



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
Sri Krishnan, Deputy Director of Finance and Administration
Kevin Lowe Pelstring, Budget Analyst
Nate Islip, Budget Intern
Date: December 16, 2020
Subject: Monthly Financial Dashboard Report through October 31, 2020

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard Report for October 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 are 88.6 percent of budget, which is modestly above the 83.3 percent budget threshold, but down 1.1 percent 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 80.7 percent of budget and modestly below the 83.3 percent budget threshold primarily due to position vacancy savings balanced by COVID-19 related expenses—some of which will be reimbursable.

The October results include Sales Tax revenues through August. Relative to the same period in 2019, Sales Tax is down 4.0 percent due to the following sectors, which comprise about 31.0 percent of total revenues: Auto/Gas Retail (down \$451,871, or 10.6 percent), Miscellaneous (down \$325,950, or 21.9 percent), Retail Eating/Drinking (down \$322,403, or 20.8 percent), and Communications (down \$230,371, or 36.9 percent). Helping offset these losses are the following sectors, which comprise about 38 percent of total revenues: Other Retail (up \$214,896, or 8.3 percent), General Merchandise & Miscellaneous Retail (up \$152,072, or 6.8 percent), and Services (down \$86,394, or 3.0 percent).

Development Fees are 78.1 percent of budget, which is modestly below the 83.3 percent budget threshold, and are down 15.6 percent 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. According to the Planning & Building Department, there is an eight-week backlog of work that staff is currently working through, and there are many permits which are ready to be issued. As a result, staff expects development fees to exceed the \$11.28 million budget by the end of the year.

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.

October 2020 Financial Dashboard
December 16, 2020




Revenues (through 10/31/20):

- **General Fund Revenues** are 88.6 percent of budget, which is modestly above the 83.3 percent budget threshold and is lower than normal, primarily due to the negative economic impact of COVID-19 on Sales Tax and Development Fees and lower than expected Utility Taxes. Typically, General Fund Revenues are 86.0-90.0 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 the same period in 2019, General Fund Revenues are down 1.1 percent mostly due to significant declines in Sales Tax (-4.0 percent) and Development Fees (-15.6 percent).
- **Sales Tax** is 91.4 percent of budget, which is significantly above the 83.3 percent budget threshold, primarily due to the net effect of the City's modified two-year sales tax lag policy. Relative to the same period in 2019, Sales Tax is down 4.0 percent due to the following business sectors, which comprise about 31.0 percent of total revenues: Auto/Gas Retail (down \$451,871, or 10.6 percent), Miscellaneous (down \$325,950, or 21.9 percent), Retail Eating/Drinking (down \$322,403, or 20.8 percent), and Communications (down \$230,371, or 36.9 percent). Helping offset these losses are the following business sectors, which comprise about 38 percent of total revenues: Other Retail (up \$214,896, or 8.3 percent), General Merchandise/Miscellaneous Retail (up \$152,072, or 6.8 percent), and Services (down \$86,394, or 3.0 percent). Note that 2019 includes two large back tax payments totaling \$458,733 from the Communications and Miscellaneous business sectors. Factoring out these one-time receipts, Sales Tax is down only 2.0 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., October receipts are for August retail activity).

- **Property Taxes** are 89.2 percent of budget, which is significantly above the 83.3 percent budget threshold. However, this is typical through October, with King County distributing Property Taxes to cities primarily in April-May and October-November.
- **Utility Taxes** are 80.0 percent of budget, which is modestly below the 83.3 percent budget threshold. Relative to the same period in 2019, Utility Taxes are down 0.7 percent due to the net effect of a 9.9 percent increase in Gas Utility Taxes (driven by a 14.0 percent increase in residential gas rates that took effect on November 1, 2019), a 6.8 percent increase in Solid Waste Utility Taxes, a 14.9 percent decrease in Telephone Utility Taxes (reflecting an ongoing, double digit downward trend), and a 3.6 percent decrease in TV Cable Taxes.
- **Development Fees** are 78.1 percent of budget, which is modestly below the 83.3 percent budget threshold, and are down 15.6 percent 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. According to the Planning & Building Department, there is an eight-week backlog of work that staff is currently working through, and there are many permits which are ready to be issued. As a result, staff expects development fees to exceed the \$11.28 million budget by the end of the year.
- **Business Fees** are 97.4 percent of budget, which is significantly above the 83.3 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 10/30/20):

- **General Fund Expenditures** are 80.7 percent of budget, which is modestly below the 83.3 percent budget threshold, with position vacancy and other budget savings more than offsetting unbudgeted expenditures related to COVID-19.
- **General Fund Salaries/Benefits** are 80.3 percent of budget, which is modestly below the 83.3 percent 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 166.5 percent of budget, which is roughly twice the 83.3 percent 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 3,000 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 the same period in 2019, it is up 23.9 percent.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 10/31/2020									
Budget Threshold (% Complete) : 83.3%									
	2020 Budget	Year-to-Date Actual 2020	% Received/ % Expended	September YTD	August YTD	Year-to-Date Actual 2019	YTD Change: 19 to 20		%
							\$		
General Fund									
Total Revenues	104,165,437	92,303,984	88.6%			93,288,970	(984,985)		-1.1%
Total Expenditures	106,192,764	85,653,714	80.7%			78,701,288	6,952,426		8.8%
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,130,166	21,146,183	91.4%			22,034,438	(888,255)		-4.0%
Property Taxes	19,995,776	17,828,142	89.2%			17,662,441	165,701		0.9%
Utility Taxes	14,211,368	11,374,732	80.0%			11,451,544	(76,812)		-0.7%
Development Fees	11,282,715	8,814,534	78.1%			10,441,699	(1,627,165)		-15.6%
Business Fees	3,682,887	3,586,342	97.4%			3,441,725	144,618		4.2%
Gas Tax	1,935,654	1,329,120	68.7%			1,512,884	(183,764)		-12.1%
<i>Expenditures</i>									
General Fund Salaries/Benefits	74,197,930	59,574,280	80.3%			57,051,031	2,523,249		4.4%
Fire Suppression Overtime	861,545	1,434,417	166.5%			1,157,589	276,828		23.9%
Contract Jail Costs	539,630	250,061	46.3%			272,554	(22,493)		-8.3%
Fuel Costs	604,912	261,782	43.3%			370,440	(108,659)		-29.3%
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									
(1) Excludes Fire Suppression Overtime									