

King Countywide 2014 FHWA Grant Program Application

Important: Please review the following information before beginning the application.

Definition of a project: For the purposes of this competition, a project must be clearly defined by geographic limits and/or functionality. If a project contains multiple components, the sponsor must clearly indicate how they are logically connected to one another. A project with multiple geographic locations must demonstrate their functional relationship (for example, signal coordination work in various locations tied together through a traffic control center).

Projects that include multiple components or sponsors are allowed to be submitted, but the scope of work, funding amounts and schedules for each individual agency and/or component must be clearly identified at the time of application. If awarded PSRC funds, these projects may be separated into their individual components or lead agency in the regional Transportation Improvement Program. Each individual TIP project will be subject to PSRC's project tracking policies and will be administered according to the scope of work and funding awarded for each. If you have questions please contact Kelly McGourty at (206) 971-3601 or kmcgourty@psrc.org.

Resources: A [resource document](#) has been developed to assist sponsors in completing this online application for the 2014 project selection process. The document summarizes information needed by sponsors to complete applications, as well as provides useful information on various topic areas such as financial constraint and project tracking requirements.

Submitting Applications: The importance of complete and accurate information on every application cannot be overemphasized. The evaluation and scoring of all submitted projects will be based on the answers provided in this application.

All applications must be submitted by **11:59p.m. May 7, 2014.**

Project Information

Project Title

100th Ave Improvements

Transportation 2040 ID#

N/A

The current list of investments that are required to be on the Transportation 2040 Regional Capacity Project List and have a designated ID # can be accessed at Appendix N of the 2014 Transportation 2040 Update, [here](#). If your project is exempt from this requirement, please enter "N/A." Helpful information on those exempt investments that are considered programmatic in nature or are on local facilities and therefore not required to be on the Project List can be found [here](#).

For assistance or questions regarding these issues, contact Kimberly Scrivner at 206-971-3281 or kscrivner@psrc.org.

Sponsoring Agency

City of Kirkland

Co-Sponsoring Agency

-

Does sponsoring agency have "Certification Acceptance" (CA) status from WSDOT?

More information on certification acceptance and a listing of current CA agencies can be found [here](#).

Yes

No

If not, which agency will serve as your CA sponsor?

-

Contact Information

Project Contact Name

Dave Snider

Project Contact Phone

425-587-3832

Project Contact Email

jelsom@kirklandwa.gov

Project Description

Project Scope

Please describe clearly and concisely the individual components of this project. What will be the specific outcome of this project? What will be built, purchased or provided with this grant request? For example, if this is part of a larger project, please be specific as to what portion on which the grant funds will be used.

Requested funding is to complete design and environmental for identified corridor improvements along 100th Ave NE from NE 132nd Street to NE 145th St. Improvements include: adding bicycles lanes, completing gaps in sidewalk, lighting improvements, adding a center left turn lane, rechannelization and improvements at signalized intersections; including, adding equipment to facilitate traffic signal coordination.

Project Justification, Need, or Purpose

Please explain the intent, need or purpose of this project. For example, what is the goal or desired outcome?

100th Ave NE connects the north and south Juanita Business districts and leads to downtown Kirkland (south), Bothell (north) and SR522. The roadway transitions from a five-lane corridor with two lanes in each direction, sidewalks on both sides and a two-way-left-turn (TWLT) lane to a two lane roadway with no TWLT and no sidewalks on either side. The lack of a TWLT lane causes significant backups for vehicles. In the 2009 Active Transportation Plan NE 100th Ave is identified as a major bike corridor; however, currently there are no designated bike facilities (i.e. sharrows or bike lanes) to accommodate bicyclists' travel needs. Currently, drivers experience long delays traversing through this corridor in both AM and PM peak periods. The lack of sidewalk and bike facilities requires pedestrians and bicyclists to use the widened paved shoulder for their travel needs. The accident rate for this segment of roadway is abnormally high compared to similar urban arterials throughout King County.

Collision data collected from January 2012 through December 2013 includes a total of 100 collisions for the roadway segment on 100th Avenue NE from NE 132nd Street to south of NE 145th Street. The two most frequent collision types are rear-end and turning-traffic related collisions. Over one third of all collisions occurred between the hours of 3:30 PM and 6:30 PM. These can be related to heavy congestion during these three hours. In addition, according to the collision data, three pedestrian accidents were reported during the two year period. Two were caused by vehicles failing to yield to pedestrians in crosswalks at the signalized intersection of NE 137th Street. The third was caused by a vehicle using the roadway shoulder to bypass another vehicle and hitting a pedestrian walking on the roadway shoulder. If improvements aren't made as traffic demand increases, population growth continues, redevelopment in the surrounding communities occurs and additional travelers divert around the lake to avoid tolling on SR-520, accidents will continue to increase.

Funding will address the safety issues that have been identified through the community outreach process. The Project will design a corridor that includes a TWLT, sidewalks, and bike lanes in both directions where the corridor transitions to only two lanes. This segment of the corridor serves a mix of local commercial, residential, and institutional land uses throughout the day and commuters during AM and PM peak periods. The corridor serves approximately 19,000 vehicles daily.

The goal of the project is to provide a continuous barrier free non-motorized connection, improve congestion, reduce accidents, eliminate safety hazards for all modes, improve access for all modes and promote the use of non-motorized travel between north and south Juanita business districts; connecting local business centers, transportation facilities, neighborhoods, parks and to regional trails (leads to the Sammamish River Trail).

Project Location

Project Location

For example, please include street, route or trail name, or other identifiable location.

100th Ave NE

Please identify the crossroad, milepost or landmark nearest the beginning and end of the project below, if applicable.

Crossroad/landmark nearest to the beginning of the project:

NE 145th Street

Crossroad/landmark nearest to the end of the project:

NE 132nd St

Please identify the center(s), regional and local, the project is located in or supports.

Refer to PSRC's [centers page](#) for more information on the regional centers.

Local Centers Supported by this Project include:

North Juanita Business District

South Juanita Business District

The project also improves access to the Totem Lake Urban Center via NE 132nd Street

Federal Functional Classification

Roadways must be approved on the federally classified roadway system before projects on it may use federal transportation funds (this includes proposed new facilities), unless the project meets certain exceptions. Resources to identify a facility's functional classification or exceptions to this requirement may be found [here](#).

Please select the appropriate project category (rural or urban) followed by the corresponding functional classification.

Urban Functional Classification (Population over 5,000)

You have selected Rural. If this is not the appropriate classification, please go back and change your selection.

Please select the appropriate rural classification.

You have selected Urban. If this is not the appropriate classification, please go back and change your selection.

Please select the appropriate urban classification.

14 Principal Arterial

Plan Consistency

All projects must be consistent with a comprehensive plan that has been certified by PSRC as being consistent with the Growth Management Act, VISION 2040 and Transportation 2040. Projects must be consistent with the comprehensive plan of each jurisdiction in which the project is located. If a comprehensive plan has not been certified, projects located in that jurisdiction may not be included in the Regional TIP. For more information, please refer to [PSRC's Plan Review](#) page or contact Yorik Stevens-Wajda at 206-464-6179

Is the project specifically identified in a local comprehensive plan?

Yes

No

If yes, indicate 1) plan name 2) relevant section 3) page number.

The City of Kirkland's Comprehensive plan was last certified by PSRC March 2014. The 100th Ave NE Corridor Study is identified in this plan as ST20-24 PG IX-34, the Project we are requesting funding for was identified in the Corridor Study and is consistent with the following Goals and Policies within the Transportation IX section of the City's Comprehensive plan:

FG-9 Provide safety and accessibility for those who use alternative modes of transportation within and between neighborhoods, public spaces, and business districts and to regional facilities.

FG-10 Create a transportation system which allows the mobility of people and goods by providing a variety of transportation options.

Goal T-4: Establish and maintain a roadway network which will efficiently and safely provide for vehicular circulation.

Policy T-2.3: - Increase the safety of the non-motorized transportation system by removing hazards and obstructions and through proper design, construction, and maintenance, including retrofitting of existing facilities where needed. Safety considerations should be paramount when planning pedestrian and bicycle routes.

Policy T-2.4: PG IX-10 Design streets with features that encourage walking and bicycling. To promote the nonmotorized system and alternative modes to the single-occupant vehicle, streets should include pedestrian and bicycle facilities. Consistent with the City's Complete Streets policies, bicycle and pedestrian ways should be accommodated in the planning, development and construction of transportation

facilities.

Policy T-4.1: Promote efficient use of existing rights-of-way through measures such as: Intersection improvements; Time-of-day parking restrictions along congested arterials; Signal timing optimization; Added center left-turn lanes; and Limiting left turns along congested arterials.

If no, describe how the project is consistent with the applicable local comprehensive plan, including specific local policies and provisions the project supports.

Category Specific Questions

Select one of the following three criteria categories that best fits your project.

Corridor Serving Center(s)

NOTE: Once a selection is made, you will be taken to a new page to enter additional information based on the category selected.

Designated Regional or Local Center

You have selected Designation Regional or Local Center. If this is not the appropriate classification, please go back and change your selection. In the sections below, please provide complete but concise responses, addressing as many bullet points as possible. The evaluation and scoring of all submitted projects will be based on the answers provided by the sponsor. Refer to the [2014 King Countywide Project Evaluation Criteria](#) for PSRC's FHWA Funds in the King Countywide Call for Projects for guidance, examples, and details on scoring for additional information.

A1. Regional or Local Center Development

Please address the following:

- Describe how the project will support the existing and planning housing/employment densities in the regional or local center.
- Describe how the project will support the development/redevelopment plans and activities of the center. Please provide a citation of the corresponding policies and/or specific project references in a subarea plan or in the comprehensive plan.
- Describe how the project will support the establishment of new jobs/businesses

or the retention of existing jobs/businesses including those in the industry clusters identified in the adopted Regional Economic Strategy.

A2. Project's Benefit to the Regional or Local Center

Please address the following:

- Describe how the project remedies a current or anticipated problem (e.g. congestion, incomplete sidewalk system, inadequate transit service/facilities, modal conflicts and/or the preservation of essential freight movement)?
- Describe the user groups that will benefit from the project. User groups may include commuters, residents, commercial users, those groups identified in the President's Order for Environmental Justice, seniors, people with disabilities, and/or areas experiencing high levels of unemployment or chronic underemployment.

A3. Circulation Within the Regional or Local Center

Please address the following:

- Describe how the project improves safe & convenient access to major destinations within the center, such as by completing a physical gap or providing an essential link in the transportation network for people and/or goods.
- Describe how the project will improve circulation and enhanced opportunities for active transportation within the center regarding (address each relevant area): walkability, public transit access, public transit speed and reliability, safety & security, bicycle mobility, bicycle facilities, streetscape improvements, traffic calming, etc.
- Describe how the project provides users (e.g. employees, residents, customers) a range of travel modes or provides a "missing" mode.
- If the project has a parking component, describe how it has been designed to be

compatible with a pedestrian oriented environment, including any innovative parking management tools.

Manufacturing/Industrial Center

You have selected Manufacturing/Industrial Center. If this is not the appropriate classification, please go back and change your selection. In the sections below, please provide complete but concise responses, addressing as many bullet points as possible. The evaluation and scoring of all submitted projects will be based on the answers provided by the sponsor. Refer to the [2014 King Countywide Project Evaluation Criteria](#) for PSRC's FHWA Funds in the King Countywide Call for Projects for guidance, examples, and details on scoring for additional information.

B1. Development and Users Benefit

Please address the following:

- Describe how the project will benefit or support the development plans and activities of the manufacturing/industrial center. Please provide a citation of the corresponding policies and/or specific project references in a subarea plan or in the comprehensive plan.
- Describe how the project will support the establishment of new jobs/businesses or the retention of existing jobs/businesses, including those in the industry clusters identified in the adopted Regional Economic Strategy.
- Describe the user groups that will benefit from the project. User groups may include commuters, residents, commercial users, those groups identified in the President's Order for Environmental Justice, seniors, people with disabilities, and/or areas experiencing high levels of unemployment or chronic underemployment.

B2. Mobility and Accessibility Benefit

Please address the following:

- Describe how the project provides and/or enhances opportunities for freight movement.
- Describe how the project completes a physical gap, provides an essential link, or removes a barrier in the Freight & Goods component of the Metropolitan Transportation System.
- Describe how the project improves safety and reduces modal conflicts to help achieve a seamless system.
- Describe how the project improves access for one or more modes to major employment sites, including opportunities for active transportation.
- Describe how the project promotes Commute Trip Reduction (CTR) and other TDM opportunities.

Corridor Serving Center(s)

You have selected Corridor Serving Center(s). If this is not the appropriate classification, please go back and change your selection. In the sections below, please provide complete but concise responses, addressing as many bullet points as possible. The evaluation and scoring of all submitted projects will be based on the answers provided by the sponsor. Refer to the [2014 King Countywide Project Evaluation Criteria](#) for PSRC's FHWA Funds in the King Countywide Call for Projects for guidance, examples, and details on scoring for additional information.

C1. Benefit to Regional, Local, or Manufacturing/Industrial Center

Please address the following:

- Describe how this project will benefit or support the housing and employment development in a regional or local center(s) and/or employment growth in a manufacturing/industrial center(s). Does it support multiple centers? Please provide a citation of the relevant policies and/or specific project references in a subarea plan or in the comprehensive plan.
- Describe how the project provides or benefits a range of travel modes to users traveling to/from centers, or if it provides a missing mode.
- Describe the user groups that will benefit from the project, including commuters, residents, commercial users, those groups identified in the

President's Order for Environmental Justice, seniors, people with disabilities and/or areas experiencing high levels of unemployment or chronic underemployment.

- **Describe how the project will support the establishment of new jobs/businesses or the retention of existing jobs/businesses including those in the industry clusters identified in the adopted Regional Economic Strategy.**

Proposed improvements along 100th Ave NE are adjacent to much of the local north Juanita Business District and improves access to the south Juanita Business District and to the Totem Lake Urban Center via 132nd Street. This Project will convert a corridor that is auto oriented into a corridor where cars and bicycles, transit and pedestrians can all travel comfortably and safely. The Project will add pedestrian and bicycle connection where currently there are none, filling in a key missing link in the walking and bicycle network. The Project will provide continuous non-motorized access to two local business districts, north & south Juanita; to Downtown Kirkland and will provide indirect access to the Sammamish River trail in Bothell via Simonds road, and to the Totem Lake Urban Center via NE 132nd Street. Once completed there will be a continuous sidewalk in both directions from Kirkland's Boundary to the north all the way south to Bellevue via downtown Kirkland.

The City of Kirkland's comprehensive plan identifies several goals and values for the Juanita Business District that this Project supports PG XV 1-19; including,

- (2) Make intersections safer and more efficient.
- (3) Establish bicycle facilities.
- (5) Reduce the negative effects of traffic on pedestrian activity and street qualities where possible.

Design guidelines and regulations call for mixed-use residential and commercial development, buildings designed with the pedestrian in mind (pedestrian oriented business districts) (page XV 1-27), walkable neighborhoods and complete streets. The majority of the Juanita Village project in the South Juanita Business District has been completed. Juanita Village will contain a mix of residential and ground floor retail; adding approximately 179,990 square feet of residential space and 8,700 square feet of retail space. In order for this vision to be realized safe access for all modes is necessary.

The project will provide increased transportation options to benefit a broad range of users, including residents, students, recreational users and commuters. Also, minority groups, seniors and economically-disadvantaged populations. There are two High Schools, Juanita & Inglemoor that are served by 100th AVE NE; the student demographics of these schools, give insight as to the neighboring communities that will be most impacted by these improvements. The Juanita High School student body is composed of 67% Whites, 12% Asian, 13% Asian/Pacific Islanders and 12% Hispanic; 23% of the students receive free or reduced lunch. Inglemoor High School student body is similar with 68% Whites, 16% Asian, and 17% Asian/Pacific Islanders and 8% Hispanic; 15% of the students receive free or reduced lunch. In addition, there are several senior living facilities in the vicinity that will benefit from these improvements; including: Bethell adult family home, Gentlecare Adult Family Home, and Finn Hill Haven Adult Home. Proposed improvements will improve access for several modes of transportation including; Non-motorized users, transit users and those traveling via personal vehicle. This segment of the corridor serves a mix of local commercial, residential, and institutional land uses throughout the day and commuters during AM and PM peak periods. The corridor serves approximately 19,000 vehicles daily.

Currently, the lack of a TWLTL lane forces left-turning vehicles to sit in the travel lane until an adequate gap in the opposing traffic will allow for the turning movement. Impatient drivers queued behind the left-turning traffic sometimes use the paved shoulder to pass; putting pedestrians and bicyclist using the shoulder at risk. The addition of a TWLTL will improve congestion; by allowing vehicles a designated refuge for left turning traffic into and out of access points through traffic will have the ability to flow

freely. Intersection improvements will improve signal throughput by moving more traffic during some signal intervals and improving pedestrian safety by reducing traffic turning through crosswalks during pedestrian intervals. Signal coordination will also improve safety for vehicular traffic by reducing the higher collision rate that occurs during long traffic queue times.

The addition of sidewalks and bike lanes will eliminate the ability for vehicles to use the shoulder to maneuver around other vehicles; this will significantly improve access and safety for non-motorized users. In addition, sidewalks provide a physical barrier between pedestrians and vehicles and bike lanes provide an added buffer for pedestrians between them and the roadway. Bicycle only space will remind drivers that bicyclists are roadway users too and will allow them to move at their own pace without slowing traffic. In addition, providing non-motorized access to the many King County Metro bus stops along 100th Ave NE will benefit transit riders.

C2. System Continuity/Long-Term Benefit and Sustainability

Please address the following:

- Describe how this project supports a long-term strategy to maximize the efficiency of the corridor, including TDM and TSM opportunities. Describe the problem and how this project will remedy it.
- Describe how this project provides a “logical segment” that links to a regional, local, or manufacturing/industrial center.
- Describe how the project fills in a missing link or removes barriers to/from a center.
- Describe how this project will relieve pressure or remove a bottleneck on the transportation system and how this will positively impact overall system performance.
- Describe how this project improves safety and/or reduces modal conflict, and provides opportunities for active transportation.

100th Ave NE is the gateway to the city and connects Kenmore, Bothell and Kirkland. Many commuters use this roadway as a route to the Totem Lake Urban Center and to I-405; but it also provides access to Juanita business districts for local residents. This Project is on the northern end of a corridor that extends north-south from Bellevue to Bothel via Kirkland. Passing through many local centers; including, Downtown Kirkland and the north and south Juanita Business Districts. It connects non-motorized improves on the 520 bridge to the Sammamish River Trail in Bothel. This is one of the major bicycling corridors on the eastside running north-south, on street bicycle lanes are marked on Lake Washington Boulevard to Downtown Kirkland and again on Market Street to Juanita. Redevelopment has allowed widening and marking of bicycle lanes in most areas north of NE 116th Street. The City recently

completed bicycle, pedestrian and traffic improvements on 100th Ave NE, between NE 124th Street and NE 132nd Street. This Project will extend recent improvements and will design bike lanes, sidewalks, and a center left turn lane from NE 132nd Street to NE 145th Street.

The local and regional non-motorized networks will benefit from the completion of this link, as it will better join the Sammamish River Trail, the SR 520 trail, Kirkland, Bellevue and Bothell. It has been the experience of Portland, Vancouver BC and various European cities that when facilities for cyclists are improved, cycling volumes increase. The project will make significant progress towards completing a missing link. Improvements will make a significant difference to the non-motorized experience of many who currently avoid this route because it does not have adequate facilities.

The Project will significantly improve safety and modal conflicts for all users. The lack of sidewalk and bike facilities requires pedestrians and bicyclists to use the widened paved shoulder for their travel needs. The wide shoulders at this section give bicyclists and pedestrians a false sense of security. Vehicles use shoulders as an extension of the roadway in order to traverse around vehicles waiting to turn left. Over the last two years (Jan 2012 – Dec 2013) three pedestrian accidents were reported. Two were caused by vehicles failing to yield to pedestrians in crosswalks at signalized intersection and the third was caused by a vehicle using the roadway shoulder to bypass another vehicle. Providing pedestrian and bicycle designated space will provide a separation between vehicles and other users and will improve safety. The accident rate for this segment of roadway is abnormally high compared to similar urban arterials throughout King County. Collision data collected from January 2012 through December 2013 includes a total of 100 collisions for the roadway segment on 100th Avenue NE from NE 132nd Street to south of NE 145th Street. The two most frequent collision types are rear-end and turning-traffic related collisions. Over one third of all collisions occurred between the hours of 3:30 PM and 6:30 PM. These can be related to heavy congestion during these three hours. Currently, drivers experience long delays traversing through this corridor in both AM and PM peak periods. Intersection improvements as well as a two way center turn lane will improve traffic flow and reduce modal conflict between vehicles as well as vehicles and non-motorized users.

The goal of the project is to provide a continuous barrier free non-motorized connection, improve congestion, reduce accidents, eliminate safety hazards for all modes, improve access for all modes and promote the use of non-motorized travel between north and south Juanita Business Districts; connecting local business centers, transportation facilities, neighborhoods, parks and to regional trails (leads to the Burke Gilman Trail, via Simonds Road).

Analysis shows significant traffic and safety improvements along the corridor; travel time will decrease due to a reduction in the number of stops for both northbound and southbound directions of travel and the average speed along the corridor will increase for both directions of travel. Overall the Project would significantly improve safety for several modes of transportation; including vehicles, cyclists and pedestrians. The addition of sidewalks provides a physical barrier between pedestrians and vehicles and bike lanes allow cyclist to move at their own pace without slowing traffic.

Air Quality and Climate Change

You have not selected a category and these questions were skipped. Please go back and make your selection.

Additional guidance on the evaluation of air quality and climate change benefits is available [here](#), in addition to the information contained in the [2014 King Countywide FHWA Project Evaluation Criteria](#).

Please describe how your project will reduce emissions. Include a discussion of the population served by the project (who will benefit, where, and over what time period). Specific questions have been prepared to assist you in responding to this criterion depending on the type of project.

Please select all of the elements in the list below that are included in the project's scope of work, and provide the requested information in the text box below.

- Diesel Particulate Emissions Reduction Projects (e.g. diesel engine retrofits)
- Roadway Capacity (general purpose and high occupancy lanes)
- Transit
- Bicycle/Pedestrian Facilities
- Intelligent Transportation Systems (signalization, etc.)
- Alternative Fuels or Vehicle Technology
- Other

- Diesel Particulate Emissions Reduction Projects: Describe the types of vehicles, vessels, engines, duty cycles, etc. being addressed. Describe the emissions vintage of the existing engines, and the number of vehicles to be addressed. Describe how often they are used, where they are used, how much fuel is consumed annually and when the benefits from this project will occur.
- Roadway Capacity (general purpose and high occupancy lanes): Describe the roadway and travel conditions before and after the proposed project, including average daily traffic and travel speeds. Describe the potential for multimodal connections, shorter vehicle trips, etc. Describe the transit routes currently using the facility and anticipated in the future. Does this project connect to or expand an existing high occupancy vehicle or business access transit lane system? What is the length of the project and the population served? What source of data indicates the expected conversion of single occupant vehicle trips to transit or carpool?
- Transit (park-and-ride lots, new or expanded transit service, transit amenities, etc.): Describe the current transit ridership in the project area. Describe the current transit routes serving the project area, including average trip length. If a park-and-ride lot, how many stalls are being added? Describe how the amenities (or other components of the project) are expected to encourage new transit ridership and shift travel from single occupant vehicles to multimodal options. Describe the population served that will be expected to use the new/improved service. What source of data indicates the expected conversion of single occupant vehicle trips to transit?
- Bicycle/Pedestrian Facilities: Describe the length of the proposed facility, including connections to other nonmotorized facilities and to the larger nonmotorized system. Describe the expected travel shed (i.e., land use and population surrounding the project). Does the facility connect to transit? What is

the expected population served, and what source of data indicates the expected conversion of single occupant vehicle trips to this mode?

- Intelligent Transportation Systems: Describe the existing conditions in the area, including level of service, average daily traffic, average speed, etc. Describe how the project is expected to improve traffic flow through improved speeds, reducing idling, reducing accidents, etc. What is the percentage of heavy trucks using the facility? Does the project improve traffic flow for particular modes (e.g. HOVs) or types of vehicles (e.g. transit buses or freight trucks)? What are the transit routes along the corridor, and will this project improve transit reliability on the corridor?
- Alternative Fuels or Vehicle Technology: Describe the change in fuel or vehicle technology. How many vehicles are affected? What are the current conditions?
- Other: Describe how your project has the potential to reduce emissions through technology, improved management or other means, e.g. “no idling” signage & enforcement, auxiliary power units to operate heating, cooling & communications equipment, truck stop electrification, etc.

The corridor serves approximately 19,000 vehicles per day. The corridor serves as a main route around the north end of Lake Washington, a route between the City of Kenmore and the I-405 interchange and NE 160th Street and is impacted by regional traffic traveling around the north end of Lake Washington. Currently drivers experience long delays traversing through this corridor in both AM and PM peak periods. The addition of a TWLTL will improve congestion. Intersection improvements will improve signal throughput by moving more traffic during some signal intervals and reducing queuing. Improved traffic flow will reduce the number of vehicles idling and will reduce emissions.

100th ave NE is a King County Transit Route, enhancements to the corridor will improve access to the many bus stops along the corridor. In addition, providing easy convenient access to transit will increase ridership.

By providing safe access for non-motorized users the Project will encourage mode shift away from vehicles. It will encourage walking or biking to nearby stores from neighborhoods to run errands and other chores and will improve access to bus stops within the vicinity which will allow people to commute via transit, eliminating SOV trips. The perception of safety and convenience is one of the main reasons why people choose to drive. Improvements will provide bicycle only space and pedestrian only space with separation from other modes. Points of potential conflict between non-motorized users and vehicles will be significantly reduced.

The project has significant potential for increasing non-motorized use , as it will better join the Sammamish River Trail and the SR 520 trail. The project will encourage new users by providing facilities that conveniently connect to where people need or want to go and users feel safe.

Financial Plan & Project Readiness

In this section, sponsors will address questions regarding the PSRC funding request, the total estimated project cost and schedule, and the project's readiness to obligate PSRC funds. Sponsors should be aware of the following information before completing this section:

Funding Request: Sponsors may request funding for any single project phase, but requests for multiple phases are limited to preliminary engineering plus the subsequent phase necessary. I.e, a sponsor may request funding for both preliminary engineering and right of way phases or preliminary engineering and construction phases, but not both right of way and construction phases.

Funding Requirements: A minimum of 13.5% of local matching funds is required for both Surface Transportation Program (STP) and Congestion Mitigation and Air Quality Improvement Program (CMAQ) funding. The combination of the requested PSRC funds plus all other funding must be adequate to fully fund that phase. Requests that do not result in a phase being fully funded will be considered ineligible for PSRC funding.

Obligation Requirements: Per PSRC's project tracking policies, all project phases awarded PSRC funds must obligate by June 1st of the program year selected. For more information, see PSRC's project tracking policies [here](#).

PSRC Funding Request

Please identify the phase(s) for which PSRC funds are being requested, the funding source, the amount, and expected year of obligation. Confirm the total by pressing the calculate button.

Funding Source

STP

CMAQ

Phase

Preliminary Engineering/Design

Year

2015

Amount Requested

\$ 2,620,000

Total PSRC Funding Request:

\$ 2,620,000

Total Estimated Project Cost and Schedule

In the table below, please provide the total estimated cost and schedule for all phases of the project, from start to finish, and indicate when each phase was, or is planned to be, completed. If a phase is not required for the project, indicate with N/A.

Please include all funding amounts and sources (including the requested PSRC funds) and identify whether they are secure, reasonably expected, or unsecured. **PSRC's definitions and guidance for determining secure and reasonably expected funds may be found [here](#).**

NOTE: If you find that you need more rows than provided in the tables below, please fill out the supplemental project cost spreadsheet available [here](#) and upload in the area below.

Planning Phase

Please note, the planning phase of a capital project is considered to be part of the preliminary engineering phase. Complete this section only if this project is an independent planning study.

Funding Source	Funding Status	Funding Amount
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N/A

Total Planning Phase Cost:

\$ 0

Actual or estimated date of completion (month and year):

N/A

Preliminary Engineering/Design Phase

Funding Source	Funding Status	Funding Amount
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Local	Reasonably Expected	\$ 410,000
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PSRC - CMAQ	Unsecured	\$ 2,620,000
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Total Preliminary Engineering/Design Phase Cost:

\$ 3,030,000

Actual or estimated date of completion (month and year):

June 2017

Right of Way Phase

Funding Source	Funding Status	Funding Amount
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N/A

Total Right of Way Phase Cost:

\$0

Actual or estimated date of completion (month and year):

N/A

Construction Phase

Funding Source	Funding Status	Funding Amount
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N/A

Total Construction Phase Cost:

\$ 0

Actual or estimated date of completion (month and year):

N/A

Other Phase

Funding Source	Funding Status	Funding Amount
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N/A

Total Other Phase Cost:

\$ 0

Actual or estimated date of completion (month and year):

N/A

Project Summary

The calculated total project cost below is based on the entries completed above. Please review for accuracy before proceeding to ensure all funding is reflected.

Total Estimated Project Cost:

\$ 3,030,000

Estimated Project Completion Date (month and year):

June 2017

Financial Documentation

Please provide supporting documentation using the upload function below to demonstrate that all additional funds for the phase(s) for which PSRC funds are being requested are secure or reasonably expected.

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[oYF7tZpt December 2013 FMR Report.pdf](#)

Please describe the secure or reasonably expected funds identified in the supporting documentation. For funds that are reasonably expected, an explanation of procedural steps with milestone dates for completion which will be taken to secure the funds for the project or program should also be included.

For more information, refer to PSRC's [financial constraint guidance](#).

Upon receipt of grant funding, staff will seek City Council authorization to use existing General Capital Reserves. The City has sufficient General Capital Reserves to cover Kirkland's portion of the project. General Capital Reserves provide the city the ability to respond to unexpected changes, leverage funding for projects eligible for grant assistance, and accumulate funds for projects. Please see REET 1 & REET 2 reserves in Kirkland's recent Financial Management Report (attached) pages 10 & 11.

Project Readiness

PSRC recognizes that the complexity of some projects can trigger a variety of prerequisites that must be satisfied before federal funding is typically eligible to be obligated. The questions in this section are designed to identify those requirements and assist sponsors to:

- Identify which obligation prerequisites and milestones apply to their specific project.
- Identify which of these have already been satisfied at time of application.
- Provide an explanation and realistic completion date for all obligation prerequisites and milestones not yet completed.

In the following section, sponsors will be asked a series of questions about the project. Based on these responses, sponsors will be directed to the appropriate set of subsequent questions addressing the project's readiness.

NOTE: Sponsors applying for funds for only planning studies or preliminary engineering/design phases are not required to provide further information for project readiness and will be directed to the next required set of questions.

Project Readiness

Are you requesting funds for ONLY a planning study or preliminary engineering?

Yes

No

Is preliminary engineering for the project complete?

Yes

No

What was the date of completion (month and year)?

-

Have preliminary plans been submitted to WSDOT for approval?

Yes

No

When are preliminary plans expected to be complete and approved by WSDOT (month and year)?

-

Are there any other PE/Design milestones associated with the project? Please identify and provide dates of completion. You may also use this space to explain any dates above.

-

Project Readiness

What is the current or anticipated level of environmental documentation under the National Environmental Policy Act (NEPA) for this project?

- Environmental Impact Statement (EIS)
- Environmental Assessment (EA)
- Documented Categorical Exclusion (DCE)
- Categorical Exclusion (CE)

Has the NEPA documentation been approved?

- Yes
- No

Please provide the date of NEPA approval, or the anticipated date of completion (month and year).

-

Project Readiness

Will right of way be required for the project?

- Yes
- No

How many parcels do you need?

-

What is the zoning in the project area?

-

Discuss the extent to which your schedule reflects the possibility of condemnation and the actions needed to pursue this.

-

Does your agency have experience in conducting right of way acquisitions of similar size and complexity?

- Yes
- No

If not, when do you expect a consultant to be selected, under contract, and ready to start (month and year)?

-

In the box below, please identify all relevant right of way milestones, including the current status and estimated completion date of each. For example, these might include:

- True cost estimate of right of way
- Right of way plans (stamped)
- Relocation plan
- Right of way certification
- Right of way acquisition
- Certification audit by Washington State Department of Transportation Right of Way Analyst
- Relocation certification, if applicable

Project Readiness

Are funds being requested for construction?

Yes

No

Do you have an engineer's estimate?

Yes

No

Please upload a copy of your engineer's estimate below.

Identify the environmental permits needed for the project and when they are scheduled to be acquired.

Are Plans, Specifications & Estimates (PS&E) approved?

Yes

No

Please provide the date of approval, or the date when PS&E is scheduled to be submitted for approval (month and year).

When is the project scheduled to go to ad (month and year)?

Other Considerations

Please describe any additional aspects of your project not previously addressed in the application that could be relevant to the final project recommendation and decision-making process. In addition, please describe any innovative components included in your project: these could include design elements, cost saving measures, or other innovations.

File Submission

Please provide any additional supporting documents, including maps, through the upload functions below.

[6JMdxFY6 4. 100th Ave NE-Kirkland Vicinity Map.pdf](#)

[9pUFYVV2 Kirkland 100th Ave NE Site Map CMAQ Grant App.pdf](#)

[vR38C0if December 2013 FMR Report.pdf](#)

Final Review

Please review all application form questions to ensure you have completed all fields. An email containing a PDF version of the project application will be sent to the project contact upon submission.

NOTE: Sponsors may update and resubmit information included in the application until the May 7th deadline. After the deadline has passed, the form site will close and sponsors will not have access for revisions.



Financial Management Report as of December 31, 2013

AT A GLANCE:

The City of Kirkland's community based planning process for Kirkland 2035 (page 2 sidebar)

2013 year end revenues increased over 2012 (page 3)

Sales tax revenue growth slowed in the fourth quarter, compared to the third (page 5)

Unemployment continues to decrease, inflation is low and the housing market continues to improve (pages 7-8)

Inside this issue:

Expenditure Summary	2
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Reserve Summary	10-11

Summary of All Operating Funds: *Revenue*

- **General Fund** revenue ended 2013 **6.8 percent ahead** of 2012, an increase of \$5.2 million. Higher than expected revenues from sales tax and development services fees are primarily responsible for the increase in the General Fund. Actual revenues were higher than anticipated finishing the year at 105.9 percent of budget, even after mid-biennial budget revisions, which recognized an additional \$1.8 million in revenue. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- **Other General Government Funds** revenue finished the year **30 percent higher** than it was at the end of 2012, up over \$5 million. Every fund, with the exception of Facilities Maintenance, had increased revenues in 2013. The growth in revenues over 2012 is mostly due to new property tax revenues from the 2012 Parks and Streets levies. Actual revenue for other operating funds was **100.9 percent** of budget. The final revenue amount was close to the originally budgeted figure because the new revenues were included in the property tax calculation, which is a predictable revenue stream.

There were internal accounting changes for revenues of Water/Sewer, Surface Water, and Solid Waste utilities that contributed to the increases in revenues when comparing 2013 to 2012, however, there was no net increase to the ratepayer due to the change.

- The **Water/Sewer Operating Fund** actual 2013 revenue is **up 17.6 percent** over 2012 year-end due to an accounting change and rate increases; **102.1 percent of budgeted** revenue was collected in 2013 as water service rates were above budget in every category, particularly commercial water sales, likely due to a drier than average summer.
- The **Surface Water Management Fund** revenues finished 2013 at **100.4 percent of budget**. Revenues in 2013 were **8.5 percent higher** than they were in 2012, again due to accounting changes in the fund.
- The **Solid Waste Fund** finished the year with **100.6 percent of budgeted revenues**. This is 26.9 percent higher than in 2012, which is due to rate increases as well as the accounting change for utilities.
- Overall, in 2013 utility funds revenues were **up 18.6 percent** compared to 2012, and finished the year at **101.3 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
General Gov't Operating:								
General Fund	77,009,896	82,252,561	6.8%	76,241,634	77,699,996	1.9%	101.0%	105.9%
Other General Gov't Operating Funds	18,197,533	23,660,063	30.0%	18,954,113	23,452,068	23.7%	96.0%	100.9%
Total General Gov't Operating	95,207,429	105,912,624	11.2%	95,195,747	101,152,064	6.3%	100.0%	104.7%
Utilities:								
Water/Sewer Operating Fund	21,152,804	24,881,871	17.6%	20,540,187	24,374,608	18.7%	103.0%	102.1%
Surface Water Management Fund	8,536,233	9,261,443	8.5%	8,391,990	9,224,823	9.9%	101.7%	100.4%
Solid Waste Fund	12,648,398	16,052,639	26.9%	13,228,950	15,954,564	20.6%	95.6%	100.6%
Total Utilities	42,337,435	50,195,953	18.6%	42,161,127	49,553,995	17.5%	100.4%	101.3%
Total All Operating Funds	137,544,864	156,108,577	13.5%	137,356,874	150,706,059	9.7%	100.1%	103.6%



Efficient Use of Public's Time and Money Through the Kirkland 2035 Campaign

Visualizing Kirkland twenty years from now requires vision, creativity, knowledge and commitment. It also requires resources - time and money. The City is committed to use the public's resources and time efficiently. At the same time, Kirkland's future is important to everyone and the decisions made now will guide the community for generations to come.

The City's "Kirkland 2035: Your Voice, Your Vision, Your Future" initiative is a collaborative effort among all City departments to save time and money while providing a high level of public involvement. The City Council, boards and commissions and staff are in the process of updating the City's Comprehensive Plan, Transportation Plan, Parks and Open Space Plan and Surface Water Plan in addition to more focused plans for parks and roads and the Cross Kirkland Corridor. Rather than planning for public information and outreach independently, a staff team is working together to schedule joint public events, mailings and publications. The joint effort saves staff time and the public's time to stay up to date with the latest news.

In 2013, the City held two Community Planning Days where the public was able to learn about and provide input on all of the planning efforts currently underway. Nearly 350 residents and businesses participated. Those who attended appreciated the comprehensive subject matter, relaxed setting and interesting displays. A third similar event will be held in April 2014 where participants will be able to see how their input was used to shape the draft plans and help define the community's future.

Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures finished 2013 **up 6.5 percent** from the year before. Actual expenditures finished the year at **97.3 percent of budget**. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures were **up 3.5 percent** due to higher spending in all funds except Equipment Rental and Street Operating. Most of this increase is due to the 2012 Parks Levy funded maintenance operations which finished the year with \$900,000 of operating expenditures. Most of the new property tax revenue identified on page one was transferred for capital expenditures, and is not included in the expenditure table below. This is true for the remaining \$1.25 million in Parks Levy funding as well as most of the Streets Levy funding.

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

- **Water/Sewer Operating Fund** actual expenditures finished the year **23.2 percent higher** than they did in 2012. The majority of this increase is due to the accounting change, which has amounted to more than \$1.15 million of new pass-through expenditures from this fund. This was anticipated in the original budget, which is reflected in year-end expenditures being **99.3 percent of budget**.
- **Surface Water Management Fund** expenditures at the end of December 2013 were **16.7 percent higher** than at the end of 2012. These expenditures have increased due to the new accounting requirements for utility taxes that pass through this fund. Year-end expenditures were **lower than budgeted at 82.8 percent** of the yearly budget. The under-expenditures are primarily because of savings in salaries and professional services. However, most of the professional services savings were for projects budgeted in 2013 for which expenses will continue into 2014, such as the Surface Water Master Plan, meaning the budget may still be spent in its entirety during the biennium.
- **Solid Waste Fund** expenditures were **17.2 percent higher** in 2013 than in 2012. This increase is due to the timing of payments for the solid waste contract and the utility tax accounting change that was implemented for all utilities. Again, this was expected, although expenditures in the fund finished 2013 at **101.1 percent of budget**, as waste management disposal expenditures were higher than budgeted.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
General Gov't Operating:								
General Fund	67,966,001	72,383,205	6.5%	72,747,879	74,412,989	2.3%	93.4%	97.3%
Other General Gov't Operating Funds	16,624,151	17,207,142	3.5%	18,946,241	20,761,666	9.6%	87.7%	82.9%
Total General Gov't Operating	84,590,152	89,590,347	5.9%	91,694,120	95,174,655	3.8%	92.3%	94.1%
Utilities:								
Water/Sewer Operating Fund	16,862,062	20,767,593	23.2%	17,325,319	20,909,022	20.7%	97.3%	99.3%
Surface Water Management Fund	4,641,301	5,418,476	16.7%	5,495,211	6,546,354	19.1%	84.5%	82.8%
Solid Waste Fund	13,254,274	15,537,162	17.2%	13,135,052	15,374,063	17.0%	100.9%	101.1%
Total Utilities	34,757,637	41,723,231	20.0%	35,955,582	42,829,439	19.1%	96.7%	97.4%
Total All Operating Funds	119,347,789	131,313,578	10.0%	127,649,702	138,004,094	8.1%	93.5%	95.2%

General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in 2013 was **13.9 percent higher** than it was in 2012. This was more than budgeted, as sales tax is budgeted on a one year lag, with **108.5 percent of budget** collected by the end of the year. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished 2013 at **98.9 percent of budget**, which was slightly ahead of last year with **2.7 percent more** collected than in 2012. This was also above the 98 percent average property tax collections in King County.
- **Utility tax** collections finished 2013 **above budget at 102.2 percent**. Revenues were **up 5.6 percent** compared to 2012 in spite of lower electricity and gas utility tax revenues. Revenue growth was due to moderately higher tax revenues in all other utilities, as well as \$200,000 in one time revenue from an audit of telephone utility companies.
- **Other taxes** actual revenue was **4.9 percent lower** than in 2012 due to a decrease in leasehold excise tax revenue. However, this decline was anticipated and revenues finished the year at **101.4 percent of budget**.
- The **business licenses (base fee) and franchise fees** were **1.1 percent higher** than in 2012 and finished the year **above budget at 104.1 percent**.
- The **revenue generating regulatory license fee** was **4.5 percent higher** than in 2012. This increase means revenues were above forecast at **106.5 percent of budget**. This tax is charged to employers on a per-employee basis,

and it can fluctuate based on the timing of when businesses submit their payments, as well as the number of employees at each business.

- **Development-related fee** revenues were collectively **up 27.7 percent** in 2013. **Plan check fees** finished the year **up 32.8 percent** and **Building, Structural and Equipment permits** were **up 21.4 percent** over 2012. **Planning fees** revenue **increased 32.8 percent**, while **Engineering Services** collected **31.7 percent more** than in 2012. Note that a significant portion of this additional revenue is for work yet to be completed and has been set aside in reserve for this purpose. Overall, development fees were **38.6 percent over budget** in 2013 even after mid-biennial adjustments additions were made to meet additional workload.
- **Fines and Forfeitures** were **up 20.0 percent** due to an increase in parking fines and \$48,000 in unbudgeted revenues for warrants served. Parking fines increased because the city filled the formerly vacant parking enforcement officer position in 2013; this revenue source finished the year **above budget expectations at 112.4 percent**.
- **Miscellaneous** revenue was **down 9 percent** from 2012 due to lower investment interest and private contributions. However, this category was still **above budget projections at 123.8 percent of budget**.

Other Intergovernmental Services were consolidated into Other Charges for Services as part of a Statewide accounting change.

General Fund revenues ended 2013 \$5.3 million higher than in 2012 largely due to growth in sales tax, and development permits and fees.

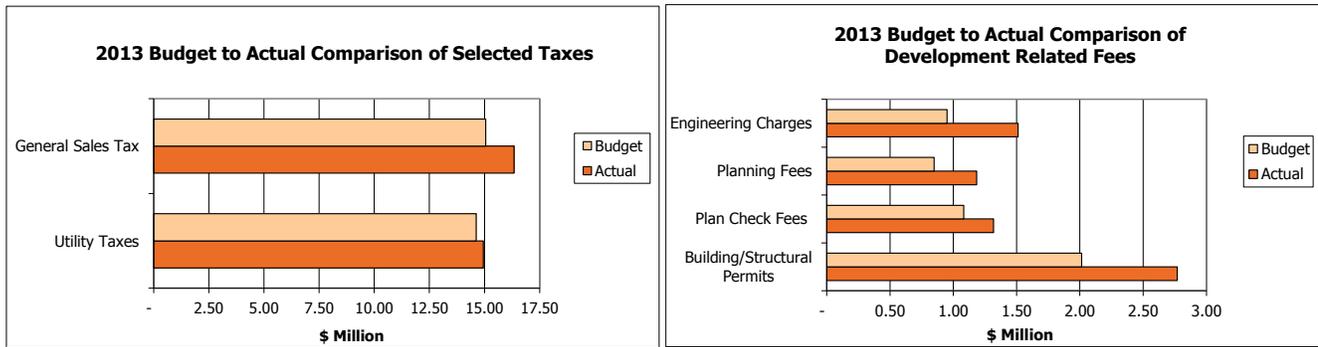
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

- *Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.*

- *In 2013 about 424 of the City's 544 regular employees were budgeted within the general*

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
Taxes:								
Retail Sales Tax: General	14,340,264	16,335,313	13.9%	13,972,010	15,057,904	7.8%	102.6%	108.5%
Retail Sales Tax Credit: Annexation	3,543,431	3,787,395	6.9%	3,409,791	3,415,626	0.2%	103.9%	110.9%
Retail Sales Tax: Criminal Justice	1,671,316	1,808,722	8.2%	1,568,112	1,634,287	4.2%	106.6%	110.7%
Property Tax	15,994,020	16,429,671	2.7%	16,049,865	16,619,200	3.5%	99.7%	98.9%
Utility Taxes	14,160,640	14,947,053	5.6%	14,468,333	14,618,866	1.0%	97.9%	102.2%
Rev Generating Regulatory License	2,373,101	2,479,881	4.5%	2,386,300	2,328,005	-2.4%	99.4%	106.5%
Other Taxes	1,134,577	1,078,944	-4.9%	1,005,488	1,063,975	5.8%	112.8%	101.4%
Total Taxes	53,217,350	56,866,979	6.9%	52,859,899	54,737,863	3.6%	100.7%	103.9%
Licenses & Permits:								
Building, Structural & Equipment Permits	2,280,783	2,769,879	21.4%	2,343,612	2,013,727	-14.1%	97.3%	137.5%
Business Licenses/Franchise Fees	4,316,966	4,366,353	1.1%	4,109,869	4,193,597	2.0%	105.0%	104.1%
Other Licenses & Permits	310,192	506,593	63.3%	297,579	317,128	6.6%	104.2%	159.7%
Total Licenses & Permits	6,907,941	7,642,825	10.6%	6,751,060	6,524,452	-3.4%	102.3%	117.1%
Intergovernmental:								
Grants and Federal Entitlements	328,178	102,803	-68.7%	137,835	198,622	44.1%	238.1%	51.8%
State Shared Revenues & Entitlements	1,328,459	1,012,717	-23.8%	909,967	1,033,781	13.6%	146.0%	98.0%
Property Tax - Fire District	-	-	-	-	-	-	-	-
EMS	855,091	884,645	3.5%	866,729	884,645	2.1%	98.7%	100.0%
Other Intergovernmental Services	111,491	-	N/A	186,597	-	-100.0%	59.7%	N/A
Total Intergovernmental	2,623,220	2,000,165	-23.8%	2,101,128	2,117,048	0.8%	124.8%	94.5%
Charges for Services:								
Internal Charges	5,381,414	5,229,777	-2.8%	5,894,286	5,396,481	-8.4%	91.3%	96.9%
Engineering Services	1,147,917	1,511,947	31.7%	555,852	951,385	71.2%	206.5%	158.9%
Plan Check Fee	992,679	1,318,431	32.8%	814,484	1,082,220	32.9%	121.9%	121.8%
Planning Fees	892,138	1,185,075	32.8%	544,619	848,164	55.7%	163.8%	139.7%
Recreation	1,131,941	1,211,928	7.1%	1,152,963	1,160,300	0.6%	98.2%	104.4%
Other Charges for Services	1,898,287	2,197,827	15.8%	2,187,273	2,210,020	1.0%	86.8%	99.4%
Total Charges for Services	11,444,376	12,654,985	10.6%	11,149,477	11,648,570	4.5%	102.6%	108.6%
Fines & Forfeits	1,806,069	2,167,681	20.0%	2,781,169	1,928,925	-30.6%	64.9%	112.4%
Miscellaneous	1,010,940	919,926	-9.0%	598,901	743,138	24.1%	168.8%	123.8%
Total Revenues	77,009,896	82,252,561	6.8%	76,241,634	77,699,996	1.9%	101.0%	105.9%
Other Financing Sources:								
Transfer of FD 41 & WFR Balances	-	-	N/A	1,426,568	-	N/A	N/A	N/A
Interfund Transfers	329,054	402,008	N/A	153,560	402,008	161.8%	214.3%	100.0%
Total Other Financing Sources	329,054	402,008	N/A	1,580,128	402,008	-74.6%	20.8%	100.0%
Total Resources	77,338,950	82,654,569	6.9%	77,821,762	78,102,004	0.4%	99.4%	105.8%

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
Non-Departmental	1,591,348	1,925,583	21.0%	1,423,697	1,657,558	16.4%	111.8%	116.2%
City Council	358,225	384,828	7.4%	443,849	403,932	-9.0%	80.7%	95.3%
City Manager's Office	1,771,649	1,773,461	0.1%	1,901,282	2,064,111	8.6%	93.2%	85.9%
Municipal Court	2,028,875	2,130,296	5.0%	2,630,719	2,249,404	-14.5%	77.1%	94.7%
Human Resources	1,215,749	1,251,226	2.9%	1,274,208	1,288,257	1.1%	95.4%	97.1%
City Attorney's Office	1,301,336	1,327,445	2.0%	1,365,836	1,371,489	0.4%	95.3%	96.8%
Parks & Community Services	6,914,075	7,012,622	1.4%	7,326,446	7,453,991	1.7%	94.4%	94.1%
Public Works (Engineering)	3,572,007	4,230,353	18.4%	4,016,268	4,756,261	18.4%	88.9%	88.9%
Finance and Administration	4,286,169	4,462,510	4.1%	4,635,007	4,590,803	-1.0%	92.5%	97.2%
Planning & Community Development	3,094,304	3,470,275	12.2%	3,424,656	3,731,209	9.0%	90.4%	93.0%
Police	21,677,614	22,551,653	4.0%	23,946,613	22,742,122	-5.0%	90.5%	99.2%
Fire & Building	20,154,651	21,862,953	8.5%	20,359,298	22,103,852	8.6%	99.0%	98.9%
Total Expenditures	67,966,001	72,383,205	6.5%	72,747,879	74,412,989	2.3%	93.4%	97.3%
Other Financing Uses:								
Interfund Transfers	4,833,451	8,035,884	66.3%	4,942,766	11,513,698	132.9%	97.8%	69.8%
Total Other Financing Uses	4,833,451	8,035,884	66.3%	4,942,766	11,513,698	132.9%	97.8%	69.8%
Total Expenditures & Other Uses	72,799,452	80,419,089	10.5%	77,690,645	85,926,687	10.6%	93.7%	93.6%

Comparing 2013 and 2012 expenditures:

In 2013, excluding interfund transfers, General Fund expenditures were **6.5 percent higher** than 2012, although this increase was budgeted for as year-end expenditures were **97.3 percent** of total budgeted expenses.

Expenditures were higher in 2013 compared to 2012 in every General Fund department, largely due to increases in personnel costs, either through additional overtime or cost of living adjustments. Other specific reasons for increased expenditures are highlighted below. Despite this increase, 2013 expenditures were under budget in each General Fund department, with the exception of Non-departmental. This is mostly because of savings in the professional services category. A number of large projects with expenditures across 2013 and 2014 are budgeted in professional services, so it is likely that under expenditures for 2013 will be spent in 2014 as the projects continue. Some significant projects are highlighted in the descriptions below.

2013 General Fund actual expenditures (excluding "other financing uses") were 6.5 percent higher than they were in 2012.

- Expenditures for **Non-departmental** were **up 21.0 percent** largely due to an increase in retiree medical benefit costs. This increase, along with additional miscellaneous credit card expenses, primarily related to development fees, resulted in Non-departmental ending 2013 **above budget expectations at 116.2 percent**.
- Actual **Interfund Transfers** finished 2013 at 69.8 percent of budget. This is because a number of transfers from the General Fund for the Public Safety Building, which were budgeted in 2013, will occur in 2014. Once these transfers have been made, actual expenditures will match the budget.
- Actual 2013 expenditures for the **City Council increased 7.4 percent** from 2012, due to an increase in dues and memberships. Some of the City's major memberships are based on population, and organizations have been updating their numbers in the years since annexation.
- The **City Manager's Office** finished 2013 at **85.9 percent of budget** mostly due to savings in pro-

Continued on page 5

Financial Management Report as of December 31, 2013

essional services. These savings were primarily related to the Kirkland 2035 project and the exploration of a Regional Fire Authority, both projects that will incur expenses in 2014, meaning the under expenditures are likely to be temporary.

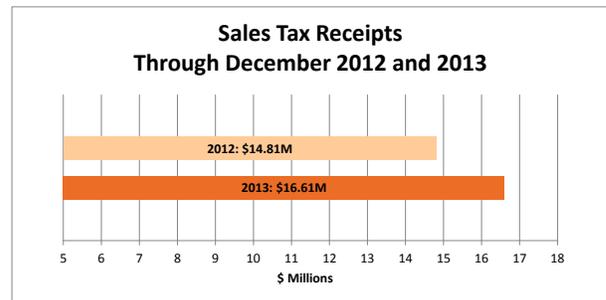
- End of year expenditures for the **Parks & Community Services Department** were at **94.1 percent of budget**, due to Parks Human Services Contracts expenditures being lower than budgeted. These savings are temporary however, as they are related to the timing of contract payments.
- **Planning and Community Development** expenditures finished 2013 **up 12.2 percent** over 2012. This increase was primarily driven by high permit activity that drove a need for overtime and contract expenses. These additional expenses were offset by permit revenue.
- **Public Works** General Fund expenditures were up **18.4 percent** due to permit related expenses. These additional expenditures were offset by revenue as well as staffing vacancies, including the Deputy Director of Public Works position.
- Throughout most of 2013, **Police** expenditures were significantly below the budget due to large savings in Contract Jail costs, as well as three Corrections Officer vacancies. However, during the mid-biennial process these savings were transferred to pay for the Firing Range at the Public Safety Building, so expenditures ended the year at **99.2 percent of budget**.
- Expenditures for the **Fire & Building Department** grew **8.5 percent** over 2012. This increase is related to slightly higher personnel costs and increased workload from development services activities that has resulted in higher contract work and overtime costs (which are offset by revenues). The department's expenses finished 2013 within projections at **98.9 percent of budget**. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are dedicated to the consolidated fire station capital project.

Summary of Fire District 41 Funds 2013 Revenues & Expenditures	
Beginning Balance	5,224,166
Investment Interest	\$ 12,205
Expenditures:	\$ 12,492.00
Current Balance	\$ 5,223,879

Sales Tax Revenue Analysis

The total in this section contains \$270,000 that is passed to the Street Operating Fund, therefore the total is \$270,000 higher than the sales tax figure in the General Fund Revenue table on page 3. Figures for 2012 also include \$200,000 that was transferred to Capital Projects and is not reflected in the table on page 3.

Year-end sales tax revenue was **12.1 percent** higher in 2013 than 2012. This growth in revenue was concentrated in services, and auto/gas retail, with vehicle sales making up the largest single increase. Sales tax revenue received through December is from sales between November 2012 and October 2013.



Review by business sectors:

- **Contracting is up 7.5 percent** through December compared to 2012. This was the result of several large commercial and multi-family projects along with growth in residential construction, however, large gains early in the year were partially offset by some weak months of growth in the fourth quarter.
- Sales tax from the retail sectors was collectively **up 9.7 percent** compared to 2012.
- The **auto/gas retail** sector was **up 13.5 percent** compared to 2012 due to sales increases at all of the dealerships in town, the addition of one new dealership, and a general national trend of increased car buying driven by pent-up demand.
- The **general merchandise/miscellaneous retail** sector was **up 7.0 percent** in 2013 compared to 2012 largely due to positive performance by key retailers.
- The **retail eating/drinking** sector performance was **up 7.4 percent** compared to 2012. Revenue increases can be attributed to many established restaurants posting improved sales along with the opening of some new businesses during the period analyzed.
- **Other retail** was **up 6.9 percent** compared to 2012 due to positive performance across most categories.
- The **services** sector was **up 28.5 percent** compared to 2012. This increase can be attributed to growth from publishing, internet, broadcasting, arts & entertainment, healthcare and other services in the sector. This gain is skewed upward because of a large sales tax refund that was paid out to a business by the Department of Revenue in May 2012; however, even if that amount is factored out, the services sector is still up 20.7 percent over 2012.
- Excluding a refund in December 2012, which substantially reduced 2012 revenues, **wholesale** was **up 1.1 percent** in 2013. Strong gains in the first quarter were offset by slower growth as the year progressed.
- The **miscellaneous** sector was **up 7.3 percent** in 2013 compared to the previous year due to higher revenues across many categories, particularly from manufacturing and finance.

Fourth quarter Sales Tax data was unavailable from the Department of Revenue at the time of publication. Below are highlights from the third quarter.

Neighboring Cities Sales Tax

Bellevue was up 5.0 percent, Redmond 3.7 percent, through September compared to September 2012.

King County

King County's sales tax receipts were 6.7 percent higher than through the third quarter of 2012.

Business Sector Group	January-December		Dollar Change	Percent Change	Percent of Total		Percent of Change
	2012	2013			2012	2013	
Services	1,635,896	2,101,922	466,026	28.5%	11.0%	12.7%	26.0%
Contracting	2,544,008	2,734,553	190,545	7.5%	17.2%	16.5%	10.6%
Communications	442,779	471,727	28,948	6.5%	3.0%	2.8%	1.6%
Auto/Gas Retail	3,655,104	4,147,689	492,585	13.5%	24.7%	25.0%	27.4%
Gen Merch/Misc Retail	1,876,502	2,007,080	130,578	7.0%	12.7%	12.1%	7.3%
Retail Eating/Drinking	1,273,290	1,368,125	94,835	7.4%	8.6%	8.2%	5.3%
Other Retail	1,988,615	2,125,101	136,486	6.9%	13.4%	12.8%	7.6%
Wholesale	564,302	758,786	194,484	34.5%	3.8%	4.6%	10.8%
Miscellaneous	829,767	890,330	60,563	7.3%	5.6%	5.4%	3.4%
Total	14,810,263	16,605,313	1,795,050	12.1%	100.0%	100.0%	100.0%

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

Month	Sales Tax Receipts		\$ Change	% Change
	2012	2013		
January	1,104,023	1,333,113	229,090	20.8%
February	1,413,587	1,618,028	204,441	14.5%
March	1,054,686	1,225,511	170,825	16.2%
April	1,086,848	1,181,984	95,136	8.8%
May	1,132,774	1,387,795	255,021	22.5%
June	1,147,892	1,264,563	116,671	10.2%
July	1,287,015	1,380,475	93,460	7.3%
August	1,313,808	1,369,409	55,601	4.2%
September	1,329,159	1,483,066	153,907	11.6%
October	1,386,749	1,437,663	50,914	3.7%
November	1,410,201	1,479,089	68,888	4.9%
December	1,143,521	1,444,617	301,096	26.3%
Total	14,810,263	16,605,313	1,795,050	12.1%

- Monthly sales tax revenues remained stable throughout the fourth quarter of 2013 and were **11.6 percent higher** than in 2012. However, this is skewed by a large refund paid to a business in December 2012, which reduced the City's revenue. Without this refund revenues were 5.7 percent higher in the fourth quarter of 2013.
- In October and November revenues were up 3.7 percent and 4.9 percent respectively on the strength of improved performance from the auto retail sales. December sales were up 26.3 percent, however the refund of \$188,700 in December 2012 skewed the raw data. With this taken into account, December sales were up 8.4 percent between 2012 and 2013.

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

Sales tax revenue in 2013 pushed revenue passed the 2007 peak of \$16.5 million, although the 2013 figure includes annexation area revenues, so pre-annexation City collections are still less than 2007. Additionally, two sectors, auto/gas and services accounted for over half of the sales tax growth. Because these sectors are economically sensitive, they tend to drop off more when the economy is weak, and grow faster when the economy is strong.

Growth was maintained throughout 2013 and consumer confidence levels remained at consistent levels so revenues were strong, but there are still uncertainties around unemployment, federal government funding and healthcare reform that could slow the recovery and sales tax growth.

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

Comparing to the same period last year:

Totem Lake, which accounted for 29.3 percent of the total sales tax receipts in 2013, was **up 10.1 percent** due to the continued sales growth in the automotive/gas retail sector and improvements in most retail categories. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which made up 14.1 percent of the total sales tax receipts in 2013, was **up 6.6 percent** compared to 2012. This area's sales grew due to improving auto retail and general retail sales. These two retail sectors contribute 82.6 percent of this business district's revenue.

Downtown, which accounted for 6.4 percent of 2013 sales tax receipts, was **up 33.8 percent** largely due to the return of information services revenues (which were low in 2012 because of a one-time taxpayer refund that reduced the City's revenues). Factoring out this one-time event, this district would have been about 14.7 percent ahead of 2012. Improvements to information services and retail eating and drinking are the primary reason for the increase. Retail businesses contributed about 70.5 percent of revenues from downtown. Downtown increased its share of the City's overall revenue from 5.3 percent in 2012 to 6.4 percent in 2013.

Carillon Point & Yarrow Bay, which account for 2.1 percent of the total sales tax receipts, were **down 0.5 percent** compared to 2012. About 73.6 percent of this business district's revenue came from retail eating/drinking and accommodations in 2013.

Houghton & Bridle Trails, which produced 2.4 percent of the total sales tax receipts in 2013, were **up 3.7 percent** due to rebounding sales at eating & drinking establishments.

Juanita, which generated 1.6 percent of the total 2013 sales tax receipts, was **up 4 percent** compared to 2012. Sustained positive growth in eating & drinking revenues offset decreases in revenues in most other categories in this district, with eating and drinking establishments posting particularly positive results in the fourth quarter.

North Juanita, Kingsgate, & Finn Hill accounted for 3.1 percent of the total sales tax receipts in 2013 and were **down 0.3 percent** over 2012. Overall growth in the Kingsgate and Finn Hill neighborhoods was offset by a decline in revenues from eating and drinking establishments and food stores in the North Juanita neighborhood.

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

When reviewing sales tax receipts by business district, it's important to be aware that 45.7 percent of the revenue received in 2013 were in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - Dec Receipts		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Totem Lake	4,413,300	4,857,068	443,768	10.1%	29.8%	29.3%
NE 85th St	2,197,258	2,341,247	143,989	6.6%	14.8%	14.1%
Downtown	789,826	1,056,485	266,660	33.8%	5.3%	6.4%
Carillon Pt/Yarrow Bay	352,206	350,438	(1,768)	-0.5%	2.4%	2.1%
Houghton & Bridle Trails	381,766	395,866	14,100	3.7%	2.6%	2.4%
Juanita	251,510	261,637	10,127	4.0%	1.7%	1.6%
Kingsgate/North Juanita/Finn Hill	509,083	507,652	(1,431)	-0.3%	3.4%	3.1%
Unassigned or No District:						
Contracting	2,541,189	2,731,930	190,741	7.5%	17.2%	16.5%
Other	3,374,127	4,102,990	728,863	21.6%	27.9%	29.2%
Total	14,810,264	16,605,313	1,795,049	12.1%	100.0%	100.0%

Sales Tax Revenue Outlook Sales tax receipts remained stable between the third and fourth quarter of 2013 after growing quickly during the first and second quarters. The high growth in year-over-year sales tax in earlier quarters was expected to slow since revenues had strengthened in the second half of 2012. Big ticket items, such as auto purchases and contracting services, continue to drive Kirkland's upward growth, although contracting growth slowed considerably in October and November, before rebounding in December 2013. Contracting, services and automotive/gas retail sectors contributed 64.0 percent of 2013's overall sales tax gains compared to 2012. All other sectors in the City experienced growth in 2013, as did most districts with the exception of Carillon Point/Yarrow Bay and North Juanita.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in 2013 was 8.1 percent, almost half the Puget Sound average of 15.1 percent, and identical to 2012's vacancy rate of 8.1 percent. Overall the Eastside remains the second strongest office market in the Puget Sound region, with an office vacancy rate that fell from 45.4 percent in the fourth quarter of 2012 to 14.2 percent in the fourth quarter of 2013, only slightly higher vacancy rate than downtown Seattle (13.9 percent).

Occupancy rates have gone down, but much of this trend is linked to new construction and higher rent prices for office space.

The region currently has 2,077,189 SF of office space under construction, including large projects on the Eastside and the continued expansion of Amazon near their current South Lake Union headquarters.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2012, finishing the year up 11.5 percent, an increase of \$25,467. This meant revenues finished 2013 at 107.2 percent of budget.

Economic Environment Update The Washington State economy continued to expand adding 9,500 new jobs in the fourth quarter of 2013, according to the February 2014 update from the Washington State Economic and Revenue Forecast Council. This number is 900 more than was expected in the November forecast. The forecast also includes estimates for state personal income through the third quarter of 2013. The current estimate is \$329.4 billion, which is higher than 2012 and is also higher than forecast in November 2013.

Consumer confidence declined for two months before rebounding in December. The Consumer Confidence Index fell to 72 in November, but rebounded to 78.1 in December, a rating of 100 equals the 1985 consumer confidence level. According to the Conference Board, "Consumer confidence rebounded in December and is now close to pre-government shutdown levels (September 2013, 80.2). Looking ahead, consumers expressed a greater degree of confidence in future economic and job prospects, but were moderately more pessimistic about their earning prospects. Despite the many challenges throughout 2013, consumers are in better spirits today than when the year began."

U.S. unemployment for December 2013 was 6.7 percent, which was the same as the seasonally adjusted rate for Washington State. These rates are down from 7.9 percent nationally and 7.4 percent in Washington in December 2012. King County's provisional unemployment rate for December 2013 was 4.7 percent, down from 6.0 percent in December 2012. The unemployment rate in Kirkland was lower than the County, State and Nation with an unemployment rate of 4.1 percent in December 2013, down from 5.2 percent in December 2012. Note that the Bureau of Labor Statistics (BLS) data for the City of Kirkland does not yet include the 2011 annexation areas, and these areas will not be included until early 2015 when the database will be updated based on Census data, according to the BLS. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Western Washington Purchasing Manager Index indicated continued growth in economic activity in September 2013. The index was at 56.5 in December, which was the seventh straight month the index was above 50. Index numbers less than 50 indicate a shrinking economy, while those over 50 signal an expanding economy.

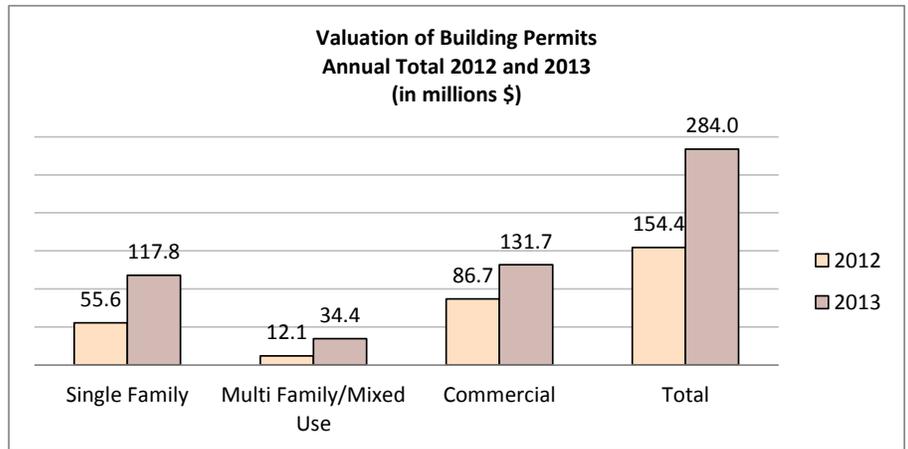
(Continued on page 8)

Economic Environment Update *continued*

Local **development activity**, in terms of the valuation of the City's building permits for 2013, has risen significantly compared to 2012. This is illustrated in the chart to the right. Development activity has increased across the board, with the largest increase in dollar terms coming from single family permits and the largest increase by percentage coming from multi-family/mixed use permits. Permit activity in the fourth quarter was lower overall than in the second and third quarter due to a decline in single family and commercial permits. Commercial permits were one third of their second quarter total during the fourth quarter.

The national **housing market** appeared to slow in the fourth quarter of 2013. Housing units authorized by permits were 3.0 percent below their November level in December, according to the Washington State Economic and Revenue Council. Existing home sales were higher in December than in November, but this followed three consecutive months without growth. Locally the picture was better and Seattle area home prices had risen for twenty-one consecutive months, although prices were still 16.2 percent below their 2007 peak.

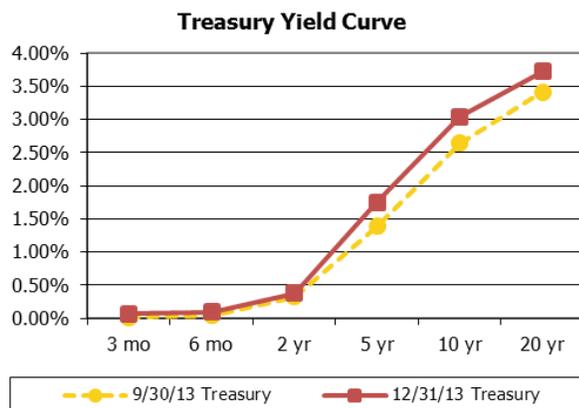
Inflation in the Seattle area remained low. In December 2013, the Seattle all items CPI was 1.3% higher than in the previous December compared to the 1.5% increase for the U.S. city average. Core inflation in Seattle was 1.3% compared to 1.7% for the nation.



Investment Report

MARKET OVERVIEW

Longer term Treasury yields increased slightly with the yield curve becoming steeper at the long end of the curve. The Fed Funds rate continued at 0.25 percent during the fourth quarter of 2013. Any changes to the Fed Funds rate are not anticipated to occur until 2016.

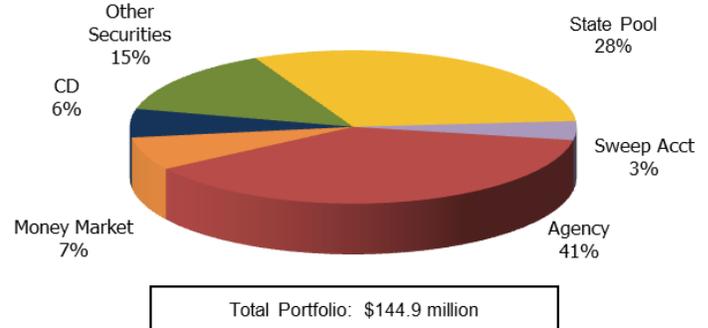


CITY PORTFOLIO

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

The City's portfolio balance remained fairly level in the 4th quarter of 2013, increasing only \$0.8 million to \$144.9 million compared to \$144.1 million on September 30, 2013. Portfolio balances increased with the collection of the 2nd half of the year property taxes in October and November then decreased primarily due to the construction costs of the Public Safety Building.

Investments by Category



Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Agency bonds, State and Local Government bonds, the State Investment Pool, an overnight bank sweep account, a bank money market account and bank certificates of deposit. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

2013 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy changed very little from three months ago, according to 42 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy grew at an annual rate of 1.7 percent in 2013 and is expected to grow 2.6 percent in 2014. CPI inflation is expected to average 1.4 percent in 2013 and 2.0 percent in 2014. The unemployment rate is expected to average 7.5 percent in 2013 and fall to 7.0 percent in 2014. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level throughout 2014 and 2015.

The portfolio duration has decreased only slightly as securities get closer to maturity and cash balances in the portfolio have decreased. The focus on the next 2 quarters will be purchasing shorter term securities to continue reducing the duration in preparation for rising interest rates. The opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.09 percent and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total investment income for 2013 was \$826,937. Estimated investment income for 2014 is \$695,000.

Investment Report *continued*

Liquidity

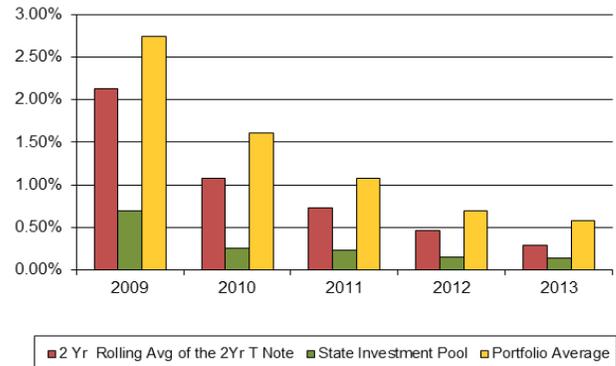
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.92 years on September 30, 2013 to 1.85 years on December 31, 2013 as the securities in the portfolio move closer to maturity.

Yield

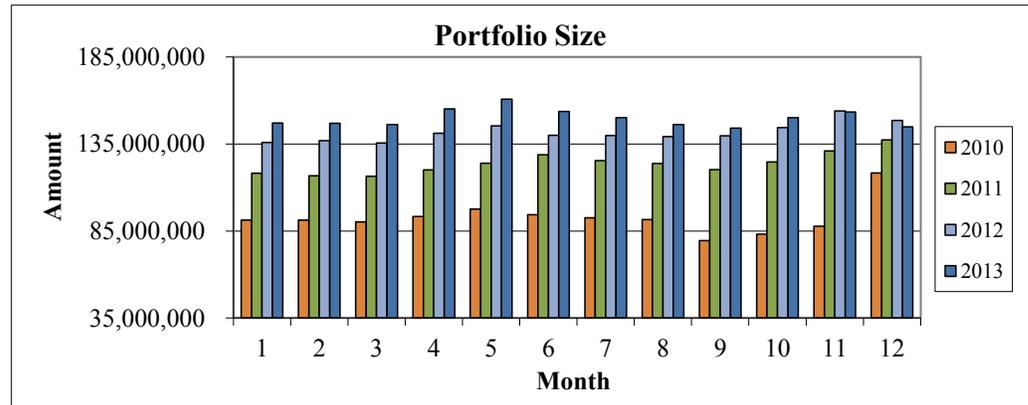
The City Portfolio yield to maturity marginally increased from 0.56 percent on September 30, 2013 to 0.59 percent on December 31, 2013. Through December 31, 2013, the City's annual average yield to maturity remained at 0.58 percent. The City's portfolio benchmark is the range between the 90-day Treasury Bill and the 2-year rolling average of the 2-year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90-day T Bill and the 2-year rolling average of the 2-year Treasury Note, which was 0.29 percent on December 31, 2013.

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

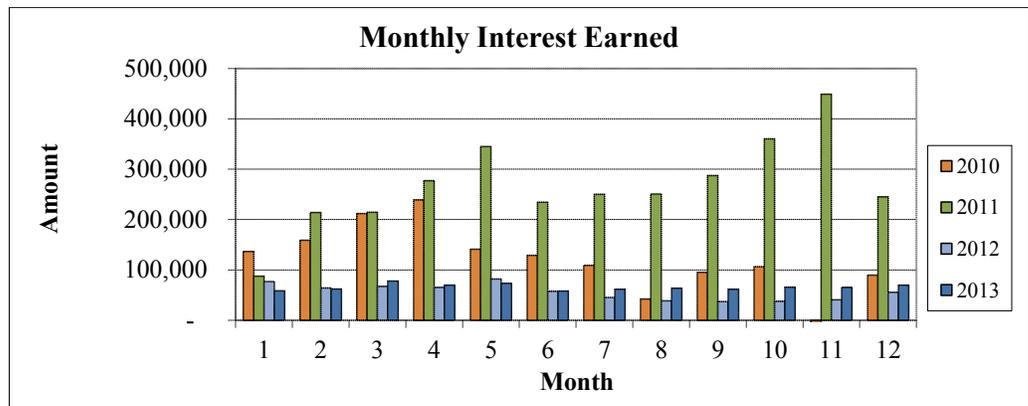
Investment Interest Rate Comparisons



Portfolio Size



Monthly Interest Earned



Reserves are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of December 31, 2013.

Reserve Analysis

General Purpose Reserves

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

General Capital Reserves

- Real estate activity remains strong in 2013. **Real Estate Excise Tax (REET)** collections finished the year **27 percent ahead of 2012**. Revenue through the end of the year was **186 percent of budget**, so the current budgeted ending balance does not reflect actual revenue trends and will be reviewed later in the year for potential adjustment. Over \$750,000 of REET 1 reserves was authorized during the fourth quarter to fund the gap in the NE 85th Street Project, which is due to restart construction in 2014.
- **Impact fees** are also significantly ahead of the 2013 budget, finishing the year with \$1.4 million in additional revenue. Transportation impact fees are 12 percent ahead of the same period last year and park impact fees are 3.5 percent ahead. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. As with REET, the budgeted ending balance for Impact Fees will be reviewed at the end of 2014.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	40,882	50,000	(9,118)
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	156,372	250,000	(93,628)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,686,587	4,810,795	4,810,795	5,735,330	(924,535)
General Purpose Reserves with Targets	11,363,999	13,311,752	13,280,634	17,598,322	(4,317,688)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,958	1,484,958	1,568,207	(83,249)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	3,433,824	1,071,000	2,362,824
REET 2**	2,284,826	2,319,112	2,024,800	2,225,500	(200,700)
Water/Sewer Operating Reserve:					
Water/Sewer Debt Service Reserve:	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
Other Reserves with Targets	15,580,000	17,820,944	16,452,944	10,748,551	5,704,393
Reserves without Targets	35,751,424	35,847,270	34,801,940	n/a	n/a
Total Reserves	62,695,423	66,979,966	64,535,518	n/a	n/a

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

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

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

*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013.

The summary to the right details all Council authorized uses and additions in 2013.

Financial Management Report as of December 31, 2013

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

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

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

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

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

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	(9,118)	40,882
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(22,000)	156,372
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
Total General Fund/Contingency		8,677,412	8,500,957	(31,118)	8,469,839
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,187,020	0	1,187,020
Development Svcs. Technology Reserve	Permit system replacement	264,810	159,792	0	159,792
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,958	0	1,484,958
Total Special Purpose Reserves		6,567,734	5,809,842	0	5,809,842
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(1,073,688)	3,433,824
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(294,312)	2,024,800
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	0	995,958
General Capital Contingency*	Changes to General capital projects	2,686,587	4,810,795	0	4,810,795
Total General Capital Reserves		12,191,586	15,298,137	(1,368,000)	13,930,137
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital projects	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	(104,619)	4,475,610
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	1,485,091	(465,000)	1,020,091
Total Utility Reserves		20,411,741	19,837,432	(569,619)	19,267,813
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
Total Internal Service Fund Reserves		14,846,950	17,533,598	(475,711)	17,057,887
Grand Total		62,695,423	66,979,966	(2,444,448)	64,535,518

*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013, which will be considered for budget adjustments.



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

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

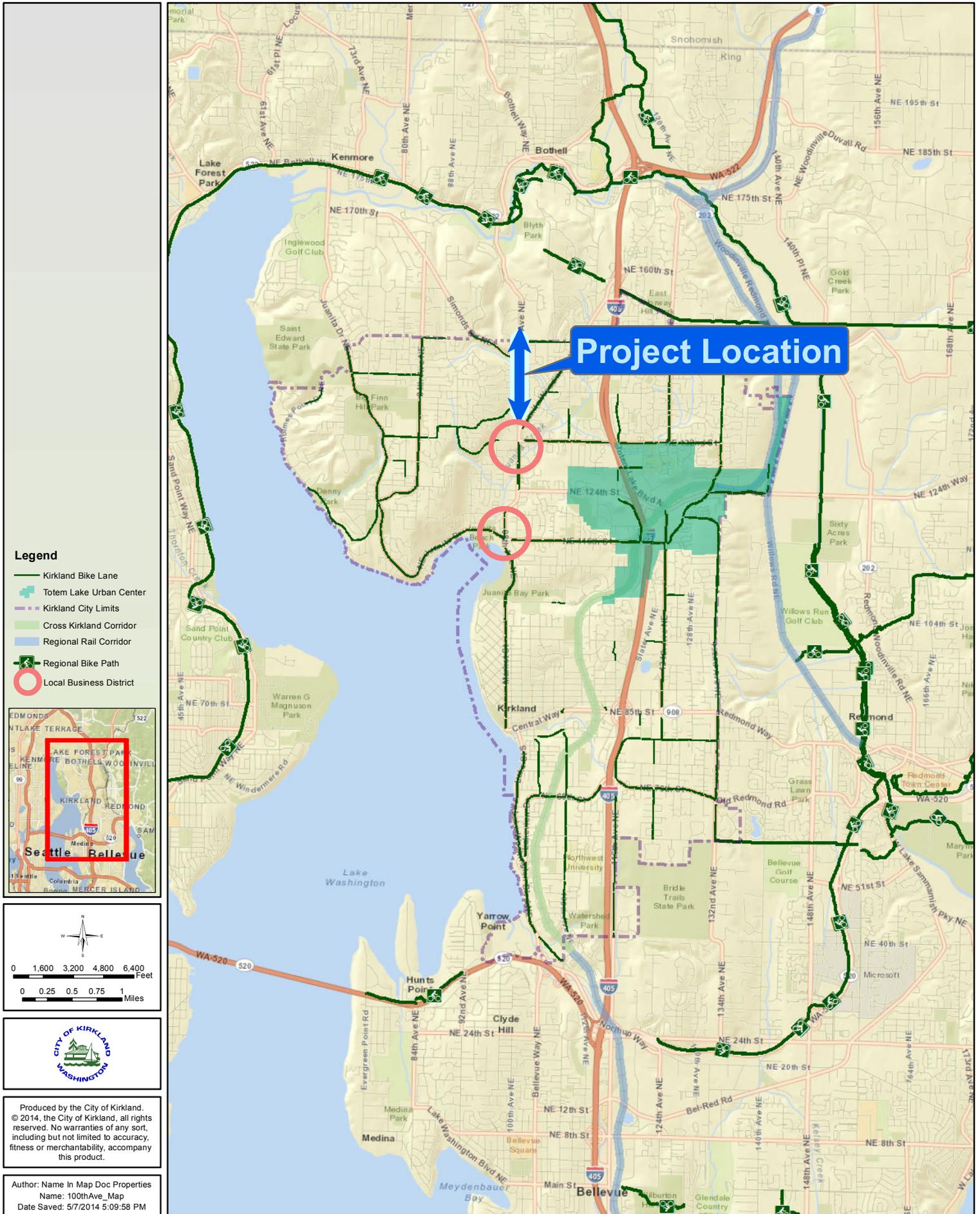


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Economic Environment Update References:

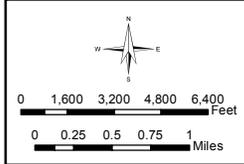
- The Conference Board Consumer Confidence Index Press Release December 20, 2013
- Carol A. Kujawa, MA, A.P.P., *ISM-Western Washington, Inc. Report On Business*, Institute for Supply Management-Western Washington, December, 2013
- Quarterly Economic & Revenue Forecast, November 2013—Washington State Economic & Revenue Forecast Council
- Monthly Economic and Revenue Publication, February 2014—Washington State Economic & Revenue Forecast Council
- CB Richard Ellis Real Estate Services, Market View Puget Sound, Fourth Quarter 2013
- CB Richard Ellis Real Estate Services, Market View Puget Sound, Fourth Quarter 2012
- Northwest Multiple Listing Service
- U.S. Bureau of Labor Statistics
- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department

City of Kirkland - 100th Avenue NE Vicinity Map



Legend

- Kirkland Bike Lane
- Totem Lake Urban Center
- Kirkland City Limits
- Cross Kirkland Corridor
- Regional Rail Corridor
- Regional Bike Path
- Local Business District



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Author: Name In Map Doc Properties
 Name: 100thAve_Map
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City of Kirkland - 100th Avenue NE Vicinity Map



Vicinity Map



Juanita Elementary School

John Muir Elementary School

Juanita High School

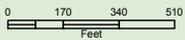
Commercial Area

Juanita Village Commerical District
Juanita Bay Park
Juanita Beach Park

Project Location

Improvements:

- Bike lanes
- Sidewalks
- Center turn lane
- Lighting
- Traffic signal coordination
- Channelization



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Print Date: 8/31/2010

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Financial Management Report as of December 31, 2013

AT A GLANCE:

The City of Kirkland's community based planning process for Kirkland 2035 (page 2 sidebar)

2013 year end revenues increased over 2012 (page 3)

Sales tax revenue growth slowed in the fourth quarter, compared to the third (page 5)

Unemployment continues to decrease, inflation is low and the housing market continues to improve (pages 7-8)

Inside this issue:

Expenditure Summary	2
General Fund Revenue	3
General Fund Expenditures	4
Sales Tax Revenue	5-6
Economic Environment	7-8
Investment Report	8-9
Reserve Summary	10-11

Summary of All Operating Funds: *Revenue*

- **General Fund** revenue ended 2013 **6.8 percent ahead** of 2012, an increase of \$5.2 million. Higher than expected revenues from sales tax and development services fees are primarily responsible for the increase in the General Fund. Actual revenues were higher than anticipated finishing the year at 105.9 percent of budget, even after mid-biennial budget revisions, which recognized an additional \$1.8 million in revenue. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- **Other General Government Funds** revenue finished the year **30 percent higher** than it was at the end of 2012, up over \$5 million. Every fund, with the exception of Facilities Maintenance, had increased revenues in 2013. The growth in revenues over 2012 is mostly due to new property tax revenues from the 2012 Parks and Streets levies. Actual revenue for other operating funds was **100.9 percent** of budget. The final revenue amount was close to the originally budgeted figure because the new revenues were included in the property tax calculation, which is a predictable revenue stream.

There were internal accounting changes for revenues of Water/Sewer, Surface Water, and Solid Waste utilities that contributed to the increases in revenues when comparing 2013 to 2012, however, there was no net increase to the ratepayer due to the change.

- The **Water/Sewer Operating Fund** actual 2013 revenue is **up 17.6 percent** over 2012 year-end due to an accounting change and rate increases; **102.1 percent of budgeted** revenue was collected in 2013 as water service rates were above budget in every category, particularly commercial water sales, likely due to a drier than average summer.
- The **Surface Water Management Fund** revenues finished 2013 at **100.4 percent of budget**. Revenues in 2013 were **8.5 percent higher** than they were in 2012, again due to accounting changes in the fund.
- The **Solid Waste Fund** finished the year with **100.6 percent of budgeted revenues**. This is 26.9 percent higher than in 2012, which is due to rate increases as well as the accounting change for utilities.
- Overall, in 2013 utility funds revenues were **up 18.6 percent** compared to 2012, and finished the year at **101.3 percent of budget**.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
General Gov't Operating:								
General Fund	77,009,896	82,252,561	6.8%	76,241,634	77,699,996	1.9%	101.0%	105.9%
Other General Gov't Operating Funds	18,197,533	23,660,063	30.0%	18,954,113	23,452,068	23.7%	96.0%	100.9%
Total General Gov't Operating	95,207,429	105,912,624	11.2%	95,195,747	101,152,064	6.3%	100.0%	104.7%
Utilities:								
Water/Sewer Operating Fund	21,152,804	24,881,871	17.6%	20,540,187	24,374,608	18.7%	103.0%	102.1%
Surface Water Management Fund	8,536,233	9,261,443	8.5%	8,391,990	9,224,823	9.9%	101.7%	100.4%
Solid Waste Fund	12,648,398	16,052,639	26.9%	13,228,950	15,954,564	20.6%	95.6%	100.6%
Total Utilities	42,337,435	50,195,953	18.6%	42,161,127	49,553,995	17.5%	100.4%	101.3%
Total All Operating Funds	137,544,864	156,108,577	13.5%	137,356,874	150,706,059	9.7%	100.1%	103.6%



Efficient Use of Public's Time and Money Through the Kirkland 2035 Campaign

Visualizing Kirkland twenty years from now requires vision, creativity, knowledge and commitment. It also requires resources - time and money. The City is committed to use the public's resources and time efficiently. At the same time, Kirkland's future is important to everyone and the decisions made now will guide the community for generations to come.

The City's "Kirkland 2035: Your Voice, Your Vision, Your Future" initiative is a collaborative effort among all City departments to save time and money while providing a high level of public involvement. The City Council, boards and commissions and staff are in the process of updating the City's Comprehensive Plan, Transportation Plan, Parks and Open Space Plan and Surface Water Plan in addition to more focused plans for parks and roads and the Cross Kirkland Corridor. Rather than planning for public information and outreach independently, a staff team is working together to schedule joint public events, mailings and publications. The joint effort saves staff time and the public's time to stay up to date with the latest news.

In 2013, the City held two Community Planning Days where the public was able to learn about and provide input on all of the planning efforts currently underway. Nearly 350 residents and businesses participated. Those who attended appreciated the comprehensive subject matter, relaxed setting and interesting displays. A third similar event will be held in April 2014 where participants will be able to see how their input was used to shape the draft plans and help define the community's future.

Summary of All Operating Funds: *Expenditures*

- **General Fund** expenditures finished 2013 **up 6.5 percent** from the year before. Actual expenditures finished the year at **97.3 percent of budget**. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures were **up 3.5 percent** due to higher spending in all funds except Equipment Rental and Street Operating. Most of this increase is due to the 2012 Parks Levy funded maintenance operations which finished the year with \$900,000 of operating expenditures. Most of the new property tax revenue identified on page one was transferred for capital expenditures, and is not included in the expenditure table below. This is true for the remaining \$1.25 million in Parks Levy funding as well as most of the Streets Levy funding.

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

- **Water/Sewer Operating Fund** actual expenditures finished the year **23.2 percent higher** than they did in 2012. The majority of this increase is due to the accounting change, which has amounted to more than \$1.15 million of new pass-through expenditures from this fund. This was anticipated in the original budget, which is reflected in year-end expenditures being **99.3 percent of budget**.
- **Surface Water Management Fund** expenditures at the end of December 2013 were **16.7 percent higher** than at the end of 2012. These expenditures have increased due to the new accounting requirements for utility taxes that pass through this fund. Year-end expenditures were **lower than budgeted at 82.8 percent** of the yearly budget. The under-expenditures are primarily because of savings in salaries and professional services. However, most of the professional services savings were for projects budgeted in 2013 for which expenses will continue into 2014, such as the Surface Water Master Plan, meaning the budget may still be spent in its entirety during the biennium.
- **Solid Waste Fund** expenditures were **17.2 percent higher** in 2013 than in 2012. This increase is due to the timing of payments for the solid waste contract and the utility tax accounting change that was implemented for all utilities. Again, this was expected, although expenditures in the fund finished 2013 at **101.1 percent of budget**, as waste management disposal expenditures were higher than budgeted.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
General Gov't Operating:								
General Fund	67,966,001	72,383,205	6.5%	72,747,879	74,412,989	2.3%	93.4%	97.3%
Other General Gov't Operating Funds	16,624,151	17,207,142	3.5%	18,946,241	20,761,666	9.6%	87.7%	82.9%
Total General Gov't Operating	84,590,152	89,590,347	5.9%	91,694,120	95,174,655	3.8%	92.3%	94.1%
Utilities:								
Water/Sewer Operating Fund	16,862,062	20,767,593	23.2%	17,325,319	20,909,022	20.7%	97.3%	99.3%
Surface Water Management Fund	4,641,301	5,418,476	16.7%	5,495,211	6,546,354	19.1%	84.5%	82.8%
Solid Waste Fund	13,254,274	15,537,162	17.2%	13,135,052	15,374,063	17.0%	100.9%	101.1%
Total Utilities	34,757,637	41,723,231	20.0%	35,955,582	42,829,439	19.1%	96.7%	97.4%
Total All Operating Funds	119,347,789	131,313,578	10.0%	127,649,702	138,004,094	8.1%	93.5%	95.2%

General Fund Revenue

- **Sales tax** revenue allocated to the General Fund in 2013 was **13.9 percent higher** than it was in 2012. This was more than budgeted, as sales tax is budgeted on a one year lag, with **108.5 percent of budget** collected by the end of the year. A detailed analysis of total sales tax revenue can be found starting on page 5.
- **Property tax** finished 2013 at **98.9 percent of budget**, which was slightly ahead of last year with **2.7 percent more** collected than in 2012. This was also above the 98 percent average property tax collections in King County.
- **Utility tax** collections finished 2013 **above budget at 102.2 percent**. Revenues were **up 5.6 percent** compared to 2012 in spite of lower electricity and gas utility tax revenues. Revenue growth was due to moderately higher tax revenues in all other utilities, as well as \$200,000 in one time revenue from an audit of telephone utility companies.
- **Other taxes** actual revenue was **4.9 percent lower** than in 2012 due to a decrease in leasehold excise tax revenue. However, this decline was anticipated and revenues finished the year at **101.4 percent of budget**.
- The **business licenses (base fee) and franchise fees** were **1.1 percent higher** than in 2012 and finished the year **above budget at 104.1 percent**.
- The **revenue generating regulatory license fee** was **4.5 percent higher** than in 2012. This increase means revenues were above forecast at **106.5 percent of budget**. This tax is charged to employers on a per-employee basis,

and it can fluctuate based on the timing of when businesses submit their payments, as well as the number of employees at each business.

- **Development-related fee** revenues were collectively **up 27.7 percent** in 2013. **Plan check fees** finished the year **up 32.8 percent** and **Building, Structural and Equipment permits** were **up 21.4 percent** over 2012. **Planning fees** revenue **increased 32.8 percent**, while **Engineering Services** collected **31.7 percent more** than in 2012. Note that a significant portion of this additional revenue is for work yet to be completed and has been set aside in reserve for this purpose. Overall, development fees were **38.6 percent over budget** in 2013 even after mid-biennial adjustments additions were made to meet additional workload.
- **Fines and Forfeitures** were **up 20.0 percent** due to an increase in parking fines and \$48,000 in unbudgeted revenues for warrants served. Parking fines increased because the city filled the formerly vacant parking enforcement officer position in 2013; this revenue source finished the year **above budget expectations at 112.4 percent**.
- **Miscellaneous** revenue was **down 9 percent** from 2012 due to lower investment interest and private contributions. However, this category was still **above budget projections at 123.8 percent of budget**.

Other Intergovernmental Services were consolidated into Other Charges for Services as part of a Statewide accounting change.

General Fund revenues ended 2013 \$5.3 million higher than in 2012 largely due to growth in sales tax, and development permits and fees.

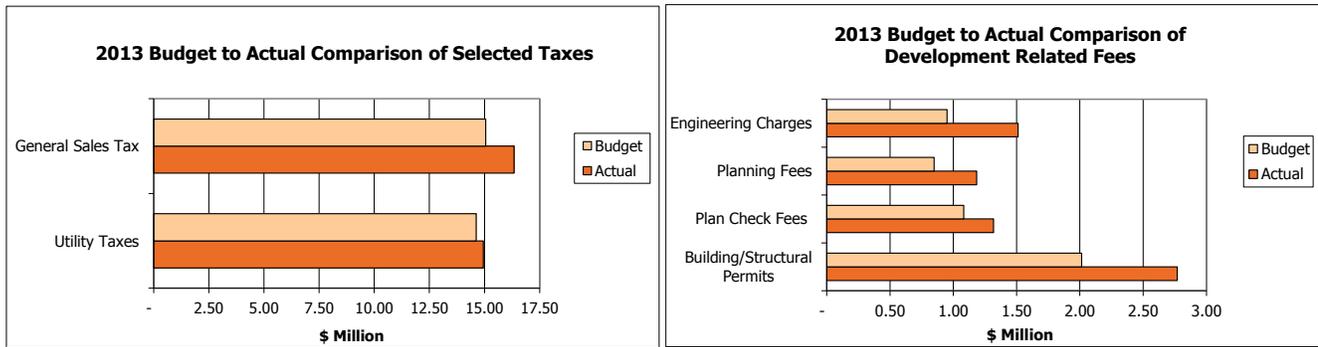
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

- *Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.*

- *In 2013 about 424 of the City's 544 regular employees were budgeted within the general*

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
Taxes:								
Retail Sales Tax: General	14,340,264	16,335,313	13.9%	13,972,010	15,057,904	7.8%	102.6%	108.5%
Retail Sales Tax Credit: Annexation	3,543,431	3,787,395	6.9%	3,409,791	3,415,626	0.2%	103.9%	110.9%
Retail Sales Tax: Criminal Justice	1,671,316	1,808,722	8.2%	1,568,112	1,634,287	4.2%	106.6%	110.7%
Property Tax	15,994,020	16,429,671	2.7%	16,049,865	16,619,200	3.5%	99.7%	98.9%
Utility Taxes	14,160,640	14,947,053	5.6%	14,468,333	14,618,866	1.0%	97.9%	102.2%
Rev Generating Regulatory License	2,373,101	2,479,881	4.5%	2,386,300	2,328,005	-2.4%	99.4%	106.5%
Other Taxes	1,134,577	1,078,944	-4.9%	1,005,488	1,063,975	5.8%	112.8%	101.4%
Total Taxes	53,217,350	56,866,979	6.9%	52,859,899	54,737,863	3.6%	100.7%	103.9%
Licenses & Permits:								
Building, Structural & Equipment Permits	2,280,783	2,769,879	21.4%	2,343,612	2,013,727	-14.1%	97.3%	137.5%
Business Licenses/Franchise Fees	4,316,966	4,366,353	1.1%	4,109,869	4,193,597	2.0%	105.0%	104.1%
Other Licenses & Permits	310,192	506,593	63.3%	297,579	317,128	6.6%	104.2%	159.7%
Total Licenses & Permits	6,907,941	7,642,825	10.6%	6,751,060	6,524,452	-3.4%	102.3%	117.1%
Intergovernmental:								
Grants and Federal Entitlements	328,178	102,803	-68.7%	137,835	198,622	44.1%	238.1%	51.8%
State Shared Revenues & Entitlements	1,328,459	1,012,717	-23.8%	909,967	1,033,781	13.6%	146.0%	98.0%
Property Tax - Fire District	-	-	-	-	-	-	-	-
EMS	855,091	884,645	3.5%	866,729	884,645	2.1%	98.7%	100.0%
Other Intergovernmental Services	111,491	-	N/A	186,597	-	-100.0%	59.7%	N/A
Total Intergovernmental	2,623,220	2,000,165	-23.8%	2,101,128	2,117,048	0.8%	124.8%	94.5%
Charges for Services:								
Internal Charges	5,381,414	5,229,777	-2.8%	5,894,286	5,396,481	-8.4%	91.3%	96.9%
Engineering Services	1,147,917	1,511,947	31.7%	555,852	951,385	71.2%	206.5%	158.9%
Plan Check Fee	992,679	1,318,431	32.8%	814,484	1,082,220	32.9%	121.9%	121.8%
Planning Fees	892,138	1,185,075	32.8%	544,619	848,164	55.7%	163.8%	139.7%
Recreation	1,131,941	1,211,928	7.1%	1,152,963	1,160,300	0.6%	98.2%	104.4%
Other Charges for Services	1,898,287	2,197,827	15.8%	2,187,273	2,210,020	1.0%	86.8%	99.4%
Total Charges for Services	11,444,376	12,654,985	10.6%	11,149,477	11,648,570	4.5%	102.6%	108.6%
Fines & Forfeits	1,806,069	2,167,681	20.0%	2,781,169	1,928,925	-30.6%	64.9%	112.4%
Miscellaneous	1,010,940	919,926	-9.0%	598,901	743,138	24.1%	168.8%	123.8%
Total Revenues	77,009,896	82,252,561	6.8%	76,241,634	77,699,996	1.9%	101.0%	105.9%
Other Financing Sources:								
Transfer of FD 41 & WFR Balances	-	-	N/A	1,426,568	-	N/A	N/A	N/A
Interfund Transfers	329,054	402,008	N/A	153,560	402,008	161.8%	214.3%	100.0%
Total Other Financing Sources	329,054	402,008	N/A	1,580,128	402,008	-74.6%	20.8%	100.0%
Total Resources	77,338,950	82,654,569	6.9%	77,821,762	78,102,004	0.4%	99.4%	105.8%

General Fund Revenue *continued*



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	12/31/2012	12/31/2013	% Change	2012	2013	% Change	2012	2013
Non-Departmental	1,591,348	1,925,583	21.0%	1,423,697	1,657,558	16.4%	111.8%	116.2%
City Council	358,225	384,828	7.4%	443,849	403,932	-9.0%	80.7%	95.3%
City Manager's Office	1,771,649	1,773,461	0.1%	1,901,282	2,064,111	8.6%	93.2%	85.9%
Municipal Court	2,028,875	2,130,296	5.0%	2,630,719	2,249,404	-14.5%	77.1%	94.7%
Human Resources	1,215,749	1,251,226	2.9%	1,274,208	1,288,257	1.1%	95.4%	97.1%
City Attorney's Office	1,301,336	1,327,445	2.0%	1,365,836	1,371,489	0.4%	95.3%	96.8%
Parks & Community Services	6,914,075	7,012,622	1.4%	7,326,446	7,453,991	1.7%	94.4%	94.1%
Public Works (Engineering)	3,572,007	4,230,353	18.4%	4,016,268	4,756,261	18.4%	88.9%	88.9%
Finance and Administration	4,286,169	4,462,510	4.1%	4,635,007	4,590,803	-1.0%	92.5%	97.2%
Planning & Community Development	3,094,304	3,470,275	12.2%	3,424,656	3,731,209	9.0%	90.4%	93.0%
Police	21,677,614	22,551,653	4.0%	23,946,613	22,742,122	-5.0%	90.5%	99.2%
Fire & Building	20,154,651	21,862,953	8.5%	20,359,298	22,103,852	8.6%	99.0%	98.9%
Total Expenditures	67,966,001	72,383,205	6.5%	72,747,879	74,412,989	2.3%	93.4%	97.3%
Other Financing Uses:								
Interfund Transfers	4,833,451	8,035,884	66.3%	4,942,766	11,513,698	132.9%	97.8%	69.8%
Total Other Financing Uses	4,833,451	8,035,884	66.3%	4,942,766	11,513,698	132.9%	97.8%	69.8%
Total Expenditures & Other Uses	72,799,452	80,419,089	10.5%	77,690,645	85,926,687	10.6%	93.7%	93.6%

Comparing 2013 and 2012 expenditures:

In 2013, excluding interfund transfers, General Fund expenditures were **6.5 percent higher** than 2012, although this increase was budgeted for as year-end expenditures were **97.3 percent** of total budgeted expenses.

Expenditures were higher in 2013 compared to 2012 in every General Fund department, largely due to increases in personnel costs, either through additional overtime or cost of living adjustments. Other specific reasons for increased expenditures are highlighted below. Despite this increase, 2013 expenditures were under budget in each General Fund department, with the exception of Non-departmental. This is mostly because of savings in the professional services category. A number of large projects with expenditures across 2013 and 2014 are budgeted in professional services, so it is likely that under expenditures for 2013 will be spent in 2014 as the projects continue. Some significant projects are highlighted in the descriptions below.

2013 General Fund actual expenditures (excluding "other financing uses") were 6.5 percent higher than they were in 2012.

- Expenditures for **Non-departmental** were **up 21.0 percent** largely due to an increase in retiree medical benefit costs. This increase, along with additional miscellaneous credit card expenses, primarily related to development fees, resulted in Non-departmental ending 2013 **above budget expectations at 116.2 percent**.
- Actual **Interfund Transfers** finished 2013 at 69.8 percent of budget. This is because a number of transfers from the General Fund for the Public Safety Building, which were budgeted in 2013, will occur in 2014. Once these transfers have been made, actual expenditures will match the budget.
- Actual 2013 expenditures for the **City Council increased 7.4 percent** from 2012, due to an increase in dues and memberships. Some of the City's major memberships are based on population, and organizations have been updating their numbers in the years since annexation.
- The **City Manager's Office** finished 2013 at **85.9 percent of budget** mostly due to savings in pro-

Continued on page 5

Financial Management Report as of December 31, 2013

essional services. These savings were primarily related to the Kirkland 2035 project and the exploration of a Regional Fire Authority, both projects that will incur expenses in 2014, meaning the under expenditures are likely to be temporary.

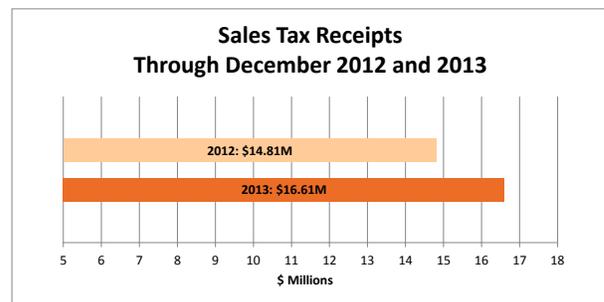
- End of year expenditures for the **Parks & Community Services Department** were at **94.1 percent of budget**, due to Parks Human Services Contracts expenditures being lower than budgeted. These savings are temporary however, as they are related to the timing of contract payments.
- **Planning and Community Development** expenditures finished 2013 **up 12.2 percent** over 2012. This increase was primarily driven by high permit activity that drove a need for overtime and contract expenses. These additional expenses were offset by permit revenue.
- **Public Works** General Fund expenditures were up **18.4 percent** due to permit related expenses. These additional expenditures were offset by revenue as well as staffing vacancies, including the Deputy Director of Public Works position.
- Throughout most of 2013, **Police** expenditures were significantly below the budget due to large savings in Contract Jail costs, as well as three Corrections Officer vacancies. However, during the mid-biennial process these savings were transferred to pay for the Firing Range at the Public Safety Building, so expenditures ended the year at **99.2 percent of budget**.
- Expenditures for the **Fire & Building Department** grew **8.5 percent** over 2012. This increase is related to slightly higher personnel costs and increased workload from development services activities that has resulted in higher contract work and overtime costs (which are offset by revenues). The department's expenses finished 2013 within projections at **98.9 percent of budget**. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are dedicated to the consolidated fire station capital project.

Summary of Fire District 41 Funds 2013 Revenues & Expenditures	
Beginning Balance	5,224,166
Investment Interest	\$ 12,205
Expenditures:	\$ 12,492.00
Current Balance	\$ 5,223,879

Sales Tax Revenue Analysis

The total in this section contains \$270,000 that is passed to the Street Operating Fund, therefore the total is \$270,000 higher than the sales tax figure in the General Fund Revenue table on page 3. Figures for 2012 also include \$200,000 that was transferred to Capital Projects and is not reflected in the table on page 3.

Year-end sales tax revenue was **12.1 percent** higher in 2013 than 2012. This growth in revenue was concentrated in services, and auto/gas retail, with vehicle sales making up the largest single increase. Sales tax revenue received through December is from sales between November 2012 and October 2013.



Review by business sectors:

- **Contracting is up 7.5 percent** through December compared to 2012. This was the result of several large commercial and multi-family projects along with growth in residential construction, however, large gains early in the year were partially offset by some weak months of growth in the fourth quarter.
- Sales tax from the retail sectors was collectively **up 9.7 percent** compared to 2012.
- The **auto/gas retail** sector was **up 13.5 percent** compared to 2012 due to sales increases at all of the dealerships in town, the addition of one new dealership, and a general national trend of increased car buying driven by pent-up demand.
- The **general merchandise/miscellaneous retail** sector was **up 7.0 percent** in 2013 compared to 2012 largely due to positive performance by key retailers.
- The **retail eating/drinking** sector performance was **up 7.4 percent** compared to 2012. Revenue increases can be attributed to many established restaurants posting improved sales along with the opening of some new businesses during the period analyzed.
- **Other retail** was **up 6.9 percent** compared to 2012 due to positive performance across most categories.
- The **services** sector was **up 28.5 percent** compared to 2012. This increase can be attributed to growth from publishing, internet, broadcasting, arts & entertainment, healthcare and other services in the sector. This gain is skewed upward because of a large sales tax refund that was paid out to a business by the Department of Revenue in May 2012; however, even if that amount is factored out, the services sector is still up 20.7 percent over 2012.
- Excluding a refund in December 2012, which substantially reduced 2012 revenues, **wholesale** was **up 1.1 percent** in 2013. Strong gains in the first quarter were offset by slower growth as the year progressed.
- The **miscellaneous** sector was **up 7.3 percent** in 2013 compared to the previous year due to higher revenues across many categories, particularly from manufacturing and finance.

Fourth quarter Sales Tax data was unavailable from the Department of Revenue at the time of publication. Below are highlights from the third quarter.

Neighboring Cities Sales Tax

Bellevue was up 5.0 percent, Redmond 3.7 percent, through September compared to September 2012.

King County

King County's sales tax receipts were 6.7 percent higher than through the third quarter of 2012.

Business Sector Group	January-December		Dollar Change	Percent Change	Percent of Total		Percent of Change
	2012	2013			2012	2013	
Services	1,635,896	2,101,922	466,026	28.5%	11.0%	12.7%	26.0%
Contracting	2,544,008	2,734,553	190,545	7.5%	17.2%	16.5%	10.6%
Communications	442,779	471,727	28,948	6.5%	3.0%	2.8%	1.6%
Auto/Gas Retail	3,655,104	4,147,689	492,585	13.5%	24.7%	25.0%	27.4%
Gen Merch/Misc Retail	1,876,502	2,007,080	130,578	7.0%	12.7%	12.1%	7.3%
Retail Eating/Drinking	1,273,290	1,368,125	94,835	7.4%	8.6%	8.2%	5.3%
Other Retail	1,988,615	2,125,101	136,486	6.9%	13.4%	12.8%	7.6%
Wholesale	564,302	758,786	194,484	34.5%	3.8%	4.6%	10.8%
Miscellaneous	829,767	890,330	60,563	7.3%	5.6%	5.4%	3.4%
Total	14,810,263	16,605,313	1,795,050	12.1%	100.0%	100.0%	100.0%

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

Month	Sales Tax Receipts		\$ Change	% Change
	2012	2013		
January	1,104,023	1,333,113	229,090	20.8%
February	1,413,587	1,618,028	204,441	14.5%
March	1,054,686	1,225,511	170,825	16.2%
April	1,086,848	1,181,984	95,136	8.8%
May	1,132,774	1,387,795	255,021	22.5%
June	1,147,892	1,264,563	116,671	10.2%
July	1,287,015	1,380,475	93,460	7.3%
August	1,313,808	1,369,409	55,601	4.2%
September	1,329,159	1,483,066	153,907	11.6%
October	1,386,749	1,437,663	50,914	3.7%
November	1,410,201	1,479,089	68,888	4.9%
December	1,143,521	1,444,617	301,096	26.3%
Total	14,810,263	16,605,313	1,795,050	12.1%

- Monthly sales tax revenues remained stable throughout the fourth quarter of 2013 and were **11.6 percent higher** than in 2012. However, this is skewed by a large refund paid to a business in December 2012, which reduced the City's revenue. Without this refund revenues were 5.7 percent higher in the fourth quarter of 2013.
- In October and November revenues were up 3.7 percent and 4.9 percent respectively on the strength of improved performance from the auto retail sales. December sales were up 26.3 percent, however the refund of \$188,700 in December 2012 skewed the raw data. With this taken into account, December sales were up 8.4 percent between 2012 and 2013.

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

Sales tax revenue in 2013 pushed revenue passed the 2007 peak of \$16.5 million, although the 2013 figure includes annexation area revenues, so pre-annexation City collections are still less than 2007. Additionally, two sectors, auto/gas and services accounted for over half of the sales tax growth. Because these sectors are economically sensitive, they tend to drop off more when the economy is weak, and grow faster when the economy is strong.

Growth was maintained throughout 2013 and consumer confidence levels remained at consistent levels so revenues were strong, but there are still uncertainties around unemployment, federal government funding and healthcare reform that could slow the recovery and sales tax growth.

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

Comparing to the same period last year:

Totem Lake, which accounted for 29.3 percent of the total sales tax receipts in 2013, was **up 10.1 percent** due to the continued sales growth in the automotive/gas retail sector and improvements in most retail categories. Sixty percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which made up 14.1 percent of the total sales tax receipts in 2013, was **up 6.6 percent** compared to 2012. This area's sales grew due to improving auto retail and general retail sales. These two retail sectors contribute 82.6 percent of this business district's revenue.

Downtown, which accounted for 6.4 percent of 2013 sales tax receipts, was **up 33.8 percent** largely due to the return of information services revenues (which were low in 2012 because of a one-time taxpayer refund that reduced the City's revenues). Factoring out this one-time event, this district would have been about 14.7 percent ahead of 2012. Improvements to information services and retail eating and drinking are the primary reason for the increase. Retail businesses contributed about 70.5 percent of revenues from downtown. Downtown increased its share of the City's overall revenue from 5.3 percent in 2012 to 6.4 percent in 2013.

Carillon Point & Yarrow Bay, which account for 2.1 percent of the total sales tax receipts, were **down 0.5 percent** compared to 2012. About 73.6 percent of this business district's revenue came from retail eating/drinking and accommodations in 2013.

Houghton & Bridle Trails, which produced 2.4 percent of the total sales tax receipts in 2013, were **up 3.7 percent** due to rebounding sales at eating & drinking establishments.

Juanita, which generated 1.6 percent of the total 2013 sales tax receipts, was **up 4 percent** compared to 2012. Sustained positive growth in eating & drinking revenues offset decreases in revenues in most other categories in this district, with eating and drinking establishments posting particularly positive results in the fourth quarter.

North Juanita, Kingsgate, & Finn Hill accounted for 3.1 percent of the total sales tax receipts in 2013 and were **down 0.3 percent** over 2012. Overall growth in the Kingsgate and Finn Hill neighborhoods was offset by a decline in revenues from eating and drinking establishments and food stores in the North Juanita neighborhood.

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

When reviewing sales tax receipts by business district, it's important to be aware that 45.7 percent of the revenue received in 2013 were in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City. This percentage has grown in recent years as internet sales have grown in volume.

Business District	Jan - Dec Receipts		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Totem Lake	4,413,300	4,857,068	443,768	10.1%	29.8%	29.3%
NE 85th St	2,197,258	2,341,247	143,989	6.6%	14.8%	14.1%
Downtown	789,826	1,056,485	266,660	33.8%	5.3%	6.4%
Carillon Pt/Yarrow Bay	352,206	350,438	(1,768)	-0.5%	2.4%	2.1%
Houghton & Bridle Trails	381,766	395,866	14,100	3.7%	2.6%	2.4%
Juanita	251,510	261,637	10,127	4.0%	1.7%	1.6%
Kingsgate/North Juanita/Finn Hill	509,083	507,652	(1,431)	-0.3%	3.4%	3.1%
Unassigned or No District:						
Contracting	2,541,189	2,731,930	190,741	7.5%	17.2%	16.5%
Other	3,374,127	4,102,990	728,863	21.6%	27.9%	29.2%
Total	14,810,264	16,605,313	1,795,049	12.1%	100.0%	100.0%

Sales Tax Revenue Outlook Sales tax receipts remained stable between the third and fourth quarter of 2013 after growing quickly during the first and second quarters. The high growth in year-over-year sales tax in earlier quarters was expected to slow since revenues had strengthened in the second half of 2012. Big ticket items, such as auto purchases and contracting services, continue to drive Kirkland's upward growth, although contracting growth slowed considerably in October and November, before rebounding in December 2013. Contracting, services and automotive/gas retail sectors contributed 64.0 percent of 2013's overall sales tax gains compared to 2012. All other sectors in the City experienced growth in 2013, as did most districts with the exception of Carillon Point/Yarrow Bay and North Juanita.

OFFICE VACANCIES:

According to the latest report from CB Richard Ellis Real Estate Services, Kirkland's office vacancy rate in 2013 was 8.1 percent, almost half the Puget Sound average of 15.1 percent, and identical to 2012's vacancy rate of 8.1 percent. Overall the Eastside remains the second strongest office market in the Puget Sound region, with an office vacancy rate that fell from 45.4 percent in the fourth quarter of 2012 to 14.2 percent in the fourth quarter of 2013, only slightly higher vacancy rate than downtown Seattle (13.9 percent).

Occupancy rates have gone down, but much of this trend is linked to new construction and higher rent prices for office space.

The region currently has 2,077,189 SF of office space under construction, including large projects on the Eastside and the continued expansion of Amazon near their current South Lake Union headquarters.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to 2012, finishing the year up 11.5 percent, an increase of \$25,467. This meant revenues finished 2013 at 107.2 percent of budget.

Economic Environment Update The Washington State economy continued to expand adding 9,500 new jobs in the fourth quarter of 2013, according to the February 2014 update from the Washington State Economic and Revenue Forecast Council. This number is 900 more than was expected in the November forecast. The forecast also includes estimates for state personal income through the third quarter of 2013. The current estimate is \$329.4 billion, which is higher than 2012 and is also higher than forecast in November 2013.

Consumer confidence declined for two months before rebounding in December. The Consumer Confidence Index fell to 72 in November, but rebounded to 78.1 in December, a rating of 100 equals the 1985 consumer confidence level. According to the Conference Board, "Consumer confidence rebounded in December and is now close to pre-government shutdown levels (September 2013, 80.2). Looking ahead, consumers expressed a greater degree of confidence in future economic and job prospects, but were moderately more pessimistic about their earning prospects. Despite the many challenges throughout 2013, consumers are in better spirits today than when the year began."

U.S. unemployment for December 2013 was 6.7 percent, which was the same as the seasonally adjusted rate for Washington State. These rates are down from 7.9 percent nationally and 7.4 percent in Washington in December 2012. King County's provisional unemployment rate for December 2013 was 4.7 percent, down from 6.0 percent in December 2012. The unemployment rate in Kirkland was lower than the County, State and Nation with an unemployment rate of 4.1 percent in December 2013, down from 5.2 percent in December 2012. Note that the Bureau of Labor Statistics (BLS) data for the City of Kirkland does not yet include the 2011 annexation areas, and these areas will not be included until early 2015 when the database will be updated based on Census data, according to the BLS. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Western Washington Purchasing Manager Index indicated continued growth in economic activity in September 2013. The index was at 56.5 in December, which was the seventh straight month the index was above 50. Index numbers less than 50 indicate a shrinking economy, while those over 50 signal an expanding economy.

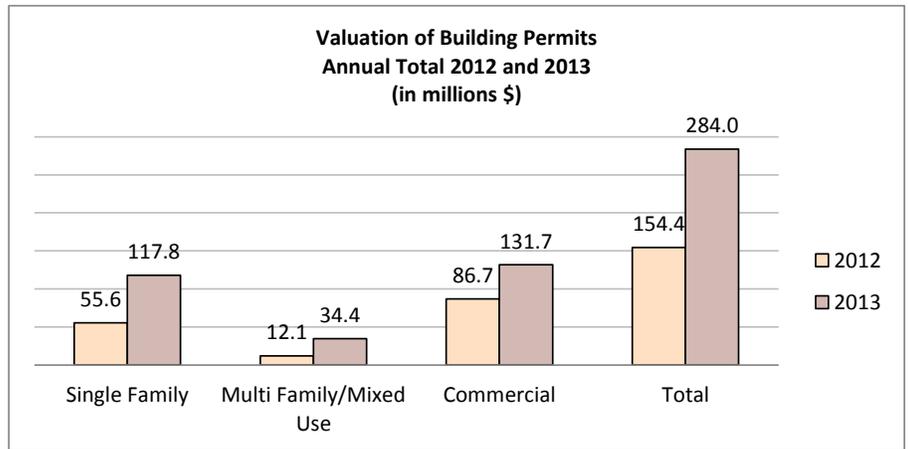
(Continued on page 8)

Economic Environment Update *continued*

Local **development activity**, in terms of the valuation of the City's building permits for 2013, has risen significantly compared to 2012. This is illustrated in the chart to the right. Development activity has increased across the board, with the largest increase in dollar terms coming from single family permits and the largest increase by percentage coming from multi-family/mixed use permits. Permit activity in the fourth quarter was lower overall than in the second and third quarter due to a decline in single family and commercial permits. Commercial permits were one third of their second quarter total during the fourth quarter.

The national **housing market** appeared to slow in the fourth quarter of 2013. Housing units authorized by permits were 3.0 percent below their November level in December, according to the Washington State Economic and Revenue Council. Existing home sales were higher in December than in November, but this followed three consecutive months without growth. Locally the picture was better and Seattle area home prices had risen for twenty-one consecutive months, although prices were still 16.2 percent below their 2007 peak.

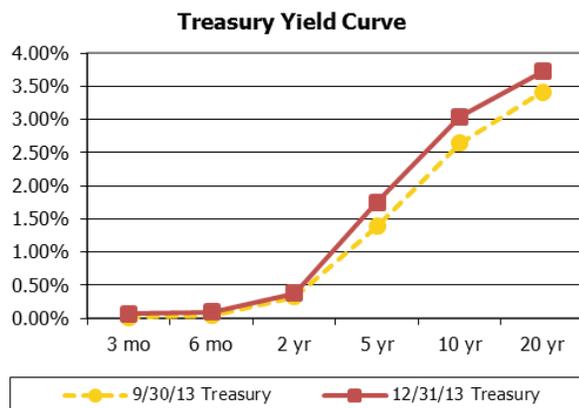
Inflation in the Seattle area remained low. In December 2013, the Seattle all items CPI was 1.3% higher than in the previous December compared to the 1.5% increase for the U.S. city average. Core inflation in Seattle was 1.3% compared to 1.7% for the nation.



Investment Report

MARKET OVERVIEW

Longer term Treasury yields increased slightly with the yield curve becoming steeper at the long end of the curve. The Fed Funds rate continued at 0.25 percent during the fourth quarter of 2013. Any changes to the Fed Funds rate are not anticipated to occur until 2016.

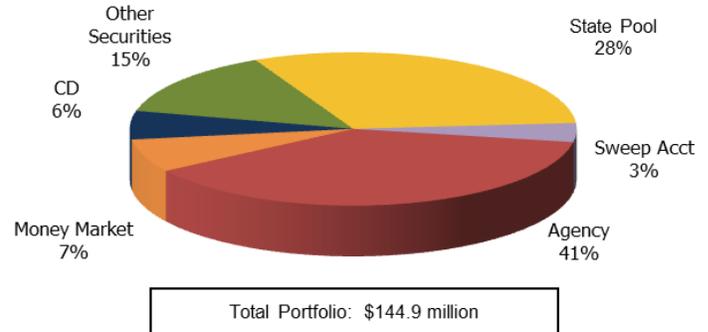


CITY PORTFOLIO

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

The City's portfolio balance remained fairly level in the 4th quarter of 2013, increasing only \$0.8 million to \$144.9 million compared to \$144.1 million on September 30, 2013. Portfolio balances increased with the collection of the 2nd half of the year property taxes in October and November then decreased primarily due to the construction costs of the Public Safety Building.

Investments by Category



Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Agency bonds, State and Local Government bonds, the State Investment Pool, an overnight bank sweep account, a bank money market account and bank certificates of deposit. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

2013 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy changed very little from three months ago, according to 42 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy grew at an annual rate of 1.7 percent in 2013 and is expected to grow 2.6 percent in 2014. CPI inflation is expected to average 1.4 percent in 2013 and 2.0 percent in 2014. The unemployment rate is expected to average 7.5 percent in 2013 and fall to 7.0 percent in 2014. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level throughout 2014 and 2015.

The portfolio duration has decreased only slightly as securities get closer to maturity and cash balances in the portfolio have decreased. The focus on the next 2 quarters will be purchasing shorter term securities to continue reducing the duration in preparation for rising interest rates. The opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.09 percent and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total investment income for 2013 was \$826,937. Estimated investment income for 2014 is \$695,000.

Investment Report *continued*

Liquidity

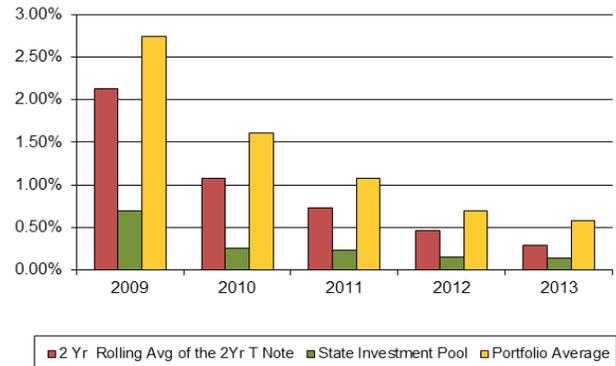
The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio decreased from 1.92 years on September 30, 2013 to 1.85 years on December 31, 2013 as the securities in the portfolio move closer to maturity.

Yield

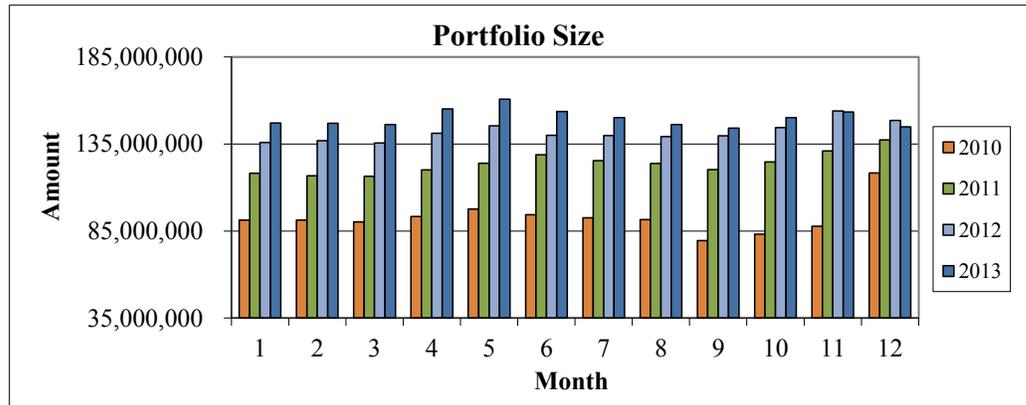
The City Portfolio yield to maturity marginally increased from 0.56 percent on September 30, 2013 to 0.59 percent on December 31, 2013. Through December 31, 2013, the City's annual average yield to maturity remained at 0.58 percent. The City's portfolio benchmark is the range between the 90-day Treasury Bill and the 2-year rolling average of the 2-year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90-day T Bill and the 2-year rolling average of the 2-year Treasury Note, which was 0.29 percent on December 31, 2013.

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

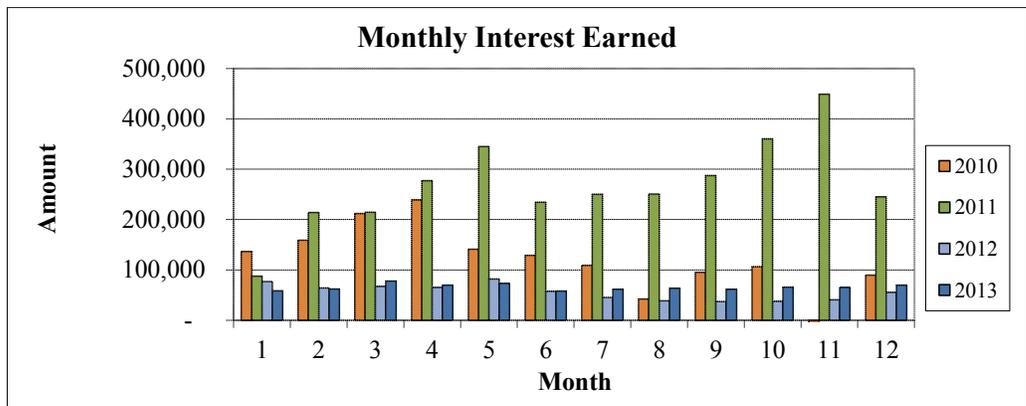
Investment Interest Rate Comparisons



Portfolio Size



Monthly Interest Earned



Reserves are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of December 31, 2013.

Reserve Analysis

General Purpose Reserves

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

General Capital Reserves

- Real estate activity remains strong in 2013. **Real Estate Excise Tax (REET)** collections finished the year **27 percent ahead of 2012**. Revenue through the end of the year was **186 percent of budget**, so the current budgeted ending balance does not reflect actual revenue trends and will be reviewed later in the year for potential adjustment. Over \$750,000 of REET 1 reserves was authorized during the fourth quarter to fund the gap in the NE 85th Street Project, which is due to restart construction in 2014.
- **Impact fees** are also significantly ahead of the 2013 budget, finishing the year with \$1.4 million in additional revenue. Transportation impact fees are 12 percent ahead of the same period last year and park impact fees are 3.5 percent ahead. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. As with REET, the budgeted ending balance for Impact Fees will be reviewed at the end of 2014.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	40,882	50,000	(9,118)
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	156,372	250,000	(93,628)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,686,587	4,810,795	4,810,795	5,735,330	(924,535)
General Purpose Reserves with Targets	11,363,999	13,311,752	13,280,634	17,598,322	(4,317,688)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,958	1,484,958	1,568,207	(83,249)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	3,433,824	1,071,000	2,362,824
REET 2**	2,284,826	2,319,112	2,024,800	2,225,500	(200,700)
Water/Sewer Operating Reserve:					
Water/Sewer Debt Service Reserve:	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
Other Reserves with Targets	15,580,000	17,820,944	16,452,944	10,748,551	5,704,393
Reserves without Targets	35,751,424	35,847,270	34,801,940	n/a	n/a
Total Reserves	62,695,423	66,979,966	64,535,518	n/a	n/a

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

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

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

*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013.

The summary to the right details all Council authorized uses and additions in 2013.

Financial Management Report as of December 31, 2013

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

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

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

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

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

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	(9,118)	40,882
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(22,000)	156,372
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
Total General Fund/Contingency		8,677,412	8,500,957	(31,118)	8,469,839
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,187,020	0	1,187,020
Development Svcs. Technology Reserve	Permit system replacement	264,810	159,792	0	159,792
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,958	0	1,484,958
Total Special Purpose Reserves		6,567,734	5,809,842	0	5,809,842
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(1,073,688)	3,433,824
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(294,312)	2,024,800
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	0	995,958
General Capital Contingency*	Changes to General capital projects	2,686,587	4,810,795	0	4,810,795
Total General Capital Reserves		12,191,586	15,298,137	(1,368,000)	13,930,137
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital projects	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	(104,619)	4,475,610
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	1,485,091	(465,000)	1,020,091
Total Utility Reserves		20,411,741	19,837,432	(569,619)	19,267,813
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
Total Internal Service Fund Reserves		14,846,950	17,533,598	(475,711)	17,057,887
Grand Total		62,695,423	66,979,966	(2,444,448)	64,535,518

*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013, which will be considered for budget adjustments.



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

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



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- Northwest Multiple Listing Service
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- Washington State Employment Security Department
- Washington State Department of Revenue
- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department