



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
Melissa Bartoletti, Temporary Budget Analyst

Date: March 6, 2025

Subject: **Report on January 2025 Financial Dashboard for Council Meeting of March 18, 2025**

RECOMMENDATION:

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

EXECUTIVE SUMMARY:




- Staff recommends that City Council receives the January 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are within the budget threshold and down \$118,589, or 1%, compared to January 2024 due to the timing of interfund charges being reconciled.
- Sales Tax is within budget threshold and up 6% compared to January 2024.
- Development Fees are experiencing strong growth and are up 32% compared to 2024.
- Overall General Fund expenditures are right above the budget threshold (8% through the year), at 9% spent through the end of January.

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), and as it is sensitive to economic cycles, tracking and reporting monthly revenue is important to understanding the health of CIP funding. It is not reported in the General Fund, however, and therefore excluded from Total General Fund Revenues in the dashboard. The table below summarizes the financial data for the General Fund as of 1/31/2025.

DISCUSSION/ANALYSIS:

City of Kirkland Financial Dashboard								
Annual Budget Status as of 1/31/2025			Budget Threshold (% Complete) : 8%					
	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	January YTD	December YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24	
							\$	%
General Fund								
Total Revenues	131,715,191	8,889,872	7%			9,008,462	(118,589)	-1%
Total Expenditures	129,736,392	12,039,217	9%			12,347,839	(308,622)	-2%
Key Indicators (All Funds)								
<i>Revenues</i>								
Sales Tax	34,527,533	2,896,502	8%			2,728,908	167,594	6%
Property Taxes	31,164,360	49,717	0%			47,476	2,241	5%
Utility Taxes	17,580,147	1,638,018	9%			1,408,193	229,826	16%
Development Fees (1)	11,266,439	1,188,355	11%			899,025	289,330	32%
Business Fees	6,388,000	603,964	9%			689,945	(85,981)	-12%
Gas Tax	1,758,188	132,618	8%			127,594	5,023	4%
Real Estate Excise Tax (REET) (1)	11,000,000	929,207	8%			1,032,263	(103,056)	-10%
<i>Expenditures</i>								
General Fund Salaries/Benefits (2)	92,251,648	7,838,181	8%			7,454,486	383,695	5%
Fire Suppression Overtime	1,322,560	221,105	17%			129,609	91,496	71%
Contract Jail Costs	539,630	-	0%			2,000	(2,000)	-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 7% of budget, within the budget threshold and down \$118,589, or 1%, compared to January 2024. This slight decrease is due to the timing of interfund charges being reconciled at the beginning of the biennium, which represents the allocation of costs incurred by the General Fund to support each operating fund. January 2025 actuals will be fully reflected in the next Financial Dashboard. Revenues were at budget in most other major categories, with strength in Development Fees, which are at 11% of budget, slightly above the budget threshold, and up \$289,330, or 32%, compared to January 2024. This increase is primarily driven by Development Services Engineering fees.

General Fund Expenditures are 9% of budget, down \$308,622, or 2%, compared to January 2024. This decrease is due to the timing of internal service charges being reconciled at the beginning of the biennium.

Comparing January 2025 to January 2024, sales tax revenue receipts are up \$167,593 or 6.1%. The sectors that reported the largest growth compared to January 2024 (ranked in order of dollar change) are Services (up \$191,295 or 44%), Contracting (up \$48,541 or 8%), Auto/Gas Retail (up \$30,932 or 7%), and Retail Eating/Drinking (up \$17,690 or 11%). Sectors with moderate to small increases include Communications (up \$3,635 or 9%) and Gen Merch/Misc Retail (up \$3,146 or 2%).

The data also shows declines in Other Retail (down \$54,031 or 9%), Wholesale (down \$37,677 or 25%), and Miscellaneous (down \$35,938 or 23%).

Property Taxes are less than 1% of budget, under the budget threshold but within expectation. Per 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 9% of budget and \$229,826, or 16%, higher than 2024 due to higher Gas Utility Tax revenues partially explained by colder than average weather. Staff will monitor these trends in the coming months. Utility taxes are levied on gross operating revenues that public and private utilities earn from operations within the boundaries of the city. 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 11% of budgeted revenues during the month of January and are up 32%, or \$289,330 relative to 2024. This year-over-year change includes gains in Engineering fees (up \$289,183 or 119%), Fire (up \$17,632 or 17%), and Planning revenues (up \$14,446 or 22.7%) offset by declines to Building (down \$31,932 or 6.5%).

Business Fees are 9% of budget, within the budget threshold and down \$85,981, or 12% compared to January 2024. A large portion of this revenue comes from the Revenue Generating Regulatory License 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 8% of budget, within budget threshold. Compared to 2024, revenues from gas taxes are nearly identical to this time last year and are up by \$5,023, 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.

Real Estate Excise Tax (REET) are 8% of budget with REET revenues totaling \$929,207, which is 10% lower compared to 2024. Although January 2025 revenue is lower compared to January 2024, REET remains at budget threshold and therefore within expected range at this time. 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 8% of budget, at the budget threshold and up \$383,695, or 5%, 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 once open labor agreements are approved. At the end of January 2025, the City had 34 vacant FTEs (Full-Time Equivalents) in the General Fund. This represents a slight decrease compared to December when the City had 38.66 vacancies in the General Fund.

Fire Suppression Overtime (OT) Fire Suppression Overtime (OT) is 17% of budget through January 2025, and up 71% (\$103,056) compared to this time last year.

January overtime was impacted by 1 Firefighter in temporary assignment to the Mobile Integrated Health program, 4 Firefighters offline due to injury, 1 Firefighter in FMLA/PFML status, 1 Firefighter in Paramedic Training, 1 Firefighter assigned as Academy Instructor, 4 new recruits in Academy, and 6 Firefighters deployed to the California Wildfires. 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. 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. 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-house. 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:

N/A

ATTACHMENTS:

None.