

STATE OF WASHINGTON
COUNTY OF KING

CERTIFICATE

I, Tracey Dunlap, Director of Finance and Administration of the City of Kirkland, Washington, do hereby certify that the foregoing budget entitled "CITY OF KIRKLAND 2007-2008 BUDGET" is a true, full, and correct copy of the 2007-2008 budget adopted by the City Council of Kirkland on December 12, 2006.

IN WITNESS WHEREOF I have hereunto subscribed my name and affixed the official seal of the City of Kirkland, Washington, this 26th day of March, 2007.



Tracey Dunlap

Tracey Dunlap, Director of Finance & Administration
CITY OF KIRKLAND



ORDINANCE NO. 4076

AN ORDINANCE OF THE CITY OF KIRKLAND ADOPTING THE BIENNIAL BUDGET FOR 2007-2008.

WHEREAS, the Kirkland City Council conducted a duly noticed public hearing on November 21, 2006, to take public comment with respect to the proposed Biennial Budget of the City of Kirkland for 2007-2008 and all persons wishing to be heard were heard; and

WHEREAS, the City Council finds that the proposed Biennial Budget for 2007-2008 reflects revenues and expenditures that are intended to ensure the provision of vital municipal services at acceptable levels;

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. The Biennial Budget of the City of Kirkland for 2007-2008, as set out in Exhibit "A" attached hereto and by this reference incorporated herein as though fully set forth, is hereby adopted as the Biennial Budget of the City of Kirkland for 2007-2008.

Section 2. In summary form, the totals of estimate revenues and appropriations for each separate fund and the aggregate totals for all such funds combined are as follows:

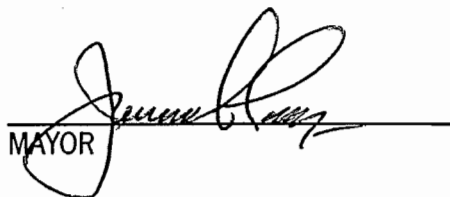
<u>Funds</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>
General	107,829,861	107,829,861
Lodging Tax	390,814	390,814
Street Operating	8,867,461	8,867,461
Cemetery Operating	337,514	337,514
Parks Maintenance	1,959,973	1,959,973
Recreation Revolving	2,141,701	2,141,701
Facilities Maintenance	8,900,070	8,900,070
Contingency	3,193,826	3,193,826
Cemetery Improvement	550,473	550,473
Impact Fees	4,002,831	4,002,831
Park & Municipal Reserve	11,426,772	11,426,772
Off-Street Parking Reserve	69,564	69,564
Tour Dock	93,211	93,211
Street Improvement	2,600,998	2,600,998
Grant Control Fund	285,873	285,873
Excise Tax Capital Improvement	21,888,649	21,888,649
Limited General Obligation Bonds	4,966,356	4,966,356
Unlimited General Obligation Bonds	3,256,779	3,256,779
L.I.D. Control	7,361	7,361
General Capital Projects	16,332,109	16,332,109
Grant Capital Projects	3,968,636	3,968,636

Water/Sewer Operating	38,218,307	38,218,307
Water/Sewer Debt Service	3,756,868	3,756,868
Utility Capital Projects	13,129,385	13,129,385
Surface Water Management	11,636,958	11,636,958
Surface Water Capital Projects	7,986,988	7,986,988
Solid Waste	17,062,870	17,062,870
Equipment Rental	12,262,223	12,262,223
Information Technology	9,841,040	9,841,040
Firefighter's Pension	1,381,860	1,381,860
	<hr/>	<hr/>
	318,347,331	318,347,331


Section 3. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

Passed by majority vote of the Kirkland City Council in open meeting this 12th day of December, 2006.

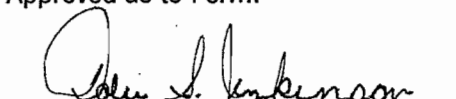
Signed in authentication thereof this 12th day of December, 2006.


MAYOR

Attest:


City Clerk

Approved as to Form:


City Attorney

ORDINANCE NO. 4075

AN ORDINANCE OF THE CITY OF KIRKLAND LEVYING THE TAXES FOR THE CITY OF KIRKLAND, WASHINGTON, FOR THE YEAR 2007 AND REPEALING ORDINANCE 4071.

WHEREAS, the City Council held a public hearing on September 19, 2006, to consider revenue sources for the 2007-2008 Biennial Budget; and

WHEREAS, the City Council and the City Manager have considered the anticipated financial requirements of the City of Kirkland for the fiscal year 2007; and

WHEREAS, pursuant to RCW 35A.33.135, the City Council is required to determine and fix by ordinance the amount to be raised by ad valorem taxes; and

WHEREAS, on November 21, 2006, the City Council passed Ordinance 4071 which was the preliminary property tax levy; and

WHEREAS, the City Council wishes to repeal the preliminary property tax levy and pass the final tax levy based upon the most recent property tax levy data provided by King County; and

WHEREAS, RCW 84.55.120 requires that the increase in the levy over the prior year shall be stated both as to dollars and percentage;

NOW, THEREFORE, the City Council of the City of Kirkland do ordain as follows:

Section 1. Ordinance 4071 passed November 21, 2006, is hereby repealed.

Section 2. The regular property tax levy for the year 2007 is hereby fixed and established in the amount of \$12,348,780.

	<u>2006</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>
Assessed Valuation	\$8,760,457,455	\$9,862,547,464	\$1,102,090,009
Base Levy	\$ 9,550,083	\$ 10,861,816	\$ 1,311,733
Optional Increase on Base Levy			
–Dollars	\$ 95,501	\$ 108,618	\$ 13,117
–Percent	1.00%	1.00%	0.00%
Parks Maintenance Levy	\$ 725,115	\$ 732,366	\$ 7,251
Optional Increase on Parks Maintenance Levy			
–Dollars	\$ 7,251	\$ 7,324	\$ 73
–Percent	1.00%	1.00%	0.00%
Optional Banked Capacity	910,000 8.86%	162,400 1.40%	(747,600) (7.46%)
Prior Year Levy Adjustments and New Construction	<u>\$ 306,232</u>	<u>\$ 476,256</u>	<u>\$ 170,024</u>
Total Regular Levy in Dollars	\$ 11,594,182	\$ 12,348,780	\$ 754,598
Rate per \$1,000 of Assessed Valuation	\$ 1.323	\$ 1.252	\$ (0.071)

Section 3. The special tax levies, as heretofore approved by the voters of the City of Kirkland, as to the following general obligation bonds are hereby fixed and established as follows:

<u>Kirkland Taxing Limit #0 and #6</u>	<u>Levy Amount</u>
1993 Unlimited Refunding	548,530
1995 Unlimited Public Safety	91,188
2001 Unlimited Refunding	192,475
2003 Unlimited Parks	<u>633,485</u>
Total Excess Levy	1,465,678

Section 4. This ordinance shall be in force and effect five days from and after its passage by the Kirkland City Council and publication, as required by law.

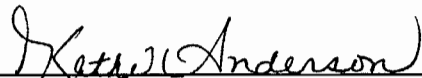
Passed by majority vote of the Kirkland City Council in open meeting this
12th day of December, 2006.

Signed in authentication thereof this 12th day of
December, 2006.



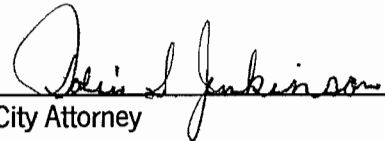
MAYOR

Attest:



City Clerk

Approved as to Form:



City Attorney



GLOSSARY



GLOSSARY OF BUDGET TERMS

ACCOUNT NUMBER

Kirkland utilizes an account structure that conforms to the state BARS (Budgeting, Accounting, and Reporting System) requirements. The account number is separated into the following parts:

XXX - XXX - XXXX * X - XX - XXXX
FUND DEPT FUNCTION CLASS CATEGORY ELEMENT

FUND groups indicate a discrete set of revenues and expenditures. Funds help maintain financial records of transactions. By state law, cities must balance revenues and expenditures at the fund level. BARS assigns the fund groups and the City assigns specific fund numbers. For example, all funds in the 100 group are special revenue funds while Fund 154 is Kirkland's Cemetery Improvement Fund.

DEPARTMENT/DIVISION numbers indicate the organizational unit making an expenditure. For example, the Fire and Building Department uses all codes in the 900 group and the Training Division within the Fire and Building Department uses the number 940. Revenue accounts do not contain department numbers; instead, the code 000 occupies the department/division slot. BARS does not dictate department/division numbers.

FUNCTION codes indicate the governmental function associated with an expenditure and are assigned by BARS. For example, an expenditure account with the function code 1880 indicates that the expenditure is related to data processing. Revenue accounts do not contain function codes; instead, the code 0000 occupies the function slot.

CLASS indicates the type of activity, with a 3 indicating revenue and a 5 designating expenditures. These numbers are assigned by BARS.

CATEGORY describes the "what" of the transaction. For expenditures the category indicates the specific item purchased or services obtained. For revenues the category indicates the source from which the revenues are obtained. For example, an expenditure

with a category of 31 would be the purchase of office and operating supplies. A revenue with a category of 11 would indicate property tax.

ELEMENT is a further segregation of the Category information.

ACCRUAL BASIS

An accounting basis which recognizes transactions when they occur. An organization records expenses when the liability occurs and posts revenues when they are earned. The Water/Sewer, Surface Water, Equipment Rental, and Information Technology Funds prepare year-end reports on the accrual basis. Kirkland uses a modified accrual basis of accounting for the reporting of all other funds (see later glossary entry).

ACTUAL

Denotes final audited revenue and expenditure results of operations for fiscal year(s) indicated.

APPROPRIATION

Through an appropriation ordinance, the City Council legally authorizes the City to spend money and to incur obligations for specific purposes. Budgetary/Operating fund appropriations lapse at the end of each biennium. Non-operating fund appropriations, on the other hand, continue in force until fully expended or until the City has accomplished or abandoned the purpose for which the Council granted the funds. Spending cannot exceed the level of appropriation without the Council's approval.

ASSESSED VALUATION

When the King County Assessor's Office determines the value of both real (land and buildings) and personal property, it arrives at the assessed valuation of the property. The County uses this value to compute property taxes.

BARS

The State of Washington Budgeting, Accounting, and Reporting System required for all governmental entities in the state.

BASIC BUDGET

Kirkland develops its basic budget when it estimates how much it will cost to continue providing the existing level of service in the next biennium. The basic budget incorporates mandatory increases due to inflation or contract obligations.

BIENNIAL BUDGET

The City's financial operating plan for the next two fiscal years. Washington state law requires that the first year of a biennial budget be an odd-numbered year. Accordingly, the preparation of the biennial budget falls on an even-numbered year.

BIENNIUM

A two-year period.

BENEFITS

City-paid benefits provided for employees, such as Social Security, retirement, worker's compensation, life insurance, and medical insurance.

BOND

A bond is a written promise to pay a specified sum of money (called the face value or principal amount) at a specified date or dates in the future (called the maturity date) together with period interest at a specified rate. Kirkland uses the sale of bonds to finance some of its large capital projects.

BOND RATING

See Credit Rating and Debt section of Non-Operating Budget.

BUDGET

As the City's financial operating plan for the fiscal biennium, the budget displays the estimated expenditures (costs) for providing services and the estimated sources of revenue (income) to pay for them. Once the City Council appropriates the fund

totals shown in the budget, the totals become maximum spending limits. By state law, the City must balance its budget with expenditures equaling available revenues. RCW 35A.33 contains the legal authority and requirements for Kirkland's budget.

BUDGET MESSAGE

A general discussion of the proposed budget as presented in writing by the City Manager to the legislative body.

CASH BASIS

A basis of accounting where revenues are recorded when the cash is received and expenditures are recorded when paid. Kirkland prepares its budget on a cash basis.

CAPITAL IMPROVEMENT PROGRAM (CIP)

The plan or schedule of expenditures and funding sources for major construction of roads, sidewalks, City facilities, and water/sewer systems, and for the purchase of equipment. Kirkland's CIP follows a six-year schedule and includes projects which cost \$50,000 or more to complete. These projects become fixed assets and, with the exception of certain equipment, have a useful life of ten years or more. Although the City adopts the CIP budget in a process which is separate from the adoption of the biennial budget, the biennial budget incorporates the second and third years of the program.

CAPITAL OUTLAY

Expenditures for furnishings, equipment, vehicles, or machinery with an individual value greater than \$10,000 and a useful life of more than one year.

CAPITAL PROJECT

The acquisition, construction, improvement, replacement or renovation of land, structures and improvements thereon, and equipment. When the City Council authorizes a capital project, it adopts a capital project budget which continues until the project is complete.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

A general purpose, federal grant primarily used to facilitate the production and preservation of low and moderate income housing and programs.

CONTINGENCY

Kirkland appropriates money to these reserve funds which it can use in the future should specific budget allotments run out and the City needs additional funds. Contingency funds are especially useful when emergencies arise that require the City to make unforeseen expenditures.

COUNCILMANIC DEBT

Debt which the City Council approves, but which does not require voter approval.

CREDIT RATING

The credit worthiness of a governmental unit as determined by an independent rating agency. The City of Kirkland is rated by two rating agencies: 1) Moody's Investor Service and 2) Standard and Poor's.

DEBT CAPACITY

The amount of debt which the City can afford to assume given legal limits and fiscal policies. Debt capacity is calculated based on a percentage of the total assessed city property valuation plus the net of current assets and liabilities.

DEBT SERVICE

The annual payment of principal and interest on the City's bonded indebtedness.

DEPARTMENT

To facilitate organizational and budgetary accountability, Kirkland breaks its funds into departments. Each department serves a specific function as a distinct organizational unit of city government.

DIVISION

As subdivisions of departments, divisions are budgetary or organizational units of government with

limited sets of work responsibilities within their department. Divisions also serve to increase budget accountability.

ENCUMBRANCES

The amount of funds committed to vendors for goods or services received or to be received by the City as specified in a City purchase order.

ENTERPRISE FUND

An accounting entity which the City uses to record and report transactions for its business-type activities. All expenditures must be supported by income dedicated to the fund. The most common enterprise funds are utility funds.

EXPENDITURE

The payment for goods and services. On the cash-basis, expenditures are recognized only when the payments are made for the cost of goods received or services rendered.

FEES

A general term for any charge for services levied by government associated with providing a service or permitting an activity. Major types of fees include business licenses and user charges.

FINES AND FORFEITURES

Revenue category which primarily includes court, police, traffic and parking fines, and forfeitures.

FISCAL POLICY

The City's policies with respect to revenues, spending, and debt management as these relate to government services, programs, and capital investment. Fiscal policy provides an agreed upon set of principles for the planning and programming of government budgets and their funding.

FISCAL YEAR

The twelve-month period which an organization designates as its operating year. In Kirkland, the fiscal year coincides with the calendar year. The City prepares a biennial budget for a period of two fiscal years, beginning in an odd-numbered year.

FULL-TIME EQUIVALENT (FTE)

Kirkland budgets its employee positions in terms of the work year of a regular, full-time employee. For example, when the City budgets a position full-time for only six months, that position is 0.5 FTE. Likewise, a half-time position budgeted for a full year is also 0.5 FTE. A full-time position is 1.00 FTE.

FUND

Municipal governments organize and operate their accounting systems on a fund basis. The formal definition of the fund is an independent financial and accounting entity with a self-balancing set of accounts in which cities record financial transactions relating to revenues, expenditures, assets, and liabilities. Each fund must be budgeted independently with revenues equal to expenditures. With the exception of the General Fund, which accounts for general purpose activities and unrestricted revenue sources, each fund has a unique funding source and purpose. By establishing funds, the City can account for the use of restricted revenue sources and carry on specific activities or pursue specific objectives.

FUND BALANCE

The cumulative difference between expenditures and revenue over the life of a fund. A negative fund balance is usually referred to as a deficit.

GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES)

Both industry and governments use Generally Accepted Accounting Principles as standards for accounting and reporting financial activity. The Governmental Accounting Standards Board (GASB) currently sets government GAAP. Adherence to GAAP assures that financial reports of all state and local governments - regardless of jurisdictional legal provisions and customs - contain the same type of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria.

GASB 34

Governmental Accounting Standards Board Statement 34 (GASB 34) sets new requirements for the content and format of the annual financial report. The new

requirements are a significant change from previous reporting standards and provide additional information to financial statement users. All Washington local governments must implement Statement 34 according to the implementation schedule outlined by the GASB. The City of Kirkland is required to implement the changes with the 2003 annual financial report.

GENERAL FUND

The General Fund accounts for revenues and expenditures associated with ordinary City operations that are not required to be accounted for in another fund. Individual departments within the Current General account for expenditures incurred to provide various general-purpose municipal services.

GENERAL OBLIGATION BONDS

Bonds for which the City pledges its full faith and credit (the general taxing power) for repayment. Debt Service is paid from property tax revenue levied (in the case of voter-approved bonds) or other general revenue (in the case of Councilmanic bonds).

GRANT

A transfer of county, state, or federal monies to the City, usually for specific programs or activities.

INFRASTRUCTURE

Long-lived capital assets that can be preserved for a significantly greater number of years than most capital assets and are stationary in nature.

INTERFUND TRANSFERS

When the City moves money between its various funds, it makes an interfund transfer.

INTERGOVERNMENTAL REVENUES

Revenues from other governments in the form of state shared revenue and grants.

INTERNAL SERVICE FUND

An accounting entity which the City uses to record and report transactions for goods and services provided by one department to other City departments on a cost reimbursement basis. The

City currently has two internal service funds, the Equipment Rental Fund and the Information Technology Fund.

LEOFF

This is the State of Washington's Law Enforcement Officers and Firefighters Retirement System.

LEVY RATES

The rate of tax to be imposed on the assessed value of real property for the computation of property tax revenues. (See also Property Tax Levy)

LICENSES AND PERMITS

Revenue category that includes building permits, business licenses, and any other miscellaneous licenses.

LID

In a Local Improvement District the City makes special assessments against certain properties to defray part or all of the cost of a specific improvement or service which it deems will primarily benefit those properties. The assessments can be paid in full or in installments over a set period of time.

LINE-ITEM BUDGET

In its annual budget, Kirkland estimates revenues and expenditures at the line-item level. The line-item budget contains a great degree of detail since it indicates exactly how the City spends its money and the sources from which it receives revenue. Examples of line items in Kirkland's budget are postage, uniforms and clothing, hourly wages, fuel, etc.

MAINTENANCE

The act of keeping capital assets in a state of good repair. It includes preventive maintenance, normal periodic repairs, replacement of parts, structural components and so forth, and other activities needed to maintain the asset so that it continues to provide normal services and achieves its optimum life.

MODIFIED ACCRUAL BASIS

Kirkland uses this basis of accounting for year-end reporting which is adapted to the governmental fund type spending. Under it, the City recognizes revenues when they become both "measurable" and "available" to finance expenditures of the current period (i.e., when it is received). The City recognizes an expenditure, other than accrued interest on general fiscal long-term debt, when it is incurred (i.e., an obligation is made).

NONDEPARTMENTAL

This department has the sole purpose of accounting for all expenditures that the City cannot specifically designate to any operating department within a fund. Examples of expenses in the area include shared paper products and support of outside organizations.

NON-OPERATING BUDGET

The non-operating budget contains non-operating funds which the City uses to finance projects with limited objectives and/or finite life spans. By law, these budgets do not lapse at the end of the biennium, but may be carried forward from year to year until the monies are fully expended or their purposes are accomplished or abandoned. As a matter of practice, Kirkland prepares biennial budgets for all non-operating funds. The non-operating budget accounts primarily for debt, reserves, and capital projects.

OPERATING BUDGET

The operating budget provides a plan for current expenditures and the proposed means of financing them. In a broader sense, the biennial operating budget is a statement of what services the municipality will deliver to its citizens.

ORDINANCE

A formal legislative enactment by the Council or governing body of a governmental entity.

PERS

The State of Washington's Public Employees Retirement System for employees other than police and fire personnel.

PERSONNEL SERVICES

Expenditures which include salary costs, wages, and benefits, for full-time and part-time hourly employees and overtime expenses.

PRELIMINARY BUDGET

The recommended, but unapproved, biennial budget which the City Manager presents to the City Council and the public.

PROGRAM BUDGET

A program is made up of a group of similar services which have a common purpose. A program budget presents planned expenditures for each group of services without regard to the departments involved in performing the services. For example, most services performed by the Police and Fire departments are related to protecting the public and naturally become part of a Public Safety Program along with prosecuting personnel, the municipal court, and other related service activities.

PROPERTY TAX LEVY - REGULAR

This represents the amount of property tax allowable under State law which the City may levy annually without approval by the City's registered voters. Kirkland uses this tax primarily to support the General Fund and street-related services. State law fixes the maximum levy in dollars per \$1,000 of assessed valuation and the annual rate at which total regular levy property taxes may increase.

PROPERTY TAX LEVY - SPECIAL (OR EXCESS)

This represents the amount of property tax which a city government may charge in excess of the "regular levy" upon the approval of this tax by a vote of the people. Cities most commonly use the revenue to pay the annual costs of voter-approved general obligation bonds. State law imposes a maximum limit on the dollar amount of such bonds which a city may have outstanding at any one time.

PROPRIETARY

See Enterprise Fund.

RESERVE

An account which the City uses either to set aside budgeted revenues that it does not need to spend in the current biennium or to earmark revenues for a specific future purpose.

RESOURCES

Total dollars available for appropriation, including estimated revenues, interfund transfers, and other financing sources such as beginning resources forward balances.

RESOURCES FORWARD

Each City fund uses this revenue account to record estimated and actual resources available for expenditure in the biennium because of revenues collected in excess of the budget and/or expenditures less than the budget in the prior biennium. Can also be called Beginning Fund Balance.

RESTRICTED/UNRESTRICTED REVENUE

The City most commonly receives restricted revenue in three ways. First, a person pays a fee to the City and the City will use that money to provide a specific product, service, or capital asset. Second, the receipt of money is directly tied to an expenditure. Finally, the City considers revenue restricted when voters or the City Council have designated it for a specific purpose. All other revenues are unrestricted.

REVENUE

Sources of income which the City receives during a fiscal year. Examples of revenue include taxes, intergovernmental grants, charges for service, and other financing sources such as the proceeds derived from the sale of fixed assets.

REVENUE BONDS

City-issued bonds which pledge future revenues, usually water, sewer, garbage, or drainage charges, to cover debt payments in addition to operating costs.

SERVICE PACKAGE

Capital equipment, a new service, or a project which City departments add to their basic budget to

enhance the quality and/or quantity of service they provide to the public.

SPECIAL REVENUE FUNDS

Funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

SUPPLIES

Cost of goods consumed by the City in the course of its operations.

TAX LEVY

The total amount to be raised by general property taxes for the purposes stated in the tax levy ordinance. (See also Property Tax Levy and Levy Rate.)

USER CHARGES

The amount the government receives for the provision of services and commodities, or the performance of specific services benefiting the person charged. User charges tend to be voluntary in nature, in contrast to mandatory property and income taxes. Citizens only pay user charges when a specific service is received.