



**CITY OF KIRKLAND**  
**Department of Finance & Administration**  
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**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Michael Olson, Director of Finance & Administration  
 George Dugdale, Financial Planning Manager  
 Kevin Lowe Pelstring, Budget Analyst

**Date:** March 18, 2021

**Subject:** February 2021 Sales Tax Revenue

**Background**

The Financial Planning Division prepares a monthly sales tax revenue memo analyzing monthly and year-to-date activity by business sector, forecasting sales tax revenue in the current year, and tracking key economic indicators to provide additional context for the state of the economy. The general retail sales tax is the City's largest single revenue source, accounting for 18 percent of total budgeted revenues in the General Fund and, along with property and utility taxes, funding public safety and other general government (i.e., non-utility) services. It is also more sensitive to economic cycles than other tax revenues. Accordingly, it is monitored closely by staff—even more so given the economic disruption and uncertainty caused by COVID-19.

There is a two-month lag between when sales tax is generated and when it is distributed to the City by the Washington State Department of Revenue (DOR). Therefore, February sales tax revenue relates to December retail activity in Kirkland.

**February 2021 vs. February 2020**

Business Sector Group	February		Dollar Change	Percent Change	Percent of Total	
	2020	2021			2020	2021
Services	361,714	394,557	32,843	9.1%	14.2%	14.5%
Contracting	610,491	693,491	83,000	13.6%	24.0%	25.5%
Communications	57,492	43,691	(13,801)	-24.0%	2.3%	1.6%
Retail:						
Auto/Gas Retail	434,516	453,067	18,551	4.3%	17.1%	16.7%
Gen Merch/Misc Retail	345,326	368,167	22,841	6.6%	13.6%	13.5%
Retail Eating/Drinking	162,531	115,889	(46,642)	-28.7%	6.4%	4.3%
Other Retail	345,565	390,704	45,139	13.1%	13.6%	14.4%
Wholesale	105,637	117,456	11,819	11.2%	4.2%	4.3%
Miscellaneous	122,058	140,974	18,916	15.5%	4.8%	5.2%
<b>Total</b>	<b>2,545,330</b>	<b>2,717,996</b>	<b>172,666</b>	<b>6.8%</b>	<b>100%</b>	<b>100%</b>

Comparing February 2021 to February 2020, sales tax revenue is up \$172,666, or 6.8 percent. Significant growth occurred in Contracting (up \$83,000 or 13.6 percent), Other Retail (up \$45,139 or 13.1 percent),

Miscellaneous (up \$18,916 or 15.5 percent), and Wholesale (up \$11,819 or 11.2 percent). Declines occurred in Retail Eating/Drinking (down \$46,642 or 28.7 percent) and Communications (down \$13,801 or 24.0 percent).

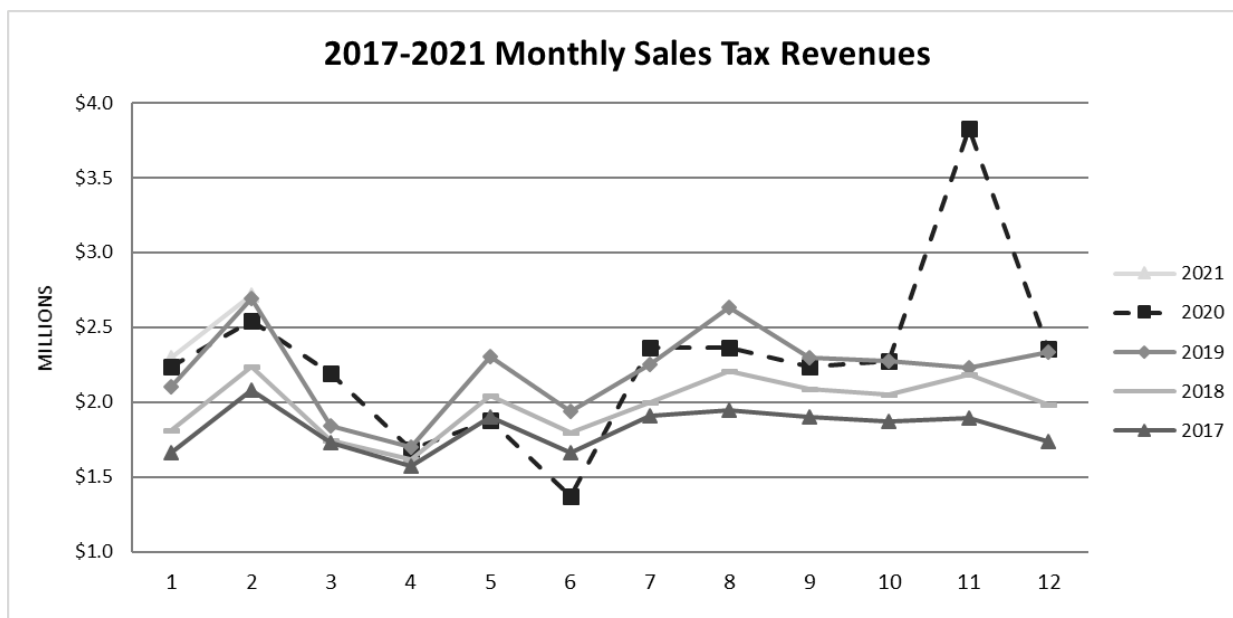
**YTD 2021 vs. YTD 2020**

Business Sector Group	YTD		Dollar Change	Percent Change	Percent of Total	
	2020	2021			2020	2021
Services	631,042	734,284	103,242	16.4%	13.2%	14.6%
Contracting	1,170,980	1,274,495	103,515	8.8%	24.5%	25.4%
Communications	95,795	85,268	(10,527)	-11.0%	2.0%	1.7%
Retail:						
Auto/Gas Retail	977,671	849,633	(128,038)	-13.1%	20.4%	16.9%
Gen Merch/Misc Retail	567,855	643,227	75,372	13.3%	11.9%	12.8%
Retail Eating/Drinking	309,372	228,043	(81,329)	-26.3%	6.5%	4.5%
Other Retail	621,720	725,290	103,570	16.7%	13.0%	14.5%
Wholesale	186,022	213,869	27,847	15.0%	3.9%	4.3%
Miscellaneous	223,221	260,822	37,601	16.8%	4.7%	5.2%
<b>Total</b>	<b>4,783,678</b>	<b>5,014,931</b>	<b>231,253</b>	<b>4.8%</b>	<b>100%</b>	<b>100%</b>

Comparing 2021 to 2020, year-to-date (YTD) sales tax revenue is up \$231,253, or 4.8 percent. Looking at business sectors, the most significant growth has occurred in 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). The growth in Other Retail has been led by the Electronics, Sporting Goods, Building & Garden, and Non-store Retailers sub-sectors.

Noteworthy declines occurred in Auto/Gas Retail (down \$128,038, or 13.1 percent), and Retail Eating/Drinking (down \$81,329, or 26.3 percent). Retail Eating/Drinking is down due to the Governor's stay-at-home order, which was renewed on November 17th through January 4th, 2021, as well as social distancing requirements, which limit the number of customers that can be served.

The chart below shows Kirkland’s monthly sales tax revenue through February 2021 compared to the prior four years.



### Key Economic Indicators

Information about wider trends in the economy provides a mechanism to help understand current results in Kirkland and to predict future performance. The combination of consumer confidence, unemployment levels, housing data, inflation, and auto sales provides a broader economic context for key factors in sales tax revenues. Since the sales tax figures reported above are from two months prior, some of the figures in the table below can function as leading indicators for where sales taxes may go in future reports.

Indicator	Most Recent Month of Data	Unit	Month			Yearly Average	
			Previous	Current	Change	2020	2021
<b>Consumer Confidence</b>							
Consumer Confidence Index	February	Index	88.9	91.3	2.4	101.0	90.1
<b>Unemployment Rate</b>							
National	February	%	6.3	6.2	(0.1)	8.1	6.3
Washington State	December	%	6.5	6.6	0.1	8.4	N/A
King County	November	%	4.7	4.4	(0.3)	7.4	N/A
Kirkland	November	%	4.0	3.7	(0.3)	6.2	N/A
<b>Housing</b>							
New House Permits (WA)	January	Thousands	49.4	66.7	17.3	44.6	66.7
Case-Shiller Seattle Area Home Prices	December	Index	286.1	288.8	2.7	273.8	N/A
<b>Inflation (CPI-W)</b>							
National	February	% Change	1.6	1.9	0.3	1.2	1.8
Seattle	February	% Change	1.6	1.7	0.1	1.9	1.7
<b>Car Sales</b>							
New Vehicle Registrations	February	Thousands	21.9	24.5	2.6	19.4	23.2

The **Consumer Confidence Index** increased from 88.9 in January to 91.3 in February, which is 10.9 index points below the 2020 average.

The national **Unemployment Rate** dropped from 6.3 percent in January to 6.2 percent in February while the Washington State unemployment rate increased slightly from 6.5 percent in November to 6.6 percent in December, after hitting a high of 16.1 percent in April 2020. King County’s unemployment rate dropped from

4.7 percent in October to 4.4 percent in November, and Kirkland's unemployment rate fell from 4.0 percent in October to 3.7 percent in November. Preliminary results show an increase to both the King County and Kirkland unemployment rates in December 2021.

**New Housing Permits** in Washington State have increased significantly from 49,400 in December, to 66,700 in January (up 35 percent), well exceeding the 2020 average of 44,600. The **Case-Shiller Home Price Index** saw an increase of 2.7 points in December, well above January 2020 index of 256.16, reflecting a continually strong housing market despite the pandemic.

**Inflation**, as measured by the CPI-W, in the U.S. increased in February to 1.9 percent from 1.6 percent in January, after going negative in May 2020. For the Seattle-Tacoma-Bellevue region, the CPI-W increased slightly from 1.6 percent in December to 1.7 percent in February.

**New Vehicle Registrations** increased by 2,600 from January to February and remains roughly 5,100 above the 2020 average.