

# CITY OF MEDINA, WASHINGTON



**BUDGET IN BRIEF, 2026**

## **2026 Proposed Budget Document**

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### **Message from the City Manager**

The 2026 Proposed Budget for the City of Medina reflects our ongoing commitment to fiscal responsibility, transparency, and community service. It is presented in balance, even as we face rising costs and revenue limitations imposed by Washington's 1% property tax levy limit.

This budget is a continuation of promises made to voters during the 2019 levy lid lift to sustain essential services, maintain prudent reserves, and invest in infrastructure and community needs.

Looking forward to 2026, the City will:

- Increase emphasis on City beautification through more active code enforcement, management and maintenance of the City's rights-of-way, vegetation management and aesthetics, and safety including mitigating right-of-way encroachment on sidewalks and sight lines
- Engage in strategic planning focusing on sustainable provision of services, developing partnerships to foster economies of scale, organizational alignment to strategic goals, and incremental increases to levels of service under existing budget authority
- Increase community connection through focusing on public information, involvement, and events – bringing City Hall to the community and the community to City Hall
- Plan for the future –
  - Meeting state mandates,
  - Addressing the delicate balance of policy challenges, especially affordable housing, environmental conservation, and transportation demand/mobility, and
  - Planning for long-term investments in the City's infrastructure such as public buildings, fleet, parks, and infrastructure (streets and stormwater, as well as utilities and services provided by partner jurisdictions).

We invite your input into the budget process, and engagement as we undertake this important work in your City.

Jeff Swanson, City Manager

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## Strategic Goals and Priorities

### VISION STATEMENT

Medina is a family-friendly, diverse and inclusive community on the shores of Lake Washington. With parks and open spaces, Medina is a quiet and safe small city, with active and highly-engaged residents. Medina honors its heritage while preserving its natural environment and resources for current and future generations.

### MISSION STATEMENT

Ensure efficient delivery of quality public services, act as responsible stewards of Medina's financial and natural resources, celebrate diversity, leverage local talent, and promote the safety, health, and quality of life of those who live, work, and play in Medina.

### CITY COUNCIL PRIORITIES

- Financial Sustainability & Accountability
- Quality Infrastructure
- Efficient & Effective City Government
- Public Safety & Health
- Neighborhood Character & Community Building

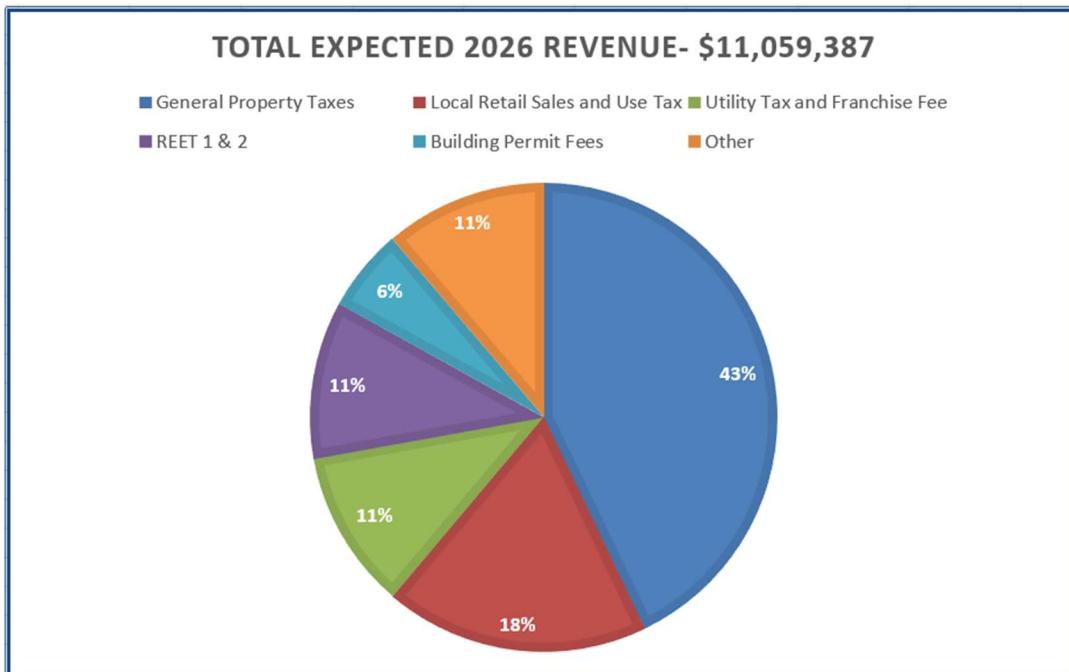
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### At a Glance

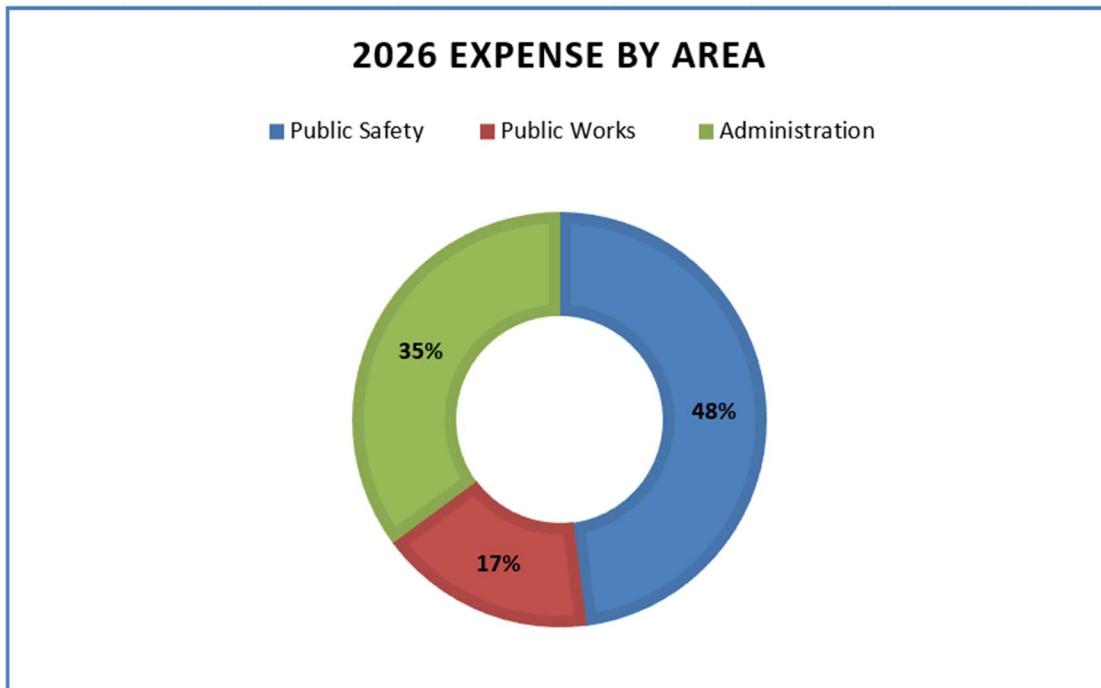
- **Total Budget:** \$10.997 Million
- **General & Street Fund:** \$8.840M (80%)
- **Development Services Fund:** \$1.006 (9%)
- **Capital & Tree Funds:** \$1.150M (11%)

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## Where the Money Comes From (Revenues)



## Where the Money Goes (Expenditures)



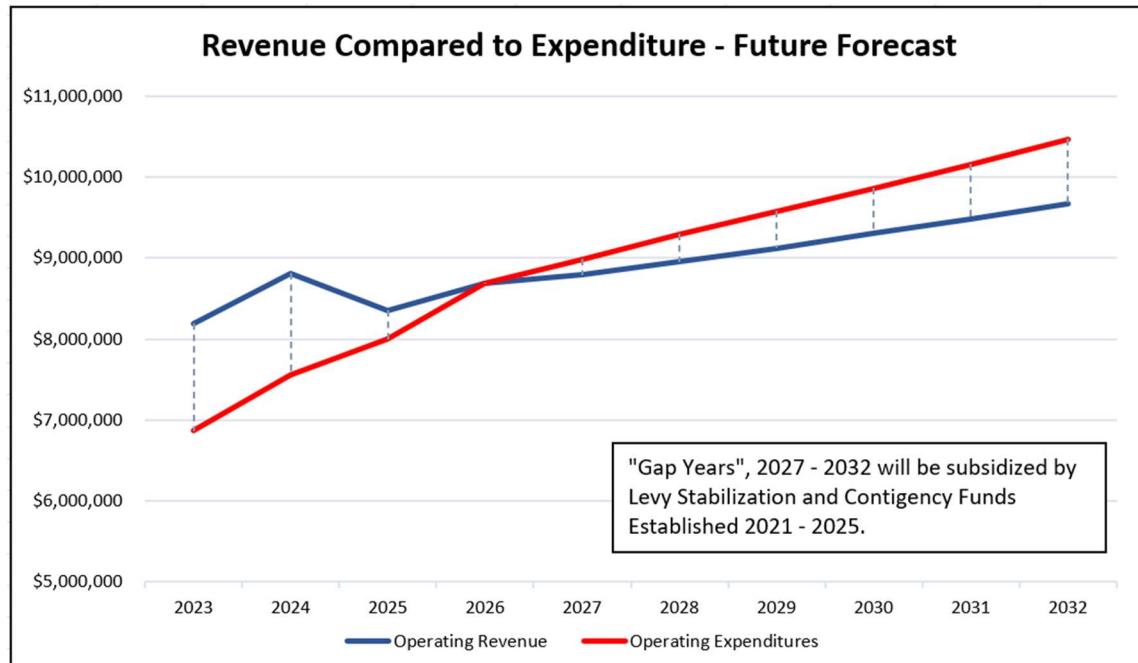
## Key Highlights for 2026

- Balanced budget presented despite rising costs.
- **Police Department:** Added Sergeant position, shift from leasing to purchasing vehicles.
- **Public Works:** More overtime to handle storm response and park demand; aging equipment scheduled for repair/replacement.
- **Capital Projects:** \$960K for road, sidewalk, stormwater, and park improvements.
- **Development Services:** Revenue decline projected; long-term sustainability planning underway with a one time transfer from the General fund to maintain service levels.

## Looking Ahead

- **Levy Lid Lift (2019):** Continues to sustain services, with stabilization fund projected to last until 2032.
- **Revenue Constraints:** Washington's 1% property tax levy cap limits future revenue growth.
- **Forecast:** Expenditures projected to surpass revenues beginning in 2027, requiring use of stabilization funds.

Revenue vs. Expenditure Forecast (2020–2032)



## What This Means for You

- Property taxes fund 43% of city services, but levy limits constrain growth.
- City continues to prioritize **public safety, financial health, and essential services**.
- Long-term planning remains central to keeping Medina's services stable.

### Your Tax Dollar at Work



## Financial Overview

- **Total Budget: \$10.997 Million**
- **General & Street Fund: \$8.840M (80%)**
- **Development Services Fund: \$1.006 (9%)**
- **Capital & Tree Funds: \$1.150M (11%)**

## Key Revenue Assumptions

- Property tax revenue increase of 2.65% (1% limit + \$76,063 new construction).
- Sales tax increase of 2.98%

With conservative revenue projections in 2025, the following two items see a large increase to more accurately reflect expectations.

- Utility tax increase of 24.26%.
- Interest earnings projected 7.41% growth.

## Expenditure Drivers

- COLA increases of 3% for union staff.
- Health benefits through AWC increase of 8.7%.
- Fire/EMS contract increase of 11.6%.
- Police capital vehicle purchases increase of 20%.
- City Attorney budget increase of 25%.

## Long-Term Financial Forecast

The levy stabilization fund is projected to sustain balance through 2032, with expenditures exceeding revenues beginning in 2027.

### Long Term Projected Revenue and Expenditures

	2026	2027	2028	2029	2030	2031	2032
Operating Revenue	\$ 8,856,387.00	\$ 8,960,614.74	\$ 9,123,327.03	\$ 9,294,593.58	\$ 9,479,485.45	\$ 9,668,075.16	\$ 9,860,436.66
Operating Expenditures	\$ 8,763,285.00	\$ 9,069,999.98	\$ 9,387,449.97	\$ 9,669,073.47	\$ 9,959,145.68	\$ 10,257,920.05	\$ 10,565,657.65

## Debt and Reserves

### **Debt Policy**

The City will maintain adequate debt capacity for priority projects.

The City's Debt Management Policy objectives are: minimize the need for debt through maintaining strong revenues which reasonably meet or exceed expenditures.

Debt may be utilized to address short-term cash flow needs and/or to finance significant capital or other obligations. Debt will not be used to fund long-term revenue shortages. City Council approval is required to approve the issuance of debt.

Current Operations will not be financed with long term debt. In the event a need for long term debt arises, the term of the debt will not exceed the life of the projects financed.

When evaluating the use of non-voted Councilmanic Debt and the associated debt service obligations, an analysis shall be performed to determine the City's ability to make debt service payments, considering revenue fluctuations associated with periodic economic cycles. Debt may be considered where the Director of Finance can demonstrate that there is sufficient projected discretionary revenue to service the debt without disrupting the City's existing service delivery or programs.

Voted and non-voted Councilmanic Debt will be used prudently in a manner to avoid an adverse impact on the City's credit rating and ability to issue subsequent or additional debt.

Upon the issuance of any debt, the Director of Finance will establish the appropriate procedures to assure compliance with bond/debt covenants and applicable federal, state and local laws, policies, and regulations.

In the event the use of debt is required, the City will raise capital at the lowest cost, consistent with the need to borrow. This will be accomplished by keeping a high credit rating, and maintaining a good reputation in the credit markets by managing the annual budget responsibly.

### **Reserve Account Policies**

The City maintains Reserve Accounts for a Levy Stabilization Fund Account, a Contingency Fund Account, a Capital Projects Fund Account, and an Equipment Replacement Account. The priority or sequence for allocating reserves to these accounts is:

1. The Levy Stabilization Fund account, up to the annual targeted amount identified in the Levy.
2. The Contingency Fund account, up to 25% of the annual general fund budgeted expenditures. (Currently at **20%** of 2026 Budget)
3. Any remaining reserves allocated to the Capital Projects Fund, the Equipment Replacement Account and/or the Levy Stabilization Fund as recommended by the City Manager and/or Finance Director.

#### Levy Stabilization Fund

On the November 2019 ballot, Medina voters approved a 6-year increase to their City property tax levy, starting in 2020, in order to maintain then-existing levels of service for the following 10 years. A promise was made to the voters that these additional funds would be managed in such a way as to keep those service levels in place for at least 10 years. The purpose of the Levy Stabilization Fund is to hold excess amounts resulting from the levy increase during 2020-2025 and to draw from the Levy Stabilization Fund to cover General Fund and Street Operations funding gaps during 2026 to 2029 (or longer, if feasible).

**End of Year 2025 Balance: \$2,685,000**

## Contingency Fund

The Contingency Fund may be used for the following:

- a) To sustain City services in the event of a catastrophic event such as a natural/manmade disaster (e.g. earthquake, windstorm, flood, terrorist attack) or a significant downturn in the economy.
- b) To address temporary, short-term (less than one year) economic downturns and temporary gaps in cash flow. Conditions, such as expense reductions and/or restrictions may be imposed.
- c) Amounts held in the Contingency Fund in excess of its limit (25% of the annual general fund budgeted expenditures) may be used to fund the Capital Improvement Plan.
- d) To pay down debts expeditiously when financially advisable, consistent with expert recommendations and with consideration of the City's overall financial status.

**End of Year 2025 Balance: \$1,750,000**

All expenditures transferred into and out of the Contingency Fund, must be authorized by the City Council.

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## **Department and Fund Summaries**

### **Police Department**

- Additional Sergeant position reflected in 2025.
- Vehicle procurement strategy shifting from leasing to purchasing.
- 7.23% increase in dispatch services through Norcom.

### **Finance & Central Services**

- 6% increase in liability insurance.
- 12.65% increase to capital outlay for IT/server upgrades.
- Six new computers scheduled for replacement.

### **Public Works**

- \$11K increase for overtime (storms, parks demand).
- \$4K increase for repairs/maintenance of equipment.

## Development Services Fund

- 11.8% decrease in permitting revenues projected for 2026.
- Staffing and consulting costs adjusted accordingly.
- One time transfer from the General Fund to cover deficit.
- Long-term sustainability planning underway.

## Equipment Replacement Fund

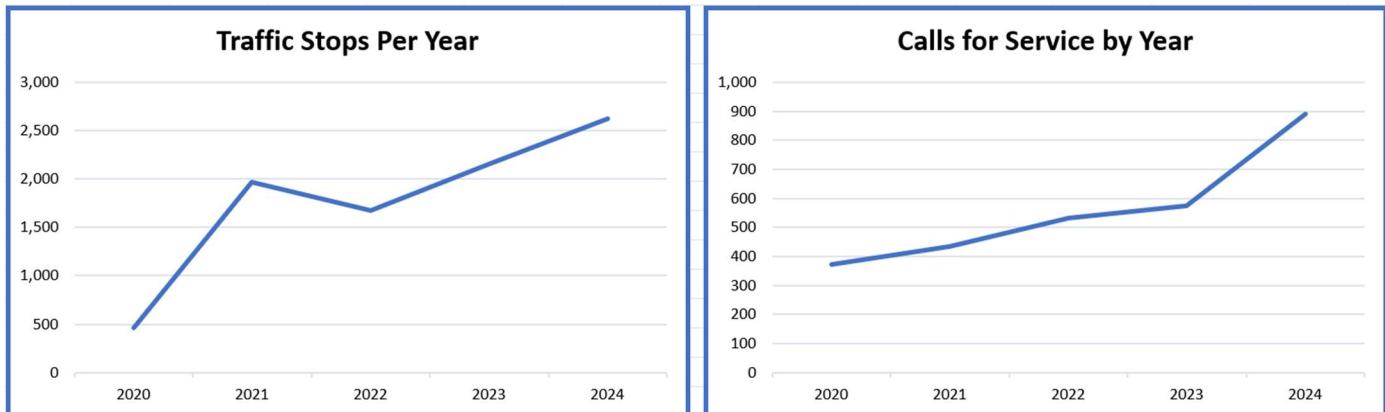
- Newly Created Fund to better track and fund City assets.
- Major emergency response acquisitions expected for 2026.
  - Replacement Backhoe
  - Replacement Transportable Generator

## Capital & Tree Funds

- REET revenue projected at \$1.2M.
- 2026 projects include roadway overlays, sidewalk improvements, stormwater upgrades, and park enhancements.

## Service Levels and Performance

### Police Department



## Budget in Brief (One-Page Summary)

### Where the Money Comes From (Revenues)

Property Taxes: 43%

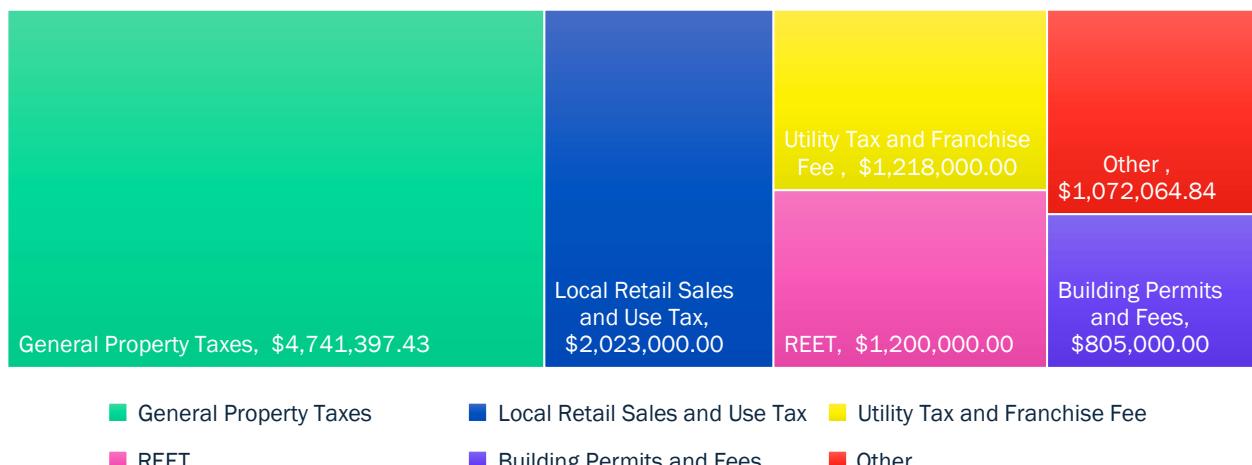
Sales & Utility Taxes: 29%

Permits/Fees: 7%

REET (Capital): 11%

Other (interest, donations, grants, etc.): 10%

### Where the Money Comes From (Revenues)



### Explanation of Revenue Sources

**Property Taxes** are the primary source of revenue for the City, comprising approximately 54% of General Fund revenues. Medina voters passed a levy lid lift in 2019, enabling the City to increase the property tax levy annually by 5% through 2025. With the expiration of the levy lid lift, beginning in 2026 the annual property tax levy increases will return to the 1% statutory limit.

For every \$1.00 on property taxes paid by a City of Medina real property owner, the City receives \$0.09.

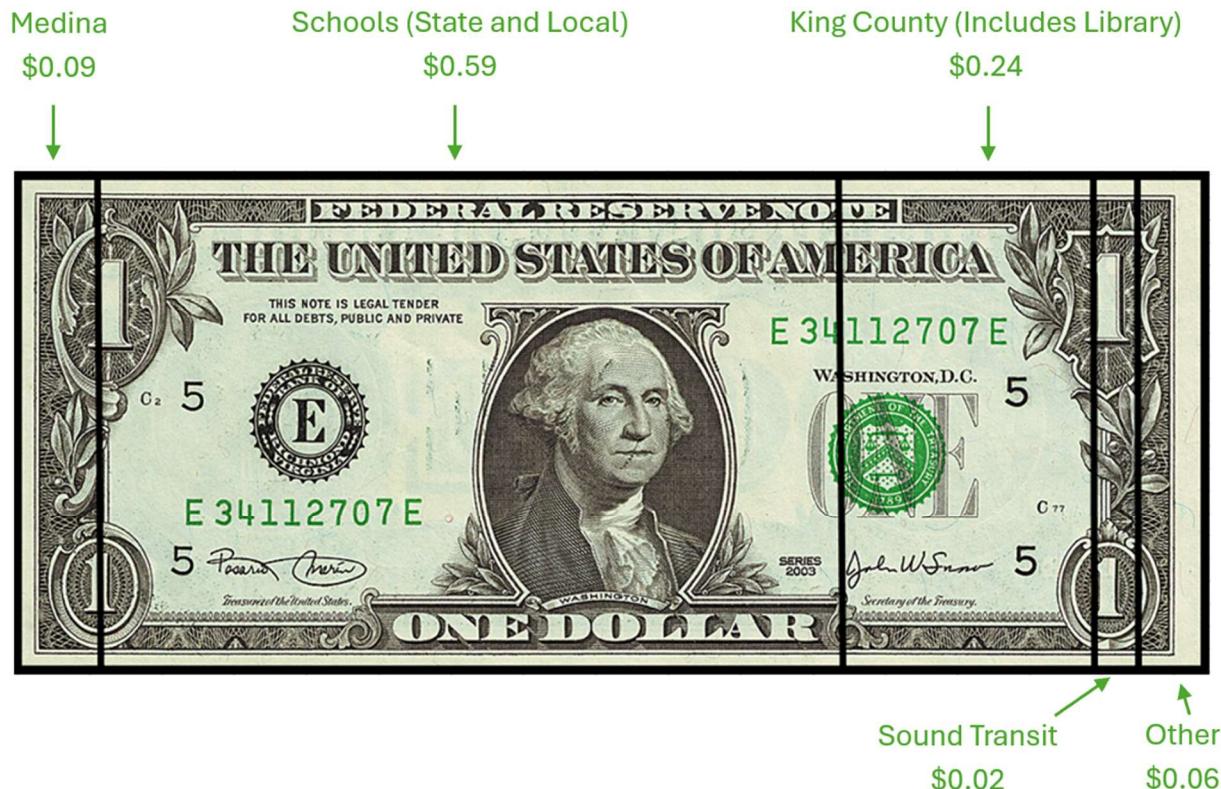
To learn more about property taxes in Washington State, please follow this link:

<https://mrsc.org/explore-topics/finance/revenues/property-tax>

**Local Retail and Use Tax** is the second largest source of revenue, comprising approximately 23% of City General Fund revenues. Medina's local tax rate is 3.7% and with Washington State's destination sales tax policy is applicable to online orders and delivered taxable goods, as well as to the purchase of taxable goods and services purchased within city limits. To learn more about sales and use taxes in Washington State, please follow this link:

<https://mrsc.org/explore-topics/finance/revenues/sales-taxes>

For every \$1 of property tax collected from a Medina taxpayer the City receives \$0.09.



**Utility and Franchise Fees** comprise approximately 14% of Medina's General Fund revenue. The City collects a 6% excise tax on electricity, natural gas, water, wastewater, garbage/solid waste, cable TV, and telephone services. The City collects an additional 4% amount through franchise agreements with providers of water, wastewater, and cable TV services. To learn more about utility taxes, please follow this link:

<https://mrsc.org/explore-topics/finance/revenues/utility-tax>

**Investment Income** comes from two sources: the LGIP Investment Pool, and the City of Medina's bond portfolio. Investment income is divided between the General Fund and the Capital Fund, allowing for greater flexibility in funding capital projects than other sources of revenue dedicated to capital projects.

**Real Estate Excise Tax (REET 1 and REET 2)** comprise the primary funding source for most of the City's capital infrastructure projects. The City collects 0.25% for REET 1 and 0.25% for REET 2, applicable to real estate property sales. REET is a restricted revenue, with differing criteria applicable to each type of REET collected. To learn more about real estate excise taxes, please follow these links:

<https://mrsc.org/explore-topics/finance/revenues/real-estate-excise-tax>

<https://mrsc.org/stay-informed/mrsc-insight/june-2024/reet-funds>

**Grant Funding** is used when possible and appropriate to fund projects that exceed the City's financial capacity and/or to supplement funding capital projects. Most of the grants awarded to the city in the past have been awarded by King County or Washington State to help pay for park improvements, street overlays, and sidewalk installation.

### Where the Money Goes (Expenditures)

Police, Fire & Public Safety: 38% - **Green**

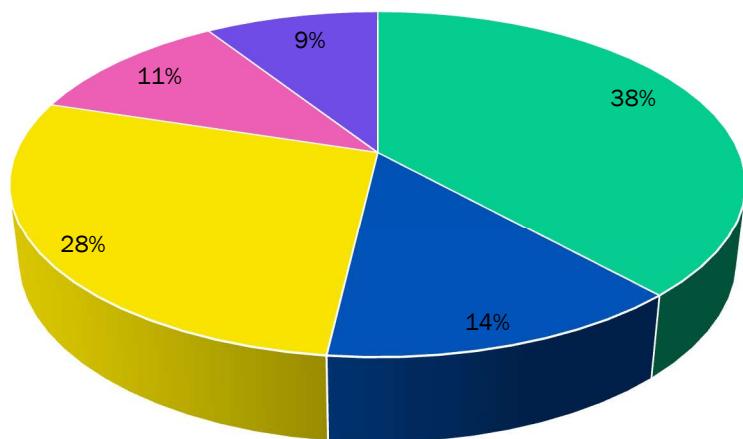
Public Works & Parks: 14% - **Blue**

Development Services: 9% - **Purple**

Capital Projects: 11% - **Pink**

Administration & Legal: 28% - **Yellow**

Where your Money Goes, Expenditures



### Property Tax Levy Lid Lift

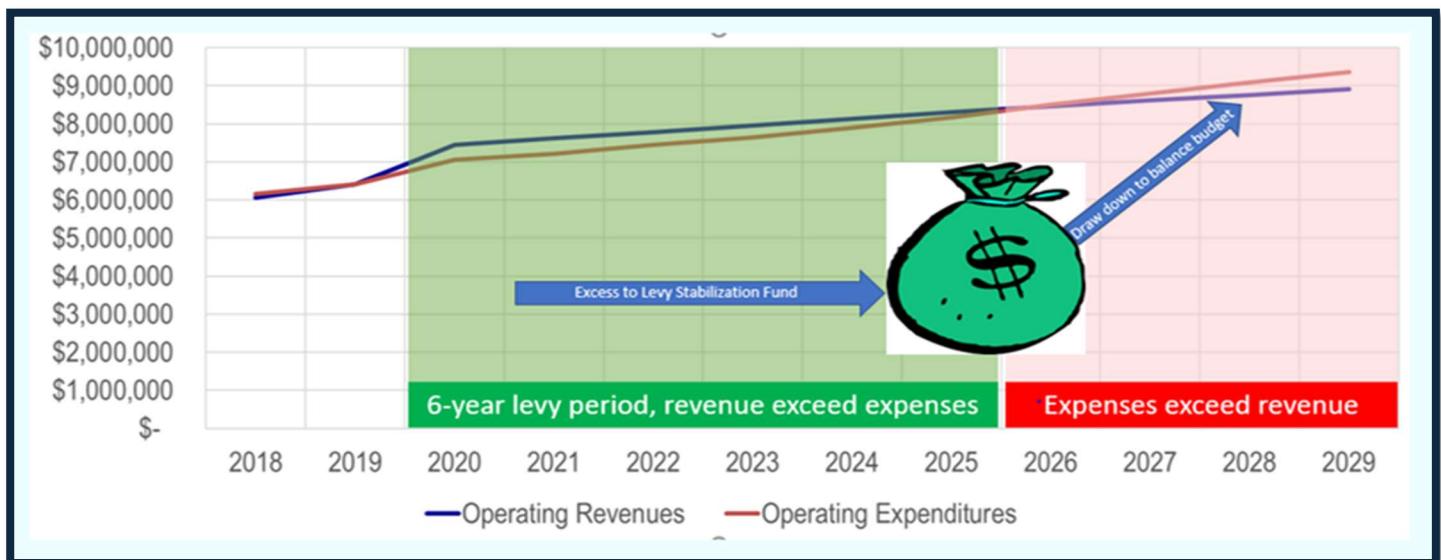
In 2019, the City of Medina faced challenging financial circumstances. The accumulated effects of Washington Initiative 747 limiting the Councilmanic annual property tax levy increase to 1% and years of costs increasing at a much higher rate than revenues effectively imposed a structural deficit on the City. Prior to 2019 maintaining levels of service in the City were made possible through cost-saving measures, identifying and implementing additional revenue sources available through statute, and use of reserves. However the limits of these strategies had been reached, and more significant changes were necessary to sustainably balance the City's budget, which meant reducing levels of service.

In the 2019 November general election, the Medina City Council asked the voters to support a six-year levy lid lift calibrated to sustain the City's then current service levels for a period of at least ten years. This would be accomplished by accumulating reserves during the lift period and spending the reserves down to balance the budget between 2026 and 2030. The City promised voters:

- The same level of services as existed in 2019 would be maintained
- Restored measures of financial health

- Begin each budget cycle with the full General Fund balance to cover first quarter expenses
- Engage a City Finance Committee comprised of Councilmembers to provide increased oversight
- Forecast and financially plan on a ten-year basis
- Rebuild Contingency Fund
- Develop community-friendly financial statements
- Make the six-year levy lid lift (from 2020-2025) last until at least 2030

The first year of the levy (2020) sustained services at prior levels. During the following five years of the six-year lid lift (2021-25) the City transferred amounts to a *Levy Stabilization Fund* to build a minimum operating reserve of \$2M. The stabilization fund is forecasted to sustain service levels for at least an additional four years (2026-2030).



## SPECIFICS ABOUT THE LEVY

The levy's structure was designed to have an initial increase of no more than \$0.20 per \$1000 assessed value (example \$2M AV home = additional \$400/year). In 2020 this gave the City an additional 12% revenue towards General Fund and Street Operations, \$941,572. For the following five years (2021-2025) the City was able to increase this amount by 5% (see table of projections below). For the 2026 budget cycle the previous year's levy total becomes the City's new baseline for property taxes, which is limited to annual Councilmanic increases of no more than 1%.

How Much Extra Funds is the Levy Lid Lift Creating Each Year? Projected Revenues, 2020-2029			
	Amount of Increase	Total	
2020	\$ 941,572	\$ 941,572	Initial "bump"
2021	\$ 47,079	\$ 988,651	
2022	\$ 49,433	\$ 1,038,083	
2023	\$ 51,904	\$ 1,089,987	+5% each year
2024	\$ 54,499	\$ 1,144,487	
2025	\$ 57,224	\$ 1,201,711	
2026	\$ 12,017	\$ 1,213,728	
2027	\$ 12,137	\$ 1,225,865	+1% each year
2028	\$ 12,259	\$ 1,238,124	
2029	\$ 12,381	\$ 1,250,505	
		\$ 11,332,713	10-year total

## More information on the City of Medina's Financial Reporting

Medina is a **Cash Basis** entity.

- Expenses and revenues are recorded as they are paid or deposited.
- No balance sheet, meaning no reporting of assets and liabilities. The City owns buildings, land, and equipment, however those do not appear in City financial reports as one would find in private sector financial reporting.
- It functions as a simple checkbook register: starting balance, money in, money out, and remaining balance.

Medina uses **Fund Accounting**.

- Fund accounting is like running a separate entity for each activity or program of the City.
- A Fund is set of accounts used to manage resources segregated for specific purposes due to regulations, restrictions, or limitations.
- The number and type of funds depends upon the number and types of activities of the City.

## Learn More

- Full Budget Document and supporting materials available at [Adopted Budgets | Medina Washington](#)

## Appendices

- **Budget Calendar** (statutory and planned steps).
- **Organization Chart**
- **Position List/Salary Schedule**
- **2026 Proposed Budget Workbook**
- **Long-Term Forecast Tables Document**
- **Glossary of Budget Terms**

## 2026 Budget Calendar

### City of Medina, Washington

<b>Statutory Dates</b>	<b>Planned/Actual Dates</b>	<b>2026 Budget Process</b>
No legal requirement	September 8, 2025	Council holds <b>Public Hearing</b> to gather input on 2026 Preliminary Budget.
Oct 2, 2025	September 8, 2025	City Manager provides City Council with 2025 Revenue projections for the current year. City Manager provides a 2026 Preliminary Budget showing 2026 Revenue and Expenditures by Department.
No legal requirement	Sept 22, 2025	City Council holds a study session on 2026 Preliminary Budget. <i>Balancing decisions made if necessary.</i>
Nov 2, 2025	October 13, 2025	City Manager files 2026 Updated Preliminary Budget & Budget Message with the City Clerk and the City Council.
Prior to November 25, 2025	October 13, 2025	City Council holds Preliminary <b>Public Hearing</b> on 2026 Budget & Revenue Sources (Property Tax Levy)
No later than Nov 2, through Nov 20, 2025	Dates as needed prior to Nov 10 <sup>th</sup> meeting	Once a week for two consecutive weeks, City Clerks publishes notice of filing of 2026 Budget and notice of public hearing on final budget.
Nov 21, 2025	Nov 10, 2025	Copies of 2026 proposed final budget are made available to the public at the Regular City Council meeting.
Nov 30, 2025 (KC due date) (Hearing due date 12/4/25)	Nov 10, 2025	Council holds the <b>Final Public Hearing</b> and sets the 2026 Property Tax Levy to certify the levy with the King County Assessor's Office.
Dec. 31, 2025	Nov 10, 2025	Council adopts Final 2026 Budget at the Regular Monthly City Council meeting.
After Adoption	After Adoption	Copies of 2026 Final Budget Ordinance are filed with the Washington State Auditor's Office, MRSC and AWC.