



CITY OF KIRKLAND
Department of Finance & Administration
123 Fifth Ave, Kirkland, WA 98033 · 425.587.3100
www.kirklandwa.gov

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
George Dugdale, Financial Planning Manager
Andrea Peterman, Budget Analyst

Date: June 10, 2021

Subject: Monthly Financial Dashboard Report through April 30, 2021

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard for April 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 36.6 percent of budget, which is above the 33.3 percent budget threshold. Relative to 2020, General Fund Revenues are up 12.8 percent, due to Fire Prop 1 property tax revenue, as well as GEMT revenue receipted earlier in 2021 than in 2020. Total Expenditures are 31.1 percent of budget, slightly under the 33.3 percent budget threshold and down 3.6 percent relative to 2020.

The April results include Sales Tax revenues through February. Relative to 2020, Sales Tax revenue is up 7.2 percent. However, this includes a March 2020 taxpayer remittance error, which was later adjusted by the Washington Department of Revenue (DOR). Excluding the remittance error, sales tax revenue is up 10.3 percent compared to 2020. The increase is due to the following business sectors, which comprise 56 percent of total revenues: Contracting (up \$280,646 or 13.4 percent), Other Retail (up \$162,728 or 14.5 percent), General Merchandise/Miscellaneous Retail (up \$141,369 or 14.8 percent), and Wholesale (up \$59,968 or 17.0 percent). These gains are offset somewhat by losses in the following business sectors: Retail Eating/Drinking (down \$94,364 or 17.5 percent), and Communications (down \$17,147 or 9.7 percent). There is a two-month lag between when Sales Tax is generated and when it is distributed to the City, so the period in 2020 that this is compared to was not impacted by COVID-19.

Property Taxes are 38.1 percent of budget, which is above the 33.3 percent budget threshold, but in line with expectations due to the timing of property tax payments. Relative to 2020, Property Tax revenues are up 39.1 percent due to additional property tax revenues from Fire Prop 1. Development Fees are 46.1 percent of budget, above the 33.3 percent budget threshold and up 41.6 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.

Utility Taxes are 36.3 percent of budget, which is above the budget threshold. Relative to the same period in 2020, Utility Taxes are down 1.6 percent. Telephone utility taxes are down 24.5 percent and TV Cable taxes are down 6.2 percent, reflecting an ongoing, downward trend. Public utility taxes show an overall decrease of 1.8 percent compared to 2020. The City has experienced a growth in missed payments and arrears during the past year, which has caused a decline in regular payments, as well as billing delays resulting from a ransomware attack to the City's utility printing vendor in early 2021. 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.

Fire Suppression Overtime is 49.7 percent of budget, above the budget threshold of 33.3 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 30.5 percent of budget. Relative to 2020, Fire Suppression Overtime is up 15.7 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.

April 2021 Financial Dashboard
June 9, 2021

Revenues (through 4/30/21):

- General Fund Revenues** are 36.6 percent of budget, which is above the 33.3 percent budget threshold. Relative to 2020, General Fund Revenues are up 12.8 percent, due to Fire Prop 1 property tax revenue, as well as GEMT revenue receipted earlier in 2021 than 2020.
- Sales Tax** is 38.8 percent of budget, which is above the 33.3 percent budget threshold. Relative to 2020, Sales Tax revenue is up 7.2 percent, or \$626,529. However, this includes a March 2020 \$238,456 taxpayer remittance error, which was later adjusted by the Washington Department of Revenue (DOR). Excluding the remittance error, YTD sales tax revenue is up 10.3 percent (\$864,985) compared to 2020. The increase is due to the following business sectors, which comprise 56 percent of total revenues: Contracting (up \$280,646 or 13.4 percent), Other Retail (up \$162,728 or 14.5 percent), Gen Merch/Misc Retail (up \$141,369 or 14.8 percent), and Wholesale (up \$59,968 or 17.0 percent). These gains are offset somewhat by losses in the following business sectors: Retail Eating/Drinking (down \$94,364 or 17.5 percent), and Communications (down \$17,147 or 9.7 percent). There is a two-month lag between when Sales Tax is generated and when it is distributed to the City (i.e., April receipts are for February retail activity), so the period in 2020 that this is compared to was not impacted by COVID-19.
- Property Taxes** are 38.1 percent of budget, which is above the 33.3 percent budget threshold, but in line with expectations due to the timing of property tax payments. Relative to 2020, Property Tax revenues are up 39.1 percent due to additional property tax revenues from Fire Prop 1.
- Utility Taxes** are 36.3 percent of budget, which is above the budget threshold. Relative to the same period in 2020, Utility Taxes are down 1.6 percent. Telephone utility taxes are down 24.5 percent and TV Cable taxes are down 6.2 percent, reflecting an ongoing, downward trend. Public utility taxes show an overall decrease of 1.8 percent compared to 2020, including a 6.4 percent decrease in Sewer Utility Taxes and a 4.6 percent decrease in Solid Waste Utility Taxes. These decreases are offset somewhat by a 5.9 percent increase in Surface Water Utility Taxes and a 3.4 percent increase in Water Utility taxes. The City has experienced a growth in missed payments and arrears during the past year, which has caused a decline in regular payments, as well as billing delays resulting from a ransomware attack to the City's utility printing vendor in early 2021. 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.
- Development Fees** are 46.1 percent of budget, above the 33.3 percent budget threshold and up 41.6 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.
- Business Fees** are 46.5 percent of budget, well above the 33.3 percent budget threshold. 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. The increases may also be related to timing of payments as businesses recover and pay fees for both 2020 and 2021 in the current year.

Expenditures (through 4/30/21):

- General Fund Expenditures** are 31.1 percent of budget, slightly under the 33.3 percent budget threshold and down 3.6 percent relative to 2020.
- General Fund Salaries/Benefits** are 31.7 percent of budget through April, again slightly under the budget threshold.
- Fire Suppression Overtime** is 49.7 percent of budget, above the budget threshold of 33.3 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 30.5 percent of budget. Relative to 2020, Fire Suppression Overtime is up 15.7 percent. Financial Planning will continue to monitor this throughout the year.
- Contract Jail Costs** are 16.3 percent of budget through April, reflecting lower than usual use of other jails due to COVID-19 and a lag in receipts for the first four months of the year. Including expenses for the first four months receipted in our accounting system after April, costs are 28.2 percent of budget.
- Fuel Costs** are 20.1 percent of budget through April, below the budget threshold and 30.8 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 4/30/2021									
Budget Threshold (% Complete) : 33.3%									
	2021 Budget	Year-to-Date Actual 2021	% Received/ % Expended	April YTD	March YTD	Year-to-Date Actual 2020	YTD Change: 20 to 21		
							\$	%	
General Fund									
Total Revenues	110,242,754	40,343,740	36.6%			35,781,063	4,562,676	12.8%	
Total Expenditures	107,945,920	33,578,815	31.1%			34,841,369	(1,262,554)	-3.6%	
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,932,560	9,282,832	38.8%			8,656,303	626,529	7.2%	
Property Taxes	27,699,385	10,562,208	38.1%			7,594,333	2,967,875	39.1%	
Utility Taxes	13,519,349	4,910,153	36.3%			4,992,320	(82,167)	-1.6%	
Development Fees	10,269,805	4,736,299	46.1%			3,345,930	1,390,369	41.6%	
Business Fees	3,377,868	1,569,938	46.5%			1,360,310	209,628	15.4%	
Gas Tax	2,069,037	494,287	23.9%			574,867	(80,580)	-14.0%	
<i>Expenditures</i>									
General Fund Salaries/Benefits	76,628,517	24,300,306	31.7%			23,816,646	483,660	2.0%	(1)
Fire Suppression Overtime	987,204	490,921	49.7%			424,464	66,457	15.7%	
Contract Jail Costs	457,306	74,433	16.3%			140,694	(66,261)	-47.1%	
Fuel Costs	670,000	134,711	20.1%			102,989	31,722	30.8%	
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									
						NOTES:			
						(1) Excludes Fire Suppression Overtime			