



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: April 2, 2026

Subject: **Report on February 2026 Financial Dashboard for Council Meeting of April 21, 2026**

RECOMMENDATION:

Staff recommends that the City Council receives the February 2026 report on the General Fund and other key revenues and expenditures.

EXECUTIVE SUMMARY:

- No action by Council is required. Staff provides the February 2026 Financial Dashboard.
- General Fund revenues are below budget threshold and down \$2,065,709, or 11%, compared to February 2025, due to the timing of 2024 EMS Levy grants and wildland fire reimbursements received in early 2025. Removing this, revenue is down \$114,180 over February 2025.
- Sales Tax is at the budget threshold and up \$235,785 or 4% compared to February 2025.
- Development Fees are slightly above budget and are up 1% compared to 2025.
- Overall General Fund expenditures are slightly above the budget threshold, at 18% spent through the end of February 2026.

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 February 28, 2026.

Table 1. General Fund Revenues and Expenditures Summary as of February 28, 2026

City of Kirkland Financial Dashboard								
Annual Budget Status as of		2/28/2026		Budget Threshold (% Complete) : 17%				
	2026 Budget	Year-to-Date Actual 2026	% Received/ % Expended	February YTD	January YTD	Year-to-Date Actual 2025	YTD Change: '26 to '25	
							\$	%
General Fund								
Total Revenues	135,793,767	17,439,670	13%			19,505,378	(2,065,709)	-11%
Total Expenditures	135,425,350	24,676,877	18%			22,037,410	2,639,467	12%
Key Indicators (All Funds)								
<i>Revenues</i>								
Sales Tax	34,527,533	6,409,247	19%			6,173,462	235,785	4%
Property Taxes	31,943,469	380,580	1%			454,440	(73,860)	-16%
Utility Taxes	18,234,668	3,060,655	17%			3,008,467	52,188	2%
Development Fees (1)	15,900,263	2,907,532	18%			2,876,449	31,083	1%
Business Fees	6,527,000	1,032,970	16%			985,937	47,033	5%
Gas Tax	1,758,188	301,337	17%			255,875	45,461	18%
Real Estate Excise Tax (REET) (1)	11,000,000	1,521,002	14%			1,685,968	(164,965)	-10%
<i>Expenditures</i>								
General Fund Salaries/Benefits (2)	96,932,833	15,818,067	16%			15,101,786	716,282	5%
Fire Suppression Overtime	1,322,793	303,604	23%			501,567	(197,963)	-39%
Contract Jail Costs	539,630	-	0%			125,991	(125,991)	-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 13% of budget, below budget threshold and down \$2,065,709, or 11%, compared to February 2025 primarily due to the timing of receipt of King County EMS Levy grants and wildland fire reimbursements, and not a reflection of a large downturn. In January 2025, the City received \$2,551,903 in EMS Levy and wildland fire reimbursement revenue from 2024 activity, which when removed results in \$114,180 less in revenue in 2026 through February compared to 2025. Another small contributor to the reduction in revenue YTD is the timing of receipt of TV Cable taxes. Most major General Fund revenue categories are described below and running ahead of the expected range of budget threshold.

Other notable revenues include Card Game Taxes, currently 25% of budget (\$456,057) and up \$61,828 compared to February 2025. In addition, Investment Interest ended at \$4,765,527 out of \$2,935,228 budgeted for 2025 (161% of budget).

General Fund Expenditures are 18% of budget, up \$2,639,467 or 12%, compared to February 2025. This increase is the result of a combination of factors, namely higher salary costs and a pooled human services contract that was not charged yet in February 2025.

Sales Tax revenue is 19% of budget, above budget threshold. Comparing February 2026 to 2025, sales tax revenue receipts are up \$235,785 or 4%. The sectors that reported the largest growth compared to February 2025, ranked by dollar change, include Services, up by \$164,577 or 31%. Specifically, the sub-categories driving the large increase this month were Professional Scientific up 24,520 or 19%, Admin Support up \$52,438 or 42%, and Health Care Services up \$40,402 or 133%. Contracting also saw growths of \$103,520 or 15%.

The Miscellaneous Sector saw a moderate increase, up by \$39,686 or 24%. Other Retail had a small increase, up by \$32,780 or 5%.

Sectors with large declines include Auto/ Gas Retail down by \$81,137 or 14%. The decline is specifically due to revenues from the Motor Vehicle category. Data also shows small declines in Gasoline Stations, down \$1,323 or 3.2%.

Property Taxes are 1% of budget, under the budget threshold but within expectation. As required by RCW 84.56.020, property tax payments are due by April 30 and October 31. 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 17% of budget, at the budget threshold and up \$52,188, or 2% higher than 2025. Utility taxes are levied on gross operating revenues that public and private utilities earn from operations within city boundaries. These revenues are mainly affected by 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 18% of budgeted revenues through the month of February and are up \$31,389 or 1%, relative to 2025. This year-over-year change includes gains in Building fees (up \$139,888 or 9%) and Planning revenues (up \$223,111 or 153%). Engineering revenues (\$272,505 or 27%) and Fire revenues (\$59,105 or 24%) were down from 2025.

Business Fees are 16% of budget, slightly below the budget threshold and up \$47,033, or 5% compared to February 2025. 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. In 2025, the City received \$5.1 million, compared to a \$5.6 million budget. In 2026, the estimated RGRL revenue is just below \$5 million. Actual revenues depend on compliance and accurate reporting by employers.

Gas Tax is 17% of budget, at budget threshold. Compared to 2025, revenues from gas taxes are up \$45,461 or 18%. 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) is 13% of budget with REET revenues totaling \$1,521,002, down \$164,965 or 10% from 2025. Staff continues to assess revenues as part of the 2027-2032 CIP development.

General Fund Salaries/Benefits are 16% of budget, just below the budget threshold and up \$716,282 or 5%, compared to the previous year. Salary costs are higher due to Management & Confidential (MAC), AFSCME, and Teamsters cost-of-living adjustments (COLAs). In addition, certain MAC and AFSCME job classes have had market rate adjustments. At the end of February 2026, the City had 32 vacant FTEs in the General Fund, up from 29 vacant FTEs in January.

Fire Suppression Overtime (OT) is 23% of budget through February 2026, and down 39% or \$197,963, compared to this time last year. February overtime was impacted by one Firefighter in temporary assignment to the Mobile Integrated Health program, four Firefighters offline due to injury and/or protected leave 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.

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 0% of budget, but within expectation due to the billing cycle. Invoices are delayed by 2 months; therefore, the first payment is usually captured in the March dashboard. This line item includes other expenses aside from contract bed jail costs, including Electronic Home Detention. While Contract Jail transfers decreased from 2024 to 2025 (168 to 146), the number of bed days increased (1,492 to 2,099) as well as the costs for housing these transfers, which contributed to the total expense being over budget in 2025.

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 December 2025 show that, since its inception, 367 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>