



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
Nida Haroon, Budget Analyst

Date: November 4, 2025

Subject: **Report on September 2025 Financial Dashboard for Council Meeting of November 18, 2025**

RECOMMENDATION:

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

EXECUTIVE SUMMARY:

- Staff recommends that Council receives the September 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are at budget threshold and up \$8,249,079, or 9%, compared to September 2024.
- Sales Tax is above budget threshold and down 0.1% YTD compared to September 2024.
- Development Fees continue to grow and are up 3% compared to 2024.
- Overall General Fund expenditures are at the budget threshold, at 75% spent through the end of September.

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 9/30/2025.

Table 1. General Fund Revenues and Expenditures Summary as of September 30, 2025

City of Kirkland Financial Dashboard								
Annual Budget Status as of 9/30/2025			Budget Threshold (% Complete) : 75%					
	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	September YTD	August YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24	
							\$	%
General Fund								
Total Revenues	132,729,047	98,918,923	75%			90,669,844	8,249,079	9%
Total Expenditures	135,376,909	102,193,448	75%			92,794,253	9,399,195	10%
Key Indicators (All Funds)								
<i>Revenues</i>								
Sales Tax	34,527,533	26,090,610	76%			26,122,836	(32,226)	-0.1%
Property Taxes	31,164,360	17,634,800	57%			17,411,248	223,552	1%
Utility Taxes	17,580,147	13,474,481	77%			12,346,807	1,127,674	9%
Development Fees (1)	15,544,280	13,999,648	90%			13,576,820	422,828	3%
Business Fees	6,388,000	4,422,933	69%			4,286,385	136,548	3%
Gas Tax	1,758,188	1,224,901	70%			1,268,929	(44,028)	-3%
Real Estate Excise Tax (REET) (1)	11,000,000	9,536,195	87%			10,993,290	(1,457,095)	-13%
<i>Expenditures</i>								
General Fund Salaries/Benefits (2)	95,998,555	68,774,484	72%			64,625,170	4,149,314	6%
Fire Suppression Overtime	1,535,200	1,835,572	120%			1,709,076	126,496	7%
Contract Jail Costs	539,630	336,386	62%			271,888	64,498	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 75% of budget, at budget threshold and up \$8,249,079, or 9%, compared to September 2024 due to growth in tax revenues, notably utility taxes. Card Game Taxes are currently 80% of budget (\$1,256,455) and up \$102,480 compared to September 2024. Recognizing earnings through the first of the year, Investment Interest is at \$2,296,931 out of \$2,935,228 budgeted for 2025 (78% of budget). As described below, most major General Fund revenue categories are running within the expected range of budget threshold.

General Fund Expenditures are 75% of budget, up \$9,399,195 or 10%, compared to September 2024. This increase is the result of a combination of factors, namely higher salary costs and fewer vacancies.

Comparing September 2025 to September 2024 in Figure 1, sales tax revenue receipts are up \$99,515 or 3.4%. The sectors that reported the largest growth compared to September 2024, ranked by dollar change, include Contracting, which increased by \$127,481 or 18%, followed by Auto/Gas Retail, which increased by \$55,361 or 14%.

Sectors with moderate increases include Services, up by \$39,252 or 8%, and Wholesale, up by \$29,813 or 27%. Miscellaneous increased by \$16,860 or 11%, largely due to Manufacturing. Sectors with small increases include Communications, up by \$2,470 or 7%, and Gen Merch/Misc. Retail, up by \$1,294 or 1%.

Data also shows large declines in Retail Eating/Drinking, which dropped by \$156,374 or 73%, due to an excise audit reversal of a full-service restaurant. The sector with a moderate decline is Other Retail, which decreased by \$16,642 or 3% due to the Furniture subcategory.

Property Taxes are 57% 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 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 being spread throughout the year.

Utility Tax revenues are at 77% of budget, within the budget threshold and up \$1,127,674, or 9% 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 90% of budgeted revenues through the month of September and are up \$422,828 or 3%, relative to 2024. This year-over-year change includes gains in Engineering fees (up \$520,073 or 17%), Planning revenues (up \$352,895 or 49%), and Fire (up \$17,395 or 1%). Building (down \$466,817 or 5%) revenues have decreased primarily due to a reduction in revenue from building permits.

Business Fees are 69% of budget, below the budget threshold but up \$136,548, or 3% compared to September 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. Actual revenues depend on compliance and accurate reporting by employers.

Gas Tax is 70% of budget, below budget threshold. Compared to 2024, revenues from gas taxes are down \$44,028 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 87% of budget with REET revenues totaling \$9,536,195, which is about \$1,457,095 or 13% 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 72% of budget, below the budget threshold and up \$4,149,314, 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 were added to the 2025-2026 budget. At the end of September 2025, the City had 27 vacant FTEs (Full Time Equivalents) in the General Fund, up from 25 vacant FTEs in August.

Fire Suppression Overtime (OT) is 120% of budget through September 2025, and up 7% or \$126,496, 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.

September 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. In addition, four firefighters were dispatched to five 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 September. Adjustments for reimbursement revenues will be recognized as part of the December 2025 Budget Adjustments. 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 62% 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 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.

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>