

2005 - 2006 Budget

KIRKLAND WASHINGTON



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January 1, 2004

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CITY OF KIRKLAND

2005-2006 BUDGET

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2005-2006 BUDGET
BUDGET MESSAGE

INTRODUCTION

This year's budget marks two important milestones for the City of Kirkland. The 2005-2006 Budget is the City's first biennial budget. A full budget process will now take place every two years with a "mid-biennium review" and capital improvement program preparation taking place in the "off" year. This budget also reflects an improving economic environment and a resumption of more normal revenue growth patterns. The proposed budget maintains service levels into the coming biennium, however it does so using one-time resources to help fund key service areas such as human services and public safety. The budget does not include any new, ongoing service levels. The economic recovery is slow and gradual and there is insufficient revenue growth to allow for the addition of tax-supported services or positions. Over the two year period, we were able to balance the General Fund budget using a minimal amount of reserves. Assuming continued economic growth and expenditure controls, we hope to be able to maintain services through 2006 without using reserves.

The City's improving financial position is a great relief and the fact that we were able to withstand the past two to three years of fiscal stress without major service reductions or employee layoffs is attributable to the City's ongoing conservative budget practices. At the same time, we recognize that the City has a number of unmet service needs and an existing structural imbalance between revenues and expenditures that will require careful planning for the future. At the 2004 mid-year budget review meeting held in June, staff presented a list of unfunded services that are not addressed in any long term or adequate manner in this budget including these key areas:

- The City Council recently adopted the **Police Department Strategic Plan** that calls for the addition of sixteen new positions to maintain and enhance protective services in Kirkland. Council asked staff to identify new revenue sources available to begin implementation of the strategic plan, and an issue paper is provided which includes a recommended first step. The 2005-2006 Budget does not incorporate any of these new positions. A small amount of one-time funds were made available for Police Department overtime to provide hours for a proactive unit.
- Fire suppression staffing for the **Forbes Creek Fire Station** has been requested several times since the need was first identified in the Fire Services Master Plan adopted in 1991. At this time, the Forbes Creek staff is only able to respond to medical emergency calls. Fire suppression calls are diverted to one of the five other stations serving the City and Fire District #41. The Fire and Building staff has been working on a consolidation and relocation plan for fire stations serving the northwest part of the service area which may improve response times in selected areas and facilitate the staffing of the Forbes Creek station. Until that plan is completed and adopted by the district and the City Council, it is recommended that the City Council delay any staffing decisions.
- With the upturn in the economy, construction on new public and private projects has begun in earnest. Although the new construction yields improved development fee revenue, the resulting workload is taxing the current **development services** staff. Five existing temporary development staff are recommended to

continue into 2005 and 2006 to help accommodate the heavy workload. One-time funding is being made available from permit fees that will be collected in 2004 for staff work that will continue through the next twelve to eighteen months. Because development revenue can fluctuate from year-to-year, we were not able to recommend these positions on an ongoing basis. It is safe to say that the ongoing workload justification for these temporary staff exists. However, the ongoing commitment of resources is too difficult to accomplish at this time.

- **Human services funding**, especially in the area of affordable housing, presents another challenge this year as we attempt to maintain funding levels for local agencies while we lose federal Community Development Block Grant funds previously available for ARCH (A Region Coalition for Housing). Once again, this ongoing need is being met through one-time funds carried forward from 2004 into 2005-2006.
- The City Council has asked staff to develop a **plan to annex the City's Potential Annexation Area** to the north. The full annexation, which will nearly double the City's population, has been deferred due to the estimated financial imbalance between revenues available from the annexed area and the cost of providing Kirkland's level of service. Although the City is attempting to secure state legislation that will provide supplemental funding and is re-examining potential service levels in the annexed area, annexation of these areas, when it occurs, will put further pressure on an already strained budget.
- With or without annexation, **City facilities needs** are becoming ever more apparent. The City recently studied the feasibility of building a City Hall facility downtown in concert with the new transit center and renovating the existing City Hall as a public safety facility. An expanded and upgraded public safety facility is a critical need that will require significant resources to construct.

Large public facilities require years of planning, design and construction. Although the City Council was unable to fund the debt service at this time, the need still exists and will need to be included as an expense of annexation or, without annexation, in some modified (smaller) scale. In the meantime, several smaller space-related studies are recommended including planning for a police evidence processing unit and possible jail expansion, upgrade of the City Council chamber furnishings and audio visual equipment and changes to staff work areas to maximize the use of existing space.

The City has numerous plans that it is unable to fully implement because of the ongoing financial resources and staff time that are both in short supply. Implementation of neighborhood plans, the parks master plan and the Council's desire to provide for pedestrian improvements and basic street maintenance are not adequately addressed in this budget.

A fundamental challenge that we will continue to face is the ongoing ability for revenue growth to keep pace with the cost of doing business. We have consistently pointed out that roughly seventy percent of the City's operating budget goes toward the wages and benefits of the employees that provide the City's basic output - services to the public. With wage and benefit costs increasing faster than inflation, the revenue base (which is more likely to mimic inflation) cannot keep pace with costs.

Recognizing this ongoing challenge, it is recommended that the Council continue to emphasize this topic. In particular, the City Council should articulate a revenue policy that defines its philosophy about the role that sales tax, property tax and other major sources of revenue will play in supporting services in the future. In order to do so, the Council will need a clear and detailed plan for how land use and other development decisions will support the revenue base. In fact, the definition of community character will drive the future revenue base which will in turn guide a revenue strategy. Revenue sufficiency is otherwise left to chance and will tend to be addressed through annual incremental

decisions to deal with whatever budgetary issues are before the Council at that time. We recommend that the City Council focus on this issue in the budget process and carry the discussion forward to the Council retreat. An issue paper regarding this subject is included with the budget materials.

BUDGET OVERVIEW

In keeping with the new biennial budget format, most of the normal descriptions and comparisons we present in the budget will be reflected as two-year totals. Some of the tables and reconciliations were modified to show how the budget changes from 2004, to 2005 and then onto 2006. In some cases, an “apples to apples” comparison for the 2005-2006 biennial budget was accomplished by combining the 2003-2004 annual budgets for comparison purposes. During this transition year, directly comparable numbers were not always available. However, once we prepare our second biennial budget (for 2007-2008) the format should be more straightforward. We have tried to maintain as much consistency as possible in the budget presentation to facilitate Council’s review.

The total biennial budget for 2005-2006 is \$277,143,637 which is a 2.76% reduction from the 2003-2004 budget. Most of the reduction results from the planned use of reserves such as the use of the parking fee-in-lieu reserve for the downtown parking program and accumulated capital reserves for large projects now getting underway. **The general government operating budget totals \$130,291,943 which represents a two-year increase of 9.04%** over the previous two-year period. Although this figure may seem larger than average, it should be kept in mind that this increase represents two years of salary and benefits adjustments rather than the usual annual amount. The following table shows the relative change in the budget’s major components:

	03-04 Budget	05-06 Budget	% Change
GENERAL GOV'T			
General Fund	82,891	91,793	10.74%
Other Operating	20,088	20,477	1.93%
Internal Service Funds	16,510	18,022	9.16%
Non-Operating Funds	87,576	65,790	-24.88%
UTILITIES			
Water/Sewer	53,164	51,832	-2.51%
Surface Water	9,395	13,829	47.19%
Solid Waste	15,391	15,401	0.07%
TOTAL BUDGET	285,014	277,144	-2.76%

The typical focus for the Council’s 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.

REVENUE TRENDS

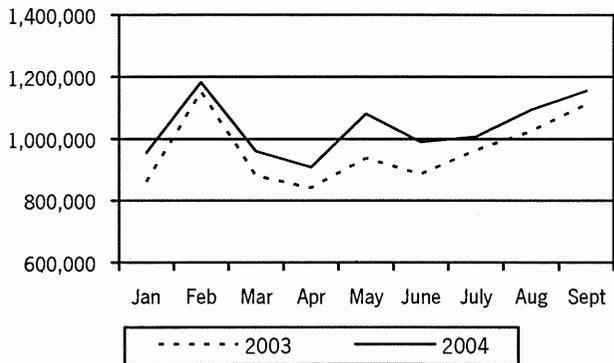
As mentioned earlier, an improved economic climate is the primary contributor to stronger revenue growth than has been seen in the past three years. In particular, consistent increases in sales tax and development fee revenue reflect the resumption of new construction and the renewed stability of the retail base. While Kirkland experienced the closure or relocation of several large businesses in 2001, the current business base has remained fairly constant. In the past when a business closed, it was generally replaced with another business. This wasn’t the case during the recessionary period when new business starts were slower. We are now seeing a more normal pattern of net new businesses.

As part of the City’s budget and financial planning efforts the City Council continuously reviews and re-assesses the City’s revenue base to assure that it is meeting the current financial needs of the community. An issue paper is provided with this

budget that describes and evaluates the City's revenue base relative to other cities and according to selected criteria. The primary conclusions from the study are that the City of Kirkland has a fairly diverse portfolio of revenues that has an underlying stability along with moderate growth potential. Over time, the revenue base has changed in size, but the overall structure has not changed much. The changes that have occurred have tended to introduce additional stability to the base.

In general terms, the City's revenue base is not markedly different from most other cities of a similar size and service scope. Although comparisons with other cities are interesting, they should not necessarily guide revenue decisions. Rather, it is more important that the revenue base reflects the values of this community and its preferred land use which, in turn, will help focus economic development efforts.

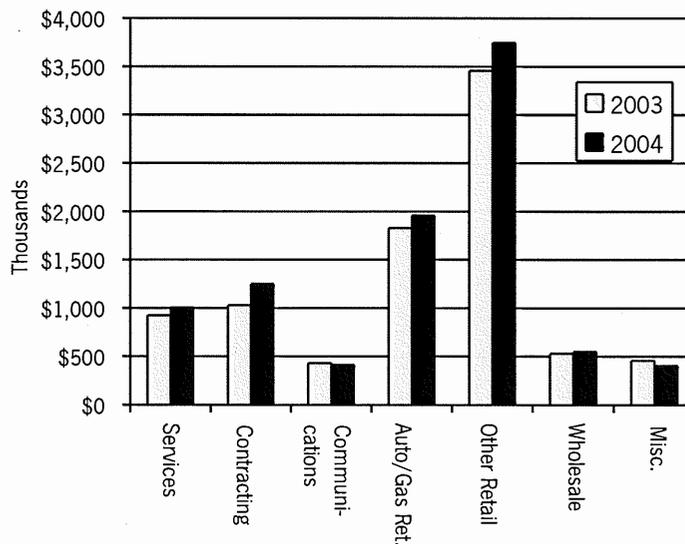
Sales tax revenue continues to be the City's largest source of general purpose revenue and is one that has seen significant improvement over the past year. The following chart shows a month-by-month comparison of 2004 sales tax revenue relative to 2003 ("normalized" to exclude one-time large sales tax recoveries made by the Department of Revenue).



By the end of 2004, we expect sales tax revenue to have increased by at least six percent over the previous year. Using our "lag" budget strategy, this is the amount of sales tax revenue budgeted for 2005. One of the strategies provided by the Council this year was to move from a two-year sales tax lag (where the amount budgeted for sales tax in the coming year would have been the amount actually received in 2003) to a one-year lag. By doing so, the

budget is able to capture the growth experienced in 2004 and to build upon that for future years. Over the two-year biennial cycle, sales tax is budgeted to increase by over fifteen percent. This results from the combined effects of changing the lag policy to one year and projecting growth of six percent in 2004 and five percent in 2006. This strategy, together with the consistent growth this year, was key to being able to nearly close a two-year gap of over \$1 million projected earlier this year.

Looking at growth trends by business sector shows the areas where the strongest gains have occurred.



One area of notable growth is in contracting which reflects the increase in development activity occurring in Kirkland. Contracting sales tax growth should be viewed with caution as it is subject to volatility and cannot be depended upon as a steady source.

Property tax is the second largest source of revenue for the operating budget and supports services in the General Fund, Street Operating Fund and the Parks Maintenance Fund. As usual, a two percent new construction increase was assumed along with a one percent optional increase in the levy. Over the two-year period, property tax in the General Fund grows by only four percent which reflects the need to divert tax revenue to the Street Operating Fund in order to balance against increased street maintenance costs. The primary funding source for street maintenance is property tax, which is legally restricted to new construction growth plus one

percent. This fund is an example where property tax, on its own, will not keep pace with increased costs. There is virtually no other revenue source with any growth potential within the Street Operating Fund.

This problem is magnified in the Parks Maintenance Fund which has property tax as its sole source of income. Because the parks maintenance special levy operations are still “ramping up,” the real problem in this fund won’t be apparent until 2006 when the last of the planned new groundskeeper positions is added. At that point, it will be necessary to supplement property tax with other tax revenue to support the expenses in the fund (or to move some expenses out to the General Fund).

Utility taxes represent about 15% of the General Fund revenue base and continue to be a stable source of revenue. Changes in budget estimates from one year to the next reflect anticipated rate increases, changes in consumption or adjustment of utility revenue estimates. Telephone utility tax continues to decline as more services are offered at lower prices and through alternative means such as voice over internet. This area will continue to be worth watching as the regulatory environment (and our taxing authority) changes to reflect current technology.

Business license fees are performing slightly better than expected due to the increased emphasis on licensing “outside” businesses (i.e. not located in Kirkland but doing business within the city limits). There are two elements to the fee – a base fee that is shown in the license and permit category and the surcharge which is shown in the tax section. The very large increase on a biennial basis is due to the mid-year implementation of the new program in 2003 (the 2003-2004 budget includes only a partial year of revenue in 2003). Although there are some minor refinements needed to the current ordinance, we expect this source of revenue to continue to be collected at a stable rate, however growth from year to year is not assumed to be significant.

Development fees are the other most notable change in revenue in the General Fund. By the end of 2004, we expect to have collected approximately \$800,000 in development fee revenue over and above the budgeted amount. The 2005-2006 budget

incorporates a recommendation to fund about the same amount of one-time development services staff to address the workload. Revenue for 2005-2006 is expected to significantly increase from the 2003-2004 budgeted amount. Keep in mind that the 2003 development fee budget was low due to the lack of development activity in 2002 and early 2003. Consequently, the increase on a biennial basis appears very significant. Most of that increase is used to balance the General Fund overall as was noted at the mid-year budget review. To plan for future staffing needs, we will be presenting a recommendation to Council to establish a development services reserve composed of development fee revenue growth (over and above that needed to fund increases in development services costs) to maintain staffing in future years.

Interest income continues to perform poorly, and we project another shortfall in 2004 from the budgeted amount. We have assumed that the Council will backfill the interest shortfall needed to fund 2004 capital projects and debt service with General Fund year-end resources. We are starting to experience some improvement in rates and so are projecting increased revenue for 2005 and 2006. Any interest revenue not dedicated to the utilities, the CIP, or debt service commitments was applied to the General Fund deficit in 2006 as an alternative to using the Revenue Stabilization Reserve. In order to balance the General Fund in 2006, we estimate that we may need up to \$137,000 from the Revenue Stabilization Reserve. At the mid-biennium review next year, revenue performance may be such that this transfer won’t be needed. However, it should be noted that the total deficit for 2006 is in the range of \$594,000 which is the difference between ongoing revenue and expenses in the General Fund for the biennium.

EXPENDITURE TRENDS

Over the past few years, the City has made a number of expenditure reductions in an effort to balance the budget within available resources. One of the major contributors to recent increases is the cost of providing employee health care benefits. This problem is certainly not unique to Kirkland. Double-digit premium increases, sometimes higher than twenty percent, have become the industry standard.

The City of Kirkland purchases its employee benefits through the Association of Washington Cities Trust. Over the two-year period from 2003 to 2004, medical premium increased a total of 38%. AWC had projected increases of 20% and more for 2005 and beyond. In an effort to understand the current trends and the City's options for maintaining health care benefits at an affordable level, the City formed an employee benefits task force. The task force is composed of representatives from each of the four employee unions and management. The initial objective of the task force is to develop a recommendation to the City Manager and City Council regarding the advisability of staying with the AWC Trust versus exploring other options.

Since the task force first started meeting, AWC announced that their premium rate increases would be lower than originally projected based on favorable claims experience in 2004. In fact, the medical premium rate increases that had been projected to increase by 23% to 28% actually increased by 6.0% to 9.5%. Because the City had anticipated the higher rate increase in the financial forecast, the lower premium costs was another major factor in our ability to balance the operating budget in 2005 and 2006. Based on this information and timing, the task force is recommending that the City remain with the trust in 2005. Any increase below ten percent is better than the current industry standard and the City is not likely to achieve savings while maintaining a comparable benefit package. The task force will continue to meet into next year to determine how we can best meet our long-term health care insurance needs, how to do so at an affordable price and how to have more direct control over our costs through proactive health promotion activities.

It is the City's policy to pay its employees at the average of the labor market. Averages are determined by comparing like positions in similar organizations in the Puget Sound area to those in Kirkland. By paying competitive wages, the City will attract and retain quality employees. In addition to periodic market adjustments, cost of living increases are provided for in contracts with the City's five bargaining units. Two contracts expired at the end of 2003 and are not yet settled (commissioned police and police support staff). Both of those negotiations are in mediation. The firefighter's contract expires at

the end of 2004 and we are actively engaged in interest-based negotiations with the IAFF. Prior contract settlements with AFSCME (administrative, technical and professional workers) contained a phased market adjustment. The final phase of the implementation will take place on January 1, 2005.

In addition to bargained wage agreements, it is the City's policy to conduct a salary survey for management and confidential employees ("MAC") every three years. The survey was recently completed and this budget incorporates market adjustments that resulted from the survey. Reserves representing the budgeted wage settlements have been set aside. Wage costs that were known at the time the budget was developed (such as the AFSCME salary survey costs) are incorporated within departmental budgets.

Other factors contributing to increased costs include the maintenance on newly-implemented systems such as the police automated dispatch, records, jail management and mobile computing system, liability and property insurance and lease costs for the new Municipal Court and police evidence storage facility in Totem Lake.

One operating fund that will bear watching over the coming year is the Recreation Revolving Fund, which accounts for fee-supported classes ranging from swim lessons to aerobic classes. Several years ago, the Council was presented with a fee policy for recreation programs that included a recommended level of tax support versus fee support for various programs. Although the council adopted the recommended policy, a specific implementation plan about how the General Fund would subsidize recreation classes was not brought back to the Council. In the meantime, the revolving fund has received one-time subsidies each year from the General Fund. A more permanent resolution of this issue is needed. An issue paper is included with the budget materials that provides background on this subject and an updated cost of service study is recommended as service package in 2005.

SERVICE PACKAGES

The guidance provided to departments for preparation of the 2005-2006 Budget called for maintenance of

current service and staffing levels. New ongoing positions were strongly discouraged unless there was an identified revenue source available to fund them. Although new ongoing resources were not expected to be available, we were confident that the increase in sales tax revenue and development fees would provide resources at the end of 2004 that could be used to fund one-time service packages in 2005 and 2006.

Despite this guidance, many departments requested ongoing positions because they felt that it was important to identify the needs, even if they could not be funded. A total of 37.88 positions were requested for the two-year period. Of those, 8.13 are recommended, all of which have identified funding sources specific to those positions. Of the 37.88 requested positions, 16.00 were generated from the Police Department Strategic Plan. The recommended positions maintain current service levels (there are no new service levels or programs recommended in this budget). The following discussion describes the service package recommendation included in the 2005-2006 preliminary budget.

Ongoing positions recommended for funding include:

- A .13 FTE increase in **Human Services Coordinator** hours funded by Community Development Block Grant Funds. The money available for the planning and administration activities cannot be applied to agency grants or the capital program. If we did not use it for planning and administration, we would need to forego this grant revenue.
- A second **Assistant City Attorney** position is recommended to be funded by savings from contracted legal services. It was felt that the amount of ongoing legal work needed to support the City Council and staff justifies the in-house position which is more cost effective than contracting out. Contracted outside counsel funding will still be available, but at a lower amount.
- One new **utility billing position** is recommended to be funded jointly by the water, sewer and solid waste utilities.

Additional staff time is needed to meet the workload created by the increased complexities of the utility rate structures (e.g. consumption-based sewer billing and variable can solid waste rates) and increased customer inquiries about new services (e.g. food waste recycling).

- The City is entering into a **contract with the City of Mercer Island to provide emergency dispatch services**. Two Communications Technicians and one Communications Lead are recommended for the police dispatch center so that we can provide this service, which is completely funded by contract charges paid by Mercer Island. This contract is the first step toward increased regionalization of dispatch services and has the added benefit of providing better coverage for Kirkland's dispatch center.
- One additional **Groundskeeper** is recommended in 2006 to be paid from the proceeds of the parks maintenance levy approved in 2002. This is the final position to be phased in of the originally-identified positions funded by the levy.
- One position is recommended to operate a new **pipeline video inspection truck** to be funded jointly by the water/sewer and surface water utilities. The City currently contracts for this service.
- One **Help Desk Technician** is recommended to provide ongoing support for the City's new telephone system and general technology systems. The position cost is offset by savings from contracted phone support and phone system costs savings that result from implementing the new system in 2004. The net new ongoing cost of this position is about \$12,000.

The remaining service packages recommended are funded on a one-time basis (despite the fact that some of them represent ongoing needs).

- **Human services funding** is recommended in three packages. In addition to the increase in human services coordinator hours, one-time human services

per capita funding of \$47,053 in 2005 and 2006 is proposed along with a City contribution to ARCH of \$184,000 in 2005 and \$200,000 in 2006. The ARCH funding brings the City to the mid-point of parity with other cities. This is a significant increase over 2004 and is needed to replace Community Development Block Grant funds that have been diverted away from this program area. An issue paper is provided with the budget materials which contains a table showing the changes in funding for human services.

- A total of nearly \$865,000 in **temporary staff support for development services** is recommended as mentioned earlier. This does not add any new staff to the development services staff, but continues current temporary staff that have been funded over the past few years. During that period, development fee revenue increased by nearly 40% from 2001-2002 to 2003-2004 and is expected to increase another 12% in the coming biennium. Although revenue isn't a direct correlation to workload because of the impact of very large projects, it is an indicator of the amount of development occurring in Kirkland that will require permitting and inspection.
- Technology plays an important role in helping staff meet increasing service demands, requests for information and outreach to the public. A number of **technology improvements** are recommended for funding including the implementation of electronic council packets, internet video streaming of council meetings, implementation of a city-wide document management system and wireless computer access for field workers.
- A **legislative advocate** is recommended for the biennium. The City's involvement in regional affairs and local government legislative efforts is vital to Kirkland's interests. The proposed service package provides \$30,000 per year for a contracted advocate.

- **Maintenance and operation of new parks facilities** is funded with one-time money even though these represent ongoing commitments. Funding for the operating costs associated with Heritage Hall, public art maintenance and accounting support is needed to meet our existing obligations. In addition, the phase one development of the Waverly Site is expected to be completed some time in 2005, requiring maintenance funding beginning in 2006.
- Funding for the **Youth Council Summit** and video programming is recommended along with program and video money for the **Senior Council**. Funding for the **summer concert series**, which was a budget reduction made in 2003 and 2004, is recommended for one-time funding in 2005.
- A variety of **planning studies** are recommended to continue work begun in previous years including the Lakeshore Plaza project and updates to neighborhood plans and the zoning code. Periodic plan updates are also coming due for the Shoreline Master Plan, the impact fee program and the design review guidelines.
- An update of the **annexation fiscal study** is planned for 2005. This study will re-examine the cost of providing services in the annexation area at different levels and will provide updated revenue estimates. The objective of the study is to determine if there are reasonable service level adjustments that can be made to make the initial annexation financially feasible without impacting services for existing residents.

Once again, as important as the funded service packages are those that are **not recommended for funding**. Most notably, the service packages related to the **Police Strategic Plan, fire suppression staffing for the Forbes Creek Fire Station** and ongoing funding for **human service and development services** could not be addressed with the limited ongoing resources available in this budget. These are needs that are unmet. Any revenue growth anticipated over the next few years will be needed to fund existing service levels. The City Council has

discussed a variety of possible voted tax measures for the future including a sidewalk bond, another parks bond and a public safety levy. The prioritization and coordination of these measures will be important to their success. Realistic planning for service enhancements needs to take place with the community so that they are informed about service deficiencies and can make choices about whether they should be funded from new revenue sources.

OUTSIDE AGENCIES

Each year the City Council receives requests for funding from outside agencies. Funding for these agencies comes from the business and community events grant program, lodging tax (as allocated by the Lodging Tax Advisory Committee) and one-time resources. Of the \$332,745 requested in 2005, \$177,800 is being recommended for funding. Per the Council's direction, outside agency funding is allocated for 2005 only. New requests will need to be filed by outside agencies for 2006.

- **Friends of Youth** is recommended for \$50,000 to assist with operating costs associated with the Teen Center. The **Kirkland Performance Center** is recommended to receive \$50,000 for its operations. Both of these recommendations are consistent with the requested amounts.
- Community events have become an important tradition for Kirkland. Slight increases in funding are recommended for the **4th of July** fireworks display and picnic. A total of \$40,000 is recommended compared to \$35,000 funded in 2004. The **centennial celebration** planned for 2005 is expected to have the 4th of July as one of its centerpiece events. Also funded for 2005 are **Summerfest**, the **Classic Car Show** and the **Junior Softball World Series**. Kirkland Karnival is not recommended for funding at this time pending a report from the Chamber of Commerce on changes to the event format.
- Continued funding is recommended for **Kirkland Downtown on the Lake** for its Main Street program and for a downtown amenities program.

UTILITIES

The City operates three utilities – a water/sewer utility, a solid waste utility and a surface water utility. Each of these utilities operates independently with its own rate structure. Annual rate changes are needed to acknowledge the general cost of operations, any new debt service obligations incurred in the previous year and “pass-through” increases from other agencies.

The City purchases sewer treatment services from King County/Metro who will be passing on a ten percent rate increase to cities. Sewage treatment costs represent a large portion of the sewer utility budget and this pass-through cost along with increases in normal operating costs will require an 8.4% percent rate adjustment to the City's 2005 sewer rates.

No rate adjustment is recommended for water services. The City's new arrangement for purchasing water through the Cascade Water Alliance (we formerly purchased water from the City of Seattle) provides a rate structure that is stable for 2005. Solid waste rates are also adequate to meet the City's contractual commitment to Waste Management for the coming year, although a minor shift in rates between can sizes is recommended.

The surface water utility was established in 1998 and has grown over time. The City just completed a surface water master plan that identified capital project needs for the coming years. The surface water utility currently has a monthly residential rate of \$7.50 which is about the average rate for the Puget Sound area. A rate increase of \$40 per year (about \$3.40 per month) is recommended in 2005 to address the many capital needs addressed in the master plan and to address operational needs. The total revised annual rate for 2005 would be \$130.80 which is slightly less than the City of Redmond's rate. An additional rate increase of \$3.25 is recommended for 2006.

NON-OPERATING BUDGET

The non-operating budget is composed of capital projects, debt service and reserves. The capital

project budget results from development of the six-year capital improvement program (CIP). The new biennial budget cycle includes a comprehensive update of the CIP in the "off budget year," which will be 2005. In the meantime, the preliminary budget reflects the six-year CIP that was updated and adopted by Council in September of this year.

The City's debt service budget does not change significantly from year to year unless new debt is issued or old debt is retired. Over this past year, the City Council refunded two water/sewer utility debt issues resulting in an ongoing savings to the utility of about \$27,000 per year over the life of the bonds. In the process, the City's utility received a rating upgrade from Standard and Poor's from an A+ to an Aa-. The rating upgrade reflects the utility's excellent financial position, Council's continuing support of sound business practices and the City's general management capabilities.

Reserves provide an important safety net for City services and projects. Overall, the budget projects that reserves will decrease based on the planned use of reserves for capital projects. The City has been able to avoid the actual use of the Revenue Stabilization Reserve despite the fact that it has been used as a budget balancing mechanism the past two years. Although we could have taken the reserves into the General Fund and used the available revenue for additional one-time projects, we opted to hold the course and use any expenditure savings or revenue over the budgeted amount to fill the deficit. A small amount of reserve is used to balance the 2005-2006 General Fund Budget. It is hoped that, by the mid-point of 2005, revenue growth will be sufficient to avoid the use of this source.

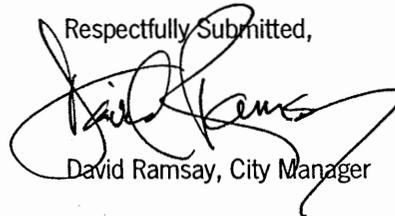
CONCLUSION

After three very difficult years, the City budget is finally beginning to get on more solid footing. We have returned to more normal revenue growth patterns needed to support the basic service needs of the community. While this is cause for relief, there is still work to do in order to address unfunded service needs throughout the organization. This will be an important topic for the City Council in the coming

year. The City's first biennial budget provides an opportunity to look ahead one additional year. The biennial process should also afford an opportunity for the Council to step back from the annual process and undertake some longer term planning discussions.

The development of the preliminary budget is an arduous task for the City staff. The transition to a biennial budget required a significant effort on the part of all of the departments and, in particular, for the Financial Planning staff. We would like to acknowledge their efforts and congratulate them on making this transition successful. We have every reason to be proud of the work done day in and day out by the City staff. With the support of the City Council, it is their efforts that make the City work and make Kirkland an exceptional place to live.

Respectfully Submitted,



David Ramsay, City Manager



Marilynne Beard
Director of Finance and Administration

POSTSCRIPT

In November 2004, the City Council held a series of study sessions and a public hearing to review the 2005-2006 Preliminary Budget proposed by the City Manager. After making a number of changes, the City Council adopted the 2005-2006 Final Budget on December 14, 2004. Overall, the 2005-2006 Final Budget totals \$278.4 million, which represents a 2.70 percent decrease compared to the 2003-2004 Approved Budget. This decrease primarily relates to the planned use of reserves for major transportation, parks, technology, and water/sewer capital projects in 2003-2004. The 2005-2006 Final Budget is summarized in the following table by fund type:

	03-04 Budget	05-06 Budget	% Change
GENERAL GOV'T			
General Fund	82,990	92,462	11.41%
Other Operating	20,105	20,541	2.17%
Internal Service Funds	16,550	18,497	11.77%
Non-Operating Funds	87,584	65,278	-24.33%
UTILITIES			
Water/Sewer	54,109	51,832	-4.21%
Surface Water	9,395	13,399	42.62%
Solid Waste	15,391	15,401	0.07%
TOTAL BUDGET	286,123	278,409	-2.70%

The total General Fund budget is \$92,461,592, which represents an increase of 11.41 percent from the 2003-2004 Approved Budget. It should be noted that the increase is for a two year period and is primarily the result of employee wage and benefit growth, increased technology costs, and approved service packages.

The City Council made a number of changes to the 2005-2006 Preliminary Budget, which can be grouped as follows: one-time basic budget adjustments (in the Lodging Tax Fund), one-time service package adjustments, one-time outside agency adjustments, and housekeeping adjustments (as summarized in the table below).

Type of Adjustment	2005	2006	05-06 Total
Preliminary Budget	114,595	162,549	277,144
Basic Budget Adj.	23	50	73
Service Package Adj.	718	394	1,111
Outside Agency Adj.	19	0	19
Housekeeping Adj.	54	8	62
Final Budget	115,408	163,001	278,409

Of particular note are the following adjustments for the 2005-2006 biennium in each category:

One-Time Basic Budget Adjustments (in the Lodging Tax Fund)

- Additional Tourism Signage (\$5,000)
- Kirkland Performance Center Grant (\$5,100)
- Tourism Event Opportunity Fund (\$5,000)

One-Time Service Package Adjustments

- Fund Staffing and Equipment at Forbes Creek Fire Station (\$343,896)
- Increase Human Services Per Capita Funding (\$22,900)
- Fund Senior Health Enhancement Program (\$15,000)
- Fund Support for Transportation Demand Management Plans (\$17,000)
- Fund Revision for Design Guidelines (\$17,000)

One-Time Outside Agency Adjustments

- Increase Funding for Leadership Institute (\$3,000)
- Increase Funding for Classic Car Show (\$500)
- Increase Funding for Friends of Youth—Teen Center (\$5,000)
- Increase Funding for Transportation Choices Coalition (\$500)
- Increase Funding for 7 Hills of Kirkland (\$3,000)

- Fund Chamber of Commerce for Triathlon/Family Festival (\$6,000)
- Fund Feet First (\$1,000)

One-time housekeeping adjustments were minor in nature and primarily related to correcting a few interfund transfers and some internal charges for service. None of the housekeeping adjustments required additional funding. The other one-time adjustments approved by the Council were offset by reductions in other service packages, the use of reserves and available fund balance, and in the case of the Forbes Creek Fire Station Staffing, external funding from Fire District #41.

Finally, there were some questions or issues that arose during the budget review process that the City Council directed staff to follow-up on in 2005. They include:

- Further discussion with the Public Safety Committee and the Finance Committee

regarding implementation of the Police Department Strategic plan.

- Report on net business growth by business size.
- Report on alternate funding sources for the Parks and Trails Guide.
- Information on the cost of enclosing or screening the sally port at the new Municipal Court facility.
- Report on the feasibility of video arraignment.
- A letter to King County confirming the availability of funds for the update of the annexation fiscal study and survey of the annexation area.
- More information about the process and options for considering healthcare benefits for the City Council.

**City of Kirkland
2005-2006 Budget
2005 Service Package Requests**

	2005 Department Request			2005 City Council Approved			Funding Source								
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves
GENERAL FUND															
Nondepartmental															
Council Chamber Renovation Study	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
Flexpass	-	-	18,750	18,750	-	-	18,750	18,750	18,750	-	-	-	-	-	-
Subtotal Nondepartmental	-	-	28,750	28,750	-	-	28,750	28,750	28,750	-	-	-	-	-	-
City Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2005 Centennial Celebration	-	-	55,000	55,000	-	-	55,000	55,000	55,000	-	-	-	-	-	-
City Council Technology & Electronic Packets	-	16,110	26,855	42,965	-	16,110	26,855	42,965	26,855	-	-	-	16,110	-	-
Citizen Survey	-	-	25,000	25,000	-	-	-	-	-	-	-	-	-	-	-
Subtotal City Council	-	16,110	106,855	122,965	-	16,110	81,855	97,965	81,855	-	-	-	16,110	-	-
City Manager															
Development Review Services Consultant	-	5,050	22,396	27,446	-	-	-	-	-	-	-	-	-	-	-
Legislative Advocate	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-	-
Regional Public Safety Communications	-	-	125,000	125,000	-	-	125,000	125,000	31,250	-	93,750	-	-	-	-
Cultural Council Services	-	5,000	-	5,000	-	5,000	-	5,000	-	-	5,000	-	-	-	-
Subtotal City Manager	-	10,050	177,396	187,446	-	5,000	155,000	160,000	61,250	-	98,750	-	-	-	-
City Attorney															
Assistant City Attorney	1.00	111,893	-	111,893	1.00	111,893	-	111,893	-	-	111,893	-	-	-	-
Subtotal City Attorney	1.00	111,893	-	111,893	1.00	111,893	-	111,893	-	-	111,893	-	-	-	-
Parks & Community Services															
All-City Youth Summit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Recreation Cost of Service Study	-	-	18,000	18,000	-	-	18,000	18,000	18,000	-	-	-	-	-	-
Heritage Hall Operations	-	35,960	-	35,960	-	-	25,000	25,000	25,000	-	-	-	-	-	-
Human Services Coordinator	0.13	10,316	-	10,316	0.13	10,316	-	10,316	-	10,316	-	-	-	-	-
Human Svcs. Funding Per Capita Increase	-	47,053	34,350	81,403	-	-	58,503	58,503	58,503	-	-	-	-	-	-
Indoor Recreation Feasibility Study	-	-	30,000	30,000	-	-	-	-	-	-	-	-	-	-	-
Light Fixture Replacements	-	-	25,000	25,000	-	-	25,000	25,000	25,000	-	-	-	-	-	-
Marina Park Business Plan	-	-	20,000	20,000	-	-	-	-	-	-	-	-	-	-	-
Parks, Facilities, and Trails Guide	-	-	13,000	13,000	-	-	-	-	-	-	-	-	-	-	-
Parks Maintenance Account Associate	0.50	29,856	-	29,856	-	-	29,856	29,856	20,000	-	9,856	-	-	-	-
Public Art Repair/Centennial Fountain	-	10,000	15,000	25,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Seasonal Parks Maintenance Staff	-	21,096	-	21,096	-	-	-	-	-	-	-	-	-	-	-
Senior Center Health Enhancement Pgm	-	15,000	-	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Senior Center Space Renovation	-	-	30,000	30,000	-	-	-	-	-	-	-	-	-	-	-
Senior Council Project Funds	-	3,000	-	3,000	-	3,000	-	3,000	-	-	-	-	-	-	-
Senior Council TV/Video Project	-	9,000	-	9,000	-	-	9,000	9,000	9,000	-	-	-	-	-	-
Summer Concerts	-	-	20,000	20,000	-	-	10,000	15,000	15,000	-	-	-	-	-	-
Waterfowl Management	-	30,040	-	30,040	-	-	10,000	10,000	10,000	-	-	-	-	-	-
Waverly Park Maintenance	-	25,040	-	25,040	-	-	-	-	-	-	-	-	-	-	-
Youth Council Video Program	-	9,000	-	9,000	-	-	9,000	9,000	9,000	-	-	-	-	-	-
Subtotal Parks & Community Services	0.63	245,361	205,350	450,711	0.13	13,316	229,359	242,675	219,503	10,316	9,856	-	3,000	-	-

**City of Kirkland
2005-2006 Budget
2005 Service Package Requests**

	2005 Department Request				2005 City Council Approved				Funding Source						
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves
Public Works															
BKR Transportation Model Support	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
Professional Services for Permit Review	-	-	15,000	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Temporary Permit Technician	-	-	59,533	59,533	-	-	59,533	59,533	10,944	-	48,589	-	-	-	-
Traffic Counts	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-	-
Support for Transportation Mgmt. Plans	-	-	10,000	10,000	-	-	8,500	8,500	8,500	-	-	-	-	-	-
Subtotal Public Works	-	-	124,533	124,533	-	-	123,033	123,033	74,444	-	48,589	-	-	-	-
Finance & Administration															
Actuarial Val.-Firefighter's Pension/LEOFF I Med.	-	-	750	750	-	-	750	750	-	-	-	-	-	-	750
Currently Kirkland	-	-	12,463	12,463	-	-	12,463	12,463	12,463	-	-	-	-	-	-
Information Desk Staff	0.50	25,784	-	25,784	-	-	25,784	25,784	4,184	-	-	21,600	-	-	-
Probation Officer Support	-	10,491	-	10,491	-	-	10,491	10,491	-	-	-	10,491	-	-	-
Utility Billing Customer Accounts Associate	1.00	58,847	3,680	62,527	1.00	58,847	3,680	62,527	3,680	-	-	58,847	-	-	-
Annexation Analysis	-	-	118,000	118,000	-	-	60,000	60,000	60,000	-	-	-	-	-	-
Subtotal Finance & Administration	1.50	95,122	134,893	230,015	1.00	69,338	102,677	172,015	20,327	60,000	-	90,938	-	-	750
Planning & Community Development															
ARCH Housing Trust Fund Annual Contribution	-	-	200,000	200,000	-	-	184,000	184,000	184,000	-	-	-	-	-	-
Downtown Transit Center	-	-	15,000	15,000	-	-	-	-	-	-	-	-	-	-	-
Update Impact Fee Program	-	-	30,000	30,000	-	-	-	-	-	-	-	-	-	-	-
Lakeshore Plaza at Marina Park	-	-	150,000	150,000	-	-	55,000	55,000	55,000	-	-	-	-	-	-
Natural Resource Mgmt. Plan Implementation	-	-	96,514	96,514	-	-	76,514	76,514	76,514	-	-	-	-	-	-
Neighborhood Plan Updates	-	-	15,000	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Planner, Admin Support, Professional Services	-	-	117,768	117,768	-	-	117,768	117,768	117,768	-	-	-	-	-	-
Revise Design Guidelines	-	-	17,000	17,000	-	-	17,000	17,000	17,000	-	-	-	-	-	-
Shoreline Master Program Update	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zoning Code Update	-	-	15,000	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Subtotal Planning & Community Development	-	-	656,282	656,282	-	-	480,282	480,282	480,282	-	-	-	-	-	-
Police															
Communications Technicians	3.00	190,315	32,250	222,565	3.00	190,315	32,250	222,565	-	222,565	-	-	-	-	-
Corrections Officers	3.00	166,018	22,359	188,377	-	-	-	-	-	-	-	-	-	-	-
Crime Scene/Evidence Vehicle	-	4,128	14,707	18,835	-	-	-	-	-	-	-	-	-	-	-
Digital Bar Code Scanner	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Evidence Room/Processing Lab Design	-	-	40,000	40,000	-	-	40,000	40,000	40,000	-	-	-	-	-	-
Jail Expansion Study	-	-	40,000	40,000	-	-	40,000	40,000	40,000	-	-	-	-	-	-
Jail Transport Van	-	22,428	72,300	94,728	-	-	40,000	40,000	40,000	-	-	-	-	-	-
Less Lethal Equipment	-	-	21,250	21,250	-	-	21,250	21,250	21,250	-	-	-	-	-	-
Operations Lieutenant/Three Traffic Officers	4.00	362,017	137,809	499,826	-	-	-	-	-	-	-	-	-	-	-
Four Police Officers and One Clerk Typist	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proactive Unit	-	-	-	-	-	-	50,000	50,000	50,000	-	-	-	-	-	-
Records/Communications Manager	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Police	10.00	744,906	380,675	1,125,581	3.00	190,315	183,500	373,815	151,250	222,565	-	-	-	-	-

**City of Kirkland
2005-2006 Budget
2005 Service Package Requests**

	2005 Department Request				2005 City Council Approved				Funding Source						
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves
Fire & Building															
Consultant for Strategic Plan Update	-	-	6,000	6,000	-	-	6,000	6,000	4,380	1,620	-	-	-	-	-
Customer Outreach	-	10,000	-	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
Building & Prevention Staffing - Development	3.50	233,080	91,881	324,961	-	-	302,780	302,780	230,048	-	-	72,732	-	-	-
Rapid Intervention Team Kits	-	-	16,500	16,500	-	-	16,500	16,500	12,045	4,455	-	-	-	-	-
Emergency Preparedness Consultants	-	-	35,000	35,000	-	-	-	-	-	-	-	-	-	-	-
Fire Inspector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Protection Engineer	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
FireRMS Reporting Consultant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forbes Creek Fire Staffing	-	51,960	733,402	785,362	-	-	637,769	637,769	126,852	172,197	-	-	-	-	338,720
Office Furniture	-	-	9,600	9,600	-	-	9,600	9,600	8,385	1,215	-	-	-	-	-
Project Manager-Emergency Services Backfill	-	-	135,000	135,000	-	-	-	-	-	-	-	-	-	-	-
Public Ed-Resource Development & Pgm Bgdt	-	13,000	11,599	24,599	-	-	-	-	-	-	-	-	-	-	-
Regional Fire Services Consultant	-	-	40,000	40,000	-	-	40,000	40,000	29,200	10,800	-	-	-	-	-
Regional Fire Training Division Strategic Plan	-	-	15,000	15,000	-	-	15,000	15,000	10,950	4,050	-	-	-	-	-
TeleStaff Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wildland Equipment	-	-	17,052	17,052	-	-	17,052	17,052	12,448	4,604	-	-	-	-	-
Subtotal Fire & Building	3.50	308,040	1,121,034	1,429,074	-	-	1,064,701	1,064,701	454,308	198,941	-	72,732	-	-	338,720
GENERAL FUND TOTAL	16.63	1,531,482	2,935,768	4,467,250	5.13	405,972	2,449,157	2,855,129	1,571,969	491,822	269,088	163,670	19,110	-	339,470

**City of Kirkland
2005-2006 Budget
2005 Service Package Requests**

	2005 Department Request				2005 City Council Approved				Funding Source						
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves
OTHER OPERATING FUNDS															
Street Operating Fund															
	-	-	5,000	5,000	-	-	5,000	5,000	5,000	-	-	-	-	-	-
	-	-	7,000	7,000	-	-	7,000	7,000	7,000	-	-	-	-	-	-
	-	-	7,500	7,500	-	-	7,500	7,500	7,500	-	-	-	-	-	-
	-	-	55,401	55,401	-	-	55,401	55,401	55,401	-	-	-	-	-	-
	-	-	7,000	7,000	-	-	7,000	7,000	-	-	-	-	-	-	-
	-	-	15,000	15,000	-	-	15,000	15,000	-	-	-	-	-	-	15,000
Subtotal Street Operating Fund	-	-	96,901	96,901	-	-	96,901	96,901	96,901	-	-	-	-	-	15,000
Parks Maintenance Fund															
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Parks Maintenance Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Facilities Maintenance Fund															
	-	-	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-	-
Subtotal Facilities Maintenance Fund	-	-	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-	-
Water/Sewer Operating Fund															
	-	800	4,000	4,800	-	800	4,000	4,800	4,000	-	-	800	-	-	-
	0.50	42,641	135,000	177,641	0.50	42,641	135,000	177,641	135,000	-	32,000	10,641	-	-	-
	-	-	80,000	80,000	-	-	80,000	80,000	-	-	80,000	-	-	-	-
Subtotal Water/Sewer Operating Fund	0.50	43,441	219,000	262,441	0.50	43,441	219,000	262,441	139,000	-	112,000	11,441	-	-	-
Surface Water Management Fund															
	-	800	4,000	4,800	-	800	4,000	4,800	4,000	-	-	800	-	-	-
	0.50	42,641	-	42,641	0.50	42,641	-	42,641	-	-	17,500	25,141	-	-	-
Subtotal Surface Water Management Fund	0.50	43,441	4,000	47,441	0.50	43,441	4,000	47,441	4,000	-	17,500	25,941	-	-	-
Equipment Rental Fund															
	-	-	13,000	13,000	-	-	13,000	13,000	13,000	-	-	-	-	-	-
	-	-	14,986	14,986	-	-	-	-	-	-	-	-	-	-	-
Subtotal Equipment Rental Fund	-	-	27,986	27,986	-	-	13,000	13,000	13,000	-	-	-	-	-	-
Information Technology Fund															
	-	-	6,517	6,517	-	-	6,517	6,517	-	-	-	-	-	-	6,517
	-	-	35,000	35,000	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	39,858	39,858	-	-	39,858	39,858	39,858	-	-	-	-	-	-
	-	-	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-	-
	1.00	67,649	2,150	69,799	1.00	67,649	2,150	69,799	2,150	-	47,700	-	19,949	-	-
	(0.25)	6,000	42,600	48,600	-	-	-	-	-	-	-	-	-	-	-
	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
	-	-	86,411	86,411	-	-	86,411	86,411	86,411	-	-	-	-	-	-
	-	-	93,281	93,281	-	-	93,281	93,281	93,281	-	-	-	-	-	-
	-	31,007	216,554	247,561	-	31,007	216,554	247,561	82,904	-	-	3,101	27,906	93,281	20,350
	-	12,000	-	12,000	-	-	-	-	-	-	-	-	-	113,300	-
	-	-	84,171	84,171	-	-	-	-	-	-	-	-	-	-	-
Subtotal Information Technology Fund	0.75	116,656	666,542	783,198	1.00	98,656	504,771	603,427	271,323	-	47,700	3,101	47,855	206,581	26,867
TOTAL OTHER OPERATING FUNDS	1.75	203,538	1,064,429	1,267,967	2.00	185,538	880,672	1,066,210	552,224	-	177,200	40,483	47,855	206,581	41,867
TOTAL ALL FUNDS	18.38	1,735,020	4,000,197	5,735,217	7.13	591,510	3,329,829	3,921,339	2,124,193	491,822	446,288	204,153	66,965	206,581	381,337

**City of Kirkland
2005-2006 Budget
2006 Service Package Requests**

	2006 Department Request				2006 City Council Approved				Funding Source							
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves	
GENERAL FUND																
Nondepartmental																
Council Chamber Renovation Study	-	-	19,300	19,300	-	-	19,300	19,300	19,300	-	-	-	-	-	-	-
Flexpass	-	-	19,300	19,300	-	-	19,300	19,300	19,300	-	-	-	-	-	-	-
Subtotal Nondepartmental	-	-	19,300	19,300	-	-	19,300	19,300	19,300	-	-	-	-	-	-	-
City Council																
2005 Centennial Celebration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City Council Technology & Electronic Packets	-	16,658	-	16,658	-	16,658	-	16,658	-	-	-	-	-	16,658	-	-
Citizen Survey	-	-	25,000	25,000	-	-	25,000	25,000	25,000	-	-	-	-	-	-	-
Subtotal City Council	-	16,658	25,000	41,658	-	16,658	25,000	41,658	25,000	-	-	-	-	16,658	-	-
City Manager																
Development Review Services Consultant	-	5,000	1,272	6,272	-	-	-	30,000	30,000	-	-	-	-	-	-	-
Legislative Advocate	-	-	30,000	30,000	-	-	-	-	-	-	-	-	-	-	-	-
Regional Public Safety Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cultural Council Services	-	5,000	-	5,000	-	5,000	-	5,000	5,000	-	5,000	-	-	-	-	-
Subtotal City Manager	-	10,000	31,272	41,272	-	5,000	30,000	35,000	30,000	-	5,000	-	-	-	-	-
City Attorney																
Assistant City Attorney	-	114,049	-	114,049	-	114,049	-	114,049	-	-	114,049	-	-	-	-	-
Subtotal City Attorney	-	114,049	-	114,049	-	114,049	-	114,049	-	-	114,049	-	-	-	-	-
Parks & Community Services																
All-City Youth Summit	-	-	3,000	3,000	-	-	3,000	3,000	3,000	-	-	-	-	-	-	-
Parks & Recreation Cost of Service Study	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage Hall Operations	-	35,960	-	35,960	-	-	25,000	25,000	25,000	-	-	-	-	-	-	-
Human Services Coordinator	-	10,485	-	10,485	-	10,485	-	10,485	10,485	-	-	10,485	-	-	-	-
Human Svcs. Funding Per Capita Increase	-	47,053	34,350	81,403	-	-	58,503	58,503	58,503	-	-	-	-	-	-	-
Indoor Recreation Feasibility Study	-	-	20,000	20,000	-	-	20,000	20,000	20,000	-	-	-	-	-	-	-
Light Fixture Replacements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marina Park Business Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks, Facilities, and Trails Guide	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks Maintenance Account Associate	-	30,846	-	30,846	-	-	30,846	30,846	30,846	-	-	-	-	-	-	-
Public Art Repair/Centennial Fountain	-	10,000	-	10,000	-	-	10,000	10,000	10,000	-	-	-	10,846	-	-	-
Seasonal Parks Maintenance Staff	-	21,611	-	21,611	-	-	-	-	-	-	-	-	-	-	-	-
Senior Center Health Enhancement Program	-	15,000	-	15,000	-	-	-	-	-	-	-	-	-	-	-	-
Senior Center Space Renovation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senior Council Project Funds	-	3,000	-	3,000	-	3,000	-	3,000	3,000	-	-	-	-	-	-	-
Senior Council TV/Video Project	-	9,000	-	9,000	-	-	9,000	9,000	9,000	-	-	-	-	3,000	-	-
Summer Concerts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waterfowl Management	-	30,040	-	30,040	-	-	5,000	5,000	5,000	-	-	-	-	-	-	-
Waverly Park Maintenance	-	25,040	-	25,040	-	-	25,040	25,040	25,040	-	-	-	-	-	-	-
Youth Council Video Program	-	9,000	-	9,000	-	-	9,000	9,000	9,000	-	-	-	-	-	-	-
Subtotal Parks & Community Services	-	247,035	57,350	304,385	-	13,485	195,389	208,874	184,543	10,485	10,846	-	-	3,000	-	-

**City of Kirkland
2005-2006 Budget
2006 Service Package Requests**

	2006 Department Request				2006 City Council Approved				Funding Source						
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves
Public Works															
BKR Transportation Model Support	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
Professional Services for Permit Review	-	-	15,000	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Temporary Permit Technician	-	-	63,111	63,111	-	-	63,111	63,111	63,111	-	-	-	-	-	-
Traffic Counts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Support for Transportation Mgmt. Plans	-	-	10,000	10,000	-	-	8,500	8,500	8,500	-	-	-	-	-	-
Subtotal Public Works	-	-	98,111	98,111	-	-	96,611	96,611	96,611	-	-	-	-	-	-
Finance & Administration															
Actuarial Val.-Firefighter's Pension/LEOFF I Med.	-	-	15,350	15,350	-	-	15,350	15,350	-	-	-	-	-	-	15,350
Currently Kirkland	-	-	12,710	12,710	-	-	12,710	12,710	12,710	-	-	-	-	-	-
Information Desk Staff	-	26,176	-	26,176	-	-	-	-	-	-	-	-	-	-	-
Probation Officer Support	-	10,691	-	10,691	-	10,691	-	10,691	-	-	-	10,691	-	-	-
Utility Billing Customer Accounts Associate	-	63,227	-	63,227	-	63,227	-	63,227	-	-	-	63,227	-	-	-
Annexation Analysis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Finance & Administration	-	100,094	28,060	128,154	-	73,918	28,060	101,978	12,710	-	-	73,918	-	-	15,350
Planning & Community Development															
ARCH Housing Trust Fund Annual Contribution	-	-	200,000	200,000	-	-	200,000	200,000	200,000	-	-	-	-	-	-
Downtown Transit Center	-	-	-	-	-	-	30,000	30,000	30,000	-	-	-	-	-	-
Update Impact Fee Program	-	-	50,000	50,000	-	-	-	-	-	-	-	-	-	-	-
Lakeshore Plaza at Marina Park	-	-	74,083	74,083	-	-	74,083	74,083	74,083	-	-	-	-	-	-
Natural Resource Mgmt. Plan Implementation	-	-	15,000	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Neighborhood Plan Updates	-	-	50,305	121,794	-	-	121,794	121,794	121,794	-	-	-	-	-	-
Planner, Admin Support, Professional Services	1.00	71,489	-	71,489	-	-	-	-	-	-	-	-	-	-	-
Revise Design Guidelines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shoreline Master Program Update	-	-	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-	-
Zoning Code Update	-	-	15,000	15,000	-	-	15,000	15,000	15,000	-	-	-	-	-	-
Subtotal Planning & Community Development	1.00	71,489	454,388	525,877	-	-	505,877	505,877	505,877	-	-	-	-	-	-
Police															
Communications Technicians	-	196,069	-	196,069	-	196,069	-	196,069	-	196,069	-	-	-	-	-
Corrections Officers	-	174,139	-	174,139	-	-	-	-	-	-	-	-	-	-	-
Crime Scene/Evidence Vehicle	-	4,142	-	4,142	-	-	-	-	-	-	-	-	-	-	-
Digital Bar Code Scanner	-	-	20,895	20,895	-	-	20,895	20,895	20,895	-	-	-	-	-	-
Evidence Room/Processing Lab Design	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jail Expansion Study	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jail Transport Van	-	22,862	-	22,862	-	22,862	-	22,862	-	-	-	-	22,862	-	-
Less Lethal Equipment	-	-	21,250	21,250	-	-	21,250	21,250	21,250	-	-	-	-	-	-
Operations Lieutenant/Three Traffic Officers	-	385,927	-	385,927	-	-	-	-	-	-	-	-	-	-	-
Four Police Officers and One Clerk Typist	5.00	372,198	88,809	461,007	-	-	-	-	-	-	-	-	-	-	-
Proactive Unit	7.00	555,204	160,827	716,031	-	-	-	-	-	-	-	-	-	-	-
Records/Communications Manager	1.00	95,696	4,659	100,355	-	-	-	-	-	-	-	-	-	-	-
Subtotal Police	13.00	1,806,237	296,440	2,102,677	-	218,931	114,445	333,376	114,445	196,069	-	-	22,862	-	-

**City of Kirkland
2005-2006 Budget
2006 Service Package Requests**

	2006 Department Request				2006 City Council Approved				Funding Source						
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves
Fire & Building															
Consultant for Strategic Plan Update	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer Outreach	-	10,000	-	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-	-
Building & Prevention Staffing - Development	2.00	167,121	87,928	255,049	-	-	309,851	309,851	233,168	-	-	76,683	-	-	-
Rapid Intervention Team Kits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Preparedness Consultants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Inspector	1.00	114,795	5,474	120,269	-	-	-	-	-	-	-	-	-	-	-
Fire Protection Engineer	1.00	98,377	5,904	104,281	-	-	-	-	-	-	-	-	-	-	-
FirRMS Reporting Consultant	-	-	6,000	6,000	-	-	-	-	-	-	-	-	-	-	-
Forbes Creek Fire Staffing	-	52,680	244,790	297,470	-	-	297,320	297,320	80,276	-	-	-	-	-	217,044
Office Furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Manager-Emergency Services Backfill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Ed.-Resource Development & Pgm Bdgt	-	13,000	12,048	25,048	-	-	-	-	-	-	-	-	-	-	-
Regional Fire Services Consultant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional Fire Training Division Strategic Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TeleStaff Software	-	4,680	30,000	34,680	-	-	-	-	-	-	-	-	-	-	-
Wildland Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Fire & Building	4.00	460,653	392,144	852,797	-	-	617,171	617,171	243,168	80,276	-	76,683	-	-	217,044
GENERAL FUND TOTAL	18.00	2,826,215	1,402,065	4,228,280	-	442,041	1,631,853	2,073,894	1,231,654	286,830	129,895	150,601	42,520	-	232,394

**City of Kirkland
2005-2006 Budget
2006 Service Package Requests**

	2006 Department Request				2006 City Council Approved				Funding Source							
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP	Reserves	
OTHER OPERATING FUNDS																
Street Operating Fund																
CBD Decoration Power Costs	-	-	5,000	5,000	-	-	5,000	5,000	5,000	-	-	-	-	-	-	-
Support for Parking Advisory Board	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking Data Gathering	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Groundsperson for Public Grounds	-	-	58,255	58,255	-	-	58,255	58,255	58,255	-	-	-	-	-	-	-
Rental Truck	-	-	7,000	7,000	-	-	-	-	-	-	-	-	-	-	-	-
Wayfinding Signs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Street Operating Fund	-	-	70,255	70,255	-	-	63,255	63,255	63,255	-	-	-	-	-	-	-
Parks Maintenance Fund																
Groundsperson	1.00	53,807	-	53,807	1.00	53,807	-	53,807	-	-	-	-	-	-	-	53,807
Subtotal Parks Maintenance Fund	1.00	53,807	-	53,807	1.00	53,807	-	53,807	-	-	-	-	-	-	-	53,807
Facilities Maintenance Fund																
Citywide Facilities Horizon Plan																
Subtotal Facilities Maintenance Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Sewer Operating Fund																
Hansen Asset Mgt. Software - Sewer Module	-	800	-	800	-	800	-	800	-	-	-	800	-	-	-	-
Pipeline Video Inspection Truck & Equipment	-	43,900	-	43,900	-	43,900	-	43,900	-	-	32,000	11,900	-	-	-	-
Sanitary Sewer Comprehensive Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Water/Sewer Operating Fund	-	44,700	-	44,700	-	44,700	-	44,700	-	-	32,000	12,700	-	-	-	-
Surface Water Management Fund																
Hansen Asset Mgt Software - Storm Module	-	800	-	800	-	800	-	800	-	-	-	800	-	-	-	-
Pipeline Video Inspection Truck & Equipment	-	43,900	-	43,900	-	43,900	-	43,900	-	-	17,500	26,400	-	-	-	-
Subtotal Surface Water Management Fund	-	44,700	-	44,700	-	44,700	-	44,700	-	-	17,500	27,200	-	-	-	-
Equipment Rental Fund																
Fuel Management System	-	-	15,353	15,353	-	-	-	-	-	-	-	-	-	-	-	-
Seasonal Labor - Fleet	-	-	15,353	15,353	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Equipment Rental Fund	-	-	15,353	15,353	-	-	-	-	-	-	-	-	-	-	-	-
Information Technology Fund																
LEOFF I Web Page	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Set Up Conference Rooms for Presentations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Crystal Enterprise Pro	-	5,000	31,061	36,061	-	-	-	-	-	-	-	-	-	-	-	-
Document Management Project Staffing	-	-	157,940	157,940	-	-	157,940	157,940	157,940	-	-	-	-	-	-	-
GIS Strategic Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Help Desk and Phone Support	-	70,048	-	70,048	-	70,048	-	70,048	-	-	58,362	-	11,686	-	-	-
Interactive Voice Response System	-	6,000	-	6,000	-	-	-	-	-	-	-	-	-	-	-	-
IT Department Space Revision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Replace Outdated Copiers	-	-	24,271	24,271	-	-	24,271	24,271	24,271	-	-	-	-	-	-	-
Application Staff Position	-	-	101,646	101,646	-	-	101,646	101,646	101,646	-	-	-	-	-	101,646	-
Wireless Access for Field Workers	-	31,007	-	31,007	-	31,007	-	31,007	-	-	-	3,101	27,906	-	-	-
Digital Video on City Website	-	12,000	-	12,000	-	12,000	-	12,000	-	-	-	-	12,000	-	-	-
Wireless Pilot	-	-	30,500	30,500	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Information Technology Fund	-	124,055	345,418	469,473	-	113,055	283,857	396,912	182,211	-	58,362	3,101	51,592	101,646	-	-
TOTAL OTHER OPERATING FUNDS	1.00	267,262	431,026	698,288	1.00	256,262	347,112	603,374	245,466	-	107,862	43,001	105,399	101,646	-	-
TOTAL ALL FUNDS	19.00	3,093,477	1,833,091	4,926,568	1.00	698,303	1,978,965	2,677,268	1,477,120	286,830	237,757	193,602	147,919	101,646	232,394	-

**City of Kirkland
2005-2006 Budget
Biennial Service Package Requests**

	2005-2006 Department Request			2005-2006 City Council Approved			Funding Source							
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP/Reserves
GENERAL FUND														
Nondepartmental														
Council Chamber Renovation Study	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-
Flexpass	-	32,768	38,050	38,050	-	-	38,050	38,050	38,050	-	-	-	-	-
Subtotal Nondepartmental	-	32,768	48,050	48,050	-	-	48,050	48,050	48,050	-	-	-	-	-
City Council														
2005 Centennial Celebration	-	-	55,000	55,000	-	-	55,000	55,000	55,000	-	-	-	-	-
City Council Technology & Electronic Packets	-	32,768	26,855	59,623	-	32,768	26,855	59,623	26,855	-	-	-	32,768	-
Citizen Survey	-	-	50,000	50,000	-	-	25,000	25,000	25,000	-	-	-	-	-
Subtotal City Council	-	32,768	131,855	164,623	-	32,768	106,855	139,623	106,855	-	-	-	32,768	-
City Manager														
Development Review Services Consultant	-	10,050	23,668	33,718	-	-	-	-	-	-	-	-	-	-
Legislative Advocate	-	-	60,000	60,000	-	-	60,000	60,000	60,000	-	-	-	-	-
Regional Public Safety Communications	-	-	125,000	125,000	-	-	125,000	125,000	31,250	-	93,750	-	-	-
Cultural Council Services	-	10,000	-	10,000	-	10,000	-	10,000	-	-	10,000	-	-	-
Subtotal City Manager	-	20,050	208,668	228,718	-	10,000	185,000	195,000	91,250	-	103,750	-	-	-
City Attorney														
Assistant City Attorney	1.00	225,942	-	225,942	1.00	225,942	-	225,942	-	-	225,942	-	-	-
Subtotal City Attorney	1.00	225,942	-	225,942	1.00	225,942	-	225,942	-	-	225,942	-	-	-
Parks & Community Services														
All-Youth Summit	-	-	3,000	3,000	-	-	3,000	3,000	3,000	-	-	-	-	-
Parks & Recreation Cost of Service Study	-	-	18,000	18,000	-	-	18,000	18,000	18,000	-	-	-	-	-
Heritage Hall Operations	-	71,920	-	71,920	-	-	50,000	50,000	50,000	-	-	-	-	-
Human Services Coordinator	0.13	20,801	-	20,801	0.13	20,801	-	20,801	-	20,801	-	-	-	-
Human Svcs. Grant Funding Per Capita Increase	-	94,106	68,700	162,806	-	-	117,006	117,006	117,006	-	-	-	-	-
Indoor Recreation Feasibility Study	-	-	30,000	30,000	-	-	-	-	-	-	-	-	-	-
Light Fixture Replacements	-	-	45,000	45,000	-	-	45,000	45,000	45,000	-	-	-	-	-
Marina Park Business Plan	-	-	20,000	20,000	-	-	-	-	-	-	-	-	-	-
Parks, Facilities, and Trails Guide	-	-	13,000	13,000	-	-	-	-	-	-	-	-	-	-
Parks Maintenance Account Associate	0.50	60,702	-	60,702	-	-	60,702	60,702	40,000	-	20,702	-	-	-
Public Art Repair/Centennial Fountain	-	20,000	15,000	35,000	-	-	25,000	25,000	25,000	-	-	-	-	-
Seasonal Parks Maintenance Staff	-	42,707	-	42,707	-	-	-	-	-	-	-	-	-	-
Senior Center Health Enhancement Program	-	30,000	-	30,000	-	-	15,000	15,000	15,000	-	-	-	-	-
Senior Center Space Renovation	-	-	30,000	30,000	-	-	-	-	-	-	-	-	-	-
Senior Council Project Funds	-	6,000	-	6,000	-	6,000	-	6,000	-	-	-	-	6,000	-
Senior Council TV/Video Project	-	18,000	-	18,000	-	-	18,000	18,000	18,000	-	-	-	-	-
Summer Concerts	-	-	20,000	20,000	-	-	15,000	15,000	15,000	-	-	-	-	-
Waterfowl Management	-	60,080	-	60,080	-	-	15,000	15,000	15,000	-	-	-	-	-
Waverly Park Maintenance	-	50,080	-	50,080	-	-	25,040	25,040	25,040	-	-	-	-	-
Youth Council Video Program	-	18,000	-	18,000	-	-	18,000	18,000	18,000	-	-	-	-	-
Subtotal Parks & Community Services	0.63	492,396	262,700	755,096	0.13	26,801	424,748	451,549	404,046	20,801	20,702	-	6,000	-

**City of Kirkland
2005-2006 Budget
Biennial Service Package Requests**

	2005-2006 Department Request			2005-2006 City Council Approved			Funding Source							
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP/Reserves
Public Works														
BKR Transportation Model Support	-	-	20,000	20,000	-	-	20,000	20,000	20,000	-	-	-	-	-
Professional Services for Permit Review	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-
Temporary Permit Technician	-	-	122,644	122,644	-	-	122,644	122,644	74,055	-	48,589	-	-	-
Traffic Counts	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-
Support for Transportation Mgmt. Plans	-	-	20,000	20,000	-	-	17,000	17,000	17,000	-	-	-	-	-
Subtotal Public Works	-	-	222,644	222,644	-	-	219,644	219,644	171,055	-	48,589	-	-	-
Finance & Administration														
Actuarial Val.-Firefighter's Pension/LEOFF I Med.	-	-	16,100	16,100	-	-	16,100	16,100	-	-	-	-	-	16,100
Currently Kirkland	-	-	25,173	25,173	-	-	25,173	25,173	25,173	-	-	-	-	-
Information Desk Staff	0.50	51,960	-	51,960	-	-	25,784	25,784	4,184	-	-	21,600	-	-
Probation Officer Support	-	21,182	-	21,182	-	-	21,182	21,182	-	-	-	21,182	-	-
Utility Billing Customer Accounts Associate	1.00	122,074	3,680	125,754	1.00	122,074	3,680	125,754	3,680	-	-	122,074	-	-
Annexation Analysis	-	-	118,000	118,000	-	-	60,000	60,000	60,000	-	-	-	-	-
Subtotal Finance & Administration	1.50	195,216	162,953	358,169	1.00	143,256	130,737	273,993	33,037	60,000	-	164,856	-	16,100
Planning & Community Development														
ARCH Housing Trust Fund Annual Contribution	-	-	400,000	400,000	-	-	384,000	384,000	384,000	-	-	-	-	-
Downtown Transit Center	-	-	15,000	15,000	-	-	-	-	-	-	-	-	-	-
Update Impact Fee Program	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-
Lakeshore Plaza at Marina Park	-	-	200,000	200,000	-	-	55,000	55,000	55,000	-	-	-	-	-
Natural Resource Mgmt. Plan Implementation	-	-	170,597	170,597	-	-	150,597	150,597	150,597	-	-	-	-	-
Neighborhood Plan Updates	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-
Planner, Admin Support, Professional Services	1.00	71,489	168,073	239,562	-	-	239,562	239,562	239,562	-	-	-	-	-
Revise Design Guidelines	-	-	17,000	17,000	-	-	17,000	17,000	17,000	-	-	-	-	-
Shoreline Master Program Update	-	-	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-
Zoning Code Update	-	-	30,000	30,000	-	-	30,000	30,000	30,000	-	-	-	-	-
Subtotal Planning & Community Development	1.00	71,489	1,110,670	1,182,159	-	-	986,159	986,159	986,159	-	-	-	-	-
Police														
Communications Technicians	3.00	386,384	32,250	418,634	3.00	386,384	32,250	418,634	-	418,634	-	-	-	-
Corrections Officers	3.00	340,157	22,359	362,516	-	-	-	-	-	-	-	-	-	-
Crime Scene/Evidence Vehicle	-	8,270	14,707	22,977	-	-	-	-	-	-	-	-	-	-
Digital Bar Code Scanner	-	-	20,895	20,895	-	-	20,895	20,895	20,895	-	-	-	-	-
Evidence Room/Processing Lab Design	-	-	40,000	40,000	-	-	40,000	40,000	40,000	-	-	-	-	-
Jail Expansion Study	-	-	40,000	40,000	-	-	40,000	40,000	40,000	-	-	-	-	-
Jail Transport Van	-	45,290	72,300	117,590	-	-	72,300	95,162	72,300	-	-	-	22,862	-
Less Lethal Equipment	-	-	42,500	42,500	-	-	42,500	42,500	42,500	-	-	-	-	-
Operations Lieutenant/Three Traffic Officers	4.00	747,944	137,809	885,753	-	-	-	-	-	-	-	-	-	-
Four Police Officers and One Clerk Typist	5.00	372,198	88,809	461,007	-	-	-	-	-	-	-	-	-	-
Proactive Unit	7.00	555,204	160,827	716,031	-	-	50,000	50,000	50,000	-	-	-	-	-
Records/Communications Manager	1.00	95,696	4,659	100,355	-	-	-	-	-	-	-	-	-	-
Subtotal Police	23.00	2,551,143	677,115	3,228,258	3.00	409,246	297,945	707,191	265,695	418,634	-	-	22,862	-

**City of Kirkland
2005-2006 Budget
Biennial Service Package Requests**

	2005-2006 Department Request				2005-2006 City Council Approved				Funding Source					
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP/Reserves
Fire & Building														
Consultant for Strategic Plan Update	-	-	6,000	6,000	-	-	6,000	6,000	4,380	1,620	-	-	-	-
Customer Outreach	-	20,000	-	20,000	-	-	20,000	20,000	20,000	-	-	-	-	-
Building & Prevention Staffing - Development	5.50	400,201	179,809	580,010	-	-	612,631	612,631	463,216	-	-	149,415	-	-
Rapid Intervention Team Kits	-	-	16,500	16,500	-	-	16,500	16,500	12,045	4,455	-	-	-	-
Emergency Preparedness Consultants	-	-	35,000	35,000	-	-	-	-	-	-	-	-	-	-
Fire Inspector	1.00	114,795	5,474	120,269	-	-	-	-	-	-	-	-	-	-
Fire Protection Engineer	1.00	98,377	15,904	114,281	-	-	10,000	10,000	10,000	-	-	-	-	-
FireRMS Reporting Consultant	-	-	6,000	6,000	-	-	-	-	-	-	-	-	-	-
Forbes Creek Fire Staffing	-	104,640	978,192	1,082,832	-	-	935,089	935,089	126,852	252,473	-	-	-	555,764
Office Furniture	-	-	9,600	9,600	-	-	9,600	9,600	8,385	1,215	-	-	-	-
Project Manager-Emergency Services Backfill	-	-	135,000	135,000	-	-	-	-	-	-	-	-	-	-
Public Ed.-Resource Development & Pgm Bdgt	-	26,000	23,647	49,647	-	-	-	-	-	-	-	-	-	-
Regional Fire Services Consultant	-	-	40,000	40,000	-	-	40,000	40,000	29,200	10,800	-	-	-	-
Regional Fire Training Division Strategic Plan	-	-	15,000	15,000	-	-	15,000	15,000	10,950	4,050	-	-	-	-
TeleStaff Software	-	4,680	30,000	34,680	-	-	-	-	-	-	-	-	-	-
Wildland Equipment	-	-	17,052	17,052	-	-	17,052	17,052	12,448	4,604	-	-	-	-
Subtotal Fire & Building	7.50	768,693	1,513,178	2,281,871	-	-	1,681,872	1,681,872	697,476	279,217	-	149,415	-	555,764
GENERAL FUND TOTAL	34.63	4,357,697	4,337,833	8,695,530	5.13	848,013	4,081,010	4,929,023	2,803,623	778,652	398,983	314,271	61,630	571,864

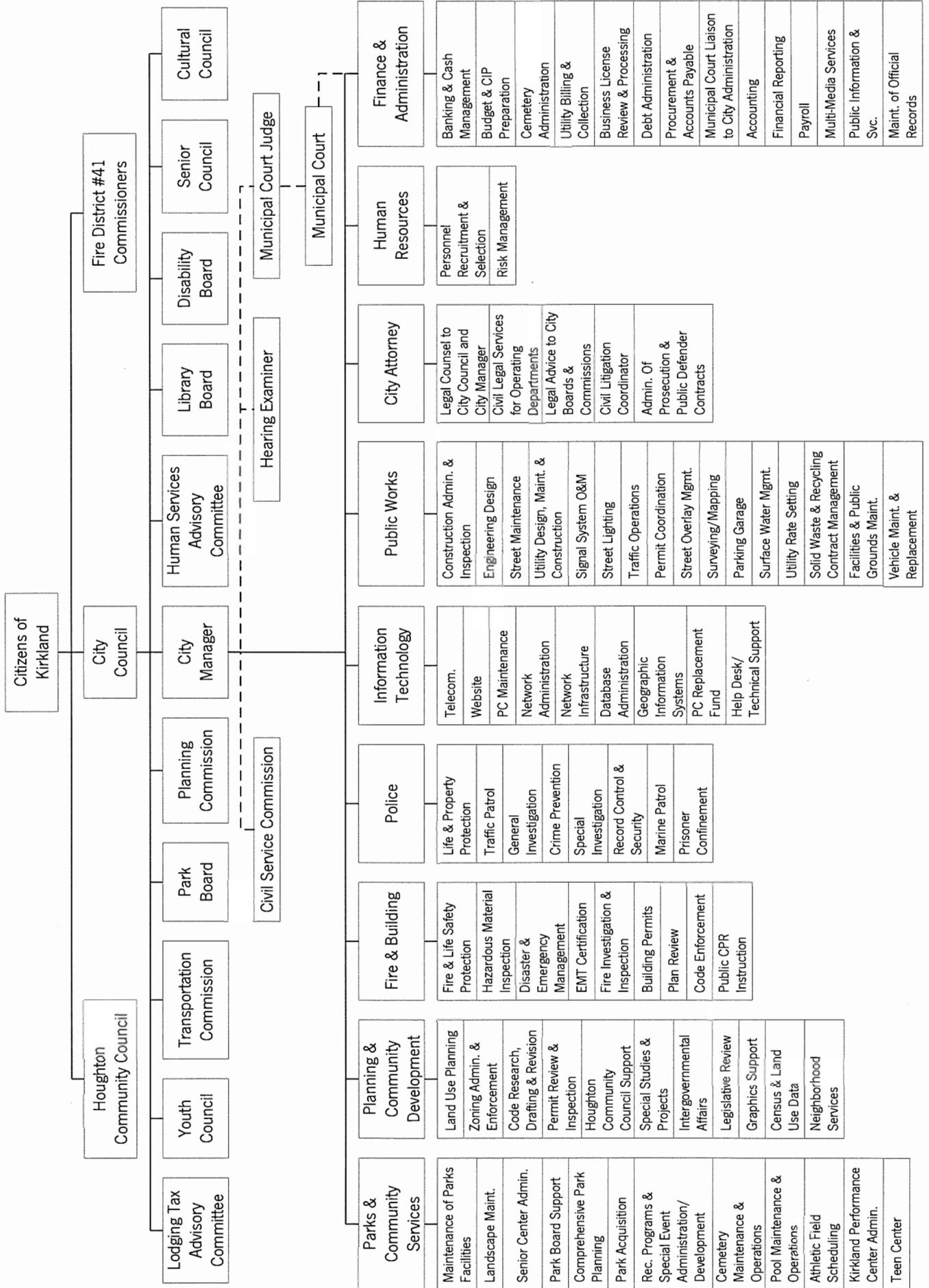
City of Kirkland
2005-2006 Budget
Biennial Service Package Requests

	2005-2006 Department Request			2005-2006 City Council Approved			Funding Source							
	FTE	Ongoing	One-time	Total	FTE	Ongoing	One-time	Total	Available Fund Balance	External Source	Expenditure Offset	Fees/Charges	Taxes	CIP/Reserves
OTHER OPERATING FUNDS														
Street Operating Fund														
	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-
CBD Decoration Power Costs	-	-	7,000	7,000	-	-	7,000	7,000	7,000	-	-	-	-	-
Support for Parking Advisory Board	-	-	7,500	7,500	-	-	7,500	7,500	7,500	-	-	-	-	-
Parking Data Gathering	-	-	113,656	113,656	-	-	113,656	113,656	113,656	-	-	-	-	-
Groundsperson for Public Grounds	-	-	14,000	14,000	-	-	14,000	14,000	-	-	-	-	-	-
Rental Truck	-	-	15,000	15,000	-	-	15,000	15,000	-	-	-	-	-	15,000
Wayfinding Signs	-	-	167,156	167,156	-	-	167,156	167,156	167,156	-	-	-	-	15,000
Subtotal Street Operating Fund			167,156	167,156			167,156	167,156	167,156					15,000
Parks Maintenance Fund														
Groundsperson	1.00	53,807	-	53,807	1.00	53,807	-	53,807	-	-	-	-	53,807	-
Subtotal Parks Maintenance Fund	1.00	53,807	-	53,807	1.00	53,807	-	53,807	-	-	-	-	53,807	-
Facilities Maintenance Fund														
Citywide Facilities Horizon Plan	-	-	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-
Subtotal Facilities Maintenance Fund			50,000	50,000			50,000	50,000	50,000					
Water/Sewer Operating Fund														
Hansen Asset Mgt. Software - Sewer Module	-	1,600	4,000	5,600	-	1,600	4,000	5,600	4,000	-	-	1,600	-	-
Pipeline Video Inspection Truck & Equipment	0.50	86,541	135,000	221,541	0.50	86,541	135,000	221,541	135,000	-	64,000	22,541	-	-
Sanitary Sewer Comprehensive Plan	-	-	80,000	80,000	-	-	80,000	80,000	-	-	80,000	-	-	-
Subtotal Water/Sewer Operating Fund	0.50	88,141	219,000	307,141	0.50	88,141	219,000	307,141	139,000	-	144,000	24,141	-	-
Surface Water Management Fund														
Hansen Asset Mgt. Software - Storm Module	-	1,600	4,000	5,600	-	1,600	4,000	5,600	4,000	-	-	1,600	-	-
Pipeline Video Inspection Truck & Equipment	0.50	86,541	-	86,541	0.50	86,541	-	86,541	-	-	35,000	51,541	-	-
Subtotal Surface Water Management Fund	0.50	88,141	4,000	92,141	0.50	88,141	4,000	92,141	4,000	-	35,000	53,141	-	-
Equipment Rental Fund														
Fuel Management System	-	-	13,000	13,000	-	-	13,000	13,000	13,000	-	-	-	-	-
Seasonal Labor - Fleet	-	-	30,339	30,339	-	-	30,339	30,339	-	-	-	-	-	-
Subtotal Equipment Rental Fund			43,339	43,339			43,339	43,339	13,000	-	-	-	-	-
Information Technology Fund														
LEOFF I Web Page	-	6,517	6,517	6,517	-	-	6,517	6,517	-	-	-	-	-	6,517
Set Up Conference Rooms for Presentations	-	35,000	35,000	35,000	-	-	35,000	35,000	-	-	-	-	-	-
Crystal Enterprise Pro	-	5,000	31,061	36,061	-	-	36,061	36,061	-	-	-	-	-	-
Document Management Project Staffing	-	197,798	197,798	197,798	-	-	197,798	197,798	197,798	-	-	-	-	-
GIS Strategic Plan	-	50,000	50,000	50,000	-	-	50,000	50,000	50,000	-	-	-	-	-
Help Desk and Phone Support	1.00	137,697	2,150	139,847	1.00	137,697	2,150	139,847	2,150	-	106,062	31,635	-	-
Interactive Voice Response System	(0.25)	12,000	42,600	54,600	-	-	54,600	54,600	-	-	-	-	-	-
IT Department Space Revision	-	-	10,000	10,000	-	-	10,000	10,000	10,000	-	-	-	-	-
Replace Outdated Copiers	-	-	110,682	110,682	-	-	110,682	110,682	110,682	-	-	-	-	-
Application Staff Position	-	194,927	194,927	194,927	-	-	194,927	194,927	194,927	-	-	-	-	194,927
Wireless Access for Field Workers	-	62,014	216,554	278,568	-	62,014	216,554	278,568	82,904	-	-	6,202	55,812	133,650
Digital Video on City Website	-	24,000	-	24,000	-	-	24,000	24,000	-	-	-	-	12,000	-
Wireless Pilot	-	-	114,671	114,671	-	-	114,671	114,671	-	-	-	-	-	-
Subtotal Information Technology Fund	0.75	240,711	1,005,443	1,246,154	1.00	211,711	782,111	993,822	453,534	-	106,062	6,202	99,447	328,577
TOTAL OTHER OPERATING FUNDS	2.75	470,800	1,488,938	1,959,738	3.00	441,800	1,221,267	1,663,067	797,690	-	285,062	83,484	153,254	343,577
TOTAL ALL FUNDS	37.38	4,828,497	5,826,771	10,655,268	8.13	1,289,813	5,302,277	6,592,090	3,601,313	778,652	684,045	397,755	214,884	915,441

KIRKLAND PROFILE



CITY OF KIRKLAND



COUNCIL PHILOSOPHY

UNIQUE COMMUNITY CHARACTER

We recognize that Kirkland is a special place. The City is endowed with a beautiful physical setting, a strong sense of history, attractive neighborhoods, vibrant business districts and an exceptional park system.

A SAFE COMMUNITY

We place a strong emphasis on ensuring that all those who live, shop, work and play in Kirkland feel safe. This is done through a community-based approach that focuses on the prevention of police, fire, emergency medical and code enforcement related problems.

ENVIRONMENTAL STEWARDSHIP

We commit to the proactive protection of our environment. An integrated system of natural resource management focuses on the preservation of wetlands, trees, open space and other sensitive areas, water quality, clean air and waste reduction.

COMMUNITY INVOLVEMENT

We value the meaningful participation of the community in City decision-making processes and services. By providing information in a variety of formats, key stakeholder groups and individual residents are encouraged to get involved.

INVESTMENT IN THE INFRASTRUCTURE

We recognize that high-quality infrastructure is fundamental to our quality of life. An integrated system of a balanced transportation strategy, comprehensive parks program, city buildings and water and sewer facilities require both a commitment to significant capital expenditures and on-going maintenance costs.

HUMAN SERVICES

We care about the well being of all those in our diverse community. In addition to providing high quality services to all of Kirkland, there is particular attention focused on those with special needs including seniors, youth, minorities, disabled, low-income and the challenge of affordable housing.

FINANCIAL STABILITY

We endorse a set of fiscal policies that ensure the prudent management of City resources. By proactively planning for the City's needs, establishing sound budgetary practices, focusing on business retention and encouraging responsible economic development, the city is able to provide both high quality infrastructure and services.

ORGANIZATIONAL VALUES

We believe that our employees are the City's most important assets in the provision of high quality services to the community. In addition to providing them with the needed resources, a workplace environment is maintained that values effective communication, mutual respect, inclusion, and integrity. We develop proactive strategies for issues that emphasize effective planning, participation and results.

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 Improvement Plan, the Comprehensive Sanitary Sewer Plan, the Surface Water Management Master Plan, and the Water Distribution Master Plan.

Kirkland's Comprehensive Plan is updated annually. As required by the Growth Management Act (GMA), the 10 year major update process was completed in 2002 and 2003 to update Kirkland's vision statement and Comprehensive Plan.

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** was completed in 1998 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

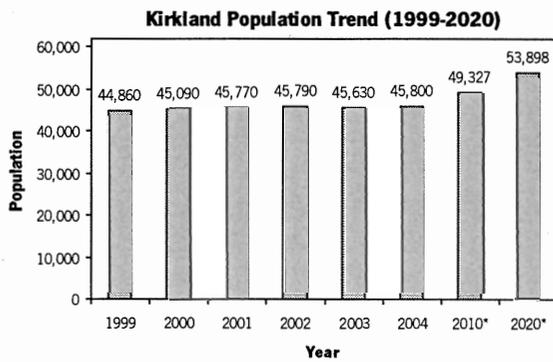
Responsiveness

CITY OF KIRKLAND

ECONOMIC ENVIRONMENT AND REVENUE TRENDS

POPULATION

Following the annexation of Juanita, North Rose Hill and South Rose Hill in 1988, population growth has generally been modest, but steady. It increased slightly between 2003 and 2004. Future projections for growth assume no major annexations. The following chart presents actual population data for the past six years and projections for 2010 and 2020.



* Projected by Puget Sound Regional Council

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 29,000 individuals are employed within the City limits. The following table presents the City's top 10 employers as of 2004.

Kirkland's Major Employers

Employer	# Persons Employed
Evergreen Hospital	2,188
Lake Washington School District	617
City of Kirkland	428
Kenworth Truck Co.	397
Costco Wholesale	380
Univar	301
Lake Washington Technical College	200
Fred Meyer	188
IBM Corporation	175
Lake View Gardens Convalescent Center	170

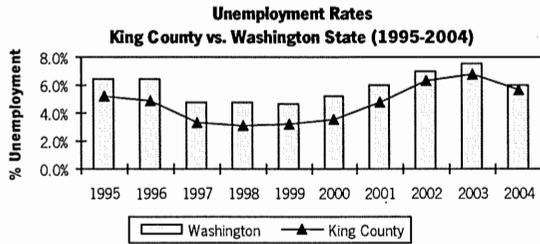
UNEMPLOYMENT RATE

Until 2001 unemployment rates in King County generally ran parallel to state and national rates but at a lower level. The recent recession changed this trend beginning in 2001 with the unemployment rate in King County equaling and then surpassing the national unemployment rate. However, the improving local economy is evidenced by the significant narrowing of the gap between the King County and national rates in 2004. The following table and chart provide comparative unemployment rate data for the past 10 years.

Unemployment Rates*

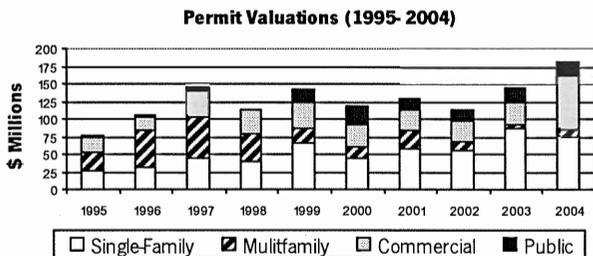
Year	King County	Washington State	United States
1995	5.2	6.4	5.6
1996	4.9	6.5	5.4
1997	3.3	4.8	4.9
1998	3.1	4.8	4.5
1999	3.2	4.7	4.2
2000	3.6	5.2	4.0
2001	4.8	6.0	4.8
2002	6.3	7.0	5.8
2003	6.8	7.6	6.0
2004	5.7	6.6	5.5

* The King County, and Washington state rates are per the Washington State Dept. of Labor & Industries. The U.S. rate is per the U.S. Bureau of Labor Statistics.



BUILDING ACTIVITY

Kirkland's local economy is, in many respects, a microcosm of the regional economy. The strong economy in the Puget Sound area between 1996 and 2001 is reflected in Kirkland's statistics for valuation of new construction (as shown in the following chart and table). Surprisingly, development remained strong during the economic recession between 2000 and 2002. The economic upswing commencing in 2003 is illustrated by the high level of construction activity, especially in single family residential construction. Commercial activity accelerated significantly in 2004 too.



Permit Valuations* (in 000's)

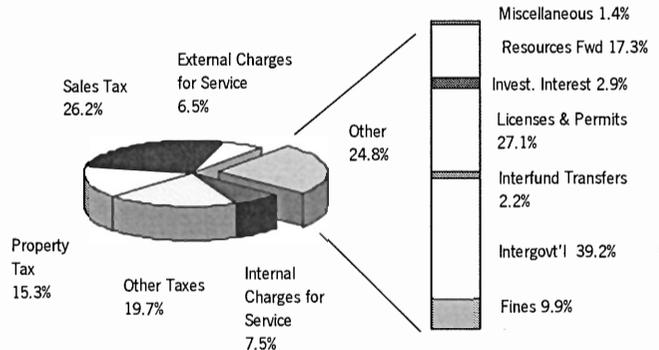
Year	Single-Family	Multi-Family	Com-mercial	Public	Total
1995	26,507	25,572	22,593	1,653	76,325
1996	31,323	52,109	20,430	2,713	106,575
1997	45,579	56,805	38,184	3,609	144,177
1998	39,812	38,088	33,979	575	112,454
1999	66,180	19,596	38,373	18,112	142,261
2000	45,733	13,919	31,929	27,401	118,982
2001	57,922	25,917	30,274	13,816	127,929
2002	55,190	14,095	28,518	15,720	113,523
2003	87,048	4,240	32,229	22,312	145,829
2004	77,401	9,774	75,076	19,451	181,702

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

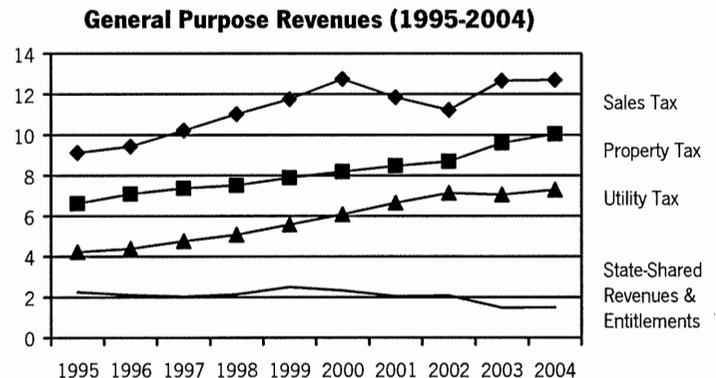
GENERAL PURPOSE REVENUES

General purpose revenues can be used for any public purpose. In the General Fund, which accounts for most of the City's basic services, over 60 percent of the revenue received comes from taxes (see pie chart below).

2005-06 Budget: General Fund Revenues



Across all funds used to account for the City's operating activities, the four primary sources of general purpose revenue are sales tax, property tax, utility tax, and state-shared revenues and entitlements. Historical trends for these revenues over the past 10 years are displayed below.

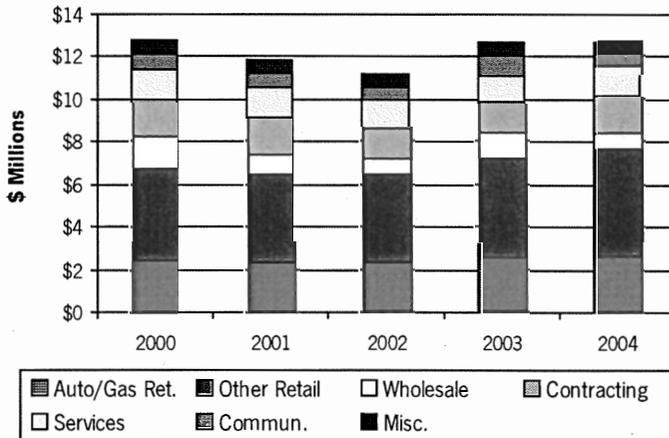


General Purpose Revenues (\$Millions)

Year	Sales Tax	Property Tax	Utility Tax	State Shared
1995	9.11	6.61	4.23	2.24
1996	9.42	7.09	4.39	2.10
1997	10.22	7.37	4.76	2.02
1998	11.02	7.51	5.08	2.14
1999	11.75	7.88	5.58	2.50
2000	12.75	8.19	6.08	2.33
2001	11.84	8.47	6.65	2.05
2002	11.22	8.69	6.55	2.08
2003	12.67	9.60	7.06	1.47
2004	12.70	10.04	7.29	1.50

The City's largest general purpose revenue source is sales tax. For the period of 2000-2004, sales tax revenue generated by business sector is displayed in the following chart and tables.

Sales Tax Revenue by Business Sector



Sales Tax Revenue (\$Millions)

Bus. Sector	2000	2001	2002	2003	2004
Auto/Gas Retail	\$ 2.42	\$ 2.33	\$ 2.28	\$ 2.54	\$ 2.63
Other Retail:					
<i>Gen Merch/Misc</i>	\$ 1.71	\$ 1.66	\$ 2.08	\$ 2.38	\$ 2.54
<i>Eating/Drinking</i>	\$ 0.99	\$ 0.98	\$ 1.02	\$ 1.02	\$ 1.11
<i>All Other Retail</i>	\$ 1.63	\$ 1.49	\$ 1.19	\$ 1.27	\$ 1.35
Subtotal	\$ 4.33	\$ 4.13	\$ 4.29	\$ 4.67	\$ 5.00
Wholesale	\$ 1.44	\$ 0.93	\$ 0.76	\$ 1.15	\$ 0.75
Contracting	\$ 1.78	\$ 1.73	\$ 1.46	\$ 1.50	\$ 1.77
Services	\$ 1.43	\$ 1.42	\$ 1.34	\$ 1.27	\$ 1.40
Communications	\$ 0.70	\$ 0.64	\$ 0.55	\$ 0.94	\$ 0.58
Miscellaneous	\$ 0.65	\$ 0.65	\$ 0.54	\$ 0.60	\$ 0.57
Total	\$12.75	\$11.83	\$11.22	\$12.67	\$12.70

Bus. Sector	Percentage Change				
	99-00	00-01	01-02	02-03	03-04
Auto/Gas Retail	5.7%	-3.8%	-1.8%	11.4%	4.0%
Other Retail:					
<i>Gen Merch/Misc</i>	6.9%	-2.9%	25.3%	14.7%	6.8%
<i>Eating/Drinking</i>	4.9%	-1.6%	3.6%	1.2%	7.5%
<i>All Other Retail</i>	8.6%	-8.3%	-20.7%	6.8%	7.2%
Subtotal	7.1%	-4.6%	3.5%	9.3%	7.2%
Wholesale	8.5%	-35.4%	-18.2%	51.7%	-32.9%
Contracting	21.1%	-2.4%	-15.8%	2.3%	18.2%
Services	8.7%	-0.6%	-5.4%	-5.6%	10.0%
Communications	7.0%	-8.0%	-14.5%	70.0%	-38.2%
Miscellaneous	-1.0%	0.2%	-16.1%	10.8%	-12.3%
Total	8.5%	-7.1%	-5.2%	12.9%	0.2%

In analyzing the City's annual sales tax receipts from 2000 to 2004 the following is worth noting:

- The average annual increase in sales tax revenue was 1.9 percent between 2000 and 2004 compared to 7 percent during the "boom" years of the 1990's. The economic recession and the closure or relocation of three major businesses is evidenced by the 7.1 percent decline in 2001 and the 5.2 percent decline in 2002. Sales tax receipts rebounded in 2003 primarily due to the opening of two automobile dealerships and field audit recoveries by the Washington State Department of Revenue which amounted to about \$770,000 in one-time revenue. Sales tax receipts in 2003 were up 12.9 percent compared to 2002. Factoring out the one-time audit recoveries, sales tax receipts in 2003 were up 6.1 percent. The 0.2 percent growth in sales tax receipts in 2004 is deceiving because of the \$770,000 in one-time field audit recoveries in 2003. When these recoveries are factored out, sales tax receipts were up 6.6 percent in 2004.

- The “Contracting” business sector dropped between 2000 and 2002 as construction activity slowed in response to the recession. This business sector began to improve in the first half of 2003 due to large commercial projects at Evergreen Hospital, Lake Washington Technical College and Juanita Village (a retail, office and residential complex), as well as significant single family residential construction activity. However, activity at the large commercial projects slowed during the second half of the year. As a result, this sector was up only 2.3 percent for 2003 or down 0.2 percent factoring out the one-time recoveries. 2004 was a “boom” year as construction activity resumed at Evergreen Hospital and the Juanita Village complex. Additionally, major school renovations and reconstruction of a large apartment complex contributed to the strong performance in this business sector, which ended the year up 18.2 percent compared to 2003 or up 20.5 percent after factoring out the one-time recoveries.
- The “Automotive/Gas Retail” business sector experienced a modest decline between 2000 and 2002 due primarily to the closure of one dealership and the economic recession. The closed dealership re-opened and a new dealership opened in the fall of 2002. This, along with the strong performance of other dealerships, caused this business sector to increase 11.4 percent in 2003. This business sector experienced modest growth in 2004, up 4.0 percent compared to 2003.
- The “Other Retail” business sector also declined between 2000 and 2001 due to closed businesses and the economic recession. This business sector was up 9.3 percent in 2003 primarily due to the opening of a large furniture store. Receipts in 2004 were up 7.2 percent compared to 2003 due to an improving economy, a new software/hardware company, and several new restaurants.
- The “Services” business sector improved significantly in 2004 after 3 consecutive years of decline primarily due to improvement in business services. Receipts in 2004 were up 10.0 percent compared to 2003 or up 8.4 percent after factoring out the one-time recoveries.
- The “Wholesale” business sector declined between 2000 and 2002 primarily due to two major business closures. This business sector improved in 2003, up 51.7 percent over the previous year mostly due to about \$400,000 in one-time recoveries or up 6.9 percent after factoring out the one-time recoveries. Actual receipts in 2004 were down 32.9 percent compared to 2003. However, when one-time recoveries in 2003 are factored out, this business sector was actually up 4.3 percent.
- The “Communications” business sector also declined between 2000 and 2002 due to profitability challenges in the telecommunications industry and the closure of a cellular retail store. In 2003, this business sector was up 70 percent primarily due to over \$350,000 in field audit recoveries. Factoring these recoveries out, receipts were up only 3.7 percent compared to 2002. The significant one-time recoveries in 2003 skew the comparison to 2004 actual receipts, which are down 38.2 percent. Factoring out the one-time recoveries in 2003, this business sector was up only 1.6 percent in 2004.



BUDGET GUIDE

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



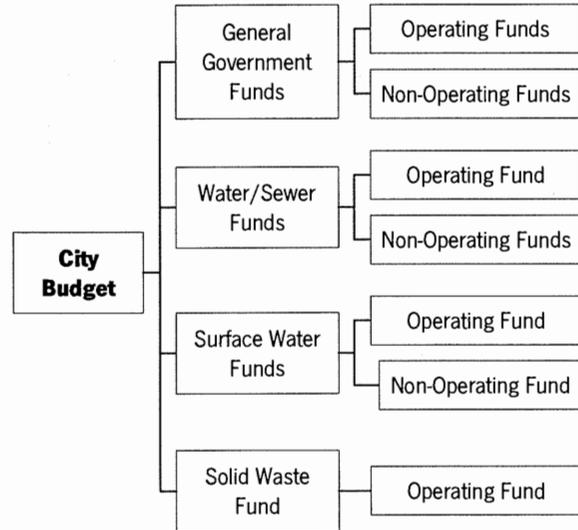
GUIDE TO BUDGET FUND STRUCTURE

The City Budget is composed of 30 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, six special revenue funds, and two 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 finance sources for general government functions. The general government non-operating funds account for debt service, capital improvements and reserves related to these operating funds.

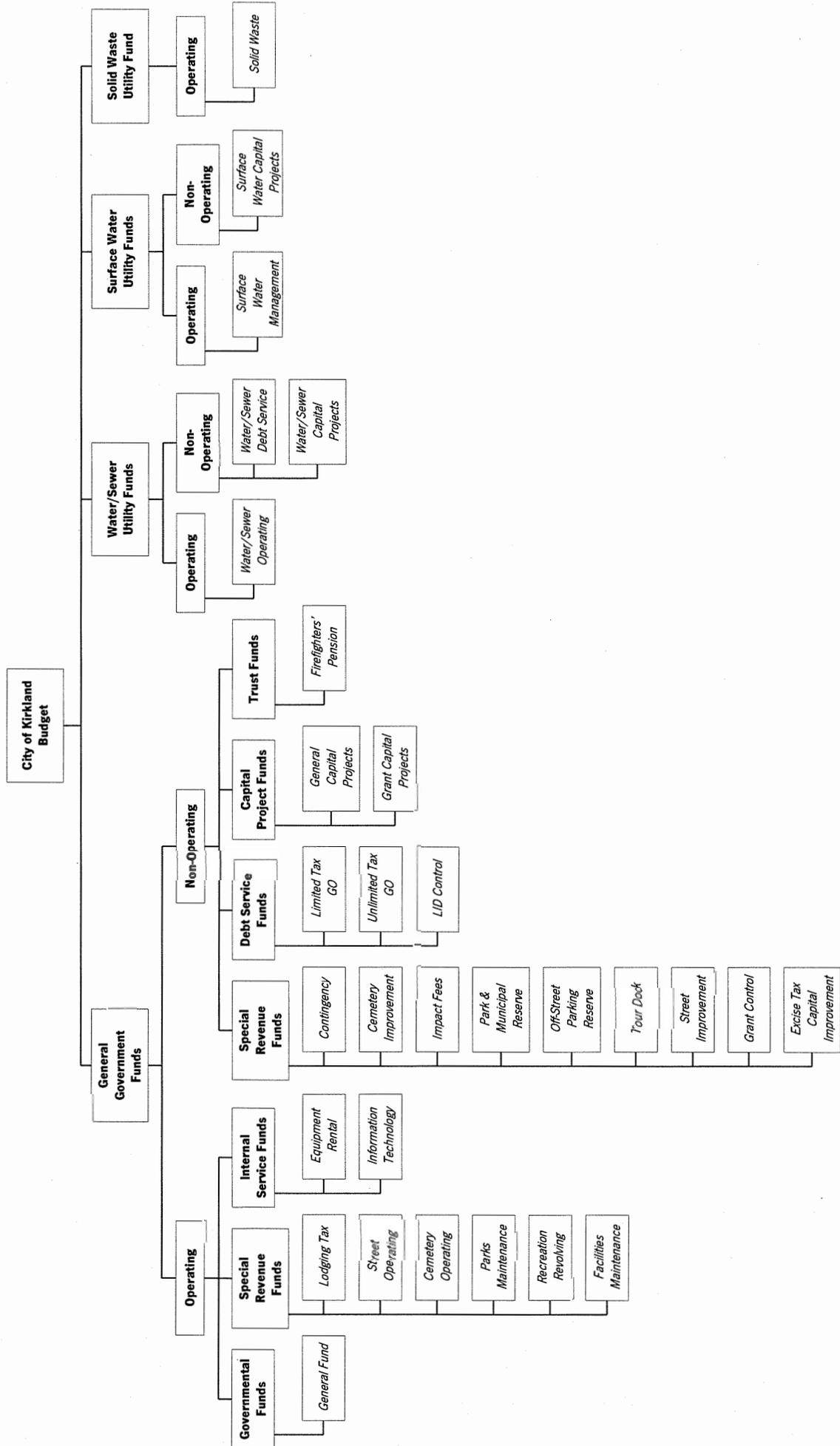
Like the general government funds, the Water/Sewer Utility and the Surface Water Utility both have operating and non-operating components. The Solid Waste Utility consists of only an operating fund. All utility operating funds account for the cost of providing and maintaining services to its customers. Distinct from the general government funds, each of the utilities operates 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

BUDGET PROCESS

BUDGET PREPARATION PROCESS

Beginning in 2004, Kirkland changed from an annual to 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 meets 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.
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, by the end of September. In early October, the City Manager and F&A Director brief the Council Finance 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 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 a 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.
12. 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 three different times during the biennium and requires Council approval by ordinance.

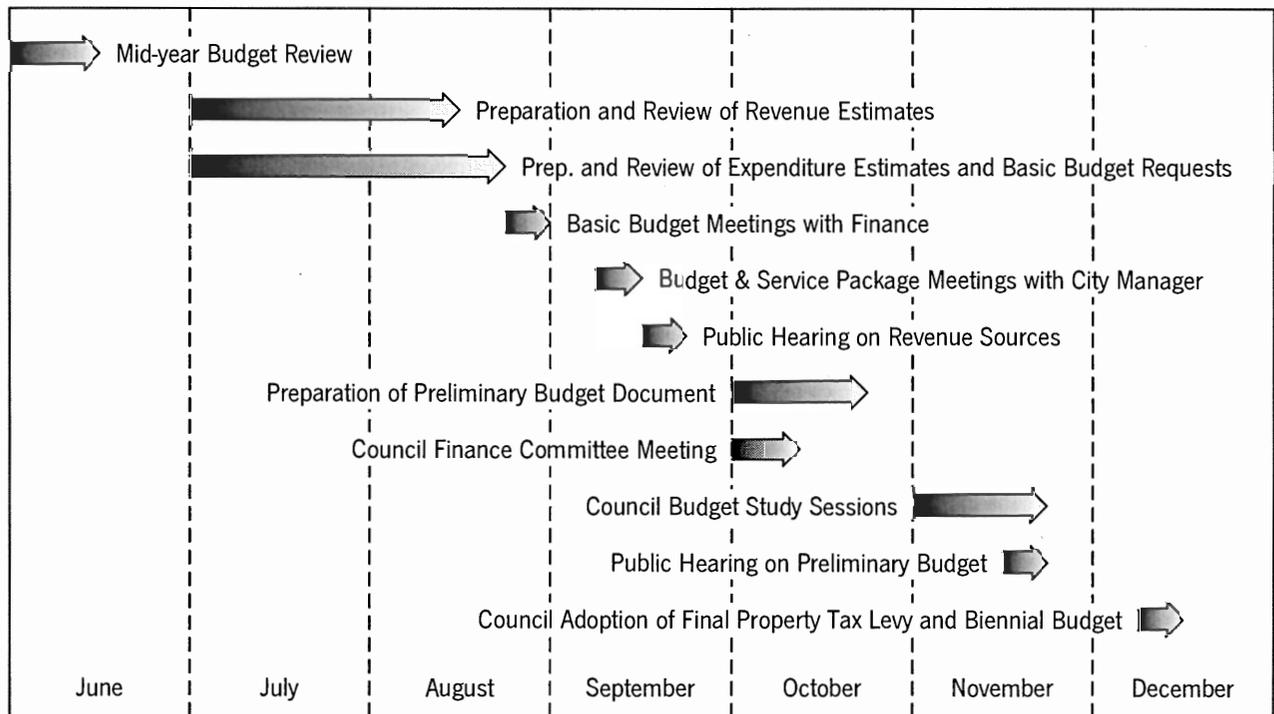
The first opportunity to adjust a fund's total appropriation occurs in March of the first year of the biennium. Typically, this is when funding for projects and other significant purchases that were not completed during the prior biennium is "carried over" to the new biennium. The second opportunity 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) the updated six-year capital improvement program (CIP); and 3) any unanticipated needs, events, 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.

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

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

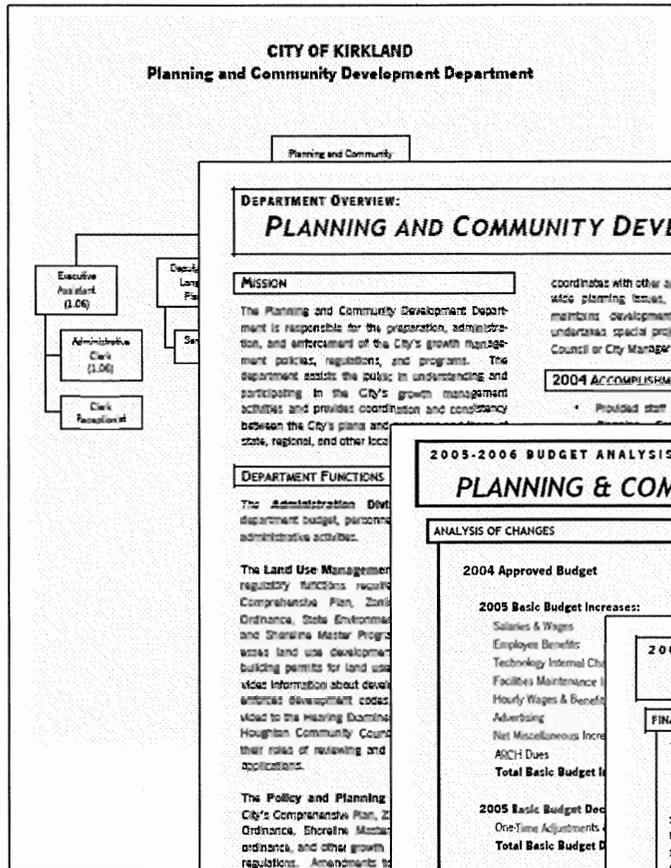
BIENNIAL BUDGET PREPARATION TIMELINE



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: PLANNING AND COMMUNITY DEVELOPMENT

MISSION
The Planning and Community Development Department is responsible for the preparation, administration, and enforcement of the City's growth management policies, regulations, and programs. The department assists the public in understanding and participating in the City's growth management activities and provides coordination and consistency between the City's plans and zoning, regional, and other local...
coordinates with other agencies on regional and statewide planning issues, monitors legislative activity, maintains development monitoring systems, and undertakes special projects as directed by the City Council or City Manager.

2004 ACCOMPLISHMENTS
* Provided staff support to the City Council,...

The mission and functional areas are described in each department's overview along with accomplishments from the prior biennium and major goals to be accomplished in the coming biennium.

2005-2006 BUDGET ANALYSIS PLANNING & COMMUNITY DEVELOPMENT

ANALYSIS OF CHANGES

2004 Approved Budget	3,290,180
2005 Basic Budget Increases:	
Salaries & Wages	
Employee Benefits	
Technology Internal Ch	
Facilities Maintenance	
Hourly Wages & Benefits	
Advertising	
Net Miscellaneous Incre	
ARCH Dues	
Total Basic Budget Inc	
2005 Basic Budget Decreases:	
One-Time Adjustments	
Total Basic Budget Dec	
2005 Basic Budget	
2005 Service Packages:	
ARCH Housing Trust Fu	
Planner, Administrative	
Lakeshore Plaza at Mar	
Natural Resource Manag	
Annexation Analysis Upd	
Neighborhood Plan Upd	
Design Guidelines	
Zoning Code Update	
Wireless Access for Field	
Total Service Package	
2005 Final Budget	

The Budget Analysis describes major increases and decreases that resulted in the Budget.

2005-2006 FINANCIAL OVERVIEW PLANNING & COMMUNITY DEVELOPMENT

FINANCIAL SUMMARY BY OBJECT

	2001-2002 Actual	2003-2004 Estimate	2003-2004 Budget	2005-2006 Budget	Percent Change
Salaries and Wages	2,601,561	2,947,911	2,958,625	3,218,282	8.78%
Benefits	514,478	643,131	724,599	935,268	39.67%
Supplies	47,842	30,855	28,000	100,328	164.18%
Other Services	953,306	1,547,648	1,841,208	1,501,212	-21.48%
Government Services	205,901	348,484	329,680	483,500	46.93%
Capital Outlay	8,682	1,000	0	0	n/a
TOTAL	4,329,476	5,519,772	5,961,490	6,238,650	4.65%

FINANCIAL SUMMARY BY DIVISION

	2001-2002 Actual	2003-2004 Estimate	2003-2004 Budget	2005-2006 Budget	Percent Change
Administration	1,537,922	1,909,791	2,023,116	2,474,822	22.36%
Land Use Management	1,363,620	1,833,275	1,732,993	1,947,709	7.56%
Policy and Planning	1,378,834	2,021,706	2,205,381	1,816,119	-14.02%
TOTAL	4,329,476	5,519,772	5,961,490	6,238,650	4.65%

The Financial Overview contains financial summaries by category of expense and program area and also includes a summary of budgeted positions.

POSITION SUMMARY BY DIVISION

	2001-2002 Actual	Adjustments	2003-2004 Budget	Adjustments	2005-2006 Budget
Administration	1.62	0.00	1.62	0.00	1.62
Land Use Management	14.50	0.00	14.50	0.00	14.50
Policy and Planning	5.90	0.00	5.90	0.00	5.90
TOTAL	21.62	0.00	21.62	0.00	21.62

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 2005-06 Budget Revenue						
		2001-02 Actual	2003-04 Estimate	2003-04 Budget	2005-06 Budget	Percent Change
Fund: General Fund (010)						
Taxes						
General Property Taxes						
Property Tax-Real & Personal	3111001	12,536,449	13,483,246	13,551,058	14,106,116	4.09 %
Total for General Property Taxes:		12,536,449	13,483,246	13,551,058	14,106,116	4.09 %
Retail Sales & Use Taxes						
Retail Sales/Use Tax	3131001	21,518,186	23,702,849	21,030,080	24,182,022	14.98 %
Brokered Nat Gas Use Tax	3136001	30,655	17,238	30,000	0	0.00 %
Crim Justice-Local Sales Tax	3137101	1,789,449	1,731,778	1,700,000	1,765,000	3.82 %
Total for Retail Sales & Use Taxes:		23,338,290	25,451,865	22,760,080	25,947,022	14.00 %
Business Taxes						
Rev.Generating Regulatory Lic	3161001	0	1,398,494	1,350,229	1,800,000	33.31 %
Electric Utility Tax-Private	3164101	3,141,094	3,514,191	3,412,000	3,694,600	8.28 %
Gas Utility Tax-Private	3164301	1,327,052	1,279,570	1,482,000	1,550,500	4.62 %
Telephone Utility Tax-Private	3164701	5,379,162	5,361,495	5,438,116	5,380,000	-1.06 %
Water Customer Utility Tax	3167201	623,751	914,823	880,000	898,000	2.04 %
Sewage Customer Utility Tax	3167401	603,570	835,599	797,000	939,700	17.90 %
Garb/Solid Waste Cust Util Tax	3167501	900,143	973,477	1,018,000	940,000	-7.66 %
Surface Water Cust Utility Tax	3167801	142,830	302,609	304,800	320,000	4.98 %
Total for Business Taxes:		12,117,602	14,580,258	14,682,145	15,522,800	5.72 %
Excise Tax						
Leasehold Excise Tax	3172001	127,139	182,055	130,000	200,000	53.84 %
Enhanced 911 Access Lines	3174101	0	0	10,177	0	0.00 %
Punch Boards and Pull Tabs	3175101	574,900	786,428	665,000	720,000	8.27 %
Bingo and Raffles	3175201	4,510	2,289	5,000	1,900	-62.00 %
Amusement Games	3175301	3,350	1,413	2,400	1,550	-35.41 %
Business Tax Penalty/Interest	3196001	8,635	11,359	8,000	6,000	-25.00 %
Total for Excise Tax:		718,534	983,544	820,577	929,450	13.26 %
Total for Taxes:		48,710,875	54,498,913	51,813,860	56,505,388	9.05 %
License and Permits						
Business Licenses & Permits						
Pool Table License	3217001	4,250	3,750	4,300	3,300	-23.25 %
Juke Box License	3217002	290	800	575	850	47.82 %
Cabaret License	3217003	5,805	4,950	6,400	4,000	-37.50 %
Electronic Games	3217004	12,600	6,300	9,900	5,800	-41.41 %
Amusement License	3217009	10	-25	0	0	0.00 %
Penalties on Business Licenses	3218001	7,277	17,773	9,000	15,000	66.66 %
Business License Fee	3219001	187,361	598,673	468,500	700,000	49.41 %



FISCAL POLICIES

A guide to major revenue sources and trends



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 min-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 specific revenue sources 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.

ENTERPRISE FUND POLICIES

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 25 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 national professional organizations.
- The City will invest all funds (in excess of current requirements) based upon the following order of priority: 1) legality; 2) safety; 3) liquidity; 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 two 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 RCW 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 Finance and Administration Director. Net investment income is the amount of annual investment proceeds after an allocation is made to any enterprise funds 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.

- 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 consistent with state law at \$.375 per \$1,000 of assessed valuation. Annual contributions to the Contingency Fund will be budgeted from interest income and General Fund resources.
- 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. Annual contributions will be budgeted from General Fund resources as available to attain and maintain an established reserve level.
- 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 Finance and Administration Director, are subject to volatility. The Revenue Stabilization Reserve may be used in its entirety, however, replenishing the reserve will constitute the first priority for use of year-end General Fund resources in excess of those needed to maintain the fund balance at the target level.
- 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 six-year CIP, less proprietary fund

projects. Contributions will be made from General Fund resources as they are available.

- The City Manager may authorize the use of the General Capital Contingency 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.
- 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 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 by Council to account for monies for future known expenditures, special projects, or other specific purposes.
- All reserves will be presented in the biennial budget.

DEBT MANAGEMENT POLICIES

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.

- 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 use the services of a legally certified and credible bond counsel in the preparation of all bond representations.
- 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.
- 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.
- The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life.
- Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.
- The City will use refunding bonds, where appropriate, when restructuring its current outstanding debt.
- Reserves, interest costs, operating costs, and/or maintenance expenses will be capitalized only for enterprise activities; capitalized operating expenses will be strictly limited to those expenses incurred prior to actual operation of the facilities.
- The City will maintain a good credit rating at all times.
- Assessment bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity.
- Under most circumstances, the maturity of all assessment bonds shall not exceed 12 years.
- General Obligation bonds will be issued with maturities of 20 years or less.
- The voter approved 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
 - Utility Debt - 2.5% of assessed valuation
 - Open Space and Park Facilities - 2.5% of assessed valuation
- Limited-tax general obligation bonds will not exceed one and one-half percent of the City's current assessed property valuation.
- Limited-tax general obligation 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.
- 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.

CAPITAL IMPROVEMENT POLICIES

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 and updated biennially 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.