CITY OF KIRKLAND
FINANCE AND ADMINISTRATION
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Kevin Pelstring, Financial Planning Manager
Cody Harris, Budget Analyst

Date: April 3, 2025

Subject: **February 2025 Financial Dashboard Report**

RECOMMENDATION:

Staff recommends that the City Council receives the February 2025 update on the General Fund and other key revenues and expenditures.

EXECUTIVE SUMMARY:

- Staff recommends that Council receives the February 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are within the budget threshold and up $2,493,440.00, or 15%, compared to February 2024.
- Sales Tax is within budget threshold and up 6% compared to February 2024.
- Development Fees are experiencing strong growth and are up 24% compared to 2024.
- Overall General Fund expenditures are right at the budget threshold, at 17% spent through the end of February.

BACKGROUND:

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.

Real Estate Excise Tax (REET) is a major funding source for the City's Capital Improvement Program (CIP). Given that it is sensitive to economic cycles, tracking and reporting monthly REET revenue is important to understanding the health of CIP funding. It is not receipted in the General Fund, however, and therefore excluded from Total General Fund Revenues in the dashboard.

DISCUSSION/ANALYSIS:

The table below summarizes the financial data for the General Fund as of February 28, 2025.

City of Kirkland Financial Dashboard
Annual Budget Status as of 2/28/2025 — Budget Threshold (% Complete) : 17%

General Fund	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	February YTD	January YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24 $	YTD Change: '25 to '24 %
Total Revenues	131,715,191	19,625,911	15%			17,132,470	2,493,440	15%
Total Expenditures	129,736,392	21,997,032	17%			21,191,752	805,280	4%
Key Indicators (All Funds)								
Revenues								
Sales Tax	34,527,533	6,173,462	18%			5,821,624	351,838	6%
Property Taxes	31,164,360	454,440	1%			466,702	(12,262)	-3%
Utility Taxes	17,580,147	3,008,467	17%			2,916,939	91,527	3%
Development Fees (1)	11,266,439	2,331,831	21%			1,875,745	456,087	24%
Business Fees	6,388,000	985,937	15%			1,068,341	(82,404)	-8%
Gas Tax	1,758,188	255,875	15%			256,834	(959)	0%
Real Estate Excise Tax (REET) (1)	11,000,000	1,685,968	15%			1,447,115	238,852	17%
Expenditures								
General Fund Salaries/Benefits (2)	92,251,648	15,068,539	16%			14,445,620	622,919	4%
Fire Suppression Overtime	1,322,560	501,567	38%			253,733	247,834	98%
Contract Jail Costs	539,630	-	0%			9,207	(9,207)	-100%

(1) Excluded from Total Revenue
(2) Excludes Fire Suppression Overtime

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:

General Fund Revenues are 15% of budget, within the budget threshold and up $2,4963,440 (or 15%) compared to February 2024 due to growth in tax revenues. As described below, most major General Fund revenue categories are running within the budget threshold. Business fees and gas taxes are likely to end the year at budget after being under budget last year.

General Fund Expenditures are 17% of budget, up $805,280 (or 4%) compared to February 2024. This increase is the result of a combination of factors: higher salary and benefit costs; and fewer vacancies and higher liability insurance premiums (usually paid in January of each year).

Comparing February 2025 to February 2024, **Sales Tax** revenue receipts are up $184,244 or 6.0%. The sectors that reported the largest growth compared to February 2024 (ranked in order of dollar change) are Auto/Gas Retail (up $71,833 or 15%), Other Retail (up $69,444 or 12%), Services (up $44,512 or 9%), and Retail Eating/Drinking (up $20,264 or 8%).

Sectors with moderate to small increases include Gen Merch/Misc Retail (up $18,064 or 9%), Communications (up $7,805 or 19%), and Contracting (up $2,852 or just above 0%).

The data also shows declines in Wholesale (down $24,111 or 15%) and Miscellaneous (down $26,419 or 14%). These sectors were down due to a decrease in manufacturing activity and wholesale of durable goods, as well as slow growth in these sectors.

Property Taxes are less than 1% of budget, under the budget threshold but within expectation. As required by RCW 84.56.020, property tax payments are due by April 30th and October 31st. As the majority of homeowners pay their property taxes through an escrow with their mortgage lender, revenue collections typically occur close to the tax payment due dates.

Utility Tax Revenues are at 17% of budget and $91,527 (or 3%) higher than 2024. Utility taxes are levied on gross operating revenues that public and private utilities earn from operations within the city's boundaries. Staff anticipate these revenues will increase mainly due to the City's water, sewer, solid waste, and surface water utility rate increases as well as rate increases by Puget Sound Energy (PSE) on electricity and natural gas.

Development Fees are in a separate Development Services Fund but included in this report to improve tracking of these key revenues. Development Fees generated 21% of budgeted revenues during the month of February and are up $456,087 (or 24%) relative to 2024. This year-over-year change includes gains in Engineering fees (up $487,111 or 95%), Fire (up $27,998 or 13%), and Planning revenues (up $40,351 or 38%), offset by declines to Building (down $99,373 or 9%).

Business Fees are 15% of budget, within the budget threshold and down $82,404 (or 8%) compared to February 2024. A large portion of this revenue comes from the Revenue Generating Regulatory License (RGRL) fee, which is based off the number of employees a business has. Staff is analyzing the changes year over year to explain the budget variance and will continue to monitor this activity.

Gas Tax is 15% of budget, within budget threshold. Compared to 2024, revenues from gas taxes are nearly identical to this time last year and are down by just $959. As gas taxes are assessed in cents per gallon, not based on price, gas tax receipts rise as fuel consumption increases rather than with gas prices. Finance and Public Works staff are monitoring this revenue source and its impact to the City's Street Fund.

Real Estate Excise Tax (REET) are 15% of budget with REET revenues totaling $1,685,968, which is 17% higher compared to 2024. As the City retains REET reserves, staff are not currently anticipating changes to any active capital projects and will assess revenues in advance of the 2025-2030 CIP Update, which occurs at the end of 2025.

General Fund Salaries/Benefits are 16% of budget, just below the budget threshold and up $615,700 (or 4%) compared to the previous year. Personnel costs are slightly higher due to the Management & Confidential (MAC) job class cost-of-living adjustments (COLA). The budget will be adjusted to reflect the updated COLA for employees now that the AFSCME labor agreement has been ratified and should be reflected in the April dashboards. At the end of February 2025, the City had 38 vacant FTEs (Full Time Equivalents) in the General Fund. This represents a slight increase compared to January when the City had 34 vacancies in the General Fund.

Fire Suppression Overtime (OT) Fire Suppression Overtime (OT) is 38% of budget through February 2025, and up 100% ($247,834) compared to this time last year.

February overtime was impacted by a few notable activities: one Firefighter in temporary assignment to the Mobile Integrated Health program; two Firefighters offline due to injury; two Firefighters in FMLA/PFML status; one Firefighter in Paramedic Training; one Firefighter assigned as an Academy Instructor; and four new recruits attending the Academy. These circumstances create lowered staff availability for on-line shift work, creating the increased need to supplement staffing with overtime. Staff will continue to monitor these trends.

A fire overtime issue paper was prepared as part of the 2025-2026 Budget process to help understand the causes for overtime and provide an analysis of the costs and benefits of hiring new staff vs using overtime.[1] The trends identified in the paper will be monitored during the new biennium to determine the impact on assumptions used in development of the OT budget.

Contract Jail Costs are at 0% of budget but within expectation due to the billing cycle. Usually, payments are delayed by 2 months; therefore, the first payment should be captured in the March dashboard. The Kirkland City Jail Medication-Assisted Treatment (MAT) program, launched on January 10, 2024, provides comprehensive support for inmates battling substance use disorder. This initiative enables the Kirkland City Jail to offer extensive services to individuals with Opioid Use Disorder, who previously would have been transferred to South Correctional Entity (SCORE) due to the absence of such support. Since its inception, over 60 inmates have participated in the program, contributing to a decrease in the number of inmates requiring housing at SCORE. This line item includes other expenses aside from contract bed jail costs including Electronic Home Detention.

Financial Planning will continue to monitor and project these and other financial metrics, providing information where needed to inform policy decisions.

NEXT STEPS:

Staff will continue to provide monthly updates to the Financial Dashboard.

ATTACHMENTS:

None.

[1] Fire Overtime Issue Paper: https://www.kirklandwa.gov/files/sharedassets/public/v/1/finance-and-administration/budget-documents/25-26-budget/2025-2026-fire-overtime-issue-paper.pdf