



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 Lowe Pelstring, Budget Analyst
Date: April 6, 2021
Subject: Monthly Financial Dashboard Report through February 28, 2021

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard for February 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 15.0 percent of budget, which is slightly below the 16.7 percent budget threshold, although within the normal expected range. Typically, General Fund Revenues are 14.0 percent 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 2020, General Fund Revenues are down 1.4 percent mostly due to declines in Utility Taxes (-10.4 percent) and Business Fees (-13.1 percent). Total Expenditures are 16.3 percent of budget to date and are in line with budget threshold.

The February results include Sales Tax revenues through December. Relative to 2020, Sales Tax is up 4.8 percent due to the following business sectors, which comprise about 39 percent of total revenues: Other Retail (up \$103,570, or 16.7 percent), Services (up \$103,242, or 16.4 percent), Miscellaneous (up \$37,601 or 16.8 percent), and Wholesale (up \$27,847 or 15.0 percent). These gains are offset somewhat by losses in the following business sectors, which comprise about 22 percent of total revenues: Auto/Gas Retail (down \$128,038, or 13.1 percent), and Retail Eating/Drinking (down \$81,329, or 26.3 percent). These declines are in sectors heavily impacted by the COVID-19 pandemic.

Property Taxes are 1.9 percent of budget, which is well below the 16.7 percent budget threshold, as is typical. King County typically distributes Property Taxes to cities primarily in April-May and October-November, so the amount received through February 28 represents almost none of the expected property taxes for the year.

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Development Fees are 22.0 percent of budget, which is modestly above the 16.7 percent budget threshold, and are up 10.8 percent relative to 2020. Although a portion can be attributed to the issuance of backlogged projects, two stand out fees were for two very large mixed-use permits: \$226k in Plan Check Fees for the old Totem Lake Hotel site (which will be new Lakeside Apartments), and \$267,029 in Permit Fees for a large addition on Lake Street.

Gas tax revenues, which the City receives as a distribution from the State of Washington, continue to be lower than budget threshold (11.8 percent of budget, 16.7 percent through the year). This is partly because gas tax is based on miles driven and COVID-19 continues to impact commuting, and also because the increased gas tax for multimodal transportation is distributed quarterly.

Fire Suppression Overtime is 21.8 percent of budget, modestly above the budget threshold. Relative to 2020, Fire Suppression Overtime is up 49.2 percent as Kirkland firefighters provide vaccinations to area nursing homes. These overtime expenditures should be reimbursed by FEMA and Financial Planning will track overtime from the vaccine program separately so trends in overtime can be seen more clearly.

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.

February 2021 Financial Dashboard

April 6, 2021

Revenues (through 2/28/21):

- General Fund Revenues** are 15.0 percent of budget, which is slightly below the 16.7 percent budget threshold, but within the normal expected range. Typically, General Fund Revenues are 13.7-15.2 percent 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 2020, General Fund Revenues are down 1.4 percent mostly due to declines in Utility Taxes (-10.4 percent) and Business Fees (-13.1 percent).
- Sales Tax** is 21.0 percent of budget, which is modestly above the 16.7 percent budget threshold despite COVID-19 economic impacts, primarily due to the effect of the City's modified two-year sales tax lag policy and spurred by a strong holiday season. Relative to 2020, Sales Tax is up 4.8 percent due to the following business sectors, which comprise about 39 percent of total revenues: Other Retail (up \$103,570, or 16.7 percent), Services (up \$103,242, or 16.4 percent), Miscellaneous (up \$37,601 or 16.8 percent), and Wholesale (up \$27,847 or 15.0 percent). These gains are offset somewhat by losses in the following business sectors, which comprise about 22 percent of total revenues: Auto/Gas Retail (down \$128,038, or 13.1 percent), and Retail Eating/Drinking (down \$81,329, or 26.3 percent). 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., February receipts are for December retail activity).
- Property Taxes** are 1.9 percent of budget, which is well below the 16.7 percent budget threshold, as is typical. King County typically distributes Property Taxes to cities primarily in April-May and October-November, so the amount received through February 28 represents almost none of the expected property taxes for the year.
- Utility Taxes** are 15.8 percent of budget, which is slightly below the budget threshold. Relative to 2020, Utility Taxes are down 10.4 percent due to the net effect of a 2.0 percent increase in Electric Utility Taxes, a 36.9 percent decrease in Telephone Utility Taxes (reflecting an ongoing, double digit downward trend), a 24.8 percent decrease in Sewer Utility Taxes, a 15.8 percent decrease in Water Utility Taxes, and a 10.8 percent decrease in Solid Waste Utility Taxes. A portion of the decline in utility taxes can be attributed to timing of check receipts, which are sometimes posted to the following month due to adjusted staffing schedules and receipt policies due to COVID-19. However, there has also been a growth in missed payments and customers falling into arrears during the past year. This has caused a decline in both regular payments and late fees. 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.
- Development Fees** are 22.0 percent of budget, which is above the 16.7 percent budget threshold and are up 10.8 percent relative to 2020. Although a portion can be attributed to the issuance of backlogged projects, two stand out fees were for two very large mixed-use permits: \$226k in Plan Check Fees for the old Totem Lake Hotel site (which will be new Lakeside Apartments), and \$267,029 in Permit Fees for a large addition on Lake Street.
- Business Fees** are 21.2 percent of budget, which is above the 16.7 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 businesses close, new ones open, and existing businesses may or may not renew on time.

Expenditures (through 2/28/21):

- General Fund Expenditures** are 16.3 percent of budget, which is in line with the 16.7 percent budget threshold.
- General Fund Salaries/Benefits** are 16.3 percent of budget through February, again in line with the budget threshold.
- Contract Jail Costs** are 3.0 percent of budget through February, reflecting a lag between when invoices were receipted for the first two months of the year. Including those costs in our accounting system, costs are 10.9 percent of budget.
- Fire Suppression Overtime** is 21.8 percent of budget, modestly above the budget threshold. Relative to 2020, Fire Suppression Overtime is up 49.2 percent as Kirkland firefighters provide vaccinations to area nursing homes. These overtime expenditures should be reimbursed by FEMA. Financial Planning will continue to monitor this throughout the year.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 2/28/2021				Budget Threshold (% Complete) : 16.7%					
		2021 Budget	Year-to-Date Actual 2021	% Received/ % Expended	February YTD	January YTD	Year-to-Date Actual 2020	YTD Change: 20 to 21	
								\$	%
General Fund									
Total Revenues		102,982,984	15,470,128	15.0%			15,682,202	(212,075)	-1.4%
Total Expenditures		105,323,812	17,203,720	16.3%			16,847,655	356,065	2.1%
Key Indicators (All Funds)									
Revenues									
Sales Tax		23,932,560	5,014,932	21.0%			4,783,678	231,254	4.8%
Property Taxes		20,439,615	381,626	1.9%			412,928	(31,302)	-7.6%
Utility Taxes		13,519,349	2,140,993	15.8%			2,389,038	(248,045)	-10.4%
Development Fees		10,269,805	2,261,014	22.0%			2,040,389	220,625	10.8%
Business Fees		3,377,868	717,584	21.2%			825,507	(107,923)	-13.1%
Gas Tax		2,069,037	244,443	11.8%			283,604	(39,161)	-13.8%
Expenditures									
General Fund Salaries/Benefits		76,147,196	12,398,028	16.3%			12,205,145	192,884	1.6%
Fire Suppression Overtime		965,178	210,239	21.8%			140,883	69,356	49.2%
Contract Jail Costs		457,306	13,665	3.0%			6,234	7,431	119.2%
Fuel Costs		450,000	60,732	13.5%			46,061	14,672	31.9%
Status Key									
Revenues are higher than expected or expenditures are lower than expected					<div>NOTES:</div> <div>(1) Excludes Fire Suppression Overtime</div>				
Revenues or expenditures are within expected range									
WATCH - Revenues lower/expenditures higher than expected range or outlook is cautious									