



**CITY OF KIRKLAND**  
**Department of Finance and Administration**  
**123 Fifth Avenue, Kirkland, WA 98033**  
**425-587-3000**

**MEMORANDUM**

**To:** Kurt Triplett, City Manager

**From:** Michael Olson, Director of Finance & Administration  
Kevin Pelstring, Financial Planning Manager  
Cody Harris, Temporary Budget Analyst

**Date:** February 20, 2025

**Subject:** **REPORT ON JANUARY SALES TAX COLLECTIONS FOR MARCH 4, 2025, COUNCIL MEETING**

**RECOMMENDATION:**

Staff recommends that Council receives the January update on 2025 Sales Tax revenue.

**EXECUTIVE SUMMARY**

- Staff recommends that Council receives the update on Sales Tax collections. No action by Council is required.
- Sales tax is up 6.1% (\$167,593) comparing January 2025 to January 2024.
- Year-to-date sales tax is up the same amount, 6.1% (\$167,593), comparing to the same period in 2024.

**BACKGROUND:**

The Financial Planning Division prepares a monthly sales tax revenue memo analyzing monthly and year-to-date activity by business sector and tracking key economic indicators to provide context for the state of the economy. The general retail sales tax is the City's largest single revenue source after Property Tax, accounting for just over 24 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, January sales tax revenue relates to November retail activity in Kirkland.

**DISCUSSION/ANALYSIS:**

**January 2025 vs. January 2024**

Sectors	January		Dollar Change	Percent Change	Percent of Total		Percent of \$ Change
	2024	2025			2024	2025	
Contracting	629,835	678,376	48,541	8%	23%	23%	29.0%
Retail:							
Auto/Gas Retail	428,843	459,775	30,932	7%	16%	16%	18.5%
Other Retail	593,790	539,759	(54,031)	-9%	22%	19%	-32.2%
Retail Eating/Drinking	161,389	179,079	17,690	11%	6%	6%	10.6%
Gen Merch/Misc Retail	135,450	138,596	3,146	2%	5%	5%	1.9%
Services	437,852	629,147	191,295	44%	16%	22%	114.1%
Miscellaneous	153,232	117,294	(35,938)	-23%	6%	4%	-21.4%
Wholesale	148,259	110,582	(37,677)	-25%	5%	4%	-22.5%
Communications	40,259	43,894	3,635	9%	1%	2%	2.2%
<b>Total Sales Tax Receipts</b>	<b>\$ 2,728,909</b>	<b>\$ 2,896,502</b>	<b>\$ 167,593</b>	<b>6.1%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Comparing January 2025 to January 2024, sales tax revenue receipts are up \$167,593 or 6.1%. The sectors that reported the largest growth compared to January 2024 (ranked in order of dollar change) are Services (up \$191,295 or 44%), Contracting (up \$48,541 or 8%), Auto/Gas Retail (up \$30,932 or 7%) and Retail Eating/Drinking (up \$17,690 or 11%). Sectors with moderate to small increases include Communications (up \$3,635 or 9%) and Gen Merch/Misc Retail (up \$3,146 or 2%).

The data also shows declines in Other Retail (down \$54,031 or 9%), Wholesale (down \$37,677 or 25%) and Miscellaneous (down \$35,938 or 23%).

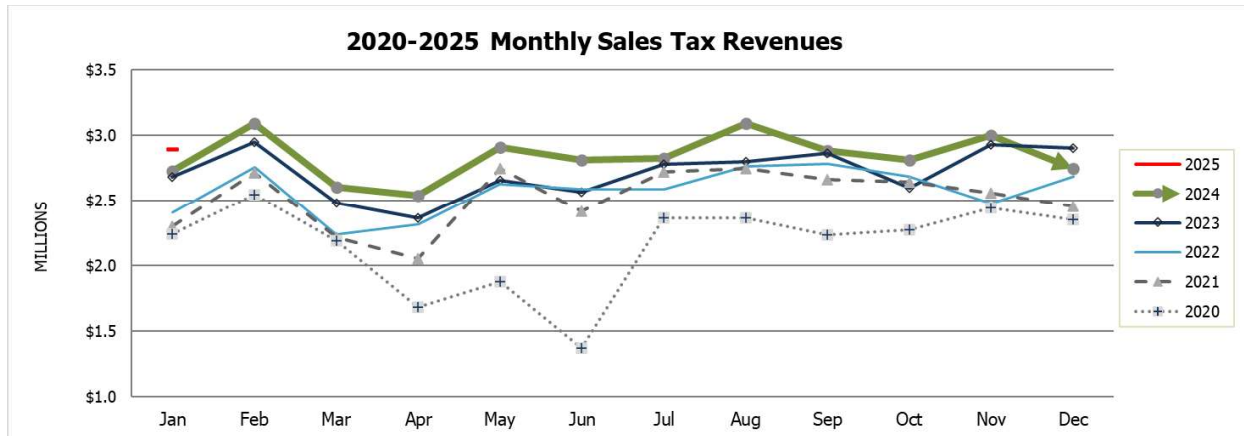
**YTD 2025 vs. YTD 2024**

Sectors	YTD		Dollar Change	Percent Change	Percent of Total		Percent of \$ Change
	2024	2025			2024	2025	
Contracting	629,835	678,376	48,541	8%	23%	23%	29.0%
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Comparing 2025 to 2024, year-to-date (YTD) sales tax revenue matches January numbers, up \$167,593 or 6.1%.

Within Contracting, the subcategories performed as follows: Specialty Trade Contractors (up 25% or \$39,333), Construction of Buildings (up 2% or \$7,918), and Heavy and Civil Engineering Construction (up 6% or \$1,289). As contracting is a significant portion of the City’s overall sales tax revenue, staff will continue to monitor this trend closely.

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.

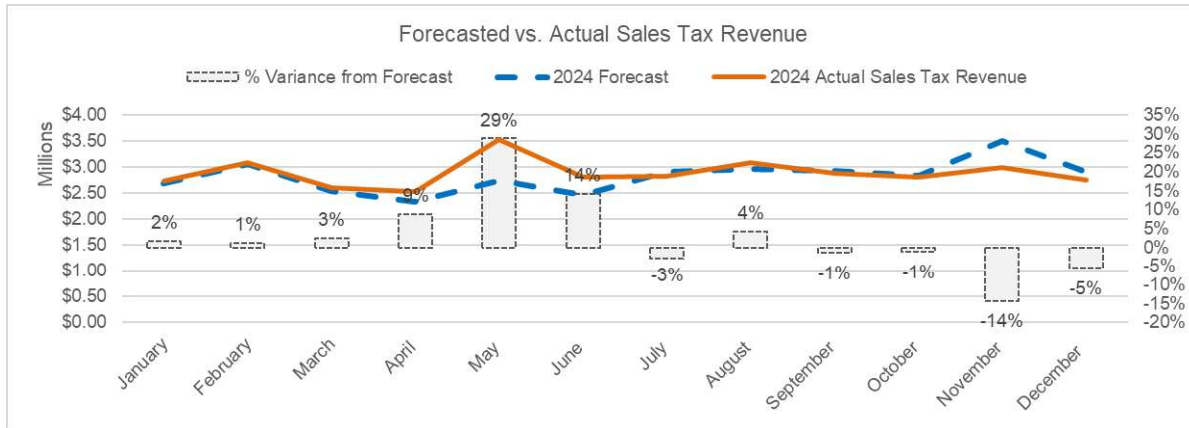
**Actual vs. Forecasted Sales Tax Revenue**

Staff is currently developing the forecast for Sales Tax Revenue for 2025. Using a similar method to 2023 and 2024, staff will assess first quarter revenues as a function of first quarter collections over the past 17 years to determine a lower bound, average, and upper bound to predict revenue collections in 2025. Below is the information for 2024, showing actual revenue compared to the 2024 forecast.

Allocation %	Month	2024 Actual Sales Tax Revenue	2024 Forecast (4% above budget)	\$ Variance from Forecast	% Variance from Forecast
7.9%	January	2,728,908	2,680,095	48,813	2%
9.0%	February	3,092,716	3,053,912	38,804	1%
7.5%	March	2,607,772	2,541,967	65,805	3%
6.9%	April	2,538,529	2,332,388	206,141	9%
8.1%	May	3,536,833	2,746,327	790,505	29%
7.3%	June	2,810,887	2,463,157	347,730	14%
8.6%	July	2,826,881	2,911,749	(84,867)	-3%
8.8%	August	3,093,955	2,969,337	124,618	4%
8.6%	September	2,886,356	2,927,816	(41,460)	-1%
8.4%	October	2,809,102	2,841,148	(32,046)	-1%
10.3%	November	3,001,825	3,497,437	(495,613)	-14%
8.6%	December	2,747,241	2,905,548	(158,306)	-5%
<b>100.0%</b>	<b>Total</b>	<b>34,681,004</b>	<b>33,870,880</b>	<b>810,124</b>	<b>2.3%</b>

At the end of 2024, 102% of budgeted revenues were collected. The May sales tax exceeded monthly expectations as the Communications category collected a large one-time back payment from a telecommunications operator that was acquired and is no longer in business. Excluding this amount, May revenue would reflect a 6% (\$162,985) variance from the forecast.

The chart below shows actual sales tax revenue compared to the forecast.



### Key Economic Indicators

Information about wider trends in the economy provides a mechanism to help understand current results in Kirkland and to predict future performance. The combination of consumer confidence, unemployment levels, housing data, inflation, and auto sales provides a broader economic context for key factors in sales tax revenues. Since the sales tax figures reported above are from two months prior, some of the figures in the table below can function as leading indicators for where sales taxes may go in future reports.

Indicator	Most Recent Month of Data	Unit	Month			Yearly Average	
			Previous	Current	Change	2024	2025
<b><i>Inflation (CPI-W)</i></b>							
National	January	% Change	2.8	3.0	0.2	3.8	2.9
Seattle	December	% Change	2.7	2.9	0.2	5.4	3.5
<b><i>Consumer Confidence</i></b>							
Consumer Confidence Index	January	Index	109.5	104.1	(5.4)	105.4	104.3
<b><i>Unemployment Rate</i></b>							
National	January	%	4.1	4.0	(0.1)	3.6	4.0
Washington State	November	%	4.4	4.4	0.0	4.0	4.8
King County	November	%	4.2	3.8	(0.4)	3.3	4.3
Kirkland	November	%	4.0	3.5	(0.5)	3.2	3.9
<b><i>Housing</i></b>							
New House Permits (WA)	December	Thousands	35.8	40.4	4.6	37.9	36.4
Case-Shiller Seattle Area Home Prices	November	Index	393.2	386.9	(6.4)	362.8	386.7
<b><i>Car Sales</i></b>							
New Vehicle Registrations	January	Thousands	24.5	25.7	1.2	22.7	22.8

**National inflation**, as measured by the CPI-W, increased from 2.8% in December to 3.0% in January. For the Seattle-Tacoma-Bellevue region, the CPI-W increased from 2.7% in October to 2.9% in December. The Federal Reserve announced an additional quarter percentage point rate cut to a range of 4.25% to 4.5% during the November 2024 meeting, but future cuts are uncertain as national inflation remains above their target of 2% with small increases in recent months.

The **Consumer Confidence Index**, which reflects prevailing business conditions and likely developments for the months ahead decreased from 109.5 in December to 104.1 in January. Consumer confidence dropped, but remains within the same narrow range that has held over the past two years.

The national **Unemployment Rate** decreased from 4.1% in December to 4.0% in January. At the state level, Washington's unemployment rate saw no changes staying at 4.4% in October and November. Locally, the unemployment rate for King County decreased from 4.2% in October to 3.8% in November. The City of Kirkland's unemployment rate decreased from 4.0% in November to 3.5% in November.

**New Housing Permits** in Washington State increased from 35,800 in November to 40,400 in December. The most recent **Case-Shiller Home Price Index** for Seattle area home prices decreased from 393.2 in October to 386.9 in November.

**New Vehicle Registrations** in Washington State increased from 24,500 in December to 25,700 in January. The number of registrations in January increased 4.9% from the previous month and were up 13.7% over the year in January 2024.

#### **NEXT STEPS:**

There are no next steps.

#### **ATTACHMENTS:**

None.