



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: March 4, 2021
Subject: Monthly Financial Dashboard Report through January 31, 2021

RECOMMENDATION:

It is recommended that the City Council receive the monthly Financial Dashboard for January 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.

We see the continued effects of COVID-19 and the Governor's 'Safe Start' restrictions reflected in this report. Total General Fund Revenues are 6.1 percent of budget, which is slightly below the 8.3 percent budget threshold just below the normal expected range. Typically, General Fund Revenues are 6.5-7.5 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 2020, General Fund Revenues are down 25.1 percent mostly due to significant declines in Development Fees (-56.6 percent) from unusually robust January 2020 development activity. Total Expenditures are 8.3 percent of budget to date and are right in line with the budget threshold.

The January results include Sales Tax revenues through November. Relative to 2020, Sales Tax is up 2.6 percent due to the following business sectors, which comprise about 51 percent of total revenues Services (up \$70,386 or 26.1 percent), Other Retail (up \$58,453 or 21.2 percent), Gen Merch/Misc. Retail (up \$52,531 or 23.6 percent), Miscellaneous (up \$18,686 or 18.5 percent), and Wholesale (up \$16,028 or 19.9 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 \$146,589 or 27.0 percent) and Retail Eating/Drinking (down \$34,687 or 23.6 percent). These declines are in sectors heavily impacted by the COVID-19 pandemic.

Property Taxes are 0.3 percent of budget, which is well below the 8.3 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 January 31 represents almost none of the expected property taxes for the year. Development Fees are 5.9 percent of budget, which is below the 8.3 percent budget threshold, and are down 56.6 percent Relative to 2020, primarily due to the exceptionally high level of development activity in January of last year.

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.

January 2021 Financial Dashboard
March 3, 2021

Revenues (through 1/31/21):

- General Fund Revenues** are 6.1 percent of budget, which is slightly below the 8.3 percent budget threshold just below the normal expected range. Typically, General Fund Revenues are 6.5-7.5 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 2020, General Fund Revenues are down 25.1 percent mostly due to significant declines in Development Fees (-56.6 percent) from unusually robust January 2020 development activity.
- Sales Tax** is 9.6 percent of budget, which is slightly above the 8.3 percent budget threshold despite COVID-19 economic impacts, primarily due to the effect of the City's modified two-year sales tax lag policy. Relative to 2020, Sales Tax is up 2.6 percent due to the following business sectors, which comprise about 51 percent of total revenues Services (up \$70,386 or 26.1 percent), Other Retail (up \$58,453 or 21.2 percent), Gen Merch/Misc. Retail (up \$52,531 or 23.6 percent), Miscellaneous (up \$18,686 or 18.5 percent), and Wholesale (up \$16,028 or 19.9 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 \$146,589 or 27.0 percent) and Retail Eating/Drinking (down \$34,687 or 23.6 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., January receipts are for November retail activity).
- Property Taxes** are 0.3 percent of budget, which is well below the 8.3 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 January 31 represents almost none of the expected property taxes for the year.
- Utility Taxes** are 6.9 percent of budget, which is slightly below budget. Relative to 2020, Utility Taxes are down 24.1 percent due to the net effect of a 6.9 percent increase in Electric Utility Taxes, a 74.2 percent decrease in Telephone Utility Taxes (reflecting an ongoing, double digit downward trend), a 20.3 percent decrease in Sewer Utility Taxes, and a 27.0 percent decrease in Solid Waste Utility Taxes. Because it is so early in the year, it is unclear what is driving this significant period over period reduction in utility revenue. One possible reason is that the large number of employees working from home during the pandemic may have resulted in nearly vacant office buildings that have reduced solid waste service and used significantly less water. Financial Planning will continue to monitor this trend and provide more detail in next month's report.
- Development Fees** are 5.9 percent of budget, which is modestly below the 8.3 percent budget threshold, and are down 56.6 percent Relative to 2020, primarily due to the exceptionally high level of development activity in January 2020.
- Business Fees** are 11.6 percent of budget, which is modestly above the 8.3 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 1/31/21):

- General Fund Expenditures** are 8.3 percent of budget, which is in line with the 8.3 percent budget threshold, with position vacancy and other budget savings offsetting unbudgeted expenditures related to COVID-19.
- General Fund Salaries/Benefits** are 8.5 percent of budget thru January, again in line with the budget threshold.
- Fire Suppression Overtime** is 8.5 percent of budget, right in line with the budget threshold. Relative to 2020, Fire Suppression Overtime is down 12.2 percent but may outpace budget as wildland fire seasons start again later this summer. Some of the overtime from 2020 was directly related to the initial COVID-19 emergence in Kirkland and resulting quarantine procedures unlikely to repeat in 2021. Financial Planning will continue to monitor this throughout the year.

City of Kirkland Financial Dashboard									
Annual Budget Status as of 1/31/2021									
Budget Threshold (% Complete) : 8.3%									
	2021 Budget	Year-to-Date Actual 2021	% Received/ % Expended	January YTD	December YTD	Year-to-Date Actual 2020	YTD Change: 20 to 21		
							\$	%	
General Fund									
Total Revenues	102,982,984	6,265,162	6.1%			8,365,826	(2,100,664)	-25.1%	
Total Expenditures	105,323,343	8,773,792	8.3%			8,616,647	157,144	1.8%	
Key Indicators (All Funds)									
<i>Revenues</i>									
Sales Tax	23,932,560	2,296,937	9.6%			2,238,348	58,589	2.6%	
Property Taxes	20,439,615	65,748	0.3%			59,755	5,993	10.0%	
Utility Taxes	13,519,349	930,224	6.9%			1,226,025	(295,801)	-24.1%	
Development Fees	10,269,805	609,193	5.9%			1,403,910	(794,717)	-56.6%	
Business Fees	3,377,868	392,669	11.6%			544,990	(152,321)	-27.9%	
Gas Tax	2,069,037	110,925	5.4%			143,202	(32,276)	-22.5%	
<i>Expenditures</i>									
General Fund Salaries/Benefits	76,147,196	6,498,265	8.5%			6,373,335	124,930	2.0%	(1)
Fire Suppression Overtime	965,178	82,444	8.5%			93,949	(11,505)	-12.2%	
Contract Jail Costs	457,306	8,966	2.0%			6,234	2,732	43.8%	
Fuel Costs	450,000	14,111	3.1%			7,311	6,799	93.0%	
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									