



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
George Dugdale, Financial Planning Manager
Kevin Pelstring, Budget Analyst
Camille Hastings, Recovery Intern
Date: July 8, 2021
Subject: Monthly Financial Dashboard Report through May 31, 2021

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard for May 2021.

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.

This report reflects the continued effects of COVID-19 and the Governor's 'Safe Start' restrictions, although the impact is not as significant as at various points in 2020. Total General Fund Revenues are 47.8 percent of budget, which is above the 41.7 percent budget threshold and within the normal range of approximately 43 percent to 49 percent observed over the past five years. Relative to 2020, General Fund Revenues are up 19.5 percent, due to Fire Prop 1 property tax revenue, as well as GEMT revenue receipted earlier in 2021 than in 2020. Total Expenditures are 38.1 percent of budget, slightly under the 41.7 percent budget threshold (while still within the expected range) and down 4.2 percent relative to May 2020.

The May results include Sales Tax revenues through March. Relative to 2020, Sales Tax revenue is up 14.2 percent, or \$1.5 million. However, this includes two taxpayer remittance errors from 2020 totaling \$499,925, which resulted in higher distributions to the City in March and May. These were later removed in the June 2020 distribution by the Washington Department of Revenue (DOR). Excluding the March & May 2020 remittance errors in the Services sector, YTD sales tax revenue is up \$2 million (19.9 percent) overall.

Property Taxes are 53.2 percent of budget, which is above the 41.7 percent budget threshold, but in line with expectations due to the timing of property tax payments. Relative to 2020, Property Tax revenues are up 54.9 percent due to additional property tax revenues from Fire Prop 1. Development Fees are 55.4 percent of budget, well above the 41.7 percent budget threshold and up 32.9 percent relative to 2020. A portion can be attributed to the issuance of backlogged projects and two large mixed-use permits in February, as well the following projects: building permit fees of \$526,618 for Kirkland Urban's south tower, building permit fees of \$171,492 for a large mixed-use project on 85th, and plan review fees of \$75,951 for Evergreen Hospital's Family Maternity Center. In May, the City received Engineering

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Development fees of \$77,277 for the Basra South 6 lot short plat and \$44,421 for Proctor Willows, a Redmond project with frontage improvements in the City of Kirkland.

Utility taxes are 44.5 percent of budget, which is above the budget threshold. Relative to the same period in 2020, Utility Taxes are down 1.4 percent. Telephone utility taxes are down 28.1 percent and TV Cable taxes are down 5.8 percent, reflecting an ongoing, downward trend. Public utility taxes show an overall decrease of 1.35 percent compared to 2020, including a 4.8 percent decrease in Sewer Utility Taxes and an 8.0 percent decrease in Solid Waste Utility Taxes. These decreases are offset somewhat by a 12.2 percent increase in Surface Water Utility Taxes (paid on property taxes), a 4.1 percent increase in Gas Utility taxes, and 7.5 percent increase in Electric Utility taxes. The City has experienced a growth in missed water/sewer and solid waste payments and arrears during the past year, as well as billing delays resulting from a ransomware attack to the City's utility printing vendor in early 2021, which have both disrupted the timing of revenues. Public Works and Financial Planning will be presenting a study session to Council in early Autumn after further review of effects of utility revenues from the pandemic.

Gas Tax is 30.2 of budget, which is below the 41.7 percent budget threshold and reflects a trend that has been observed throughout COVID-19. This is likely due to decreased commuting as people continue to work from home. Financial Planning will continue to monitor Gas Tax revenues throughout the year as we enter the recovery phase of the pandemic.

Fire Suppression Overtime is 61.1 percent of budget, above the budget threshold of 41.7 percent. A portion of this is due to two firefighters on long-term leave and three vacancies. Additionally, Kirkland firefighters continue to administer vaccinations on the Eastside and the department has established pop-up vaccination sites around the City. A budget adjustment of \$190,000 was made in June 2021 to account for overtime expenditures related to vaccine administration as these expenditures qualify for FEMA reimbursement. Accounting for this adjustment, overtime expenditures would be 51.2 percent of budget. Relative to 2020, Fire Suppression Overtime is up 25.4 percent.

Financial Planning will continue to monitor and project these and all City revenues being affected by COVID-19 throughout 2021, providing that information where needed to inform policy decisions.

May 2021 Financial Dashboard

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Revenues (through 5/31/21):

- General Fund Revenues** are 47.8 percent of budget, which is above the 41.7 percent budget threshold and within the normal range of approximately 43 percent to 49 percent observed over the past five years. Relative to 2020, General Fund Revenues are up 19.5 percent, due to Fire Prop 1 property tax revenue, as well as GEMT revenue receipted earlier in 2021 than 2020.
- Sales Tax** is 50.3 percent of budget, which is above the 41.7 percent budget threshold. Relative to 2020, Sales Tax revenue is up 14.2 percent, or \$1.5 million. However, this includes two taxpayer remittance errors from 2020 totaling \$499,925, which resulted in higher distributions to the City in March and May. These were later removed in the June 2020 distribution by the Washington Department of Revenue (DOR). Excluding the March & May 2020 remittance errors in the Services sector, YTD sales tax revenue is up \$2 million (19.9 percent) overall and YTD Services sector is up \$339,006 (23.6 percent). The increase is due to the following business sectors, which comprise 56 percent of total revenues: Contracting (up \$515,431 or 19.6 percent), Auto/Gas Retail (up \$522,165 or 32 percent), Other Retail (up \$285,248 or 20.9 percent), Wholesale (up \$114,074 or 25.9 percent), and Miscellaneous (up \$96,995 or 18.2 percent). These gains are offset somewhat by losses in the following business sectors: Services (down \$160,919 or 8.3 percent), Communications (down \$22,742 or 10.4 percent), and Retail Eating/Drinking (down 36,066 or 5.9 percent). Note: There is a two-month lag between when Sales Tax is generated and when it is distributed to the City, so this period is compared to the first period impacted by COVID-19.
- Property Taxes** are 53.2 percent of budget, which is above the 41.7 percent budget threshold, but in line with expectations due to the timing of property tax payments. Relative to 2020, Property Tax revenues are up 54.9 percent due to additional property tax revenues from Fire Prop 1.
- Utility Taxes** are 44.5 percent of budget, which is above the budget threshold. Relative to the same period in 2020, Utility Taxes are down 1.4 percent. Telephone utility taxes are down 28.1 percent and TV Cable taxes are down 5.8 percent, reflecting an ongoing, downward trend. Public utility taxes show an overall decrease of 1.35 percent compared to 2020, including a 4.8 percent decrease in Sewer Utility Taxes and an 8.0 percent decrease in Solid Waste Utility Taxes. These decreases are offset somewhat by a 12.2 percent increase in Surface Water Utility Taxes (paid on property taxes), a 4.1 percent increase in Gas Utility taxes, and 7.5 percent increase in Electric Utility taxes. The City has experienced a growth in missed water/sewer and solid waste payments and arrears during the past year, as well as billing delays resulting from a ransomware attack to the City's utility printing vendor in early 2021, which have both disrupted the timing of revenues. Financial Planning will continue to monitor Utility Tax revenues as we enter the recovery phase of the pandemic and as the City develops policies for future collection of payments in arrears due to COVID-19. Public Works and Financial Planning will be presenting a study session to Council in early Autumn after further review of effects of utility revenues from the pandemic.
- Development Fees** are 55.4 percent of budget, well above the 41.7 percent budget threshold and up 32.9 percent relative to 2020. A portion can be attributed to the issuance of backlogged projects and two large mixed-use permits in February, as well the following projects: building permit fees of \$526,618 for Kirkland Urban's south tower, building permit fees of \$171,492 for a large mixed-use project on 85th, and plan review fees of \$75,951 for Evergreen Hospital's Family Maternity Center. In May, the City received Engineering Development fees of \$77,277 for the Basra South 6 lot short plat and \$44,421 for Proctor Willows, a Redmond project with frontage improvements in the City of Kirkland.
- Business Fees** are 55.8 percent of budget, also well above the 41.7 percent budget threshold. These increases may be related to timing of payments as businesses recover and pay fees for both 2020 and 2021 in the current year. However, given local businesses are dealing with substantial burdens from COVID-19 and frequently changing restrictions, revenue from Business Fees is expected to continue to fluctuate over time as some businesses close and others open, and existing businesses may or may not renew on schedule.
- Gas Tax** is 30.2 percent of budget, which is below the 41.7 percent budget threshold and reflects a trend that has been observed throughout COVID-19. This is likely due to decreased commuting as people continue to work from home. Financial Planning will continue to monitor Gas Tax revenues throughout the year as we enter the recovery phase of the pandemic.

Expenditures (through 5/31/21):

- General Fund Expenditures** are 38.1 percent of budget, under the 41.7 percent budget threshold (while still within the expected range) and down 4.2 percent relative to May 2020.
- General Fund Salaries/Benefits** are 39.5 percent of budget through May, again under the budget threshold.
- Fire Suppression Overtime** is 61.1 percent of budget, above the budget threshold of 41.7 percent. A portion of this is due to two firefighters on long-term leave and three vacancies. Additionally, Kirkland firefighters continue to administer vaccinations on the Eastside and the department has established pop-up vaccination sites around the City. A budget adjustment of \$190,000 will be made in June 2021 to account for overtime expenditures related to vaccine administration as these expenditures qualify for FEMA reimbursement. Accounting for this adjustment, overtime expenditures would be 51.2 percent of budget. Relative to 2020, Fire Suppression Overtime is up 25.4 percent. Financial Planning will continue to monitor this throughout the year.
- Contract Jail Costs** are 19.1 percent of budget through May, reflecting lower than usual use of other jails due to COVID-19 and a lag in posted invoices for the first five months of the year. Including expenses for the first five months that were received after May, costs are 32.0 percent of budget.
- Fuel Costs** are 23.4 percent of budget through May, below the budget threshold and 32.2 percent higher relative to 2020. Fuel costs are trending more closely to 2018 and 2019 averages, as there was a significant drop in costs in 2020.

City of Kirkland Financial Dashboard								
Annual Budget Status as of 5/31/2021			Budget Threshold (% Complete) : 41.7%					
	2021 Budget	Year-to-Date Actual 2021	% Received/ % Expended	May YTD	April YTD	Year-to-Date Actual 2020	YTD Change: 20 to 21 \$	%
General Fund								
Total Revenues	110,242,754	52,892,694	48.0%			44,072,034	8,820,660	20.0%
Total Expenditures	107,961,514	41,819,504	38.7%			43,487,525	(1,668,022)	-3.8%
Key Indicators (All Funds)								
<i>Revenues</i>								
Sales Tax	23,932,560	12,032,621	50.3%			10,533,629	1,498,992	14.2%
Property Taxes	27,699,385	14,736,984	53.2%			9,517,922	5,219,061	54.8%
Utility Taxes	13,519,349	6,016,068	44.5%			6,102,540	(86,472)	-1.4%
Development Fees	10,269,805	5,689,084	55.4%			4,280,571	1,408,513	32.9%
Business Fees	3,377,868	1,885,514	55.8%			1,591,574	293,941	18.5%
Gas Tax	2,069,037	625,483	30.2%			658,169	(32,686)	-5.0%
<i>Expenditures</i>								
General Fund Salaries/Benefits (1)	76,466,136	30,247,788	39.6%			29,553,703	694,085	2.3%
Fire Suppression Overtime	987,204	603,142	61.1%			480,939	122,203	25.4%
Contract Jail Costs	457,306	87,229	19.1%			142,711	(55,482)	-38.9%
Fuel Costs	670,000	156,962	23.4%			118,729	38,232	32.2%
(1) Excludes Fire Suppression Overtime								
Status Key								
Revenues are higher than expected or expenditures are lower than expected:								
Revenues or expenditures are within expected range:								
WATCH - Revenues lower/expenditures higher than expected range or outlook is cautious:								