



Memorandum

Date: 5/19/2026
Meeting of: City Council

File No. AM No. 26-081
Type: Staff Report

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Finance	Kelley Cochran	425-556-2748
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DEPARTMENT STAFF:

Finance	Haritha Narra	Deputy Finance Director
Finance	Hailey Zurcher	Financial Planning Manager

TITLE:
First Quarter 2026 Financial Report

OVERVIEW STATEMENT:

Review the City's financial performance from January 2025 to March 2026. Please note that the 2025 year-end process is still in progress, and the figures presented here are preliminary due to the impact on December figures.

Additional Background Information/Description of Proposal Attached

REQUESTED ACTION:

Receive Information **Provide Direction** **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
N/A
- **Council Request:**
N/A
- **Other Key Facts:**
Council is provided with quarterly financial reports via staff reports during business meetings.

OUTCOMES:

The key financial highlights from January 1, 2025, through March 31, 2026, include the following:

Revenue:

Total General Fund revenue is 9%, or \$13.8 million, above target.

- **Property Tax** is 3%, or \$697,000, below target. The next Property Tax payment is expected in May 2026.
- **Sales & Use Tax** is 30% (\$15.2 million) above target, driven primarily by growth in retail and information industries.
- **Utility & Other Taxes** are 3%, or \$437,000, above target.
- **Development Permits and Fees** are 10%, or \$2.0 million, above target. Development fees were updated in 2024.
- **Business License Fees** are 2%, or \$245,000, below target.
- **Other Revenues** are 8%, or \$2.9 million, under target.

Expenditures:

- Total General Fund and TIS expenditures are 3%, or \$10.7 million, under target.
- Spend rate for some departments above/below target:
 - **Executive Department** is 10%, or \$1.6 million, below target primarily due to position vacancies and timing of spending one-time projects.
 - **Planning Department** is 10%, or \$2.9 million, below target primarily due to position vacancies and timing of one-time expenditures.
- **Overtime Expenditures:** Total overtime expenditures are 17% (\$2.2 million) over the expected target. Overages are primarily seen in the Fire department, due to the backfilling of department vacancies to maintain daily staffing levels, and the Police department, due to the review of body-worn camera footage and community outreach.
- **Capital Investment Program (CIP):** Total expenditures are 21%, or \$42.6 million under budget, reflecting the continuation of several major projects and the commencement of new initiatives, including the Evans Creek Relocation project, Pedestrian and Bicycle Improvements, Downtown Adaptive Signals, Pavement Repairs, MOC Predesign, and ADA Facility Improvements.
- **Business Technology Investment Program (BTIP):** Total expenditures are 42%, or \$4.4 million under budget, reflecting the continuation of some major projects and the commencement of new initiatives, including Workforce Management Phase 2, and Dynamics 365.

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A

- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:
N/A

Approved in current biennial budget: Yes No N/A

Budget Offer Number:
N/A

Budget Priority:
Strategic and Responsive

Other budget impacts or additional costs: Yes No N/A

If yes, explain:
N/A

Funding source(s):
N/A

Budget/Funding Constraints:
N/A

Additional budget details attached

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
N/A	Item has not been presented to Council	N/A

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
N/A	None proposed at this time	N/A

Time Constraints:
N/A

ANTICIPATED RESULT IF NOT APPROVED:

N/A

ATTACHMENTS:

Attachment A: First Quarter 2026 Financial Report Presentation