



CITY OF KIRKLAND
FINANCE AND ADMINISTRATION
123 Fifth Avenue, Kirkland, WA 98033
425-587-3000

MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Kevin Pelstring, Financial Planning Manager
Cody Harris, Budget Analyst

Date: October 7, 2025

Subject: **Report on August 2025 Financial Dashboard for Council Meeting of October 21, 2025.**

RECOMMENDATION:

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

EXECUTIVE SUMMARY:

- Staff recommends that Council receives the August 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are at budget threshold and up \$8,145,109, or 10%, compared to August 2024.
- Sales Tax is at budget threshold and down 0.6% YTD compared to August 2024.
- Development Fees continue to grow and are up 2% compared to 2024.
- Overall General Fund expenditures are within the budget threshold, at 68% spent through the end of August.




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), 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, 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 8/31/2025.

City of Kirkland Financial Dashboard								
Annual Budget Status as of		8/31/2025		Budget Threshold (% Complete) : 67%				
	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	August YTD	July YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24	
							\$	%
General Fund								
Total Revenues	132,729,047	90,297,119	68%			82,152,010	8,145,109	10%
Total Expenditures	135,376,909	92,006,429	68%			81,625,241	10,381,188	13%
Key Indicators (All Funds)								
<i>Revenues</i>								
Sales Tax	34,527,533	23,104,737	67%			23,236,480	(131,743)	-0.6%
Property Taxes	31,164,360	17,055,368	55%			16,485,429	569,939	3%
Utility Taxes	17,580,147	12,127,817	69%			11,070,532	1,057,285	10%
Development Fees (1)	15,544,280	12,402,472	80%			12,197,805	204,668	2%
Business Fees	6,388,000	3,272,498	51%			3,476,980	(204,482)	-6%
Gas Tax	1,758,188	1,077,019	61%			1,105,792	(28,772)	-3%
Real Estate Excise Tax (REET) (1)	11,000,000	8,553,489	78%			9,325,329	(771,839)	-8%
<i>Expenditures</i>								
General Fund Salaries/Benefits (2)	95,998,555	61,149,417	64%			57,510,016	3,639,401	6%
Fire Suppression Overtime	1,535,200	1,610,267	105%			1,320,141	290,126	22%
Contract Jail Costs	539,630	300,069	56%			196,869	103,200	52%
(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 68% of budget, at budget threshold and up \$8,145,109, or 10%, compared to August 2024 due to growth in tax revenues. Card Game Taxes are currently 80% of budget (\$1,256,455) and up \$102,480 compared to August 2024. Investment Interest is at \$2,292,793 out of \$2,935,228 budgeted for 2025 (78% of budget). As described below, most major General Fund revenue categories are running within the budget threshold.

General Fund Expenditures are 68% of budget, up \$10,381,188, or 13%, compared to August 2024. This increase is the result of a combination of factors: higher salary costs, fewer vacancies and higher liability insurance premiums (usually paid in January of each year).

Comparing August 2025 to August 2024, sales tax revenue is down \$131,744 or 0.6%. Looking at the business sectors, the most significant growth ranked in order of dollar change, occurred in Other Retail up by \$259,065 or 6%. Followed by Services up by \$171,373 or 4%, and Auto/Gas Retail added \$169,129 or 5%.

Sectors with small to moderate increases include Retail Eating/Drinking up by \$65,873 or 4%, Miscellaneous increased by \$60,530 or 5%, and Gen Merch/Misc Retail increased by \$25,080 or 2%.

Sectors with the largest decline is Communications, which decreased by \$606,688 or 65% due to a one-time payment in 2024. Sectors with moderate declines include Contracting, reduced by \$196,104 or 3%, and Wholesale, down by \$80,002 or 8%.

Property Taxes are 55% 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 69% of budget, within the budget threshold and up \$1,057,285, 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 believe 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 80% of budgeted revenues through the month of August and are up \$204,668 or 2%, relative to 2024. This year-over-year change includes gains in Engineering fees (up \$529,644 or 19%), Planning revenues (up \$231,441 or 36%), and Fire (up \$11,839 or 1%). Building (down \$567,339 or 19%) revenues have decreased primarily due to a reduction in revenue from building permits.

Business Fees are 51% of budget, below the budget threshold and down \$204,482, or 6% compared to August 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 YTD to the same period in 2024, there has still 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 is approximately \$4.9 million, compared to the \$5.6 million budget. In 2026, the potential RGRL revenue is just below \$5 million.

Gas Tax is 61% of budget, below budget threshold. Compared to 2024, revenues from gas taxes are down \$28,772 or 3% compared to 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 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 78% of budget with REET revenues totaling \$8,553,489, which is about \$771,839 or 8% 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 64% of budget, below the budget threshold and up \$3,639,719, or 6%, compared to the previous year. Salary costs are slightly higher due to the Management & Confidential (MAC) and Teamsters job class cost-of-living adjustments (COLA). 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 August 2025, the City had 25 vacant FTEs (Full Time Equivalents) in the General Fund. This represents an increase compared to July when the City had 22 vacancies in the General Fund.

Fire Suppression Overtime (OT) is 105% of budget through August 2025, and up 22% or \$290,126, 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.

August 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, 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. In addition, four firefighters were dispatched to three different wildland fires. Although it did not contribute to line availability, it does impact overtime overall. Although wildland fire response expenses are reimbursable, they help explain the overall OT impact in August. 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 56% 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 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.

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>.