning fund balance (cash) was estimated as part of the 2013-2014 budget process during fall 2012 and adjusted in April for some funds to recognize carryovers from 2012 into 2013-2014. Now that 2012 is complete and the books have been closed, a final analysis has been completed for all funds to reconcile the estimated resources forward with actual balances. Funds will receive an adjustment (increase or decrease) to the budgeted beginning balance with a corresponding offset to the expenditure side. The offset is usually to a reserve account, but may be to other line items depending on the nature of the change in beginning balance. A net increase of \$2.5 million is primarily due to differences in capital project carryover estimates to actual carryovers. These funds were planned to be spent in 2012 are now being carried over to be spent in 2013 and therefore are already obligated.

There is a net decrease of \$153,535 in the General Fund balance due to adjustments to assorted revolving accounts to reflect expenditures decreasing a net of \$180,820, offset by final revenue and expenditure transactions increasing by \$27,285. Also, the resources forward adjustments to REET and impact fee funds reflect unanticipated revenues of \$249,611 and \$841,658 respectively and are not yet programmed to be spent. The total resources forward adjustment is \$3.4 million.

Housekeeping Items – The third category of adjustments resulting in appropriation changes of \$1,065,127, are needed to adjust budget accounts, fund balances, etc., including:

- Adjust the depreciation transfers from the utility operating funds to the utility capital funds to reflect final utility rates. Water/Sewer capital depreciation contributions increase by \$790,833 and Surface Water by \$28,683. These transfers were already budgeted in the operating funds.
- Technology rates were reconciled based on final budget decisions and reallocated based on final staffing. The rates decreased approximately \$196,000 for the biennium, although some funds experienced an increase due to changes to staffing allocations. General Fund rates decreased by about \$217,000 for the biennium. The savings in the General Fund is being set aside for Council consideration to potentially fund expenses as described in the staff memo regarding the draft public disclosure ordinance regarding the email archiving system and legal hold.
- Adjust the replenishment transfer to the Contingency Fund from the General Fund to recognize final budget decisions, which increases the amount by \$174,555 for a total of \$224,555. The full replenishment amount was already budgeted in the General Fund.

- Recognize approximately \$85,000 set aside from seized funds received from the Secret Service in 2012 in the General Fund that are required to be used for public safety capital expenses.
- Use of \$57,000 from savings realized in the defibrillator replacement capital project to replace failed fire hose and other equipment in the General Fund.
- Funding of approximately \$23,000 from the Surface Water Operating fund reserves for the City's share of the Northstar surface water detention pond per an agreement with the Lake Washington School District.
- Use of about \$17,000 from the Fleet operating reserve to purchase a replacement hoist.
- Recognize approximately \$16,000 from insurance proceeds to fund the replacement of stolen fire radios.
- Use the remaining balance of \$9,000 from the Street Operating Fund sidewalk opportunity fund to supplement the 2013 Annual Sidewalk program in the Transportation Capital Projects fund.
- Recognizing contributions from Kiwanis for the Youth Summer Feeding Program and grant from Evergreen Hospital for Senior Council programs.

SUMMARY

The budget is adopted at the fund level which sets the total expenditure authority for the biennium for each fund. A summary of the adjustments and 2013-2014 revised budget by fund type is included in the table on the following page:

Fund Type	Current 13-14 Budget	Adjustments	Revised 13-14 Budget
General Government:			
General Fund	175,350,780	64,386	175,415,166
Other Operating Funds	30,062,561	240,238	30,302,799
Internal Service Funds	69,474,764	(130,017)	69,344,747
Non-Operating Funds	125,213,944	5,933,539	131,147,483
Utilities:			
Water/Sewer	77,881,400	1,771,137	79,652,537
Surface Water	40,481,477	658,387	41,139,864
Solid Waste	32,634,724	(325,603)	32,309,121
Total Budget	551,099,650	8,212,067	559,311,717

City of Kirkland
2013 Budget
2013 Mid Year Budget Adjustment Summary

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
General Fund								
Council Directed/Other	CMO	Celebrate Kirkland Fourth of July Fireworks	11,000					Council Special Projects Fund
Council Directed/Other	PCD	Planning Staffing and Professional Services	85,500					Development Services Reserve
Council Directed/Other	PW	Interlocal Agreement for Construction Inspector	118,100					Development Services Reserve
Council Directed/Other	FB	Building Division Staffing	46,448					Development Services Reserve
Council Directed/Other	FB	Development Services Forms Improvements	35,000					Development Services Reserve
Council Directed/Other	N/A	IT Position to Support Development Services	210,018					Development Services Reserve
Housekeeping	PW	Plan Review Consulting	50,000	50,000	50,000			Development Services Reserve
Housekeeping	CMO	Celebrate Kirkland 2012 Payment to KDA	7,000					General Government Reserves
Housekeeping	PCD	Youth Summer Feeding Program - Kiwanis Donation	1,000	1,000			1,000	Kiwanis Donation
Housekeeping	PCD	Evergreen Grant for Senior Council and Senior Program	8,000	8,000			8,000	Grant from Evergreen Hospital
Housekeeping	FB	Motorola Radios	16,544	16,544			16,544	Insurance Payment (To Replace Stolen Radios)
Housekeeping	PD	Public Safety Capital Expenses	85,377	85,377	85,377			General Fund (Recognize seized funds for PD)
Housekeeping	FB	Public Safety Equipment Funding from CIP	57,000	57,000	57,000			Public Safety CIP
Housekeeping	Various	Technology Rates Reconciliation	(217,012)					IT Rates
Housekeeping	ND	Revolving Accounts Beginning Balances Reconciliation	(180,820)	(180,820)		(180,820)		Resources Forward
Housekeeping	ND	Resources Forward Reconciliation (net)	27,285	27,285		27,285		Resources Forward
General Fund Total			360,440	64,386	192,377	(153,535)	25,544	
OTHER FUNDS								
Lodging Tax Fund								
Housekeeping	ND	Technology Rates Reconciliation	6					IT Rates
Housekeeping	ND	Resources Forward Reconciliation	16,675	16,675		16,675		Resources Forward
Lodging Tax Fund Total			16,681	16,675	-	16,675	-	
OTHER FUNDS continued								
Street Operating Fund								
Housekeeping	PW	Technology Rates Reconciliation	(28,454)					IT Rates
Housekeeping	PW	Resources Forward Reconciliation	165,546	165,546		165,546		Resources Forward
Street Operating Fund Total			137,092	165,546	-	165,546	-	
Cemetery Operating Fund								
Housekeeping	PK/FA	Resources Forward Reconciliation	21,439	21,439		21,439		Resources Forward
Cemetery Operating Fund Total			21,439	21,439	-	21,439	-	

E-page 106 Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
Parks Maintenance Fund								
Housekeeping	PK	Technology Rates Reconciliation	37,384					IT Rates
Housekeeping	PK	Resources Forward Reconciliation	36,578	36,578		36,578		Resources Forward
Parks Maintenance Fund Total			73,962	36,578	-	36,578	-	
Parks Levy Fund								
Housekeeping	IT	Technology Rates Reconciliation	(1,821)					IT Rates
Parks Levy Fund			(1,821)	-	-	-	-	
Contingency Fund								
Housekeeping	N/A	Contingency Replenishment	174,555	174,555	174,555			General Fund Replenishment Transfer
Housekeeping	N/A	Resources Forward Reconciliation	(44,640)	(44,640)		(44,640)		Resources Forward
Contingency Fund			129,915	129,915	174,555	(44,640)	-	
Impact Fees Fund								
Housekeeping	N/A	Resources Forward Reconciliation	841,658	841,658		841,658		Resources Forward
Impact Fees Fund Total			841,658	841,658	-	841,658	-	
Real Estate Excise Tax Fund								
Housekeeping	N/A	Resources Forward Reconciliation	249,611	249,611		249,611		Resources Forward
Real Estate Excise Tax Fund Total			249,611	249,611	-	249,611	-	
LTGO Debt Fund								
Housekeeping	N/A	Resources Forward Reconciliation	2,562	2,562		2,562		Resources Forward
LTGO Debt Fund Total			2,562	2,562	-	2,562	-	
UTGO Debt Fund								
Housekeeping	N/A	Resources Forward Reconciliation	(1,113)	(1,113)		(1,113)		Resources Forward
UTGO Debt Fund Total			(1,113)	(1,113)	-	(1,113)	-	
General Capital Projects Fund								
Council Directed/Other	PK	Juanita Heights Park Land Acquisition	666,625	-				Park & Acquisition Program and 2012 Park Levy
Council Directed/Other	PW	Public Safety Building Award of Bid	259,031	259,031	259,031			REET 1 Reserves
Council Directed/Other	PK	Totem Lake Park Master Plan	120,000	38,000	38,000			Shoreline Restoration (\$82k), REET 1 Reserves (\$38k)
Council Directed/Other	PK	Kiwanis Park restoration	19,358	49,358			49,358	Park Easement Rev (\$30k transfer for PK restroom)
Housekeeping	N/A	Resources Forward Reconciliation	1,104,276	1,104,276		1,104,276		Resources Forward
General Capital Projects Fund Total			2,169,290	1,450,665	297,031	1,104,276	49,358	

E-page 107 Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
Transportation Capital Projects Fund								
Council Directed/Other	PW	Grant Match for NE 112th St Sidewalk	424,000	424,000	224,000		200,000	TIB Grant/REET 2 Reserves/2013 Street Levy
Council Directed/Other	PW	Central Way Pedestrian Enhancements Phase 2	50,000	50,000	50,000			REET 2 Reserves
Council Directed/Other	PW	Transit Center Restroom Renovation	30,000	30,000	30,000			Park Easement Proceeds (Transfer from Gen Capital)
Council Directed/Other	PW	6th St Sidewalk project	(60,000)	(60,000)	3,045		(63,045)	Trans Improvement Board Grant/REET 2 Reserves
Council Directed/Other	PW	Forbes Cr Bridge upgrade project	1,415,000	1,415,000	15,000		1,400,000	Federal Hwy Bridge Program Grant/REET 2 Reserves
Housekeeping	PW	2013 Annual Sidewalk Program	9,000	9,000	9,000			Street Operating Fund Sidwalk Opportunity Fund
Housekeeping	N/A	Resources Forward Reconciliation	1,391,492	1,391,492			1,391,492	Resources Forward
Transportation Capital Projects Fund			3,259,492	3,259,492	331,045	1,391,492	1,536,955	
Water/Sewer Utility Operating Fund								
Housekeeping	N/A	Resources Forward Reconciliation	1,178,011	1,178,011			1,178,011	Resources Forward
Water/Sewer Utility Operating Fund Total			1,178,011	1,178,011	-	1,178,011	-	
Water/Sewer Debt Fund								
Housekeeping	PW	Technology Rates Reconciliation	(8,953)					IT Rates
Housekeeping	PW	Resources Forward Reconciliation	(341,616)	(341,616)			(341,616)	Resources Forward
Water/Sewer Debt Fund Total			(350,569)	(341,616)	-	(341,616)	-	
Water/Sewer Capital Fund								
Housekeeping	PW	Depreciation Transfer	790,833	790,833	790,833			Capital Depreciation funds from Utility Rates
Housekeeping	PW	Resources Forward Reconciliation	143,909	143,909			143,909	Resources Forward
Water/Sewer Capital Fund Total			934,742	934,742	790,833	143,909	-	
Surface Water Operating Fund								
Housekeeping	PW	Technology Rates Reconciliation	23,684					IT Rates
Housekeeping	PW	Northshore Detention Pond	23,524	23,524	23,524			Surface Water Working Capital
Housekeeping	PW	Resources Forward Reconciliation	425,587	425,587			425,587	Resources Forward
Surface Water Operating Fund Total			472,795	449,111	23,524	425,587	-	
Surface Water Capital Fund								
Housekeeping	PW	Depreciation Transfer	28,683	28,683	28,683			Capital Depreciation funds from Utility Rates
Council Directed/Other	PW	Decant Facility	1,268,000	1,268,000	317,000		951,000	Dept of Ecology Grant/Surface Water Capital Reserve
Council Directed/Other	PW	6th St Sidewalk	34,757	34,757			34,757	TIB Grant/Surface Water Transportation Reserves
Housekeeping	PW	Resources Forward Reconciliation	(1,122,164)	(1,122,164)			(1,122,164)	Resources Forward
Surface Water Capital Fund Total			209,276	209,276	345,683	(1,122,164)	985,757	

E-page 108 Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
Solid Waste Fund								
Housekeeping	PW	Technology Rates Reconciliation	11,411					IT Rates
Housekeeping	PW	Resources Forward Reconciliation	(325,603)	(325,603)		(325,603)		Resources Forward
Solid Waste Fund Total			(314,192)	(325,603)	-	(325,603)	-	
Health Benefits								
Housekeeping	ND	Resources Forward Reconciliation	(236,659)	(236,659)		(236,659)		Resources Forward
Health Benefits Total			(236,659)	(236,659)	-	(236,659)	-	
Equipment Rental Fund								
Housekeeping	PW	Technology Rates Reconciliation	(3,790)					IT Rates
Housekeeping	PW	Hoist Purchase for Fleet	16,946	16,946	16,946			Fleet Operating Reserve
Housekeeping	PW	Resources Forward Reconciliation	(276,159)	(276,159)		(276,159)		Resources Forward
Equipment Rental Fund Total			(263,003)	(259,213)	16,946	(276,159)	-	
Information Technology Fund								
Housekeeping	IT	Technology Rates Reconciliation	(196,335)	(196,335)	(196,335)			IT Rates
Council Directed/Other	IT	Temp IT Position to Support Development Services	210,018	210,018	210,018			Transfer from General Fund
Housekeeping	IT	Resources Forward Reconciliation	128,577	128,577		128,577		Resources Forward
Information Technology Fund Total			142,260	142,260	13,683	128,577	-	
Facilities Fund								
Housekeeping	PW	Technology Rates Reconciliation	(8,790)					IT Rates
Housekeeping	PW	Resources Forward Reconciliation	223,595	223,595		223,595		Resources Forward
Facilities Fund Total			214,805	223,595	-	223,595	-	
Fire Pension								
Housekeeping	N/A	Resources Forward Reconciliation	749	749		749		Resources Forward
Fire Pension Total			749	749	-	749	-	
TOTAL OTHER FUNDS			8,886,977	8,147,681	1,993,300	3,582,311	2,572,070	
TOTAL ALL FUNDS			9,247,417	8,212,067	2,185,677	3,428,776	2,597,614	

ORDINANCE O-4412

AN ORDINANCE OF THE CITY OF KIRKLAND AMENDING THE BIENNIAL BUDGET FOR 2013-2014.

WHEREAS, the City Council finds that the proposed adjustments to the Biennial Budget for 2013-2014 reflect revenues and expenditures that are intended to ensure the provision of vital municipal services at acceptable levels;

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. The Mid-Year 2013 adjustments to the Biennial Budget of the City of Kirkland for 2013-2014 are hereby adopted.

Section 2. In summary form, modifications to the totals of estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined are as follows:

<u>Funds</u>	Current Budget	Adjustments	Revised Budget
General	175,350,780	64,386	175,415,166
Lodging Tax	690,652	16,675	707,327
Street Operating	20,488,875	165,546	20,654,421
Cemetery Operating	816,308	21,439	837,747
Parks Maintenance	3,060,649	36,578	3,097,227
Parks Levy	5,006,077	-	5,006,077
Contingency	2,296,510	129,915	2,426,425
Impact Fees	3,111,739	841,658	3,953,397
Excise Tax Capital Improvement	12,597,175	249,611	12,846,786
Limited General Obligation Bonds	7,719,330	2,562	7,721,892
Unlimited General Obligation Bonds	1,770,853	(1,113)	1,769,740
General Capital Projects	56,380,096	1,450,665	57,830,761
Transportation Capital Projects	39,416,383	3,259,492	42,675,875
Water/Sewer Operating	52,898,981	1,178,011	54,076,992
Water/Sewer Debt Service	2,567,358	(341,616)	2,225,742
Utility Capital Projects	22,415,061	934,742	23,349,803
Surface Water Management	22,166,174	449,111	22,615,285
Surface Water Capital Projects	18,315,303	209,276	18,524,579
Solid Waste	32,634,724	(325,603)	32,309,121
Health Benefits	24,617,930	(236,659)	24,381,271
Equipment Rental	19,509,386	(259,213)	19,250,173
Information Technology	12,488,048	142,260	12,630,308
Facilities Maintenance	12,859,400	223,595	13,082,995
Firefighter's Pension	1,921,858	749	1,922,607
	<u>551,099,650</u>	<u>8,212,067</u>	<u>559,311,717</u>

Section 3. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this ____ day of ____ , 2013.

Signed in authentication thereof this ____ day of ____ , 2013.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney