



# Financial Management Report as of December 31, 2014

## AT A GLANCE:

The City of Kirkland's Office of Emergency Management (OEM) is now on Facebook and Twitter (page 2 sidebar)

2014 year end revenues increased over 2013 (page 3)

Sales tax revenue growth slowed in the fourth quarter, compared to the third (page 5)

Unemployment continues to decrease, inflation is low and the housing market continues to improve (pages 7-8)

## Inside this issue:

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## Summary of All Operating Funds: *Revenue*

- General Fund** revenue ended 2014 **3.2 percent ahead** of 2013, an increase of \$2.6 million. Most of the increase came from the tax category. Retail sales taxes, property taxes, and other taxes combined for \$2.2 million of the total. Actual revenues were higher than anticipated, finishing the year **at 107.4 percent** of budget. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- Water/Sewer Operating Fund** actual 2014 revenue is **up 3.6 percent** over 2013 year-end. Actual revenue for the year was **103.1 percent of budget**, reflecting higher than planned collections in water charges and other charges for service, likely due to a drier than average year.
- Surface Water Management Fund** revenues finished 2014 at **94.5 percent of budget**. Revenues in 2014 were **2.3 percent lower** than they were in 2013 due to two main factors. First, a payment for 2014 service was not received from the Lake Washington School District until January, resulting in lower collections commercial storm drainage fees. Also, Department of Ecology grant revenues expected in 2014 will not be received until 2015. Expenditures against these grants did not occur in 2014, and budget will be carried forward to 2015 concurrent with the anticipated grant revenue.
- Solid Waste Fund** finished the year with **102.7 percent of budgeted revenues**. This is **1.6 percent higher** than in 2013, due to growth in residential and commercial collections.
- Overall, in 2014 utility funds revenues were **up 1.8 percent** compared to 2013, and finished the year at **101.3 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
<b>General Gov't Operating:</b>								
General Fund	82,401,651	85,022,180	3.2%	77,699,996	79,131,481	1.8%	106.1%	107.4%
Other General Gov't Operating Funds	25,020,698	26,459,940	5.8%	23,452,132	24,695,374	5.3%	106.7%	107.1%
<b>Total General Gov't Operating</b>	<b>107,422,349</b>	<b>111,482,119</b>	<b>3.8%</b>	<b>101,152,128</b>	<b>103,826,855</b>	<b>2.6%</b>	<b>106.2%</b>	<b>107.4%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	24,896,223	25,780,904	3.6%	24,428,065	25,017,543	2.4%	101.9%	103.1%
Surface Water Management Fund	9,271,077	9,059,856	-2.3%	9,224,823	9,583,289	3.9%	100.5%	94.5%
Solid Waste Fund	16,054,027	16,305,834	1.6%	15,954,564	15,875,727	-0.5%	100.6%	102.7%
<b>Total Utilities</b>	<b>50,221,327</b>	<b>51,146,594</b>	<b>1.8%</b>	<b>49,607,452</b>	<b>50,476,559</b>	<b>1.8%</b>	<b>101.2%</b>	<b>101.3%</b>
<b>Total All Operating Funds</b>	<b>157,643,676</b>	<b>162,628,713</b>	<b>3.2%</b>	<b>150,759,580</b>	<b>154,303,414</b>	<b>2.4%</b>	<b>104.6%</b>	<b>105.4%</b>

## Connect with Office of Emergency Management on Social Media

The City of Kirkland's Office of Emergency Management (OEM) is now on Facebook and Twitter: [www.facebook.com/kirklandOEM](http://www.facebook.com/kirklandOEM) and @OEMKirkland on Twitter.

Currently, both sites provide emergency preparedness information and resources. During major disasters and emergencies, city information will be posted and regional information will be shared on these social media channels.

The OEM aims to create a link between the community and the OEM by raising awareness of emergency management and by providing useful links and information on how to prepare the whole community for all hazards. Thus, the Kirkland community and its neighbors are highly encouraged to 'like' and 'follow' both social media channels.

According to the Federal Emergency Management Agency (FEMA) "Increasingly the public is turning to social media technologies to obtain up-to-date information during emergencies and to share data about the disaster in the form of geo data, text, pictures, video, or a combination of these media."

"In Kirkland, social media is just one more way to reach out to the whole community. It is a great way to have conversations with people who actively use Twitter and Facebook. It is important to be engaged in as many forms of community communication as we can," notes Pattijean Hooper, the City's Emergency Manager.

## Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures excluding transfers finished 2014 **up 6.0 percent** from the year before. Actual expenditures finished the year at **98.1 percent of budget**. Personnel services spending, which **grew by 3.8%** over 2013 actuals, contributed the largest share of the total fund increase. A more detailed analysis of General Fund expenditures by department can be found on page 4.
- **Other General Government Operating Funds** actual expenditures were **13.5 percent higher** than 2013 due to higher spending in all funds except Cemetery Operating. The Street Operating Fund led the increase, largely due to a delay in PSE billing for street lighting electricity that had the effect of moving charges from 2013 to 2014. Spending in the Information Technology and Fleet Funds grew due to higher planned spending on computer hardware replacement and vehicle fleet replacement, respectively.  
  
In aggregate, other general government operating funds finished 2014 at **91.3%** of budgeted funds spent. The Facilities Maintenance Fund ended the year at the largest percent below budget, finishing the year at **72.7% of budgeted funds** spent. This was largely the result of below budget expenditures for maintenance at the Kirkland Justice Center.
- **Water/Sewer Operating Fund** actual expenditures were **0.8 percent higher** than in 2013. Growth in water purchase charges and taxes was nearly completely offset by declines in other spending categories. In total, the Water/Sewer fund finished 2014 at **97.3 percent of budget**.
- **Surface Water Management Fund** expenditures at the end of December 2014 were **6.9 percent higher** than 2013. Year over year growth was due largely to higher spending on professional services contracts. Expenditures at the end of 2014 were **lower than budgeted, at 88.9 percent** of the yearly budget. All spending categories finished below budget, with under-expenditures for salaries and benefits contributing the largest share.
- **Solid Waste Fund** expenditures were **1.1 percent higher** in 2014 than in 2013. Small increases in expenditures for the waste disposal contract and other charges were mostly offset by flat spending and declines elsewhere. Expenditures in the fund finished 2014 at **98.6 percent of budget**, as above budget spending on supplies was more than offset by savings in other areas.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
<b>General Gov't Operating:</b>								
General Fund	72,383,206	76,745,261	6.0%	74,462,940	78,242,251	5.1%	97.2%	98.1%
Other General Gov't Operating Funds	17,189,875	19,513,185	13.5%	20,736,979	21,362,661	3.0%	82.9%	91.3%
<b>Total General Gov't Operating</b>	<b>89,573,081</b>	<b>96,258,447</b>	<b>7.5%</b>	<b>95,199,919</b>	<b>99,604,912</b>	<b>4.6%</b>	<b>94.1%</b>	<b>96.6%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	20,767,593	20,927,767	0.8%	20,909,022	21,489,544	2.8%	99.3%	97.4%
Surface Water Management Fund	5,431,831	5,807,315	6.9%	6,546,354	6,532,048	-0.2%	83.0%	88.9%
Solid Waste Fund	15,537,161	15,704,029	1.1%	15,374,063	15,922,630	3.6%	101.1%	98.6%
<b>Total Utilities</b>	<b>41,736,584</b>	<b>42,439,111</b>	<b>1.7%</b>	<b>42,829,439</b>	<b>43,944,222</b>	<b>2.6%</b>	<b>97.4%</b>	<b>96.6%</b>
<b>Total All Operating Funds</b>	<b>131,309,665</b>	<b>138,697,558</b>	<b>5.6%</b>	<b>138,029,358</b>	<b>143,549,134</b>	<b>4.0%</b>	<b>95.1%</b>	<b>96.6%</b>

## General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in 2014 was **8.3 percent higher** than it was in 2013. This was more than budgeted, as sales tax is budgeted on a one year lag, with **115.2 percent of budget** collected by the end of the year. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished 2014 at **99.6 percent of budget**, which was slightly ahead of last year with **2.8 percent more** collected than in 2013. This was also above the 98 percent average property tax collections normally seen in King County.
- **Utility tax** collections finished 2014 **at budget with 100.4 percent** collected. Revenues were **down 0.7 percent** compared to 2013 due to partially offsetting factors of lower private utility (including electric and telephone) tax revenues collections and higher public utility (water, sewer, and solid waste) tax collections. Both years include the impact of one time revenue from an audit of telephone utility companies.
- **Other taxes** actual revenue was **36.9 percent higher** than in 2013 due mainly to an increase in revenue from card games, punch board and pull tabs and leasehold excise tax. This led to this category finishing the year at **137.1 percent of budget**.
- The **business licenses (base fee) and franchise fees** were **2.3 percent** higher than in 2013 and finished 2014 **above budget at 104.0 percent**.
- Collections from the **revenue generating regulatory license fee** were **0.3 percent higher** than in 2013. Revenues were above forecast at **105.7 percent of budget**. This tax is charged to employers on a per-employee basis, and it can fluctuate based on the timing of when businesses submit their payments.
- **Development-related fee** revenues were collectively **down 3.6 percent** in 2014 compared to the high level of revenue in 2013. **Plan check fees** finished the year **down 14.9 percent**, while **Building, Structural and Equipment permits** were **up 5.9 percent** over 2013. **Planning fees** revenue **decreased 2.5 percent**, while **Engineering Services** collected **11.9 percent less** than in 2013. Though below 2013 levels in several categories, **development-related fee** revenues still ended the year at **133.9% of budget**. Note that a significant portion of this additional revenue is for work yet to be completed and has been set aside in reserve for this purpose.
- **Fines and Forfeitures** were **down 2.2 percent from 2013** due to a decrease in civil traffic fines. This revenue source finished the year **above budget expectations at 109.8 percent**, due largely to parking fines.
- **Miscellaneous** revenue finished the year **up 17.2 percent** from 2013 due to higher collections from Rents, Leases and Concessions. This category was **above budget projections at 158.1 percent of budget**.

General Fund revenues ended 2014 \$2.6 million higher than in 2013 largely due to growth in sales and property taxes.

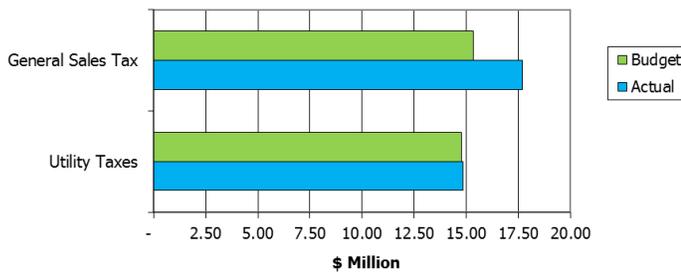
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

- Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.
- In 2014 about 428 of the City's 556 regular employees were budgeted within the general fund.

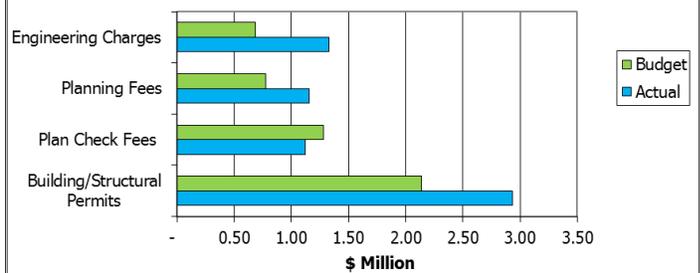
General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
<b>Taxes:</b>								
Retail Sales Tax: General	16,335,313	17,693,747	8.3%	15,057,904	15,353,571	2.0%	108.5%	115.2%
Retail Sales Tax Credit: Annexation	3,787,395	3,763,633	-0.6%	3,415,626	3,415,626	0.0%	110.9%	110.2%
Retail Sales Tax: Criminal Justice	1,808,722	1,940,117	7.3%	1,634,287	1,666,973	2.0%	110.7%	116.4%
Property Tax	16,429,671	16,888,059	2.8%	16,619,200	16,953,959	2.0%	98.9%	99.6%
Utility Taxes	14,951,529	14,840,227	-0.7%	14,618,866	14,779,443	1.1%	102.3%	100.4%
Rev Generating Regulatory License	2,479,881	2,486,120	0.3%	2,328,005	2,351,285	1.0%	106.5%	105.7%
Other Taxes	1,074,672	1,471,230	36.9%	1,063,975	1,073,303	0.9%	101.0%	137.1%
<b>Total Taxes</b>	<b>56,867,183</b>	<b>59,083,132</b>	<b>3.9%</b>	<b>54,737,863</b>	<b>55,594,160</b>	<b>1.6%</b>	<b>103.9%</b>	<b>106.3%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	2,769,879	2,932,101	5.9%	2,013,727	2,140,892	6.3%	137.5%	137.0%
Business Licenses/Franchise Fees	4,365,953	4,465,260	2.3%	4,191,459	4,295,440	2.5%	104.2%	104.0%
Other Licenses & Permits	506,993	523,483	3.3%	319,266	330,001	3.4%	158.8%	158.6%
<b>Total Licenses &amp; Permits</b>	<b>7,642,825</b>	<b>7,920,844</b>	<b>3.6%</b>	<b>6,524,452</b>	<b>6,766,333</b>	<b>3.7%</b>	<b>117.1%</b>	<b>117.1%</b>
<b>Intergovernmental:</b>								
Grants and Federal Entitlements	102,803	157,740	53.4%	198,622	112,421	-43.4%	51.8%	140.3%
State Shared Revenues & Entitlements	1,012,717	1,105,059	9.1%	1,033,781	1,237,172	19.7%	98.0%	89.3%
EMS	884,645	884,645	0.0%	884,645	884,645	0.0%	100.0%	100.0%
<b>Total Intergovernmental</b>	<b>2,000,165</b>	<b>2,147,444</b>	<b>7.4%</b>	<b>2,117,048</b>	<b>2,234,238</b>	<b>5.5%</b>	<b>94.5%</b>	<b>96.1%</b>
<b>Charges for Services:</b>								
Internal Charges	5,229,777	5,390,549	3.1%	5,396,481	5,717,970	6.0%	96.9%	94.3%
Engineering Services	1,511,947	1,332,605	-11.9%	951,385	689,483	-27.5%	158.9%	193.3%
Plan Check Fee	1,318,431	1,122,116	-14.9%	1,082,220	1,279,914	18.3%	121.8%	87.7%
Planning Fees	1,185,075	1,155,380	-2.5%	848,164	775,550	-8.6%	139.7%	149.0%
Recreation	1,211,928	1,324,054	9.3%	1,160,300	1,160,300	0.0%	104.4%	114.1%
Other Charges for Services	2,197,827	2,172,728	-1.1%	2,210,020	2,190,907	-0.9%	99.4%	99.2%
<b>Total Charges for Services</b>	<b>12,654,985</b>	<b>12,497,432</b>	<b>-1.2%</b>	<b>11,648,570</b>	<b>11,814,124</b>	<b>1.4%</b>	<b>108.6%</b>	<b>105.8%</b>
<b>Fines &amp; Forfeits</b>	<b>2,167,477</b>	<b>2,120,029</b>	<b>-2.2%</b>	<b>1,928,925</b>	<b>1,929,999</b>	<b>0.1%</b>	<b>112.4%</b>	<b>109.8%</b>
<b>Miscellaneous</b>	<b>1,069,015</b>	<b>1,253,298</b>	<b>17.2%</b>	<b>743,138</b>	<b>792,627</b>	<b>6.7%</b>	<b>143.9%</b>	<b>158.1%</b>
<b>Total Revenues</b>	<b>82,401,651</b>	<b>85,022,180</b>	<b>3.2%</b>	<b>77,699,996</b>	<b>79,131,481</b>	<b>1.8%</b>	<b>106.1%</b>	<b>107.4%</b>
<b>Other Financing Sources:</b>								
Interfund Transfers	402,008	319,955	N/A	402,008	319,955	-20.4%	100.0%	100.0%
<b>Total Other Financing Sources</b>	<b>402,008</b>	<b>319,955</b>	<b>N/A</b>	<b>402,008</b>	<b>319,955</b>	<b>-20.4%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Resources</b>	<b>82,803,659</b>	<b>85,342,135</b>	<b>3.1%</b>	<b>78,102,004</b>	<b>79,451,436</b>	<b>1.7%</b>	<b>106.0%</b>	<b>107.4%</b>

## General Fund Revenue *continued*

### 2014 Budget to Actual Comparison of Selected Taxes



### 2014 Budget to Actual Comparison of Development Related Fees



General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2013	12/31/2014	% Change	2013	2014	% Change	2013	2014
Non-Departmental	1,925,584	1,699,064	-11.8%	1,647,921	1,447,774	-12.1%	116.8%	117.4%
City Council	384,828	422,803	9.9%	403,932	457,470	13.3%	95.3%	92.4%
City Manager's Office	1,773,461	1,812,328	2.2%	2,064,111	1,951,468	-5.5%	85.9%	92.9%
Municipal Court	2,130,296	2,256,152	5.9%	2,249,404	2,301,428	2.3%	94.7%	98.0%
Human Resources	1,251,226	1,370,516	9.5%	1,263,257	1,451,068	14.9%	99.0%	94.4%
City Attorney's Office	1,327,445	1,322,968	-0.3%	1,371,489	1,384,479	0.9%	96.8%	95.6%
Parks & Community Services	7,012,622	7,542,480	7.6%	7,453,991	7,738,916	3.8%	94.1%	97.5%
Public Works (Engineering)	4,230,353	4,701,012	11.1%	4,756,261	5,079,098	6.8%	88.9%	92.6%
Finance and Administration	4,462,510	4,693,634	5.2%	4,590,803	4,874,055	6.2%	97.2%	96.3%
Planning & Community Development	3,470,275	3,711,738	7.0%	3,753,152	3,871,077	3.1%	92.5%	95.9%
Police	22,551,653	24,082,508	6.8%	22,804,767	24,447,897	7.2%	98.9%	98.5%
Fire & Building	21,862,953	23,130,057	5.8%	22,103,852	23,237,521	5.1%	98.9%	99.5%
<b>Total Expenditures</b>	<b>72,383,206</b>	<b>76,745,261</b>	<b>6.0%</b>	<b>74,462,940</b>	<b>78,242,251</b>	<b>5.1%</b>	<b>97.2%</b>	<b>98.1%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	8,035,883	6,138,738	-23.6%	10,352,901	4,915,588	-52.5%	77.6%	124.9%
<b>Total Other Financing Uses</b>	<b>8,035,883</b>	<b>6,138,738</b>	<b>-23.6%</b>	<b>10,352,901</b>	<b>4,915,588</b>	<b>-52.5%</b>	<b>77.6%</b>	<b>124.9%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>80,419,090</b>	<b>82,883,999</b>	<b>3.1%</b>	<b>84,815,841</b>	<b>83,157,839</b>	<b>-2.0%</b>	<b>94.8%</b>	<b>99.7%</b>

### Comparing 2014 and 2013 expenditures:

In 2014, excluding interfund transfers, General Fund expenditures were **6.0 percent higher** than 2013, although this increase was budgeted for as year-end expenditures were **98.1 percent** of total budgeted expenses. Expenditures were higher in 2014 compared to 2013 in nearly every General Fund department, largely due to increases in personnel costs, either through additional overtime or cost of living adjustments. Other specific reasons for increased expenditures are highlighted below. Despite this increase, 2014 expenditures were under budget in each General Fund department. This is due primarily to salary, wage and benefit savings as well as savings on professional services contracts. Non departmental spending exceeded budget in 2014, due largely to spending from the legal services reserves.

2014 General Fund actual expenditures (excluding "other financing uses") were 6.0 percent higher than they were in 2013.

- Expenditures for **Non-departmental** were **down 11.8 percent** largely due to lower spending for outside legal services. Despite this decrease, Non-departmental finished 2014 **above budget expectations at 117.4 percent**, due largely to the use of the legal services reserve primarily for litigation related to the CKC.
- Actual **Interfund Transfers** finished 2014 at **124.9 percent of budget**. This is because a transfer from the General Fund for the Public Safety Building, which was budgeted in 2013, occurred in 2014.
- Actual 2014 expenditures for the **City Council increased 9.9 percent** from 2013, due largely to spending for the citizen survey, which is conducted every even numbered year consistent with development of the biennial budget.
- The **City Manager's Office** finished 2014 at **92.9 percent of budget** mostly due to savings in professional services. These savings were primarily related to the Police Strategic Plan, which has been delayed until the 2015-2016 biennium

Continued on page 5

## Financial Management Report as of December 31, 2014

- End of year expenditures for the **Parks & Community Services Department** were at **97.5 percent of budget**, due mainly to professional services contract expenditures being lower than budgeted.
- **Planning and Community Development** and **Public Works - General Fund** expenditures were **95.9 percent and 92.6 percent of budget**, respectively, due to personnel services savings in both departments.
- **Police** expenditures ended the year at **98.5 percent** of budget. Jail contract costs ended the year **172.9 percent over** budget due to the need to house inmates at third party facilities. However, salary and benefit savings for delayed hiring of Corrections Officers and below budget spending on supplies have more than offset this overage. As a result, Jail operations spending finished the year at **98.9 percent** of budget.
- Expenditures for the **Fire & Building Department** finished 2014 with-in projections at **99.5 percent of budget**. Above-budget spending on overtime to provide 24/7 coverage was covered by vacancy savings, resulting in overall savings in personnel services for the year. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are set aside for the consolidated fire station capital project.

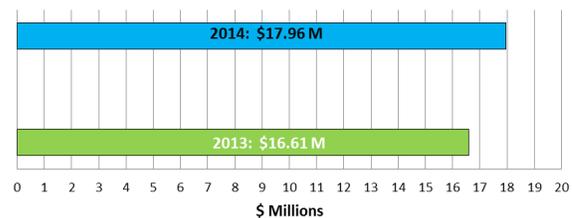
Summary of Fire District 41 Funds	
2014 Revenues & Expenditures	
Beginning Balance	5,223,879
Investment Interest	\$ 23,132
Expenditures:	\$ 50,230
<b>Current Balance</b>	<b>\$ 5,196,781</b>

### Sales Tax Revenue Analysis

The 2013 and 2014 totals in this section contain \$270,000 that is passed to the Street Operating Fund, therefore the total is \$270,000 higher than the sales tax figures in the General Fund Revenue table on page 3.

Year-end sales tax revenue was **8.2 percent** higher in 2014 than 2013. This growth in revenue was concentrated in services, other retail and auto/gas retail, with services making up the largest single increase. Sales tax revenue received through December is from sales between November 2013 and October 2014.

Sales Tax Receipts  
Through December 2013 and 2014



#### Review by business sectors:

- **Contracting ended up 4.4 percent** through December compared to 2013. Construction trends were similar to 2013, with several large commercial and multi-family projects continuing to drive growth along with increases in residential construction, however, growth slowed at the end of the year.
- Sales tax from the retail sectors was collectively **up 6.9 percent** compared to 2013.
- The **auto/gas retail** sector was **up 5.7 percent** compared to 2013.
- The **general merchandise/miscellaneous retail** sector was **up 4.3 percent** in 2014 compared to 2013 due to positive gains from retailers across the city.
- The **retail eating/drinking** sector performance was **up 7.8 percent** compared to 2013. Revenue increases can be attributed to improved sales at many established restaurants along with the opening of some new establishments over the course of the year.
- **Other retail** was **up 11.3 percent** compared to 2013 due to positive performance across most categories, including internet sales, building & garden stores and food & beverage retailers.
- The **services** sector was **up 12.4 percent** compared to 2013. This increase can be attributed to growth from professional scientific services and other services in the sector. Other services include personal care, pet care, dry cleaning and many other services.
- **Wholesale** revenues were **up 10.2 percent** in 2014, outpacing retail sales in general.
- The **miscellaneous** sector was **up 22.5 percent** in 2014, largely due to a one-time revenue in early 2014. If this revenue is excluded the sector would have finished the year up 5.2 percent.

#### Neighboring Cities Sales Tax

Bellevue was up 4.5 percent, Redmond was down 6.8 percent through December compared to December 2013.

#### King County

King County's sales tax receipts were down 0.6 percent through the end of the year compared to 2013.

Business Sector Group	January-December		Dollar Change	Percent Change	Percent of Total		Percent of \$ Change
	2013	2014			2013	2014	
Services	2,096,563	2,357,155	260,592	12.4%	12.6%	13.1%	19.2%
Contracting	2,739,984	2,860,618	120,634	4.4%	16.5%	15.9%	8.9%
Communications	472,092	501,853	29,761	6.3%	2.8%	2.8%	2.2%
Auto/Gas Retail	4,147,690	4,384,706	237,016	5.7%	25.0%	24.4%	17.4%
Gen Merch/Misc Retail	2,004,660	2,091,289	86,629	4.3%	12.1%	11.6%	6.4%
Retail Eating/Drinking	1,371,105	1,477,789	106,684	7.8%	8.3%	8.2%	7.9%
Other Retail	2,125,084	2,364,892	239,808	11.3%	12.8%	13.2%	17.7%
Wholesale	759,399	837,107	77,708	10.2%	4.6%	4.7%	5.7%
Miscellaneous	888,736	1,088,338	199,602	22.5%	5.4%	6.1%	14.7%
<b>Total</b>	<b>16,605,313</b>	<b>17,963,747</b>	<b>1,358,434</b>	<b>8.2%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to "North American Industry Classification System" or NAICS). Nine business sector groupings are used to compare 2013 and 2014 sales tax receipts in the table to the left.*

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2013	2014		
January	1,333,113	1,390,304	57,191	4.3%
February	1,618,028	1,800,690	182,662	11.3%
March	1,225,511	1,291,149	65,638	5.4%
April	1,181,984	1,285,803	103,819	8.8%
May	1,387,795	1,601,648	213,853	15.4%
June	1,264,563	1,402,468	137,905	10.9%
July	1,380,475	1,462,879	82,404	6.0%
August	1,369,409	1,542,047	172,638	12.6%
September	1,483,066	1,579,688	96,622	6.5%
October	1,437,663	1,596,001	158,338	11.0%
November	1,479,089	1,551,384	72,295	4.9%
December	1,444,617	1,459,686	15,069	1.0%
<b>Total</b>	<b>16,605,313</b>	<b>17,963,747</b>	<b>1,358,434</b>	<b>8.2%</b>

- Sales tax revenues for the fourth quarter of 2014 were 5.6 percent higher than the fourth quarter of 2013.
- In October and November revenues were up 11.0 percent and 4.9 percent respectively on the strength of improved performance from the services, retail and wholesale sectors. December sales were up 1.0 percent, slowed by a weak month in contracting sales tax. If contracting is excluded from December's totals, the month was up 4.9 percent over the same month in 2013.

Sales tax revenue in 2014 was the highest on record at nearly \$18.0 million; the previous highs were 2013 at \$16.6 million and 2007's pre-recession/pre-annexation peak of \$16.5 million. The totals from 2014 and 2013 include annexation area revenues of \$516,000 in 2013 and \$531,000 in 2014. Three sectors, services, other retail, and auto/gas retail, accounted for over half of the sales tax growth. These growth sectors are heavily dependent on consumer spending and can be sensitive to the wider economic environment.

Revenues grew throughout 2014 against the economic backdrop of increasing consumer confidence levels and decreasing unemployment levels, so the economic outlook is encouraging.

*When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.*

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

#### Comparing to the same period last year:

**Totem Lake**, which accounted for 29.2 percent of the total sales tax receipts in 2014, was **up 5.6 percent** due to the continued sales growth in the automotive/gas retail sector and repairs & maintenance with mixed results in other sectors. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

**NE 85<sup>th</sup> Street**, which made up 13.9 percent of the total sales tax receipts in 2014, was **up 5.7 percent** compared to 2013. This area's sales grew due to improving auto retail and general retail sales. These two retail sectors contribute 82.2 percent of this business district's revenue.

**Downtown**, which accounted for 6.2 percent of 2014 sales tax receipts, was **up 1.6 percent**. Retail eating and drinking establishment revenues grew the most out of any sector downtown in 2014, with other sectors being mixed.

**Carillon Point & Yarrow Bay**, which account for 2.1 percent of the total sales tax receipts, were **up 5.3 percent** compared to 2013. About 68.1 percent of this business district's revenue came from retail eating/drinking and accommodations in 2014.

**Houghton & Bridle Trails**, which produced 2.5 percent of the total sales tax receipts in 2014, were **up 0.5 percent** due to growth in retail food stores, wholesale and amusements being mostly offset by decreases from other sectors.

**Juanita**, which generated 1.5 percent of the total 2014 sales tax receipts, was **down 0.5 percent** compared to 2013. Revenues were mixed with decreases in retail eating/drinking establishments and other businesses being slightly greater than increases from sporting goods and recreation sales.

**North Juanita, Kingsgate, & Finn Hill** accounted for 3.0 percent of the total sales tax receipts in 2014 and were **up 2.9 percent** over 2013. Overall, Kingsgate grew the most out of these neighborhoods with growth of 6.9 percent, with Finn Hill and North Juanita increasing modestly at 1.1 and 0.6 percent, respectively.

**Year-end tax receipts by business district for 2013 and 2014 are compared in the table on the next page.**

When reviewing sales tax receipts by business district, it's important to be aware that 41.7 percent of the revenues received in 2014 were in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - December Receipts		Dollar Change	Percent Change	Percent of Total	
	2013	2014			2013	2014
Totem Lake	4,974,159	5,251,717	277,558	5.6%	30.0%	29.2%
NE 85th St	2,354,155	2,488,823	134,668	5.7%	14.2%	13.9%
Downtown	1,101,528	1,119,629	18,101	1.6%	6.6%	6.2%
Carillon Pt/Yarrow Bay	350,227	368,939	18,712	5.3%	2.1%	2.1%
Houghton & Bridle Trails	446,991	449,119	2,128	0.5%	2.7%	2.5%
Juanita	266,131	264,747	(1,384)	-0.5%	1.6%	1.5%
Kingsgate	180,265	192,774	12,509	6.9%	1.1%	1.1%
North Juanita	239,467	240,946	1,479	0.6%	1.4%	1.3%
Finn Hill	96,275	97,339	1,064	1.1%	0.6%	0.5%
Unassigned or No District:						
Contracting	2,737,360	2,854,267	116,907	4.3%	16.5%	15.9%
Other	3,858,756	4,635,447	776,691	20.1%	23.2%	25.8%
<b>Total</b>	<b>16,605,313</b>	<b>17,963,747</b>	<b>1,358,434</b>	<b>8.2%</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales Tax Revenue Outlook** Sales tax growth slowed between the third and fourth quarter of 2014 after growing quickly during the first three quarters of the year. The high growth in year-over-year sales tax that was experienced in 2013 slowed over the course of the year in 2014, however, revenues have remained at record setting levels in dollar terms. Big ticket items, such as auto purchases and contracting services, were significant contributors to growth in 2014, but growth in services and other retail contributed more to increased revenues in 2014. Together, these four sectors accounted for 63.2 percent of the increases in sales tax for the year. All other major sectors in the City experienced growth in 2014, as did most districts with the exception of Juanita.

**OFFICE VACANCIES:**

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in 2014 was 4.5 percent, significantly lower than the Puget Sound total vacancy rate of 13.7 percent, and an improvement from 2013's vacancy rate of 8.1 percent. Overall the Eastside has become the strongest office market in the Puget Sound region, with an office vacancy rate of 11 percent, better even than downtown Seattle's vacancy rate of 12.4 percent.

The region currently has 5.5 million square feet of office space under construction, nearly 2.5 times more than this time last year. This includes projects on the Eastside, with over 1.5 million square feet planned in Bellevue and 180,000 in Kirkland, while the Amazon expansion is contributing to over 2 million square feet of new office space in Seattle's Lake Union neighborhood.

**LODGING TAX REVENUE:**

Lodging tax revenue grew compared to 2013, finishing the year up 10.2 percent, an increase of \$25,021. This meant revenues finished 2014 at 114.8 percent of budget.

**Economic Environment Update**

The Washington State economy continued to expand, adding 23,700 nonfarm jobs in the fourth quarter of 2014, according to the February 2015 update from the Washington State Economic and Revenue Forecast Council. This growth was stronger than forecasted and rounds out a year of strong employment growth in the state, with nonfarm employment growing by 90,300 jobs in 2014.

The Conference Board's **Consumer Confidence Index** decreased from 94.5 in October to 91.0 in November but rebounded to 92.6 in December. A rating of 100 equals the 1985 consumer confidence level. Consumer confidence has grown significantly over the course of the year, rising from 77.5 in December 2013 to the year's high point in October (94.5) and finishing the year at 92.6, a one-year increase of 15.1 points.

The Bureau of Labor Statistics **unemployment data** from December show the seasonally adjusted national rate decreased to 5.6 percent in December, decreasing 1.1 percent from December 2013's unemployment of 6.7 percent. Washington State unemployment ended the year at 6.3 percent in December, decreasing from 6.7 percent in December 2013. Local unemployment rates declined for King County, moving from 4.7 percent in December 2013 to 4.1 percent in December 2014. Kirkland's unemployment rate dropped from 4.5 percent in December 2013 to 4.2 percent in December 2014. Note that the Bureau of Labor Statistics (BLS) data for the City of Kirkland does not yet include the 2011 annexation areas, and these areas will not be included until early 2015 when the database will be updated based on Census data, according to the BLS. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Western Washington Purchasing Manager Index indicated continued growth in economic activity in December 2014. The index was at 56.2 in December, which is positive since an index reading greater than 50 signals an expanding economy.

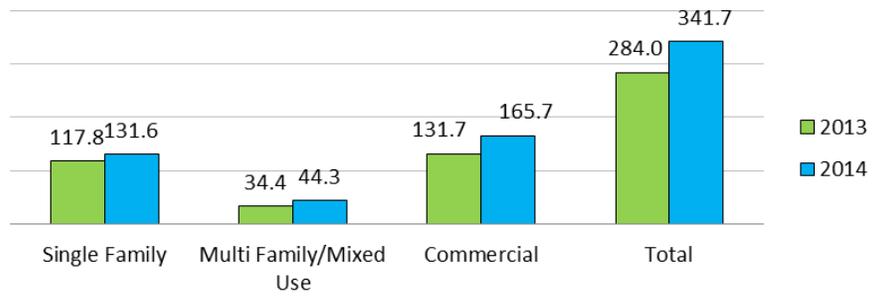
(Continued on page 8)

## Economic Environment Update *continued*

Local **building permitting activity** has risen compared to 2013 in terms of the valuation for 2014. Permitting activity has increased in every major category, with the largest dollar increase coming from commercial permits and the largest increase by percentage coming from multi-family/mixed use permits. Permit activity in the fourth quarter was equal to the third quarter, with each of those quarters accounting for 22 percent of the year's development valuations.

The **housing market** was strong, but stable in the fourth quarter of 2014 with the Case-Shiller housing index for the Seattle metro area remaining stable at nearly 170. The pre-recession peak index score was 192.3 in July 2007. There were 110,000 new housing permits issued in the fourth quarter of 2014 according to the Washington State Economic and Revenue Council, accounting for 27 percent of housing permits in 2014. The sale prices of existing home have remained robust over the past year and were stable during the fourth quarter, although prices were still 11.7 percent below their 2007 peak. **Inflation** in the Seattle area remained low. In December 2014, the Seattle core CPI increased 1.7 percent compared to the previous December while the national CPI increased only 0.8 percent.

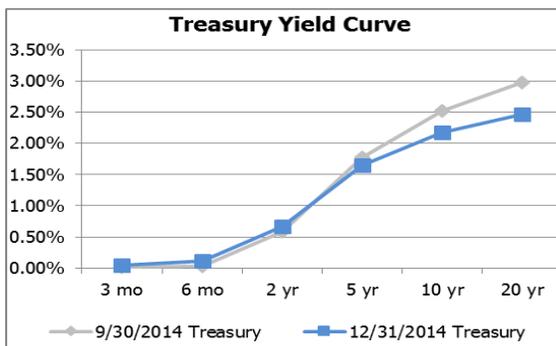
Valuation of Building Permits  
Fourth Quarter Total 2013 and 2014  
(in millions \$)



## Investment Report

### MARKET OVERVIEW

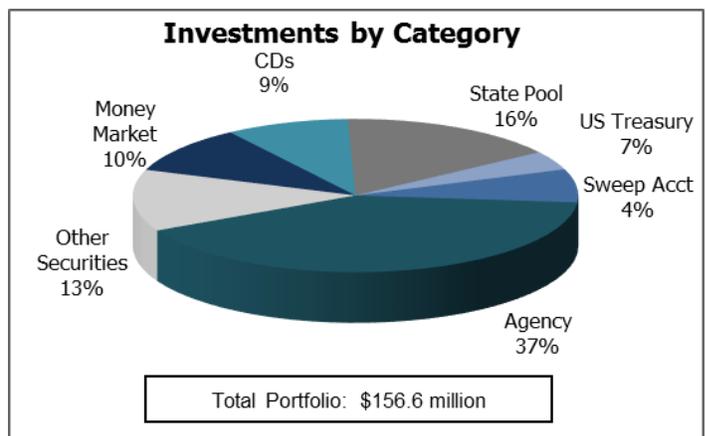
The U.S. economy slowed in the last quarter of 2014 with Gross Domestic Product (GDP) increasing at an annual rate of 2.2 percent October through December. The Fed Funds rate continued to remain at 0 to 0.25 percent, where it is expected to stay until mid-to-late 2015. The yield curve flattened slightly with rates from 6 months to 2 years rising and the 5 to 20 year rates falling.



### CITY PORTFOLIO

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

The City's portfolio increased to \$156.6 million on December 31, 2014 compared to \$147 million on September 30, 2014. Portfolio balances typically increase in the 4<sup>th</sup> quarter with the collection of the 2<sup>nd</sup> half of the property taxes paid in October and November.



### Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Agency bonds, State and Local Government bonds, the State Investment Pool, an overnight bank sweep account, a bank money market account and bank certificates of deposit. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

**2014 ECONOMIC  
OUTLOOK and  
INVESTMENT STRATEGY**

The outlook for growth in the U.S. economy looks mostly unchanged from that of three months ago, according to 39 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 3.2 percent in 2015 and 2.9 percent in 2016. CPI inflation is expected to average 1.1 percent in 2015 and 2.1 percent in 2016. The unemployment rate is expected to average 5.4 percent in 2015 and fall to 5.1 percent in 2016. The Fed Funds rate, currently at 0 to 0.25%, is expected to remain at this level throughout into middle or late 2015.

It is expected that rates will slowly but steadily increase throughout 2015. As opportunities are available, the City will purchase securities with longer duration to realize increased returns and continue to the process of rebalancing the investment portfolio.

The State Pool is currently at 0.13% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2015 is \$922,055.

**Investment Report *continued***

**Liquidity**

The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio increased from 1.38 years on September 30, 2014 to 1.44 years on December 31, 2014.

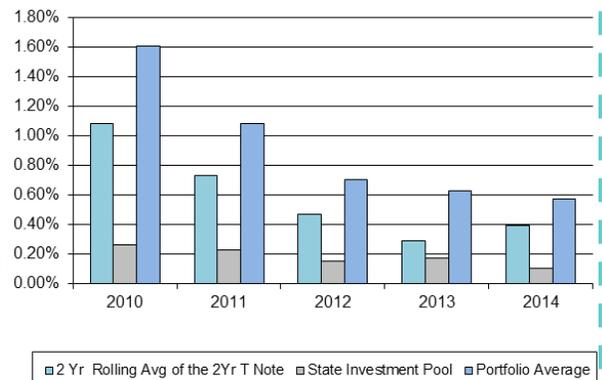
**Yield**

The City contracted with Government Portfolio Advisors in the 2<sup>nd</sup> half of 2014. With their advice, the City began the process of rebalancing the investment portfolio to take advantage of rising interest rates. Rebalancing involves selling some of the low performing securities and replacing them with securities generating greater interest returns. As a result, the portfolio yield to maturity increased to 0.62 percent on December 31, 2014 from 0.57 percent on September 30, 2014. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council.

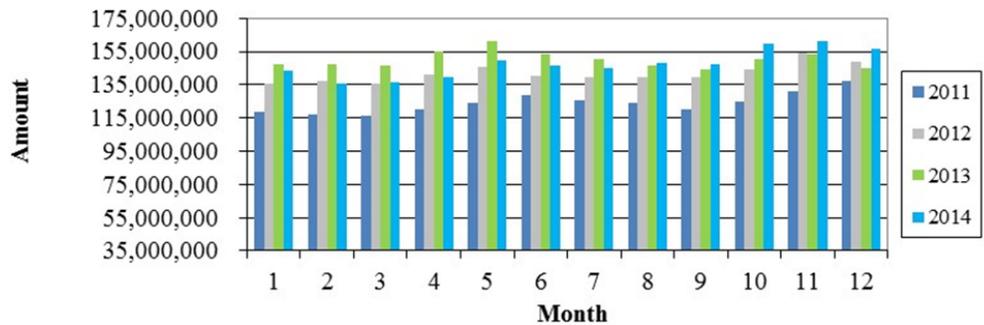
The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note which was 0.39 percent on December 31, 2014.

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

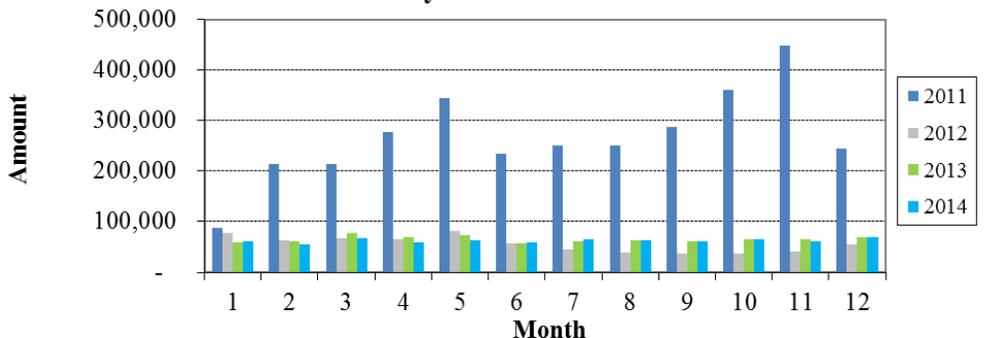
**Investment Interest Rate Comparisons**



**Portfolio Size**



**Monthly Interest Earned**



**Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of December 31, 2014. These amounts will be reconciled with actual results as part of the March 2015 budget adjustments.

## Reserve Analysis

### General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. The planned contributions in 2014 brought this reserve back to target levels by the end of the fourth quarter.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects and a significant portion was planned to be used during the 2013-14 biennium, causing it to finish the year slightly below target.
- The **General Capital Contingency Reserve** was used to fund project cost increases in the previous biennium, so replenishment is still underway, with over \$700,000 added in 2014. This fund is still in need of further replenishments in order to reach its target balance.

### General Capital Reserves

- Real estate activity was strong again in 2014, with activity similar to 2013. **Real Estate Excise Tax (REET)** collections finished the year **2.2 percent ahead of 2013**. Revenue through the end of the year was **196 percent of budget**, so the current budgeted ending balance does not reflect actual revenue trends. This budget amount was adjusted upward for the 2015-16 biennium. \$270,000 REET 2 reserves was authorized during the fourth quarter to fund targeted transportation projects on the Juanita Drive corridor.
- Impact fees** are also significantly ahead of the 2014 budget, finishing the year with \$2.8 million in revenue above budget. Transportation impact fees are 76.2 percent ahead of the same period last year and park impact fees are 44.1 percent ahead. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. Use of these funds will be evaluated as part of the 2015 CIP evaluation. As with REET, the budgeted ending balance for Impact Fees was increased for the 2015-16 biennium.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	3,382	50,000	(46,618)
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	15,059	250,000	(234,941)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,806,513	4,352,261	3,532,261	5,735,330	(2,203,069)
<b>General Purpose Reserves with Targets</b>	<b>11,483,925</b>	<b>12,853,218</b>	<b>11,823,287</b>	<b>17,598,322</b>	<b>(5,775,035)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,209	1,484,209	1,568,207	(83,998)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	2,922,724	1,071,000	1,851,724
REET 2**	2,284,826	2,319,112	1,663,483	2,225,500	(562,017)
Water/Sewer Operating Reserve:					
Water/Sewer Operating Reserve:	2,414,471	2,414,471	2,414,471	1,979,380	435,091
Water/Sewer Debt Service Reserve:	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
<b>Other Reserves with Targets</b>	<b>15,580,000</b>	<b>17,820,195</b>	<b>15,579,778</b>	<b>10,748,551</b>	<b>4,831,227</b>
<b>Reserves without Targets</b>	<b>35,751,424</b>	<b>37,434,612</b>	<b>37,584,031</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>62,815,349</b>	<b>68,108,025</b>	<b>64,987,096</b>	<b>n/a</b>	<b>n/a</b>

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

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

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

\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June 2013.

\*\*Includes replenishments adopted in April 2013 and adjustments to actual cash balances adopted in June 2013; does not reflect increased collections in 2013-2014.

The summary to the right details all Council authorized uses and additions in the 2013-14 biennium.

USES AND ADDITIONS HIGHLIGHTS		
RESERVE	AMOUNT	DESCRIPTION
<b>2013-14 Council Authorized Uses</b>		
2013 First Quarter Uses	\$302,000	
2013 Second Quarter Uses	\$630,319	
2013 Third Quarter Uses	\$489,981	
2013 Fourth Quarter Uses	\$1,103,451	
2014 First Quarter Uses	\$1,369,000	
2014 Second Quarter Uses	\$174,300	
2014 Third Quarter Uses	\$1,023,355	
Council Special Project Reserve	\$14,013	Human Services Uses
REET 2 Reserve	\$270,000	Juanita Drive Quick Wins
SWM Transp. Reserve	\$204,700	100th Avenue Corridor
<b>2013-14 Council Authorized Additions</b>		
Real Estate Excise Tax 2 - Transp.	\$77,303	Return from NE 120th Street Extension (East)
Surface Water Transportation	\$49,000	Return from NE 112th Street Sidewalk
Council Special Projects Reserve	\$13,500	Return from 9-11 Memorial Sculpture
Development Services 2014 YE Addition	\$2,320,387	

# Financial Management Report as of December 31, 2014

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

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

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

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

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

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
<b>GENERAL FUND/CONTINGENCY</b>					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	(46,618)	3,382
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(163,313)	15,059
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
<b>Total General Fund/Contingency</b>		<b>8,677,412</b>	<b>8,500,957</b>	<b>(209,931)</b>	<b>8,291,026</b>
<b>SPECIAL PURPOSE RESERVES</b>					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,437,068	1,260,285	2,697,353
Development Svcs. Technology Reserve	Permit system replacement	264,810	404,810	1,060,102	1,464,912
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,209	0	1,484,209
<b>Total Special Purpose Reserves</b>		<b>6,567,734</b>	<b>6,304,159</b>	<b>2,320,387</b>	<b>8,624,546</b>
<b>GENERAL CAPITAL RESERVES</b>					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(1,584,788)	2,922,724
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(655,629)	1,663,483
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	(2,002)	993,956
General Capital Contingency*	Changes to General capital projects	2,806,513	4,352,261	(820,000)	3,532,261
<b>Total General Capital Reserves</b>		<b>12,311,512</b>	<b>14,839,603</b>	<b>(3,062,419)</b>	<b>11,777,184</b>
<b>UTILITY RESERVES</b>					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	(1,228,255)	3,351,974
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	2,577,367	(465,000)	2,112,367
<b>Total Utility Reserves</b>		<b>20,411,741</b>	<b>20,929,708</b>	<b>(1,693,255)</b>	<b>19,236,453</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
<b>Total Internal Service Fund Reserves</b>		<b>14,846,950</b>	<b>17,533,598</b>	<b>(475,711)</b>	<b>17,057,887</b>
<b>Grand Total</b>		<b>62,815,349</b>	<b>68,108,025</b>	<b>(3,120,929)</b>	<b>64,987,096</b>

\*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June 2013.

\*\*Includes replenishments adopted in April 2013 and adjustments to actual cash balances adopted in June 2013; does not reflect increased collections in 2013-2014.



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

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



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- CB Richard Ellis Real Estate Services, Market View Puget Sound, Fourth Quarter 2013
- S&P/Case-Shiller Seattle Home Price Index
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department