

2013-2014 BUDGET in BRIEF

Kirkland



CITY COUNCIL GOALS



ENVIRONMENT



HUMAN SERVICES



PARKS, OPEN SPACES AND RECREATIONAL SERVICES



FINANCIAL STABILITY



ECONOMIC DEVELOPMENT



BALANCED TRANSPORTATION



HOUSING



NEIGHBORHOODS



PUBLIC SAFETY



DEPENDABLE INFRASTRUCTURE

who we are

40%
tree canopy
cover

98%
of residents
feel safe

13
neighborhood
associations

KIRK
at

118
target for number of
affordable housing units
made available each year

40
miles of
bike lanes



45

City-owned
parks

75%

of businesses like
operating in Kirkland

LAND
a glance

254

miles of City
streets

AAA

Kirkland's S&P
Bond Rating

56

human service
organizations receive
funding from Kirkland

MISSION STATEMENT

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.



ABOUT A CITY

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. Kirkland is near several major transportation routes, including interstates 5 and 405 and State Route 520. These routes connect the City 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 is 81,480. Kirkland is the 12th largest city in Washington and the sixth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eighteen square miles—approximately 20 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 in 2011.

GOVERNMENT

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 sev-

eral advisory boards, 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 11 operating departments.

The City boasts 45 parks, including 11 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. ♦

BASIC VALUES

Integrity
Excellence
Respect for the Individual
Responsiveness

TOTAL TWO-YEAR BUDGET: \$543,708,911

The City budget is comprised of general government functions and the City's three utilities, which are operated as separate enterprises. Both the general government and utilities budgets have operating and non-operating components. The operating portion of the budget represents services to the public and support services within the organization. Non-operating budgets account for debt service, capital projects and reserves. ♦



THE BUDGET CALENDAR

JUNE

City Council reviews mid-year budget; receives report on current biennium's budget and updated six-year financial forecast, with emphasis on coming biennium. City Manager

requests input from City Council about budget priorities and direction for coming biennium.

JULY-AUGUST

Each department prepares a preliminary budget, which consists of the basic budget,

which is a projection of costs for current services, expenditure reductions and service packages—requests for new services, equipment, and projects.

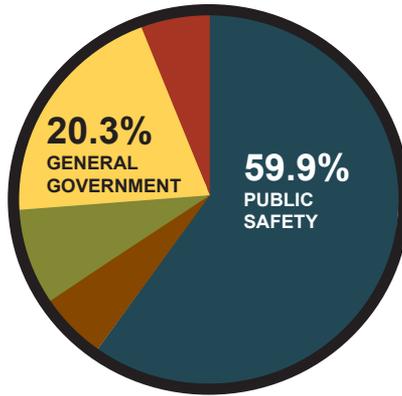
SEPTEMBER

City Manager finalizes

TWO-YEAR GENERAL FUND: \$171,626,838

The General Fund is the primary operating fund of the City. The General Fund accounts for resources traditionally associated with government. The General Fund accounts for about 60% of the City's General Government Operating budget. The majority of the expenditures in the General Fund are devoted to public safety—police, fire, building inspection, and municipal court services.

The next largest program is Gen-



- Other services: 5.9%
- Culture & Rec: 8.5%
- Transportation: 5.4%

eral Government, which includes legislative, executive, legal, administrative, financial, and community planning services. Comparing 2011-2012 to 2013-2014 is challenging, due to the annexation partway through the last biennium, during which services and costs were ramping up. The 2013-2014 budget is the first that provides services to the new

neighborhoods for the full two-year period. ♦

preliminary budget proposals from each department after reviewing them.

City Council hosts public hearing to solicit citizen-input on proposed revenue sources for upcoming biennium.

OCTOBER-NOVEMBER

Administrators publish

budget. Council holds study sessions dedicated to the review of the preliminary budget.

Council hosts public hearing to solicit citizen input on the preliminary budget and preliminary property tax levy.

DECEMBER

City Council adopts

final property tax levy for coming year and final budget for coming biennium by ordinance via simple majority of the members present.

JANUARY-MARCH

Final budget is published. ♦

WHERE PROPERTY TAXES GO

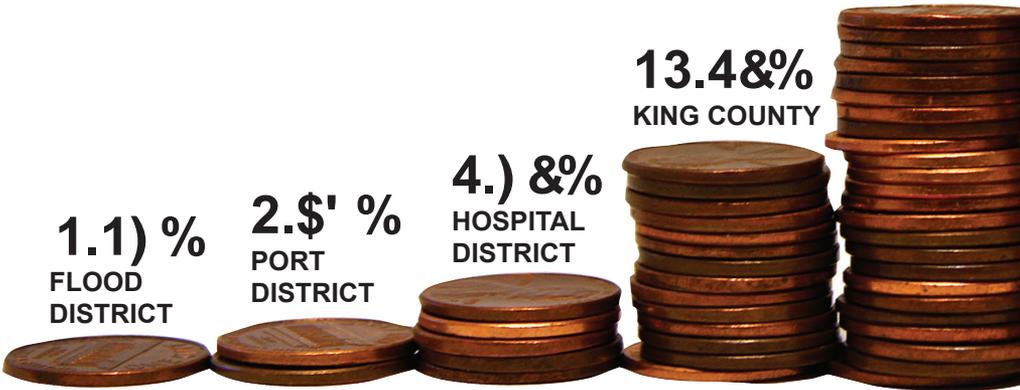
22.1%
STATE SCHOOL
FUND

13.48%
KING COUNTY

4.1%
HOSPITAL
DISTRICT

2.5%
PORT
DISTRICT

1.1%
FLOOD
DISTRICT



Property tax is the largest of Kirkland's nine primary sources of revenue. It accounts for 19.6% of the General Fund. State law limits Kirkland to an annual increase of its regular property tax levy by the implicit price deflator or by 1%, whichever is less. It also allows for new construction. Voters can give Kirkland authority to exceed this limitation. Kirkland receives 16.28% of property taxes. The other 84% is divided up between nine jurisdictions, such as King County, Evergreen Hospital, Port of Seattle and a flood district.

Public education is the single biggest beneficiary of property taxes. The Lake Washington School District receives 32.65%. The State School Fund gets 22.37%. ♦

32.65%*
L.K. WASH.
SCHOOLS

1.96%*
CITY OF
KIRKLAND

4.94%
LIBRARY
DISTRICT

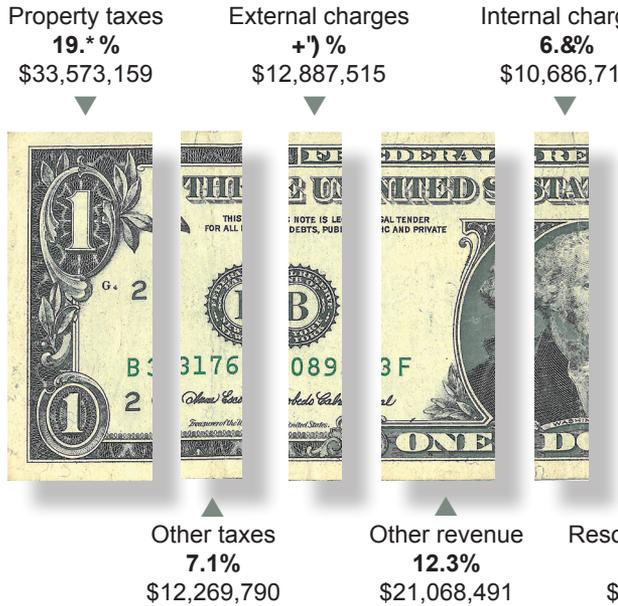
2.61%
EMERGENCY
SERVICES
LEVY

.03%
FERRY
DISTRICT

SOURCES *of the* GENERAL FUND

SALES TAXES

For 2013, City administrators are projecting no increase in sales tax revenues. For 2014, they are projecting a 3% increase from 2013. The increase in 2012 and subsequent projections is due in part to the addition of revenues from the new neighborhoods. Revenues seem to have stabilized since decreasing from the 2007 peak of \$16 million to the 2010 trough of \$12 million.



BUSINESS LICENSE FEES

The revenue for 2013 and 2014 assumes a 2% annual increase in full-time equivalent employees and suspension of the revenue-generating license fee for new businesses with fewer than 10 full-time employees. Revenue impact of the suspension will likely be offset in the first year by year-end 2012 cash. Business license fees consist of a base fee of \$100 and a revenue-generating license fee of \$100 per full-time equivalent employee.

UTILITY TAXES

In general, electric and gas revenues have been relatively stable, if not growing. Telecommunications revenues have been declining—due, in part to the regulatory environment and consumer usage patterns.



DEVELOPMENT FEES

To protect City streets, a right-of-way construction inspector position is funded through the extension of the right-of-way use-fees. Projections for 2012 are expected to exceed the 2012 budget, even though Park Place redevelopment did not occur.

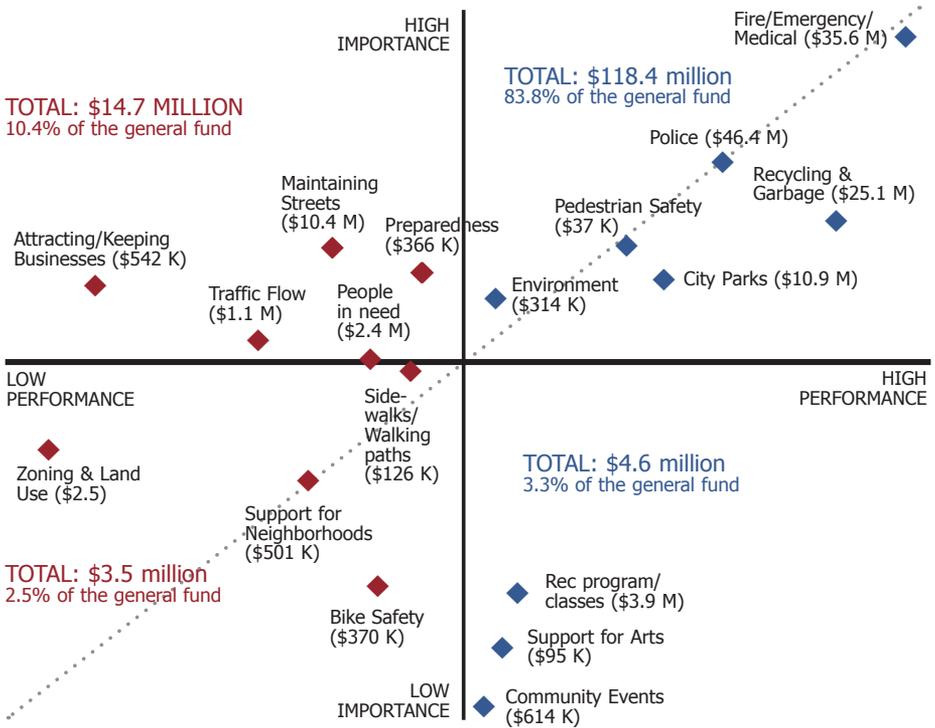
INTEREST INCOME

Interest income is expected to decline in the next biennium due to the continuation of historically low interest earnings rates. The 2013-2014 budget assumes interest rates will be between 0.50% and 0.42% for 2013-2014. Interest income is estimated at \$0.56 million in 2013 and \$0.43 million in 2014. The biennium's total is \$0.99 million. Interest earnings in the 2007-2008 biennium totaled \$9.4 million. 2009-2010 earnings totaled \$4.6 million, and 2011-2012 earnings were projected at \$2.1 million.

REAL ESTATE EXCISE TAX

Real Estate Excise Tax is generated by real property sales. The City uses some of these tax revenues to maintain streets and parks during the upcoming biennium. The state legislature allowed jurisdictions to use a portion of these funds toward maintenance for six years during the downturn. ♦

challenge



CITIZENS OFFER FEEDBACK IN 2012

In the 2012 Community Survey, residents ranked the importance and performance of Kirkland's services.

Every two years, Kirkland's citizens rank the importance of City services to them and Kirkland's delivery of them. 2012 rankings are placed on the above chart.

The diagonal line represents ideal performance relative to the level of importance. Services falling on or

near this line are performing optimally compared to how citizens value them.

Administrators recognized services left of the line as improvement opportunities. For the 2013-2014 budget, they devoted more resources to those services (See next page). ♦

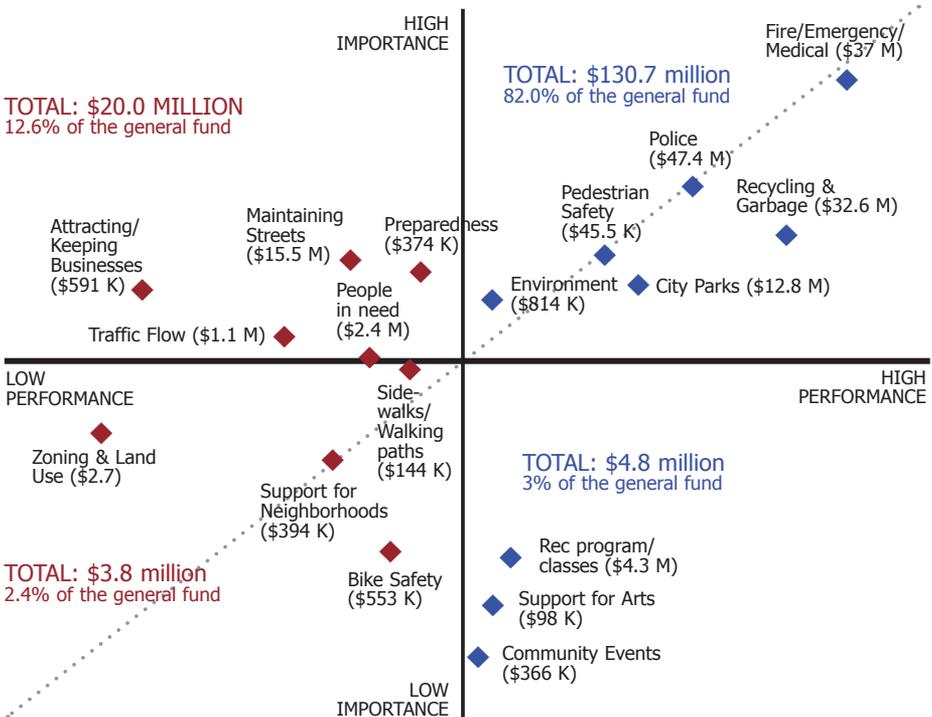
KIRKLAND'S LEADERS RESPOND

For the 2013-2014 two-year budget, Kirkland leaders responded to citizen feedback.

This updated quadrant chart shows 2013-2014 investments in each service. The comparison demonstrates that we have made progress in addressing the imperatives in the upper left quadrant, with the share of funding for the surveyed items in this quadrant increasing from 10.4% to

12.6%.

The proposed budget is focused on City Council goals and community priorities. The recommended decisions result in proposed 2013-2014 investments in the services on the "Quadrant" analysis as summarized below. ♦



PROJECTED \$7.7 MILLION BUDGET GAP

The March 2012 forecast of the General Fund projected a \$7.7 million shortfall for the 2013-2014 biennium. The shortfall projected at that time was driven by the following major assumptions:

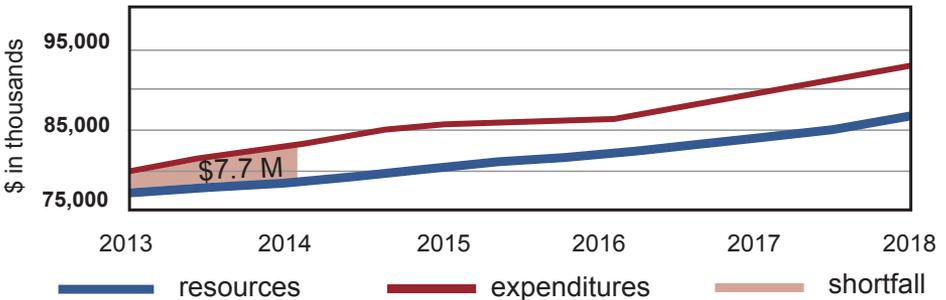
- ◆ Revenue collections from the new neighborhoods falling significantly below projections, especially sales taxes, where actual receipts were approximately one-third of the estimated amount that King County had provided during the annexation process.
- ◆ Telecommunications utility taxes falling below expectations, both in revenues from the new neighbor-

hoods and the continuing decline due to changes in usage patterns and exemptions of certain services legislated by the Federal government.

- ◆ Assumed growth in salaries at 5% (2.5% for raises, 1.5% for steps/longevity, and 1% for market/other adjustments) and benefit cost growth of 7%. These assumptions were reduced from past forecasts to recognize the City's focus on controlling wage and benefit cost growth.
- ◆ Reserve replenishment at 1% of the General Fund budget, consistent with the City's fiscal policies.
- ◆ All vacant positions approved for annexation would be filled. ◆

GENERAL FUND FORECAST AS OF MARCH 2012

(based on 2011 actuals and adopted 2012 budget)



CLOSING THE BUDGET GAP

Several actions in this proposed budget address the projected shortfall and present a balanced budget for 2013-2014:

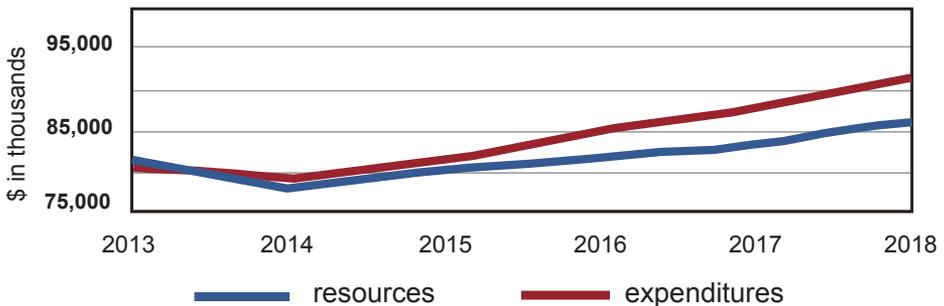
- ◆ Revised revenue projections, which closed the gap by approximately \$2.4 million, reflecting improvements in economic activity
- ◆ Recalibrated new neighborhood service level requirements based on actual experience, a reduction of \$2.6 million and 9.8 vacant FTEs
- ◆ Re-prioritized service levels in selected areas, resulting in a reduction of \$1.1 million and 3.8 FTEs

(2.3 vacant positions and 1.5 filled positions)

- ◆ Identified efficiencies and process improvements within the existing budget, resulting in a savings of \$0.9 million
- ◆ Moved away from inflation-based salary increases in selected labor contracts, resulting in slower cost growth, reducing the projection by approximately \$500,000
- ◆ Funds available from 2011-2012 savings, primarily due to positions held vacant throughout the City and lower than projected jail contract costs for inmate housing. ◆

GENERAL FUND FORECAST IN PRELIMINARY BUDGET

(based on preliminary 2013-2014 budget)



THREE KEY INITIATIVES THAT IMPLEMENT OUR FINANCIAL STABILITY GOAL *

1 EXPLORE NEW REVENUE OPTIONS AUTHORIZED BY THE STATE OR REQUIRING VOTER APPROVAL

The City Council placed two property tax levy lid lift propositions on the November 2012 ballot: Proposition 1 – Levy for City Street Maintenance and Pedestrian Safety and Proposition 2 – Levy for City Parks Maintenance, Restoration, and Enhancement. Voters approved both of these levies and the adopted budget includes them.

2 PROVIDE FRAMEWORK FOR REPLACING RESERVE FUNDS THAT WERE USED TO MITIGATE IMPACTS OF THE RECESSION

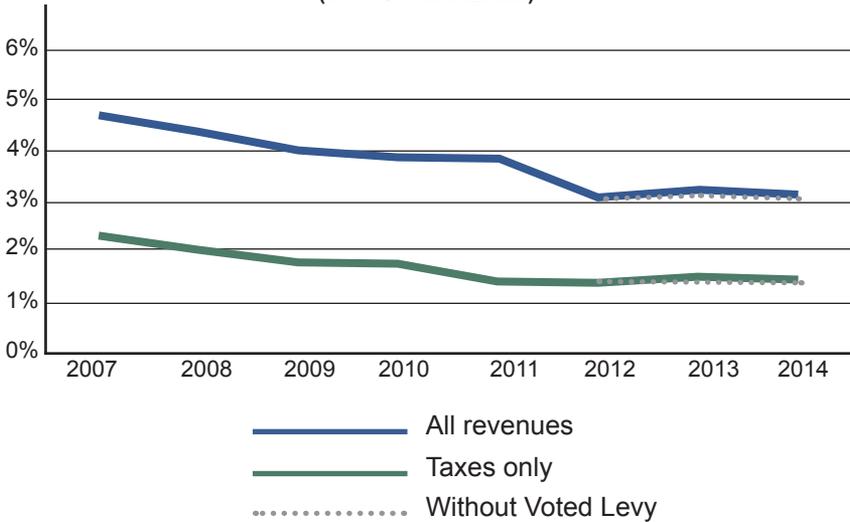
In 2011, the Council adopted financial policies that require the City to devote 1% of the General Fund's operating budget to replenishing reserves—until the reserves reach 80% of target. This budget funds that 1% reserve obligation for the first time.

3 ESTABLISH RESERVE FUNDS FOR PUBLIC SAFETY AND INFORMATION TECHNOLOGY EQUIPMENT

A need recognized during the 2011-2012 budget process was the establishment of sinking funds for the periodic replacement of public safety and information technology infrastructure equipment. In the past, this need has been met using one-time funds and capital improvement program funds. However, it had competed with other priorities even though it represents a predictable and on-going need. It is therefore a better financial practice to create these sinking funds and dedicate revenue to them. ♦

* These types of sound fiscal initiatives, coupled with Kirkland's strong reserves, are part of the reason Kirkland maintains a AAA credit rating.

THE PRICE OF GOVERNMENT (CITY OF KIRKLAND)



THE PRICE OF (KIRKLAND'S) GOVERNMENT

In evaluating these revenue assumptions, one question raised by taxpayers is “how affordable is government?” The “Price of Government” is a measure of this concept used by some jurisdictions as a comparison of the revenues from taxes and fees of the government to the aggregate personal income level of the City’s constituents. In general terms, the calculation is used to help define a band in which residents are willing to pay for government services. Many jurisdictions target, as their goal, between 5% and 6%. The graph above shows Kirkland’s Price

of Government over the past six years and the projection for the proposed budget. Over that period, total revenues as a percentage of personal income has slowly decreased from more than 4% to approximately 3% in the proposed budget, including the proposed voted levies. The steeper decline in 2011 reflects that the tax and fee revenues that resulted from the annexation did not increase in proportion to the total personal income added. Kirkland’s low price of government demonstrates the City’s commitment to provide excellent service at a low cost. ♦



Completing the master plan and constructing the interim Cross Kirkland Corridor is a high priority for the 2013-2014 biennium.

PRELIMINARY 2013-2014 CITY WORK-PLAN*

- 1** *Continue emphasis on Totem Lake revitalization through the Totem Lake Action Plan; **Council Goals:** Economic Development, Financial Stability*
- 2** *Complete master plan and interim trail on Cross Kirkland Corridor; **Council goal:** Balanced Transportation, Parks and Recreation, Economic Development, Neighborhoods*
- 3** *Complete Public Safety Building construction, bring to full operating capacity; **Council goal:** Public Safety*
- 4** *Continue implementation of the fire strategic plan recommendations, particularly those related to opportunities for regional cooperation **Council Goals:** Public Safety*

*Work plan will be revised and adopted by the Council in January 2013.

- 5 *Update City planning documents to incorporate new neighborhoods; set course for new, larger City; **Council Goals:** Neighborhoods, Balanced Transportation, Parks and Recreation, Diverse Housing, Economic Development, Dependable Infrastructure*
- 6 *Develop City-wide multimodal transportation master plan that defines and prioritizes investments in intelligent transportation systems (ITS), roads, sidewalks, and bicycle paths and redefines traffic concurrency; **Council Goals:** Balanced Transportation, Infrastructure, Economic Development, Neighborhoods*
- 7 *Continue partnership initiatives with employees to achieve sustainability of wages and benefits; **Council Goals:** Financial Stability*
- 8 *Begin implementation of the results of the development services organizational study and development fees; **Council Goals:** Economic Development ♦*



CLOCKWISE: A rendering of the Public Safety Building; a Kirkland firefighter battles a residential fire; construction on N.E. 85th Street includes upgrading the corridor to Intelligent Transportation Systems; a map of the new Kirkland; a bike-commuter uses Kirkland's multi-modal facilities.

KIRKLAND CITY COUNCIL

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Mayor Joan McBride



Deputy Mayor Doreen Marchione

COUNCIL MEMBERS

Penny Sweet ◆ Dave Asher ◆ Amy Walen ◆ Bob Sternoff ◆ Toby Nixon



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Judge Michael Lambo, Judge 587-3160

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