



# Financial Management Report as of March 31, 2013

## AT A GLANCE:

Kirkland voters approve Propositions 1 and 2 to support City Streets and Parks

(page 2 sidebar)

2013 revenues through March increased over 2012 (page 3)

Sales tax revenue increased significantly in the first quarter. (page 5)

The economy continues to recover and the housing market is heating up. (pages 7-8)

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## Summary of All Operating Funds: *Revenue*

- General Fund** actual 2013 revenue ended the first quarter **12.1 percent ahead** of the same period last year, an increase of over \$1.85 million. This revenue growth has been driven by improved sales tax revenues and strong growth in development services fees. The fund is at **22.4 percent of budget**, this will rise when first half property taxes are collected in the next two months. A more detailed analysis of General Fund revenue can be found on page 3, and sales tax revenue performance can be found beginning on page 5.
  - Other General Government Funds** actual 2013 revenue is **8.5 percent higher** than it was through the same period in 2012, growing more than \$300,000. Most funds increased their revenues with the only drop coming in cemetery operating revenues. Growth in revenues over 2012 can be attributed to an adjusted appropriation of funds to Parks Maintenance and increased property tax collections for Street maintenance. These funds have collected only **16.4 percent of budget** because Proposition 1 & 2 levy funds have not yet been collected and are not reflected in this quarter's revenue figures.
- There were internal accounting changes for revenues of Water/Sewer, Surface Water, and Solid Waste utilities that contributed to the increases in revenues when comparing 2013 to 2012.*
- The **Water/Sewer Operating Fund** actual 2013 revenue is **up 12.2 percent** over the same period last year due to the accounting change and rate increases, and **23.5 percent of budget** has been collected. This is slightly low because of seasonal variations.
  - Surface Water Management Fund** has received **6.9 percent of budgeted revenues**. Surface water charges are paid with property taxes which are primarily received in April and October. Some revenue came in early in 2013 and the majority of the funds are yet to be collected. This year's revenues thus far are **79.9 percent higher** than they were at the end of March 2012, primarily due to timing issues.
  - Solid Waste Fund** actual 2013 revenue is **4.2 percent ahead** compared to the same period last year, which is at **22.8 percent of budget**. Rate increases and the accounting change factored into this growth, and as with other utilities, revenues are slightly lower than budget because of the timing of billing.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2012	3/31/2013	% Change	2012	2013	% Change	2012	2013
<b>General Gov't Operating:</b>								
General Fund	15,409,090	17,275,056	12.1%	76,241,634	77,213,977	1.3%	20.2%	22.4%
Other General Gov't Operating Funds	3,537,667	3,840,105	8.5%	18,954,113	23,486,790	23.9%	18.7%	16.4%
<b>Total General Gov't Operating</b>	<b>18,946,757</b>	<b>21,115,161</b>	<b>11.4%</b>	<b>95,195,747</b>	<b>100,700,767</b>	<b>5.8%</b>	<b>19.9%</b>	<b>21.0%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	4,984,834	5,593,827	12.2%	20,540,187	23,794,608	15.8%	24.3%	23.5%
Surface Water Management Fund	354,011	636,747	79.9%	8,391,990	9,224,823	9.9%	4.2%	6.9%
Solid Waste Fund	3,176,461	3,310,694	4.2%	13,228,950	14,495,498	9.6%	24.0%	22.8%
<b>Total Utilities</b>	<b>8,515,306</b>	<b>9,541,268</b>	<b>12.0%</b>	<b>42,161,127</b>	<b>47,514,929</b>	<b>12.7%</b>	<b>20.2%</b>	<b>20.1%</b>
<b>Total All Operating Funds</b>	<b>27,462,063</b>	<b>30,656,429</b>	<b>11.6%</b>	<b>137,356,874</b>	<b>148,215,696</b>	<b>7.9%</b>	<b>20.0%</b>	<b>20.7%</b>



### Kirkland Voters Approve Street and Parks Levies

Citizens of Kirkland voted to invest in the City's infrastructure and amenities when two permanent levy lid lifts to improve city streets and parks were passed in the November 6, 2012 general election. The Street Levy was proposed by City Council to address the declining condition of the City's streets, and the Parks Levy was initiated by a citizen group and then proposed by the City Council to address the recession-related maintenance reductions and emerging capital needs.

The people of Kirkland voted 54.8% in favor of the Street Levy and 57.9% in favor of the Parks Levy. The Street Levy implements a property tax increase \$0.204 per \$1000 of assessed valuation, and the Parks Levy increases property taxes by \$0.16 per \$1000 of assessed valuation. These levies will raise approximately \$3 million and \$2.4 million in annual revenues, respectively.

The additional revenues are already being put to work. Funds from the Street Levy are available to be spent on street maintenance, pedestrian safety improvements, and school walk-routes, and the Parks Levy can be spent on park maintenance, park facilities renovations and land acquisition.

## Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures finished March **up 5.7 percent** over last year. Most general fund departments have increased expenditures in order to meet the expanded service needs of the City after annexation. The budget has taken this growth into account, and expenditures are at **24.1 percent of budget** a quarter through the year. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures were up **9.3 percent** due to rising expenditures for equipment rental, parks maintenance, and facilities maintenance. These particular increases totaled nearly \$330,000 but were largely offset by savings of \$225,000 in street operating and information technology expenditures. The overall increase in other operating funds was nearly \$350,000 and most of that can be attributed to increased spending on vehicle replacement. Vehicle replacement costs were lower than expected in 2012, so expenditures on vehicles has increased in 2013 as more vehicles are being replaced and annexation related vehicles are added to the fleet. This rise in expenses was anticipated in the budget, and these funds have kept expenditures **lower than budget at 19.8 percent**.

*Expenditures in the Water/Sewer, Surface Water, and Solid Waste utility funds have increased mostly due to the internal accounting change, with the taxes now flowing through the utility fund. This results in an expenditure in the utilities as the funds are moved to the general fund, offset by tax revenues appearing in the utilities, resulting in zero net effect to ratepayers.*

- **Water/Sewer Operating Fund** actual expenditures finished the quarter **29.3 percent higher** than they did in 2012, and they were slightly **above budget at 26.2 percent**. The majority of this increase is due to the accounting change, which has amounted to more than \$500,000 of new flow-through expenditures from this fund.
- **Surface Water Management Fund** actual first quarter expenditures were **20.8 percent higher** than last year. These expenditures have grown as a result of hiring annexation-related positions that were postponed in 2012 and due to the new accounting of utility taxes. This growth was anticipated and is reflected in the budget. Expenditures through March are at **13.8 percent of budget**.
- **Solid Waste Fund** has spent **19 percent more** so far in 2013 than it did in 2012, also due to the accounting change. With **24.8 percent of budget spent**, expenses have been in line with budget expectations.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	3/31/2012	3/31/2013	% Change	2012	2013	% Change	2012	2013
<b>General Gov't Operating:</b>								
General Fund	15,571,111	16,454,835	5.7%	67,876,117	68,371,367	0.7%	22.9%	24.1%
Other General Gov't Operating Funds	3,922,683	4,287,010	9.3%	18,821,044	21,605,796	14.8%	20.8%	19.8%
<b>Total General Gov't Operating</b>	<b>19,493,794</b>	<b>20,741,845</b>	<b>6.4%</b>	<b>86,697,161</b>	<b>89,977,163</b>	<b>3.8%</b>	<b>22.5%</b>	<b>23.1%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	4,069,644	5,260,029	29.3%	17,325,319	20,071,914	15.9%	23.5%	26.2%
Surface Water Management Fund	1,036,394	1,251,707	20.8%	5,495,211	9,082,998	65.3%	18.9%	13.8%
Solid Waste Fund	3,177,029	3,779,557	19.0%	13,135,052	15,237,469	16.0%	24.2%	24.8%
<b>Total Utilities</b>	<b>8,283,067</b>	<b>10,291,293</b>	<b>24.2%</b>	<b>35,955,582</b>	<b>44,392,381</b>	<b>23.5%</b>	<b>23.0%</b>	<b>23.2%</b>
<b>Total All Operating Funds</b>	<b>27,776,861</b>	<b>31,033,138</b>	<b>11.7%</b>	<b>122,652,743</b>	<b>134,369,544</b>	<b>9.6%</b>	<b>22.6%</b>	<b>23.1%</b>

## Financial Management Report as of March 31, 2013

## General Fund Revenue

- **Sales tax** revenue allocated to the General Fund is **18.9 percent higher** than it was last year. This is **ahead of budget projections**, with **28.6 percent of budget** collected thus far. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** is ahead of last year with **27.5 percent more** collected in the first quarter. However, most property tax is collected in April and October so this category is currently sitting at **6.7 percent of budget** and a true assessment of performance will not be possible until the second quarter report.
- **Utility tax** revenue collection is **up 3.2 percent** compared to the first quarter of 2012 mostly due to moderately higher electric and telephone utility collections. Collections are **above budget at 26.6 percent**.
- **Other taxes** actual revenue is **5.0 percent higher** than the same period in 2012 due to rising gambling and leasehold excise tax revenue. This is at **44.4 percent of budget** since gambling taxes are collected twice a year.
- The **business licenses (base fee) and franchise fees** have collected **1.1 percent more** than they did at this point last year and are **above budget at 25.7 percent**.
- The **revenue generating regulatory license fee** has brought in **5.8 percent less** than it did in 2012. This is the tax the city charges employers on a per-employee basis, and it can fluctuate based on the timing of when businesses submit their payments. These revenues are healthy at **26.9 percent of budget** and should normalize compared to 2012 as the year goes on.
- The **development-related fee** revenues, collectively, are **up 38.1 percent** and are ahead of projections at **32.7 percent** of their budgeted revenue. **Building, Structural & Equipment permits** are **up 23.7 percent** over last year. **Engineering services** has collected **79.6 percent more** than last year. **Plan check fees** are **up 70.8 percent**. **Planning fees** revenue has risen **5.0 percent**. The increased revenues indicate that building and development is increasing in the City. Note that a portion of this additional revenue is for work to be done in subsequent years and will be set aside in reserve for that purpose.
- **Fines and Forfeitures** are **up 51.6 percent** due to the increase of parking and traffic fines being collected. Parking fines have particularly grown because the parking enforcement officer position that was vacant last year has now been filled, but they still **below budget at 21.4 percent**.
- The **other financing sources** category in 2012 reflected the one-time asset transfer from Woodinville Fire & Rescue. Budgeted interfund transfers were decreased in 2013, but no actuals have posted so far this year.

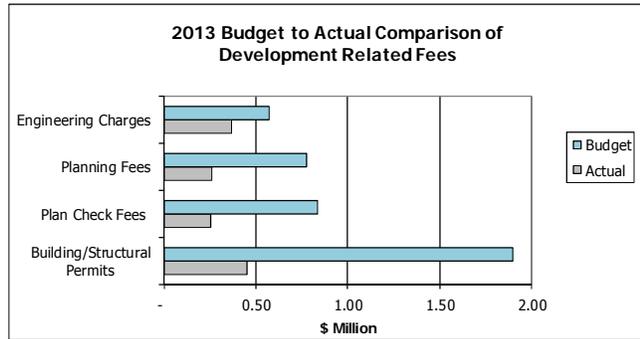
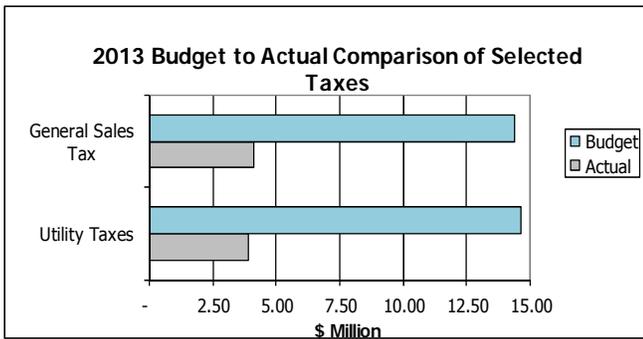
General Fund 2013 revenues ended the first quarter \$1,865,966 higher than the same period last year largely due to growth in sales tax, property tax, and permits and fees.

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

- Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.
- In 2013 about 424 of the City's 544 regular employees are budgeted within the general fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	3/31/2012	3/31/2013	% Change	2012	2013	% Change	2012	2013
<b>Taxes:</b>								
Retail Sales Tax: General	3,454,796	4,109,153	18.9%	13,972,010	14,368,962	2.8%	24.7%	28.6%
Retail Sales Tax Credit: Annexation	830,130	978,797	N/A	3,409,791	3,415,626	N/A	N/A	28.7%
Retail Sales Tax: Criminal Justice	410,139	451,682	10.1%	1,568,112	1,634,287	4.2%	26.2%	27.6%
Property Tax	866,887	1,105,695	27.5%	16,049,865	16,619,200	3.5%	5.4%	6.7%
Utility Taxes	3,763,958	3,883,235	3.2%	14,468,333	14,618,866	1.0%	26.0%	26.6%
Rev Generating Regulatory License	665,333	626,913	-5.8%	2,386,300	2,328,005	-2.4%	27.9%	26.9%
Other Taxes	452,441	474,948	5.0%	1,005,488	1,068,775	6.3%	45.0%	44.4%
<b>Total Taxes</b>	<b>10,443,684</b>	<b>11,630,423</b>	<b>11.4%</b>	<b>52,859,899</b>	<b>54,053,721</b>	<b>2.3%</b>	<b>19.8%</b>	<b>21.5%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	363,762	450,124	23.7%	2,423,612	1,900,182	-21.6%	15.0%	23.7%
Business Licenses/Franchise Fees	1,078,295	1,090,383	1.1%	4,109,869	4,244,605	3.3%	26.2%	25.7%
Other Licenses & Permits	108,390	142,557	31.5%	217,579	317,128	45.8%	49.8%	45.0%
<b>Total Licenses &amp; Permits</b>	<b>1,550,447</b>	<b>1,683,064</b>	<b>8.6%</b>	<b>6,751,060</b>	<b>6,461,915</b>	<b>-4.3%</b>	<b>23.0%</b>	<b>26.0%</b>
<b>Intergovernmental:</b>								
Grants and Federal Entitlements	111,127	10,662	-90.4%	137,835	13,597	-90.1%	80.6%	78.4%
State Shared Revenues & Entitlements	260,435	239,440	-8.1%	909,967	1,033,781	13.6%	28.6%	23.2%
EMS	-	-	N/A	866,729	884,645	N/A	N/A	N/A
Other Intergovernmental Services	12,887	137,978	970.7%	186,597	500,455	168.2%	6.9%	27.6%
<b>Total Intergovernmental</b>	<b>384,449</b>	<b>388,080</b>	<b>0.9%</b>	<b>2,101,128</b>	<b>2,432,478</b>	<b>15.8%</b>	<b>18.3%</b>	<b>16.0%</b>
<b>Charges for Services:</b>								
Internal Charges	1,331,273	1,322,621	-0.6%	5,894,286	5,208,912	-11.6%	22.6%	25.4%
Engineering Services	206,632	371,043	79.6%	555,852	574,093	3.3%	37.2%	64.6%
Plan Check Fee	147,862	252,620	70.8%	814,484	836,864	2.7%	18.2%	30.2%
Planning Fees	248,418	260,918	5.0%	544,619	776,347	42.5%	45.6%	33.6%
Recreation	329,273	360,817	N/A	1,152,963	1,160,300	N/A	N/A	31.1%
Other Charges for Services	384,038	481,303	25.3%	2,187,273	3,084,228	41.0%	17.6%	15.6%
<b>Total Charges for Services</b>	<b>2,647,496</b>	<b>3,049,322</b>	<b>15.2%</b>	<b>11,149,477</b>	<b>11,640,744</b>	<b>4.4%</b>	<b>23.7%</b>	<b>26.2%</b>
<b>Fines &amp; Forfeits</b>	<b>269,879</b>	<b>409,113</b>	<b>51.6%</b>	<b>2,781,169</b>	<b>1,907,925</b>	<b>-31.4%</b>	<b>9.7%</b>	<b>21.4%</b>
<b>Miscellaneous</b>	<b>113,135</b>	<b>115,053</b>	<b>1.7%</b>	<b>598,901</b>	<b>717,194</b>	<b>19.8%</b>	<b>18.9%</b>	<b>16.0%</b>
<b>Total Revenues</b>	<b>15,409,090</b>	<b>17,275,056</b>	<b>12.1%</b>	<b>76,241,634</b>	<b>77,213,977</b>	<b>1.3%</b>	<b>20.2%</b>	<b>22.4%</b>
<b>Other Financing Sources:</b>								
Transfer of FD 41 & WFR Balances	-	-	N/A	1,426,568	-	N/A	N/A	N/A
Interfund Transfers	-	-	N/A	153,560	302,228	N/A	N/A	N/A
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>1,580,128</b>	<b>302,228</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Resources</b>	<b>15,409,090</b>	<b>17,275,056</b>	<b>12.1%</b>	<b>77,821,762</b>	<b>77,516,205</b>	<b>-0.4%</b>	<b>19.8%</b>	<b>22.3%</b>

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	3/31/2012	3/31/2013	% Change	2012	2013	% Change	2012	2013
Non-Departmental	183,685	218,733	19.1%	1,043,302	1,205,748	15.6%	17.6%	18.1%
City Council	130,066	202,520	55.7%	443,849	399,928	-9.9%	29.3%	50.6%
City Manager's Office	418,802	415,714	-0.7%	1,901,282	2,036,269	7.1%	22.0%	20.4%
Municipal Court	498,176	520,616	4.5%	2,630,719	2,237,466	-14.9%	18.9%	23.3%
Human Resources	298,219	312,937	4.9%	1,274,208	1,269,431	-0.4%	23.4%	24.7%
City Attorney's Office	325,445	337,877	3.8%	1,365,836	1,359,357	-0.5%	23.8%	24.9%
Parks & Community Services	1,600,689	1,568,882	-2.0%	7,313,947	7,336,422	0.3%	21.9%	21.4%
Public Works (Engineering)	880,734	993,538	12.8%	3,944,808	4,441,370	12.6%	22.3%	22.4%
Finance and Administration	986,424	1,049,097	6.4%	4,635,007	4,103,262	-11.5%	21.3%	25.6%
Planning & Community Development	742,234	794,950	7.1%	3,319,899	3,459,356	4.2%	22.4%	23.0%
Police	4,716,704	4,961,485	5.2%	20,049,726	20,048,918	0.0%	23.5%	24.7%
Fire & Building	4,789,934	5,078,485	6.0%	19,953,534	20,473,840	2.6%	24.0%	24.8%
<b>Total Expenditures</b>	<b>15,571,111</b>	<b>16,454,835</b>	<b>5.7%</b>	<b>67,876,117</b>	<b>68,371,367</b>	<b>0.7%</b>	<b>22.9%</b>	<b>24.1%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	1,436,295	1,740,297	21.2%	9,814,528	11,707,259	19.3%	14.6%	14.9%
<b>Total Other Financing Uses</b>	<b>1,436,295</b>	<b>1,740,297</b>	<b>21.2%</b>	<b>9,814,528</b>	<b>11,707,259</b>	<b>19.3%</b>	<b>14.6%</b>	<b>14.9%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>17,007,406</b>	<b>18,195,132</b>	<b>7.0%</b>	<b>77,690,645</b>	<b>80,078,626</b>	<b>3.1%</b>	<b>21.9%</b>	<b>22.7%</b>

Comparing 2013 actual expenditures to the same period last year:

Overall, excluding interfund transfers, General Fund expenditures are **7.0 percent** higher than 2012, but are within the budgeted amount. So far in 2013 the City has spent **24.1 percent** of total budgeted expenditures, one quarter through the budget year. The table above illustrates that most gains have been moderate and some of the biggest increases in dollar terms have been in response to increased demand for services.

- Expenditures for **Non-departmental** are **up 19.1 percent** largely due to an increase in retiree medical benefit costs. This was budgeted for and spending is **below budget at 18.1 percent**.
- Actual 2013 expenditures for the **City Council** have **grown 55.7 percent** because of a nearly twofold increase in the costs of dues and memberships, and this amount is at **50.6 percent of budget** because the cost of the annual memberships was paid at the beginning of the year.
- The **City Manager's Office** costs are **down 0.7 percent** compared to 2012 due to continued savings in salaries and benefit expenses. These expenses are below planned spending at **20.4 percent of budget**.
- The **Municipal Court** actuals are **up 4.5 percent** due to increased personnel costs, but it is below projections at **23.3 percent of budget**.
- Actual 2013 expenditures for **Human Resources** are **up 4.9 percent** over last year, this can be attributed mostly to salary and wage increases, and is at **24.7 percent of budget**.
- The **City Attorney's Office** expenditures are **up 3.8 percent** above 2012 due to small increases in salaries and wages, along with increased payments for contracted legal services. This is in line with projections at **24.9 percent of budget**.
- First quarter 2013 expenditures for the **Parks & Community Services Department** are **down 2.0 percent** versus the same period last year. This is due to seasonal variations in salaries, wages and benefits, along with the cost for supplies, keeping expenses **below budget at 21.4 percent**.

2013 General Fund actual expenditures (excluding "other financing sources") are 5.7 percent higher than they were in 2012.

Continued on page 5

## Financial Management Report as of March 31, 2013

- **Public Works** expenditures have used **22.4 percent of budget**, which is **12.8 percent higher** than first quarter 2012 due to growth in wages, salaries, and benefits as new employees have been hired to accommodate post-annexation community needs.
- The **Finance and Administration Department** expenditures are at **25.6 percent of budget, rising 6.4 percent** in dollar terms versus last year due to increases in spending on salaries, wages and benefits.
- Actual first quarter expenditures for the **Planning and Community Development Department** finished **up 7.1 percent** over last year because of increased personnel costs due to filling positions that were empty in 2012; **23 percent of this budget** has been spent.
- The **Police Department** has spent **5.2 percent more** than it had at this point last year; the department has increased personnel costs because annexation - related positions have been filled. Spending is at **24.7 percent of budget** so far this year. Jail costs continue to be under budget due to contracts with other agencies for lower rates than those charged by King County and an increase in the use of electronic home detention and other sentencing measures as alternatives to jail time.
- Expenditures for the **Fire & Building Department** grew **6 percent** over last year. As with the other general fund departments, most of this increase can be attributed to higher personnel costs and is within projections at **24.8 percent of budget**.



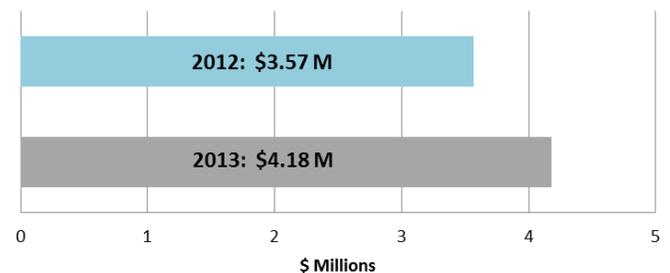
*Rendering of Kirkland's new Public Safety Building. Construction is expected to begin in mid-2013 and take 12 months to complete.*

**Sales Tax Revenue Analysis** Year-to-date revenue is **up 16.9 percent** compared to the same period last year. Strong performance continues in the contracting, auto/gas retail, and services sectors. The sales tax revenue received in the first quarter is from November 2012-January 2013 sales.

### Review by business sectors:

- **Contracting is up 43 percent** over the same period in 2012. This is the result of several large projects and improvements in residential construction.
- Retail sectors sales tax revenue collectively are **up 11.4 percent** compared to 2012.
- The **auto/gas retail** sector is **up 19.4 percent** compared to last year due to positive performance by all of the dealerships, along with the addition of one new dealership.
- The **general merchandise/miscellaneous retail** sector is **up 8.4 percent** compared to 2012 largely due to positive performance by one key retailer.
- The **retail eating/drinking** sector performance is **up 4.7 percent** compared to last year. Higher tax receipts can be attributed to many established restaurants posting improved sales along with the opening of three new restaurants late last year.
- **Other retail** is **up 5.4 percent** compared to last year due to positive performance in most categories with the exception of food and beverage stores.
- The **services** sector is **up 18.5 percent** compared to last year primarily due to publishing and software services.
- **Wholesale** is **up 17.8 percent** compared to last year due to strong sales in durable goods such as medical equipment and construction materials.
- The **miscellaneous** sector is **up 17.4 percent** compared to last year due to positive performance in the finance, manufacturing, and utilities categories along with the allocation of uncoded sales tax revenue by the Department of Revenue.
- The **communications** sector has only slightly improved, **up 1 percent** compared to last year due to weak performance by a few large retailers.

### Sales Tax Receipts Through March 2012 and 2013



### Neighboring Cities Sales Tax

Bellevue was up 5.9 percent and Redmond was down 2.2 percent through March compared to the same period in 2012. Redmond's decrease is skewed due to a tax recovery in 2012.

### King County Sales Tax

King County's sales tax receipts are 7.9 percent higher than they were through the first quarter of 2012.

## City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-March		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Services	460,554	545,702	85,148	18.5%	12.9%	13.1%
Contracting	485,910	694,630	208,720	43.0%	13.6%	16.6%
Communications	106,163	107,177	1,014	1.0%	3.0%	2.6%
Auto/Gas Retail	838,524	1,000,789	162,265	19.4%	23.5%	24.0%
Gen Merch/Misc Retail	512,914	556,185	43,271	8.4%	14.4%	13.3%
Retail Eating/Drinking	297,981	312,010	14,029	4.7%	8.3%	7.5%
Other Retail	517,254	545,142	27,888	5.4%	14.5%	13.1%
Wholesale	169,954	200,148	30,194	17.8%	4.8%	4.8%
Miscellaneous	183,039	214,865	31,826	17.4%	5.1%	5.1%
<b>Total</b>	<b>3,572,293</b>	<b>4,176,648</b>	<b>604,355</b>	<b>16.9%</b>	<b>100.0%</b>	<b>100.0%</b>

*Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2012 and 2013 year-to-date sales tax receipts in the table to the left.*

## City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2012	2013		
January	1,104,022	1,333,112	229,090	20.8%
February	1,413,586	1,618,026	204,440	14.5%
March	1,054,685	1,225,510	170,825	16.2%
<b>Total</b>	<b>3,572,293</b>	<b>4,176,648</b>	<b>604,355</b>	<b>16.9%</b>

*When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City. For example, sales tax received by the City in March is for sales activity in January. Monthly sales tax receipts through March 2012 and 2013 are compared in the table above.*

- Monthly sales tax revenues have maintained a strong growth trend so far in 2013 with gains over the same months in 2012 averaging in the high teens.
- January's revenues rose 20.8 percent year-over-year on the strength of improved performance from the contracting, services, and auto retail sectors.
- February revenues reflect December 2012 sales activity, and improved 14.5 percent over last year on the strength of contracting, auto retail, and general retail.
- March continued the year's trend of sales tax growth, with an increase of 16.2 percent, with the primary drivers of growth coming from the same sectors as in earlier months.
- A boom in revenues from the contracting, auto retail, and service sectors has driven the City's sales tax revenues higher, and the growth has been impressive, but these sectors are economically sensitive. Their growth could taper off as pent up demand for housing and durable goods is met, or revenues could drop if there is a downturn in the economy.

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

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

**Totem Lake**, which accounts for about 30 percent of the total sales tax receipts, was **up 13.8 percent** due to continued improvements in automotive/gas retail and improvements in most retail categories.

Fifty seven percent of this business district's revenue comes from the auto/gas retail sector.

**NE 85<sup>th</sup> Street**, which accounts for 14 percent of the total sales tax receipts, was **up 7.8 percent** primarily due to increases in automotive and apparel retail categories. These retail sectors contribute 78.5 percent of this business district's revenue.

**Downtown**, which accounts for more than 6 percent of the total sales tax receipts, was **up 13.6 percent** largely due to the return of information services revenues (which were low in 2012 because of a one-time taxpayer refund that reduced the City's receipts).

**Carillon Point & Yarrow Bay**, which account for about 2 percent of the total sales tax receipts, were **up 2.1 percent** compared to last year. About 68 percent of this business district's revenue comes from business services, retail eating/drinking and accommodations.

**Houghton & Bridle Trails**, which account for about 2.5 percent of the total sales tax receipts, were **up 4.0 percent** due to modest growth in amusement/recreation and restaurant revenues.

**Juanita**, which accounts for 1.5 percent of the total sales tax receipts was **down 1.4 percent**. Increases in the retail eating/drinking were offset by decreases from the amusement/recreation & theater category. These sectors, make up about 54 percent of this business district's revenue.

**North Juanita, Kingsgate, & Finn Hill** account for more than 3 percent of the total sales tax receipts and were **up 4.7 percent** over 2012. Much of this growth came from the general merchandise retail category.

*Year-to-date sales tax receipts by business district for 2012 and 2013 are compared in the table on the next page.*

## Financial Management Report as of March 31, 2013

When reviewing sales tax receipts by business district, it's important to be aware that 46.4 percent of the revenue received so far in 2013 is in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan - Mar Receipts		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Totem Lake	1,077,944	1,226,819	148,875	13.8%	30.2%	29.4%
NE 85th St	534,424	575,879	41,454	7.8%	15.0%	13.8%
Downtown	228,231	259,355	31,125	13.6%	6.4%	6.2%
Carillon Pt/Yarrow Bay	73,498	75,027	1,529	2.1%	2.1%	1.8%
Houghton & Bridle Trails	95,468	99,256	3,788	4.0%	2.7%	2.4%
Juanita	62,519	61,633	(886)	-1.4%	1.8%	1.5%
Kingsgate	44,504	44,318	(186)	-0.4%	1.2%	1.1%
North Juanita	55,234	60,550	5,316	9.6%	1.5%	1.4%
Finn Hill	27,027	27,873	846	3.1%	0.8%	0.7%
Unassigned or No District:						
Contracting	485,283	694,003	208,720	43.0%	13.6%	16.6%
Other	888,161	1,051,935	163,774	18.4%	30.0%	29.8%
<b>Total</b>	<b>3,572,293</b>	<b>4,176,648</b>	<b>604,355</b>	<b>16.9%</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales Tax Revenue Outlook** Sales tax receipts for the first quarter of 2013 posted strong gains in revenues for the City as spending on big-ticket items such as home building and car sales grew substantially. The contracting and automotive/gas retail sectors have contributed 61.4 percent of 2013's overall sales tax gains over 2012, but both of these sectors are highly sensitive to economic conditions and can be volatile sources of revenue (contracting is up 43 percent compared to 2012, and auto/gas retail is up 19.4 percent, indicating a strong positive response to an improving local and national economy). All other major sectors in the City have experienced growth compared to the first quarter of 2012, with increases of 18.5 percent for services, 17.8 percent for wholesale, and 17.4 percent for miscellaneous. Total sales tax receipts ended the first quarter 16.9 percent higher than they did in 2012.

**OFFICE VACANCIES:**

According to CB Richard Ellis Real Estate Services, the Eastside office vacancy rate fell to 13.4 percent in the first quarter of 2013 and had the strongest performance in the Puget Sound region. The corresponding figure for the first quarter of 2012 was 14.5 percent. Kirkland's vacancy rate was 7.5 percent, lower than the Puget Sound average, but higher than the 6.4 percent vacancy rate in the first quarter of 2012.

Performance across the Puget Sound region eased off in the first quarter of 2013 following a very strong 2012. The overall vacancy rate grew slightly to 15.5 percent.

The region currently has 852,955 SF of projects under construction, including large projects on the Eastside and the continued expansion of Amazon near their current South Lake Union headquarters.

**LODGING TAX REVENUE:**

Lodging tax revenue remained nearly flat compared to the first quarter of 2012, finishing the first quarter of 2013 down 0.4 percent, a difference of less than \$250.

**Economic Environment Update** The Washington State economy is expected to grow and pick up momentum as the year progresses according to the March 2013 data from the Washington State Economic and Revenue Forecast Council. The economy in Washington State is also expected to outperform the national economy throughout 2013, with the housing sector providing a particularly positive outlook. Permits for new single family homes have increased, and there has also been a rise in house prices in the state. However, there is considerable uncertainty surrounding federal fiscal policy. While a deal was reached to avoid most of the tax increases and budget cuts that made up the fiscal cliff, automatic sequester spending cuts began on March 1st consisting of \$1.2 trillion in spending cuts over 9 years. The ongoing financial crisis in Europe also continues to pose a significant threat to the US economy. The EU has now posted five consecutive quarters of negative growth.

The Conference Board **Consumer Confidence Index**, declined from 68.0 in February to 59.7 in March, due to a sharp decline in consumer's expectations and increased pessimism about the short-term economic outlook. According to The Conference Board "the recent [Federal] sequester has created uncertainty regarding the economic outlook and as a result, consumers are less confident." An index of 90 indicates a stable economy an index of above 100 indicates growth.

King County's **unemployment rate** was **5.1 percent** in March 2013 compared to 7.2 percent in March 2012. The unemployment rate nationally and in the state of Washington is higher than in King County. US unemployment for March 2013 was 7.6 percent, while Washington State reported a 7.5 percent unemployment rate. These rates are down from 8.4 percent nationally and 8.5 percent in Washington in March 2012. The unemployment rate in Kirkland was lower than the County, State and Country with preliminary numbers for March reporting an unemployment rate of 4.3 percent in March 2013, down from 6.0 percent in March 2012.

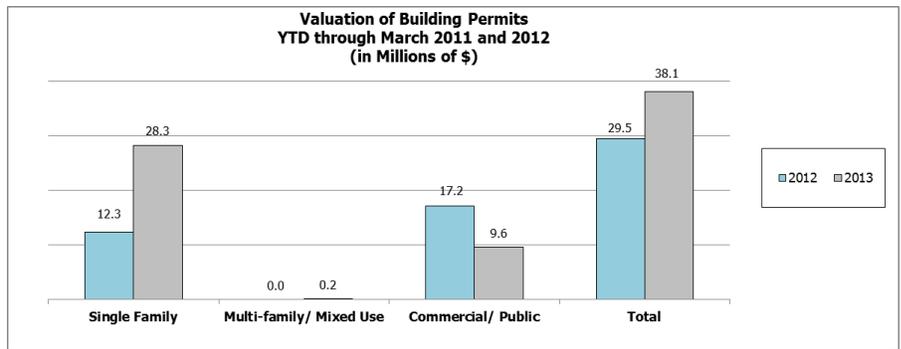
The Western Washington Purchasing Manager Index saw a healthy growth in March 2013. The index was at 62.0, up 6.9 from February. Index numbers less than 50 indicate a shrinking economy.

(Continued on page 8)

## Economic Environment Update *continued*

my, while those over 50 signal an expanding economy. Although the score has increased it remains below a "high confidence" score that would be 70 or above.

Local **development activity** through March comparing 2012 to 2013, as measured by the valuation of City of Kirkland building permits, is illustrated in the chart to the right. This rise has been almost entirely driven by a large increase in the value of single family permits issued. There has actually been a decrease in the value of commercial/public permits and very little activity for multi-family/mixed use developments.



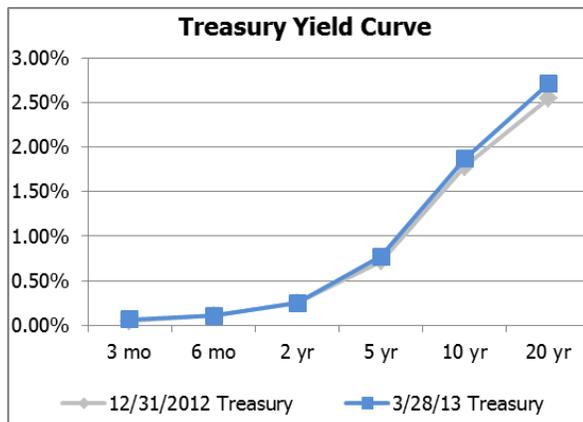
Closed sales of **new and existing single-family homes** on the Eastside were up 17.3 percent in March 2013 compared to March 2012. The median price of a single family home also increased from \$470,000 in March 2012 to \$552,415 in March 2013. Closed sales of houses across King County were also up 11.1 percent. Closed sales of condos on the Eastside also increased 9 percent between March 2012 and March 2013. The median price of a condo on the Eastside rose 11.4 percent during this time. Across King County the median price of a condo was \$225,000 in March 2013, a 28.6 percent increase from March 2012.

**Seattle metro consumer price index (CPI)** is calculated bi-monthly and the most recent index from February 2013 was 1.9 percent. This is higher than it was in December 2012, but lower than the 2.66 percent average for 2012. The national CPI was 1.5 percent in March, the lowest level since July 2012 and lower than the 2.12 percent average for 2012.

## Investment Report

### MARKET OVERVIEW

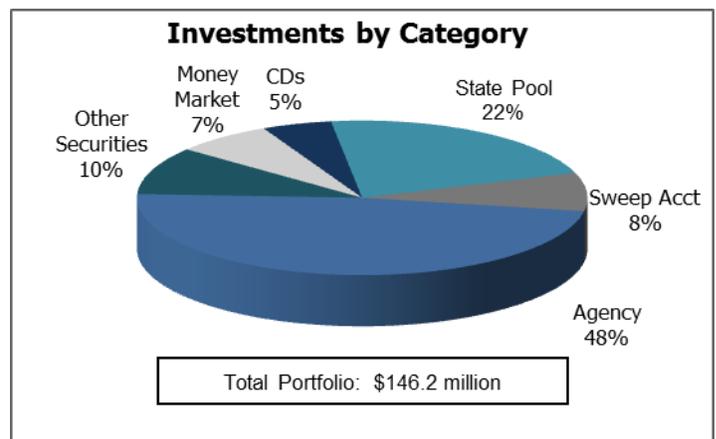
The economy gave some minor indications of accelerating performance in the beginning of the quarter then settled back into the slow recovery trend that we have seen in the last several years. The Fed Funds rate continued to remain at 0.25 percent, where it is expected to stay until mid-to-late 2015. The yield curve was unchanged at the short end and rose slightly at the long end of the curve



### CITY PORTFOLIO

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

The City's portfolio decreased in the 1<sup>st</sup> quarter of 2013 to \$146.2 million compared to \$148.6 million on December 31, 2012. The decrease in the portfolio is related to the normal cash flows of the first quarter, as the first half of property taxes is received at the end of April.



### Diversification

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

Financial Management Report as of March 31, 2013

**2013 ECONOMIC OUTLOOK and INVESTMENT STRATEGY**

The outlook for growth in the U.S. economy is mostly unchanged from three months ago, according to 46 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 1.9 percent in 2013. CPI inflation is expected to average 2.0 percent in 2013 and 2.2 percent in 2014. The unemployment rate is expected to average 7.7 percent in 2013 and fall to 7.2 percent in 2014. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level throughout 2013 and into 2015.

The duration and earnings of the portfolio has increased with the purchase of longer term securities in the last quarter of 2012. The focus on the next 2 quarters will be purchasing shorter term securities to reduce the duration. The opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity, so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.18 percent and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2013 is \$500,000.

**Investment Report *continued***

**Liquidity**

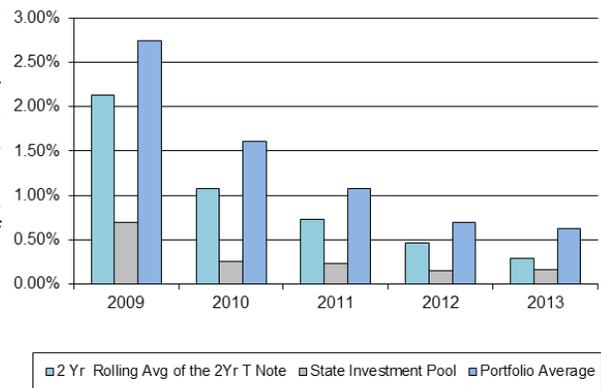
The target duration for the City's portfolio is based on the 2 year treasury rate which remained level at 0.25 percent on December 31, 2012 and March 28, 2013. The average maturity of the City's investment portfolio increased from 2.16 years on December 31, 2012 to 2.52 years on March 31, 2013, with the purchase of longer term securities as the interest rates moved higher at the end of 2012.

**Yield**

The City Portfolio yield to maturity remained unchanged at 0.64 percent on December 31, 2012 and March 31, 2013. Through March 31, 2013, the City's annual average yield to maturity was 0.63 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.29 percent on March 31, 2013.

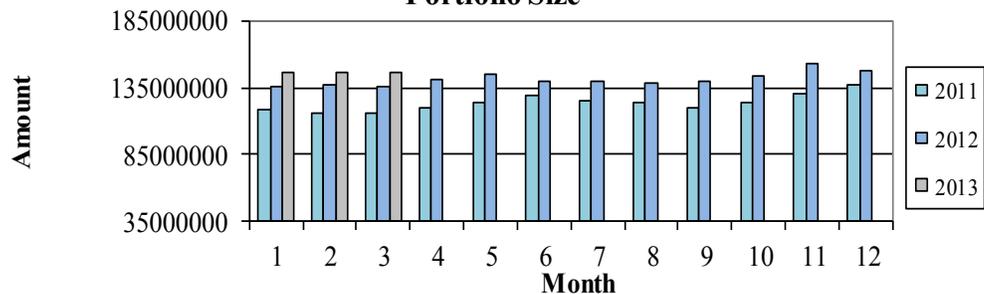
The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.

**Investment Interest Rate Comparisons**

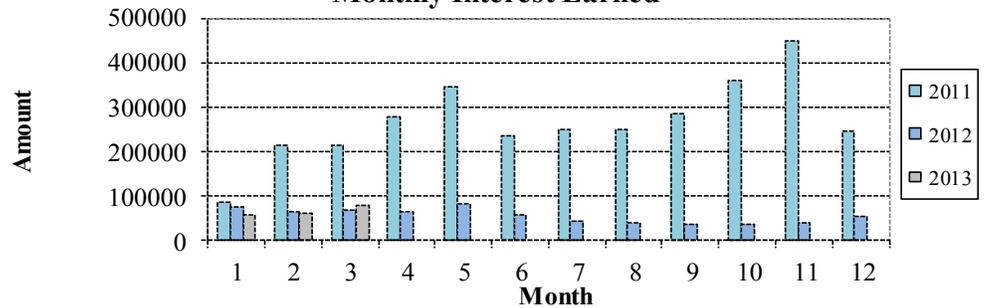


Legend: 2 Yr Rolling Avg of the 2Yr T Note (light blue), State Investment Pool (grey), Portfolio Average (dark blue)

**Portfolio Size**



**Monthly Interest Earned**



**Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of March 31, 2013. This presentation will be updated to reflect actual 2013 beginning cash balances after the resource forward budget adjustments are adopted in June.

## Reserve Analysis

### General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. Contributions have been made to replenish the reserves since then and with planned contributions in 2013 and 2014, the reserve is expected to be at target by the end of 2014.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects and a significant portion is planned to be used during the current biennium, which will bring the reserve just slightly below target.
- The **General Capital Contingency Reserve** was used to fund project cost over-runs in the previous biennium, so replenishment from General Fund 2012 year-end cash is planned in 2013.

### General Capital Reserves

- A sign of the improving economy, **Real Estate Excise Tax (REET)** collections are 30 percent ahead of the same period last year. Revenue in 2013 is trending above budget, so the current budgeted ending balance is conservative and will be reviewed later in the year for potential adjustment. REET 2 reserves were used in 2012 to assist in the re-payment of the loan from the utilities for the purchase of the Cross Kirkland Corridor in 2011.
- **Impact fees** have also experienced improvement due to the increased development activity and are trending above budget. Transportation impact fees are slightly behind the same period last year, but park impact fees are more than double. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	178,372	250,000	(71,628)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,686,557	4,810,795	4,810,795	5,735,330	(924,535)
<b>General Purpose Reserves with Targets</b>	<b>11,363,969</b>	<b>13,311,752</b>	<b>13,311,752</b>	<b>17,598,322</b>	<b>(4,286,570)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve	1,745,549	1,484,209	1,484,209	1,568,207	(83,998)
Health Benefits Fund:					
Claims Reserve	2,297,149	2,825,758	2,825,758	1,424,472	1,401,286
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1	3,306,765	4,336,329	4,298,329	1,035,000	3,263,329
REET 2	2,206,398	2,240,684	1,976,684	2,716,983	(740,299)
Water/Sewer Operating Reserve:	2,414,471	2,414,471	2,414,471	1,979,380	435,091
Water/Sewer Debt Service Reserve:	829,816	840,207	840,207	508,717	331,490
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
<b>Other Reserves with Targets</b>	<b>16,780,592</b>	<b>18,122,102</b>	<b>17,820,102</b>	<b>11,204,034</b>	<b>6,616,068</b>
<b>Reserves without Targets</b>	<b>34,872,063</b>	<b>32,310,895</b>	<b>32,331,895</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>63,016,624</b>	<b>63,744,749</b>	<b>63,463,749</b>	<b>n/a</b>	<b>n/a</b>

\*Includes replenishments adopted in early April 2013

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

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

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

*Current budgeted reserves are based on estimates for 2012 year-end balances. Now that the books have closed for 2012, reconciliation to recognize actual cash balances may result in adjustments to reserves in June; in most cases increases to the 2013 beginning balance. These changes will be reflected in the June FMR.*

*The summary to the right details all Council authorized uses and additions through March 31, 2013.*

#### USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
<b>2013-14 Council Authorized Uses</b>		
Real Estate Excise Tax 2 - Transp.	\$214,000	NE 112th Street Sidewalk
Real Estate Excise Tax 2 - Transp.	\$50,000	Central Way Pedestrian Enhancements
Real Estate Excise Tax 1 - Gen. Govt.	\$38,000	Totem Lake Park Master Plan
<b>2013-14 Council Authorized Additions</b>		
Surface Water Transportation Reserve	\$21,000	Central Way Pedestrian Enhancements

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

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

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

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

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

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
<b>GENERAL FUND/CONTINGENCY</b>					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	0	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	0	178,372
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
<b>Total General Fund/Contingency</b>		<b>8,677,412</b>	<b>8,500,957</b>	<b>0</b>	<b>8,500,957</b>
<b>SPECIAL PURPOSE RESERVES</b>					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve	Labor negotiation costs contingency	69,196	69,196	0	69,196
Police Equipment Reserve	Equipment funded from seized property	67,334	67,334	0	67,334
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	552,561	985,435	0	985,435
Development Svcs. Technology Reserve	Permit system replacement	264,810	404,810	0	404,810
Tour Dock	Dock repairs	130,502	163,002	0	163,002
Tree Ordinance	Replacement trees program	29,117	29,117	0	29,117
Revolving/Donation Accounts	Fees/Donations for specific purposes	486,115	578,915	0	578,915
Lodging Tax Fund	Tourism program and facilities	224,316	205,272	0	205,272
Cemetery Improvement	Cemetery improvements/debt service	662,614	690,564	0	690,564
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension	Long-term care/pension benefits	1,745,549	1,484,209	0	1,484,209
<b>Total Special Purpose Reserves</b>		<b>6,147,209</b>	<b>5,858,769</b>	<b>0</b>	<b>5,858,769</b>
<b>GENERAL CAPITAL RESERVES</b>					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	3,306,765	4,336,329	(38,000)	4,298,329
REET 2	Transportation and other capital projects	2,206,398	2,240,684	(264,000)	1,976,684
Impact Fees					
Roads	Transportation capacity projects	1,561,901	1,568,098	0	1,568,098
Parks	Parks capacity projects	342,708	255,004	0	255,004
Street Improvement	Street improvements	1,050,258	1,050,258	0	1,050,258
General Capital Contingency*	Changes to General capital projects	2,686,557	4,810,795	0	4,810,795
<b>Total General Capital Reserves</b>		<b>11,154,587</b>	<b>14,261,168</b>	<b>(302,000)</b>	<b>13,959,168</b>
<b>UTILITY RESERVES</b>					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve	Debt service reserve	829,816	840,207	0	840,207
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	5,465,943	0	5,465,943
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital projects	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	21,000	4,601,229
Surface Water Construction Reserve	Trans. related surface water projects	1,990,125	2,203,725	0	2,203,725
<b>Total Utility Reserves</b>		<b>20,753,356</b>	<b>18,135,019</b>	<b>21,000</b>	<b>18,156,019</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
Health Benefits:					
Claims Reserve	Health benefits self insurance claims	2,297,149	2,825,758	0	2,825,758
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve	Vehicle replacements	9,235,043	8,642,488	0	8,642,488
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve	PC equipment replacements	339,560	351,914	0	351,914
Technology Initiative Reserve	Technology projects	690,207	301,417	0	301,417
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,918,915	2,653,373	0	2,653,373
<b>Total Internal Service Fund Reserves</b>		<b>12,986,911</b>	<b>13,163,078</b>	<b>0</b>	<b>13,163,078</b>
<b>Grand Total</b>		<b>63,016,624</b>	<b>63,744,749</b>	<b>(281,000)</b>	<b>63,463,749</b>

\*Includes replenishments adopted in early April 2013



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

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



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- CB Richard Ellis Real Estate Services, Market View Puget Sound, First Quarter 2013
- Northwest Multiple Listing Service
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department