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: May 4, 2026

Subject: **Report on March 2026 Financial Dashboard for Council Meeting of May 19, 2026**

RECOMMENDATION:

Staff recommends that the City Council receives the March 2026 report on the General Fund and other key revenues and expenditures.

EXECUTIVE SUMMARY:

- No action by Council is required. Staff provides the March 2026 Financial Dashboard.
- General Fund revenues are below budget threshold and down $1,846,333, or 6%, compared to March 2025, due to the timing of 2024 EMS Levy grants and wildland fire reimbursements received in early 2025. Removing this, revenue is up $104,696 over March 2025.
- Sales Tax is at the budget threshold and up $271,394 or 3% compared to March 2025.
- Development Fees are at budget and down $2,835 compared to 2025.
- Overall General Fund expenditures are above the budget threshold, at 27% spent through the end of March 2026.

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 March 31, 2026.

Table 1. General Fund Revenues and Expenditures Summary as of March 31, 2026

City of Kirkland Financial Dashboard
Annual Budget Status as of 3/31/2026 Budget Threshold (% Complete) : 25%

	2026 Budget	Year-to-Date Actual 2026	% Received/ % Expended	March YTD	February YTD	Year-to-Date Actual 2025	YTD Change: '26 to '25 $	%
General Fund								
Total Revenues	135,795,248	28,035,839	21%			29,882,672	(1,846,833)	-6%
Total Expenditures	135,242,789	36,352,921	27%			33,618,459	2,734,462	8%
Key Indicators (All Funds)								
Revenues								
Sales Tax	34,527,533	9,093,339	26%			8,821,946	271,394	3%
Property Taxes	31,943,469	2,297,831	7%			1,998,516	299,315	15%
Utility Taxes	18,234,668	4,879,817	27%			4,769,785	110,032	2%
Development Fees (1)	15,900,263	4,026,211	25%			4,029,047	(2,835)	0%
Business Fees	6,527,000	1,469,092	23%			1,322,554	146,539	11%
Gas Tax	1,758,188	436,786	25%			345,844	90,942	26%
Real Estate Excise Tax (REET) (1)	11,000,000	2,317,466	21%			2,751,024	(433,558)	-16%
Expenditures								
General Fund Salaries/Benefits (2)	96,932,833	23,290,401	24%			22,375,308	915,092	4%
Fire Suppression Overtime	1,322,793	387,440	29%			646,812	(259,372)	-40%
Contract Jail Costs	539,630	76,983	14%			157,506	(80,523)	-51%

(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 21% of budget, below budget threshold and down $1,846,833, or 6%, compared to March 2025 primarily due to the timing of receipt of King County EMS Levy grants and wildland fire reimbursements, and not a reflection of a large downturn. In January 2025, the City received $2,551,903 in EMS Levy and wildland fire reimbursement revenue from 2024 activity, which, when removed, results in $104,696 more in revenue in 2026 through March, compared to 2025. Most major General Fund revenue categories are described below and running ahead of the expected range of budget threshold.

Notable revenues include Card Game Taxes, currently 25% of budget ($456,057) and up $61,828 compared to March 2025. In addition, Investment Interest ended 2025 at $4,765,527 out of $2,935,228 budgeted (161% of budget). It is estimated that Investment Interest will continue to be above budget in 2026.

General Fund Expenditures are 27% of budget, up $2,734,462 or 8%, compared to March 2025. This increase is the result of a combination of factors, namely higher salary costs and a pooled human services contract that was first charged in March 2025.

Sales Tax revenue is 26% of budget, above budget threshold. Comparing March 2026 to 2025, sales tax revenue receipts are up $35,609 or 1.3%. The sectors that reported the largest growth compared to March 2025, ranked by dollar change, include Services, up by $126,490 or 28%. Specifically, the sub-categories driving the large increase this month were Professional Scientific up $55,456 or 16%, Admin Support up $91,102 or 24%, and Health Care Services up $64,759 or 74%.

General Merch/Miscellaneous Retail saw a moderate increase, up by $11,149 or 10%, as well as Retail Eating/Drinking, up by $5,083 or 3%. Communications had a small increase, up by $627 or 2%.

Sectors with large decline include Auto/Gas Retail down by $47,856 or 11%. The decline is specifically due to revenues from the Motor Vehicle category. Other sectors with declines include Contracting, down by $27,005 or 4%, and Wholesale, down by $26,683 or 2%. Data also shows small declines in Miscellaneous, down $4,634 or 3%, and Other Retail, down $1,562 or 0.3%.

Property Taxes are 7% of budget, under the budget threshold but within expectation. As required by RCW 84.56.020, property tax payments are due by April 30 and October 31. 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 27% of budget, slightly above the budget threshold and up $110,032, or 2% higher than 2025. Utility taxes are levied on gross operating revenues that public and private utilities earn from operations within city boundaries. These revenues are mainly affected by 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 25% of budgeted revenues through the month of March and are down $2,835 or essentially flat, relative to 2025. This year-over-year change includes gains in Building fees (up $176,249 or 8%) and Planning revenues (up $243,970 or 85%). Engineering revenues ($341,219 or 26% of budget) and Fire revenues ($81,835 or 24% of budget) are both down from 2025.

Business Fees are 23% of budget, slightly below the budget threshold and up $146,539, or 11%, compared to March 2025. 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 business licensing application or renewal. The timing of when businesses apply for or renew a business license each year can affect when these revenues are recognized, which can contribute to the year-over-year changes shifting each month. In 2025, the City received $5.1 million, compared to a $5.6 million budget. In 2026, the estimated RGRL revenue is just below $5 million. Actual revenues depend on compliance and accurate reporting by employers.

Gas Tax is 25% of budget, at budget threshold. Compared to 2025, revenues from gas taxes are up $90,942 or 26%. 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) is 21% of budget with REET revenues totaling $2,317,466, down $433,558 or 16% from 2025. Staff continues to assess revenues as part of the 2027-2032 CIP development.

General Fund Salaries/Benefits are 24% of budget, just below the budget threshold and up $915,092 or 4%, compared to the previous year. Salary costs are higher due to Management &

Confidential (MAC), AFSCME, and Teamsters cost-of-living adjustments (COLAs). In addition, certain MAC and AFSCME job classes have had market rate adjustments. At the end of March 2026, the City had 30 vacant FTEs in the General Fund, down from 32 vacant FTEs in February.

Fire Suppression Overtime (OT) is 29% of budget through March 2026, and down 40% or $259,372, compared to this time last year. Q1 2025 overtime was impacted by deployment to California for assistance with wildland fires. March 2026 overtime was impacted by one Firefighter in temporary assignment to the Mobile Integrated Health program, four Firefighters offline due to injury and/or protected leave 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. 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 14% of budget, but above expectation due to the billing cycle. Invoices are delayed by two months, so this only represents one month of expenses. 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 (168 to 146), the number of bed days increased (1,492 to 2,099) as well as the costs for housing these transfers, which contributed to the total expense being over budget in 2025.

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 December 2025 show that, since its inception, 367 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.

ATTACHMENTS:

None.