



**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  
Andrea Peterman, Budget Analyst  
**Date:** May 6, 2021  
**Subject:** Monthly Financial Dashboard Report through March 31, 2021

**RECOMMENDATION:**

It is recommended that the City Council receive the monthly Financial Dashboard for March 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 21.5 percent of budget, which is below the 25.0 percent budget threshold, but within the normal expected range. Typically, General Fund Revenues are 21.4 to 25.6 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 up 2.0 percent mostly due to increases in Property Tax revenues and Development Fees. Total Expenditures are 23.1 percent of budget to date and are in line with budget threshold.

The March results include Sales Tax revenues through January. Relative to 2020, Sales Tax revenue is up 3.7 percent due to the following business sectors, which comprise about 56 percent of total revenues: Contracting (up \$233,890, or 14.4 percent), Other Retail (up \$132,360, or 15.0 percent), General Merchandise/Miscellaneous Retail (up \$109,629 or 14.3 percent), and Wholesale (up \$49,529 or 18.0 percent). These gains are offset somewhat by losses in the following business sectors, which comprise about 21 percent of total revenues: Retail Eating/Drinking (down \$122,306, or 26.7 percent), Communications (down \$16,447, or 11.9 percent), and Services (down \$131,640, or 11.1 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., March receipts are for January retail activity), so the period in 2020 that this is compared to was not impacted by COVID-19. These declines are in sectors heavily impacted by the COVID-19 pandemic.

Property Taxes are 7.7 percent of budget, which is well below the 25.0 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 March 31 represents little of the expected property taxes for the year. Development Fees are 31.8 percent of budget, above the 25.0 percent budget threshold and up 18.4 percent relative to 2020. A portion of this increase can be attributed to the issuance of

backlogged projects and two large mixed-use permits in February, as well as two stand-out projects: building permit fees of \$171,492 received in March for a large mixed-use project on 85th and plan review fees of \$75,951 for Evergreen Hospital's Family Maternity Center.

Utility Taxes are 25.1 percent of budget, which is in line with the budget threshold. Relative to 2020, Utility Taxes are down 5.9 percent due to decreases in Water, Sewer, and Solid Waste Taxes. As the year continues it is likely that utility taxes will remain down, but not as dramatically as they are currently. Financial Planning will continue to monitor Utility Tax revenues as the City enters the recovery phase of the pandemic and develops policies for future collection of payments in arrears due to COVID.

Gas tax revenues, which the City receives as a distribution from the State of Washington, continue to be lower than budget threshold (18.6 percent of budget, 12.6 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 32.8 percent of budget, moderately above the budget threshold. A portion of this is due to two firefighters on disability and three vacancies. Kirkland firefighters also continued to provide vaccinations to area nursing homes in March 2021, and these overtime expenditures should be reimbursed by FEMA. Relative to 2020, Fire Suppression Overtime is down 1.2 percent, as overtime in March 2020 was high due to the impact of COVID-19 on Kirkland firefighters. Financial Planning will continue to monitor this throughout the 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.

## March 2021 Financial Dashboard

May 4, 2021

## Revenues (through 3/31/21):

- **General Fund Revenues** are 21.5 percent of budget, which is below the 25.0 percent budget threshold, but within the normal expected range. Typically, General Fund Revenues are 21.4 to 25.6 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. Since property taxes are received primarily beginning in April, and will include an additional \$7M in property taxes related to Fire Prop 1, revenues are likely to reach budget threshold once property taxes begin to be received. Relative to 2020, General Fund Revenues are up 2.0 percent.
- **Sales Tax** is 30.2 percent of budget, which is above the 25.0 percent budget threshold despite COVID-19 economic impacts, primarily due to the City's modified two-year sales tax lag. Relative to 2020, Sales Tax revenue is up 3.7 percent due to the following business sectors, which comprise about 56 percent of total revenues: Contracting (up \$233,890, or 14.4 percent), Other Retail (up \$132,360, or 15.0 percent), General Merch/Miscellaneous Retail (up \$109,629 or 14.3 percent), and Wholesale (up \$49,529 or 18.0 percent). These gains are offset somewhat by losses in the following business sectors, which comprise about 21 percent of total revenues: Retail Eating/Drinking (down \$122,306, or 26.7 percent), Communications (down \$16,447, or 11.9 percent), and Services (down \$131,640, or 11.1 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., March receipts are for January retail activity), so the period in 2020 that this is compared to was not impacted by COVID-19.
- **Property Taxes** are 7.7 percent of budget, which is well below the 25.0 percent budget threshold, as is typical. King County distributes Property Taxes to cities primarily in April-May and October-November, so the amount received through March represents little of the expected property taxes for the year. Relative to 2020, Property Tax revenues are up 72.3 percent due to additional property tax revenues from Fire Prop 1.
- **Utility Taxes** are 25.1 percent of budget, which is in line with the budget threshold. Relative to 2020, Utility Taxes are down 5.9 percent due to decreases in public utility taxes, including a 19.5 percent decrease in Sewer Utility Taxes, a 11.8 percent decrease in Water Utility Taxes, and a 10.6 percent decrease in Solid Waste Utility Taxes. Telephone utility taxes are also down 25.1 percent, which reflects an ongoing, double digit downward trend. There has been a growth in missed payments and customers falling into arrears during the past year, which has caused a decline in regular payments. However, there are some technical reasons for lower revenues including billing delays that have resulted from the City's vendor being hit by a ransomware attack delaying some billing cycles by as much as a month. As the year continues it is likely that utility taxes will remain down, but not as dramatically as they are currently. 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 31.8 percent of budget, above the 25.0 percent budget threshold and up 18.4 percent relative to 2020. A portion can be attributed to the issuance of backlogged projects and two large mixed-use permits in February, as well as two stand-out projects: building permit fees of \$171,492 received in March for a large mixed use project on 85th and plan review fees of \$75,951 for Evergreen Hospital's Family Maternity Center.
- **Business Fees** are 35.4 percent of budget, which is above the 25.0 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. The increases may also be related to timing of payments as businesses recover and pay fees for both 2020 and 2021 in the current year.

## Expenditures (through 3/31/21):

- **General Fund Expenditures** are 23.1 percent of budget, slightly under the 25.0 percent budget threshold.
- **General Fund Salaries/Benefits** are 23.8 percent of budget through March, again slightly under the budget threshold.
- **Fire Suppression Overtime** is 32.8 percent of budget, moderately above the budget threshold. A portion of this is due to two firefighters on disability and three vacancies. Kirkland firefighters also continued to provide vaccinations to area nursing homes in March 2021, and these overtime expenditures should be reimbursed by FEMA. A budget adjustment will be made in June 2021 to account for this reimbursable overtime. Relative to 2020, Fire Suppression Overtime is down 1.2 percent, as overtime in March 2020 was high due to the impact of COVID-19 on Kirkland firefighters. Financial Planning will continue to monitor this throughout the year.
- **Contract Jail Costs** are 10.9 percent of budget through March, reflecting lower than usual use of other jails due to COVID-19 and a lag in receipts for the first three months of the year. With the costs identified as March 2021, but paid later, included in costs are 15.4 percent of budget through the end of March.

| City of Kirkland Financial Dashboard                                      |             |                          |                           |   |              |                          |                      |          |
|---|-------------|--------------------------|---------------------------|---|--------------|--------------------------|----------------------|----------|
| Annual Budget Status as of 3/31/2021                                      |             |                          |                           |   |              |                          |                      |          |
| Budget Threshold (% Complete) : 25.0%                                     |             |                          |                           |   |              |                          |                      |          |
|   | 2021 Budget | Year-to-Date Actual 2021 | % Received/<br>% Expended | March YTD   | February YTD | Year-to-Date Actual 2020 | YTD Change: 20 to 21 |          |
|   |             |                          |                           |   |              |                          | \$                   | %        |
| <b>General Fund</b>   |             |                          |                           |   |              |                          |                      |          |
| Total Revenues  | 110,242,754 | 23,755,844               | 21.5%                     |   |              | 23,287,000               | 468,843              | 2.0%     |
| Total Expenditures  | 107,945,920 | 24,896,381               | 23.1%                     |   |              | 26,324,975               | (1,428,595)          | -5.4%    |
| <b>Key Indicators (All Funds)</b>   |             |                          |                           |   |              |                          |                      |          |
| <i>Revenues</i>   |             |                          |                           |   |              |                          |                      |          |
| Sales Tax   | 23,932,560  | 7,228,375                | 30.2%                     |   |              | 6,972,348                | 256,027              | 3.7%     |
| Property Taxes  | 27,699,385  | 2,143,433                | 7.7%                      |   |              | 1,243,680                | 899,753              | 72.3%    |
| Utility Taxes   | 13,519,349  | 3,395,140                | 25.1%                     |   |              | 3,607,812                | (212,671)            | -5.9%    |
| Development Fees  | 10,269,805  | 3,270,190                | 31.8%                     |   |              | 2,761,692                | 508,497              | 18.4%    |
| Business Fees   | 3,377,868   | 1,196,026                | 35.4%                     |   |              | 1,087,463                | 108,563              | 10.0%    |
| Gas Tax   | 2,069,037   | 384,755                  | 18.6%                     |   |              | 440,353                  | (55,599)             | -12.6%   |
| <i>Expenditures</i>   |             |                          |                           |   |              |                          |                      |          |
| General Fund Salaries/Benefits  | 76,776,995  | 18,275,149               | 23.8%                     |   |              | 17,901,578               | 373,570              | 2.1% (1) |
| Fire Suppression Overtime   | 987,204     | 323,341                  | 32.8%                     |   |              | 327,407                  | (4,066)              | -1.2%    |
| Contract Jail Costs   | 457,306     | 49,775                   | 10.9%                     |   |              | 95,368                   | (45,593)             | -47.8%   |
| Fuel Costs  | 670,000     | 60,732                   | 9.1%                      |   |              | 84,571                   | (23,839)             | -28.2%   |
| <b>Status Key</b>   |             |                          |                           |   |              |                          |                      |          |
| Revenues are higher than expected or expenditures are lower than expected |             |                          |                           | WATCH - Revenues lower/expenditures higher than expected range or outlook is cautious |              |                          |                      |          |
| Revenues or expenditures are within expected range                        |             |                          |                           |   |              |                          |                      |          |
| <b>NOTES:</b>   |             |                          |                           |   |              |                          |                      |          |
| (1) Excludes Fire Suppression Overtime                                    |             |                          |                           |   |              |                          |                      |          |