



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
Kevin Lowe Pelstring, Budget Analyst
Date: February 1, 2021
Subject: Monthly Financial Dashboard Report through December 31, 2020

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard for December 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 continued effects of COVID-19 and the Governor's 'Safe Start' restrictions reflected in this report. Total General Fund revenues ended 2020 at 102.1 percent of budget, which is slightly above the 100 percent budget threshold, but down 1.5 percent relative to 2019 mostly due to net effect of strong Sales Tax revenue (primarily from a very large excise audit back payment) and significant decline in Development Fees described below. Total Expenditures are 93.9 percent of budget and modestly below total budget primarily due to position vacancy savings balanced by COVID-19 related expenses—some of which are reimbursable.

The December results include Sales Tax revenues through October. Relative to the same period in 2019, Sales Tax is up 2.7 percent due to the following business sectors, which comprise about 47 percent of total revenues: Miscellaneous (up \$1,076,076, or 62.9 percent), Other Retail (up \$324,437, or 10.4 percent), General Merchandise/Miscellaneous Retail (up \$201,542, or 7.5 percent), and Services (up \$152,278, 4.4 percent). Much of this apparent growth is due to a \$1.4 million one-time payment from an excise audit in the Miscellaneous sector received in November. These gains are offset somewhat by losses in the following business sectors, which comprise about 24 percent of total revenues: Auto/Gas Retail (down \$385,767, or 7.6 percent), Retail Eating/Drinking (down \$381,886, or 20.4 percent), and Communications (down \$244,359, or 34.6 percent).

Development Fees in 2020 were 92.3 percent of budget, which is modestly below budget, and down 15.6 percent relative to 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.

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

December 2020 Financial Dashboard
February 1, 2021

Revenues (through 12/31/20):

- General Fund Revenues** finished the year at 102.1 percent of budget, which is slightly above the 100 percent budget threshold but slightly lower than normal, primarily due to the negative economic impact of COVID-19 on Development Fees and lower than expected Utility Taxes. Typically, General Fund Revenues are 102.5-104.5 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 2019, General Fund Revenues are down 1.5 percent mostly due to significant declines in Development Fees (-15.6 percent).
- Sales Tax** ended 2020 at 118.2 percent of budget, which is significantly above the 100 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 a \$1.4 million back payment in the Miscellaneous sector received in November from an excise tax audit. Relative to 2019, Sales Tax is up 2.7 percent due to the following business sectors, which comprise about 47 percent of total revenues: Miscellaneous (up \$1,076,076, or 62.9 percent), Other Retail (up \$324,437, or 10.4 percent), General Merchandise/Miscellaneous Retail (up \$201,542, or 7.5 percent), and Services (up \$152,278, 4.4 percent). These gains are offset somewhat by losses in the following business sectors, which comprise about 24 percent of total revenues: Auto/Gas Retail (down \$385,767, or 7.6 percent), Retail Eating/Drinking (down \$381,886, or 20.4 percent), and Communications (down \$244,359, or 34.6 percent). Note that 2019 also included two large back tax payments totaling \$458,733 from the Communications and Miscellaneous business sectors. 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., December receipts are for October retail activity).

- Property Taxes** finished the year at 101.0 percent of budget, which is slightly above the 100 percent budget threshold. Property taxes are slightly above budget because the City budgets property tax at 98.3% of what King County estimates receipts will be to account for delinquencies and other non-payment, and may receive late payments from previous tax years
- Utility Taxes** ended at 95.2 percent of budget, which is modestly below budget. Relative to 2019, Utility Taxes are down 1.2 percent due to the net effect of a 9.3 percent increase in Solid Waste Utility Taxes, a 4.3 percent increase in Electric Utility Taxes, a 16.6 percent decrease in Telephone Utility Taxes (reflecting an ongoing, double digit downward trend), a 8.8 percent decrease in Gas Utility Taxes, and a 3.9 percent decrease in TV Cable Taxes.
- Development Fees** finished 2020 at 92.3 percent of budget, which is modestly below the 100 percent budget threshold, and are down 15.6 percent relative to 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.
- Business Fees** ended 2020 at 115.4 percent of budget, which is significantly above the 100 percent budget threshold, partially 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 12/31/20):

- General Fund Expenditures** finished the year at 93.9 percent of budget, which is modestly below the 100 percent budget threshold, with position vacancy and other budget savings offsetting unbudgeted expenditures related to COVID-19.
- General Fund Salaries/Benefits** were 96.4 percent of budget across the entire year, which is slightly below the full budgeted amount, 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 139.3 percent of budget, very significantly above the budget threshold, partially due to overtime incurred from COVID-19 quarantine procedures for firefighters and the deployment of some firefighters to support wildland fire suppression. Since the beginning of July, Fire Suppression Overtime has averaged 3,100 hours of overtime per month, well above the average of around 1,300 hours per month for the first 6 months of the year (which included COVID-related overtime). Relative to 2019, it is up 30.2 percent. In January 2021 the City received a reimbursement of \$179,171 from Washington State for wildland firefighting deployment, however, this was received too late to adjust the 2020 budget. Including this reimbursement, Fire Suppression overtime would have finished 2020 \$331,830 over budget, or 125.5 percent of budget.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 12/31/2020									
Budget Threshold (% Complete) : 100.0%									
	2020 Budget	Year-to-Date Actual 2020	% Received/ % Expended	December YTD	November YTD	Year-to-Date Actual 2019	YTD Change: 19 to 20		
							\$	%	
General Fund									
Total Revenues	108,258,083	110,495,459	102.1%			112,198,955	(1,703,497)	-1.5%	
Total Expenditures	112,355,958	105,510,447	93.9%			94,808,816	10,701,631	11.3%	
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,130,166	27,329,667	118.2%			26,602,368	727,299	2.7%	
Property Taxes	19,995,776	20,201,360	101.0%			19,541,764	659,596	3.4%	
Utility Taxes	14,211,368	13,530,631	95.2%			13,691,468	(160,837)	-1.2%	
Development Fees	11,370,515	10,492,733	92.3%			12,433,397	(1,940,664)	-15.6%	
Business Fees	3,682,887	4,250,938	115.4%			3,858,994	391,943	10.2%	
Gas Tax	1,935,654	1,638,325	84.6%			1,839,251	(200,926)	-10.9%	
<i>Expenditures</i>									
General Fund Salaries/Benefits	74,222,324	71,518,220	96.4%			68,492,070	3,026,150	4.4%	(1)
Fire Suppression Overtime	1,299,544	1,810,545	139.3%			1,390,941	419,604	30.2%	
Contract Jail Costs	539,630	324,439	60.1%			376,598	(52,159)	-13.9%	
Fuel Costs	604,912	322,894	53.4%			451,564	(128,670)	-28.5%	
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									