
Long-term Planning

Forecasting is a long-term planning tool that encourages strategic thinking and provides decision-makers with the tools to allow for making better business decisions by focusing on long-term objectives and the future impact of current decisions. Long-term financial planning provides a platform for analyzing trends as well as risk factors that may impact the City's financial standing and, allows for the organization to be proactive in addressing any emerging issues. This planning, which includes a maintaining a six-year financial forecast for the General Fund, helps to provide awareness of the financial standing of the City to the City Council, employees, and the greater Tukwila resident and business communities.

The forecast revenue and expense assumptions are based on a five-year trend with any known outliers excluded. The forecast is built assuming status quo operations meaning that no new positions, programs, or program expansions are included in the analysis. Any known future changes are included in the numbers, such as a scheduled retirement of debt or changes in State-shared revenues.

Forecast Key Takeaways

- Forecasts are reliably unreliable. That doesn't diminish their power as a tool for decision-makers considering operational adjustments.
- Without structural changes (labor cost model, service delivery methods, use of technology; organizational structure, etc.), the General Fund will consume the entirety of its available fund balance within the forecast range ending 2030.
- The structural imbalance for 2025 is \$3.2 million and in 2026 it is \$5.0 million when one-time land sale proceeds are removed from budget consideration.

Why Does the Forecast Assume Status Quo

The status quo assumption is very unlikely, and we could forecast increases in positions and programs based on past trends. However, we choose not to include these in our forecast to avoid creating an anchoring effect, a reference point to make subsequent judgements, by creating an expectation of continued staffing growth and rate increases necessary to sustain that growth. The forecast is designed to illustrate the difference between revenue and expense growth in the status quo over a period of years.

Budget Sustainability

The City is legally required to adopt a balanced budget where resources are at least equal to budgeted expenses. However, adopting a balanced budget does not necessarily mean the budget is sustainable. A sustainable budget exists when normally occurring operational

revenues are equal to normally occurring and ongoing expenses and where extraordinary resources are used for one-time expenditures. Like most government entities, the City is experiencing a budget sustainability challenge where expenses increase each year at a rate that exceeds the growth of resources. Forecasted revenues for 2027 – 2030 increase by an average of 2.7% annually while expenses for the same period increase by 3.6%. This structural imbalance demonstrates that without a new revenue source, increase in rates, decrease in expenses, or a combination of those things, the City will need to balance its budget over time using one-time resources. As shown below, this budget model is not sustainable over more than just a few years.

Administration has already taken up the challenge in 2025 work to begin work on solutions to achieve a sustainable budget over time. Difficult choices will need to be made about ongoing City services and operations. Mayor and Council priorities and the City's strategic plan will be used to guide those conversations.

Understanding the Forecast

Tukwila's forecast starts from our adopted or proposed budget and makes an educated guess at the future revenues and expenses based on an analysis of past trends, current conditions, and likely future conditions. The basis for the forecast is that if our assumptions hold true, we will experience a certain outcome. Based on our assumptions, the forecast below demonstrates a long-term financial footprint that is not sustainable where expenses exceed revenue and where reserve funds are needed to support operations.

Forecasts are fluid and are created to estimate future years' financial standing at a current point in time. The forecast is likely to change substantially in the next few years as decisions are made that affect the City's financial position. Additionally, any future changes to local and national economic indicators incorporated in the forecast will affect future forecast assumptions. Finally, forecasts are not an absolute and people may differ on what assumptions to use. All forecasts, especially those that look out months or years into the future, involve guesswork and assumptions and are reliably incorrect. However, this does not diminish their power as a tool for decision-makers considering operational adjustments.

The forecast assumptions used to calculate future revenues and expenses are shown below:

Annual % Change		
Revenue Assumptions	2026 - 2027	2027 - 2030
Sales & Use Tax	1.5%	3.0%
Property Tax	1.8%	1.8%
Gambling & Excise Tax	1.9%	1.9%
Business & Occupation Tax	2.0%	2.0%
Private Utility Tax	4.5%	4.5%
Public Utility Tax	6.4%	6.4%
Admissions Tax	2.0%	3.0%
Charges for Services	1.5%	1.5%
Other/Misc Income	1.0%	1.0%
License & Permits	2.7%	2.7%
Indirect Cost	5.0%	5.0%
Intergovernmental	1.0%	1.0%
Franchise Agreements	5.0%	5.0%
Fines & Penalties	1.0%	1.0%

Annual % Change	
Expense Assumptions	2026 - 2030
Salaries (inc. OT, Extra Labor, Holiday Pay)	3.2%
Historical Salary Underspend	-3.0%
Medical & Dental	7.0%
FICA	3.2%
PERS/PSERS Pension	3.2%
Industrial Insurance	7.0%
LEOFF 2 Pension	3.2%
Uniform/Clothing	2.0%
Unemployment	0.0%
All Other Operating/Service/Supplies	3.0%

Using our past experiences, and known future changes, we can anticipate trends over time. Inflation and growth in population have been contributors to our increases in revenue and expense in most years, but different revenue and expenses tend to grow at different rates. As an example, in the charts above, we are assuming sales tax revenue will continue to increase by a larger percentage than property tax collections in most years. Similarly, because of the trend in market conditions, we assume employee benefits (medical and dental insurance costs) will increase at a larger percentage year over year than salaries. At times, our actuals fail to follow an established trendline and we need to decide if that constitutes a change in trend or a short-term anomaly which should be excluded from our forecast calculations as an outlier.

Another tool we use to help shape our future year growth assumptions are national, state, and local key economic indicators. A few of those key indicators are:

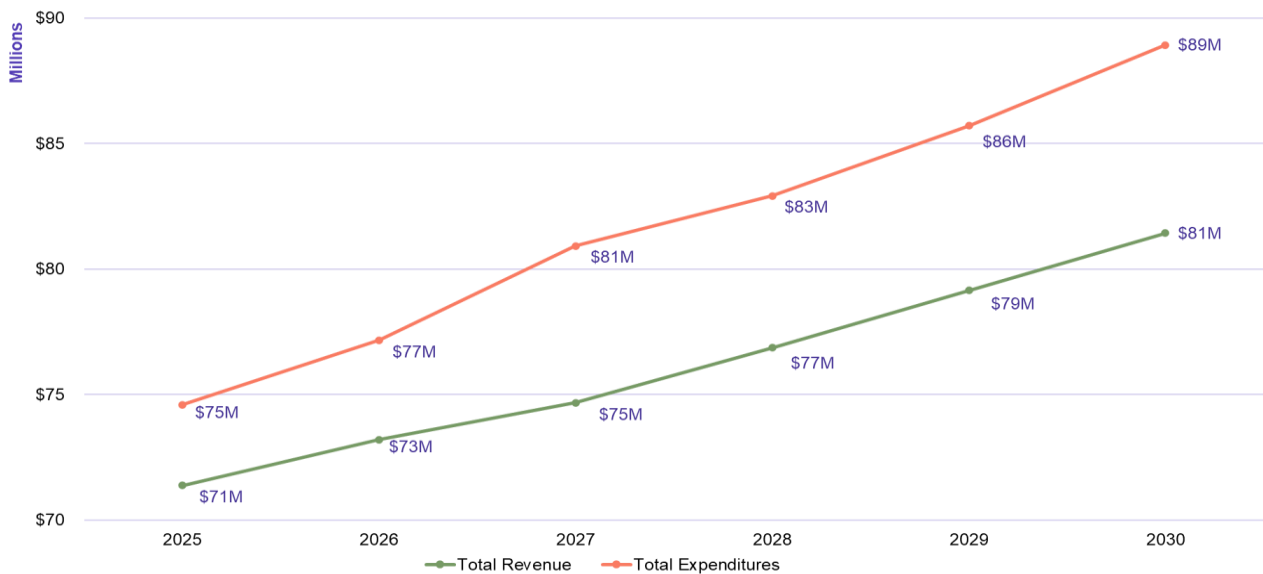
- Nationally:
 - Two key measures for consumer confidence moved in opposite directions in September.
 - Gross Domestic Product (GDP) increased by 3.0% in Q2, compared to a 1.6% Q1 increase.
 - Consumer prices increased 2.4% over last year.
- Locally:
 - Washington's unemployment rate has held steady each month since March.
 - Seattle-area home prices increased for the fourth consecutive month.
 - Washington personal income increased by 5.1% in the second quarter.
 - State-wide, retail sales tax and B&O collections increased 2.5% & 2.1% respectively.

Forecast Excluding Budgeted Land Sales in 2025 & 2026

The table and line graph below represent our six-year forecast calculations rolled up to category totals in the table and total revenues and expenses in the line graph. This forecast view *excludes* budgeted land sales in 2025 and 2026 of \$4.7 and \$5.0 million respectively. The proposed budget includes these land sales to balance the budget for the coming biennium but, as one-time revenues, they should be used for one-time expenses and not to balance resources with ongoing expenses. Additionally, without the land sales, the General Fund will not meet its fund balance reserve policy requirement beginning in 2025. Without structural changes, the General Fund will consume the entirety of its available fund balance in 2028.

The table and line graph below also demonstrate that without the land sales budgeted in 2025 & 2026, the General Fund shows an imbalance of roughly \$3.2 and \$5.0 million respectively. As mentioned previously, beginning early in 2025, the Mayor has tasked the Tukwila Leadership Team to begin looking at solutions to this structural imbalance.

General Fund <u>Without</u> Land Sales	2025 Proposed Budget	2026 Proposed Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected
<i>Revenues - EXCLUDING Revenues From One-Time Property Sales</i>						
Total Taxes	\$ 51,976,379	\$ 53,854,765	\$ 55,049,065	\$ 56,671,954	\$ 58,352,642	\$ 60,043,812
Total Non-Tax Revenues	17,916,352	17,930,727	18,305,533	18,882,956	19,483,210	20,107,308
Total Ongoing Revenues	69,892,731	71,785,492	73,354,598	75,554,910	77,835,851	80,151,120
Transfers In & Bond Proceeds	1,494,619	1,419,637	1,318,824	1,317,654	1,317,225	1,274,624
Total Revenue and Transfers In, excluding Property Sales	71,387,350	73,205,129	74,673,422	76,872,564	79,153,076	81,425,744
<i>Expenditures - EXCLUDING Expenditures Related to One-Time Property Sales</i>						
Salaries and Benefits	46,025,672	48,788,425	50,661,115	52,615,560	54,655,905	56,786,534
Salary Underspend			(1,131,598)	(1,167,809)	(1,205,179)	(1,243,745)
Services	22,044,457	22,191,305	23,887,044	24,603,656	25,341,765	26,102,018
Supplies	1,640,914	1,667,078	1,717,090	1,768,603	1,821,661	1,876,311
Capital	200,000	-	-	-	-	-
Principal, and Interest	30,205	30,205	968,127	-	-	-
Debt Service Transfers Out	3,692,390	3,784,347	3,787,566	3,789,292	3,782,274	4,093,895
Other Transfers Out	971,089	702,450	1,030,000	1,310,000	1,310,000	1,310,000
Other Non-Operating	-	-	-	-	-	-
Total Expenditures and Transfers Out, excluding costs related to property sales	74,604,727	77,163,810	80,919,335	82,919,301	85,706,425	88,925,012
General Fund - Fund Balance						
Beginning Fund Balance	15,564,070	13,381,503	9,519,331	3,273,418	(2,773,319)	(9,326,668)
Surplus/Deficit	(3,217,377)	(4,958,681)	(6,245,913)	(6,046,737)	(6,553,349)	(7,499,269)
Salary Underspend	1,034,810	1,096,509				
Ending Fund Balance	13,381,503	9,519,331	3,273,418	(2,773,319)	(9,326,668)	(16,825,936)
Reserve Fund Balance Policy Met?	No	No	No	No	No	No



Forecast Including Budgeted Land Sales in 2025 & 2026

The table and line graph below represent our six-year forecast calculations rolled up to category totals in the table and total revenues and expenses in the line graph. However, this forecast *includes* the one-time land sales as included in the proposed budget. With these one-time revenues supporting ongoing operations, both 2025 and 2026 show the General Fund with a surplus at the end of the year and meeting the City's fund balance requirements for those years. However, with those one-time revenues removed from the forecast in later years as an outlier, the 2027 budget shows the General Fund in a deficit position and not meeting

fund balance policy requirements. Without structural changes, the General Fund will consume the entirety of available fund balance in 2030.

General Fund <u>With</u> Land Sales	2025 Proposed Budget	2026 Proposed Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected
Revenues						
Total Taxes	\$ 51,976,379	\$ 53,854,765	\$ 55,049,065	\$ 56,671,954	\$ 58,352,642	\$ 60,043,812
Total Non-Tax Revenues	17,916,352	17,930,727	18,305,533	18,882,956	19,483,210	20,107,308
Total Ongoing Revenues	69,892,731	71,785,492	73,354,598	75,554,910	77,835,851	80,151,120
Transfers In & Bond Proceeds	1,494,619	1,419,637	1,318,824	1,317,654	1,317,225	1,274,624
Sale of Capital Assets	4,700,000	5,000,000	-	-	-	-
Total Revenue and Transfers In	76,087,350	78,205,129	74,673,422	76,872,564	79,153,076	81,425,744
Expenditures						
Salaries and Benefits	46,025,672	48,788,425	50,661,115	52,615,560	54,655,905	56,786,534
Salary Underspend	-	-	(1,131,598)	(1,167,809)	(1,205,179)	(1,243,745)
Services	22,044,457	23,191,305	23,887,044	24,603,656	25,341,765	26,102,018
Supplies	1,640,914	1,667,078	1,717,090	1,768,603	1,821,661	1,876,311
Capital	200,000	-	-	-	-	-
Principal, and Interest	30,205	30,205	968,127	-	-	-
Debt Service Transfers Out	3,692,390	3,784,347	3,787,556	3,789,292	3,782,274	4,093,895
Other Transfers Out	971,089	702,450	1,030,000	1,310,000	1,310,000	1,310,000
Other Non-Operating	-	-	-	-	-	-
Total Expenditures and Transfers Out	74,604,727	78,163,810	80,919,335	82,919,301	85,706,425	88,925,012
General Fund - Fund Balance						
Beginning Fund Balance	15,564,070	18,081,503	19,219,331	12,973,418	6,926,681	373,332
Surplus/Deficit	1,482,623	41,319	(6,245,913)	(6,046,737)	(6,553,349)	(7,499,269)
Salary Underspend	1,034,810	1,096,509	-	-	-	-
Ending Fund Balance	18,081,503	19,219,331	12,973,418	6,926,681	373,332	(7,125,936)
Reserve Fund Balance Policy Met?	Yes	Yes	No	No	No	No



Identified Risks

- **Budget Sustainability**: The 2025 & 2026 operating budget is balanced using one-time resources from land sales. The true gap in those years is \$3.2 and \$4.9 million respectively. Without additional resources, a reduction in expenses, or a combination of those, the financial standing of the City will continue to erode forcing a reduction of services to the Tukwila resident and business communities.
- **Staffing & Service Levels**: Forecast assumes flat staffing levels. It is unlikely the existing staff will be able to keep pace with service demand over time. Without an increase in staffing or other measures, and an associated funding source, the outcome will be a degradation of existing service levels.
- **Infrastructure Repair & Maintenance**: Difficulty fully funding necessary infrastructure repair and maintenance needs, and capital replacement reserves, on an ongoing basis and relying on onetime resources to provide some level of funding for those purposes. The lack of ongoing, sustainable funding may result in deterioration of infrastructure, especially in the General Fund.
- **Economic Recession & Slowdowns**: The City's General Fund is heavily dependent on taxes. Sales and use tax, business and occupation tax, and taxes on utilities are volatile and impacted by the economy. As the forecast for revenue is based on trends excluding outliers, it is possible that revenue growth may not be sustained and could decline, or increase at a slower rate, than projected. This would further impact the City's ability to fund services.
- **Legislative Changes**: Unfunded mandates and changes in federal, state, and county priorities or their fiscal position may impact shared revenues and sources. The City is at risk of being negatively impacted by upstream policy decisions affecting revenue changes and reduced service levels from other levels of government.

General Fund Forecast Detail

Revenues

General Fund	2024 Projected Actuals	2025 Proposed Budget	2026 Proposed Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	Percent Change (Budgetary Comparison)					
								2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<i>Revenues</i>													
<i>Taxes</i>													
Sales Tax	23,590,000	24,297,636	25,385,084	25,771,326	26,544,466	27,340,800	28,161,024	3.0%	4.5%	1.5%	3.0%	3.0%	3.0%
Use Tax	145,000	149,350	153,831	158,446	163,199	168,095	173,138	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Sales Tax	23,735,000	24,446,986	25,538,915	25,929,772	26,707,665	27,508,895	28,334,162	3.0%	4.5%	1.5%	3.0%	3.0%	3.0%
Property Tax	17,850,000	11,999,227	12,215,213	12,435,087	12,658,918	12,886,779	13,118,741	-32.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Business Tax	12,310,875	13,130,166	13,676,637	14,211,726	14,783,441	15,384,600	15,967,094	6.7%	4.2%	3.9%	4.0%	4.1%	3.8%
Business & Occupation Taxes	2,000,000	2,400,000	2,424,000	2,472,480	2,521,930	2,572,368	2,623,816	20.0%	1.0%	2.0%	2.0%	2.0%	2.0%
Total Taxes	55,895,875	51,976,379	53,854,765	55,049,065	56,671,954	58,352,642	60,043,812	-7.0%	3.6%	2.2%	2.9%	3.0%	2.9%
Charges for Services	2,250,780	2,612,121	2,461,020	2,497,935	2,535,404	2,573,435	2,612,036	16.1%	-5.8%	1.5%	1.5%	1.5%	1.5%
Other Income	2,347,901	1,043,858	1,044,549	1,054,994	1,065,544	1,076,200	1,086,962	-55.5%	0.1%	1.0%	1.0%	1.0%	1.0%
Licenses & Permits	5,257,209	5,430,700	5,541,455	5,691,074	5,844,733	6,002,541	6,164,610	3.3%	2.0%	2.7%	2.7%	2.7%	2.7%
Indirect Cost Allocation	2,963,517	3,111,694	3,267,278	3,430,642	3,602,174	3,782,283	3,971,397	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Intergovernmental Revenue (ex. SCL and Franchise Fees)	2,365,467	1,567,702	1,529,732	1,545,030	1,560,480	1,576,085	1,591,845	-33.7%	-2.4%	1.0%	1.0%	1.0%	1.0%
One-Time Intergovernmental Revenue													
<i>Total Sales Tax Mitigation</i>	508,376	406,700	180,756	0	0	0	0	-20.0%	-55.6%	-100.0%	0.0%	0.0%	0.0%
<i>Total CARES Act Revenue</i>	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Total ARPA Revenue</i>	1,450,638	0	0	0	0	0	0	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
One-Time Intergovernmental Revenue	1,959,014	406,700	180,756	0	0	0	0	-79.2%	-55.6%	-100.0%	0.0%	0.0%	0.0%
Fines & Penalties	328,265	404,505	384,405	388,249	392,132	396,053	400,013	23.2%	-5.0%	1.0%	1.0%	1.0%	1.0%
Total Ongoing Revenues	76,536,028	69,892,731	71,785,492	73,354,598	75,554,910	77,835,851	80,151,120	-8.7%	2.7%	2.2%	3.0%	3.0%	3.0%
Transfers In	3,572,485	1,494,619	1,419,637	1,318,824	1,317,654	1,317,225	1,274,624	-58.2%	-5.0%	-7.1%	-0.1%	0.0%	-3.2%
Bond Proceeds	0	0	0	0	0	0	0						
Sale of Capital Assets	0	4,700,000	5,000,000	0	0	0	0						
Total Revenue	80,108,513	76,087,350	78,205,129	74,673,422	76,872,564	79,153,076	81,425,744	-5.0%	2.8%	-4.5%	2.9%	3.0%	2.9%

Expenses

General Fund	2024 Projected Actuals	2025 Proposed Budget	2026 Proposed Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	Percent Change (Budgetary Comparison)					
								2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<i>Expenditures</i>													
<i>Salaries</i>													
Salaries	29,295,994	30,125,607	31,972,631	32,995,755	34,051,620	35,141,271	36,265,792	2.8%	6.1%	3.2%	3.2%	3.2%	3.2%
Overtime	1,662,281	1,648,520	1,785,816	1,842,962	1,901,937	1,962,799	2,025,609	-0.8%	8.3%	3.2%	3.2%	3.2%	3.2%
Extra Labor	636,032	1,176,493	1,176,092	1,213,727	1,252,566	1,292,648	1,334,013	85.0%	0.0%	3.2%	3.2%	3.2%	3.2%
Holiday Pay	267,959	323,000	323,000	333,336	344,003	355,011	366,371	20.5%	0.0%	3.2%	3.2%	3.2%	3.2%
Total Salaries	31,862,266	33,273,620	35,257,539	36,385,781	37,550,126	38,751,730	39,991,785	4.4%	6.0%	3.2%	3.2%	3.2%	3.2%
<i>Benefits</i>													
Medical & Dental	6,055,955	7,116,940	7,594,283	8,125,883	8,694,694	9,303,323	9,954,556	17.5%	6.7%	7.0%	7.0%	7.0%	7.0%
FICA	2,409,337	2,555,313	2,696,463	2,782,750	2,871,798	2,963,695	3,058,534	6.1%	5.5%	3.2%	3.2%	3.2%	3.2%
Pension-PERS/PSERS	1,781,225	1,763,360	1,856,814	1,916,232	1,977,552	2,040,833	2,106,140	-1.0%	5.3%	3.2%	3.2%	3.2%	3.2%
Industrial Insurance	467,857	582,774	616,194	659,327	705,480	754,864	807,704	24.6%	5.7%	7.0%	7.0%	7.0%	7.0%
Pension-LEOFF 2	677,925	688,943	722,291	745,405	769,257	793,874	819,278	1.6%	4.8%	3.2%	3.2%	3.2%	3.2%
Uniform/Clothing	6,010	44,721	44,841	45,738	46,653	47,586	48,537	644.1%	0.3%	2.0%	2.0%	2.0%	2.0%
Unemployment	11,382	0	0	0	0	0	0	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Benefits	11,409,691	12,752,051	13,530,886	14,275,334	15,065,434	15,904,175	16,794,749	11.8%	6.1%	5.5%	5.5%	5.6%	5.6%
Total Salaries & Benefits	43,271,957	46,025,672	48,788,425	50,661,115	52,615,560	54,655,905	56,786,534	6.4%	6.0%	3.8%	3.9%	3.9%	3.9%
Historical Salary Underspend				(1,131,598)	(1,167,809)	(1,205,179)	(1,243,745)				3.2%	3.2%	3.2%
Total Salaries Less Historical Underspend				49,529,517	51,447,751	53,450,726	55,542,789				3.9%	3.9%	3.9%
<i>Services</i>													
Professional Services	24,168,982	9,810,795	10,111,956	10,415,314	10,727,774	11,049,607	11,381,095	-59.4%	3.1%	3.0%	3.0%	3.0%	3.0%
Communication	484,789	584,227	598,021	615,961	634,440	653,473	673,077	20.5%	2.4%	3.0%	3.0%	3.0%	3.0%
Professional Development/Travel	477,336	884,823	738,245	760,392	783,204	806,700	830,901	85.4%	-16.6%	3.0%	3.0%	3.0%	3.0%
Advertising	60,588	45,416	46,332	47,722	49,154	50,628	52,147	-25.0%	2.0%	3.0%	3.0%	3.0%	3.0%
Rentals, Leases, and Fleet Replacement	278,494	3,468,463	3,204,864	3,301,010	3,400,040	3,502,042	3,607,103	1145.4%	-7.6%	3.0%	3.0%	3.0%	3.0%
Technology Services	1,071,781	1,320,046	1,342,148	1,382,412	1,423,885	1,466,601	1,510,599	23.2%	1.7%	3.0%	3.0%	3.0%	3.0%
Public Utilities	2,206,123	2,571,089	2,695,617	2,776,485	2,859,780	2,945,573	3,033,941	16.5%	4.8%	3.0%	3.0%	3.0%	3.0%
Repairs and Maintenance	1,935,455	2,597,922	2,676,874	2,757,180	2,839,896	2,925,093	3,012,845	34.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Miscellaneous	594,824	761,676	1,777,249	1,830,567	1,885,484	1,942,048	2,000,310	28.1%	133.3%	3.0%	3.0%	3.0%	3.0%
Total Services	31,278,372	22,044,457	23,191,305	23,887,044	24,603,656	25,341,765	26,102,018	-29.5%	5.2%	3.0%	3.0%	3.0%	3.0%
<i>Supplies</i>													
Supplies	1,387,731	1,640,914	1,667,078	1,717,090	1,768,603	1,821,661	1,876,311	18.2%	1.6%	3.0%	3.0%	3.0%	3.0%
Items Purchased for resale	2,840	0	0	0	0	0	0	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Supplies	1,390,571	1,640,914	1,667,078	1,717,090	1,768,603	1,821,661	1,876,311	18.0%	1.6%	3.0%	3.0%	3.0%	3.0%
Total Supplies & Services	32,668,942	23,685,371	24,858,383	25,604,134	26,372,258	27,163,426	27,978,329	-27.5%	5.0%	3.0%	3.0%	3.0%	3.0%
Total Capital	350,628	200,000	0	0	0	0	0	-43.0%	-100.0%	0.0%	0.0%	0.0%	0.0%
Total Principal and Interest Expense	29,316	30,205	30,205	968,127	0	0	0	3.0%	0.0%	3105.2%	-100.0%	0.0%	0.0%
Total Departmental Expenditures	76,320,843	69,941,248	73,677,013	76,265,249	78,987,818	81,819,331	84,764,862	-8.4%	5.3%	3.5%	3.6%	3.6%	3.6%
Transfers Out													
Transfers Out for Debt Service	4,198,845	3,692,390	3,784,347	3,787,556	3,789,292	3,782,274	4,093,895	-12.1%	2.5%	0.1%	0.0%	-0.2%	8.2%
Transfers Out - Other	1,861,023	971,089	702,450	1,030,000	1,310,000	1,310,000	1,310,000	-47.8%	-27.7%	46.6%	27.2%	0.0%	0.0%
Total Transfers Out	6,059,867	4,663,479	4,486,797	4,817,556	5,099,292	5,092,274	5,403,895	-23.0%	-3.8%	7.4%	5.8%	-0.1%	6.1%
Total Expenditures and Transfers Out	82,380,711	74,604,727	78,163,810	81,082,805	84,087,110	86,911,604	90,168,757	-9.4%	4.8%	3.7%	3.7%	3.4%	3.7%

General Fund Balance, Contingency Fund, and Reserve Policy Compliance

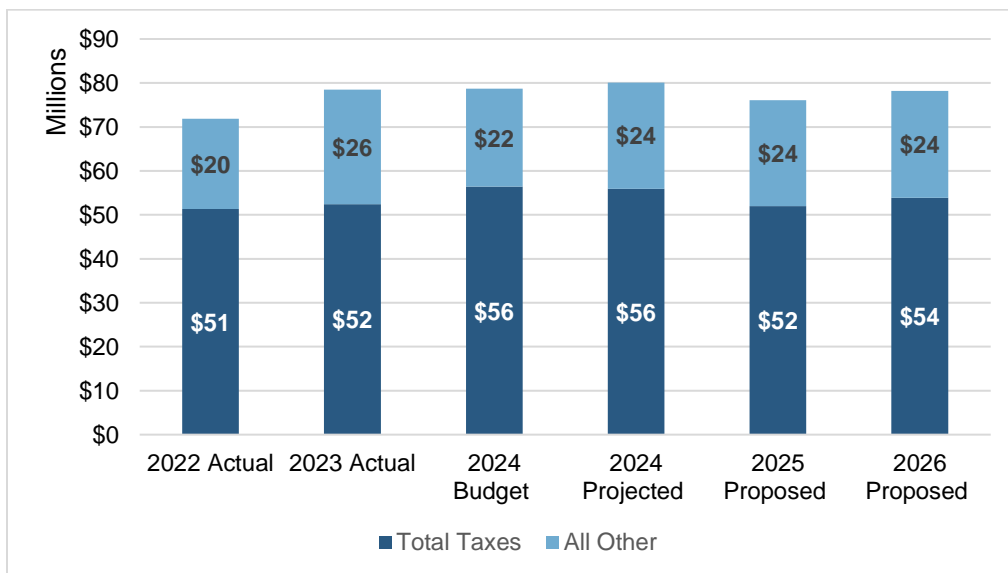
General Fund	2024 Projected Actuals	2025 Proposed Budget	2026 Proposed Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected	Percent Change (Budgetary Comparison)						
								2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	
Fund Balance														
Starting Fund Balance	17,836,267	15,564,070	17,046,693	17,088,012	10,842,099	4,795,362	(1,757,987)	-12.7%	9.5%	0.2%	-36.6%	-55.8%	-136.7%	
Surplus/(Deficit)	(2,272,198)	1,482,623	41,319	(6,245,913)	(6,046,737)	(6,553,349)	(7,499,269)	-165.3%	-97.2%	-15216.4%	-3.2%	8.4%	14.4%	
Ending Fund Balance	15,564,070	17,046,693	17,088,012	10,842,099	4,795,362	(1,757,987)	(9,257,256)	9.5%	0.2%	-36.6%	-55.8%	-136.7%	426.6%	
General Fund Reserve Policy														
General Fund Reserve Policy (18% of prior year ongoing revenue):	13,427,217	13,776,485	12,580,692	12,921,389	13,203,828	13,599,884	14,010,453							
	Reserve Policy Met	Reserve Policy Met	Reserve Policy Met	Reserve Policy NOT Met	Reserve Policy NOT Met	Reserve Policy NOT Met	Reserve Policy NOT Met							
Contingency Fund (105)														
Reserve Policy Requirement: 10% of previous year's ongoing revenues, not including significant one-time revenues	7,272,291	7,457,701	6,948,603	7,160,474	7,335,460	7,555,491	7,783,585							
One-Time Reserve Policy: 10% of significant one-time revenues if there is sufficient annual surplus to move this amount to the reserve fund	187,273	195,901	510,670	518,076	0	0	0							
Is there sufficient surplus to move this amount to the contingency fund?	No	Yes	No	No	No	No	No							
Contingency Reserve Policy Total Amount Required	7,272,291	7,653,603	6,948,603	7,160,474	7,335,460	7,555,491	7,783,585							
Contingency Fund Interest Revenue Assumption		120,000	120,000	120,000	120,000	120,000	120,000							
Contingency Fund Ending Fund Balance	7,304,961	7,655,600	7,775,600	7,895,600	8,015,600	8,135,600	8,255,600	4.8%	1.6%	1.5%	1.5%	1.5%	1.5%	
Contingency Fund Reserve Policy Met?	Reserve Policy Met	Reserve Policy Met	Reserve Policy Met	Reserve Policy Met	Reserve Policy Met	Reserve Policy Met	Reserve Policy Met							

Revenues

The General Fund Revenue graph below demonstrates the City’s General Fund revenue history over a five-year period, beginning with actual 2022 revenues through the City’s 2026 proposed revenues. Total amounts can and will vary from year to year, usually due to the level of grant awards, changes in rates and fees, and initiation of new service programs. The City uses past collection trends along with any known changes to produce our revenue estimates. Proposed revenues for 2025 are built using our projected estimates for 2024 rather than 2024 budgeted revenues. The 2026 proposed revenues are based off the 2025 proposed budget amounts. Additionally, to help shape our future year growth assumptions we incorporate national, state, and local key economic indicators. A few of those key indicators are:

- Nationally:
 - Two key measures for consumer confidence moved in opposite directions in September.
 - GDP increased by 3.0% in Q2, compared to a 1.6% Q1 increase.
 - Consumer prices increased 2.4% over last year.
- State-wide / Locally:
 - Washington’s unemployment rate has held steady each month since March.
 - Seattle-area home prices increased for the fourth consecutive month.
 - Washington personal income increased by 5.1% in the second quarter.
 - State-wide, retail sales tax and B&O collections increased 2.5% & 2.1% respectively.

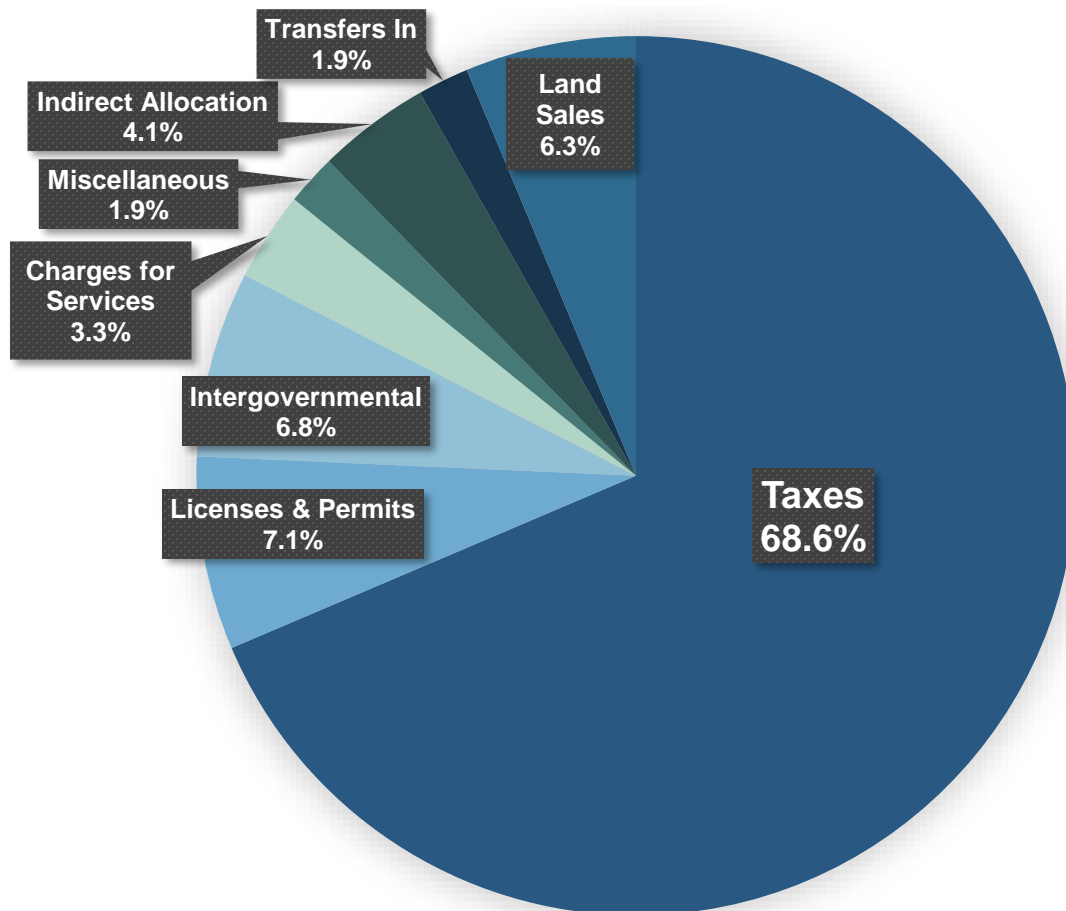
General Fund Revenues: Five-Year Comparative



Total General Fund revenues decrease by 3.3% in 2025 as compared to our 2024 adopted revenues. The chart below provides a comparative summary by General Fund revenue type.

General Fund Revenues	2024 Adopted	2025 Proposed	2026 Proposed	\$ Change 24 - 25	% Change 24 - 25	\$ Change 25 - 26	% Change 25 - 26
Taxes	56,404,000	51,976,379	53,854,765	(4,427,621)	-7.8%	1,878,386	3.6%
Licenses & Permits	5,088,743	5,430,700	5,541,455	341,957	6.7%	110,755	2.0%
Intergovernmental	7,432,484	5,313,474	5,232,020	(2,119,010)	-28.5%	(81,454)	-1.5%
Charges for Services	2,841,121	2,612,121	2,461,020	(229,000)	-8.1%	(151,101)	-5.8%
Miscellaneous	2,165,495	1,448,363	1,428,954	(717,132)	-33.1%	(19,409)	-1.3%
Indirect Allocation	2,963,517	3,111,694	3,267,278	148,177	5.0%	155,584	5.0%
Transfers In	1,787,849	1,494,619	1,419,637	(293,230)	-16.4%	(74,982)	-5.0%
Land Sale		4,700,000	5,000,000	4,700,000	N/A	300,000	6.4%
Total GF Revenue	78,683,209	76,087,350	78,205,129	(2,595,859)	-3.3%	2,117,778	2.8%

Revenues by Type, 2025-2026 Biennium Total



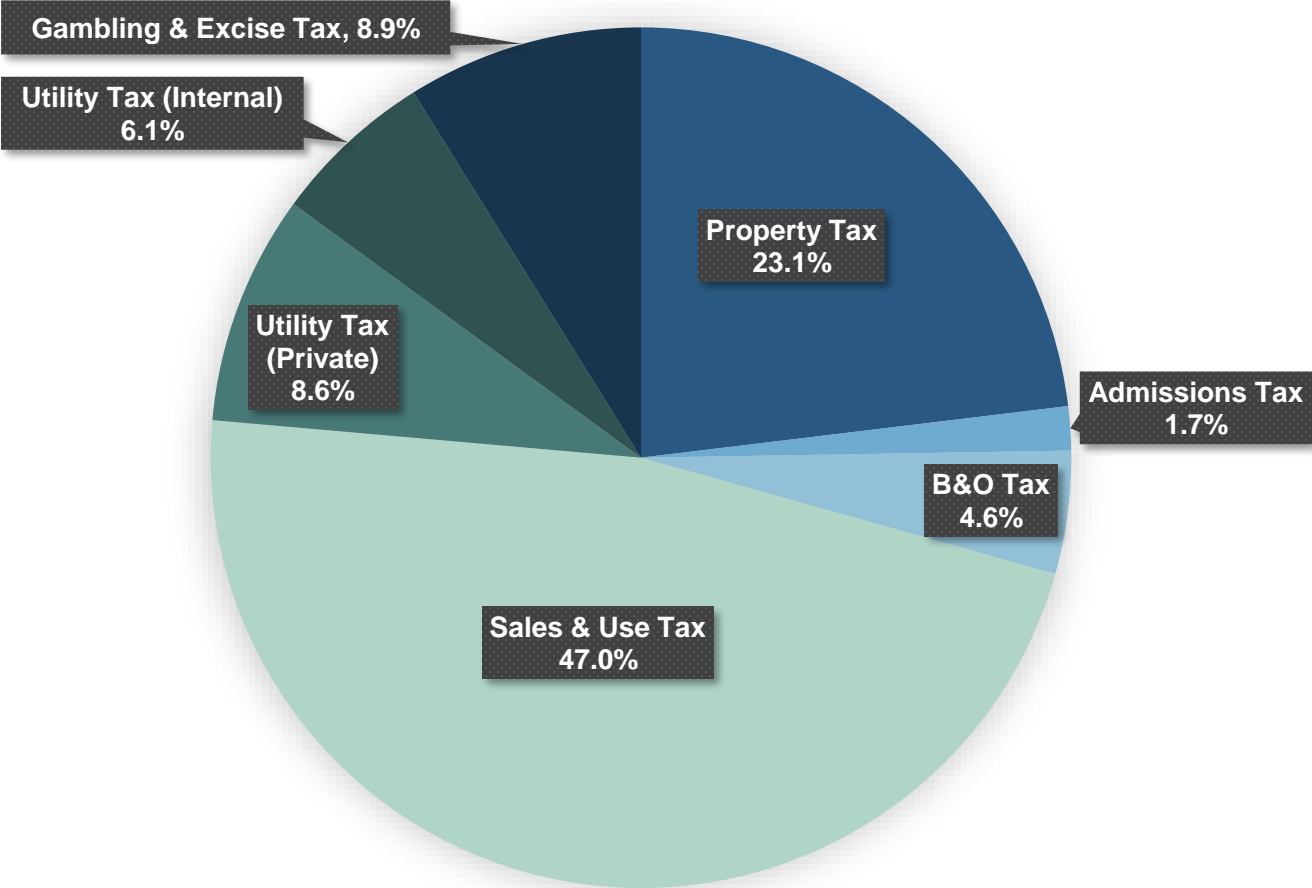
The significant changes between 2024 and 2025 include:

- Tax – With the annexation into the Puget Sound Regional Fire Authority, the proposed budget includes a \$6 million reduction in property tax collections from 2024 actual collections, as anticipated in the prior 6-year forecast. This decrease is offset somewhat by increases in sales, utility, and other taxes.
- Intergovernmental – This category of revenue accounts for collections from other governments, primarily federal, state, and local governments grants, as well as state shared revenues. The reduction in 2025 is primarily based on a reduction in federal and fire department grants, as well as reduction in sales tax mitigation from the state.
- Miscellaneous – Mostly this is a result of a reduction to the rents and concessions revenue account. This is predominantly due to an accounting change: historically, the approximately \$840,000 in rents received from UPS/TForce Holdings were collected in the General Fund and then transferred to the City Facilities Fund (Fund 306). In the proposed 2025-2026 budget, these revenues are collected directly in Fund 306.
- Land Sale – The 2025 and 2026 budget years include one-time revenue from the sales of the George Long property and Fire Station 51, respectively

Taxes make up roughly 68% of General Fund revenues in 2025 and 69% in 2026. The chart below provides a comparison of tax collections for the coming biennium.

General Fund Taxes	2024 Adopted	2025 Proposed	2026 Proposed	\$ Change 24 - 25	% Change 24-25	\$ Change 25 - 26	% Change 25-26
Property Tax	18,124,000	11,999,227	12,215,213	(6,124,773)	-33.8%	215,986	1.8%
Sales & Use Tax	22,655,000	24,446,986	25,538,915	1,791,986	7.9%	1,091,929	4.5%
Utility Tax (Private)	4,300,000	4,493,702	4,702,390	193,702	4.5%	208,688	4.6%
Utility Tax (Internal)	2,784,300	3,167,729	3,364,735	383,429	13.8%	197,006	6.2%
Gambling & excise tax	4,665,700	4,609,500	4,724,500	(56,200)	-1.2%	115,000	2.5%
Admissions tax	875,000	859,235	885,012	(15,765)	-1.8%	25,777	3.0%
B&O Tax	3,000,000	2,400,000	2,424,000	(600,000)	-20.0%	24,000	1.0%
Total Tax	56,404,000	51,976,379	53,854,765	(4,427,621)	-7.8%	1,878,386	3.6%

General Fund Taxes by Type, 2025



Significant changes include:

- As described above, property tax revenue is reduced for 2025 by \$6 million as a result of the voter-approved annexation in the Puget Sound Regional Fire Authority.
- Sales tax shows a 7.9% increase above the 2024 adopted budget. However, comparing the 2025 budget to our 2024 projected sales tax revenue, growth is 3%. The 2026 increase of 4.5% is an adjustment for preparing for the 2026 World Cup.
- Cities have the authority to impose a utility B&O tax upon the income of public and private utilities providing services within the boundaries of the City. The internal utility tax budget has been adjusted for known rate changes and customer usage/growth.
- Business and Occupation tax is reduced in 2025 to a level more in-line with actual 2024. The 2025 budget includes revenue received from annual filers from 2024 activity.

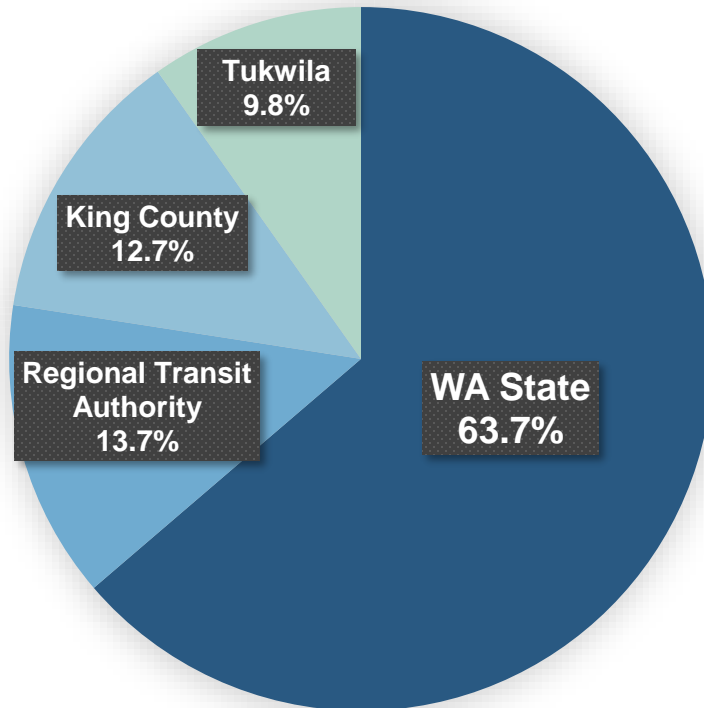
Sales and Use Tax

The City of Tukwila’s sales tax rate is 10.2%, with the main source for the City coming from the City-imposed Basic & Optional tax on retail sales. Additionally, the City receives a share of the

Criminal Justice Sales Tax imposed by the County. The table below shows the City's total sales tax rate by jurisdiction imposing the tax.

Tax Name	District	Rate
Basic / First Half	City	0.5%
Optional / Second Half	City	0.5%
Criminal Justice	County	0.1%
Transit	County	0.9%
Mental Health & Drugs	County	0.1%
Housing & Related Services	County	0.1%
Cultural Access	County	0.1%
High-Capacity Transit	Transit	1.4%
State	State	6.5%
Total		10.2%

Percent of Sales Tax Imposed by District



Basic & Optional Sales Tax

In 1970, the legislature granted cities the right to tax retail sales at a rate of 0.5% (basic / first half), of which 15% of the collections would be shared with their respective counties. In 1982, the rate was increased by another 0.5% (optional / second half), again with 15% of this amount

to be shared with the county along with a .01% administrative fee passed to the Department of Revenue for this collection efforts. This effectively leaves the City with 0.8415% of retail sales. The use of these revenues is unrestricted and therefore may be used for any lawful government purpose.

Beginning in 2008, Washington State implemented a new system for sales tax collections called *Streamlined Sales Tax*. Streamlined Sales Tax changed the point of sale from an origin-based system to is a destination-based sales tax system. Under this new system, with some limited exceptions, the point of sale, the location where sales tax is calculated, is the location the purchaser takes possession of the item.

The change to Streamlined Sales Tax had a positive tax revenue effect on most jurisdictions in the State. However, for a handful of jurisdictions with large warehousing and manufacturing businesses, the change had a negative effect on tax revenue. To offset the net revenue loss experienced by those jurisdictions, the State provided mitigation payments. Mitigation payments have been declining and are scheduled to end at the end of 2026. See the table below for actual mitigation payments from 2022 through 2024 and budgeted payments for 2025 and 2026.

Sales Tax Mitigation Payments				
2022 Actual	2023 Actual	2024 Actual	2025 Proposed	2026 Proposed
\$ 794,337	\$ 635,470	\$ 508,376	\$ 406,700	\$ 180,756

Criminal Justice Sales Tax

Any county may impose a 0.1% sales tax for criminal justice purposes. The county must share its revenue with all cities and towns in the county. The revenues are restricted to activities that substantially assist the criminal justice system or programs such as domestic violence programs, community advocates, and legal advocates.

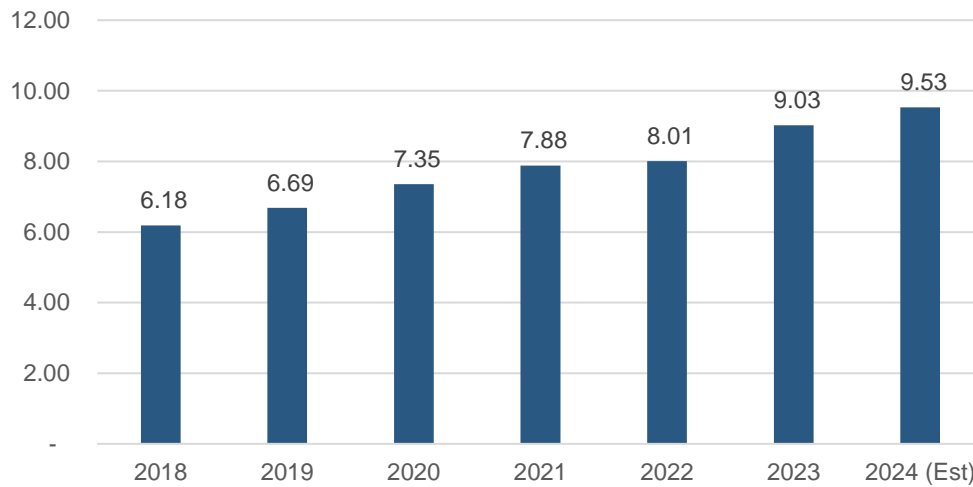
The county receives 10% of the revenue and the remaining 90% is split between the county and cities and towns within the county on a per capita basis (population). The Department of Revenue retains 1% of collections as an administrative fee.

Property Tax and Assessed Valuation

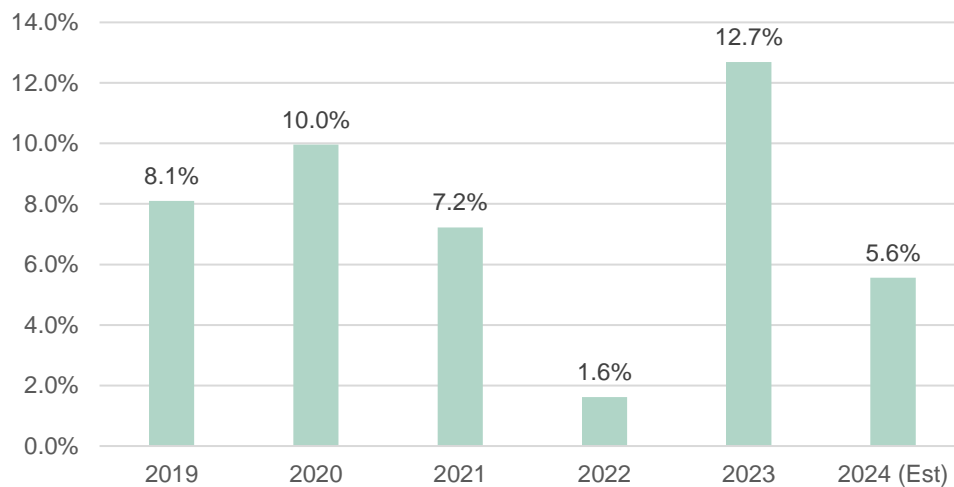
Property tax is the second largest revenue source for the City. The King County Assessor values and provides information to the City of Tukwila on their determination of property values within City limits. The growth in property tax revenue is dependent on state limitations on revenue growth and the amount of revenue adopted by the City Council. Property tax in Washington State is a budget-based system with three components: the levy amount (revenue), assessed value of property, and a calculated levy rate.

Assessed Valuation (A.V.)

Assessed Valuation in Billions



Percent Change in AV by Year



State law provides that the maximum growth in property tax revenue from existing property is the lesser of 1% or the percentage increase in the Implicit Price Deflator (IPD). New construction, changes in state assessed property, and refunds are legally allowed add-ons outside of the 1% limitation. In cases where the IPD is less than 1%, a taxing district can still levy the full 1% by passing legislation of “substantial need”.

Property tax is levied against every \$1,000 of the assessed property. As an example, if a property is valued at \$500,000 and the levy rate is \$1.25 per \$1,000 of assessed valuation, the property tax due for the calendar year would be \$625 ($\$500,000 / \$1,000 \times \1.25). The Property Tax AV & Rates chart below presents comparative property tax levy information for

the City of Tukwila levy portion only on a property valued at \$550,000 in 2025. In this example, previous years are deflated in value by 5% each year.

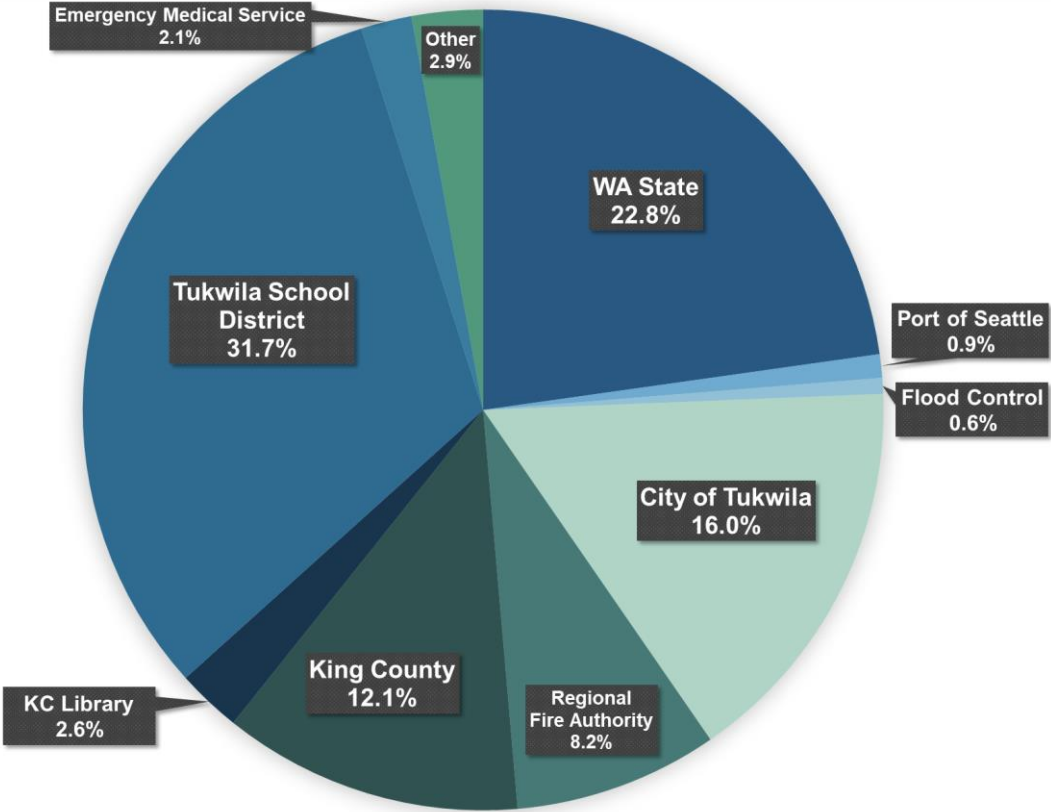
City of Tukwila Share Only	2023	2024	2025
Assessed Valuation	\$498,866	\$523,810	\$550,000
Regular Levy	1.94728	1.89534	1.25497
Excess Bond Levy	0.50506	0.50659	0.51758
Total City of Tukwila Levy	\$1,223	\$1,258	\$975

In 2016 & 2019 the voters of Tukwila approved an excess levy to pay debt service (principal and interest payments) on bonds issued to fund construction and equipment purchases. The 2016 bond issue totaled \$32.99 million and funded the construction of a Justice Center, improvements to two fire stations, and fire apparatus and life-safety equipment. The 2019 bond issue totaled \$37.77 million and also funded the construction of the new Justice Center and fire stations as part of the Public Safety Plan. Both issuances were 20-year bonds.

As would be predictable, in the example in the table above, the tax due increased between 2023 and 2024 even though the levy rate decreased. In this example, the value of the property increased at a larger percentage than the decrease in the rate and therefore, property tax increased. As has been discussed in the tax section above, the 2025 budget includes a reduction of \$6,000,000 in property tax collections from 2024. This reduction in collections moves the rate from an estimated \$1.90 of per \$1,000 of assessed valuation to an estimated \$1.25 per \$1,000 of A.V. As a result, the tax due on the same hypothetical property in 2025 decreases by \$283.

The example above only included City of Tukwila’s share of the total property tax obligation. Property tax is due to the City, State, County, School District, Port, Library, etc. The pie chart below shows the distribution of total property tax by percentage to districts.

Estimated Property Tax Distribution by Percentage by District



As can be seen in the pie chart above, the City of Tukwila government collects 16.0% of the total property taxes paid by Tukwila residents and business communities. Using the example of a property valued at \$550,000, the City would receive \$975 of the roughly \$6,080 in total taxes due on that property.

Expenditures

General Fund Expenditures

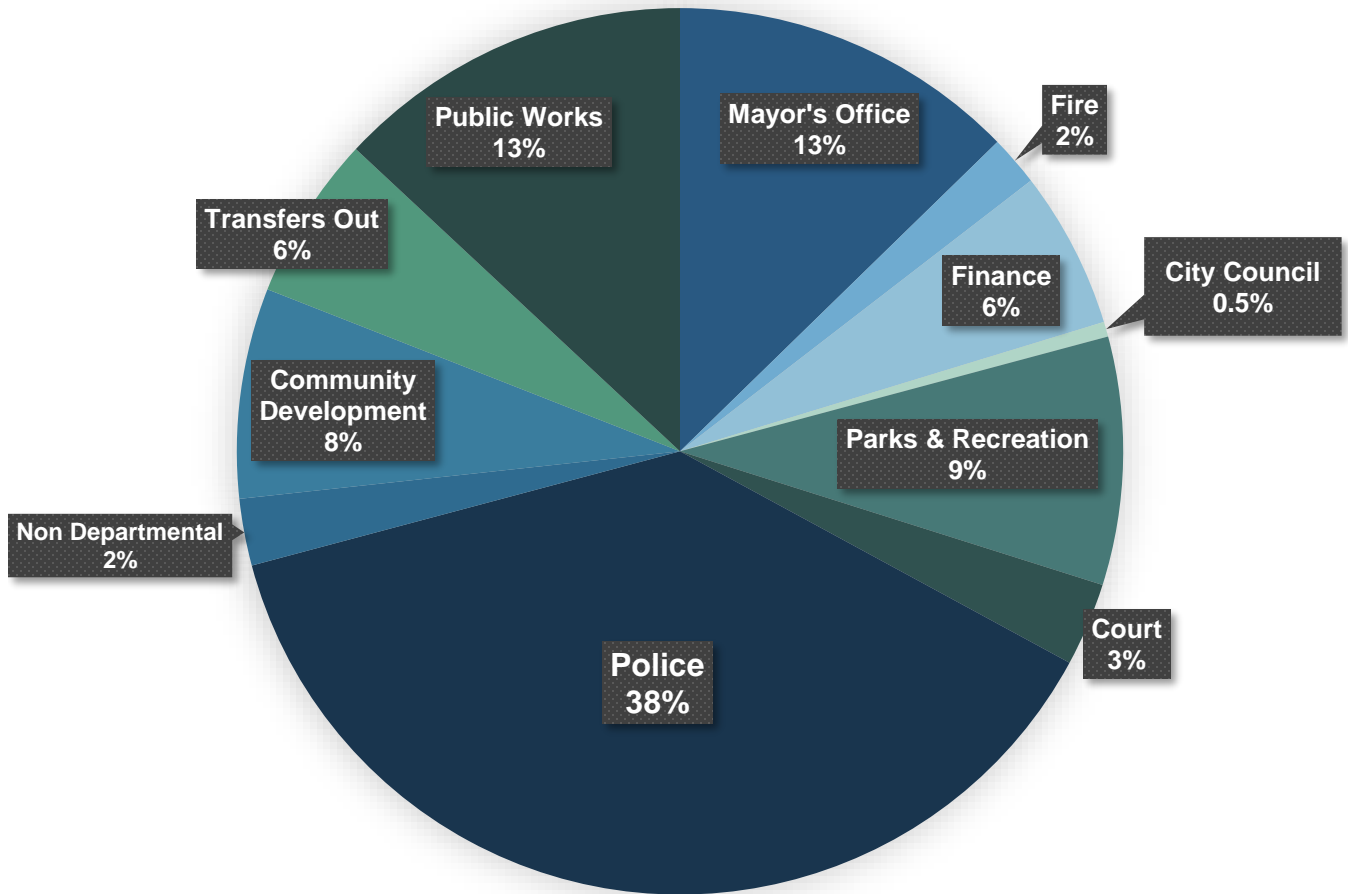
General Fund Expenditures decrease by (\$4,857,661) or (6.11%) to a total amount of \$74,604,727 as compared to the 2024 budget of \$79,462,388.

The following expenditure tables summarize the 2025-2026 General Fund budget and provide comparative information between the 2024 budget and the 2025 and 2026 budgets. **General Fund Expenditures by Department** lists each department's budget total.

General Fund Expenditures by Department

	2024 Budget	2025 Budget	2024 vs 2025		2026 Budget	2025 vs 2026	
			\$ Change	% Change		\$ Change	% Change
City Council	\$393,067	\$400,093	\$7,026	1.8%	\$431,254	\$31,162	7.8%
Mayor's Office	2,828,050	9,577,599	6,749,548	238.7%	9,830,590	252,991	2.6%
Administrative Services	5,621,624	0	(5,621,624)	-100.0%	0	0	N/A
Finance	4,625,307	4,343,230	(282,076)	-6.1%	4,429,561	86,331	2.0%
Parks & Recreation	5,808,439	6,769,151	960,712	16.5%	7,050,622	281,472	4.2%
Community Development	5,063,237	5,732,921	669,684	13.2%	5,978,627	245,706	4.3%
Court	1,859,399	2,264,525	405,126	21.8%	2,378,206	113,681	5.0%
Police	23,790,337	28,354,527	4,564,189	19.2%	29,600,130	1,245,603	4.4%
Fire	15,605,441	1,398,192	(14,207,249)	-91.0%	1,410,125	11,933	0.9%
Public Works	8,002,142	9,738,964	1,736,822	21.7%	10,205,851	466,887	4.8%
Non-Departmental	0	1,362,046	1,362,046	N/A	2,362,046	1,000,000	73.4%
Transfers Out	5,865,345	4,663,479	(1,201,866)	-20.5%	4,486,797	(176,682)	-3.8%
Total Expenditures	\$79,462,388	\$74,604,727	(\$4,857,661)	-6.1%	\$78,163,810	\$3,559,083	4.8%

General Fund Expenditures by Department—2025-26 Biennium Total



Budget Assumptions

		2025	2026
Salaries		3.6%	4.2%
Healthcare Benefits	Self-Insured Health Plan	8%	8%
	Kaiser Permanente	9.5%	8%
Supplies	Supplies and Services were assumed to be continued at reduced levels from the 2023-2024 budget, with some small increases due to inflation		
Services			

Significant General Fund Expenditure Changes During 2023-2024 Biennium

During the 2023-2024 biennium, there were several significant expenditure changes that occurred that were not originally part of the 2023-2024 budget.

- Mayor's Office:
 - The Deputy City Administrator position retains its 0.5 FTE budgeted within the Mayor's Office. However, with the consolidation of the Administrative Services department into the Mayor's Office, the 0.5 FTE for this position that was budgeted as a separate Administrative Services Director was eliminated. The Deputy City Administrator position will also serve as a 0.5 FTE director of another department. (-0.5 FTE)
 - The Business Relations Manager position was eliminated, and the Director of Strategic Initiatives & Government Relations position was created. (+0.25 FTE)
 - Previously, the Business Relations Manager position had been paid 50% by the General Fund and 50% by the Lodging Tax Fund (Fund 101).
 - The Director of Strategic Initiatives & Government Relations position is paid 75% by the General Fund and 25% by the Lodging Tax Fund
 - An additional 1.0 FTE was added for a Deputy City Clerk position (+1.0 FTE)
- Municipal Court
 - A Court Operations Assistant was increased from 0.75 FTE to 1.0 FTE (+0.25 FTE).
 - A new position of a Court Operations Associate was added (+1.0 FTE)
- Police Department
 - An additional 1.0 FTE was added for a Police Officer position (+1.0 FTE)

Significant Expenditure Differences Due to Changes Made During 2023-2024 Biennium	2023-2024 General Fund FTE Changes	Resulting 2025 Budget Effects	Resulting 2026 Budget Changes
Mayor's Office			
Reduced position to 0.5FTE: Deputy City Administrator	-0.5 FTE	(\$151,711)	(\$165,673)
Eliminated Position: Business Relations Manager	-0.5 FTE	(\$104,200)	(\$109,400)
New Position: Director of Strategic Initiatives & Government Relations	+0.75 FTE	\$192,349	\$210,115
Created Position: Deputy City Clerk	+1.0 FTE	\$141,699	\$155,016
Mayor's Office Net Change	+0.75 FTE	\$78,137	\$90,058
Municipal Court			
Part Time Position Became Full Time: Court Operations Assistant	+0.25 FTE	\$30,000	\$31,600
New Position: Court Operations Associate	+1.0 FTE	\$111,061	\$121,095
Municipal Court Net Change	+1.25 FTE	\$141,061	\$152,695
Police Department			
New Position: Police Officer	+1.0 FTE	\$188,000	\$198,865

Significant General Fund Expenditure Changes in Proposed Budget

The proposed General Fund budget includes a combination of expenditure reductions and additions. The significant expenditure reductions and additions in the proposed budget include:

- Citywide:
 - During 2024, General Fund contributions for City Fleet replacement were suspended as a one-time general fund cost-saving measure. During 2024, savings previously accumulated in the Fleet fund were used instead of General Fund contributions. General Fund contributions to Fleet are set to resume in 2025, ensuring that the City can maintain an adequate set of vehicles to provide services.
 - In 2025, \$230,639 will be transferred from the General Fund to the Contingency Fund
 - There are proposed transfers to the General Government Improvement Fund (Fund 303) for crucial capital maintenance needs:
 - City Hall Roof Replacement
 - City Facilities Furnishings, Fixtures, and Electrical Enhancements
 - Tukwila Community Center (TCC) Flat Roof Replacement
 - Fort Dent Plumbing
- Mayor's Office:
 - Human Resources has allocated one-time funds in 2025 for updated compensation studies for represented bargaining units and non-represented staff, as well as one-time funds for a benefits broker. These are required by labor contract and policy.
 - Technology and Innovation Services has allocated funds to enhance technology backup and restoration capabilities in the event of disaster.
- Parks and Recreation Department
 - The Parks and Recreation Department Director position is proposed to decrease from 1.0 FTE to 0.5 FTE, with 0.5 FTE of this person's time shared as the Deputy City Administrator. (-0.5 FTE)
 - The Parks and Recreation Analyst position is proposed to reallocate the 0.25 of its FTE currently funded by the Golf Course Fund (Fund 411) to entirely funded by the General Fund. (0.75 FTE General Fund → 1.0 FTE General Fund). This does not result in more expenses citywide, but does result in additional expenses for the General Fund
 - Parks Maintenance is proposing the addition of a Park Ranger position in 2025-2026 (+1.0 FTE). The position and related costs are funded by current expenditure authority within the Parks & Recreation budget through utilizing funds supporting an existing parks private security contract. These services will be replaced by the Park Ranger position, and the additional funding requirements supplemented by the King County Parks Levy which has been a reliable and recurring funding source used by the city since 2002.

- Police Department
 - The Police Department is proposing the addition of 2.0 FTE Police Detectives to staff the Southcenter Mall (+2.0 FTE)
 - These Officers come with additional one-time costs in 2025: two new vehicles, training, and equipment. There are also additional ongoing costs associated with these positions for the indefinite future.
 - Based on discussion with the Southcenter Mall, all costs associated with 1.0 FTE of these Detectives are assumed to be offset by payments from the Southcenter Mall.
 - In addition to two new vehicles for these Detectives, the Police Department also plans to purchase an additional fleet vehicle due to insufficient current backup vehicles
- Fire Department
 - With the regional fire authority annexation, the City will no longer contract with Puget Sound Regional Fire Authority (PSRFA) for general fire services
 - However, since the City must maintain Fire Marshal services, a contract for approximately \$1 million will be paid each year to PSRFA for Fire Marshal services
- Public Works Department:
 - Responding to the City’s fiscal constraints, the Public Works Department previously *froze* two maintenance and custodial positions, leaving them vacant for the 2021-2022 and 2023-2024 biennia. The proposed budget reintroduces these positions. (+2.0 FTE)
 - The funding sources for four Public Works positions are changing to reflect operational and organizational needs. This does not lead to greater expenses citywide, but it does increase expenses within the General Fund by \$12,666 in 2025 and \$30,260 in 2026. (-0.25 FTE)

Public Works Position	Current Allocation	Proposed Allocation
Maintenance Operations Manager	100% Sewer Fund (412)	25% General Fund 25% Water Fund (401) 25% Sewer Fund (402) 25% Surface Water Fund (412)
Project Manager	100% General Fund	50% General Fund 50% Arterial Street Fund (104)
Transportation Engineer	100% General Fund	100% Arterial Street Fund (104)
Deputy Director of Public Works & City Engineer (formerly Deputy Director of Utilities)	100% Sewer Fund (412)	100% General Fund

-
- Finance Department
 - The Finance Department is assuming a greater share of the City's liability insurance, reflecting the fact that it is no longer appropriate to allocate liability insurance costs to the Fire Department due to annexation
 - Non-Departmental
 - In 2026 there is an estimated \$1 Million expense associated with records removal and storage for police records currently stored within Fire Station 51, which must be addressed prior to the planned sale of this property

Major Expenditure Changes Included in the 2025-2026 Proposed Budget	2025 Proposed Changes		2026 Proposed Changes	
	FTE	General Fund Amount	FTE	General Fund Amount
Citywide: Resumption of suspended General Fund contributions to Fleet Replacement and Lease Costs				
Fleet Leases		\$1,331,840		\$1,331,840
Fleet Replacement Costs		\$1,448,354		\$1,514,431
Citywide: 2025 Contributions to Contingency Fund for Policy Compliance				
Maintaining Contingency Fund Policy Compliance		\$230,693		
Citywide: Transfers Out to General Government Improvement Fund 303 for Capital Maintenance Needs				
City Hall Roof Replacement		\$5,000		\$175,000
City Facilities Furnishings, Fixtures, and Electrical Enhancements		\$225,000		\$225,000
Tukwila Community Center Flat Roof Replacement		\$168,000		
Fort Dent Plumbing		\$40,000		
Mayor's Office				
HR: One-time funds for compensation studies		\$100,000		
HR: One-time funds for a benefits broker		\$50,000		
TIS: Enhanced technology backup and restoration capabilities in the event of disaster		\$50,000		\$50,000
Parks and Recreation				
New Position: Park Ranger	+1.0	\$160,794		\$171,788
New Position Fleet Requirements: Park Ranger Truck		\$43,200		
New Position Supplies and Services: Park Ranger		\$20,000		\$20,000
Cost Savings: Park Ranger lowers contracted service needs		(\$48,000)		(\$96,000)
Dedicated Revenue for Park Ranger: Transfer in from Fund 301 — King County Parks Levy Revenue		(\$175,795)		(\$101,788)
<i>Net Change in General Fund Expenditures related to Park Ranger Position</i>		\$199		(\$6,000)
Parks and Recreation Director reduced by 0.5 FTE, with the other 0.5 FTE serving as Deputy City Administrator	-0.5	(\$151,711)		(\$165,673)
The Parks and Recreation Analyst Position reallocated from (0.75 FTE General Fund, 0.25 FTE Golf Fund) to 1.0 FTE General Fund	+0.25	\$45,237		\$49,437

Major Expenditure Changes Included in the 2025-2026 Proposed Budget	2025 Proposed Changes		2026 Proposed Changes	
	FTE	General Fund Amount	FTE	General Fund Amount
Police Department				
New Position: Mall Detectives	+2.0	\$418,640		\$439,418
New Position: Mall Detective One-Time Costs - 2 New Vehicles, Training, Equipment		\$383,610		
New Position: Mall Detective Ongoing Supplies and Fleet Replacement Costs		\$36,662		\$52,691
New Position Offsetting Revenues: Southcenter Mall Payments		(\$419,456)		(\$246,055)
<i>Net Increase in Expenditures for 2 New Detective Positions</i>		\$419,456		\$246,055
Additional New Fleet Vehicle		\$88,000		\$88,000
Fire Department				
Due to annexation, the City will no longer contract with PSRFA for general fire services		(\$14,202,720)		
New Fire Marshal contract with PSRFA required		\$986,559		\$1,035,887
Public Works Department				
Re-addition of two facilities maintenance positions previously frozen during 2021-2022 and 2023-2024 biennia	+2.0	\$252,176		\$269,259
Reallocation of Transportation Engineer from 1.0 FTE General Fund to 1.0 FTE Arterial Street Fund 104	-1.0	(\$167,523)		(\$170,749)
Reallocation of Project Manager from 1.0 FTE General fund to (0.5 FTE General Fund, 0.5 FTE Arterial Street Fund 104)	-0.5	(\$93,039)		(\$97,198)
Reallocation of Maintenance Operations Manager from 1.0 FTE Sewer Fund to (0.25 FTE General Fund, 0.25 FTE Water Fund, 0.25 FTE Sewer Fund, 0.25 FTE Surface Water Fund)	+0.25	\$59,225		\$63,241
Reallocation of Deputy Director of Public Works & City Engineer (formerly Deputy Director of Utilities) from 1.0 FTE Sewer Fund to 1.0 FTE General Fund	+1.0	\$214,003		\$234,965
Finance Department				
Finance Department is assuming a greater share of the City's liability insurance that can no longer be attributed to the Fire Department		\$119,775		\$207,465
Non-Departmental				
Records removal and storage for records currently housed in the Fire Station that is planned for sale in 2026				\$1,000,000

Fund Balance

For governmental funds (General Fund, Special Revenue Funds, Debt, & Capital Funds), fund balance refers to the difference between current financial assets and liabilities. Since all related assets and liabilities are not reported for governmental funds, fund balance is considered more of a liquidity measure than a net position measure. Credit rating agencies monitor fund balance levels and consider unrestricted fund balance when determining local government’s credit worthiness. Fund balance is also important to guard against unanticipated events that would adversely affect the financial condition of the City and jeopardize the continuation of necessary public services. In 2017, the Governmental Accounting Standards Board (GASB) issued Statement 54 creating five different classifications of fund balance:

- **Non-spendable**: resources that cannot be spent because of form (e.g. inventory, prepaid amounts) or because they must be maintained intact.
- **Restricted**: resources with limitation imposed by creditors, grantors, laws, regulations, or enabling legislation.
- **Committed**: resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to previously commit the amounts.
- **Assigned**: resources that are intended to be used for specific purposes but is neither restricted nor committed.
- **Unassigned**: resources that are not non-spendable, restricted, committed, or assigned to specific purposes.

For proprietary funds (Utility & Internal Service Funds) the difference between current assets and current liabilities is called working capital. As with fund balance in a governmental fund, this measure indicates relative liquidity, is considered by credit rating agencies in evaluating creditworthiness, and is important in mitigating unanticipated events and ensuring stable services and fees.

Comparative General Fund Balance – 5 Year View

General Fund Balance	2022	2023	2024 Projected	2025 Proposed	2026 Proposed
Beginning Fund Balance	\$16,920,357	\$16,244,880	\$17,836,267	\$15,564,070	\$17,046,693
Change in Fund Balance	(675,477)	1,591,387	(2,272,198)	1,482,623	41,319
Ending Fund Balance	\$16,244,880	\$17,836,267	\$15,564,070	\$17,046,693	\$17,088,012
Percent Change	-4.0%	9.8%	-12.7%	9.5%	0.2%

Contingency Fund

The City maintains a Contingency Fund as a sub-fund of the General Fund. Tukwila's Reserve Policy requires the Contingency Fund to maintain:

- 10% of the previous year general fund revenue, exclusive of significant non-operating, nonrecurring revenues
- 10% of prior year one-time revenues to the extent the General Fund surplus for the year is sufficient to cover this reserve funding

The Fund Balance of the Contingency Fund is set to grow over time due to investment growth and due to a \$230,693 transfer from the General Fund planned for 2025 to ensure compliance with the City's reserve policy.

Comparative Contingency Fund Balance – 5 Year View

Contingency Fund Balance	2022	2023	2024 Projected	2025 Proposed	2026 Proposed
Beginning Fund Balance	\$6,754,065	\$6,746,475	\$7,154,961	\$7,304,961	\$7,655,600
Change in Fund Balance	(7,590)	408,486	150,000	350,639	120,000
Ending Fund Balance	\$6,746,475	\$7,154,961	\$7,304,961	\$7,655,600	\$7,775,600
Percent Change	-0.1%	6.1%	2.1%	4.8%	1.6%

Since the Contingency Fund is a sub-fund of the General Fund, a comprehensive understanding of the City's General Fund Balance requires an examination of the combined the General and Contingency Fund Balance.

Comparative General Fund and Contingency Fund Balance – 5 Year View

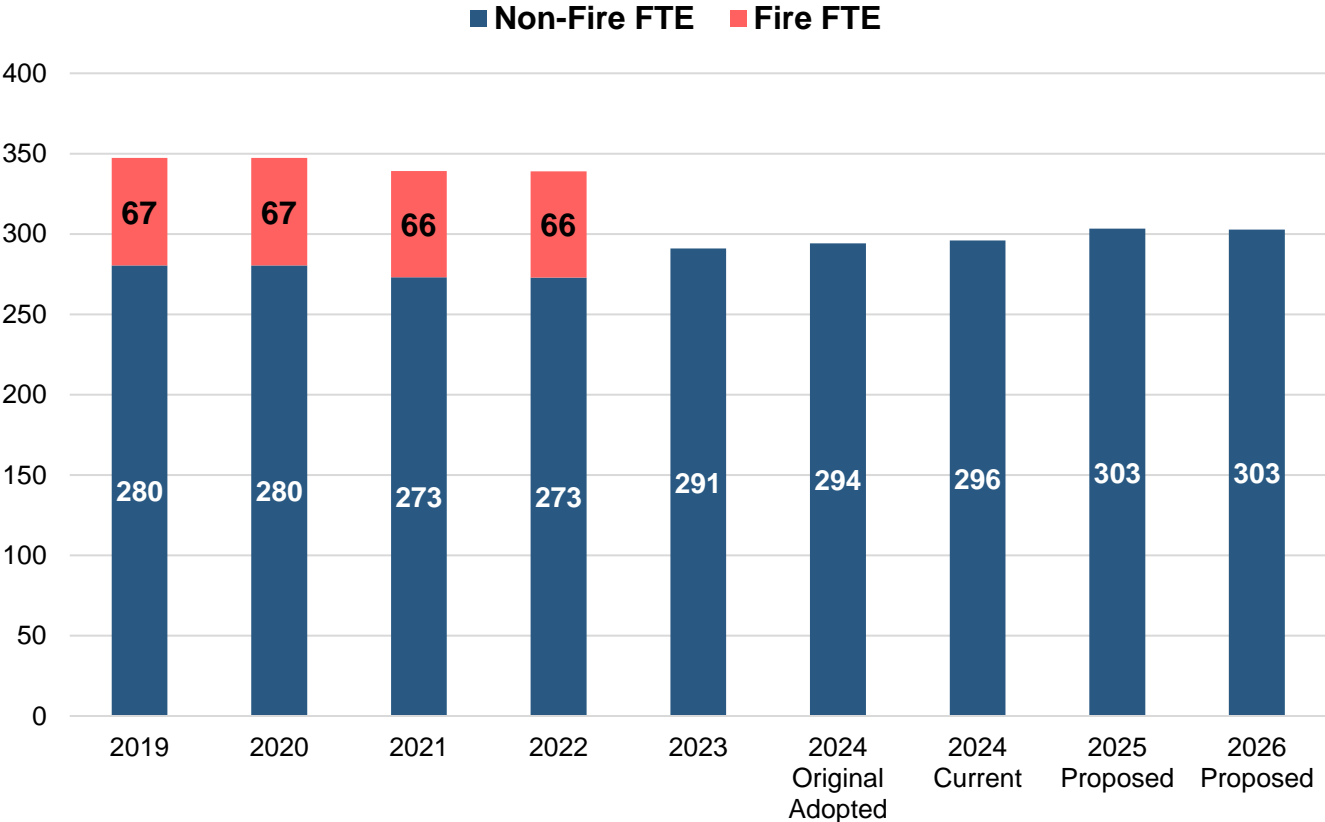
Total General <u>and</u> Contingency Fund Balance	2022	2023	2024 Projected	2025 Proposed	2026 Proposed
Beginning Fund Balance	\$23,674,423	\$22,991,356	\$24,991,228	\$22,869,030	\$24,702,293
Change in Fund Balance	(683,067)	1,999,873	(2,122,198)	1,833,262	161,319
Ending Fund Balance	\$22,991,356	\$24,991,228	\$22,869,030	\$24,702,293	\$24,863,612
Percent Change	-2.9%	8.7%	-8.5%	8.0%	0.7%

Staffing

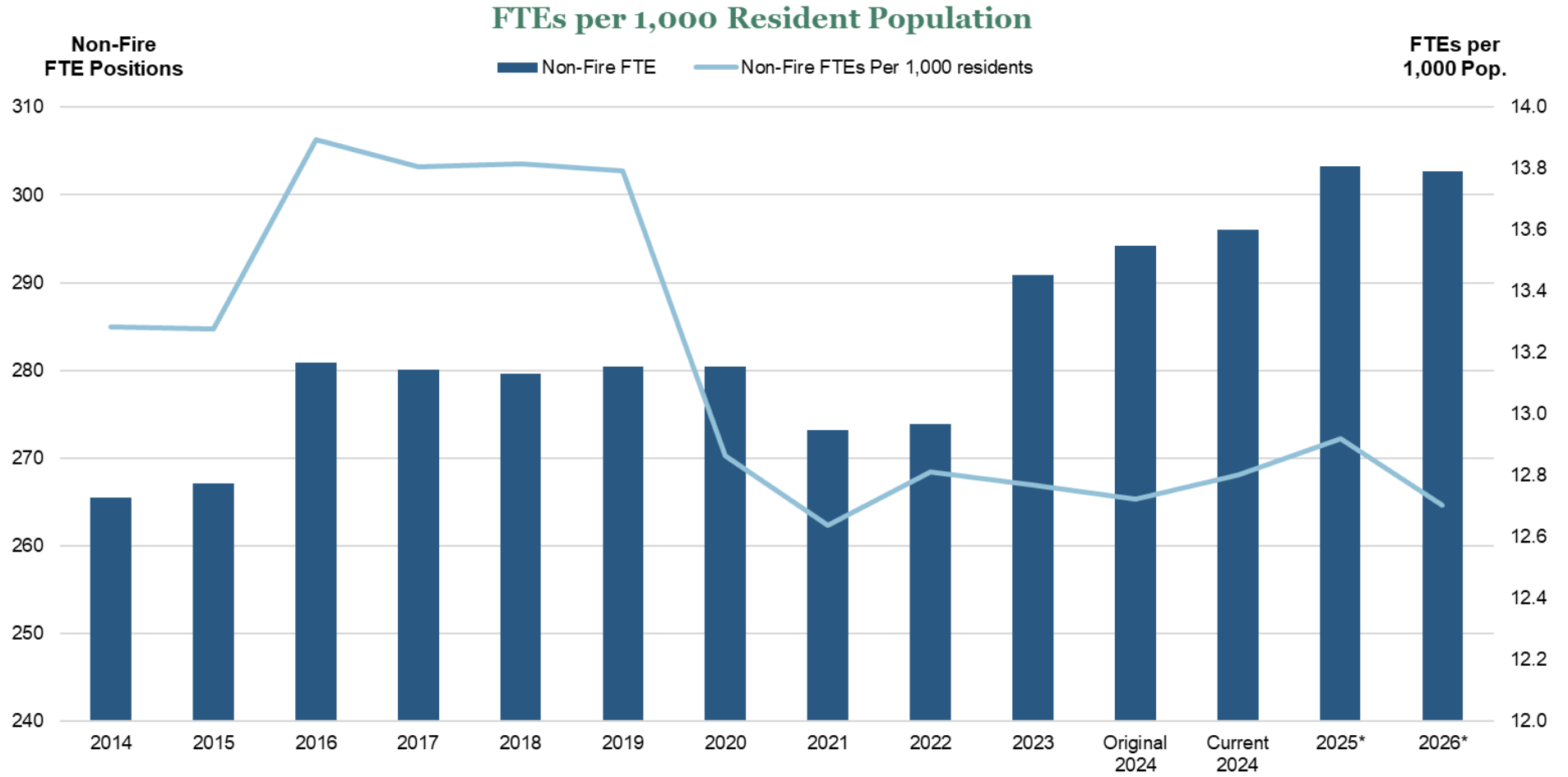
Over the past five years, there have been three major sources of change in City Full Time Equivalent (FTE) employees:

1. A reduction in staffing (-8.25 FTE) from 2020-2021 in response to the outbreak of COVID-19, predominantly from the Police Department (-8.0 FTE).
2. The transfer of 66.0 Fire FTE from the City to PSRFA on January 1, 2023
3. A large increase in Non-Fire FTE from 2022-2023 (+17.0), which included:
 - The reauthorization of all previously reduced Police Department FTE (+8.0)
 - An Emergency Management FTE (+1.0)
 - Additional FTE for Municipal Court (+2.75)
 - The first Finance Department FTE responsible for implementing the B&O Tax (+1.0)
 - Additional Golf Course FTE (+1.75) and a decrease in Parks and Recreation General Fund Staff (-1.75)
 - A net increase in 4.0 FTE Across Public Works (General Fund), Sewer Fund, Surface Water Fund, and Arterial Streets Fund Staff (+4.0)
 - A small increase in Community Development staff (+0.25)

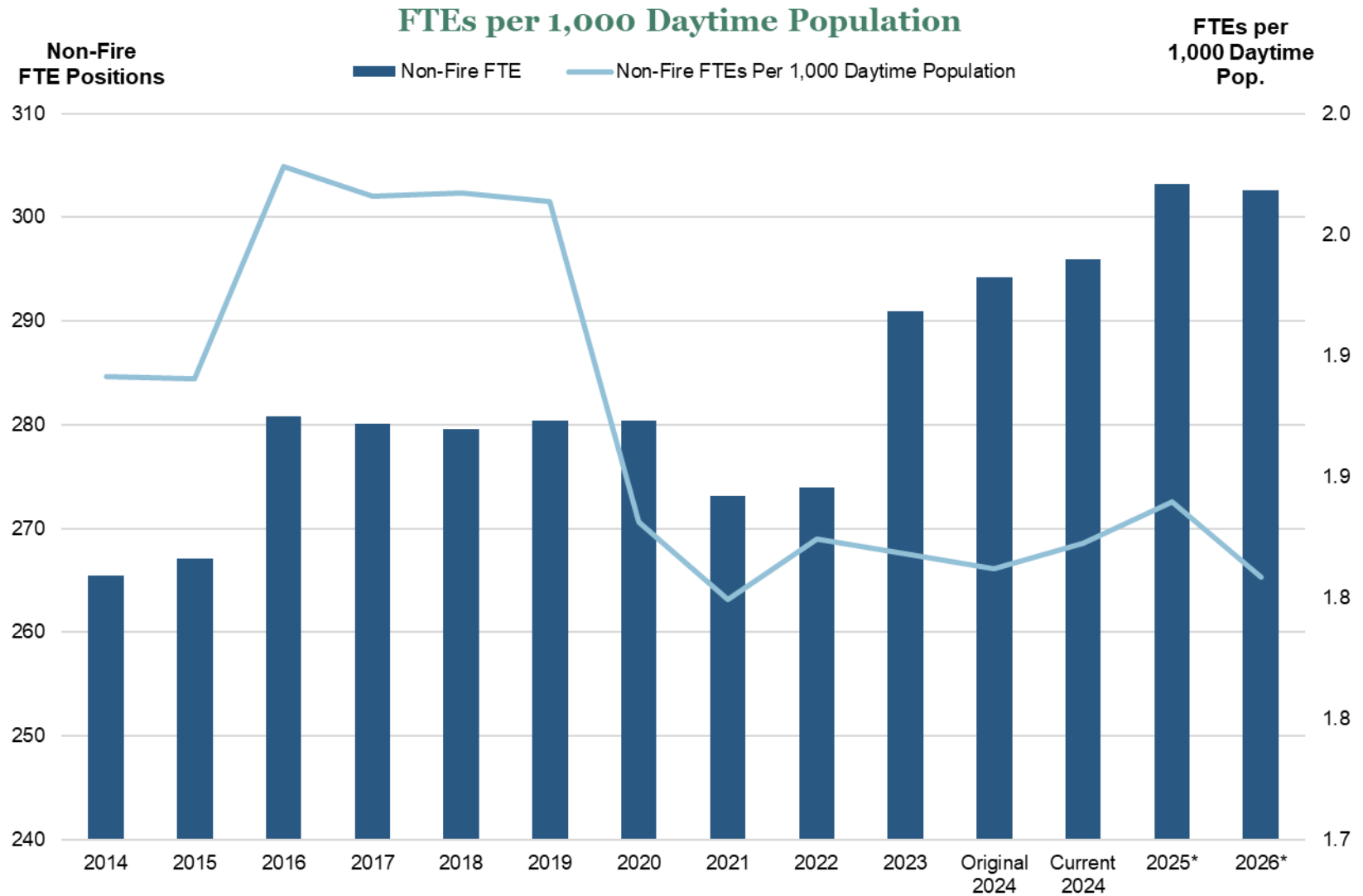
The change in Fire and Non-Fire FTEs over time is displayed below.



As the resident population and the daytime population of Tukwila have increased, the demand for City services has risen correspondingly. The table and chart below display the number of Non-Fire FTEs over time per every 1,000 in resident population.



Similarly, the City's significantly larger daytime population continues to grow, which increases demand for City services, particularly Police services. The table and chart below display the number of Non-Fire FTEs over time per every 1,000 in daytime population.



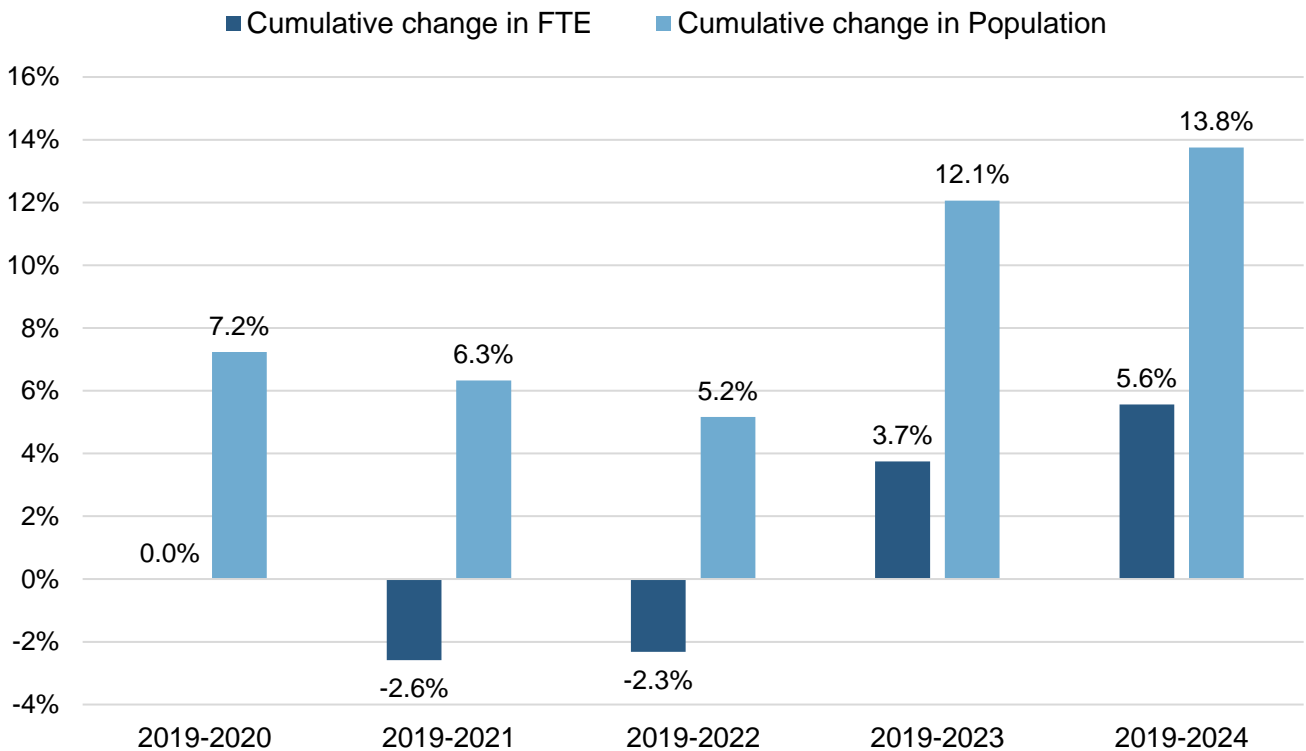
Although the City has undergone an increase in Non-Fire staffing from its pre-COVID levels, the City's increase in resident and daytime population results in staffing-to-population ratios that are 7.2% to 8.5% below pre-pandemic service levels.

Change in Population vs. Change in Staffing, 2019-2024

	2019	2020	2021	2022	2023	2024	2019-2024 Change	
							Number	Percent
Non-Fire FTE	280.4	280.4	273.2	273.9	290.9	296.0	+15.6	5.6%
Resident Population Estimate	20,328	21,798	21,615	21,377	22,780	23,123	+2,795	13.8%
Non-Fire FTEs Per 1,000 residents	13.8	12.9	12.6	12.8	12.8	12.8	-1.0	-7.2%
Daytime Population Estimate	142,778	153,103	151,817	150,146	160,000	162,411	+19,633	13.8%
Non-Fire FTEs Per 1,000 Daytime Population	2.0	1.8	1.8	1.8	1.8	1.8	-0.1	-7.2%

Cumulative Change in FTE vs. Cumulative Change in Resident Population

2019-2024



The 2025-2026 biennium budget proposes a net increase in 7.25 FTE across City Departments and Funds. Although there are additional position changes that reclassify or reallocate funding for staff, these are the staffing changes that increase or decrease FTE.

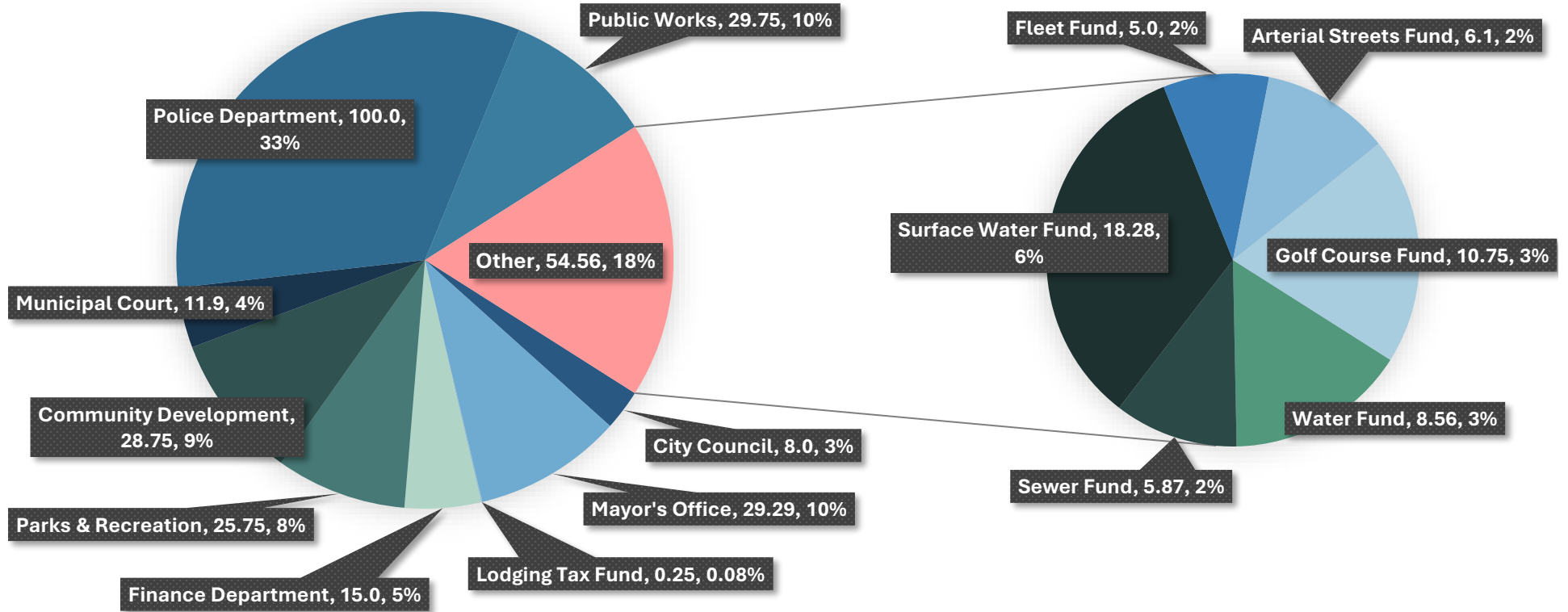
Department/ Fund	Change	Change in FTE
Parks & Recreation	Parks & Recreation Director decreases from 1.0 to 0.5 FTE	-0.5
Parks & Recreation	Preschool Teacher (Recreation Program Assistant) increases from 0.5 to 1.0 FTE	+0.5
Parks & Recreation	Park Ranger position proposed	+1.0
Golf Fund	Golf Maintenance Worker position increases from 0.75 to 1.0 FTE	+0.25
Police Department	Two Retail Emphasis (Mall) Detectives Proposed	+2.0
Public Works GF	Maintenance Technician "Unfrozen"	+1.0
Public Works GF	Facilities Custodian "Unfrozen"	+1.0
Sewer	Utilities Engineer/Assistant City Engineer position eliminated	-1.0
Surface Water	Two Maintenance & Operations Specialist positions proposed	+2.0
Surface Water	One Green Infrastructure Coordinator position proposed	+1.0
Total		+7.25

Although this 7.25 FTE represents a 2.5% increase in staffing, staff-to-population ratios remain below pre-pandemic service levels.

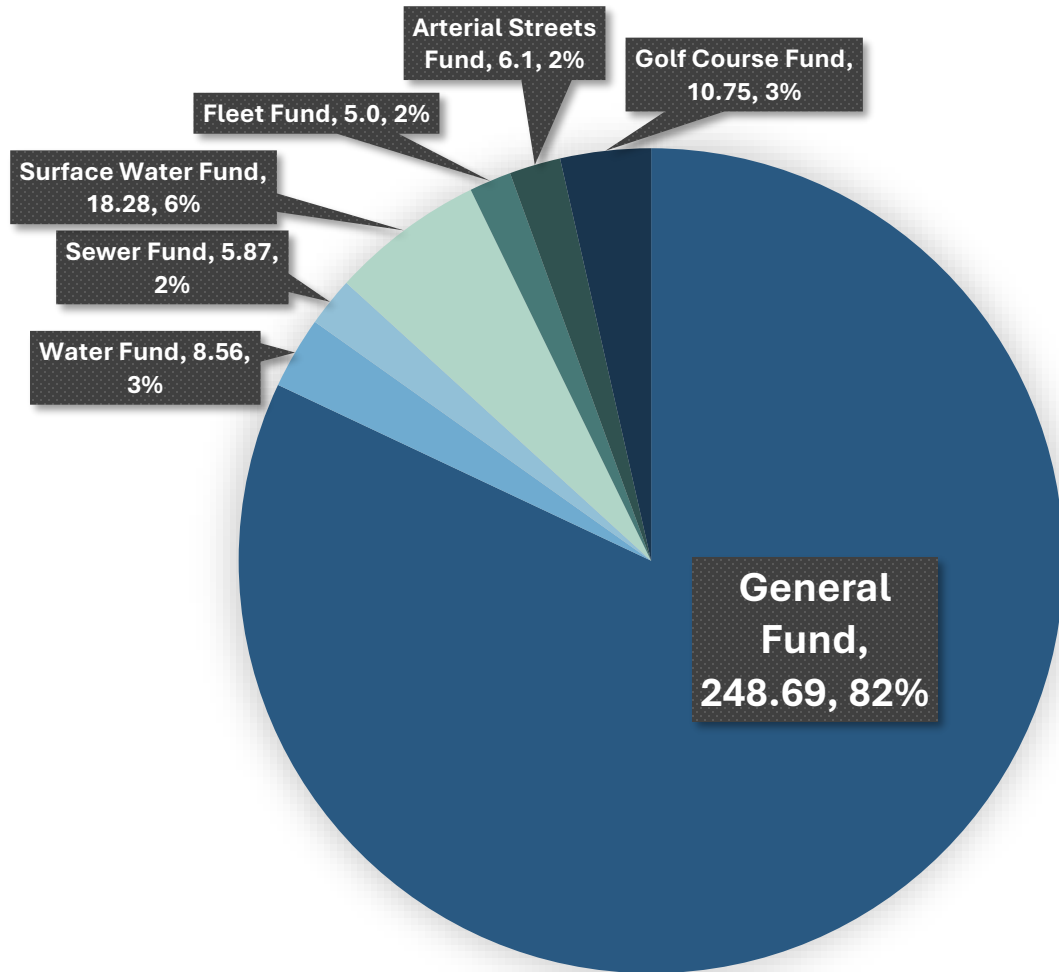
	2019	2024	2025 Proposed	2026 Proposed	2019-2026 Change	
					Number	Percent
Non-Fire FTE	280.4	296.0	303.3	302.7	+22.3	7.9%
Resident Population Estimate	20,328	23,123	23,472	23,825	+3,497	17.2%
Non-Fire FTEs Per 1,000 residents	13.8	12.8	12.9	12.7	-1.1	-7.9%
Daytime Population Estimate	142,778	162,411	164,858	167,342	+24,564	17.2%
Non-Fire FTEs Per 1,000 Daytime Population	2.0	1.8	1.8	1.8	-0.2	-7.9%

The following figures detail the General Fund Citywide Staffing by Department and by Fund

Citywide Staffing by Department: Number of FTE and Percent of Total FTE, 2025



Citywide Staffing by Fund: Number of FTE and Percent of Total FTE, 2025



Positions Summary by Department and Fund

DEPARTMENT	Original Adopted	2024 New	2024 Current	Request	Total Proposed	Request	Total Proposed
	2024	2024	2024	2025	2025	2026	2026
General Fund							
City Council	8		8	0	8		8
Mayor's Office	28.54	0.75	29.29	0	29.29		29.29
Lodging Tax Fund	0.5	-0.25	0.25	0	0.25		0.25
Finance Department	15		15	0	15		15
Parks & Recreation	24.5		24.5	1.25	25.75		25.75
Community Development	28.75		28.75	0	28.75		28.75
Municipal Court	10.65	1.25	11.9	0	11.9		11.9
Police Department	98		98	2	100		100
Public Works	28		28	1.75	29.75		29.75
<i>General Fund Total</i>	<i>241.94</i>	<i>1.75</i>	<i>243.69</i>	<i>5</i>	<i>248.69</i>		<i>248.69</i>
Water Fund	7.98		7.98	0.58	8.56		8.56
Sewer Fund	8.49		8.49	-2.62	5.87		5.87
Surface Water Fund	15.49		15.49	2.79	18.28		18.28
Fleet Fund	5		5	0	5		5
Arterial Streets Fund	4.6		4.6	1.5	6.1	-0.6	5.5
Golf Course Fund	10.75		10.75	0	10.75		10.75
TOTAL	294.25	1.75	296.0	7.25	303.25	-0.6	302.65