

**Finance & Administration Committee Agenda**  
**September 27, 2016 at 9:00 am**

Preliminary Budget Highlights (30 minutes)  
*Materials will be provided at the meeting*

August Dashboard Report (10 minutes)  
*Attachment A*

Police Car Purchase (15 minutes) – Chief Harris  
*Attachment B*

**Informational Items:**

August Investment Report – Attachment C

**Upcoming Finance & Administration Items on Council Agenda:**

- October 4 – Utility Rate Adoption
- October 18 – 2017-2022 CIP Update
- October 27 – 2017-2018 Budget Study Session (3-9 pm)

**Next Meeting**

October 25, 2016  
Preliminary Budget Discussion

**Potential Future Topics**

- 2017-2018 Budget
- Conference Room naming for former City Manager (added 5/3/2016)
- NEW - State Business License Portal (added 6/7/16)

**City of Kirkland Budget Dashboard**

**Date Completed**

9/20/2016

**Annual Budget Status as of 8/31/2016** (Note 1)

**Percent of Year Complete 66.67%**

	2016 Budget	Year-to-Date Actual	% Received/ % Expended	Status		Notes
				Current Report	Last Report	
<b>General Fund</b>						
Total Revenues (2)	88,925,522	60,914,211	68.5%			
Total Expenditures	88,392,816	57,266,015	64.8%			

**Key Indicators (All Funds)**

<i>Revenues</i>						
Sales Tax	17,963,747	13,128,372	73.1%			
Utility Taxes	14,895,606	9,509,594	63.8%			
Business License Fees	2,988,028	2,428,988	81.3%			
Development Fees	7,586,037	7,523,015	99.2%			
Gas Tax	1,684,070	1,162,525	69.0%			
<i>Expenditures</i>						
GF Salaries/Benefits	60,547,533	38,734,349	64.0%			Excludes Fire Suppression Overtime
Fire Suppression Overtime	735,411	803,313	109.2%			Excludes FS 24 Overtime
Contract Jail Costs	416,867	191,757	46.0%			
Fuel Costs	738,927	231,376	31.3%			

**Status Key**

Revenue is higher than expected or expenditure is lower than expected

Revenue/expenditure is within expected range

WATCH - Revenue/expenditure outside expected range



Note 1 - Report shows annual values during the second year of the biennium (2016).

## August 2016 Financial Dashboard Highlights

September 20, 2016

- The dashboard report reflects the 2016 share of the biennial budget adopted by the City Council on December 9, 2014 and adjusted on December 8, 2015 and June 21, 2016. The actual revenues and expenditures summarized reflect results through August 31, 2016, 66.7 percent through the year.
- Total General Fund revenues received through August were at 68.5 percent of budget. Collections are slightly higher than expected due largely to sales tax, plan check fees, and business license revenue.
  - Sales tax revenues through the end of August were up 6.9 percent compared to August 2015 and are at 73.1 percent of budget. All sectors, with the exception of General Merchandise/Misc. Retail, are up compared to 2015; high levels of contracting sales tax revenues account for nearly 30 percent of the year to date growth. The sales tax revenue reflects activity through June 2016 due to the two month lag in receipt of the funds from the Department of Revenue.
  - Utility tax receipts were \$9,509,594 at the end of August, which is 63.8 percent of the budget. This amount is two percent under August 2015. Revenues in 2015 came in under budget, and are on pace to do so again in 2016.
  - Business license revenues through August are 81.3 percent of budget; this is higher than last August's revenue by \$435,646, an increase of 21.9 percent. The above-budget performance this year is partly the result of City efforts to identify businesses operating without licenses. Many of these businesses owe the City up to three years of business license fees. The improvement in compliance with licensing means revenues should be higher on average going forward from this year, but the collection of past due amounts represents one-time revenues.
  - Development fees through the end of August were at 99.2 percent of budget. This is due to a high level of development activity to start the year, as Kirkland Urban and Totem Lake development began to generate fee revenue. This is 22.1 percent higher than 2015, which was also a strong year.
    - Building revenues through August are 92.6 percent of budget. This figure includes significant one-time fees, most notably for Kirkland Urban plan review. Revenues in August were very high as the result of sizeable Plan Check Fees.
    - Engineering revenues are at 94.9 percent of budget through August. August was a relatively strong month compared to the rest of 2016.
    - Planning revenues through August are at their highest level in 5 years, with 106.3 percent of the budget collected. This is due to several moderately large subdivisions and numerous short plats.
  - Gas taxes finished August at \$1,162,525, which is 69.0 percent of the annual budget. This is higher than August 2015 by 4.9 percent and continues to outperform 2015.
- Total General Fund expenditures were 64.8 percent of budget through the end of August.
  - General fund salaries and benefits were \$37.4 million, which is 64.9 percent of the annual budget, with 66.7 percent of the year completed. Salaries and benefits are 3.3 percent higher than in 2015. Much of this increase is due to back-pay after the City settled new contracts with both the Police Union and AFSCME.
  - Fire suppression overtime expenditures were \$803,313 at the end of August, which is 109.2 percent of budget, and \$73,864 higher than 2015. This is due to three reasons: 1) There have been more sick days used to this point in 2016 compared to 2015; 2) the City has been sending more firefighters to state trainings, necessitating more overtime backfill; 3) the state reimburses the City for the wages firefighters receive while at these trainings, but the City now accounts for that money differently. In the past, reimbursements were recorded as a negative expenditure in Fire Suppression overtime, now it is recorded as a revenue. While this accounting results in expenditures that are higher, there is still offsetting revenue to compensate.

- Contract jail costs were 46.0 percent of budget at the end of August, 0.7 percent below August 2015. This budget is for costs of housing inmates that cannot be kept at the local jail for medical reasons. Since the opening of the Kirkland Justice Center, the city sends significantly fewer prisoners to other jails for non-medical reasons, leading to an ongoing decline in contract jail usage.
- Fuel costs ended August at \$231,376, 31.3 percent of budget. Expenditures are 16.1 percent under 2015. This is despite greater fuel use relative to last year, as fuel prices continue to keep expenses low relative to budget.

Attachments: August Dashboard

**CITY OF KIRKLAND****Police Department**11750 NE 118<sup>th</sup> Street, Kirkland, WA 98034-7114 425.587.3400[www.kirklandwa.gov](http://www.kirklandwa.gov)

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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Cherie Harris, Chief of Police  
Bill Hamilton, Police Captain  
George Dugdale, Financial Analyst

**Date:** September 13, 2016

**Subject:** Patrol Vehicle Purchase

**RECOMMENDATION:**

The Department respectfully recommends purchasing the requested vehicles with identified 2016 salary savings and mitigating the financial impacts by extending the life cycle of the patrol fleet by one additional year

**BACKGROUND:**

The transition from a 12 hour patrol officer shift to the newly implemented 10 hour shift, replaced an unhealthy and inefficient schedule. The current 10 hour model creates a third shift of officers during a 24 hour period, with overlapping hours of work which are designed to coincide with peak activity periods. The distribution of staffing is now data driven to include calls for service by volume, geographical coverage, peak traffic flow patterns, calls for service by priority type, response protocol complexities and officer safety considerations.

The Department has 18 vehicles assigned to the Patrol function, which under the previous 12 hour shift configuration, provided 3 vehicles over the maximum staffing of 15 officers. This "staffing plus 3" vehicle model has remained constant for many years as it has adequately provided for the continuation of police services while patrol vehicles were otherwise unavailable for use due to routine vehicle maintenance, large scale repairs (such as a transmission, engine or collision repairs). When available, these 3 vehicles are also used for additional patrol staffing during special events and/or special emphasis patrols.

In contrast to the static 12 hour shift staffing of 15, the current 10 hour patrol shift schedule requires fewer officers per shift during non-peak activity, but provides for an additional 6 patrol officers during peak activity periods, for a maximum of 21 officers. This has created a deficit of 6 patrol vehicles. The Police Department wishes to avoid any delayed response to calls for service due to a lack of vehicles.

The Department has experienced a significant amount of salary savings during the 2016 budget cycle that could be used to purchase the vehicles when the Washington State Bid opens on KPD-2007-092

October 1<sup>st</sup>. In an effort to reduce the amount of on-going costs associated with their purchase, the Department has worked with Fleet Services to analyze the replacement schedule and historic use of vehicles assigned to Patrol. The current replacement schedule estimates replacing patrol vehicles every 2.5 years. More often than not the Department continues to use vehicles scheduled for replacement if they are not incurring costly repairs for an average of 3.5 years. After careful consideration, the Department is recommending extending the rotation for replacement patrol vehicles to 3.5 years in an effort to reduce the ongoing costs of Operating & Maintenance. The result is the need for an approximate \$30,000 dollar increase in ongoing costs (instead of approximately \$80,000 dollars) as a result of the purchase of these new patrol vehicles. The table below depicts the one time cost of purchasing vehicles and the ongoing costs associated with an increase in Fleet Operating & Maintenance.

2016-2017*		2018		Biennial	
Ongoing	One Time	Ongoing	One Time	Ongoing	One Time
29,507	330,000	29,819	-	59,326	330,000
			<b>Total</b>	<b>389,326</b>	

\*Vehicles will be ordered in October 2016 but may not be delivered until 2017. The approved salary savings will be moved into the Fleet fund to cover the cost of the vehicles.

The Department fully understands and appreciates the financial impacts of the requested patrol vehicle purchase and carefully consulted with the City's Fleet Manager, to better understand fleet sizing concepts as well as the potential advantages or disadvantages of the proposed increase in the life cycle of our vehicles. Additionally, Staff has reviewed current fleet and personnel deployment practices, but found no viable, nor sustainable alternative to this request. The Department therefore respectfully submits this request in an effort to maintain effective public safety service delivery and high customer satisfaction.

\_\_\_\_\_  
Kurt Triplett

\_\_\_\_\_  
Date

\_\_\_\_\_  
Michael Olson

\_\_\_\_\_  
Date



Maximum Maturities	Policy Requirement	Percentage of Portfolio	Portfolio Allocation	Within Limits	Credit Rating	Within Limits
Under 30 days	10%	32%	\$ 58,821,631	Yes	Municipal	
Under 1 year	25%	46%	\$ 83,582,103	Yes	AA-	by S&P Yes
Under 5 years	100%	100%	\$ 181,081,621	Yes	Aa3	by Moodys Yes
Maximum Weighted Average Maturity	3 Years		1.54	Yes	Commercial Paper/Bankers Acceptance	
Maximum Callable Securities	50%	30%	\$ 19,972,920	Yes	A1+ / P1	Yes
Maximum Single Maturity	5 Years		4.34	Yes	AA-/Aa3	Long-Term Rating

Asset Allocation Diversification	Maximum Policy Allocation	Issuer Constraint	Percentage of Portfolio	Market Value	Within Limits
U.S. Treasury Obligations	100%		19%	\$ 35,233,765	Yes
Government Agencies	100%		45%	\$ 80,866,147	Yes
FHLB		30%	4%	\$ 7,123,308	Yes
FNMA		30%	11%	\$ 20,012,340	Yes
FHLMC		30%	17%	\$ 30,127,705	Yes
FFCB		30%	11%	\$ 20,023,670	Yes
Other GSE's	20%	10%	2%	\$ 3,579,124	Yes
Municipal Bonds- GO States - Locals WA	20%	5%	3%	\$ 6,131,309	Yes
Certificates of Deposit	10%	5%	3%	\$ 5,029,920	Yes
Commercial Paper	5%	5%	0%	\$ -	Yes
Bank Deposits	50%	0%	18%	\$ 32,127,943	Yes
Bankers Acceptances	5%	5%	0%	\$ -	Yes
Local Government Investment Pool	100%	N/A	12%	\$ 21,692,538	Yes
<b>Total</b>			<b>100%</b>	<b>\$ 181,081,621</b>	



Name	Par Amount	Total Adjusted Cost	Market Value	Unrealized Gain/Loss	Yield At Cost	Eff Dur	Bench Dur
City of Kirkland - Core Investment Fund	\$ 121,706,000	\$ 121,728,032	\$ 122,231,220	\$ 503,188	1.13	1.98	2.25
City of Kirkland Liquidity	\$ 58,850,401	\$ 58,850,401	\$ 58,850,401		0.52	0.13	0.10
<b>TOTAL PORTFOLIO</b>	<b>\$ 180,556,401</b>	<b>\$ 180,578,433</b>	<b>\$ 181,081,621</b>	<b>\$ 503,188</b>	<b>0.93</b>	<b>1.38</b>	<b>1.55</b>

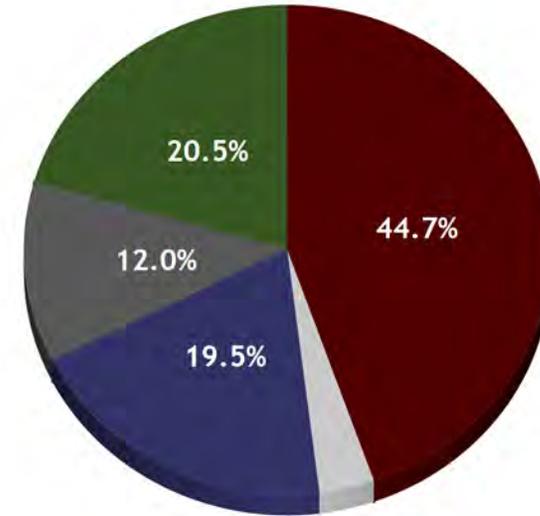


Total Funds City of Kirkland

**Weighted Averages**

Book Yield	0.93
Maturity	1.54
Coupon	0.93
Moody	Aa1
S&P	AA+

**Fixed Income Allocation**



**Fixed Income Totals**

Par Value	180,556,401
Market Value	181,081,621.45
Amortized Book Value	180,578,433.21
Unrealized Gain/Loss	503,188.24
Estimated Annual Cash Flow	1,674,933.71

Security Type	Market Value	% Assets
US Agency (USD)	80,866,146.56	44.7
Municipal (USD)	6,131,308.75	3.4
US Treasury (USD)	35,233,765.00	19.5
LGIP State Pool (USD)	21,692,538.10	12.0
Bank or Cash Deposit (USD)	37,157,863.04	20.5
<b>Fixed Income Total</b>	<b>181,081,621.45</b>	<b>100.0</b>

### **Disclaimer**

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### **Definition and Terms**

**Maturity Distribution:** The policy limits maturity risk in the portfolio by establishing a maximum weighted average maturity of the overall portfolio at 3 years, the maximum single issue maturity at 5 years and a limit on callable securities of 50% in the portfolio.

**Investment Component:** This is the amount of the overall portfolio balances that are in excess of liquidity requirements and invested in open market securities to add returns to the portfolio above LGIP rates.

**Liquidity Component:** This is the amount of the overall portfolio balances that are held in short term liquid investments to meet ongoing operational budgets and cash flows. An annual assessment of this amount is evaluated through a questionnaire process determining liquidity needs and City preferences, (Guiding Portfolio Strategy "GPS") completed by Government Portfolio Advisors.

**Portfolio Summary:** Provides of summary of **Par Amount** (face value of the security), **Original Purchase Adjusted cost** (adjusted by amortization to date) and **Market Value** by portfolio component of liquidity and core fund. **Yield at cost** is the earnings rate, **Modified Duration** is the risk measure used to determine the price volatility of the portfolio and is based on the cash flows to maturity. The comparison of the portfolio duration to the benchmark duration is used to articulate the positioning of the portfolio relative to the benchmark based on market risk. If the portfolio is longer in duration than the benchmark it will do better when rates fall versus the benchmark. If the portfolio duration is shorter than the benchmark it will perform better when rates rise. The benchmark is established through the GPS process and creates a discipline to managing the portfolio.

**Weighted Averages:** Calculates the allocation per bond on a weighted basis to the total portfolio for the book yield, maturity and coupon. **Book Yield** is the overall interest rate earned by an investor who buys the bond today at the market price, assuming that the bond will be held until **maturity** (the final date for payment of principal and interest), **Coupon** is the interest paid on a bond, usually semi-annual, expressed as a percentage of the face value (par) of a bond.

**Fixed Income Totals:** Summary of key elements of the portfolio. Realized Gain/Loss is calculated as the difference between the amortized cost and the market value. The estimated annual cash flow is the weighted average coupon cash flow generated from the portfolio and does not include amortization or accretion.

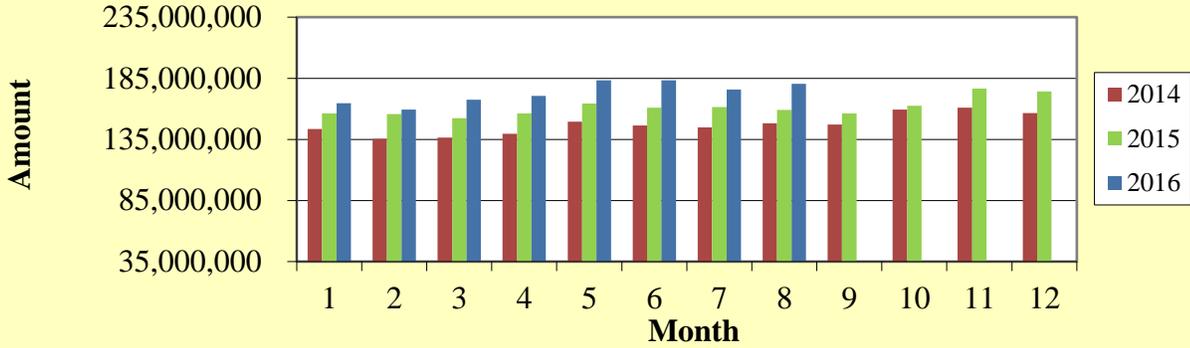
ATTACHMENT C

Policy Section	Compliance	Current Portfolio	Policy Requirement	Frequency
5.1 Delegation of Authority	Compliant	Investment procedures are documented	Establish written procedures for operations of the investment program	Updated as needed
6.2 Safekeeping	Compliant	US Bank Safekeeping	All Securities will be held in Safekeeping	Monthly
6.3 Internal Controls	Compliance	Section 3. Internal Controls in Procedures Manual	Documented in Investment Procedures Manual	Updated as needed
6.4 External Review	Compliant	2013 review completed	External review of City Investment Policy and Investment Portfolio for compliance and best practices	Every 3 Years
7.1 Broker/Dealers	Compliant	Detailed Authorized Broker/Dealer list provided by the Investment Advisor is on file.	<ul style="list-style-type: none"> <li>Review of Financial Industry Regulatory Authority report on firm and broker</li> <li>Certification of having read the Policy and receipt of the City's Trading Authorization</li> <li>or Broker/Dealer list provided by Investment Advisor</li> </ul>	Annual
7.3 Bank Institutions	Compliant	U.S. Bank, Opus, Umpqua	Only PDPC participating banks	At Inception
7.4 Competitive Transactions	Compliant	One security was purchased in August. Broker security offerings are on file in H:\FINANCE\Z Investments	3 bids for security purchase or sale	Monthly
8.0 Authorized Investments	Compliant		Authorized by WA State Statute RCW 39.58, 39.59, 43.250, 43.84.080	Monthly
9.0 Investment Parameters Authorized Investments Credit Ratings	Compliant	Detailed in GASB 40 Report	Requires AA- or better from Standard & Poor's and Aa3 by Moody's	Semi-Annual
9.1 Diversification			Maximums	Monthly
US Treasury Obligations	Compliant	19%	100%	
US Agency Primary	Compliant	45%	100%, 30% per issuer	
US Agency Secondary Issuance	Compliant	0%	20%, 10% per issuer	
Local Government Investment Pool	Compliant	12%	100%	
Bank Deposits	Compliant	18%	50%	
Certificates of Deposits	Compliant	3%	10%, 5% per issuer	
Commercial Paper	Compliant	0%	5%, 5% per issuer	
Municipal Bonds	Compliant	3%,	20%, 5% per issuer	
Bankers Acceptances	Compliant	0%	5%, 5% per issuer	
9.2 Investment Maturity	Compliant	1.54 Years  32% 46% 100%	Maximum Weighted Maturity 3 Years Minimum % of Portfolio Under 30 Days 10% Under 1 Year 25% Under 5 Years 100%	Monthly
9.2 Investment Maturity Maximum Maturity	Compliant	2/26/2021	Maximum Maturity of Individual Issue 5 Years	Monthly
9.2 Investment Maturity Callable Securities in Core	Compliant	30%	50%	Monthly
10.0 Reporting Requirements	Compliant	2016 2 <sup>nd</sup> Quarter FMR Report is available	Annual, Quarterly & Monthly	Monthly

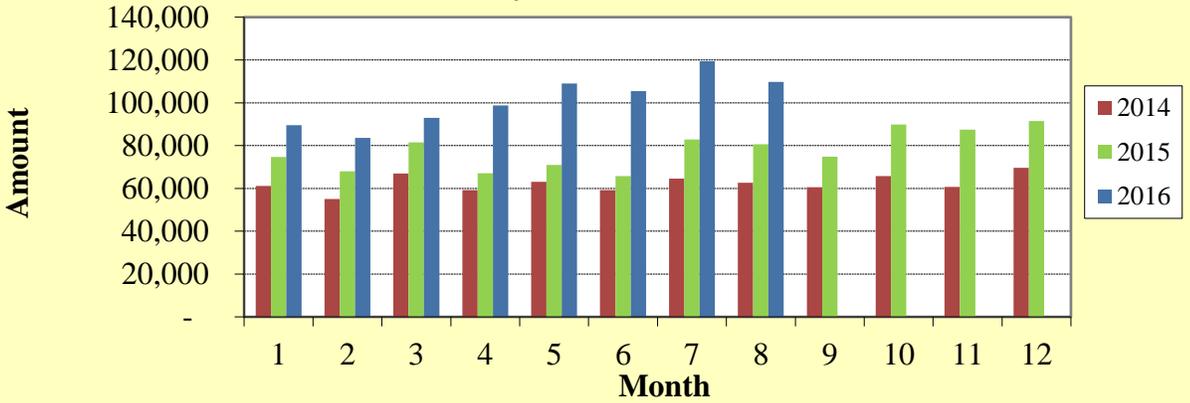
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<b>10.2</b> Performance Standards	Compliant	LGIP 0.49% <u>Portfolio</u> Liquidity Portion 0.52% Investment Core 1.13% Total Portfolio 0.92%	LGIP for earnings rate US Treasury index for total return	Monthly
<b>10.3</b> Compliance Report	Compliant	This report is provided monthly to the Finance and Administration Committee	Quarterly comparison to Investment Policy	Quarterly
<b>11.0</b> Investment Policy Adoption	Compliant	October 29, 2015 and April 4, 2016 Investment Committee Review	Annual Review	Annual
<b>11.0</b> Investment Policy Adoption	Compliant	Last adopted 7-19-2016	Policy shall be adopted by City Council	Changes Adopted As Needed

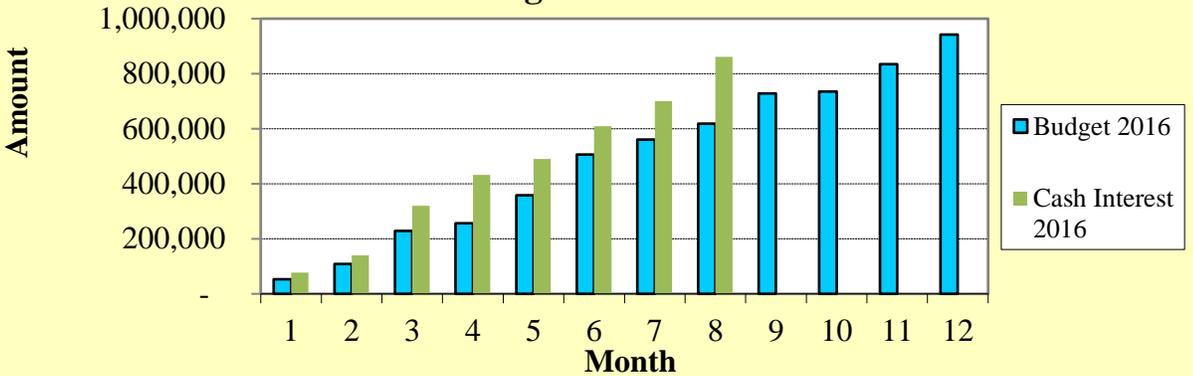
### Portfolio Size



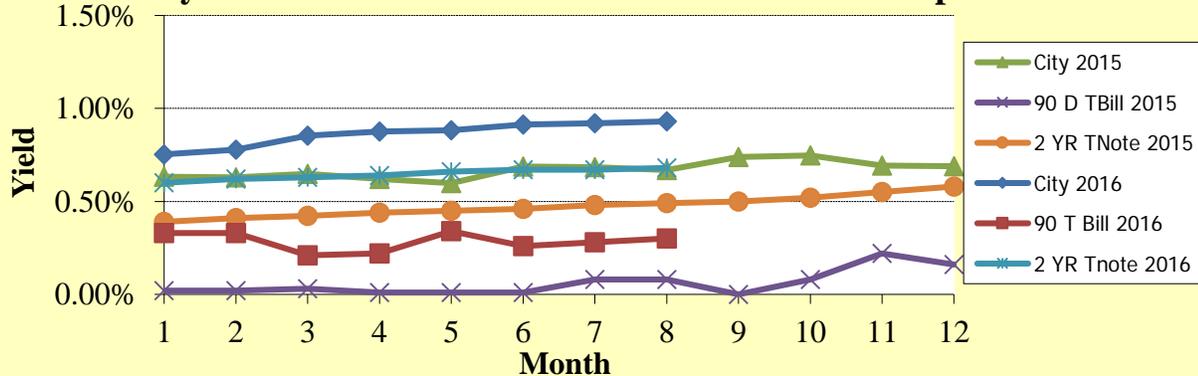
### Monthly Interest Earned



### Year-To-Date Budget to Actual Interest Earned



### City of Kirkland/90d T Bill/2 YR TNote Yield Comparisons



ATTACHMENT C

City of Kirkland  
Investment Portfolio Analysis  
As of August 31, 2016

Month	Kirkland Portfolio				Monthly Interest Earned (accrual basis)				2013	2014	2015	2016
	2013	2014	2015	2016	2013	2014	2015	2016				
January	147,092,449	143,421,023	156,314,647	164,511,618	58,580	61,187	74,750	89,513	58,580	61,187	52,583	89,513
February	146,976,588	135,412,468	155,851,451	159,291,435	62,157	55,081	68,033	83,650	167,721	109,710	142,492	173,163
March	146,167,907	136,341,046	152,331,121	167,562,033	77,984	66,925	81,552	93,029	208,036	142,550	224,044	276,988
April	155,152,206	139,552,582	156,349,024	170,445,138	69,791	59,152	67,068	98,779	257,241	204,059	290,728	364,690
May	160,818,008	149,485,197	164,255,373	183,280,257	73,445	63,100	70,933	108,983	386,233	255,598	361,765	475,507
June	153,742,052	146,480,895	160,825,611	183,434,333	57,863	59,152	65,781	105,448	510,923	428,683	434,062	583,307
July	150,140,357	144,749,873	161,393,089	175,823,626	61,370	64,607	82,917	119,380	579,393	465,939	516,979	700,510
August	146,159,493	148,202,978	159,179,241	<b>180,483,218</b>	63,600	62,646	80,577	<b>109,797</b>	589,927	470,342	598,682	<b>828,411</b>
September	144,140,492	147,019,653	156,319,946		61,484	60,561	74,863		610,367	486,803	680,022	
October	150,142,806	159,269,554	162,427,526		65,593	65,709	89,879		669,902	561,174	770,839	
November	153,361,598	161,062,345	176,442,633		65,109	60,726	87,496		717,757	589,228	859,023	
December	144,891,904	156,573,354	174,176,972		69,468	69,693	91,472		896,405	744,154	950,496	
<b>Average</b>	149,898,822	147,297,581	161,322,220	<b>173,103,957</b>	65,537	62,378	77,943	<b>101,072</b>	n/a	n/a	n/a	n/a

Month	2 Yr T-Bill 2 Yr. Rolling Average												% of Budget			
	City 2013	City 2014	City 2015	City 2016	90 D TBill 2013	90 D TBill 2014	90 D TBill 2015	90 D TBill 2016	2 YR TNote 2013	2 YR TNote 2014	2 YR TNote 2015	2 YR TNote 2016	Cash Interest 2016	Budget 2016	Actual	Budget
January	0.62%	0.57%	0.63%	0.75%	0.07%	0.02%	0.02%	0.33%	0.33%	0.29%	0.39%	0.60%	77,650	53,100	8%	6%
February	0.64%	0.59%	0.63%	0.78%	0.11%	0.05%	0.02%	0.33%	0.32%	0.29%	0.41%	0.62%	139,345	108,600	15%	12%
March	0.64%	0.59%	0.65%	0.85%	0.07%	0.05%	0.03%	0.21%	0.29%	0.30%	0.42%	0.63%	319,419	229,200	34%	24%
April	0.61%	0.58%	0.62%	0.88%	0.05%	0.03%	0.01%	0.22%	0.28%	0.30%	0.44%	0.64%	432,250	256,500	46%	27%
May	0.51%	0.55%	0.60%	0.88%	0.04%	0.04%	0.01%	0.34%	0.27%	0.37%	0.45%	0.66%	490,221	358,000	52%	38%
June	0.52%	0.56%	0.69%	0.91%	0.04%	0.04%	0.01%	0.26%	0.27%	0.31%	0.46%	0.67%	608,625	506,000	65%	54%
July	0.55%	0.57%	0.68%	0.92%	0.04%	0.03%	0.08%	0.28%	0.27%	0.33%	0.48%	0.67%	700,739	560,000	74%	59%
August	0.56%	0.56%	0.67%	<b>0.93%</b>	0.03%	0.03%	0.08%	<b>0.30%</b>	0.27%	0.34%	0.49%	<b>0.68%</b>	860,949	618,000	91%	66%
September	0.56%	0.57%	0.74%		0.02%	0.02%	0.00%		0.28%	0.35%	0.50%			728,000	0%	77%
October	0.57%	0.53%	0.75%		0.04%	0.01%	0.08%		0.28%	0.36%	0.52%			735,000	0%	78%
November	0.56%	0.55%	0.69%		0.06%	0.02%	0.22%		0.28%	0.37%	0.55%			834,000	0%	88%
December	0.59%	0.62%	0.69%		0.07%	0.04%	0.16%		0.29%	0.39%	0.58%			942,500	0%	100%
<b>Average</b>	0.58%	0.57%	0.67%	<b>0.86%</b>	0.05%	0.03%	0.06%	<b>0.28%</b>	0.29%	0.33%	0.47%	<b>0.65%</b>	n/a	<b>942,500</b>	n/a	n/a