



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
Neil Kruse, Senior Financial Analyst

Date: March 26, 2013

Subject: **2013-2014 BUDGET ADJUSTMENT: 2011-2012 CIP & OPERATING CARRYOVERS AND OTHER ADJUSTMENTS**

RECOMMENDATION:

The City Council receives a brief recap of the year-end 2012 financial results, an update on the sales tax revenue through February 2013, and adopts the attached ordinance increasing the 2013-2014 budget appropriations for selected funds to reflect carryovers, estimated beginning cash balances (resources forward) in the General Fund and to fund carryovers, and other adjustments.

BACKGROUND DISCUSSION:

2012 Year-End Results

The year-end results for 2012 are discussed in detail in the Financial Management Report (FMR), which is included as **Attachment A**. This section provides a brief overview of the General Fund results versus the budget:

- Actual 2012 **General Fund revenues** ended the year \$0.74 million over the budgeted level (\$76.9 million versus budget of \$76.2 million). This amount is \$1.55 million more than estimated during the development of the 2013-2014 Budget in the Fall of 2012. Sales tax, utility taxes, development services-related revenue, and fines and forfeits ended the year higher than estimated.
- Actual 2012 **General Fund expenditures** ended the year about \$4.9 million under budget, about \$45,000 less than estimated during the development of the 2013-2014 Budget in the Fall of 2012. More than half of the under-expenditures are a result of salary and benefit savings partially due to delayed hiring for annexation. This savings is not expected to continue at the same level in 2013. The remaining under expenditures are primarily due to savings in intergovernmental (contract inmate housing costs) and professional services. All departments under-expended their budgets in 2012.

The use of the resulting one-time funds, after factoring out obligated program reserves in the General Fund, is discussed in greater detail later in this memo.

2013 Sales Tax Revenues

Sales tax receipts through February are up 17.2 percent over the same period last year. Strong performance in the contracting, auto/gas retail and services sectors along with early holiday shopping are the primary reasons for the gains seen to date. A more detailed analysis can be found in the January (**Attachment B**) and February (**Attachment C**) sales tax memos, reflecting November and December taxable retail sales respectively.

Carryovers and 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.

Three types of adjustments are included in the proposed 2013-2014 budget amendment:

1. Operating and capital carryovers;
2. CIP project closures and other adjustments; and
3. Recognizing General Fund resources forward (estimated cash at the end of 2012).

The following is a recap of major items requested in this budget adjustment:

1. **Carryovers** relate to uncompleted projects, contracts, or purchases that were authorized but not spent in the prior biennial budget. In order to complete these items, both the funding and the expenditure authority need to be "carried over" from the 2011-2012 Budget to the 2013-2014 Budget. Accordingly, the 2013-2014 Adopted Budget needs to be amended. Funding for carryovers primarily comes from recognizing cash that was obligated but not spent in the prior biennium (i.e. Resources Forward) and from external sources such as grants. In some funds, carryovers are funded by reserves in recognition that appropriated reserves are adequate to fund such items. Carryovers funded from reserves do not require an appropriation change as they are line item adjustments within the funds' appropriation.

Most carryovers consist of capital projects approved but not completed in 2011-2012. These requests total \$28.9 million. Projects to be carried over to 2013-2014 include the following:

- **Parks projects:**

Forbes Lake Park Development	595,546
Park and Open Space Acquisition	427,634
Waverly Beach Park Renovations	239,225
Park Play Area Enhancements	187,549
McAuliffe Park Development	172,477
Peter Kirk Pool Upgrades	114,808
Shoreline Restoration	82,242
Snyder's Corner Park Site Development	75,000
Green Kirkland Program	70,977
Spinney Homestead Park Renovation	50,000
Juanita Bay Park Wetland Restoration	15,987
Total Parks Carryovers	2,031,445

- **Facilities projects:**

Public Safety Building/Maintenance Center Expansion	6,298,609
Consolidated Fire Station	1,366,484
Facilities Life Cycle Projects	719,567
Total Facilities Carryovers	8,384,660

- **Transportation projects:**

NE 120th Street Roadway Extension (East section)	2,428,849
Kirkland ITS Implementation Phase I	1,834,510
NE 85th/114th NE Intersection Improvements	1,162,037
NE 85th Street Paving (Annual Street Preservation One-time Project 2012)	1,122,000
NE 85th/124th NE Intersection Improvements	955,530
NE 85th/132nd NE Intersection Improvements	894,434
NE 124th/124th Ave Intr Improvements	633,027
Asphalt Milling Machine (Annual Street Preservation One-time Project 2011)	500,000
NE 100th/Spinney Homestead Park Sidewalk Phase II	490,265
Rose Hill Business District Sidewalks	405,283
Annual Street Preservation	335,223
6th Street Sidewalk	229,306
100th Ave NE Bicycle Lanes	223,691
Growth & Transportation Efficiency (GTEC)	200,917
CKC Interim Trail	199,987
104th Ave NE/NE 68th St Lkvw School Walk Route	80,684
Juanita Drive Corridor Study	32,553
12th Avenue Sidewalk	26,336
State Street Utilities Undergrounding	12,727
Downtown Pedestrian Improvements	7,139
Total Transportation Carryovers	11,774,498

- **Technology projects:**

Network Projects	899,173
Permit Plan Replacement	260,835
Geographic Information Systems (GIS)	190,000
Records Management	188,948
Finance/Human Resources System	47,094
Municipal Court Technology	25,000
Total Technology Carryovers	1,611,050

- The **Neighborhood Connections** program, which has been put on hiatus, has a balance of \$65,595 which is being carried over. This will fund an assessment of the King County Transfer of Development Rights program in 2013 for \$15,000, which leaves \$50,595 available for opportunities for small neighborhood projects.

- **Public Safety projects:**

Emergency Operations Center Upgrade	18,850
Disaster Supply Storage Units	39,363
Disaster Response Vehicle	39,690
Defibrillator Unit Replacements	157,000
Disaster Response Portable Generators	147,947
Investigations Vehicle/Equipment	5,292
North Kirkland Community Center Emergency Power	21,609
Mobile Tablets	27,600
Total Public Safety Carryovers	457,351

- **Water and Sewer projects:**

116th Avenue NE/NE 70th-80th Streets Watermain Replacement	604,619
NE 85th Street Watermain Replacment	424,740
Emergency Sewer Construction	373,612
North Reservoir Painting	367,698
Vulnerability Analysis	329,627
120th Avenue NE Watermain Replacement	234,346
NE 109th Avenue/106th Court NE Watermain Replacement	168,515
Supply Station #3 Replacement	141,000
Inflow & Infiltration Reduction Program	136,893
NE 53rd Street Sewermain Replacement	86,267
Emergency Sewer Replacement	50,000
Telemetry Upgrades	19,239
Total Water/Sewer Carryovers	2,936,556

- **Surface Water projects:**

NE 85th Street Detention	546,208
Totem Lake Twin Culvert Replacement	445,849
Forbes Creek/Coors Pond Channel Upgrade	176,503
Totem Lake Blvd. Flood Control	159,848
NE 129th Place/Juanita Creek Rockery Repair	109,822
Surface Water Sediment Pond Reclamation Phase II	79,736
Annual Streambank Stabilization	57,700
Cochran Springs/Lake Washington Blvd.	51,400
Total Surface Water Carryovers	1,627,066

Operating Carryover requests primarily consist of uncompleted service packages and other one-time projects or activities. Recommended carryover requests total \$1.47 million in the General Fund and \$1.63 million in other operating funds. Carryover items include the following:

- **2012 Invoice Payments** – Carryovers in this category reflect adjustments to the 2013-2014 Budget to acknowledge payment of invoices in the current biennium for services received in the prior biennium. This adjustment is necessary because vendors did not invoice the City in time to be paid by the end of 2012. Carryovers for invoice payments in the General Fund total \$417,533 and \$171,500 in all other operating funds, including:

General Fund

- Human Services Contract Payments, \$186,735
- Professional Services Contract Payments, \$109,625
- Fire Personnel Protective Equipment, \$32,801
- Other invoices, \$88,372

All other funds

- Smartnet Support, \$62,500
- Microsoft Enterprise Agreement, \$109,000

- **Projects not completed in 2011-2012** – These recommended carryovers are for projects previously funded in the 2011-2012 Budget but are not yet completed. Recommended carryovers for 2011-2012 projects continuing into or being postponed until the 2013-2014 biennium total \$35,155 in the General Fund and \$736,670 in other funds, including:

General Fund

- Active Transportation Plan Implementation, \$26,819
- Youth Council Training and Mini Grants, \$3,350
- Workstation at Fire Station #22, \$4,986

All other funds

- Fiber Connections project in the Street Fund, \$16,830
- Telemetry Upgrades and Manhole Rehabs, \$69,500
- Fire Station Fire Hydrant Conversion and Counter Replacements, \$25,000
- Opportunity fund & utility undergrounding – funds are used to take advantage of one-time opportunities to install small sidewalks connections in conjunction with development projects, \$9,000
- Surface Water plans and projects:
 - Securing and protecting ponds, \$242,340
 - Surface Water Master Plan, \$200,000
 - National Pollutant Discharge Elimination System (NPDES) implementation – grant funded, \$90,000 (this carryover will be funded from pending grant revenues)
 - Various studies, surveys and samplings required by regulations, \$50,000
 - Funding for enhanced preservation program including rehabilitation program materials and drainage repair, \$34,000
- **Annexation Service Packages** – These recommended carryovers are for one-time service packages previously approved by Council in the 2011-2012 Budget to address annexation-related needs that are not yet completed. Recommended carryovers for 2011-2012 annexation service packages continuing into or being postponed until the 2013-2014 biennium total \$65,406 in the General Fund and \$524,585 in other funds, including:

General Fund

- Furniture and computer for Capital Projects Engineer, \$5,826
- Police patrol vehicle and related equipment, \$59,580

All other funds

- Vehicle and equipment purchases in the Street Fund, \$301,292. This includes the purchase of a service truck, partially funded with a carryover (\$28,255) and the remainder funded using \$32,245 of Proposition 1 (Road Levy) revenue.
- Vehicle and equipment purchases in the Surface Water Utility Fund, \$66,250
- GIS data development and other applications-related costs in the IT Fund, \$137,556
- Furniture for Vehicle Technician in the Fleet Fund, \$5,760
- **Other Carryovers** – Recommended carryovers for other items that do not fall into the categories discussed above total \$956,733 in the General Fund and \$200,025 in other funds:

General Fund

- National League of Cities membership, \$14,000
- King County Urban Access Project grant match, \$50,000
- K-9 Unit dog replacement, \$15,000
- Parking Station Shelters, \$49,710
- Undistributed Personnel Costs – Acknowledging that a portion of the under-expenditure in 2012 was the result of not distributing certain funds because of open contracts and other related circumstances, set aside in reserve \$474,041 to cover pending expenditures.
- Unused Liquor Profits – Replenish reserves with the unused portion of the liquor profits, \$353,982.

All other funds

- Centennial replacement trees, \$14,967
- Life cycle and rate model update; energy conservation study; and the evidence vehicle storage projects in the Facilities Fund, \$63,000
- Energov contract savings to fund project staffing backfill, \$75,000
- Comcast audit, \$25,000
- Kirkland Works videos, \$17,058

The carryover adjustments total \$32 million (\$28.9 million capital projects and \$3.1 million operating funds). The \$28.9 million in capital carryovers are funded with \$90,000 in external grant funding, with the remainder funded by budgeted work in process balances. The \$3.1 million in operating carryovers are funded with \$96,108 of external grant funding, a \$15,000 transfer from the capital fund, and the remainder from resources forward, as described later in this memorandum. The total appropriation change is \$3.6 million, with the difference due to the doubling of selected costs impacts due to interfund transfers.

2. **CIP Project Closures and Other Adjustments** – Two adjustments requiring Council approval are the closure of CIP projects and conversion of temporary to on-going FTEs, as described below.

- **CIP Project Closures** – As part of the carryover process, staff has completed a detailed review and reconciliation of capital projects, resulting in the closure of 11 facilities life cycle and 26 transportation projects. The closure of Transportation and Facilities projects will result in \$221,488 being returned to the General Capital Contingency. Closure of other Transportation projects with Surface Water elements will result in just over \$1 million being returned to the Surface Water Transportation Reserve. A detailed list of these projects is included as **Attachment D**. Council approval of the comprehensive closure list will allow staff to complete the process of closing the projects from a financial standpoint.

In those circumstances where the projects show a shortfall, which is being funded by surplus funds in other projects, there are three main drivers:

- Surface Water Management versus General Government – In several cases the overall project cost (surface water and general government combined) was as budgeted or less, but the actual costs allocable to the General Government portion of the project was higher than anticipated, thereby requiring additional funding from General Government sources. As a result unspent funds are returned to the Surface Water utility.
- Regional Coordination – The actual costs of the City's regional coordination efforts on several major projects (e.g., SR-520, the new interchange at 116th Street and I-405) have exceeded the budget even though the budgeted amount has been increased over the last two biennia because of the complexity of the projects.
- Ineligible Costs – Projects that included grant funding have incurred costs that are not eligible for reimbursement from the grants. This results in the use of general government funding sources to cover project costs not reimbursed by grants.

To address these issues in the future, Public Works is developing a strategy for monitoring projects that will provide a more proactive assessment of actual work completed compared to budgeted resources (both amounts and sources).

- **Conversion of Temporary to On-going FTE** - The City Manager recommends that the Council approve the conversion of a full time, temporarily funded (through 12/31/2013) Permit Technician in the Fire and Building Department to a regular, full time Permit Technician. This request is in response to the increase in development services activity and the cost is expected to be fully offset by anticipated building permit revenues. The potential to attract a stronger pool of candidates for a regular rather than a temporary position was an additional factor in this request. Council approval would add a 1.0 regular FTE with an estimated appropriation change in 2014 of \$92,511, funded by increased revenues. The department will continue to monitor the revenue stream and will adjust expenditures accordingly.
3. **2013 Resources Forward**, or beginning fund balance (cash), was estimated as part of the 2013-2014 budget process during Fall 2012. Now that 2012 is complete, staff is in the process of closing the books and reconciling the estimated resources forward with actual balances. When this analysis is completed, an adjustment (increase or decrease) to the budgeted beginning balance with a corresponding offset to the expenditure side will be made for all operating, capital and other non-operating funds (as part of the Mid-Year budget adjustments). This offset is usually to a reserve account, but may be to other line items depending on the nature of the change in the beginning balance. The current proposed budget adjustments recognize the estimated balance in the General Fund and the balances required to fund carryovers in all funds. The carryovers in the other funds total \$1,542,780. The General Fund resources forward is discussed in detail below.

Based on the current information, total beginning fund balance adjustment in the General Fund is a net increase of \$3,612,834. General Fund carryovers discussed in the prior section account for a use of \$1,456,230. In addition, cash is being set aside for the following items that occurred since the adoption of the budget in December 2012 (a total of \$799,633):

- **Development Services Reserve** – Recognize that development services-related revenues received in excess of the estimate in 2012 is for work that will need to be completed in this biennium by adding \$451,633 to the development services reserve.
- **Build America Bonds (BABs) Credit Loss** – Setting aside \$110,000 to cover increased debt service costs for the current biennium in anticipation of the Federal sequestration cuts which are expected to reduce the credit received for the BABs by 8.6%.
- **Public Disclosure Ordinance** – Setting aside \$75,000 to address staffing backfill and potential monitoring system-related costs associated with the implementation of the public disclosure ordinance.
- **Public Works Deputy Director** – The addition of the Public Works Deputy Director position is discussed in the attached memo (**Attachment E**). The position will be added to the 2013-2014 biennial Public Works overhead allocation, and funded from year-end 2012 cash in the General Fund and Utility Funds. The added cost for this period would be approximately \$162,000 to the General Fund (funded using resources forward) and approximately \$177,000 to the Utilities (funded from existing budgeted reserves). Although this position is funded with one-time cash in the current biennium, the cost will be built into the basic budget and allocated to all of these funds during the 2015-2016 budget process. Note that approximately \$7,000 in one-time space rearrangement expenses was funded from the City Hall facility contingency of \$50,000.
- **GFOA Budget Award** – At the City Manager's request staff is planning to submit the City's 2013-2014 Budget for the Government Finance Officer's Association (GFOA)

budget award this year. This one-time funding of \$1,000 is proposed because this item was eliminated during the budget reductions that became effective in 2011.

The Council had previously directed staff to fund the following items totalling \$323,000 from 2012 year-end cash:

- **Regional Fire Authority (RFA)** – Setting aside \$100,000 towards professional services and other related costs associated with the exploration of a RFA during the current biennium consistent with the adopted work plan.
- **Work Plan Public Outreach Reserve** – The public outreach process associated with the Comprehensive Plan update being undertaken by the City this biennium is estimated to cost \$223,000. Of this amount, \$20,000 would be used to increase the part-time communication support position in the City Manager's Office to be full-time through June 2013 and \$15,000 would be used to engage EnviroIssues to provide an "umbrella outreach vision and strategy." The remaining \$188,000 would be allocated based on the work of EnviroIssues. The specific expenditures will be determined after receiving EnviroIssues' report.

The **General Capital Contingency** was estimated to have a 2012 ending balance of \$4,437,370 based on the information available during the development of the 2011-2012 Budget in the Fall of 2010. The capital project closures approved by Council in April 2011 utilized \$729,813 of cash balance in anticipation of funds expected to be returned from future project closures or revenues to be reimbursed (for example, grants), reducing the balance to \$3,707,557.

From the available balance of \$3,707,557 in the General Capital Contingency, \$1,021,000 was used for the Juanita Beach project, resulting in an estimated 2012 ending balance of \$2,686,557. Staff recommends that any uncommitted funds available after planned uses be used to replenish this reserve as described below, given the current balance and the scope of the capital projects that the City is currently pursuing.

Reserve Replenishment – The uncommitted funds available after funding the carryovers, set asides, and Council directed items is \$1,033,971. The City's reserve replenishment policy requires that a high percentage of these uncommitted funds be used to replenish **General Purpose Reserves** until reserves meet 80% of target and the revenue stabilization reserve is at 100% of target. Staff recommends that \$1,033,971 be used to replenish the General Capital Contingency, in addition to the following replenishment sources:

- The \$157,795 in one-time sales tax revenue discussed with Council at the November 20, 2012 meeting. The additional one-time sales tax revenue was set aside for this purpose in the 2013-2014 Budget as adopted by Council on December 11, 2012.
- The \$353,982 of unused liquor profits being carried over.
- Project closure proceeds (\$221,288) and 2013 revenues reimbursing 2012 uses (\$357,002).

These resources result in replenishment of the General Capital Contingency totaling \$2,124,238. The table below summarizes the proposed uses of the year-end 2012 cash balance in the General Fund and proposed reserve replenishment.

Category	Amount
Net Change in General Fund Resources Forward	3,612,834
General Fund Carryovers	(1,456,230)
Set Asides and Other Uses	(799,633)
Council Directed Items	(323,000)
Uncommitted Funds for Reserve Replenishment	1,033,971
Use of Set Asides:	
Unused Liquor Profits Set Aside	353,982
One-Time Sales Tax Revenue Carried Over	157,795
2013 CIP Project Closures:	
Transportation Projects	111,114
Facilities Projects	110,374
2013 Revenues Reimbursing 2012 Uses:	
Operating Transfers-In	218,002
External Revenues	139,000
Total Addition to General Purpose Reserves	2,124,238

It is estimated that, with this replenishment and an annual contribution of 1% of the General Fund operating budget, the replenishment of the general purpose reserves to a 100% of the 2014 target could take 5 years. The table below shows the planned replenishment of the General Purpose Reserves.

2013-2014 General Purpose Reserves with Targets						
Reserve	Final 2013-2014 Budget Target	2012 Estimated Ending Balance	Planned Additions to/(Use of) Reserves	2014 Estimated Ending Balance	(Under)/Over Target	2014 Ending Balance as % of Target
Contingency	4,275,442	2,201,870	224,555	2,426,425	(1,849,017)	56.8%
General Capital Contingency	5,735,330	2,686,557	2,124,238	4,810,795	(924,535)	83.9%
General Operating Reserve (Rainy Day Reserve)	4,219,482	2,806,513	-	2,806,513	(1,412,969)	66.5%
Revenue Stabilization Reserve	2,468,068	1,231,431	1,236,637	2,468,068	-	100.0%
Council Special Projects	250,000	189,534	60,466	250,000	-	100.0%
Building and Property Reserve	600,000	2,137,598	(1,566,019)	571,579	(28,421)	95.3%
TOTAL	17,548,322	11,253,503	2,079,877	13,333,380	(4,214,942)	76.0%

Note: Excluding the planned use of the Building and Property Reserve toward the Public Safety Building project would result in the 2014 Ending Balance for General Purpose Reserves being at 84.9% of Target.

SUMMARY:

The total appropriation change of \$7.4 million is summarized in the table on the following page and the details can be found in the Budget Adjustment Summary (**Attachment F**).

Funding Source	Amount
Resources Forward	
General Fund (incl. \$1.545M transfer to Capital Contingency)	3,612,834
Other Funds	1,542,780
Subtotal Resources Forward	5,155,614
Internal Transfers	
General Fund	15,000
Other Funds (incl. \$1.545M transfer from General Fund)	2,034,017
Subtotal Internal Transfers	2,049,017
External Revenues	
General Fund	96,108
Other Funds	90,000
Subtotal External Revenues	186,108
Total Appropriation Change	7,390,739

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 below:

Fund Type	Current 13-14 Budget	Adjustments	Revised 13-14 Budget
General Government:			
General Fund	171,626,838	3,723,942	175,350,780
Other Operating Funds	29,740,972	321,589	30,062,561
Internal Service Funds	68,541,621	933,143	69,474,764
Non-Operating Funds	123,593,196	1,620,748	125,213,944
Utilities:			
Water/Sewer	77,811,900	69,500	77,881,400
Surface Water	39,759,660	721,817	40,481,477
Solid Waste	32,634,724	-	32,634,724
Total Budget	543,708,911	7,390,739	551,099,650

In addition to the appropriation change, two ongoing FTEs are approved: 1.0 FTE Permit Technician and 1.0 FTE Deputy Public Works Director. The appropriation adjustment reflects the data available at this point in time. Staff is currently in the process of completing work related to the preparation of the 2012 financial statements that will also finalize the cash positions in all the funds. This information will be used to update the resources forward and reserve amounts in all the funds. These changes will be brought forward for Council action as part of the 2013 Mid-Year budget adjustments.

CONCLUSION:

A significant outcome of the April 2013 budget adjustments is the use of uncommitted 2012 year-end cash balance to replenish the General Capital Contingency and reducing the estimated time to replenish the City's General Purpose Reserves by two years (assuming no reserve uses are required). This timetable also assumes the continuation of the annual contribution of 1% of the General Fund operating budget (estimated to be \$750,000). While this is a positive development, it is important to remember that the adopted budget includes approximately \$3.5 million per year from the State annexation sales tax credit. This revenue stream will expire in 2021. The upcoming City Council Financial Retreat will include a discussion of approaches to planning for the eventual loss of this revenue source.



Financial Management Report as of December 31, 2012

AT A GLANCE:

City Council Unanimously Adopts 2013-14 City Budget

(page 2 sidebar)

2012 revenues through December ended the year slightly ahead of budget (page 3)

Sales tax revenue grew in 2012 (page 5)

Economy continues a slow recovery (pages 7-8)

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The Financial Management Report was a challenge to interpret in 2012 due to annexation, which impacted expenditures and revenues at different times throughout 2011 and 2012. As a result, instead of discussing the comparison of 2012 actual revenues and expenditures to the prior year, this quarter's FMR compares the 2012 actual results to the 2012 budget and highlights revenues received in 2011 that were used to offset expenditures budgeted in 2012.

Summary of All Operating Funds: *Revenue*

- General Fund** actual 2012 revenue ended the year at **101 percent** of budget, excluding resources forward and interfund transfers. The 2012 budget included revenues projected for the new neighborhoods (annexation area), which came in lower than projected, offset in part by growth in revenues elsewhere in the City. A more detailed analysis of General Fund revenue can be found on page 3, and sales tax revenue performance can be found beginning on page 5.
- Other General Government Funds** actual 2012 revenue ended the year at **95.9 percent** of budget. \$1.1 million of one-time County Road Levy revenue budgeted to offset authorized expenditures in 2012 was actually received in 2011. Including the road tax received in 2011, Other General Government Funds actual 2012 revenue to budget would be at 101.8 percent.
- Water/Sewer Operating Fund** actual 2012 revenue ended the year at **102.6 percent** of budget. In 2012, sewer rates increased by 5.5 percent and water rates increased 2.2 percent.
- Surface Water Management Fund** actual 2012 revenue ended the year at **101.5 percent** of budget. Surface Water charges are paid with property taxes, which are primarily received in April and October.
- Solid Waste Fund** actual 2012 revenue ended the year at **95.4 percent** of budget. In 2011, Solid Waste customers had the opportunity to move to a smaller can size. More customers moved to a smaller size than expected which caused rate revenue to come in lower than expected. Utility reserves were used to offset the shortfall.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2011	12/31/2012	% Change	2011	2012	% Change	2011	2012
General Gov't Operating:								
General Fund	66,511,917	76,980,460	15.7%	68,664,728	76,241,634	11.0%	96.9%	101.0%
Other General Gov't Operating Funds	19,430,958	18,172,866	-6.5%	16,672,780	18,954,114	13.7%	116.5%	95.9%
Total General Gov't Operating	85,942,875	95,153,326	10.7%	85,337,508	95,195,748	11.6%	100.7%	100.0%
Utilities:								
Water/Sewer Operating Fund	19,387,708	21,075,119	8.7%	19,807,418	20,540,187	3.7%	97.9%	102.6%
Surface Water Management Fund	6,755,606	8,521,319	26.1%	6,847,891	8,391,990	22.5%	98.7%	101.5%
Solid Waste Fund	9,408,768	12,619,000	34.1%	10,040,676	13,228,950	31.8%	93.7%	95.4%
Total Utilities	35,552,081	42,215,438	18.7%	36,695,985	42,161,127	14.9%	96.9%	100.1%
Total All Operating Funds	121,494,956	137,368,764	13.1%	122,033,493	137,356,875	12.6%	99.6%	100.0%



Kirkland City Council Unanimously Adopts 2013-14 City Budget

At its December 11, 2012 meeting, the Kirkland City Council adopted the 2013-2014 Budget. The two-year budget totals approximately \$543 million which is a 13.2% increase from the previous biennial budget due to the full two-year cost of providing services to the new neighborhoods, increased health benefit costs, the passage of Propositions 1 and 2, construction and occupancy of the Public Safety Building and anticipated increases in revenue from Real Estate Excise Tax (REET), impact fees, and lodging tax due to the improving economy. In order to balance the budget, \$5.3 million in cuts were necessary to ensure the City's expenses would equal its revenue.

In his Budget Message, City Manager Kurt Triplett conveyed "This budget funds the priorities and vision of our citizens as identified by our community survey and achieves progress on the Goals adopted by the City Council."

The preliminary Budget is currently available online at www.kirklandwa.gov/budget; the final Budget document will be available in hard copy and online by the end of March, 2013.

Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures ended the year at **93.4 percent** of budget. Savings are largely due to postponement of some annexation-related hiring, position vacancies, and jail contract savings. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures ended the year at **87.7 percent** of budget largely due to budgeted vehicle purchases which have not yet occurred and lower facility utility costs. Vehicle costs vary year-to-year depending on the planned replacement cycle. In addition, there were several new annexation-related vehicles budgeted in 2012 which had been delayed and will most likely be purchased in early 2013. Some of the savings from delayed vehicle purchases was offset by higher than budgeted fuel costs. Facility utility costs are down, partially due to milder winter weather, but also from staff conservation efforts and the pay-off from past investments in updated controls and equipment at various locations. Other Operating funds also saw some savings in personnel costs due to annexation-related positions not being filled.
- **Water/Sewer Operating Fund** actual expenditures ended the year at **97.3 percent** of budget. The City did not take over provision of water and sewer services in most of the newly annexed areas; those areas are served by Northshore Utility District and Woodinville Water District.
- **Surface Water Management Fund** actual 2012 expenditures ended the year at **84.4 percent** of budget as a result of postponing the hiring of annexation-related positions that resulted in significant savings in the personnel and supplies categories.
- **Solid Waste Fund** actual 2012 expenditures ended the year at **100.9 percent** of budget primarily because of the one-time Department of Revenue assessment that was paid in 2012 but was budgeted in 2011. The City did not exceed the 2011-2012 appropriation as a result of the change in the timing of this transaction.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2011	12/31/2012	% Change	2011	2012	% Change	2011	2012
General Gov't Operating:								
General Fund	63,324,094	67,962,459	7.3%	67,878,459	72,747,879	7.2%	93.3%	93.4%
Other General Gov't Operating Funds	14,785,499	16,634,001	12.5%	17,106,576	18,962,841	10.9%	86.4%	87.7%
Total General Gov't Operating	78,109,593	84,596,460	8.3%	84,985,035	91,710,720	7.9%	91.9%	92.2%
Utilities:								
Water/Sewer Operating Fund	15,953,964	16,861,496	5.7%	16,765,372	17,325,319	3.3%	95.2%	97.3%
Surface Water Management Fund	3,688,910	4,639,221	25.8%	4,338,938	5,495,211	26.6%	85.0%	84.4%
Solid Waste Fund	9,526,936	13,254,275	39.1%	10,070,151	13,135,052	30.4%	94.6%	100.9%
Total Utilities	29,169,810	34,754,991	19.1%	31,174,461	35,955,582	15.3%	93.6%	96.7%
Total All Operating Funds	107,279,403	119,351,451	11.3%	116,159,496	127,666,302	9.9%	92.4%	93.5%

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

Financial Management Report as of December 31, 2012

General Fund Revenue

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

- **Sales tax** revenue allocated to the General Fund ended the year at **102.6 percent** of budget. A detailed analysis of total **sales tax** revenue can be found starting on page 5.
- **Utility tax** receipts, including projected new neighborhood area revenues, ended the year below budget expectations at **97.9 percent**. The shortfall in telecommunication utility tax revenues experienced in 2011 continued through December 2012. In addition, water and electric utility tax revenues came in under budget due to weather related variations. Together these three revenues ended the year under expectations by approximately 10.5 percent or \$933,624. These shortfalls are partially offset by gas and cable utility tax revenues that exceeded budget expectations.
- **Other taxes** actual revenue ended the year at **112.8 percent** of budget due to higher than expected gambling revenue from the new neighborhoods.
- The **business licenses (base fee) and franchise fees** actual revenue ended the year at **105.0 percent**.
- The **revenue generating regulatory license** fee ended the year slightly under budget expectations at **99.4 percent** of budget.
- The **development-related fee** revenues, collectively, ended

the year above budget expectations at **124.3 percent** of budget. **Building permits** and **plan check revenue** collectively ended the year **102.9 percent** of budget and **engineering services** revenue ended the year at **210.2 percent** of budget. **Planning fees** revenue ended the year at **163.8 percent** of budget primarily due to major Process IIA and Design Board permit revenues. Note that a significant portion of this additional revenue is for work to be done in subsequent years and will be set aside in reserve for that purpose.

- **Fines and Forfeitures** ended the year below budget expectations at **64.9 percent** due to lower than expected parking and traffic infraction penalty revenues. This is offset in part by salary savings from a parking enforcement officer, which is now filled. Revenues are expected to increase with the function at full staffing.
- **Other financing sources** includes the asset transfer from Woodinville Fire & Rescue that was received in late 2011 and budgeted in 2012. \$175,000 in Interfund Transfers budgeted for the purchase of public safety radios in 2011 occurred in December of 2012.

General Fund 2012 revenues ended the year at 101 percent of budget (excluding other financing sources).

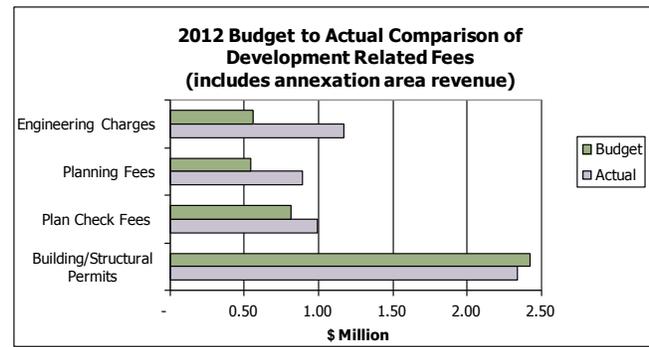
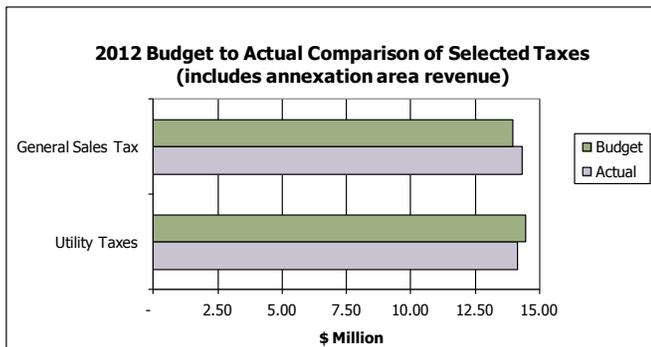
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

In 2012, about 421 of the City's 541 regular employees are budgeted within this fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2011	12/31/2012	% Change	2011	2012	% Change	2011	2012
Taxes:								
Retail Sales Tax: General	12,918,182	14,340,264	11.0%	12,885,899	13,972,010	8.4%	100.3%	102.6%
Retail Sales Tax Credit: Annexation	1,088,061	3,543,431	N/A	1,129,866	3,409,791	N/A	N/A	103.9%
Retail Sales Tax: Criminal Justice	1,141,768	1,671,316	46.4%	1,149,997	1,568,112	36.4%	99.3%	106.6%
Property Tax	13,088,632	15,999,451	22.2%	13,261,709	16,049,865	21.0%	98.7%	99.7%
Utility Taxes	11,861,208	14,160,641	19.4%	12,436,696	14,468,333	16.3%	95.4%	97.9%
Rev Generating Regulatory License	2,345,779	2,373,101	1.2%	2,344,069	2,386,300	1.8%	100.1%	99.4%
Other Taxes	440,258	1,134,577	157.7%	312,250	1,005,488	222.0%	141.0%	112.8%
Total Taxes	42,883,888	53,222,781	24.1%	43,520,486	52,859,899	21.5%	98.5%	100.7%
Licenses & Permits:								
Building, Structural & Equipment Permits	1,675,118	2,340,270	39.7%	1,748,605	2,423,612	38.6%	95.8%	96.6%
Business Licenses/Franchise Fees	2,720,228	4,316,966	58.7%	3,014,279	4,109,869	36.3%	90.2%	105.0%
Other Licenses & Permits	207,444	250,705	20.9%	217,579	217,579	0.0%	95.3%	115.2%
Total Licenses & Permits	4,602,790	6,907,941	50.1%	4,980,463	6,751,060	35.6%	92.4%	102.3%
Intergovernmental:								
Grants and Federal Entitlements	487,838	328,178	-32.7%	548,052	137,835	-74.9%	89.0%	238.1%
State Shared Revenues & Entitlements	871,865	1,328,459	52.4%	947,385	909,967	-3.9%	92.0%	146.0%
Property Tax - Fire District	2,313,161	-	N/A	-	-	N/A	N/A	N/A
Fire District #41	1,586,765	-	N/A	3,684,071	-	N/A	43.1%	N/A
EMS	840,146	855,091	N/A	868,678	866,729	N/A	96.7%	98.7%
Other Intergovernmental Services	266,132	111,493	-58.1%	533,087	186,597	-65.0%	49.9%	59.8%
Total Intergovernmental	6,365,907	2,623,222	-58.8%	6,581,273	2,101,128	-68.1%	96.7%	124.8%
Charges for Services:								
Internal Charges	5,393,203	5,381,414	-0.2%	5,558,328	5,894,286	6.0%	97.0%	91.3%
Engineering Services	759,300	1,168,301	53.9%	464,146	555,852	19.8%	163.6%	210.2%
Plan Check Fee	528,411	992,679	87.9%	1,115,779	814,484	-27.0%	47.4%	121.9%
Planning Fees	588,545	892,138	51.6%	495,044	544,619	10.0%	118.9%	163.8%
Recreation	1,082,755	1,131,941	N/A	1,162,406	1,152,963	N/A	N/A	98.2%
Other Charges for Services	1,534,336	1,878,102	22.4%	1,709,373	2,187,273	28.0%	89.8%	85.9%
Total Charges for Services	9,886,550	11,444,576	15.8%	10,505,076	11,149,477	6.1%	94.1%	102.6%
Fines & Forfeits	1,843,298	1,806,069	-2.0%	2,435,490	2,781,169	14.2%	75.7%	64.9%
Miscellaneous	929,484	975,872	5.0%	641,940	598,901	-6.7%	144.8%	162.9%
Total Revenues	66,511,917	76,980,460	15.7%	68,664,728	76,241,634	11.0%	96.9%	101.0%
Other Financing Sources:								
Transfer of FD 41 & WFR Balances	3,467,255	-	N/A	1,722,725	1,426,568	N/A	N/A	N/A
Interfund Transfers	99,534	329,054	N/A	275,028	153,560	N/A	36.2%	214.3%
Total Other Financing Sources	3,566,789	329,054	N/A	1,997,753	1,580,128	N/A	178.5%	20.8%
Total Resources	70,078,706	77,309,514	10.3%	70,662,481	77,821,762	10.1%	99.2%	99.3%

Budgeted and actual revenues exclude resources forward.

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2011	12/31/2012	% Change	2011	2012	% Change	2011	2012
Non-Departmental	1,480,723	1,586,976	7.2%	1,480,669	1,423,697	-3.8%	100.0%	111.5%
City Council	310,496	358,225	15.4%	333,977	443,849	32.9%	93.0%	80.7%
City Manager's Office	1,551,027	1,771,620	14.2%	1,577,493	1,901,282	20.5%	98.3%	93.2%
Municipal Court	1,829,709	2,028,875	10.9%	1,966,708	2,630,719	33.8%	93.0%	77.1%
Human Resources	1,223,115	1,215,749	-0.6%	1,267,998	1,274,208	0.5%	96.5%	95.4%
City Attorney's Office	1,120,377	1,301,336	16.2%	1,162,037	1,365,836	17.5%	96.4%	95.3%
Parks & Community Services	6,702,160	6,914,075	3.2%	7,108,434	7,326,446	3.1%	94.3%	94.4%
Public Works (Engineering)	3,365,232	3,572,007	6.1%	3,771,045	4,016,268	6.5%	89.2%	88.9%
Finance and Administration	3,822,892	4,286,169	12.1%	4,097,765	4,635,007	13.1%	93.3%	92.5%
Planning & Community Development	2,880,397	3,094,304	7.4%	2,932,820	3,424,656	16.8%	98.2%	90.4%
Police	19,880,595	21,677,895	9.0%	22,201,553	23,946,613	7.9%	89.5%	90.5%
Fire & Building	19,157,371	20,155,229	5.2%	19,977,960	20,359,298	1.9%	95.9%	99.0%
Total Expenditures	63,324,094	67,962,459	7.3%	67,878,459	72,747,879	7.2%	93.3%	93.4%
Other Financing Uses:								
Interfund Transfers	2,827,754	4,689,222	65.8%	3,286,374	4,942,766	50.4%	86.0%	94.9%
Total Other Financing Uses	2,827,754	4,689,222	65.8%	3,286,374	4,942,766	50.4%	86.0%	94.9%
Total Expenditures & Other Uses	66,151,848	72,651,681	9.8%	71,164,833	77,690,645	9.2%	93.0%	93.5%

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

The 2012 Budget incorporates budget reductions in response to the economic downturn and additions as a result of annexation. The same dynamics impacted the 2011 budget at varying times throughout the year. This creates a challenge comparing 2012 to 2011, therefore, expenditures will only be compared to the 2012 budget.

Comparing 2012 actual expenditures to the 2012 budget:

Overall, General Fund expenditures ended the year at 93.4 percent of budget, excluding interfund transfers. More than half of the under expenditures are a result of salary and benefit savings partially due to delayed hiring for annexation. The remaining under expenditures are primarily due to savings in intergovernmental jail contract costs and professional services.

- Actual 2012 expenditures for **Nondepartmental** ended the year over budget due to known uses of the litigation reserves and expenditures occurring in "revolving" accounts moved the General Fund in the bi-ennium, such as police and fire equipment, and parks donations.
- Actual 2012 expenditures for the **City Council** ended the year at **80.7 percent** of budget due to savings in dues and memberships.
- The **City Manager's Office** actuals ended the year at **93.2 percent** of budget due to savings in salaries and benefit expenses and professional services.
- The **Municipal Court** actuals ended the year at **77.1 percent** of budget due to savings in personnel costs associated with unfilled annexation positions. These positions are not needed and were eliminated in the 2013-2014 budget.

2012 General Fund actual expenditures (excluding "other financing sources") finished the year at 93.4 percent of budget, primarily due to postponement of annexation-related hiring, position vacancies in multiple departments and savings in jail costs.

Continued on page #

Financial Management Report as of December 31, 2012

- Actual 2012 expenditures for **Human Resources** ended the year at **95.4 percent** of budget due to savings in salaries and benefits and professional services.
- The City Attorney's Office** expenditures ended the year at **95.3 percent** of budget due to some savings in legal services.
- Actual 2012 expenditures for the **Parks & Community Services Department** ended the year at **94.4 percent** of budget due to vehicles for annexation not yet purchased, operating supplies and human services contract payments, the majority of which will occur in the first quarter of 2013.
- Actual expenditures for the **Public Works Department** ended the year at **88.9 percent** of budget due to position vacancies and professional services that will occur in the first quarter of 2013.
- The **Finance and Administration Department** expenditures ended the year at **92.5 percent** of budget due to lower than expected voter registration costs and savings in salaries and benefits.
- Actual 2012 expenditures for the **Planning and Community Development Department** ended the year at **90.4 percent** of budget due to savings in personnel costs as a result of unfilled positions.
- The **Police Department** ended the year at **90.5 percent** of budget due to savings from delayed annexation-related staffing and increased hiring of laterals (and related expenses) along with position vacancies. In addition, jail costs were under budget by \$1,063,231, due to contracts with other agencies for lower rates than those charged by King County and an increase in the use of electronic home detention and other sentencing measures as alternatives to jail time.

Summary of Fire District 41 Funds Revenues & Expenditures

	Capital	General Government
Revenues:		
Beginning Balance	4,000,000	1,724,497
Fire District Revenues	-	1,872,041
Interest and Other Revenues	23,796	2,697
Transfer from General Fund**	1,225,681	-
Total Revenues	5,249,477	3,599,235
Expenditures:		
Operating Costs (per ILA)*	-	164,058
Fire District 2011 Contract	-	2,209,496
Transfer to Capital Project**	-	1,225,681
Station Consolidation Project	37,872	-
Total Expenditures	37,872	3,599,235
Ending Balance	5,211,605	(0)

*Includes 2012 obligations
 **Transfer of remaining Fire District 41 revenues from the General Fund to the Consolidated Fire Station Capital Improvement Project

Sales Tax Revenue Analysis 2012 sales tax revenue through December was up 10.6 percent compared to the same period in 2011. The 2012 budget for sales tax revenue assumed an increase of 7.9 percent over 2011 actuals, which reflected anticipated increases due to annexation.

Review by business sectors:

The **general merchandise/miscellaneous** retail sector was up **4.3 percent** compared to last year. A large one-time receipt received in early 2011 skews this comparison. Excluding this one-time receipt in 2011 this sector would have been up 7.6 percent.

The **auto/gas retail** sector was up **15.6 percent** compared to last year, largely due to positive performance by all of the key auto retailers in this category.

The **retail eating/drinking** sector performance was up **10.8 percent** compared to last year, due to positive performance by several key retailers.

Other retail was up **17.7 percent** compared to last year, due to positive performance in all of the categories except for the furniture and electronics categories.

The **contracting** sector was up **44.4 percent** compared to last year. A portion of this increase is attributed to revenues from the construction of two new elementary schools and continued improvement in development related activity.

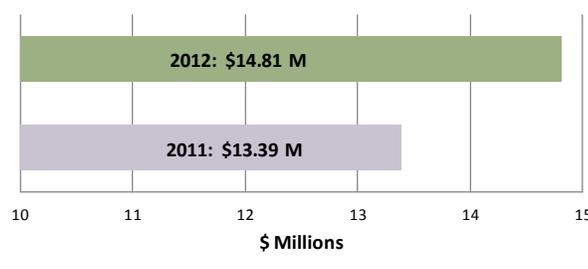
The **wholesale** sector was **down 21.9 percent** compared to last year, due to a one-time refund of \$190,078 from the Department of Revenue to a taxpayer in the wholesale category in December. Excluding this amount, the sector would be an increase of 4.4 percent.

The **services** sector was **down 1.6 percent** compared to last year, largely due to a one-time refund to a taxpayer from the Department of Revenue of \$127,000 in the other information category in May. The accommodations sector is up 2.9 percent or about \$8,200.

The **communications** sector was **down 8.1 percent** compared to last year due to one-time development related revenues in February 2011 in the telecommunications category. Factoring out this one-time revenue, this category would be up 5.7 percent compared to last year.

The **miscellaneous** sector was **down 13.4 percent** compared to last year due to the City receiving one-time Department of Revenue amnesty program revenues in 2011.

Sales Tax Receipts Through December 2012 and 2011



Streamlined Sales Tax

Local coding sales tax rules changed as a result of Washington State joining the national Streamlined Sales Tax Agreement in 2008. Negative impacts from this change are mitigated by the State of Washington. The year end revenue was about \$100,000, about \$14,000 under budget. This revenue source has been reduced due to the impact of state budget decisions.

Neighboring Cities Sales Tax

Bellevue was up 3.3 percent and Redmond was down 18.2 percent through December compared to the same period in 2011. Redmond was much lower due to \$4.6 million in field recoveries received in February and March 2011. Excluding field recoveries Redmond received about the same revenues through December in 2011 and 2012.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-December		Dollar Change	Percent Change	Percent of Total	
	2011	2012			2011	2012
Services	1,695,103	1,668,617	(26,486)	-1.6%	12.7%	11.3%
Contracting	1,751,622	2,529,780	778,158	44.4%	13.1%	17.1%
Communications	475,176	436,466	(38,710)	-8.1%	3.5%	2.9%
Auto/Gas Retail	3,161,723	3,655,645	493,922	15.6%	23.6%	24.7%
Gen Merch/Misc Retail	1,799,692	1,876,571	76,879	4.3%	13.4%	12.7%
Retail Eating/Drinking	1,146,804	1,270,831	124,027	10.8%	8.6%	8.6%
Other Retail	1,689,215	1,987,976	298,761	17.7%	12.6%	13.4%
Wholesale	718,132	560,974	(157,158)	-21.9%	5.4%	3.8%
Miscellaneous	950,723	823,403	(127,320)	-13.4%	7.1%	5.6%
Total	13,388,190	14,810,263	1,422,073	10.6%	100.0%	100.0%

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2011 and 2012 year-to-date sales tax receipts in the table to the left.

City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2011	2012		
January	1,082,225	1,104,023	21,798	2.0%
February	1,366,850	1,413,587	46,737	3.4%
March	942,887	1,054,686	111,799	11.9%
April	899,425	1,086,848	187,423	20.8%
May	1,154,252	1,132,774	(21,478)	-1.9%
June	1,046,570	1,147,892	101,322	9.7%
July	1,047,452	1,287,015	239,563	22.9%
August	1,181,633	1,313,808	132,175	11.2%
September	1,144,307	1,329,159	184,852	16.2%
October	1,148,556	1,386,749	238,193	20.7%
November	1,236,264	1,410,201	173,937	14.1%
December	1,137,769	1,143,521	5,752	0.5%
Total	13,388,190	14,810,263	1,422,073	10.6%

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City. For example, sales tax received by the City in December is for sales activity in October. Monthly sales tax receipts through December 2011 and 2012 are compared in the table above.

- January 2012 was slightly ahead of January 2011. A large one-time receipt in January 2011 skews the comparison. The increase is 7.6 percent after factoring out this one-time event.
- Receipts for February were also skewed by a large one time adjustment in the communications category and the revenues from the new neighborhoods. Factoring out these revenues results in an increase of 1.8 percent.
- April receipts showed significant increases in the contracting, other retail and auto/gas categories.
- Receipts for May were down largely due to a one-time taxpayer refund.
- June continued to see increases in the contracting, other retail and auto/gas retail categories.
- July, August, September, October and November continued to see significant improvements in construction-related activity, strong performance in the auto/gas retail sector, and a general stabilization in the economy.
- December sales tax revenue was up 0.5 percent due to a large one-time taxpayer refund from the Department of Revenue in the wholesale category of \$190,078. Without the one-time refund December would have been up 17.2 percent.

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

Comparing to the same period last year:

Totem Lake, which accounts for about 30 percent of the total sales tax receipts, was **up 11.0 percent** due to continued improvements in automotive/gas retail and improvements in the all retail categories.

About 60 percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which accounts for 15 percent of the total sales tax receipts, was **up 10.7 percent** primarily due to increases in all of the retail categories. These retail sectors contribute almost 96 percent of this business district's revenue.

Downtown, which accounts for more than 5 percent of the total sales tax receipts, was **down 10.7 percent** largely due to a one-time taxpayer refund in the other information services category that reduced the City's receipts in May. If this one-time taxpayer refund is factored out, Downtown tax receipts would be up 3.6 percent.

Carillon Point & Yarrow Bay, which account for more than 2 percent of the total sales tax receipts, were **down 22.0 percent** compared to last year primarily due to one-time revenues in the

other retail category in February 2011. About 74 percent of this business district's revenue comes from business services, retail eating/drinking and accommodations.

Houghton & Bridle Trails, which account for more than 2 percent of the total sales tax receipts, were **up 6.6 percent** collectively due to strong performance in the other retail category. The retail sectors provide about 69 percent of these business districts' revenue.

Juanita, which accounts for about 2 percent of the total sales tax receipts was **up 3.8 percent**. Increases in the retail eating/drinking are offset by poor performance in the business services category. These sectors, along with miscellaneous retail make up about 76 percent of this business district's revenue.

North Juanita, Kingsgate, & Finn Hill which account for more than 3 percent of the total sales tax receipts. Sales tax receipts for these business districts continued to perform below budget projections, which were based on data from King County. Note that 2011 receipts reflected one quarter of revenues only. Retail eating/drinking and food retail sectors provide about 67 percent of these business districts sales tax revenues.

Year-to-date sales tax receipts by business district for 2011 and 2012 are compared in the table on the next page.

Financial Management Report as of December 31, 2012

When reviewing sales tax receipts by business district, it's important to point out that more than 45 percent of the revenue received in 2012 is in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from Internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan - Dec Receipts		Dollar Change	Percent Change	Percent of Total	
	2011	2012			2011	2012
Totem Lake	3,969,493	4,405,643	436,150	11.0%	29.6%	29.7%
NE 85th St	1,977,792	2,189,027	211,235	10.7%	14.8%	14.8%
Downtown	886,762	791,614	(95,149)	-10.7%	6.6%	5.3%
Carillon Pt/Yarrow Bay	451,670	352,206	(99,464)	-22.0%	3.4%	2.4%
Houghton & Bridle Trails	346,139	369,094	22,955	6.6%	2.6%	2.5%
Juanita	242,242	251,510	9,268	3.8%	1.8%	1.7%
Kingsgate	105,668	178,081	72,413	68.5%	0.8%	1.2%
North Juanita	134,286	240,275	105,989	78.9%	1.0%	1.6%
Finn Hill	55,606	90,947	35,341	63.6%	0.4%	0.6%
Unassigned or No District:						
Contracting	1,749,027	2,527,202	778,175	44.5%	13.1%	17.1%
Other	3,469,503	3,414,665	(54,838)	-1.6%	29.9%	28.2%
Total	13,388,189	14,810,263	1,422,075	10.6%	100.0%	100.0%

Sales Tax Revenue Outlook Sales tax receipts for 2012 continued to indicate a slow recovery and the normal revenue volatility associated with sales tax revenues. The services, contracting, automotive/gas retail and other retail sectors contributed the largest amount of gain, but these sectors are very sensitive to economic conditions. The contracting sector has shown signs of recovery, with some of this gain due to the construction of two new elementary schools in the new neighborhoods. Anticipating revenues from the new neighborhoods for the full year of 2012, the budget included a 7.9 percent increase over 2011 actual. New neighborhood revenue is below expectations offset by gains in the pre-annexation City and contracting. Total sales tax receipts ended the year 10.6 percent ahead of 2011.

OFFICE VACANCIES:

According to CB Richard Ellis Real Estate Services, the Eastside office vacancy rate dropped to a four year low of 15.4 percent for the fourth quarter of 2012, compared to 15.5 percent for the fourth quarter of 2011. Kirkland's 2012 vacancy rate was 8.2 percent, slightly higher than the 2011 rate of 7.9 percent.

The Puget Sound office market flourished in 2012 with annual absorption of 3.12 million square feet, the greatest since 2000. The Amazon.com \$1.16 billion purchase of properties in South Lake Union was the nations largest office sale in 2012.

The Puget Sound region office market currently has 20.3 million square feet of announced projects in the pipeline, with developers positioning their sites to accommodate future growth.

LODGING TAX REVENUE:

Lodging tax revenue ended the year at 108.1 percent of the budget and 6.1 percent more than 2011.

Economic Environment Update The International Monetary Fund, led by its chief economist, Olivier Blanchard, in the latest update to its World Economic Outlook, estimates that the U.S. economy grew by 2.3 percent in 2012 and he predicts that that number will fall to 2 percent for 2013. In addition, Reuters polled analysts in December, which produced a median forecast for 1.9 percent U.S. economic growth in 2013. Congress passed, and the President signed, a bill to avoid most of the tax increases and budget cuts that made up the "fiscal cliff." However, the payroll tax on employee wages will rise (from 4.2% to 6.2%). Across-the-board budget cuts were delayed for two months. Economists also say the U.S. economy will likely grow much more quickly if the government was not raising taxes. Some economists think ongoing talks in Congress will eventually lead these spending cuts to be put off until next year, presumably once lawmakers reach a deal to reduce spending over the longer term while granting the government authority to increase the national debt. However, they might not reach a deal, and the planned spending cuts would then cut deeply into economic growth in the second half of the year.

The Conference Board **Consumer Confidence Index**, which had declined slightly in November, posted another decrease in December. The Index now stands at 65.1 down from 71.5 in November. Lynn Franco, Director of Economic Indicators at The Conference Board said: "Consumers' expectations retreated sharply in December resulting in a decline in the overall Index. The sudden turnaround in expectations was most likely caused by uncertainty surrounding the oncoming fiscal cliff. A similar decline in expectations was experienced in August of 2011 during the debt ceiling discussions. While consumers are quite negative about the short-term outlook, they are more upbeat than last month about current business and labor market conditions." An index of 90 indicates a stable economy an index of above 100 indicates growth.

King County's **unemployment rate** was **6.1 percent** in December 2012 compared to 7.1 percent in December 2011. King County's unemployment rate is lower than the Washington State and national rates, which were 7.7 and 7.6 percent respectively. The unemployment rate in Kirkland for December was 5.3 percent compared to 6.0 percent in December 2011.

(Continued on page 8)

Economic Environment Update *continued*

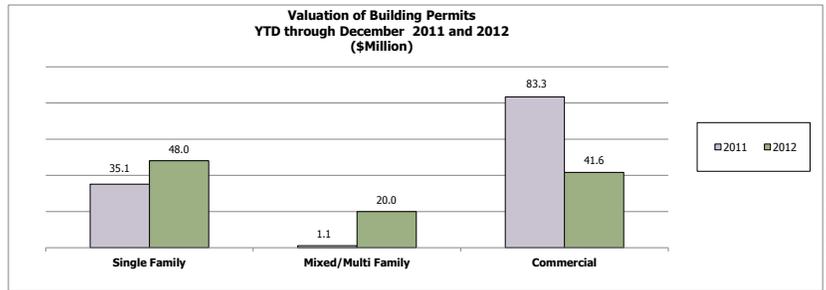
The Western Washington Purchasing Manager Index for the month of December saw a slight decline of economic activity in the Pacific Northwest. The index was at 62.0, down from 63.2 in November. Index numbers less than 50 indicate a shrinking economy, while those over 50 signal an expanding economy.

Local **development activity** through December comparing 2011 to 2012 as measured by the valuation of City of Kirkland building permits is illustrated in the chart to the right. Overall activity is down about 8

percent from last year. Activity has improved in single family and mixed use/multifamily but declined in the commercial sector. A large mixed use/multifamily project permit was applied for in October for the Totem Lake area which increased the valuation in this sector significantly. Beginning in June of 2012 public building permit data was combined with commercial permits.

Closed sales of **new and existing single-family homes** on the Eastside were up 32.9 percent in December 2012 compared to December 2011. The median price of a single family home increased from \$460,000 in December 2011 to \$510,468 in December 2012. Closed sales of condos throughout King County were up 31.6 percent and median prices increased by 2.3 percent, from \$239,500 to \$245,000. County-wide, closed sales for single family homes and condos increased by 18.3 percent. The county-wide median home price increased by 17.5 percent year-over-year.

Seattle metro consumer price index (CPI) in December was at 1.4 percent, the Seattle metro CPI fluctuated throughout the year averaging 2.66 percent. The Seattle index is calculated on a bi monthly basis. The national index ended the year at 1.7 percent in December and averaged 2.12 percent for 2012.

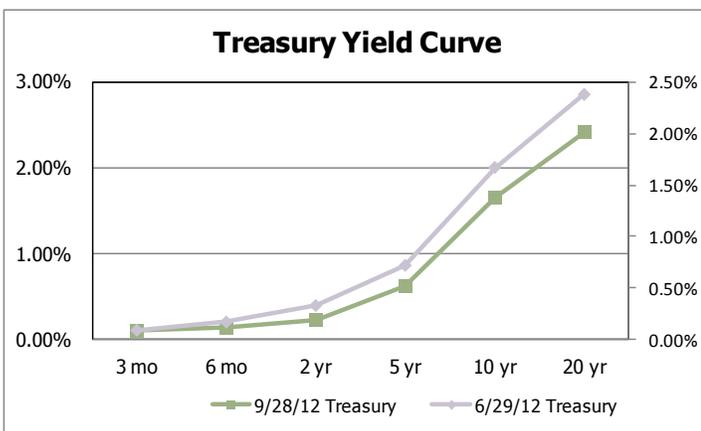


Investment Report

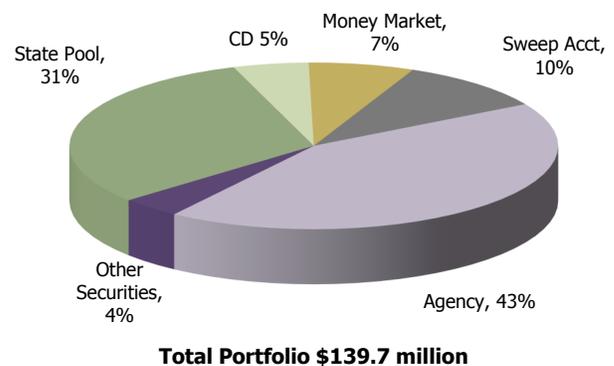
MARKET OVERVIEW

The news for the 4th quarter 2012 is the same story as previous quarters in 2012, very little or no change in the rates. The Fed Funds rate continues to hold at 0.25 percent through the fourth quarter. It is now expected that these rates will remain at this level well into 2015. There was little change in the economy for this quarter as well. The yield curve remained nearly the same for this quarter with only a slight drop in rates in the short end of the curve and a slight increase in rates at the long end of the curve.

During the 4th quarter of 2012, the City's portfolio balance increased by \$8.8 million. The portfolio balance was \$139.7 million on September 30, 2012 compared to \$148.5 million on December 31, 2012. \$3 million of this increase was due to lowering the balance kept in the general bank account to cover bank fees, from \$5 million to \$2 million. The balance kept in the City's general account is not included in the investment portfolio. The remaining \$5.5 million increase was due to receiving the 2nd half of property taxes due at the end of October.



Investments by Category



CITY PORTFOLIO

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Government Obligations, State and Local Government bonds, Bank CDs, Money Market Account, the State Investment Pool and an overnight bank sweep account. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

Financial Management Report as of December 31, 2012

2012 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for the U.S. economy changed very little in the 4th quarter of 2012 according to 39 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.2 percent in 2012 and 2.0 percent in 2013. CPI inflation is expected to average 1.9 percent in 2012 and 2.2 percent in 2013. The unemployment rate is expected to average 8.1 percent in 2012 and fall to 7.8 percent in 2013. The Fed Funds rate, currently at 0.25%, is expected to remain at this level well into 2015.

The duration of the portfolio increased in the 4th quarter as securities with longer maturities were purchased to take advantage of the slight increase in rates on the longer end of the yield curve. Opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. New security purchases will be made as opportunities to obtain moderate returns become available. The State Pool is currently at 0.24% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25%. Total investment income for 2012 was \$889,500.

Investment Report *continued*

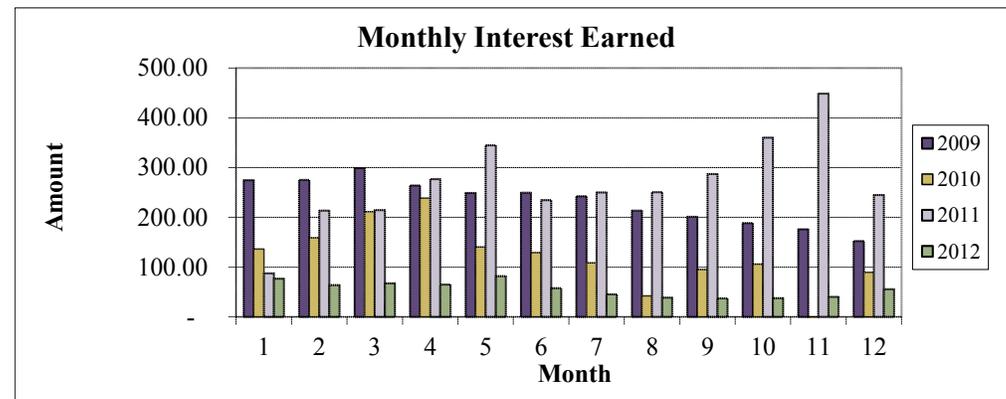
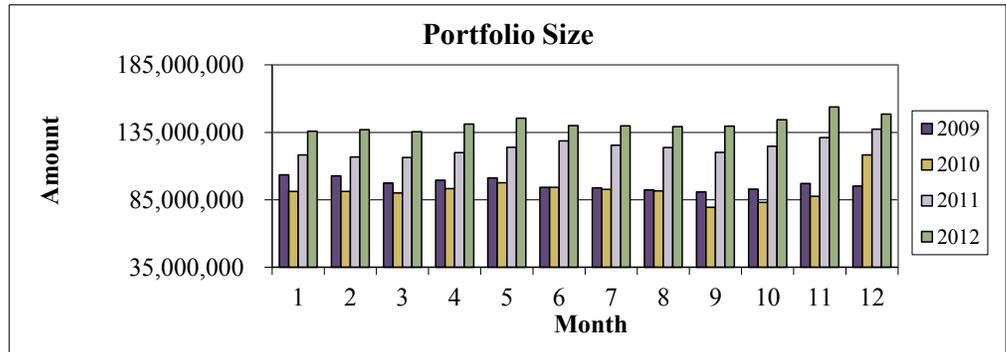
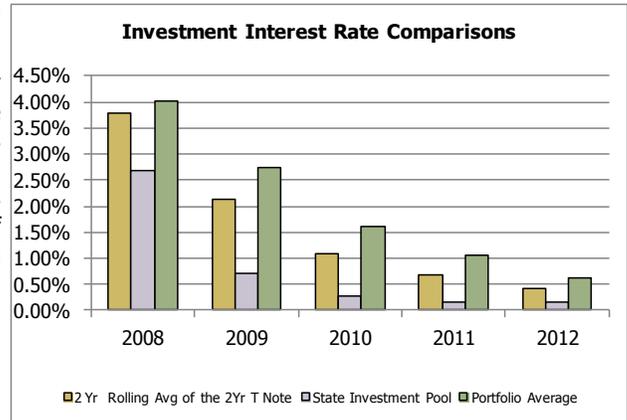
Liquidity

The target duration for the City's portfolio is based on the 2 year Treasury rate, which increased slightly from 0.23 percent on September 30, 2012 to 0.25 percent on December 31, 2012. The average maturity of the City's investment portfolio increased from 0.63 years on September 30, 2012 to 2.16 years on December 31, 2012 with the purchase of longer term securities as the interest rates moved higher.

Yield

The City Portfolio yield to maturity increased from 0.47 percent on September 30, 2012 to 0.64 percent on December 31, 2012. Through December 31, 2012, the City's annual average yield to maturity was 0.60 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.35 percent on December 31, 2012.

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



Reserves are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances at the end of the biennium as of December 31, 2012.

Reserve Analysis

General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. General Fund 2010 year-end cash was used to replenish this reserve in the amount of \$600,000 in 2011 and an additional \$500,000 replenishment was made as part of the Mid-Biennial budget process. Further replenishment will remain a high priority.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects.

General Capital Reserves

- The downturn in real estate transactions over the last few years has significantly impacted **Real Estate Excise Tax (REET)** collections resulting in adjustments to capital project planning to reflect available funding. However, through December 31, 2012, REET revenues saw a 96 percent increase over 2011. Although the "Revised 2012 Ending Balance" for REET 2 reserves is only \$135,379, the actual expected year-end balance is almost \$2.3 million due to higher than budgeted revenue receipts and despite the use of this reserve in 2012 to assist in the re-payment of the loan from the utilities for the purchase of the Cross Kirkland Corridor in 2011.
- Impact fees** ended the year significantly ahead of 2011, with increases in both transportation and park impact fees. Transportation fees ended the year at 341 percent of the 2012 budget and park fees ended at 493 percent. There is no planned use for capital projects in the current budget cycle (except that Park impact fees will be used to pay related debt), since these revenue sources were expected to remain low compared to historical trends until development activity improved.

Reserves	2011 Beginning Balance	Adopted 2012 Ending Balance	Revised 2012 Ending Balance	2011-12 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,127,496	(1,320,983)
Revenue Stabilization Reserve	131,431	731,431	1,231,431	2,279,251	(1,047,820)
Council Special Projects Reserve	201,534	251,534	182,534	250,000	(67,466)
Contingency	2,051,870	2,201,870	2,201,870	4,016,232	(1,814,362)
General Capital Contingency:	4,844,957	4,669,463	2,686,557	4,631,904	(1,945,347)
General Purpose Reserves with Targets	10,086,305	10,710,811	9,158,905	15,354,883	(6,195,978)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	70,000	70,000	0	50,000	(50,000)
Firefighter's Pension Reserve	1,595,017	1,734,215	1,734,215	1,568,207	166,008
Health Benefits Fund:					
Claims Reserve	0	1,424,472	1,424,472	1,424,472	0
Rate Stabilization Reserve	0	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1	1,530,280	1,019,907	827,222	1,035,000	(207,778)
REET 2*	7,121,695	4,975,718	135,739	2,716,983	(2,581,244)
Water/Sewer Operating Reserve:	1,979,380	1,979,380	1,939,380	1,979,380	(40,000)
Water/Sewer Debt Service Reserve:	822,274	508,717	508,717	508,717	0
Water/Sewer Capital Contingency:	1,793,630	1,793,630	1,793,630	250,000	1,543,630
Surface Water Operating Reserve:	412,875	412,875	412,875	412,875	0
Surface Water Capital Contingency:	858,400	858,400	858,400	758,400	100,000
Other Reserves with Targets	16,183,551	15,777,314	10,634,650	11,204,034	(569,384)
Reserves without Targets	30,815,305	36,462,059	34,833,444	n/a	n/a
Total Reserves	57,085,161	62,950,184	54,626,999	n/a	n/a

The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.

General Purpose reserves are funded from general revenue and may be used for any general government function.

All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).

*See "General Capital Reserves" bullet point above table

The summary to the right details all Council authorized uses and additions through December 31, 2012.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2011-12 Council Authorized Uses		
2011 Total Uses	\$1,891,458	
2012 First Quarter Total Uses	\$311,500	
2012 Second Quarter Total Uses	\$4,184,869	
2012 Third Quarter Total Uses	\$1,313,800	
Street Improvement Reserve	\$28,000	NE 68th St/108th Ave Intersection
Off Street Parking Reserve	\$5,000	Two Downtown Parking Pay Station Shelters
Real Estate Excise Tax 2 - Transp.	\$1,931,000	NE 120th Street Roadway Extension
Real Estate Excise Tax 2 - Transp.	\$2,505,726	Cross Kirkland Corridor Interfund Loan Repayment
Real Estate Excise Tax 2 - Transp.	\$86,000	100th Ave NE Bicycle Lanes
Cash use in anticipation of future revenues	\$886,906	Accrued revenue to be received in 2013
2011-12 Council Authorized Additions		
Council Special Projects Reserve	\$3,000	CDBG Funding Request Withdrawn
Revenue Stabilization Reserve	\$500,000	Replenishing Revenue Stabilization Reserve
Radio Reserve	\$7,686	Reimbursement from NORCOM
Development Services Reserve	\$280,000	Recognizing Additional Development Services Revenue for Future Work
Wtr-Swr Construction/Surf Wtr Tran Rsv	\$4,030,388	Cross Kirkland Corridor Interfund Loan Repayment

General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.

Note: Fund structure changes required by new accounting standards moved many of the General Purpose reserves out of the Parks & Municipal Reserve Fund (which was closed) and to the General Fund.

Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.

General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.

Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.

Internal service funds are funded by charges to operating departments. They provide for the replacement of funds for replacement of equipment, as well as the ability to respond to unexpected costs.

Reserves	Description	2011 Beginning Balance	Adopted 2012 Ending Balance	Additional Authorized Uses/Additions	Revised 2012 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	0	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	131,431	731,431	500,000	1,231,431
Building & Property Reserve	Property-related transactions	2,137,598	2,137,598	0	2,137,598
Council Special Projects Reserve	One-time special projects	201,534	251,534	(69,000)	182,534
Contingency	Unforeseen expenditures	2,051,870	2,201,870	0	2,201,870
Total General Fund/Contingency		7,378,946	8,178,946	431,000	8,609,946
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	70,000	70,000	(70,000)	0
Labor Relations Reserve	Labor negotiation costs contingency	70,606	70,606	0	70,606
Police Equipment Reserve	Equipment funded from seized property	50,086	50,086	0	50,086
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	800,000	0	800,000
Development Services Reserve	Revenue and staffing stabilization	486,564	636,564	165,997	802,561
Tour Dock	Dock repairs	81,745	81,745	0	81,745
Tree Ordinance	Replacement trees program	29,117	29,117	(10,000)	19,117
Donation Accounts	Donations for specific purposes	185,026	185,026	0	185,026
Revolving Accounts	Fee/reimbursement for specific purposes	436,386	436,386	(2,318)	434,068
Lodging Tax Fund	Tourism program and facilities	146,384	123,566	(19,800)	103,766
Cemetery Improvement	Cemetery improvements/debt service	439,415	439,415	0	439,415
Off-Street Parking	Downtown parking improvements	10,776	10,776	(7,880)	2,896
Firefighter's Pension	Long-term care/pension benefits	1,595,017	1,734,215	0	1,734,215
Total Special Purpose Reserves		5,019,201	5,285,581	55,999	5,341,580
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	1,530,280	1,019,907	(192,685)	827,222
REET 2*	Transportation and other capital projects	7,121,695	4,975,718	(4,839,979)	135,739
Impact Fees					
Roads	Transportation capacity projects	525,095	1,112,245	0	1,112,245
Parks	Parks capacity projects	2,033	3,038	0	3,038
Street Improvement	Street improvements	1,092,258	1,092,258	(96,300)	995,958
General Capital Contingency	Changes to General capital projects	4,844,957	4,669,463	(1,982,906)	2,686,557
Total General Capital Reserves		15,116,318	12,872,629	(7,111,870)	5,760,759
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	1,979,380	1,979,380	(40,000)	1,939,380
Water/Sewer Debt Service Reserve	Debt service reserve	822,274	508,717	0	508,717
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,793,630	1,793,630	0	1,793,630
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	7,870,665	9,871,542	(1,037,500)	8,834,042
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	412,875	412,875	0	412,875
Surface Water Capital Contingency	Changes to Surface Water capital projects	858,400	858,400	0	858,400
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	2,483,250	3,666,250	0	3,666,250
Surface Water Construction Reserve	Trans. related surface water projects	2,848,125	3,376,431	(571,000)	2,805,431
Total Utility Reserves		19,068,599	22,467,225	(1,648,500)	20,818,725
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve	Health benefits self insurance claims	0	1,424,472	0	1,424,472
Rate Stabilization Reserve	Rate stabilization	0	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve	Vehicle replacements	7,718,221	8,047,063	(57,500)	7,989,563
Radio Reserve	Radio replacements	0	0	7,686	7,686
Information Technology:					
PC Replacement Reserve	PC equipment replacements	258,311	318,646	0	318,646
Technology Initiative Reserve	Technology projects	690,207	690,207	0	690,207
Major Systems Replacement Reserve	Major technology systems replacement	245,500	84,900	0	84,900
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,039,858	2,030,515	0	2,030,515
Total Internal Service Fund Reserves		10,502,097	11,721,331	(49,814)	11,671,517
Grand Total		57,085,161	62,950,184	(8,323,185)	54,626,999

*See "General Capital Reserves" bullet point regarding REET 2 reserves on page 10



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

- It provides a **summary budget to actual comparison** for year-to-date revenues and expenditures for all operating funds.
 - The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
 - **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
 - The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
 - The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.
- Tracey Dunlap, Director of Finance & Administration
 - Michael Olson, Deputy Director of Finance & Administration
 - Sri Krishnan, Financial Planning Manager
 - Neil Kruse, Senior Financial Analyst
 - Karen Terrell, Budget Analyst

www.kirklandwa.gov



City of Kirkland
123 5th Avenue
Kirkland, WA 98033
Ph. 425-587-3101

Economic Environment Update References:

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- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division



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
 Karen Terrell, Budget Analyst

Date: February 15, 2013

Subject: January Sales Tax Revenue Analysis

January sales tax revenue is **up 20.8 percent** compared to January 2012. A substantial portion of the gain is due to strong performance in the contracting, auto/gas retail and services sectors. Early holiday shopping also appears to have contributed to the gains in all of the retail categories. Sales tax revenue received this month is for activity in November.

Business sector review:

- Retail sectors sales tax revenue collectively are up 10.8 percent compared to 2012.
 - The **general merchandise/miscellaneous retail** sector is **up 8.5 percent** compared to last year largely due to positive performance by one key retailer in this category.
 - The **auto/gas retail** sector is **up 16.9 percent** compared to last year. This gain is due to positive performance by all of the auto dealerships in this category. This is the sixteenth consecutive month that this sector has seen positive performance.
 - The **retail eating/drinking** sector performance is **up 7.7 percent** compared to last year. Most of the gains in this category are due to two new restaurants that opened in April of 2012 and one that opened in July of 2012.
 - Other retail is **up 3.8 percent** compared to last year due to positive performance in all of the categories with the exception of food and beverage stores.
- The **services** sector is **up 31.7 percent** compared to last year, largely due to a one-time field recovery in the publishing category. The Department of Revenue conducts audits on various taxpayers, when it is determined that these companies should have paid sales tax to Kirkland, the Department of Revenue moves the revenue from the jurisdiction that it was paid to in error or collects the tax that is due from the taxpayer and gives it to Kirkland in the form of a field recovery. Without this recovery of revenue, the services sector would be up 15.6 percent. The accommodations sector is down 18.6 percent or almost \$3,500.
- **Wholesale** is **up 37.9 percent** compared to last year due to increases in the durable goods wholesale category. Items in this category include medical equipment, computer equipment, sporting and recreation equipment, and industrial equipment.
- The **communications** sector is **up 7.5 percent** compared to last year due to positive performance from a few key telecommunications companies.
- The **contracting** sector is **up 51.7 percent** compared to last year due to construction of two new schools and construction of a few large projects including Totem Station, Juanita Village and Kirkland Lacrosse Field House.
- The **miscellaneous** sector is **up 27.6 percent** compared to last year mostly due to positive performance in the real estate and finance categories.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Services	129,410	170,468	41,058	31.7%	11.7%	12.8%
Contracting	151,386	229,675	78,289	51.7%	13.7%	17.2%
Communications	33,084	35,565	2,481	7.5%	3.0%	2.7%
Auto/Gas Retail	284,334	332,373	48,039	16.9%	25.8%	24.9%
Gen Merch/Misc Retail	148,649	161,249	12,600	8.5%	13.5%	12.1%
Retail Eating/Drinking	90,946	97,934	6,988	7.7%	8.2%	7.3%
Other Retail	162,944	169,175	6,231	3.8%	14.8%	12.7%
Wholesale	47,357	65,304	17,947	37.9%	4.3%	4.9%
Miscellaneous	55,913	71,370	15,457	27.6%	5.1%	5.4%
Total	1,104,023	1,333,113	229,090	20.8%	100.0%	100.0%

Conclusion

The 2013 budget reflects the City's one-year "lag" budget strategy, which sets 2013 sales tax revenue equal to the estimated 2012 amount of \$14,638,962 (as determined during the budget development process in the fall of 2012). Actual 2012 sales tax revenue was higher than estimated at \$14,810,263. When informed of this one-time increase in sales tax revenue, Council directed staff to use these funds to replenish reserves. January sales tax revenue is approximately 9.1 percent of the 2013 budget which is slightly higher than the monthly trends over the last 6 years.

The consumer confidence index declined from 66.7 in December to 58.6 in January. Lynn Franco, Director of The Conference Board Consumer Research Center says: "Consumer Confidence posted another sharp decline in January, erasing all of the gains made through 2012. Consumers are more pessimistic about the economic outlook and, in particular, their financial situation. The increase in the payroll tax has undoubtedly dampened consumers' spirits and it may take a while for confidence to rebound and consumers to recover from their initial paycheck shock."

Based on the most recent information, the Washington economy added 7,500 jobs in November and December which translates into a 1.6 percent seasonally adjusted annual rate of growth. The state's unemployment rate declined from 7.7 percent in November to 7.6 percent in December. Washington housing construction continues to strengthen. Total housing units authorized by building permits increased, from 28,000 in the third quarter to 31,000 units in the fourth quarter. Total units authorized in the fourth quarter were the highest since the second quarter of 2008 and single-family permits were the highest since the first quarter of 2008. Regional home prices also appear to be on the upswing. Seattle area home prices have risen in eight of the last nine months and are now 7.5 percent higher than in the November 2011. Even with the recent gains, Seattle area home prices are 25.6 percent lower than their 2007 peak. Inflation in the Seattle metropolitan area has cooled substantially in the last six months. On an annual average basis, Seattle inflation slowed from 2.7 percent in 2011 to 2.5 percent in 2012. The recovery in Washington, as in the nation, has been driven largely by the manufacturing sector. The Institute of Supply Management - Western Washington Index (ISM-WW), which measures strength in the manufacturing sector, has now indicated growth since August 2009 (index readings above 50 indicate expansion). The regional index rose from 58.1 in December to 60.2 in January. The comparable national index was 53.1 in January.



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
 Neil Kruse, Senior Financial Analyst

Date: March 14, 2013

Subject: February Sales Tax Revenue Analysis

February sales tax revenue is **up 14.5 percent** compared to February 2012. **Year-to-date** revenue is **up 17.2 percent** compared to the same period last year. Strong performance continues in the contracting, auto/gas retail, and services sectors. Sales tax revenue received this month is for activity in December, so it reflects holiday shopping activity.

Comparing February 2013 performance to February 2012, the following business sector trends are noteworthy:

- The **contracting** sector continues its streak of strong performance as a result of several large projects, **up 45.2 percent** over last February or almost \$82,000.
- Retail sectors are collectively up 8.2 percent compared to the same month in 2012 or about \$71,000.
 - The **auto/gas retail** sector remains a star performer, **up 18.6 percent** over February 2012 or about \$57,000.
 - **General merchandise/miscellaneous retail** is **up 16.5 percent** over February 2012 or about \$15,000 due to improved performance by key retailers.
 - **Other retail** performance is essentially flat, **up only 1.5 percent** or about \$3,300 compared to February 2012. Gains by non-store and sporting goods retailers are offset by weakness in furniture, electronics, and food retailers.
 - The **retail eating/drinking** sector is **down 3.5 percent** compared to February 2012 because of a one-time adjustment of over \$13,000 received last year. Factored out, this sector would be almost 9 percent up from the same month last year.
- The **services** sector is **up 18 percent** over February 2012 or about \$34,000 primarily due to software and information services.
- **Wholesale** is **up 30.6 percent** compared to February 2012 or about \$19,000 primarily due to medical equipment and development-related activity.
- The **miscellaneous** sector is **up 2.8 percent** over February 2012 or about \$2,000.
- The **communications** sector is **down 7.8 percent** or about \$3,000 illustrating weakness by several retailers in this sector.

Year-to-date business sector review:

- **Contracting** remains the largest contributor to gains in sales tax revenue over 2012, **up 48.2 percent** over the same period in 2012, the result of several large projects and improvements in residential construction.
- Retail sectors sales tax revenue collectively are up 9.3 percent compared to 2012.
 - The **auto/gas retail** sector is **up 17.8 percent** compared to last year due to positive performance by all of the dealerships. This sector has posted gains for seventeen consecutive months.

- The **general merchandise/miscellaneous retail** sector is **up 7.3 percent** compared to last year largely due to positive performance by one key retailer.
 - The **retail eating/drinking** sector performance is **up 1.3 percent** compared to last year. This comparison is skewed by the field recovery received last year mentioned in the monthly analysis; factoring out this one-time event would change the increase to 8.3 percent. In addition to three new restaurants that opened later last year, many established restaurants are also experiencing positive performance.
 - **Other retail** is **up 2.5 percent** compared to last year due to positive performance in most categories with the exception of food and beverage stores.
- The **services** sector is **up 23.6 percent** compared to last year primarily due to publishing and software services. A one-time field recovery received last month skews the comparison; factored out the sector would be up about 17 percent.
 - **Wholesale** is **up 33.8 percent** compared to last year due to medical equipment and development-related activity.
 - The **miscellaneous** sector is **up 13.3 percent** compared to last year mostly due to positive performance in the finance category and the allocation of un-coded sales tax revenue by the Department of Revenue.
 - The **communications** sector is essentially flat, **down 0.7 percent** compared to last year due to weak performance by a few large retailers.

City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-February		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Services	315,152	389,607	74,455	23.6%	12.5%	13.2%
Contracting	332,508	492,753	160,245	48.2%	13.2%	16.7%
Communications	71,408	70,916	(492)	-0.7%	2.8%	2.4%
Auto/Gas Retail	590,443	695,380	104,937	17.8%	23.5%	23.6%
Gen Merch/Misc Retail	379,524	407,076	27,552	7.3%	15.1%	13.8%
Retail Eating/Drinking	208,816	211,627	2,811	1.3%	8.3%	7.2%
Other Retail	378,462	388,055	9,593	2.5%	15.0%	13.1%
Wholesale	109,393	146,316	36,923	33.8%	4.3%	5.0%
Miscellaneous	131,904	149,411	17,507	13.3%	5.2%	5.1%
Total	2,517,610	2,951,141	433,531	17.2%	100.0%	100.0%

Conclusion

As mentioned in the January analysis, 2013 sales tax revenue was budgeted at the estimate for 2012, with actual 2012 revenue ending higher than estimate by about \$170,000. February sales tax revenue maintains the trend of (mostly) double-digit gains over the same period last year that began last summer, so 2013 is well on its way to surpass budget. However, about two-thirds of the gain this year is from contracting and auto/gas retail; both of these sectors are economically sensitive and therefore inherently volatile.

The Conference Board consumer confidence index increased from 58.4 (revised) in January to 69.6 in February as concerns about the federal "fiscal cliff" seem to have subsided. Retail sales were also up despite increases in payroll taxes and higher gas prices. "Looking ahead, consumers are cautiously optimistic" said Lynn Franco, director of economic indicators at the Conference Board.

The Washington State economy has added 18,900 jobs between November 2012 and February 2013 according to the Washington State Economic Forecast Council. Manufacturing remains strong and

February 15, 2013
Page 3

construction and government employment sectors have turned positive. However, the impact of cuts caused by sequestration is expected to have a "severe" impact on Washington personal income.

Housing construction in Washington continues to strengthen and regional housing prices are continuing to rise. Seattle home prices have increased in 9 out of the last 10 months. Increasing buyer demand and lack of available inventory will most likely keep the pressure on home prices. Automobile sales in the state have recovered to nearly pre-recession levels.

The annual inflation in the Seattle area remains low at 1.9 percent compared to February 2012 and is consistent with the U.S. City average. However, prices jumped by 0.8 percent for the two months ending in February largely the result of higher gas prices.

2013-14 Budget

2013 April Adjustments

CIP Project Closures as of January 1, 2013

JL #	Project Description	Balance	Surface Water Transportation	Water/Sewer Utility Reserve	Gen. Purpose Revenues
FACILITIES					
CGG 0612 FST	Fire Station Flooring	12,628			12,628
CGG 0908 CH1	City Hall Emergency Battery	2,388			2,388
CGG 0908 NKC	North Kirkland Community Center Emergency Battery	239			239
CGG 0910 NKC	North Kirkland Community Center Exterior Paint	8,493			8,493
CGG 0911 CH1	City Hall Roof/Gutters	6,437			6,437
CGG 1010 NKC	North Kirkland Community Center Painting	37,155			37,155
CGG 1012 FST	Fire Station #21 Flooring	5,906			5,906
CGG 1109 KPC	KPC HVAC Controls	18,143			18,143
CGG 1110 FST	Fire Station #22 Int Paint/Fire Station #25 Ext Paint	2,972			2,972
CGG 1112 FST	Fire Station #22 Flooring	14,347			14,347
CGG 1210 HHL	Heritage Hall Exterior Paint	1,666			1,666
TOTAL FACILITIES PROJECTS TO BE CLOSED		110,374	-	-	110,374
TRANSPORTATION-Non Motorized					
CNM 0067	Elementary School Walkroute Enhancement	150,150	319,729		(169,579)
CNM 0042	116th Avenue Improvements	175,578	323,343		(147,765)
CNM 0001	116th Ave NE Non-Motorized Facility	9,492	104,504		(95,012)
CNM 0064	Park Lane Pedestrian Corridor Enhance	(64,553)			(64,553)
CNM 0044	116th Avenue NE Sidewalk	53,730	65,892	841	(13,003)
CNM 0059	6th Street Sidewalk	(1,419)	(1,419)		-
CNM 1112	2011 Crosswalk Upgrade Program	29,890			29,890
CNM 0857	2008 Annual Sidewalk Maintenance Programs	70,173			70,173
CNM 1157	2011 Annual Sidewalk Maintenance Programs	134,810			134,810
CNM 1257	2012 Annual Sidewalk Maintenance Programs	191,962			191,962
CNM 0066 423	12th Avenue Sidewalk	(27,561)	(27,561)		
TOTAL NON-MOTORIZED TRANSPORTATION PROJECTS TO BE CLOSED		722,252	784,488	841	(63,077)
TRANSPORTATION-Streets/Intersections/Signals					
CST 0069	NE 128th Street @ I-405 Overpass	(189,894)	(1,159)		(188,735)
CTR 0102	Growth & Transportation Efficiency GTEC	(146,872)			(146,872)
CST 9999 000	2009-10 Regional Inter-agency Coordination	(76,905)			(76,905)
CST 9999 011	2011 Regional Inter-agency Coordination	(48,448)			(48,448)
CST 9999 012	2012 Regional Inter-agency Coordination	(16,404)			(16,404)
CTR 0085	NE 68th/108th Avenue Intersection Improvements	9,521	16,378		(6,857)
CST 1280	Annual Striping 2012	(2,681)			(2,681)
CTR 0082	Central Way/Park Place Signal	(2,202)	(2,156)		(46)
CTR 0100	6th St Central Way Intersection Improvements	92			92
CST 1080	2010 Annual Striping Program	23,370			23,370
CST 1180	2011 Annual Striping Program	37,677			37,677
CST 8888	2012 Annual Concurrency Projects	850,000	250,000		600,000
CTR 0070 423	NE 124th/124th Ave Intr Improv	(18,542)	(18,542)		
CTR 0079	NE 85th/114th NE Intersection Improvements	(2,706)	(2,706)		
CTR 0101	Kirkland Transit Center Local Portion	22,946	22,946		
TOTAL STREET TRANSPORTATION PROJECTS TO BE CLOSED		438,952	264,761	-	174,191
TOTAL BALANCE BY FUNDING SOURCE		1,271,578	1,049,249	841	221,488

**CITY OF KIRKLAND****Department of Public Works**

123 Fifth Avenue, Kirkland, WA 98033 425.587.3800

www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From:  Pam Bissonnette, Interim Public Works Director, Public Works
Julie Elsom, Senior Operations & Finance Analyst

Date: March 4, 2013

Subject: Deputy Director for the Department of Public Works

RECOMMENDATION:

Approve a new Deputy Director position to assist in managing the daily operations of the Department of Public Works. This position can be funded using one-time funds through 2014 and will be included in the base budget during the 2015-2016 budget process.

BACKGROUND:

The Department of Public Works (PW) is one of the City of Kirkland's largest departments with 114 FTEs and \$188.5 M operating and capital funding for 2013-2014. Significant increased responsibilities have been assigned over the past two years:

- Annexation increased the service area by about 68%. This area had been underserved by King County in some areas and needs increased public infrastructure investment and public outreach to bring it to the standard enjoyed by long-time Kirkland citizens.
- Passage of the Street Levy increased PW's responsibility to improve streets, sidewalks, bike and pedestrian facilities, safe school walk routes, cross walks, and traffic calming, in perpetuity by 157%.
- Passage of the Parks Levy increases PW responsibility to construct new Park facilities
- The CKC purchase and public vote on initial funding has created a signature City of Kirkland project for PW to deliver on expectations. The short term interim public use and planning for the long term permanent public use is complex involving many stakeholders within Kirkland, and significant regional relationships with Sound Transit, King County, Puget Sound Energy, and the City of Redmond. The project is vital to Kirkland's economic development, transportation choices, neighborhood and community connectivity, and provides new Gateways to Kirkland, requiring significant and sustained public involvement.
- The design and construction of the new Public Safety Building is the responsibility of PW, as is the planning for a new City Hall.
- PW is integrally involved in the update of the Comprehensive Plan, and leading the Transportation Master Plan, Surface Water Master Plan, and Water Comprehensive plans studies.

These are all very high priorities for the City of Kirkland. While individual initiatives were provided additional resources to undertake them, such as for annexation and through the levies, no additional management oversight was provided.

PW has less management oversight than it did in the 90's when the Maintenance Superintendent position was cut. The PW Department is the only large department that does not have a deputy position. The span of control within PW for the Director is 9: 7 managers and 2 additional administrative staff. Additional, strong regional working relationships to provide Kirkland public services also reside in PW, for example: transit service with King County Metro and Sound Transit, water supply with CWA, sewer treatment with King County Wastewater, and solid waste services with King County Solid Waste and Waste Management. These regional relationships take as much or more management oversight than do services provided directly by Kirkland. A typical range for span of control for an agency Director of an organization like PW is 3-5 (Bellevue, Renton, Redmond, Auburn). Management theory notes optimum spans of control from 3-8 depending on a number of factors, which include managing the kind of relationships the City has with several regional service providers. If these four are added, the Director's span of control increases to 13. Adding a Deputy Director position reduces the span of control to a more manageable 5-7. To assure PW can carry out the assigned substantial new work while maintaining its record of excellence, it is recommended that a new Deputy Director position be established to assist in the management oversight of the PW Department.

Public Works oversees the following: Transportation Engineering, Development Engineering, Street Division, Surface Water, Solid Waste, Water, Sewer, Equipment Rental, Facilities maintenance and most of the City's Capital Programs. This position would be added to the 2013-14 biennial Public Works overhead allocation, and funded from year-end 2012 cash in the General Fund and Utility Funds. The added cost for this period would be approximately \$162,000 to the General Fund and approximately \$177,000 to the Utilities (allocated as follows: \$10,000 Solid Waste, \$97,000 Surface Water, \$70,000 Water and Sewer). The cost will be built into the basic budget and allocated to all of these funds during the 2015-2016 budget process.

ACTION REQUESTED:

The City Manager authorizes that the addition of a 1.0 FTE for a Deputy Public Works Director be brought to Council with the budget adjustments on March 19, 2013.

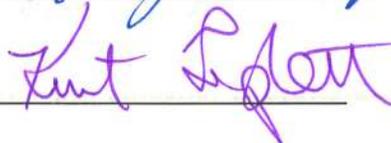
Finance Director Review



Date

3/11/13

City Manager Approval



Date

3/15/13

cc: Tracey Dunlap, Director of Finance & Administration
Jim Lopez, Director of Human Resources

**City of Kirkland
2013-2014 Budget
2013 April Budget Adjustment Summary**

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
General Fund								
Carryover	ND	Undistributed Personnel Costs	474,041	474,041		474,041		
Carryover	ND	Unused Liquor Profits	353,982	353,982		353,982		
Carryover	CC	National League of Cities Membership	14,000	14,000		14,000		
Carryover	CMO	Public Involvement Training	10,000	10,000		10,000		
Carryover	CMO	Transfer of Development Rights Study	15,000	15,000	15,000			Neighborhood Connections Program Transfer
Carryover	HR	Management Training Program Dev.	4,434	4,434		4,434		
Carryover	PCS	Intern-Forterra Grant	3,597	3,597			3,597	External Grant
Carryover	PCS	Parks, Recreation & Open Space (PROS) Plan	84,625	84,625		84,625		
Carryover	PCS	Crestwoods Slide Replacement	8,500	8,500		8,500		
Carryover	PCS	McAuliffe Roof Repair	14,000	14,000		14,000		
Carryover	PCS	December Windstorms Cleanup	3,504	3,504		3,504		
Carryover	PCS	Human Services Contracts	186,735	186,735		186,735		
Carryover	PCS	Youth Council Training	950	950		950		
Carryover	PCS	Youth Council Mini Grants	2,400	2,400		2,400		
Carryover	PCS	Teen Center (KTUB) Operations Payment	13,333	13,333		13,333		
Carryover	PCS	Senior Council Supplies	5,000	5,000		5,000		
Carryover	PCS	Northshore Senior Van Invoice	8,910	8,910		8,910		
Carryover	PCS	LWSD School Use 4th Quarter Invoice	2,000	2,000		2,000		
Carryover	PW	CIP Engineer Furniture/Computer	5,826	5,826		5,826		
Carryover	PW	King County Urban Access Project Grant Match	50,000	50,000		50,000		
Carryover	PW	Active Transportation Plan Implementation	26,819	26,819		26,819		
Carryover	PW	Transportation Mgt Plan METRO Support Svcs	5,000	5,000		5,000		
Carryover	F&A	External Investment Portfolio Review	5,000	5,000		5,000		
Carryover	F&A	Utility Taxes Research	10,000	10,000		10,000		
Carryover	F&A	Payroll Issues Staffing Support	7,179	7,179		7,179		
Carryover	PCD	Code Amendments Technical Assistance	11,000	11,000		11,000		
Carryover	PD	Patrol Vehicle/Equipment	59,580	59,580		59,580		
Carryover	PD	K-9 Unit Dog Replacement	15,000	15,000		15,000		
Carryover	PD	2012 Inmate Medical Invoice	10,000	10,000		10,000		
Carryover	PD	Corrections Uniforms 2012 Invoice	8,000	8,000		8,000		
Carryover	PD	Electronics Home Detention 2012 Invoice	6,425	6,425		6,425		
Carryover	PD	Background Investigations 2012 Invoice	5,000	5,000		5,000		
Carryover	PD	Special Response Team Distraction Devices 2012 Invoices	3,700	3,700		3,700		
Carryover	PD	Workstation at FS#22 started 2012 PD portion	1,700	1,700		1,700		
Carryover	F&B	Workstation at FS#22 started 2012 Fire portion	3,286	3,286		3,286		
Carryover	F&B	Alerting Equipment System Upgrade	3,500	3,500		3,500		
Carryover	F&B	Personal Protective Equipment	32,801	32,801		32,801		

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
General Fund (con't)								
Council Directed/Other	ND	Development Services Reserve	451,633	451,633		451,633		
Council Directed/Other	ND	Build America Bonds (BABS) Potential Credit Loss	110,000	110,000		110,000		
Council Directed/Other	CMO	Regional Fire Authority (RFA) Exploration	100,000	100,000		100,000		
Council Directed/Other	CMO	Work Plan Outreach	223,000	223,000		223,000		
Council Directed/Other	F&A	Public Disclosure Ordinance	75,000	75,000		75,000		
Council Directed/Other	PW	Public Works Deputy Director	162,000	162,000		162,000		
Council Directed/Other	F&A	GFOA Budget Award Application	1,000	1,000		1,000		
Council Directed/Other	N/A	General Capital Contingency Reserve Replenishment	1,545,748	1,033,971		1,033,971		
Council Directed/Other	F&B	Permit Technician FTE	92,511	92,511			92,511	Development Revenue
General Fund Total			4,235,719	3,723,942	15,000	3,612,834	96,108	
OTHER FUNDS								
Street Operating Fund								
Carryover	PW	Sidewalk Project	9,000	9,000		9,000		
Carryover	PW	Replacement Trees	14,967	14,967		14,967		
Carryover	PW	Parking Station Shelters	5,000	5,000		5,000		
Carryover	PW	Fiber Connections	16,830	16,830		16,830		
Carryover	PW	Annexation Vehicles	275,792	275,792		275,792		
Street Operating Fund Total			321,589	321,589	-	321,589	-	
General Capital Projects Fund								
Carryover	ND	Neighborhood Projects Opportunities	50,595					Existing Appropriation Balance (Work in Progress)
Carryover	ND	Transfer of Development Rights Study Xfr to GF	15,000					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Shoreline Restoration PK0006	82,242					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Forbes Lake Park Development PK0056	595,546					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Park Play Area Enhancements PK0066	187,549					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Waverly Beach Park Renov. PK0087	239,225					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	McAuliffe Park Development PK0108	172,477					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Juanita Bay Park Wetland Restoration PK0109	15,987					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Spinney Homestead Park Renovation PK0113	50,000					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Green Kirkland Program PK0121	70,977					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Peter Kirk Pool Upgrades PK0123	114,808					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Snyder's Corner Park Site Dev. PK0124	75,000					Existing Appropriation Balance (Work in Progress)
Carryover	PCS	Park and Open Space Acquisition PK0131	427,634					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Public Safety Bldg/Maintenance Ctr Expansion GG0013/GG0037	6,298,609					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Consolidated Fire Station GG0039	1,366,484					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Facilities Life Cycle Projects	719,567					Existing Appropriation Balance (Work in Progress)
Carryover	PW	State Street Utilities Undergrounding ST0076	12,727					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Annual Street Preservation ST0006	112,909					Existing Appropriation Balance (Work in Progress)
Carryover	IT	Network Projects IT0100	899,173					Existing Appropriation Balance (Work in Progress)
Carryover	IT	Geographic Information Systems (GIS) IT0200	190,000					Existing Appropriation Balance (Work in Progress)

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
General Capital Projects Fund (con't)								
Carryover	IT	Finance/Human Resources System IT0300	47,094					Existing Appropriation Balance (Work in Progress)
Carryover	IT	Permit Plan Replacement GG0006501	260,835	75,000	75,000			Existing Appropriation Balance/Transfer from IT Fund
Carryover	IT	Records Management GG0006110	188,948					Existing Appropriation Balance (Work in Progress)
Carryover	IT	Municipal Court Technology GG0006205	25,000					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Emergency Operations Center Upgrade PS0054	18,850					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Disaster Supply Storage Units PS0056	39,363					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Disaster Response Vehicle PS0057	39,690					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Defib Unit Replacement PS0062	157,000					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Disaster Response Portable Generators PS0065	147,947					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Investigations Vehicle/Equipment PS0072	5,292					Existing Appropriation Balance (Work in Progress)
Carryover	FB	North Kirkland Community Center Emergency Power PS0046	21,609					Existing Appropriation Balance (Work in Progress)
Carryover	FB	Mobile Tablets	27,600					Existing Appropriation Balance (Work in Progress)
Council Directed/Other	PW	Projects to be Closed	203,917					Existing Appropriation Balance (Work in Progress)
Council Directed/Other	ND	General Capital Contingency Reserve Replenishment	1,545,748	1,545,748	1,545,748			General Fund 2012 Year-End Fund Balance Transfer
General Capital Projects Fund Total			14,425,402	1,620,748	1,620,748	-	-	
Transportation Capital Projects Fund								
Carryover	PW	NE 100th/Spinney Homestead Park Sidewalk Phase II NM0034001	439,965					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Rose Hill Business District Sidewalks NM0051	147,642					Existing Appropriation Balance (Work in Progress)
Carryover	PW	6th Street Sidewalk NM0059	229,306					Existing Appropriation Balance (Work in Progress)
Carryover	PW	12th Avenue Sidewalk NM0066	26,336					Existing Appropriation Balance (Work in Progress)
Carryover	PW	104th Ave NE/NE 68th St Lkvw School Walk Route NM0068	80,684					Existing Appropriation Balance (Work in Progress)
Carryover	PW	100th Ave NE Bicycle Lanes NM0069	223,691					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 120th Street Roadway Extension (East section) ST0057001	2,428,849					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Juanita Drive Master Plan ST0082	32,553					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Annual Street Preservation One-time Capital 2011 ST1106001	500,000					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Annual Street Preservation ST0006	222,314					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Annual Street Preservation One-time Project ST1206002	1,122,000					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 124th/124th Ave Intr Improv CTR0070	633,027					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 85th/132nd NE Intersection Improvements TR0078	879,449					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 85th/114th NE Intersection Improvements TR0079	1,162,037					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 85th/124th NE Intersection Improvements TR0080	955,530					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Growth & Transportation Efficiency GTEC TR0102	200,917					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Kirkland ITS Implementation Phase I TR0111	1,834,510					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Downtown Pedestrian Improvements TR0112	7,139					Existing Appropriation Balance (Work in Progress)
Council Directed/Other	PW	Projects to be Closed	17,571					Existing Appropriation Balance (Work in Progress)
Transportation Capital Projects Fund			11,143,520	-	-	-	-	

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
Water/Sewer Utility Operating Fund								
Carryover	PW	Telemetry Upgrades	20,000	20,000		20,000		
Carryover	PW	Manhole Rehabs	49,500	49,500		49,500		
Water/Sewer Utility Operating Fund Total			69,500	69,500	-	69,500	-	
Water/Sewer Capital Fund								
Carryover	PW	NE 53rd St Sewermain Repl SS0063	86,267					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Inflow & Infiltration Reduction Program SS0075	136,893					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Emergency Sewer Construction SS1156	373,612					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Supply Station #3 Replacement WA0063	141,000					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Vulnerability Analysis WA0093	329,627					Existing Appropriation Balance (Work in Progress)
Carryover	PW	North Reservoir Painting WA0094	367,698					Existing Appropriation Balance (Work in Progress)
Carryover	PW	116th Ave NE/NE 70th-80th St WM Repl WA0113	604,619					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Telemetry Upgrades WA0115	19,239					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 109th Ave/106th Court NE WM Repl WA0121	168,515					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 85th St Watermain Replacment WA0140	424,740					Existing Appropriation Balance (Work in Progress)
Carryover	PW	120th Ave NE Wtrmn Replcmnt WA0144	234,346					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Emergency Sewer Replacement WA 1190	50,000					Existing Appropriation Balance (Work in Progress)
Council Directed/Other	PW	Projects to be Closed	841					Existing Appropriation Balance (Work in Progress)
Water/Sewer Capital Fund Total			2,937,397	-	-	-	-	
Surface Water Operating Fund								
Carryover	PW	Rehab Program Materials	32,000	32,000		32,000		
Carryover	PW	Drainage Repair	2,000	2,000		2,000		
Carryover	PW	Surface Water Master Plan	200,000	200,000		200,000		
Carryover	PW	NPDES Implementation	90,000	90,000			90,000	
Carryover	PW	Misc Studies, Surveys & Samplings	50,000	50,000		50,000		
Carryover	PW	Secure & Protect Ponds	242,340	242,340		242,340		
Carryover	PW	Annexation Vehicles	105,477	105,477		105,477		
Surface Water Operating Fund Total			721,817	721,817	-	631,817	90,000	
Surface Water Capital Fund								
Carryover	PW	CKC Interim Trail NM0024	199,987					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 100th Street/Spinney Homestead Park Sidewalk NM034	50,300					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Rose Hill Business District Sidewalks NM051	257,641					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 85th/132nd NE Intersection NM0078	14,985					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 85th Street Detention SD0025	546,208					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Cochran Spr/Lk Wash Blvd SD 0048	51,400					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Forbes Creek/Coors Pnd Chn Upgrade	176,503					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Surface Water Sediment Pond Reclam Phase II SD 0058	79,736					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Totem Lake Blvd Flood Control SD0059	159,848					Existing Appropriation Balance (Work in Progress)
Carryover	PW	NE 129th Pl/Juanita Creek Rockery Repair SD 0067	109,822					Existing Appropriation Balance (Work in Progress)
Carryover	PW	Totem Lake Twin Culvert Replacement	445,849					Existing Appropriation Balance (Work in Progress)

Adjustment Type	Dept.	Description	Adjustments	Appropriation Adjustment	Funding Source			Funding Source/Notes
					Internal Transf./Chrg.	Resources Forward	External Revenue	
Surface Water Capital Fund (con't)								
Carryover	PW	Annual Streambank Stabilization SD 8888	57,700					Existing Appropriation Balance (Work in Progress)
Council Directed/Other	PW	Projects to be Closed	1,049,249					Existing Appropriation Balance (Work in Progress)
Surface Water Capital Fund Total			3,199,228	-	-	-	-	
Equipment Rental Fund								
Carryover	PW	Annexation Vehicle Tech Office Furniture	5,760	5,760		5,760		
Carryover	PW	Vehicle Carryovers	413,269	413,269	413,269			
Equipment Rental Fund Total			419,029	419,029	413,269	5,760	-	
Information Technology Fund								
Carryover	IT	SmartNet Support Invoice	62,500	62,500		62,500		
Carryover	IT	Energov Permit Support	75,000	75,000		75,000		
Carryover	IT	Microsoft Enterprise Agreement	109,000	109,000		109,000		
Carryover	IT	Comcast Audit	25,000	25,000		25,000		
Carryover	IT	Kirkland Works Videos	17,058	17,058		17,058		
Carryover	IT	Applications R&M	89,556	89,556		89,556		
Carryover	IT	GIS Data Development	46,800	46,800		46,800		
Carryover	IT	GIS Analyst Software	1,200	1,200		1,200		
Information Technology Fund Total			426,114	426,114	-	426,114	-	
Facilities Maintenance Fund								
Carryover	PW	Fire Station Fire Hydrant Conversion	15,000	15,000		15,000		
Carryover	PW	Fire Stations Counter Replacements	10,000	10,000		10,000		
Carryover	PW	Life Cycle & Rate Model Update	25,000	25,000		25,000		
Carryover	PW	Energy Conservation Measures Study	30,000	30,000		30,000		
Carryover	PW	Evidence Vehicle Storage	8,000	8,000		8,000		
Facilities Maintenance Fund Total			88,000	88,000	-	88,000	-	
TOTAL OTHER FUNDS			33,751,596	3,666,797	2,034,017	1,542,780	90,000	
TOTAL ALL FUNDS			37,987,315	7,390,739	2,049,017	5,155,614	186,108	

ORDINANCE O-4403

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 April 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	171,626,838	3,723,942	175,350,780
Lodging Tax	690,652	-	690,652
Street Operating	20,167,286	321,589	20,488,875
Cemetery Operating	816,308	-	816,308
Parks Maintenance	3,060,649	-	3,060,649
Parks Levy	5,006,077	-	5,006,077
Contingency	2,296,510	-	2,296,510
Impact Fees	3,111,739	-	3,111,739
Excise Tax Capital Improvement	12,597,175	-	12,597,175
Limited General Obligation Bonds	7,719,330	-	7,719,330
Unlimited General Obligation Bonds	1,770,853	-	1,770,853
General Capital Projects	54,759,348	1,620,748	56,380,096
Transportation Capital Projects	39,416,383	-	39,416,383
Water/Sewer Operating	52,829,481	-	52,898,981
		69,500	
Water/Sewer Debt Service	2,567,358	-	2,567,358
Utility Capital Projects	22,415,061	-	22,415,061
Surface Water Management	21,444,357	721,817	22,166,174
Surface Water Capital Projects	18,315,303	-	18,315,303
Solid Waste	32,634,724	-	32,634,724
Health Benefits	24,617,930	-	24,617,930
Equipment Rental	19,090,357	419,029	19,509,386
Information Technology	12,061,934	426,114	12,488,048
Facilities Maintenance	12,771,400	88,000	12,859,400
Firefighter's Pension	1,921,858	-	1,921,858
	<u>543,708,911</u>	<u>7,390,739</u>	<u>551,099,650</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