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: February 3, 2026

Subject: **Report on December 2025 Financial Dashboard for Council Meeting of February 17, 2026**

RECOMMENDATION:

Staff recommends that the City Council receives the December 2025 report on the General Fund and other key revenues and expenditures. No action by the Council is required.

EXECUTIVE SUMMARY:

- Staff recommends that Council receives the December 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues ended above budget threshold and up $7,716,590, or 6%, compared to December 2024.
- Sales Tax ended above the budget threshold and up $909,128 or 3% compared to December 2024.
- Development Fees ended above budget and are up 7% compared to 2024.
- Overall General Fund expenditures ended slightly below the budget threshold, at 99% spent through the end of December 2025.

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 metrics. 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 REET is sensitive to economic cycles, tracking and reporting monthly revenue is important to understanding the health of CIP funding. However, 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 12/31/2025.

Table 1. General Fund Revenues and Expenditures Summary as of December 31, 2025

City of Kirkland Financial Dashboard								
Annual Budget Status as of	12/31/2025		Budget Threshold (% Complete) : 100%					
	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	December YTD	November YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24 $	%
General Fund								
Total Revenues	134,161,139	141,527,759	105%			133,811,169	7,716,590	6%
Total Expenditures	135,376,909	134,146,876	99%			123,409,461	10,737,415	9%
Key Indicators (All Funds)								
Revenues								
Sales Tax	34,527,533	35,590,130	103%			34,681,002	909,128	3%
Property Taxes	31,164,360	31,132,068	100%			30,510,461	621,606	2%
Utility Taxes	17,580,147	18,306,396	104%			16,664,777	1,641,619	10%
Development Fees (1)	15,706,090	18,696,670	119%			17,393,005	1,303,665	7%
Business Fees	6,388,000	5,973,349	94%			5,797,084	176,265	3%
Gas Tax	1,758,188	1,641,785	93%			1,715,508	(73,723)	-4%
Real Estate Excise Tax (REET) (1)	11,000,000	13,034,413	118%			14,049,211	(1,014,798)	-7%
Expenditures								
General Fund Salaries/Benefits (2)	96,114,919	91,551,451	95%			86,121,337	5,430,113	6%
Fire Suppression Overtime	1,580,200	2,628,444	166%			2,446,075	182,369	7%
Contract Jail Costs	539,630	612,667	114%			493,013	119,654	24%

(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 105% of budget, above budget threshold and up $7,716,590, or 6%, compared to December 2024 due to growth in tax revenues, notably sales and utility taxes. Most major General Fund revenue categories are described below and running ahead of the expected range of budget threshold. Other notable revenues include Card Game Taxes currently 108% of budget ($1,699,760) and up $64,272 compared to December 2024. In addition, Investment Interest is at $2,398,851 out of $2,935,228 budgeted for 2025 (81% of budget), with only the first half of the year's earnings recognized to date. The second half of interest is recognized at the completion of the year end close process by accounting staff and will push revenues further above budget.

General Fund Expenditures are 99% of budget, up $10,737,415 or 9%, compared to December 2024. This increase is the result of a combination of factors, namely higher salary costs and fewer vacancies.

Sales Tax revenue is 103% of budget and ahead of budget threshold. Comparing December 2025 to 2024, Sales tax revenue is up by $733,157 or 2.3% when comparing January to December retail activity. When comparing revenue received by the City over those 12 months (different due to a two-month lag), sales tax is up slightly more, as shown in the table above.

Looking at the business sectors, the most significant growth, ranked in order of dollar change, occurred in Other Retail, up by $842,962 or 14%. This was due to a one-time excise audit payment of $527,495 received in October. Removing this payment, Other Retail would be up by $315,468 or 5% and sales tax overall would be up 1.1%. Followed by Services, adding $320,714 or 6%; and Auto/Gas Retail, up by $218,148 or 4%.

Sectors with small to moderate increases include Miscellaneous, which increased by $127,699 or 7%; and General Merch/Misc. Retail, which added $34,526 or 2%. Contracting increased by $32,557 or essentially flat from 2024.

The sector with the largest decline is Communications, which decreased by $598,062 or 55% due to a one-time payment received in 2024. Sectors with moderate declines include Retail Eating/Drinking, down by $56,661 or 2%; and Wholesale decreased by $12,754 or 1%.

Property Taxes are 100% of budget, just under budget by about $32,000. As required by RCW 84.56.020, property tax payments are due by April 30 and October 31. As majority of homeowners pay 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. Therefore, much of the second half distributions remitted from King County were received in November.

Utility Tax revenues are at 104% of budget, above the budget threshold and up $1,641,619, or 10% higher than 2024. Utility taxes are levied on gross operating revenues that public and private utilities earn from operations within city boundaries. These revenues have increased mainly due to rate increases by Puget Sound Energy (PSE) on electricity and natural gas and to a lesser extent, 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 119% of budgeted revenues through the month of December and are up $1,301,905 or 7%, relative to 2024. This year-over-year change includes gains in Engineering fees (up $762,287 or 19%), Planning revenues (up $377,795 or 37%), and Building (up $164,249 or 1%). Fire (down $2,825 or 0.23%) revenues were down slightly from 2024 but finished above budget by about $260,000.

Business Fees are 94% of budget, below the budget threshold but up $176,265, or 3% compared to December 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 with its licensing submittals. 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 to the previous year, there has been growth in Kirkland businesses as well as employee counts; however, RGRL growth was less than estimated when the budget was prepared. Based on employee counts reported in the final quarter of 2024 and in the first three quarters of 2025, the potential RGRL revenue was estimated to reach $4.9 million. In 2025, the City actually received $5.1 million, compared to a $5.6 million budget. In 2026, the potential RGRL revenue is just below $5 million. Actual revenues depend on compliance and accurate reporting by employers.

Gas Tax is 93% of budget, below budget threshold. Compared to 2024, revenues from gas taxes are down $73,723 or 4%. 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 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, and subsequent months' revenue has shown improvement, essentially flat from the year before.

Real Estate Excise Tax (REET) is 118% of budget with REET revenues totaling $13,034,413, which is about $1,014,798 or 7% lower compared to 2024, but above budget threshold. Staff continues to assess revenues as part of the 2025-2030 CIP Update.

General Fund Salaries/Benefits are 95% of budget, below the budget threshold and up $5,433,279, or 6%, compared to the previous year. Salary costs are higher due to Management & Confidential (MAC), AFSCME, and Teamsters cost-of-living adjustments (COLA). In addition, certain MAC and AFSCME job classes have had market rate adjustments. Personnel costs are also higher as FTEs (Full Time Equivalents) were added to the 2025-2026 budget. At the end of December 2025, the City had 25 vacant FTEs in the General Fund, up from 24 vacant FTEs in November.

Fire Suppression Overtime (OT) is 166% of budget through December 2025, and up 7% or $182,369, 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. There was also a large deployment of thirteen firefighters to the Labor Mountain (Okanogan) fire in October. This cost is also eligible for full reimbursement and will be recognized in the June 2026 Budget Adjustments.

December overtime was impacted by one Firefighter in temporary assignment to the Mobile Integrated Health program, four Firefighters offline due to injury/FMLA/PFML status, one Firefighter in Paramedic Training, and four new recruits in Academy. These circumstances create lowered staff availability for on-line shift work, creating the increased need to supplement staffing with overtime.

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 finished the year at 114% of budget, above the budget threshold. This line item includes other expenses aside from contract bed jail costs, including Electronic Home Detention. While Contract Jail transfers decreased from 2024 to 2025, the number of bed days increased as well as the costs for housing these transfers which contributed to the total expense being over budget.

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 quarterly numbers through September 2025 show that, since its inception, 313 individuals 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 require 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.

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

ATTACHMENTS:

None.