



CITY OF KIRKLAND
Department of Finance & Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Chip Corder, Temporary Deputy Director of Administration-Budget
Kyle Butler, Financial Planning Supervisor
Kevin Lowe Pelstring, Budget Analyst

Date: July 23, 2020

Subject: Monthly Financial Dashboard Report through June 30, 2020

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard Report for June 2020.

BACKGROUND DISCUSSION

The Financial Dashboard is a high-level summary of some of the City's key revenue and expenditure indicators. It provides a budget to actual comparison for year-to-date revenues and expenditures for the general fund, as well as some other key revenues and expenditures. The report also compares this year's actual revenue and expenditure performance to the prior year. It is even more important during the current COVID-19 pandemic and associated economic impacts to closely track the City's revenues and expenditures.

We begin to see the full effects of COVID-19 and the Governor's stay-at-home order reflected in this report. Total General Fund revenues are 50.1% of budget, which is right at the 50.0% budget threshold, but lower than the typical range of 52.0-54.0% of budget, and down 2.7% relative to the same period in 2019 mostly due to significant declines in Sales Tax and Development Fees described below. Total Expenditures are 49.2% of budget and slightly below the 50% budget threshold primarily due to position vacancy savings balanced by COVID-19 related expenses—some of which will be reimbursable.

Notably, the June results include Sales Tax revenues through April, when COVID-19 transformed consumer activity in Kirkland and in our region. Relative to the same period in 2019, Sales Tax is down 5.3% mostly due to the following business sectors, which comprise more than one quarter of total revenues: Auto/Gas Retail (-20.5%), Retail Eating/Drinking (-16.4%), and Miscellaneous (-35.5%). Development Fees are 47.3% of budget and down 14.8% relative to the same period in 2019 primarily due to the COVID-19 shutdown and the unusually high level of development activity in 2019 at the Totem Lake and Kirkland Urban sites. However, Building Fees – a major subset of Development Fees – are up 42.0% as development activity picks up again following the temporary shutdown.

Property Taxes have reached 53.0% of budget, reflecting a return to normalcy after the King County property tax due date was pushed from April 30 to June 1, and shows no evidence of increased delinquencies at this time.

Financial Planning will continue to monitor and project these and all City revenues being affected by COVID-19, providing that information where needed to inform policy decisions.

June 2020 Financial Dashboard
July 23, 2020

Revenues (through 6/30/20):

- General Fund Revenues** are 50.1% of budget, which is right at the 50.0% budget threshold and is lower than normal, primarily due to the economic impact of COVID-19 on Sales Tax and Development Fees. Typically, General Fund Revenues are 52.0-54.0% of budget due to the City's conservative Sales Tax budgeting policy. Relative to the same period in 2019, General Fund Revenues are down 2.7% mostly due to significant declines in Sales Tax (-5.3%) and Development Fees (-14.8%).
- Sales Tax** is 51.5% of budget, which is modestly above the 50.0% budget threshold, primarily due to the net effect of the City's modified two-year sales tax lag policy and the negative economic impact of COVID-19. Relative to the same period in 2019, Sales Tax is down 5.3% mostly due to the following business sectors, which comprise more than one quarter of total revenues: Auto/Gas Retail (-20.5%), Retail Eating/Drinking (-16.4%), and Miscellaneous (-35.5%). Helping offset these losses are the following business sectors, which comprise almost two-thirds of total revenues: Services (+8.4%), Contracting (+3.3%), General Merchandise/Miscellaneous Retail (+4.5%), and Other Retail (+7.2%). Note that the 5.3% drop in year-to-date Sales Tax through June includes a \$499,925 negative adjustment for two overpayments to the City in March and May's monthly distribution from the state. As a reminder, there is a two-month lag between when sales tax is generated and when it is distributed to the City (i.e., June receipts are for April retail activity).
- Property Taxes** are 53.0% of budget, which is modestly above the 50.0% budget threshold. This is typical for the first half of the year, reflecting a return to normalcy after the King County property tax due date was pushed from April 30 to June 1. There is no evidence of increased delinquencies at this point.
- Utility Taxes** are 50.3% of budget, which is right at the 50.0% budget threshold. Relative to the same period in 2019, Utility Taxes are up 0.2% primarily due to the net effect of a 14.8% increase in Gas Utility Taxes (related to this past winter) and a 16.4% decrease in Telephone Utility Taxes (reflecting an ongoing downward trend, though the decline is greater than expected).
- Development Fees** are 47.3% of budget, which is modestly below the 50.0% budget threshold, and are down 14.8% relative to the same period in 2019 primarily due to the COVID-19 shutdown and the unusually high level of development activity in 2019 at the Totem Lake and Kirkland Urban sites. However, comparing June to May, Building Fees, which are a major subset of Development Fees, are up 42.0% as development activity, including tenant improvements at the Totem Lake and Kirkland Urban sites, picks up again following the temporary shutdown.
- Business Fees** are 53.7% of budget, which is modestly above the 50.0% budget threshold, and are up 10.7% relative to the same period in 2019 due to a temporary anomaly as the City's business license renewal timing is re-aligned by the Washington State Department of Revenue.

Expenditures (through 6/30/20):

- General Fund Expenditures** are 49.2% of budget, which is slightly below the 50.0% budget threshold, primarily due to position vacancy savings (see General Fund Salaries/Benefits bullet point below).
- General Fund Salaries/Benefits** are 48.5% of budget, which is modestly below the 50.0% budget threshold, due to position vacancy savings. In particular, seasonal hires are down in Parks & Community Services due to COVID-19 restrictions.
- Fire Suppression Overtime** is 63.8% of budget, which is significantly above the 50.0% budget threshold, due to overtime incurred from COVID-19 quarantine procedures for firefighters. However, relative to the same period in 2019, Fire Suppression Overtime is down 15.5%.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 6/30/2020									
Budget Threshold (% Complete) : 50.0%									
General Fund	2020 Budget	Year-to-Date Actual 2020	% Received/ % Expended	June YTD	May YTD	Year-to-Date Actual 2019	YTD Change: 19 to 20 \$	%	
General Fund									
Total Revenues	102,699,968	51,479,561	50.1%			52,904,582	(1,425,021)		-2.7%
Total Expenditures	102,341,353	50,383,478	49.2%			45,817,436	4,566,042		10.0%
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,130,166	11,906,332	51.5%			12,575,873	(669,540)		-5.3%
Property Taxes	19,995,776	10,594,771	53.0%			10,332,998	261,774		2.5%
Utility Taxes	14,211,368	7,144,210	50.3%			7,130,124	14,087		0.2%
Development Fees	11,282,715	5,336,579	47.3%			6,266,090	(929,511)		-14.8%
Business Fees	3,662,591	1,966,308	53.7%			1,775,587	190,721		10.7%
Gas Tax	1,935,654	777,866	40.2%			855,984	(78,117)		-9.1%
<i>Expenditures</i>									
General Fund Salaries/Benefits	73,117,562	35,459,838	48.5%			33,851,316	1,608,522		4.8% (1)
Fire Suppression Overtime	861,545	549,434	63.8%			650,130	(100,696)		-15.5%
Contract Jail Costs	539,630	143,943	26.7%			123,985	19,959		16.1%
Fuel Costs	604,912	140,452	23.2%			221,154	(80,702)		-36.5%
Status Key									
Revenues are higher than expected or expenditures are lower than expected						NOTES:			
Revenues or expenditures are within expected range						(1) Excludes Fire Suppression Overtime			
WATCH - Revenues lower/expenditures higher than expected range or outlook is cautious									