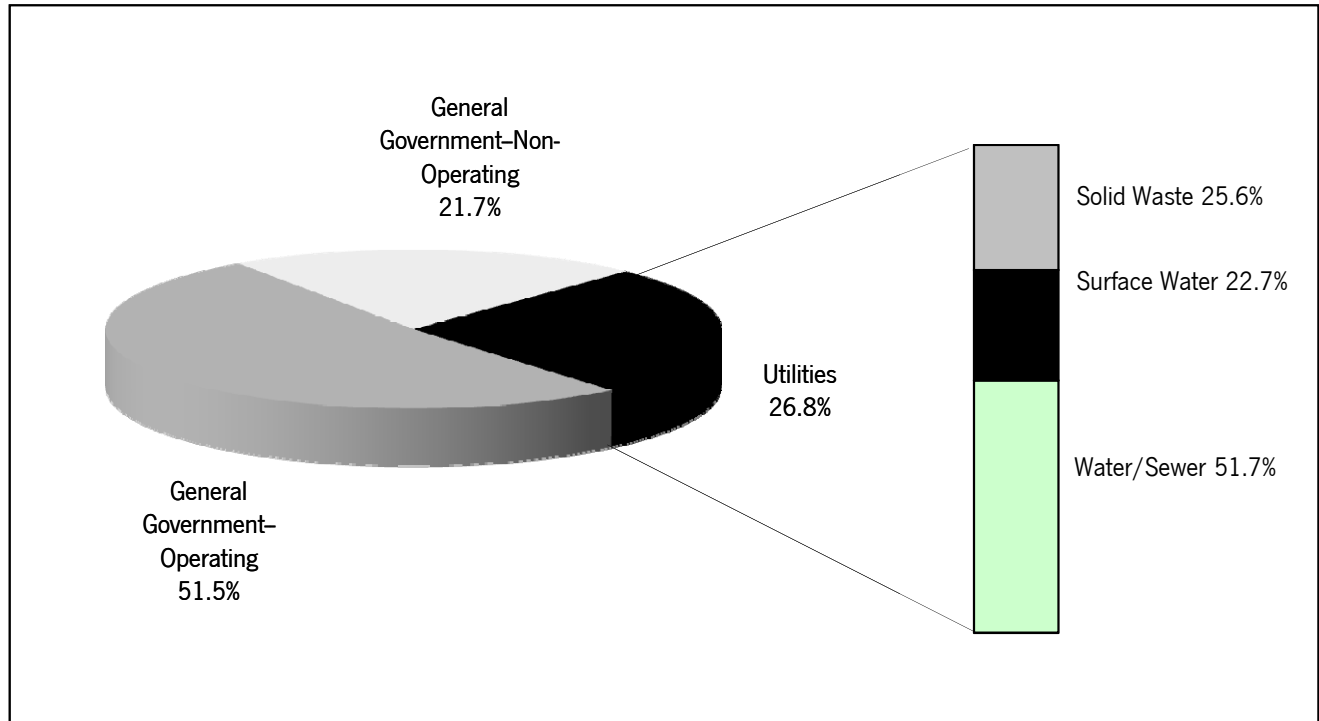


**CITY OF KIRKLAND  
2011-2012 BUDGET  
\$449,372,936**

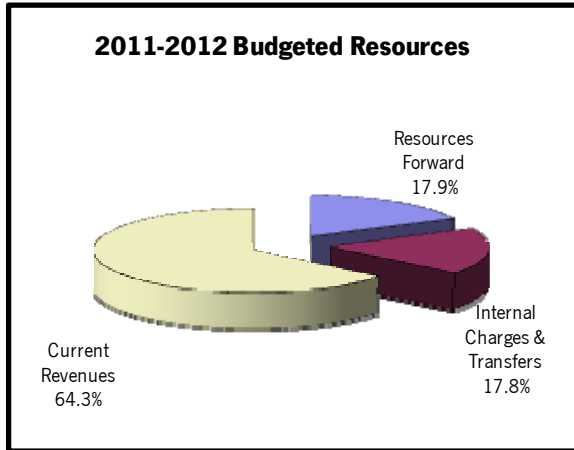


The City Budget is composed of General Government functions and the City's three Utilities which are operated as separate enterprises. Both the General Government and Utilities budgets have operating and non-operating components. The operating portion of the budget represents services to the public and support services within the organization. Non-operating budgets account for debt service, capital projects and reserves.



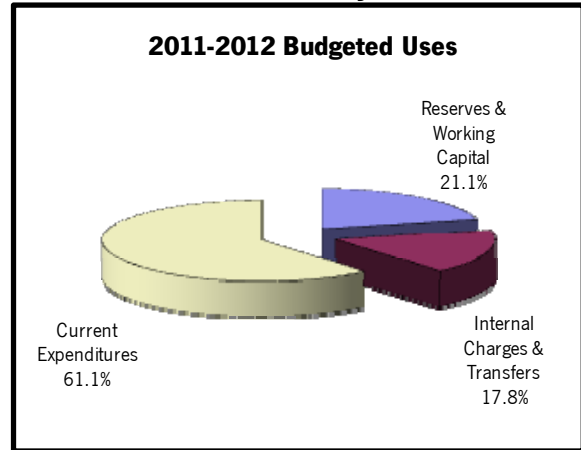
# ***TOTAL RESOURCES AND USES***

## **Where the Money Comes From**



Total Budgeted Resources	\$449,372,936
Less Resources Forward (Cash)	(80,288,305)
Less Internal Charges/Transfers	<u>(80,114,770)</u>
Current Revenues	<u>\$288,969,861</u>

## **Where the Money Goes**



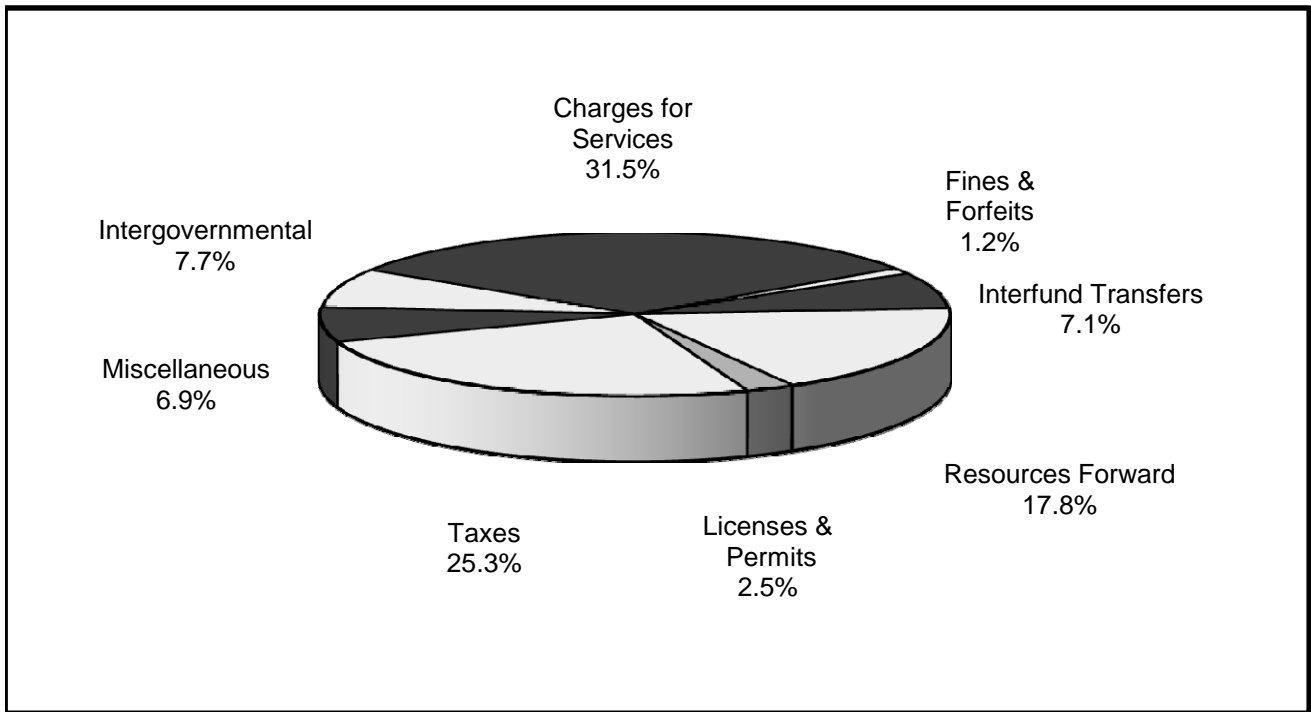
Total Budgeted Uses	\$449,372,936
Less Reserves & Working Capital	(83,365,799)
Less Internal Charges/Transfers	<u>(80,114,770)</u>
Current Expenditures	<u>\$285,892,367</u>

The total budget of \$449.4 million encompasses all resources and uses, including reserves, unreserved working capital, and internal transactions involving payments or transfers from one fund to another. Including these transactions in the budget provides a full accounting of the activities in each fund. However, they also have the effect of "grossing up" the total budget.

Current revenues reflect what the City expects to receive from external sources. Across all functions, about \$289.0 million is projected to be received during the next biennium, which is equivalent to the City's biennial income.

Current expenditures correspond to what the City plans to actually spend in terms of payments to employees, vendors, outside agencies, and other governments. About \$285.9 million is projected to be spent during the next biennium citywide. The \$3.1 million difference (current revenues in excess of current expenditures) primarily represents the potential payback of pre-annexation costs, which is dependent on receiving a public safety grant for fire suppression expenses in the annexation area.

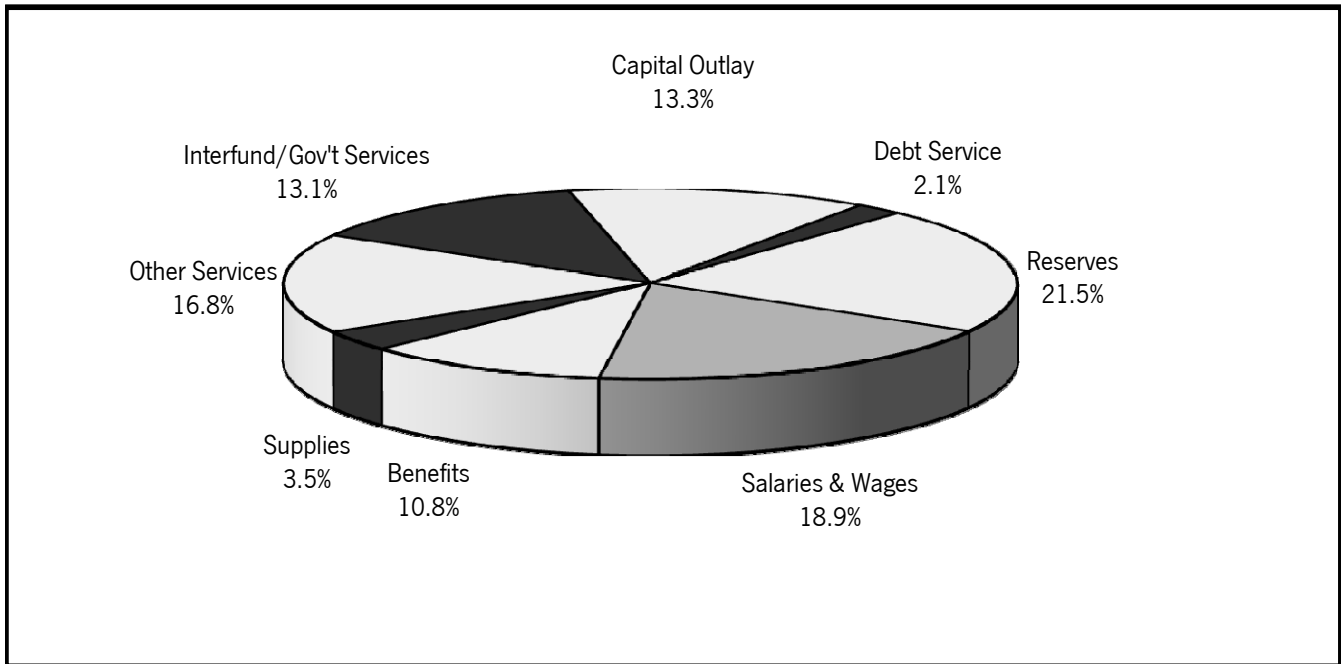
**CITY OF KIRKLAND  
TOTAL BUDGET  
2011-2012 REVENUE SUMMARY: BY REVENUE TYPE**



**Analysis of Change**

Revenue Sources	2007-08 Actual	2009-10 Budget	2011-12 Budget	Percent Change
Taxes	95,912,064	90,173,502	113,500,578	25.87%
Licenses and Permits	6,863,387	6,827,294	11,407,382	67.08%
Intergovernmental	15,355,954	29,313,134	34,392,097	17.33%
Charges for Services	93,209,747	102,371,298	141,546,314	38.27%
Fines and Forfeits	2,785,375	2,950,863	5,216,659	76.78%
Miscellaneous	16,160,101	12,406,835	31,096,286	150.64%
Interfund Transfers	38,344,419	48,966,228	31,925,315	-34.80%
Resources Forward	-	105,256,955	80,288,305	-23.72%
<b>Total</b>	<b>268,631,047</b>	<b>398,266,109</b>	<b>449,372,936</b>	<b>12.83%</b>

**CITY OF KIRKLAND  
TOTAL BUDGET  
2011-2012 EXPENDITURE SUMMARY: BY CATEGORY**



**Analysis of Change**

Category	2007-08 Actual*	2009-10 Budget	2011-12 Budget	Percent Change
Salaries & Wages	71,896,683	76,186,093	85,179,761	11.80%
Benefits	23,896,061	27,769,845	48,328,936	74.03%
Supplies	11,847,701	13,249,664	15,883,978	19.88%
Other Services & Charges	59,803,288	61,105,015	75,363,241	23.33%
Intergovernmental/Interfund Services	56,408,860	61,157,342	58,820,838	-3.82%
Capital Outlay	25,374,838	78,466,776	59,671,165	-23.95%
Debt Service	10,621,674	7,625,485	9,333,810	22.40%
Reserves	-	72,705,889	96,791,207	33.13%
<b>Category Total</b>	<b>259,849,105</b>	<b>398,266,109</b>	<b>449,372,936</b>	<b>12.83%</b>

\*2007-08 actual does not include reserves

**CITY OF KIRKLAND**  
**2011-2012 BUDGET OVERVIEW: BY FUND TYPE/FUND**

**General Government Operating Funds**

Fund		2009-10 Budget	2011-12 Budget	Percent Change
<b>General Fund</b>				
010	General	121,338,605	158,468,558	30.60%
<b>Special Revenue Funds</b>				
112	Lodging Tax	798,648	495,989	-37.90%
117	Street Operating	9,705,917	13,867,939	42.88%
122	Cemetery Operating	210,362	733,281	248.58%
125	Parks Maintenance	2,227,124	2,133,563	-4.20%
126	Recreation Revolving <sup>1</sup>	2,897,797	-	-100.00%
<b>Total Special Revenue Funds</b>		<b>15,839,848</b>	<b>17,230,772</b>	<b>8.78%</b>
<b>Internal Service Funds</b>				
511	Health Benefits Fund <sup>4</sup>	-	15,735,691	N/A
521	Equipment Rental	13,667,679	18,540,173	35.65%
522	Information Technology	10,167,580	11,647,485	14.56%
527	Facilities Maintenance	9,373,036	9,887,410	5.49%
<b>Total Internal Service Funds</b>		<b>33,208,295</b>	<b>55,810,759</b>	<b>68.06%</b>
<b>Total General Government Operating Funds</b>		<b>170,386,748</b>	<b>231,510,089</b>	<b>35.87%</b>

**General Government Non-Operating Funds**

Fund		2009-10 Budget	2011-12 Budget	Percent Change
<b>Special Revenue Funds</b>				
152	Contingency	2,598,660	2,246,510	-13.55%
154	Cemetery Improvement <sup>3</sup>	586,574	-	-100.00%
156	Impact Fees	4,151,098	1,701,073	-59.02%
157	Park & Municipal Reserve <sup>1</sup>	11,528,172	-	-100.00%
158	Off-Street Parking Reserve <sup>2</sup>	217,610	-	-100.00%
159	Tour Dock <sup>1</sup>	126,275	-	-100.00%
170	Street Improvement <sup>2</sup>	2,833,503	-	-100.00%
188	Grant Control Fund <sup>1</sup>	222,924	-	-100.00%
190	Excise Tax Capital Improvement	22,396,187	12,917,441	-42.32%
<b>Total Special Revenue Funds</b>		<b>44,661,003</b>	<b>16,865,024</b>	<b>-62.24%</b>

1 Fund activity moved to General Fund in 2011-12 as part of fund restructuring

2 Fund activity moved to Street Operating Fund in 2011-12 as part of fund restructuring

3 Fund activity moved to Cemetery Operating Fund in 2011-12 as part of fund restructuring

4 Fund created as of 2011 for Self-insurance of Health Benefits

**CITY OF KIRKLAND**  
**2011-2012 BUDGET OVERVIEW: BY FUND TYPE/FUND**

**General Government Non-Operating Funds (Continued)**

Fund	2009-10 Budget	2011-12 Budget	Percent Change
<b><i>Debt Service Funds</i></b>			
210 LTGO Debt Service	2,585,729	5,064,399	95.86%
220 UTGO Debt Service	2,687,388	2,138,406	-20.43%
<b>Total Debt Service Funds</b>	<b>5,273,117</b>	<b>7,202,805</b>	<b>36.59%</b>
<b><i>Capital Projects Funds</i></b>			
310 General Capital Projects	47,109,696	42,721,620	-9.31%
320 Grant Capital Projects	18,330,402	28,943,971	57.90%
<b>Total Capital Projects Funds</b>	<b>65,440,098</b>	<b>71,665,591</b>	<b>9.51%</b>
<b><i>Trust Funds</i></b>			
620 Firefighter's Pension	1,634,077	1,765,855	8.06%
<b>Total Trust Funds</b>	<b>1,634,077</b>	<b>1,765,855</b>	<b>8.06%</b>
<b>Total General Government Non-Op Funds</b>	<b>117,008,295</b>	<b>97,499,275</b>	<b>-16.67%</b>

**Water/Sewer Utility Funds**

Fund	2009-10 Budget	2011-12 Budget	Percent Change
<b><i>Operating Fund</i></b>			
411 Water/Sewer Operating	46,202,650	45,401,516	-1.73%
<b>Total Operating Fund</b>	<b>46,202,650</b>	<b>45,401,516</b>	<b>-1.73%</b>
<b><i>Non-Operating Funds</i></b>			
412 Water/Sewer Debt Service	3,505,639	2,962,187	-15.50%
413 Utility Capital Projects	18,399,331	13,870,848	-24.61%
<b>Total Non-Operating Funds</b>	<b>21,904,970</b>	<b>16,833,035</b>	<b>-23.15%</b>
<b>Total Water/Sewer Utility Funds</b>	<b>68,107,620</b>	<b>62,234,551</b>	<b>-8.62%</b>

**CITY OF KIRKLAND**  
**2011-2012 BUDGET OVERVIEW: BY FUND TYPE/FUND**

**Surface Water Utility Funds**

Fund	2009-10 Budget	2011-12 Budget	Percent Change
<b><i>Operating Fund</i></b>			
421 Surface Water Management	12,946,027	16,639,340	28.53%
<b>Total Operating Fund</b>	<b>12,946,027</b>	<b>16,639,340</b>	<b>28.53%</b>
<b><i>Non-Operating Fund</i></b>			
423 Surface Water Capital Projects	11,238,517	10,631,090	-5.40%
<b>Total Non-Operating Funds</b>	<b>11,238,517</b>	<b>10,631,090</b>	<b>-5.40%</b>
<b>Total Surface Water Utility Funds</b>	<b>24,184,544</b>	<b>27,270,430</b>	<b>12.76%</b>

**Solid Waste Utility Fund**

Fund	2009-10 Budget	2011-12 Budget	Percent Change
<b><i>Operating Fund</i></b>			
431 Solid Waste Utility	18,578,902	30,858,591	66.09%
<b>Total Operating Fund</b>	<b>18,578,902</b>	<b>30,858,591</b>	<b>66.09%</b>
<b>Total Solid Waste Utility Fund</b>	<b>18,578,902</b>	<b>30,858,591</b>	<b>66.09%</b>

<b>TOTAL ALL FUNDS</b>	<b>398,266,109</b>	<b>449,372,936</b>	<b>12.83%</b>
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# REVENUE

A guide to major revenue sources and trends



# ***REVENUE SOURCES***

***2011-2012 Revenues include annexation area revenues. A table at the end of this section of the document identifies annexation-related revenues that are included in each section below.***

**TAXES**

**SALES TAX**

Sales tax is one of the primary sources of funding for general City services. In addition, sales tax is a dedicated funding source for transportation-related capital projects (\$540,000), and technology capital projects (\$400,000) during the biennium.

Sales tax is levied on the sale of consumer goods (except most food products and services) and construction. In Kirkland, retail businesses are the largest generator of sales tax, followed by contracting, services, and wholesale businesses. The amount of revenue generated by sales tax fluctuates from year to year due to changes in the economy, buying habits of consumers, and the level of construction taking place in the City.

The general sales tax rate within the City of Kirkland is 9.5 percent. Of the 9.5 percent, 0.85 percent is returned to the City of Kirkland, and the remainder is distributed to the State, King County, and other public agencies.

In 1995, the State Legislature granted King County the authority to impose an additional 0.5 percent sales tax (effective 1/1/96) on food and beverages sold by restaurants, taverns, and bars (bringing the current total sales tax rate for these establishments to 10.0 percent). This additional tax revenue is distributed to a Public Facilities District to pay the debt service on a professional baseball stadium.

As of July 1, 2003, an additional 0.3 percent sales tax was imposed by the state legislature on vehicle sales and leases to fund transportation improvements. The distribution of the sales tax is as follows:

<b>Jurisdiction</b>	<b>Rate (%)</b>
State of Washington	6.50
King County/METRO	1.00
King County Criminal Justice Levy	0.10
City of Kirkland (1.0 with 0.15 remitted to King County for administrative costs)	
City Portion	0.85
County Portion	0.15
Regional Transit Authority	<u>0.90</u>
<b>Total General Sales Tax Rate</b>	<b>9.50</b>
Additional 0.3% for automobile sales/leases (to fund transportation)	
<b>Total Sales Tax Rate for Automobile Sales and Leases Only</b>	<b>9.80</b>
Additional 0.5% Food and Beverage Tax (for Public Facilities District)	
<b>Total Sales Tax Rate for Restaurant Food and Beverages Only</b>	<b>10.00</b>

**Budget**

2009-2010: \$23,918,730  
 (\$23,028,730 General Fund,  
 \$540,000 Street Improvement Fund  
 and \$350,000 General Capital Projects  
 Fund)

2011-2012: \$27,797,909  
 (\$26,857,909 General Fund,  
 \$540,000 Street Operating Fund and  
 \$400,000 General Capital Projects  
 Fund)

**Trends and Assumptions**

*Methodology*

- The City's fiscal policy is to budget in the coming year an amount equivalent to the total expected sales tax revenue collected in the prior year. 2010 revenue estimate is projected to be 5.0 percent higher than 2009. The 2011 budget is equal to the 2010 estimated

revenue and 2012 projects a 3.0 percent growth. Additionally, the reduction in the neighborhood capital improvement program is reflected as a reallocation of \$200,000 in 2011-2012 from the CIP to the General Fund.

*Trends*

- Annual sales tax change for the past six years:
 

2005	12.6%	\$13.15 million
2006	15.0%	\$15.11 million
2007	0.6%	\$16.52 million
2008	-9.0%	\$15.03 million
2009	-18.5%	\$12.24 million
2010	4.6%	\$12.80 million
- 2010 revenue increased 4.6 percent compared to 2009 primarily due to strong growth in automotive/gas retail and wholesale sectors sales, improvement in most other retail and services sectors and stabilization in contracting revenue, which declined significantly in 2009 in response to the economic recession and the resulting decline in development activity.

*Key Assumptions*

- City sales tax rate of 0.85 percent (one percent less 0.15 percent remitted to King County for administrative costs).
- 2011 budgeted sales tax is based on 2010 estimated receipts and 2012 budgeted sales tax is based on 2011 budgeted receipts plus 3 percent growth.
- 2011-12 budget includes estimated revenue from the annexation area.

**STATE SALES TAX CREDIT**

In 2006 the legislature enacted the annexation sales tax credit. The following excerpt from the bill report of a 2009 bill that amended the original legislation provides a useful recap of the key provisions of the 2006 legislation:

“In 2006 legislation was enacted allowing a city to impose a sales and use tax to provide, maintain, and operate municipal services within a newly annexed area. The tax is a credit against the state sales tax, so it is not an additional tax to a consumer. The tax is for cities that annex an area where the newly received

revenues received from the annexed area do not offset the costs of providing services to the area.

The tax rate is 0.1 percent for each annexation area with a population between 10,000 and 20,000 and 0.2 percent for an annexation area over 20,000. The maximum cumulative tax rate a city can impose is 0.2 percent. The tax must be imposed at the beginning of a fiscal year and must continue for no more than ten years from the date it is first imposed. All revenue from the tax must be used to provide, maintain, and operate municipal services for the annexation area. The revenues may not exceed the difference of the amount the city deems necessary to provide services for the annexation area and the general revenue received from the annexation.

If the revenues do exceed the amount needed to provide the services, the tax must be suspended for the remainder of the fiscal year. Prior to March 1 of each year, the city must notify the Department of Revenue of the maximum amount of distributions it is allowed to receive for the upcoming fiscal year.”

During the 2009 Legislative Session, Senate Bill 5321 amended the original State Sales Tax Legislation. There were several changes related to populations of cities eligible for the credit, the rates of the credit cities could collect and an extension of the credit to 2015. Since Kirkland “commenced” annexation by the original deadline of January 1, 2010, the extension to 2015 is immaterial as are changes related to populations of areas annexed. The primary portion of SB 5321 that does impact Kirkland is Section 2, which addresses the ability to grandfather casinos licensed by the State Gambling Commission as of July 26, 2009.

**Budget**

2011-2012: \$4,539,657 (General Fund)

**Trends and Assumptions**

*Methodology*

- Based on the difference of the amount the city deems necessary to provide services for the annexation area and the general revenue received from the annexation area.

*Key Assumptions*

- State sales tax credit applies to sales tax collection as of July 1, 2011.

- 0.2 percent sales tax credit against the state sales tax. Based on estimated retail sales for entire City of Kirkland, including the annexation area.
- 2011 includes one quarter of revenue from the state sales tax credit and 2012 includes a full year.

### **KING COUNTY CRIMINAL JUSTICE LEVY**

Under the authority granted by the State and approved by the voters, King County levies an additional 0.1 percent sales tax to support criminal justice programs. The State collects this optional tax and retains 1.5 percent for administration. Of the amount remaining, 10 percent is distributed to the county and 90 percent is distributed to cities. This revenue must be used exclusively for criminal justice purposes and cannot replace existing funds designated for these purposes.

#### **Budget**

2009-2010: \$2,236,140 (General Fund)

2011-2012: \$2,718,109 (General Fund)

#### **Trends and Assumptions**

##### *Methodology*

- Distributed on the basis of population.

##### *Trends*

- 2009 revenue experienced significant decline compared to 2008 (down 15.1 percent).
- 2010 revenue is expected to decrease 3.5 percent compared to 2009.

##### *Key Assumptions*

- King County levy rate of 0.1 percent.
- 2011-2012 budgeted King County Criminal Justice Levy revenues assume no growth from 2010. 2011 and 2012 are similar to the estimated 2010 revenues.
- 2011-12 budget includes estimated revenue from the annexation area.

### **PROPERTY TAX**

In Kirkland, property taxes fund services in the General, Street Operating, and Parks Maintenance Funds. The Parks Maintenance Fund was created in

2003 as a result of a levy lid lift approved by voters in November 2002 to fund maintenance and operations for new parks. Property taxes are a major source of revenue in the General Fund, the largest source of revenue in the Street Operating Fund, and the primary source of revenue in the Parks Maintenance Fund. All real and personal property (except where exempt by law) is assessed by the King County Assessor at 100 percent of the property's fair market value. Assessed values are adjusted each year based on market value changes.

Although property taxes represent a major source of funding for City services, the portion of each property owner's total tax bill allocated to the City is relatively small. In 2011, the total property tax rate in Kirkland is \$9.66 per \$1,000 of assessed valuation. Of that total, about 14.36 percent, or \$1.39 per \$1,000 assessed valuation, goes to the City. This includes the levy lid lift for parks maintenance. State statute limits the annual increase in the regular property tax levy to the lesser of one percent or the Implicit Price Deflator (an inflation factor published by the Bureau of Economic Analysis).

The City can exceed the limitation with the approval of voters or by using levy capacity from prior years that was "banked" for future specified purposes. The City used all of the remaining banked levy capacity for the 2009 levy.

The City is also provided an allowance for new construction, which entitles the City to the property tax revenue generated by newly constructed businesses and homes. The new construction levy does not increase the overall tax rate paid by property owners. The City's total rate cannot be more than \$3.10 per \$1,000 of assessed valuation.

The annual tax impact on a property owner is usually different than the percent increase of the levy, since it depends on several factors such as changes in the assessed valuation of the property, growth or decline in the City's overall assessed valuation, and levy increases by other taxing districts. The property tax rate is determined by dividing the levy amount by the assessed valuation per \$1,000.

2009-2010: \$29,126,054  
 (\$19,169,756 General Fund,  
 \$5,951,673 Street Operating Fund,  
 \$1,625,863 Parks Maintenance Fund  
 and \$2,378,762 voter-approved UTGO  
 Debt Service Fund)

2011-2012: \$40,075,574  
 (\$29,377,729 General Fund,  
 \$2,803,103 Street Operating Fund,  
 \$4,378,793 King County Road Levy  
 (one-time from annexation area)  
 \$1,677,638 Parks Maintenance Fund  
 and \$1,838,311 voter-approved UTGO  
 Debt Service Fund)

**Trends and Assumptions**

*Methodology*

- Based on prior year’s levy plus new construction and any additional levy increase up to one percent.

*Trends*

- New construction as a percentage of each year’s total base regular levy has ranged between 0.34% and 4% over the last eight years.
- The 2011 new construction levy of \$46,044 is 0.34% of the total base regular levy for 2011.

*Key Assumptions*

- 1.0 percent growth in new construction in 2011 and 2012.
- One percent optional levy increase in 2011 and 2012.
- 2011-12 budget includes estimated property tax revenue from the annexation area, as well as the King County Road Levy, which is paid to the City one-time for the period 6/1/11 to 12/31/11 as the result of the transition from King County to the City in the annexation process. This payment is restricted for road purposes.

**UTILITY TAXES**

Utility taxes are levied on the gross operating revenues that public and private utilities earn from operations within the boundaries of the City. This applies to electric, natural gas, water, sewer, surface

water, solid waste, telephone, and cable TV utilities. Legislation passed in 1982 limits the tax rate on electric, gas, steam, and telephone utilities to six percent. The Cable Communication Policy Act of 1984 states that cable tax rates should not be higher than tax rates on other utilities. Currently, a six percent tax rate applies to both residential and commercial customers of these utilities. There are no restrictions on the tax rates for water, sewer, surface water, and solid waste utilities. Currently, a 10.5 percent tax rate applies to both residential and commercial customers of sewer and solid waste utilities. A recent Washington State Supreme Court decision ruled that fire hydrant maintenance must be paid from taxes rather than water utility rates. As a result, water rates were reduced to remove the costs of the protection and the water utility tax rate was increased to 13.38 percent as of 2011 to pay for hydrant maintenance. The rate for the surface water utility is 7.5 percent.

**Budget**

2009-2010: \$21,570,202 General Fund  
 2011-2012: \$27,601,913 General Fund

**Trends and Assumptions**

*Methodology*

- Based on historical trends with greater emphasis on the current year’s receipts.

*Trends*

- 2010 revenues are expected to decrease 1.4 percent compared to 2009 primarily from lower gas utility tax revenue impacted by lower utility rates and a much milder winter compared to the previous year. Electricity utility tax revenue is also down due to weather.
- Water and sewer utility tax revenue increased 8 percent between 2009 and 2010 due to higher utility rates.

*Key Assumptions*

- For 2011 and 2012, 6.0 percent tax rate on telephone, natural gas, electricity, and cable utilities; 7.5 percent tax rate on surface water utility; and 10.5 percent tax rate on sewer and solid waste utilities, and 13.88 percent on water sewer utility.

- 2011-2012 budget is based on 2010 estimated revenue plus assumptions for expected changes in utility rates.
- 2011-12 budget includes estimated revenue from utility services provided in the annexation area.

### **ADMISSIONS TAX**

All cities may levy an admissions tax in an amount no greater than five percent of the admissions charge. This tax can be levied on admission charges to theaters, dance halls, private clubs, observation towers, stadiums (public elementary and secondary schools are exempt), swimming pools, golf courses, amusement parks, rides, and any other activity where an admission charge is collected at the door. The admissions tax also applies to season tickets, cover charges, and rental of facilities and equipment for recreational purposes.

#### **Budget**

2009-2010: \$253,904 (General Fund)

2011-2012: \$216,000 (General Fund)

#### **Trends and Assumptions**

##### *Methodology*

- Based on historical trends with greater emphasis on the current year's receipts.

##### *Trends*

- 2010 revenue is estimated to decrease 3.5 percent compared to 2009.

##### *Key Assumptions*

- 2011-2012 budget is based on 2010 estimated revenue with no growth in 2011 or in 2012.
- The amount generated by the Kirkland Performance Center is rebated back to that organization as an operating subsidy.
- No admissions tax revenue from the annexation area is included in the 2011-12 budget due to a lack of data regarding businesses potentially subject to this tax.

### **GAMBLING TAX**

Gambling tax revenues are primarily used for gambling enforcement purposes. The maximum tax rates allowed by RCW 9.46.113 are five percent for bingo and raffles, two percent for amusement games, and five percent for punchboards and pulltabs. The City Council amended the Kirkland Municipal Code (KMC) to prohibit card rooms beginning in 1999. On July 7, 2009, City Council adopted non-binding legislation (Resolution 4766), which expressed the City Council's intent to allow the continued operation of existing card rooms in the annexation area if any such license exists. The current tax rate on card rooms is twenty percent, but an interest has been expressed in reducing the rate to that charged by King County (11%).

#### **Budget**

2009-2010: \$466,018 (General Fund)

2011-2012: \$977,538 (General Fund)

#### **Trends and Assumptions**

##### *Methodology*

- Based on historical trends with greater emphasis on the current year's receipts.

##### *Trends*

- 2010 revenue is estimated to be 31.3 percent less than 2009 revenue.
- Trends are based on the number of gambling establishments and volume, which fluctuate from year to year.

##### *Key Assumptions*

- Current establishments will continue to operate.
- 2011-2012 budget for the current City is based on 2010 estimated revenue with no decline or growth for 2011-2012.
- 2011-2012 budget includes card room tax revenue from the annexation area in 2012 only assuming the King County rate of 11 percent.

**REAL ESTATE EXCISE TAX (REET)**

The Real Estate Excise Tax is levied on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages, and other debts given to secure the purchase. The State levies this tax at the rate of 1.28 percent. Cities are also authorized to impose a local tax of 0.50 percent. The first 0.25 percent tax must be used primarily for local capital improvements identified under the capital facilities plan element of the City’s Comprehensive Plan. The second 0.25 percent, which is optional, must be used to fund transportation capital projects according to City ordinance.

**Budget**

2009-2010: \$6,457,000 (Excise Tax Capital Improvement Fund)

2011-2012: \$4,070,000 (Excise Tax Capital Improvement Fund)

**Trends and Assumptions**

*Methodology*

- Real estate excise tax collections are primarily a function of the real estate market and mortgage rates.

*Trends*

- 2010 revenue is estimated to increase 38.9 percent compared to 2009, but 2009-2010 is expected to be 25 percent lower than budget.

*Key Assumptions*

- Real Estate Excise Tax of 0.5 percent.
- Current allocation for 2011-12 CIP funding (includes planned use of reserves):

REET 1 -  
Parks \$1,910,123  
Transportation \$672,000

REET 2 -  
Transportation \$4,289,000

- 2011-2012 budget does not include estimated annexation revenues pending update of the City’s CIP during the next biennium, which will include potential projects in the annexation area.

**LODGING EXCISE TAX**

On the recommendation of the Lodging Tax Advisory Committee, a lodging excise tax was approved by the City Council in 2001. The rate is one percent and became effective January 1, 2002. The tax applies to most short-term accommodations, such as hotels and motels. This revenue is limited to funding tourism promotion and the operation of tourism-related facilities.

**Budget**

2009-2010: \$500,000 (Lodging Tax Fund)

2011-2012: \$375,550 (Lodging Tax Fund)

**Trends and Assumptions**

*Methodology*

- Based on current year receipts.

*Trends*

- 2010 revenue is estimated to decrease 2.2 percent compared to 2009.

*Key Assumptions*

- 2011-2012 budget is based on 2010 estimated revenue with 3 percent growth in 2011 and 3 percent in 2012.
- No significant annexation area revenue is expected due to the lack of major accommodations establishments.

**LICENSES AND PERMITS**

**BUILDING RELATED PERMITS**

This category consists of revenue collected by the Building Division and the Public Works Department. Included in this category are building permits, plumbing permits, clear/grade permits, side-sewer permits, mechanical permits, electrical permits, and sign permits. Fees imposed for permits are subject to a base charge determined by the type of permit, plus additional fees determined by either the dollar value or size (square foot or number of units) of the project.

**Budget**

2009-2010: \$3,082,590 (General Fund)

2011-2012: \$4,042,217 (General Fund)



## **Trends and Assumptions**

### *Methodology*

- Based on historical trends, the number of permits pending in the planning process, and the Building Division's projections of upcoming construction projects.

### *Trends*

- 2010 revenue is estimated to decrease 26.4 percent compared to 2009 because of the general decline in construction-related activity.

### *Key Assumptions*

- 2011-2012 budget is based on 2010 estimated revenue plus revenue projected from permits for 4 schools and Parkplace (shopping center) redevelopment.

## **BUSINESS LICENSES AND PERMITS**

This category includes the issuance of business licenses and licenses for certain activities such as cabaret (live music/dancing), massage parlors, pawnbrokers or devices such as cigarette machines and amusement devices. The fee structure for business permits is typically an annual fee or one-time charge depending on the particular type of license or permit.

In 2009, a new business license fee structure with a \$100 base fee for annual renewals and an annual charge of \$100 per full time equivalent (FTE) for all employees of non-exempt businesses in Kirkland was implemented. This program also requires businesses with no physical presence in Kirkland that are doing business in the city (e.g. contractors) to obtain a business license. The base fee is considered a license revenue and the per FTE charge is considered a "revenue generating regulatory license."

### **Budget**

#### *Business Licenses and Permits*

2009-2010: \$866,987 (General Fund)

2011-2012: \$935,600 (General Fund)

#### *Revenue Generating Regulatory License Fee*

2009-2010: \$5,167,388 (General Fund)

2011-2012: \$4,855,010 (General Fund)

## **Trends and Assumptions**

### *Methodology*

- Based on current year receipts.

### *Trends*

- This revenue source is not normally expected to fluctuate significantly.
- The economic downturn, which resulted in business closures along with reduced staffing levels, did result in significantly lower revenues than originally expected in 2009-10.
- 2010 revenue is estimated to increase 2.9 percent compared to 2009.

### *Key Assumptions*

- Existing businesses are stable.
- 2011-2012 budget is based on 2010 expected revenues with growth of 2.0 percent projected each year.
- All annexation related business license revenues for 2011-2012 are budgeted with the Revenue Generating Regulatory License.

## **FRANCHISE FEES**

Franchise fees, which were first collected in 1995, are charges levied on private utilities for the right to use city streets, alleys and other public properties. Charges on light, natural gas, and telephone utilities are limited to the actual administrative expenses incurred by the City. Cable TV franchise fees are governed by federal rather than state law and may be levied at a rate of five percent of gross revenues, regardless of the cost of managing the franchise process. Franchise fees are also collected from the Northshore Utility District (NUD) in lieu of utility taxes.

### **Budget**

2009-2010: \$2,506,137 (General Fund)

2011-2012: \$5,864,025 (General Fund)

## **Trends and Assumptions**

### *Methodology*

- Based on historical trends and rate increases approved at the time estimates are prepared.

### *Trends*

- 2010 revenue is estimated to increase 5.5 percent compared to 2009.

### *Key Assumptions*

- 2011-2012 budget is based on 2010 estimated revenue with a 5 percent growth each year in water-sewer franchise fees due to projected rate increases and no growth in other franchise revenues.
- The Federal Communications Commission ruled in 2002 that cable companies do not have to pay franchise fees on cable modem services.
- 2011-12 budget includes estimated revenue from the annexation area, most of which receives service from the Northshore Utility District.

## **INTERGOVERNMENTAL**

### **EMERGENCY MEDICAL SERVICES LEVY (EMS)**

This is a voter approved levy that is collected by King County and distributed to cities based on a formula. A six-year levy was approved by voters in November 2007.

#### **Budget**

2009-2010: \$1,703,169 (General Fund)

2011-2012: \$1,733,458 (General Fund)

#### **Trends and Assumptions**

##### *Methodology*

- Distribution is based on a formula that considers the number of calls for service, total assessed valuation, and the consumer price index (CPI-U).

##### *Trends*

- 2010 revenue is estimated to increase 3.3 percent compared to 2009.

##### *Key Assumptions*

- Estimate provided by King County.
- Annexation revenue is not expected to significantly increase because the City currently provides medical services to most of the annexation area through a contract with King County Fire District #41.

### **LIQUOR BOARD PROFITS AND EXCISE TAX**

In Washington State, liquor sales are controlled by a State-operated monopoly. Cities and towns receive 40 percent of the profits generated by the Washington State Liquor Control Board and 28 percent of the liquor excise tax receipts. The purpose of allocating these funds back to the cities is to help defray the costs for the policing of liquor establishments located within the city limits. Cities are required to appropriate at least two percent of these revenues to support approved alcohol and drug addiction programs.

#### **Budget**

2009-2010: \$1,206,910 (General Fund)

2011-2012: \$1,818,436 (General Fund)

#### **Trends and Assumptions**

##### *Methodology*

- Estimate based on forecast provided by Association of Washington Cities.

##### *Trends*

- 2010 revenue is estimated to increase about 15.6 percent compared to 2009.

##### *Key Assumptions*

- Estimated revenues from Liquor Control Board profits.
- Estimated per capita amount of \$4.98 in 2011 and 2012 from liquor tax.
- 2011-12 budget includes estimated Liquor Control Board profits and liquor tax revenue from the annexation area.

### **MOTOR VEHICLE FUEL TAX (“GAS TAX”)**

In Washington State, cities receive a portion of the State-collected gasoline tax. The State distributes 10.6961 percent of the base amount of 23 cents to cities (less some small deductions). Beginning July 1, 2003, the state fuel tax increased to 28 cents per gallon from 23 cents as part of the “Nickel Funding Transportation Package” enacted by the state legislature. In the 2005 session, the Legislature approved a transportation bill that includes a 9.5 cent gas tax increase phased in from 2005 to 2008. Cities got a small portion of this additional gas tax

(0.25 cents in 2005 and 0.25 cents in 2006 but no portion of the increases in 2007 or 2008).

In the past, a set portion of this revenue had to be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets. New legislation ended this restriction, but the City still allocates a set portion for this purpose and the balance is used for street operations. Due to new fund structure policies, the Street Operating and Improvement funds will be combined into the Street Operating Fund beginning in 2011, but a portion of this revenue will still be allocated as before.

### **Budget**

2009-2010: \$2,280,368  
(\$1,201,368 Street Operating Fund and  
\$1,079,000 Street Improvement Fund)

2011-2012: \$2,707,841 Street Operating Fund

### **Trends and Assumptions**

#### *Methodology*

- Estimate based on forecast provided by Association of Washington Cities. Gas tax is imposed as a fixed amount per gallon of gas purchased (i.e. fluctuations in the price of gas will effect gas tax revenues only if consumption changes).

#### *Trends*

- This revenue base is decreasing as consumer gas consumption declines in response to higher gas prices.

#### *Key Assumptions*

- Estimated per capita amount of \$21.44 in 2011 and 2012.
- 2011-2012 budget does not include all estimated annexation revenues pending update of the City's CIP during the next biennium, which will include potential projects in the annexation area.

### **FIRE DISTRICT #41**

These are fees collected from King County Fire District #41 for fire protection and emergency medical services provided by the Kirkland Fire Department to the district. Fire District #41 revenues

will not be received after 2011 due to the dissolution of the district after annexation occurs.

### **Budget**

2009-2010: \$7,548,785  
(\$7,448,315 General Fund and  
\$100,470 General Capital Projects  
Fund)

2011-2012: \$5,230,479  
(\$5,155,279 General Fund and  
\$75,200 General Capital Projects Fund)

### **Trends and Assumptions**

#### *Methodology*

- A pro rata share (based on the Fire District's assessed valuation as a percentage of total City and district assessed valuation) of the City's fire services budget, net of other fire revenues such as the EMS levy.

#### *Trends*

- Typically, an increase in the fire services budget results in an increase in the service contract. This revenue source is also affected by the relative change in the City's assessed valuation compared to the Fire District's. However, the valuation proportion has remained relatively consistent over the last 3 years.

#### *Key Assumptions*

- Pro rata share distribution assumes the same assessed valuations used in the 2010 fire services contract with Fire District #41. The distribution ratio will be finalized once updated assessed valuations for the City and Fire District are received from King County.
- King County Fire District #41 revenue is only budgeted for 2011.

## **CHARGES FOR SERVICES**

### **UTILITIES**

The City operates three separate utilities, which are managed like a business with customer charges fully supporting all costs. Revenue is collected for water/sewer services, surface water management, and garbage and recycling services.

## **Budget**

2009-2010: \$65,286,948  
(\$37,928,200 Water/Sewer  
Operating Fund,  
\$10,392,000 Surface Water  
Management Fund  
and \$16,966,748 Solid Waste Fund)

2011-2012: \$82,330,224  
(\$39,265,818 Water/Sewer  
Operating Fund,  
\$13,833,020 Surface Water  
Management Fund  
and \$29,231,386 Solid Waste Fund)

## **Trends and Assumptions**

### *Methodology*

- Annual rate changes are needed to acknowledge the general cost of operations, any new debt obligations and “pass-through” increases from other agencies.

### *Trends*

- 2010 water/sewer revenue is estimated to increase 3.0 percent compared to 2009 primarily due to a rate increase.
- 2010 surface water fee revenue is estimated to decrease 2.1 percent compared to 2009.
- 2010 solid waste collection fee revenue is estimated to decrease 1.5 percent compared to 2009.

### *Key Assumptions*

- Water rate increases include 2.7 percent increase in 2011 and 2.2 percent increase in 2012 largely due to increased costs paid to Cascade Water Alliance, which supplies the City's water.
- Sewer rate increases include 8.5 percent increase in 2011 and 5.5 percent 2012 largely due to increased costs paid to King County Water Treatment Division, which provides wastewater treatment services to the City.
- 2011-2012 surface water fee revenue is estimated to increase 5.0 percent in 2011 and 2012 primarily due to increased contribution for future capital costs (depreciation).

- Solid waste rate increases include 3 percent increase in 2011 due to increased disposal contract costs, the addition of the street preservation charge, and other program changes. No rate increase proposed for 2012, pending decision from King County on 2012 disposal rates.
- Revenues include annexation related revenues for Surface Water and Solid Waste. The majority of customers in the annexation area receive water and sewer services from Northshore Utility District, with a smaller share served by Woodinville Water District.

## **PLANNING FEES AND PLAN CHECK FEES**

These fees are collected for development-related services involving the issuance of permits and the review of plans for compliance with the City's codes. Fees are generally collected at a level estimated to recover the cost of the service provided.

## **Budget**

2009-2010: \$1,420,829 (General Fund)

2011-2012: \$2,889,103 (General Fund)

## **Trends and Assumptions**

### *Methodology*

- Based on historical trends, the number of development plans pending in the planning process, and the Building Division's projections of upcoming construction projects.

### *Trends*

- 2010 revenues are estimated to increase 50.4 percent compared to 2009.

### *Key Assumptions*

- Across all planning-related fees, the baseline 2011-2012 budget assumes a 41.1 percent increase in 2011 from the 2010 estimate and a 25.1 percent decrease in 2012.
- In addition, planning related fees assume fees from 4 school projects and Parkplace (shopping center) redevelopment.
- 2011-12 budget includes estimated revenue from the annexation area.

## **ENGINEERING DEVELOPMENT FEES**

These fees are collected from developers for the inspection of public improvements associated with private developments under construction.

### **Budget**

2009-2010: \$535,134 (General Fund)

2011-2012: \$877,530 (General Fund)

### **Trends and Assumptions**

#### *Methodology*

- Based on estimates from Public Works staff regarding upcoming development.

#### *Trends*

- 2010 revenue is estimated to decrease 41.4 percent compared to 2009.

#### *Key Assumptions*

- Fee is based on 8.0 percent of the value of developer installed improvements.
- 2011-2012 baseline budget is based on 2010 estimated revenue with no growth projected in 2011 or 2012.
- In addition, engineering development fees assume review for 4 schools and Parkplace (shopping center).
- 2011-12 budget includes estimated revenue from the annexation area.

## **TRANSPORTATION AND PARKS IMPACT FEES**

The City began collecting impact fees for transportation in June 1999 and for parks in August 1999. As authorized under the Growth Management Act, the City charges impact fees to applicants of new development or for a change in use to pay for the cost of new public facilities that provide future capacity needed to accommodate new growth and development. The fees cannot pay for existing deficiencies in level of service for the public facilities or normal maintenance and repairs. The fee charged to each development is based on a proportionate share of the new facilities. The fee structure was revised in 2008.

## **Budget**

2009-2010: \$2,916,818 (Impact Fees Fund)

2011-2012: \$1,400,000 (Impact Fees Fund)

### **Trends and Assumptions**

#### *Methodology*

- Based on estimates from Development Services staff regarding upcoming development and the current fee structure.

#### *Trends*

- The downturn in development activity has impacted this revenue source significantly.
- 2010 revenue is estimated to decrease 45.2 percent compared to 2009.

#### *Key Assumptions*

- Transportation impact fee revenue set at budgeted CIP.
- Park impact fees will be used to pay parks-related debt service.
- 2011-2012 budget does not include estimated annexation revenues pending update of the City's CIP during the next biennium, which will include potential projects in the annexation area.

## **INTERFUND CHARGES**

### **ENGINEERING CHARGES**

These fees are collected in the General Fund from other City funds for in-house, engineering services provided on a variety of projects (including major capital projects).

### **Budget**

2009-2010: \$3,779,475 (General Fund)

2011-2012: \$4,514,595 (General Fund)

### **Trends and Assumptions**

#### *Methodology*

- Projected capital improvement project (CIP) engineering charges are based on the prior year's actual labor distribution, the number of projected capital improvement projects, and the current year's budgeted engineering costs.

- Projected Non-CIP engineering charges are based on the prior year's actual labor distribution and the current year's budgeted engineering costs.
- Actual charges are assessed quarterly using current wage and benefit rates, a fully loaded cost factor, and actual hours spent on a project.

*Trends*

- Changes in both the CIP and the Non-CIP engineering charges result from the change in the nature of work performed from year to year.
- CIP engineering charges increased because Public Works added staff that are fully charged to the CIP.
- 2010 CIP engineering charges are estimated to increase 5.2 percent compared to 2009.
- 2010 Non-CIP engineering charges are estimated to increase 8.3 percent compared to 2009.

*Key Assumptions*

- Based on Public Works and Parks estimates.
- Fully staffed (no vacancies).

**ACCOUNTING SERVICES**

These are charges paid by the Solid Waste and Water/Sewer Operating Funds for billing services provided by the General Fund.

**Budget**

2009-2010: \$1,197,275 (General Fund)  
 2011-2012: \$1,667,585 (General Fund)

**Trends and Assumptions**

*Methodology*

- 2011-2012 charges are based on the 2010 basic budget for the Customer Accounts section of the Finance and Administration Department, as well as accounting services provided to the utility funds.

*Trends*

- 2010 revenue is estimated to increase 5 percent compared to 2009.
- 2011-12 revenue is 36.5 higher than 2009-10 due to the reallocation of existing staff and additional annexation staffing and expenses related to performing solid waste billing in the annexation area.

*Key Assumptions*

- Not applicable

**CITYWIDE OVERHEAD**

These internal charges are collected from other City funds for centrally provided services including human resources, general administration, legal, payroll, purchasing, budget, and accounts payable.

**Budget**

2009-2010: \$4,069,450 (General Fund)  
 2011-2012: \$4,272,175 (General Fund)

**Trends and Assumptions**

*Methodology*

- 2011 charges are based on the 2010 basic budget for these central services and include an inflationary factor applied for 2012.

*Trends*

- 2010 revenue is estimated to increase 5.0 percent compared to 2009 due to an inflationary factor applied to 2009 for 2010.
- 2011-2012 revenue will increase 5 percent compared to 2009-2010.

*Key Assumptions*

- Not applicable.

**FINES AND FORFEITS**

The City of Kirkland and the State of Washington share revenue that is collected from fines, forfeitures, fees, costs, and penalties associated with the enforcement of ordinances and statutes. The type of statute violated determines the percentage of each payment that is retained by the City.

## **Budget**

2009-2010: \$2,946,863 (General Fund)

2011-2012: \$5,216,659 (General Fund)

## **Trends and Assumptions**

### *Methodology*

- Based on the number of cases filed with the court and their disposition.

### *Trends*

- 2010 revenue is estimated to increase 8.4 percent compared to 2009.
- 2011-2012 revenue is expected to increase a total of 77.4 percent compared to 2009-2010. 58.1 percent of this increase is due to annexation.

### *Key Assumptions*

- Police enforcement remains the same, but parking enforcement increased due to additional staff time allocated to the function and new technology.
- 2011-12 budget includes estimated revenue from the annexation area.

## **MISCELLANEOUS REVENUE**

### **INVESTMENT INCOME**

In the City of Kirkland, available cash is pooled and invested for the benefit of designated funds and the General Fund. The amount of interest received will vary with interest rates and the amount of cash available for investments during any particular budget year. After satisfying the interest income obligations to funds required by the State to receive their own interest earnings and for the debt service and capital project commitments made by the Council, the remaining interest income is allocated to the General Fund.

### **Budget**

2009-2010: \$5,650,000 (All Operating and Non-Operating Funds)

2011-2012: \$1,303,840 (All Operating and Non-Operating Funds)

## **Trends and Assumptions**

### *Methodology*

- Interest earnings are estimated based on the current portfolio and expected interest rate trends.

### *Trends*

- Interest rates are expected to decrease significantly, which will decrease interest revenue income.

### *Key Assumptions*

- Historically low interest rates due to economic conditions expected to continue in 2011-12.

## **RESOURCES FORWARD**

Resources Forward represents the beginning fund balance and is comprised of the following: capital reserve, operating reserve, and working capital. A capital reserve is dedicated for the replacement of vehicles and computers and for funding major capital improvement projects. An operating reserve is an appropriated contingency account set aside for unanticipated expenditures. Working capital consists of excess net operating resources brought forward from the prior year to fund one-time "service packages" and equipment costs and to provide an operating cash flow buffer against seasonal fluctuations in revenues and expenditures. At the end of each year, it is the City's practice to transfer net resources in excess of designated working capital from the General Fund to one or more of the City's reserve funds.

### **Budget**

2009-2010: \$105,256,955 (All Operating and Non-Operating Funds)

2011-2012: \$80,288,305 (All Operating and Non-Operating Funds)

## **Trends and Assumptions**

### *Methodology*

- Amount budgeted must cover one-time service packages approved in the budget, any designated working capital, and operating or capital reserves.

### *Trends*

- Not applicable.

*Key Assumptions*

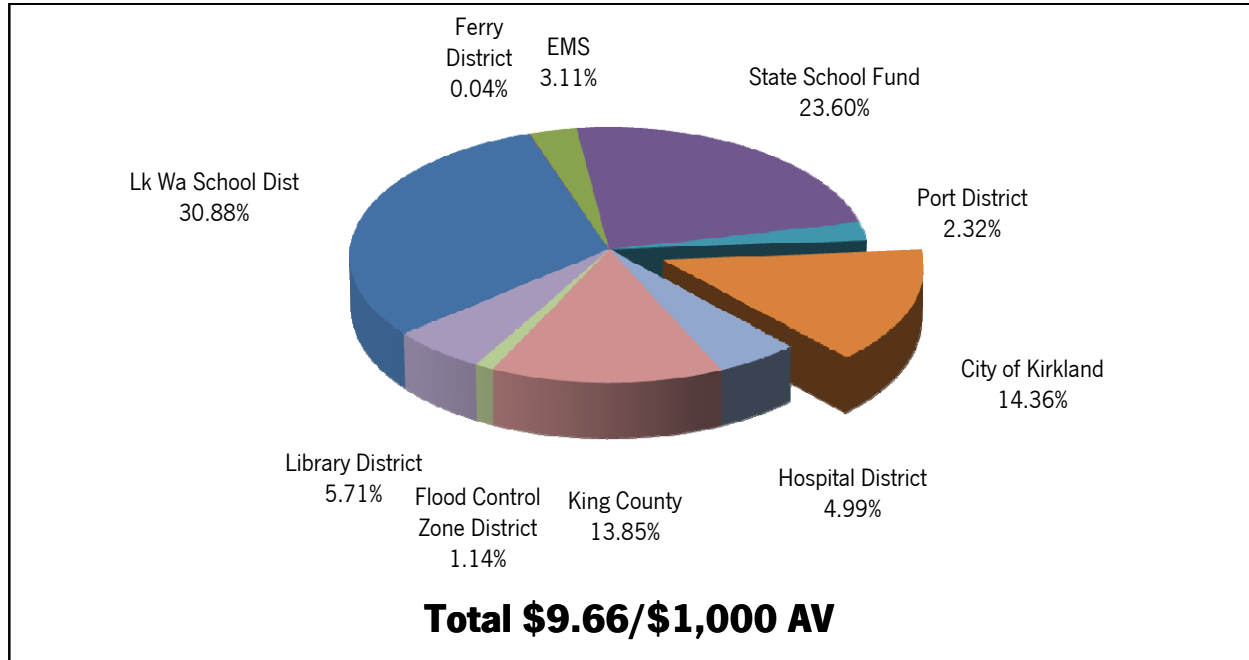
- Not applicable.

<b>Annexation Area Revenues</b>	
Sales Tax	1,453,023
Criminal Justice Tax	851,309
Sales Tax Credit	4,539,657
Property Tax	10,340,243
Utility Taxes	5,741,225
Gambling Tax	693,238
Building Related Permits	819,727
Rev Gen License	746,201
Franchise Fees	3,235,025
EMS Levy	57,064
Liquor Excise Tax	237,136
Motor Vehicle Fuel Tax	571,988
Fire District Revenues	1,426,568
Utility Rates	14,936,178
Planning /Plan Chk Fees	393,273
Engineering Development	327,530
Engineering Charges	233,379
Fines & Forfeits	1,707,659
Accounting Services	33,600
<b>Total</b>	<b>48,344,023</b>



# CITY OF KIRKLAND

## 2011 PROPERTY TAX DISTRIBUTION



The City is limited to an annual increase on its regular property tax levy of the lesser of 1% or the Implicit Price Deflator, plus an allowance for new construction. However, unused levy capacity from prior years that was "banked" for future specified purposes can be utilized. The City Council approved the use of approximately \$108,000 of banked capacity in 2009, which was the last of the remaining banked capacity for the City of Kirkland. The Council opted to increase the regular property tax levy by 1% for 2011 and also by 1% in 2012.

The actual impact on an individual's property tax bill is not necessarily the same as the change in the levy. Other factors, such as the assessed valuation of the property, growth or decline in the City's overall assessed valuation, or levy increases (or decreases) of other governments will determine the final tax bill.

Although property taxes represent a major source of funding for City services, the portion of each property owner's total tax bill that goes to the City is relatively small. In 2011, the total property tax rate in Kirkland is \$9.66 per \$1,000 of assessed valuation. Of that total, 14.36%, or \$1.39 per \$1,000 assessed valuation, goes to the City, of which \$0.09 is for voter-approved debt service.

**CITY OF KIRKLAND  
2011 PROPERTY TAX DISTRIBUTION (FINAL LEVY)**

<b>Taxable Assessed Valuation For 2011 Levy</b>		<b>\$10,709,950,883</b>
<b>REGULAR LEVY</b>		
<u>Operating Fund</u>	<u>Levy</u>	<u>Rate per \$1,000 AV</u>
General Fund	\$13,121,800	\$1.22520
Street Operating Fund <sup>1</sup>	\$0	\$0.00000
Parks Maintenance Fund	\$840,687	\$0.07850
<b>Total 2011 Regular Levy</b>	<b>\$13,962,487</b>	<b>\$1.30370</b>
<b>EXCESS LEVY</b>		
<u>Unlimited General Obligation Bond Issue</u>	<u>Levy</u>	<u>Rate per \$1,000 AV</u>
1995 Unlimited G.O. (Public Safety)	\$87,528	\$0.00817
2001 Unlimited G.O. Refunding (Public Safety)	\$186,253	\$0.01739
2003 Unlimited G.O. (Parks)	\$640,205	\$0.05978
<b>Total 2011 Excess Levy</b>	<b>\$913,986</b>	<b>\$0.08534</b>
<b>TOTAL LEVY</b>		
	<u>Levy</u>	<u>Rate per \$1,000 AV</u>
<b>Total 2011 Levy</b>	<b>\$14,876,473</b>	<b>\$1.38904</b>

<sup>1</sup> Street Operating Fund will not be funded by Property Tax in 2011. Road Tax Levy revenue will be used for full funding source

# CITY OF KIRKLAND

## 2011-2012 DISTRIBUTION OF INVESTMENT INCOME

Total Estimated Earnings		\$ 1,303,841
Earned Interest Allocated to Utility Funds		
Water/Sewer	129,266	
Surface Water Management	136,857	
Solid Waste	31,568	
Subtotal to Utility Funds		297,690
Earned Interest Allocated to Lodging Tax Fund		2,250
Earned Interest Allocated to Impact Fee Fund		7,154
Earned Interest Allocated to REET Fund		144,774
Earned Interest Allocated to Equipment Rental Fund		122,993
Earned Interest Allocated to the Firefighter's Pension Fund		22,964
Net to Allocate		706,015
Dedicated Proceeds:		
Capital Improvement Program		311,700
Capital Improvement Program - Technology Initiative		-
Audit and Fiscal Services		25,000
Councilmanic Debt		369,315
Net to Distribute		\$ -

<b>2011-2012 BUDGETED DISTRIBUTION</b>	
Fund	Amount
General	\$ -
Street Operating	-
Cemetery Operating	-
Parks Maintenance	-
Facilities Maintenance	-
Contingency	-
General Capital Projects	-
Information Technology	-
Total All Funds	\$ -



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# BUDGET FOCUS

Selected schedules and charts focusing on key facts, issues and processes reflected in the 2011-2012 Budget



# ***FUND BALANCE AND RESERVES***

Reserves and fund balance are two important indicators of the City's fiscal health. Reserves represent "savings accounts" that are held to meet unforeseen budgetary needs ("general purpose reserves"). Some specialized reserves are dedicated by purpose and are held until an appropriate expenditure is needed ("special purpose reserves"). Fund balance includes both reserves and working capital. Working capital is needed within each fund to meet its cash flow needs.

The charts following this narrative summarize the changes in fund balance across all funds and the estimated balance in each reserve at the end of 2010. An analysis of the changes in fund balance is included with each section of the budget (i.e. General Government Operating, Water/Sewer Utility, etc.) in addition to the summary provided here. The analysis shows the 2012 delineation between reserved fund balance and working capital. The following narrative highlights the major reserve policy components as they are incorporated in the 2011-2012 Budget.

## **FUND BALANCE**

Each fund begins the year with a beginning fund balance which may be comprised of: capital reserves, operating reserves, and unreserved working capital. As the year progresses the expenditures made from the fund and revenues received will change the fund balance. A minimum amount of fund balance should be maintained in each operating fund to meet cash flow needs and, if needed, as a means of meeting commitments when a revenue shortfall occurs. A reduction in fund balance during the biennium (unless it is planned) can be seen as a sign of fiscal stress – revenues are not adequate to meet expenses. Fund balance in excess of the amount needed for minimum cash flow purposes can be used to fund one-time expenses or to replenish or enhance reserves. Budgeted fund balances recognize all cash resources estimated to be available as of the end of the biennium.

## **GENERAL PURPOSE RESERVES**

General purpose reserves are available to meet a wide variety of contingencies. They are funded by excess general purpose revenues, which have no restrictions on the public purpose for which they are spent. The utility funds have a companion set of reserves distinct from those in the General Government category.

### **General Operating Reserve**

For the City's "Rainy Day" fund, the target is established by fiscal policy at five percent of the operating budget (excluding utility and internal service funds). Each biennium, the target amount will change proportional to the change in the operating budget. To maintain full funding, the increment between five percent of the second year of the prior biennium budget and the second year of the current biennium budget would be added or subtracted utilizing interest income and year-end fund balance in the General Fund. It is a reserve to be used for unforeseen revenue losses and other temporary events. If the reserve is utilized by the City Council, the authorization should be accompanied by a plan for replenishing the reserve within a two to three year period.

### **Revenue Stabilization Reserve**

The Revenue Stabilization Reserve was approved by Council in 2003 and was created by segregating a portion of the General Operating Reserve. The purpose of this reserve is to provide an easy mechanism to tap reserves to address temporary revenue shortfalls resulting from temporary circumstances (e.g. economic cycles, weather-related fluctuations in revenue). Council set the target at ten percent of selected General Fund revenue sources which are subject to volatility (e.g. sales tax and utility taxes). The Revenue Stabilization Reserve may be used in its entirety; however, replenishing the reserve will constitute the first priority for use of year-end fund balance in the General Fund.

## **Contingency Fund**

The Contingency Fund was established pursuant to RCW 35A.33.145 to “provide monies with which to meet any municipal expense, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the annual {biennial} budget.” State law sets the maximum balance in the fund at \$0.375 per \$1,000 of assessed valuation. This reserve would be used to address unforeseen expenditures (as opposed to revenue shortfalls addressed by the Revenue Stabilization Reserve). The fund can be replenished through interest earnings up to the maximum balance or through the year-end transfer if needed.

## **General Capital Contingency**

This reserve is available to fund general capital projects when the scope or cost of the project exceeds the budgeted amount. The target established by fiscal policy is ten percent of the funded six-year Capital Improvement Program (CIP) less utility projects. Funding is received from the General Fund year-end transfer and interest income. Use of the General Capital Contingency is secured through a request to Council. Typically, this reserve has covered changes in project scope or unanticipated costs that arose out of the bid process or unavoidable change orders. Council granted limited administrative authority to the City Manager to fund small project overruns (e.g. up to \$100,000 per year each for the general and utility capital reserves with up to \$25,000 for any single project).

## **Building and Property Reserve**

This reserve is used for property purchases, building improvements and other property-related transactions. It has also been used as a general purpose reserve to fund Council-approved unanticipated expenditures.

## **Council Special Project Reserve**

This reserve is available to the City Council to fund special one-time projects that were unforeseen at the time the budget was prepared. When the reserve is used, it is replenished from the General Fund year-end fund balance.

## **SPECIAL PURPOSE RESERVES**

Special purpose reserves are dedicated either by Council policy or by state or local laws that govern their use. Following are descriptions of a few of the larger and more important special purpose reserves.

### **Excise Tax Capital Improvement Reserve**

There are two reserves in the Real Estate Excise Tax Capital Improvement Fund – one for the first quarter percent real estate excise tax (REET 1) and one for the second quarter percent real estate excise tax (REET 2). These cash balances must be kept separate due to the dedication of REET 2 to transportation capital projects. The REET 1 reserve is used primarily as a general CIP grant match reserve and/or for significant project scope changes. The target should be reviewed periodically against potential grants.

### **Equipment Rental Fund**

The Equipment Rental Fund is one of four internal service funds. There are two capital reserves maintained in this fund. One relates to the replacement of vehicles and the other is for the replacement of 800 MHz radios. Vehicle replacement rates, based on the estimated useful life, the replacement cost of each vehicle, and the related cash flow requirements are assessed monthly to each user department. The radio replacement reserve was funded previously via the year-end transfer from the General Fund; however, future funding is still to be determined, but may come from radio replacement rates which will be assessed in the year after a radio is replaced.

### **Information Technology Fund**

The Information Technology Fund is the second internal service fund. There are two reserves within this fund. The Personal Computer (PC) replacement reserve in this fund is for the replacement of personal computers. PC replacement rates, based on the estimated useful life and replacement cost of each type of PC, are assessed monthly to each user department. The Technology Major Systems Replacement Reserve was initiated by Council in 2003 by reallocating a portion of the General Capital



Contingency. The reserve will be used to fund projected major system replacements that cannot be covered through the current CIP funding allocations. An initial amount of \$1 million was reallocated from the General Capital Contingency to start the reserve which may be funded in future years by replacement charges to department users.

### **Facilities Maintenance Fund**

The third internal service fund is the Facilities Maintenance Fund which accounts for the costs of maintaining and repairing City buildings. Revenue to the fund is derived primarily from user charges to other funds. Two types of reserves are budgeted in this fund – an operating reserve and a sinking fund reserve. The operating reserve is set at \$550,000 and is used to pay for major, unanticipated repairs. It is replenished, if necessary, from the General Fund year-end transfer.

The sinking fund reserve is used to pay for each City facility's twenty-year life cycle costs related to the repair or replacement of major architectural, mechanical, and electrical components. A facilities sinking fund charge is assessed to each operating fund and is in addition to the annual facilities rental charge, which covers the basic annual maintenance costs for each facility. The reserve is the source of funding for planned repair and replacement projects.

### **Health Benefits Fund**

The Health Benefit Fund was established in the 2011-12 biennium to account for programs providing employee medical health coverage under the City's new medical self-insurance program. Medical premiums received by the fund are used to pay claims for employees participating in the self-insured health care program, as well as "stop loss" coverage insurance and administrative and other program costs. A portion of the premiums will be set aside in a reserve to maintain the viability of the fund based on actuarial estimates.



**CITY OF KIRKLAND  
CHANGE IN FUND BALANCE (Beginning 2009 to Ending 2012)  
SUMMARY OF ALL FUNDS**

	General Government		Utility			All Funds
	Operating Funds	Non-Operating Funds	Water/Sewer Utility	Surface Water Utility	Solid Waste Utility	
<b>2009 Actual Beginning Fund Balance</b>	<b>22,258,092</b>	<b>56,111,187</b>	<b>15,716,068</b>	<b>9,761,132</b>	<b>1,338,548</b>	<b>105,185,027</b>
<i>Reserved</i>	<i>9,968,025</i>	<i>32,157,537</i>	<i>10,881,270</i>	<i>4,773,445</i>	-	<i>57,780,277</i>
<i>Unreserved Working Capital</i>	<i>12,189,194</i>	<i>11,355,557</i>	<i>4,834,798</i>	<i>4,987,687</i>	1,338,548	<i>34,705,784</i>
Plus: 2009-10 Estimated Revenues	148,333,625	45,497,645	48,452,303	14,590,028	17,109,170	<b>273,982,771</b>
Less: 2009-10 Estimated Expenditures	149,564,569	61,357,713	51,588,868	15,837,257	16,496,130	<b>294,844,537</b>
Fund Structure Changes	9,784,710	10,744,807	-	-	-	<b>20,529,517</b>
Less: 2009-10 Amount Avail. for Year-End Transfer	-	-	-	-	-	-
<b>2009-10 Estimated Ending Fund Balance</b>	<b>30,811,858</b>	<b>29,506,312</b>	<b>12,579,503</b>	<b>8,513,903</b>	<b>1,951,588</b>	<b>83,363,164</b>
Less: Funding for Carryovers to 2011	1,019,516	-	2,879,480	409,350	555,951	<b>4,864,297</b>
Less: Funding for 2011-12 Service Packages	1,222,590	-	-	-	-	<b>1,222,590</b>
<b>2011 Budgeted Beginning Fund Balance</b>	<b>28,569,752</b>	<b>29,506,312</b>	<b>9,700,023</b>	<b>8,104,553</b>	<b>1,395,637</b>	<b>77,276,277</b>
Plus: 2011-12 Budgeted Revenues	185,982,056	67,992,963	50,731,089	19,165,877	29,462,954	<b>353,334,939</b>
Less: 2011-12 Budgeted Expenditures	184,056,113	76,921,181	49,195,740	20,003,107	28,795,279	<b>358,971,420</b>
<b>2012 Budgeted Ending Fund Balance</b>	<b>31,718,285</b>	<b>20,578,094</b>	<b>13,038,811</b>	<b>7,267,323</b>	<b>2,063,312</b>	<b>74,665,825</b>
<i>Reserved</i>	<i>25,124,878</i>	<i>17,546,308</i>	<i>10,245,806</i>	<i>6,013,580</i>	-	<i>58,930,572</i>
<i>Unreserved Working Capital</i>	<i>6,593,407</i>	<i>3,031,786</i>	<i>2,793,005</i>	<i>1,253,743</i>	<i>2,063,312</i>	<i>15,735,253</i>
<b>Change in Fund Balance: Beginning 2009 to Ending 2012</b>	<b>9,532,504</b>	<b>(23,674,324)</b>	<b>(2,677,257)</b>	<b>(2,493,809)</b>	<b>724,764</b>	<b>(18,588,122)</b>

**Notes:**

Change in Fund Balance depicts the effects of the current and coming year's financial transactions on available resources. A minimum level of fund balance must be maintained in each fund to assure adequate cash flow. In all cases, fund balance is at or above the minimum level. A negative change in fund balance is not necessarily a reflection of a problem. Rather, it typically reflects the use of accumulated resources for planned expenditures (e.g. use of bond proceeds for capital projects). The significant decline in non-operating funds is partially due to a change in accounting standards, which consolidated some of these funds into general government operating funds.

Greater detail regarding the change in fund balances can be found in the following sections: General Government Operating Funds, General Government Non-Operating



**CITY OF KIRKLAND  
ESTIMATED FUND BALANCE / RESERVES  
2011-2012 BUDGET WITH TARGETS**

**General Purpose Reserves**

<b>Fund/Reserve</b>	<b>2012 Est. Ending Bal</b>	<b>Current Target</b>	<b>Restriction Type</b>	<b>Allowable Uses</b>	<b>Source of Funds</b>
<b>Contingency</b>	2,246,510	4,016,232	Legal	Reserve for unforeseen expenditures	Interest income and year-end transfer from General Fund
<b>General Capital Contingency</b>	4,437,370	6,766,320	Policy	Reserve for unforeseen changes in project cost or scope	Year-end transfer from General Fund
<b>General Government Operating</b>					
General Operating Reserve (Rainy Day Reserve)	2,806,513	4,127,496	Policy	Reserve for unforeseen revenue losses and other temporary events	Interest income and other General Fund revenue
Revenue Stabilization Reserve	731,431	2,279,251	Policy	Revenue Stabilization Reserve to smooth revenue receipts through economic cycles	General Fund revenue
Building and Property Reserve	1,972,213	N/A	Legal	Reserve for building improvements and property related transactions	Street vacations, property sale proceeds and other General Fund revenue
Council Special Projects	251,534	250,000	Policy	Reserve for unanticipated Council special projects	General Fund revenue
<b>Total General Purpose Reserves</b>	<b>12,445,571</b>				

**Restricted Fund Balance**

<b>Fund/Reserve</b>	<b>2012 Est. Ending Bal</b>	<b>Current Target</b>	<b>Restriction Type</b>	<b>Allowable Uses</b>	<b>Source of Funds</b>
<b>Excise Tax Capital Improvement</b>					
REET 1	1,081,284	1,035,000	Legal	Parks projects, Park debt service, & Transportation projects	1st quarter percent Real Estate Excise Tax (REET 1)
REET 2	4,965,034	11,484,000	Legal	Transportation projects and CIP Transp. grant match	2nd quarter percent Real Estate Excise Tax (REET 2)
<b>Equipment Rental</b>					
Vehicle Reserve	7,400,451	7,400,451	Policy	Vehicle replacement reserve	User charges to other funds
Radio Reserve	-	TBD*	Policy	Radio replacement reserve	User charges to other funds
<b>Information Technology</b>					
PC Replacement Reserve	321,376	321,376	Policy	PC equipment replacement reserve	User charges to other funds
Major Systems Replacement Reserve	84,900	TBD*	Policy	Reserve for replacement of major technology systems	Initial funding from General Capital Contingency; future funding from user charges to other funds
<b>Facilities Maintenance</b>					
Operating Reserve	550,000	550,000	Policy	Reserve for maintenance and repair of City buildings	Year-end transfer from General Fund
Sinking Fund	2,050,023	2,050,023	Policy	20 year Facilities Life Cycle costs	User charges to other funds
<b>Impact Fees</b>					
Roads	869,392	N/A	Legal	Transportation capacity projects	Road impact fees and interest income
Parks	12,681	N/A	Legal	Park capacity projects	Park impact fees and interest income
<b>Bond Reserve</b>	537,700	N/A	Legal	Park projects identified with Park bond issue	Park bond funds reserved for future park projects
<b>Cemetery Improvement</b>	592,393	N/A	Legal	Reserve for cemetery improvements and debt service	75% of cemetery lot sales

\*To Be Determined (TBD) - the targets for these reserves are under review.

**CITY OF KIRKLAND  
ESTIMATED FUND BALANCE / RESERVES  
2011-2012 BUDGET WITH TARGETS**

**Restricted Fund Balance (Continued)**

<b>Fund/Reserve</b>	<b>2012 Est. Ending Bal</b>	<b>Current Target</b>	<b>Restriction Type</b>	<b>Allowable Uses</b>	<b>Source of Funds</b>
<b>Off-Street Parking</b>	10,777	N/A	Legal	Reserve for parking improvements in the Central Business Dist.	Fees collected in lieu of parking
<b>Tour Dock</b>	75,315	N/A	Legal	Dock repairs	Tour dock fees
<b>Street Improvement</b>	1,215,693	N/A	Legal	Street improvements	Gas tax, sales tax and transfers from the surface water utility
<b>Firefighter's Pension</b>					
Pension Benefits	834,305	834,305	Legal	Pre-LEOFF 1 firefighters' pension benefits	Fire insurance premium tax
Long-Term Care Benefits	898,666	733,902	Legal	Pre-LEOFF 1 firefighters' long-term care benefits	Fire insurance premium tax
<b>General Government Operating</b>					
Litigation Reserve	50,000	50,000	Policy	Anticipated litigation expense for outside counsel	General Fund revenue
Labor Relations Reserve	69,565	N/A	Policy	Anticipated labor negotiation expenses	General Fund revenue
Police Equipment Reserve	-	N/A	Legal	Narcotics investigations	Seized property
LEOFF 1 Police Reserve	618,079	1,249,616	Policy	Police long-term care benefits	General Fund revenue
Facilities Expansion Reserve	800,000	N/A	Policy	Public Safety building	Interest income and year-end transfer from General Fund
Development Services Reserve	776,821	N/A	Policy	Revenue and staffing stabilization through economic cycles	Development services revenues
Tree Ordinance	19,117	N/A	Legal	Replacement trees program	Tree planting fee-in-lieu and tree removal fines
Donation Accounts	122,680	N/A	Legal	Purpose donation was given	Donations
Revolving Accounts	565,985	N/A	Policy	Purpose which the fee or reimbursement was collected	Fees and reimbursements
<b>Total Restricted Fund Balance</b>	<b>24,522,237</b>				

**Water/Sewer Utility**

<b>Fund/Reserve</b>	<b>2012 Est. Ending Bal</b>	<b>Current Target</b>	<b>Restriction Type</b>	<b>Allowable Uses</b>	<b>Source of Funds</b>
<b>Operating Fund</b>					
W/S General Operating Reserve	1,979,380	1,979,380	Legal	Rate stabilization reserve	Utility rates
<b>Non-Operating Funds</b>					
Debt Service Reserve	508,717	508,717	Legal	Reserve for debt service	Utility rates
Water/Sewer CIP Contingency	1,793,630	1,793,630	Legal	Reserve for unanticipated changes in Water/Sewer CIP project cost or scope	Available cash transfers and connection fees
Construction Reserve	5,964,079	N/A	Policy	Utility capital projects	Connection fees and interest
<b>Total Water/Sewer Utility</b>	<b>10,245,806</b>				

**CITY OF KIRKLAND  
ESTIMATED FUND BALANCE / RESERVES  
2011-2012 BUDGET WITH TARGETS**

**Surface Water Utility**

<b>Fund/Reserve</b>	<b>2012 Est. Ending Bal</b>	<b>Current Target</b>	<b>Restriction Type</b>	<b>Allowable Uses</b>	<b>Source of Funds</b>
<b><i>Operating Fund</i></b>					
Surface Water General Operating Reserve	412,875	412,875	Legal	Available fund balance for operating reserve	Surface Water fees
<b><i>Non-Operating Funds</i></b>					
Surface Water CIP Contingency	758,400	758,400	Legal	Reserve for unanticipated changes in Surface Water CIP project cost or scope	Available cash transfers
Surface Water Capital Reserve Transportation Project Related	2,447,053	N/A	Policy	Surface Water capital projects	Interest income & depreciation transfers
Surface Water Capital Reserve Surface Water Project Related	2,395,252	N/A	Policy	Surface Water capital projects	Interest income & depreciation transfers
<b>Total Surface Water Utility</b>	<b>6,013,580</b>				
<b>TOTAL ALL FUNDS</b>	<b>53,227,194</b>				

# CITY OF KIRKLAND

## POSITION SUMMARY

### By Fund

<b>Fund/Department</b>	<b>2007-2008</b>	<b>2009-2010</b>	<b>2011-2012</b>
<b><i>General Fund:</i></b>			
City Council	7.00	7.00	7.00
City Manager's Office	21.67	21.90	30.40
Human Resources	7.10	8.10	8.80
City Attorney's Office	4.00	4.00	4.00
Parks and Community Services	33.78	33.03	32.25
Public Works <sup>1</sup>	26.95	23.30	26.15
Finance and Administration <sup>2</sup>	30.50	30.40	32.65
Planning & Community Development	23.56	19.95	24.25
Police	110.50	121.50	135.25
Fire and Building	109.53	107.73	120.78
<b>Total General Fund</b>	<b>374.59</b>	<b>376.91</b>	<b>421.53</b>
<b><i>Other General Gov't Operating Funds:</i></b>			
Lodging Tax Fund	0.90	0.60	0.60
Street Operating <sup>3</sup>	15.40	15.50	22.50
Parks Maintenance <sup>4</sup>	7.50	7.50	10.25
Recreation Revolving	3.25	0.00	0.00
Facilities Maintenance	5.90	5.85	6.35
Equipment Rental	6.00	6.30	7.30
Information Technology	18.75	19.25	23.75
<b>Total Other General Gov't Operating Funds</b>	<b>57.70</b>	<b>55.00</b>	<b>70.75</b>
<b><i>Utility Funds:</i></b>			
Water/Sewer Operating	20.71	21.21	20.31
Surface Water Management	15.39	18.49	26.04
Solid Waste	1.65	2.00	3.30
<b>Total Utility Funds</b>	<b>37.75</b>	<b>41.70</b>	<b>49.65</b>
<b>Total Positions</b>	<b>470.04</b>	<b>473.61</b>	<b>541.93</b>

<sup>1</sup> 0.25 FTE Annexation position funded by Surface Water Rates

<sup>2</sup> 1.00 FTE annexation position funded by Solid Waste Rates

<sup>3</sup> 1.75 FTE annexation positions funded by Surface Water Rates

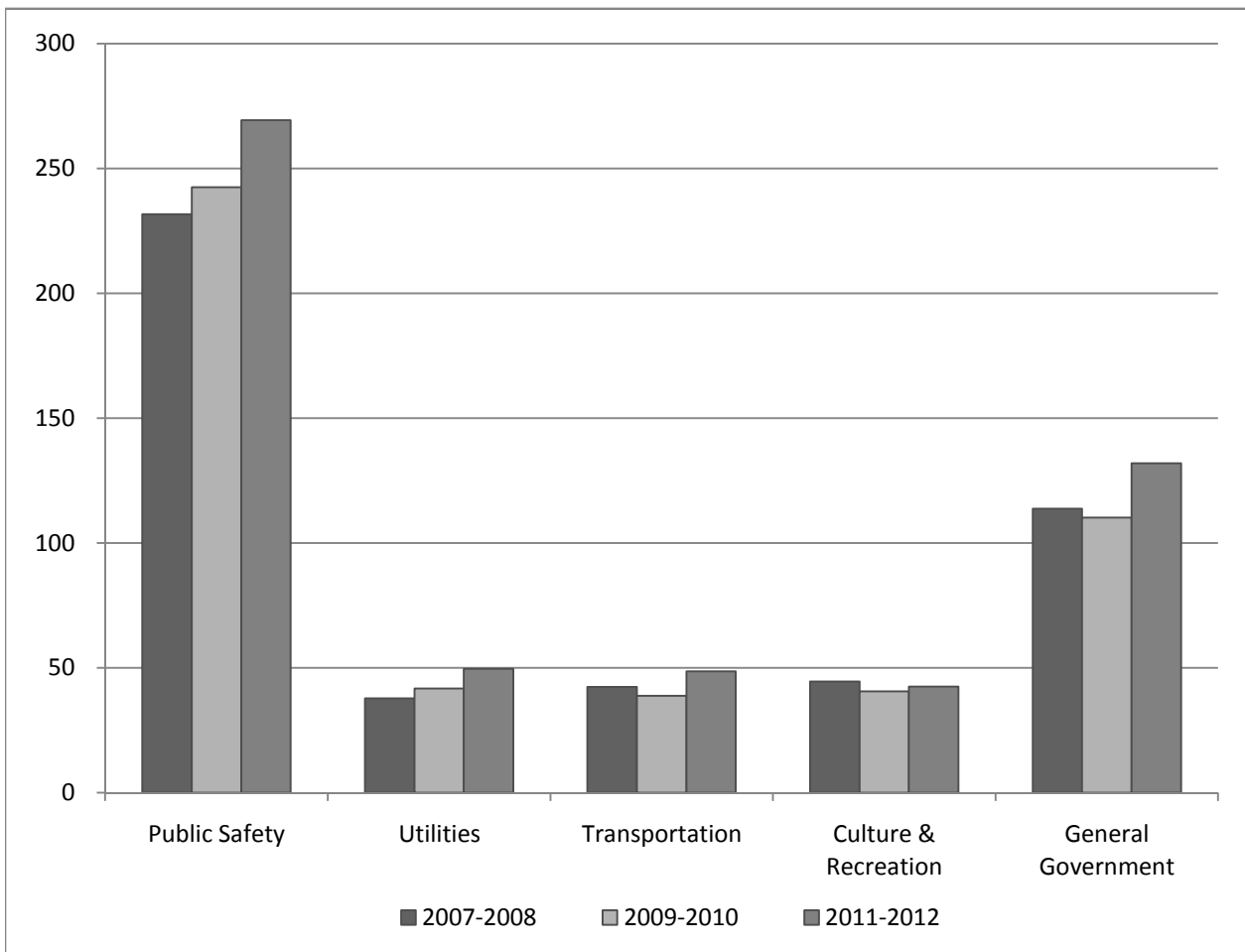
<sup>4</sup> 3.75 FTE Annexation positions funded by General Fund



# CITY OF KIRKLAND POSITION SUMMARY

## By Program

Program	2007-2008	2009-2010	2011-2012
Public Safety	231.62	242.47	269.27
Utilities	37.75	41.70	49.65
Transportation	42.35	38.80	48.65
Culture & Recreation	44.53	40.53	42.50
General Government	113.79	110.11	131.86
<b>Total Positions</b>	<b>470.04</b>	<b>473.61</b>	<b>541.93</b>



## CITY OF KIRKLAND PAYMENTS TO OTHER AGENCIES

Approximately \$38.1 million, or 10.8 percent, of the City's total 2011-2012 budget for general government operations, water/sewer operations, surface water management operations, and solid waste operations is paid to other governmental agencies or other outside vendors. The City either absorbs annual increases in payments to other agencies through growth in general revenue sources (e.g. Air Pollution Control) or passes them along to users through charges for service (e.g. Sewage Treatment and Water Purchases).

Service	Agency	2009-2010 Budget	2011-2012 Budget
Sewage Treatment <sup>1</sup>	King County	11,515,605	13,106,785
Alcohol Treatment <sup>1</sup>	King County	24,500	39,392
Air Pollution Control <sup>1</sup>	King County	71,841	89,192
Prisoner Expense <sup>1</sup>	King County, Yakima County, & Cities of Enumclaw and Issaquah	1,844,324	3,493,235
Marine Patrol	King County	78,000	179,600
Hazardous Waste Fee <sup>1</sup>	King County	472,000	892,367
Solid Waste "Tipping" Fees <sup>1</sup>	King County	5,522,101	6,617,409
Election Costs <sup>1</sup>	King County	202,000	360,000
<b>Subtotal King County</b>		<b>19,730,371</b>	<b>24,777,980</b>
Water Purchase <sup>1</sup>	Cascade Water Alliance	7,393,188	8,394,892
Police and Fire Dispatch <sup>1</sup>	NORCOM	2,958,694	4,834,312
State Purchasing Contract <sup>1</sup>	State of Washington	6,000	8,500
Financial Audits <sup>1</sup>	State of Washington	106,760	131,760
<b>Total Payments to Other Agencies</b>		<b>30,195,013</b>	<b>38,147,444</b>
<b>Percent Increase (Decrease) from Prior Biennium</b>			<b>26.34%</b>

<sup>1</sup> These services are mandatory contractual obligations with other governments. The rates are established by the contractor agency.

## CITY OF KIRKLAND HUMAN SERVICES FUNDING

Funding for Human Services is incorporated into a variety of operating and non-operating budgets. It is important to note that budget reductions and annexation related service level changes, which impact 2012, make direct comparison difficult. The following summary provides an overview of Human Services funding for 2011-2012.

<b>Program/Funding Source</b>	<b>2009-2010 Budget</b>	<b>2011-2012 Budget</b>
Human Services Program (includes per capita allocation)	1,033,620	1,171,553
Human Services Forum and Other Regional programs	4,450	20,450
Human Services Coordination	31,258	197,557
Senior Center Operations	1,317,381	991,348
King County Alcohol Treatment Programs	24,500	39,392
A Regional Coalition for Housing (ARCH)–Operations <sup>1,2</sup>	554,525	834,525
Community Youth Services Program/Teen Center	847,613	606,713
Teen Mini Grants	20,000	17,000
Domestic Violence Programs	577,959	554,794
Police School Resource Program	207,576	228,450
Senior Discounts for Utility and Garbage Services	70,842	70,842
Kirkland Cares (assistance with utility bills from utilities customer donations)	10,000	8,000
Specialized Recreation Program	14,408	14,000
Recreation Class Discounts	2,000	2,000
<b>Total Human Services Funding</b>	<b>4,716,132</b>	<b>4,756,624</b>

**TOTAL SPENDING PER CAPITA 2009-2010: \$98.73**

**TOTAL SPENDING PER CAPITA 2011-2012: \$57.02\***

<sup>1</sup> 2009-10 ARCH funding reflects the base budget amount of \$122,525 and service package request for 2009-10 of \$432,000.

<sup>2</sup> 2011-12 ARCH funding reflects the base budget amount of \$262,525, a service package request for 2011-12 of \$432,000 and an annexation service package request for \$140,000 beginning in 2012.

\* 2011-12 Per Capita spending reflects the addition of \$197,463 for Human Services, \$15,000 for King County Alcohol Treatment Programs, and \$140,000 for ARCH, all beginning in 2012. As the the Human Services needs of the annexation area become better defined, including the impact to staff that may occur in administering the program; the service level can be reconsidered as part of the mid-biennial budget process or the 2013-14 budget.

## CITY OF KIRKLAND SUMMARY OF LEGAL SERVICES

General legal counsel is provided by the in-house City Attorney's Office. By contract, a special legal counsel provides legal advice on selected land use and other matters to the City Council. Prosecution and public defender services are provided by outside attorneys through contracts with the City. The 2011-2012 budget includes an increase in Prosecution and Public Defender Legal Services for the annexation area. In certain specialized matters, the City is represented by other outside counsel. The Litigation Reserve budget for 2009-10 reflects setting aside funds for outside counsel in the event they were needed to resolve a potential legal matter.

<b>Legal Service</b>	<b>Budgeted Fund/Department</b>	<b>2009-2010 Budget</b>	<b>2011-2012 Budget</b>	<b>Percent Change</b>
<b><i>General Legal Services</i></b>	General Fund/City Attorney	1,310,201	1,391,734	6.22%
<b><i>Litigation Reserve</i></b>	Non-Operating Funds (Outside Counsel for Litigation)	450,000	50,000	-88.89%
<b>Subtotal General Legal Services and Litigation</b>		<b>1,760,201</b>	<b>1,441,734</b>	<b>-18.09%</b>
<b><i>Public Safety Legal Services:</i></b>				
Prosecution	General Fund/City Attorney	384,888	677,200	75.95%
Public Defender	General Fund/City Attorney	278,789	439,100	57.50%
<b>Subtotal Public Safety Legal Services</b>		<b>663,677</b>	<b>1,116,300</b>	<b>68.20%</b>
<b>Total All Legal Services</b>		<b>2,423,878</b>	<b>2,558,034</b>	<b>5.53%</b>

# ***CAPITAL IMPROVEMENT PROGRAM (CIP)***

## **CIP POLICIES AND PROCESS**

The City will establish and implement a Comprehensive Six-Year Capital Improvement Program that will be prepared and formally adopted by the Council biennially during an even-numbered year. In the “off” years, however, the CIP can be modified as needed by Council based on changing priorities or new funding source opportunities.

A capital improvement is defined as the construction of new facilities; the expansion, large scale renovation, or replacement of existing facilities; the acquisition of land; or the purchase of major pieces of equipment, including major replacements funded by the Equipment Rental Fund or those that are associated with newly-acquired facilities.

A capital improvement must meet all of the following criteria:

- It is an expenditure that can be classified as a fixed asset.
- It has an estimated cost of \$50,000 or more (with the exception of land).
- It has a useful life of ten years or more, with the exception of certain equipment that may have a shorter life span.

## **PROCESS FOR DEVELOPING THE CIP**

All capital improvement projects are subject to a biennial review and revision based upon community needs, priorities, and the availability of funding. The process reflects the need to periodically re-assess and re-prioritize the City’s capital needs and includes the following steps:

- Each department is responsible for planning and prioritizing all capital project proposals within their scope of operational responsibility. Departments are provided broad funding guidelines and prepare descriptions of new projects to be considered, revisions to existing

projects, and a progress report for current year projects.

- The City Manager reviews each department’s requests and a recommended Preliminary Capital Improvement Program is prepared for consideration by the City Council.
- The City Council holds a public hearing to gather citizen comment and revises and/or adopts the CIP recommendation.
- The capital improvement budget for the first and second year of the adopted CIP are formally adopted by the City Council as part of biennial budget process.
- During the first year of the adopted CIP (an odd-numbered year) an update is prepared by the departments and adopted by the Council to recognize any project modifications resulting from new funding opportunities, changing priorities and project timing changes. The second year of the revised capital improvement budget is incorporated into and adopted with the mid-biennial budget update.
- The City Manager and City departments implement the first two years of the CIP, providing periodic progress reports and updates to the City Council.

## **FUNDING**

There are four major categories of funding for CIP projects: current revenue, reserves, debt and external sources.

**Current Revenue** is the estimate of annual new revenue that will be received from existing, authorized revenue sources. Certain revenue streams historically have been dedicated to funding the CIP either through legal mandate or Council policy. The funded projects in the CIP acknowledge those funding sources and also utilize reserves to some extent.

Legal restrictions apply to some revenue sources. Gas tax is dedicated to transportation purposes. Utility connection charges and utility rates are restricted to utility projects. The first quarter percent real estate excise tax is restricted to capital purposes, but can be utilized for almost any category of capital projects (except computer equipment). The second quarter percent real estate excise tax is designated for transportation capital improvements. Road impact fees are dedicated to transportation capital improvements that provide new capacity. Park impact fees are likewise dedicated to park purposes.

**Reserves** are cash resources that accumulate from prior years and are derived from a variety of revenue sources. The CIP utilizes reserves to a limited extent to fund projects. Although use of reserves is always an option to supplement annual revenue streams, it is a one-time solution using a finite resource. Reserves should be used to address short term or time-limited funding deficits.

**Debt** represents a commitment to repay over a long period of time. Debt can take a number of forms including voter-approved general obligation bonds,

councilmanic (non-voted) bonds, and utility revenue bonds. The City also has been awarded low interest loans from the State's Public Works Trust Fund that have an interest rate of one to three percent, depending on the amount of the City's matching funds.

**External Sources** are primarily grants, but could include contributions from the private sector or other governmental agencies.

Some capital projects generate future operating costs that are considered when the Council reviews the CIP. Operating costs are listed in the detailed project summaries of the CIP. New operating costs for 2011-2012 that are related to completed CIP projects are highlighted in each department's summary. Projects approved for 2011-2012 are included in the General Government and Utilities non-operating sections of this document. Estimated operating impacts are also included in the summary of 2011-2012 projects.

The following table summarizes the annual funding sources for the six project categories as presented in the 2011-2016 CIP:

**2011 to 2016 CIP  
Average Annual Current Revenue (in 1,000s of dollars)**

<b>Dedicated Revenue</b>	<b>Transportation</b>	<b>Surf. Wtr/ Transp.</b>	<b>Surface Water</b>	<b>Utilities</b>	<b>Parks</b>	<b>Public Safety</b>	<b>General Gov't*</b>	<b>Total</b>
Gas Tax**	560							560
Sales Tax	270						300	570
Utility Connection Charges***				865				865
Utility Rates***		950	1,588	2,291			150	4,979
Real Estate Excise Tax 1**	360				731			1,091
Real Estate Excise Tax 2**	1,092							1,092
Impact Fees**	350							350
Transportation Benefit District^	750							750
Interest Income						250	550	800
<b>Total</b>	<b>3,382</b>	<b>950</b>	<b>1,588</b>	<b>3,156</b>	<b>731</b>	<b>250</b>	<b>1,000</b>	<b>11,057</b>

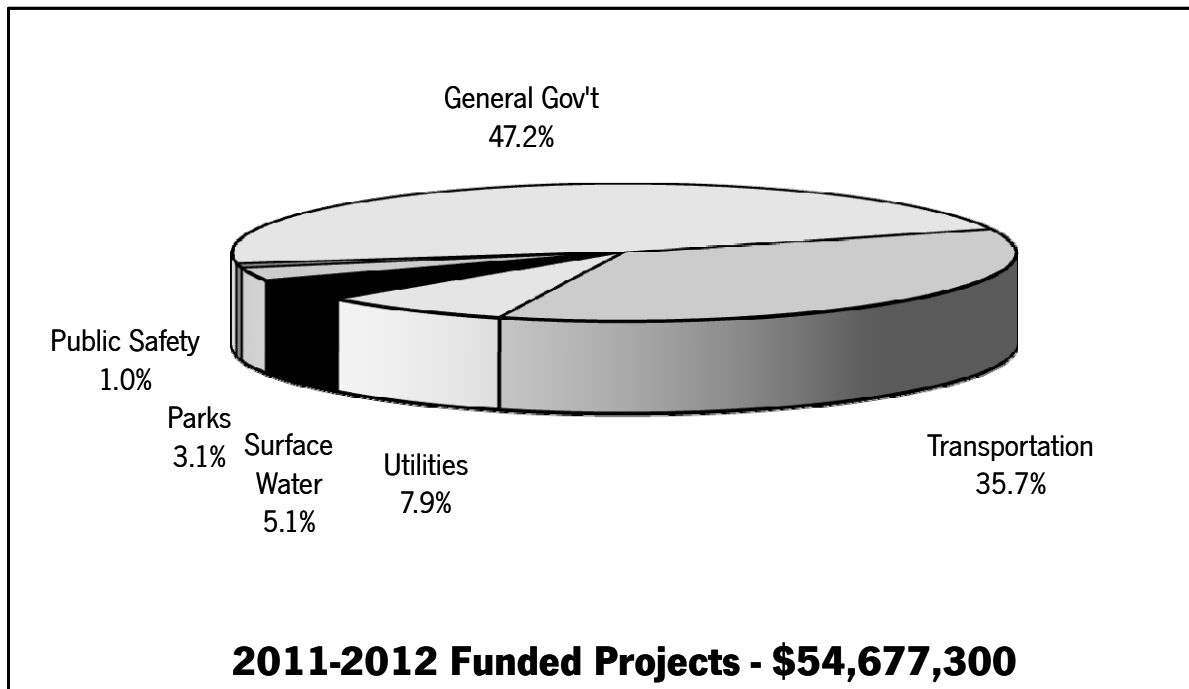
\* General Government section includes the Technology and Facilities categories and the Neighborhood Connection program.

\*\* Indicates revenue sources that are legally restricted to capital purposes.

\*\*\*For utility capital purposes only; utility funding in General Government category is for utility portion of GIS project.

^ Assumes Transportation Benefit District will be established in 2011; revenues used for street overlay. (Half-year revenue of \$375,000 estimated in 2011)

**CITY OF KIRKLAND  
CAPITAL IMPROVEMENT PROGRAM  
2011-2012 Expenditures**



The City of Kirkland Capital Improvement Program (CIP) is a six-year plan that addresses construction, repair, maintenance, and acquisition of major capital facilities and equipment. It reflects the collective efforts of the City to plan for capital improvements for transportation, utilities, parks, buildings, and equipment. The goals of this planning process are to protect the City's investment in infrastructure and to build new capacity to meet the needs of a growing community. The City's CIP is organized into six project areas:

**TRANSPORTATION** includes improvements to streets, sidewalks, intersections, and non-motorized facilities.

**SURFACE WATER MANAGEMENT** includes improvements to the City's surface water management system.

**UTILITIES** includes maintenance, replacement, and new capacity improvements for the City's water and sanitary sewer systems.

**PARKS** includes projects for the acquisition, development, repair, and replacement of park facilities and equipment and improvements to the Kirkland Cemetery.

**PUBLIC SAFETY** includes buildings and equipment to support the City's police, fire, and emergency management functions.

**GENERAL GOVERNMENT** includes improvements that are not specific to the other areas and benefit all (or several) functions.

