



**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:** August 20, 2025

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

### RECOMMENDATION:

Staff recommends that the City Council receives a financial update with the Second Quarter 2025 Financial Management Report.

### EXECUTIVE SUMMARY:

- The Second Quarter 2025 Financial Management Report presents the financial performance of the City as of June 30, 2025.
- Total operating revenues (including internal transfers) at the end of the second quarter (Q2) of 2025 were approximately \$119 million, \$17.5 million (17%) higher than the second quarter of 2024. This increase to total operating revenue is predominantly due to growth within the General Fund (up \$9.6 million), which was driven by growth to utility and property tax revenues and charges for services.
- The total operating revenues at end of Q2 represent 51% of budgeted revenues which is in line with expectations. General Fund revenues were \$78.0 million, with the next largest operating fund being Development Services (\$13.2 million).
- Total operating expenditures at the end of the second quarter of 2025 were \$120.9 million, up \$16 million (16%) higher than Q2 2024 but at 48% of budget, which is in line with expectations. The largest share of expenditures came from the General Fund at \$80.5 million, followed by Development Services at \$11.0 million.

### 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, and 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:**

Discussion and analysis are captured in Attachment 1, which is the Second Quarter 2025 Financial Management Report.

**NEXT STEPS:**

None.

**ATTACHMENTS:**

Attachment 1 – Second Quarter 2025 Financial Management Report

# City of Kirkland FINANCIAL MANAGEMENT REPORT

**As of June 30, 2025**



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# Second Quarter Highlights

## 2025 Mid-Year Adjustment and Resources Forward

At the June 17, 2025, Council Meeting, Council adopted Ordinance O-4908 amending the budget for the 2025-2026 biennium. State law prohibits expenditures from exceeding the budgeted appropriation for any fund. State law also requires the City to adjust appropriations when: (1) unanticipated revenue exists and has the potential of being expended; (2) new funds are established during the budget year that were not included in the original budget; or (3) the City Council authorizes positions, projects, or programs not incorporated in the current year's budget. The total adjustments included in this memo amount to \$37,133,164. Of that total, appropriation adjustments amount to \$32,785,884, largely due to the resources forward from approved carryover requests.<sup>1</sup>

## Mayor Delivers State of the City address

During the second quarter of 2025, Mayor Kelli Curtis delivered the annual State of the City address to the community at the first State of the City and Community Appreciation night. During her speech, the Mayor declared the state of the city is “striving, blooming, booming, flourishing.” As stated by Mayor Curtis, *“What do these words, striving, blooming, booming, flourishing, and all these accomplishments have in common? They don’t just capture the state of the city over the years, they embody the heart of this city. And for 120 years, that heart of Kirkland always has been, and always will be, the joy of building community together.”* The full speech can be accessed on the City’s website.<sup>2</sup>

## Completion of Fire Station 21 and 26 Renovations

Renovation work on Fire Station 21 and 26 was completed and firefighters have begun responding from the renovated stations. The goal of the renovations was to improve firefighter’s efficiency as well as workplace health and safety, while extending building life and improving energy efficiency.

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<sup>1</sup> [Council Packet 06/17/2025](#)

<sup>2</sup> [State of the City Address 2025 – City of Kirkland](#)

# Economic Outlook

The economy continues to expand, however inflation is trending up once again. The Federal Reserve combatted inflation by raising interest rates to slow economic activity and price growth in the last few years and have been hesitant to begin decreasing rates as inflation remains above their 2.0% target. 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 second quarter of 2025 with some positive signs but looming uncertainty surrounding the impacts of federal tariff policy. The Washington unemployment rate decreased from 4.5% in March 2025 to 4.3% in May 2025, up from 4.2% in May 2024. Washington housing construction increased in the second quarter of 2025. Seattle-area consumer price inflation was slightly higher than the U.S. City average. From June 2024 to June 2025, the Seattle CPI dropped 0.9% compared to the 0.3% decrease in the U.S. City average index.<sup>3</sup>

Based on the latest quarterly forecast report from the State of Washington Economic & Revenue Forecast Council, the Washington forecast features a stronger growth rate of nominal personal income in 2025 through 2029 compared to the March forecast. Washington employment is projected to grow by 0.5% this year, and the state anticipates an average annual growth rate of 0.7% from 2025 to 2029, just below the March forecast of 0.8%. The state forecast predicts 34,800 housing permits this year, a downward revision from March's forecast. From 2025 to 2029, the state projects an average of 38,240 permits per year, below the 40,900 units previously expected. Seattle headline inflation is forecasted to grow by 2.4% in 2025 and 2.8% 2026, and ease to near target rates for the remainder of the forecast period.<sup>4</sup>

## King County Forecast

According to the King County EconPulse Report, Employment in King County grew slightly in the first quarter of 2025, adding 13,300 jobs for a 0.9% increase. Most sectors experienced employment growth, with the largest gains occurring in service providing industries such as information, private educational and health services, and leisure and hospitality. The retail sector and larger trade, transportation, and utilities sectors have not seen any employment growth in the first quarter of 2025 compared to last year. Employment in goods-producing industries declined 4.2%, with decreases in both construction and manufacturing.

Looking ahead, for 2025, King County's employment forecast is projected to be minor at 0.5% and employment is projected to grow at a modest average annual rate of 0.7% throughout the rest of the forecast horizon.<sup>5</sup> Local inflation continues to recede with the Seattle CPI-U dropping from 5.9% in 2023 to 3.6% in 2024. This rate fell to 2.5% in February 2025, further declining to 1.7% in April 2025. April was notable for deflation in apparel, transportation, and recreation prices comprising -0.4% of the total rate. Food & beverage and housing prices increased by 0.4% and 1.7% respectively. This relief appears temporary, with projections indicating a rebound to 3.7% in 2025, climbing to 4.4% the following year. These increases are largely attributed to new federal tariffs and higher fuel taxes implemented by the State Legislature. Inflation is expected to stabilize around 3.6% throughout the forecast period.

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<sup>3</sup> <https://erfc.wa.gov/sites/default/files/2025-08/aug25.pdf>

<sup>4</sup> <https://erfc.wa.gov/sites/default/files/2025-07/jun25pub.pdf>

<sup>5</sup> <https://cdn.kingcounty.gov/-/media/king-county/independent/governance-and-leadership/government-oversight/forecasting/documents/econpulse1q2025.pdf?rev=bb0908a8ff1e401aa626903def574dec&hash=7ED449EA727EEEBB46C81DA1A1FF9BC8>

## Economic Conditions

In line with the forecasting methods used in 2023 and 2024, the baseline 2025 sales tax forecast was 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. A large potential risk factor to sales tax revenue through the end of year are changing tariff policies, which may increase prices and impact supply chains.

## Actual vs. Forecasted Sales Tax Revenue

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	2,979,461	2,971,510	7,951	0.3%
7.5%	June	2,872,058	2,595,077	276,981	10.7%
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		
<b>100%</b>	<b>YTD Total</b>	<b>17,162,035</b>	<b>34,527,533</b>	<b>651,536</b>	<b>1.9%</b>

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 CPI-W, increased from 2.2% in May to 2.6% in June. For the Seattle-Tacoma-Bellevue region, the CPI-W increased from 1.6% in April to 2.7% in June. The Federal Reserve held the federal funds rate steady at 4.25%-4.5% at its June 2025 meeting. The decision is aligned with the Fed's goal of achieving inflation rate of 2 percent over the longer run.<sup>6</sup>

The **Consumer Confidence Index**, which reflects prevailing business conditions and likely developments for the months fell 5.0 points from 98.0 in May to 93.0 in June, erasing half of May's sharp gains. According to Stephanie Guichard, Senior Economist, Global Indicators at the Conference Board, tariffs remained on top of consumers' minds and were frequently associated with concerns about their negative impacts on the economy and prices. Inflation and high prices were another important concern cited by consumers in June.

The national **Unemployment Rate** decreased from 4.2% in May to 4.1% in June. At the state level, Washington's unemployment rate decreased from 4.5% in March to 4.2% in April. Locally, the unemployment rate for King County decreased from 4.2% in March to 4.0% in April. The City of Kirkland's unemployment rate decreased from 4.1% in March to 3.9% in April.

**New Housing Permits** in Washington State increased from 29,800 in March to 35,100 in April. Housing units authorized by building permits in April were 4.7% below their March level and 3.2% below compared to April 2024. The most recent **Case-Shiller Home Price Index** for Seattle area home prices increased from 398.4 in March to 402.3 in April.

**New Vehicle Registrations** in Washington State decreased from 26,300 in April to 23,900 in May. The number of registrations decreased 9.2% in May from the previous month and were up 7.3% over the year in May 2024.

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<sup>6</sup><https://www.federalreserve.gov/newsevents/pressreleases/monetary20250618a.htm>

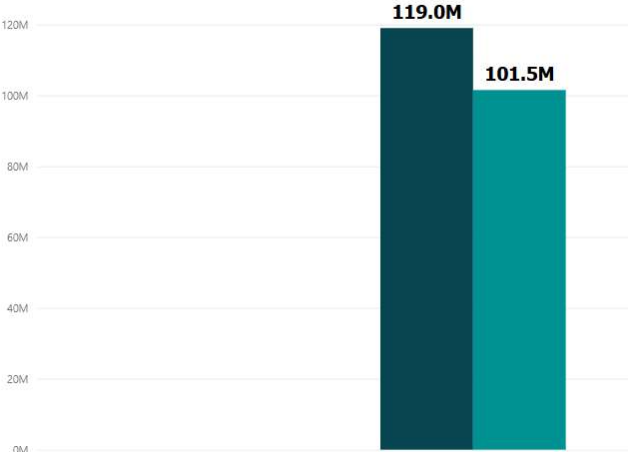
# Summary of All Operating Funds

## Operating Revenues

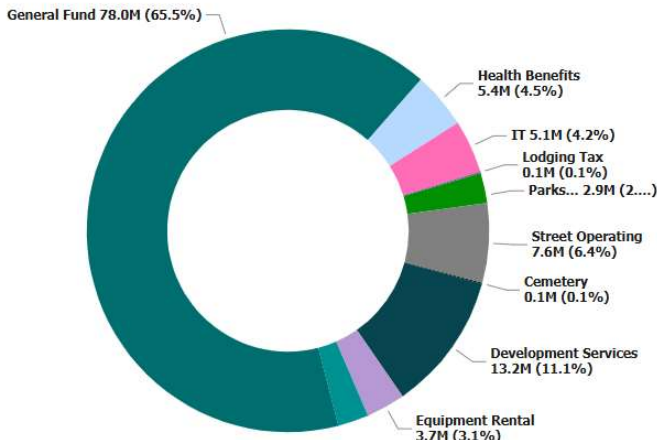
Total operating revenues at the end of Q2 2025 were approximately \$119 million, which is 17% (\$17.5 million) higher than 2024. The largest increase occurred in the General Fund (up \$9.6 million). The largest share of operating revenues also came from General Fund (\$78 million), followed by Development Services (\$13.2 million), Health Benefits Fund (\$5.4 million) and Information Technology (\$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

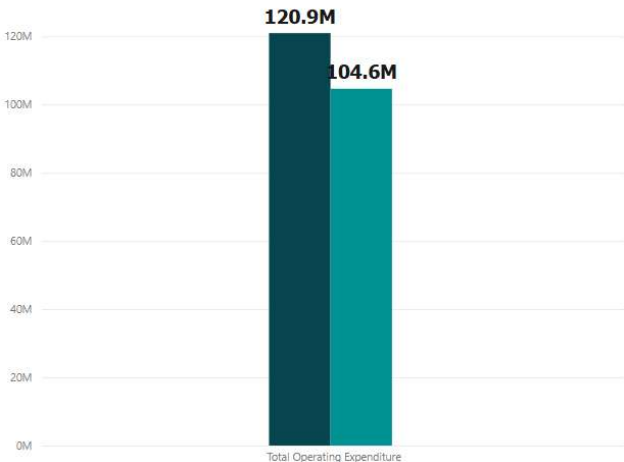


## Operating Expenditures

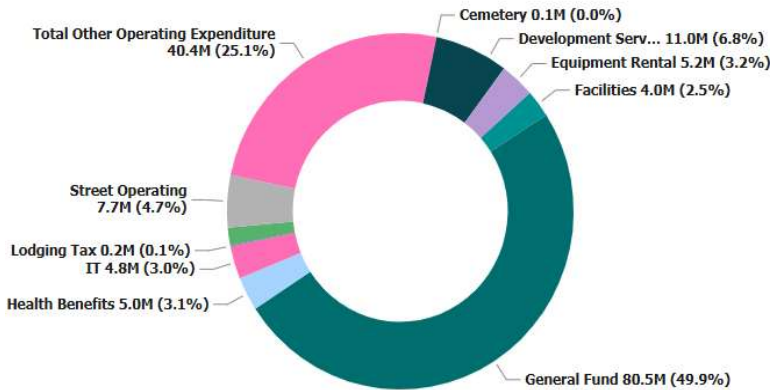
Total operating expenditures at the end of Q2 were \$120.9 million, up 16% or \$16.3 million, and reflect 48% of the total operating budget expended. The largest share of Q2 expenditures came from General Fund (\$80.5 million), followed by Development Services (\$11.03 million), Street Operating (\$7.7 million), Health Benefits (\$4.9 million), and Information Technology Fund (\$4.7 million). Year-Over-Year (YOY), the largest increases by dollar amount occurred within the Equipment Rental Fund (up \$1.7 million) followed by the Street Operating Fund (up \$644,474).

Actual Expenditures (2024 vs 2025 YTD)

● YTD 2025 ● YTD 2024



YTD 2025 Actual Expenditures

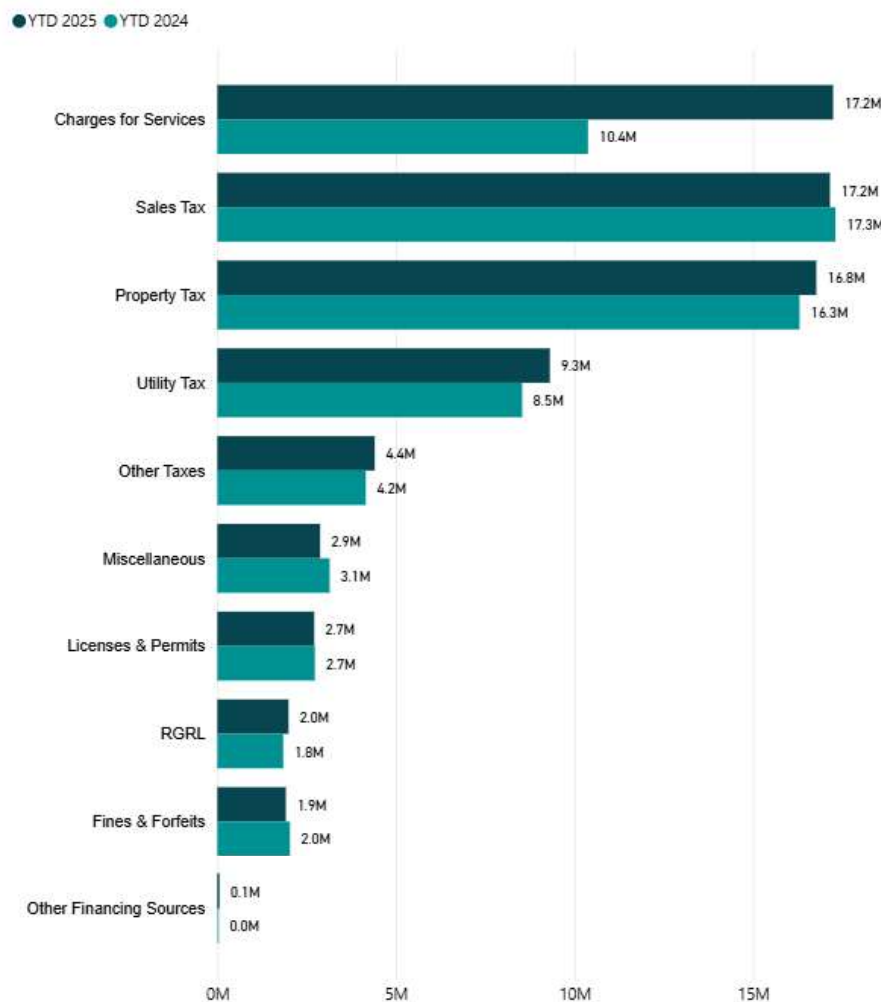


## General Fund Revenues

General Fund revenues at the end of the second quarter of 2025 were \$77.9 million, 55% of budgeted revenue collections. Revenues were up \$9.6 million (14%) compared to the second quarter of 2024. This is primarily due to growth in utility and property taxes, school zone safety camera penalties, interfund charges, and youth camp enrollment.

In the table below, it is evident that Charges for Services has grown by a large amount YTD in 2025 compared to this period in 2024. Because the City budgets on a *cash basis* (no adjustments back to prior years after the year closes), at times the City receives revenue for grants or payments late from prior year activity. In early 2025, the City received payment for 2024 billings for two large revenues, EMS Levy and reimbursements for wildland fire deployment, which makes 2024 appear smaller and 2025 appear larger, explaining the apparent growth.

General Fund Revenues as of 2025 Q2



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, first by April 30 and then by October 31.

Sales Tax revenues at the end of Q2 2025 were \$17.2 million, down 1% 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 over 26% 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, June sales tax revenue relates to April retail activity in Kirkland.

### June 2025 vs. June 2024

Figure 1: June 2025 vs. June 2024 Sales Tax by Sector

Sectors	June		Dollar Change	Percent Change
	2024	2025		
Contracting	797,231	708,504	(88,727)	-11%
Retail:				
Auto/Gas Retail	438,022	467,746	29,724	7%
Other Retail	494,614	527,217	32,603	7%
Retail Eating/Drinking	180,181	189,104	8,923	5%
Gen Merch/Misc Retail	132,084	126,249	(5,835)	-4%
Services	461,244	530,178	68,934	15%
Miscellaneous	150,642	164,448	13,806	9%
Wholesale	120,736	117,180	(3,556)	-3%
Communications	36,132	41,433	5,301	15%
<b>Total Sales Tax Receipts</b>	<b>\$ 2,810,886</b>	<b>\$ 2,872,059</b>	<b>\$ 61,173</b>	<b>2.2%</b>

Comparing June 2025 to June 2024 in Figure 1, sales tax revenue receipts are up \$61,173 or 2.2%. The sectors that reported the largest growth compared to June 2024, ranked in order of dollar change, include Services up by \$68,934 or 15%. Followed by Other Retail increased by \$32,603 or 7%, Auto/Gas Retail increased by \$29,724 or 7%, and Miscellaneous added \$13,806 or 9%.

Sectors with moderate to small increases include Retail Eating/Drinking, which grew by \$8,923 or 5%, and Communications, which increased by \$5,301 or 15%.

The data also shows large declines in Contracting that reduced by \$88,727 or 11%. Other sectors with small declines include Gen Merch/Misc. Retail that fell by \$5,835 or 4% and Wholesale decreased by \$3,556 or 3%.

## YTD 2025 vs. YTD 2024

Figure 2: YTD 2025 vs. YTD 2024 Sales Tax by Sector

Sectors	YTD		Dollar Change	Percent Change
	2024	2025		
Contracting	4,125,771	4,054,659	(71,112)	-2%
Retail:				
Auto/Gas Retail	2,631,505	2,834,548	203,043	8%
Other Retail	3,061,147	3,247,514	186,367	6%
Retail Eating/Drinking	1,181,209	1,232,330	51,121	4%
Gen Merch/Misc Retail	815,835	838,884	23,049	3%
Services	2,885,734	3,090,341	204,607	7%
Miscellaneous	951,980	907,054	(44,926)	-5%
Wholesale	802,248	707,227	(95,021)	-12%
Communications	860,217	249,477	(610,740)	-71%
<b>Total Sales Tax Receipts</b>	<b>\$ 17,315,644</b>	<b>\$ 17,162,034</b>	<b>\$ (153,612)</b>	<b>-0.9%</b>

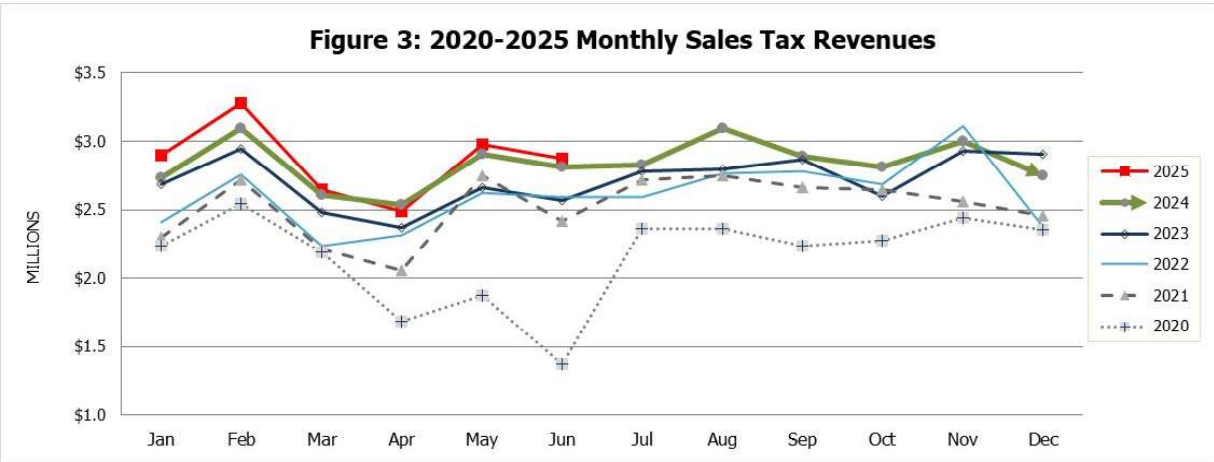
Comparing 2025 to 2024 in Figure 2, year-to-date (YTD) sales tax revenue is down \$153,612 or 0.9%. Removing the one time communications payment of \$627,520 made in 2024, year-to-date sales tax revenues are up \$473,910 or 3%. Looking at the business sectors, the most significant growth ranked in order of dollar change, occurred in Services, which has increased by \$204,607 or 7%. Auto/Gas Retail is a close second and increased by \$203,043 or 8%, whereas Other Retail added \$186,367 or 6%.

Sectors with small to moderate increases include Retail Eating/Drinking up by \$51,121 or 4%, and Gen Merch/Misc Retail increased by \$23,049 or 3%.

Sectors with the largest decline is Communications that decreased by \$610,749 or 71% due to a one-time payment in 2024 received in lieu of an audit-reversal. Sectors with moderate declines include Contracting, which decreased by \$71,112 or 2%. Miscellaneous category reduced by \$44,926 or 5% and Wholesale fell by \$95,021 or 12%.

Within Contracting there are three subcategories. The first is Specialty Trade Contractors that increased by 26% or \$262,100. Second is Heavy and Civil Engineering Construction that grew by 9% or \$13,888. The third is Construction of Buildings that reduced by 12% or \$347,099. The decline in revenue in Construction of Buildings is driven by Commercial and Institutional Buildings, which is down 27% or \$301,385, followed by New Single-Family Housing down 16% or \$209,560 when compared to last year. As Contracting is a significant portion of the City's overall sales tax revenue, staff will continue to monitor this trend closely.

Figure 3 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.

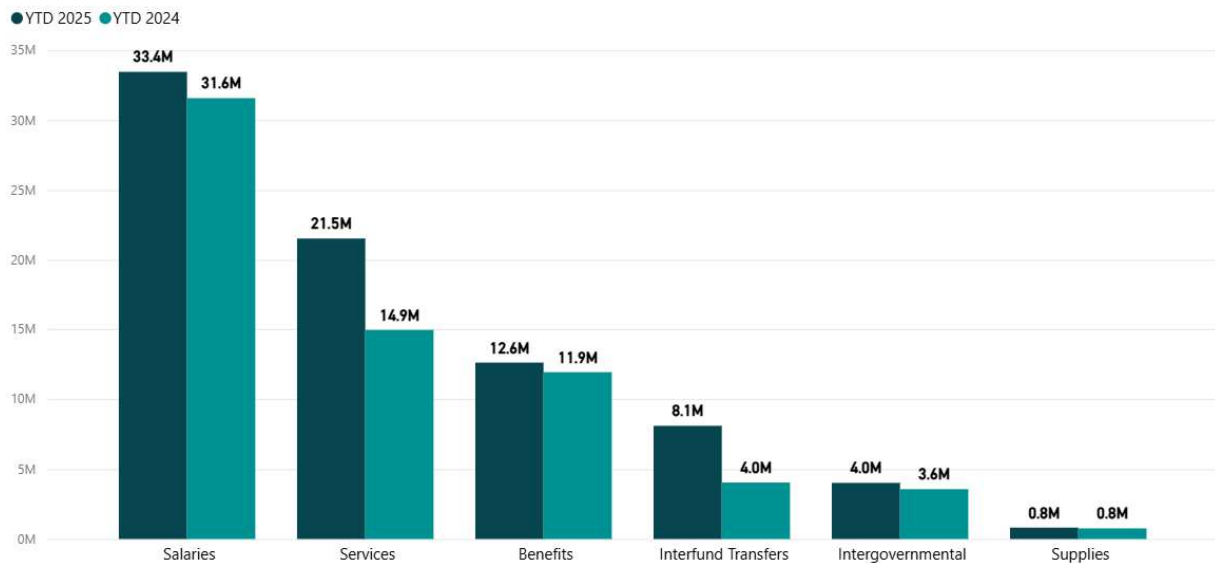


Note: A one-time back payment of \$1,384,689 in December 2020, one-time audit payment of \$360,049 in December 2022, audit results reversal of \$1.53 million in October 2023, and one-time back payment of \$627,520 from a telecommunications operator in May 2024 have been excluded from the above graph 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 second quarter were \$80.5 million, which is 49% of the total 2025 budget. Personnel costs including salaries and benefits make up the largest portion (57%) of total budgeted expenditures. Personnel costs at the end of Q2 were around \$46.04 million, 49% of budget, but 6% higher than this time last year.

General Fund Expenditures by Type



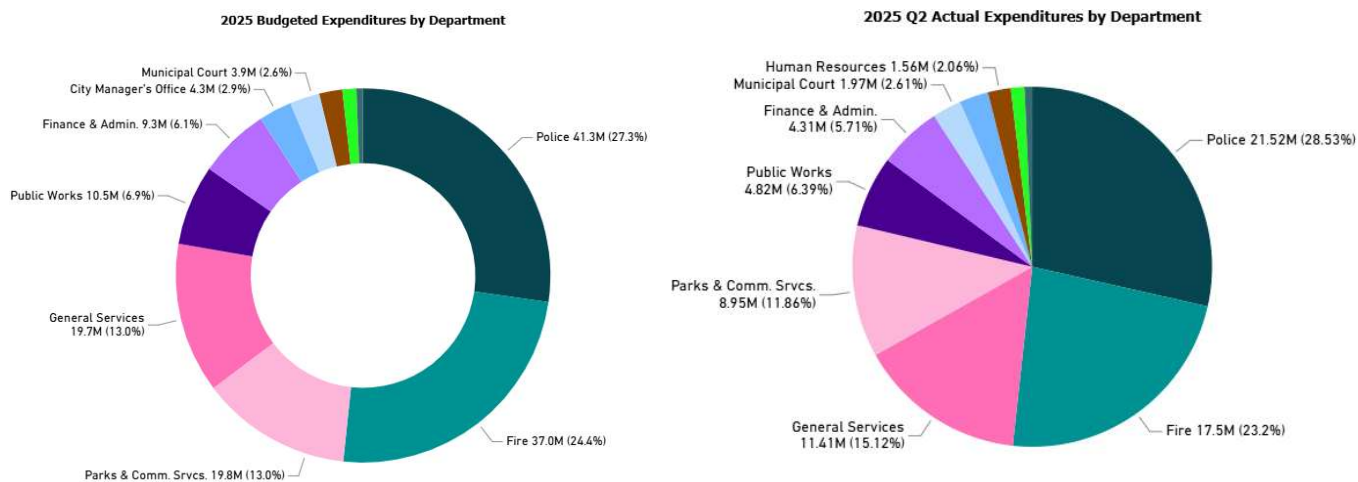
Services make up 29% of the total budget, and total services costs were \$21.5 million, 44% higher than Q2 2024, reflecting the impact of recent years of high inflation on costs to the City. Other Services experienced the largest dollar increase in costs, up \$3.6 million, primarily due to Parks and Community Services having \$2.4 million in higher service costs as Kirkland is now the lead City on a pooled Human Services contract for several cities. The higher cost of other services is also impacted by inflation over the last two years. Interfund transfers are up significantly YTD 2025 due both to the delay of some transfers in 2024 during an IT incident and a change in how RGRL funding is transferred from the General Fund to the Street Fund in the 2025-2026 budget.

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

Expenditures by Type	YTD 2025	2025 Budget	% Expended	YTD 2024	2024 Budget	% YTD Change	\$ YTD Change
Salaries	\$ 33,444,005	\$ 67,225,064	50%	\$ 31,564,949	\$ 64,763,040	↑ 6%	\$ 1,879,057
Benefits	\$ 12,600,946	\$ 26,990,591	47%	\$ 11,916,209	\$ 23,997,939	↑ 6%	\$ 684,737
<b>Personnel</b>	\$ 46,044,951	\$ 94,215,655	49%	\$ 43,481,158	\$ 88,760,979	↑ 6%	\$ 2,563,794
Professional Services	\$ 5,385,073	\$ 13,323,052	40%	\$ 2,976,255	\$ 6,948,390	↑ 81%	\$ 2,408,819
Operating Charges	\$ 5,204,483	\$ 10,539,103	49%	\$ 4,630,951	\$ 9,739,728	↑ 12%	\$ 573,533
Other Services	\$ 10,943,187	\$ 23,253,325	47%	\$ 7,325,813	\$ 14,878,768	↑ 49%	\$ 3,617,374
<b>Total Services</b>	\$ 21,532,744	\$ 47,115,480	46%	\$ 14,933,018	\$ 31,566,886	↑ 44%	\$ 6,599,726
<b>Supplies</b>	\$ 815,467	\$ 1,879,030	43%	\$ 759,008	\$ 1,632,618	↑ 7%	\$ 56,459
<b>Intergovernmental</b>	\$ 4,010,127	\$ 6,170,534	65%	\$ 3,560,426	\$ 6,537,535	↑ 13%	\$ 449,701
<b>Interfund Transfers</b>	\$ 8,085,490	\$ 15,075,597	54%	\$ 4,034,595	\$ 12,423,740	↑ 100%	\$ 4,050,895
<b>Total General Fund Expenditures</b>	\$ 80,488,779	\$ 164,456,296	49%	\$ 66,768,205	\$ 140,921,758	↑ 21%	\$ 13,720,574

## General Fund Expenditures by Department

Of the total budgeted 2025 General Fund expenditures, roughly 54% was dedicated for public safety including Police (27%) & Fire (24%). Beyond this, the largest departments by budget were Parks & Community Services (13%), Public Works (7%), Finance & Administration (6%), and General Services costs and reserves (includes transfers to other funds for capital expenditures and street maintenance), which accounted for roughly 13% of total budgeted General Fund expenditures. The departments with the highest proportion of budget expended at the end of the second quarter were City Council (61%), which is due to City Agency Memberships paid at the beginning of the year, Human Resources (52%), Police (52%), City Attorney's Office (51%), and Municipal Court (50%).



At the end of the second quarter, 100% of the General Fund departments' expenditures increased compared to last year, and the overall expenditures were up 17% (\$11.1 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 \$211,171, or 29%, due to employee COLAs and increased staffing. Parks and Community Services expenditures were also up 51% (\$3.02 million) higher than 2024 due almost entirely to the City taking over lead administration of the Pooled Human Services contracts with several local cities, including Issaquah, Kenmore, Mercer Island, Redmond, Sammamish, and Shoreline. General Services expenditures were up 75% or \$4.9 million, due to employee COLA, the pooled human services contract administration, and a change to how RGRL revenue is transferred to the Street Fund (as a transfer-out).

# Summary of Other Operating Funds

## Other Operating Revenues by Fund

Among the funds that have seen large revenues increases, Equipment Rental is up \$830,322 or 31% compared to Q2 2024 primarily due to increased internal service rates as well as the sale of surplus vehicles. Health Benefits revenues have increased \$773,550 or 17% compared to 2024, as occupancy revenues continue to climb to pre-pandemic levels. Facilities Fund revenues have increased \$561,855 or 24% also due to increased internal service rates in 2025.

Overall, revenues to other general government funds received at the end of the first quarter of 2025 were roughly \$34.9 million, 52% of the budget, a 9% increase from 2024 Q2.

Other Operating Funds Revenue	2025 Actuals	2025 Budget	% Received	2024 Actuals	2024 Budget	% Change	\$ Change
Lodging Tax	\$ 146,884	\$ 327,160	45%	\$ 146,115	\$ 293,855	1%	\$ 770
Street Operating	\$ 6,050,799	\$ 10,576,243	57%	\$ 5,792,709	\$ 11,475,390	4%	\$ 258,091
Development Services	\$ 9,342,161	\$ 15,876,707	59%	\$ 8,903,221	\$ 16,221,878	5%	\$ 438,940
Cemetery	\$ 112,770	\$ 160,236	70%	\$ 125,474	\$ 128,396	-10%	\$ (12,704)
Parks Levy	\$ 2,876,201	\$ 5,267,220	55%	\$ 2,718,262	\$ 5,087,521	6%	\$ 157,939
Health Benefits	\$ 5,378,233	\$ 11,448,514	47%	\$ 4,604,682	\$ 9,347,783	17%	\$ 773,550
Equipment Rental	\$ 3,546,846	\$ 6,910,340	51%	\$ 2,716,524	\$ 5,886,482	31%	\$ 830,322
Information Technology	\$ 4,952,662	\$ 10,050,696	49%	\$ 4,636,080	\$ 9,017,544	7%	\$ 316,582
Facilities	\$ 2,951,265	\$ 6,030,430	49%	\$ 2,389,410	\$ 4,688,511	24%	\$ 561,855
<b>Total Other Operating Revenue</b>	<b>\$ 35,357,821</b>	<b>\$ 66,647,546</b>	<b>53%</b>	<b>\$ 32,032,476</b>	<b>\$ 62,147,360</b>	<b>10%</b>	<b>\$ 3,325,345</b>

## Other Operating Expenditures by Fund

Other general government expenditures ended the first quarter at \$40.4 million, around 46% of the total budget and were 7% higher compared to the previous year. Information Technology expenditures were down \$75,556 or 2% due to decreased computer hardware purchases and repair/maintenance, however the fund saw increases in professional services, and staff COLA. Street Operating expenses were \$657,117 or 9% higher than the previous year mainly due to increased staffing costs and increased liability insurance premiums. Equipment Rental expenditures were up \$1.7 million or 49% due to increased capital vehicle purchases. The Parks Levy fund expenditures decreased by \$166,724, or 6%, largely due to a decrease in Fleet Operating and replacement charges.

Other Operating Funds Expenditure	Actuals 2025	2025 Budget	% Expended	2024 Actuals	2024 Budget	% Change	\$ Change
Lodging Tax	\$ 152,170	\$ 346,439	44%	\$ 123,765	\$ 306,151	23%	\$ 28,405
Street Operating	\$ 7,667,867	\$ 15,802,851	49%	\$ 7,010,750	\$ 14,539,274	9%	\$ 657,117
Development Services	\$ 11,031,548	\$ 22,512,281	49%	\$ 10,874,340	\$ 21,327,463	1%	\$ 157,208
Cemetery Operating	\$ 69,222	\$ 118,529	58%	\$ 69,564	\$ 99,922	0%	\$ (341)
Parks Levy	\$ 2,607,759	\$ 6,084,418	43%	\$ 2,774,483	\$ 5,593,641	-6%	\$ (166,724)
Health Benefits	\$ 4,959,818	\$ 11,769,802	42%	\$ 5,126,196	\$ 8,481,602	-3%	\$ (166,378)
Equipment Rental	\$ 5,217,206	\$ 12,240,703	43%	\$ 3,493,405	\$ 5,811,996	49%	\$ 1,723,801
Information Technology	\$ 4,769,233	\$ 10,802,139	44%	\$ 4,844,790	\$ 9,051,155	-2%	\$ (75,556)
Facilities	\$ 3,972,884	\$ 7,565,938	53%	\$ 3,510,415	\$ 4,812,094	13%	\$ 462,469
<b>Total Other Operating Expenditure</b>	<b>\$ 40,447,708</b>	<b>\$ 87,243,100</b>	<b>46%</b>	<b>\$ 37,827,708</b>	<b>\$ 70,023,298</b>	<b>7%</b>	<b>\$ 2,620,000</b>

# Utility Revenues and Expenditures

## Water & Sewer Operating Fund

Second quarter Water & Sewer Operating Fund revenues were 5% or \$838,582 higher compared to Q2 2024. The City received 44% of total budgeted revenues through the end of June. 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 7% or \$1.1 million higher than the second quarter of 2024. By dollar value, Intergovernmental/Interfund experienced the largest increase (up \$623,920) driven by Cascade Water Alliance, King County sewer charges, and utility tax payments, followed by Personnel costs (up \$98,063) due to recent years of inflation as well as COLA adjustments, and Services (up \$410,041) due to annual insurance payments and professional services. Supplies costs are down \$22,667.

Water Sewer Utility Fund	YTD 2025	2025 Budget	% Received/ Expended	YTD 2024	2024 Budget	% YTD Change	\$ YTD Change
<b>Revenues</b>							
Charges for Goods & Services	\$ 15,782,011	\$ 37,407,503	42%	\$ 14,879,820	\$ 35,529,435	▲ 6%	\$ 902,191
Miscellaneous	\$ 119,302	\$ 239,199	50%	\$ 116,751	\$ 190,450	■ 2%	\$ 2,552
Proprietary Sources	\$ 1,008,427	\$ 905,129	111%	\$ 1,074,587	\$ 1,460,987	▼ -6%	\$ (66,161)
<b>Total Revenues</b>	<b>\$ 16,909,740</b>	<b>\$ 38,551,831</b>	<b>44%</b>	<b>\$ 16,071,158</b>	<b>\$ 37,180,872</b>	<b>▲ 5%</b>	<b>\$ 838,582</b>
<b>Expenditures</b>							
Personnel	\$ 1,623,729	\$ 3,312,775	49%	\$ 1,525,666	\$ 3,124,658	▲ 6%	\$ 98,063
Supplies	\$ 2,985,326	\$ 6,588,039	45%	\$ 3,007,993	\$ 6,527,461	■ -1%	\$ (22,667)
Services	\$ 3,186,075	\$ 5,599,813	57%	\$ 2,776,034	\$ 4,342,282	▲ 15%	\$ 410,041
Intergov/Interfund	\$ 8,407,074	\$ 17,283,733	49%	\$ 7,783,154	\$ 17,022,289	▲ 8%	\$ 623,920
<b>Total Operating Expenditures</b>	<b>\$ 16,202,204</b>	<b>\$ 32,784,360</b>	<b>49%</b>	<b>\$ 15,092,847</b>	<b>\$ 31,016,690</b>	<b>▲ 7%</b>	<b>\$ 1,109,357</b>

## 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 Q2 2025, actual revenue received was 51% or approximately \$7.7 million, with a year-over-year increase of 6%. As Surface Water revenue follows the collection trend along with property taxes, this Fund will receive the rest of its anticipated revenue around October of 2025. Surface Water operating expenditures expended 46% of budget and increased YOY 15% (\$804,659) 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
<b>Revenues</b>							
Intergovernmental	\$ 338,490	\$ 1,230,113	28%	\$ 183,468	\$ 320,000	▲ 84%	\$ 155,022
Charges for Goods & Services	\$ 7,240,120	\$ 13,568,864	53%	\$ 6,965,600	\$ 12,826,225	▲ 4%	\$ 274,521
Fines & Forfeits	\$ 8,250	\$ 30,000	28%	\$ 9,667	\$ 30,000	▼ -15%	\$ (1,417)
Miscellaneous	\$ 133,124	\$ 263,341	51%	\$ 136,355	\$ 141,483	■ -2%	\$ (3,231)
Proprietary Sources	\$ -	\$ -	0%	\$ -	\$ -	■ 0%	\$ -
<b>Total Revenues</b>	<b>\$ 7,719,983</b>	<b>\$ 15,092,318</b>	<b>51%</b>	<b>\$ 7,295,088</b>	<b>\$ 13,317,708</b>	<b>▲ 6%</b>	<b>\$ 424,895</b>
<b>Expenditures</b>							
Personnel	\$ 2,836,480	\$ 6,094,135	47%	\$ 2,552,446	\$ 5,988,744	▲ 11%	\$ 284,034
Supplies	\$ 253,723	\$ 458,651	55%	\$ 148,809	\$ 369,251	▲ 71%	\$ 104,914
Services	\$ 2,143,266	\$ 5,226,458	41%	\$ 1,843,409	\$ 3,394,540	▲ 16%	\$ 299,857
Intergov/Interfund	\$ 797,858	\$ 1,413,521	56%	\$ 682,005	\$ 1,333,051	▲ 17%	\$ 115,853
<b>Total Operating Expenditures</b>	<b>\$ 6,031,327</b>	<b>\$ 13,192,765</b>	<b>46%</b>	<b>\$ 5,226,668</b>	<b>\$ 11,085,586</b>	<b>▲ 15%</b>	<b>\$ 804,659</b>

## Solid Waste Operating Fund

Solid Waste Fund actual revenues were 6% higher than Q2 2024. Rate increases for 2025 and 2026 became effective January 1, 2025, with the adoption of [Ordinance O-4883<sup>7</sup>](#) 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
<b>Revenues</b>							
Intergovernmental	\$ 96,770	\$ 156,169	62%	\$ 14,148	\$ 142,500	▲ 584%	\$ 82,622
Charges for Goods & Services	\$ 16,311,070	\$ 33,741,564	48%	\$ 15,488,979	\$ 31,313,838	▲ 5%	\$ 822,092
Miscellaneous	\$ 20,823	\$ 36,849	57%	\$ 18,819	\$ 29,977	▲ 11%	\$ 2,005
<b>Total Revenues</b>	\$ 16,428,663	\$ 33,934,582	48%	\$ 15,521,945	\$ 31,486,315	▲ 6%	\$ 906,718
<b>Expenditures</b>							
Personnel	\$ 271,235	\$ 544,926	50%	\$ 194,091	\$ 524,320	▲ 40%	\$ 77,145
Supplies	\$ 3,364	\$ 8,300	41%	\$ 13,621	\$ 2,680	▼ -75%	\$ (10,256)
Services	\$ 11,347,270	\$ 27,233,160	42%	\$ 9,660,542	\$ 25,143,364	▲ 17%	\$ 1,686,728
Intergov/Interfund	\$ 2,328,676	\$ 5,353,042	44%	\$ 2,238,495	\$ 5,136,051	■ 4%	\$ 90,181
<b>Total Operating Expenditures</b>	\$ 13,950,545	\$ 33,139,428	42%	\$ 12,106,747	\$ 30,806,415	▲ 15%	\$ 1,843,797

<sup>7</sup> [https://www.kirklandwa.gov/files/sharedassets/public/v/1/city-council/agenda-documents/2024/october-15-2024/9b1\\_business.pdf](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 started construction in summer 2025 and will be completed by summer 2026.

**NE 85th Street Eastbound Third Lane** – The project started construction in summer 2025 and will be completed by fall/winter 2025.

**132nd Avenue NE/Slater Avenue Crossing and NE 124th Street & Slater Avenue Crossing Improvements** – The project started construction in spring 2025 and will be completed by early 2026.

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	\$ 1,442,516	The project started construction in summer 2025 and will be completed by summer 2026.
NE 85th Street Eastbound Third Lane	\$ 3,775,000	\$ 672,265	The project started construction in summer 2025 and will be completed by fall/winter 2025.
132nd Avenue NE/Slater Avenue Crossing and NE 124th Street & Slater Avenue Crossing Improvements	\$ 3,352,550	\$ 1,106,678	The project started construction in spring 2025 and will be completed by early 2026
Fire Station 26	\$ 9,037,000	\$ 8,684,705	Construction was completed in summer 2025
Fire Station 21	\$ 7,243,000	\$ 6,121,757	Construction was completed in summer 2025
124th Avenue Northeast Improvements	\$ 19,604,376	\$ 14,049,723	Construction is underway and expected to be complete in fall 2025.
100th Avenue NE Roadway Improvements	\$ 31,276,977	\$ 29,922,381	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	\$ 2,939,064	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	\$ 10,657,073	Construction was completed in summer 2025

# Reserve Snapshot

At the end of June 30, 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 June 30, 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 July 1, 2025	Adopted 2026 Ending Balance	Total Approved Additions/(Uses)	Revised Ending 2026 Balance as of June 30, 2025
<b>General Purpose Reserves</b>					
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
<b>Capital Reserves</b>					
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	3,872,951	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	10,640,021	6,900,079	-	6,900,079
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	672,757	609,692	-	609,692
Total Capital Reserves		32,310,521	29,032,513	-	29,032,513
<b>Other Reserves Requiring Council Action</b>					
Lodging Tax Reserves	Tourism program and facilities	381,507	391,947	-	391,947
<b>Reserves Not Requiring Council Action</b>					
Multiple	Multiple purposes		74,946,535	(13,181)	74,933,354
<b>Total All Reserves</b>			<b>125,103,320</b>	<b>-</b>	<b>125,103,320</b>

\*Uses of REET reserves represents revised revenue assumptions  
 \*\* General Capital Contingency balance is lower than target due to a use of the fund balance for Parks Maintenance Center capital costs that will be replenished across 10 years. This is the 5th year, with 5 years remaining and the reserve will be fully replenished in 2030

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 June 30, 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 COLA 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 second 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 Q2 2025	Reserves	Q1 2025 Starting Balance	This Request	Actual Q4 2026 End Balance
8-May	Transfer funding from Safety Cameras to the 2025 Neighborhood Safety Program Project	School Zone Safety Cameras	\$ 1,875,060	\$ (61,500)	\$ 1,813,560