



City of Tukwila Financial Sustainability Plan

April 2024 | Final Report

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Executive Summary

Like many communities in Washington, the City of Tukwila (the City) faces an ongoing structural budget deficit and was significantly impacted by the pandemic and resulting economic slowdown. At the same time, the City strives to maintain services to the community, respond as the community's needs change, and meet external mandates. Because of recent financial challenges, the City is making a concerted effort to work toward a more financially sustainable future. Being financially sustainable means balancing the cost of programs, services, and infrastructure investments with affordable and equitable impacts to taxpayers and ratepayers. It means being able to provide community-valued programs, services, and investments over the long-term.

The development of the Financial Sustainability Plan was guided by a Financial Sustainability Committee (FSC) made up of Tukwila residents, business owners, and nonprofit leaders. The Financial Sustainability Committee served in an advisory role to City staff, the Mayor, and City Council and developed recommendations after reviewing the City's financial forecast, programs and services, and community makeup. **The Committee emphasized ways the City could effectively use existing resources to deliver quality City services to residents and businesses and to achieve long-term financial sustainability.**

The Committee's recommendations fall under the following three categories:



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.

Many municipal financial sustainability efforts focus on how to increase revenues to pay for everything a city wants to do. Another sustainability strategy is to "bend the cost curve" to ensure expenditures can align more closely with ongoing revenues. The FSC focused on opportunities to "bend the cost curve" or employ efforts to use existing resources efficiently and slow growth in costs over time. The FSC's recommendations are grounded in its sense of the Tukwila's community ability to pay.

The FSC suggests that the City of Tukwila takes the following phased approach to implementing the guidance contained in this Plan.

1. Implement recommendations that advance the City's financial management, resource effectiveness, and cost containment abilities.
2. Make deeper investments in efficiency and effectiveness.
3. Over the long-term, communicate openly and honestly with the Tukwila community about demands for City services and the City's performance, including efficiency gains.

Some of the recommendations would require up-front investment. The City's adopted 6-year financial plan has sufficient revenues to fund these investments.

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Introduction

Working Toward a Financially Sustainable Future

The City of Tukwila faces an ongoing structural budget deficit and was significantly impacted by the pandemic and resultant economic slowdown. At the same time, the City strives to maintain quality services for the Tukwila community, respond as the community's needs change, and meet external mandates.

The City is making a concerted effort to work toward a more financially sustainable future. Being financially sustainable means balancing the cost of programs, services, and infrastructure investments with affordable and equitable demands on taxpayers and ratepayers. It means being able to provide community-valued programs, services, and investments over the long-term. Being financially sustainable does not necessarily mean that the process of setting a budget will be easy; there may still be choices to make about the levels of service to provide and how best to fund them.

The current City budget incorporates two significant changes that present opportunities: the adoption of a new revenue stream and a significant change in service delivery. The City adopted a Business & Occupation Tax, which begins in 2024, and began paying the Puget Sound Regional Fire Authority (RFA) for service instead of having a City fire department. In 2025, Tukwila will become part of the Puget Sound Regional Fire Authority (RFA) so the City will no longer pay for fire and emergency services and no longer collect the corresponding property tax revenue. These actions – diversifying revenue sources and reducing ongoing expenditures – are important elements that can enhance the City's long-term financial sustainability. It is also important to consider that while the City no longer collects revenues for the provision of fire service, taxpayers continue to bear this cost, with payments directed towards the RFA.

Developing a Financial Sustainability Plan

Cities and counties across Washington are challenged to establish a financially sustainable future in the face of structural fiscal challenges. The work that went into developing this report incorporates information and perspectives unique to Tukwila in order to have a Tukwila-specific plan.

The development of the Financial Sustainability Plan was guided by a Financial Sustainability Committee (FSC) made up of fourteen Tukwila residents, business owners, and nonprofit leaders. The FSC served in an advisory role to City staff, the Mayor, and City Council. The plan was developed in collaboration with City staff and supported by a consulting team. The consulting team presented contextual information to the FSC and facilitated discussions about options to enhance financial sustainability.

The FSC met six times in person between November 2023 and April 2024 and discussed the following:

- **Community context.** Information about Tukwila's demographics and employment profile in comparison to select peer cities.

- **Community vision and priorities.** The City's priorities as identified in adopted plans and prior public engagement conducted in 2021 in preparation for development of the next biennial budget.
- **City revenues and expenditures.** Information about the City's primary revenue sources and expenditure categories with a focus on the General Fund, the City's largest and most flexible fund.
- **City programs and services.** The City's programs, services, and departmental priorities. The FSC indicated which should be a high priority and which should be a lower priority.
- **Financial impact of recommendations.** The estimated financial impact of preliminary FSC recommendations based on the City's adopted financial forecast.
- **Recommendations for long-term financial sustainability.** Draft guidance based on discussions among the FSC and recommendations from individual members. The FSC then finalized recommendations for the City, which are described in [Committee Recommendations](#).

A separate **Technical Appendix** provides the full suite of information that was shared with the Committee for discussion.

Context

This section presents context that is essential to understanding Tukwila's financial position and the opportunities and challenges it faces in seeking to achieve fiscal sustainability, including:

- Community Vision, Values, and Planning
- Makeup of the Tukwila Community
- Tukwila's Financial Condition
- Budget History and Choices Going Forward

Community Vision, Values, and Planning

The following planning documents were informed by significant community engagement and have been adopted by Council. They serve as foundational guidance for City efforts and informed the development of this Financial Sustainability Plan.

- [Strategic Plan](#)
- [Comprehensive Plan](#)
- [Parks, Recreation, and Open Space Plan](#)
- [Economic Development Strategy](#)
- [Resolution 1921](#): Tukwila’s Equity Policy

Common themes across these guiding documents describe the Tukwila community’s desire for:

- Great neighborhoods and quality public spaces.
- A vibrant and diverse economy.
- A positive community identity.
- Opportunity for all Tukwila residents.

From the City of Tukwila
Strategic Plan

COMMUNITY **VISION**

*The city of opportunity,
the community of choice.*

CITY **MISSION**

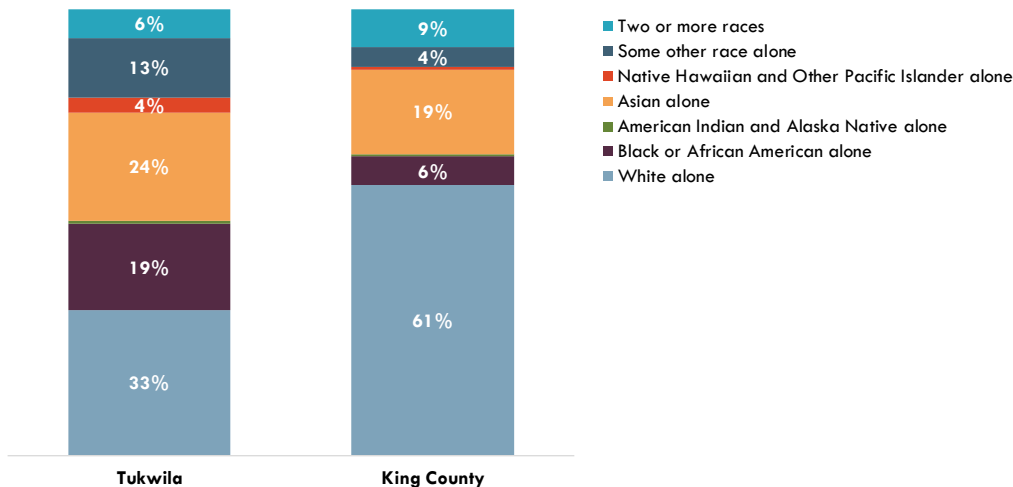
*To provide superior services
that support a safe, inviting
and healthy environment for our
residents, businesses and guests.*

Makeup of the Tukwila Community

The demographics of the Tukwila community had a significant impact on the recommendations of the Financial Sustainability Committee. Several of these recommendations remind policy makers and staff to be mindful of the Tukwila community’s particular service needs and to ensure that City services and facilities are designed *with the Tukwila community in mind*.

Compared to King County, a higher proportion of the Tukwila population are Black or African American, American Indian and Alaska Native, Asian, Native Hawaiian and Other Pacific Islander, and some other race (Exhibit 1). Almost 20% of the Tukwila population identifies as Hispanic or Latino, which is nearly double the King County average (Exhibit 2). Tukwila has a larger share of renter-occupied households than peer cities and King County as a whole (Exhibit 3). Tukwila has a higher share of low-income households than King County, particularly among renters (Exhibit 4). Tukwila residents identify as less healthy than residents in King County and Washington State (Exhibit 5).

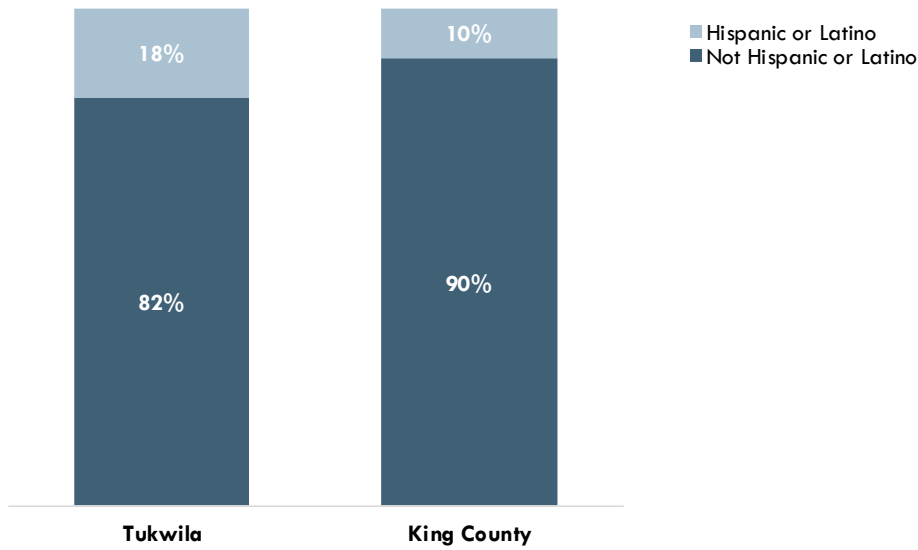
Exhibit 1: Racial Composition of Tukwila and King County, 2021



Note: Labels are suppressed for shares under 1%.

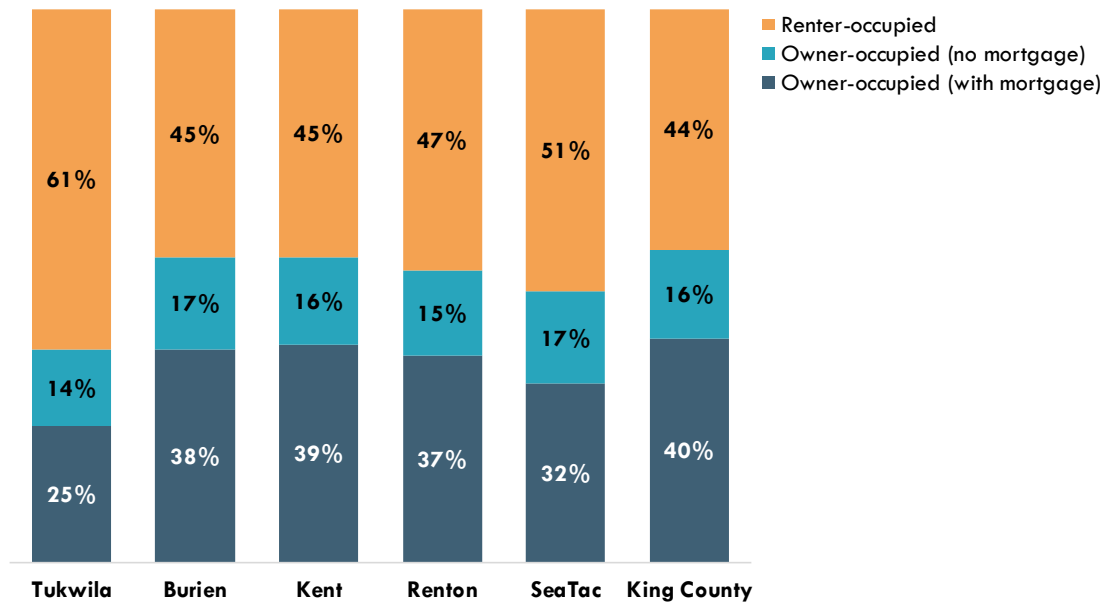
Source: US Census Bureau, 2017-2021 American Community Survey 5-Year Estimates; BERK, 2023.

Exhibit 2: Hispanic or Latino Composition of Tukwila and King County, 2021



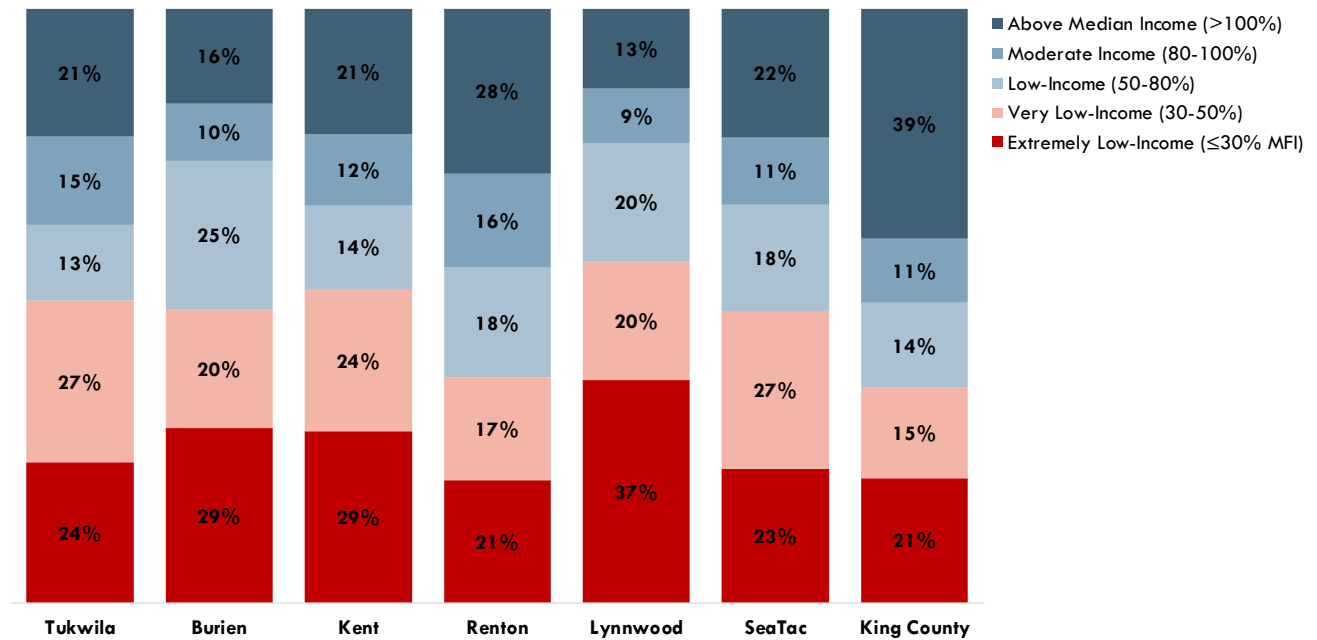
Source: US Census Bureau, 2017-2021 American Community Survey 5-Year Estimates; BERK, 2023.

Exhibit 3: Renter and Owner-Occupied Households, Tukwila, Peer Cities, and King County, 2020



Source: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

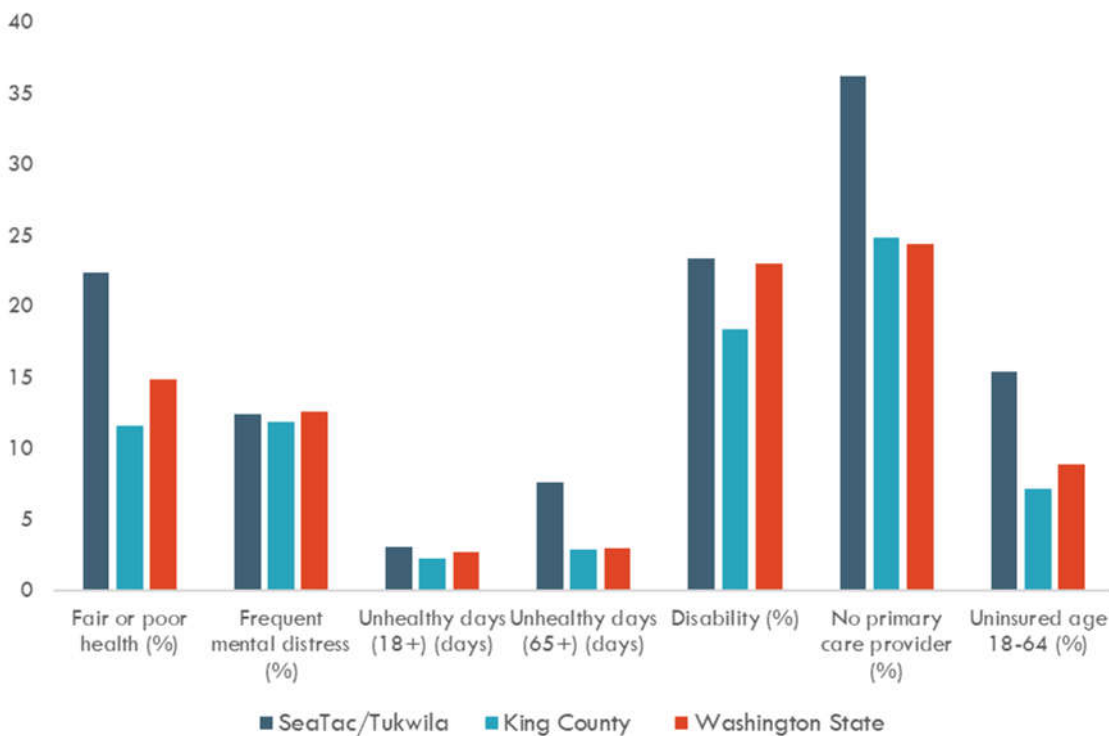
Exhibit 4: Renter Households by Median Family Income, Tukwila, Peer Cities, and King County, 2020



Note: Median family income refers to the HUD Area Median Family Income for the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, which is adjusted based on household size.

Source: US HUD Comprehensive Housing Affordability Strategy (CHAS) data, 2016–2020; BERK, 2023.

Exhibit 5: Select Community Health Indicators, Tukwila, King County, and Washington State, 2021



Source: Public Health – Seattle & King County, City Profile Data, 2021; BERK, 2023.

Tukwila’s Financial Condition

Tukwila has significant assets and real challenges to fiscal sustainability, some of which are common to local governments in Washington, and some of which are unique to Tukwila. The following forces are explained on the following pages:

- Inflation is Outpacing Growth of Core Revenues
- Demand for City Services is Increasing
- Tukwila’s Role in the Regional Economy Comes with Benefits and Challenges

Inflation is Outpacing Growth of Core Revenues

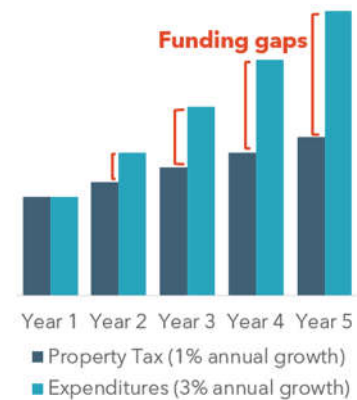
One factor that impacts every city and county in Washington is the limit on annual property tax growth. In Washington, a jurisdiction’s property tax revenues can only increase by 1% annually, unless the public votes for a greater increase (a levy lid lift)¹. A city’s baseline expenditures typically grow more than 1% annually due to inflation, creating a structural funding gap as shown at right. If the community requests additional services, this can increase costs even more. When property tax comprises a large share of a city’s ongoing revenues, which it does in Tukwila, it contributes to a growing gap between revenues and expenses.

New construction is not subject to the 1% limit on the total property tax a city can collect, so taxes levied on new construction provide a one-year bump to property tax revenue. This creates a financial incentive for cities to grow. While this growth provides additional revenue, in property tax revenue and other revenues associated with construction and future uses of the property, it creates an additional service need for a city as well. More residents and/or employees mean greater use of infrastructure like the road network and services like permitting or law enforcement.

The regional labor market is putting pressure on employee costs, which comprise a large share of city budgets. Most services that the City provides to Tukwila residents, businesses, and visitors are labor-intensive and the City spends the largest percentage of General Fund expenditures on salaries and benefits. As cities in the region compete for new employees and seek to retain current employees, many are increasing wages. Tukwila’s employee compensation is guided by a City Council-adopted compensation policy and philosophy. The policy states that the City will seek to set salaries at the market average for non-represented positions and at a “competitive” level for represented employees.

Other costs of providing existing services are increasing. This will impact the City’s ability to provide the same level of services over time. Some costs are outside of a department’s control, such as the impact of inflation on supplies or services or participation in mandated training. The City has also made significant investments in infrastructure and systems. These investments need ongoing operational support.

Illustration of Structural Funding Gap Created by Property Tax Cap

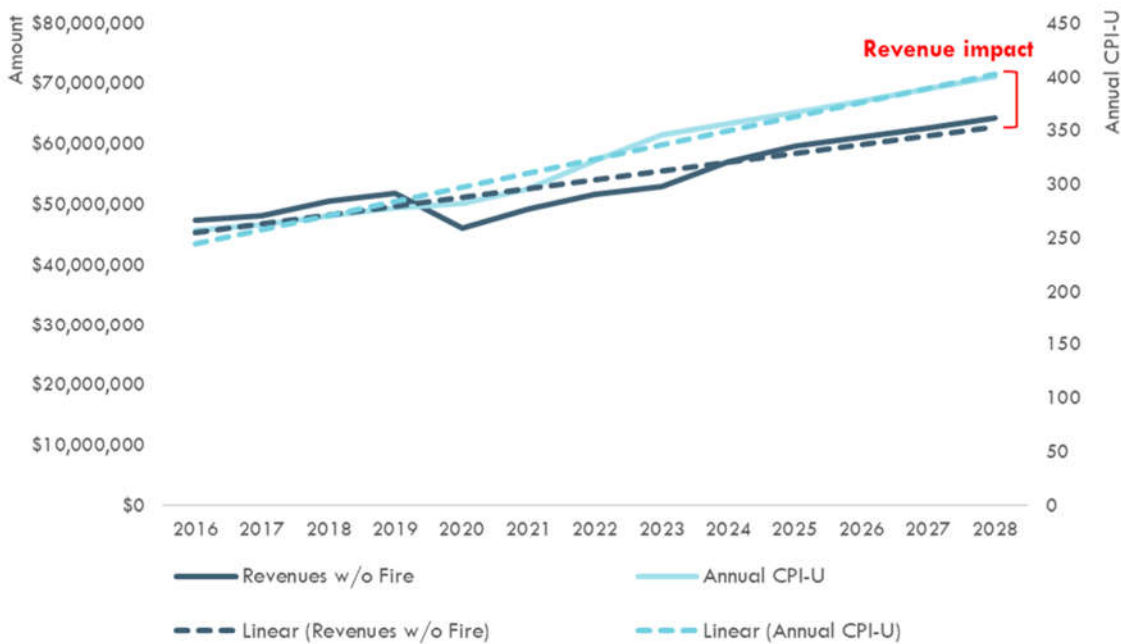


¹ This is the result of Legislative action following the passage of Initiative 747 in 2001.

Exhibit 6 and Exhibit 7 show Tukwila’s ongoing revenues and expenditures compared to the annual Consumer Price Index for Urban consumers (CPI-U) for Seattle-Tacoma-Bellevue. In these exhibits, the revenue and expenditures associated with fire and emergency medical services have been taken out to provide consistent information over time. Prior to 2023, the City had a Fire Department. In 2023 and 2024, the City is paying the Puget Sound Regional Fire Authority (RFA) for service as it transitions to Tukwila receiving service directly from the RFA in 2025.

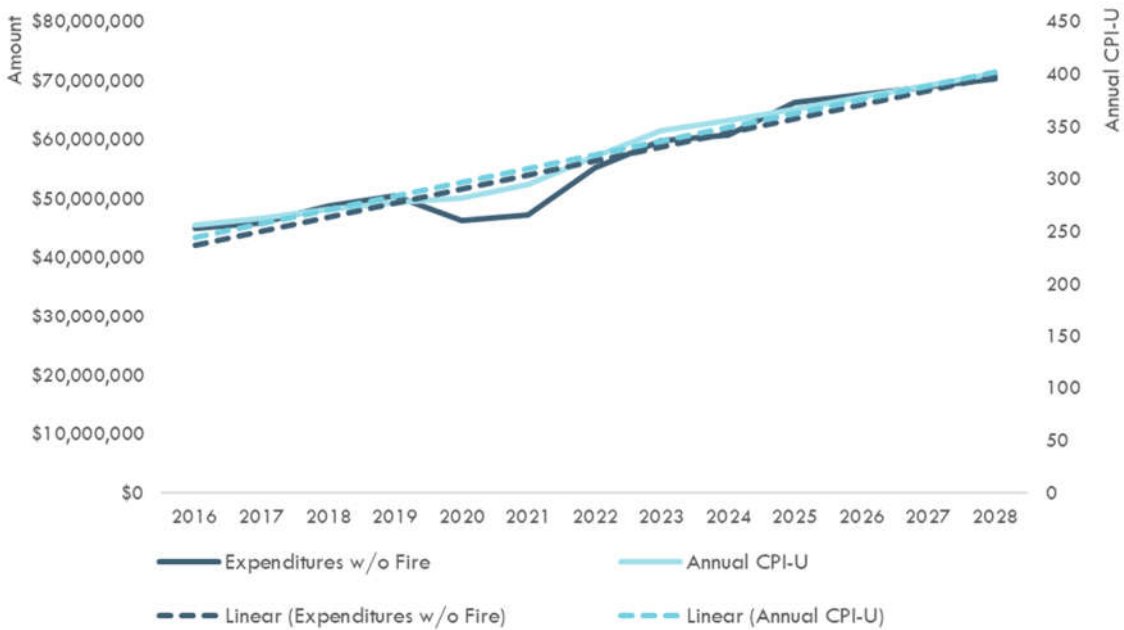
Exhibit 6 shows that ongoing revenue growth has on average been lower with inflation. Over half of Tukwila’s ongoing revenue comes from property tax and sales tax. Property tax grows more slowly than inflation, as mentioned above, and sales tax is subject to economic conditions, which have been unusually volatile due to the pandemic. Exhibit 7 shows that ongoing expenditure growth has on average been in line with inflation.

Exhibit 6: Tukwila’s Ongoing Revenues and Annual CPI-U, 2016-2028



Note: Ongoing revenues to support Fire and EMS services have been removed to allow for easier comparison between the periods before and after annexation into the Regional Fire Authority.
Sources: City of Tukwila budgets; Bureau of Labor Statistics, 2024; BERK, 2024.

Exhibit 7: Tukwila’s Ongoing Expenditures and Annual CPI-U, 2016-2028



Note: Ongoing expenditures to support Fire and EMS services have been removed to allow for easier comparison between the periods before and after annexation into the Regional Fire Authority.
Sources: City of Tukwila budgets; Bureau of Labor Statistics, 2024; BERK, 2024.

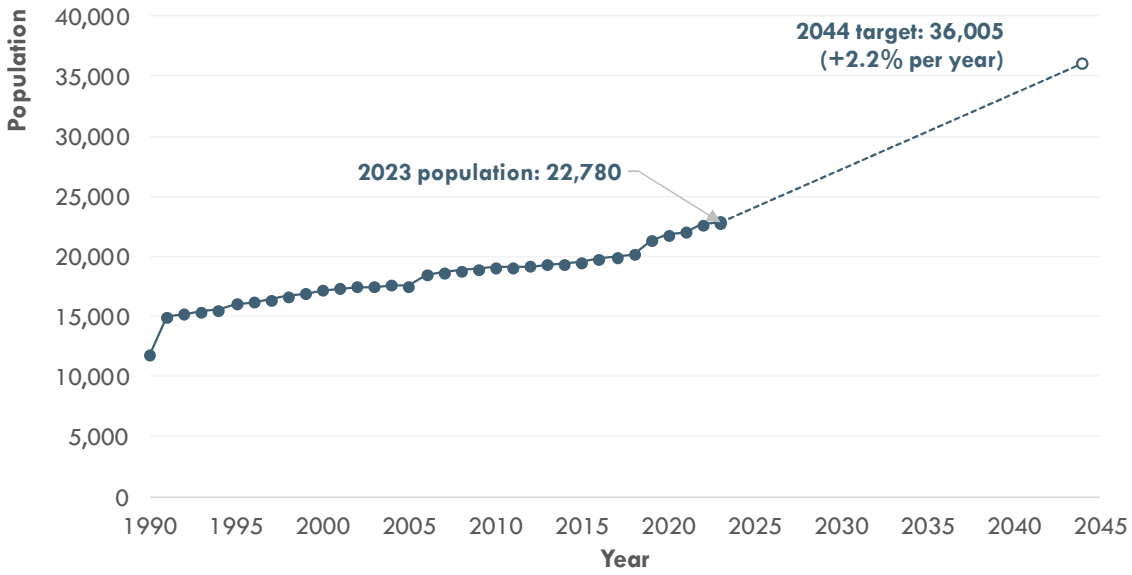
Demand for City Services is Increasing

While the impacts of the property tax cap and inflation as described above make it difficult for Tukwila to retain *current* service levels, several factors are contributing to an increase in demand for City services.

The Tukwila community benefits from a high level of service. The City has various social service needs. There are many new residents, including refugees and people seeking asylum. The consumers of City services may need individualized support. City staffing levels are higher than the size of the residential population would require; departments must have staff to support the high number of daytime visitors.

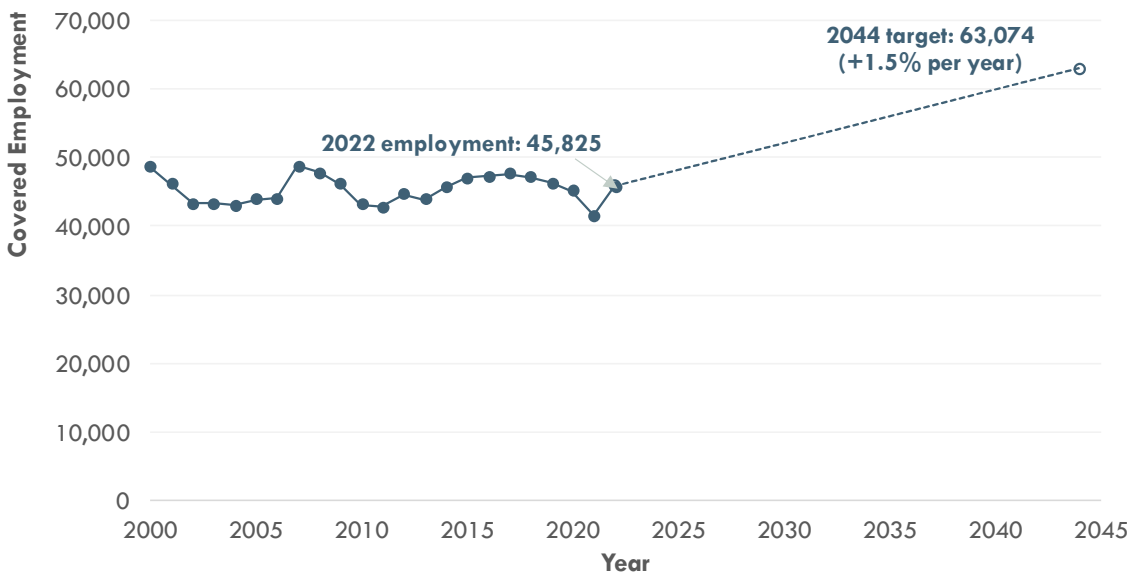
Tukwila must plan for additional residents and jobs over the next 20 years. Based on state law and the region’s plan for growth, the City must plan for 13,000 (58%) more residents and 17,000 (38%) additional jobs by 2044 (Exhibit 8 and Exhibit 9). This growth will impact staff workload and will increase demands on the City’s infrastructure.

Exhibit 8: Tukwila Historical and Projected Residential Population, 1990-2044



Sources: Washington Office of Financial Management, 2023; Puget Sound Regional Council, 2023.

Exhibit 9: Covered Employment in Tukwila, 2000-2045



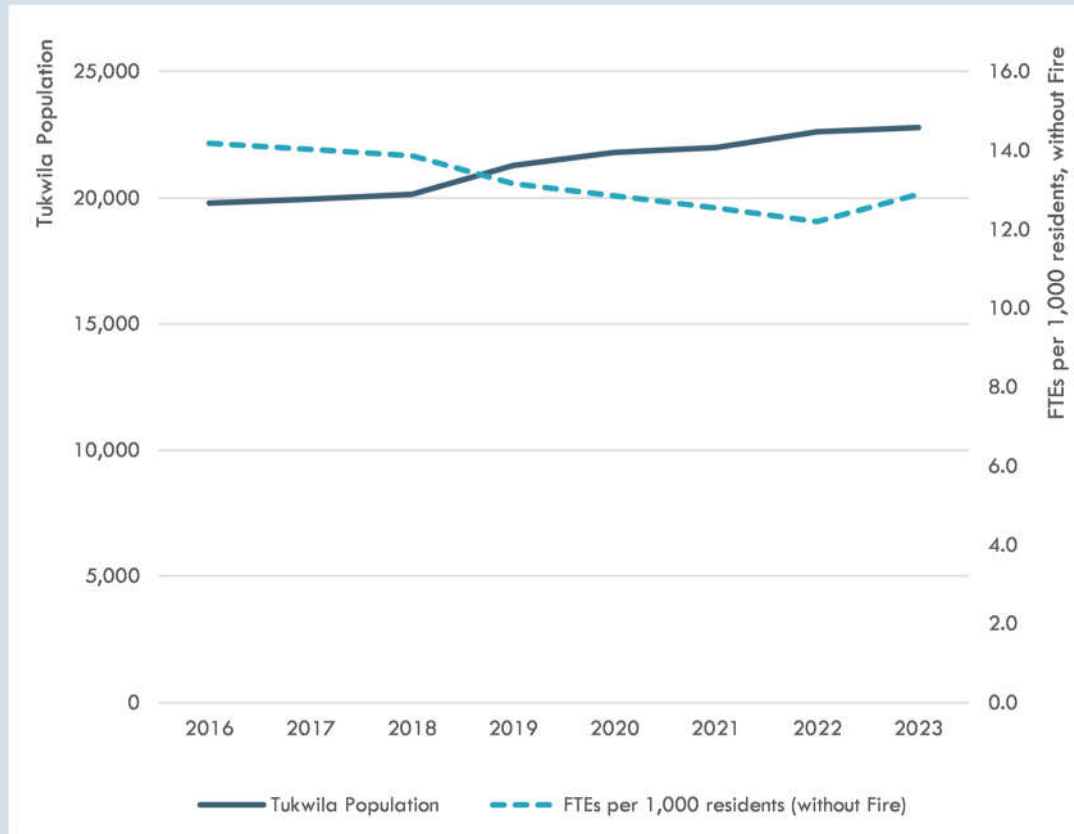
Note: Covered employment refers to jobs "covered" under the state's Unemployment Insurance Program and constitutes 85-90% of total employment.

Source: PSRC Covered Employment, 2023; King County, 2023.

Population and employment growth are drivers of staff workload and will increase demands on the City's infrastructure and services. As the City grows in residential population and employment, it will likely implement new projects and add new employees, which adds to the workload of internal service departments. With more residents, jobs, and daytime visitors, some departments will need to add staff to provide the same level of service.

Total City staffing per 1,000 residents has decreased slightly since 2016, during which time the City's population has continued to grow. While City staffing does not have to track with population, population tends to be a driver of demand for services.

Tukwila Population and Full-time Equivalent Positions per 1,000 Residents, 2016-2023



Sources: City of Tukwila budgets; Washington Office of Financial Management, 2024; BERK, 2024.

Tukwila's Role in the Regional Economy Comes with Benefits and Challenges

Tukwila has an outsized commercial sector that includes a regional retail center and a large regional employment base. While most Tukwila businesses have 100 or fewer employees, Tukwila is also a regional shopping destination with Southcenter Mall and significant adjacent retail that draws shoppers into the community. Tukwila is also a regional employment center with approximately 45,800 jobs, or 2.03 jobs for every resident. Most jobs are in the service, retail, and manufacturing sectors and most workers commute from outside the City. Jobs in Tukwila are projected to grow over the next two decades. Tukwila sees approximately 150,000 daytime non-residents who commute in for shopping and employment. This increases the demand for public services and increases City revenues, as described in the following section.

Tukwila’s strong commercial sector provides a financial benefit for the City, but also brings significant costs. Over 25% of Tukwila’s General Fund revenues are from sales taxes. With the Southcenter Mall, a majority of Tukwila’s taxable retail sales are attributed to consumer shopping. Having a strong commercial sector and associated sales tax revenue means Tukwila is not as reliant on property tax revenue as many other cities, but the commercial sector has an impact on costs as well. The Police Department is one department that tracks data based on location. The Department found that of police case reports that we know are for either business or residential properties, approximately 82% are associated with business. The cost to provide services to residents and businesses is difficult to measure for all City services as departments may not track their workload data by location or customer type. Going forward, the FSC recommends the City better track and communicate key performance indicators, including measures of demand for City services.

By estimating the share of City revenues generated by residential and commercial properties, we found that **Tukwila’s residential population contributes approximately 18% of total revenues and the commercial sector contributes approximately 82%**, as shown in Exhibit 10. This split aligns with the Police Department case report data. In this analysis, property tax and utility taxes are split based on the current share of property tax revenue generated by each sector, which is 67% from commercial properties and 33% from residential properties. Sales tax is split based on the share of residents and share of estimated daytime visitors, assuming 22,780 residents and 150,000 daytime visitors. B&O tax, business license fee revenue, and gambling/admission taxes are attributed all to commercial sources.

Exhibit 10: Tukwila Major General Fund Revenues and Residential/Commercial Split, 2023

	Property Tax	Sales Tax	B&O Tax	Business License Fees	Utility Taxes	Gambling/ Admissions Taxes	Share of Total
2023 Budget	\$17,682,000	\$20,378,000	\$3,000,000	\$3,230,000	\$4,300,000	\$5,516,000	
Residential	\$5,835,000	\$2,687,000			\$1,419,000		18%
Commercial	\$11,847,000	\$17,691,000	\$3,000,000	\$3,230,000	\$2,881,000	\$5,516,000	82%

Notes: Amounts have been rounded to the nearest \$1,000.
Source: City of Tukwila, 2023; BERK 2024.

Budget History and Choices Going Forward

Before 2020, the City balanced its budget and aligned expenditures with available revenues. Ongoing revenues have grown more slowly than expenditures, putting the City’s budget in a structural deficit. With a structural deficit, cities must make choices about the level of service it provides to its community that align with available revenues. In 2020, Tukwila was hit hard by the pandemic. Total General Fund revenues declined by 7% in 2020, as retail establishments closed, and many people moved their shopping online. This structural deficit required reduced service levels that aligned with what the lower revenues could support.

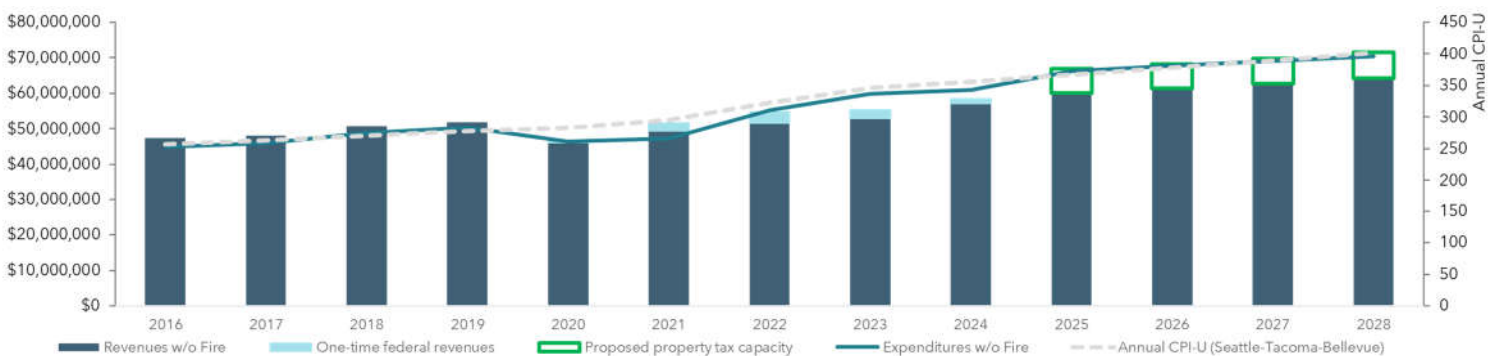
Luckily, Tukwila and other cities received federal American Rescue Plan Act (ARPA) funds to offset the loss of local revenue and support greater service needs for the community. From 2021 to 2024, the City used one-time federal revenues to reinstate key positions and restore some services, however, this funding will lapse at the end of 2024, which means Tukwila must identify alternative revenue sources going forward.

The City adopted a new Business & Occupation tax, to begin in 2024, to fully fund the Police Department. This new revenue source also further diversifies the City’s revenue streams. The City will annex into the Puget Sound Regional Fire Authority in 2025, which will reduce a large expenditure for the City and create flexibility in the City’s general property tax levy capacity.

The City’s adopted 6-year General Fund Financial Plan assumes use of about half of the property tax capacity created with annexation into the RFA, starting in 2025. **This revenue will continue funding services that were restored in the 2023-2024 budget and fund all remaining services that were reduced during the pandemic.**

Exhibit 11 shows the City’s revenues and expenditures over time and highlights the use of one-time revenues and potential property tax capacity in 2025-2028.

Exhibit 11: Tukwila Revenues and Expenditures and Annual CPI-U, 2016-2028



Note: Ongoing revenues and expenditures to support Fire and EMS services have been removed to allow for easier comparison between the periods before and after annexation into the Regional Fire Authority.
Sources: City of Tukwila budgets; Bureau of Labor Statistics, 2024; BERK, 2024.

Committee Recommendations

The Financial Sustainability Committee developed the following recommendations after reviewing the City’s financial forecast, programs and services, and community makeup. **The Committee emphasized ways the City could effectively use existing resources to deliver quality City services to residents and businesses and to achieve long-term financial sustainability.**

The Committee’s recommendations are organized in three categories:



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 effectiveness².



2. ***Invest in the Tukwila Community’s Highest Priorities.*** Align services with community priorities and prudently manage the tax burden on residents and businesses.



3. ***Invest in Tukwila’s Future.*** Make targeted investments to achieve long-term cost savings and improved outcomes for the Tukwila community.

Each of these areas of focus are described in more detail on the following pages. A dollar sign (\$) is used to designate strategies that will require investment of City resources to implement and the Committee’s recommendations for phased implementation are presented on page 21.

² “Investment” icon by Mahmure Alp from <https://thenounproject.com/icon/investment-1033156/>



1. Be Good Stewards of Public Resources

- a. **Build a culture and City processes that focus on quality and continuous improvement.**
 - **Instill a dedication to public service that centers resource stewardship and the provision of high-quality services to Tukwila residents and businesses.** This could include recognition or performance awards for staff who identify ways to enhance effectiveness, reduce costs, enhance revenue, or otherwise advance the City's goals.
 - **Implement comprehensive continuous improvement and quality control efforts.** Use consultants and internal expertise to systematically refine service delivery by streamlining processes, reducing waste, and maximizing customer benefits. This could include increasing procurement limits and reducing the number of approval steps. \$
 - **Conduct rolling performance audits of large or impactful programs.** Review programs to identify opportunities for achieving greater efficiency and effectiveness. Use independent consultants to conduct performance audits in key programmatic areas. \$
 - **Track program-specific key performance indicators (KPIs) to capture demands for service and program performance.** Use this information to report on the City's ability to meet community needs and its resource efficiency (costs for service delivery) over time.
- b. **Implement efficient and effective service delivery models.**
 - **Identify opportunities to increase staff productivity.** Enhance systems for performance management and accountability. Consider opportunities to shift positions to meet needs and dedicate time to cross-training to help staff meet workload demands with existing resources. Conduct a review of the City's remote-work policies and practices.
 - **Ensure leaders have the skills and capacity they need to manage staff effectively.** Also identify opportunities to establish "working manager" roles where managers provide service delivery capacity as well as supervising others' work.
 - **Be smart about the use of consultants.** Seek the most efficient and effective balance of staff capacity and costs, consultant costs, and aggressiveness of the City's work plan. Leverage consultant contracts to build durable tools and enhance staff capacity. Review consultant engagements to identify lessons learned.
- c. **Carefully manage City staff: Tukwila's greatest asset and most significant expenditure.**
 - **Conduct a third-party review of the City's employment positions, salaries, and benefits to ensure the City has an optimal staffing structure given the service needs of the Tukwila community.** Thereafter, continue to conduct total cost of compensation studies on a regular basis. Use robust vetting process and place new hires at appropriate paygrade and position level. \$
 - **Streamline management staffing capacity with the transition of fire services to the Puget Sound Regional Fire Authority.** Take advantage of this reduction in City staff numbers and management complexity by looking for opportunities to more fully use or consolidate existing executive level staff.

- **Explore creative opportunities for efficient staffing within the bounds of labor agreements.** This could include deploying non-uniform personnel to deliver some appropriate public safety services, redeploying seasonal employees during periods of low demand to other work areas, contracting, and considering tiered employment positions and apprenticeships that allow new employees to gain knowledge and experience. This may attract younger Tukwila residents to apply. The City could raise awareness of job openings among high school students and others via Tukwila media, social media, and community networks.
 - **Include consideration of non-salary benefits (insurance, pensions, paid time off, etc.) when benchmarking staff compensation.** Recognize that compensation will vary by jurisdiction and choose benchmark cities appropriately.
- d. **Closely manage the City's capital investments and assets.**
- **Make capital investments that provide the best return on investment for the community.** Consider the City's ability to pay for ongoing maintenance and capital replacement needs when considering potential new capital investments.
 - **Calibrate the design of new facilities to a Tukwila-appropriate standard.** Invest appropriately by considering design, amenities, and likely future use by the community. Focus on the fit, form, and function and be practical and efficient with the programming of a facility. Involve those who will use a facility in the design process.
 - **Avoid cost overruns in future capital investments by implementing strong project management tools and practices.** Seek to use experienced capital project managers to ensure projects remain within budget. \$
- e. **Review the City's reserve policy.** List specific events for which the City's reserve funds will be used and give guidance on how much should be used. In future economic downturns, consider using reserves to supplement essential public services rather than reducing services.
- f. **Proactively and transparently share information about the City's financial health and intended financial strategies to build trust with the Tukwila community.**
- **Transparently communicate the City's performance and financial needs and strategies in the face of inflation and changes in demands for service.** The KPIs generated in 1 a. should be incorporated in this reporting.
 - **Continue to publish full quarterly financial reports of all funds.** This will provide the community with valuable information without their need to submit a Public Records Request.
 - **Provide regular reporting on implementation of this study's recommendations** as described in the Implementation section below.



2. Invest in the Tukwila Community's Highest Priorities

- a. **Use a lens of the expected return on investment for the Tukwila community to evaluate City service and capital expenditures.** Tukwila's population is younger, more mobile, more diverse, lower income, and less healthy than King County overall. Consider Tukwila's unique community makeup when prioritizing and tailoring City services and capital investments, recognizing that return on investment may not always be quantifiable.
 - **Regularly conduct a statistically valid survey of Tukwila residents and businesses to determine needs and priorities.** Ensure this survey accurately reflects Tukwila's cultural and linguistic diversity. Use this information in budget setting and service design. \$
 - **Prioritize investments in 1) public safety and 2) maintaining existing assets.** See 3) Invest in Tukwila's Future, below.
 - **Use the City's established Priority-Based Budgeting process to direct resources to programs and services that best meet community needs.**
- b. **Balance service needs and the use of property tax capacity in the next budget cycle.** Use surveys of residents and businesses to evaluate the community's priorities and service level expectations. Be transparent with the community about what level of service can be provided. Consider the net burden when setting policy for property tax levels and other tax or rate adjustments, seeking to balance revenue generation needed to provide quality City services with maintaining affordability for lower income households and smaller businesses.
- c. **Provide excellent customer service to Tukwila residents and businesses.** \$
 - **Reduce silos across City departments to enhance customer service and efficiency of service delivery.**
 - **Evaluate cost-effective ways community members can access in-person and online services,** such as kiosks at other City facilities or expanded operating hours at City Hall.
 - **Use tools such as See-Click-Fix to effectively monitor and respond to community requests or needs.** Analyze the data received to identify and proactively address trends and patterns. Assess community satisfaction of service delivered.



3. Invest in Tukwila's Future

- a. **Plan for future land uses that will strengthen the City's fiscal position and the sustainability of high-quality City services.** Increase growth and development in a targeted way to create new revenue and create future revenue streams.
- b. **Encourage business growth and investment in the Tukwila economy.** Foster opportunities for business and take care of established businesses to create a healthy economy, which will ultimately generate revenues for the City. \$
 - Fund the City's economic development function and implement the City's Economic Development Strategy. Share progress on the implementation of the Economic Development Strategy.
 - Leverage economic development strategies such as the Multifamily Tax Exemption, Tax Increment Financing, and other tools.
 - Maintain competitiveness in taxes and fees with neighboring jurisdictions. Consider having either the B&O tax or the business license fee, not both. \$
- c. **Involve the community in defining Tukwila's approach to public safety.** Safety is an essential human need and "public safety" will typically rate very highly in community priority surveys, but a more nuanced understanding is needed to clarify what we mean by the term and what kinds of investments we'll make to enhance public safety, including consideration of preventative and reactive policing, as well as investments in recreation programming for youth, considering public safety in land use planning and development, and investments in maintaining and enhancing physical infrastructure. \$
- d. **Invest in the City's existing assets: Tukwila's staff and infrastructure.** Embrace an understanding that we make the most efficient use of existing resources and avoid long-term costs by investing in our people and maintaining physical assets in a state of good repair. \$
 - **Invest in retaining quality staff, which is less expensive than the cost of turnover and provides more consistent, high-quality services for residents.** Retention efforts should be balanced with clear performance requirements and recognition that a healthy level of turnover should be seen as an opportunity to enhance the City's skilled staff and bring its compensation structure into line.
 - **Develop a plan and asset management model for the City's assets.** Develop a lifecycle replacement plan for City facilities and systems. Assess the City's properties and identify their best use. Sell properties with no future City use identified.
 - **Maintain street and sidewalk infrastructure in a state of good repair to avoid more expensive long-term costs.**
- e. **Invest in the City's expertise and capacity in functions that are critical for financial sustainability.** \$
 - **Strengthen the City's financial management, human resources management, and capital project management.**
 - **Strengthen grant administration to enhance service delivery via grant awards.** Opportunity areas include infrastructure, parks and recreation, and public safety.

Phased Implementation

The Committee suggests that the City of Tukwila takes the following phased approach to implementing the guidance contained in this Plan.

First, implement recommendations that advance the City's financial management, resource effectiveness, and cost containment abilities.

Specific recommendations that fall in this immediate call to action include:

- 1a. Build a culture and City processes that focus on quality and continuous improvement.
- 1f. Proactively and transparently share information about the City's financial status.
- 2a. Use a lens of the expected return on investment for the Tukwila community to evaluate City service and capital expenditures.
- 2b. Balance service needs and the use of property tax capacity in the next budget cycle.
- 3e. Invest in the City's expertise and capacity in functions that are critical for financial sustainability.

Second, make deeper investments in efficiency and effectiveness.

Related recommendations include:

- 1b. Implement efficient and effective service delivery models.
- 1c. Carefully manage City staff: Tukwila's greatest asset and most significant expenditure.
- 1d. Closely manage the City's capital investments and assets.
- 1e. Review the City's reserve policy.
- 2c. Provide excellent customer service to Tukwila residents and businesses.
- 3a. Plan for future land uses that will strengthen the City's fiscal position and the sustainability of high-quality City services.
- 3b. Encourage business growth and investment in the Tukwila economy.
- 3c. Involve the community in defining Tukwila's approach to public safety.
- 3d. Invest in the City's existing assets: Tukwila's staff and infrastructure.

Over the long-term, communicate openly and honestly with the Tukwila community about demands for City services and the City's performance, including efficiency gains.

Several strategies described in the preceding section are designed to position the City in a trusted relationship with the community it serves and is dependent on for revenues. By tracking program-specific key performance indicators, capturing demands for service and program performance (Strategy 1a) and proactively and transparently sharing information about the City's financial health and financial strategies (Strategy 1c), the City will be seen as a trusted steward of public resources and as a provider of services that are essential to the well-being and prosperity of the whole Tukwila community. Both residential and commercial tax payors will be more informed and more open to conversations about City services and revenue requirements.

Over time, inflation, increasing demand for services, and other factors will erode the City's ability to provide the desired services to the Tukwila community. At this point, the City may reconstitute a Financial Sustainability Committee or otherwise strategize for how to engage tax payors in discussion about their willingness to pay for desired service levels. The City's efforts to achieve cost efficiencies and transparently communicate with its community will have placed it in a trusted position to engage in this conversation and potentially ask for additional resources.

Financial Strategy

The Financial Sustainability Committee emphasized ways the City could effectively use existing resources to deliver quality City services to residents and businesses and to achieve long-term financial sustainability. The Committee did not explore options for additional revenue beyond what is in the City's adopted 6-year Financial Plan and does not recommend adopting new revenue tools at this time.

Many financial sustainability efforts focus on how to increase revenues to pay for everything a city wants to do. But revenue is one side of the equation. Cost is the other side of the equation, and another sustainability strategy is to "bend the cost curve" to ensure expenditures can align more closely with ongoing revenues. The FSC focused on opportunities to "bend the cost curve" or employ efforts to use existing resources efficiently and slow growth in costs over time. The FSC's recommendations are grounded by the Tukwila community's ability to pay.

The FSC reviewed the City's adopted 6-year Financial Plan and its assumptions, which include the continuation of the B&O tax and use of about half of the property tax capacity created with annexation into the RFA. This property tax revenue will continue funding services that were restored in the 2023-2024 budget and fund all remaining services that were reduced during the pandemic. The FSC considered the net impact of:

- **City property taxes.** These were assumed at the levy rate of \$1.12 per \$1,000 of assessed value in 2025 as assumed in the adopted Financial Plan.
- **City's utility fees.** The City is conducting a utility rate study which has identified revenue needs for City-owned utilities based on required capital and operating investments. Estimated future rates for example residential and commercial customers were provided to see the total estimated impact. This analysis assumes that the existing rate structure for residential and commercial customers would be maintained. This policy choice will be evaluated by the City Council in the near future.
- **The RFA's property taxes and fire benefit charge.**

The results of exploratory analysis are shown in Exhibit 12 for residents and Exhibit 13 for a variety of example business types. Both exhibits show that while taxes related to the City's property tax will go down, overall payments, inclusive of City property taxes and utility fees, as well as the RFA's property taxes and fire benefits charge, will go up. This generated concern among some Committee members recognizing the financial challenges this may create for some. This balance of service delivery/revenue requirements and tax burden will continue to be a challenge for Tukwila and other communities.

The FSC's suggestions related to future revenues are to:

- Maintain competitiveness in taxes and fees with neighboring jurisdictions as additional investment in Tukwila's economy will generate long-term financial returns and supplement revenues generated from the residential community.

- Consider the net burden when setting policy for property tax levels and other tax or rate adjustments, seeking to balance revenue generation needed to provide quality City services with maintaining affordability for lower-income households and smaller businesses.

Exhibit 12: Estimated Annual Tax and Utility Fee Impact on Average Residential Property

Year	City – annual property tax	City – annual utility fees	RFA – annual property tax	RFA – annual Fire Benefit Charge	Annual Total
2024	\$1,225	\$1,236	Not applicable	Not applicable	\$2,461
2025	\$715	\$1,320	\$459	\$290	\$2,784
Increase (Decrease)	(\$510)	\$84	\$459	\$290	\$323

Notes: The 2023 median residential assessed value is \$510,000. The square footage of this example property is 2,060. Utility fees reflect winter rates for water, sewer, and surface water. Sources: City of Tukwila 2023; King County Assessor, 2024; BERK 2024; FCS Group, 2024.

Exhibit 13: Estimated Annual Tax and Utility Fee Impact on Example Businesses

Type of Business	Year	City – annual property tax	City – annual utility fees	City – annual business charges	RFA – annual property tax	RFA – annual Fire Benefit Charge	Annual Total
Small retail	2024	\$649	\$2,364	\$448	Not applicable	Not applicable	\$3,461
	2025	\$379	\$2,508	\$448	\$243	\$295	\$3,873
	Increase (Decrease)	(\$270)	\$144	\$0	\$243	\$295	\$412
Large retail	2024	\$51,457	\$31,392	\$43,074	Not applicable	Not applicable	\$125,923
	2025	\$30,034	\$33,228	\$43,074	\$19,281	\$22,338	\$147,955
	Increase (Decrease)	(\$21,423)	\$1,836	\$0	\$19,281	\$22,338	\$22,032
Restaurant	2024	\$5,349	\$17,244	\$7,936	Not applicable	Not applicable	\$30,529
	2025	\$3,122	\$18,648	\$7,936	\$2,004	\$1,298	\$33,008
	Increase (Decrease)	(\$2,227)	\$1,404	\$0	\$2,004	\$1,298	\$2,479

Note: Utility fees reflect winter rates for water, sewer, and surface water. The example small retail property is approximately 1,500 square feet; the example large retail property is approximately 150,000 square feet; the example restaurant property is approximately 8,800 square feet. Sources: City of Tukwila 2023; King County Assessor, 2024; BERK 2024; FCS Group, 2024.

Financial Forecast with Committee Recommendations

The financial forecast that incorporates the FSC's recommendations is shown in Exhibit 14 and Exhibit 15. Revenues in the financial forecast are sufficient to fund the FSC's recommendations. The forecast includes the following expenditure assumptions tied to Committee recommendations:



1. Be Good Stewards of Public Resources

- 1 a. Use of performance audits and continuous improvement to achieve efficiency and effectiveness in the City's operations. There may be an initial cost to conduct audits or train staff on process improvement.
- 1 b. Workforce development initiatives (performance management, leadership development, recruitment, and retention). There may be an initial cost to implement a performance management system or other tools to support staff development.
- 1 c. A third-party review of the City's employment positions, salaries, and benefits. The City currently conducts a third-party compensation study; expanding the scope of this study may increase the cost.
- 1 d. Implementation of strong project management tools and practices. There may be an initial cost to adopt software tools or training.



2. Invest in the Tukwila Community's Highest Priorities

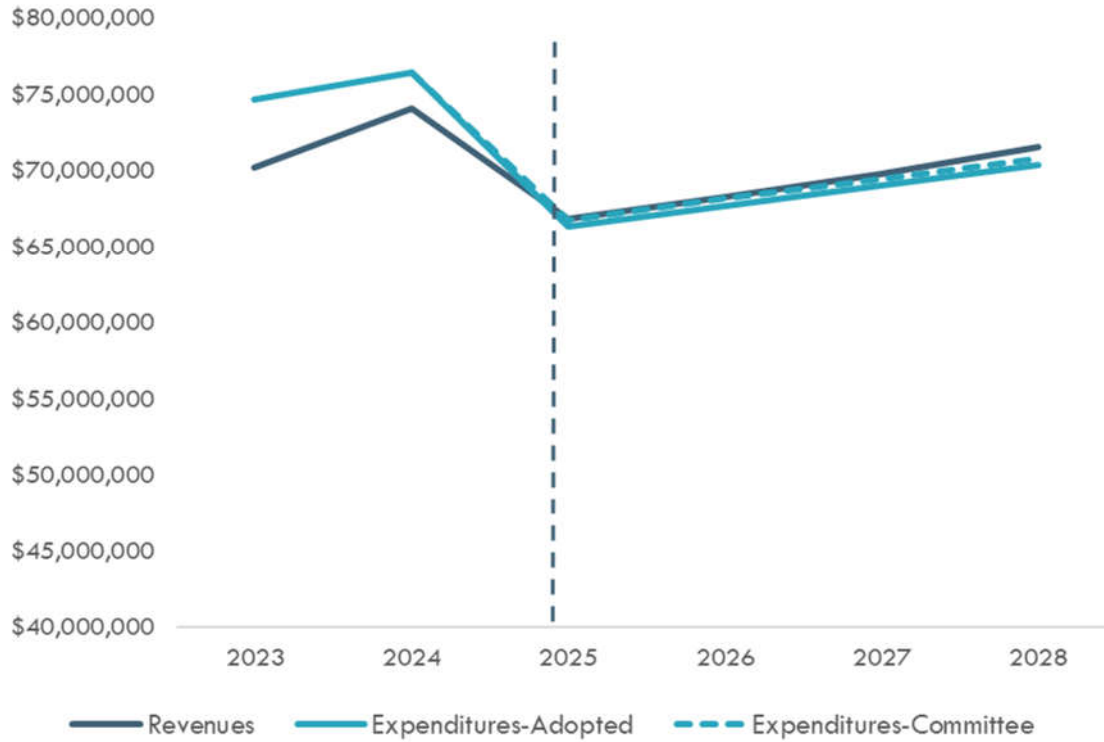
- 2 a. Prioritization of investments in 1) public safety; and 2) maintaining existing assets. This recommendation may increase costs or redirect existing resources to these priorities.
- 2 a. Funding for a statistically valid survey (planned in 2024 using budgeted funds).
- 2 c. Funding for the City's SeeClickFix program (currently funded with federal funds, \$17,500)
- 2 c. Funding for document scanning in the City Clerk's Office (\$10,000).
- 2 c. Restoration of City Hall operating hours (no additional cost).



3. Invest in Tukwila's Future

- 3 d. Funding to support capital asset management and maintenance of existing assets (1-2 FTEs, \$120,000-\$240,000).
- 3 e. Funding for citywide grant application and administration. (1-1.5 FTEs, \$90,000-\$135,000). Additional grant revenue to support capital projects is not shown in the General Fund financial forecast but will increase capacity in the Capital Projects Fund.

Exhibit 14. Projected Revenues and Expenditures with Recommendations, 2023-2028



Source: City of Tukwila, 2023; BERK 2024.

Exhibit 15. Projected Revenues and Expenditures with Recommendations, 2025-2028

Category	Projected 2025	Projected 2026	Projected 2027	Projected 2028
Revenues	\$66,814,000	\$68,258,000	\$69,792,000	\$71,551,000
Expenditures	\$66,733,000	\$68,107,000	\$69,428,000	\$70,784,000
Variance	\$81,000	\$151,000	\$364,000	\$767,000

Note: Amounts have been rounded to the nearest \$1,000. The expenditures represent the higher end of the range of costs.
Source: City of Tukwila, 2023; BERK 2024.

Conclusion and Next Steps

This plan can be a tool the City Council can use to inform policy setting and budget development for the upcoming budget cycle and in future cycles. The plan's guidance can be used as a framework for upcoming City Council discussions about budget priorities and the use of revenue tools. The City Council has choices ahead of it that are discussed in this plan, such as setting tax rates and utility rates.

The plan can also inform ongoing operations and decision-making at the City staff level. The Committee's recommendations include some specific tactics for the City to consider implementing in the next budget or future budgets.

This plan represents the input from an engaged community and a committed staff team. The Financial Sustainability Committee members and others in the community can continue to be partners in addressing Tukwila's fiscal challenges. One of the plan's recommendations is to provide regular reporting on implementation. As mentioned in the Implementation section, the City's efforts to achieve cost efficiencies and transparently communicate with its community will place it in a trusted position to have conversations about balancing the desire for services and the funding needed to provide them.