



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

MEMORANDUM

To: Kurt Triplett, City Manager

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

Date: June 3, 2025

Subject: **2025 First Quarter Financial Management Report**

RECOMMENDATION:

Staff recommends that City Council receives the 2025 First Quarter Financial Management Report.

EXECUTIVE SUMMARY:

- This report presents the financial performance of the City at the end of the first quarter (Q1) of 2025, as of March 31, 2025. No action is required of City Council.
- Total operating revenues (including internal transfers) were approximately \$45.2 million, or 8% higher than the same period in 2024.
- Total operating expenditures were approximately \$51.9 million, or 7% higher than the same period in 2024.
- Revenues and Expenditures are in line with expectations.

BACKGROUND:

The Financial Management Report (FMR) is a quarterly financial update required by RCW 35A.34.240. The intent of the report is to apprise all stakeholders of the overall financial health of the City of Kirkland. The report provides analysis of financial performance in the City's Operating Funds, Utility Funds, Capital Improvement Program (CIP) projects, as well as changes to reserves. Staff include relevant economic indicators, forecasts, and analyses to help readers understand the economic environment and factors impacting the City's financial performance in the quarter.

DISCUSSION/ANALYSIS:

The First Quarter 2025 Financial Management Report is included as Attachment 1. This report presents the financial performance of the City as of March 31, 2025.

Total operating revenues (including internal transfers) at the end of the first quarter (Q1) of 2025 were approximately \$45.2 million, which is \$3.28 million (8%) higher than the first quarter of 2024.

This increase to total operating revenue is predominantly due to growth within the General Fund (up \$2.5 million), which was driven by growth to sales tax revenue and charges for services. The total Q1 operating revenues represent 20% of budgeted revenues earned, which is in line with expectations due to receipt of property taxes coming in April and October. General Fund revenues were \$31.1 million, with the next largest operating fund being Development Services (\$4.03 million).

Total operating expenditures at the end of the first quarter of 2025 were \$51.9 million, up \$3.25 million (7%) higher than Q1 2024 but at 23% of budget, which is in line with expectations. The largest share of expenditures came from the General Fund at (\$34.6 million), followed by Development Services (\$5.04 million).

NEXT STEPS:

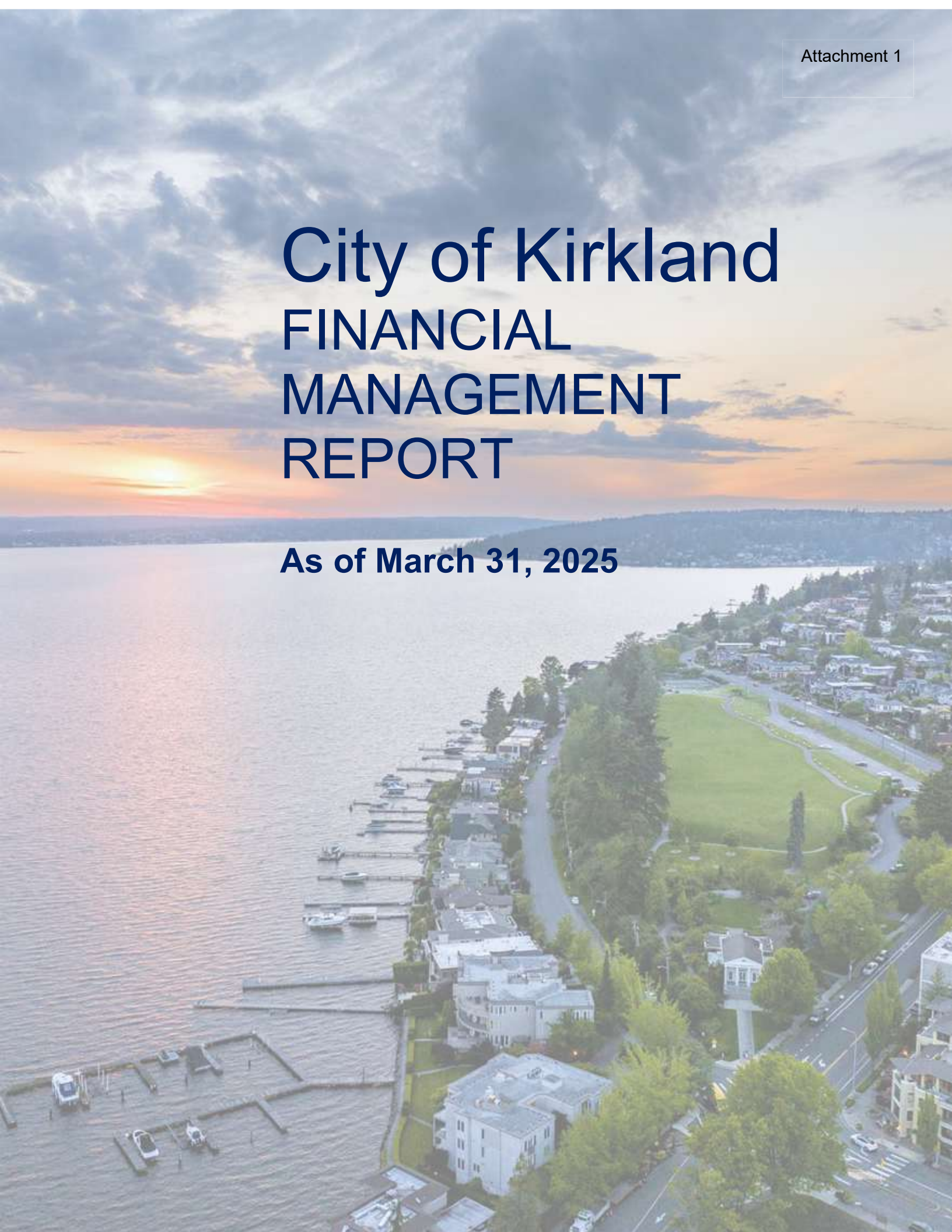
None.

ATTACHMENTS:

Attachment 1 - First Quarter Financial Management Report

City of Kirkland FINANCIAL MANAGEMENT REPORT

As of March 31, 2025



Contents

- First Quarter Highlights 3
 - 2025-2026 Adopted Budget Document..... 3
 - 2025-2026 City Work Program..... 3
- Economic Outlook..... 4
 - State of Washington Forecast..... 4
 - King County Forecast 4
 - Economic Conditions 5
- Summary of All Operating Funds..... 7
 - Operating Revenues 7
 - Operating Expenditures 7
 - General Fund Revenues 8
 - Sales Tax Revenue Analysis 9
 - General Fund Expenditures by Type11
 - General Fund Expenditures by Department12
- Summary of Other Operating Funds13
 - Other Operating Revenues by Fund.....13
 - Other Operating Expenditures by Fund.....13
- Utility Revenues and Expenditures14
 - Water & Sewer Operating Fund14
 - Surface Water Operating Fund14
 - Solid Waste Operating Fund.....15
- 2025-2030 Capital Improvement Plan.....16
 - Key project updates16
- Reserve Snapshot17
 - Fiscal Notes & Council Action.....18

First Quarter Highlights

2025-2026 Adopted Budget Document

City Council formally adopted the 2025-2026 biennial budget during the December 10th, 2024, Council meeting. The adopted [budget document](#) was completed and made available to the public in the month of March. This document presents the adopted budget information for each of the independently balanced funds. The Finance Department will present a high-level summary of the current state of the 2025-2026 budget to City Council during the annual Council June Retreat. The key insights derived from the June Retreat will be used to guide the mid-biennial budget review. Both processes present the opportunity for the City Departments to recommend budget adjustments driven by operational changes. The City implemented these fiscal review exercises to ensure an accurate and useful budget to guide the prudent usage of public dollars.

2025-2026 City Work Program

During the April 1st, 2025, Council meeting, City Council adopted [Resolution R-5676](#) approving the 2025-2026 City Work Program. City Council formally adopts Council goals for the City of Kirkland that articulate key policy and service priorities and guide the allocation of resources through the budget and capital improvement programs. To facilitate completion of these goals, City Council created the 2025-2026 City Work Program to identify the priority focus of the City's staff and resources. The City Work Program is a list of high priority, major cross-departmental efforts, involving significant financial resources designed to maintain public safety and quality of life in Kirkland, as well as an effective and efficient City government. The full list of the objectives can be accessed in the Resolution link above.

Economic Outlook

The economy continues to expand, and inflation is trending down. The Federal Reserve combatted inflation by raising interest rates to slow economic activity and price growth. With inflation declining, the Federal Reserve shifted and has begun another easing cycle to support economic growth. Over four years after the onset of COVID-19, the pandemic is no longer materially impacting the economy.

State of Washington Forecast

The Washington economy largely held steady in the first quarter of 2025 with some positive signs but looming uncertainty surrounding the impacts of federal tariff policy. The Washington unemployment rate increased from 4.3% in December 2024 to 5.0 in February 2025, down from 5.1% in February 2024. Washington housing construction dropped sharply in the first quarter of 2025. Seattle-area consumer price inflation continued to be lower than the U.S. City average (see figure). From February 2024 to February 2025, the Seattle CPI dropped 1.6% compared to the 0.4% decrease in the U.S. City average index.¹

Based on the latest quarterly forecast report from the State of Washington Economic & Revenue Forecast Council, the Washington forecast features a similar growth rate of nominal personal income in 2025 through 2029 compared to the November forecast. Washington employment is projected to grow by 0.8% this year, and the state anticipates an average annual growth rate of 0.8% from 2025 to 2029, just below the November forecast of 0.9%. The state forecast predicts 37,000 housing permits this year, a downward revision from November's forecast. From 2025 to 2029, the state projects an average of 40,900 permits, slightly below the 41,300 units previously expected. Seattle headline inflation is forecasted to grow by 3.2% in 2025 and 2026, and ease to near target rates for the remainder of the forecast period.²

King County Forecast

According to the King County EconPulse Report, King County's total employment has fully recovered from the Covid recession, reaching a seasonal peak of 1.514 million in June 2024. However, the headline recovery masks industry-specific changes, as employment losses in manufacturing, construction, leisure and hospitality, and other services have not returned to pre-Covid levels. Employment growth has been concentrated in state and local government, education and health services, management of companies, transportation, warehousing, and utilities.

Beginning on September 13, 2024, nearly 33,000 Boeing machinists went on strike, impacting the economies of King and Snohomish counties for 52 days. This resulted in slightly lower employment in the manufacturing sector in September and October. Consequently, the recent employment forecast for King County for 2024 has been revised to an average annual growth of 0.3%. The long-term annual growth in King County employment is anticipated to be 0.7% throughout the forecast horizon.³ Inflation continued to ease in the fourth quarter of 2024, down to 2.7% as measured by the CPI-U for Seattle in December. For the year, food, housing, and energy prices were all up, slightly offset by declines in apparel and education prices. National CPI-U was 2.9% in December. Annual inflation for the Seattle area was 3.6% for 2024, compared to 3.2% nationally. This report has yet to be updated for Q1 2025.

¹ <https://erfc.wa.gov/sites/default/files/2025-04/apr25.pdf>

² <https://erfc.wa.gov/sites/default/files/2025-04/mar25pub.pdf>

³ <https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/econpulse4q2024.pdf?rev=b77a66d56eec424a9d165f4db4ee8ec5&hash=C3AA8B47F0938277321273EC6F2DF2C2>

Economic Conditions

In line with the forecasting methods used in 2023 and 2024, the baseline 2025 sales tax forecast is developed using first quarter revenues as a function of first quarter collections over the past 15 years to determine a lower bound, average, and upper bound to predict revenue collections. As shown in Figure 4 below.

Figure 4: Forecast Range Table

Category	2025 Q1 Revenues	Q1 Revenues % Total Revenue	Forecasted Annual Revenues	Percentage Change from 2024 revenues
Lower Bound	8,821,946	26.9%	32,827,560	-3.6%
Average	8,821,946	24.8%	35,522,332	4.3%
Upper Bound	8,821,946	23.9%	36,983,085	8.6%

Historically, Kirkland has seen consistent sales tax growth but given the current macroeconomic environment, staff are conservatively forecasting sales tax revenue to end the year at budget at **\$34.52 million**. This represents a small increase of 1.4% over 2024 actual revenues.

To incorporate seasonality into the forecast, staff have analyzed the revenue received each month between 2020 and 2024 and allocated the total budgeted amount based on the average revenue received over that period. For example, February revenue (which represents December sales) typically contributes 9.1% of annual revenue, whereas April (February sales) contributes 7.0% of revenue, as shown in Figure 6 below.

Figure 6: Table of Sales Tax Revenues Compared to Forecast by Month

Allocation	Year	2025 Actual Sales Tax Revenue	2025 Forecast	Variance	% Variance
8.0%	January	2,896,502	2,756,891	139,611	5.1%
9.1%	February	3,276,960	3,136,903	140,057	4.5%
7.6%	March	2,648,484	2,617,989	30,494	1.2%
7.0%	April	2,488,570	2,432,129	56,441	2.3%
8.6%	May		2,971,510		
7.5%	June		2,595,077		
8.6%	July		2,966,338		
8.9%	August		3,066,655		
8.7%	September		2,992,134		
7.4%	October		2,564,930		
10.1%	November		3,480,305		
8.5%	December		2,946,672		
100%	YTD Total	11,310,515	34,527,533	366,603	1.1%

The financial information from the City’s June Forecast illustrates the City’s financial position as one that is strong, with excellent reserves. However, there are cost pressures within the City, both internally for personnel and externally for services, at least partially due to persistently high inflation. During a period like this, Washington State’s property tax system puts pressure on local government budgets as the cap does not adjust upwards. Additionally, policy changes on tariffs and grant funding from the new federal administration have introduced significant uncertainty and

instability in the global, national, and regional economies. It is unclear at this time where tariff amounts will land and how these policies will impact the Kirkland economy and the City budget. Staff are continuing to monitor these trends carefully and will update Council as new information is available.

Information about wider trends in the economy provides a mechanism to help understand the external forces impacting results in Kirkland and improve the ability to predict future performance.

National inflation, as measured by the CPI-W, decreased from 2.8% in December 2024 to 2.2% in March 2025. For the Seattle-Tacoma-Bellevue region, the CPI-W decreased from 2.9% in December 2024 to 2.6% in February 2025. The Federal Reserve announced no new rate cuts from a range of 4.25% to 4.5% set during the December 2024 meeting⁴.

The **Consumer Confidence Index**, which reflects prevailing business conditions and likely developments for the months ahead, decreased 11.8 points from 104.7 in December 2024 to 92.9 in March 2025 as consumer assessment of business conditions weakened. The Index dropped back to the bottom of the range that has prevailed over the past two years.

The national **Unemployment Rate** rose slightly from 4.1% in December 2024 to 4.2% in March. Locally, Washington State's unemployment rates increased from 4.3% in December 2024 to 5.0% in February 2025. The unemployment rate for King County increased from 3% in December 2024 to 4.1% in February 2025. The City of Kirkland unemployment rate also increased from 3.3 % in December 2024 to 4.0% in February 2025.

New Housing Permits in Washington State decreased from 40,400 in December 2024 to 29,800 in March 2025. The **Case-Shiller Home Price Index** increased by 5.73 points from 385.72 in December 2024 to 391.45 in February 2025 but increased 5.7% compared to February 2024.

⁴ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20241218a.htm>

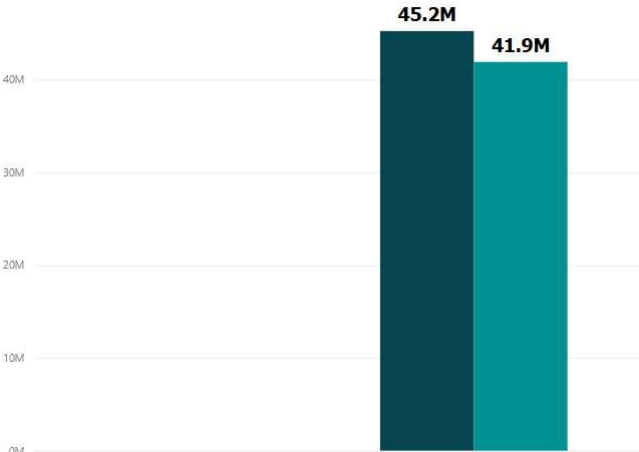
Summary of All Operating Funds

Operating Revenues

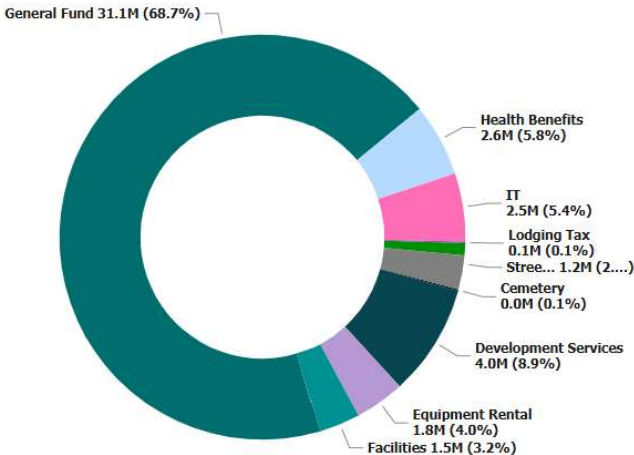
Total operating revenues at the end of Q1 2025 were approximately \$45.2 million, which is 8% (\$3.3 million) higher than 2024. The largest increase occurred in the General Fund (up \$2.5 million). The largest share of operating revenues also came from General Fund (\$31.1 million), followed by Development Services (\$4.03 million), Health Benefits Fund (\$2.6 million) and Information Technology (\$2.5 million). The Parks Maintenance Fund was consolidated into the Parks Levy Fund in 2024.

Actual Revenues (2024 vs 2025 YTD)

● YTD 2025 ● YTD 2024



YTD 2025 Actual Revenues

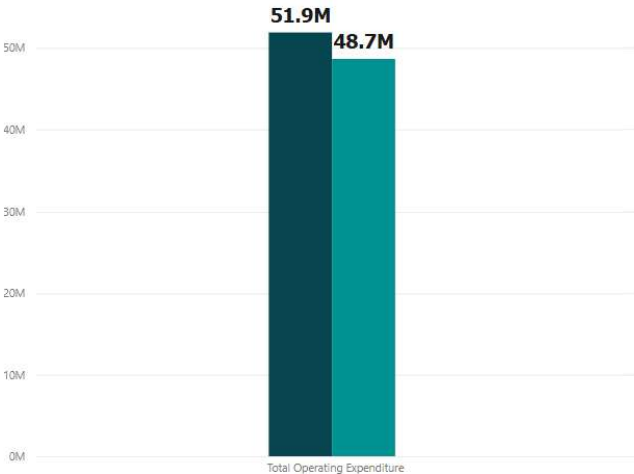


Operating Expenditures

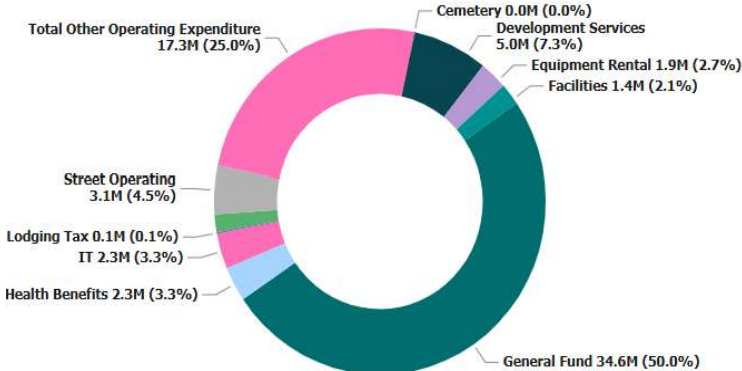
Total operating expenditures at the end of Q1 were \$51.9 million, up 7% or \$3.25 million, and reflects 23% of the total operating budget expended. The largest share of Q1 expenditures came from General Fund (\$34.6 million), followed by Development Services (\$5.04 million), Street Operating (\$3.1 million), Health Benefits (\$2.3 million), and Information Technology Fund (\$2.3 million). Year-Over-Year (YOY), the largest increases occurred within the Equipment Rental Fund (up \$435,767) followed by the Street Operator Fund (up \$356,444).

Actual Expenditures (2024 vs 2025 YTD)

● YTD 2025 ● YTD 2024



YTD 2025 Actual Expenditures

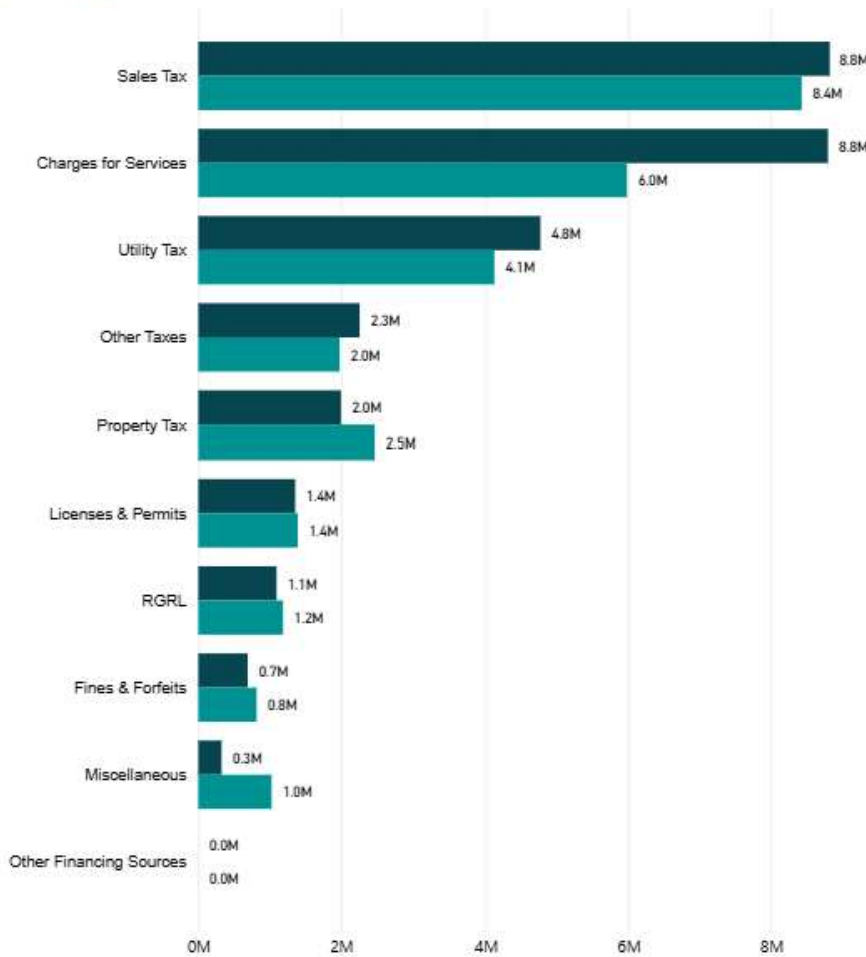


General Fund Revenues

General Fund revenues at the end of the first quarter of 2025 were \$31.1 million, 23% of budgeted revenue collections. Revenues were up \$2.6 million (9%) compared to the first quarter of 2024. This is primarily due to growth in retail sales & property taxes, school zone safety camera penalties, interfund charges, and youth camp enrollment.

General Fund Revenues as of 2025 Q1

● YTD 2025 ● YTD 2024



In 2024, Property taxes were the single largest revenue source for the City across all funds and the second largest source of budgeted revenue in the General Fund. These taxes are received twice a year, by April 30th the first time and by October 31st the second time.

Sales Tax revenues at the end of Q1 2025 were \$8.8 million, up 5% relative to prior year.

The most volatile source of General Fund revenues is sales tax revenues; therefore, the City tracks and reports on this source particularly closely. The following contains more detailed information regarding the City's sales tax.

Sales Tax Revenue Analysis

The general retail sales tax is the City's largest single revenue source after Property Tax, accounting for just under 25 percent (%) of total 2025 budgeted revenues in the General Fund. Sales tax, along with property and utility taxes, funds public safety and other general government (i.e., non-utility) services. It is also more sensitive to economic cycles than other tax revenues, therefore it is monitored closely by staff. There is a two-month lag between when sales tax is generated and when it is distributed to the City by the Washington State Department of Revenue (DOR). Accordingly, March sales tax revenue relates to January retail activity in Kirkland.

March 2025 vs. March 2024

Sectors	March		Dollar Change	Percent Change
	2024	2025		
Contracting	630,985	643,954	12,969	2%
Retail:				
Auto/Gas Retail	386,062	435,898	49,836	13%
Other Retail	481,138	488,587	7,449	2%
Retail Eating/Drinking	163,549	170,242	6,693	4%
Gen Merch/Misc Retail	120,328	114,175	(6,153)	-5%
Services	527,264	453,528	(73,736)	-14%
Miscellaneous	155,268	177,587	22,319	14%
Wholesale	104,581	128,509	23,928	23%
Communications	38,597	36,003	(2,594)	-7%
Total Sales Tax Receipts	\$ 2,607,772	\$ 2,648,483	\$ 40,711	1.6%

Comparing March 2025 to March 2024, sales tax revenue receipts are up \$40,711 or 1.6%. The sectors that reported the largest growth compared to March 2024 (ranked in order of dollar change) are Auto/Gas Retail (up \$49,836 or 13%), Wholesale (\$23,928 or 23%), Miscellaneous (up \$22,319 or 14%).

Sectors with moderate to small increases include Contracting (up \$12,969 or 2%), Other Retail (up \$7,449 or 2%), Retail Eating/Drinking (up \$6,693 or 4%).

The data also shows declines in Services (down \$73,736 or 14%), Gen Merch/Misc. Retail (down \$6,153 or 5%), and Communications (down \$2,594 or 7%).

YTD 2025 vs. YTD 2024

Sectors	YTD		Dollar Change	Percent Change
	2024	2025		
Contracting	1,936,566	2,000,927	64,361	3%
Retail:				
Auto/Gas Retail	1,303,986	1,456,589	152,603	12%
Other Retail	1,672,787	1,695,676	22,889	1%
Retail Eating/Drinking	571,077	615,726	44,649	8%
Gen Merch/Misc Retail	450,663	465,694	15,031	3%
Services	1,457,745	1,619,817	162,072	11%
Miscellaneous	500,050	460,013	(40,037)	-8%
Wholesale	415,840	377,976	(37,864)	-9%
Communications	120,681	129,527	8,846	7%
Total Sales Tax Receipts	\$ 8,429,396	\$ 8,821,945	\$ 392,550	4.7%

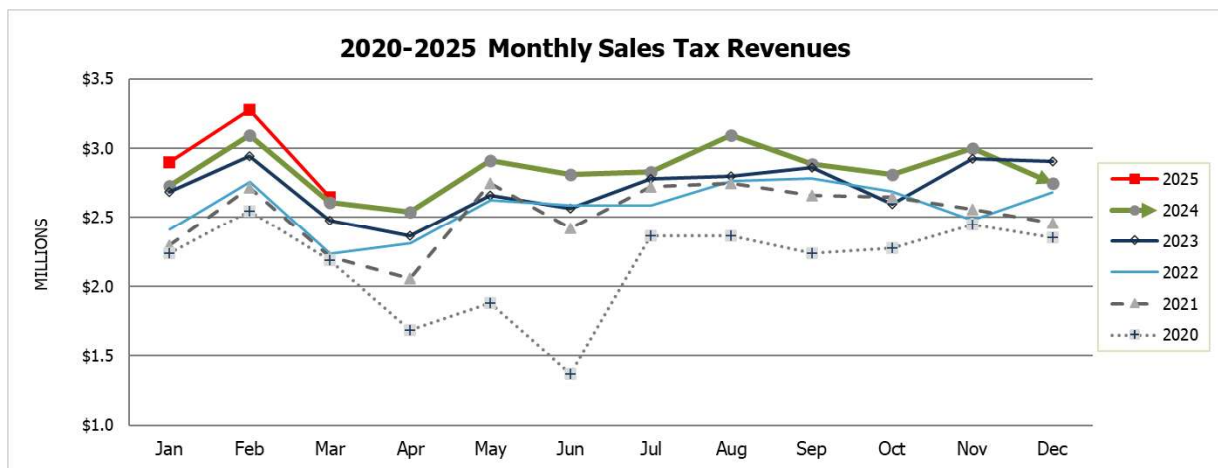
Comparing 2025 to 2024, year-to-date (YTD) sales tax revenue is up \$392,550 or 4.7%.

Looking at the business sectors, the most significant growth (ranked in order of dollar change) has occurred in Services (up \$162,072 or 11%), Auto/Gas Retail (up \$152,603 or 12%), Contracting (up \$64,361 or 3%), Retail Eating/Drinking (up \$44,649 or 8%).

Sectors with small increases include Other Retail (up \$22,889 or 1%), Gen Merch/Misc Retail (up \$15,031 or 3%), and Communications (up \$8,846 or 7%).

Sectors with a decline in sales tax include Miscellaneous (down \$40,037 or 8%) and Wholesale (down \$37,864 or 9%).

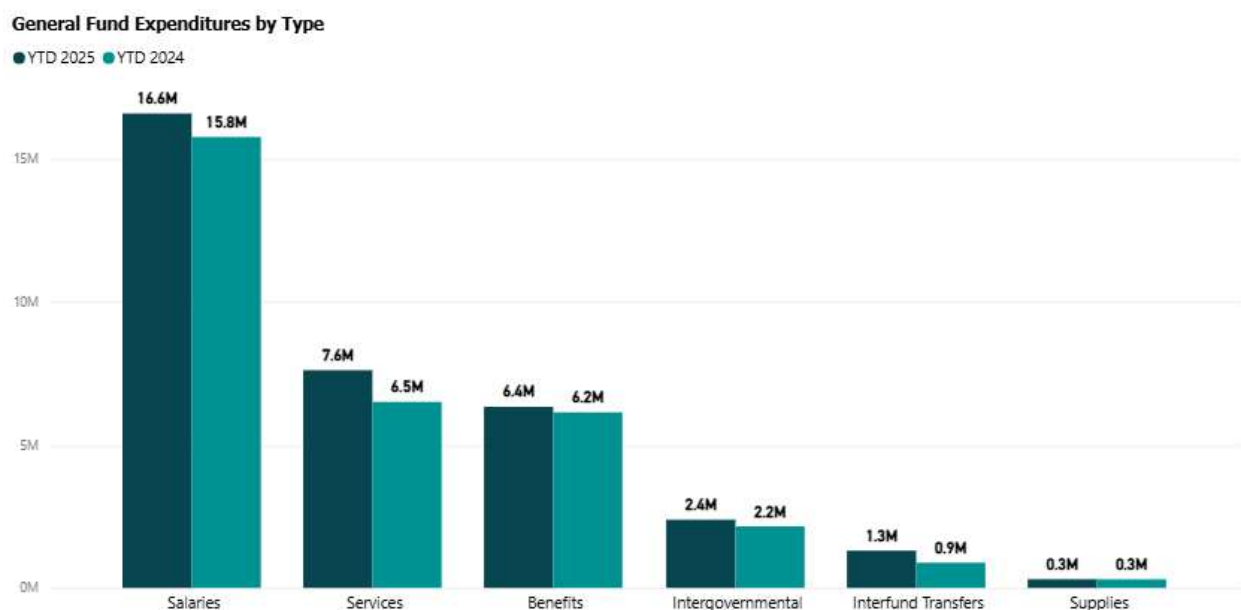
The graph below shows Kirkland's monthly sales tax revenue from 2025 compared to the prior five years. To aid with comparison and the forecast below this chart, it excludes significant one-time events, which are noted below.



Note: A one-time back payment of \$1,384,689 in December 2020, one-time audit payment of \$360,049 in December 2022, audit results reversal of \$1.53 million in October 2023, and one-time back payment of \$627,520 from a telecommunications operator in May 2024 have been excluded from the above graph to allow for more accurate comparison of ongoing revenues.

General Fund Expenditures by Type

The General Fund accounts for services to the public including public safety, land use, parks, and administrative functions. Total General Fund expenditures, for the year, at the end of the first quarter were \$34.6 million which is 24% of the total 2025 budget. Personnel costs including salaries and benefits make up the largest portion (64%) of total budgeted expenditures. Personnel costs at the end of Q1 were around \$22.9 million, 25% of budget, but 5% higher than this time last year.



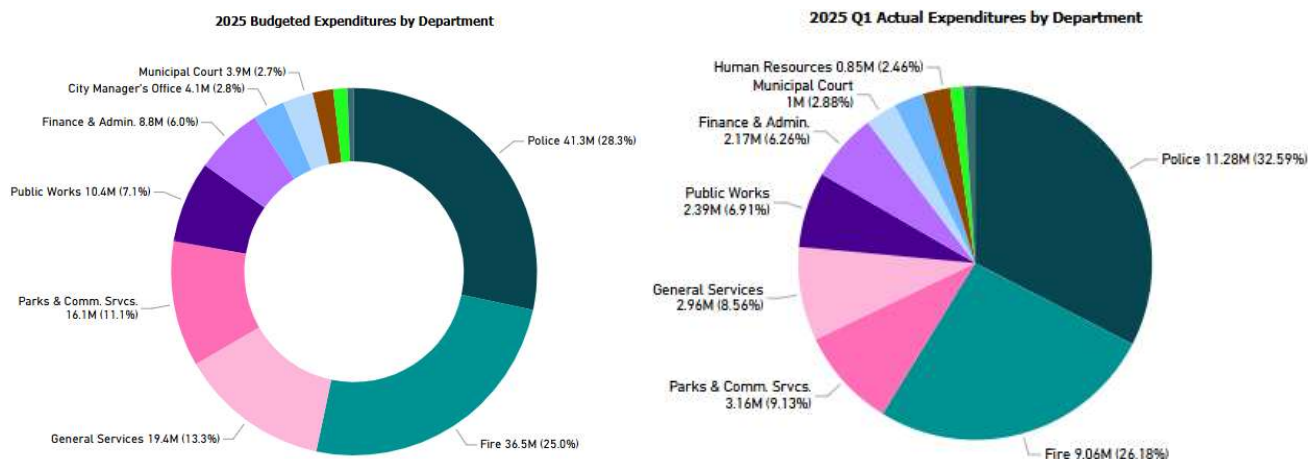
Services make up 20% of the total budget, and total services costs were \$7.4 million, 17% higher than Q1 2024, reflecting the impact of recent years of high inflation on costs to the City. Other Services experienced the largest dollar increase in costs, up \$386,451, primarily due to higher activity being executed within internal professional services. The higher cost of other services is also impacted by inflation over the last two years.

The table below shows a breakdown of General Fund expenditures across categories at the end of the first quarter of 2025.

Expenditures by Type	YTD 2025	2025 Budget	% Expended	YTD 2024	2024 Budget	% YTD Change	\$ YTD Change
Salaries	\$ 16,603,126	\$ 67,078,719	25%	\$ 15,775,635	\$ 64,700,749	↑ 5%	\$ 827,491
Benefits	\$ 6,358,055	\$ 26,495,489	24%	\$ 6,161,929	\$ 23,970,904	⇒ 3%	\$ 196,125
Personnel	\$ 22,961,180	\$ 93,574,208	25%	\$ 21,937,564	\$ 88,671,653	⇒ 5%	\$ 1,023,616
Professional Services	\$ 1,727,620	\$ 9,053,023	19%	\$ 1,383,095	\$ 6,950,587	↑ 25%	\$ 344,525
Operating Charges	\$ 3,603,054	\$ 14,561,048	25%	\$ 3,221,419	\$ 13,071,414	↑ 12%	\$ 381,635
Other Services	\$ 2,312,043	\$ 5,772,342	40%	\$ 1,925,592	\$ 4,940,874	↑ 20%	\$ 386,451
Total Services	\$ 7,642,716	\$ 29,386,413	26%	\$ 6,530,106	\$ 24,962,875	↑ 17%	\$ 1,112,611
Supplies	\$ 303,823	\$ 1,578,476	19%	\$ 301,291	\$ 1,630,418	⇒ 1%	\$ 2,532
Intergovernmental	\$ 2,394,619	\$ 6,098,962	39%	\$ 2,159,484	\$ 6,537,535	↑ 11%	\$ 235,135
Interfund Transfers	\$ 1,307,860	\$ 14,932,998	9%	\$ 885,149	\$ 12,423,740	↑ 48%	\$ 422,711
Total General Fund Expenditures	\$ 34,610,198	\$ 145,571,057	24%	\$ 31,813,593	\$ 134,226,221	↑ 9%	\$ 2,796,605

General Fund Expenditures by Department

Of the total budgeted 2025 General Fund expenditures, roughly 53% was dedicated for public safety including Police (28%) & Fire (25%). Beyond this, the largest departments by budget were Parks & Community Services (11%), Public Works (7%), Finance & Administration (6%), and General Services costs and reserves, which includes transfers to other funds for capital expenditures and street maintenance, accounted for roughly 13% of total budgeted General Fund expenditures. The departments with the highest proportion of budget expended at the end of the first quarter, were City Council (43%), which is due to City Agency Memberships paid at the beginning of the year, Human Resources (32%), Police (27%), Municipal Court (26%) and both Fire and Finance and Administration (25%).



At the end of the first quarter, 100% of the General Fund departments' expenditures increased compared to last year, and the overall expenditures were up 8% (\$2.6 million).

The majority of the departmental increases were tied to staff cost-of-living adjustments, (COLA), and services costs.

City Attorney's Office expenditures were up \$89,483, or 27%, due to employee COLAs and increased staffing. Parks and Community Services expenditures were also up 20% (\$524,396) higher than 2024, due to the annual insurance liability payment, professional services, COLA, and interfund transfers-out. General Services expenditures were up 34% or \$757,368, due to employee COLAs and interfund transfers-out.

Summary of Other Operating Funds

Other Operating Revenues by Fund

Among the funds that have seen large revenues increases, Equipment Rental is up \$480,199 or 36% compared to Q1 2024 primarily due to sale of surplus vehicles. Health Benefits revenues have increased \$388,640 or 17% compared to 2024, as occupancy revenues continue to climb to pre-pandemic levels. The Facilities Fund revenues have increased \$267,802 or 22%.

Offset by a decline in Development Services revenue down \$440,736 or 10% compared to Q1 2024 largely due to the conclusion of large projects in 2024 and a reduction in large projects so far in 2025.

Overall, revenues to other general government funds received at the end of the first quarter of 2025 were roughly \$14.2 million, 16% of the budget, a 6% increase from 2024 Q1.

Other Operating Funds Revenue	2025 Actuals	2025 Budget	% Received	2024 Actuals	2024 Budget	% Change	\$ Change
Lodging Tax	\$ 63,549	\$ 327,160	19%	\$ 64,934	\$ 293,855	▼ -2%	\$ (1,385)
Street Operating	\$ 1,236,615	\$ 13,360,237	9%	\$ 1,249,323	\$ 12,909,866	▬ -1%	\$ (12,708)
Development Services	\$ 4,032,738	\$ 22,106,569	18%	\$ 4,473,474	\$ 18,920,997	▼ -10%	\$ (440,736)
Cemetery	\$ 45,420	\$ 160,236	28%	\$ 46,519	\$ 128,396	▼ -2%	\$ (1,099)
Parks Maintenance	\$ -	\$ -	0%	\$ -	\$ -	#DIV/0!	\$ -
Parks Levy	\$ 426,733	\$ 5,302,220	8%	\$ 441,418	\$ 5,165,021	▼ -3%	\$ (14,685)
Health Benefits	\$ 2,633,483	\$ 11,448,514	23%	\$ 2,244,843	\$ 9,347,783	▲ 17%	\$ 388,640
Equipment Rental	\$ 1,801,965	\$ 16,817,413	11%	\$ 1,321,766	\$ 5,986,982	▲ 36%	\$ 480,199
Information Technology	\$ 2,454,776	\$ 10,050,696	24%	\$ 2,319,697	\$ 9,050,152	▲ 6%	\$ 135,079
Facilities	\$ 1,458,253	\$ 8,975,518	16%	\$ 1,190,451	\$ 4,731,480	▲ 22%	\$ 267,802
Total Other Operating Revenue	\$ 14,153,532	\$ 88,548,563	16%	\$ 13,352,424	\$ 66,534,532	▲ 6%	\$ 801,109

Other Operating Expenditures by Fund

Other general government expenditures ended the first quarter at \$17.3 million, around 21% of the total budget and were 3% higher compared to the previous year. Development Services expenditures were down \$72,910 or 1% keeping in line with the same time period in 2024. Information Technology expenditures were down \$232,879 or 9% due to decreased computer hardware purchases and repair/maintenance, however the fund saw increases in professional services, and staff COLA. Street Operating expenses were \$356,444 or 13% higher than the previous year mainly due to *increased* staffing costs and *increased* liability insurance premiums. Equipment Rental expenditures were up \$435,767 or 30% due to increased capital vehicle purchases.

Other Operating Funds Expenditure	Actuals 2025	2025 Budget	% Expended	2024 Actuals	2024 Budget	% Change	\$ Change
Lodging Tax	\$ 97,532	\$ 346,439	28%	\$ 84,480	\$ 306,151	▲ 15%	\$ 13,052
Street Operating	\$ 3,113,566	\$ 14,484,924	21%	\$ 2,757,122	\$ 14,539,274	▲ 13%	\$ 356,444
Development Services	\$ 5,043,321	\$ 21,975,907	23%	\$ 5,116,230	\$ 21,327,463	▬ -1%	\$ (72,910)
Cemetery Operating	\$ 31,511	\$ 118,529	27%	\$ 30,091	\$ 99,922	▬ 5%	\$ 1,420
Parks Maintenance	\$ -	\$ -	0%	\$ 19,486	\$ 1,042,542	▼ -100%	\$ (19,486)
Parks Levy	\$ 1,145,732	\$ 6,064,418	19%	\$ 1,166,945	\$ 5,558,641	▬ -2%	\$ (21,213)
Health Benefits	\$ 2,253,336	\$ 11,769,802	19%	\$ 2,215,045	\$ 8,481,602	▬ 2%	\$ 38,291
Equipment Rental	\$ 1,873,244	\$ 10,232,086	18%	\$ 1,437,477	\$ 5,811,996	▲ 30%	\$ 435,767
Information Technology	\$ 2,304,952	\$ 10,575,609	22%	\$ 2,537,831	\$ 9,051,155	▼ -9%	\$ (232,879)
Facilities	\$ 1,425,491	\$ 7,479,573	19%	\$ 1,473,175	\$ 4,812,094	▬ -3%	\$ (47,684)
Total Other Operating Expenditure	\$ 17,288,685	\$ 83,047,287	21%	\$ 16,837,884	\$ 71,030,840	▬ 3%	\$ 450,801

Utility Revenues and Expenditures

Water & Sewer Operating Fund

First quarter Water & Sewer Operating Fund revenues were 4% or \$308,268 higher compared to Q1 2024. The City received 23% of total budgeted revenues through the end of March. The increase in Water & Sewer operating revenues are primarily attributed to the utility rate increases which became effective January 1, 2025.

Water & Sewer Operating Fund expenditures were 4% or \$302,782 higher than the first quarter of 2024. By dollar value, Intergovernmental/Interfund experienced the largest increase (up \$251,653) driven by Cascade Water Alliance, King County sewer charges, and utility tax payments, followed by Personnel costs (up \$64,093) due to recent years of inflation as well as cost-of-living adjustments, and Services (up \$48,397) due to annual insurance payments and professional services. Supplies costs are down \$61,360.

Water Sewer Utility Fund	YTD 2025	2025 Budget	% Received/Expended	YTD 2024	2024 Budget	% YTD Change	\$ YTD Change
Revenues							
Charges for Goods & Services	\$ 8,218,379	\$ 37,407,503	22%	\$ 7,937,455	\$ 35,529,435	▲ 4%	\$ 280,925
Miscellaneous	\$ 43,208	\$ 239,199	18%	\$ 40,837	\$ 190,450	▲ 6%	\$ 2,372
Proprietary Sources	\$ 675,575	\$ 905,129	75%	\$ 650,604	\$ 1,460,987	▲ 4%	\$ 24,972
Total Revenues	\$ 8,937,163	\$ 38,551,831	23%	\$ 8,628,895	\$ 37,180,872	▲ 4%	\$ 308,268
Expenditures							
Personnel	\$ 863,199	\$ 3,268,722	26%	\$ 799,107	\$ 3,124,658	▲ 8%	\$ 64,093
Supplies	\$ 1,229,155	\$ 6,586,439	19%	\$ 1,290,515	\$ 6,527,461	▼ -5%	\$ (61,360)
Services	\$ 1,917,041	\$ 4,844,129	40%	\$ 1,868,644	\$ 4,342,282	▲ 3%	\$ 48,397
Intergov/Interfund	\$ 3,869,214	\$ 17,283,733	22%	\$ 3,617,561	\$ 17,022,289	▲ 7%	\$ 251,653
Total Operating Expenditures	\$ 7,878,610	\$ 31,983,023	25%	\$ 7,575,827	\$ 31,016,690	▲ 4%	\$ 302,782

Surface Water Operating Fund

Surface Water revenue is collected along with the property tax payments and this predictability means that revenues trend close to budget in most years. At the end of Q1 2025, actual revenue received was 6% or approximately \$897,943, with a year-over-year decrease of 3%. As Surface Water revenue follows the collection trend along with property taxes, this Fund will receive most of its anticipated revenue around April & October of 2025. Surface Water operating expenditures expended 22% of budget and increased YOY 1% (\$26,218) exclusively due to personnel adjustments and services costs.

Surface Water Utility Fund	YTD 2025	2025 Budget	% Received/Expended	YTD 2024	2024 Budget	% YTD Change	\$ YTD Change
Revenues							
Intergovernmental	\$ 94,558	\$ 50,000	189%	\$ 89,924	\$ 320,000	▲ 5%	\$ 4,634
Charges for Goods & Services	\$ 773,594	\$ 13,568,864	6%	\$ 803,391	\$ 12,826,225	▼ -4%	\$ (29,797)
Fines & Forfeits	\$ 2,000	\$ 30,000	7%	\$ 6,750	\$ 30,000	▼ -70%	\$ (4,750)
Miscellaneous	\$ 27,791	\$ 263,341	11%	\$ 26,009	\$ 141,483	▲ 7%	\$ 1,782
Proprietary Sources	\$ -	\$ -	0%	\$ -	\$ -	■ 0%	\$ -
Total Revenues	\$ 897,943	\$ 13,912,205	6%	\$ 926,074	\$ 13,317,708	▼ -3%	\$ (28,131)
Expenditures							
Personnel	\$ 1,377,155	\$ 6,094,135	23%	\$ 1,260,667	\$ 5,988,744	▲ 9%	\$ 116,489
Supplies	\$ 86,567	\$ 430,051	20%	\$ 53,494	\$ 369,251	▲ 62%	\$ 33,073
Services	\$ 859,145	\$ 3,472,783	25%	\$ 995,199	\$ 3,394,540	▼ -14%	\$ (136,054)
Intergov/Interfund	\$ 131,212	\$ 1,413,521	9%	\$ 118,502	\$ 1,333,051	▲ 11%	\$ 12,710
Total Operating Expenditures	\$ 2,454,079	\$ 11,410,490	22%	\$ 2,427,861	\$ 11,085,586	■ 1%	\$ 26,218

Solid Waste Operating Fund

Solid Waste Fund actual revenues were 11% higher than Q1 2024. Rate increases for 2025 and 2026 became effective January 1, 2025, with the adoption of [Ordinance O-4883⁵](#) by City Council during the October 15, 2024, Council meeting. Most of the rate increase was attributable to costs associated with increases imposed by Waste Management. Those costs include mandated profit margins, inflation of driver wages, health and welfare benefits, pensions, and recycling processing and contamination disposal costs.

Solid Waste Fund	YTD 2025	2025 Budget	% Received / Expended	YTD 2024	2024 Budget	% YTD Change	\$ YTD Change
Revenues							
Intergovernmental	\$ 86,918	\$ 156,169	56%	\$ 12,480	\$ 142,500	▲ 596%	\$ 74,438
Charges for Goods & Services	\$ 7,654,363	\$ 33,741,564	23%	\$ 6,945,441	\$ 31,313,838	▼ 10%	\$ 708,922
Miscellaneous	\$ -	\$ 36,849	0%	\$ -	\$ 29,977	#DIV/0!	\$ -
Total Revenues	\$ 7,741,281	\$ 33,934,582	23%	\$ 6,957,921	\$ 31,486,315	▲ 11%	\$ 783,360
Expenditures							
Personnel	\$ 137,350	\$ 538,519	26%	\$ 120,962	\$ 524,320	▲ 14%	\$ 16,389
Supplies	\$ -	\$ 8,300	0%	\$ 34	\$ 2,680	▼ -100%	\$ (34)
Services	\$ 4,534,295	\$ 27,191,390	17%	\$ 3,651,482	\$ 25,143,364	▲ 24%	\$ 882,812
Intergov/Interfund	\$ 998,094	\$ 5,353,042	19%	\$ 908,275	\$ 5,136,051	▲ 10%	\$ 89,819
Total Operating Expenditures	\$ 5,669,739	\$ 33,091,251	17%	\$ 4,680,753	\$ 30,806,415	▲ 21%	\$ 988,986

⁵ https://www.kirklandwa.gov/files/sharedassets/public/v/1/city-council/agenda-documents/2024/october-15-2024/9b1_business.pdf

2025-2030 Capital Improvement Plan

The 2025-2030 Capital Improvement Plan (CIP) was originally adopted by Council at the December 10, 2024, Council Meeting. The Council is presented with updates to the key projects including award of bid memos throughout the biennium at Council Study Sessions and Meetings.

Key project updates

NE 85th St Ped/Bike Connection – The project is anticipated to start construction in summer 2025 and be completed by summer 2026.

NE 85th Street Eastbound Third Lane – The project is anticipated to start construction in summer 2025 and be completed by fall/winter 2025.

132nd Avenue NE/Slater Avenue Crossing and NE 124th Street & Slater Avenue Crossing Improvements – The project is anticipated to start construction in spring 2025 and be completed by late fall 2025.

More information about construction project updates can be found online at: <https://www.kirklandwa.gov/Government/Departments/Public-Works-Department/Construction-Projects>.

Project	Total Budget Through 2025	Actual	Phase
NE 85th St Ped/Bike Connection	\$ 3,592,230	\$ 1,388,738	The project is anticipated to start construction in summer 2025 and be completed by summer 2026.
NE 85th Street Eastbound Third Lane	\$ 3,775,000	\$ 626,960	The project is anticipated to start construction in summer 2025 and be completed by fall/winter 2025.
132nd Avenue NE/Slater Avenue Crossing and NE 124th Street & Slater Avenue Crossing Improvements	\$ 3,352,550	\$ 741,033	The project is anticipated to start construction in spring 2025 and be completed by late fall 2025.
Fire Station 26	\$ 9,037,000	\$ 7,342,029	Construction is underway and is expected to reach substantial completion in summer 2025.
Fire Station 21	\$ 7,243,000	\$ 5,657,985	Construction is underway and is expected to reach substantial completion in summer 2025.
124th Avenue Northeast Improvements	\$ 19,599,579	\$ 12,793,488	Construction is underway and expected to be complete in summer 2025.
100th Avenue NE Roadway Improvements	\$ 30,977,993	\$ 29,166,840	Construction began in July 2023. All underground work is complete, and the project is expected to achieve substantial completion in fall 2025.
Lake St/Kirkland Ave Intersection ("Kirkland Scramble")	\$ 3,592,230	\$ 2,855,406	Construction is now underway and expected to be complete in fall 2025 once the new signal poles are installed.
Juanita Drive Corridor Improvements	\$ 12,619,545	\$ 9,650,636	Construction began in March 2024 and expected to be complete in summer 2025.

Reserve Snapshot

At the end of March 31, 2025, the City's revised ending reserves total roughly \$125.1 million in all reserves Fund Balances. These are divided into the following:

- **General Purpose Reserves** – available to meet a wide variety of contingencies and require Council action to be used. The current adopted General Purpose Reserve balance for March 31, 2025, is \$20.7 million.
- **Special Purpose Reserves** – have a specific or restricted purpose, such as Development reserves, and are set by Council policy, management practice or in some cases state and local laws.
- **General Capital Reserves** - in addition to the General Capital Contingency shown under General Purpose Reserves, there are other capital reserves dedicated either by Council policy or by state or local laws that govern their use.
- **Utility Reserves** - available to meet a wide variety of contingencies but can only be used in the specific utility from which the revenue originated.
- **Internal Service Fund Reserves** – are dedicated either by Council action or by state or local laws that govern their use. These funds include Health Benefits, Equipment Rental, Information Technology and Facilities Maintenance funds. Revenue to these funds is derived primarily from user charges to other funds.

Reserve	Description	Actual Balance as of January 1, 2025	Adopted 2026 Ending Balance	Total Approved Additions/(Uses)	Revised Ending 2026 Balance as of March 31, 2025
General Purpose Reserves					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	-	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	7,417,705	7,417,705	-	7,417,705
Revenue Stabilization Reserve	Temporary revenue shortfalls	4,917,775	4,917,775	-	4,917,775
Building & Property Reserve	Property-related transactions	886,599	886,599	-	886,599
Council Special Projects Reserve	One-time special projects	250,000	250,000	-	250,000
Contingency	Unforeseen expenditures	7,210,246	7,210,246	-	7,210,246
Total General Purpose Reserves		20,732,325	20,732,325	-	20,732,325
Capital Reserves					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects	4,102,397	4,102,397	-	4,102,397
REET 2	Transportation and other capital projects	2,883,211	2,883,211	-	2,883,211
Impact Fees					
Transportation	Transportation capacity projects	2,001,993	2,001,993	-	2,001,993
Parks	Parks capacity projects	258,658	258,658	-	258,658
Fire	Fire capacity projects	856,421	856,421	-	856,421
General Capital Contingency**	Changes to General capital projects	3,697,951	4,397,951	-	4,397,951
Water/Sewer Utility:					
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	4,750,214	4,750,214	-	4,750,214
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,018,223	5,785,141	-	5,785,141
Surface Water Utility:					
Surface Water Capital Contingency	Changes to Surface Water capital projects	2,271,897	2,271,897	-	2,271,897
Surface Water Construction Reserve	Replacement/re-prioritized/new projects	771,746	777,420	-	777,420
Total Capital Reserves		30,612,711	28,085,303	-	28,085,303
Other Reserves Requiring Council Action					
Lodging Tax Reserves	Tourism program and facilities	381,507	391,947	-	391,947
Reserves Not Requiring Council Action					
Multiple	Multiple purposes		75,893,745	(13,181)	75,880,564
Total All Reserves			125,103,320	-	125,103,320

*Uses of REET reserves represents revised revenue assumptions

** General Capital Contingency balance is lower than target due to an interfund loan for Parks Maintenance Center capital costs that will be paid back across 10 years

Through reserve policy and management practice, the City requires approval through Council action, either fiscal notes or adoption of budget ordinances, for the use of some reserves. These include the General Purposes Reserves, General Capital Reserves and Utility Capital Reserves. In all cases these are reserves that either significantly impact the financial stability of the City or are of particular interest to City Council. The table above shows the actual beginning 2025 balances of these reserves and their total changes as of March 31, 2025.

Reserves not requiring a fiscal note include all fund balances, utility operating reserves, special purpose reserves (other than Lodging Tax), development services reserves, and a number of department specific donation and restricted purpose funds. The combined balances of these funds are tracked within the City’s financial system.

In addition to these reserves, the City began the year with around \$8 million in cost-of-living reserves, which were specifically earmarked for projected labor contract settlements. This meant the budget was adopted with \$133 million in reserve accounts.

Fiscal Notes & Council Action

In the first quarter of 2025, one Council action resulted in a net use of reserves. Once fiscal notes and Council actions are approved, the corresponding budget adjustment is processed by Financial Planning staff. For tracking and reporting purposes, these adjustments are included within the June and December budget adjustment memos.

Date	Council Action in Q1 2025	Reserves	Q1 2025 Starting Balance	This Request	Actual Q4 2026 End Balance
20-Feb	Miller Park maintenance costs	Parks Donation Rsv.	\$ 84,172	\$ (13,181)	\$ 70,991