CITY OF KIRKLAND
FINANCE AND ADMINISTRATION
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance & Administration
Kevin Pelstring, Financial Planning Manager
Nida Haroon, Budget Analyst

Date: August 28, 2025

Subject: **Report on July 2025 Financial Dashboard**

RECOMMENDATION:

Staff recommends that Council receive the July 2025 update on the General Fund and other key revenues and expenditures.

EXECUTIVE SUMMARY:

- Staff recommends that Council receive the July 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are above the budget threshold and up $6,257,826, or 8%, compared to July 2024.
- Sales Tax is at budget threshold and down 0.5% YTD compared to July 2024.
- Development Fees continue to grow and are up 12% compared to 2024.
- Overall General Fund expenditures are ahead of budget threshold, at 60% spent through the end of July.

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). Because it is sensitive to economic cycles, tracking and reporting monthly revenue is important to understanding the health of CIP funding. It is not receipted in the General Fund and, therefore, is excluded from Total General Fund Revenues in the dashboard.

DISCUSSION/ANALYSIS:

The table below summarizes the financial data for the General Fund as of 7/31/2025.

City of Kirkland Financial Dashboard								
Annual Budget Status as of 7/31/2025		Budget Threshold (% Complete) : 58%						
	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	July YTD	June YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24 $	%
General Fund								
Total Revenues	132,729,047	80,419,402	61%			74,161,577	6,257,826	8%
Total Expenditures	132,242,530	79,390,513	60%			70,900,305	8,490,208	12%
Key Indicators (All Funds)								
Revenues								
Sales Tax	34,527,533	20,035,794	58%			20,142,526	(106,732)	-0.5%
Property Taxes	31,164,360	16,887,450	54%			16,374,015	513,435	3%
Utility Taxes	17,580,147	10,727,583	61%			9,772,669	954,914	10%
Development Fees (1)	11,266,439	8,583,957	76%			7,640,914	943,044	12%
Business Fees	6,388,000	2,834,669	44%			3,055,990	(221,321)	-7%
Gas Tax	1,758,188	876,026	50%			951,957	(75,931)	-8%
Real Estate Excise Tax (REET) (1)	11,000,000	7,406,476	67%			7,881,612	(475,136)	-6%
Expenditures								
General Fund Salaries/Benefits (2)	92,680,455	53,457,498	58%			50,334,008	3,123,490	6%
Fire Suppression Overtime	1,535,200	1,386,371	90%			981,112	405,259	41%
Contract Jail Costs	539,630	283,086	52%			171,397	111,689	65%

(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 61% of budget, ahead of the budget threshold and up $ 6,257,826, or 8%, compared to July 2024 due to growth in tax revenues. As described below, most major General Fund revenue categories are running within the budget threshold.

General Fund Expenditures are 60% of budget, up $8,490,208, or 12%, compared to July 2024. This increase is the result of a combination of factors: higher salary & benefit costs; fewer vacancies; and higher liability insurance premiums (usually paid in January of each year).
Comparing July 2025 to July 2024, **Sales Tax** revenue receipts are up $46,879 or 1.7%. The sectors that reported the largest growth compared to July 2024, ranked in order of dollar change, include Miscellaneous, which increased by $66,413 or 45% largely due to Transportation and Warehousing. Other Retail followed suit and increased by $39,530 or 8%. Sectors with moderate to small increases include Gen Merch/Misc. Retail up by $9,923 or 8%, Wholesale up by $4,848 or 4%, and Communications up by $2,428 or 6%.
The data also shows large declines in Services, down by $57,727 or 11% due to a drop in Professional, Scientific & Technical Services, and Repair & Maintenance categories. Other sectors with small declines include Auto/Gas Retail, which decreased by $8,690 or 2%; Retail Eating/Drinking down by $5,280 or 2%; and Contracting down by $4,566 or 1%.

Property Taxes are 54% of budget, under the budget threshold but within expectation since this revenue source will likely end the year at budget. As required by RCW 84.56.020, property tax payments are due by April 30th and October 31st. As most homeowners pay their property taxes through an escrow with their mortgage lender, revenue collections typically occur close to the tax payment due dates rather than being spread throughout the year.

Utility Tax revenues are at 61% of budget, over the budget threshold and up $954,914, or 10% higher than 2024. Utility taxes are levied on gross operating revenues that public and private utilities earn from operations within city boundaries. Staff anticipate these revenues have increased mainly due to rate increases by Puget Sound Energy (PSE) on electricity and natural gas as well as the City's water, sewer, solid waste, and surface water utility rate increases.

Development Fees are in a separate Development Services Fund but included in this report to improve tracking of these key revenues. Development Fees generated 76% of budgeted revenues through the month of July and are up $943,044 or 12%, relative to 2024. This year-over-year change includes gains in fee revenues from Engineering (up $624,467 or 27%), Building (up $196,683 or 5%), Planning (up $118,467 or 20%), and Fire (up $3,733 or 0.5%).

Business Fees are 44% of budget, below the budget threshold and down $221,321, or 7% compared to June 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 reports. The timing of when businesses apply for a business license each year can affect when these revenues are recognized, which can contribute to the year-over-year changes shifting each month. When comparing 2025 revenues to the same period in 2024 there has still been growth in Kirkland businesses as well as employee counts, and staff is analyzing the changes year over year to explain the variance between 2025 and 2024 revenues. More information will be available as part of the Mid-Biennial Budget Review.

Gas Tax is 50% of budget, below budget threshold. Compared to 2024, revenues from gas taxes are down $75,931, or 8% from this time last year. 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. Although it is significantly below budget threshold, the state gas tax rate increased 6 cents effective July 1, 2025, with 2.5% of that increase going directly to cities, so subsequent months revenue may show improvement.

Real Estate Excise Tax (REET) is 67% of budget with REET revenues totaling $7,406,476, which is about $475,000 or 6% lower compared to 2024, but above budget threshold. Staff continue to assess revenues as part of the 2025-2030 Capital Improvement Program (CIP) Update.

General Fund Salaries/Benefits are 58% of budget, at the budget threshold and up $3,123,490, or 6% compared to the previous year. Personnel costs are slightly higher due to the Management & Confidential (MAC) and Teamsters job class cost-of-living adjustments (COLA). The budget has been adjusted to reflect 2025 COLA for settled contracts and MAC, and this is reflected in the July dashboard. In addition, certain MAC and AFSCME job classes have had Market Rate adjustments. The 2025 personnel costs are also higher as FTEs were added to the budget. At the end of July 2025, the City had 22 vacant FTEs (Full Time Equivalents) in the General Fund. This represents a decrease compared to June when the City had 29.75 vacancies in the General Fund.

Fire Suppression Overtime (OT) Fire Suppression Overtime (OT) is 90% of budget through July 2025, and up 41% or $405,259 compared to this time last year. The cumulative increase is in part due to the deployment of 6 firefighters to the January urban wildland fires in California. The cost of the deployment is eligible for full reimbursement and was recognized in the June 2025 Budget Adjustments.

July overtime was impacted by one Firefighter in temporary assignment to the Mobile Integrated Health (MIH) program, two Firefighters offline due to injury, one Firefighter in FMLA/PFML status, one Firefighter in Paramedic Training, and four new recruits in Academy. The MIH overtime will be reimbursed from Medic One Levy funds. Firefighters were also deployed to four different wildland fires in July, contributing an additional $100,000 in OT, all of which has been requested for reimbursement from Department of Natural Resources (DNR). 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 52% of budget, but within expectation due to the billing cycle as payments are delayed by two months. This line item includes other expenses aside from contract bed jail costs, including Electronic Home Detention.

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 in Kirkland. The June 2025 quarterly numbers show that, since its inception, 270 inmates have participated in the MAT program, contributing to a decrease in the number of inmates requiring housing at SCORE. Any transfers to SCORE with Opioid Use Disorder requires a substantive surcharge in addition to the base bed rate.

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

NEXT STEPS:

None.

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