



CITY OF TUKWILA WASHINGTON

PROPOSED BIENNIAL BUDGET

2025-2026

Elected Officials

MAYOR: Thomas McLeod

CITY COUNCIL: De'Sean Quinn
Mohamed Abdi
Tosh Sharp
Armen Papyan
Jovita McConnell
Dennis Martinez
Hannah Hedrick

POPULATION: 22,930
ASSESSED VALUE: \$8.51 Billion



October 3, 2024

Dear Tukwila City Council and Tukwila Community,

Every two years the Mayor formally transmits a budget to the City Council for its consideration. Washington State Law requires the City Council to pass a balanced budget by the end of the year. While I had significant experience working on the City's budget as a Councilmember, the 2025/2026 Budget will represent the first budget I have prepared and presented to the City Council and our community as your Mayor. I am proud of the collaborative, inclusive process and public engagement the City completed as part of the budget development process as we collected input about community priorities and values. This letter offers highlights of my proposed budget, and I would like to thank City staff, the community, and the City Council for all the work we have done to date in the budget preparation.

I would first like to thank staff for their hard work and dedication in serving the Tukwila community. I take extreme pride in Tukwila's unique position as being one of the most diverse and welcoming communities in the State of Washington. Tukwila does not simply talk about our values, we lead with our values. One strong example of this is in our ongoing response to the asylum seekers that have been arriving in our city and state. The City had to quickly pivot to address these evolving and unanticipated circumstances. Together as a community we united to offer help and assistance to new arrivals in our community and nation as they continue their American journey.

Charting Our Path: A Bridge Budget

The 2023/2024 Budget was a bridge budget, intended to provide breathing room while the Tukwila community voted on joining the Puget Sound Regional Fire Authority (PSRFA) and as the City and region continued to emerge from the COVID-19 pandemic. To balance the budget the City used one-time revenue, enacted its first business and occupation tax, made strategic budget reductions, and chose not to fill certain vacant staff positions across departments.

In the last biennium the City was also able to make much needed investments in public safety, including filling police officer positions that were previously frozen during the budget challenges related to COVID-19. I am happy to report that the City of Tukwila's police department is now fully staffed, and I believe we will continue to see positive improvements to public safety with this increased staffing and services.

Charting Our Path: Headwinds Persist

As we come to the end of the bridge budget, it's important to know where we are heading. The City of Tukwila, like many Washington cities, continues to face structural imbalances with costs rising faster than revenues grow. Nearly one-third of the City's revenue comes from property taxes, yet Washington state law limits property tax increases to no more than one percent of the previous year's assessment. This means that one of the largest sources of revenue cannot even keep up with inflation. While Tukwila's retail environment is quite healthy, changes in how people shop have resulted in the City's sales tax growth being largely flat.

Many of the one-time revenues that the City relied upon to balance the 2023/2024 budget will not be available or will be severely reduced over the next two years. Sales tax mitigation payments, intended to assist cities such as Tukwila with the change to destination sales tax, are being reduced; American Rescue

Plan Act (ARPA) funds are no longer available; and the Business and Occupancy tax implemented by the City is forecasted to generate lower revenue than initially anticipated. While we continue to explore and create ways to raise revenues, the rate those revenues grow is still slower than the rate of our cost growth.

While the City continues to see limited growth in major revenue sources and experiences a reduction of one-time revenues available to the City, the cost of services continues to rise. These rising costs can largely be attributed to labor costs, inflation, fleet reform, and increased insurance liability. The structural imbalance between slow revenue growth and rising costs puts pressure on the City's operations and its ability to deliver quality services to the community.

Charting Our Path: Our Direction

It's imperative that the City find our way given the ongoing pressures impacting our revenue and cost structures. Last year the City convened a Financial Sustainability Committee comprised of residents, business representatives, and non-profit leaders that provided recommendations on how the City can effectively use existing resources to deliver quality City services to both the residential and business communities and achieve long-term financial sustainability. The Financial Sustainability Committee had three overarching recommendations:

1. **Be Good Stewards of Public Resources.** Build a culture of continuous improvement and implement approaches and tools to improve the City's efficiency and effectiveness.
2. **Invest in the Tukwila Community's Highest Priorities.** Align services with community priorities and prudently manage the tax burden on resident and businesses.
3. **Invest in Tukwila's Future.** Make targeted investments to achieve long-term cost savings and improved outcomes for the Tukwila community.

Complementing the work of the Financial Sustainability Committee, the City also solicited community feedback over the spring and summer to inform the upcoming budget. The City engaged with seven community liaisons with unique lived experiences, including speaking a language other than English, to solicit feedback from community members. The key findings from this engagement were issues I have heard consistently since taking office, which include concerns with affordability for housing and for business space, meeting basic needs, public safety, and improving communication and trust in government.

Next year I intend to work with the City Council, labor partners, staff, and the community to set Tukwila on a new direction to achieve financial sustainability for the City, while also bearing in mind the feedback we received from the community. I look at the 2025/26 Budget as being a "**Navigational Budget,**" helping chart our path forward to a better Tukwila. The work completed by the Financial Sustainability Committee will serve as our compass as we set off on our journey. I also believe it is paramount that we continue to engage with our community as we work on the financial health of the City.

Charting Our Path: Budget Priorities

A city budget is a statement of a community's values. Listening to the Tukwila community and using the principles outlined by the Financial Sustainability Committee, my proposed budget includes the following:

1. **Tax Relief.** Returning nearly \$6 million in property taxes back to Tukwila taxpayers. This fulfills the commitment that the City made when voters were asked to decide upon joining the Puget Sound Regional Fire Authority.

- 2. Communications and Engagement.** This important work is maintained in the budget with no reductions. Additionally, staff is working to expand and look at new ways to engage the Tukwila community, including funding for the People’s Project, which will give community members the ability to fund small projects within the community.
- 3. Public Safety.** Police funding is fully maintained. The budget also includes two officers assigned primarily to Westfield Southcenter, who will serve as a resource for patrons, businesses, and employees. Westfield Southcenter is the anchor to the City’s Southcenter District, producing annual retail sales of \$500 million from over 16 million visitors. It’s important for the City to provide a safe atmosphere for visitors and employees in one of the epicenters of shopping in the Pacific Northwest. Westfield Southcenter has agreed to pay for the costs of one of the officers.
- 4. Park Safety and Improvements.** Providing a park ranger to increase service and security at the City’s parks and trails. Savings by ending a security services contract and using King County levy park funds will allow this to be largely cost-neutral for the City. Additionally, the City is working to replace, renovate, add, and /or approve amenities at various parks and trails throughout the City.
- 5. City Facility Maintenance and Stewardship.** The budget includes funding for much needed capital investments to existing city facilities, including a new roof at City Hall, and upgrades to the Tukwila Community Center. Additionally, I’m recommending we begin addressing deferred maintenance with new investments in facility minor repairs, equipment replacement and increased custodial services. Our parks, ravines and open spaces will also receive added attention by bolstered vegetation management and stewardship efforts. Ensuring high functioning green infrastructure improves water quality, prevents erosion and preserves native plant and trees species critical to habitat and a cooler climate.
- 6. Technology Enhancements.** Cities and governments rely more and more on technology for their daily operations, including for public safety, utility operation, and permitting. It’s imperative we invest in securing upgrades and technology upgrades to protect critical technology services.
- 7. Capital Investments.** Tukwila operates sewer, water, and stormwater utilities and is also responsible for the maintenance of miles of roadways and sidewalks.
 - a.** The City’s utilities will be making investments to implement strategic goals and making much needed upgrades to facilities, including connecting the Ryan Hill neighborhood to the City’s entire water system.
 - b.** Improving fish passage and working with our partners to maintain levees which provide critical flood protection for the City.
 - c.** Improved traffic calming in residential areas and investments in pedestrian and other safety related improvements for non-motorized transportation.
- 8. World Cup Ready.** Using lodging tax funds, the City and Seattle will prepare to welcome the world to the region in 2026 for the largest World Cup ever. Nearly 750,000 people will come to Seattle for six matches. Economic Development expects the City’s lodging businesses to be at full capacity. The City is working with regional partners to create a safe and fun atmosphere for soccer fans for this exciting global event.

These are just some of the priorities and projects presented in the draft budget for City Council consideration.

In balancing the 2025-26 budget and honoring our commitment to Tukwila taxpayers, it doesn't come without significant trade-offs. They include:

- 1. Use of One-Time Funds.** The budget assumes two significant land sales in 2025/2026. While speculative and with some risk, staff believe the City will likely execute land sales for the George Long Facility and (former) Fire Station 51. Additionally, the City is closing the Urban Renewal Fund which was used for the purposes of purchasing properties in the urban renewal area of Tukwila International Blvd and transferring nearly \$1 million to the General Fund.
- 2. Ongoing Lean Staffing Model.** Non-public safety frozen positions from the prior biennium have been eliminated. This budget also does not address critical deficiencies with Human Resources, Transportation Engineering and the Mental Health Co-Responder Program.
- 3. No New Revenue.** In addition to returning \$6 million to Tukwila taxpayers, and implementing only modest utility rate increases, no other new revenues are proposed. While this provides needed relief to Tukwila community members, the City faces serious future challenges in ensuring sustainable revenues support ongoing expenses, even without the City's budget supporting a Fire Department.

In closing, I want to thank the Community and City Council for the thoughtful and collaborative process. This budget continues modest investments in some of our highest priorities, transparency & accountability, and sets us on a path to define a more financially sustainable future. I look forward to working with the City Council as we complete the budget process.

Sincerely,



Thomas McLeod
Mayor



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Tukwila
Washington**

For the Biennium Beginning

January 01, 2023

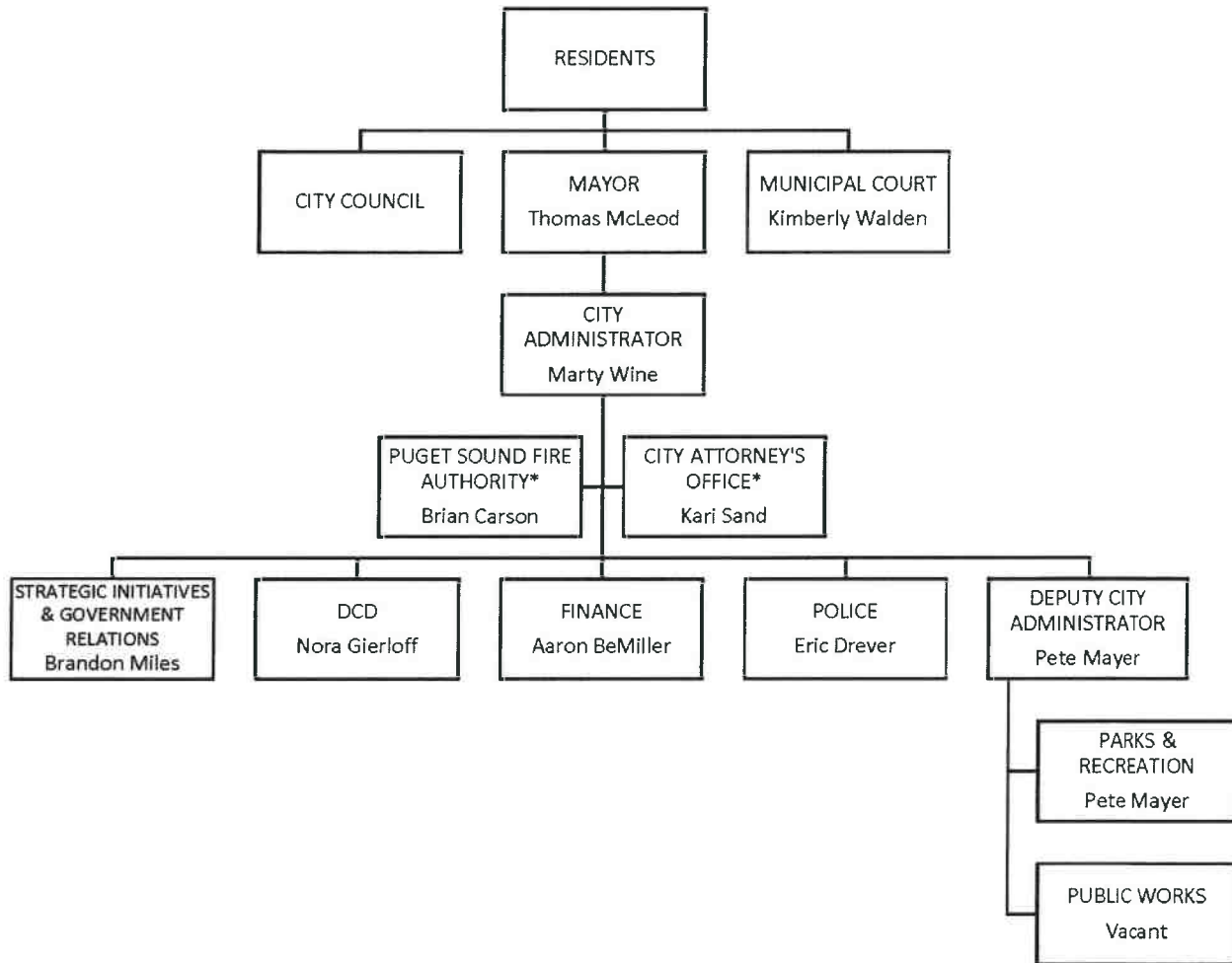
Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Tukwila, Washington for its biennial budget for the biennium beginning January 1, 2023. In order to receive this award, a government entity must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of two years. We believe our current budget document continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

**City of Tukwila, Washington
2025-2026 Organization Chart**



*Services provided by outside entities

CITY OFFICIALS

2024 CITY COUNCIL

Council President
Councilmember
Councilmember
Councilmember
Councilmember
Councilmember
Councilmember

Mohamed Abdi
De'Sean Quinn
Tosh Sharp
Armen Papyan
Jovita McConnell
Dennis Martinez
Hannah Hedrick

MUNICIPAL COURT

Judge
Judicial Branch Administrator

Kimberly Walden
Trish Kinlow

CITY ADMINISTRATION

Mayor
City Administrator
Deputy City Administrator
Strategic Initiatives & Government Relations Director
City Attorney
Finance Director
Community Development Director
Parks & Recreation Director
Public Works Director
Fire Chief
Police Chief
Chief People Officer
Chief Information Officer
City Clerk

Thomas McLeod
Marty Wine
Pete Mayer
Brandon Miles
Kari Sand
Aaron BeMiller
Nora Gierloff
Pete Mayer
Vacant
Brian Carson
Eric Drever
TC Croone
Joel Bush
Andy Youn

2025-2026 BUDGET PREPARED BY:

Deputy Finance Director
Fiscal Manager (former)
Senior Fiscal Coordinator
Fiscal Coordinator
Parks & Recreation Fiscal Analyst
Public Works Analyst

Tony Cullerton
Aaron Williams
Sherry Wright
Tommy Conkling
David Rosen
Griffin Lerner

CITY BOARDS AND COMMISSIONS

ARTS COMMISSION

Pat Bako
Verna Seal

Sheila Coppola
Cynthia Chesak

Pinky Estell
Shawn Belyea

City Staff: Parks & Recreation

CIVIL SERVICE COMMISSION

Tom Morris

Brennan Wilson

Tim Collins

City Staff: Human Resources

COMMUNITY ORIENTED POLICING CITIZEN'S ADVISORY BOARD

Rachel MacDonald
Katrina Dohn
Roger Arnold

Christine Neuffer
Dulce Zamora
Scott Whitbeck

John Lindsay
Jan Bolerjack

City Staff: Police Chief

EQUITY AND SOCIAL JUSTICE COMMISSION

Jovita McConnell
Latricia Kinlow
Fane Katoa
Dennis Nguyen

Maryan Abdow
Kathy Hougardy
Aaron Draganov

Lina Stinson-Ali
Joe Duffie
Kristen Schwabe-Fry

City Staff: Community Services & Engagement

HUMAN SERVICES ADVISORY BOARD

Terra Straight
Jan Bolerjack

Julie Herdt

Fatumo Farah

City Staff: Human Services

LIBRARY ADVISORY BOARD

Robin Boland
Geraldine Ventura

Steve Miller
Verna Seal

Marie Parrish
Cynthia Chesak

City Staff: Parks & Recreation

LODGING TAX ADVISORY COMMITTEE

Mohamed Abdi
Ben Oliver

Miesa Berry
Jean Thompson

Jim Davis
Brian Jones

City Staff: Mayor's Office

PARK COMMISSION

Sean Albert
Gina Bernhardt Nielsen
Teo Hunter

Roby Snow
Joe Camacho
Ella Thorng

Kathleen Gantz
Scott Kruize

City Staff: Parks & Recreation

PLANNING COMMISSION

Louise Strander
Alexander Kaehler
Richard McLeland Wieser

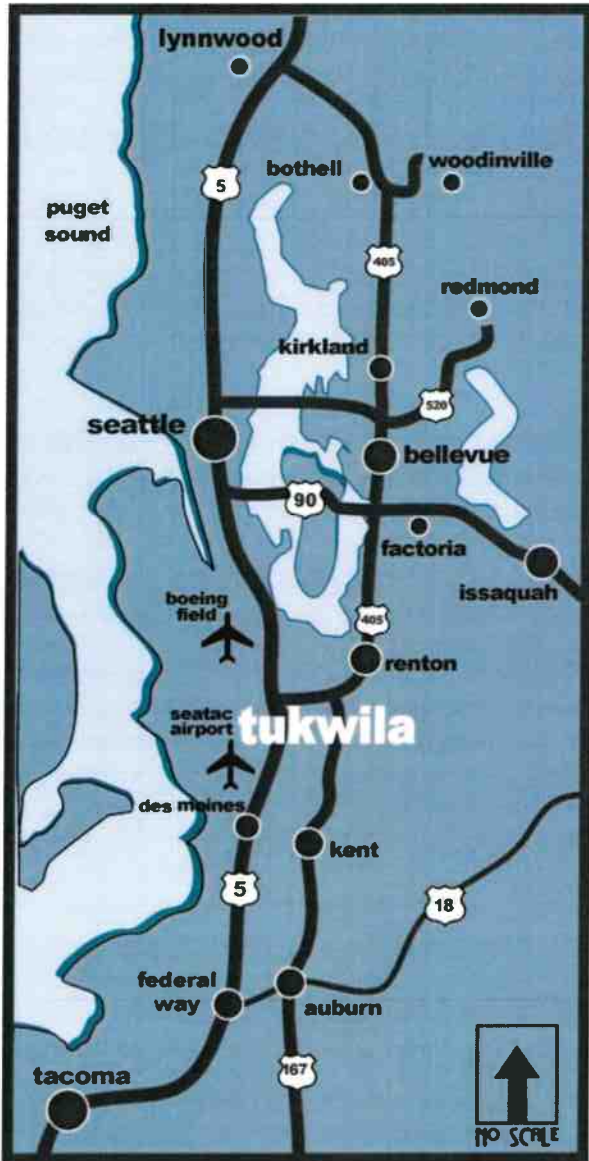
Ann Durant
Jacob Halverson

Martin Probst
Dung Jane Ho

City Staff: Community Development

CITY OF TUKWILA AT A GLANCE

Tukwila means *place where the hazelnuts grow* in the Lushootseed dialect of the *People of the Inside* (the Duwamish people), who have inhabited the area for centuries.



School Districts

Tukwila School District, Highline School District, and Renton School District.

Incorporated

June 23, 1908

Government

Tukwila is a non-charter, optional code city operating under a Mayor-Council form of government, which includes a full-time Mayor, seven-member City Council elected at large, and a City Administrator. All elected-official terms are for a period of four years

County

King County

<https://kingcounty.gov>

Tukwila is located in the heart of the Puget Sound region, approximately 12 miles south of downtown Seattle, 17 miles north of Tacoma, and just east of Seattle-Tacoma International airport.

Area

9.6 square miles

Population

22,930

Languages

40% of Tukwila residents are foreign born and 47.1% speak languages other than English at home.

Households

Tukwila has 8,098 households, a median household income of \$76,331 and 13.3% of persons live in poverty.

Business

Tukwila has more than 2,000 businesses, which comprise over 40,000 jobs. Businesses cover multiple sectors with concentrations in retail, manufacturing, services, and distribution and specialties in entertainment and aerospace.

READER'S GUIDE

The City's budget document is intended to provide information to a wide variety of users, including City Councilmembers, residents, staff, and municipal bond investors. It serves as a comprehensive resource of historical information and projections based on current assumptions. The information in the budget can be grouped into four main categories to help users understand what the City plans to do with its resources over the next two years.

1. **A Policy Document:** The City's biennial budget addresses two primary kinds of policies: those under development and those that are already in place. The Mayor's Budget Message, found at the beginning of the document, provides the background, sets the stage for the specific work that will be accomplished during the coming budget period, and describes the policy issues important to the community as identified by the City Council.

2. **A Communications Device:** The City's biennial budget provides information about the priorities the City Council has identified for the next two years, as well as information about day-to-day activities and the resources required to meet service demands. Performance measures are included in the detailed budget section for certain departments and funds to provide information on how effective the City is in meeting goals and objectives.

3. **A Financial Plan:** The budget document is foremost a financial plan, providing a fiscal road map that matches resources with spending priorities defined by City Council. Each operational area of the budget involves specific departments and is summarized by organizational charts.

a. **The Budget by Department:** The City is organized into departments and divisions. A department can operate in just one fund, such as the Finance Department which operates only in the General Fund. In this case, the department has a fairly singular focus of work, with specialized training that does not cross into other work areas. A department can also operate in more than one fund, such as the Public Works Department, which operates in multiple funds, including the General Fund, Water, Sewer, Surface Water Utility Funds, and various Capital Project Funds. Some departments also have divisions and within each division there can be one or more programs. The program level is used to either manage specific work, allow the ability to cost specific services for which customers are charged a fee for service, or report to the City Council, residents, or outside agencies.

b. **The Budget by Fund:** The City uses a fund structure as the primary method of accounting for financial operations. A fund can be thought of as a "business," with all revenues in the fund associated with the expenditures in the fund. In many cases, there is a legal restriction on the use of the revenue in a fund. For example, Water Fund revenues can't be used to pay for street repair as Water Fund revenue is legally restricted to services necessary to provide water. The General Fund is used as a catch-all fund and is specifically defined as the fund to use when there is no reason to use another fund.

c. **The Budget by Category:** The City's budget also includes different categories of revenues and expenditures which overlay the budget by fund and department. Comparing the budget by categories can help a reader understand how major sources of revenue or costs are treated across the organization. Operating revenues include categories such as: sales taxes, property taxes, licenses and permits, charges for services, intergovernmental revenues, fines and forfeitures, and miscellaneous revenues. Non-operating revenue categories include transfers, issuance of long-term debt or sale of capital assets. Operating expenditure categories include

personnel services (includes salaries and wages, plus all associated benefits), professional services, materials and supplies, transfers, debt service and capital outlay.

4. An Operations Guide: The City's operations are defined through the budget document in the discussion of each department. Every department section begins with an organizational chart followed by a summary of how funds are used to provide services. Following adoption by the City Council, At the beginning of every department section is a page showing its organizational structure. The following pages provide a brief summary of how funds are used. The budget document is also used by staff as both a guide for the work plan and as a reference tool. It serves as a comprehensive resource of historical information and projections based on current assumptions. During the course of the biennium, each department manages and monitors its budget, reporting as needed to the City Administrator and/or Finance Director on any unusual occurrences. The Finance Department has the overall responsibility to develop and monitor the budget. The Finance Department's staff prepares monthly budget to actual reports in addition to the quarterly financial status reports which are designed as interim snapshots of the City's financial projections and are included in Council meeting packets. The Finance Department also prepares the Annual Comprehensive Financial Report (ACFR) each year.

BIENNIAL BUDGET PROCESS

The City of Tukwila's budget procedures are mandated by RCW 35A.33., including the following steps:

1. Prior to November 1 on even-numbered years, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by the City departments during the preceding months and balanced with revenue estimates made by the Mayor.
2. The City Council conducts public hearings on the proposed budget in November.
3. The Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced budget no later than December 31.
4. The final operating budget as adopted is published and distributed within the first month of the following year.

Every even-numbered year the budget process begins with the review of the City's strategic goals as identified in the City's adopted Strategic Plan. This review includes a collaborative process between the Community, Administration and Council to identify the priorities for the next biennium, which inform spending and direct the budget. The six-year capital improvement program document is developed in conjunction with the biennial budget so that annual appropriations can be viewed in the context of the City's long-term direction and resource capability. The biennial budget document implements the projects and priorities identified in the six-year financial plan and capital improvement program. It outlines the manner in which financial resources will be utilized during the budget period. The course the City is taking can be changed through the allocation of resources. The City Council, Mayor, City Administrator, Department Directors, City staff and residents all participate in the budget process.

Once adopted, the budget is a formal expression of public policy on the City's objectives and priorities, and on how resources will be allocated to meet those objectives.

City staff reviews the adopted financial policies and presents any changes to the Council during the budget cycle. The Council considers the proposed changes and may adopt policy changes, if necessary. City staff then prepares the six-year financial plan and presents it to the City Council as part of the budget review process. The six-year financial plan is reviewed and updated as necessary during off budget years.

City staff then prepares the final estimates of revenues, expenditures, and capital improvement changes. The preliminary budget is presented to the Council in October or earlier. Public hearings and Council discussions are held, and the final budget is adopted by early December.

The adopted budget takes effect on January 1st of odd numbered years. Throughout the year, expenditures are monitored to ensure that funds are used in an approved manner. A few times during the budget period, the budget may be changed (amended) by Council action in an open public meeting to respond to unanticipated circumstances during the biennium.

BUDGET PROCEDURES AND AMENDMENT PROCESS

The City prepares a biennial budget, which has been permitted for Washington cities since 1985 and allows cities to adopt a two-year appropriation. An appropriation represents the city's legal authority to expend funds. By design, the City's biennial budget is considered in non-election years, as the biennium must begin in odd-numbered years.

The two-year budget provides an opportunity to widen the planning horizon and allow more long-term thinking to be part of the City's financial plan. Biennial budgeting also includes opportunities for adjustments, and a "mid-biennium review" is conducted to evaluate any necessary adjustments to the adopted budget. The mid-biennium review begins September 1st and is to be completed by the end of the first year of the budget.

The City Council authorizes transfers within funds and must approve by ordinance any amendments that increase the total for the fund. Budget amounts presented in the basic financial statements include both the original amounts and the final amended budget as approved by the City Council.

The calendar for the City of Tukwila's current budget is as follows:

2025-2026 Budget Calendar

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

2024

Budget Kickoff with City Council



Community Engagement: Final Report of the Financial Sustainability Committee



Council discussions/workshops on revenues, capital planning, transportation, utility rates, process & themes



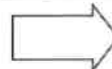
Council adoption of Financial Policies



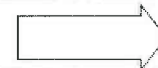
Community Engagement: Budget Liaison Program



Community Engagement: statistically valid community survey



Departments prepare budget estimates.



Community Engagement: feedback gathered at community events



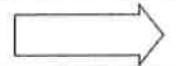
Finance Department & Mayor's Office review departmental budgets; evaluate community feedback



Mayor presents draft budget to Council.



City Council budget review



Public hearings



Property tax levy set by ordinance.



Budget and CIP adopted



BUDGET DEFINITIONS

Expenditures are identified in the following categories:

Salaries and Wages – Wages for full-time and part-time employees, overtime, and extra labor costs to meet short-term needs.

Personnel Benefits – includes all mandatory and negotiated benefits for City staff.

Supplies – includes items used for day-to-day operations and small tools & equipment that do not meet the City's capitalization threshold.

Services – includes professional and contracted services, utilities, insurance, and other needs of the City that is accomplished by outside vendors.

Intergovernmental – charges for services paid to other government agencies including jail costs, dispatch for fire and police, and interfund taxes due from enterprise funds to the general fund.

Capital – includes all items purchased that meet the capitalization threshold and major road, sidewalk, and utility project costs.

Budget and Accounting System

The official budget is maintained, both before and after adoption, on the City's financial management and accounting system at a very detailed line-item level. Reports may be generated at any time and at various levels of detail. Departments can also access these budgets at any time on a read-only inquiry basis to compare actual revenue and expenditures to their budgets. This computerized budget becomes the accounting system that controls expenditures after adoption of the final budget.

Preliminary Budget

The preliminary budget is prepared, pursuant to state law, as the Mayor's budget recommendations to the City Council. This public document contains a summary of information at the fund level, and for the General Fund at the department level. It focuses on key policy issues, while providing a comprehensive overview of the complete budget.

Budget Ordinance

The actual appropriations implementing the budget are contained in the budget ordinance adopted by the City Council.

Final Budget

The final budget is issued as a formal published document as approved by ordinance by the City Council. It is this document which is formally filed as the final budget.

Programs

While the budget proposals of the administration are developed in concert with the fiscal proposals in the budget, the budget documents themselves only summarize the individual objectives and performance measures. Generally, these programs are not finalized until the budget is in final form as the budget determines the actual activities undertaken by each department.

Components of the Budget

The budget consists of two parts: operating budget and capital budget.

Operating Budget

The operating budget consists of on-going day-to-day operations and departmental budget proposals, which would be sufficient to maintain the objectives set by the departments to meet Council goals.

Capital Budget

The capital budget authorizes and provides the basis of control of expenditures for the acquisition of significant city assets, construction of capital facilities, and improvements to City-owned infrastructure.

Capital Planning

The Capital Improvement Program (CIP) was originally adopted as an element of the City Comprehensive Plan that provides the City's plans to finance capital facilities that will be needed over the next 20 years. The CIP includes both long-range strategy and a specific six-year plan of projects. The CIP includes a summary of the projects and appropriations for the upcoming biennium.

Implementation, Monitoring and Amending the Budget

The financial aspects of the budget are monitored in periodic reports issued by the Finance Department comparing actual expenditures and revenues with the budget. In these reports, financial data can be presented at a higher level of detail than the final budget. These reports include an analysis of the City's financial condition.

From time to time, it becomes necessary to modify the adopted budget. The procedure for amending the budget depends upon the type of change that is needed. One type of change does not affect the "bottom line," or total, total for a department or a fund. These changes, mainly transfers from one line-item to another within a department's operating budget or changes between divisions within a department are presented by administration to City Council for their consideration and approval.

The second type of budget amendment brings about a change in the total appropriation for a department or fund. Examples of these changes include but are not limited to the following: the acceptance of additional grant money, an adjustment to reflect increased revenues such as tax receipts, the appropriation of additional funding if expenditures are projected to exceed budgeted amounts, and re-appropriation of monies from one fund to another. These changes require Council approval in the form of an ordinance. The status of the budget is comprehensively analyzed during the mid-biennial review and periodically through each year to identify any needed adjustments.

Basis of Budgeting

All governmental fund type budgets are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The budget for proprietary funds is prepared on an accrual basis, also in accordance with GAAP. The legal level of budgetary control where expenditures cannot exceed appropriations is at the individual fund level. Revisions that alter the total expenditures of any fund must be approved by the City Council and adopted by ordinance.

Chapter 35.33 of the Revised Code of Washington (RCW) mandates the City's budget procedures. The budget, as adopted biennially by the City Council, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level and expenditures may not legally exceed appropriations at that level of detail.

FUND DEFINITIONS

The City of Tukwila's accounting and budget structure is based upon governmental fund accounting to ensure legal compliance and financial management for various restricted revenues and program expenditures. Fund accounting segregates certain functions and activities into separate self-balancing funds created and maintained for specific purposes (as described below). Resources from one fund used to offset expenditures in a different fund are budgeted as either a 'transfer to' or 'transfer from'.

The City of Tukwila budget is organized in a hierarchy of levels, each of which is defined below:

- Fund** A fund is an accounting entity used to record the revenues and expenditures of a governmental unit which is designated for the purpose of carrying out specific activities or attaining certain objectives. For example, Fund 104, the Arterial Street Fund, is designated for the purpose of maintaining the arterial streets within the City.
- Department** A department designates a major function of City operations, e.g., Public Works or Parks and Recreation.
- Program** A specific distinguishable line of work performed by the department, or departments, for the purpose of accomplishing a function for which government is responsible. For example, "Traffic Control" is included within the Street Funds.
- Object** The appropriation unit (object of expenditure or expense) is the level of detail used in the budget to sort and summarize objects of expenditure, or expense, according to the type of goods or services being purchased, e.g., salaries, supplies.

FINANCIAL STRUCTURE OF THE CITY BUDGET

Governmental Fund Types

General Fund

The General Fund supports the general operations of the City, including administration, legislative functions, legal services, public safety, planning and community development, enforcement of local codes, parks, recreation, and cultural activities. Taxes are the principal source of revenue for the General Fund: property, sales, utility, and gambling taxes. Other important resources are shared revenue from other governments, licenses and permits, charges for services, and fines and forfeitures. The General Fund accounts for all City resources except those for which a specific fund has been created. The Contingency, or Reserve Fund, is an accumulation of fund balance that is greater than 10% of previous year General Fund revenue, exclusive of significant non-operating revenue. Amounts held in this fund can be used for more restrictive, emergency type purposes. This fund is a sub-fund of the general fund.

Special Revenue Funds

Special Revenue funds are used to account for revenues which are legally or administratively restricted for special purposes. These funds receive revenue from a variety of sources, including Federal and State grants, taxes, and service fees. These revenues are dedicated to carrying out the purposes of the individual special revenue fund. There are two Special Revenue funds: *Lodging Tax and Drug Seizure*.

Debt Service Funds

These funds account for resources necessary to pay principal and interest on general long-term debt. Debt limits are based on percentages of assessed valuation, with voted debt requiring a 60% majority of the city electorate. Tukwila has a Limited General Obligation bond rating of AA- with Fitch and A1 with Moody.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition of capital facilities including those financed by special assessment, major improvements, and construction. Revenues for capital funds consist of federal and state grants, contributions from operating funds and bond proceeds. Currently the City has eight active capital project funds: Residential Streets, Bridges & Arterial Streets, Land Acquisition, Urban Renewal, General Government Improvements, Fire Improvements, Public Safety Plan Fund and City Facilities Fund.

Proprietary Fund Types

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to businesses. They are established as fully self-supporting operations with revenues provided primarily from fees, charges, or contracts for services. The City maintains four Enterprise Funds to account for the operations of Water, Sewer, Surface Water, and Foster Golf Course.

Internal Service Funds – Internal Service Funds are used to provide goods or services to other departments on a cost reimbursement basis. The City maintains three Internal Service funds to account for fleet management and self-insurance activities.

Fiduciary Funds – Fiduciary, or Trust Funds, are used to account for assets held by the City in a trustee capacity and cannot be used to support the City's own programs. These include pension trust, investment trust, private-purpose trust, and agency funds. The City's pension trust fund is the Firemen's Pension Fund and is budgeted on the accrual basis of accounting where revenues are recognized when earned and expenses are recorded when incurred.

FINANCIAL PLAN

Introduction

The National Advisory Council on State and Local Budgeting (NACSLB) endorses the forecasting of revenue and expenditures in their Recommended Budget Practices and the City's financial plan follows this model. This section of the budget, financial planning model, and capital improvement program provides a combined view of both past and anticipated future revenues and expenditures for all funds. The plan focuses analysis on revenue sources in order to inform readers as to how the City funds services provided to residents, businesses, and guests. A table, graph and explanation of major changes is provided for the General Fund, Special Revenue funds, Capital Projects funds, Enterprise funds, Internal Service funds, and Fiduciary funds. This is followed by a six-year forecast of revenue and expenditures along with a discussion of the factors that affect the forecast. Long term debt and debt capacity is discussed as well as the General Fund fiscal capacity. This section ends with a discussion of fund balance and working capital balances.

A budget is a plan that develops and allocates the City's financial resources to meet community needs in both the present and future. The development and allocation of these resources is accomplished on the basis of the policies, goals, and objectives addressing the requirements and needs of the City of Tukwila. While the other sections of this document will present the budget in detail, this section provides an overview of the budget as a Financial Plan. As such, this section focuses on City strategies to maintain its financial strength and the basis for the expectation for future revenues.

An important part of a financial plan is the City's Capital Improvement Program. Projects affecting the budget years in this document are summarized under the Capital Budget section; the entire Capital Improvement Program (CIP) is outlined, in detail, in a separate document.

A six-year forecast of the City's governmental fund revenues and expenditures follows this summary. The purpose of the forecast is to highlight issues associated with financial policies and budgetary decisions. It is not intended to be a multi-year budget.

Revenues and expenditures are projected on the basis of assumed economic relationships. Revenues are forecast on the basis of future economic and demographic factors. Expenditures are forecast based on past trends modified by present and future conditions. Future conditions are based upon a series of assumptions. This model has been used to test a large range of assumptions and policy options in the course of developing budget recommendations.

Continued caution will be required to anticipate and manage the effects of current and future legislative actions to avoid service reductions for budgetary reasons. Should growth occur slower than anticipated the adverse effect on fund balance may be greater than predicted.

The City, like all other taxing authorities, is prohibited to raise property taxes more than 1% plus new construction without a vote of the people. Therefore, forecasting must remain conservative. The issue that develops when property tax increases for existing improvements to property are held to 1% is that costs cannot be held to the same 1% increase. Costs such as employee benefits, negotiated labor contracts, services and supplies continue to increase at a greater rate. Fuel, professional services, and healthcare costs are good examples. The shortfall then has to be made up by increases in sales tax collection and population growth, or other revenues.

STRATEGIC PRIORITIES AND COMMUNITY ENGAGEMENT

The City of Tukwila Strategic Plan, most recently updated in 2018, guides actions and investments toward the city's vision of Tukwila as ***the city of opportunity, the community of choice***. The Plan contains strategic goals and strategies that provide direction to civic leaders in carrying out the functions of the city. In each biennium's budgeting and planning cycle, City leaders collaborate with the community to identify priorities for the upcoming budget that align with these goals and strategies.

The City prioritizes community input in the development of its budget. In 2023, a Financial Sustainability Committee made up of 14 community members was formed, culminating in a final report to the Council in April 2024. Concurrently, staff developed and implemented a multi-faceted community outreach and engagement strategy for 2024. This included deployment of a statistically valid community survey, contracting with community liaisons to gather feedback from non-English speaking and traditionally underrepresented neighbors, and gathering input at community events, farmer's markets and Board & Commission meetings.

Insert Budget Ordinance when Prepared



2025-2026
PROPOSED
CITY OF
TUKWILA
BIENNIAL
BUDGET

1	BUDGET SUMMARY
2	GENERAL FUND
3	CITY COUNCIL
4	MAYOR'S OFFICE
5	MUNICIPAL COURT
6	PARKS & RECREATION
7	COMMUNITY DEVELOPMENT
8	POLICE DEPARTMENT
9	FIRE SERVICES
10	PUBLIC WORKS
11	FINANCE & NON-DEPARTMENTAL
12	OTHER FUNDS
13	CAPITAL IMPROVEMENT PLAN (CIP)
14	APPENDIX
15	CITY COUNCIL Q&A

