



Financial Management Report as of December 31, 2015

Summary of All Operating Funds: *Revenue*

AT A GLANCE:

City Council awards the construction contract to remodel City Hall (page 2 sidebar)

General Fund revenues through the fourth quarter of the year increased 4.6 percent over 2014 (page 3)

Sales tax revenue grew 5.5 percent through the fourth quarter (page 5)

Unemployment increases slightly in the region, the strong dollar slows exports, inflation is low but growing, and the housing market continues its growth (pages 7-8)

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- **General Fund** revenue ended December **4.6 percent ahead** of 2014, an increase of \$3.92 million. Higher Development Services and Sales Tax revenues were primarily responsible for the increase. Most of the increase came from development services revenues, which were 45.8 percent higher than in 2014. At the end of the fiscal year, revenues were at **102.9 percent** of budget. Excluding development services, revenues were 101.5 percent of the budget and 2.8 percent higher than 2014. A more detailed analysis of General Fund revenue can be found on page 3, and details on Sales Tax revenue begin on page 5.
- **Other General Government Funds** revenue finished the fourth quarter **4.1 percent higher** than 2014, which represents a \$1.04 million increase. The Lodging Tax Fund led the way with 12.6 year-over-year growth due to strong revenues in the hospitality sector. Information Technology followed with an increase of 11.3 percent due to an increase in cost recovery rates to fund staff additions. The Facilities Maintenance Fund revenues grew due to higher internal service charge revenue from operations at the Kirkland Justice Center (KJC) with an increase of 5.2 percent overall when compared to 2014; the KJC began operating in June 2014, so this growth in revenues was expected. Actual revenue for other general government operating funds, excluding interfund transfers, was **100.1 percent** of budget, which is in line with past collection trends.
- **Water/Sewer Operating Fund** revenue through the fourth quarter was **up 8.5 percent** over 2014. This growth is due to 4.0 percent higher consumption and higher water and sewer rates, which were increased in 2015 by 4.9 and 4.1 percent, respectively. Consumption increased as a result of the record-breaking warm weather this past summer. Actual revenue through the fourth quarter was **105.8 percent of budget**.
- **Surface Water Management Fund** revenue finished December **11.7 percent over** 2014, a \$1.06 million increase. Residential and commercial storm drainage revenues are up 8.4 and 10.8 percent, respectively. Higher revenues are a result of a 4.0 percent rate increase, new construction, and the reevaluation of multiple plots containing impervious surface areas, which led to the collection of previously unbilled fees. The remainder of the year-over-year increase is from grant funding for surface water outreach and education efforts to reduce pollution in water runoff. Revenues finished December at **101.9 percent of budget**.
- **Solid Waste Fund** revenue finished the fourth quarter **1.7 percent ahead** of 2014, an increase of \$277,451. Though year-to-date revenues are higher than last year, it is worth noting that the increase is actually lower than the 3.1 percent rate increase that went into effect in 2015. Some solid waste utility customers are switching to smaller, less expensive containers as a result of the City's Recycling Program. This has the effect of shrinking the existing revenue base, which partially offsets the revenue gain from the rate increase. Revenues finished the quarter at **100.8 percent** of budget.
- Overall, fourth quarter utility fund revenues were **up 6.9 percent** compared to 2014 and finished the year at **103.5 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2014	12/31/2015	% Change	2014	2015	% Change	2014	2015
General Gov't Operating:								
General Fund	85,017,691	88,939,249	4.6%	79,131,481	86,443,318	9.2%	107.4%	102.9%
Other General Gov't Operating Funds	25,463,938	26,505,487	4.1%	24,643,877	26,485,966	7.5%	103.3%	100.1%
Total General Gov't Operating	110,481,628	115,444,736	4.5%	103,775,358	112,929,284	8.8%	106.5%	102.2%
Utilities:								
Water/Sewer Operating Fund	25,793,448	27,991,879	8.5%	25,017,543	26,451,995	5.7%	103.1%	105.8%
Surface Water Management Fund	9,069,350	10,132,809	11.7%	9,583,289	9,939,650	3.7%	94.6%	101.9%
Solid Waste Fund	16,307,678	16,585,129	1.7%	15,875,727	16,445,443	3.6%	102.7%	100.8%
Total Utilities	51,170,476	54,709,817	6.9%	50,476,559	52,837,088	4.7%	101.4%	103.5%
Total All Operating Funds	161,652,104	170,154,553	5.3%	154,251,917	165,766,372	7.5%	104.8%	102.6%

*Budgeted and actual revenues exclude resources forward and interfund transfers.

City Council Awards the construction contract for City Hall remodel to begin in 2016.

The City of Kirkland passed a major milestone in the planned remodel of City Hall when bids for the project were received on December 24th, 2015. Three bids were received and the contract was awarded to the low bid of \$7.37 million by Bailey Construction of Mercer Island.

The remodel will upgrade City Hall to better meet the needs of Kirkland's larger population from the 2011 annexation, which added the Finn Hill, Juanita, and Kingsgate neighborhoods to the city. Improvements are focused on improving the customer experience in the lobby for utility billing and development services, while adding multi-use functionality to the City Council chambers. The remodel will also include comprehensive updates throughout, including seismic retrofits and new finishes.

The bid award was ultimately approved by City Council at their meeting on January 5th, 2015.



Summary of All Operating Funds: *Expenditures*

- General Fund** expenditures (excluding transfers) finished the fourth quarter of 2015 **up 5.2 percent** from 2014 and at **96.7 percent of budget**. The largest share of the increase came in salary spending, which **grew by 5.5 percent** over 2014 due to planned budget increases. Additional growth came from increases in supplies and services costs. A discussion of General Fund expenditures by department can be found on pages 4 and 5.
- Other General Government Operating Funds** actual expenditures were **15.1 percent higher** than 2014, primarily due to planned increases in Fleet replacements. Street Operating expenditures are higher in part because of the addition of street light utility payments for the annexation area. The Facilities Maintenance Fund had the second highest expenditure increase due to the impact of providing service to the Kirkland Justice Center, which opened in June of 2014.

In aggregate, other general government operating funds finished December at **88.9 percent** of budgeted funds spent. A remaining encumbrance of \$236,000 in fleet services would have made these expenses 89.9 percent of budget if it had been spent in 2015.
- Water/Sewer Operating Fund** actual expenditures were **6.4 percent higher** than in 2014. The increase was partly the result of higher taxes incurred in relation to higher utility revenues, an increase of 7.9 percent compared to 2014. Metro sewer charges and water purchase expenses also contributed to the increase, growing by 6.3 percent and 4.9 percent, respectively. In total, the Water/Sewer fund finished December at **97.1 percent of budget** because of low spending in capital outlay expenditures and professional services due to the timing of projects, including manhole repair and replacement, telemetry upgrades, the reclaimed water study, and the sewer master plan update.
- Surface Water Management Fund** expenditures at the end of the fourth quarter were **11.9 percent higher** than 2014. Year over year growth was due mostly to higher personnel costs related to 4.7 vacant FTEs being filled in 2015 for administrative support and maintenance activities. Expenditures through the end of December were **82.5 percent** of the yearly budget due to salary and benefit savings from delayed hiring of staff authorized in the Ditch Maintenance and CCTV Inspection service packages.
- Solid Waste Fund** expenditures were **1.8 percent higher** in 2015 than in 2014. Higher Solid Waste expenditures are mainly the result of the planned increase to the waste disposal contract. Other increases are for updates to internal professional services costs, including utility billing and other overhead costs. Expenditures in the fund finished the yet at **100.3 percent of budget**.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2014	12/31/2015	% Change	2014	2015	% Change	2014	2015
General Gov't Operating:								
General Fund	76,745,262	80,768,990	5.2%	78,276,870	83,500,121	6.7%	98.0%	96.7%
Other General Gov't Operating Funds	19,362,798	22,279,207	15.1%	21,225,949	25,057,833	18.1%	91.2%	88.9%
Total General Gov't Operating	96,108,060	103,048,197	7.2%	99,502,819	108,557,954	9.1%	96.6%	94.9%
Utilities:								
Water/Sewer Operating Fund	20,937,767	22,274,790	6.4%	21,489,544	22,929,938	6.7%	97.4%	97.1%
Surface Water Management Fund	5,807,315	6,501,169	11.9%	6,654,798	7,877,204	18.4%	87.3%	82.5%
Solid Waste Fund	15,739,983	16,030,003	1.8%	15,922,630	15,988,325	0.4%	98.9%	100.3%
Total Utilities	42,485,065	44,805,961	5.5%	44,066,972	46,795,467	6.2%	96.4%	95.7%
Total All Operating Funds	138,593,126	147,854,159	6.7%	143,569,791	155,353,421	8.2%	96.5%	95.2%

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

General Fund Revenue

- **Retail sales tax** revenue allocated to the General Fund through the fourth quarter of 2015 was **7.1 percent higher** than it was in 2014. This increase is mainly due to exceptional automotive sales, which have provided 37.6 percent of the growth in 2015. It should be noted that \$270,000 of sales tax revenue was allocated to the street operating fund for capital projects in 2014. Beginning in 2015, per Council policy, this allocation is now taken from business license fees. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished the year **3.1 percent higher** than 2014. Property tax growth is limited to 1.0 percent plus the value of new construction in the City. Property taxes finished the year at 99.7 percent of budget.
- **Utility tax** collections finished December 0.7 percent lower than December 2014 at **98.2 percent** of budget. This decline is a result of mild winter weather, which resulted in lower electricity and gas usage, as well as lower telecommunications utility receipts due to competitive practices. While the collections trend improved in the second half of the year, it did not completely offset the poor performance early in the year.
- **Other taxes** were **4.1 percent lower** than in 2014, due mainly to lower leasehold excise tax collections. The decrease in leasehold excise tax is because of a large one time payment made in 2014 by one taxpayer. These taxes finished the year at 132.7 percent of budget due to gambling tax revenues coming in above budget.
- The **business licenses (base fee) and franchise fees** were **3.2 percent higher** than in 2014 and finished December at **101.6 percent** of budget.
- Collections from the **revenue generating regulatory license fee** were **6.1 percent lower** than in 2014 because of the impact of a transfer of \$270,000 into the Street Fund as described earlier. Revenues would be 4.8 percent higher than 2014 if this transfer were not made.
- **Development-related fee** revenues were collectively **up 27.5 percent** at the end of the fourth quarter of 2015 compared to 2014. Increased fee revenues are primarily the result of single family construction and multi-family and commercial remodeling activities. **Plan check fees and building permit revenue** finished the quarter **up 37.7 and 4.5 percent** respectively. **Engineering Services** collected **31.3 percent more** than 2014. Development-related revenues are higher this year due to several major new subdivisions in Kingsgate and several large redevelopment projects around the city including multi-use developments, Parkplace and Totem Lake Mall. Revenues in 2015 were 118.7 percent of budget.
- **Fines and Forfeitures** were **down 9.4 percent** from 2014 due to a decrease in traffic fines. This revenue source finished December at **87.8 percent** of budget. Lower than expected revenues are largely because of several officer absences due to disability leave.
- **Miscellaneous** revenue finished December **3.1 percent higher** than 2014. This category reached **120.3 percent** of budget. Increases in this category are the result of two items: private donations and other miscellaneous revenue. In June, a one-time bequest of \$132,000 was received.
- **Intergovernmental** State shared revenues/entitlements were **7.4 percent** higher than last year, and **108 percent** of budget, mostly due to higher than budgeted liquor excise tax receipts.

General Fund revenues ended the fourth quarter \$4.0 million higher than in 2014 largely due to growth in charges for services and sales 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.

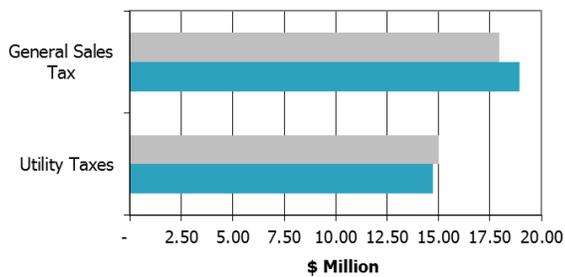
• Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.

• Of the City's 574 regular employees, 436 are budgeted within the general fund this year.

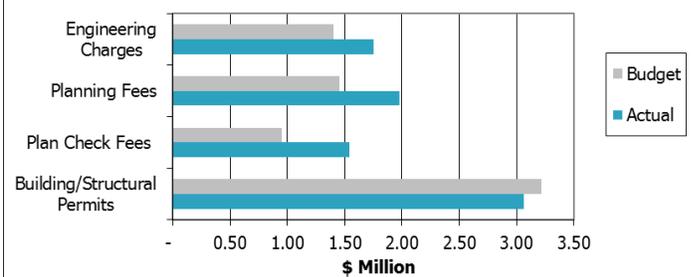
General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2014	12/31/2015	% Change	2014	2015	% Change	2014	2015
Taxes:								
Retail Sales Tax: General	17,693,747	18,943,810	7.1%	15,353,571	17,963,747	17.0%	115.2%	105.5%
Retail Sales Tax Credit: Annexation	3,763,633	3,864,058	2.7%	3,415,626	3,792,500	11.0%	110.2%	101.9%
Retail Sales Tax: Criminal Justice	1,940,117	2,111,271	8.8%	1,666,973	2,036,370	22.2%	116.4%	103.7%
Property Tax	16,888,059	17,413,046	3.1%	16,953,959	17,456,855	3.0%	99.6%	99.7%
Utility Taxes	14,847,852	14,745,394	-0.7%	14,779,443	15,015,081	1.6%	100.5%	98.2%
Rev Generating Regulatory License	2,486,120	2,335,121	-6.1%	2,351,285	2,338,315	-0.6%	105.7%	99.9%
Other Taxes	1,471,230	1,410,625	-4.1%	1,073,303	1,063,075	-1.0%	137.1%	132.7%
Total Taxes	59,090,757	60,823,324	2.9%	55,594,160	59,665,943	7.3%	106.3%	101.9%
Licenses & Permits:								
Building, Structural & Equipment Permits	2,932,101	3,064,693	4.5%	2,140,892	3,219,731	50.4%	137.0%	95.2%
Business Licenses/Franchise Fees	4,465,260	4,606,373	3.2%	4,295,440	4,532,649	5.5%	104.0%	101.6%
Other Licenses & Permits	523,483	547,817	4.6%	330,001	444,563	34.7%	158.6%	123.2%
Total Licenses & Permits	7,920,844	8,218,883	3.8%	6,766,333	8,196,943	21.1%	117.1%	100.3%
Intergovernmental:								
Grants and Federal Entitlements	157,740	163,288	3.5%	112,421	162,125	44.2%	140.3%	100.7%
State Shared Revenues & Entitlements	1,105,059	1,186,864	7.4%	1,237,172	1,098,514	-11.2%	89.3%	108.0%
EMS	884,645	903,169	2.1%	884,645	902,338	2.0%	100.0%	100.1%
Total Intergovernmental	2,147,444	2,253,321	4.9%	2,234,238	2,162,977	-3.2%	96.1%	104.2%
Charges for Services:								
Internal Charges	5,390,549	5,752,676	6.7%	5,717,970	6,159,409	7.7%	94.3%	93.4%
Engineering Services	1,332,605	1,749,593	31.3%	689,483	1,400,887	103.2%	193.3%	124.9%
Plan Check Fee	1,122,116	1,545,137	37.7%	1,279,914	951,346	-25.7%	87.7%	162.4%
Planning Fees	1,155,380	1,980,797	71.4%	775,550	1,457,383	87.9%	149.0%	135.9%
Recreation	1,324,054	1,423,635	7.5%	1,160,300	1,215,100	4.7%	114.1%	117.2%
Other Charges for Services	2,172,729	1,990,653	-8.4%	2,190,907	1,980,204	-9.6%	99.2%	100.5%
Total Charges for Services	12,497,432	14,442,491	15.6%	11,814,124	13,164,329	11.4%	105.8%	109.7%
Fines & Forfeits	2,120,029	1,921,507	-9.4%	1,929,999	2,189,359	13.4%	109.8%	87.8%
Miscellaneous	1,241,185	1,279,723	3.1%	792,627	1,063,767	34.2%	156.6%	120.3%
Total Revenues	85,017,691	88,939,249	4.6%	79,131,481	86,443,318	9.2%	107.4%	102.9%
Other Financing Sources:								
Interfund Transfers	319,955	437,228	36.7%	319,955	437,228	36.7%	100.0%	100.0%
Total Other Financing Sources	319,955	437,228	36.7%	319,955	437,228	36.7%	100.0%	100.0%
Total Resources	85,337,646	89,376,477	4.7%	79,451,436	86,880,546	9.4%	107.4%	102.9%

General Fund Revenue *continued*

2015 Budget to Actual Comparison of Selected Taxes



2015 Budget to Actual Comparison of Development Related Fees



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2014	12/31/2015	% Change	2014	2015	% Change	2014	2015
Non-Departmental	1,699,064	2,737,504	61.1%	1,447,774	2,911,258	101.1%	117.4%	94.0%
City Council	422,803	434,211	2.7%	457,470	471,318	3.0%	92.4%	92.1%
City Manager's Office	1,812,328	1,963,451	8.3%	1,986,087	2,438,154	22.8%	91.3%	80.5%
Municipal Court	2,256,152	2,349,416	4.1%	2,301,428	2,445,952	6.3%	98.0%	96.1%
Human Resources	1,370,516	1,394,293	1.7%	1,451,068	1,492,619	2.9%	94.4%	93.4%
City Attorney's Office	1,322,968	1,123,382	-15.1%	1,384,479	1,246,620	-10.0%	95.6%	90.1%
Parks & Community Services	7,542,480	7,973,038	5.7%	7,738,916	8,423,620	8.8%	97.5%	94.7%
Public Works	4,701,012	4,857,902	3.3%	5,079,098	5,421,184	6.7%	92.6%	89.6%
Finance and Administration	4,693,634	4,526,625	-3.6%	4,874,055	4,715,638	-3.3%	96.3%	96.0%
Planning & Building	6,813,667	7,940,291	16.5%	7,110,674	8,492,888	19.4%	95.8%	93.5%
Police	24,082,508	25,616,666	2.2%	24,447,897	25,154,856	2.9%	98.5%	97.9%
Fire	20,028,129	20,852,221	4.1%	19,997,924	20,286,014	1.4%	100.2%	102.8%
Total Expenditures	76,745,262	80,768,990	5.2%	78,276,870	83,500,121	6.7%	98.0%	96.7%
Other Financing Uses:								
Interfund Transfers	6,138,738	8,428,861	37.3%	4,915,588	8,480,717	72.5%	124.9%	99.4%
Total Other Financing Uses	6,138,738	8,428,861	37.3%	4,915,588	8,480,717	72.5%	124.9%	99.4%
Total Expenditures & Other Uses	82,883,999	89,197,851	7.6%	83,192,458	91,980,838	10.6%	99.6%	97.0%

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

Comparing 2015 and 2014 Expenditures:

In 2015, excluding interfund transfers, General Fund expenditures were **5.2 percent higher** than 2014. A discussion of the notable expenditure trends is included below.

- **Non-departmental** expenditures were **up 61.1 percent** due to a \$225,000 legal settlement with AT&T mobility, increased amounts for facilities rental charges, and indigent defense services, which were paid from the City Attorney's Office budget in prior years. Despite these increases, Non-departmental finished the year below **budget expectations at 94.0 percent**. A large part of this cost savings compared to budget was due to election costs that were \$94,469 below their budget of \$232,000.
- The **City Manager's Office** finished the fourth quarter **up 8.3 percent** from 2014 as a result of the reorganization to add a Deputy City Manager position into the City Manager's Office offset in part by the elimination of a position in Finance and Administration. The City Manager's Office only spent **80.5 percent of its 2015 budget** due to delay of budgeted projects including the Police Strategic Plan, which is now planned for 2016, and the Regional Fire Authority Study, which will not be pursued.
- Fourth quarter expenditures for the **Parks & Community Services Department** were **up 5.7 percent** from 2014, partly due to the impact of the surface water audit on impervious surfaces that resulted in \$125,000 in additional fees. Other expenditure increases include printing and postage for ARC outreach and internal service rates. Parks and Community Services finished the year below expected expenditures, at **94.7 percent of budget**.
- **Public Works - General Fund** expenditures were **3.3 percent above** 2014. Salaries and wages were 6.0 percent higher than 2014 due to the addition of staff in the 2015-16 budget, including a development engineer, a project engineer and several temporary positions related to the upcoming Parkplace and Totem Lake Mall developments. Planned expenditure increases in Other Services and Charges for liability insurance also contributed to the overall increase. Public Works completed the year with **89.6 percent** of the budget expended, due in part to vacancies in the CIP group.
- Expenditures for **Finance and Administration decreased 3.6 percent** from 2014, mainly due to reduced spending for regular salaries and benefits resulting from vacancies and incumbent changes as well as the Deputy City Manager reorganization mentioned above. These reductions in spending were partially offset by increases in Intergovernmental Professional Services costs, including higher than expected lien recordings in utility billing, recordings in the City Clerk Office, and State Auditor costs.

2015 General Fund actual expenditures (excluding "other financing uses") are **5.2 percent higher** than they were in 2014.

Continued on page 5

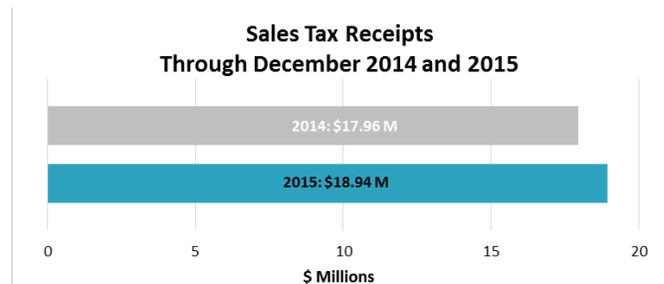
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- **Planning and Building** finished the fourth quarter of the year **16.5 percent above** 2014, with **93.5 percent** of the budget expended. Increases in expenditures are primarily due to increased salary and benefits costs for staff added as a result of high permitting and planning workloads from new construction. Planning and Building have added 7.5 additional positions in temporary and ongoing roles to accommodate the extra workload. In addition, the accompanying revenues from the high number of plans and permits have generated higher than expected credit card fees. Credit card fees account for 16.5 percent of the expenditure increase between 2015 and 2014; options for charging these fees to specific applicants will be evaluated during the 2017 fee update. Expenditures ended the quarter at 93.5 percent of budget, which is low because of salary savings from a retirement and numerous vacancies related to positions funded for the Totem Lake and Park Place projects that were not hired right away.
- **Police** expenditures ended the year **2.2 percent above** 2014. Salaries and wages led the increase from 2014 to 2015, due to the Guild contract settlement, which had been open since December of 2013, and overtime pay was higher due to covering vacant shifts left by officers being placed on light duty. However, there were savings in professional services costs from the care and custody of prisoners that partially offset the cost increases. Police expenditures ended the fourth quarter at **97.9 percent of the budget**.
- Expenditures for **Fire** finished the fourth quarter **4.1 percent above** 2014 and at **102.8 percent** of budget. The increase in spending over last year is due to fire suppression overtime expenditures to maintain minimum staffing. High overtime over the course of the year was partly the result of two vacancies on the line, resulting in salary savings. One of these vacancies was the result of temporary assignments to Command Staff, while the position of Chief is vacant. In addition, a higher than average number of firefighters have been on FMLA, disability, or light duty in 2015. In these cases, there were no salary savings to offset the overtime expense.
- Actual **Interfund Transfers** finished the fourth quarter up **37.3 percent** from 2014 because of a planned transfer from the building and property reserve to the General Capital Projects Fund for the City Hall renovation project. The category finished the year at 99.4 percent of budget following the year-end transfers.

Summary of Fire District 41 Funds	
Revenues & Expenditures	
Beginning Balance	5,230,000
Investment Interest	75,368
Expenditures	125,317
Current Balance	\$ 5,180,051

Sales Tax Revenue Analysis:

Year-to-date fourth quarter sales tax revenue was **5.5 percent** higher in 2015 than 2014. This growth in revenue was concentrated in auto/gas retail, services, and other retail with auto/gas retail making up more than one third of the increase. Sales tax revenue received through December is from sales activity between November 2014 and October 2015.



Review by Business Sectors:

- **Contracting sales tax revenue ended up 3.9 percent** through December compared to 2014. This sector started the year out slower than it had in 2014, but fared better as the year went on. Improved performance this year is due to a rise in single family home construction that has overcome the weight of the pause in commercial building mentioned in previous Financial Management Reports.
- Sales tax from the retail sectors was collectively **up 6.49 percent** compared to 2014.
 - **Auto/gas retail** sector was **up 8.0 percent** compared to 2014 due to strong vehicle sales this year compared to the same period last year.
 - **General merchandise/miscellaneous retail** sector was **up 4.0 percent** in 2015 compared to 2014.
 - **Retail eating/drinking** sector performance was **up 6.3 percent** compared to 2014. Revenue increases can be attributed to improved sales at many established full service restaurants along with the opening of some new establishments over the course of the year.
 - **Other retail increased 5.9 percent** compared to 2014. Gains in the sector were partially offset by a \$54,500 decrease in Food and Beverage sales that were related to a large one-time event in 2014.
- The **services** sector was **up 8.5 percent** compared to 2014. This increase can be attributed to growth in Health Care, Professional/Scientific Services, and Administrative Support Services.
- **Wholesale** revenues were **up 9.5 percent** in 2015, due to purchases of durable goods such as computers, furniture, and medical equipment.
- The **miscellaneous** sector was **down 1.1 percent** in 2015, largely due to a one-time tax payment received in early 2014.
- **Communications** revenues were **down 13.4 percent** in 2015 because of a one-time refund to selected taxpayers by the State that affected several municipalities in the region in May 2014.

Regional Sales Tax
 Bellevue was up 9.9 percent and Redmond was up less than one percent through December 2015 compared to December 2014.

King County
 King County's sales tax receipts were up 8.1 percent through the end of the quarter compared to 2014.

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total		Percent of \$ Change
	2014	2015			2014	2015	
Services	2,357,782	2,557,728	199,946	8.5%	13.1%	13.5%	20.4%
Contracting	2,866,557	2,977,540	110,983	3.9%	16.0%	15.7%	11.3%
Communications	505,170	437,530	(67,640)	(13.4%)	2.8%	2.3%	-6.9%
Auto/Gas Retail	4,383,760	4,733,686	349,926	8.0%	24.4%	25.0%	35.7%
Gen Merch/Misc Retail	2,000,157	2,080,109	79,952	4.0%	11.1%	11.0%	8.2%
Retail Eating/Drinking	1,480,720	1,574,405	93,685	6.3%	8.2%	8.3%	9.6%
Other Retail	2,452,917	2,598,546	145,629	5.9%	13.7%	13.7%	14.9%
Wholesale	829,962	909,002	79,040	9.5%	4.6%	4.6%	8.1%
Miscellaneous	1,086,724	1,075,262	(11,462)	-1.1%	6.0%	6.0%	-1.2%
Total	17,963,747	18,943,810	980,063	5.5%	100%	100%	100%

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 2014 and 2015 sales tax receipts in the table to the left.

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2014	2015		
January	1,390,304	1,406,662	16,358	1.2%
February	1,800,690	1,783,689	(17,001)	-0.9%
March	1,291,149	1,391,418	100,269	7.8%
April	1,285,803	1,323,937	38,134	3.0%
May	1,601,648	1,599,980	(1,668)	-0.1%
June	1,402,468	1,480,647	78,179	5.6%
July	1,462,879	1,573,926	111,047	7.6%
August	1,542,047	1,715,341	173,294	11.2%
September	1,579,688	1,779,742	200,054	12.7%
October	1,596,001	1,643,390	47,389	3.0%
November	1,551,384	1,679,392	128,008	8.3%
December	1,459,686	1,565,685	105,999	7.3%
Total	17,963,747	18,943,810	980,063	5.5%

Summary:

- Sales tax revenues through the fourth quarter of 2015 were 5.5 percent higher than same period in 2014.
- Growth fluctuated month to month during the year, but overall sales taxes grew in most business sectors and most areas in the city.

Sales tax revenue growth through the fourth quarter of the year is primarily due to growth across all but two sectors: communications and miscellaneous. Auto/Gas Retail saw the largest dollar increase followed by Services. These growth sectors are heavily dependent on consumer spending and are sensitive to the wider economic environment.

Miscellaneous and Communications were collectively down 5.0 percent from 2014. The miscellaneous category is sensitive to delayed tax payments and refunds. Communications was down largely because of a one-time refund that impacted several municipalities in the region as well as the competitive nature of the wireless industry as carriers continually attempt to procure larger market shares by undercutting competitor prices.

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.

The following section describes the sales tax collections 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.

Totem Lake, which accounted for 29.5 percent of the total sales tax receipts through the fourth quarter of the year, is **up 6.4 percent** from 2014. Increased tax revenues are mostly due to growth in the automotive/gas retail sector and manufacturing sectors which were up 8.4, and 211.5, percent respectively. Repair Services were down 22.3 percent, Business Services were down 40.7 percent and Retail Eating & Drinking and Retail Furniture and Electronics were down 3.8 and 3.4 percent. The manufacturing increase is from a large tax refund in 2014 that skews the comparison. The auto/gas retail sector makes up 61.1 percent of this business district's revenue.

NE 85th Street, which has generated 13.7 percent of the total sales tax receipts in 2015, was **up 3.9 percent** compared to 2014. This area's sales grew due to improving general retail and auto retail sales. These two sectors contribute 82.3 percent of this business district's revenue.

Downtown, which accounted for 6.1 percent of annual sales tax receipts, was **up 2.8 percent**. Declining revenues earlier in the year due to decreases in the Accommodation and Food Services sectors turned positive in the fourth quarter.

Carillon Point & Yarrow Bay, which account for 2.1 percent of the total sales tax receipts, were **up 6.3 percent** compared to 2014. The retail eating/drinking and accommodations sectors make up 65.5 percent of this business district's revenue.

Houghton & Bridle Trails, which have produced 2.3 percent of the total sales tax receipts in 2015, were **up 3.8 percent** due to increases in Retail Food Stores and Retail Eating & Drinking Establishment sales.

Juanita, which generated 1.2 percent of the total 2015 sales tax receipts, was **down 1.7 percent** compared to 2014. Other Retail and Retail Eating and Drinking were the sources of the overall decrease in the sector with 53.8 and 1.7 percent losses, respectively. Small gains in the other sectors were not enough to overcome the decreases.

North Juanita, Kingsgate, & Finn Hill accounted for 2.6 percent of the total sales tax receipts in 2015 and were **up 4.0 percent** over 2014. Increases in Kingsgate and North Juanita were offset in part by a decline in Finn Hill revenue. Kingsgate grew the most out of these neighborhoods with an increase of 10.3 percent. North Juanita increased 3.7 percent. Both increases were due to gains in Retail Eating & Drinking. Finn Hill revenues, however, decreased 4.6 percent, due mainly to one-time impacts in 2014.

Year-to-date tax receipts by business district for 2014 and 2015 are compared in the table on the next page.

When reviewing sales tax receipts by business district, it's important to be aware that 46.3 percent of the revenues received in 2015 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	
	2014	2015			2014	2015
Totem Lake	5,257,267	5,595,645	338,378	6.4%	29.3%	29.5%
NE 85th St	2,495,754	2,592,033	96,279	3.9%	13.9%	13.7%
Downtown	1,129,658	1,161,007	31,349	2.8%	6.3%	6.1%
Carillon Pt/Yarrow Bay	369,109	392,245	23,136	6.3%	2.1%	2.1%
Houghton & Bridle Trails	410,710	426,470	15,760	3.8%	2.3%	2.3%
Juanita	226,017	222,211	(3,806)	-1.7%	1.3%	1.2%
Kingsgate	144,312	159,204	14,892	10.3%	0.8%	0.8%
North Juanita	240,946	249,876	8,930	3.7%	1.3%	1.3%
Finn Hill	97,339	92,854	(4,485)	-4.6%	0.5%	0.5%
Unassigned or No District:						
Contracting	2,839,744	2,948,793	109,049	3.8%	15.8%	15.6%
Other	4,752,891	5,103,472	350,581	7.4%	30.3%	30.7%
Total	17,963,747	18,943,810	980,063	5.5%	100.0%	100.0%

Sales Tax Revenue Outlook Sales taxes grew moderately over the course of the year, and are at historically high levels in dollar terms. Auto/gas retail, services, and other retail are the highest contributors to sales tax growth this year, making up 52.2 percent of receipts through the fourth quarter. Global markets grew in the fourth quarter following a weak third quarter, however, the slowing economy in China and low oil prices have contributed to significant volatility in the markets.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the fourth quarter of 2015 was 1.5 percent, significantly lower than the Puget Sound total vacancy rate of 12.0 percent, and an improvement from 2014's vacancy rate of 4.5 percent. The Eastside continues to be the strongest office market in the Puget Sound region, with an office vacancy rate of 9.9 percent, which is less than downtown Seattle's vacancy rate of 10.5 percent.

The region currently has 6.4 million square feet of office space under construction, about 16 percent more than at the same time last year. This includes projects on the Eastside, with over 1.5 million square feet planned in Bellevue and 180,000 in Kirkland.

Kirkland office space is in high demand, with major tech firms expanding their presence in the City. The highest Class A asking rate in Kirkland was \$40.81 per square foot, which is among the highest in the region.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2014, finishing the quarter up 12.6 percent, an increase of nearly \$34,000. Revenues finished the year at 118.7 percent of budget.

Economic Environment Update

Washington's economy has expanded at a slow but steady pace over the course of 2015 and is exceeding national growth levels in regards to personal income and housing prices. However, the strong dollar and global economic uncertainty related to China's weakening economy have resulted in lower exports and manufacturing levels. Washington's primary export is transportation equipment and, year-to-date, the manufacturing sector has lost 1,600 jobs. However, a slight rebound began in the last months of the year when the aerospace sector gained 500 jobs in the fourth quarter.

Despite the weakness in manufacturing and exports, the Washington State Economic and Revenue Forecast Council (ERFC) forecasts that net economic growth will continue through 2019. The state labor market added 19,500 nonfarm jobs in the fourth quarter of 2015, according to the ERFC.

The Conference Board's **Consumer Confidence Index** went on a roller coaster ride in the fourth quarter, dropping from 103 in September to 99.1 in October and then 90.4 in November, only to rebound slightly to 96.3 in December. A rating of 100 equals the 1985 consumer confidence level. According to the Conference Board, consumer views on the job market improved, while their views on their personal financial outlooks were mixed. Consumer's outlook on the labor market increased slightly with those expecting more jobs in the months ahead increasing from 12.0 to 12.9 percent, although 1.0 percent of those surveyed expected lower wages in the near term.

The Bureau of Labor Statistics **unemployment data** from December show the seasonally adjusted national rate fell slightly from 5.1 percent in September to 5.0 percent in October, where it held steady for November and December as well. Washington State unemployment ended the quarter at 5.5 percent, increasing from 5.2 percent in September 2015. Local unemployment rates increased in King County, moving from 3.8 percent in September 2015 to 4.5 percent in December 2015. Kirkland's unemployment rate also grew from 3.2 percent in September 2015 to 3.7 percent in December 2015.

The Western Washington Purchasing Manager Index (PMI) was 57.3 in December; scores above 50 indicate that the economy is expanding.

(Continued on page 8)

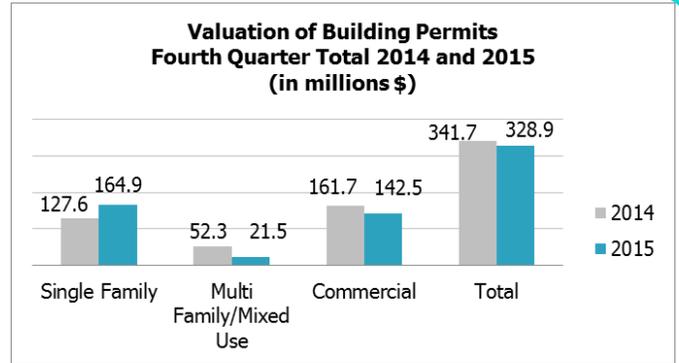
Economic Environment Update *continued*

Local **building permitting activity** was 3.75 percent lower than the year end total in December 2014, with a shift from commercial and multi family/mixed use projects in 2014 to a higher level of single family development activity in 2015. Permitting activity has increased in single family building, but dropped in all other categories, with the largest dollar value drop occurring in Multi-family/Mixed use permitting.

It is worth noting that the slight increase in total building permit valuations shown in the graph on the right is somewhat inconsistent with the strong year-over-year growth in total building permitting revenues reported on page 3. This inconsistency between valuation and revenue trends is due to the impact of project size on the permit revenue. Smaller valuation permits have larger fees per thousand dollars of value than larger permits. Single family housing permit valuations have continued to outpace last year, while Commercial permit valuations, which are normally for much larger projects, decreased. The 29.2 percent increase in single family permit valuations in 2015 meant that the relatively high revenues from single family permits resulted in higher actual revenues to development services, despite the drop in total annual valuation of development in the City.

The **housing market** continued to show slow growth in the fourth quarter of 2015 with the Case-Shiller housing index for the Seattle metro area increasing to 186.64 in December. The pre-recession peak index score was 192.3 in July 2007. There were 113,100 new housing permits issued in the fourth quarter of 2015 according to the Washington State Economic and Revenue Council. The sale prices of existing homes have remained robust over the past year and were stable during the fourth quarter. Prices are now 2.9 percent below their 2007 peak.

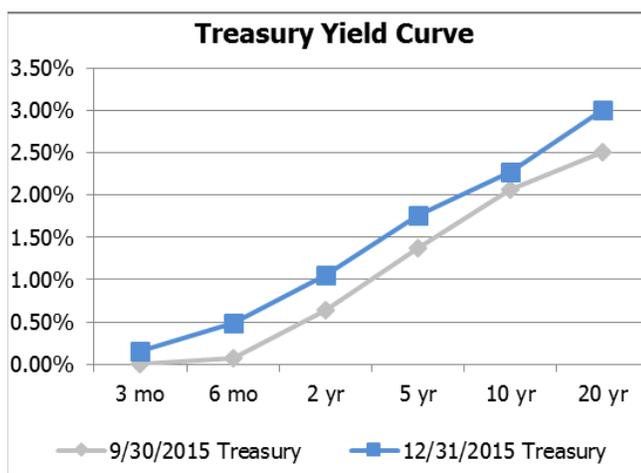
Inflation in the Seattle area in December 2015 increased 2.3 percent compared to the previous December, while the national CPI increased by 0.4 percent year-to-year. Seattle's higher inflation is primarily due to the price of housing, which is 5.1 percent higher than 2014. With shelter excluded, Seattle's inflation was 0.7 percent higher, the national change in CPI excluding shelter was -0.9 percent.



Investment Report

MARKET OVERVIEW

The mild economic growth continued to slow near the end of the 4th quarter of 2015. The Fed Funds rate increased in December to the range 0.25 to 0.50 percent, the first change in 7 years. The rate may increase in 2016 up to three more times, to 1 percent by the end of the year. The yield curve rose on all points on the curve as a result of the Fed Funds rate increase.

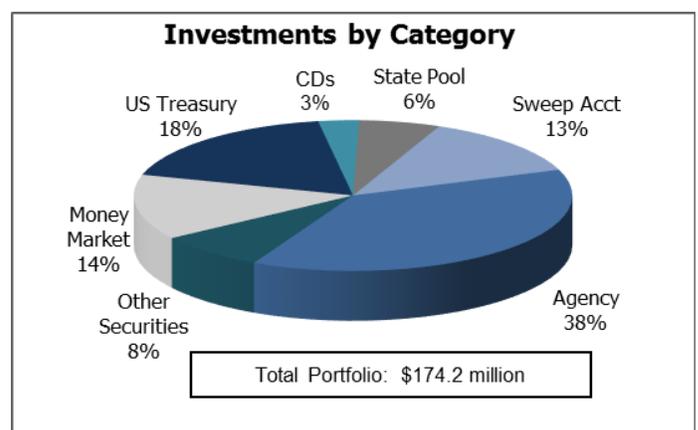


CITY PORTFOLIO

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 \$17.9 million in the 4th quarter of 2015, moving from \$156.3 million on September 30, 2015 to \$174.2 million on December 31, 2015. The increase in the portfolio is primarily related to the normal cash flows of the 4th quarter, as the second half of property taxes is not received until the end of October and early November, and the \$5.8 million financing for City Hall renovation received in the 4th quarter.



DIVERSIFICATION

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

2015 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy is slightly slower than that of three months ago, according to 45 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.6 percent in 2016 and 2.5 percent in 2017. CPI inflation is expected to average 2.0 percent in 2016 and 2.3 percent in 2017. The unemployment rate is expected to average 4.8 percent in 2016 and fall to 4.7 percent in 2017. The Fed Funds rate, increased to 0.50% in December 2015, is forecast to increase possibly three times in 2016 to one percent by the end of the year.

The City's investment advisor, Government Portfolio Advisors (GPA) continues to recommend that the duration of the portfolio be slightly increased in relation to the benchmark. They will recommend security purchases when opportunities to capture higher returns are available as economic conditions should continue to grow. GPA also suggests that the portfolio position their maturities for a flattening yield curve.

The State Pool is currently at 0.42% and will continue to slowly increase as the Fed Funds rate increases. Total estimated investment income for 2016 is \$940,000.

Investment Report *continued*

LIQUIDITY

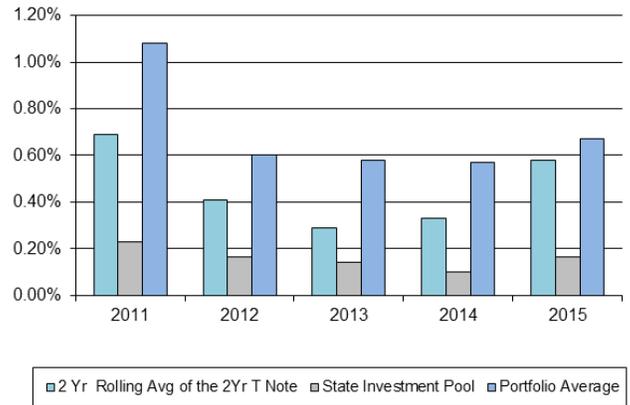
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.41 years on September 30, 2015 to 1.15 years on December 31, 2015 as currently held securities have matured.

YIELD

The City Portfolio yield to maturity decreased from 0.74 percent on September 30, 2015 to 0.69 percent on December 31, 2015 as more of the portfolio was held in cash. 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 0.58 percent on December 31, 2015.

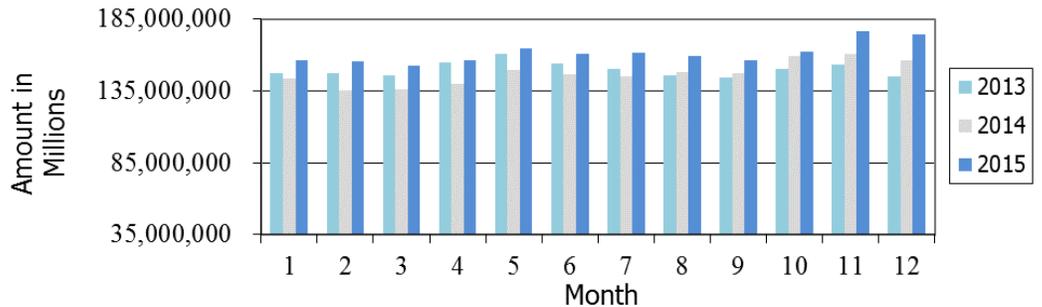
The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.

Investment Interest Rate Comparisons

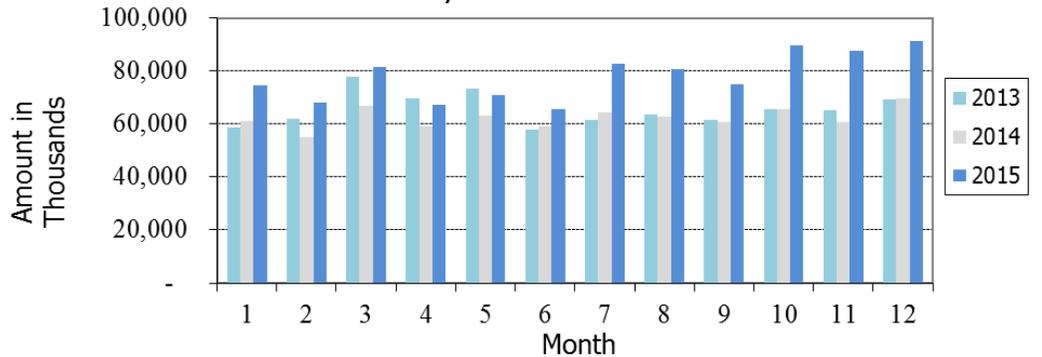


■ 2 Yr Rolling Avg of the 2Yr T Note ■ State Investment Pool ■ Portfolio Average

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 2016 balances as of December, 2015

Reserve Analysis

- Positive General Fund performance in 2013-2014, along with planned contributions to reserves in 2015-2016, has allowed the City to plan to replenish many of the general purpose reserves to target levels by the end of 2016, as indicated in the table below. The City's fiscal policy is to set at least 1.0 percent of the General Fund adopted budget toward reserve replenishment toward 80 percent of the target level (100 percent for the Revenue Stabilization Reserve). Unplanned amounts available at the end of a biennium should help replenish to target faster, which is what happened at the end of 2014. Adequate fund balance and reserve levels are a necessary component of a financial management strategy and a key factor in the external agencies' measurement of the City's financial strength (Standard and Poor's: AAA and Moody's: Aa2).

General Capital Reserves

- Real estate activity was very strong in 2015, reflecting the robust local market. **Real Estate Excise Tax (REET)** collections were **28.5 percent ahead of 2014**. Revenue was **176 percent of budget**; the current budgeted ending balance does not reflect actual revenue trends.
- Development activity has also been high in 2015. The high level of activity allowed the City to increase revenue budget to fund additional projects in the 2015-2020 CIP. Even with the increased budget assumptions, **Park Impact fees are 106 percent of budget and 17.9 percent ahead of 2014. Transportation Impact fees are at 104 percent of budget.** A large receipt received in the third quarter of 2014 skews year-to-year comparison. Transportation Impact fees are 27.9 percent behind the same period last year, but are about 26 percent ahead factoring out the large receipt.
- The City Council adopted new 20-year Comprehensive Plan and Transportation Master Plans in December 2015, which were incorporated in the 2015-2020 CIP. The use of reserves for 2015-2016 projects are factored into the balances reflected below; however reserves used in 2017 through 2020 in the CIP are not included in the revised ending balances.

General Government & Utility Reserves Targets Summary

Reserves	Actual 2015 Beginning Balance	Adopted 2016 Ending Balance	Revised 2016 Ending Balance	2015-16 Target	Revised Over (Under) Target	
GENERAL PURPOSE RESERVES WITH TARGETS						<i>The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.</i>
General Fund Reserves:						
General Fund Contingency	50,000	50,000	50,000	50,000	-	
General Oper. Reserve (Rainy Day)	2,806,513	4,803,388	4,803,388	4,803,388	-	
Revenue Stabilization Reserve	2,570,090	2,848,220	2,848,220	2,848,220	-	
Building & Property Reserve	571,579	600,000	600,000	600,000	-	
Council Special Projects Reserve	250,000	250,000	164,000	250,000	(86,000)	
Contingency	2,426,425	4,036,425	4,036,425	5,512,218	(1,475,793)	
General Capital Contingency	3,768,012	4,961,855	4,961,855	5,701,001	(739,146)	
General Purpose Reserves with Targets	12,442,619	17,549,888	17,463,888	19,764,827	(2,300,939)	
ALL OTHER RESERVES WITH TARGETS						<i>General Purpose reserves are funded from general revenue and may be used for any general government function.</i>
General Fund Reserves:						
Litigation Reserve	150,000	150,000	150,000	150,000	-	
Firefighter's Pension Reserve	1,493,687	1,225,835	1,225,835	933,405	292,430	
Health Benefits Fund:						
Claims Reserve	2,058,311	2,058,311	2,058,311	2,058,311	-	
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	1,000,000	-	
Excise Tax Capital Improvement:						
REET 1	5,843,876	8,697,813	5,213,854	1,732,329	3,481,525	
REET 2	4,888,788	7,146,044	6,360,344	2,436,255	3,924,089	
Water/Sewer Operating Reserve:						
Water/Sewer Operating Reserve:	2,414,471	2,659,932	2,659,932	2,659,932	-	
Water/Sewer Capital Contingency:	1,107,600	613,300	613,300	613,300	-	
Surface Water Operating Reserve:	706,364	893,306	893,306	893,306	-	
Surface Water Capital Contingency:	845,163	391,380	391,380	391,380	-	
Other Reserves with Targets	20,508,260	24,835,921	20,566,262	12,868,218	7,698,044	
Reserves without Targets	44,926,198	58,197,292	48,629,741	n/a	n/a	
Total Reserves	77,877,077	100,583,101	86,659,891	n/a	n/a	

The summary to the right details all Council authorized uses and additions in the 2015-16 biennium.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2015-16 Council Authorized Uses		
Prior 2015 Uses	\$4,325,597	
Council Special Projects	\$2,500	Advanced Transportation Tech Conf.
Council Special Projects	\$32,000	Holiday Tree Replacement
Council Special Projects	\$15,000	Eastside Winter Shelter
Council Special Projects	\$35,000	Sound Transit 3 Outreach
Park Donations	\$25,000	Waverly Park capital project funding
Real Estate Excise Tax 1 (REET 1)	\$38,515	Waverly Park capital project funding
Various Reserves	9,545,675	2015-2020 CIP Adoption/Midbiennial Budget Adjustments
2015-16 Council Authorized Additions		
Prior 2015 Additions	\$16,077	
Council Special Projects	\$80,000	Contingent Northshore Clinic Funding

Financial Management Report as of December 31, 2015

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. 2015 Beginning Balance	Adopted 2016 Ending Balance*	Additional Authorized Uses/Additions	Revised 2016 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000		50,000
General Oper. (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	4,803,388		4,803,388
Revenue Stabilization	Temporary revenue shortfalls	2,570,090	2,848,220		2,848,220
Building & Property	Property-related transactions	571,579	600,000		600,000
Council Special Projects	One-time special projects	250,000	250,000	(86,000)	164,000
Contingency	Unforeseen expenditures	2,426,425	4,036,425		4,036,425
Total General Fund/Contingency		8,674,607	12,588,033	(86,000)	12,502,033
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation	Outside counsel costs contingency	150,000	150,000		150,000
Labor Relations	Labor negotiation costs contingency	74,928	55,312		55,312
Police Equipment	Equipment funded from seized property	50,284	75,969		75,969
Fire OT & Equipment	Contingency for overtime and equipment	200,000	200,000		200,000
LEOFF 1 Police	Police long-term care benefits	618,079	618,079		618,079
Facilities Expansion	Special facilities expansions	150,982	50,663		50,663
Development Services	Revenue and staffing stabilization	2,572,520	2,612,670		2,612,670
Development Svcs. Technology	Permit system replacement	1,040,324	1,356,175		1,356,175
Tour Dock	Dock repairs	206,271	273,095		273,095
Tree Ordinance	Replacement trees program	56,267	65,488		65,488
Revolving/Donation Accounts	Fees/Donations for specific purposes	940,331	943,300	(25,000)	918,300
Lodging Tax Fund	Tourism program and facilities	310,420	190,548	(19,549)	170,999
Cemetery Improvement	Cemetery improvements/debt service	736,215	767,040	2,568	769,608
Off-Street Parking	Downtown parking improvements	259,161	391,613	(285,500)	106,113
Fire Equipment Life Cycle	20-year fire equipment costs	418,326	896,704		896,704
Police Equipment Life Cycle	20-year police equipment costs	343,114	806,243		806,243
Technology Equipment Life Cycle	20-year technology equipment costs	663,600	1,265,117		1,265,117
Firefighter's Pension	Long-term care/pension benefits	1,493,687	1,225,835		1,225,835
Total Special Purpose Reserves		10,284,509	11,943,851	(327,481)	11,616,370
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	5,843,876	8,697,813	(3,483,959)	5,213,854
REET 2	Transportation and other capital projects	4,888,788	7,146,044	(785,700)	6,360,344
Impact Fees					
Transportation	Transportation capacity projects	3,663,839	4,227,671	(2,300,900)	1,926,771
Parks	Parks capacity projects	1,727,746	2,007,936	(484,599)	1,523,337
Street Improvement	Street improvements	995,958	995,958	(900,000)	95,958
General Capital Contingency	Changes to General capital projects	3,768,012	4,961,855		4,961,855
Total General Capital Reserves		20,888,219	28,037,277	(7,955,158)	20,082,119
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating	Operating contingency	2,414,471	2,659,932		2,659,932
Water/Sewer Debt Service	Debt service	498,591	495,390	(\$460,000)	35,390
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	613,300		613,300
Water/Sewer Construction	Replacement/re-prioritized/new projects	10,051,937	17,664,869	(4,023,000)	13,641,869
Surface Water Utility:					
Surface Water Operating	Operating contingency	706,364	893,306		893,306
Surface Water Capital Contingency	Changes to Surface Water capital projects	845,163	391,380		391,380
Surface Water Construction	Trans. related surface water projects	5,656,579	7,597,175	(759,300)	6,837,875
Total Utility Reserves		21,280,705	30,315,352	(5,242,300)	25,073,052
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims	Health benefits self insurance claims	2,058,311	2,058,311		2,058,311
Rate Stabilization	Rate stabilization	1,000,000	1,000,000		1,000,000
Equipment Rental:					
Vehicle	Vehicle replacements	10,068,738	8,583,511	22,829	8,606,340
Radio	Radio replacements	59,463	74,764		74,764
Information Technology:					
PC Replacement	PC equipment replacements	459,063	518,292		518,292
Major Systems Replacement	Major technology systems replacement	656,200	1,165,089	135,200	1,300,289
Facilities Maintenance:					
Operating	Unforeseen operating costs	550,000	550,000		550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,897,262	3,748,621	(470,300)	3,278,321
Total Internal Service Fund Reserves		16,749,037	17,698,588	(312,471)	17,386,317
Grand Total		77,877,077	100,583,101	(13,923,210)	86,659,891

*Adjusted for actual cash balances in April



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 look 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.

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- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department