

AB 6921

2025 Year-end Financial Status Update

May 5, 2026



Agenda

1. **General Fund Performance**
2. **Fund Balance & Long-term Liabilities**
3. **2017 Sound Transit Settlement Agreement**
4. **Proposed Budget Appropriations**
5. **Questions**

2025-2026 Biennial Budget

The \$222 million financial plan – adopted December 2024 – is the City’s roadmap for policy and public spending. It outlines:

- ❑ **Strategic goals** staff seek to accomplish in the biennial work plan.
- ❑ **Allocates staffing and financial resources** to realize these projects & services.

Council frequently amended as needs evolve. Council revisions are organized in budget amendments, such as Ordinance No. 26-04.

2025-2026 Biennial Budget

Each spring, the City Council receives a comprehensive financial update for the preceding fiscal year.

- ❑ **Fiscal Context:** Offers a clear picture of the City's current financial standing.
- ❑ **Strategic Guidance:** Informs policy decisions affecting limited resources through the remainder of the biennium.
- ❑ **Future Planning:** Lays initial groundwork for the 2027–2028 Preliminary Budget, scheduled for Council review September 2026.

General Fund in 2025

Recorded **\$40.1 million in revenues**, 93% of amended budget.

- ❑ Key drivers of variance included sales tax, business and occupation (B&O) tax, and investment interest earnings.
- ❑ Resulted in \$1.18 million additional revenues that exceeded budget expectations.

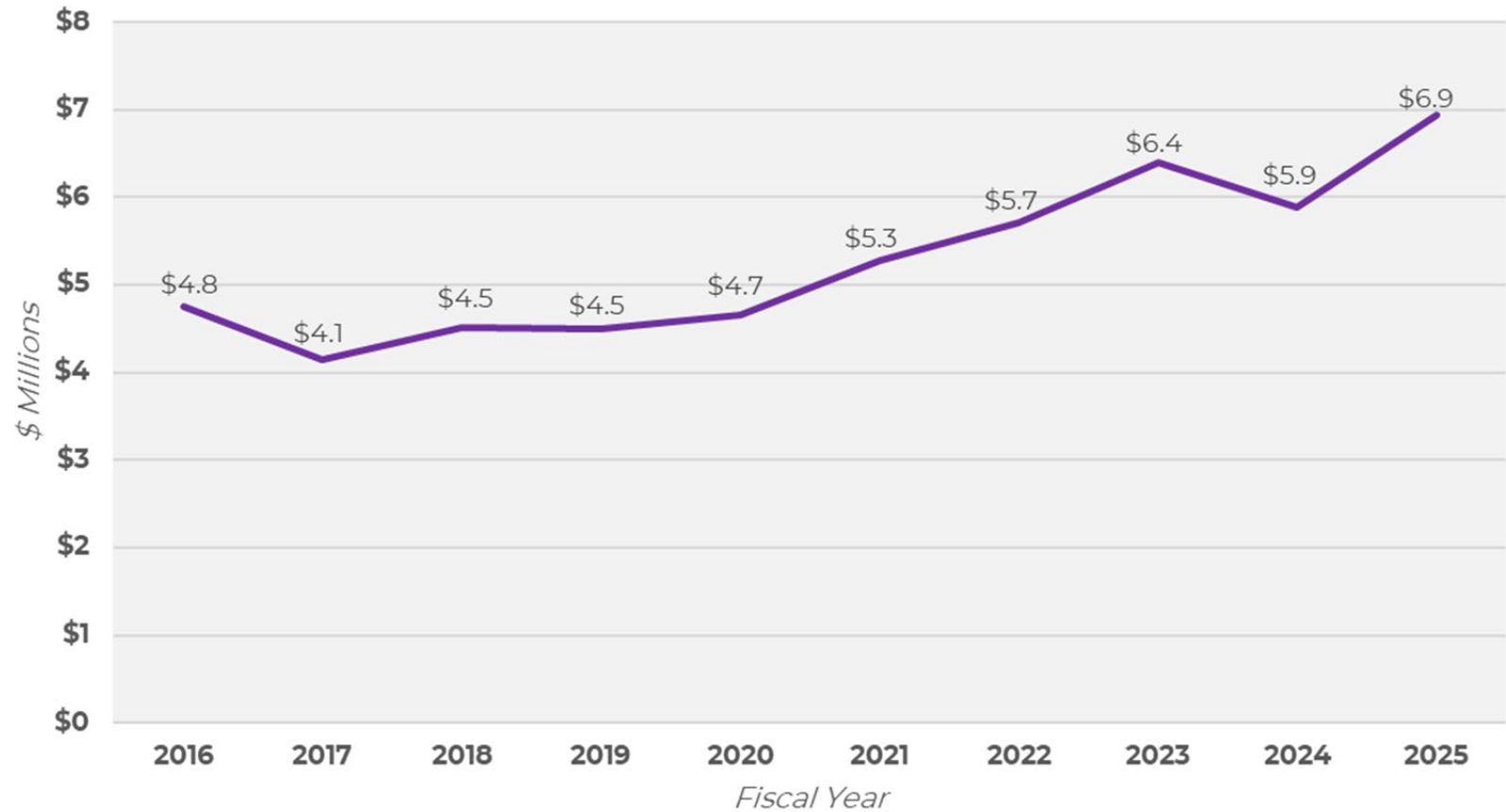
Spent \$42.0 million, 99% of the amended expenditure budget.

- ❑ Between 2021 and 2024, expenditure actuals were on average 96% of budget.
- ❑ Minimal carryovers include \$40,800 tied to the Comprehensive Plan update as well as police technology upgrades.

Sales Tax

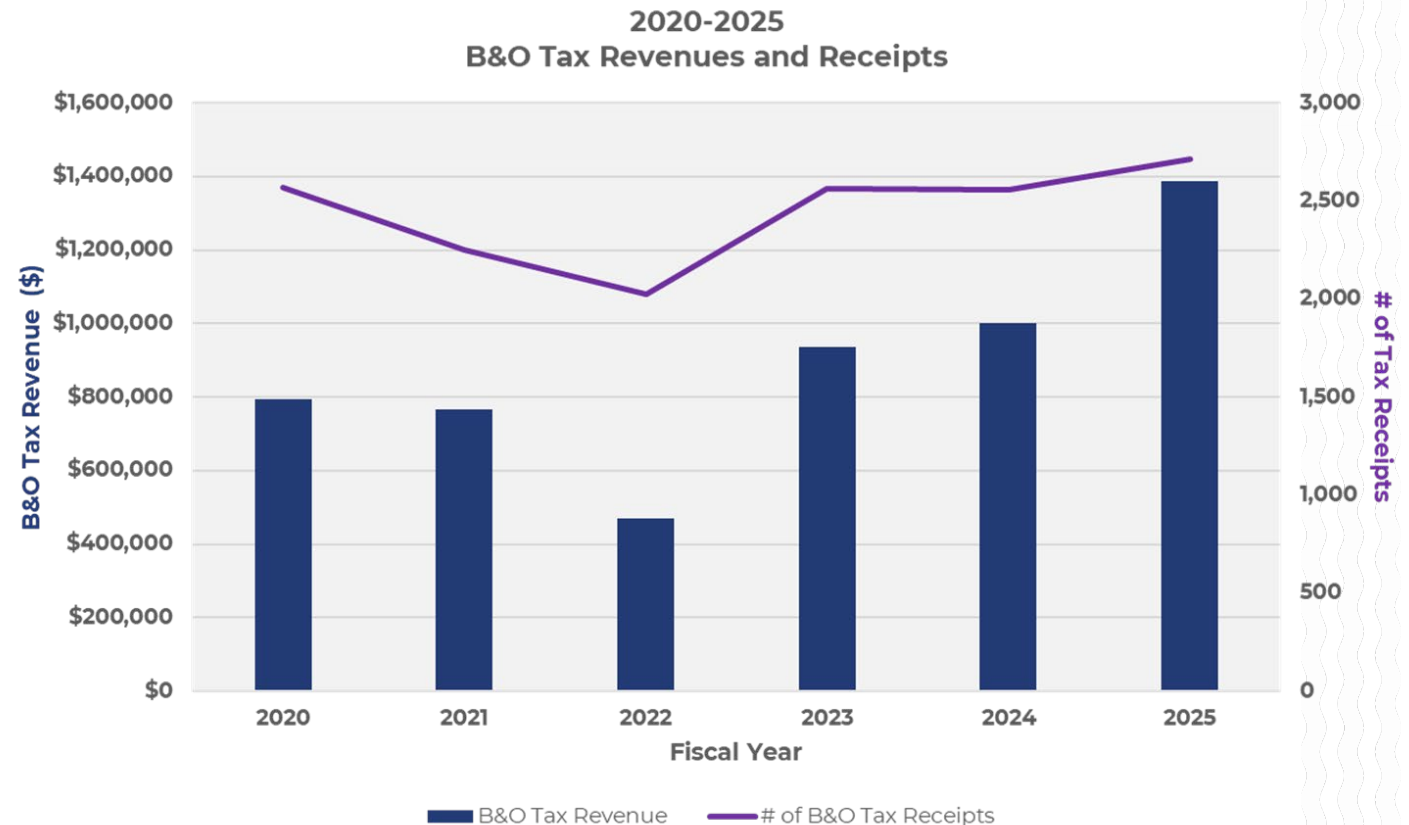
- ❑ 2025 revenues exceeded budget by \$270,000.
- ❑ Year-over-year positive revenue growth overall.
- ❑ Dip in 2024 tied to City's change to cash basis reporting.

Total General Sales Tax Revenues



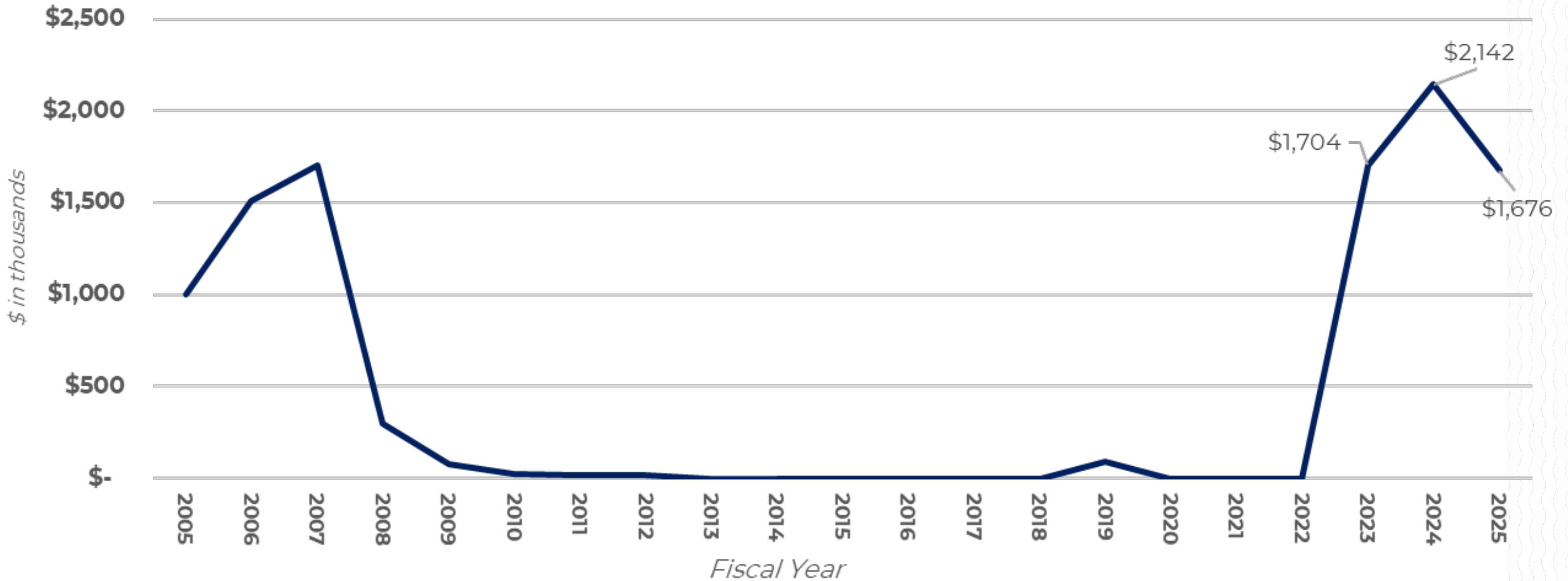
Business & Occupation Tax

- ❑ 2025 revenues exceeded budget by \$640,000, a \$390,000 increase over 2024.
- ❑ 0.10% tax on gross revenues > \$150,000.
- ❑ Table compares tax revenue and total tax receipts per year.
- ❑ 2025 revenues due to greater than anticipated economic activity.



Annual Interest Earnings

General Fund 21-year lookback



General Fund – Fund Balance

- **Fund balance** is the excess of assets over liabilities. Put simply, it is available cash in a fund.
- **Reserved** funds includes:
 - **Non-spendable.** Non-cash City inventories.
 - **Restricted.** Limitations on use set by outside entities.
 - **Committed.** Long-term limitations set by City Council.
 - **Assigned.** Earmarked for specific uses by City Council.
- **Available** is the remaining unassigned balance.

General Fund	Total
RESERVED	
Non-Spendable	\$ 121,857
Restricted	157,116
Committed	4,128,826
Assigned	881,873
RESERVED SUBTOTAL	5,289,672
AVAILABLE BALANCE	5,124,091
TOTAL FUND BALANCE	\$ 10,413,763



Available Fund Balance

Basis for Year-end Balance

- ❑ Mostly due to unspent prior year available fund balance.
- ❑ Strong revenue activity with minor expenditure savings at year-end.
- ❑ Product of conservative budgeting and fiscal restraint. Prove to be a vital resource as the City navigates many unknowns going into 2027-2028.

General Fund	Total
<i>as of 12/31/25</i>	
Prior Year Available Fund Balance	\$ 3,422,251
Sales Tax*	271,269
Business and Occupation Tax*	640,149
Annual Interest Earnings*	273,626
Expenditure Savings	516,796
TOTAL	\$ 5,124,091

**Net amounts above budget expectations*

Questions?



General Fund - Long-term Liabilities

General Fund carries **financial obligations** owed to a third party at a future date.

Final Maturity	Description	Balance as of 12/31/25
Long-term Liabilities		
-	Unused	General government compensated absences.
12/31/26	employee PTO	Compensated absences due to Eastside Fire & Rescue.
3/1/31	Operating & technology leases	Equipment leases (copier/postage).
12/1/26		Facility lease (police trailers / Newcastle court).
12/1/30		Subscription based information technology agreements.
-	Retirement/ healthcare commitments	Pension liability - PERS-1 UAAL.
-		OPEB liability - LEOFF-1 retirees.
General Fund Long-term Liabilities Total		\$ (12,926,064)

Debt & Long-term Liabilities

Fund Name	Available Fund Balance	Long-term Liabilities	Description of Available Fund Balance	Regulatory Statute Reference
General	\$ 5,124,091	\$ (12,926,064)	Discretionary unassigned prior year savings.	RCW 35A.33.120, MICC 4.40.080
Street	2,358,161	-	Statutorily restricted to the transportation system.	RCW 47.24.040, RCW 43.09.210, MICC 4.40.050
Capital Improvement	-	(1,540,000)	Statutorily restricted to facilities and parks capital commitments.	RCW 82.46.010-.035, MICC 4.40.040
Technology and Equipment	940,502	-	Discretionary resources for technology and equipment.	RCW 43.09.200, MICC 4.40.160
Water Utility	8,312,890	(29,189,249)	Constitutionally restricted to water service provision.	RCW 43.09.210, Okeson Cases, MICC 4.40.170
Sewer Utility	-	(2,891,239)	Constitutionally restricted to sewer conveyance provision.	RCW 43.09.210, Okeson Cases, MICC 4.40.140
Storm Water Utility	1,990,928	(60,886)	Constitutionally restricted to storm water removal.	RCW 43.09.210, Okeson Cases, MICC 4.40.150
Equipment Rental	-	(1,727,418)	Statutorily restricted to equipment operation and replacement.	RCW 35.21.088, MICC 4.40.090
Firefighter's Pension	-	(1,618,573)	Statutorily restricted solely for the benefit of designated parties.	RCW 11.98, RCW 43.09.210, MICC 4.40.100
TOTAL	\$ 18,726,572	\$(49,953,428)		

* Financials as of December 31, 2025.

- ❑ **Available fund balance** is cash on hand to pay obligations as of 12/31/25. It excludes deferred revenue, deposits, non-liquid assets, and previously budgeted funds and is separate from long-term liabilities.

Contingency Fund Balance

- ❑ Funding target is 12.5% per the Financial Management Policies.
- ❑ Maintained in accordance with State law (RCW 35.33.145).
- ❑ Council action is required to adjust current balance.
- ❑ Staff recommends maintaining current balance and revisiting during 2027-2028 biennial budget process this fall.

Description <i>as of 12/31/25</i>	Amount
2025 General Fund Expenditure Budget	\$ 42,572,285
Contingency Fund Balance	4,937,673
% of GF Expenditure Budget	11.6%

Questions?



2017 Settlement Agreement

- ❑ May 2017, City Council agreed to a \$10.05 million Sound Transit mitigation package to offset traffic impacts from light rail.
- ❑ Funds came with restrictions:
 - ❑ **Limited use.** For capital improvements tied to changing traffic patterns (not for day-to-day operations).
 - ❑ **Time-gated.** City must spend & file for reimbursement before 12/2025.
- ❑ The City successfully completed major capital work, recouped all \$10.05 million prior to the Dec 2025 deadline.

2017 Settlement Agreement

- Table represents some of the completed capital improvements paid for with Sound Transit mitigation funds.

Project	Description	Reimbursed Amount
4004 Island Crest Way	Acquired property and converted site into new park space.	\$ 1,657,091
Sunset Highway/ 77th Ave SE	Installed raised safety intersection and flashing crosswalks.	1,542,959
Island Crest Way Corridor	Upgraded pedestrian crossings, trails, and lighting.	1,441,215
West Mercer Way Shoulders	Paved new shoulders for safer walking and biking.	1,059,923
80th Avenue Sidewalk	Replaced aging sidewalks, trees, and street lighting.	1,180,916
ADA Transition Plan	Installed 11 compliant curb ramps and improved lighting.	385,576
76th Ave SE Crosswalk	Added new sidewalk, curb ramps, and rapid-flashing beacons.	269,770

Budget Appropriations

- ❑ Ordinance No. 26-04 outlines budget adjustments previously approved by the City Council.
- ❑ Includes a \$150,000 appropriation request from unassigned fund balance in the General Fund for outside support.
 - ❑ **\$50,000 for real estate services** to evaluate acquisition, sale, and leasing opportunities.
 - ❑ **\$100,000 to help with the Comprehensive Plan update** in compliance with the Growth Management Hearing Board order by July 31, 2026.

Key Take-aways

Current fiscal position consistent with Council policies and state laws, ensuring the City is well positioned to achieve near- and long-term goals.

- ❑ **Strategic Investment:** Successfully deployed \$10.05 M in Sound Transit settlement funds for pedestrian, ADA, and trail improvements.
- ❑ **Favorable Year-end:** Ended 2025 with a \$5.1 M General Fund unassigned fund balance, driven by conservative budgeting, fiscal constraint, and healthy revenue performance.
- ❑ **Healthy Position:** Vital working capital on hand headed into 2027-2028 biennium.

Next Steps

- ❑ Staff will return in June with a revenue forecast for the City's primary operating funds.
- ❑ This fall, staff will present the 2027-2028 preliminary budget for City Council review and eventual adoption by December 2026.
- ❑ During budget workshops staff will present recommendations for the potential disposition of the remaining unassigned fund balance in the General Fund.

Staff Recommendation

1. Adopt Ordinance No. 26-04, amending the 2025-2026 Biennial Budget.

Questions

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