



2017-2018 city of kirkland **BUDGET** **IN BRIEF**



VISION STATEMENT

for the Kirkland of 2035

KIRKLAND IS ONE OF THE MOST LIVABLE CITIES IN AMERICA. We are a vibrant, attractive, green and welcoming place to live, work and play. Civic engagement, innovation and diversity are highly valued. We are respectful, fair, and inclusive. We honor our rich heritage while embracing the future. Kirkland strives to be a model, sustainable City that values preserving and enhancing our natural environment for our enjoyment and future generations.



HOW THE BUDGET intersects with your life

Potholes. Some residents base their entire opinion of their local government on the number of potholes they have to dodge as they drive on City streets. Actually, the condition of the streets is a logical indicator of local government's responsiveness to citizen's everyday lives.

And potholes are one of the more jarring intersections where residents collide directly with the City Budget.

If the City Council doesn't allocate enough tax dollars toward ensuring potholes are fixed quickly, the Council's priorities are called into question. But potholes are just a part of the entire process of creating a budget that meets the needs of the community and the priorities of the City Council.

Roads, tap water, emergency service response times and cracks in sidewalks count in that process too. Fire services, hazardous spill response, safe walk routes for kids to get to school and establishing a proactive police unit are just a few of the services covered under the City budget that intersect with the lives of our community members.

This book, the Budget in Brief, gives you a broad overview of what is

included in our City Budget for the 2017-2018 biennium.

This budget strives to be disciplined and conservative. This budget's theme is the same as the previous budget: **"Stay Steady, Get Ready."**

Revenues realized from the economic rebound have been carefully invested in services and public safety to keep up with growth. At the same time, the "Get Ready" side of the budget strategy is to replenish reserves and prepare for 2021 when the Annexation Sales Tax Credit

from the state expires at a loss of \$4 million per year in operating revenue.

As you glance through this book, you will see what money comes in and how it is allocated to create the safe, livable community of Kirkland. If you want more information, all the budget documents are on our website at www.kirklandwa.gov/budget and if you want to report a pothole just call our Public Works line at 425 587-3900.



BASIC VALUES
Integrity · Excellence
Respect for the Individual
Responsiveness



City of Kirkland **AT A GLANCE**

DEPARTMENT	NUMBER OF EMPLOYEES (FT)
City Council	7.00
City Manager's Office	11.10
Human Resources	9.20
City Attorney's Office	4.00
Municipal Court	18.75
Parks and Community Services	48.50
Public Works	128.05
Facilities Maintenance	7.95
Finance and Administration	35.30
Planning and Building	53.35
Information Technology	27.20
Police	140.00
Fire	114.50

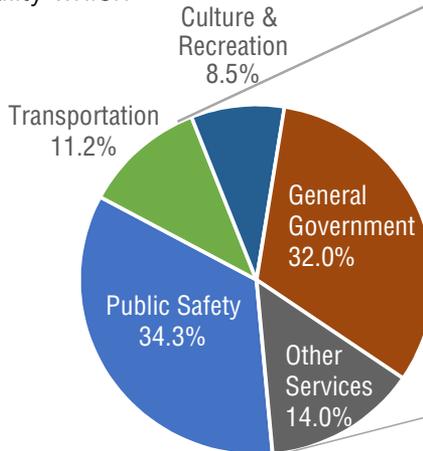
Total # of employees:



E'S)	TOTAL BIENNIAL EXPENDITURES
	1,069,632
	5,290,249
	3,095,006
	2,410,977
	5,009,367
	22,058,733
	136,136,785
	6,306,827
	9,926,690
	18,010,487
	12,181,634
	42,507,666
	50,749,837
604.90	

The City's Biennial Budget is comprised of 24 separate funds that are independently balanced (i.e. revenues equal expenditures) over a 2 year period and divided into four primary sections: General Government, Water/Sewer Utility, Surface Water Utility, and Solid Waste Utility.

Within each primary section there are operating and non-operating funds, with the exception of the Solid Waste Utility which is comprised of an operating fund only.

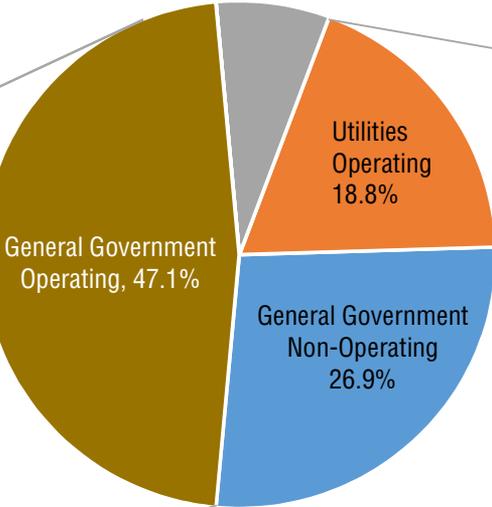


***General Government
Operating Budget \$327.7 million***

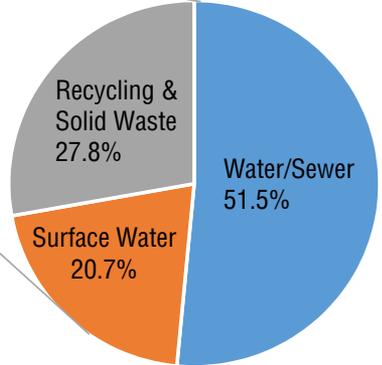
THE GENERAL GOVERNMENT revenue comes from taxes, fees and charges, and intergovernmental revenues. The services provided include public safety, street maintenance, development services, parks and recreation and human services. The non-operating part of the budget accounts for principal and interest payments on outstanding debt, capital improvements, and reserves.

How the **BUDGET WORKS**

Utilities Non-Operating 7.2%



All Funds Budget
\$695.8 million



Utilities Operating Budget
\$131.0 million

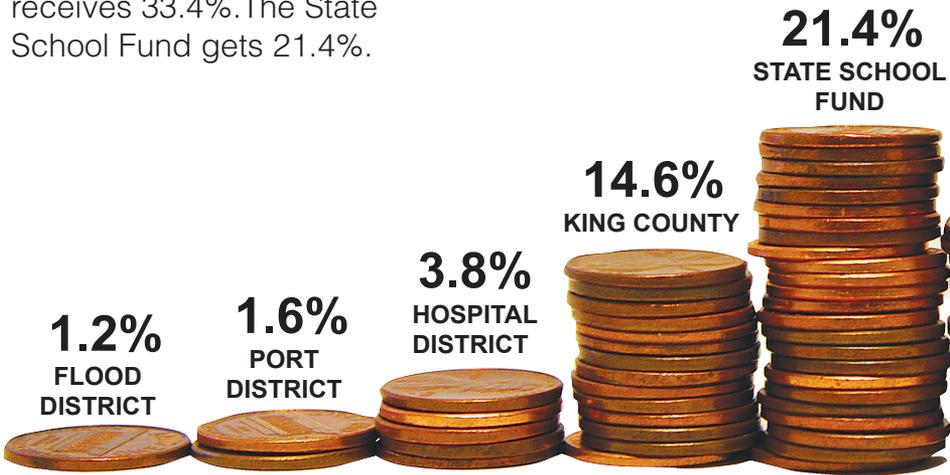
CAPITAL BUDGET – The 2017-18 budget also includes \$91.2 million in funding for major one-time infrastructure investments in roads, sidewalks, storm drains, water and sewer systems, parks, facilities, police equipment and fire stations. The significant, one-time nature of these projects requires a different approach in budgeting and they make up the bulk of the City’s budget outside of the funds described above.



BUDGET IN BRIEF

PROPERTY TAX IS ONE OF KIRKLAND'S MOST SIGNIFICANT SOURCES OF REVENUE.

It accounts for 17.2% of the General Fund. However, Kirkland receives only 13.8% of residents' property taxes. The other 86.2% is divided up between nine jurisdictions, such as King County, Evergreen Hospital, Port of Seattle and a flood district. Public education is the single biggest beneficiary of property taxes. The Lake Washington School District receives 33.4%. The State School Fund gets 21.4%.



DID YOU KNOW

State law limits Kirkland to an annual increase in the amount of inflation or by 1%, whichever is less, in the property tax levy. Only voters can give

WHERE PROPERTY TAXES GO

33.4%
LK. WASH.
SCHOOLS



13.8%
CITY OF
KIRKLAND



4.8%
LIBRARY
DISTRICT



2.8%
EMERGENCY
SERVICES
LEVY



2.6%
SOUND
TRANSIT



ase of its regular property tax levy revenue by
er is less. Taxes on new construction also add to
Kirkland the authority to exceed this limitation.

SALES TAXES

The City budget is based on a conservative estimate of no growth in sales tax revenue during the biennium (see page 14). This reflects the priorities of the City Council to budget conservatively and not to count on future growth in this volatile source. Sales tax revenues above projections are invested in capital projects and other one-time investments.

BUSINESS LICENSE FEES

Business License Fees consist of a base fee of \$100 and a revenue-generating regulatory license fee of \$105 per full-time equivalent employee. This is an increase of \$5 per employee to fund a proactive policing unit to enhance public safety. The revenue for 2017 and 2018 assumes a 1% increase in full-time equivalent employees at registered businesses. Businesses with fewer than 10 employees are exempt from the per employee fee in their first full year of operation.

UTILITY TAXES

Overall utility taxes are projected to grow slowly, influenced by market conditions and user rate changes. These taxes are applied to usage of telecommunications, cable, gas, electric, water/sewer, surface water and solid waste services.

INTEREST INCOME

The City's investment portfolio continues to realize modest returns consistently, although returns are improving as interest rates are slowly increasing.

DEVELOPMENT FEES

Local construction activity has been and will continue to be at a high level. Over the next few years, which will require City permitting and inspection resources to keep up with demand. The costs of these City services are anticipated to come in strong, contributing to the budget.

REAL ESTATE EXCISE TAX

Real Estate Excise Tax is generated by real property sales. Although the money is used for various purposes, the City will use some of these tax revenues to maintain parks and recreation. This funding was approved by the state legislature on a permanent basis in 2016.

**PROPERTY
TAXES**
17.17%
\$37,106,015



Sources of the **GENERAL FUND**



... with the continuation of historically low interest rates,

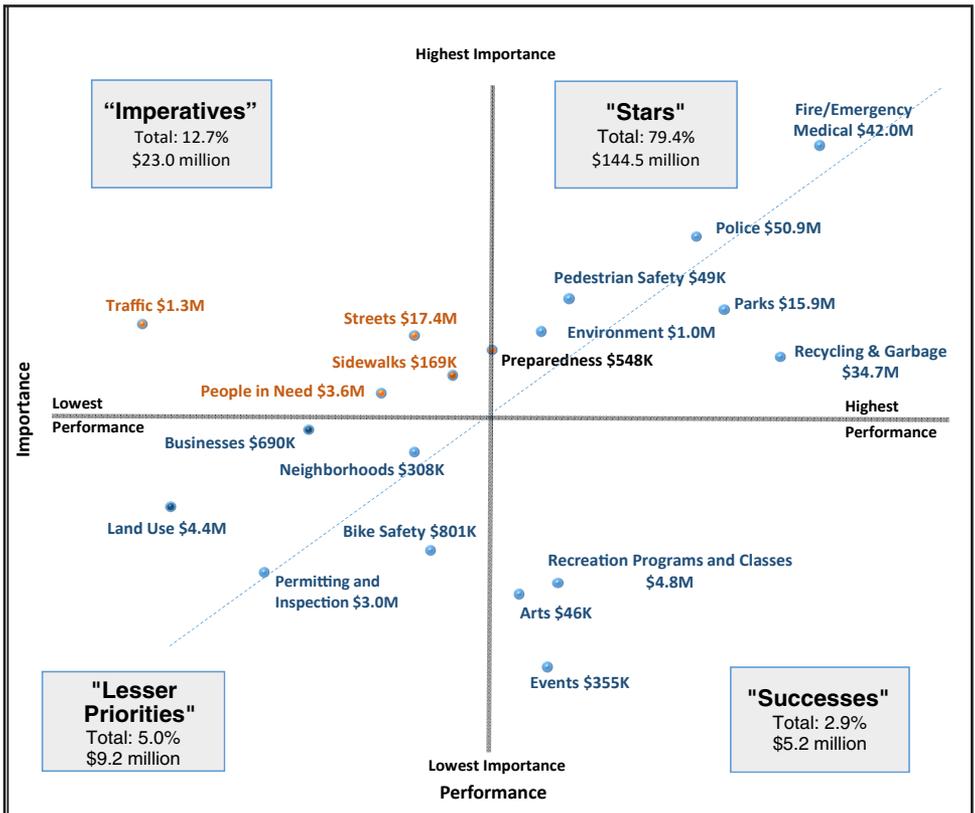
Activity is expected to remain high over the next two up with the demand. Development fees charged to persistent with the strength in construction economy.

majority is dedicated for capital construction during the upcoming biennium. This use of

Citizens offer **FEEDBACK IN 2016**

IN THE 2016 COMMUNITY SURVEY, RESIDENTS RANKED THE IMPORTANCE AND PERFORMANCE OF KIRKLAND'S SERVICES.

Every two years, the City surveys a statistically valid portion of Kirkland citizens and asks them to rank the importance of City services. The 2016 survey results (the 'Kirkland Quad') are shown in this chart:



Kirkland's **LEADERS RESPOND**

FOR THE 2017-2018 TWO-YEAR BUDGET, KIRKLAND LEADERS RESPONDED TO CITIZEN FEEDBACK.

The Kirkland Quad is designed to rank citizen satisfaction with City services and gives the Council a guideline for their budget investment strategies. The quadrants are described below.

STARS

These are the highest priorities as indicated by the citizen survey and include public safety, recycling and garbage pick-up, pedestrian safety, the environment, emergency preparedness and City parks. The City has invested \$144.5 million in these services, which is a \$3.8 million increase over the 2015/2016 budget.

SUCCESSSES

The services in this category, recreation programs and classes, the arts and events are valued by the community as indicated in the survey and respondents feel the City is investing adequately. Investments in these services total \$5.2 million in this biennium, a \$300,000 increase over the 2015/2016 budget

IMPERATIVES

Survey respondents have indicated that these service categories, traffic, streets, sidewalks and people in need, are highly important to their daily lives. The Council recognizes that investments made in this quadrant need constant attention and they have invested \$23 million in this budget. This is a \$300,000 decrease from the 2015/2016 budget which included several large capital investments.

LESSER PRIORITIES

These services are noted by survey respondents as important City functions but not as important as services in the other quadrants. Business retention and neighborhoods are at the top of this group while zoning and land use, bike safety and permitting and inspection are less likely to touch the lives of everyday citizens. Still, they are the backbone of defining our community and keeping standards high. The Council has invested \$9.2 million in these services in this budget. This is a \$600,000 increase from the 2015/2016 budget.

Stay steady GET READY

BUDGET PREPARES FOR EXPIRING FUNDING SOURCE

This budget acknowledges the need for investments in public safety but also prepares for the expiration of a major temporary General Fund revenue source. Beginning in 2021, the City will no longer receive a tax credit to partially cover costs of services in the area annexed in 2011. Totalling approximately \$4 million per year in the 2015-2016 budget, the loss of this revenue represents a major portion of the gap between future revenues and expenditures shown below in the chart of the City's General Fund forecast. To prepare, City leaders have adopted a fiscally conservative strategy, including:

- ◆ Budgeting sales taxes with a modified two-year lag, which means the 2017 and 2018 sales tax collections are equal to estimated collections for 2016.
- ◆ New service packages are largely funded with reductions to other areas or new revenues.
- ◆ Planned contributions to the City's financial reserves, bringing balances to almost 96% of target levels by the end of the biennium.
- ◆ The Healthy Kirkland plan, which packages a high-deductible consumer-driven health plan and an employee clinic to curb employee health cost growth. During its first year of operation, the plan avoided more than \$1 million in projected health care expenditures increase.

GENERAL FUND FORECAST (based on preliminary 2017-2018 budget)

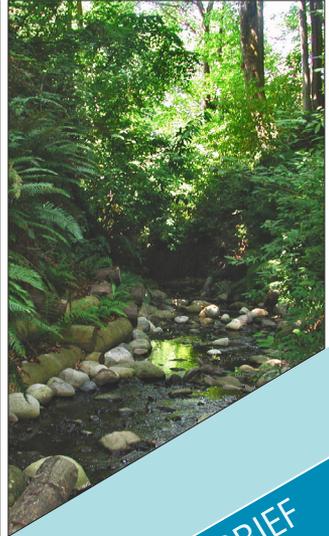


The above chart demonstrates a balance between Kirkland's resources and its expenditures in the current biennium.

Investing in **PUBLIC SAFETY**

The most fundamental duty of the government, and the top priority of our residents, is to protect public safety. To keep residents, employees and buildings safe, this budget invests in new police resources including a proactive police unit to follow crime trends. Firefighters will also see investments in new stations, equipment and vehicles they need to perform their jobs.

But public safety doesn't stop there, this budget also invests meaningfully in pedestrian and bike safety, and environmental protection, particularly in the area of water quality and storm water protection.



2017-2018 COUNCIL WORKPLAN

- Renovate Fire Station 25, construct new Station 24, and site new Station 27 to further the goals of **Public Safety and Dependable Infrastructure**.
- Explore potential ballot measures for Fire Station modernization and public safety operations to further the goals of **Public Safety, Dependable Infrastructure and Financial Stability**.
- Facilitate Community Policing through implementation of Police Strategic Plan to further the goals of **Public Safety and Neighborhoods**.
- Fund capital investments to support growth in Totem Lake Urban Center to further the goals of **Economic Development, Balanced Transportation, Parks, Open Spaces and Recreational Services**.
- Partner with Sound Transit, the State Department of Transportation and King County Metro Transit to ensure that investments along I-405 serve Kirkland's mobility needs to further the goals of **Balanced Transportation, Economic Development**.
- Partner with A Regional Coalition for Housing, churches and non-profits to construct a permanent women and family shelter in Kirkland to further the goals of **Human Services and Housing**.



Plan the work **WORKTHEPLAN**

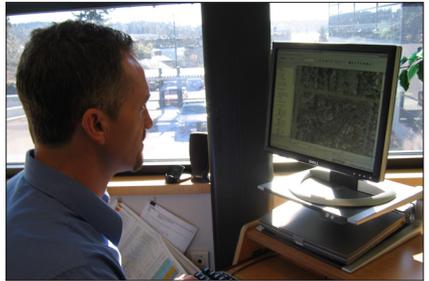
- Implement the Cross Kirkland Corridor Master Plan focused on the Totem Lake Connector and South Kirkland Park and Ride connection to further the goals of **Balanced Transportation, Parks, Open Spaces and Recreational Services, Economic Development, Neighborhoods.**



- Expand Maintenance Center capacity to meet the service needs of the larger City to further the goals of **Dependable Infrastructure, Parks, Open Spaces and Recreational Services.**



- Procure a new solid waste contract and engage King County and Kirkland residents to determine the future of the Houghton Transfer Station and Houghton Landfill to further the goals of **Environment and Dependable Infrastructure.**



- Replace the City's core financial and human resources software to further the goal of **Financial Stability.**

- Enhance resident and business engagement in Kirkland through community-based initiatives that foster a safe, inclusive and welcoming City and a love of Kirkland to further the goals of **Public Safety, Neighborhoods and Economic Development.**



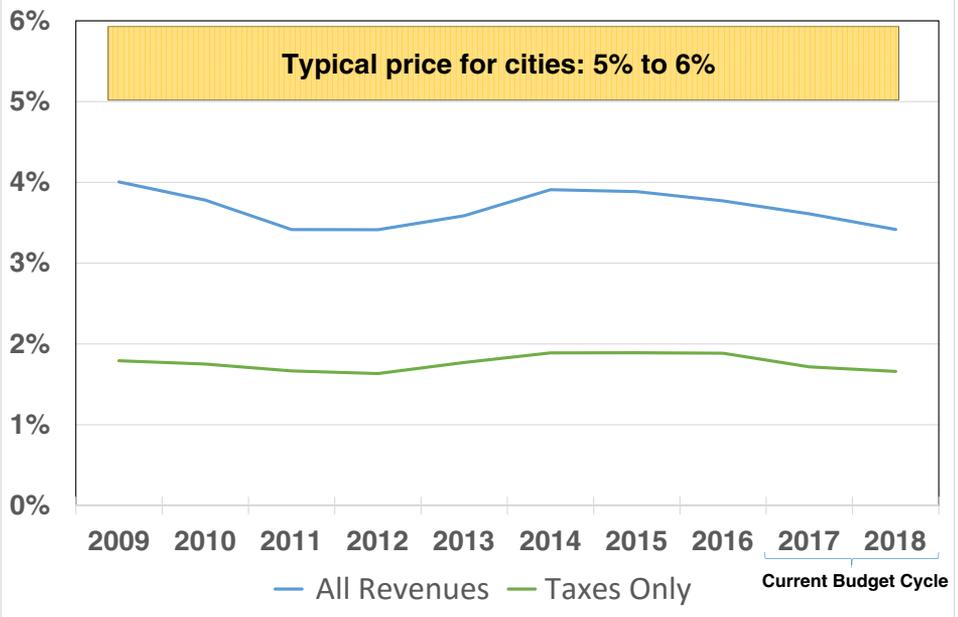
Keeping services **AFFORDABLE**

KIRKLAND'S TOTAL REVENUE AS A PERCENTAGE OF PERSONAL INCOME CONTINUES TO SHOW THE AFFORDABILITY OF CITY SERVICES.

The graph below illustrates Kirkland's Price of Government over the past six years and its projection for this two-year budget cycle.

Some jurisdictions use the 'Price of Government' to compare revenues from taxes and fees to the total personal income level of the City's constituents. In general terms, the calculation is used to help define a band in which residents are willing to pay for government services. Many jurisdictions target, as their goal, between 5% and 6%. Kirkland's price is well below that level, hovering around 3.6%.

THE PRICE OF GOVERNMENT (City of Kirkland)



Affordable HOUSING

Affordable housing is a high priority for the City Council. They have adopted legislation that supports affordable housing by:

- ◆ Exempting impact fees for low-income units
- ◆ Requiring affordable housing units in market rate developments
- ◆ Allowing multifamily tax exemptions where affordable housing units are provided
- ◆ Prohibiting discrimination against those using Section 8 Housing Choice Vouchers

The City is a member of A Regional Coalition for Housing (ARCH), a nationally recognized organization supporting the efforts of its member cities to create affordable housing throughout East King County. This budget directs \$209,200 to ARCH, ongoing funding of \$250,000 from Community Development Block Grants, and a \$630,000 contribution to the Trust fund as well as an additional \$200,000 of one-time funding for the Trust fund.

The Council has also directed a portion of the proceeds of the sale of the City's 505 Market Building (\$850,000) to help finance a future 24 hour facility in Kirkland for women and families with children experiencing homelessness. The shelter will provide a pathway to housing including meals, laundry, showers and access to health, employment and housing resources.

The project is a cooperative effort between the City of Kirkland, ARCH, Catholic Community Services, The Sophia Way, King County, Salt House, Holy Spirit Lutheran Church and New Bethlehem Project. The hope is to break ground fall 2018.





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