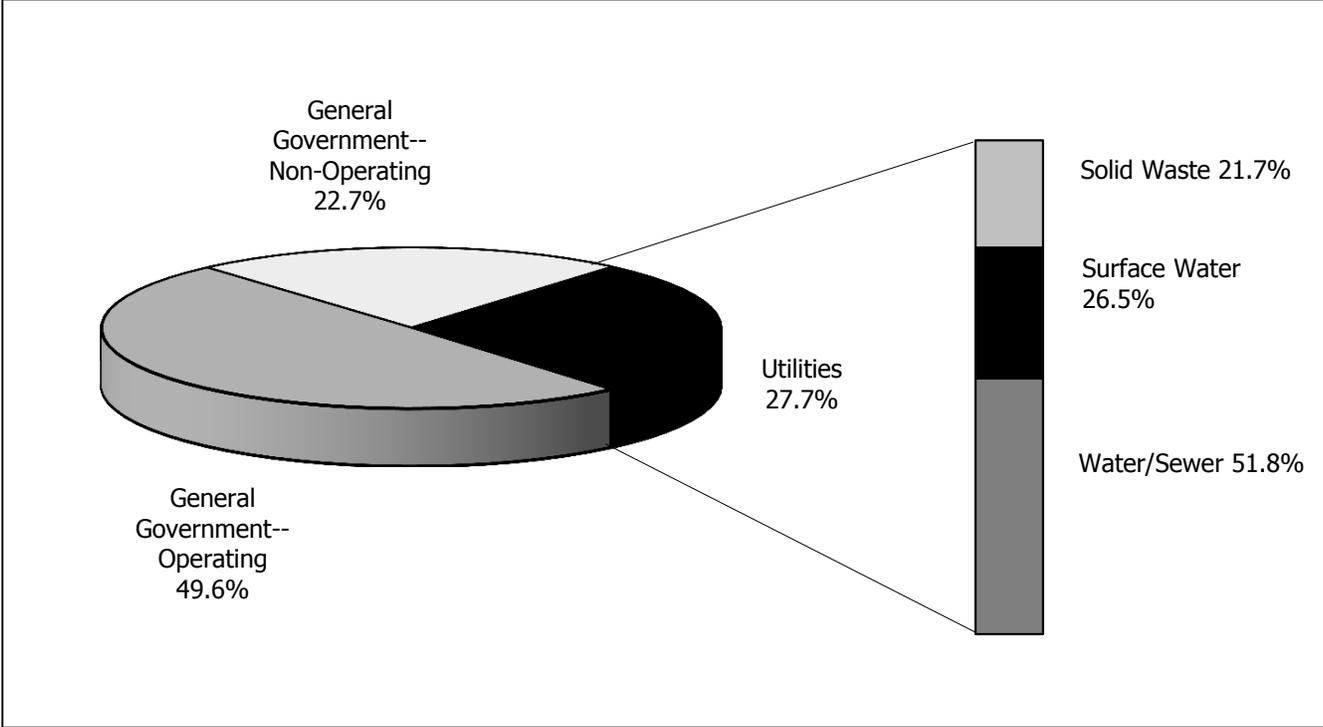


**CITY OF KIRKLAND  
2013-14 BUDGET  
\$543,708,911**



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

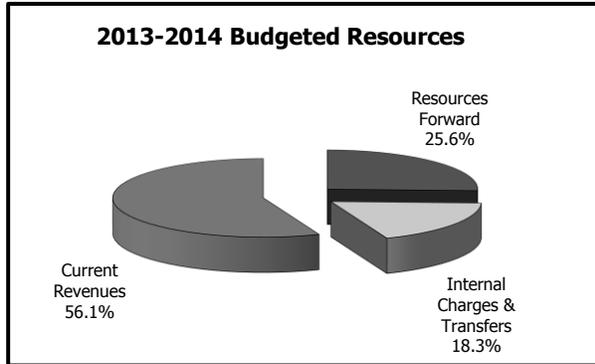


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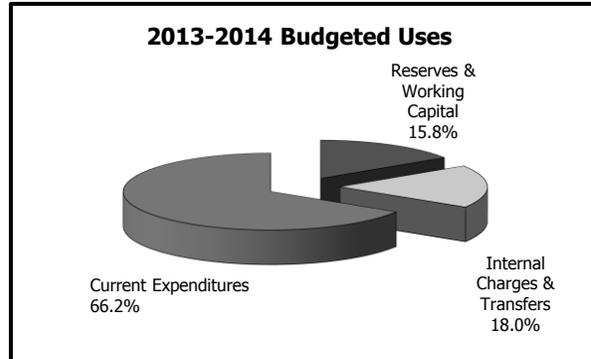
**CITY OF KIRKLAND**

***TOTAL RESOURCES & USES***

**WHERE THE MONEY COMES FROM**



**WHERE THE MONEY GOES**



|  |                             |
|--|-----------------------------|
| <b>Total Budgeted Resources</b>              | <b>\$543,708,911</b>        |
| <b>Less Resources Forward (Cash)</b>         | <b>(139,269,154)</b>        |
| <b>Less Internal Charges &amp; Transfers</b> | <b><u>(13,311,530)</u></b>  |
| <b>Current Revenues</b>                      | <b><u>\$391,128,227</u></b> |

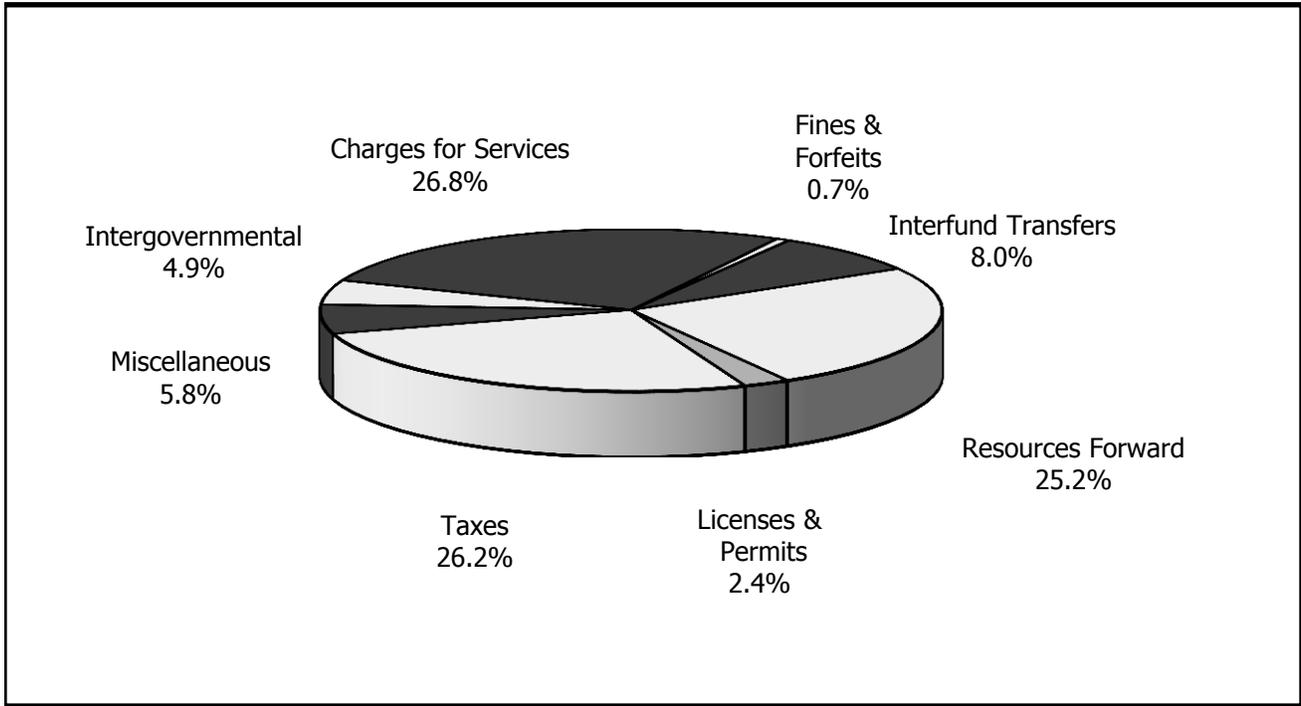
|  |                             |
|--|-----------------------------|
| <b>Total Budgeted Uses</b>                   | <b>\$543,708,911</b>        |
| <b>Less Reserves &amp; Working Capital</b>   | <b>(111,687,767)</b>        |
| <b>Less Internal Charges &amp; Transfers</b> | <b><u>(13,311,530)</u></b>  |
| <b>Current Expenditures</b>                  | <b><u>\$418,709,614</u></b> |

The total budget of \$543.7 million encompasses all resources and uses, including reserves, unreserved working capital, and internal transactions involving payments or transfers from one fund to another. Including these transactions in the budget provides a full accounting of the activities in each fund. However, they also have the effect of "grossing up" the total budget.

Current revenues reflect what the City expects to receive from external sources. Across all functions, about \$391.1 million is projected to be received during the next biennium, which is equivalent to the City's biennial income.

Current expenditures correspond to what the City plans to actually spend in terms of payments to employees, vendors, outside agencies, and other governments. About \$418.7 million is projected to be spent during the next biennium citywide. The \$27.6 million difference (current expenditures in excess of current revenues) primarily represents the planned use of the bond proceeds reserve to complete construction of the new Public Safety Building and expansion at the Maintenance Center.

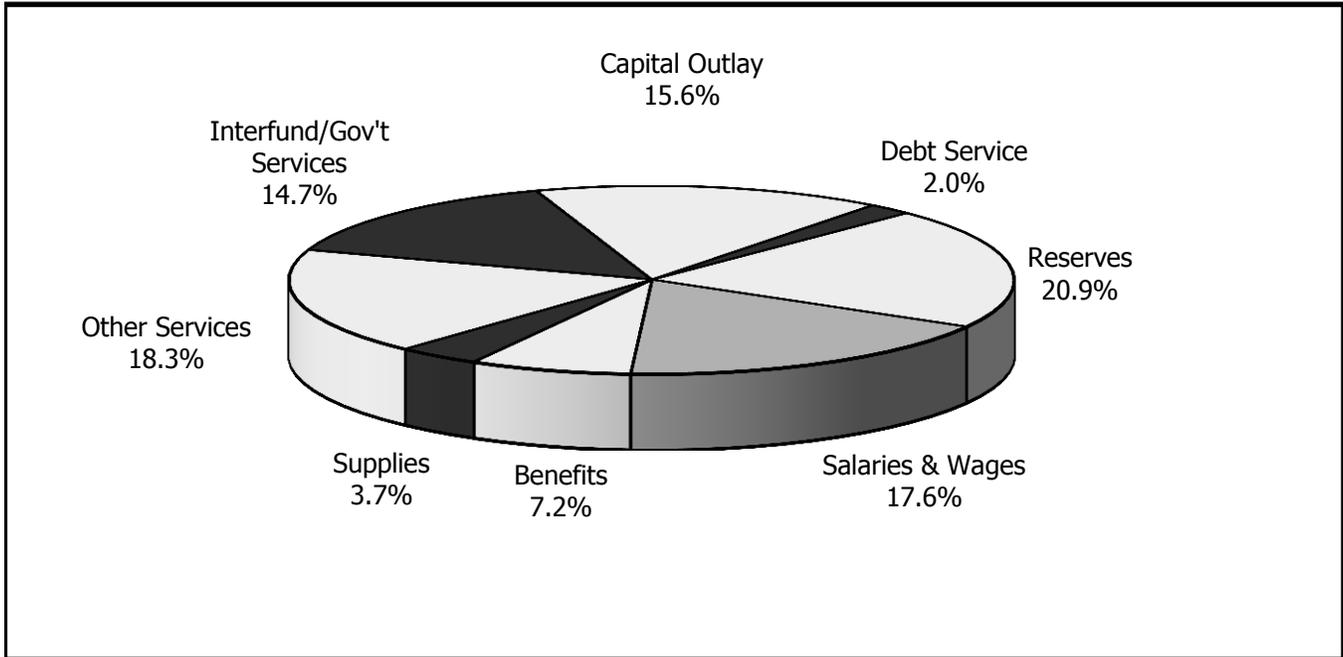
**CITY OF KIRKLAND  
TOTAL BUDGET  
2013-2014 REVENUE SUMMARY: BY REVENUE TYPE**



**Analysis of Change**

| Revenue Sources      | 2009-10 Actual     | 2011-12 Budget     | 2013-14 Budget     | Percent Change |
|----------------------|--------------------|--------------------|--------------------|----------------|
| Taxes                | 87,733,716         | 113,467,423        | 142,396,707        | 25.50%         |
| Licenses and Permits | 6,397,534          | 11,731,523         | 13,156,530         | 12.15%         |
| Intergovernmental    | 19,332,447         | 39,495,629         | 26,620,731         | -32.60%        |
| Charges for Services | 99,619,375         | 136,829,774        | 145,655,207        | 6.45%          |
| Fines and Forfeits   | 3,158,340          | 5,216,659          | 3,816,924          | -26.83%        |
| Miscellaneous        | 45,072,004         | 16,155,068         | 31,428,326         | 94.54%         |
| Interfund Transfers  | 37,623,090         | 35,104,147         | 43,453,459         | 23.78%         |
| Resources Forward    | 105,256,955        | 122,281,861        | 137,181,027        | 12.18%         |
| <b>Total</b>         | <b>404,193,461</b> | <b>480,282,084</b> | <b>543,708,911</b> | <b>13.21%</b>  |

**CITY OF KIRKLAND  
TOTAL BUDGET  
2013-2014 EXPENDITURE SUMMARY: BY CATEGORY**



**Analysis of Change**

| Category                             | 2009-10 Actual*    | 2011-12 Budget     | 2013-14 Budget     | Percent Change |
|--------------------------------------|--------------------|--------------------|--------------------|----------------|
| Salaries & Wages                     | 74,806,380         | 87,378,397         | 96,073,021         | 9.95%          |
| Benefits                             | 26,474,923         | 47,169,988         | 39,292,143         | -16.70%        |
| Supplies                             | 12,346,054         | 16,869,296         | 19,922,101         | 18.10%         |
| Other Services & Charges             | 61,062,623         | 74,145,773         | 99,441,832         | 34.12%         |
| Intergovernmental/Interfund Services | 55,232,755         | 63,209,988         | 79,866,068         | 26.35%         |
| Capital Outlay                       | 39,971,715         | 98,422,854         | 84,659,836         | -13.98%        |
| Debt Service                         | 7,879,048          | 11,173,047         | 10,903,640         | -2.41%         |
| Reserves                             | 72,683,314         | 81,912,741         | 113,550,270        | 38.62%         |
| <b>Category Total</b>                | <b>350,456,812</b> | <b>480,282,084</b> | <b>543,708,911</b> | <b>13.21%</b>  |

\*2009-10 reserves are budgeted, but not spent

**CITY OF KIRKLAND**  
**2013-2014 BUDGET OVERVIEW: BY FUND TYPE/FUND**  
**General Government Operating Funds**

| Fund  |                        | 2011-12 Budget     | 2013-14 Budget     | Percent Change |
|---|------------------------|--------------------|--------------------|----------------|
| <b><i>General Fund</i></b>                      |                        |                    |                    |                |
| 010   | General                | 161,361,264        | 171,626,838        | 6.36%          |
| <b><i>Special Revenue Funds</i></b>             |                        |                    |                    |                |
| 112   | Lodging Tax            | 537,249            | 690,652            | 28.55%         |
| 117   | Street Operating       | 14,716,526         | 20,167,286         | 37.04%         |
| 122   | Cemetery Operating     | 762,492            | 816,308            | 7.06%          |
| 125   | Parks Maintenance      | 2,588,335          | 3,060,649          | 18.25%         |
| 128   | Parks Levy Fund        | 0                  | 5,006,077          | N/A            |
| <b>Total Special Revenue Funds</b>              |                        | <b>18,604,602</b>  | <b>29,740,972</b>  | <b>59.86%</b>  |
| <b><i>Internal Service Funds</i></b>            |                        |                    |                    |                |
| 511   | Health Benefits Fund   | 15,735,691         | 24,617,930         | 56.45%         |
| 521   | Equipment Rental       | 19,155,624         | 19,090,357         | -0.34%         |
| 522   | Information Technology | 11,460,982         | 12,061,934         | 5.24%          |
| 527   | Facilities Maintenance | 10,769,943         | 12,771,400         | 18.58%         |
| <b>Total Internal Service Funds</b>             |                        | <b>57,122,240</b>  | <b>68,541,621</b>  | <b>19.99%</b>  |
| <b>Total General Government Operating Funds</b> |                        | <b>237,088,106</b> | <b>269,909,431</b> | <b>13.84%</b>  |

**General Government Non-Operating Funds**

| Fund                                 |                                 | 2011-12 Budget    | 2013-14 Budget    | Percent Change |
|--------------------------------------|---------------------------------|-------------------|-------------------|----------------|
| <b><i>Special Revenue Funds</i></b>  |                                 |                   |                   |                |
| 152                                  | Contingency                     | 2,246,510         | 2,296,510         | 2.23%          |
| 156                                  | Impact Fees                     | 1,971,968         | 3,111,739         | 57.80%         |
| 190                                  | Excise Tax Capital Improvement  | 12,866,748        | 12,597,175        | -2.10%         |
| <b>Total Special Revenue Funds</b>   |                                 | <b>17,085,226</b> | <b>18,005,424</b> | <b>5.39%</b>   |
| <b><i>Debt Service Funds</i></b>     |                                 |                   |                   |                |
| 210                                  | LTGO Debt Service               | 11,370,553        | 7,719,330         | -32.11%        |
| 220                                  | UTGO Debt Service               | 2,144,487         | 1,770,853         | -17.42%        |
| <b>Total Debt Service Funds</b>      |                                 | <b>13,515,040</b> | <b>9,490,183</b>  | <b>-29.78%</b> |
| <b><i>Capital Projects Funds</i></b> |                                 |                   |                   |                |
| 310                                  | General Capital Projects        | 52,653,591        | 54,759,348        | 4.00%          |
| 320                                  | Transportation Capital Projects | 32,914,691        | 39,416,383        | 19.75%         |
| <b>Total Capital Projects Funds</b>  |                                 | <b>85,568,282</b> | <b>94,175,731</b> | <b>10.06%</b>  |

**CITY OF KIRKLAND**  
**2013-2014 BUDGET OVERVIEW: BY FUND TYPE/FUND**  
**General Government Non-Operating Funds (Continued)**

| Fund   | 2011-12 Budget     | 2013-14 Budget     | Percent Change |
|--|--------------------|--------------------|----------------|
| <b><i>Trust Funds</i></b>                    |                    |                    |                |
| 620 Firefighter's Pension                    | 1,767,099          | 1,921,858          | 8.76%          |
| <b>Total Trust Funds</b>                     | <b>1,767,099</b>   | <b>1,921,858</b>   | <b>8.76%</b>   |
| <b>Total General Government Non-Op Funds</b> | <b>117,935,647</b> | <b>123,593,196</b> | <b>4.80%</b>   |

**Water/Sewer Utility Funds**

| Fund                                   | 2011-12 Budget    | 2013-14 Budget    | Percent Change |
|--|-------------------|-------------------|----------------|
| <b><i>Operating Fund</i></b>           |                   |                   |                |
| 411 Water/Sewer Operating              | 45,948,241        | 52,829,481        | 14.98%         |
| <b>Total Operating Fund</b>            | <b>45,948,241</b> | <b>52,829,481</b> | <b>14.98%</b>  |
| <b><i>Non-Operating Funds</i></b>      |                   |                   |                |
| 412 Water/Sewer Debt Service           | 2,962,187         | 2,567,358         | -13.33%        |
| 413 Utility Capital Projects           | 18,054,238        | 22,415,061        | 24.15%         |
| <b>Total Non-Operating Funds</b>       | <b>21,016,425</b> | <b>24,982,419</b> | <b>18.87%</b>  |
| <b>Total Water/Sewer Utility Funds</b> | <b>66,964,666</b> | <b>77,811,900</b> | <b>16.20%</b>  |

**CITY OF KIRKLAND  
2013-2014 BUDGET OVERVIEW: BY FUND TYPE/FUND**

**Surface Water Utility Funds**

| Fund                                     | 2011-12 Budget    | 2013-14 Budget    | Percent Change |
|--|-------------------|-------------------|----------------|
| <i>Operating Fund</i>                    |                   |                   |                |
| 421 Surface Water Management             | 18,440,239        | 21,444,357        | 16.29%         |
| <b>Total Operating Fund</b>              | <b>18,440,239</b> | <b>21,444,357</b> | <b>16.29%</b>  |
| <i>Non-Operating Fund</i>                |                   |                   |                |
| 423 Surface Water Capital Projects       | 14,750,925        | 18,315,303        | 24.16%         |
| <b>Total Non-Operating Funds</b>         | <b>14,750,925</b> | <b>18,315,303</b> | <b>24.16%</b>  |
| <b>Total Surface Water Utility Funds</b> | <b>33,191,164</b> | <b>39,759,660</b> | <b>19.79%</b>  |

**Solid Waste Utility Fund**

| Fund                                  | 2011-12 Budget    | 2013-14 Budget    | Percent Change |
|---------------------------------------|-------------------|-------------------|----------------|
| <i>Operating Fund</i>                 |                   |                   |                |
| 431 Solid Waste Utility               | 25,102,501        | 32,634,724        | 30.01%         |
| <b>Total Operating Fund</b>           | <b>25,102,501</b> | <b>32,634,724</b> | <b>30.01%</b>  |
| <b>Total Solid Waste Utility Fund</b> | <b>25,102,501</b> | <b>32,634,724</b> | <b>30.01%</b>  |

|                        |                    |                    |               |
|------------------------|--------------------|--------------------|---------------|
| <b>TOTAL ALL FUNDS</b> | <b>480,282,084</b> | <b>543,708,911</b> | <b>13.21%</b> |
|------------------------|--------------------|--------------------|---------------|

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# REVENUE

A guide to major revenue sources and trends



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# REVENUE TRENDS & ASSUMPTIONS

## TAXES

### PROPERTY TAX

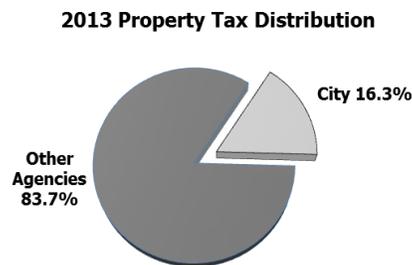
In Kirkland, property taxes fund services in the General, Street Operating, Parks Maintenance, and Parks Levy Funds. The Parks Maintenance Fund was created in 2003 as a result of a levy lid lift approved by voters in November 2002 to fund maintenance and operations for new parks. Another parks levy lid lift was approved by voters in November 2012 and also funds parks maintenance, some recreation programming (accounted for in the Parks Levy Fund), as well as provide funding for parks capital projects. A second ballot measure also approved by voters in November 2012 for a street maintenance and pedestrian safety levy funds street preservation and maintenance projects in the Street Operating and Transportation Capital Projects funds.

Property taxes are the largest source of revenue in the General Fund and Street Operating Fund, and the primary source of revenue in the Parks Maintenance and Parks Levy Funds. Property tax replaced sales tax as the largest General Fund revenue in 2011 as the result of annexation.

All real and personal property (except where exempt by law) is assessed by the King County Assessor at 100 percent of the property's fair market value. Assessed values are adjusted each year based on market value changes.

Although property taxes represent a major source of funding for City services, the portion of each property owner's total tax bill allocated to the City is relatively small. In 2013, the total typical property tax rate in Kirkland is \$11.48 per \$1,000

of assessed valuation. Of that total, about 16.3 percent, or \$1.87 per \$1,000 assessed valuation, goes to the City. This rate includes the 2002 levy lid lift for parks maintenance, as well as the 2012 street preservation/pedestrian safety and park levies, which added 20.4 cents and 16 cents respectively to the levy rate. The actual City's levy rate varies between neighborhoods as the result of annexation; residents in the newly annexed neighborhoods do not pay debt approved by voters prior to annexation (about \$0.07 per \$1,000 of assessed valuation). Total levy rates may also vary depending on differences in taxing districts, such as specific school district rates.



State statute limits the annual increase in the regular property tax levy to the lesser of one percent or the Implicit Price Deflator (an inflation factor published by the Bureau of Economic Analysis). The City can exceed the limitation with the approval of voters or by using levy capacity from prior years that was "banked" for future specified purposes. The City has used all of the banked levy.

The City is also provided an allowance for new construction, which entitles the City to the property tax revenue generated by newly constructed businesses and homes. The new construction levy does not increase the overall tax rate paid by property owners. The City's total rate cannot be more than \$3.10 per \$1,000 of assessed valuation.

The annual tax impact on a property owner is usually different than the percent increase of the levy, since it depends on several factors such as changes in the assessed valuation of the property, growth or decline in the City's overall assessed valuation, and levy increases by other taxing districts. The actual levy rate also changes based on these variables. The property tax rate is determined by dividing the levy amount by the assessed valuation per \$1,000.

**Budget**

| Property Tax  | 2013-14      | 2011-12      |
|---|--------------|--------------|
|   | \$53,262,551 | \$40,372,859 |
| General Fund  | \$33,573,159 | \$29,311,574 |
| Street Operating Fund*  | \$5,271,499  | \$7,181,893  |
| Street Maintenance/Pedestrian Safety Levy (Street Operating Fund) | \$5,872,746  | \$0          |
| Parks Maintenance   | \$2,474,910  | \$2,040,565  |
| Parks Levy Fund   | \$2,106,077  | \$0          |
| Parks Levy allocated to Capital Projects                          | \$2,500,000  | \$0          |
| Voted Debt Service (UTGO Fund)                                    | \$1,464,160  | \$1,838,827  |

\*2011-12 includes one-time King County Road Levy, funds received in 2011

**Trends and Assumptions**

*Methodology*

- Based on prior year's levy plus new construction and any additional levy increase up to one percent unless otherwise approved by voters.

*Trends*

- New construction as a percentage of each year's total base regular levy has ranged between 0.34 percent and 3.94 percent over the last nine years.
- The 2013 new construction levy of \$124,473 is 0.62 percent of the total base regular levy for 2012.

*Key Assumptions*

- One percent growth in new construction in 2013 and 2014.
- One percent optional levy increase in 2013 and 2014
- Passage of Street Preservation/Pedestrian Safety and Park levies on the ballot in November 2012.

**SALES TAX**

Sales tax is one of the primary sources of funding for general City services. In addition, sales tax is a dedicated funding source for transportation-related capital projects (\$540,000) during the biennium.

Sales tax is levied on the sale of consumer goods (except most food products and some services) and construction. In Kirkland, retail businesses are the largest generator of sales tax, followed by contracting, services, and wholesale businesses. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, and the level of construction taking place in the City.

The general sales tax rate within the City of Kirkland is 9.5 percent. Of the 9.5 percent, 0.85 percent is returned to the City of Kirkland, and the remainder is distributed to the State, King County, and other public agencies. An additional 0.3 percent sales tax is collected by Washington State on vehicle sales and leases to fund transportation improvements. The distribution of the sales tax is displayed in the table to the right.

| <b>Jurisdiction</b>  | <b>Rate (%)</b> |
|--|-----------------|
| State of Washington  | 6.50            |
| King County/METRO  | 1.00            |
| King County Criminal Justice Levy  | 0.10            |
| City of Kirkland<br>(1.0 with 0.15 remitted to King County for administrative costs) |                 |
| City Portion   | 0.85            |
| County Portion   | 0.15            |
| Regional Transit Authority   | 0.90            |
| <b>Total General Sales Tax Rate</b>  | <b>9.50</b>     |
| Additional Auto Sales/Lease Rate   | 0.30            |
| <b>Total Auto/Sales Lease Rate</b>   | <b>9.80</b>     |

**Budget**

| <b>Sales Tax</b>       | <b>2013-14</b>      | <b>2011-12</b>      |
|------------------------|---------------------|---------------------|
|                        | <b>\$29,717,093</b> | <b>\$27,797,909</b> |
| General Fund           | \$29,177,093        | \$26,857,909        |
| Street Operating Fund* | \$540,000           | \$540,000           |
| General Capital Fund** | \$0                 | \$400,000           |

\*Funding for Transportation Capital Projects

\*\*2011-2012 funding allocated to Technology Sinking Fund in 2013-2014

**Trends and Assumptions**

*Methodology*

- The City’s fiscal policy is to budget in the coming year an amount equivalent to the total expected sales tax revenue collected in the prior year. The 2012 revenue estimate is projected to be 9.3 percent higher than 2011. The 2013 budget is equal to the 2012 estimated revenue and 2014 projects a 3.0 percent growth. Additionally, the creation of sinking funds in the 2013-14 biennium for public safety and technology equipment funded from General Fund resources reallocated \$400,000 in 2013-14 from the CIP to the General Fund.

*Trends*

Annual sales tax over the last 6 years:

|                             | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012 Est.</b> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|------------------|
| Revenue (\$ millions)       | 16.52       | 15.03       | 12.24       | 12.81       | 13.39       | 14.64            |
| % Change from Previous Year | 0.6%        | -9.0%       | -18.5%      | 4.6%        | 4.5%        | 9.3%             |

- The impact of the “great recession” is illustrated with significant declines in sales tax revenue experienced in 2008 and 2009.

- The City started receiving revenue from the annexation area in September 2011, which contributed about 1 percent of the gain for that year.
- 2012 revenue has increased due to significant improvement in development related activity, strong performance in automobile sales, general improvement in retail sectors and a full year of annexation area revenues.

*Key Assumptions*

- City sales tax rate of 0.85 percent (one percent less 0.15 percent remitted to King County for administrative costs).
- 2013 budgeted sales tax is based on 2012 estimated receipts and 2014 budgeted sales tax is based on 2013 budgeted receipts plus 3 percent growth.

**STATE SALES TAX CREDIT**

The City is eligible to receive a state sales tax credit for providing services in the annexation area and first imposed the tax in 2011 since annexation occurred in June of that year. The tax is a credit against the state sales tax, so it is not an additional tax to the consumer.

The purpose of the tax is to provide financial assistance to cities that annex an area where revenues received from the annexed area do not offset the costs of providing services to the area. For annexations greater than 20,000, the City can impose a rate of 0.2 percent. The tax is limited to no more than ten years from the date it is first imposed and must be used to provide services for the annexation area. If revenues do exceed the amount needed to provide services, the tax must be suspended for the remainder of the year. Prior to March 1 of each year, the City must notify the Department of Revenue of the maximum amount of distributions it is allowed to receive for the upcoming fiscal year.

**Budget**

| Sales Tax Credit | 2013-14     | 2011-12            |
|------------------|-------------|--------------------|
|                  |             | <b>\$6,831,252</b> |
| General Fund     | \$6,831,252 | \$4,539,657        |

**Trends and Assumptions**

*Methodology*

- Based on the difference of the amount the City deems necessary to provide services for the annexation area and the general revenue received from the annexation area.
- By state statute, the City must adopt a resolution each year and notify the Department of Revenue prior to March 1<sup>st</sup> of the estimated sales tax credit required to provide municipal services to the annexation area for the state fiscal year starting on July 1st.

*Trends*

- State sales tax credit was received for one quarter in 2011 and a full year in 2012.

*Key Assumptions*

- 0.2 percent sales tax credit against the state sales tax.
- Based on estimated shortfall of revenue supporting municipal services in the neighborhoods in the annexation area.
- The amount of the credit is based on retail sales for the entire City of Kirkland, including the annexation area.

**KING COUNTY CRIMINAL JUSTICE LEVY**

Under the authority granted by the State and approved by the voters, King County levies an additional 0.1 percent sales tax to support criminal justice programs. The State collects this optional tax and retains 1.5 percent for administration. Of the amount remaining, 10 percent is distributed to the county and 90 percent is distributed to cities. This revenue must be used exclusively for criminal justice purposes and cannot replace existing funds designated for these purposes.

**Budget**

| Criminal Justice Levy | 2013-14            | 2011-12            |
|-----------------------|--------------------|--------------------|
|                       | <b>\$3,301,260</b> | <b>\$2,718,109</b> |
| General Fund          | \$3,301,260        | \$2,718,109        |

**Trends and Assumptions**

*Methodology*

- Distributed on the basis of population.

*Trends*

- 2012 revenue increased over 2011 based on larger population from annexation.

*Key Assumptions*

- 2013-14 budget based on 2012 estimate.

**UTILITY TAXES**

Utility taxes are levied on the gross operating revenues that public and private utilities earn from operations within the boundaries of the City. This applies to electric, natural gas, water, sewer, surface water, solid waste, telephone, and cable TV utilities. Legislation passed in 1982 limits the tax rate on electric, gas, steam, and telephone utilities to six percent. The Cable Communication Policy Act of 1984 states that cable tax rates should not be higher than tax rates on other utilities. Currently, a six percent tax rate applies to both residential and commercial customers of these utilities.

There are no restrictions on the tax rates for water, sewer, surface water, and solid waste utilities. A Washington State Supreme Court decision ruled that fire hydrant maintenance must be paid from taxes rather than water utility rates. As a result, water rates were reduced to remove the costs of the protection and the water utility tax rate was increased as of 2011 to pay for hydrant maintenance from the General Fund.

The current rates for both residential and commercial customers for City utilities are as follows:

- Surface water utility: 6.98 percent
- Sewer and Solid Waste: 9.5 percent
- Water: 11.8 percent (reflects the impact of hydrant charges mentioned above)

**Budget**

| Utility Taxes<br>(General Fund)       | 2013-14             | 2011-12             |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>\$29,398,309</b> | <b>\$26,905,029</b> |
| Electric Utility (Private)            | \$8,019,140         | \$7,303,604         |
| Gas Utility (Private)                 | \$3,324,982         | \$2,365,263         |
| Television Cable (Private)            | \$3,128,271         | \$2,314,257         |
| Telephone Utility (Private)           | \$5,806,793         | \$7,120,628         |
| Water Utility (City-owned)            | \$2,524,566         | \$2,338,062         |
| Sewer Utility (City-owned)            | \$2,422,103         | \$2,155,954         |
| Solid Waste Utility (City-contracted) | \$2,908,321         | \$2,250,949         |
| Surface Water Utility (City-owned)    | \$1,264,133         | \$1,056,312         |

**Trends and Assumptions**

*Methodology*

- Based on historical trends with greater emphasis on current year receipts.

*Trends*

- Revenue impact for surface water and solid waste utilities in 2013-14 based on full two-year revenue from new neighborhoods (the City currently does not provide water and sewer utilities in the new neighborhoods).
- Telephone utility tax revenue declining due to changes in consumer behavior.
- Electricity, gas, and water utility tax revenues are sensitive to weather conditions that impact consumer demand for services.

*Key Assumptions*

- 2013-14 budget based on 2012 estimates plus assumptions for expected changes in utility rates.

**REAL ESTATE EXCISE TAX**

The Real Estate Excise Tax is levied on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. The State levies this tax at the rate of 1.28 percent. Cities are also authorized to impose a local tax of 0.50 percent. The first 0.25 percent tax must be used primarily for local capital improvements identified under the capital facilities plan element of the City’s Comprehensive Plan. The second 0.25 percent, which is optional, must be used to fund transportation capital projects according to City ordinance.

**Budget**

| <b>Real Estate Excise Tax</b>       | <b>2013-14</b>     | <b>2011-12</b>     |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>\$7,000,000</b> | <b>\$4,070,000</b> |
| Excise Tax Capital Improvement Fund | \$7,000,000        | \$4,070,000        |

**Trends and Assumptions**

*Methodology*

- Real estate excise tax collections are primarily a function of the real estate market and mortgage rates.

*Trends*

- Revenue is expected to increase about 22 percent in 2012 over 2011.
- 2011-12 revenue is expected to be 53 percent higher than 2009-2010 reflecting increasing real estate sales activity.

*Key Assumptions*

- Real Estate Excise Tax of 0.5 percent.
- Current allocation for 2013-14 budget (includes planned use of reserves):
  - REET 1 -
 

|                    |             |
|--------------------|-------------|
| Parks CIP          | \$1,558,000 |
| Transportation CIP | \$ 717,000  |
| Teen Center Debt   | \$ 28,207   |
| Parks Operations   | \$ 185,339  |
  - REET 2 -
 

|                     |             |
|---------------------|-------------|
| Transportation CIP  | \$3,211,500 |
| Streets Maintenance | \$ 320,116  |

## **GAMBLING TAX**

Gambling tax revenues are primarily used for gambling enforcement purposes. The maximum tax rates allowed by state statute are five percent for bingo, raffles, punchboards, and pulltabs and two percent for amusement games. The City Council amended the Kirkland Municipal Code (KMC) to prohibit card rooms beginning in 1999. On July 7, 2009, City Council adopted non-binding legislation (Resolution 4766), which expressed the City Council's intent to allow the continued operation of existing card rooms in the annexation area if any such license exists. State legislation adopted in 2011 allows for the continued operation of existing card rooms without requiring the City to license card rooms. There is currently one establishment that meets this "grandfathered" requirement. The current tax rate on card rooms is 11 percent.

### **Budget**

| <b>Gambling Tax</b>          | <b>2013-14</b>     | <b>2011-12</b>   |
|------------------------------|--------------------|------------------|
|                              | <b>\$1,673,878</b> | <b>\$977,538</b> |
| Card Games (General Fund)    | \$1,426,214        | \$693,238        |
| Other Revenue (General Fund) | \$247,664          | \$284,300        |

### **Trends and Assumptions**

#### *Methodology*

- Based on historical trends with greater emphasis on current year's receipts.

#### *Trends*

- Revenue impact in 2013-14 based on full two-year revenue from new neighborhoods.
- Other gambling revenue expected to decline from 2011-12.

#### *Key Assumptions*

- Current establishments will continue to operate.

## **LODGING TAX**

A lodging excise tax of one percent is imposed on most short-term accommodations, such as hotels and motels. This revenue is limited to funding tourism promotion and the operation of tourism-related facilities.

### **Budget**

| <b>Lodging Tax</b> | <b>2013-14</b>   | <b>2011-12</b>   |
|--------------------|------------------|------------------|
|                    | <b>\$464,704</b> | <b>\$386,975</b> |
| Lodging Tax Fund   | \$464,704        | \$386,975        |

### **Trends and Assumptions**

#### *Methodology*

- Based on current year receipts.

#### *Trends*

- 2012 revenue expected to increase about 4 percent over 2011.

#### *Key Assumptions*

- Current establishments will continue to operate.

## LICENSES AND PERMITS

### **BUILDING RELATED PERMITS**

This category consists of revenue collected by the Building Division and the Public Works Department. Included in this category are building permits, plumbing permits, clear/grade permits, side-sewer permits, mechanical permits, electrical permits, and sign permits. Fees imposed for permits are subject to a base charge determined by the type of permit, plus additional fees determined by either the dollar value or size (square foot or number of units) of the project.

#### **Budget**

| Building Permits | 2013-14            | 2011-12            |
|------------------|--------------------|--------------------|
|                  | <b>\$3,800,056</b> | <b>\$4,172,217</b> |
| General Fund     | \$3,800,056        | \$4,172,217        |

### **Trends and Assumptions**

#### *Methodology*

- Based on historical trends, the number of permits pending in the planning process, and the Building Division's projections of upcoming construction projects.

#### *Trends*

- Development-related activity has improved; 2012 revenue is expected to be 24 percent higher than 2011.
- 2011-12 budget assumed redevelopment of Parkplace shopping center; the start date for this is uncertain.

#### *Key Assumptions*

- 2013-14 budget based on 2012 estimates, with fees for 2013-14 increased by inflation factor (CPI) of 2.7 percent.
- Potential impacts of redevelopment of two major shopping centers (Parkplace and Totem Lake) are not included in 2013-14 budget.

### **BUSINESS LICENSES AND PERMITS**

This category includes the issuance of business licenses and licenses for certain activities such as cabaret (live music/dancing), massage parlors, pawnbrokers or devices such as cigarette machines and amusement devices. The fee structure for business permits is typically an annual fee or one-time charge depending on the particular type of license or permit.

The business license fee structure has a \$100 base fee for annual renewals and an annual charge of \$100 per full time equivalent (FTE) for all employees of non-exempt businesses. This program also requires businesses with no physical presence in Kirkland that are doing business in the City (e.g. contractors) to obtain a business license. The base fee is considered a license revenue and the per FTE charge is considered a "revenue generating regulatory license."

#### **Budget**

| Business Licenses & Permits<br>(General Fund) | 2013-14            | 2011-12            |
|---|--------------------|--------------------|
|   | <b>\$5,780,766</b> | <b>\$5,790,992</b> |
| Revenue Generating Regulatory Fee             | \$4,679,290        | \$4,730,369        |
| Business License Fee & Permits                | \$1,101,476        | \$1,060,623        |

## **Trends and Assumptions**

### *Methodology*

- Based on current year receipts.

### *Trends*

- This revenue source is not normally expected to fluctuate significantly; however the severe economic downturn did result in revenues declining in 2009-2010.
- Revenues improved in 2011-12 from a combination of additional businesses added from annexation, as well as economic recovery.

### *Key Assumptions*

- 2013-14 budget based on 2012 estimates and reflects proposed waiver of first year fee per FTE for new businesses established within the city limits with 10 or fewer FTE's.

## **FRANCHISE FEES**

Franchise fees are charges levied on utilities for the right to use city streets, alleys and other public properties. Charges on light, natural gas, and telephone utilities are limited to the actual administrative expenses incurred by the City. Cable TV franchise fees are governed by federal rather than state law and may be levied at a rate of five percent of gross revenues, regardless of the cost of managing the franchise process. Franchise fees are also collected from the Northshore Utility District and Woodinville Water District.

### **Budget**

|                       | <b>2013-14</b>     | <b>2011-12</b>     |
|-----------------------|--------------------|--------------------|
| <b>Franchise Fees</b> | <b>\$7,489,714</b> | <b>\$6,063,525</b> |
| General Fund          | \$7,489,714        | \$6,063,525        |

## **Trends and Assumptions**

### *Methodology*

- Based on historical trends and rate increases approved at the time estimates are prepared.

### *Trends*

- 2012 revenue is estimated to increase 75 percent over 2011 due to receiving full-year revenue from the annexation area, along with adding revenue from Northshore Utility District and Woodinville Water District from the new neighborhoods.

### *Key Assumptions*

- 2013-14 budget based on 2012 estimates plus the impact of utility rate increases for Northshore Utility District.

**INTERGOVERNMENTAL**

**EMERGENCY MEDICAL SERVICES (EMS) LEVY**

This is a voter approved levy that is collected by King County and distributed to cities based on a formula. A six-year levy was approved by voters in November 2007.

**Budget**

| EMS Levy | 2013-14      | 2011-12     |
|----------|--------------|-------------|
|          | General Fund | \$1,769,290 |

**Trends and Assumptions**

*Methodology*

- The current levy is set at a rate \$0.30 per \$1,000 of assessed valuation.
- Distribution is based on a formula that considers the number of calls for service, total assessed valuation, and the consumer price index (CPI-U).

*Trends*

- 2012 revenue is estimated to increase 1.8 percent over 2011.

*Key Assumptions*

- Estimate provided by King County.
- 2014 assumes levy continues at same level as 2013 and the levy is reauthorized by voters in 2013.
- Due to recent declines in assessed valuation, the preliminary recommendation by the EMS Advisory Task Force (comprised of representatives from King County, cities, and fire districts) is to increase the levy rate to about \$0.33 per \$1,000 of assessed valuation.

## **LIQUOR BOARD PROFITS AND EXCISE TAX**

A voter initiative approved in November 2011 eliminated the state monopoly on liquor sales and allows liquor sales in privately owned retail stores as of June 1, 2012. Profits from the state-owned liquor stores and liquor excise taxes have historically been shared with local governments to help defray the costs for policing of liquor establishments located within city limits.

The liquor board profits have been replaced with licensing fees charged to retailers as a result of the initiative (although the State is still calling them profits). Liquor taxes also continue to be collected on liquor sales. However, due to severe budget challenges, the State balanced its current budget by reducing liquor excise tax shared with local governments. The allocation was reduced by 3.4 percent in 2011 and will not be received for the last quarter of 2012 and the first three quarters of 2013. Once distributions are reinstated, the amount to be distributed to local governments will be reduced by \$10 million per year. However, due to the initiative requirements, local governments are to receive in liquor board profits no less than was received in the four quarter prior to passage of the initiative. In addition, \$10 million is added to enhance public safety programs due to the increased number of retailers.

### **Budget**

| <b>Liquor Board Profits &amp; Excise Tax</b> | <b>2013-14</b>     | <b>2011-12</b>     |
|--|--------------------|--------------------|
|  | <b>\$1,813,911</b> | <b>\$1,439,345</b> |
| Liquor Board Profits (Licensing Fees)        | \$1,469,645        | \$946,929          |
| Liquor Excise Tax                            | \$344,266          | \$492,416          |

### **Trends and Assumptions**

#### *Methodology*

- Estimate based on forecast provided by Association of Washington Cities.

#### *Trends*

- 2012 revenue is higher than 2011 due to higher per capita calculation as a result of the increase of population from annexation.
- Additionally, 2012 Liquor Board Profits revenue is expected to be 67 percent higher than 2011 primarily due to one-time distribution that came from the State selling its distribution center and auctioning off the rights to run liquor stores at locations previously operated by the state.
- 2013-14 revenue is higher due to a larger population base from annexation, as well as a higher per capita distribution compared to 2011-12 budget.
- Liquor sales have increased statewide since privatization, but the impact to local shared revenue is uncertain.

#### *Key Assumptions*

- Per capita calculation from Association of Washington Cities:
  - Liquor Excise Tax: \$0.84 per capita
  - Liquor Board Profits: \$8.97 per capita
- Based on changes resulting from the State re-directing shared revenue to balance its current budget, liquor excise tax assumes one quarter's distribution in 2013 and four quarters in 2014 based on 2013 per capita estimate.

## **MOTOR VEHICLE FUEL TAX ("GAS TAX")**

In Washington State, cities receive a portion of the State-collected gasoline tax. The City allocates a set portion for capital construction and street preservation projects and the balance for street operations.

### **Budget**

| <b>Motor Vehicle Fuel Tax<br/>(Street Operating Fund)</b> | <b>2013-14</b> | <b>2011-12</b> |
|---|----------------|----------------|
| MVFT-Street Operations                                    | \$2,255,658    | \$1,604,841    |
| MVFT-Capital  | \$1,133,000    | \$1,353,000    |

### **Trends and Assumptions**

#### *Methodology*

- Estimate based on forecast provided by Association of Washington Cities. Gas tax is imposed as a fixed amount per gallon of gas purchased (i.e. fluctuations in the price of gas will effect gas tax revenues only if consumption changes).

#### *Trends*

- 2012 revenue is higher than 2011 due to higher per capita calculation resulting from increased population from annexation.
- An additional \$250,000 was allocated to capital to supplement the 2012 Street Preservation program.
- Statewide, the revenue base is decreasing as consumer gas consumption declines in response to higher gas prices.

#### *Key Assumptions*

- Estimated per capita amount of \$20.64 in 2013 and 2014.

## **CHARGES FOR SERVICES**

### **UTILITY RATES**

The City operates three separate utilities, which are managed like a business with customer charges fully supporting all costs. Revenue is collected for water/sewer services, surface water management, and garbage and recycling (solid waste) services.

#### **Budget**

| <b>Utility Rates</b>          | <b>2013-14</b>      | <b>2011-12</b>      |
|-------------------------------|---------------------|---------------------|
|                               | <b>\$96,456,320</b> | <b>\$77,172,299</b> |
| Water/Sewer Operating Fund    | \$46,837,472        | \$39,250,818        |
| Surface Water Management Fund | \$18,097,238        | \$14,902,859        |
| Solid Waste Fund              | \$31,521,610        | \$23,018,622        |

### **Trends and Assumptions**

#### *Methodology*

- Annual rate changes are needed to acknowledge the general cost of operations, any new obligations and "pass-through" increases from other agencies.

#### *Trends*

- Surface water and solid waste utilities were impacted by the adding customers in the newly annexed neighborhoods; the City does not currently provide water and sewer services in these areas.
- 2012 water/sewer revenue is estimated to increase 5 percent compared to 2011 due to a rate increase and lower water consumption in 2011 caused by an unusually cool and damp summer.
- 2012 surface water revenue is estimated to increase 28 percent compared to 2011 primarily due the impact of a full-year of revenue from customers added in the newly annexed neighborhoods.
- 2012 solid waste revenue is estimated to increase 38 percent compared to 2011 primarily due the impact of a full-year of revenue from customers added in the newly annexed neighborhoods.

#### *Key Assumptions*

- Based on a Washington State Department of Revenue ruling, the City must include the effect of City utility taxes in the utility rates; this accounting change is reflected in the rate changes noted below.
- Water rate increase 3.4 percent in 2013 and 5 percent in 2014 primarily due increased costs paid to Cascade Water Alliance, which supplies the City's water, as well as increased investment in infrastructure replacement.
- Sewer rate increase 7 percent in 2013 largely due to increased costs paid to King County Water Treatment Division, which provides wastewater treatment services to the City.
- No increase planned for surface water rates.
- Solid waste rate increase 12.99 percent in 2013 primarily due to increased disposal costs.

### **PLANNING FEES AND PLAN CHECK FEES**

These fees are collected for development-related services involving the issuance of permits and the review of plans for compliance with the City's codes. Fees are generally collected at a level estimated to recover the cost of the service provided.

## **Budget**

| <b>Planning Fees &amp; Plan Check Fees</b> | <b>2013-14</b>     | <b>2011-12</b>     |
|--|--------------------|--------------------|
|  | <b>\$3,225,625</b> | <b>\$2,962,106</b> |
| General Fund                               | \$3,225,625        | \$2,962,106        |

## **Trends and Assumptions**

### *Methodology*

- Based on historical trends, the number of development plans pending in the planning process, and the Building Division's projections of upcoming construction projects.

### *Trends*

- 2012 revenue is expected to be 65 percent higher than 2011 due to a significant increase in development activity and several larger projects.

### *Key Assumptions*

- 2013-14 budget based on 2012 estimates, with fees for the upcoming biennium increased by inflation factor (CPI) of 2.7 percent.

## **EMERGENCY TRANSPORT FEE**

The Kirkland Fire Department began its Basic Life Support (BLS) Transport User Fee Program in March 2011. The Program was established to create a sustainable revenue source to support essential emergency medical services. Fees from the BLS transport user fee help cover the cost of providing emergency medical service.

## **Budget**

| <b>Emergency Transport Fee</b> | <b>2013-14</b>     | <b>2011-12</b>     |
|--------------------------------|--------------------|--------------------|
|                                | <b>\$1,787,136</b> | <b>\$1,414,858</b> |
| General Fund                   | \$1,787,136        | \$1,414,858        |

## **Trends and Assumptions**

### *Methodology*

- Based on historical trends.

### *Trends*

- 2012 revenue is expected to be 54 percent higher than 2011 due to the program being in effect for the entire year.

### *Key Assumptions*

- 2013-14 budget based on 2012 estimates adjusted for change in rate.

## **ENGINEERING DEVELOPMENT FEES**

These fees are collected from developers for the inspection of public improvements associated with private developments under construction.

### **Budget**

| <b>Engineering Development Fees</b> | <b>2013-14</b>     | <b>2011-12</b>     |
|-------------------------------------|--------------------|--------------------|
|                                     | <b>\$1,148,186</b> | <b>\$1,019,998</b> |
| General Fund                        | \$1,148,186        | \$1,019,998        |

### **Trends and Assumptions**

#### *Methodology*

- Based on historical trends.

#### *Trends*

- 2012 revenue is expected to be 34 percent higher than 2011 due to increased development-related activity.

#### *Key Assumptions*

- 2013-14 budget based on estimated development activity plus increased fees for right of way inspector and inflation factor (CPI) adjustment of 2.7 percent.

## **TRANSPORTATION AND PARK IMPACT FEES**

The City collects impact fees for transportation and parks. As authorized under the Growth Management Act, applicants of new development are charged for a change in use to pay for the cost of new public facilities that provide future capacity needed to accommodate new growth and development. The fees cannot pay for existing deficiencies in level of service for the public facilities or normal maintenance and repairs. The fee charged to each development is based on a proportionate share of the new facilities.

### **Budget**

| <b>Impact Fees</b> | <b>2013-14</b>     | <b>2011-12</b>     |
|--------------------|--------------------|--------------------|
|                    | <b>\$1,200,000</b> | <b>\$1,440,185</b> |
| Road Impact Fees   | \$700,000          | \$1,200,000        |
| Park Impact Fees   | \$500,000          | \$240,185          |

### **Trends and Assumptions**

#### *Methodology*

- Based on historical trends.

#### *Trends*

- Increased development activity has improved this revenue significantly; 2012 revenues are expected to be 87 percent higher than 2011.

#### *Key Assumptions*

- 2013-14 budget based on conservative projections using recent historical trends.

## INTERFUND CHARGES

Fees are collected in the General Fund from other City funds for services provided by General Fund staff, such as engineering, human resources, payroll, general administration, legal, purchasing, budget, accounts payable, and utility billing services.

### **Budget**

| <b>Interfund Charges<br/>(General Fund)</b> | <b>2013-14</b>      | <b>2011-12</b>      |
|---|---------------------|---------------------|
|   | <b>\$10,407,793</b> | <b>\$10,538,573</b> |
| Engineering Charges                         | \$4,546,931         | \$4,369,715         |
| Accounting Services                         | \$1,507,189         | \$1,567,615         |
| Citywide Overhead                           | \$4,353,673         | \$4,601,243         |

### **Trends and Assumptions**

#### *Methodology*

- Engineering charges are based on prior year experience, projected capital improvement projects, and current budgeted engineering costs.
- Accounting services are paid by the Utility funds for billing services and based on the previous year's experience.
- Citywide overhead are centrally provide administrative services and based on the previous year's experience.

#### *Trends*

- Engineering charges are expected to increase 4 percent based on the number of large capital projects budgeted in the current biennium
- Accounting services and Citywide overhead are lower than the previous biennium primarily due to lower than expected actual costs in 2012.

#### *Key Assumptions*

- Not applicable

## **FINES AND FORFEITS / ENFORCEMENT FEES**

The City of Kirkland and the State of Washington share revenue that is collected from fines, forfeitures, fees, costs, and penalties associated with the enforcement of ordinances and statutes. The type of statute violated determines the percentage of each payment that is retained by the City.

### **Budget**

| <b>General Fund</b>            | <b>2013-14</b>     | <b>2011-12</b>     |
|--------------------------------|--------------------|--------------------|
|                                | <b>\$5,340,924</b> | <b>\$7,344,227</b> |
| Fines and Forfeits             | \$3,816,924        | \$5,216,659        |
| Probation Fees                 | \$1,290,000        | \$1,940,768        |
| Electronic Home Detention Fees | \$234,000          | \$186,800          |

### **Trends and Assumptions**

#### *Methodology*

- Based on the number of cases filed with the court and their disposition.

#### *Trends*

- 2012 revenue is expected to be about 11 percent less than 2011 primarily due to a reduction in parking infractions, which was caused by a position vacancy for most of 2012. This position has been filled and revenues are expected to return to more normal trends.

#### *Key Assumptions*

- 2011-12 budget was based the assumption that the new neighborhoods would generate substantially more cases than have actually occurred. 2013-14 budget was revised to reflect the actual impact.
- 2013-14 budget based 2012 estimates.

## **MISCELLANEOUS REVENUE**

### **INVESTMENT INCOME**

Available cash is pooled and invested for the benefit of designated funds and the General Fund. The amount of interest received will vary with interest rates and the amount of cash available for investments during any particular budget year. After satisfying the interest income obligations to funds required by the State to receive their own interest earnings and for the debt service and capital project commitments made by the Council, any remaining interest income is allocated to the General Fund.

### **Budget**

| <b>Investment Income</b> | <b>2013-14</b>     | <b>2011-12</b>     |
|--------------------------|--------------------|--------------------|
|                          | <b>\$1,111,758</b> | <b>\$1,303,840</b> |
| Various Funds            | \$1,111,758        | \$1,303,840        |

### **Trends and Assumptions**

#### *Methodology*

- Interest earnings are estimated based on the current portfolio and expected interest rate trends.

#### *Trends*

- Interest rates are expected to continue to decline, which will decrease interest revenue income.

#### *Key Assumptions*

- Historically low interest rates expected to continue in 2013-14.

**RESOURCES FORWARD**

Resources Forward represents the beginning fund balance and is comprised of the following: capital reserve, operating reserve, and working capital. A capital reserve is dedicated for the replacement of vehicles and computers and for funding major capital improvement projects. It also includes unspent bond proceeds related to the Public Safety Building, Maintenance Center, and Consolidated Fire Station projects. An operating reserve is an appropriated contingency account set aside for unanticipated expenditures. Working capital consists of excess net operating resources brought forward from the prior year to fund one-time “service packages” and equipment costs and to provide an operating cash flow buffer against seasonal fluctuations in revenues and expenditures. At the end of each year, it is the City’s practice to transfer net resources in excess of designated working capital from the General Fund to one or more of the City’s reserve funds.

**Budget**

| <b>Resources Forward</b> | <b>2013-14</b> | <b>2011-12</b>       |
|--------------------------|----------------|----------------------|
|                          |                | <b>\$139,335,665</b> |
| All Funds                | \$139,335,665  | \$122,281,861        |

**Trends and Assumptions**

*Methodology*

- Amount budgeted must cover one-time service packages approved in the budget, any designated working capital, and operating or capital reserves.

*Trends*

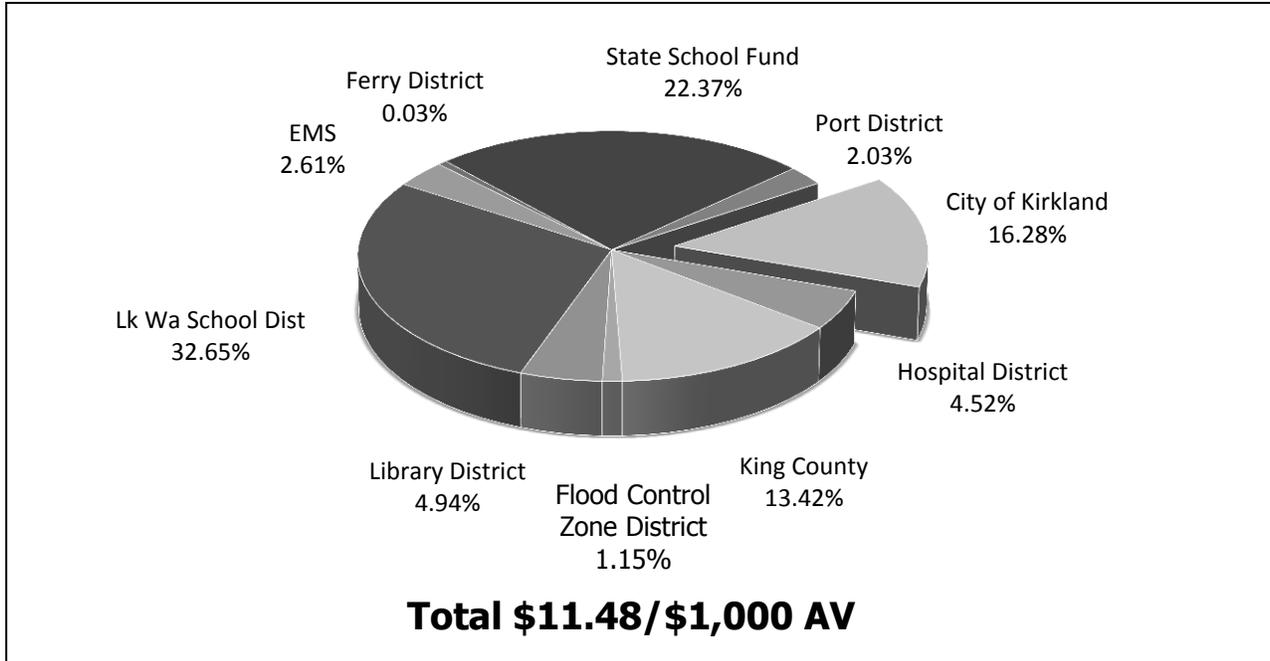
- Not applicable.

*Key Assumptions*

- Not applicable.

# CITY OF KIRKLAND

## 2013 PROPERTY TAX DISTRIBUTION



The City is limited to an annual increase on its regular property tax levy of the lesser of 1% or the Implicit Price Deflator, plus an allowance for new construction. The actual impact on an individual's property tax bill is not necessarily the same as the change in the levy. Other factors, such as the assessed valuation of the property, growth or decline in the City's overall assessed valuation, or levy increases (or decreases) of other governments will determine the final tax bill.

Although property taxes represent a major source of funding for City services, the portion of each property owner's total tax bill that goes to the City is relatively small. In 2013, the total typical property tax rate in Kirkland is \$11.48 per \$1,000 of assessed valuation. Of that total, about 16.3%, or \$1.87 per \$1,000 assessed valuation, goes to the City, of which \$0.07 is for voter-approved debt service (where applicable). Included in the Kirkland rate are two levies approved by Kirkland voters in 2012 to become effective in 2013 to fund street maintenance/pedestrian safety projects and park operations/capital projects (\$0.20 and \$0.16 per \$1,000 assessed valuation, respectively).

The graphic and narrative depict the most common tax distribution for Kirkland residents. Due to annexation, the City's rate varies from \$1.80 to \$1.94 depending on the specific neighborhood. Residents in the new neighborhoods do not pay for voter-approved debt prior to annexation. However, residents located within the former boundaries of Fire District #41 pay for bonds issued for the construction of a new fire station. In addition, there are variations in the taxing district boundaries within the city limits, so total tax rates vary as well.

**CITY OF KIRKLAND  
2013 PROPERTY TAX DISTRIBUTION (FINAL LEVY)**

|   |                         |                                |
|---|-------------------------|--------------------------------|
| <b>Taxable Assessed Valuation For 2013 Regular Levy</b> | <b>\$14,251,471,899</b> |                                |
| <b>Taxable Assessed Valuation For 2013 Excess Levy*</b> | <b>\$10,159,221,244</b> |                                |
| <b>REGULAR LEVY</b>                                     |                         |                                |
| <u>Operating Fund</u>                                   | <u>Levy</u>             | <u>Rate per<br/>\$1,000 AV</u> |
| General Fund  | \$16,577,835            | \$1.16324                      |
| Street Operating Fund                                   | \$2,604,330             | \$0.18274                      |
| Parks Maintenance Fund                                  | \$1,225,186             | \$0.08597                      |
| 2012 Road Levy  | \$2,907,300             | \$0.20400                      |
| 2012 Park Levy  | \$2,280,236             | \$0.16000                      |
| <b>Total 2013 Regular Levy</b>                          | <b>\$25,594,886</b>     | <b>\$1.79595</b>               |
| <b>EXCESS LEVY</b>                                      |                         |                                |
| <u>Unlimited General Obligation Bond Issue</u>          | <u>Levy</u>             | <u>Rate per<br/>\$1,000 AV</u> |
| 1995 Unlimited G.O. (Public Safety)                     | \$89,405                | \$0.00880                      |
| 2003 Unlimited G.O. (Parks)                             | \$642,650               | \$0.06326                      |
| <b>Total 2013 Excess Levy</b>                           | <b>\$732,055</b>        | <b>\$0.07206</b>               |
| <b>TOTAL LEVY</b>                                       |                         |                                |
|   | <u>Levy</u>             | <u>Rate per<br/>\$1,000 AV</u> |
| <b>Total 2013 Levy</b>                                  | <b>\$26,326,941</b>     | <b>\$1.86801</b>               |

\* Properties in new neighborhoods do not pay debt service on existing City's voted debt (\$0.07237/\$1,000 A.V.). Remaining Fire District 41 debt service is paid by property owners within the former boundaries of the fire district until debt is retired (estimated at \$0.14625/\$1,000 A.V.) and is not included in the levy rates above.

# CITY OF KIRKLAND

## 2013-2014 DISTRIBUTION OF INVESTMENT INCOME

|   |         |            |
|---|---------|------------|
| Total Estimated Earnings  |         | \$ 989,000 |
| Earned Interest Allocated to Utility Funds                                  |         |            |
| Water/Sewer   | 157,649 |            |
| Surface Water Management  | 120,740 |            |
| Solid Waste   | 18,737  |            |
| Subtotal to Utility Funds   |         | 297,126    |
| Earned Interest Allocated to Public Safety Building Bonds                   |         | 87,434     |
| Earned Interest Allocated to Consolidated Fire Station Bonds                |         | 20,300     |
| Earned Interest Allocated to Self Insurance Fund                            |         | 19,781     |
| Earned Interest Allocated to Cemetery Improvement/Operating Fund            |         | 5,754      |
| Earned Interest Allocated to Lodging Tax Fund                               |         | 1,632      |
| Earned Interest Allocated to Impact Fee Fund                                |         | 7,131      |
| Earned Interest Allocated to REET Fund                                      |         | 84,012     |
| Earned Interest Allocated to Equipment Rental Fund                          |         | 79,712     |
| Earned Interest Allocated to the Firefighter's Pension Fund                 |         | 15,791     |
| Net to Allocate   |         | 370,327    |
| Dedicated Proceeds:   |         |            |
| Public Safety and Information Technology Equipment Replacement Sinking Fund |         | 370,327    |
| Net to Distribute   |         | \$ -       |

| <b>2013-2014 BUDGETED DISTRIBUTION</b> |            |
|--|------------|
| Fund                                   | Amount     |
| General                                | \$ 370,327 |
| Street Operating                       | -          |
| Parks Maintenance                      | -          |
| Facilities Maintenance                 | -          |
| Contingency                            | -          |
| General Capital Projects               | -          |
| Information Technology                 | -          |
| Total All Funds                        | \$ 370,327 |



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# BUDGET FOCUS

Selected schedules and charts focusing on key facts,  
issues and processes reflected in the 2013-2014 Budget



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**CITY OF KIRKLAND**

***FUND BALANCE AND RESERVES***

Reserves and fund balance are two important indicators of the City’s fiscal health. Reserves represent “savings accounts” that are held to meet unforeseen budgetary needs (“general purpose reserves”). Some specialized reserves are dedicated by purpose and are held until an appropriate expenditure is needed (“special purpose reserves”). Fund balance includes both reserves and working capital. Working capital is needed within each fund to meet its cash flow needs.

The chart following this narrative summarizes the changes in fund balance across all funds. An analysis of the changes in fund balance is included with each section of the budget (i.e. General Government Operating, Water/Sewer Utility, etc.) in addition to the summary provided here. The analysis shows the 2014 delineation between reserved fund balance and working capital. The following narrative highlights the major reserve policy components as they are incorporated in the 2013-2014 Budget.

**FUND BALANCE**

Each fund begins the year with a beginning fund balance which may be comprised of: capital reserves, operating reserves, and unreserved working capital. As the year progresses, the expenditures made from the fund and revenues received will change the fund balance. A minimum amount of fund balance should be maintained in each operating fund to meet cash flow needs and, if needed, as a means of meeting commitments when a revenue shortfall occurs. A reduction in fund balance during the biennium (unless it is planned) can be seen as a potential sign of fiscal stress – current revenues are not adequate to meet current expenses. Fund balance in excess of the amount needed for minimum cash flow purposes can be used to fund one-time expenses or to replenish or enhance reserves. Budgeted fund balances recognize all cash resources estimated to be available as of the end of the biennium.

**GENERAL PURPOSE RESERVES**

General purpose reserves are available to meet a wide variety of contingencies. They are funded by general purpose revenues, which have no restrictions on the public purpose for which they are spent. The utility funds have a companion set of reserves distinct from those in the General Government category.

General Purpose Reserves are described in the City Fiscal Policies. The table below shows how the balance is expected to change during the biennium.

| <b>Reserves</b>                   | <b>Description</b>                   | <b>Estimated<br/>2012 Ending<br/>Balance (6/30)</b> | <b>Projected<br/>Changes</b> | <b>Estimated<br/>2014 Ending<br/>Balance</b> |
|-----------------------------------|--------------------------------------|---|------------------------------|--|
| <b>GENERAL PURPOSE</b>            |                                      |   |                              |  |
| Contingency                       | Unforeseen expenditures              | 2,201,870   | 224,555                      | <b>2,426,425</b>                             |
| General Capital Contingency       | Changes to general capital projects  | 3,919,463   | -                            | <b>3,919,463</b>                             |
| General Oper. Reserve (Rainy Day) | Unforeseen revenues/temporary events | 2,806,513   | -                            | <b>2,806,513</b>                             |
| Revenue Stabilization Reserve     | Temporary revenue shortfalls         | 1,231,431   | 1,236,637                    | <b>2,468,068</b>                             |
| Council Special Projects Reserve  | One-time special projects            | 189,534   | 60,466                       | <b>250,000</b>                               |
| Building & Property Reserve       | Property-related transactions        | 2,137,598   | (1,566,019)                  | <b>571,579</b>                               |
| <b>Total General Purpose</b>      |                                      | <b>12,486,409</b>                                   | <b>(44,361)</b>              | <b>12,442,048</b>                            |

### SPECIAL PURPOSE RESERVES

Special purpose reserves are set by Council policy, management practice, or by state or local laws that govern their use. The following table shows how the balance is expected to change during the biennium.

| Reserves                              | Description                             | Estimated<br>2012 Ending<br>Balance (6/30) | Projected<br>Changes | Estimated<br>2014 Ending<br>Balance |
|---------------------------------------|---|--|----------------------|-------------------------------------|
| <b>SPECIAL PURPOSE RESERVES</b>       |   |  |                      |                                     |
| General Fund Reserves:                |   |  |                      |                                     |
| Litigation Reserve                    | Outside counsel costs contingency       | 350,000                                    | -                    | <b>350,000</b>                      |
| Labor Relations Reserve               | Labor negotiation costs contingency     | 70,606                                     | (1,410)              | <b>69,196</b>                       |
| Police Equipment Reserve              | Equipment funded from seized property   | 50,086                                     | 27,248               | <b>77,334</b>                       |
| LEOFF 1 Police Reserve                | Police long-term care benefits          | 618,079                                    | -                    | <b>618,079</b>                      |
| Facilities Expansion Reserve          | Special facilities expansions reserve   | 800,000                                    | (800,000)            | -                                   |
| Development Services Reserve          | Revenue and staffing stabilization      | 552,561                                    | 432,874              | <b>985,435</b>                      |
| Development Services Technology Rsv.  | Permit system replacement               | 264,810                                    | 140,000              | <b>404,810</b>                      |
| Tour Dock                             | Dock repairs                            | 81,745                                     | 81,257               | <b>163,002</b>                      |
| Tree Ordinance                        | Replacement trees program               | 19,117                                     | 10,600               | <b>29,717</b>                       |
| Donation Accounts                     | Donations for specific purposes         | 185,026                                    | 29,246               | <b>214,272</b>                      |
| Revolving Accounts                    | Fee/reimbursement for specific purposes | 434,068                                    | (161,450)            | <b>272,618</b>                      |
| Lodging Tax Fund                      | Tourism program and facilities          | 103,766                                    | 101,233              | <b>204,999</b>                      |
| Cemetery Improvement                  | Cemetery improvements/debt service      | 439,415                                    | 251,149              | <b>690,564</b>                      |
| Off-Street Parking                    | Downtown parking improvements           | 9,276                                      | 203,560              | <b>212,836</b>                      |
| Firefighter's Pension                 | Long-term care/pension benefits         | 1,734,215                                  | (250,006)            | <b>1,484,209</b>                    |
| <b>Total Special Purpose Reserves</b> |   | <b>5,712,770</b>                           | <b>64,301</b>        | <b>5,777,071</b>                    |

### GENERAL CAPITAL RESERVES

In addition to the General Capital Contingency shown under General Purpose Reserves, there are other capital reserves dedicated either by Council policy or by state or local laws that govern their use. The following table shows how the balance is expected to change during the biennium.

| Reserves                              | Description   | Estimated<br>2012 Ending<br>Balance (6/30) | Projected<br>Changes | Estimated<br>2014 Ending<br>Balance |
|---------------------------------------|---|--|----------------------|-------------------------------------|
| <b>GENERAL CAPITAL RESERVES</b>       |   |  |                      |                                     |
| Excise Tax Capital Improvement:       |   |  |                      |                                     |
| REET 1                                | Parks/transportation/facilities projects,<br>parks debt service | 825,373                                    | 2,570,116            | <b>3,395,489</b>                    |
| REET 2                                | Transportation capital projects                                 | 4,658,465                                  | 1,435,024            | <b>6,093,489</b>                    |
| Impact Fees                           |   |  |                      |                                     |
| Roads                                 | Transportation capacity projects                                | 1,112,245                                  | 455,853              | <b>1,568,098</b>                    |
| Parks                                 | Parks capacity projects   | 3,038                                      | 251,966              | <b>255,004</b>                      |
| Street Improvement                    | Street improvements   | 1,023,958                                  | 26,300               | <b>1,050,258</b>                    |
| <b>Total General Capital Reserves</b> |   | <b>7,623,079</b>                           | <b>4,739,259</b>     | <b>12,362,338</b>                   |

## UTILITY RESERVES

Utility reserves are available to meet a wide variety of contingencies, either by Council policy, management practice, or by state or local laws that govern their use. However, they can only be used in the utility. Following is a table with the preliminary 2014 estimated ending balance in these accounts.

| Reserves                           | Description                               | Estimated 2012 Ending Balance (6/30) | Projected Changes  | Estimated 2014 Ending Balance |
|------------------------------------|---|--------------------------------------|--------------------|-------------------------------|
| <b>UTILITY RESERVES</b>            |   |                                      |                    |                               |
| Water/Sewer Utility:               |   |                                      |                    |                               |
| Water/Sewer Operating Reserve      | Operating contingency                     | 1,939,380                            | 475,091            | <b>2,414,471</b>              |
| Water/Sewer Debt Service Reserve   | Debt service reserve                      | 508,717                              | 331,490            | <b>840,207</b>                |
| Water/Sewer Capital Contingency    | Changes to Water/Sewer capital projects   | 1,793,630                            | (751,130)          | <b>1,042,500</b>              |
| Water/Sewer Construction Reserve   | Replacement/re-prioritized/new projects   | 7,429,654                            | (1,219,868)        | <b>6,209,786</b>              |
| Surface Water Utility:             |   |                                      |                    |                               |
| Surface Water Operating Reserve    | Operating contingency                     | 412,875                              | 293,489            | <b>706,364</b>                |
| Surface Water Capital Contingency  | Changes to Surface Water capital projects | 858,400                              | (101,260)          | <b>757,140</b>                |
| Surface Water-Transp. Related Rsv  | Replacement/re-prioritized/new projects   | 2,805,431                            | 64,300             | <b>2,869,731</b>              |
| Surface Water Construction Reserve | Trans. related surface water projects     | 1,666,250                            | (573,974)          | <b>1,092,276</b>              |
| <b>Total Utility Reserves</b>      |   | <b>17,414,337</b>                    | <b>(1,481,862)</b> | <b>15,932,475</b>             |

## INTERNAL SERVICE FUND RESERVES

There are four internal service funds with reserves dedicated either by Council policy or by state or local laws that govern their use. These funds include the Health Benefits, Equipment Rental, Information Technology and Facilities Maintenance funds. Revenue to these funds is derived primarily from user charges to other funds. Following is a table with the preliminary 2014 estimated ending balance in these accounts.

| Reserves                                    | Description                           | Estimated 2012 Ending Balance (6/30) | Projected Changes | Estimated 2014 Ending Balance |
|---|---------------------------------------|--------------------------------------|-------------------|-------------------------------|
| <b>INTERNAL SERVICE FUND RESERVES</b>       |                                       |                                      |                   |                               |
| Health Benefits:                            |                                       |                                      |                   |                               |
| Claims Reserve                              | Health benefits self insurance claims | 1,424,472                            | 1,401,286         | <b>2,825,758</b>              |
| Rate Stabilization Reserve                  | Rate stabilization                    | 500,000                              | 500,000           | <b>1,000,000</b>              |
| Equipment Rental:                           |                                       |                                      |                   |                               |
| Vehicle Reserve                             | Vehicle replacements                  | 7,989,563                            | 766,536           | <b>8,756,099</b>              |
| Radio Reserve                               | Radio replacements                    | 7,686                                | -                 | <b>7,686</b>                  |
| Information Technology:                     |                                       |                                      |                   |                               |
| PC Replacement Reserve                      | PC equipment replacements             | 318,646                              | 194,808           | <b>513,454</b>                |
| Technology Initiative Reserve               | Technology projects                   | 690,207                              | (490,190)         | <b>200,017</b>                |
| Major Systems Replacement Reserve           | Major technology systems replacement  | 84,900                               | 415,100           | <b>500,000</b>                |
| Facilities Maintenance:                     |                                       |                                      |                   |                               |
| Operating Reserve                           | Unforeseen operating costs            | 550,000                              | -                 | <b>550,000</b>                |
| Facilities Sinking Fund                     | 20-year facility life cycle costs     | 2,030,515                            | 622,858           | <b>2,653,373</b>              |
| <b>Total Internal Service Fund Reserves</b> |                                       | <b>13,595,989</b>                    | <b>3,410,398</b>  | <b>17,006,387</b>             |

**RESERVES WITH TARGETS**

There are some reserves listed above for which the City of Kirkland City Council has adopted reserve targets as described in the City Fiscal Policies. The table below compares the estimated ending 2014 balance to the 2013-14 reserve target.

| <b>Reserves</b>                              | <b>Estimated<br/>2012 Ending<br/>Balance (6/30)</b> | <b>Estimated<br/>2014 Ending<br/>Balance</b> | <b>2013-14<br/>Target</b> | <b>Revised<br/>Over (Under)<br/>Target</b> |
|--|---|--|---------------------------|--|
| <b>GENERAL PURPOSE RESERVES WITH TARGETS</b> |   |  |                           |  |
| Contingency                                  | 2,201,870   | 2,426,425                                    | 4,401,617                 | (1,975,192)                                |
| General Capital Contingency                  | 3,919,463   | 3,919,463                                    | 5,318,355                 | (1,398,892)                                |
| General Oper. Reserve (Rainy Day)            | 2,806,513   | 2,806,513                                    | 4,333,295                 | (1,526,782)                                |
| Revenue Stabilization Reserve                | 1,231,431   | 2,468,068                                    | 2,468,068                 | -  |
| Council Special Projects Reserve             | 189,534   | 250,000                                      | 250,000                   | -  |
| Building & Property Reserve                  | 2,137,598   | 571,579                                      | 600,000                   | (28,421)                                   |
| <b>General Purpose Reserves with Targets</b> | <b>12,486,409</b>                                   | <b>12,442,048</b>                            | <b>17,371,335</b>         | <b>(4,929,287)</b>                         |
| <b>ALL OTHER RESERVES WITH TARGETS</b>       |   |  |                           |  |
| Excise Tax Capital Improvement:              |   |  |                           |  |
| REET 1                                       | 825,373   | 3,395,489                                    | 1,071,000                 | 2,324,489                                  |
| REET 2                                       | 4,658,465   | 6,093,489                                    | 2,225,500                 | 3,867,989                                  |
| <b>Other Reserves with Targets</b>           | <b>5,483,838</b>                                    | <b>9,488,978</b>                             | <b>3,296,500</b>          | <b>6,192,478</b>                           |
| <b>Total Reserves with Targets</b>           | <b>17,970,247</b>                                   | <b>21,931,026</b>                            | <b>20,667,835</b>         | <b>1,263,191</b>                           |

**CITY OF KIRKLAND  
CHANGE IN FUND BALANCE (Beginning 2011 to Ending 2014)  
SUMMARY OF ALL FUNDS**

|  | General Government |                     | Utility             |                       |                     | All Funds           |
|--|--------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
|  | Operating Funds    | Non-Operating Funds | Water/Sewer Utility | Surface Water Utility | Solid Waste Utility |                     |
| <b>2011 Actual Beginning Fund Balance</b>                        | <b>33,124,419</b>  | <b>58,548,152</b>   | <b>16,292,418</b>   | <b>12,483,997</b>     | <b>1,832,875</b>    | <b>122,281,861</b>  |
| <i>Reserved</i>  | <i>19,698,530</i>  | <i>14,946,304</i>   | <i>15,024,271</i>   | <i>8,629,085</i>      | <i>5,000</i>        | <i>58,303,190</i>   |
| <i>Unreserved Working Capital</i>                                | <i>13,425,889</i>  | <i>7,074,788</i>    | <i>1,268,147</i>    | <i>3,854,912</i>      | <i>1,827,875</i>    | <i>27,451,611</i>   |
| Plus: 2011-12 Estimated Revenues                                 | 202,718,325        | 52,434,633          | 51,142,621          | 23,050,778            | 22,328,222          | <b>351,674,579</b>  |
| Less: 2011-12 Estimated Expenditures                             | 189,799,212        | 54,258,166          | 46,579,710          | 19,013,870            | 23,326,664          | <b>332,977,622</b>  |
| Less: 2011-12 Amount Avail. for Year-End Transfer                | -                  | -                   | -                   | -                     | -                   | -                   |
| <b>2011-12 Estimated Ending Fund Balance</b>                     | <b>46,043,532</b>  | <b>56,724,619</b>   | <b>20,855,329</b>   | <b>16,520,905</b>     | <b>834,433</b>      | <b>140,978,818</b>  |
| Less: Funding for Carryovers to 2013                             | 1,046,278          | 66,400              | 366,194             | 538,531               | -                   | <b>2,017,403</b>    |
| Less: Funding for 2013-14 Service Packages                       | 2,437,950          | -                   | -                   | -                     | -                   | <b>2,437,950</b>    |
| <b>2013 Budgeted Beginning Fund Balance</b>                      | <b>42,559,304</b>  | <b>56,658,219</b>   | <b>20,489,135</b>   | <b>15,982,374</b>     | <b>834,433</b>      | <b>136,523,465</b>  |
| Plus: 2013-14 Budgeted Revenues                                  | 224,881,177        | 66,934,977          | 57,322,765          | 23,777,286            | 31,800,291          | <b>404,716,496</b>  |
| Less: 2013-14 Budgeted Expenditures                              | 231,766,378        | 107,474,566         | 65,785,047          | 30,078,388            | 31,360,504          | <b>466,464,883</b>  |
| <b>2014 Budgeted Ending Fund Balance</b>                         | <b>38,112,053</b>  | <b>16,118,630</b>   | <b>12,026,853</b>   | <b>9,681,272</b>      | <b>1,274,220</b>    | <b>77,213,028</b>   |
| <i>Reserved</i>  | <i>26,678,523</i>  | <i>15,589,471</i>   | <i>9,828,221</i>    | <i>4,891,451</i>      | <i>-</i>            | <i>56,987,666</i>   |
| <i>Unreserved Working Capital</i>                                | <i>11,433,530</i>  | <i>529,159</i>      | <i>2,198,632</i>    | <i>4,789,821</i>      | <i>1,274,220</i>    | <i>20,225,362</i>   |
| <b>Change in Fund Balance:<br/>Beginning 2011 to Ending 2014</b> | <b>4,987,634</b>   | <b>(42,429,522)</b> | <b>(4,265,565)</b>  | <b>(2,802,725)</b>    | <b>(558,655)</b>    | <b>(45,068,833)</b> |

**Notes:**

Change in Fund Balance depicts the effects of the current and coming year's financial transactions on available resources. A minimum level of fund balance must be maintained in each fund to assure adequate cash flow. In all cases, fund balance is at or above the minimum level. A negative change in fund balance is not necessarily a reflection of a problem. Rather, it typically reflects the use of accumulated resources for planned expenditures (e.g. use of bond proceeds for capital projects). The significant decline in non-operating funds is partially due to the planned expenditure of bond proceeds on capital projects during the biennium.

Greater detail regarding the change in fund balances can be found in the following sections: General Government Operating Funds, General Government Non-Operating Funds, Water/Sewer Utility Funds, Surface Water Utility Funds and Solid Waste Utility Fund.

# CITY OF KIRKLAND POSITION SUMMARY

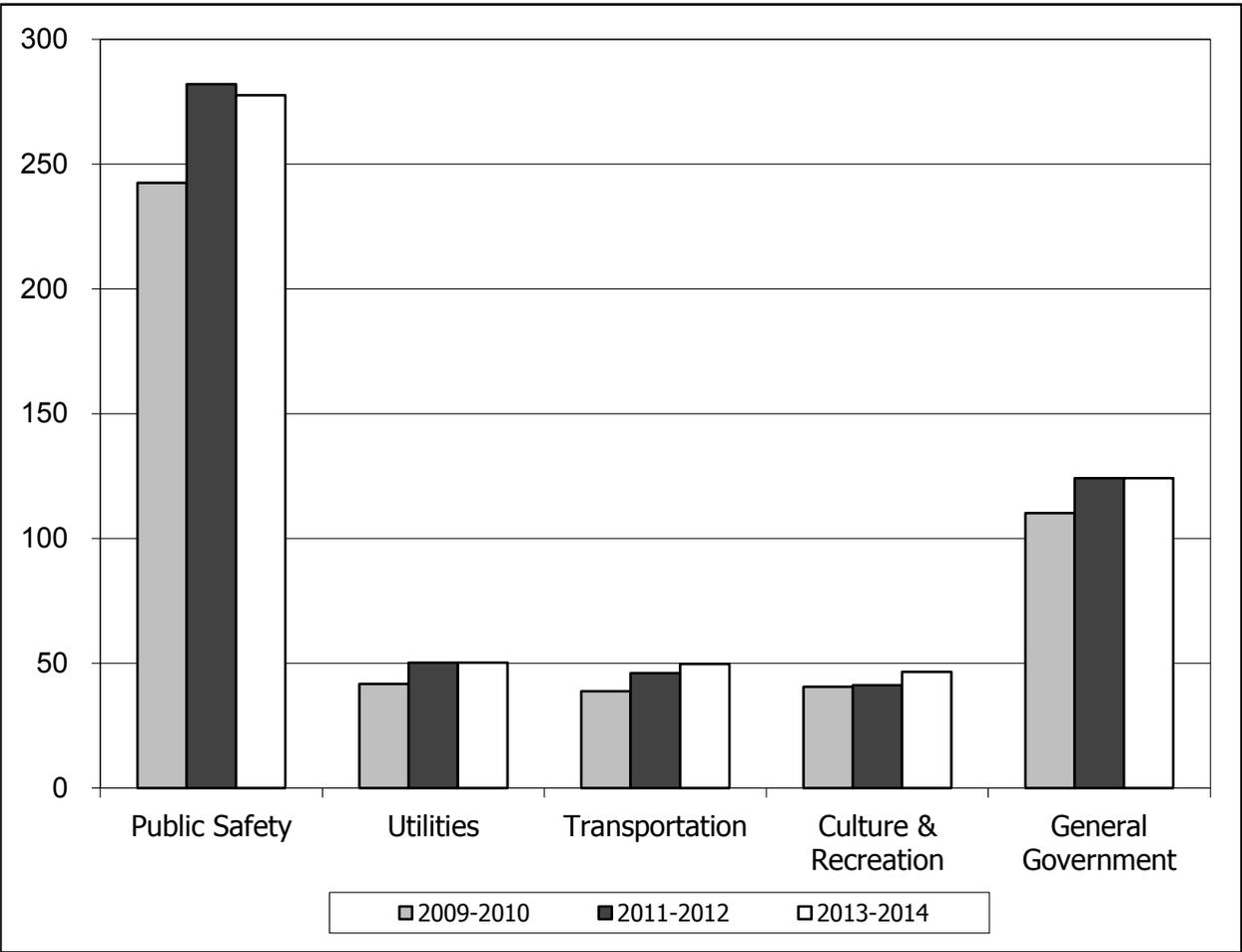
## By Fund

| <b>Fund/Department</b>                             | <b>2009-2010</b> | <b>2011-2012</b> | <b>2013-2014</b> |
|--|------------------|------------------|------------------|
| <b><i>General Fund:</i></b>                        |                  |                  |                  |
| City Council                                       | 7.00             | 7.00             | 7.00             |
| City Manager's Office                              | 21.90            | 8.65             | 8.25             |
| Human Resources                                    | 8.10             | 8.70             | 8.70             |
| City Attorney's Office                             | 4.00             | 4.00             | 4.00             |
| Municipal Court                                    | 0.00             | 22.25            | 18.75            |
| Parks and Community Services                       | 33.03            | 31.00            | 30.00            |
| Public Works                                       | 23.30            | 25.35            | 28.95            |
| Finance and Administration                         | 30.40            | 32.80            | 32.80            |
| Planning & Community Development                   | 19.95            | 24.25            | 23.45            |
| Police   | 121.50           | 137.50           | 135.50           |
| Fire and Building                                  | 107.73           | 122.28           | 123.28           |
| <b>Total General Fund</b>                          | <b>376.91</b>    | <b>423.78</b>    | <b>420.68</b>    |
| <b><i>Other General Gov't Operating Funds:</i></b> |                  |                  |                  |
| Lodging Tax  | 0.60             | 0.60             | 0.60             |
| Street Operating                                   | 15.50            | 20.65            | 20.75            |
| Parks Maintenance                                  | 7.50             | 10.25            | 9.25             |
| 2012 Parks Levy                                    | 0.00             | 0.00             | 7.25             |
| Facilities Maintenance                             | 5.85             | 6.35             | 7.35             |
| Equipment Rental                                   | 6.30             | 7.30             | 7.30             |
| Information Technology                             | 19.25            | 24.50            | 24.70            |
| <b>Total Other General Gov't Operating Funds</b>   | <b>55.00</b>     | <b>69.65</b>     | <b>77.20</b>     |
| <b><i>Utility Funds:</i></b>                       |                  |                  |                  |
| Water/Sewer Operating                              | 21.21            | 19.81            | 19.81            |
| Surface Water Management                           | 18.49            | 27.59            | 27.59            |
| Solid Waste  | 2.00             | 2.80             | 2.80             |
| <b>Total Utility Funds</b>                         | <b>41.70</b>     | <b>50.20</b>     | <b>50.20</b>     |
| <b>Total Positions</b>                             | <b>473.61</b>    | <b>543.63</b>    | <b>548.08</b>    |

# CITY OF KIRKLAND POSITION SUMMARY

## By Program

| Program                | 2009-2010     | 2011-2012     | 2013-2014     |
|------------------------|---------------|---------------|---------------|
| Public Safety          | 242.47        | 282.03        | 277.53        |
| Utilities              | 41.70         | 50.20         | 50.20         |
| Transportation         | 38.80         | 46.00         | 49.70         |
| Culture & Recreation   | 40.53         | 41.25         | 46.50         |
| General Government     | 110.11        | 124.15        | 124.15        |
| <b>Total Positions</b> | <b>473.61</b> | <b>543.63</b> | <b>548.08</b> |



## CITY OF KIRKLAND PAYMENTS TO OTHER AGENCIES

Approximately \$38.4 million, or 13.8 percent, of the City's total 2013-2014 budget for general government operations, water/sewer operations, surface water management operations, and solid waste operations is paid to other governmental agencies or other outside vendors. The City either absorbs annual increases in payments to other agencies through growth in general revenue sources (e.g. Air Pollution Control) or passes them along to users through charges for service (e.g. Sewage Treatment and Water Purchases).

| Service  | Agency                 | 2011-2012 Budget  | 2013-2014 Budget  |
|--|------------------------|-------------------|-------------------|
| Sewage Treatment <sup>1</sup>                          | King County            | 13,106,785        | 14,540,725        |
| Alcohol Treatment <sup>1</sup>                         | King County            | 39,392            | 6,885             |
| Air Pollution Control <sup>1</sup>                     | King County            | 89,192            | 89,395            |
| Prisoner Expense <sup>1</sup>                          | Various <sup>2</sup>   | 3,471,597         | 2,208,918         |
| Marine Patrol  | King County            | 195,040           | 186,320           |
| Hazardous Waste Fee <sup>1</sup>                       | King County            | 713,856           | 915,000           |
| Solid Waste "Tipping" Fees <sup>1</sup>                | King County            | 6,617,409         | 6,397,945         |
| Election Costs <sup>1</sup>                            | King County            | 392,000           | 643,600           |
| <b>Subtotal King County</b>                            |                        | <b>24,625,271</b> | <b>24,988,788</b> |
| Water Purchase <sup>1</sup>                            | Cascade Water Alliance | 8,394,892         | 8,576,884         |
| Police and Fire Dispatch <sup>1</sup>                  | NORCOM                 | 4,664,437         | 4,699,487         |
| State Purchasing Contract <sup>1</sup>                 | State of Washington    | 8,500             | 8,500             |
| Financial Audits <sup>1</sup>                          | State of Washington    | 131,760           | 157,000           |
| <b>Total Payments to Other Agencies</b>                |                        | <b>37,824,860</b> | <b>38,430,659</b> |
| <b>Percent Increase (Decrease) from Prior Biennium</b> |                        |                   | <b>1.60%</b>      |

<sup>1</sup> These services are mandatory contractual obligations with other governments. The rates are established by the contractor agency.

<sup>2</sup> King, Snohomish, Yakima and Okanagon Counties; and Cities of Enumclaw and Issaquah

## CITY OF KIRKLAND HUMAN SERVICES FUNDING

Funding for Human Services is incorporated into a variety of operating and non-operating budgets. It is important to note that budget reductions and annexation related service level changes, which impact 2012, make direct comparison difficult. The following summary provides an overview of Human Services funding for 2013-2014.

| <b>Program/Funding Source</b>  | <b>2011-2012<br/>Budget</b> | <b>2013-2014<br/>Budget</b> |
|--|-----------------------------|-----------------------------|
| Human Services Program (includes per capita allocation)                          | 1,234,081                   | 1,417,516                   |
| Human Services Forum and Other Regional Programs <sup>1</sup>                    | 35,450                      | 11,450                      |
| Human Services Coordination  | 256,437                     | 276,009                     |
| Senior Center Operations   | 995,103                     | 1,046,969                   |
| King County Alcohol Treatment Programs   | 39,342                      | 6,885                       |
| A Regional Coalition for Housing (ARCH)--Operations <sup>2,3</sup>               | 694,525                     | 775,000                     |
| Community Youth Services Program/Teen Center                                     | 607,587                     | 620,395                     |
| Teen Mini Grants   | 17,000                      | 17,000                      |
| Domestic Violence Programs   | 499,532                     | 515,458                     |
| Police School Resource Program   | 241,765                     | 259,205                     |
| Senior Discounts for Utility and Garbage Services                                | 70,429                      | 78,967                      |
| Kirkland Cares (assistance with utility bills from utilities customer donations) | 8,000                       | 8,000                       |
| Specialized Recreation Program   | 14,000                      | 14,000                      |
| Recreation Class Discounts   | 2,000                       | 2,000                       |
| <b>Total Human Services Funding</b>  | <b>4,715,251</b>            | <b>5,048,854</b>            |

**TOTAL SPENDING PER CAPITA 2011-2012: \$57.87**

**TOTAL SPENDING PER CAPITA 2013-2014: \$61.96**

<sup>1</sup> 2011-2012 includes one-time contribution from the Council Special Projects Reserve for Eastside Severe Winter Weather Shelter (\$15,000)

<sup>2</sup> 2011-12 ARCH funding reflects the ongoing base budget amount of \$122,525, a one-time service package request for a 2011-12 of \$432,000. An annexation service package request increased the ongoing base amount by \$65,000, along with one-time contribution of \$75,000 in 2012.

<sup>3</sup> 2013-14 ARCH funding reflects the base budget amount of \$175,000, and a service package request for 2013-14 of \$600,000

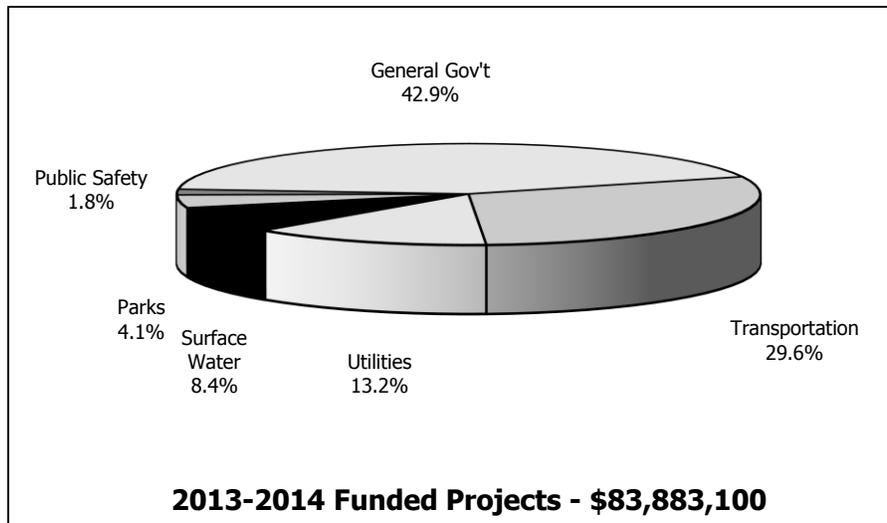
## CITY OF KIRKLAND SUMMARY OF LEGAL SERVICES

General legal counsel is provided by the in-house City Attorney's Office. By contract, a special legal counsel provides legal advice on selected land use and other matters to the City Council. Prosecution and public defender services are provided by outside attorneys through contracts with the City. The 2013-2014 budget includes an increase in Prosecution and Public Defender Legal Services for the annexation area. In certain specialized matters, the City is represented by other outside counsel. The Litigation Reserve budget for 2013-2014 reflects setting aside funds for outside counsel in the event they were needed to resolve a potential legal matter.

| <b>Legal Service</b>                                  | <b>Budgeted Fund/Department</b>                         | <b>2011-2012 Budget</b> | <b>2013-2014 Budget</b> | <b>Percent Change</b> |
|---|---|-------------------------|-------------------------|-----------------------|
| <b><i>General Legal Services</i></b>                  | General Fund/City Attorney                              | 1,321,110               | 1,369,783               | 3.68%                 |
| <b><i>Litigation Reserve</i></b>                      | Non-Operating Funds<br>(Outside Counsel for Litigation) | 75,000                  | 350,000                 | 366.67%               |
| <b>Subtotal General Legal Services and Litigation</b> |   | <b>1,396,110</b>        | <b>1,719,783</b>        | <b>23.18%</b>         |
| <b><i>Public Safety Legal Services</i></b>            |   |                         |                         |                       |
| Prosecution   | General Fund/City Attorney                              | 677,200                 | 773,400                 | 14.21%                |
| Public Defender                                       | General Fund/City Attorney                              | 439,100                 | 508,800                 | 15.87%                |
| <b>Subtotal Public Safety Legal Services</b>          |   | <b>1,116,300</b>        | <b>1,282,200</b>        | <b>14.86%</b>         |
| <b>Total All Legal Services</b>                       |   | <b>2,512,410</b>        | <b>3,001,983</b>        | <b>19.49%</b>         |

# ***CAPITAL IMPROVEMENT PROGRAM (CIP)***

## **CIP AT A GLANCE**



- **TRANSPORTATION** includes improvements to streets, sidewalks, intersections, and non-motorized facilities.
- **SURFACE WATER** includes improvements to the City's surface water management system
- **UTILITIES** includes maintenance, replacement, and new capacity improvements for the City's water and sanitary sewer systems.
- **PARKS** includes projects for acquisition, development, repair, and replacement of park facilities and equipment and improvements to the Kirkland Cemetery.
- **PUBLIC SAFETY** includes buildings and equipment to support the City's police, fire, and emergency management functions.
- **GENERAL GOVERNMENT** includes improvements that are not specific to other areas and benefit all (or several) functions.

More information regarding capital projects is provided in this document on pages 352-361, 395-399, and 417-420. Project details are available electronically with an interactive map on the City's website [http://www.kirklandwa.gov/depart/Public\\_Works/Capital\\_Improvements.htm](http://www.kirklandwa.gov/depart/Public_Works/Capital_Improvements.htm)

## **CIP POLICIES AND PROCESS**

The City will establish and implement a Comprehensive Six-Year Capital Improvement Program that will be prepared and formally adopted by the Council biennially during an odd-numbered year. In the "off" years, however, the CIP can be modified as needed by Council based on changing priorities or new funding source opportunities.

A capital improvement is defined as the construction of new facilities; the expansion, large scale renovation, or replacement of existing facilities; the acquisition of land; or the purchase of major pieces of equipment, including major replacements funded by the Equipment Rental Fund or those that are associated with newly-acquired facilities.

A capital improvement must meet all of the following criteria:

- It is an expenditure that can be classified as a fixed asset.
- It has an estimated cost of \$50,000 or more (with the exception of land).

- It has a useful life of ten years or more, with the exception of certain equipment that may have a shorter life span.

The six-year CIP includes projects that replace or maintain existing assets, provide required capacity needed to meet growth projections and the adopted level of service, and projects that enhance capacity or services to the public.

### **PROCESS FOR DEVELOPING THE CIP**

All capital improvement projects are subject to a biennial review and revision based upon community needs, priorities, and the availability of funding. The process reflects the need to periodically re-assess and re-prioritize the City's capital needs and includes the following steps:

- Each department is responsible for planning and prioritizing all capital project proposals within their scope of operational responsibility. Departments are provided broad funding guidelines and prepare descriptions of new projects to be considered, revisions to existing projects, and a progress report for current year projects.
- The City Manager reviews each department's requests and a recommended Preliminary Capital Improvement Program is prepared for consideration by the City Council.
- The City Council holds a public hearing to gather citizen comment and revises and/or adopts the CIP recommendation.
- The capital improvement budget for the first and second year of the adopted CIP are formally adopted by the City Council as part of the biennial budget process.
- During the first year of the adopted CIP (an odd-numbered year) an update is prepared by the departments and adopted by the Council to recognize any project modifications resulting from new funding opportunities, changing priorities and project timing changes. The second year of the revised capital improvement budget is incorporated into and adopted with the mid-biennial budget update.
- The City Manager and City departments implement the first two years of the CIP, providing periodic progress reports and updates to the City Council.

### **FUNDING**

There are four major categories of funding for CIP projects: current revenue, reserves, debt and external sources.

**Current Revenue** is the estimate of annual new revenue that will be received from existing, authorized revenue sources. Certain revenue streams historically have been dedicated to funding the CIP either through legal mandate or Council policy. The funded projects in the CIP acknowledge those funding sources and also utilize reserves to some extent.

Legal restrictions apply to some revenue sources. Gas tax is dedicated to transportation purposes. Utility connection charges and utility rates are restricted to utility projects. The first quarter percent real estate excise tax is restricted to capital purposes, but can be utilized for almost any category of capital projects (except computer equipment). The second quarter percent real estate excise tax is designated for transportation capital improvements. Road impact fees are dedicated to transportation capital improvements that provide new capacity. Park impact fees are likewise dedicated to park purposes. Recently voter-approved property tax levy lid lifts provide funding for transportation and park projects.

**Reserves** are cash resources that accumulate from prior years and are derived from a variety of revenue sources. The CIP utilizes reserves to a limited extent to fund projects. Although use of reserves is always an option to supplement annual revenue streams, it is a one-time solution using a finite resource. Reserves are used to address short term or time-limited funding deficits.

The 2013-2014 Budget also includes sinking funds for public safety and information technology equipment replacements that are funded by transfers-in of current revenues.

**Debt** represents a commitment to repay over a long period of time. Debt can take a number of forms including voter-approved general obligation bonds, councilmanic (non-voted) bonds, and utility revenue

bonds. The City also has been awarded low interest loans from the State's Public Works Trust Fund that have an interest rate of one to three percent, depending on the amount of the City's matching funds.

**External Sources** are primarily grants, but could include contributions from the private sector or other governmental agencies.

Some capital projects generate future operating costs that are considered when the Council reviews the CIP. Operating costs are listed in the detailed project summaries of the CIP. New operating costs for 2013-2014 that are related to completed CIP projects are highlighted in each department's summary. Projects approved for 2013-2014 are included in the General Government and Utilities non-operating sections of this document. Estimated operating impacts are also included in the summary of 2013-2014 projects.

The table below summarizes annual funding sources as presented in the 2013-2018 CIP.

| <b>Dedicated Revenue</b>  | <b>2013</b>   | <b>2014</b>   | <b>2015</b>  | <b>2016</b>  | <b>2017</b>  | <b>2018</b>  | <b>6-Year Total</b> |
|---|---------------|---------------|--------------|--------------|--------------|--------------|---------------------|
| <b>Transportation</b>   |               |               |              |              |              |              |                     |
| Gas Tax   | 558           | 575           | 592          | 610          | 628          | 647          | <b>3,610</b>        |
| Sales Tax   | 270           | 270           | 270          | 270          | 270          | 270          | <b>1,620</b>        |
| Utility Rates   | 950           | 950           | 950          | 950          | 950          | 950          | <b>5,700</b>        |
| Real Estate Excise Tax (REET) 1                                       | 353           | 364           | 375          | 386          | 397          | 409          | <b>2,284</b>        |
| Real Estate Excise Tax (REET) 2                                       | 1,071         | 1,103         | 1,136        | 1,170        | 1,205        | 1,242        | <b>6,927</b>        |
| Impact Fees   | 350           | 350           | 350          | 350          | 350          | 350          | <b>2,100</b>        |
| Street & Pedestrian Safety Levy                                       | 2,345         | 2,600         | 2,600        | 2,600        | 2,600        | 2,600        | <b>15,345</b>       |
| Parks Levy*   | 500           | -             | -            | -            | -            | -            | <b>500</b>          |
| Solid Waste Street Preservation                                       | 300           | 300           | 300          | 300          | 300          | 300          | <b>1,800</b>        |
| REET 2 Reserve  | 480           | 480           | 480          | 480          | 480          | 480          | <b>2,880</b>        |
| External Sources  | 5,693         | 5,692         | 2,501        | -            | -            | -            | <b>13,886</b>       |
| <b>Subtotal Transportation</b>  | <b>12,870</b> | <b>12,684</b> | <b>9,554</b> | <b>7,116</b> | <b>7,180</b> | <b>7,248</b> | <b>56,652</b>       |
| <b>Parks</b>  |               |               |              |              |              |              |                     |
| Real Estate Excise Tax 1 (REET)                                       | 718           | 740           | 762          | 785          | 808          | 832          | <b>4,645</b>        |
| Impact Fees   | -             | -             | -            | -            | -            | -            | <b>-</b>            |
| Parks Levy*   | 750           | 1,250         | 1,250        | 1,250        | 1,250        | 1,250        | <b>7,000</b>        |
| REET 1 Reserve  | 100           | -             | -            | -            | -            | -            | <b>100</b>          |
| External Sources  | 118           | 118           | -            | -            | -            | 500          | <b>736</b>          |
| <b>Subtotal Parks</b>   | <b>1,686</b>  | <b>2,108</b>  | <b>2,012</b> | <b>2,035</b> | <b>2,058</b> | <b>2,582</b> | <b>12,481</b>       |
| <b>General Government: Technology, Facilities &amp; Public Safety</b> |               |               |              |              |              |              |                     |
| General Fund Contributions for:                                       |               |               |              |              |              |              |                     |
| Public Sfty. Equip. Sinking Fund                                      | 1,500         | 500           | 500          | 500          | 500          | 500          | <b>4,000</b>        |
| Technology Equip. Sinking Fund  | 950           | 450           | 450          | 450          | 450          | 450          | <b>3,200</b>        |
| Utility Rates   | 150           | 203           | 150          | 150          | 150          | 150          | <b>953</b>          |
| IT Fund Operating Cash  | -             | -             | 193          | -            | -            | -            | <b>193</b>          |
| Facilities Life Cycle Reserve   | 90            | 357           | 390          | 223          | 617          | 858          | <b>2,535</b>        |
| Maj Sys Replacement Rsv   | 246           | -             | -            | -            | -            | -            | <b>246</b>          |
| General Capital Reserves  | 6,241         | -             | -            | -            | -            | -            | <b>6,241</b>        |
| Debt  | 25,042        | 827           | 4,532        | -            | -            | -            | <b>30,401</b>       |
| External Sources  | 2,002         | 624           | 3,419        | -            | -            | -            | <b>6,045</b>        |
| <b>Subtotal General Government</b>                                    | <b>36,221</b> | <b>1,634</b>  | <b>1,168</b> | <b>1,048</b> | <b>1,731</b> | <b>1,617</b> | <b>53,814</b>       |
| <b>Utilities</b>  |               |               |              |              |              |              |                     |
| Utility Connection Charges  | 865           | 865           | 865          | 865          | 865          | 865          | <b>5,190</b>        |
| Utility Rates - Surface Water   | 1,588         | 1,588         | 1,588        | 1,588        | 1,588        | 1,588        | <b>9,528</b>        |
| Utility Rates - Water/Sewer   | 2,408         | 2,408         | 2,408        | 2,408        | 2,408        | 2,408        | <b>14,448</b>       |
| Debt  | 886           | 3,152         | -            | -            | -            | -            | <b>4,038</b>        |
| Reserves  | 4,885         | 53            | 1,450        | -            | 1,450        | -            | <b>7,838</b>        |
| External Sources  | 168           | 168           | -            | -            | -            | -            | <b>336</b>          |
| <b>Subtotal Utilities</b>   | <b>10,800</b> | <b>8,234</b>  | <b>6,311</b> | <b>4,861</b> | <b>6,311</b> | <b>4,861</b> | <b>41,378</b>       |

\*\$500,000 of Park Levy funding in 2013 is allocated for Cross Kirkland Corridor Master Plan in the Transportation CIP

## POLICY ISSUES

Funding for capital projects continues to be a major issue facing the City. While progress has been made over the year in some areas (e.g. Parks), funding for transportation improvements has been below the level needed to meet many of the projects identified in the master planning processes. Two property tax levy lid lifts were approved by Kirkland voters in 2012 that will provide additional funding for street preservation, pedestrian safety, and park projects, which are included in the current CIP.

Some specific funding sources for capital projects have been negatively impacted by the economic downturn (real estate excise tax, impact fees, and investment interest). While the first two revenues appear to be stabilizing, they are still at lower levels than generated in the past and the 2013-2018 CIP takes this into account. Investment interest revenue was historically a source of funding for some general government projects. This revenue has remained very low due to the current interest rate environment, which has created a funding deficit related to these needs. To address this issue, the City Council approved a sinking fund concept to provide stable funding for replacement of major public safety and technology infrastructure equipment that are included in general government projects. The sinking fund is funded from General Fund revenues, so this obligation has been incorporated in the operating budget as of 2013-2014. The City has already established sinking funds for capital projects related to vehicle replacements and maintenance and repair of City-owned facilities.

Assessing capital needs in the new neighborhoods is a continuing process. The 2013-2018 CIP addresses some near-term needs, including NE 132<sup>nd</sup> Square Park Playfield and Edith Moulton Park renovations, surface water infrastructure repair at NE 141<sup>st</sup> Street, Juanita Drive Corridor Study and placeholder projects to address emerging issues for non-motorized and surface water projects.

## PROJECT HIGHLIGHTS

### **Notable project highlights for 2013-2014 include:**

**Parks** — The property tax levy lid lift approved by voters in 2012 provides additional funding for projects, which for 2013-2014 include neighborhood park land acquisition, dock and shoreline renovations, Waverly Beach Park renovation, and Edith Moulton Park renovation.

**Facilities** — The City took advantage of an opportunity to issue debt at historically low interest rates toward the end of 2010 to address a significant facility issue facing the City—space. Major projects addressing the space issue in 2013-2014 include construction of the Public Safety Building, which will house the City's Police Department, Jail, and Municipal Court, and subsequent major renovation of City Hall. There is also a project to consolidate two fire stations into a new facility, which is on hold pending the outcome of a study regarding the feasibility of a regional fire authority.

**Transportation** — The property tax levy lid lift approved by voters in 2012 provides additional funding for street preservation, which supports the goal of dependable infrastructure. The levy will also provide funding for pedestrian safety projects, including safe school walk routes. The City acquired the 5.75 mile segment of rail corridor running through the middle of the city from the Port of Seattle in 2011. The corridor passes through several neighborhoods and connects two important transportation hubs. A master planning process will start for the "Cross Kirkland Corridor" in 2013-2014, as well as construction of an interim trail. More information can be found on the City's website [http://www.kirklandwa.gov/Community/Cross\\_Kirkland\\_Corridor/About/Cross\\_Kirkland\\_Corridor.htm](http://www.kirklandwa.gov/Community/Cross_Kirkland_Corridor/About/Cross_Kirkland_Corridor.htm) Other significant projects include implementation of an intelligent transportation system to address traffic congestion, Park Lane pedestrian improvements and the extension of NE 120<sup>th</sup> Street, a key component for economic development of an important business district—the Totem Lake area.

**Utilities (Water and Sewer)** — The City is making significant investments in watermain and sewermain replacements in the NE 85<sup>th</sup> Street Corridor, which is another important business district. The Emergency Sewer Construction Program enables property owners on private septic systems the opportunity to connect to the public sewer system, which supports the City's goal of eliminating private septic systems.

**Surface Water** — Flooding in the Totem Lake area has been a problem and impediment to development in the Totem Lake area. Projects for culvert replacement and other flood control measures are included in the 2013-2014 CIP to address this issue.