



Financial Management Report as of September 30, 2015

Summary of All Operating Funds: *Revenue*

AT A GLANCE:

The State Auditor recognizes the City's "Culture of Accountability" with Stewardship Award (page 2 sidebar)

General Fund revenues through the third quarter of the year increased 3.1 percent over 2014 (page 3)

Sales tax revenue grew 6.9 percent through the third quarter (page 5)

Unemployment increases slightly in the area, inflation is low, and the housing market is becoming more competitive (pages 7-8)

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- General Fund** revenue ended September **3.1 percent ahead** of 2014, an increase of \$1.87 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 31.4 percent higher than in 2014. Three quarters through the fiscal year, revenues were at **72.7 percent** of budget. Excluding development services, revenues are 70.9 percent of the budget and 0.6 percent higher than 2014. Revenues are lower than budget due in part to the timing of the EMS revenues, which were received in October of this year, one month later than is standard. 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 quarter **8.5 percent higher** than 2014, which represents a \$1.4 million increase. The Facilities Maintenance Fund led the way with 28.9% year-over-year growth, due primarily to higher internal service charge revenue from operations at the Kirkland Justice Center. Information Technology followed with an increase of 10.2 percent due to an increase in cost recovery rates to fund staff additions. Actual revenue for other general government operating funds, excluding interfund transfers, was **68.7 percent** of budget which is in line with past collection trends.
- Water/Sewer Operating Fund** revenue through the third quarter was **up 10.6 percent** over 2014. This growth is due to 3.6 percent higher consumption and higher water and sewer rates, which were increased by 4.9 and 4.1 percent respectively, in 2015. Consumption has likely increased as a result of the record breaking warm weather this season. Actual revenue through the third quarter was **76.2 percent of budget**.
- Surface Water Management Fund** revenue finished September **18.0 percent over** 2014, a \$901,442 increase. Residential and commercial storm drainage revenues are up 10.1 and 14.6 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 runoffs. Revenues finished September at **60.6 percent of budget**, which is expected because the majority of payments are received in April and October with property taxes.
- Solid Waste Fund** revenue finished the third quarter **1.4 percent ahead** of 2014, an increase of \$174,975. 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 **75.9 percent** of budget.
- Overall, third quarter utility fund revenues were **up 8.5 percent** compared to 2014 and finished the third quarter of 2015 at **73.2 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2014	9/30/2015	% Change	2014	2015	% Change	2014	2015
General Gov't Operating:								
General Fund	60,790,484	62,661,034	3.1%	79,131,481	86,176,690	8.9%	76.8%	72.7%
Other General Gov't Operating Funds	16,583,923	17,993,584	8.5%	24,643,877	26,186,329	6.3%	67.3%	68.7%
Total General Gov't Operating	77,374,407	80,654,618	4.2%	103,775,358	112,363,019	8.3%	74.6%	71.8%
Utilities:								
Water/Sewer Operating Fund	18,214,887	20,153,120	10.6%	25,017,543	26,451,995	5.7%	72.8%	76.2%
Surface Water Management Fund	5,018,710	5,920,152	18.0%	9,583,289	9,773,360	2.0%	52.4%	60.6%
Solid Waste Fund	12,299,032	12,474,007	1.4%	15,875,727	16,445,443	3.6%	77.5%	75.9%
Total Utilities	35,532,629	38,547,279	8.5%	50,476,559	52,670,798	4.3%	70.4%	73.2%
Total All Operating Funds	112,907,036	119,201,897	5.6%	154,251,917	165,033,817	7.0%	73.2%	72.2%

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

The State Auditor Recognizes the City's "Culture of Accountability" with Stewardship Award

The City of Kirkland was recognized by Acting State Auditor Jan Jutte with a Stewardship Award for the City's "culture of accountability". In presenting this accolade, Ms. Jutte acknowledged the responsiveness, openness, and professionalism of City staff throughout the audits conducted earlier this year.

Kirkland is one of the first jurisdictions to receive the inaugural award, joining King County, the City of Sammamish, and Centralia College. Earlier this year, the State Auditor's Office conducted audits of Kirkland in the areas of accountability, financial reporting, federal grants and pension reporting for the 2014 fiscal year.

In addition to the City's overall culture of accountability, Kirkland was recognized for its "strong control process" over its Police Department evidence room as the Evidence Technician demonstrated quick and easy access to all items requested during the Accountability audit.

This is the first year the State Auditor's Office has presented the Stewardship Award to governments who go above and beyond in their transparency with the public and their stewardship of public funds.



Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures (excluding transfers) finished the third quarter of 2015 **up 6.7 percent** from 2014 and at **72.3 percent of budget**. The largest share of the increase came in Services spending, which **grew by 15.6 percent** over 2014 due to planned budget increases. Additional growth came from increases in personnel costs in Planning & Building, Police, and Fire. A discussion of General Fund expenditures by department can be found on pages 4 and 5.
- **Other General Government Operating Funds** actual expenditures were **5.3 percent higher** than 2014, primarily due to planned increases in Street Operating and Facilities Maintenance spending. Street Operating expenditures are higher in part because of the addition of street light utility payments for the annexation area. In addition, the comparison to the same period in 2014 is skewed due to PSE's under billing of the City for street lighting, which resulted in almost no expenses until a lump sum payment was made in December 2014. 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 September at **60.3 percent** of budgeted funds spent. These savings are skewed by the increased equipment rental budget for vehicle purchases, which includes encumbrances that have not been expensed. These fund's finished the quarter at 68.1 percent of budget with the encumbrances and their budgets factored out.
- **Water/Sewer Operating Fund** actual expenditures were **4.2 percent higher** than in 2014. The increase was partly the result of higher taxes incurred in relation to higher utility revenues, an increase of 11.5 percent compared to 2014. Metro sewer charges and water purchase expenses also contributed to the increase, growing by 5.4 percent and 4.9 percent, respectively. In total, the Water/Sewer fund finished September at **73.1 percent of budget**.
- **Surface Water Management Fund** expenditures at the end of the third quarter were **14.1 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 September were **61.1 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 **2.0 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 Internal Professional services for the cost of service model. Expenditures in the fund finished the third quarter at **75.1 percent of budget**.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2014	9/30/2015	% Change	2014	2015	% Change	2014	2015
General Gov't Operating:								
General Fund	56,330,851	60,130,961	6.7%	78,276,870	83,218,503	6.3%	72.0%	72.3%
Other General Gov't Operating Funds	14,285,163	15,038,388	5.3%	21,362,661	24,947,312	16.8%	66.9%	60.3%
Total General Gov't Operating	70,616,014	75,169,349	6.4%	99,639,531	108,165,815	8.6%	70.9%	69.5%
Utilities:								
Water/Sewer Operating Fund	16,042,671	16,720,478	4.2%	21,489,544	22,880,528	6.5%	74.7%	73.1%
Surface Water Management Fund	4,199,185	4,791,383	14.1%	6,654,798	7,836,487	17.8%	63.1%	61.1%
Solid Waste Fund	11,785,701	12,016,716	2.0%	15,922,630	15,994,968	0.5%	74.0%	75.1%
Total Utilities	32,027,557	33,528,577	4.7%	44,066,972	46,711,983	6.0%	72.7%	71.8%
Total All Operating Funds	102,643,571	108,697,926	5.9%	143,706,503	154,877,798	7.8%	71.4%	70.2%

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

General Fund Revenue

- **Sales tax** revenue allocated to the General Fund through the third quarter of 2015 was **6.9 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. In addition, \$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 September **4.1 percent higher** than 2014. Property tax growth is limited to 1.0 percent plus the value of new construction in the City. First half payments were 55.5 percent of budget (2014 brought in 54.9 percent in the first half) with second-half tax payments scheduled for October.
- **Utility tax** collections finished September 0.8 percent lower than September 2014 at **73.3 percent** of budget. This decline is a result of mild weather which resulted in lower electricity and gas usage as well as lower telecommunications utility receipts due to competitive practices. While the collections trend is improving, it is unlikely to meet budget expectations.
- **Other taxes** were **11.2 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.
- The **business licenses (base fee) and franchise fees** were **2.5 percent higher** than in 2014 and finished September at **76.4 percent** of budget. Increases are due to improved internal processes and outreach.
- Collections from the **revenue generating regulatory license fee** were **11.0 percent lower** than in 2014 because of the

impact of a transfer of \$270,000 into the Street Fund as described above. Revenues would be 2.9 percent higher than 2014 if this transfer were not made.

- **Development-related fee** revenues were collectively **up 31.4 percent** at the end of the third 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 29.6 and 3.8 percent** respectively. **Engineering Services** collected **39.2 percent more** than 2014. Development-related revenues are higher this year due to several major new subdivisions in the Kingsgate neighborhood and several large redevelopment projects around the city including multi-use developments, Parkplace and Totem Lake Mall.
- **Fines and Forfeitures** were **down 7.3 percent** from 2014 due to a decrease in traffic fines. This revenue source finished September at **62.9 percent** of budget. Lower than expected revenues are because of several officer absences due to disability leave. Traffic infraction penalties are not received in January, so the budget is collected in 11 months from February to December.
- **Miscellaneous** revenue finished September **7.1 percent higher** than 2014. This category has reached **99.9 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** EMS revenues are received once a year, and 100 percent of budgeted revenue will be received in October 2015.

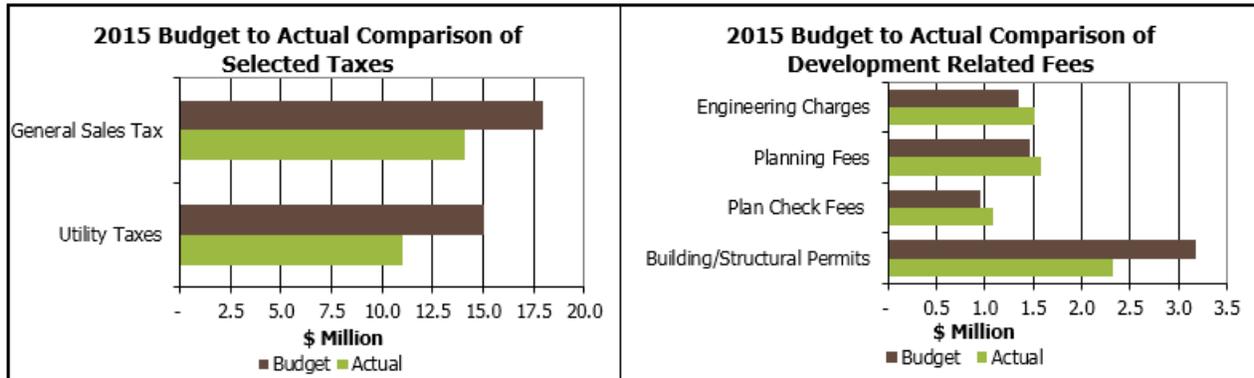
General Fund revenues ended the third quarter \$1.87 million higher than in 2014 largely due to growth in charges for services.

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	
	9/30/2014	9/30/2015	% Change	2014	2015	% Change	2014	2015
Taxes:								
Retail Sales Tax: General	13,154,175	14,055,342	6.9%	15,353,571	17,963,747	17.0%	85.7%	78.2%
Retail Sales Tax Credit: Annexation	2,704,101	2,704,960	0.0%	3,415,626	3,792,500	11.0%	79.2%	71.3%
Retail Sales Tax: Criminal Justice	1,426,721	1,559,869	9.3%	1,666,973	2,036,370	22.2%	85.6%	76.6%
Property Tax	9,308,897	9,688,892	4.1%	16,953,959	17,456,855	3.0%	54.9%	55.5%
Utility Taxes	11,096,461	11,011,540	-0.8%	14,779,443	15,015,081	1.6%	75.1%	73.3%
Rev Generating Regulatory License	1,932,250	1,718,902	-11.0%	2,351,285	2,338,315	-0.6%	82.2%	73.5%
Other Taxes	1,183,128	1,050,668	-11.2%	1,073,303	1,063,075	-1.0%	110.2%	98.8%
Total Taxes	40,805,732	41,790,173	2.4%	55,594,160	59,665,943	7.3%	73.4%	70.0%
Licenses & Permits:								
Building, Structural & Equipment Permits	2,234,817	2,319,890	3.8%	2,140,892	3,175,635	48.3%	104.4%	73.1%
Business Licenses/Franchise Fees	3,375,448	3,461,246	2.5%	4,295,440	4,532,649	5.5%	78.6%	76.4%
Other Licenses & Permits	387,942	426,977	10.1%	330,001	444,563	34.7%	117.6%	96.0%
Total Licenses & Permits	5,998,208	6,208,113	3.5%	6,766,333	8,152,847	20.5%	88.6%	76.1%
Intergovernmental:								
Grants and Federal Entitlements	106,042	127,462	20.2%	112,421	127,815	13.7%	94.3%	99.7%
State Shared Revenues & Entitlements	825,141	848,209	2.8%	1,237,172	1,098,514	-11.2%	66.7%	77.2%
EMS	884,645	0	-100.0%	884,645	902,338	2.0%	100.0%	N/A
Total Intergovernmental	1,815,828	975,671	-46.3%	2,234,238	2,128,667	-4.7%	81.3%	45.8%
Charges for Services:								
Internal Charges	4,229,034	4,280,907	1.2%	5,717,970	6,072,987	6.2%	74.0%	70.5%
Engineering Services	1,083,761	1,508,918	39.2%	689,483	1,348,887	95.6%	157.2%	111.9%
Plan Check Fee	835,057	1,082,374	29.6%	1,279,914	951,346	-25.7%	65.2%	113.8%
Planning Fees	786,588	1,582,303	101.2%	775,550	1,457,383	87.9%	101.4%	108.6%
Recreation	1,217,113	1,320,666	8.5%	1,160,300	1,195,800	3.1%	104.9%	110.4%
Other Charges for Services	1,570,276	1,503,184	-4.3%	2,190,907	1,980,204	-9.6%	71.7%	75.9%
Total Charges for Services	9,721,828	11,278,351	16.0%	11,814,124	13,006,607	10.1%	82.3%	86.7%
Fines & Forfeits	1,484,804	1,376,552	-7.3%	1,929,999	2,189,359	13.4%	76.9%	62.9%
Miscellaneous	964,084	1,032,175	7.1%	792,627	1,033,267	30.4%	121.6%	99.9%
Total Revenues	60,790,484	62,661,034	3.1%	79,131,481	86,176,690	8.9%	76.8%	72.7%
Other Financing Sources:								
Interfund Transfers	0	0	N/A	319,955	388,249	21.3%	N/A	N/A
Total Other Financing Sources	0	0	N/A	319,955	388,249	21.3%	N/A	N/A
Total Resources	60,790,484	62,661,034	3.1%	79,451,436	86,564,939	9.0%	76.5%	72.4%

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	9/30/2014	9/30/2015	% Change	2014	2015	% Change	2014	2015
Non-Departmental	904,305	1,545,417	70.9%	1,447,774	2,942,877	103.3%	62.5%	52.5%
City Council	350,779	361,513	3.1%	457,470	471,318	3.0%	76.7%	76.7%
City Manager's Office	1,380,037	1,439,168	4.3%	1,986,087	2,434,654	22.6%	69.5%	59.1%
Municipal Court	1,683,972	1,785,241	6.0%	2,301,428	2,445,952	6.3%	73.2%	73.0%
Human Resources	1,009,988	1,041,098	3.1%	1,451,068	1,468,931	1.2%	69.6%	70.9%
City Attorney's Office	1,001,716	846,863	-15.5%	1,384,479	1,230,425	-11.1%	72.4%	68.8%
Parks & Community Services	5,633,396	5,977,745	6.1%	7,738,916	8,237,520	6.4%	72.8%	72.6%
Public Works	3,437,935	3,650,900	6.2%	5,079,098	5,382,684	6.0%	67.7%	67.8%
Finance and Administration	3,457,839	3,433,272	-0.7%	4,874,055	4,708,965	-3.4%	70.9%	72.9%
Planning & Building	5,072,296	6,008,235	18.5%	7,110,674	8,514,432	19.7%	71.3%	70.6%
Police	17,382,939	18,294,581	5.2%	24,447,897	25,124,731	2.8%	71.1%	72.8%
Fire	15,015,650	15,746,927	4.9%	19,997,924	20,256,014	1.3%	75.1%	77.7%
Total Expenditures	56,330,851	60,130,961	6.7%	78,276,870	83,218,503	6.3%	72.0%	72.3%
Other Financing Uses:								
Interfund Transfers	2,366,599	2,572,402	8.7%	4,915,588	8,618,969	75.3%	48.1%	29.8%
Total Other Financing Uses	2,366,599	2,572,402	8.7%	4,915,588	8,618,969	75.3%	48.1%	29.8%
Total Expenditures & Other Uses	58,697,450	62,703,363	6.8%	83,192,458	91,837,472	10.4%	70.6%	68.3%

*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 **6.7 percent higher** than 2014. A discussion of the departmental expenditure trends is included below.

- Expenditures for **Non-departmental** were **up 70.9 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 third quarter below **budget expectations at 52.5 percent**. Non-departmental expenditures remain low compared to the budget due to costs that are not yet incurred, such as the A Regional Coalition for Housing (ARCH) trust fund contribution that is made in the fourth quarter (\$315,000) and election costs that occur in October and November (\$232,000).
- The **City Manager's Office** finished the third quarter **up 4.3 percent** from 2014 as a result of the reorganization to add a Deputy City Manager position into the City Manager's Office, which was partially offset by savings in supplies and professional services. With **59.1 percent of budget** expended through the first 75.0 percent of the year, the City Manager's Office is under budget due to budgeted projects having not yet incurred expenses, including the Police Strategic Plan planned for 2016 and the Regional Fire Authority Study that will not be pursued.
- Third quarter expenditures for the **Parks & Community Services Department** were **up 6.1 percent** from 2014, mainly due to the impact of the surface water audit on impervious surfaces that resulted in \$103,000 in additional fees. Other expenditure increases include printing and postage for ARC outreach and higher credit card fees due to the new acceptance of credit cards at Peter Kirk Pool. Parks and Community Services finished the third quarter below expected expenditures at **72.6 percent of budget**.
- Public Works - General Fund** expenditures were **6.2 percent above** 2014. Salaries and wages were 4.7 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 quarter with **67.8 percent** of the budget expended.
- Expenditures for **Finance and Administration decreased 0.7 percent** from 2014, mainly due to reduced spending for regular salaries and benefits resulting from vacancy and incumbent changes as well as the Deputy City Manager reorganization. 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 6.7 percent higher than they were in 2014.

Continued on page 5

Financial Management Report as of September 30, 2015

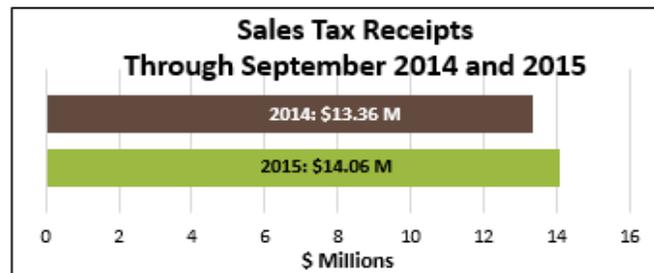
- **Planning and Building** finished the third quarter of the year **18.5 percent above** 2014, with **70.6 percent** of the budget expended. Increases in expenditures are primarily due to increased salary and benefits costs with staff added as a result of high permitting and planning workloads from 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 10.7 percent of the expenditure increase between 2015 and 2014. Expenditures ended the quarter at 70.6 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. The Electrical/Building Inspector from those service packages will start on November 16th and the Plans Examiner II position is still in the recruitment process.
- **Police** expenditures ended the quarter **5.2 percent above** 2014. Salaries and wages led the increase with 5 vacant positions being filled and the guild contract settlement which had been open since December of 2013. Overtime pay was higher due to covering the vacant shifts left by officers being placed on light duty. Terminal vacation pay expenses due to retirements also contributed to the additional costs. Police expenditures ended the third quarter at **72.8 percent of the budget**.
- Expenditures for **Fire** finished the third quarter **4.9 percent above** 2014 and at **77.7 percent** of budget. The increase in spending over last year is due to fire suppression overtime expenditures to maintain minimum staffing which were 12.3 percent over budget at the end of September. High overtime through September is partly the result of two vacancies on the line, which are now being offset by salary savings. One of these vacancies is 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 is no salary savings to offset the overtime expense.
- Actual **Interfund Transfers** finished the third quarter up **8.7 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 is below budget as most one-time transfers for reserve replenishments and service package funding are not processed until the end of the year.

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:

Beginning in 2015, a \$270,000 transfer of sales tax revenue to the Street Operating Fund has been replaced with a transfer of business license fees. As such, the collections comparisons discussed in this section will be skewed slightly since the 2014 figure is lower due to the impact of this transfer.

Year-to-date third quarter sales tax revenue was **5.2 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 one third of the increase. Sales tax revenue received through September is from sales activity between November 2014 and July 2015.



Review by business sectors:

- **Contracting sales tax revenue ended up 1.5 percent** through September compared to 2014, which is especially notable since this sector has lagged last year's high reading through most of 2015. Improved performance this year is due to a rise in single family home construction that has overcome the weight of the downturn in commercial building mentioned in previous Financial Management Reports.
- Sales tax from the retail sectors was collectively **up 12.0 percent** compared to 2014.
 - **Auto/gas retail** sector was **up 8.1 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 6.2 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 5.0 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 11.6 percent** compared to 2014. This increase can be attributed to growth from Personal and Laundry Services, Automotive Repair, and Accommodation.
- **Wholesale** revenues were **up 12.8 percent** in 2015, due to purchases of durable goods such as computers, furniture, and medical equipment.
- The **miscellaneous** sector was **down 2.8 percent** in 2015, largely due to a one-time tax payment received in early 2014.
- **Communications** revenues were **down 17.8 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 12 percent and Redmond was down 3.5 percent through September 2015 compared to September 2014.

King County
King County's sales tax receipts were up 10 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	1,690,738	1,886,747	196,009	11.6%	12.7%	13.4%	28.1%
Contracting	2,110,619	2,142,346	31,727	1.5%	15.8%	15.2%	4.5%
Communications	384,617	316,190	(68,427)	-17.8%	2.9%	2.2%	-9.8%
Auto/Gas Retail	3,256,582	3,519,220	262,638	8.1%	24.4%	25.0%	37.6%
Gen Merch/Misc Retail	1,582,722	1,645,946	63,224	4.0%	11.8%	11.7%	9.0%
Retail Eating/Drinking	1,092,082	1,160,066	67,984	6.2%	8.2%	8.3%	9.7%
Other Retail	1,789,702	1,878,522	88,820	5.0%	13.4%	13.4%	12.7%
Wholesale	624,985	704,766	79,781	12.8%	4.7%	5.0%	11.4%
Miscellaneous	824,629	801,539	(23,090)	-2.8%	6.2%	5.7%	-3.3%
Total	13,356,676	14,055,342	698,666	5.2%	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%
Total	13,356,676	14,055,342	698,666	5.2%

Summary:

- Sales tax revenues through the third quarter of 2015 were 5.2 percent higher than same period in 2014.
- Growth has fluctuated month to month but overall trends have been positive so far this year.

Sales tax revenue growth through the third quarter of the year is primarily due to growth across all but two sectors: communications and miscellaneous. Auto/Gas Retail saw the largest percentage increase followed closely 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 7.6 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 affected 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. 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.

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 29.4 percent of the total sales tax receipts through the third quarter of the year, is **up 9.0 percent** from 2014. Increased tax revenues are mostly due to growth in the automotive/gas retail sector, manufacturing, and personal services which were up 8.9, 158.6, and 36.8 percent respectively. The manufacturing increase is from a large tax refund in 2014 that skews the comparison. The auto/gas retail sector makes up 61.4 percent of this business district's revenue.

NE 85th Street, which has generated 13.9 percent of the total sales tax receipts in 2015, was **up 4.1 percent** compared to 2014. This area's sales grew due to improving general retail and auto retail sales. These two sectors contribute 82.9 percent of this business district's revenue.

Downtown, which accounted for 5.8 percent of third quarter sales tax receipts, was **down 4.1 percent**. This decline is due to decreases in the Accommodation/Food Services and Information sectors which were down 61.3 and 23.2 percent respectively. Other downtown sectors collectively experienced an increase of 7.5 percent.

Carillon Point & Yarrow Bay, which account for 2.0 percent of the total sales tax receipts, were **up 6.8 percent** compared to 2014. The retail eating/drinking and accommodations sector makes up 42.2 percent of this business district's revenue.

Houghton & Bridle Trails, which has produced 2.3 percent of the total sales tax receipts in 2015, were **up 4.2 percent** due to increases of 3.7 percent in Retail Food Stores and 0.8 percent in Retail Eating & Drinking Establishments.

Juanita, which generated 1.4 percent of the total 2015 sales tax receipts, was **down 4.3 percent** compared to 2014. Other Retail and Retail Eating and Drinking were the sources of the overall decrease in the sector with 64.5 and 4.0 percent losses respectively. Small gains in the other sectors were not enough to overcome the decreases.

North Juanita, Kingsgate, & Finn Hill accounted for 3.0 percent of the total sales tax receipts in 2015 and were **up 4.4 percent** over 2014. Increases in Kingsgate and North Juanita were greater than the decline in Finn Hill revenue. Kingsgate grew the most out of these neighborhoods with an increase of 9.6 percent. North Juanita increased 4.4 percent. Both increases were due to gains in Retail Eating & Drinking. Finn Hill revenues, however, decreased 5.4 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 42.2 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 - Sept Receipts		Dollar Change	Percent Change	Percent of Total	
	2014	2015			2014	2015
Totem Lake	3,791,914	4,131,502	339,588	9.0%	28.4%	29.4%
NE 85th St	1,880,904	1,957,347	76,443	4.1%	14.1%	13.9%
Downtown	852,906	818,233	(34,672)	-4.1%	6.4%	5.8%
Carillon Pt/Yarrow Bay	265,763	283,857	18,094	6.8%	2.0%	2.0%
Houghton & Bridle Trails	306,072	319,064	12,992	4.2%	2.3%	2.3%
Juanita	199,031	193,513	(5,518)	-2.8%	1.5%	1.4%
Kingsgate	143,582	157,319	13,737	9.6%	1.1%	1.1%
North Juanita	180,690	188,608	7,918	4.4%	1.4%	1.3%
Finn Hill	75,647	71,587	(4,060)	-5.4%	0.6%	0.5%
Unassigned or No District:						
Contracting	2,107,388	2,132,441	25,053	1.2%	15.8%	15.2%
Other	3,552,780	3,801,871	249,097	7.1%	31.0%	31.4%
Total	13,356,676	14,055,342	698,667	5.2%	100.0%	100.0%

Sales Tax Revenue Outlook Sales taxes have grown moderately over the first three quarters of the year, and continue to be at historically high levels in dollar terms. Auto/gas retail, services, and other retail are the highest contributors to sales tax growth so far this year making up 51.8 percent of third quarter receipts. Despite these gains, global markets declined at the end of the third quarter, which may indicate the potential for economic slowing that could affect the City's sales tax revenues.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in the third quarter of 2015 was 1.8 percent, significantly lower than the Puget Sound total vacancy rate of 12.8 percent, and an improvement from 2014's vacancy rate of 4.6 percent. The Eastside continues to be the strongest office market in the Puget Sound region, with an office vacancy rate of 10.9 percent, which is less than downtown Seattle's vacancy rate of 11.4 percent.

The region currently has 6.1 million square feet of office space under construction, approximately double last year's amount. This includes projects on the Eastside, with over 1.5 million square feet planned in Bellevue and 180,000 in Kirkland.

Microsoft was the largest contributor to Bellevue's negative absorption as they vacated 167,000 square feet of office space and consolidated employees at their Redmond campus.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2014, finishing the quarter up 15.8 percent, an increase of nearly \$29,000. Revenues finished the third quarter at 83.12 percent of budget.

Economic Environment Update

Coming out of the "Great Recession," Washington's economy continues to expand at a steady pace and is exceeding national growth levels in regards to personal income and GDP. Unfortunately, the high price of production and weakness in China's economy has led to lower exports and manufacturing levels. Washington's primary export is transportation equipment and year-to-date, the manufacturing sector has lost 1,400 jobs, of which 700 were in aerospace.

Despite the weakness in manufacturing and exports, the Washington State Economic and Revenue Forecast Council (ERFC) forecasts that economic growth will continue through 2019. The state labor market added 23,900 nonfarm jobs through the third quarter of 2015, according to the September 2015 update from the ERFC.

The Conference Board's **Consumer Confidence Index** increased from 90.9 in July to 101.5 in August and then to 103 in September. A rating of 100 equals the 1985 consumer confidence level. The Confidence Board finds sentiment regarding income prospects have shifted from June when consumers anticipated a higher number of harder to obtain jobs available. Now consumers feel that there are fewer jobs available but wages will increase in the near future. However, near-term confidence indicates there is passive optimism about the business environment and employment which indicates that spending will likely remain moderate in the coming months.

The Bureau of Labor Statistics **unemployment data** from September show the seasonally adjusted national rate fell slightly from 5.3 percent in June to 5.1 percent in September. Washington State unemployment ended the quarter at 5.2 percent, decreasing from 5.3 percent in June 2015. Local unemployment rates fell slightly in King County, moving from 4.0 percent in June 2015 to 3.9 percent in September 2015. Kirkland's unemployment rate also dropped slightly from 3.3 percent in June 2015 to 3.2 percent in September 2015. While slightly higher than earlier this year, claims for unemployment insurance have fallen more than 63% since the peak and are consistent with pre-recession levels.

The Western Washington Purchasing Manager Index (PMI) was 49.8 in September; scores lower than 50 indicate that the economy is contracting. It is worth noting that all of the measures of current production were improved from August and current prices are expected to fall in upcoming months. The primary issue in the PMI for September was inventories, which dropped 13.3 from

(Continued on page 8)

Economic Environment Update *continued*

August. This indicates a proactive effort by regional firms to reduce production material stock, possibly in anticipation of a decrease in demand for their products.

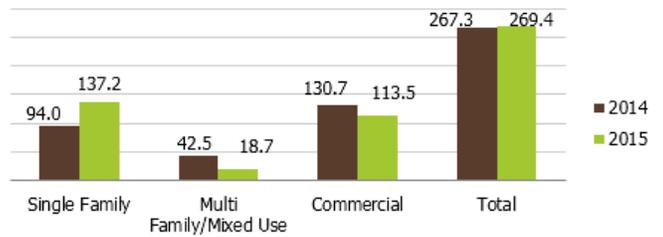
Local **building permitting activity** has increased 0.8 percent compared to September 2014, with a shift from commercial and multi family/mixed use projects in 2014 to a higher level of single family development activity in 2015. Permitting activity has increased in single family building, but dropped 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, are lagging. Therefore, the 46 percent increase in single family permit valuations is the primary source of the strength in development services revenues.

The **housing market** was strong and stable in the third quarter of 2015 with the Case-Shiller housing index for the Seattle metro area increasing to 183.84 in August. The pre-recession peak index score was 192.3 in July 2007. There were 42,900 new housing permits issued in August 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 third quarter. Prices are now 4.4 percent below their 2007 peak.

Inflation in the Seattle area in September 2015 increased 1.2 percent compared to the previous September, while the national CPI contracted 0.3 percent year-to-year. Seattle's higher inflation is primarily due to the price of housing, which is 5.4 percent higher than 2014. With shelter excluded, Seattle's inflation was -0.1 percent, a lesser decrease in CPI than the -1.1 percent national change.

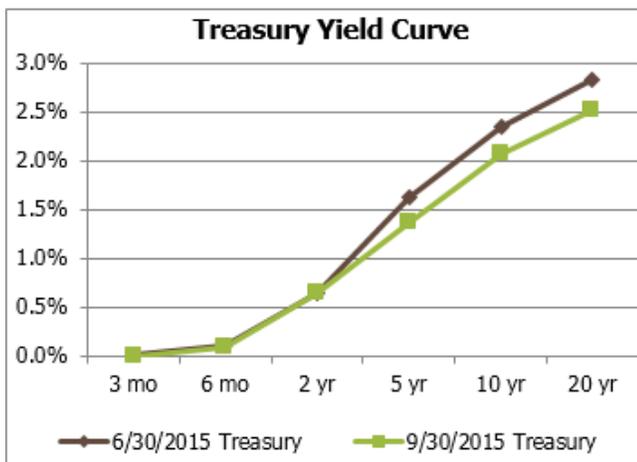
Valuation of Building Permits
Third Quarter Total 2014 and 2015
(in millions \$)



Investment Report

MARKET OVERVIEW

The mild economic growth grew weaker near the end of the 3rd quarter of 2015. The Fed Funds rate remained at 0.25 percent, where it is expected to stay until late 2015. The yield curve flattened on the long end as rates in the 5-20 year range fell.

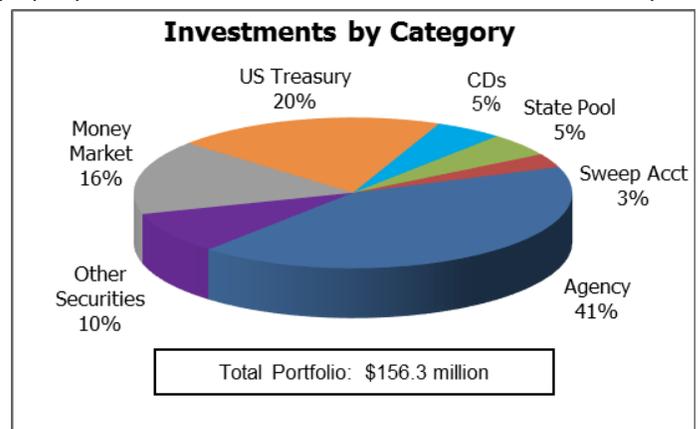


CITY PORTFOLIO

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 decreased \$4.5 million in the 3rd quarter of 2015, moving from \$160.8 million on June 30, 2015 to \$156.3 million on September 30, 2015. The decrease in the portfolio is primarily related to the normal cash flows of the 3rd quarter, as the second half of property taxes is not received until the end of October and early No-



DIVERSIFICATION

The City's current investment portfolio is composed of Government Sponsored Enterprise (GSE) 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 42 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.3 percent in 2015 and 2.8 percent in 2016. CPI inflation is expected to average 0.8 percent in 2015 and 2.1 percent in 2016. The unemployment rate is expected to average 5.3 percent in 2015 and fall to 5.0 percent in 2016. The Fed Funds rate, currently at 0.25%, is expected to remain at this level in 2015, with only a slight chance of being increased in December.

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 believe that the Fed may be slow to raise Fed Funds and 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 0.18% 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 \$922,000.

Investment Report *continued*

LIQUIDITY

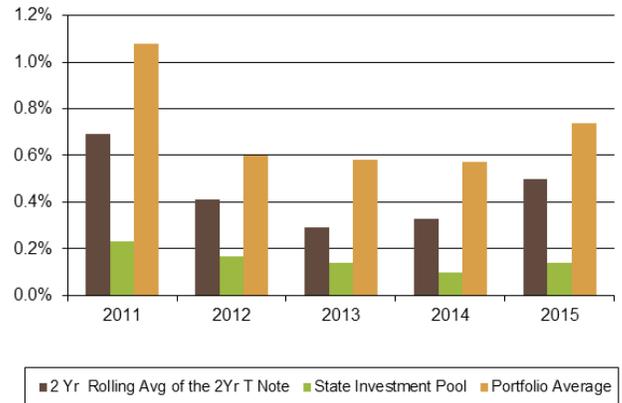
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio increased from 1.34 years on June 30, 2015 to 1.41 years on September 30, 2015 as maturing securities were replaced with securities with later maturity dates.

YIELD

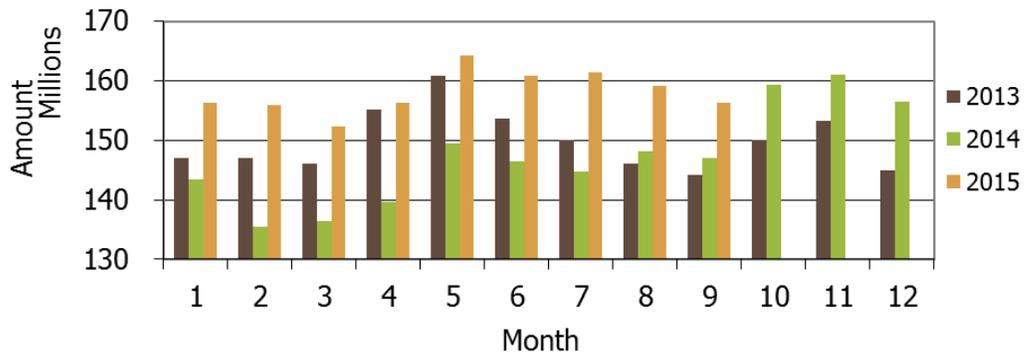
The City Portfolio yield to maturity increased from 0.69 percent on June 30, 2015 to 0.74 percent on September 30, 2015. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective 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 0.50 percent on September 30, 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.

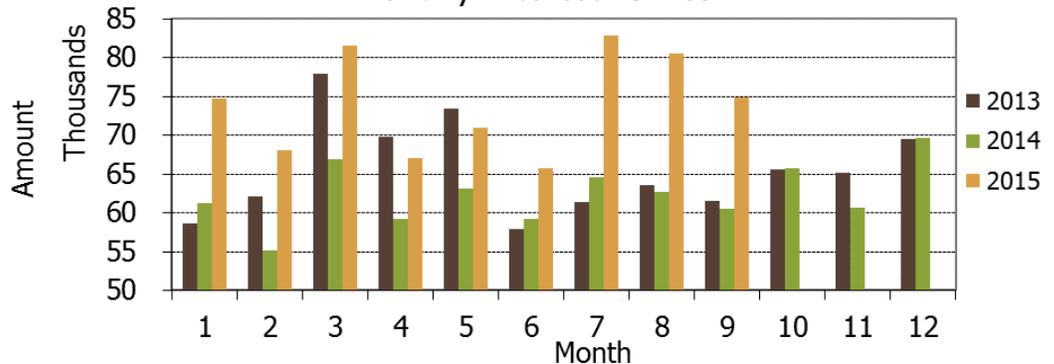
Investment Interest Rate Comparisons



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 September, 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). Actual ending 2014 cash balances were recognized in budget adjustments adopted by the City Council in April and are reflected in the 2015-2016 ending balances shown in the table below.

General Capital Reserves

- Real estate activity has been very strong throughout 2015, with June posting the highest monthly receipts ever. **Real Estate Excise Tax (REET) collections are 30.9 percent ahead of the same period in 2014.** Revenue through the end of the third quarter was **127 percent of budget**; the current budgeted ending balance does not reflect actual revenue trends.
- Development activity has also been high in 2015. **Park Impact fees are 344 percent of budget and 22.2 percent ahead of 2014. Transportation Impact fees are at 208 percent of budget.** A large receipt received in the third quarter of 2014 skews year-to-year comparison. Transportation Impact fees are 52.2 behind the same period last year, but are about 31 percent ahead factoring out the large receipt. As with REET, the ending balances below do not reflect the current revenue trends.
- The City is currently updating the 2015-2020 Capital Improvement Program (CIP) with the input from several master plan processes that are currently underway. The balances available in REET and Impact Fees will be considered for funding projects identified in these processes. The Council will adopt the 2015-2020 CIP in December.

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	0	
General Oper. Reserve (Rainy Day)	2,806,513	4,803,388	4,803,388	4,803,388	0	
Revenue Stabilization Reserve	2,570,090	2,848,220	2,848,220	2,848,220	0	
Building & Property Reserve	571,579	600,000	600,000	600,000	0	
Council Special Projects Reserve	250,000	250,000	168,500	250,000	(81,500)	
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	17,468,388	19,764,827	(2,296,439)	
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	0	
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	0	
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	1,000,000	0	
Excise Tax Capital Improvement:						
REET 1	5,843,876	8,697,813	7,849,846	1,732,329	6,117,517	
REET 2	4,888,788	7,146,044	6,856,801	2,436,255	4,420,546	
Water/Sewer Operating Reserve:						
Water/Sewer Capital Contingency:	1,107,600	613,300	613,300	613,300	0	
Surface Water Operating Reserve:	706,364	893,306	893,306	893,306	0	
Surface Water Capital Contingency:	845,163	391,380	391,380	391,380	0	
Other Reserves with Targets	20,508,260	24,835,921	23,698,711	12,868,218	10,830,493	
Reserves without Targets	44,926,198	58,125,581	55,494,771	n/a	n/a	
Total Reserves	77,877,077	100,511,390	96,661,870	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		
First Quarter Uses	\$1,151,826	
Second Quarter Uses	\$2,336,771	
Real Estate Excise Tax 1 (REET 1)	\$127,000	Cross Kirkland Corridor Maintenance Enhancements
Real Estate Excise Tax 1 (REET 1)	\$250,000	Sound Transit 3 Project Study
2015-16 Council Authorized Additions		
First Quarter Additions	\$16,077	

Financial Management Report as of September 30, 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	(81,500)	168,500
Contingency	Unforeseen expenditures	2,426,425	4,036,425		4,036,425
Total General Fund/Contingency		8,674,607	12,588,033	(81,500)	12,506,533
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		943,300
Lodging Tax Fund	Tourism program and facilities	310,420	190,548		190,548
Cemetery Improvement	Cemetery improvements/debt service	736,215	767,040		767,040
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	(285,500)	11,658,351
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	5,843,876	8,697,813	(847,967)	7,849,846
REET 2	Transportation and other capital projects	4,888,788	7,146,044	(289,243)	6,856,801
Impact Fees					
Transportation	Transportation capacity projects	3,663,839	4,227,671		4,227,671
Parks	Parks capacity projects	1,727,746	2,007,936	(1,461,804)	546,132
Street Improvement	Street improvements	995,958	995,958		995,958
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	(2,599,014)	25,438,263
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		495,390
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	(32,000)	17,632,869
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	(761,506)	6,835,669
Total Utility Reserves		21,280,705	30,315,352	(793,506)	29,521,846
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		8,583,511
Radio	Radio replacements	59,463	74,764		74,764
Information Technology:					
PC Replacement	PC equipment replacements	459,063	505,081		505,081
Major Systems Replacement	Major technology systems replacement	656,200	1,165,089		1,165,089
Facilities Maintenance:					
Operating	Unforeseen operating costs	550,000	550,000		550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,897,262	3,690,121	(90,000)	3,600,121
Total Internal Service Fund Reserves		16,749,037	17,626,877	(90,000)	17,536,877
Grand Total		77,877,077	100,511,390	(3,849,520)	96,661,870

*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 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, 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



City of Kirkland
123 5th Avenue
Kirkland, WA 98033
Ph. 425-587-3130
www.kirklandwa.gov

Economic Environment Update References:

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- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, September 2015
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- 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