



**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:** July 22, 2025

**Subject:** **Report on May 2025 Financial Dashboard for Council Meeting of August 6, 2025**

### RECOMMENDATION:

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

### EXECUTIVE SUMMARY:




- Staff recommends that Council receives the May 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are above the budget threshold and up \$5,875,523, or 10%, compared to May 2024.
- Sales Tax is within budget threshold and down 1% compared to May 2024.
- Development Fees continue to grow and are up 10% compared to 2024.
- Overall General Fund expenditures are just within the budget threshold, at 44% spent through the end of May.

### 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 receipted in the General Fund, however, and is therefore excluded from Total General Fund Revenues in the dashboard. The table below summarizes the financial data for the General Fund as of May 31, 2025.

## DISCUSSION/ANALYSIS:

City of Kirkland Financial Dashboard								
Annual Budget Status as of		5/31/2025		Budget Threshold (% Complete) : 42%				
General Fund	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	May YTD	April YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24	
							\$	%
Total Revenues	131,715,191	62,850,337	48%			56,974,814	5,875,523	10%
Total Expenditures	129,736,392	56,587,660	44%			50,070,196	6,517,464	13%
<b>Key Indicators (All Funds)</b>								
<i>Revenues</i>								
Sales Tax	34,527,533	14,289,976	41%			14,504,758	(214,782)	-1%
Property Taxes	31,164,360	16,545,247	53%			16,042,423	502,824	3%
Utility Taxes	17,580,147	7,967,418	45%			7,382,110	585,308	8%
Development Fees (1)	11,266,439	6,312,715	56%			5,718,363	594,352	10%
Business Fees	6,388,000	2,072,222	32%			2,293,270	(221,048)	-10%
Gas Tax	1,758,188	496,498	28%			653,646	(157,148)	-24%
Real Estate Excise Tax (REET) (1)	11,000,000	5,011,871	46%			4,962,185	49,686	1%
<i>Expenditures</i>								
General Fund Salaries/Benefits (2)	92,251,648	37,396,346	41%			35,670,357	1,725,989	5%
Fire Suppression Overtime	1,322,560	918,763	69%			553,183	365,580	66%
Contract Jail Costs	539,630	139,035	26%			84,138	54,897	65%
(1) Excluded from Total Revenue								
(2) Excludes Fire Suppression Overtime								
<b>Status Key</b>								
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 48% of budget, ahead of the budget threshold and up \$5,875,523, or 10%, compared to May 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 44% of budget, up \$6,517,464 or 13%, compared to May 2024. This increase is the result of a combination of factors: higher salary and benefit costs; fewer vacancies; and higher liability insurance premiums (usually paid in January of each year).

Comparing May 2025 to May 2024, **Sales Tax** revenue receipts are down \$557,372 or 15.8%. This is primarily due to a one-time Communications payment of \$627,520 in 2024, which when removed results in a \$70,148, or 2%, increase in receipts in May 2025. Other Retail posted the most notable growth among business sectors compared to May of the previous year, increasing by \$90,002, or 19%, followed by Auto/Gas Retail increasing \$35,632, or 7%. Retail Eating/Drinking also saw moderate growth with a \$8,642, or 3%, gain, followed by Gen Merch/Misc. Retail with an increase of \$7,860, or 6%, gain. Several sectors experienced declines. Communications came in lower by \$632,245, or 95%, but removing the one-time payments results in a decrease of \$4,725, or 12%. Other sectors with declines include Wholesale, which came in lower by \$35,941 or 24%, and Miscellaneous, which came in lower by \$9,415 or 6%. Contracting was 3% lower, or \$22,729 down from 2024.

**Property Taxes** are 53% of budget, over 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 30 and October 31. As the 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 spread throughout the year.

**Utility Tax** revenues are at 45% of budget, over the budget threshold and up \$585,308, or 8% 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 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 56% of budgeted revenues through the month of May and are up \$594,352, or 10%, relative to 2024. This year-over-year change includes gains in Engineering fees (up \$541,584 or 33%), and Planning revenues (up \$69,391 or 17%), and small decreases in Building (down \$3,974 or 0.13%) and Fire (down \$12,649 or 2.0%).

**Business Fees** are 32% of budget, below the budget threshold and down \$221,048, or 10% compared to May 2024. A large portion of this revenue comes from the Revenue Generating Regulatory License fee, which is based off the number of employees in a business. 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. Staff is analyzing the changes year over year to explain the variance between 2025 and 2024 revenues.

**Gas Tax** is 28% of budget, below budget threshold. Compared to 2024, revenues from gas taxes are down \$157,148 or 24% 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, staff notes that much of this is likely due to timing and the June dashboard should show revenues returning closer to expected.

**Real Estate Excise Tax (REET)** are 46% of budget, with REET revenues totaling \$5,011,871, which is 1% higher compared to 2024. Staff will assess revenues in advance of the 2025-2030 CIP Update, which occurs at the end of 2025.

**General Fund Salaries/Benefits** are 41% of budget, just below the budget threshold and up \$1,725,989, or 5%, compared to the previous year. Personnel costs are slightly higher due to cost-of-living adjustments (COLA) as well as fewer vacancies in the general fund. The budget will be adjusted in the June budget adjustments to reflect the updated COLA for employees now that the labor agreements are approved and should be reflected in the July dashboard. At the end of May 2025, the City had 26 vacant FTEs (Full Time Equivalents) in the General Fund. This represents a decrease compared to April when the City had 35 vacancies in the General Fund.

**Fire Suppression Overtime (OT)** Fire Suppression Overtime (OT) is 69% of budget through May 2025, and up 66% or \$365,580 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, which the City has received. Removing this cost, the new OT cost is \$691,123, or 52% of budget, and is up \$137,940, a 25% increase. May overtime was impacted by one Firefighter in temporary assignment to the Mobile Integrated Health program, two Firefighters offline due to injury, one Firefighter in FMLA/PFML status, one Firefighter in Paramedic Training, one Firefighter assigned as Academy Instructor, and four new recruits in Academy. These circumstances create lower 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.<sup>1</sup> 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 26% of budget, but within expectation due to the billing cycle as payments are delayed by 2 months. 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, 186 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:**

None.

#### **ATTACHMENTS:**

None.

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