
BUDGET SUMMARY

This section summarizes the 2025-2026 biennial budget and provides comparisons to previous years' revenues and expenditures. It begins with an overview of the City's overall fiscal environment followed by a discussion of the budget development process.

GENERAL FISCAL ENVIRONMENT

Effective budget and financial policies are developed gradually over a period of time in response to long-term fiscal and socioeconomic conditions. Accordingly, this document responds to both the City's current fiscal and socioeconomic conditions and those anticipated in the future.

Tukwila's economy generally follows the economic cycles of the surrounding region, although downturns have historically been less severe than for other municipalities in the region.

In the previous biennium, the City experienced steady revenue growth compared to earlier years. Sales tax, the City's primary revenue source, increased by 6.7% in 2023, building on a 12.7% rise in 2022. While the recovery of sales tax revenue continues, inflation played a key role in driving this overall increase. City staff remain proactive in seeking additional grant opportunities to further support the budget. Additionally, intergovernmental revenues continue to represent a significant portion of the City's overall income, reinforcing the importance of external funding sources to maintain fiscal health and support community services.

Over half of Tukwila's ongoing revenue comes from property tax and sales tax. Property tax grows more slowly than inflation and sales tax is subject to economic conditions, which became unusually volatile due to the global pandemic that began in 2020.

Tax revenues saw continued growth in 2023 and 2024. However, rising inflation during this period significantly increased expenditures, surpassing the gains in revenue. Despite the positive trend in tax collections, the rapid escalation of costs due to inflation placed considerable pressure on the City's budget. This imbalance underscores the challenges of managing rising expenses in an inflationary environment, even as revenues grow.

The City has some relatively new revenue capacity due to the voters' decision to annex into the Puget Sound Regional Fire Authority in 2024 and the introduction of a new Business & Occupation Tax. Meanwhile, the City is also struggling with declining sales tax revenues as the Sales Tax Mitigation program continues to diminish, significantly reducing a previously reliable source of income. Additionally, the American Rescue Plan Act (ARPA) funding will discontinue at the end of 2024. Expenditures continue to grow at a faster rate than revenues, driven by factors such as rising labor costs, increased inflation, and escalating insurance liabilities. Population and employment growth are drivers of staff workload and increase demands on infrastructure and services.

BUDGET DEVELOPMENT

In late 2023, the City convened a community-based Financial Sustainability Committee to solicit input on how Tukwila can use limited financial resources to meet community priorities. The Committee made its final report to the Mayor and City Council in April 2024, including these recommendations:

- *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.
- *Invest in the Tukwila Community's Highest Priorities.* Align services with community priorities and prudently manage the tax burden on residents and businesses.
- *Invest in Tukwila's Future.* Make targeted investments to achieve long-term cost savings and improved outcomes for the Tukwila community.

These recommendations, in addition to the other community engagement efforts described in the introduction, helped shape the creation of the 2024-2025 biennial budget. Major issues driving fiscal policy proposals include public safety investments, repair & replacement of critical infrastructure, and organizational efficiencies and financial sustainability. The previous biennium was considered a "bridge" budget, intended to help the City with its potential transition to the Puget Sound Regional Fire Authority, which was ultimately approved by voters. The intention going forward to 2025-2026 was to return tax capacity to Tukwila taxpayers while retaining necessary resources to mitigate the structural imbalance and investing in key service level enhancements. To balance the 2025-2026 budget and honor this commitment, the proposal includes use of one-time funds in the form of land sales and closure of the Urban Renewal Fund; implements an ongoing Lean staffing model, and does not propose any new revenue beyond modest utility rate increases.

PERFORMANCE MEASURES

Performance measures are tools put in place by program staff and managers and reviewed by City leadership to assure alignment between programs and City goals. These measures are select points of data that represent the work performed within departments in a way that can track the effectiveness of programs over time.

S.M.A.R.T. goals track Specific, Measurable, Achievable, Realistic, and Timely objectives set forth by department heads. The objective of a SMART goal is to tell exactly what is expected, why it is important, who is involved, when it is going to happen, and which attributes are important. Such goals have a much greater chance of being accomplished as compared to general goals.

WHY MEASURE PERFORMANCE?

Measuring performance provides a quantifiable way in which to recognize successes and areas needing improvement. The City's progress is measured against data from previous years, targets set in master plans and benchmarks with other communities. The performance measures are tied to the City's adopted strategic plan goals and provide visibility into how the goals are being accomplished. By measuring our programs using a variety of data, we can see how Tukwila's present state relates to its past indicators and future plans. Performance measures offer transparency and allow the public to hold the City accountable. The report provides insight into costs, accomplishments, and areas of improvement over time.

FORMAT OF REPORT

Performance measures provide a logical connection between City resources and desirable community outcomes. If the City devotes resources to a service area, then it should be able to achieve desired outcomes in line with the Council goal of that service area. Each department section includes a performance measures chart of City inputs, outputs, and outcomes. These measures are tied to the Council's Strategic Goals, which are reported on the inside front cover of the budget.

FINANCIAL SUMMARY

The 2025-2026 budget is balanced and meets the Council adopted goals for Contingency and Ending Fund Balance. The budget reflects total revenues of \$154 million in 2025 and \$168.3 million in 2026, a 0.9% decrease from adopted 2024 revenues of \$156 million. The decrease is a result of returning property tax capacity to voters following Tukwila's annexation to the Puget Sound Regional Fire Authority. No drawdown of the General Fund or the Contingency Fund is expected in the biennium, the result of an emphasis on maintaining structural balance for continued financial stability and sustainability.

Total all revenues = \$154.6M for 2025 and \$168.3M for 2026, a 0.9% decrease from adopted 2024 revenues of \$156.0M. The decrease is a result of returning property tax capacity to voters with Tukwila's annexation to PSF.

Even with the creation of new GF revenue sources in 2023-24, ongoing general fund revenue sources will continue to decline in the 25/26 biennium.

Each fund has been grouped according to their function within the City. The Contingency Fund is displayed with the General Fund as its sole source of funding is the General Fund (with the exception of investment earnings), and it contains no external restrictions. As a side note, for purposes of financial reporting the General Fund and Contingency Fund are combined in the Annual Comprehensive Financial Report (ACFR) as well.

The Local Improvement District (LID) fund and associated guaranty fund are shown separately from the general obligation debt; the LID debt is secured by the property assessed in the district and is not considered a direct obligation of the City.

The estimated beginning fund balances, revenues, expenditures and ending fund balances for each of the funds and fund groups is shown below for both 2025 and 2026. The governmental funds included in the Financial Planning Model Attachment A are identified with an asterisk. They exclude the Special Revenue funds which are self-supporting, and the allowable activities are very specific and restricted.

2025 BUDGET SUMMARY - ALL FUNDS

Fund		2025 Beginning Fund Balance	2025 Resources	2025 Expenditures	2025 Change in Fund Balance	2025 Ending Fund Balance
GENERAL & CONTIN- GENCY	Fund 000 - General	\$ 16,620,642	\$ 74,471,366	\$ 74,514,552	\$ (43,186)	\$ 16,577,456
	Fund 105 - Contingency	7,304,961	268,814	-	268,814	7,573,775
	Total General & Contingency	23,925,603	74,740,180	74,514,552	225,628	24,151,231
SPECIAL REVENUE	Fund 101 - Hotel/Motel Tax	3,410,870	897,750	1,071,413	(173,663)	3,237,208
	Fund 109 - Drug Seizure	304,562	98,100	73,000	25,100	329,662
	Total Special Revenue Funds	3,715,432	995,850	1,144,413	(148,563)	3,566,870
Debt Svc	Funds 2**-LTGO Debt Service Funds	-	4,745,478	4,745,478	-	-
	Fund 213 - UTGO Bonds	479,708	4,705,000	4,931,725	(226,725)	252,983
	Local Imp. Dist. #33, Guaranty Funds	1,312,742	492,500	484,000	8,500	1,321,242
	Total Debt Service Funds	1,792,449	9,942,978	10,161,203	(218,225)	1,574,224
CAPITAL PROJECTS	Fund 103 - Residential Streets	1,858,573	1,130,000	850,000	280,000	2,138,573
	Fund 104 - Bridges & Arterial Streets	5,278,834	5,586,001	7,636,726	(2,050,725)	3,228,109
	Fund 301 - Land Acq, Rec, Park Develop	4,130,437	2,841,300	3,083,605	(242,305)	3,888,132
	Fund 302 - Facility Replacement	-	-	-	-	-
	Fund 303 - General Government Imp	324,512	439,000	538,000	(99,000)	225,512
	Fund 304 - Fire Improvements	-	600,000	600,000	-	-
	Fund 305 - Public Safety Plan	-	-	-	-	-
	Fund 306 - City Facilities	422,811	1,846,937	1,000,000	846,937	1,269,749
	Total Capital Projects Funds	12,015,168	12,443,238	13,708,331	(1,265,093)	10,750,075
ENTERPRISE	Fund 401 - Water	4,174,701	11,341,356	12,001,211	(659,855)	3,514,846
	Fund 402 - Sewer	10,310,151	12,527,105	17,350,669	(4,823,564)	5,486,587
	Fund 411 - Foster Golf Course	2,024,196	2,787,500	2,961,454	(173,954)	1,850,242
	Fund 412 - Surface Water	10,866,876	14,742,267	16,384,477	(1,642,210)	9,224,666
	Total Enterprise Funds	27,375,924	41,398,228	48,697,811	(7,299,583)	20,076,342
INTERNAL SERVICE	Fund 501 - Equip Rental & Replacement	1,808,659	6,223,147	6,135,811	87,336	1,895,995
	Fund 502 - Self-Insured Healthcare Plan	3,393,651	8,184,268	6,808,516	1,375,752	4,769,403
	Fund 503 - LEOFF I Self-Ins Health Plan	36,695	546,347	502,704	43,643	80,338
	Total Internal Service Funds	5,239,005	14,953,762	13,447,031	1,506,731	6,745,736
FIDUCIARY	Fund 611 - Firemen's Pension	1,722,466	155,000	82,000	73,000	1,795,466
TOTAL BUDGET		\$ 75,786,047	\$ 154,629,236	\$ 161,755,340	\$ (7,126,104)	\$ 68,659,944

2026 BUDGET SUMMARY - ALL FUNDS

Fund		2026 Beginning Fund Balance	2026 Resources	2026 Expenditures	2026 Change in Fund Balance	2026 Ending Fund Balance
GENERAL & CONTIN- GENY	Fund 000 - General	\$ 16,577,456	\$ 76,310,768	\$ 78,039,042	\$ (1,728,274)	\$ 14,849,182
	Fund 105 - Contingency	7,573,775	120,000	874,881	(754,881)	6,818,894
	Total General & Contingency	24,151,231	76,430,768	78,913,923	(2,483,155)	21,668,076
SPECIAL REVENUE	Fund 101 - Hotel/Motel Tax	3,237,208	1,047,750	1,206,409	(158,659)	3,078,549
	Fund 109 - Drug Seizure	329,662	98,100	73,000	25,100	354,762
	Total Special Revenue Funds	3,566,870	1,145,850	1,279,409	(133,559)	3,433,311
Debt Svc	Funds 2**-LTGO Debt Service Funds	-	4,736,172	4,736,172	-	-
	Fund 213 - UTGO Bonds	252,983	4,905,000	5,059,475	(154,475)	98,508
	Local Imp. Dist. #33, Guaranty Funds	1,321,242	461,500	453,000	8,500	1,329,742
	Total Debt Service Funds	1,574,224	10,102,672	10,248,647	(145,975)	1,428,249
CAPITAL PROJECTS	Fund 103 - Residential Streets	2,138,573	4,869,000	4,953,000	(84,000)	2,054,573
	Fund 104 - Bridges & Arterial Streets	3,228,109	11,042,001	10,440,651	601,350	3,829,459
	Fund 301 - Land Acq, Rec, Park Develop	3,888,132	6,165,690	7,237,236	(1,071,546)	2,816,586
	Fund 302 - Facility Replacement	-	-	-	-	-
	Fund 303 - General Government Imp	225,512	401,000	400,000	1,000	226,512
	Fund 304 - Fire Improvements	-	600,000	600,000	-	-
	Fund 305 - Public Safety Plan	-	-	-	-	-
	Fund 306 - City Facilities	1,269,749	846,937	825,238	21,700	1,291,449
	Total Capital Projects Funds	10,750,075	23,924,628	24,456,125	(531,496)	10,218,579
ENTERPRISE	Fund 401 - Water	3,514,846	10,254,836	11,116,611	(861,775)	2,653,071
	Fund 402 - Sewer	5,486,587	13,101,957	16,030,741	(2,928,784)	2,557,803
	Fund 411 - Foster Golf Course	1,850,242	2,787,500	3,300,595	(513,095)	1,337,147
	Fund 412 - Surface Water	9,224,666	14,978,410	16,908,699	(1,930,289)	7,294,377
	Total Enterprise Funds	20,076,342	41,122,703	47,356,646	(6,233,943)	13,842,399
INTERNAL SERVICE	Fund 501 - Equip Rental & Replacement	1,895,995	6,084,081	4,968,756	1,115,325	3,011,320
	Fund 502 - Self-Insured Healthcare Plan	4,769,403	8,827,357	6,831,880	1,995,477	6,764,880
	Fund 503 - LEOFF I Self-Ins Health Plan	80,338	519,152	519,152	-	80,338
	Total Internal Service Funds	6,745,736	15,430,590	12,319,788	3,110,802	9,856,538
FIDUCIARY	Fund 611 - Firemen's Pension	1,795,466	155,000	82,000	73,000	1,868,466
TOTAL BUDGET		\$ 68,659,944	\$ 168,312,211	\$ 174,656,537	\$ (6,344,326)	\$ 62,315,618