



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, Temp. Deputy Director of Finance and Administration-Budget
Kevin Lowe Pelstring, Budget Analyst
Radu Smintina, Budget Intern

Date: October 5, 2020

Subject: Monthly Financial Dashboard Report through August 31, 2020

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard Report for August 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 see the continued effects of COVID-19 and the Governor's stay-at-home order reflected in this report. Total General Fund revenues are 65.1% of budget, which is slightly below the 66.7% budget threshold and down 3.7% relative to the same period in 2019 mostly due to modest decline in Sales Tax revenue and significant decline in Development Fees described below. Total Expenditures are 64.7% of budget and modestly below the 66.7% budget threshold primarily due to position vacancy savings balanced by COVID-19 related expenses—some of which will be reimbursable.

Notably, the August results include Sales Tax revenues through June, when consumer activity continued improving in Kirkland and in our region. Relative to August 2019, Sales Tax is down 4.7% mostly due to the following business sectors, which comprise about 31% of total revenues: Auto/Gas Retail (down \$518,574, or 15.1 percent), Miscellaneous (down \$372,388, or 30.0 percent), Retail Eating/Drinking (down \$237,846, or 19.6 percent), and Communications (down \$222,371, or 40.6 percent). Helping offset these losses are the following business sectors, which comprise about 65% of total revenues: Other Retail (up \$155,558, or 7.6 percent), Services (up \$148,979, or 6.7 percent), Contracting (up \$142,627, or 3.4 percent), and General Merchandise/Miscellaneous Retail (up \$103,073, or 5.9 percent). Development Fees are 65.2% of budget and down 10.4% 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.

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.

August 2020 Financial Dashboard
October 5, 2020

Revenues (through 8/31/20):

- General Fund Revenues** are 65.1% of budget, which is slightly below the 66.7% budget threshold and is lower than normal, primarily due to the negative economic impact of COVID-19 on Sales Tax and Development Fees and lower than expected Utility Taxes. Typically, General Fund Revenues are 66.0-69.0% of budget due to the net effect of the City's conservative Sales Tax budgeting policy and the timing of Property Tax distributions by King County. Relative to the same period in 2019, General Fund Revenues are down 3.7% mostly due to significant declines in Sales Tax (-4.7%) and Development Fees (-10.4%).

- Sales Tax** is 71.9% of budget, which is significantly above the 66.7% 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 4.7% mostly due to the following business sectors, which comprise about 31% of total revenues: Auto/Gas Retail (down \$518,574, or 15.1 percent), Miscellaneous (down \$372,388, or 30.0 percent), Retail Eating/Drinking (down \$237,846, or 19.6 percent), and Communications (down \$222,371, or 40.6 percent). Helping offset these losses are the following business sectors, which comprise about 65% of total revenues: Other Retail (up \$155,558, or 7.6 percent), Services (up \$148,979, or 6.7 percent), Contracting (up \$142,627, or 3.4 percent), and General Merchandise/Miscellaneous Retail (up \$103,073, or 5.9 percent). Note that 2019 includes two large back tax payments totaling \$458,733 from the Communications and Miscellaneous business sectors. Factoring out these one-time receipts, Sales Tax is down only 2.1 percent versus 2019. 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., August receipts are for June retail activity).

- Property Taxes** are 54.8% of budget, which is well below the 66.7% budget threshold. This is typical through August, with King County distributing Property Taxes to cities primarily in April-May and October-November.
- Utility Taxes** are 64.0% of budget, which is modestly below the 66.7% budget threshold. Relative to the same period in 2019, Utility Taxes are effectively flat due to the net effect of a 15.5% increase in Gas Utility Taxes (driven by a 14.0 percent increase in residential gas rates that took effect on November 1, 2019) and a 15.2% decrease in Telephone Utility Taxes (reflecting an ongoing, double digit downward trend).
- Development Fees** are 65.2% of budget, which is modestly below the 66.7% budget threshold, and are down 10.4% 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.
- Business Fees** are 69.4% of budget, which is modestly above the 66.7% budget threshold, 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 8/31/20):

- General Fund Expenditures** are 64.7% of budget, which is modestly below the 66.7% budget threshold, with position vacancy and other budget savings more than offsetting unbudgeted expenditures related to COVID-19.
- General Fund Salaries/Benefits** are 64.7% of budget, which is modestly below the 66.7% budget threshold, due to position vacancy savings. In particular, seasonal hires are down significantly in Parks & Community Services due to COVID-19 restrictions.
- Fire Suppression Overtime** is 102.3% of budget, which is significantly above the 66.7% 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 3.6%.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 8/31/2020									
Budget Threshold (% Complete) : 66.7%									
	2020 Budget	Year-to-Date Actual 2020	% Received/ % Expended	August YTD	July YTD	Year-to-Date Actual 2019	YTD Change: 19 to 20		
							\$	%	
General Fund									
Total Revenues	104,005,437	67,707,129	65.1%			70,272,351	(2,565,222)	-3.7%	
Total Expenditures	104,084,808	67,384,439	64.7%			62,556,762	4,827,677	7.7%	
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,130,166	16,635,695	71.9%			17,458,413	(822,718)	-4.7%	
Property Taxes	19,995,776	10,958,582	54.8%			10,592,846	365,736	3.5%	
Utility Taxes	14,211,368	9,091,463	64.0%			9,121,151	(29,689)	-0.3%	
Development Fees	11,282,715	7,361,507	65.2%			8,214,873	(853,366)	-10.4%	
Business Fees	3,682,887	2,554,277	69.4%			2,578,408	(24,132)	-0.9%	
Gas Tax	1,935,654	1,023,657	52.9%			1,170,779	(147,121)	-12.6%	
<i>Expenditures</i>									
General Fund Salaries/Benefits	74,026,707	47,865,834	64.7%			45,802,864	2,062,969	4.5% (1)	
Fire Suppression Overtime	861,545	881,467	102.3%			914,461	(32,993)	-3.6%	
Contract Jail Costs	539,630	195,098	36.2%			188,446	6,651	3.5%	
Fuel Costs	604,912	203,576	33.7%			291,360	(87,783)	-30.1%	
Status Key									
Revenues are higher than expected or expenditures are lower than expected						(1) Excludes Fire Suppression Overtime			
Revenues or expenditures are within expected range									
WATCH - Revenues lower/expenditures higher than expected range or outlook is cautious									