



The Newly Renovated Downtown Kirkland: Kirkland Urban

Preliminary

# 2017-2018



# city of kirkland BUDGET

The view from I-405 of the Village at Totem Lake





### Kirkland at a Glance

Founded	1888
Incorporated	1905
Population	84,680
Elevation	18 to 534 feet
Land Area	18 square miles
Miles of City Streets	247
Miles of City Sewers	123
Miles of Water Lines	171
Residential Dwellings	37,135
Fire Department Rating Class	4
City Employees (Full-Time Equivalents)	604.9
General Obligation Bond Rating:	
Moody's	Aa2
Standard and Poor's	AAA

### City Council

- Mayor, Amy Walen ♦ Deputy Mayor, Jay Arnold ♦ Dave Asher  
 ♦ Shelley Kloba ♦ Doreen Marchione ♦ Toby Nixon ♦ Penny Sweet

#### Administrative Staff

*City Manager*

Kurt Triplett

*Deputy City Managers*

Marilynne Beard

Tracey Dunlap

*Municipal Court Judge*

Michael Lambo

*City Attorney*

Kevin Raymond

*Director of Finance & Administration*

Michael Olson

*Fire Chief*

Joe Sanford

*Director of Human Resources & Performance Management*

James Lopez

*Chief Information Officer*

Brenda Cooper

*Director of Parks & Community Services*

Lynn Zwaagstra

*Director of Planning & Building*

Eric Shields

*Police Chief*

Cherie Harris

*Director of Public Works*

Kathy Brown

The City of Kirkland is located on the eastern shore of Lake Washington. It is a suburban city, surrounded by other suburban cities and pockets of unincorporated King County. The City is near several major transportation routes including Interstate 405, State Route 520, and Interstate 5. These routes connect the City economically and socially to the greater Seattle area.

At the time of incorporation in 1905, the City of Kirkland's population was approximately 530. The current estimated population is 84,680. Kirkland is the thirteenth largest city in the State of Washington and the sixth largest in King County.

Since its incorporation, Kirkland has grown in geographic size to eighteen square miles - approximately twenty times its original size. This growth occurred primarily through the consolidation of the cities of Houghton and Kirkland in 1968, the annexations of Rose Hill and Juanita in 1988 and the annexation of North Juanita, Finn Hill, and Kingsgate areas in 2011.

Kirkland operates under a Council-Manager form of government. The City Council is the policy-making branch of Kirkland's government and consists of seven members elected at large to staggered, four-year terms. The Mayor is elected from within the Council. The City Council is supported by several advisory boards and commissions and the City Manager. The City Manager is appointed by the City Council and serves as the professional administrator of the organization, coordinating its day-to-day activities.

The City government offers a full range of municipal services which are provided by eleven operating departments. The City boasts forty-five parks, including eleven that are located on the waterfront, as well as two community centers, a swimming pool, and a teen center. The broad range of recreational facilities provides year-round services for citizens of all ages.

# 2017-2018 Budget

**KIRKLAND WASHINGTON**



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# City of Kirkland Mayor & City Council



Amy Walen  
Mayor



Jay Arnold  
Deputy Mayor



Dave Asher  
Council Member



Shelley Kloba  
Council Member



Doreen Marchione  
Council Member



Toby Nixon  
Council Member



Penny Sweet  
Council Member



# CITY OF KIRKLAND

## 2017-2018 BUDGET

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*2017-2018 BUDGET*  
***BUDGET MESSAGE***

Dear Council Members and Residents of Kirkland,

We are pleased to deliver the City Manager's proposed 2017-2018 budget which focuses on community priorities, prepares the City for the future and continues progress on the Goals adopted by City Council. The local and national economy has been in a slow but steady growth pattern which enables the proposed budget to be balanced and financially sound, with basic government operations funded with on-going, recurring revenues, significant contributions made to our reserves, and investments to fund community priorities.

Kirkland established three Strategic Anchors in the 2013-2014 Budget which continue to be guiding principles for the budget recommendations:

- **The Price of Government** – to ensure that Kirkland's services remain affordable to the residents;
- **The Kirkland Quad Chart** – to ensure through surveys and outreach that the City provides the services that matter most to the community, and does so in a way that meets the performance expectations of the residents;
- **The 2017-2022 Financial Forecast** – to recognize that the projected revenue through 2021 is insufficient to meet the expenditures necessary to fund Kirkland's current level of service over that same time frame. This "diverging line" problem is compounded after 2021 with the expiration of the Annexation Sales Tax Credit. Solving the diverging line dilemma requires careful planning and either significant new tax revenue, curtailed City expenditures, or a combination of new revenue and lower cost growth.

Along with the Strategic Anchors, the framework also builds off of key City Council initiatives to make measurable progress in implementing the **Council Goals** through an adopted biennial **City Work Program**. The budget recommendations are also structured with the goal of maintaining Kirkland's AAA credit rating.

The influence of the anchors on the budget recommendations, and the impact of the proposals on the anchors, are described later in the budget message. In the sections that follow, we highlight changes in revenues and expenditures and then categorize all notable investments under the appropriate **Council Goal**.

**INTRODUCTION**

The 2017-2018 Budget continues the themes of "**Stay Steady, Get Ready**" that were the foundation of the 2015-2016 Budget. This budget strives to be disciplined and conservative. It invests the revenues from the economic rebound in the "**Stay Steady**" strategy of replenishing reserves and addressing capital needs, while limiting increases in on-going costs to prepare for the 2021 expiration of the Annexation Sales Tax Credit (ASTC), a loss of \$4 million per year in operating revenues. At the same time, this budget fully funds previous service levels and makes significant one-time investments in modernization, efficiencies, and backlog reduction to allow the current work force to serve the public better and more effectively. Key features supporting the "stay steady" component include:

- Continued dedication of 1% of the operating budget to replenish reserves,
- Utilization of the modified two-year lag for sales tax revenue,
- Continued efforts to control wage and benefit growth, most notably through continuation of the Healthy Kirkland Initiative which is helping employees get healthier while saving hundreds of thousands of dollars by slowing the growth of health care costs for the City, and
- Replacement of the City's 18 year old core financial system which is no longer supported by the vendor. A modern Enterprise Resource Planning (ERP) solution including Financial and Human Resource software should dramatically improve the efficiency and effectiveness of both the Finance and Human Resources Departments.

For the first time since the recession, the City is also using \$2.4 million in General Fund resources toward capital projects.

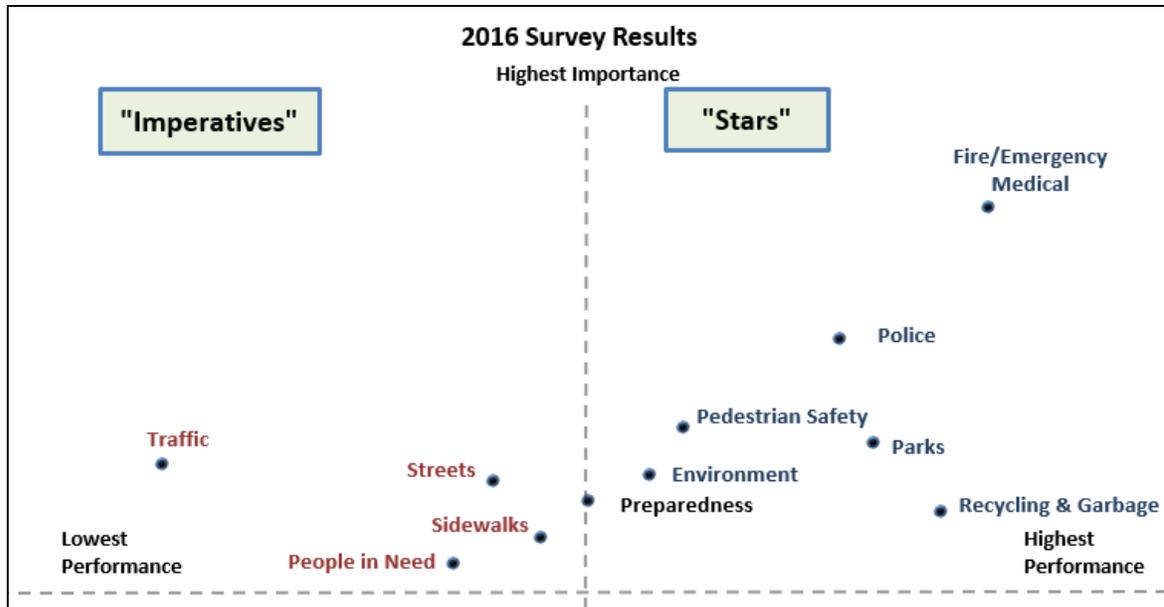
But for this biennium, Kirkland must not just **"Get Ready"** for the expiration of the annexations sales tax credit, it must also get ready to accommodate the tremendous growth we face.

This budget includes several significant measures to help deal with the ASTC expiration including:

- Planned completion of reserve replenishments from on-going revenues by the end of the 2019-2020 biennium, which will free up funds to reduce the gap in 2021;
- Planned reduction in debt service payments related to the Kirkland Justice Center and use of Real Estate Excise Tax (REET) toward a portion of those payments starting in 2021, which also frees up ongoing revenue to be applied to the gap.
- \$5 million in REET 2 balances that have been earmarked toward the City's \$15 million commitment to public infrastructure under the Totem Lake Development Agreement. Using unallocated REET funds for a portion of this investment reduces the planned debt service backed by the general fund. This avoids dedicating approximately \$350,000 per year (depending on interest rates) to debt service and allows it to be applied towards the gap.
- Setting aside an additional \$500,000 in ongoing funds to prepare for the sunset of the ASTC. These funds are currently planned to be added to the Major Systems Reserve, but they could also be set aside in a separate "Annexation Sales Tax Transition Reserve" for future funding needs with the loss of the ASTC in 2021.

If these combined efforts are sustained in future budgets, they reduce the \$4 million annual gap by approximately \$2.5 million. A major component to addressing the remainder is **economic development**. With the groundbreaking this year of both Kirkland Urban (on the former Park Place site) and the Village at Totem Lake, this piece of the strategy is starting to unfold. However, this also means that thousands of residential units and over a million square feet of office and commercial development are in the permit pipeline right now in the City. This budget prepares for this growth in many ways.

The key to maintaining quality of life in the face of growth is to preserve those things that make Kirkland such an exceptional place to live, work and play. The Kirkland Quad provides guidance for the services that matter to our public, which services we are providing well and which need improvement. The goal of the 2017-2018 budget is to preserve performance of the "stars" while also improving results of key "imperatives" in the face of such large scale redevelopment as the City is experiencing.



**The Stars – Services that are top priorities to residents which are performing well**

The most fundamental duty of the government, and the top priority of our residents, is to protect public safety. To keep the new buildings, new residents and new employees safe, this budget invests in new police resources and firefighters and the equipment and vehicles they need to perform their jobs. This budget also invests meaningfully in environmental protection, particularly in the area of water quality and storm water protection. Significant funding of parks and recreation services and related maintenance helps to maintain the quality of life. In addition, a dedicated Parks Sinking Fund to maintain park structures is established for the first time. The City’s strong commitment to improved pedestrian safety also continues.

**The Imperatives – Services that are top priorities to residents that need to improve**

The budget takes important steps to help people in need. It increases the on-going commitment to human services grants and fully funds “Option 2”, recommended by the Human Services Advisory Commission which maintains current (2016) funding levels. In addition, this budget proposes the first major increase in A Regional Coalition for Housing (ARCH) Trust Fund contribution since annexation in 2011. The budget proposal also dedicates millions of dollars to improve streets and traffic flow, and reduce congestion by providing options to walk, bicycle or ride transit.

The remainder of this budget message will outline in more specific detail how the proposed budget implements the Kirkland Quad priorities and accomplishes the Council goals.

**BUDGET SUMMARY**

In keeping with the biennial budget format, most of the descriptions and comparisons presented in the budget reflect two-year totals. In some cases, annual changes are shown to illustrate trends.

**The total biennial budget for 2017-2018 is \$694.4 million** which is a 7.5% increase from the 2015-2016 budget of \$645.8 million. Factors contributing to the change include:

*Major Increases*

- Increased spending for Public Safety and Transportation improvements in the capital budget;
- Higher revenue collections in 2016 for sales taxes, which adjusts the basis used for both 2017 and 2018;

- Increases in expected revenues from impact fees due to the high level of development activity, which are used to fund capacity projects for Parks and Transportation;
- Assumed reserve replenishment of one-percent of General Fund revenue and other substantial reserve additions described in later sections;
- Water, sewer and surface water rate increases approved by Council on October 4, 2016 and solid waste rate increases approved by Council on October 18, 2016 primarily to reflect pass through increases from other agencies; and,
- Higher debt service payments due to the inclusion of debt for the City Hall Remodel project.

*Major Decreases*

- Lower costs for external services, including NORCOM and liability insurance payments to the Washington Cities Insurance Authority (WCIA);
- Lower internal charges for fleet costs, largely due to reduced fuel costs; and,
- Lower health benefit payments to the Health Fund, due to recalibration of premium payments due to transition to the high deductible plan for self-insurance.

The following table shows the relative change in the budget’s major components:

	<b>2015-16 Budget</b>	<b>2017-18 Budget</b>	<b>% Change</b>
<b>GENERAL GOV'T</b>			
General Fund	202,056,951	215,882,713	6.8
Other Operating	32,768,364	31,817,725	(2.9)
Internal Service Funds	81,317,730	79,391,256	(2.4)
Non-Operating Funds	155,358,229	186,203,948	19.9
<b>UTILITIES</b>			
Water/Sewer	95,410,865	100,231,004	5.1
Surface Water	44,631,864	44,416,829	(0.5)
Solid Waste	34,292,594	36,424,964	6.2
<b>TOTAL BUDGET</b>	<b>645,836,597</b>	<b>694,368,439</b>	<b>7.5</b>

**The general fund budget totals \$215.9 million**, which represents a two-year increase of 6.8% over the previous two-year period. Much of the increase in the General Fund is driven by assumed growth in wage and benefit costs, additions to reserves, and funding of service packages, as described below.

The typical focus for the Council’s budget discussion relates to the operating budget which accounts for basic services to the public. The most important (and largest) component of the operating budget is the General Fund which accounts for the majority of general government services and most of the City’s general purpose revenue sources. The following sections describe overall revenue and expenditure trends that influenced this budget recommendation and provide a context for understanding this budget and for future financial planning decisions.

<b>GENERAL FUND TRENDS</b>
----------------------------

The General Fund forecast for the 2017-2018 biennium presented at the City Council Retreat in May projected a very small shortfall between ongoing revenues and expenditures in 2017-18 (approximately 0.27%). Since that time, the General Fund revenue and expenditure projections have been refined as part of the budget process to reflect current economic conditions and the budget information submitted by departments. The result is that there was a small amount of on-going General Fund revenue available (before service packages) to fund identified on-going needs. In addition, one-time resources from revenues collected in 2015-2016 over budgeted amounts were available to fund one-time service packages. Over half these available funds are the planned result of the City’s policy to budget sales tax

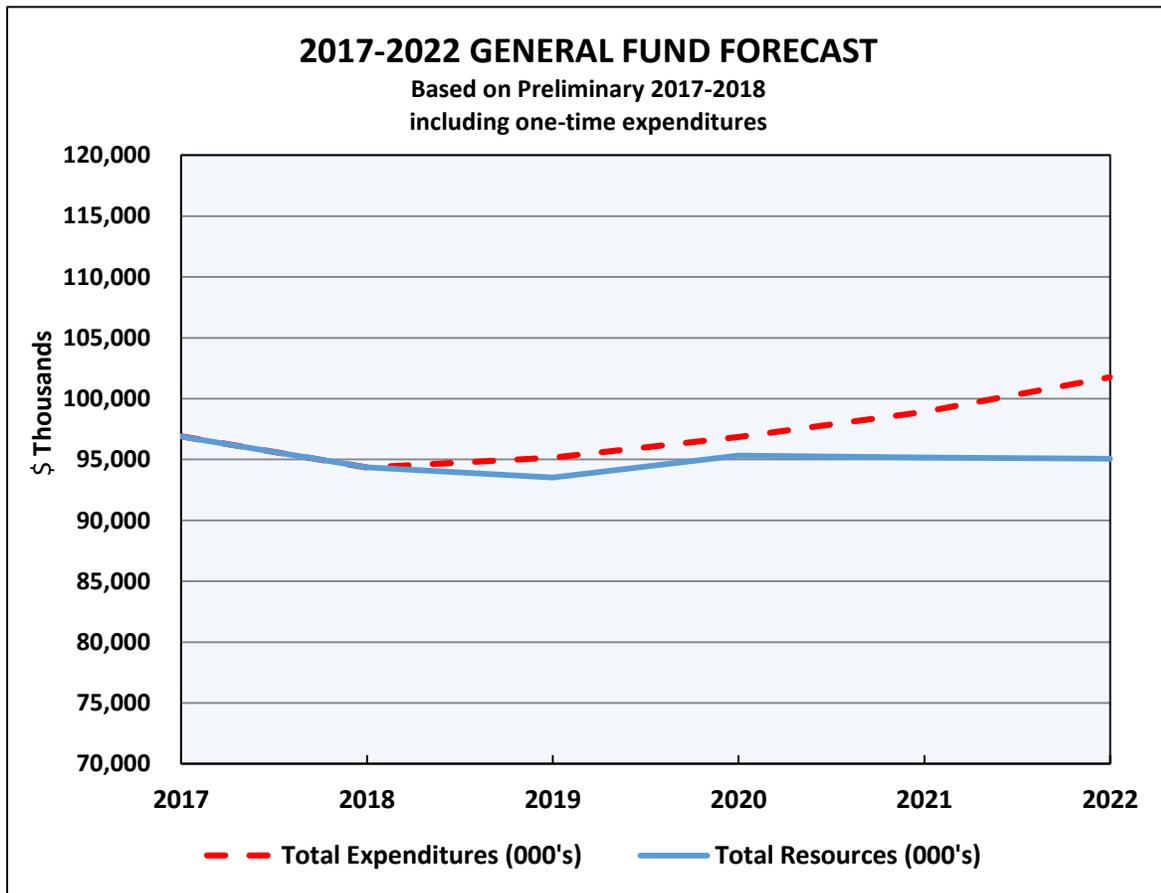
on a modified two-year lag. The major revenue and expenditure assumptions, are discussed further below.

The revised forecast reflects a balanced budget for 2017-2018, although there is still a structural imbalance in subsequent years due to the underlying mismatch between predictable growth in revenues and the rate of cost increase to provide City services. The imbalance is also exacerbated by the expiration of the Annexation Sales Tax Credit in 2021. The gap continues to narrow compared to the prior forecast, due to actions taken to balance this budget and the City's continued focus on "bending the cost growth curve" to a more sustainable level. These actions are discussed in more detail in the [Budget Balancing issue paper](#).

One of the issues in balancing the budget was the number of one-time expenditures from the 2015-2016 budget, including mid-biennial and mid-year adjustments. The revised financial projections allowed a few of those services to be funded with on-going revenues beginning in 2017, but the majority of those identified needs are funded again with one-time funds. The following table includes service packages that are funded as one-time in 2017 and 2018 that are not supported by ongoing revenue:

<b>Service Package Title</b>	<b>2017</b>	<b>2018</b>
2018 Community Survey	-	30,000
4Culture Arts Sustained Support	8,000	8,000
ARCH Housing Trust Fund HTF	415,000	415,000
CIP Outreach Coordinator	67,090	67,509
Community Programs and Events	32,000	16,000
Commute Trip Reduction Enhancements-ORCA	43,125	86,250
Commute Trip Reduction Incentives - Outside Businesses	-	60,000
Court Security	111,768	108,441
Eastside Timebank Operating Support	3,000	3,000
Engineering Program Assistant	49,223	49,508
Grant Support for Capital Engineering	30,000	30,000
Jail Administrative Support	75,719	72,999
Kirkland Performance Center (KPC) Operating Support	50,000	50,000
Leadership Eastside Leadership Enrichment Program	12,000	12,000
Learning Management System	13,011	13,011
Monetary Recovery - Pilot Program	5,000	5,000
Neighborhood Traffic Control Coordinator	67,090	67,509
State Legislative Advocacy Services	60,000	60,000
Supplemental Human Services Grant Funding	84,865	84,865
Transportation Planner	128,603	135,055
<b>Total</b>	<b>1,255,494</b>	<b>1,374,147</b>

The following chart represents the financial projection if these uses were to continue beyond 2018:

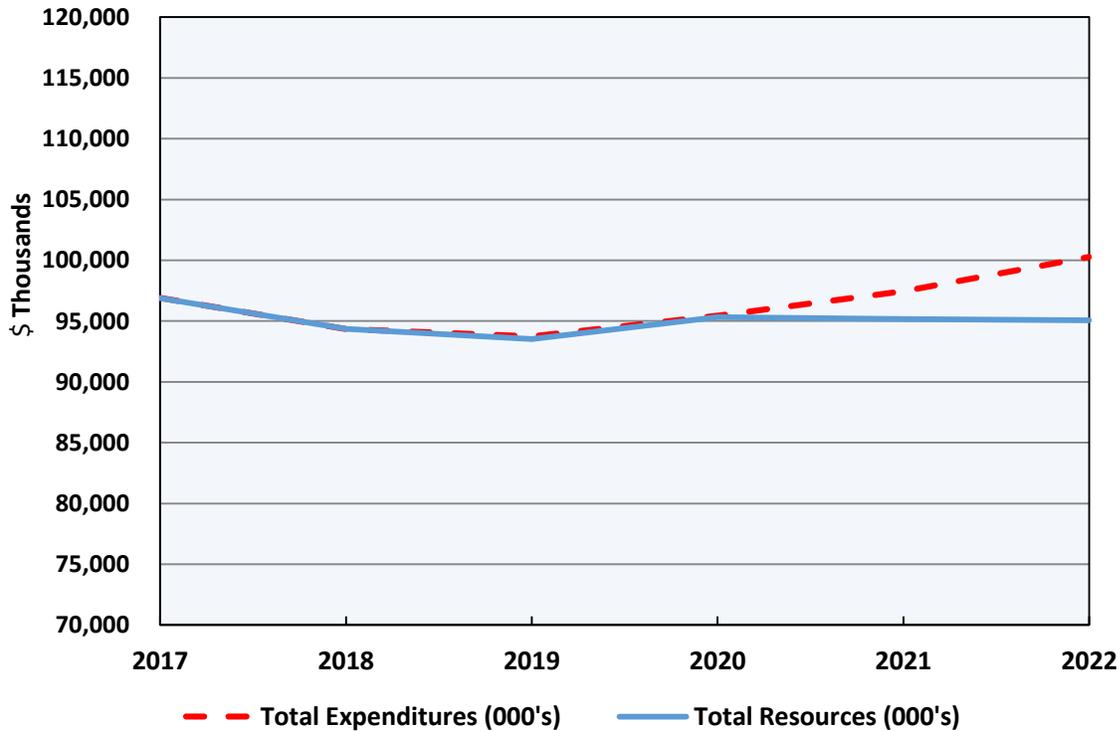


	2017	2018	2019	2020	2021	2022
Total Expenditures (000's)	96,909	94,338	95,152	96,866	98,916	101,753
Total Resources (000's)	96,892	94,355	93,528	95,316	95,176	95,076
<b>Net Resources (000's)</b>	<b>(17)</b>	<b>17</b>	<b>(1,624)</b>	<b>(1,550)</b>	<b>(3,740)</b>	<b>(6,677)</b>
<b>Biennium Total (000's)</b>		<b>0</b>		<b>(3,174)</b>		<b>(10,417)</b>

As shown in the chart, the 2019-2020 biennial deficit would be approximately \$3.2 million, growing to \$10.4 million in 2021-2022 after the expiration of the Annexation Sales Tax Credit. From an alternate perspective, if these one-time items are not continued beyond the current biennium the 2019-2020 deficit would decrease to \$0.3 million, with a \$7.5 million deficit after the expiration of the ASTC. This is shown in the following chart:

## 2017-2022 GENERAL FUND FORECAST

Based on Preliminary 2017-2018 Budget  
Excluding one-time expenditures



	2017	2018	2019	2020	2021	2022
Total Expenditures (000's)	96,909	94,338	93,750	95,436	97,457	100,264
Total Resources (000's)	96,892	94,355	93,528	95,316	95,176	95,076
<b>Net Resources (000's)</b>	<b>(17)</b>	<b>17</b>	<b>(222)</b>	<b>(120)</b>	<b>(2,281)</b>	<b>(5,188)</b>
<b>Biennium Total (000's)</b>		<b>0</b>		<b>(342)</b>		<b>(7,469)</b>

### REVENUE TRENDS

Revenues continued to improve during 2015-2016, with sales tax growth building on the base set in 2013-2014. The assumptions for revenue growth reflect cautious optimism related to continuation of moderate growth. No increases in tax rates are reflected in the preliminary budget, except for the 1% optional increase in property tax. The Revenue Generating Regulatory License, a per FTE charge to businesses operating in Kirkland, is proposed to increase from \$100 per FTE to \$105 per FTE. This change, the first to this fee since its inception in 2009, is expected to generate \$140,000 per year for public safety investments. The table that follows provides a summary of the major General Fund revenue changes.

<b>GENERAL FUND REVENUE SUMMARY</b>			
<b>Category</b>	<b>2015-16 Budget</b>	<b>2017-18 Budget</b>	<b>% Change</b>
Property Tax	35,343,807	36,902,400	4.4
Retail Sales Tax	35,927,494	39,782,000	10.7
Annexation Sales Tax Credit	7,727,500	7,870,000	1.8
Utility Tax	30,191,031	29,476,871	(2.4)
Business Licenses /Permits	5,943,797	6,448,609	8.5
Liquor Profits/Excise Tax	2,009,501	2,235,679	11.3
Development Fees	13,582,489	15,247,174	12.3
Internal Charges	13,276,029	13,965,450	5.2
All Other	31,871,308	34,036,177	6.8
<b>SUBTOTAL-CURRENT REVENUE</b>	<b>175,872,956</b>	<b>185,964,360</b>	<b>5.7</b>
Resources Forward	26,183,995	29,918,353	14.3
<b>TOTAL BUDGET</b>	<b>202,056,951</b>	<b>215,882,713</b>	<b>6.8</b>

**Property tax** supports services in the General Fund, Street Operating Fund (117), Parks Maintenance Fund (125), and 2012 Parks Levy Fund (128). A one percent increase in revenue from new construction is assumed for 2017 and 2018, along with a one percent optional increase in the levy each year. RCW 84.55.0101 requires a resolution declaring “a finding of substantial need” to take the one percent optional increase in 2017, as the implicit price deflator (IPD) for the past 12 months is 0.953%. Note that with the annexation, three City property tax rates apply to different areas of the City, with the pre-annexation City paying for existing voted debt, those previously served by Fire District 41 paying a tax component toward the District’s remaining debt, and those previously served by Woodinville Fire and Rescue paying only the base rate.

For the Street, Parks Maintenance, and Parks Levy funds, property tax is either the primary or sole source of income, the growth of which is legally restricted to one percent plus new construction. Historically, the growth in revenues has not been sufficient to offset the growth in costs, necessitating service level adjustments and/or some level of general fund subsidy. The Street Fund is projected to use cash reserves to support budgeted expenditures. Public Works has been focused on expending budgeted resources to provide funded service levels. If this effort is successful and there are not under-expenditures in the Street Fund (which have offset the need to use reserves in the past), there will soon come a point where service levels may need to be adjusted or additional general fund resources allocated. This dynamic is worsened by the fact that the street light costs in the annexation area are currently funded by the Annexation Sales Tax Credit (ASTC) in the amount of \$285,000 per year, which will expire in 2021. The 2012 Park Levy fund does not yet require a subsidy as additional revenues were built in to help recognize the costs of inflation in the early years with the expectation that the level of capital funding will decline after the initial projects are completed to help revenues keep pace with future operating expenses. Given the complex dynamics of these funds, staff is closely tracking cash flow trends.

**Sales tax** revenue has continued to show improvement over the last biennium. The 2017-2018 Budget continues the “modified” two year lag strategy that was applied to the 2015-2016 Budget. The 2017 budgeted sales tax revenues are set equal to the estimated 2016 revenues. For 2018, the preliminary budget is also based on estimated 2016 revenues. The modified approach represents a hedge against the expiration of the state annexation sales tax credit in 2021. By using this more conservative strategy, the City can use any actual growth in sales tax in each biennium toward capital or other one-time needs and then, in 2021, consider returning to the one-year lag strategy. The budget assumes that the revenues from the Annexation Sales Tax Credit (ASTC) continue at the current level of approximately \$4 million per year through the biennium.

**Utility taxes** represent another large General Fund revenue source. This category is composed of taxes on both public and private utilities. Private utility taxes, including electric, gas, telecommunications and cable utility taxes are budgeted to remain at 2016 estimated levels (which are estimated below budget) due to the uncertainty about how these can change based on weather conditions (gas, electric) and the regulatory environment (telecommunications, cable). Public utility taxes, including Water/Sewer, surface water and solid waste, are projected to increase concurrent with adopted rate changes.

**Business license fees** consist of a base fee of \$100 that is shown in the license and permit category and the revenue generating regulatory license fee of \$100 per full time equivalent employee (FTEs), which is shown in the tax category. The fee per FTE has not been increased since it was put in place in 2009. The preliminary budget proposes to raise the fee per FTE to \$105, which is less than the impact of inflation since that time. The additional revenue of \$280,000 will provide capacity to support the addition of a 1.0 FTE ProAct police officer. A second ProAct officer is funded by reassigning the Eastside Narcotics Task Force officer, since that program has been discontinued. Note that \$540,000 of the business license fee revenue is budgeted in the Street Fund to support transportation needs.

**Development fee** revenues have hit all-time highs during 2015-2016, driven in part by the redevelopment of Kirkland Urban (formerly Park Place) and the Village at Totem Lake. The 2017 budget projects continued robust development activity, with a return to more moderate levels in 2018. Note that revenues collected that are unspent at the end of the biennium are set aside in reserves to accomplish future work.

Consistent with the Kirkland Municipal Code (KMC 5.75.010), the budget assumes an inflation adjustment to the City's **EMS transport fees** of 2% in 2017 and 2018. The EMS transport fee was established in 2011 to restore proposed reductions in EMS services ("rolling brownouts") during the recession. Overall General Fund revenues have recovered sufficiently since the recession that the EMS transport fee revenues can now be used to add firefighters. In mid-2016, the Council approved adding 5 firefighters using one-time funds so that recruits could enter the training academy. Those positions are funded with ongoing revenue in the 2017-2018 budget using EMS transport fee revenues.

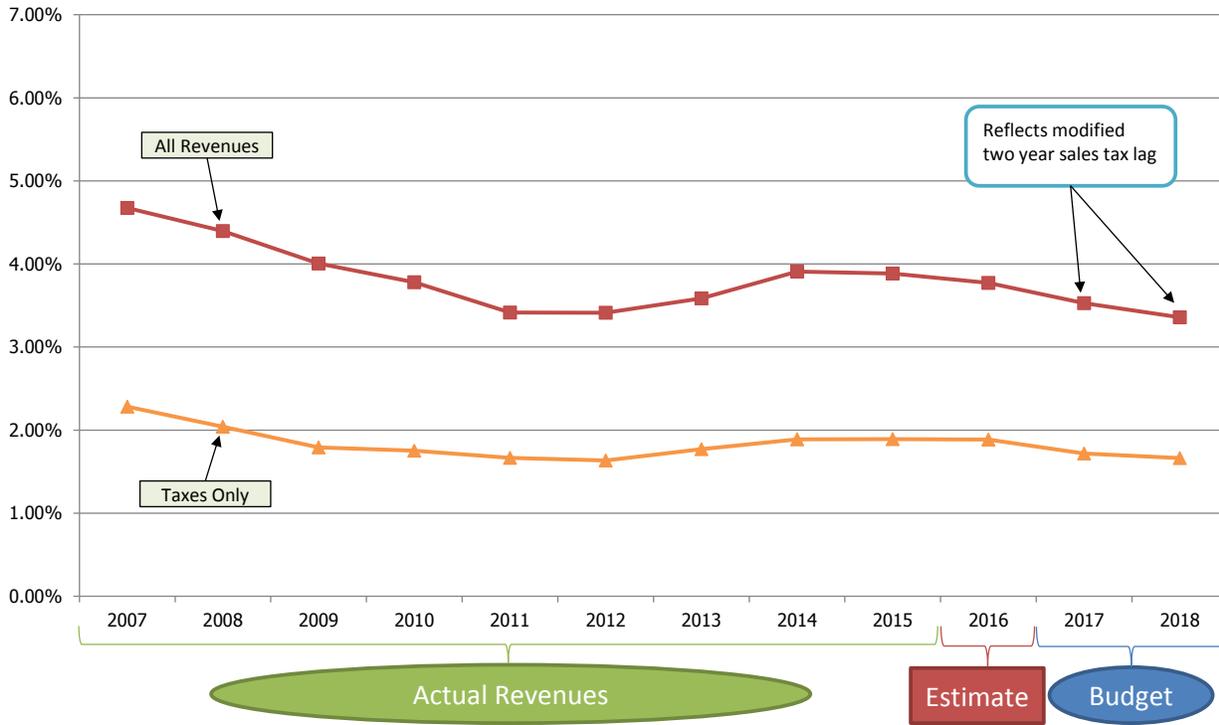
While not a General Fund revenue, **Real Estate Excise Tax (REET)**, which is generated by the sale of real property, has been made available by the State Legislature to provide maintenance for facilities constructed with REET funds. The budget reflects using REET revenues to support some street and parks maintenance during the upcoming biennium. In addition, \$5 million in REET 2 balances have been earmarked toward the City's \$15 million commitment to public infrastructure under the Totem Lake Development Agreement to reduce future debt service requirements.

#### **THE KIRKLAND "PRICE OF GOVERNMENT"**

In evaluating these revenue assumptions, one question raised by taxpayers is "how affordable is government"? The "Price of Government" is a measure of this concept used by some jurisdictions as a comparison of the revenues from taxes and fees of the government to the aggregate personal income level of the City's constituents. In general terms, the calculation is used to help define a band in which residents are willing to pay for government services.

The graph that follows shows Kirkland's Price of Government as a percent of personal income decreasing over the past several years with projections of 3.5 percent in 2017 and 3.3 percent in 2018 in the proposed budget reflecting the modified two-year sales tax lag. Over that period, total revenues as a percentage of personal income have ranged between three and four percent. As noted in the last budget, a Price of Government between 5 percent and 6 percent is typical for local governments. This approach does not provide a tool for universal evaluation across cities. Differences in service delivery approaches and expectations make cross city comparisons virtually impossible. The value of this approach is largely with respect to the City's own history, and by this metric Kirkland continues to improve its affordability.

**The Price of Government**  
**City of Kirkland, Washington**  
 (Revenue as a percent of Aggregate Personal Income)



**EXPENDITURE TRENDS**

Salary and benefit costs comprise over 58.3% of the General Fund budget. **Salary costs** are assumed to increase by 2.0% in both 2017 and 2018. AFSCME and Teamsters contracts are settled through 2017 with a 2.0% increase and management and confidential (MAC) salary increases are expected to be consistent with the AFSCME contract. The Police Guild, Lieutenants and Non Commissioned bargaining units are open in 2017, as well as Firefighters which is currently open. Funds have been set aside in the Nondepartmental budget to be distributed for personnel cost increases and in anticipated settlement of the open contracts, assuming potential annual raises of 2% each year. Offsetting a portion of the wage growth is the impact of staff turnover, primarily due to retirements and the strong job market. To help attract and retain employees, the budget includes a one-time pilot program to provide Orca passport cards to City employees.

The Healthy Kirkland program implemented in 2015 has been successful in holding medical **benefit costs** flat since 2014. Prior budgets used the demographic average for the City as a whole (employee, spouse, and 0.3 dependent) to budget costs by department and fund. This approach resulted in some departments/funds being under budget if their employees had less than that average and other departments being over budget if their demographic was higher than average. The 2017-2018 Budget reflects the actual demographic average of each department/fund at the time the budget was developed. This approach should provide a more accurate picture by department, but there is also a risk that, as turnover occurs, the demographic for any individual department could shift. Additional funds totaling \$0.8 million have been added to the General Fund working capital to help mitigate for this risk.

Budgeted benefits include pension contributions, which are projected to increase into the future. These rates are set by the State of Washington. The rates used for the Public Employees' Retirement System contributions, the Public Safety Employees Retirement System contributions and the Law Enforcement Officers 2 Retirement System contributions increased by 1.9 percent, 4.9 percent and 2.3 percent, respectively.

The recommended budget provides for significant investments in **Public Safety**, one of the top priorities to the Kirkland community. These investments include creating two ProAct Officer positions with the addition of one FTE and reassigning the ENTF officer since that program has been discontinued, adding 1.2 Justice Support Officers to provide security at the Municipal Court, funding the addition of 5 on-going firefighter FTEs to fill a 4<sup>th</sup> firefighter position at Fire Station 25 using EMS transport revenues, and funding election costs and a public process for a potential ballot measure in 2018 related to fire station modernization and operations. A more complete list of proposed investments in Public Safety can be found in the *Key Recommendations by Goal Area* later in the budget message.

**Facilities** to serve the larger City continue to be a focus. With the completion of the City Hall remodel at the end of 2016, focus will shift to meeting the needs of Parks and Public Works maintenance. In addition, the City is actively pursuing the purchase of property for the new Fire Station 24 and the possible relocation of Fire Station 27, while renovations to Fire Station 25 are currently in the design phase.

This budget continues the City's commitment to investing in **Human Services**. The preliminary budget funds human services grants at a level consistent with 2016 and includes a one-time increase of \$200,000 to the City's contribution to the ARCH Trust Fund. More detail can be found in the [Human Services issue paper](#).

For the first time since the recession, the City is using \$2.4 million in General Fund one-time cash resources toward **capital projects**. Capital investments from this source include Fire Station 27 property acquisition (\$1.7 million), emergency generators (\$60,000), on-going support of Geographic Information Systems (GIS) (\$224,000), Court system improvements (\$154,000), TRIM/Sharepoint upgrade (\$37,100), and funds in addition to those from the Major Systems Reserve for the Financial and Human Resources software replacement (\$200,000).

The City has a number of sinking funds to ensure that we can "take care of what we have", including City Facilities, Fleet, IT infrastructure, PCs, and Public Safety Equipment. This budget proposes establishing a new **Parks Facilities Sinking Fund** to ensure that major maintenance on structures in the parks is funded in a timely manner. A starting balance of \$500,000 is recommended from General Fund cash, with on-going contributions to begin in 2019 from 2013 levy capital funds. Additional description of the parks facilities funding strategy is included in the [Park Facilities Sinking Fund issue paper](#).

One of the strategies to absorb the loss of the ASTC in 2021 is the planned one percent of General Fund revenues used for reserve replenishment. This replenishment can be discontinued after reserves meet policy targets. Continuing planned reserve replenishment of one-percent of General Fund revenue results in a total of \$1.8 million of the projected 2017-2018 operating revenues being set aside toward the reserve target level, based on the Council's reserve replenishment principles as adopted by resolution (R-4948). Staff is recommending other substantial additions to reserves, including:

- Adding \$500,000 to the Major Systems Reserve for potential additions needed with the replacement of the Financial and Human Resource system (although Council may wish to use this to create an ASTC transition fund);
- Transferring an additional \$563,000 from the 2016 year end cash surplus to the General Capital Contingency; and,

- Retaining \$4.3 million in development revenues in reserves to accommodate future workload, given the volatility of the development cycle.

It is important to remember that reserve targets are set as percentages, and not fixed dollar amounts and therefore increase as the City’s budget increases. However, the reserve targets are projected to be met by the end of the 2019-2020 biennium, allowing for elimination of this budget item to help offset loss of the ASTC.

As discussed above, there were a number of one-time service packages budgeted in 2015-2016, including additions at the mid-biennium. Some of these service packages are recommended for ongoing funding in 2017-2018, while many continue to be funded using one-time revenues and a few are not recommended to continue in favor of other funding priorities. **Service packages** were evaluated in the context of reprioritizing or trade-offs and many proposed additions are supported by new revenues or through reductions or reallocations in other activities. The table that follows provides a brief summary of the staffing additions and the proposed funding sources.

<b>General Fund</b>	<b>Ongoing</b>	<b>Temporary</b>
Development Fees/Reserves	0.50	7.50
Other Revenues/Balances	4.00	1.25
Capital Improvements Program	(0.20)	-
Position Authority Only (Overhires)	5.00	-
One-time cash	-	5.50
<b>Subtotal General Fund</b>	<b>9.30</b>	<b>14.25</b>
<b>Other Funds</b>		
Utility Supported	2.75	-
Internal Rate Supported	0.50	2.00
Other Revenue/Balances	0.25	0.98
<b>Subtotal Other Funds</b>	<b>3.50</b>	<b>2.98</b>
<b>Grand Total Service Packages</b>	<b>12.80</b>	<b>17.23</b>

The recommended service packages include a variety of one-time investments that result in efficiencies or enhance productivity. These investments include replacement of the City’s aging Finance and Human Resources software, purchase of a 5-ton dump truck for the Parks department to be able to transport larger loads more economically, temporary staff to clear backlogs in business licensing, false alarms, and police records and funding for an IT infrastructure assessment to ensure that the City is planning ahead to capitalize on evolving technology.

The City Manager’s recommendations regarding these service packages are summarized in the following sections, including a limited number of on-going service packages and requests funded using one-time resources. The full list and recommendations are summarized later in the budget document.

<b>COMMUNITY AND COUNCIL PRIORITIES</b>
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One of the main tools used to assess the **community’s priorities** is the **Citizen Survey** that the City conducts every two years. The results of the most recent survey (May 2016) were presented to the City Council at the May retreat. The overall results indicated that 86% of those surveyed rated Kirkland as a “very good” or “excellent” place to live. An additional 9% rated the City as “satisfactory”. One of the key graphics from that survey is the *Quadrant Analysis*, which provides an important basis for prioritizing the proposed budget recommendations. The survey report describes the *Quadrant Analysis* as follows:

*"Plotting the importance and performance on a quadrant chart allows items to be categorized in the following ways:*

**1) High Importance & Performance (top-right quadrant)** – These are the services that residents view as very important and that the City is doing best with. Items in this category should be considered Kirkland’s most valued strengths.

**2) High Importance, Low Performance (top-left quadrant)** – Services falling into this category should be viewed as opportunities for improvement. These are the items that residents feel are very important but the City could be doing better with. Improving the services in this quadrant will have the greatest effect in improving citizens’ overall favorability of the City.

**3) Low Importance & Performance (bottom-left quadrant)** – Services in this category are low-priority items for residents and so lower performance here is not a critical issue for them. Some of these items may be raised by a vocal minority of residents but, for the most part, focusing too much on them will have a minimal impact on improving overall attitudes about the City.

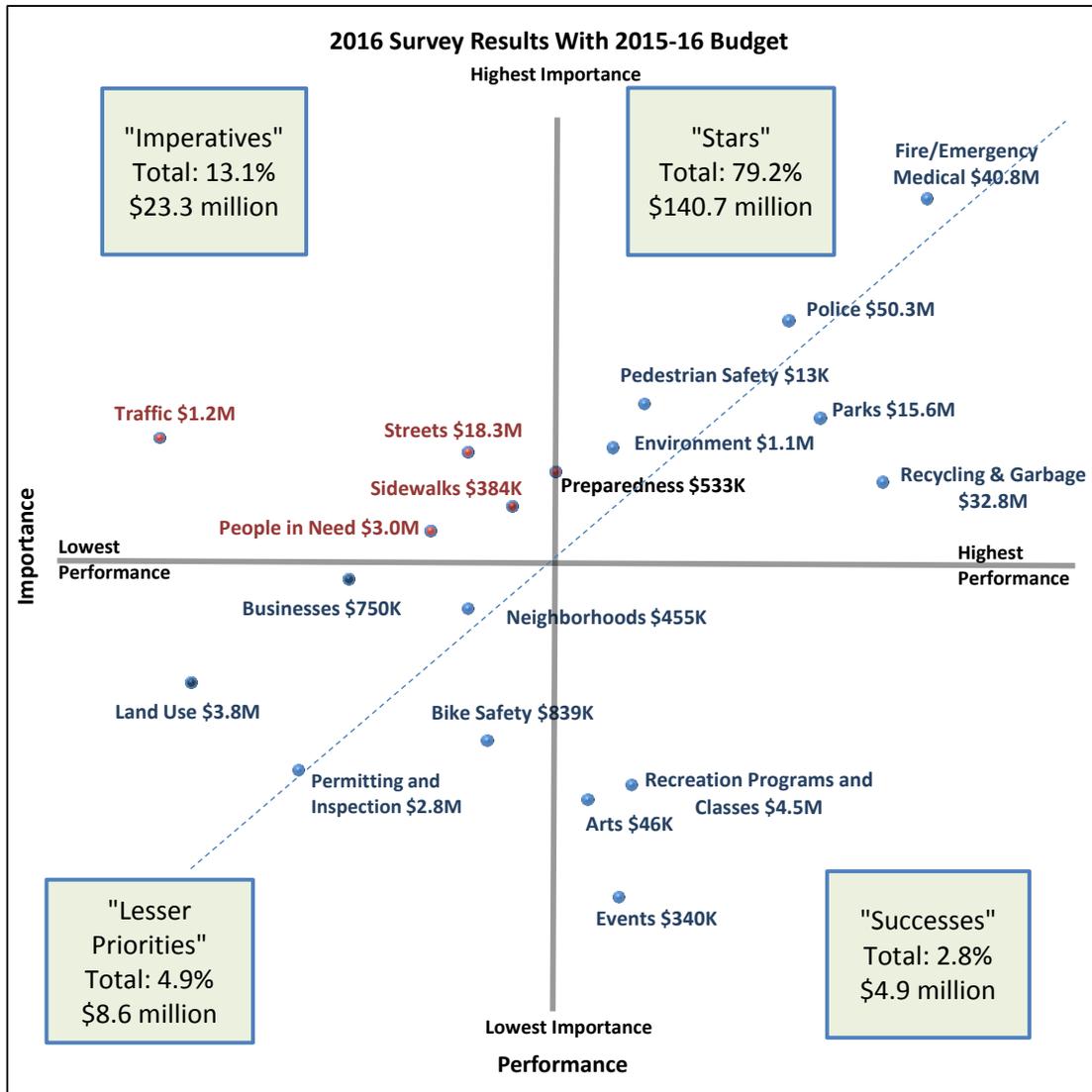
**4) Low Importance, High Performance (bottom-right quadrant)** – This quadrant represents services that citizens think the City is doing well with but are believed to be less important. While items in this quadrant can be considered successes with certain niche groups, for most citizens, they are not major drivers of the City’s favorability.

The diagonal line overlaying the chart represents where the ideal performance should be relative to the level of importance. Services falling on or near this line are performing optimally compared to how citizens value them. Items significantly left of the line may be potentially valuable improvement opportunities (even if they appear in quadrants 1 or 3) while items far right of the line may result in wasted resources if given too much focus.

This view shows that, overall, many items are exactly where they should be, with appropriate performance levels for their importance. Further, it once again shows that the City is doing well with most of the higher importance items – fire & emergency, police, parks, pedestrian safety, recycling/garbage and environment.

The most critical area for improvement opportunities is managing traffic flow. Among the higher importance services/functions, city parks and recycling/garbage services are over performing.”

The City turns the *Quadrant Analysis* into the “**Kirkland Quad**” by adding the budget allocated to each of the surveyed services and referring to the four quadrants described above as “Stars”, “Imperatives”, “Lesser Priorities”, and “Successes”. The Kirkland Quad that follows shows the 2016 survey results with the related expenditures on the surveyed services in the 2015-2016 budget. A version reflecting the 2017-2018 preliminary budget follows the *Key Recommendations by Goal Area* summarized below.



#### KEY RECOMMENDATIONS BY GOAL AREA

The City Manager’s recommendations were crafted to address the community and City Council priorities within the context of the City Council goals. The funded service packages, key policy recommendations, and major capital investments are presented within the goal area they primarily support, although many of the recommendations support multiple goals.



*The citizens of Kirkland experience a high quality of life in their neighborhoods.*

Goal: Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure.

- Fund the 2018 Community Survey to assess priorities and satisfaction, \$30,000 one-time
- Increase Neighborhood Services Matching Grant to match 2015-16 level, \$10,202 one-time
- Continue the CIP Neighborhood Services Outreach Coordinator position to enhance communication about capital projects, \$134,599 (temporary 0.5 FTE)

- Add a new Senior CIP Neighborhood Services Outreach Coordinator position to provide senior level public outreach and involvement processes for the City's Capital Improvement Program, \$151,740 ongoing (offsetting revenue and expenditure savings of \$151,740)
- Provide neighborhood leadership training through Leadership Eastside by funding registration for neighborhood leaders, Board or Commission members and City employees (three in 2017 and three in 2018) to enroll, \$24,000 one-time



*Ensure that all those who live, work and play in Kirkland are safe.*

Goal: Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.

- Fund Fire Station renovation (Station 25), replacement (Station 24) and property acquisition (Station 27), \$16.4 million in the 2017-2018 CIP
- Municipal Court Security, add 1.20 FTE temporary Justice Support Officers, \$220,209 one-time
- Authority for 2.0 FTE over hire Police Officer positions and 3.0 FTE over hire Firefighter positions to address staffing shortages and anticipated upcoming retirements: overhire positions are positions only funded as needed
- Reestablish Police ProAct Unit with 2.0 FTE ProAct Officers by adding 1 officer and redirecting the Eastside Narcotics Task Force (ENTF) officer to Pro Act, \$377,678 (offsetting revenue of \$320,000)
- Funding for the City to provide an Animal Services Program locally beginning in 2018, includes one-time start-up costs of \$160,703 in 2017 for purchasing equipment and adding an ongoing 1.0 FTE, ongoing costs of \$187,194 in 2018 (offsetting revenue of \$284,330)
- Purchase 4 tablets for Incident Command System to be placed in Fire command vehicles, \$8,880 (\$4,000 one-time, \$4,880 ongoing)
- Replace and update gas monitors at all Fire stations to meet regulations on gas detectors, \$66,258 (\$45,658 ongoing, \$20,600 one-time)
- Purchase two vehicles for Fire Prevention staff, \$89,234 (\$48,000 one-time, \$41,234 ongoing)
- Update Alerting Systems at Stations 26 (\$6,800 one-time) and 27 (\$95,000 one-time)
- Purchase station beds for fire stations 21, 22, 26 and 27 to increase availability of storage, \$32,500 one-time
- Fund firefighter recruits to attend the Eastside Metro Training Group (EMTG) Recruit Academy, \$57,000 ongoing (offsetting revenue of \$57,000)
- Continue a temporary 0.5 FTE Neighborhood Traffic Control Coordinator, \$134,599 one-time
- Continue a temporary 0.75 FTE Engineering Program Assistant responsible for ongoing work tasks related to Kirkland's neighborhoods and public safety, \$98,731 General Fund, \$52,615 Street Fund, one-time
- Continue a temporary 1.0 FTE Police Support Associate to assist with records maintenance and requests and provide supplemental administrative support, \$161,839 one-time
- Fund a temporary 1.0 FTE Jail Administrative Support, \$188,718 one-time
- Fund on-site medical care for inmates housed at the Kirkland Justice Center (KJC) with Inmate Contracted Medical services, \$286,000 ongoing (offset by \$286,000 of expenditure savings in jail contract services)
- Purchase a second speed radar trailer to enhance ability to respond to citizen speeding complaints, \$17,280 (\$14,000 one-time and \$3,280 ongoing)
- Purchase online Safety Data Sheets program, \$10,000 ongoing



*Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.*

Goal: To support a regional coordinated system of human services designed to meet the special basic needs of our community and remove barriers to opportunity.

- Increase on-going funding level for human services agencies to \$1.4 million
- Continue operating support to Eastside Timebank, \$6,000 one-time
- Continue enhanced human services grant funding at current (2016) levels, \$169,730 one-time
- Continue CDBG funding of human service grants, \$60,000 on-going
- Continue staffing for participation in regional human services initiatives
- **For further information on Human Services funding, see the related [Issue Paper](#)**



**BALANCED  
TRANSPORTATION**

*Kirkland values an integrated multi-modal system of transportation choices.*

Goal: To reduce reliance on single occupancy vehicles and improve connectivity and multimodal mobility in Kirkland in ways that maintain and enhance travel times, safety, health and transportation choices.

- Fund Non-motorized Transportation CIP projects totaling \$17.7 million for 2017-2018 (\$7.4 million of external funding), including \$11 million for the NE 124<sup>th</sup> St/124<sup>th</sup> Ave NE Pedestrian Bridge design and construction
- Fund Transportation CIP projects totaling \$11.3 million in 2017-2018 (\$7 million of external funding), including \$3 million for Totem Lake intersection improvements
- Update Bellevue/Kirkland/Redmond (BKR) traffic demand model, \$52,150 one-time (Kirkland's share of \$149,000)
- Commute Trip Reduction Enhancements (ORCA card for employees), \$129,375 one-time
- Continue the Kirkland Green Trip (KGT) program and implementation of the Growth and Transportation Efficiency Center (GTEC) through 2018, \$60,000 one-time



**PARKS, OPEN SPACES AND  
RECREATIONAL SERVICES**

*Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.*

Goal: To provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well being of the community.

- Continue funding Parks Operation and Maintenance from Real Estate Excise Tax (REET) and convert a temporary 1.0 FTE Senior Groundsperson to ongoing, \$225,377 ongoing
- Replace two pay stations at the Kirkland Marina and add a new pay station at the boat launch, \$43,781 one-time (offsetting revenue of \$43,781)
- Install cameras at Marina Park to provide boaters real-time information on availability of moorage slips, \$12,000 one-time
- Add Program Assistant to support growth in recreation programming, 1.0 FTE, \$195,794 ongoing (offsetting revenue of \$195,794)
- Purchase a Dingo TX 525 compact tractor to improve Parks Maintenance operation staff efficiency and reduce equipment rental costs, \$55,120 (\$42,362 one-time and \$12,758 ongoing, offsetting expenditure savings of \$2,500)
- Update and print new park and trail maps, \$5,000 one-time
- Provide maintenance and operations of planned CIP improvements at Edith Moulton Park, \$125,875 (\$48,475 one-time, \$77,400 ongoing) funded from the 2012 Parks Levy

- Provide basic amenities and ongoing maintenance and operations to assume ownership of Hazen Hills Park, \$61,915 (\$24,617 one-time, \$37,298 ongoing) funded from the 2012 Parks Levy
- Fund Parks CIP projects totaling \$6.0 million in 2017-2018, including \$1.7 million for Totem Lake Park master plan and development



*The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, size and affordability.*

Goal: To ensure the construction and preservation of housing stock that meets a diverse range of incomes and needs.

- Increase ARCH Housing Trust Fund parity contribution by \$200,000 for a total of \$830,000, one-time
- Continue CDBG contribution to ARCH Housing Trust Fund, \$250,000, on-going
- Continue support of affordable housing projects in the City



*Citizens of Kirkland enjoy high quality services that meet the community's priorities.*

Goal: Provide a sustainable level of core services that are funded from predictable revenue.

- Continue compliance with the adopted Fiscal Policies:
  - No basic operations funded by one-time revenues
  - Continue incorporating a component into the on-going budget for replenishment of reserves based on 1% of the General Fund budget, \$1.8 million in the 2017-2018 proposed budget
  - Maintain the revenue stabilization reserve to 100% of target
- Replenish and enhance reserves as summarized in the table that follows showing the recommended replenishments and target status:

**2017-2018 General Purpose Reserves with Targets**

Reserve	2017-2018 Budget Target	2016 Estimated Ending Balance	Planned Additions to/(Use of) Reserves	2018 Estimated Ending Balance	(Under)/Over Target	2018 Ending Balance as % of Target
Contingency (Fund 152)	6,076,030	4,036,425	1,638,696	5,675,121	(400,909)	93.4%
General Capital Contingency (Fund 310)	6,317,430	4,993,407	716,361	5,709,768	(607,662)	90.4%
General Operating Reserve (Rainy Day Reserve)	4,829,865	4,803,388	26,477	4,829,865	-	100.0%
Revenue Stabilization Reserve	3,029,951	2,848,220	181,731	3,029,951	-	100.0%
Council Special Projects	250,000	250,000	-	250,000	-	100.0%
Building and Property Reserve	600,000	3,600,000	(3,000,000)	600,000	-	100.0%
<i>Expected Use for North Kirkland Fire Stations</i>						
<b>TOTAL</b>	<b>21,103,276</b>	<b>20,531,440</b>	<b>(436,735)</b>	<b>20,094,705</b>	<b>(1,008,571)</b>	<b>95.2%</b>

- Fund modern Enterprise Resource Planning (ERP) solution including Financial and Human Resource software to improve the efficiency and effectiveness of both the Finance and Human Resources Departments, \$2.5 million in CIP with an additional \$500,000 available funded in the Major Systems Reserve
- Partner with King County to engage in monetary recovery pilot program, \$10,000 one-time
- Add temporary .30 FTE to an existing .70 FTE regular Human Resources Analyst position to focus on special projects, \$69,492 one-time
- Continue funding Learning Management System (LMS), software offering safety/compliance training for staff through 2018, \$26,022 one-time

- Continue Investment Advisor Services on an ongoing basis, \$78,000 (offsetting interest earnings \$78,000). Note that staff will present a housekeeping adjustment to the Fiscal Policies to recognize the use of interest earnings
- Add temporary 0.25 FTE to increase acceptance hours for passport customers, \$40,454 one-time (offsetting revenue of \$40,454)
- Add temporary 1.0 FTE Office Specialist to assist with Business License and False Alarm processing, \$164,673 one-time (offsetting revenue of \$164,673)
- Add temporary .50 FTE Customer Accounts Associate solely dedicated to Cemetery Administration, \$86,086 one-time from the Cemetery Fund



**ENVIRONMENT**

*We are committed to the protection of the natural environment through an integrated natural resource management system.*

Goal: To protect and enhance our natural environment for current residents and future generations.

- Fund contract Arborist services for permit review, \$120,000 one-time
- Fund Scope 5 Dashboard software to track and measure City and community greenhouse gas emissions as part of City's participation in the King County-Cities Climate Collaboration (K4C), \$10,000 one-time
- Fund items related to the Critical Areas Ordinance (CAO) and 2016 Surface Water Design Manual (SWDM):
  - Fund professional services contract to provide regulatory assistance and project oversight, \$150,000 one-time
  - Add 2.0 FTE ongoing maintenance personnel for Natural Areas and Low Impact Development techniques (LID), \$457,068 (\$48,080 one-time, \$408,988 ongoing, offsetting revenue of \$408,988) from the Surface Water utility
  - Fund Consultant services to evaluate surface water design manual decisions, \$142,000 one-time
- Establish adequate rates to support the needs of the Sewer, Surface Water, and Solid Waste utilities, resulting in:
  - Sewer rate increases for single family residential of 4.8% in 2017 and 1.3% in 2018, for multifamily and commercial 2.7% in 2017 and 1.4% in 2018
  - Surface Water 2.0% annual rate increase in 2017 and 2018
  - Solid Waste proposed 2.5% average rate increase for 2017 and 1.7% in 2018
- Purchase three replacement street sweepers, one new specialized sweeper, add 1.0 senior maintenance FTE to increase level of service for bike lanes and all City streets, \$790,053 (\$524,100 one-time, \$265,963 ongoing)
- Provide financing for Surface Water utility CIP projects totaling \$3.4 million for 2017-2018
- Provide financing for Sewer utility CIP projects totaling \$6.3 million for 2017-2018, including \$3.5 million for the 1<sup>st</sup> Street sewer main replacement
- Fund \$4.7 million in the 2017-2018 CIP to provide for additional design and construction costs related to updates to the Critical Areas Ordinance (CAO) and the Surface Water Design Manual (SWDM) as summarized in the table that follows:

<b>Program</b>	<b>2017-2018</b>	<b>Funding Source</b>
Transportation		
Non-motorized (NM)	1,600,000	REET 2 Reserves
Transportation (TR)	500,000	REET 2 Reserves
Surface Water	1,400,000	Surface Water Construction Reserves
Utilities		
Water (WA)	500,000	Water/Sewer Construction Reserves
Sewer (SS)	700,000	Water/Sewer Construction Reserves



*Kirkland has a diverse, business-friendly economy that supports the community's needs.*

Goal: To attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.

- Earmark \$5 million in REET 2 balances toward the City's \$15 million commitment to public infrastructure under the Totem Lake Development Agreement that spurred Mall redevelopment
- Continue Kirkland Performance Center (KPC) Operating Support, \$100,000 one-time
- Increase tourism staff support hours, \$59,243 one-time
- Fund Consultant services to improve Totem Lake Business District Enhancement Plan, \$40,000 one-time
- Fund Lake and Central Redevelopment Feasibility Study, \$150,000 one-time
- Continue funding Community Programs and Events, \$112,000 one-time (\$48,000 from Waste Management matched with \$64,000 of City funds) **(for further discussion on event funding, see the [Outside Agency Funding Issue Paper](#))**
- Purchase Special Event/Promotional Banner Pole System, \$108,086 one-time
- Fund 4Culture Arts Sustained Support, \$16,000 one-time (grant funded)
- Fund hourly resources to implement Photo/Imaging Cataloging Software, \$12,493 one-time
- Fund Electronic Plan Review Monitor Upgrade, \$4,000 one-time
- Continue Tourism Outside Agency Grant funding, \$20,000 one-time
- Add resources to Development Services to address workload and maintain/enhance customer service expectations (these activities are all funded from development revenues or related reserves):
  - Add 1.0 FTE temporary Assistant Planner position, \$101,870 one-time
  - Continue a temporary 1.0 FTE Associate Planner position, \$127,748 one-time
  - Continue a temporary 1.0 FTE Planner position, \$115,665 one-time
  - Continue a temporary 1.0 FTE Plans Examiner II positions, \$254,039 one-time
  - Continue a temporary 1.0 FTE Electrical Building Inspector, \$250,783 one-time
  - Increase overtime and hourly (on-call) wages for Building Inspectors and Permit Technicians, \$217,899 one-time
  - Convert an ongoing 1.0 FTE Inspector position to a temporary Lead Inspector position, \$20,707 one-time
  - Convert a temporary .50 FTE Office Specialist to ongoing, \$94,080 ongoing
  - Fund Land Use Consulting Contingency, \$15,000 one-time
  - Add On-call support to process building public records requests, \$31,700 one-time
  - Increase hourly wages for ongoing scanning work, \$79,250 one-time



*Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.*

Goal: To maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.

- Establish adequate rates to support the needs of the Water Utility resulting in a 1.7% annual increase in 2017 and 2018 for single family and irrigation customers and no increase in multifamily and commercial rates
- Finance Water utility CIP projects totaling \$4.7 million for 2017-2018, including \$0.8 million for the 6<sup>th</sup> St. South water main replacement
- Finance Street CIP projects totaling \$10.4 million for 2017-2018, including \$8.2 million for street preservation
- Establish Parks Facilities Sinking Fund with \$500,000 of General Fund cash

- Replenish major systems reserve, \$500,000 to support the Finance and Human Resource software replacement
- Continue a temporary 1.0 FTE Transportation Planner to respond to traffic/transportation-related issues, \$263,658 one-time
- Continue temporary 1.0 FTE Permit Technician to assist with increased permit activity, \$205,062 one-time
- Purchase two additional Construction Inspector vehicles to manage workloads related to CIP and development improvements, \$81,216 (\$28,216 ongoing and \$53,000 one-time, offsetting revenue of \$54,716)
- Purchase a 5-Yard Dump Truck for Parks Operations, \$237,000 (\$175,000 one-time, \$62,000 ongoing)
- Provide technical and analytical support for pursuing grant funding for Surface Water and CIP projects, \$90,000 one-time
- Fund electronic record keeping services, \$20,000 one-time (offsetting revenue of \$20,000)
- Continue the opportunity fund to pay for street improvements and overhead utility line undergrounding in conjunction with development projects, \$50,000 one-time
- Purchase new sign manufacturing equipment for the City's sign shop, \$60,800 (\$51,000 one-time, \$9,800 ongoing, offsetting expenditure savings of \$9,800)
- Provide Commercial Driver's License (CDL) Training from a 3<sup>rd</sup> party training institute, \$40,000 ongoing (offsetting expenditure savings of \$40,000)
- Continue a temporary 1.0 FTE GIS Analyst for Lucity support and maintenance, \$165,250 one-time
- Provide funding to complete an Information Technology Infrastructure Assessment, \$100,000 one-time
- Fund an ongoing 0.5 FTE GIS Analyst for addressing work related to Development Services, \$125,942 ongoing
- Continue a temporary 1.0 FTE Senior Applications Analyst to support increasing demand of technology projects and systems, \$235,276 one-time
- Restore IT Standby funding for highest risk times, \$48,728 one-time

In addition to recommendations directly related to the Goal areas, the following service packages are recommended:

- Provide boxed meals for Council Members at Council meetings, \$8,200 ongoing
- Continue State Legislative Advocacy Services, \$120,000 one-time

<b>PRELIMINARY WORK PLAN</b>
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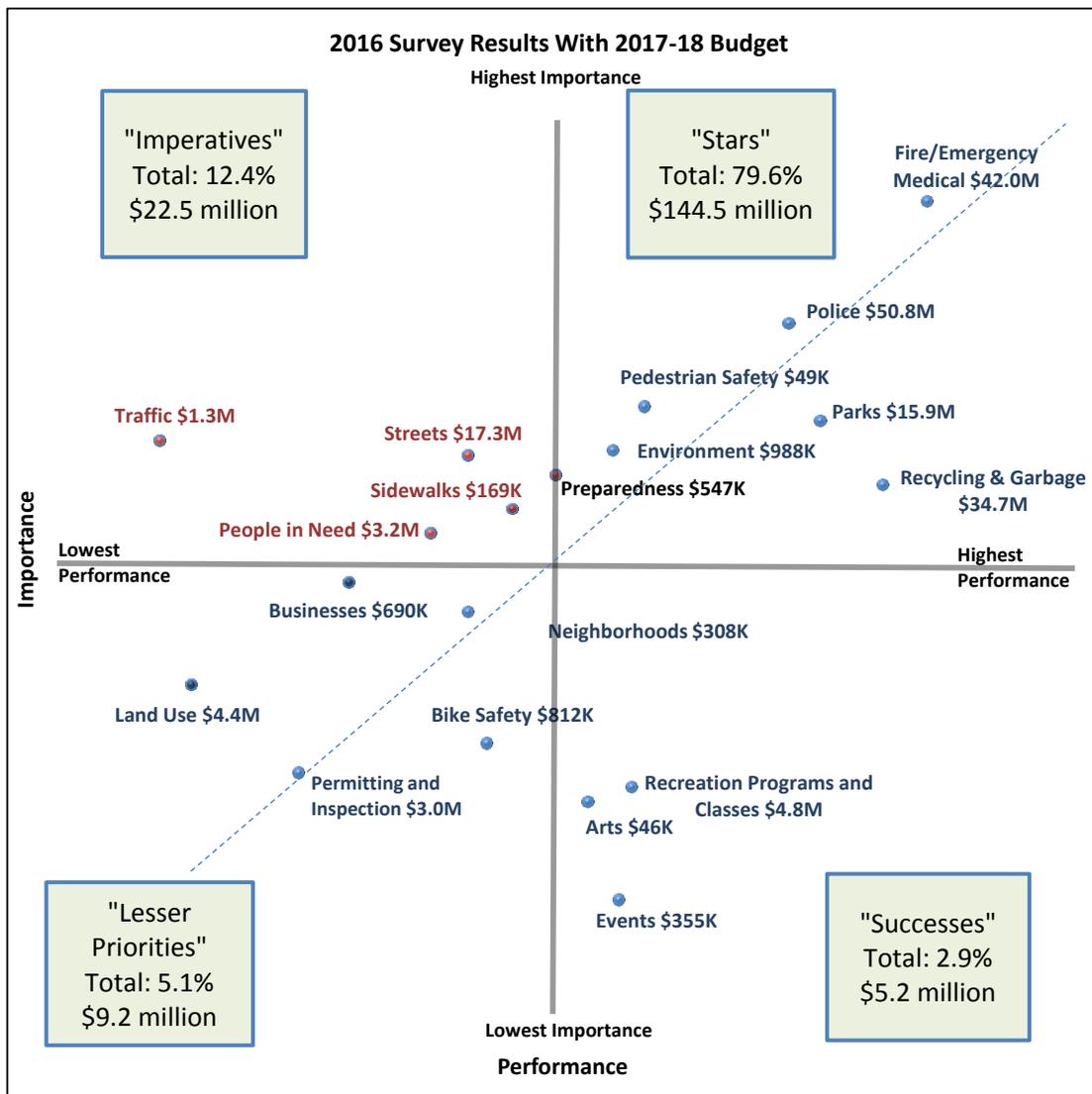
The draft 2017-2018 City Work Program is compiled from the recommendations by Council Goal Area and a continuation of some 2015-2016 Work Program elements. The following are preliminary recommendations for the 2017-2018 biennium:

- Continue the implementation of the Cross Kirkland Corridor Master Plan (Council Goals: Balanced Transportation, Parks and Recreation, Economic Development, Neighborhoods)
- Improve Fire and Emergency Medical Services with the renovation of Fire Station 25, construction of a new Fire Station 24 and property acquisition for a new Fire Station 27 (Council Goal: Public Safety)
- Explore a potential ballot measure to fund Fire station modernization and operations (Council Goal: Public Safety)
- Expand Maintenance Center facilities to serve the larger City (Council Goals: Neighborhoods, Economic Development, Parks and Recreation and Dependable Infrastructure)
- Partner with A Regional Coalition for Housing and non-profit organizations to finance and construct a permanent Eastside women's shelter in Kirkland

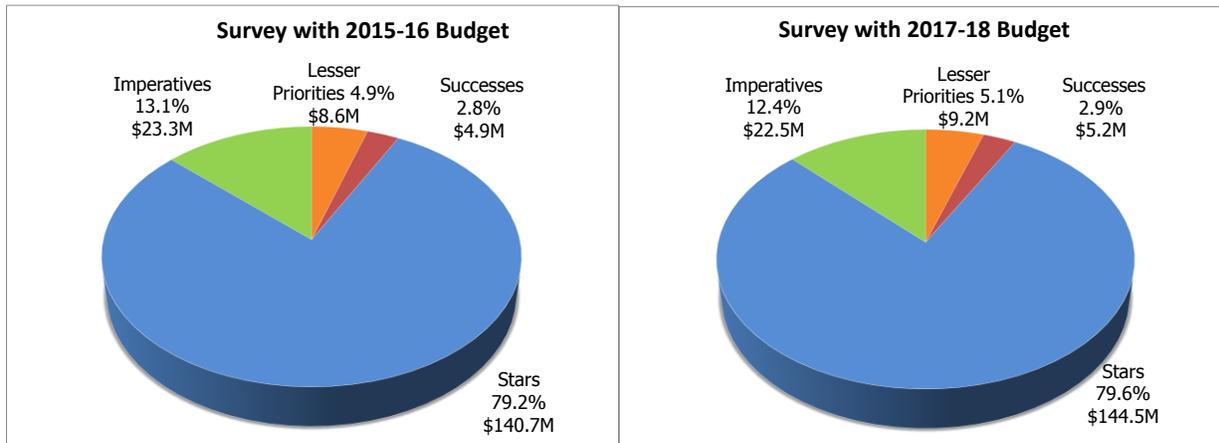
- Fund capital investments to support growth, especially in Totem Lake (Council Goals: Economic Development, Financial Stability)
- Procure and implement an Enterprise Resource Planning (ERP) solution to replace the City's core Finance and Human Resource software (Council Goals: Financial Stability, Dependable Infrastructure)
- Facilitate Community Policing through implementing elements of the Police Strategic Plan (Council Goals: Public Safety)

**CONCLUSION**

The proposed budget is focused on the City Council goals and community priorities. The recommended decisions result in proposed 2017-2018 investments in the services on the Kirkland Quad, as summarized below:



The pie charts that follow show the investments in each quadrant in the 2015-2016 budget versus the proposed 2017-2018 budget. It is worth noting that, due to significant one-time items in Streets and Sidewalks in 2015-2016, including funding for conversion of street lights to an LED standard for efficiency savings, a comprehensive sidewalk survey and a downtown parking program, the graphs depict a decline in spending on “Imperatives”. This anomaly is more an example of how one-time items can impact this measure rather than an indication of shifting budget priorities. It is largely due to this type of volatility that the quadrant totals exclude spending in the capital program, which can vary widely between years due to the magnitude of individual projects.



The 2015-2016 budget presented a “Wants, Needs, and Resources” framework to help with prioritization as the City continues to focus on 2021 and beyond. The vision set by the Kirkland 2035 comprehensive Planning process is being brought into sharper focus through the completed master plans (Fire Strategic Plan, Parks Recreation and Open Space (PROS) Plan, Transportation Master Plan, Surface Water Master Plan, and Water and Sewer Comprehensive Plan updates), the draft Police Strategic Plan, and the recommended Information Technology Infrastructure Assessment. The needs identified in these plans will be reviewed and updated by the City Council as part of future biennial budget and CIP processes. Needs will also continue to be identified through public outreach to Neighborhood Associations, Business organizations, advocacy groups, and residents.

Key strategies to develop sufficient revenues to fund the desired services and close the gap between the diverging lines include:

- Replenish reserves (see Fiscal Policies adopted by R-4948 later in the document)
- Generate new revenue through economic development – Park Place, Totem Lake Mall, Google expansion, Waterfront revitalization
- Moderate the growth of employee wages and benefits to lower cost of future levels of service through collective bargaining, the budget process and the Healthy Kirkland Plan
- Generate new revenue through ballot measures

The 2017-2018 budget sets aside funds for the outreach and election costs of a possible ballot measure in 2018 to assist in implementing key elements of the Fire Strategic Plan, particularly modernization of the fire stations.

The City Council will continue to prioritize the wants, needs and resources through the Council Goals and the City Work Program. **Council Goals** articulate the key policy and service priorities for Kirkland that are to be achieved over time. Goals should be reviewed and updated every two years in even-numbered years following Council elections to ensure that the Goals reflect the priorities of each new Council. The updated Goals will then form the basis for subsequent City Work Programs and budgets. **City Work**

**Programs** are "action plans" adopted every two years by the Council following the budget process to accomplish major policy and administrative goals and demonstrate priority focus on major cross-departmental efforts with significant impacts designed to maintain the public health, safety and quality of life in Kirkland. City Work Programs are essential to accomplishing Council Goals in a methodical and measurable manner.

As always, we expect that we will be discussing the budget with the City Council frequently during the biennium and making adjustments as conditions warrant. At a minimum, we expect to provide an update at the Council Retreat in late spring, with the mid-year budget report in June, and with the mid-biennium budget update in November 2017.

The development of the preliminary budget requires an enormous commitment by all City Departments and the Budget Leadership Team. The Financial Planning staff especially have done extraordinary work on the coordination and calculations necessary to make this document possible and deserve recognition for their incredible efforts. We have every reason to be proud of the work done day in and day out by all City staff. With the support of the City Council, it is the efforts of our outstanding employees that make the City work for our residents and make Kirkland an exceptional place to live, work and play.

Respectfully Submitted,



Kurt Triplett  
City Manager



Tracey Dunlap  
Deputy City Manager



Michael Olson  
Director of Finance and Administration

**City of Kirkland  
2017-2018 Preliminary Budget  
Service Package Requests**

Pkg #	2017-18 Department Request				2017-18 City Manager Recommended					
	FTE	Temp	Ongoing	One-time	Total	FTE	Temp	Ongoing	One-time	Total
<b>GENERAL FUND</b>										
<b>City Council</b>										
<b>Renewals of One time</b>										
17GCC01	-	-	-	30,000	30,000	-	-	-	30,000	30,000
<b>New</b>										
17GCC02	-	-	8,200	-	8,200	-	-	8,200	-	8,200
<b>Subtotal City Council</b>										
	-	-	<b>8,200</b>	<b>30,000</b>	<b>38,200</b>	-	-	<b>8,200</b>	<b>30,000</b>	<b>38,200</b>
<b>City Manager</b>										
<b>Renewals of One time</b>										
17GCM01	-	-	-	120,000	120,000	-	-	-	120,000	120,000
17GCM02	-	-	-	16,000	16,000	-	-	-	16,000	16,000
17GCM03	-	-	-	112,000	112,000	-	-	-	112,000	112,000
17GCM04	-	-	-	10,202	10,202	-	-	-	10,202	10,202
<b>New</b>										
17GPW07	(0.50)	-	-	-	-	(0.50)	-	-	-	-
17GCM05	-	-	-	12,493	12,493	-	-	-	12,493	12,493
<b>Subtotal City Manager</b>										
	(0.50)	-	-	<b>270,695</b>	<b>270,695</b>	(0.50)	-	-	<b>270,695</b>	<b>270,695</b>
<b>Parks &amp; Community Services</b>										
<b>Renewals of One-time</b>										
17GPK01	-	-	-	6,000	6,000	-	-	-	6,000	6,000
17GPK02	-	-	-	100,000	100,000	-	-	-	100,000	100,000
17GPK03	1.00	-	225,377	-	225,377	1.00	-	225,377	-	225,377
<b>New</b>										
17GPK04	-	-	-	43,781	43,781	-	-	-	43,781	43,781
17GPK05	-	-	62,000	175,000	237,000	-	-	62,000	175,000	237,000
17GPK06	-	-	-	12,000	12,000	-	-	-	12,000	12,000
17GPK07	1.00	-	193,268	2,526	195,794	1.00	-	193,268	2,526	195,794
17GPK08	-	-	12,758	42,362	55,120	-	-	12,758	42,362	55,120
17GPK09	-	-	-	5,000	5,000	-	-	-	5,000	5,000
17GPK10	-	-	-	169,730	169,730	-	-	-	169,730	169,730
<b>Subtotal Parks and Community Services</b>										
	<b>2.00</b>	-	<b>493,403</b>	<b>556,399</b>	<b>1,049,802</b>	<b>2.00</b>	-	<b>493,403</b>	<b>556,399</b>	<b>1,049,802</b>

\* Partially or entirely funded with new revenue, ^ Partially or entirely offset by expenditure savings

**City of Kirkland  
2017-2018 Preliminary Budget  
Service Package Requests**

Pkg #	2017-18 Department Request				2017-18 City Manager Recommended					
	FTE	Temp	Ongoing	One-time	Total	FTE	Temp	Ongoing	One-time	Total
<b>Human Resources</b>										
<b>Renewals of One-time</b>										
17GHR01	-	-	-	24,000	24,000	-	-	-	24,000	24,000
<b>New</b>										
17GHR02	-	-	-	10,000	10,000	-	-	-	10,000	10,000
17GHR03	0.30	-	67,142	2,350	69,492	-	0.30	-	69,492	69,492
17GHR04	-	-	10,000	-	10,000	-	-	10,000	-	10,000
17GHR05	-	-	26,022	-	26,022	-	-	-	26,022	26,022
<b>Subtotal Human Resources</b>	<b>0.30</b>	<b>-</b>	<b>103,164</b>	<b>36,350</b>	<b>139,514</b>	<b>-</b>	<b>0.30</b>	<b>10,000</b>	<b>129,514</b>	<b>139,514</b>
<b>Public Works</b>										
<b>Renewal of One time</b>										
17GPW01	1.00	-	276,658	-	276,658	-	1.00	-	263,658	263,658
17GPW02	0.50	-	141,099	-	141,099	-	0.50	-	134,599	134,599
17GPW03	-	1.00	-	218,062	218,062	-	1.00	-	205,062	205,062
17GPW04	0.50	-	141,099	-	141,099	-	0.50	-	134,599	134,599
17GPW05	0.75	-	157,846	-	157,846	-	0.50	-	98,731	98,731
<b>New</b>										
17GPW06	-	1.00	-	261,293	261,293	-	-	-	150,000	150,000
17GPW07	1.00	-	148,834	2,906	151,740	1.00	-	148,834	2,906	151,740
	(0.70)	-	(148,834)	(2,906)	(151,740)	(0.70)	-	(148,834)	(2,906)	(151,740)
	-	-	28,216	53,000	81,216	-	-	28,216	53,000	81,216
	-	-	-	52,150	52,150	-	-	-	52,150	52,150
	-	-	-	4,000	4,000	-	-	-	4,000	4,000
	-	-	60,000	-	60,000	-	-	-	60,000	60,000
	-	-	129,375	-	129,375	-	-	-	129,375	129,375
	-	-	-	20,000	20,000	-	-	-	20,000	20,000
	-	-	3,280	14,000	17,280	-	-	3,280	14,000	17,280
	-	-	60,000	-	60,000	-	-	-	60,000	60,000
	-	1.00	-	293,970	293,970	-	-	-	-	-
	-	-	-	25,000	25,000	-	-	-	-	-
	-	-	-	20,000	20,000	-	-	-	-	-
<b>Subtotal Public Works</b>	<b>3.05</b>	<b>3.00</b>	<b>997,573</b>	<b>961,475</b>	<b>1,959,048</b>	<b>0.30</b>	<b>3.50</b>	<b>31,496</b>	<b>1,379,174</b>	<b>1,410,670</b>

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**City of Kirkland  
2017-2018 Preliminary Budget  
Service Package Requests**

Pkg #	2017-18 Department Request				2017-18 City Manager Recommended					
	FTE	Temp	Ongoing	One-time	Total	FTE	Temp	Ongoing	One-time	Total
<b>Finance &amp; Administration</b>										
<b>Renewals of One time</b>										
17GFA01	-	-	78,000	-	78,000	-	-	78,000	-	78,000
Investment Advisor Services*										
<b>New</b>										
17GFA02	-	0.25	-	40,454	40,454	-	0.25	-	40,454	40,454
Increase Passport Hours*										
17GFA03	-	1.00	-	164,673	164,673	-	1.00	-	164,673	164,673
Temporary Office Specialist - Business Licensing*										
<b>Subtotal Finance &amp; Administration</b>										
	<b>-</b>	<b>1.25</b>	<b>78,000</b>	<b>205,127</b>	<b>283,127</b>	<b>-</b>	<b>1.25</b>	<b>78,000</b>	<b>205,127</b>	<b>283,127</b>
<b>Planning &amp; Building</b>										
<b>Renewals of One Time</b>										
17GPB01	-	-	-	31,700	31,700	-	-	-	31,700	31,700
Public Records Assistance (Building)*										
17GPB02	-	1.00	-	263,783	263,783	-	1.00	-	250,783	250,783
Temporary Electrical Building Inspector^										
17GPB03	-	-	-	630,000	630,000	-	-	-	830,000	830,000
Arch Housing Trust Fund (HTF)										
17GPB04	0.50	-	92,561	1,519	94,080	0.50	-	92,561	1,519	94,080
Office Specialist 0.5 FTE*										
17GPB05	-	1.00	-	127,748	127,748	-	1.00	-	127,748	127,748
Temporary Associate Planner*										
17GPB06	-	1.00	-	115,665	115,665	-	1.00	-	115,665	115,665
Temporary Planner*										
17GPB07	-	1.00	-	267,039	267,039	-	1.00	-	254,039	254,039
Temp Plans Examiner II^										
<b>New</b>										
17GPB08	-	-	-	79,250	79,250	-	-	-	79,250	79,250
Hourly Wages for Ongoing (Current) Scanning Work^										
17GPB09	-	1.00	-	20,707	20,707	-	1.00	-	20,707	20,707
Lead Inspector										
17GPB10	1.00	-	101,870	-	101,870	-	1.00	-	101,870	101,870
Assistant Planner*										
17GPB11	-	-	-	120,000	120,000	-	-	-	120,000	120,000
Arborist Contract for Development Services*										
17GPB12	-	-	-	15,000	15,000	-	-	-	15,000	15,000
Land Use Consulting Contingency^										
17GPB13	-	-	-	10,000	10,000	-	-	-	10,000	10,000
Scope 5 Dashboard										
17GPB14	-	-	-	40,000	40,000	-	-	-	40,000	40,000
Totem Lake Business District Enhancement Plan										
17GPB15	-	-	-	217,899	217,899	-	-	-	217,899	217,899
Planning & Building Overtime & Hourly Wages^										
<b>Subtotal Planning &amp; Building</b>										
	<b>1.50</b>	<b>5.00</b>	<b>194,431</b>	<b>1,940,310</b>	<b>2,134,741</b>	<b>0.50</b>	<b>6.00</b>	<b>92,561</b>	<b>2,216,180</b>	<b>2,308,741</b>

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**City of Kirkland  
2017-2018 Preliminary Budget  
Service Package Requests**

Pkg #	2017-18 Department Request				2017-18 City Manager Recommended					
	FTE	Temp	Ongoing	One-time	Total	FTE	Temp	Ongoing	One-time	Total
<b>Police</b>										
<b>Renewals of One time</b>										
17GPD01 Temporary Police Support Associate	-	1.00	-	161,839	161,839	-	1.00	-	161,839	161,839
17GPD02 Court Security	1.20	-	229,783	6,026	235,809	-	1.20	-	220,209	220,209
17GPD03 Jail Administrative Support*	1.00	-	196,292	5,426	201,718	-	1.00	-	188,718	188,718
17GPD04 Jail Medical Contract^	-	-	286,000	-	286,000	-	-	286,000	-	286,000
<b>New</b>										
17GPD05 Police Officer Over Hire	2.00	-	-	-	-	2.00	-	-	-	-
17GPD06 ProAct Unit**	1.00	-	292,385	97,293	389,678	1.00	-	285,385	92,293	377,678
17GPD07 ProAct and Crime Analysis Support	1.00	-	168,143	7,617	175,760	-	-	-	-	-
17GPD08 Animal Services Program	1.00	-	280,582	73,815	354,397	1.00	-	187,194	160,703	347,897
<b>Subtotal Police</b>	<b>7.20</b>	<b>1.00</b>	<b>1,453,185</b>	<b>352,016</b>	<b>1,805,201</b>	<b>4.00</b>	<b>3.20</b>	<b>758,579</b>	<b>823,762</b>	<b>1,582,341</b>
<b>Fire</b>										
<b>New</b>										
17GFD01 Incident Command System and Tablets	-	-	4,880	4,000	8,880	-	-	4,880	4,000	8,880
17GFD02 Gas Monitor/Testing Replacement	-	-	45,658	20,600	66,258	-	-	45,658	20,600	66,258
17GFD03 Prevention Vehicles	-	-	41,234	48,000	89,234	-	-	41,234	48,000	89,234
17GFD04 Update Fire Station 27 Alerting	-	-	-	95,000	95,000	-	-	-	95,000	95,000
17GFD05 Update Fire Station 26 Alerting	-	-	-	6,800	6,800	-	-	-	6,800	6,800
17GFD06 Station Beds	-	-	-	32,500	32,500	-	-	-	32,500	32,500
17GFD07 Firefighter Over Hire (FTE Only)	3.00	-	-	-	-	3.00	-	-	-	-
17GFD08 EMTG Academy*	-	-	57,000	-	57,000	-	-	57,000	-	57,000
17GFD09 Emergency Dock Signage	-	-	2,000	10,000	12,000	-	-	-	-	-
17GFD10 Fire Inspections Program	-	-	12,400	8,300	20,700	-	-	-	-	-
17GFD11 Knox Box Core Replacement	-	-	-	65,000	65,000	-	-	-	-	-
<b>Subtotal Fire</b>	<b>3.00</b>	<b>-</b>	<b>163,172</b>	<b>290,200</b>	<b>453,372</b>	<b>3.00</b>	<b>-</b>	<b>148,772</b>	<b>206,900</b>	<b>355,672</b>
<b>GENERAL FUND TOTAL</b>	<b>16.55</b>	<b>10.25</b>	<b>3,491,128</b>	<b>4,642,572</b>	<b>8,133,700</b>	<b>9.30</b>	<b>14.25</b>	<b>1,621,011</b>	<b>5,817,751</b>	<b>7,438,762</b>

OTHER FUNDS			
<b>Cemetery Fund</b>			
<b>New</b>			
17CFA01 Customer Accounts Associate-Temporary^	-	0.50	86,086
<b>Subtotal Cemetery Fund</b>	<b>-</b>	<b>0.50</b>	<b>86,086</b>

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**City of Kirkland  
2017-2018 Preliminary Budget  
Service Package Requests**

Pkg #	2017-18 Department Request				2017-18 City Manager Recommended					
	FTE	Temp	Ongoing	One-time	Total	FTE	Temp	Ongoing	One-time	Total
<b>Parks Levy Fund</b>										
<b>New</b>										
17PPK01 Edith Moulton Park Operations & Maintenance*	-	-	77,400	48,475	125,875	-	-	77,400	48,475	125,875
17PPK02 Hazen Hills Park O&M/Capital Improvements*	0.25	-	37,298	24,617	61,915	-	-	37,298	24,617	61,915
<b>Subtotal</b>	<b>0.25</b>	<b>-</b>	<b>114,698</b>	<b>73,092</b>	<b>187,790</b>	<b>-</b>	<b>-</b>	<b>114,698</b>	<b>73,092</b>	<b>187,790</b>
<b>Street Operating Fund</b>										
<b>Renewal of One time</b>										
17SPW01 Street Imp./Utility Undergrounding Opportunity Fund	-	-	-	50,000	50,000	-	-	-	50,000	50,000
17SPW02 Engineering Program Assistant (Street Portion)*	0.25	-	52,615	-	52,615	-	0.25	-	52,615	52,615
<b>New</b>										
17SPW03 Sign Production Equipment	-	-	9,800	51,000	60,800	-	-	9,800	51,000	60,800
17SPW04 Signal Technician III (\$100k CIP funding)*	1.00	-	173,743	3,581	177,324	-	-	-	-	-
17SPW05 Street Sweepers (Street portion, 25% of upgrades)	-	-	10,318	59,775	70,093	-	-	10,318	59,775	70,093
17SPW06 Street Sweeping Enhancements	0.25	-	46,085	-	46,085	0.25	-	46,085	-	46,085
17SPW07 Seasonal Labor*	-	-	-	151,290	151,290	-	-	-	-	-
17SPW08 Commercial Driver's License (CDL) Training (Streets)	-	-	10,000	-	10,000	-	-	10,000	-	10,000
17SPW09 Neighborhood Gateway Sign Replacement	-	-	-	50,000	50,000	-	-	-	-	-
17SPW10 Special Event/ Banner Pole System Update	-	-	-	108,086	108,086	-	-	-	108,086	108,086
<b>Subtotal Street Operating Fund</b>	<b>1.50</b>	<b>-</b>	<b>302,561</b>	<b>473,732</b>	<b>776,293</b>	<b>0.25</b>	<b>0.25</b>	<b>76,203</b>	<b>321,476</b>	<b>397,679</b>
<b>Lodging Tax Fund</b>										
<b>Renewals of One Time</b>										
17LCM01 Additional Hours to Support Tourism Program^	-	0.23	-	59,243	59,243	-	0.23	-	59,243	59,243
17LCM02 Tourism Outside Agency Funding^	-	-	-	20,000	20,000	-	-	-	20,000	20,000
<b>Subtotal Lodging Tax Fund</b>	<b>-</b>	<b>0.23</b>	<b>-</b>	<b>79,243</b>	<b>79,243</b>	<b>-</b>	<b>0.23</b>	<b>-</b>	<b>79,243</b>	<b>79,243</b>

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**City of Kirkland  
2017-2018 Preliminary Budget  
Service Package Requests**

Pkg #	2017-18 Department Request				2017-18 City Manager Recommended					
	FTE	Temp	Ongoing	One-time	Total	FTE	Temp	Ongoing	One-time	Total
<b>Surface Water Fund</b>										
<b>New</b>										
17DPW01	2.00	-	408,988	48,080	457,068	2.00	-	408,988	48,080	457,068
17DPW02	-	-	71,296	464,325	535,621	-	-	71,296	464,325	535,621
17DPW03	-	-	-	214,000	214,000	-	-	-	-	-
17DPW04	-	-	-	142,000	142,000	-	-	-	142,000	142,000
17DPW05	0.75	-	138,254	-	138,254	0.75	-	138,254	-	138,254
17DPW06	-	-	-	285,000	285,000	-	-	-	-	-
17DPW07	-	-	-	24,000	24,000	-	-	-	-	-
17DPW08	-	-	30,000	-	30,000	-	-	30,000	-	30,000
17DPW09	-	-	10,000	-	10,000	-	-	10,000	-	10,000
<b>Subtotal Surface Water Fund</b>	<b>2.75</b>	<b>-</b>	<b>658,538</b>	<b>1,177,405</b>	<b>1,835,943</b>	<b>2.75</b>	<b>-</b>	<b>658,538</b>	<b>654,405</b>	<b>1,312,943</b>
<b>Water/Sewer Fund</b>										
<b>New</b>										
17UPW01	-	-	20,000	-	20,000	-	-	20,000	-	20,000
<b>Subtotal Water/Sewer Fund</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>Information Technology Fund</b>										
<b>Renewals of One Time</b>										
17IIT02	-	1.00	-	165,250	165,250	-	1.00	-	165,250	165,250
<b>New</b>										
17IIT03	-	1.00	-	235,276	235,276	-	1.00	-	235,276	235,276
17IIT04	-	-	-	100,000	100,000	-	-	-	-	-
17IIT05	-	-	-	125,000	125,000	-	-	-	100,000	100,000
17IIT06	0.50	-	125,942	-	125,942	0.50	-	125,942	-	125,942
17IIT07	-	-	48,728	-	48,728	-	-	-	48,728	48,728
<b>Subtotal Information Technology Fund</b>	<b>0.50</b>	<b>2.00</b>	<b>174,670</b>	<b>625,526</b>	<b>800,196</b>	<b>0.50</b>	<b>2.00</b>	<b>125,942</b>	<b>549,254</b>	<b>675,196</b>
<b>TOTAL OTHER FUNDS</b>	<b>5.00</b>	<b>2.73</b>	<b>1,270,467</b>	<b>2,515,084</b>	<b>3,785,551</b>	<b>3.50</b>	<b>2.98</b>	<b>995,381</b>	<b>1,763,556</b>	<b>2,758,937</b>
<b>TOTAL ALL FUNDS</b>	<b>21.55</b>	<b>12.98</b>	<b>4,761,595</b>	<b>7,157,656</b>	<b>11,919,251</b>	<b>12.80</b>	<b>17.23</b>	<b>2,616,392</b>	<b>7,581,307</b>	<b>10,197,699</b>

\* Partially or entirely funded with new revenue, ^ Partially or entirely offset by expenditure savings



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# KIRKLAND PROFILE



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# CITY OF KIRKLAND CITY COUNCIL GOALS

The purpose of the City Council Goals is to articulate key policy and service priorities for Kirkland. Council goals guide the allocation of resources through the budget and capital improvement program to assure that organizational work plans and projects are developed that incrementally move the community towards the stated goals. Council goals are long term in nature. The City's ability to make progress towards their achievement is based on the availability of resources at any given time. Implicit in the allocation of resources is the need to balance levels of taxation and community impacts with service demands and the achievement of goals.

In addition to the Council goal statements, there are operational values that guide how the City organization works toward goal achievement:

- **Regional Partnerships** – Kirkland encourages and participates in regional approaches to service delivery to the extent that a regional model produces efficiencies and cost savings, improves customer service and furthers Kirkland's interests beyond our boundaries.
- **Efficiency** – Kirkland is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment. We believe that a culture of continuous improvement is fundamental to our responsibility as good stewards of public funds.
- **Accountability** – The City of Kirkland is accountable to the community for the achievement of goals. To that end, meaningful performance measures will be developed for each goal area to track our progress toward the stated goals. Performance measures will be both quantitative and qualitative with a focus on outcomes. The City will continue to conduct a statistically valid citizen survey every two years to gather qualitative data about the citizen's level of satisfaction. An annual Performance Measure Report will be prepared for the public to report on our progress.
- **Community** – The City of Kirkland is one community composed of multiple neighborhoods. Achievement of Council goals will be respectful of neighborhood identity while supporting the needs and values of the community as a whole.

The City Council Goals are dynamic. They should be reviewed on an annual basis and updated or amended as needed to reflect citizen input as well as changes in the external environment and community demographics.

**K**irkland is one of the most livable cities in America. We are a vibrant, attractive, green and welcoming place to live, work and play. Civic engagement, innovation and diversity are highly valued. We are respectful, fair, and inclusive. We honor our rich heritage while embracing the future. Kirkland strives to be a model, sustainable city that values preserving and enhancing our natural environment for our enjoyment and future generations.



## NEIGHBORHOODS

The citizens of Kirkland experience a high quality of life in their neighborhoods.

**Council Goal: Achieve active neighborhood participation and a high degree of satisfaction with neighborhood character, services and infrastructure.**



## PUBLIC SAFETY

Ensure that all those who live, work and play in Kirkland are safe.

**Council Goal: Provide for public safety through a community-based approach that focuses on prevention of problems and a timely response.**



## HUMAN SERVICES

Kirkland is a diverse and inclusive community that respects and welcomes everyone and is concerned for the welfare of all.

**Council Goal: To support a regional coordinated system of human services designed to meet the basic needs of our community and remove barriers to opportunity.**



## BALANCED TRANSPORTATION

Kirkland values an integrated multi-modal system of transportation choices.

**Council Goal: To reduce reliance on single occupancy vehicles and improve connectivity and multi-modal mobility in Kirkland in ways that maintain and enhance travel times, safety, health and transportation choices.**



## PARKS, OPEN SPACES AND RECREATIONAL SERVICES

Kirkland values an exceptional park, natural areas and recreation system that provides a wide variety of opportunities aimed at promoting the community's health and enjoyment.

**Council Goal: To provide and maintain natural areas and recreational facilities and opportunities that enhance the health and well being of the community.**



## HOUSING

The City's housing stock meets the needs of a diverse community by providing a wide range of types, styles, sizes and affordability.

**Council Goal: To ensure the construction and preservation of housing stock that meet a diverse range of incomes and needs.**



## FINANCIAL STABILITY

Citizens of Kirkland enjoy high-quality services that meet the community's priorities.

**Council Goal: Provide a sustainable level of core services that are funded from predictable revenue.**



## ENVIRONMENT

We are committed to the protection of the natural environment through an integrated natural resource management system.

**Council Goal: To protect and enhance our natural environment for current residents and future generations.**



## ECONOMIC DEVELOPMENT

Kirkland has a diverse, business-friendly economy that supports the community's needs.

**Council Goal: To attract, retain and grow a diverse and stable economic base that supports city revenues, needed goods and services and jobs for residents.**



## DEPENDABLE INFRASTRUCTURE

Kirkland has a well-maintained and sustainable infrastructure that meets the functional needs of the community.

**Council Goal: To maintain levels of service commensurate with growing community requirements at optimum life-cycle costs.**

# ***KIRKLAND'S CITY MANAGEMENT***

City departments are involved in a number of long-range planning efforts to assure that community growth supports the balance of livability and prosperity. Financial planning occurs as an integral part of operating department initiatives. Examples of some of the more important planning tools that contribute to the City's financial strength are:

- **Fiscal Policies** which are adopted by the City Council and provide guidance in the areas of budgeting, capital improvements, reserves, debt, cash management and investments and financial reporting.
- **Investment Policies** that dictate the manner in which excess funds will be invested.
- The **Six-Year Capital Improvement Program (CIP)** which provides a long-term plan for building, enhancing, and maintaining the City's infrastructure. The CIP, which includes a financing plan and is adopted biennially, reflects other major capital plans including the Six-Year Transportation Master Plan, the Sanitary Sewer Plan, the Surface Water Management Master Plan, and the Water Master Plan.

**Kirkland's Comprehensive Plan** is updated annually. As required by the Growth Management Act (GMA), the last major update process was completed as part of the Kirkland 2035 Comprehensive Plan Update and adopted in December 2015.

Among the several elements included in the Comprehensive Plan as required by the GMA, a **Capital Facilities Element** is completed in coordination with the six-year CIP. A **Transportation Element** identifies needed transportation improvements, and an **Economic Development Element** that links community economic health with land use and growth policies.

Other master planning efforts, such as the **Fire Strategic Plan, Police Strategic Plan, Neighborhood Plans,** and **Kirkland's Comprehensive Park, Open Space and Recreation Plan** provide further examples of Kirkland's efforts to respond to the changing needs of the community through careful planning and community involvement.

The City's mission statement and basic values summarize the qualities that are an integral part of its management efforts:

*We are committed to the enhancement of Kirkland as a community for living, working, and leisure with an excellent quality of life, which preserves the City's existing charm and natural amenities.*

*Basic Values*

*Integrity*

*Excellence*

*Respect for the Individual*

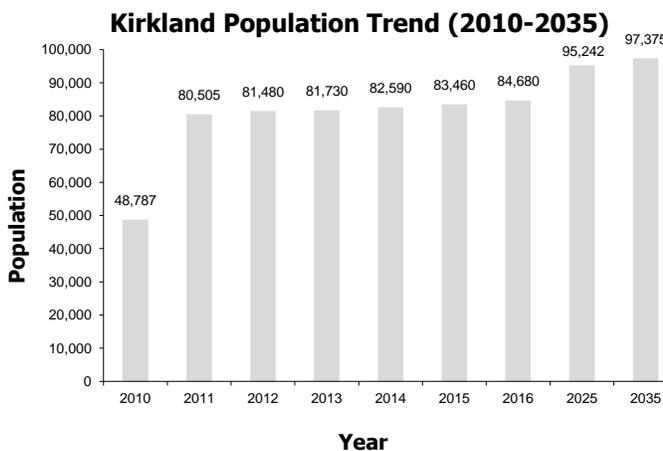
*Responsiveness*

**CITY OF KIRKLAND**

***ECONOMIC ENVIRONMENT***

**POPULATION**

Following the annexation of South Juanita, North Rose Hill and South Rose Hill in 1988, population growth has generally been modest, but steady. In 2011, the City annexed Finn Hill, Kingsgate, and Juanita increasing the population by 31,816. The following chart presents actual population data for the past seven years and projections for 2025 and 2035.



**EMPLOYMENT BASE**

A diverse range of businesses comprise Kirkland’s employment base. Key factors contributing to Kirkland’s attraction include the following:

- High quality of life, housing, and local amenities.
- Availability of high quality human resources.
- Proximity to other major business centers.
- Availability of high quality office space.

Approximately 45,000 individuals are employed within the City limits. The following table presents the City’s top 10 employers as of 2016.

**Kirkland’s Major Employers**

Employer	# Persons Employed
Evergreen Healthcare	4,281
Lake Washington School District	1,115
Google, Inc.	1,020
City of Kirkland	580
Astronics Advanced Electronic Systems	483
Fairfax Hospital	444
Kenworth Truck Company	428
Wave Broadband	409
ATG Stores	361
Tableau Software	317

**UNEMPLOYMENT RATE**

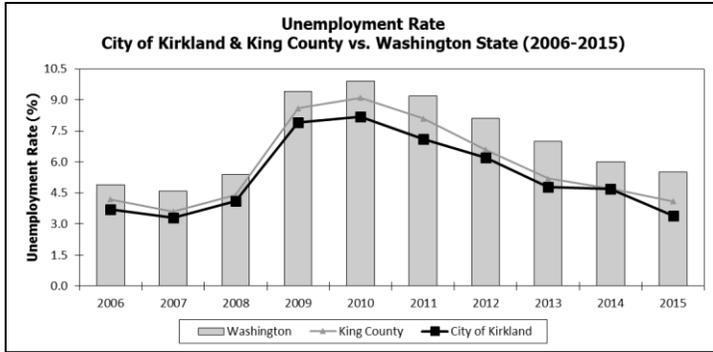
Unemployment rates in King County generally run parallel to state and national rates but at a lower level. Since 2006, King County’s unemployment rate has been consistently below the national rate. The City of Kirkland unemployment rate consistently runs below the national, State of Washington and King County rates. The following table and chart provide comparative unemployment rate data for the past 10 years.

**Unemployment Rates<sup>1</sup>**

Year	Kirkland*	King County	Washington State	United States
2006	3.7	4.2	4.9	4.6
2007	3.3	3.6	4.6	4.6
2008	4.1	4.4	5.4	5.8
2009	7.9	8.6	9.4	9.3
2010	8.2	9.1	9.9	9.6
2011	7.1	8.1	9.2	8.9
2012	6.2	6.6	8.1	8.1
2013	4.8	5.2	7.0	7.4
2014	4.7	4.7	7.0	6.2
2015	3.4	4.1	5.5	5.3

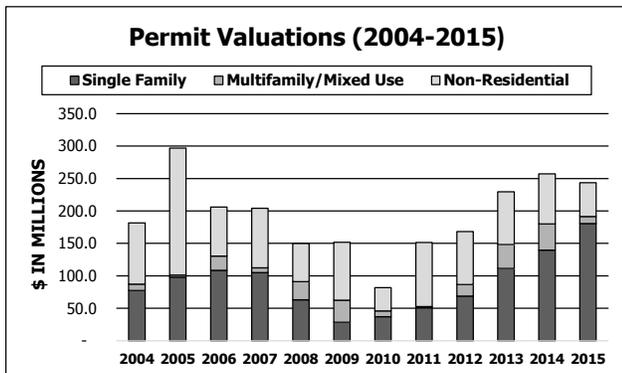
<sup>1</sup> Rate is per the U.S. Bureau of Labor Statistics.

\*Rate for the pre-annexation City. According to the BLS, statistics for annexation areas will be included after the 2020 census.



## BUILDING ACTIVITY

Kirkland's local construction trends are a microcosm of the regional economy. The strong economy in the Puget Sound area beginning in 2004 drove development growth in Kirkland (as shown in the following chart and table) during the boom years of the mid 2000's. Construction activity skyrocketed in 2005 and continued at a rate above historical averages before declining in 2008 and 2009 due to the recession. Kirkland's development hit its post-recession low in 2010 before construction started its slow climb back to pre-recession levels. In 2011 and 2012 there was some growth in development due to annexation, but the level of activity was still slow due to a sluggish economy. Development picked up in 2013 and 2014 and has continued through 2015 and 2016, largely driven by some large commercial and public projects, which have brought project valuations to their highest level in Kirkland since 2005, but still below the pre-annexation peak.



Permit Valuation in Millions of Dollars\*

Year	Single Family	Multifamily/Mixed Use	Non-Residential	Total
2004	77	10	95	182
2005	98	3	196	297
2006	109	22	75	206
2007	105	7	92	204
2008	63	28	59	150
2009	29	34	89	152
2010	37	9	36	82
2011	51	2	99	152
2012	69	18	82	169
2013	111	37	82	230
2014	139	40	77	256
2015	180	11	52	243

\* Based on building permits issued by the City of Kirkland Building Division.

## OTHER ECONOMIC INDICATORS

### Office Vacancies

- According to the latest report available from CB Richard Ellis Real Estate Services, the Eastside office vacancy rate dropped to 10.7 percent in the second quarter of 2016, continuing the region's downward trend since 2009. Kirkland's office vacancy rate is much lower—3.6 percent. The Puget Sound region's office vacancy rate is 11.3 percent.
- The Kirkland Urban development will increase the City's supply of rentable office space by 38 percent. Wave Broadband and Tableau Software have already preleased 30 percent of this 625,000 square foot development.

### Housing Values

- Kirkland home values trended up over the last two years, rising 11.0 percent from August 2014 to August 2015 and 14.6 percent from August 2015 to August 2016 according to Zillow.com, a 27.2 percent increase over 24 months.

### Inflation

- The Seattle Metro Consumer Price Index (CPI), a measure of price inflation for goods and services, has grown over the 2015-16 biennium with an increase of 1.79 percent from August 2014 to August 2015 and growth of 2.10 percent from August 2015 to August 2016.



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# BUDGET GUIDE

A user's guide to understanding Kirkland's budget document

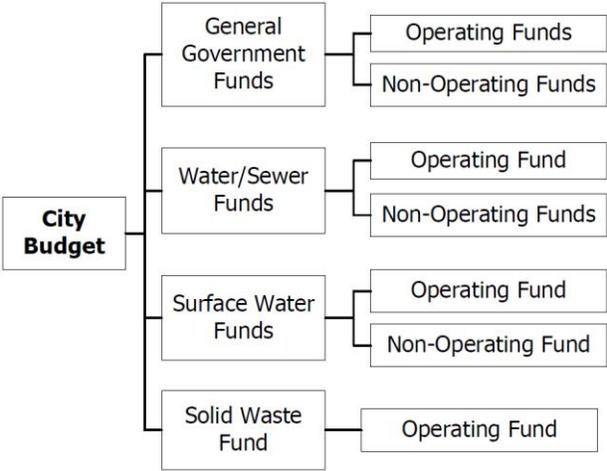
# ***GUIDE TO BUDGET FUND STRUCTURE***

The City Budget is composed of 24 separate funds that are each balanced independently – revenues equal expenditures. The City’s budget is divided into four primary sections – General Government, Water/Sewer Utility, Surface Water Utility and Solid Waste Utility. Within each of these primary sections there are operating and non-operating funds, with the exception of the Solid Waste Utility which is comprised of an operating fund only.

The general government operating funds include the General Fund, five special revenue funds, and four internal service funds. General government operating funds account for services to the public including public safety, street maintenance, land use, parks and administrative functions. Taxes, fees and charges, and contributions from other governments are the primary financing sources for general government functions. The general government non-operating funds account for debt service, capital improvements and reserves related to these operating funds.

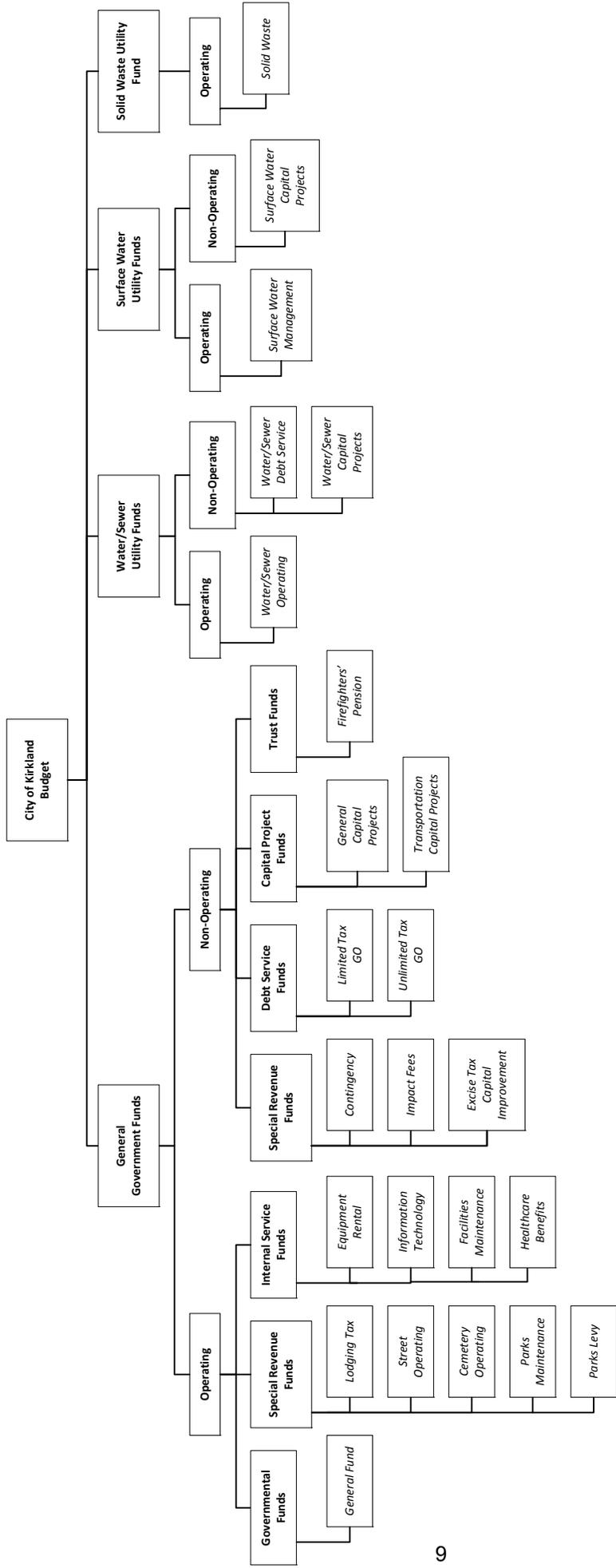
Like the general government funds, the Water/Sewer Utility and the Surface Water Utility both have operating and non-operating components. The Solid Waste Utility consists of only an operating fund. All utility operating funds account for the cost of providing and maintaining services to its customers. Distinct from the general government funds, each of the utilities operate much the same as a business (enterprise), with customer charges (rates) supporting all costs. Resources of the utilities cannot be used to subsidize general government functions.

The budget document is presented in a manner that acknowledges these components as shown on the following chart.



The chart on the following page illustrates the organization of funds in greater detail.

# CITY OF KIRKLAND Organization of Funds



# ***BUDGETING, ACCOUNTING AND REPORTING BASIS***

The City's financial structure is consistent with Washington State's required Budgeting, Accounting, and Reporting System (BARS). This system provides for a uniform chart of accounts and procedures for all Washington local governments. While each agency has minor differences, this system provides useful comparative data to the state regarding local spending.

## **BUDGETARY BASIS**

**Budget projections for revenues and expenditures are prepared on a cash basis.** Cash basis of accounting means that transactions are recognized at the point when cash is received or paid. This method matches the cash projected to be available to the cash projected for necessary payments.

**Revenues are prepared at the "line-item" or source-of-revenue level** (e.g., gas utility tax, amusement license, plumbing permit, etc.). General government operating revenues are summarized by revenue type (e.g., taxes, licenses and permits, charges for services, etc.) and across funds. Major revenue sources and trends are highlighted in the Budget Summary section.

**Expenditure budgets, like revenues, are prepared at the "line-item" or object-of-expense level** (e.g., regular wages, uniforms and clothing, office supplies, professional services, etc.). Summary totals are provided for "object groups" (e.g., wages, benefits, supplies, capital outlay etc.). Subtotals are provided by organizational units (divisions) within each department which represent costs by function. The financial overview page contained within each department section provides summary level financial data with data for comparative bienniums.

Non-operating fund expenditures are presented at the "by purpose" level (reserve, debt service, capital improvement and other).

## **ACCOUNTING AND REPORTING BASIS**

**The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units.** Generally Accepted Accounting Principles are minimum standards and guidelines for financial accounting and reporting. Reporting in accordance with GAAP assures that financial reports of all state and local governments contain the same types of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria.

**Governmental funds use the modified-accrual basis of accounting.** Under this basis, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be reasonably determined. "Available" means collectible within the current fiscal year or soon thereafter to pay for expenditures incurred during the fiscal year. Expenditures are recognized when the related obligations (goods have been purchased or services have been received) are incurred (two exceptions are employee leave benefits and long-term debt which are recognized when due).

**Proprietary operations of the City - enterprise and internal service functions - use the accrual basis of accounting.** Under this method, revenues are recorded when earned (e.g., revenues for water/sewer utility services are recognized when the services are provided) and expenses are recorded at the time obligations are incurred. This method is similar to private business enterprises.

# ***BUDGET PROCESS***

## **BUDGET PREPARATION PROCESS**

Kirkland follows a biennial budget process. State law requires that the first year of a biennial budget be an odd numbered year. Accordingly, the preparation of the biennial budget occurs during an even numbered year, beginning in June and continuing through the end of the year. The following are key steps that the City takes to prepare its budget. (See the next page for a diagram of this process.)

1. The City Council holds its mid-year budget review meeting in June and receives a status report on the current biennial budget and an updated six-year financial forecast, with an emphasis on the coming biennium. In addition, the City Manager requests input from the City Council about budget priorities and overall direction.
2. In July, the Finance & Administration (F&A) Director makes the official "budget call" to all department directors requesting expenditure and revenue estimates for the current year and the coming two years.
3. The F&A Department prepares all general purpose revenue estimates, which mostly consist of taxes, state shared revenues and entitlements, and intergovernmental service revenues, during the first half of August. In addition, the F&A Department receives and reviews all departmental revenue estimates during the same time period. All departmental expenditure estimates for the current year and "basic budget" requests for the coming biennium, which represent the estimated cost of maintaining the current service level, are received and reviewed by the F&A Department during the second half of August.
4. In late August, the F&A Director, City Manager and Deputy City Managers meet with each department to review their basic budget requests.
5. In early September, departments submit additional funding requests (called "service packages") for new positions, equipment, and projects which are over and above their basic budgets. The F&A Department reviews all service package requests by mid-September. In years when funding is limited, departments may also be asked to submit proposed expenditure reductions.
6. In mid-September, the City Manager meets with each department to review their basic budget and service package requests. In addition, the City holds a public hearing in mid-September to gather citizen input on proposed revenue sources for the coming biennium.
7. The City Manager finalizes the preliminary budget proposal, which includes recommended service packages and reductions (if any), by the end of September. In October, the City Manager and F&A Director brief the Council Finance & Administration Committee on the preliminary budget proposal.
8. In October, the F&A Department prepares and prints the preliminary budget document for the coming biennium. By November 1st, the preliminary budget document is filed with the City Clerk, distributed to the City Council and the departments, and made available to the public.
9. The City Council meets in October and/or November for a series of budget study sessions to review the City Manager's proposed budget and to determine if there are any changes they wish to make.
10. The City holds at least one public hearing in mid-November to gather citizen input on the preliminary budget as well as on any changes made by the City Council during their budget deliberations.
11. In December, the City Council adopts the final property tax levy for the coming year and the final budget for the coming biennium each by ordinance via a simple majority of the members present. The appropriation approved by the City Council is at the individual fund level.

- The F&A Department publishes the final budget document during the first quarter of the following year, distributes the document to the City Council and the departments, and makes copies available to the public.

**BUDGET ADJUSTMENT PROCESS**

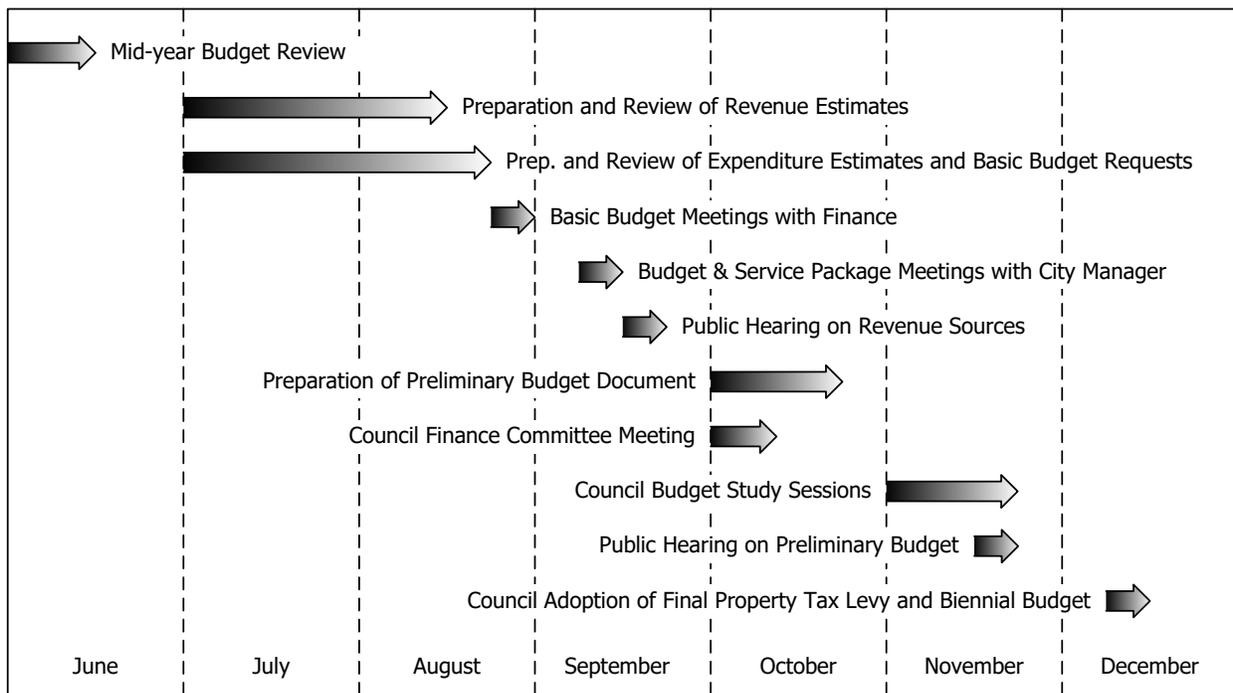
There are two types of adjustments related to the adopted budget: 1) transfers between line items or between departments within the same fund; and 2) changes to an individual fund’s total appropriation. The former is handled administratively when needed with the approval of the F&A Director. The latter can take place at various times during the biennium and requires Council approval by ordinance.

The first opportunity to adjust a fund’s total appropriation generally occurs in June of the first year of the biennium. Typically, this is when funding for projects and other significant purchases that were not completed during the prior biennium is “carried over” to the new biennium. The second opportunity takes place during the mid-biennial budget review which culminates in December of the first year of the biennium. This adjustment primarily relates to the following: 1) outside agency and new service package funding requests for the second year of the biennium; 2) any unanticipated needs, events, or revenue sources. Review at midyear of the second year of the biennium assesses any needed adjustments for anticipated needs or revenue sources. The final opportunity to adjust a fund’s total appropriation occurs at the end of the biennium in December. This is the last time that adjustments for unanticipated needs, events, and revenue sources can be recognized and approved. Also, this is when the General Fund’s total appropriation is adjusted, if necessary, to provide the budgetary authority to transfer excess net resources to other funds in order to replenish or build-up reserves and to fund one-time service packages in the coming biennium. In addition to the three adjustment processes described above, other adjustments may occur during the biennium as needed.

The process for changing a fund’s total appropriation is as follows:

- Requests for budget adjustments are submitted in writing to the F&A Director.
- If approved, requests are consolidated in an ordinance and presented to the City Council at a regular meeting at one of the four times noted above.
- The City Council approves adjustments to a fund’s total appropriation for the biennium by a simple majority of the members present.
- Approved adjustments are incorporated into the existing biennial budget resulting in a revised appropriation for the current biennium.

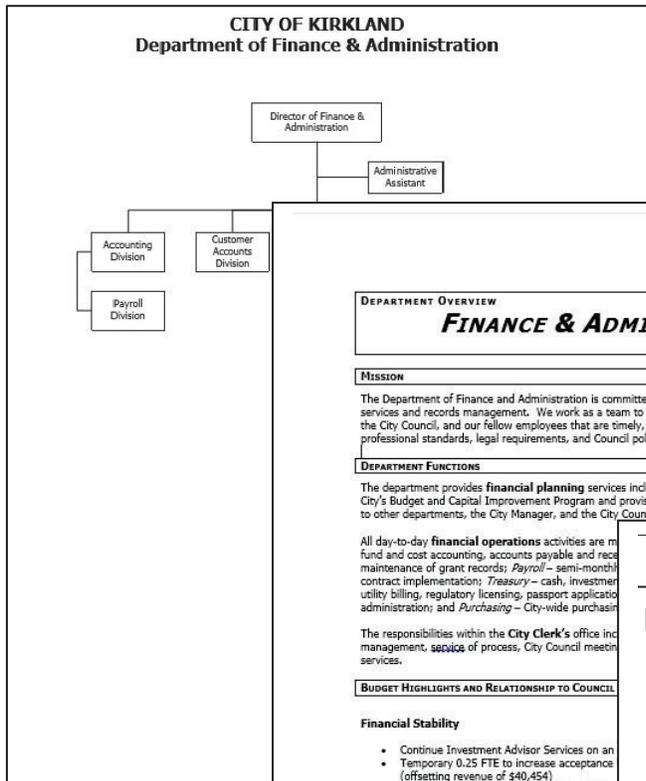
**BIENNIAL BUDGET PREPARATION TIMELINE**



# GUIDE TO KIRKLAND'S BUDGET DOCUMENT

## OPERATING FUND AND DEPARTMENT SECTIONS

The following sections are organized by fund and department. Within each fund, organization charts, department overviews, budget analyses and financial overviews are provided for each department as well as detailed schedules of revenues. Line item expenditure detail reports are provided in an ancillary document titled, "Budget Line Item Detail."



The reporting relationships are delineated in each department section. Positions that are funded by a different fund are indicated by a double-lined box.

### DEPARTMENT OVERVIEW

## FINANCE & ADMINISTRATION

**MISSION**  
The Department of Finance and Administration is committed to excellence in the provision of financial services and records management. We work as a team to provide services and information to the public, the City Council, and our fellow employees that are timely, impartial, supportive, and consistent with professional standards, legal requirements, and Council policy.

**DEPARTMENT FUNCTIONS**  
The department provides financial planning services including coordination and preparation of the City's Budget and Capital Improvement Program and provision of financial planning and analysis support to other departments, the City Manager, and the City Council.

All day-to-day financial operations activities are in fund and cost accounting, accounts payable and receivable, maintenance of grant records; Payroll – semi-monthly contract implementation; Treasury – cash, investment utility billing, regulatory licensing, passport application administration; and Purchasing – City-wide purchasing.

The responsibilities within the City Clerk's office include management, service of process, City Council meeting services.

**BUDGET HIGHLIGHTS AND RELATIONSHIP TO COUNCIL**

- Financial Stability**
- Continue Investment Advisor Services on an
  - Temporary 0.25 FTE to increase acceptance (offsetting revenue of \$40,454)
  - Add a temporary 1.0 FTE Office Specialist to processing, \$164,673 one-time (offsetting revenue)

The mission and functional areas are described in each department's overview along with the relationship of the department's activities to Council goals and budget highlights for the coming biennium.

### 2017-2018 FINANCIAL OVERVIEW

## FINANCE & ADMINISTRATION

	2013-2014	2015-2016	2015-2016	2017-2018	Percent Change
	Actual	Estimate	Budget	Budget	
Salaries and Wages	4,787,895	5,002,871	5,084,144	5,331,764	4.87%
Benefits	2,085,273	2,290,523	2,530,028	2,528,795	-0.05%
Supplies	47,105	37,018	35,096	33,313	-5.08%
Other Services	1,384,643	1,607,336	1,626,297	1,575,999	-3.09%
Government Services	851,223	295,704	271,220	317,600	17.10%
Capital Outlay	-	-	-	-	n/a
<b>TOTAL</b>	<b>9,156,139</b>	<b>9,233,452</b>	<b>9,546,785</b>	<b>9,787,471</b>	<b>2.52%</b>

	2013-2014	2015-2016	2015-2016	2017-2018	Percent Change
	Actual	Estimate	Budget	Budget	
Financial Planning & Admin.	2,548,954	2,456,659	2,506,995	2,347,162	-9.27%
Treasury/Customer Services	2,327,417	2,561,441	2,613,211	2,903,013	11.09%
Financial Operations	2,534,845	2,875,719	2,952,083	3,114,153	5.49%
City Clerk	1,744,923	1,339,633	1,394,496	1,423,143	2.05%
<b>TOTAL</b>	<b>9,156,139</b>	<b>9,233,452</b>	<b>9,546,785</b>	<b>9,787,471</b>	<b>2.52%</b>

	2013-2014	2015-2016		2017-2018	
	Actual	Adjustments	Budget	Adjustments	Budget
Financial Planning & Admin.	8.00	-1.00	7.00	0.00	7.00
Treasury/Customer Services	11.50	0.00	11.50	0.00	11.50
Financial Operations	10.50	1.50	12.00	0.00	12.00
City Clerk	3.80	1.00	4.80	0.00	4.80
<b>TOTAL</b>	<b>33.80</b>	<b>1.50</b>	<b>35.30</b>	<b>0.00</b>	<b>35.30</b>

The Financial Overview contains financial summaries by category of expense and division.

# GUIDE TO KIRKLAND'S BUDGET DOCUMENT

Revenue needed to support fund activities is presented in detail with summaries at the revenue category level. For each revenue item, data is presented for the prior biennium actual amount received, the total estimated for the current biennium, the current biennial budget, and the budgeted amount for the coming biennium.

City of Kirkland 2017 - 2018 Budget Revenues						
		2013 -2014 Actual	2015 - 2016 Estimate	2015- 2016 Budget	2017 -2018 Budget	Percent Change
<b>Fund:</b>	General Fund (010)					
<b>Department:</b>	General					
<b>Division:</b>	Not Applicable					
<b>Key:</b>	General Fund (0100000000)					
<b>Taxes</b>						
Property Tax-Real & Personal	3111001	33,317,730	35,312,807	35,343,807	38,902,400	4.40%
Retail Sales Use Tax	3131101	34,029,080	38,834,811	35,927,494	39,782,000	10.72%
Annexation Sales Tax	3131201	7,551,028	7,917,095	7,727,500	7,870,000	1.84%
Brokered Nat Gas Use Tax	3136101	5,472	4,182	5,454	3,780	-30.69%
Crim Justice-Local Sales Tax	3137101	3,748,839	4,338,672	4,133,831	4,668,000	12.92%
Rev Generating Regulatory Lic	3161001	4,966,001	4,935,724	4,702,714	5,045,272	7.28%
Electric Utility Tax-Private	3164101	7,448,855	7,411,168	7,727,244	7,801,000	0.95%
Gas Utility Tax-Private	3164301	2,857,756	2,531,489	3,054,376	2,428,000	-20.50%
Television Cable-Private	3164601	3,147,017	3,248,687	3,223,700	3,280,000	1.74%
Telephone Utility Tax-Private	3164701	6,393,510	5,718,801	6,426,862	5,636,000	-12.30%
Telephone Util Tax Priv Audit	3164702	398,614	119,475	119,475	0	0.00%
Water Customer Utility Tax	3164811	2,708,424	3,013,370	2,773,878	2,948,116	6.28%
Sewer Customer Utility Tax	3164812	2,449,265	2,656,353	2,566,069	2,802,319	9.20%
Solid Waste Customer Util Tax	3164813	3,089,982	3,258,477	3,018,155	3,190,023	5.69%
Surface Water Cust Util Tax	3164814	1,305,979	1,402,675	1,281,272	1,391,413	8.59%
Punch Boards and Pull Tabs	3168101	361,506	605,207	273,585	720,522	163.36%
Bingo and Raffles	3168201	2,254	3,991	267	912	241.57%
Amusement Games	3168301	2,825	2,999	2,151	3,124	45.23%
Card Games	3168401	1,686,031	2,002,315	1,478,624	1,713,088	15.85%
Leasehold Excise Tax	3172001	280,443	158,376	183,924	163,490	-11.11%
Admissions Tax	3181101	207,372	171,247	191,828	150,750	-21.41%
<b>Total for Taxes:</b>		115,957,943	123,647,921	120,162,210	128,500,209	5.27%
<b>License and Permits</b>						
Cabaret License	3217003	600	575	812	250	-69.21%
Amusement License	3217009	75	25	0	0	0.00%
Franchise Fees	3219101	7,666,596	8,029,009	7,872,086	8,033,307	2.04%
Business License Fee	3219901	1,164,617	1,257,432	1,241,083	1,403,337	13.07%
Building Permits	3221001	3,431,043	3,969,386	4,424,650	3,917,551	-11.46%
Plumbing Permits	3221002	321,800	338,422	317,784	325,800	2.52%
Clear Grade Permits	3221003	26,110	15,276	25,588	15,480	-39.50%
Side Sewer Permits	3221004	214,884	253,896	180,000	180,000	0.00%
Mechanical Permits	3221005	689,314	715,592	556,782	619,200	11.21%
Sign Permits	3221006	59,028	51,589	58,524	36,000	-38.48%
Electrical Permits	3221007	955,941	1,078,469	880,556	972,000	10.38%

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# FISCAL POLICIES



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# ***FISCAL POLICIES***

## **BACKGROUND AND PURPOSE**

The stewardship of public funds is one of the greatest responsibilities given to the officials and managers of the City of Kirkland. Therefore, the establishment and maintenance of wise fiscal policies enables city officials to protect public interests and ensure public trust.

This document incorporates past financial practices in defining the current policies to be used by the City to meet its obligations and operate in a financially prudent manner. These policies have been established to provide general fiscal guidelines and are intended to provide sound direction in the management of the City's financial affairs.

## **OPERATING BUDGET POLICIES**

The municipal budget is the central financial planning document that embodies all operating revenue and expenditure decisions. It establishes the level of services to be provided by each department within the confines of anticipated municipal revenues.

- The City Council will adopt a biennial budget which will reflect estimated revenues and expenditures for the ensuing two years. A mid-biennium review and update will take place as prescribed by law during the first year of the biennium.
- The City Council will establish municipal service levels and priorities for the ensuing two years prior to and during the development of the preliminary budget.
- The City Manager shall incorporate the Council's priorities in the formulation of the preliminary and final budget proposal.
- Adequate maintenance and replacement of the City's capital plant and equipment will be provided for in the biennial budget.
- The biennial budget will be balanced with resources in that biennium.

## **REVENUE AND EXPENDITURE POLICIES**

Annual revenues are conservatively estimated as a basis for preparation of the biennial budget and City service programs.

Expenditures approved by the City Council in the biennial budget define the City's spending limits for the upcoming biennium. Beyond legal requirements, the City will maintain an operating philosophy of cost control and responsible financial management.

- The City will maintain revenue and expenditure categories according to state statute and administrative regulation.
- Current revenues will be sufficient to support current expenditures.
- All revenue forecasts will be performed utilizing accepted analytical techniques.
- All fees for services shall be reviewed and adjusted (where necessary) at least every three years to ensure that rates are equitable and cover the total cost of service, or that percentage of total service cost deemed appropriate by the City.

- Revenues of a limited or indefinite term will be used for capital projects or one-time operating expenditures to ensure that no ongoing service program is lost when such revenues are reduced or discontinued.
- Grant applications to fund new service programs with state or federal funds will be reviewed by the City, as they become available, with due consideration being given to whether locally generated revenues will be required to support these programs when outside funding is no longer available.
- The City of Kirkland will establish and maintain Special Revenue Funds which will be used to account for proceeds from a substantial restricted or committed revenue source used to finance designated activities which are required by statute, ordinance, resolution or executive order.
- Biennial expenditures will be maintained within the limitations of biennial revenues. The City will not use short-term borrowing to finance current operating needs without full financial analysis and prior approval of the City Council.
- In order to ensure the continuity of services, the City will budget no more sales tax revenue than was received in the prior year as a hedge against possible future economic events.
- Interest income revenue will be used to finance one-time capital or time-limited goods or services including debt service on councilmanic bond issues.
- All authorized positions will be budgeted for a full year (or biennium) unless specifically designated by the City Council as a partial-year position.
- In the event that budget reductions are needed in order to balance revenues and expenditures, the City Council will provide policy direction to staff as to the priority order and combination for using the following strategies:
  - Raise revenue
  - Reduce expenditures
  - Use reserves
- The use of reserves to balance the budget will only be used to address short term temporary revenue shortfalls and expenditure increases.
- The biennial budget will be formally amended by the City Council as needed to acknowledge unforeseen expenditures. All requests for funding will be analyzed by the Finance and Administration Department. The Council will be provided with a discussion of the legality and/or policy basis of the expenditure, the recommended funding source, an analysis of the fiscal impact and a review of all reserves and previously approved amendments since budget adoption.
- A request will not be approved at the same meeting at which it is introduced unless it is deemed an urgent community issue by a supermajority vote of the City Council. Requests made to Council outside of the formal budget adjustment process will be analyzed and presented to the Council for approval at the next regular Council meeting that allows sufficient time for staff to prepare an analysis and recommendation.

<b>ENTERPRISE FUND POLICIES</b>
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The City will establish enterprise funds for City services when 1) the intent of the City is that all costs of providing the service should be financed primarily through user charges; and/or 2) the City Council determines that it is appropriate to conduct a periodic review of net income for capital maintenance, accountability, or other public policy purposes.

- Enterprise funds will be established for City-operated utility services.

- Enterprise fund expenditures will be established at a level sufficient to properly maintain the fund's infrastructure and provide for necessary capital development.
- Each enterprise fund will maintain an adequate rate structure to cover the costs of all operations, including maintenance, depreciation, capital and debt service requirements, reserves (as established by fiscal policy or bond covenant), and any other cost deemed necessary.
- Rates may be offset from available fund cash after requirements are met for cash flow and scheduled reserve contributions.
- Enterprise fund services will establish and maintain reserves for general contingency and capital purposes consistent with those maintained for general governmental services.
- Revenue bonds shall be issued only when projected operating revenues are insufficient for the enterprise's capital financing needs.
- The City will insure that net operating revenues of the enterprise constitute a minimum of 1.5 times the annual debt service requirements.
- The City will limit the maturities of all utility revenue bond issues to 30 years or less.

#### **CASH MANAGEMENT AND INVESTMENT POLICIES**

Careful financial control of the City's daily operations is an important part of Kirkland's overall fiscal management program. Achieving adequate cash management and investment control requires sound financial planning to ensure that sufficient revenues are available to meet the current expenditures of any one operating period. Once steps are taken to ensure that the City maintains a protected cash position in its daily operations, it is to the municipality's advantage to prudently invest idle funds until such time as they are required to make expenditures.

- The City's idle cash will be invested on a continuous basis in accordance with the City's adopted investment policies.
- The City will maintain a formal investment policy which is reviewed and endorsed by state and/or national professional organizations. The complete policy can be found in the appendix of this document.
- The City will invest all funds (in excess of current requirements) based upon the following order of priority: 1) legality; 2) liquidity; 3) safety; and 4) yield.
- Investments with City funds shall not be made for purposes of speculation.
- The City is prohibited from investing in derivative financial instruments for the City's managed investment portfolio.
- Proper security measures will be taken to safeguard investments. The City's designated banking institution will provide adequate collateral to insure City funds.
- The City's investment portfolio will be reviewed every three years by a qualified portfolio valuation service to assess the portfolio's degree of risk and compliance with the adopted investment policies.
- An analysis of the City's cash position will be prepared at regular intervals throughout the fiscal year.
- The City Council will be provided with quarterly reports on the City's investment strategy and performance.
- Sufficient cash shall be maintained to provide adequate funds for current operating expenditures.
- Where permitted, the City will pool its cash resources from various funds ("Treasurer's Cash") for investment purposes.

- Net investment income from Treasurer's Cash will be allocated in accordance with KMC 5.24.060 considering 1) average cash balance of the participating fund and 2) the minimum cash balance needs of each fund as determined by the Director of Finance and Administration. Net investment income is the amount of annual investment proceeds after an allocation of earned interest is made to certain funds as required by the State and Council-directed obligations are met for General Fund purposes.
- The City of Kirkland will select its official banking institution through a formal bidding process in order to provide the City with the most comprehensive, flexible, and cost-effective banking services available.

#### **ACCOUNTING, FINANCIAL REPORTING AND AUDITING POLICIES**

The City of Kirkland will establish and maintain a high standard of accounting practices. Accounting and budgetary systems will, at all times, conform to Generally Accepted Accounting Principles, the State of Washington Budgeting Accounting Reporting System (BARS) and local regulations.

- A comprehensive accounting system will be maintained to provide all financial information necessary to effectively operate the City.
- The City will meet the financial reporting standards set by the Governmental Accounting Standards Board.
- Full disclosure will be provided in all City financial reports and bond representations.
- An annual audit will be performed by the State Auditor's Office and include the issuance of a financial opinion.

#### **RESERVE AND FUND BALANCE POLICIES**

Adequate fund balance and reserve levels are a necessary component of the City's overall financial management strategy and a key factor in external agencies' measurement of the City's financial strength.

Maintenance of fund balance for each accounting fund assures adequate resources for cash flow and to mitigate short-term effects of revenue shortages.

City and state regulations have been established to allow the City of Kirkland to create and maintain specific reserve funds. Prudent use of reserve funds enables the City to defray future costs, take advantage of matching funds, and beneficial (but limited) opportunities. Reserve funds provide the City with the ability to exercise flexible financial planning in developing future capital projects. Reserve funds are necessary to enable the City to deal with unforeseen emergencies or changes in condition.

- The City will establish minimum fund balance targets for each fund based on the cash flow requirements of the fund. The City will include all fund balances in the biennial budget.
- The minimum fund balance will be attained and maintained through expenditure management, revenue management and/or contributions from the General Fund.
- All expenditures drawn from reserve accounts shall require prior Council approval unless previously authorized by the City Council for expenditure in the biennial budget or otherwise provided for by City policies.

#### *Reserve Purposes and Targets*

- A Contingency Reserve Fund shall be maintained in accordance with RCW 35A.33.145 to meet any municipal expense, the necessity or extent of which could not have been reasonably foreseen at the

time of adopting the biennial budget. The target balance will be set at 80 percent of the statutory maximum of \$0.375 per \$1,000 of assessed valuation.

- The City will maintain a General Operating Reserve at an amount equivalent to five percent of the tax-supported general government budgets (General Fund, Street Operating Fund and Parks Maintenance Fund) for the second year of the biennium. The General Operating Reserve is available to address unforeseen revenue shortfalls or expenditure needs that occur during the current biennium.
- The City will maintain a Revenue Stabilization Reserve to address temporary revenue losses due to economic cycles or other time-limited causes. The Revenue Stabilization Reserve will be maintained at ten percent of selected General Fund revenue sources which, in the judgment of the Director of Finance and Administration, are subject to volatility. The Revenue Stabilization Reserve may be used in its entirety; however, replenishment will be a priority, consistent with adopted policies.
- The City will maintain a Council Special Project Reserve, which is available to the City Council to fund special one-time projects that were unforeseen at the time the budget was prepared. When the reserve is used, it is replenished from the General Fund year-end fund balance to a target balance of \$250,000.
- The City will maintain a General Capital Contingency to address unforeseen project expenditures or external revenue shortfalls in an amount equivalent to ten percent of the funded two-year CIP budget, less proprietary fund projects.
- In establishing targets for the reserves defined above, voted property tax levies will be excluded from the calculations, since the levies are not intended to burden the General Fund and are expected to absorb unexpected costs from levy proceeds.
- The City Manager may authorize the use of capital funding reserves up to an aggregate total of \$100,000 per year in increments not to exceed \$25,000. The City Manager will provide regular reports to the City Council at a regular Council meeting if this authorization is used. Capital funding reserves include: General Capital Contingency, Street Improvement Reserve, REET Reserves, Impact Fee Reserves, Water/Sewer Capital Contingency, Water/Sewer Construction Reserve, Surface Water Capital Contingency, and Surface Water Construction Reserve.
- The City will maintain a Capital Improvement Project Grant Match Reserve as a means of assuring the availability of cash resources to leverage external funding when the opportunity arises. The reserve will be maintained in the Real Estate Excise Tax Capital Reserve Fund and maintained through excise tax revenue received over and above the annual allocation to the Capital Improvement Plan.
- The City will maintain a Building and Property Reserve with a minimum balance of \$600,000. This reserve is used for property purchases, building improvements and other property-related transactions. It can also be used as a general purpose reserve to fund Council-approved unanticipated expenditures.
- The City will maintain fully funded reserves for the replacement of vehicles and personal computers. Contributions will be made through assessments to the using funds and maintained on a per asset basis.
- Additional reserve accounts may be created to account for monies for future known expenditures, special projects, or other specific purposes.
- All reserves will be presented in the biennial budget.

#### *Reserve Replenishment*

- Reserve replenishments occur in two ways during periods of economic recovery:
  - Planned - A specific amount is included in the adopted budget, and

- Unplanned - Ending fund balances are higher than budgeted, either due to higher than budgeted revenues or under-expenditures.
- Planned amounts are included as part of the adopted budget. Planned replenishments toward 80% of the target level shall be set to at least 1% of the General Fund adopted budget.
- Unplanned amounts available at the end of each biennium (if any) should help replenish to target faster. A high percentage (up to all) uncommitted funds available at the end of a biennium should be used for reserve replenishment until reserves meet 80% of target and the revenue stabilization reserve is at 100% of target. Some or all of those unplanned funds may be used in place of planned (budgeted) amounts in the following biennium to the extent it meets or exceeds the 1% budgeted amount.
- Once reserves reach 80% of target and revenue stabilization reserve is at 100%, funds may be used to meet other one time or on-going needs. Additional funds should be used to fund a variety of needs, based on the following process:
  - Set 50% of available cash toward reserves until they are at 100% of target.
  - The remaining 50% shall be available for one or more of the following needs, depending on the nature of the funds available (one-time or on-going) and in the following order of priority:
    - Fund liabilities related to sinking funds for public safety and information technology equipment,
    - Maintain current service levels,
    - Fund one-time projects or studies,
    - Increase funding for capital purposes,
    - Restore previous program service reductions,
    - Potential program and service enhancements.
- In terms of priority for replenishing the individual reserves, the following guidelines shall be used:
  - If the Council Special Projects reserve is below target, replenish to target at the start of each biennium.
  - If the revenue stabilization reserve is below target, prioritize replenishing the reserve.
  - To the extent cash is from volatile revenues above budgeted amounts, those funds should be applied to revenue stabilization reserve first.
  - If unplanned funds are available because planned reserve uses did not occur, those funds should be returned to the source reserve.
  - The source of uncommitted funds should be taken into consideration (for example, interest earnings over budget could be applied to the capital contingency, since they are one of the designated sources for this reserve).
  - The degree to which an individual reserve is below target (for example, the reserve that is furthest from its target level on a percentage basis might receive a larger share of the funds).
  - Decisions on how replenishments are allocated to specific reserves will be based on where available funds came from and on each reserve's status at the time the decision is made.
  - The replenishment policy will provide a mechanism whereby Council may take action to suspend replenishment policies if it was found that special conditions existed warranting such action.

<b>DEBT MANAGEMENT POLICIES</b>
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The amount of debt issued by the City is an important factor in measuring its financial performance and condition. Proper use and management of borrowing can yield significant advantages. From a policy perspective, the City of Kirkland uses debt in two ways: (1) as a mechanism to equalize the costs of

needed improvements to both present and future citizens; and (2) as a mechanism to reduce the immediate costs of substantial public improvements.

- The City will maintain a formal Debt Management Policy which is reviewed and endorsed by state and/or national professional organizations. The complete policy can be found in the appendix of this document.
- City Council approval is required prior to the issuance of debt.
- An analytical review shall be conducted prior to the issuance of debt.
- The City will continually strive to maintain its bond rating by improving financial policies, budget forecasts and the financial health of the City so its borrowing costs are minimized and its access to credit is preserved.
- All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt.
- The City of Kirkland will not use long-term debt to support current operations.
- Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- Interest, operating and/or maintenance expenses will be capitalized only for enterprise activities; and will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The general obligation debt of Kirkland will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within the City.
- The following individual percentages shall not be exceeded in any specific debt category:
  - General Debt -- 2.5% of assessed valuation
  - Non-Voted -- 1.5% Limited Tax General Obligation (LTGO) Bonds
  - Voted -- 1.0% Unlimited Tax General Obligation Bonds
  - Utility Debt -- 2.5% of assessed valuation
  - Open Space and Park Facilities -- 2.5% of assessed valuation
- The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.
- Short-term borrowing will only be used to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
- Assessment bonds will be considered in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Limited Tax General Obligation (LTGO) bonds will be issued only if:
  - A project requires funding not available from alternative sources;
  - Matching fund monies are available which may be lost if not applied for in a timely manner; or
  - Emergency conditions exist.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.

- General Obligation bonds will be issued with maturities of 30 years or less unless otherwise approved by Council.
- The maturity of all assessment bonds shall not exceed statutory limitations. RCW 36.83.050.
- The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt.

<b>CAPITAL IMPROVEMENT POLICIES</b>
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Kirkland's City government is accountable for a considerable investment in buildings, parks, roads, sewers, equipment and other capital investments. The preservation, maintenance, and future improvement of these facilities are a primary responsibility of the City. Planning and implementing sound capital improvement policies and programs today will help the City avoid emergencies and major costs in the future, therefore:

- The City will establish and implement a comprehensive multi-year Capital Improvement Program.
- The Capital Improvement Program will be prepared biennially concurrent with the development of the biennial budget. A mid-biennium review and update will take place during the first year of the biennium.
- The City Council will designate annual ongoing funding levels for each of the major project categories within the Capital Improvement Program.
- Financial analysis of funding sources will be conducted for all proposed capital improvement projects.
- A Capital Improvement Budget will be developed and adopted by the City Council as part of the biennial budget and will be amended during the mid-biennial budget review process (during the first year of the biennium) to reflect any changes in the updated Capital Improvement Program.
- The Capital Improvement Program will be consistent with the Capital Facilities Element of the Comprehensive Plan.
- The City Manager may authorize the reallocation of CIP project funds between CIP projects within a CIP category up to \$50,000 per instance. Funding may only be reallocated within a CIP category (i.e. between Transportation projects, or Parks projects, or Public Safety projects, etc.) when one project is over budget and, in the same period, a second project within the same CIP category has been completed and is closing out under budget. The City Manager will provide regular reports to the City Council at a regular Council meeting if this authorization is used.