



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: November 20, 2025

Subject: **Report on October 2025 Financial Dashboard for Council Meeting of December 9, 2025**

RECOMMENDATION:

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

EXECUTIVE SUMMARY:

- Staff recommends that Council receives the October 2025 Financial Dashboard. No action by Council is required.
- General Fund revenues are at budget threshold and up \$5,372,993, or 5%, compared to October 2024.
- Sales Tax is above budget threshold and up \$600,796 YTD compared to October 2024.
- Development Fees continue to grow and are up 3% compared to 2024.
- Overall General Fund expenditures are slightly above budget threshold, at 84% spent through the end of October.

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 10/31/2025.

Table 1. General Fund Revenues and Expenditures Summary as of October 31, 2025

City of Kirkland Financial Dashboard								
Annual Budget Status as of		10/31/2025		Budget Threshold (% Complete) : 83%				
	2025 Budget	Year-to-Date Actual 2025	% Received/ % Expended	October YTD	September YTD	Year-to-Date Actual 2024	YTD Change: '25 to '24	
							\$	%
General Fund								
Total Revenues	132,729,047	111,296,152	84%			105,923,160	5,372,993	5%
Total Expenditures	135,376,909	113,708,101	84%			103,158,702	10,549,398	10%
Key Indicators (All Funds)								
<i>Revenues</i>								
Sales Tax	34,527,533	29,532,732	86%			28,931,936	600,796	2%
Property Taxes	31,164,360	21,925,395	70%			22,000,022	(74,627)	0%
Utility Taxes	17,580,147	15,102,817	86%			13,798,626	1,304,192	9%
Development Fees (1)	15,575,960	15,574,820	100%			15,106,413	468,407	3%
Business Fees	6,388,000	4,971,697	78%			4,822,093	149,603	3%
Gas Tax	1,758,188	1,388,316	79%			1,414,036	(25,720)	-2%
Real Estate Excise Tax (REET) (1)	11,000,000	10,881,710	99%			12,824,248	(1,942,538)	-15%
<i>Expenditures</i>								
General Fund Salaries/Benefits (2)	95,998,555	76,313,852	79%			71,618,402	4,695,450	7%
Fire Suppression Overtime	1,535,200	2,212,157	144%			2,057,941	154,215	7%
Contract Jail Costs	539,630	444,602	82%			349,253	95,349	27%
(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 84% of budget, at budget threshold and up \$5,372,993, or 5%, compared to October 2024 due to growth in tax revenues, notably sales and utility taxes. Card Game Taxes are currently 80% of budget (\$1,256,455) and up \$102,480 compared to October 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 84% of budget, up \$10,542,897 or 10%, compared to October 2024. This increase is the result of a combination of factors, namely higher salary costs and fewer vacancies.

Comparing October 2025 to October 2024 **Sales Tax** revenue receipts are up \$633,022 or 22.5%. The sectors that reported the largest growth compared to October 2024, ranked by dollar change, include Other Retail, up by \$559,799 or 111%. This increase is due to a one-time excise audit of a retailer in Kirkland. Followed by Contracting, which increased by \$30,821 or 4%, and Miscellaneous, which increased by \$21,372 or 14%.

Sectors with moderate increases include Wholesale, up by \$12,956 or 12%, and Retail Eating/Drinking, up by \$9,949 or 5%. Sectors with small increases include Communications, up by \$1,939 or 5%; Gen Merch/Misc. Retail, up by \$3,370 or 3%; and Services, up by \$61 or essentially flat from October 2024. Data shows declines in Auto/Gas Retail, which dropped by \$7,438 or 1%.

Property Taxes are 70% 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. Much of the second half distributions are remitted from King County in November.

Utility Tax revenues are at 86% of budget, within the budget threshold and up \$1,304,192, 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 100% of budgeted revenues through the month of October and are up \$468,407 or 3%, relative to 2024. This year-over-year change includes gains in Engineering fees (up \$572,078 or 17%), Planning revenues (up \$448,108 or 56%), and Fire (up \$19,770 or 2%). Building (down \$531,248 or 5%) revenues have decreased primarily due to a reduction in revenue from building permits. There are several permits in the pipeline that are yet to be issued, and are expected to be issued in 2025; staff expect that payment for these permits will bring building revenues closer to budget.

Business Fees are 78% of budget, below the budget threshold but up \$149,603, or 3% compared to October 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 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 79% of budget, below budget threshold. Compared to 2024, revenues from gas taxes are down \$25,720 or 2% 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, and subsequent months' revenue has shown improvement.

Real Estate Excise Tax (REET) is 99% of budget with REET revenues totaling \$10,881,710, which is about \$1,942,538 or 12% lower compared to 2024, but above budget threshold. Notably, the 2024 figures include a double payment from King County that was corrected in November 2024, so the difference is closer to 5%. Staff continues to assess revenues as part of the 2025-2030 CIP Update.

General Fund Salaries/Benefits are 79% of budget, below the budget threshold and up \$4,695,450, or 7%, 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 October 2025, the City

had 28 vacant FTEs (Full Time Equivalents) in the General Fund, up from 27 vacant FTEs in September.

Fire Suppression Overtime (OT) is 144% of budget through October 2025, and up 7% or \$154,215, 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.

October 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 October. 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 82% 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>