



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
Chip Corder, Temp. Deputy Director of Finance and Administration-Budget
Kyle Butler, Financial Planning Supervisor
Kevin Lowe Pelstring, Budget Analyst

Date: August 31, 2020

Subject: Monthly Financial Dashboard Report through July 31, 2020

RECOMMENDATION:

That the City Council receive the monthly Financial Dashboard Report for July 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 full effects of COVID-19 and the Governor's stay-at-home order reflected in this report. Total General Fund revenues are 58.0% of budget, which is right at the 58.3% budget threshold, but lower than the typical range of 60.0-63.0% of budget, and down 1.2% 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 58.0% of budget and right at the 58.3% budget threshold primarily due to position vacancy savings balanced by COVID-19 related expenses—some of which will be reimbursable.

Notably, the July results include Sales Tax revenues through May, when consumer activity began to restart in Kirkland and in our region. Relative to July 2019, Sales Tax is down 3.7% mostly due to the following business sectors, which comprise about 31% of total revenues: Auto/Gas Retail (-13.8%), Miscellaneous (-31.2%), Communications (-43.8%), and Retail Eating/Drinking (-18.5%). Helping offset these losses are the following business sectors, which comprise about 65% of total revenues: Contracting (+7.6%), Other Retail (+8.5%), Services (+7.8%), and General Merchandise/ Miscellaneous Retail (+5.4%). Development Fees are 56.2% of budget and down 9.7% relative to the same six-month 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 July 2020 to July 2019, Development Fees are up 33.2%, reflecting an upswing in development activity following the temporary shutdown.

Property Taxes have reached 54.0% 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.

July 2020 Financial Dashboard
August 31, 2020

Revenues (through 7/31/20):

- General Fund Revenues** are 58.0% of budget, which is right at the 58.3% budget threshold and is lower than normal, primarily due to the negative economic impact of COVID-19 on Sales Tax and Development Fees. Typically, General Fund Revenues are 60.0-63.0% of budget due to the City's conservative Sales Tax budgeting policy. Relative to the same period in 2019, General Fund Revenues are down 1.2% mostly due to significant declines in Sales Tax (-3.7%) and Development Fees (-9.7%).
- Sales Tax** is 61.7% of budget, which is modestly above the 58.3% 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 July 2019, Sales Tax is down 3.7% mostly due to the following business sectors, which comprise about 31% of total revenues: Auto/Gas Retail (-13.8%), Miscellaneous (-31.2%), Communications (-43.8%), and Retail Eating/Drinking (-18.5%). Helping offset these losses are the following business sectors, which comprise about 65% of total revenues: Contracting (+7.6%), Other Retail (+8.5%), Services (+7.8%), and General Merchandise/ Miscellaneous Retail (+5.4%). Note that 2019 includes two large back tax payments totaling \$453,733 from the Communications and Miscellaneous business sectors. Factoring out these one-time receipts, Sales Tax is down only 0.7 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., July receipts are for May retail activity).
- Property Taxes** are 54.0% of budget, which is modestly below the 58.3% budget threshold. This is typical through July.
- Utility Taxes** are 57.5% of budget, which is slightly below the 58.3% budget threshold. Relative to the same period in 2019, Utility Taxes are flat primarily due to the net effect of a 15.8% 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 56.2% of budget, which is modestly below the 58.3% budget threshold, and are down 9.7% 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 July 2020 to July 2019, Development Fees are up 33.2%, reflecting an upswing in development activity following the temporary shutdown.
- Business Fees** are 60.4% of budget, which is modestly above the 58.3% budget threshold, and are up 3.9% 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 7/31/20):

- General Fund Expenditures** are 58.0% of budget, which is right at the 58.3% budget threshold, with position vacancy savings offsetting unbudgeted expenditures related to COVID-19.
- General Fund Salaries/Benefits** are 56.8% of budget, which is modestly below the 58.3% 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 79.2% of budget, which is significantly above the 58.3% 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 7.9%.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 7/31/2020									
Budget Threshold (% Complete) : 58.3%									
	2020 Budget	Year-to-Date Actual 2020	% Received/ % Expended	July YTD	June YTD	Year-to-Date Actual 2019	YTD Change: 19 to 20		
							\$	%	
General Fund									
Total Revenues	103,763,483	60,215,911	58.0%			60,977,983	(762,071)	-1.2%	
Total Expenditures	103,758,111	60,149,527	58.0%			54,586,669	5,562,858	10.2%	
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,130,166	14,271,918	61.7%			14,826,412	(554,493)	-3.7%	
Property Taxes	19,995,776	10,806,578	54.0%			10,422,754	383,824	3.7%	
Utility Taxes	14,211,368	8,174,160	57.5%			8,172,358	1,802	0.0%	
Development Fees	11,282,715	6,335,730	56.2%			7,016,264	(680,534)	-9.7%	
Business Fees	3,682,887	2,224,250	60.4%			2,141,421	82,830	3.9%	
Gas Tax	1,935,654	895,900	46.3%			1,016,228	(120,328)	-11.8%	
<i>Expenditures</i>									
General Fund Salaries/Benefits	74,026,707	42,061,929	56.8%			39,999,942	2,061,987	5.2% (1)	
Fire Suppression Overtime	861,545	682,565	79.2%			741,395	(58,830)	-7.9%	
Contract Jail Costs	539,630	164,763	30.5%			160,054	4,709	2.9%	
Fuel Costs	604,912	174,255	28.8%			269,632	(95,376)	-35.4%	
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									