



One Community Around The Lake

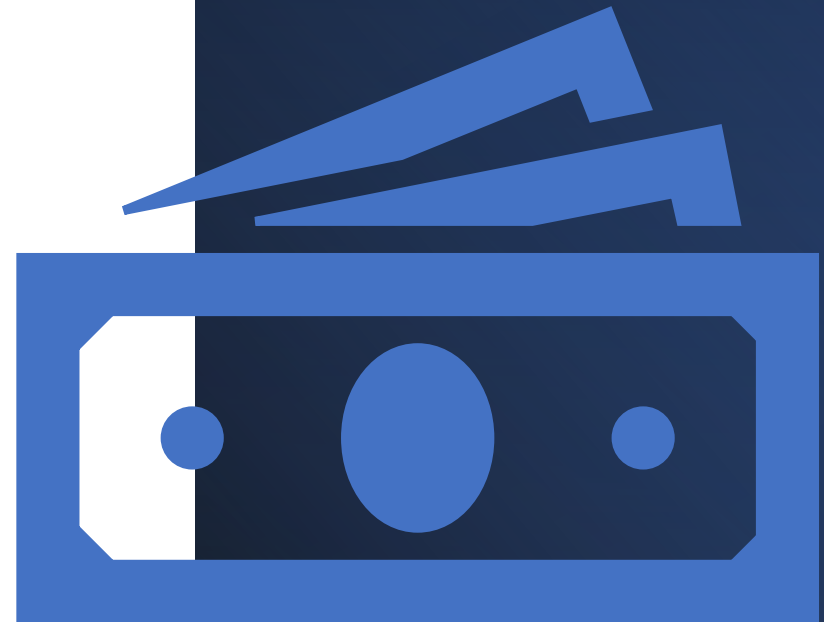
2026 Budget Discussion

BARB STEVENS, FINANCE DIRECTOR

SEPTEMBER 9, 2025

Budget Basics

- What is a Budget
 - A budget is a legal document that forecasts the financial resources of a government and authorizes the spending of those resources for a fiscal period.
 - A budget is like a plan for your money that helps you decide what to spend, what to save, and possibly what to share. It is a way to make sure you don't run out of money too quickly and have enough for the things you need and want.



Budget Process Timeline

January - July

- Project Dashboard
- Asset Inventories
- Financial Review

Early August

- Base Budget & Forecast created by Finance
- Instructions to DH

Mid – Late August

- DH Budget Requests are compiled and presented to Mayor and City Administrator
- Executive Staff Roundtable

September

- Budget Presentations
- Council Review & Discussion

October

- Proposed Budget Finalized
- Available to the Public

October

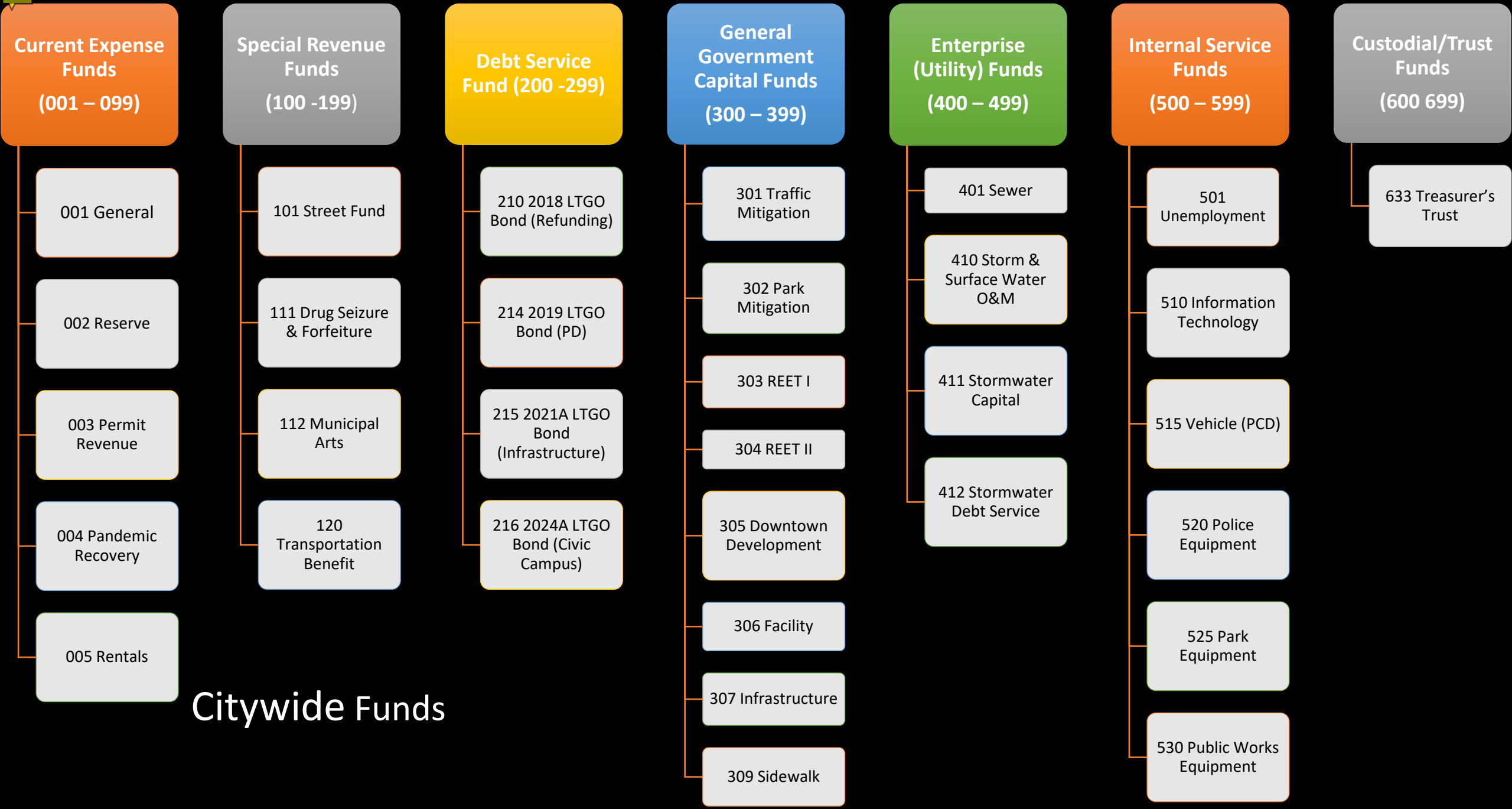
- Public Hearings
- Property Tax Levy Hearing
- Proposed Budget

November

- Final Public Hearing
- Adopt Budget


2026 Budget Calendar

City of Lake Stevens Schedule	Budget Process Step	2025 City Deadline Per RCW
September 9, 2025	Budget Presentation - Estimated Revenues – Base Budget Assumptions	10/6/2025
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Budget versus Estimated Revenue - Citywide

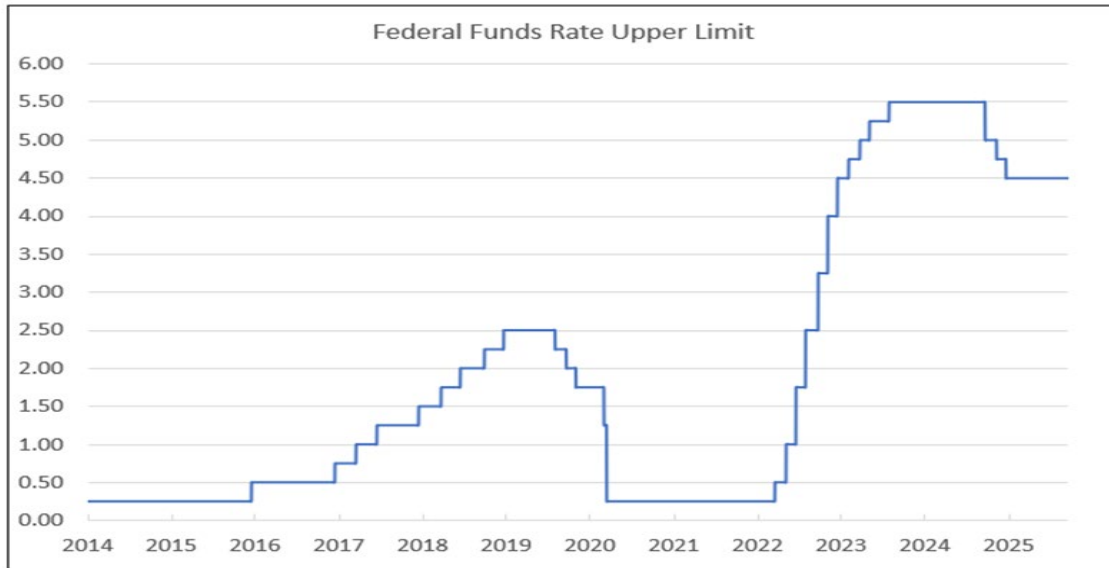
Fund Type	2025 Budgeted Revenues	2025 Estimated Revenues	2025 Budget to Estimated
General Fund	\$ 21,215,243	\$ 20,850,341	-1.7%
General Managerial Funds	\$ 2,349,030	\$ 3,025,229	28.8%
Special Revenue Funds	\$ 5,734,581	\$ 5,561,245	-3.0%
Debt Service	\$ 1,877,512	\$ 1,875,592	-0.1%
Capital Projects	\$ 18,680,597	\$ 19,574,368	4.8%
Other Proprietary	\$ 798,285	\$ 805,547	0.9%
SWM Funds	\$ 9,973,329	\$ 10,428,263	4.6%
Internal Service Funds	\$ 1,576,424	\$ 1,613,591	2.4%
Trust Fund	\$ 395,900	\$ 333,504	-15.8%
Totals	\$ 62,600,901	\$ 64,067,680	2.3%



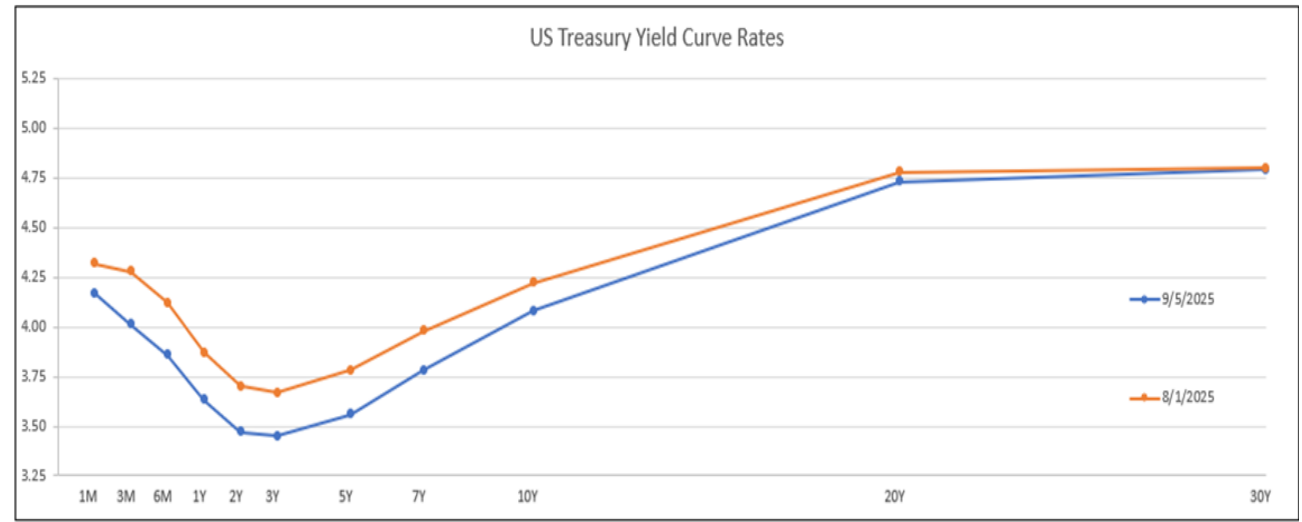
Citywide Revenue Outlook 2025

- General Fund – <1% Decrease (Detailed in separate slide)
- General Managerial Funds
 - Permit Fees and Construction sales taxes are both surpassing the budget. Estimated \$800,000
- Street Fund – Estimated 6% under budget. Mainly due to over budgeting utility taxes.
- Transportation Benefit Program – 7% over budget expectations
- Real Estate Excise Tax – Estimated 8% under budget or \$200,000 and approximately 20% below 2024.
- Mitigation Fees
 - Traffic Mitigation fees are expected to be slightly over budget
 - Park Mitigation fees are expected to be significantly above budget by about \$500,000
- Total Investment Interest in all funds is expected to be slightly over budget mainly due to interest on capital funding. This is a decrease of 16% over prior year.

Investment Interest



Source: Time Value Investments

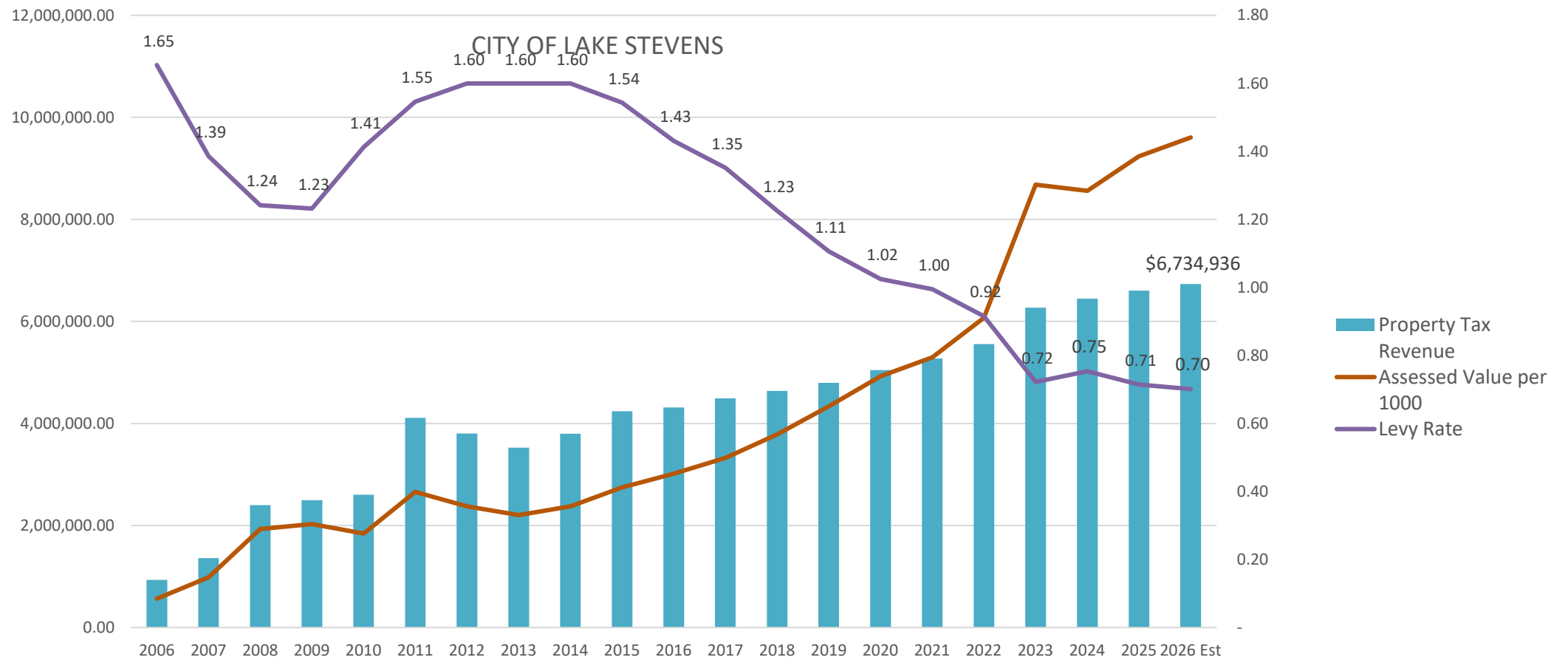


- LGIP tends to follow the Federal Funds Rate – Holding at 4.5% since December 2024 (after a full point drop in 6 months)
- US Treasury Yield Rates - Short to mid term treasury yields (2 – 10 year) are currently 3.5% - 4%.
- Investment diversification and staggered intervals is a preferred method of investing as it smooths out the volatility
- We are currently yielding more interest in LGIP than we would in other investments.
- Fed rates are voted on approximately every 6 weeks – 9/17/25 market is anticipating a .25% cut
- A policy to diversify investments is being drafted and will be brought back to Council for discussion.

2025 Estimated to 2026 Base Budget

Fund Type	2025 Budgeted Revenues	2025 Estimated Revenues	2026 Base Revenues	2025 Estimated to 2026 Base Budget
General Fund	\$ 21,215,243	\$ 20,850,341	\$ 20,941,579	0.4%
General Managerial Funds	\$ 2,349,030	\$ 3,025,229	\$ 3,000,450	-0.8%
Special Revenue Funds	\$ 5,734,581	\$ 5,561,245	\$ 6,389,250	14.9%
Debt Service	\$ 1,877,512	\$ 1,875,592	\$ 1,871,287	-0.2%
Capital Projects	\$ 18,680,597	\$ 19,574,368	\$ 4,865,236	-75.1%
Other Proprietary	\$ 798,285	\$ 805,547	\$ 742,436	-7.8%
SWM Funds	\$ 9,973,329	\$ 10,428,263	\$ 7,770,729	-25.5%
Internal Service Funds	\$ 1,576,424	\$ 1,613,591	\$ 1,519,253	-5.8%
Trust Fund	\$ 395,900	\$ 333,504	\$ 395,900	18.7%
Totals	\$ 62,600,901	\$ 64,067,680	\$ 47,496,120	-25.9%

Property Tax

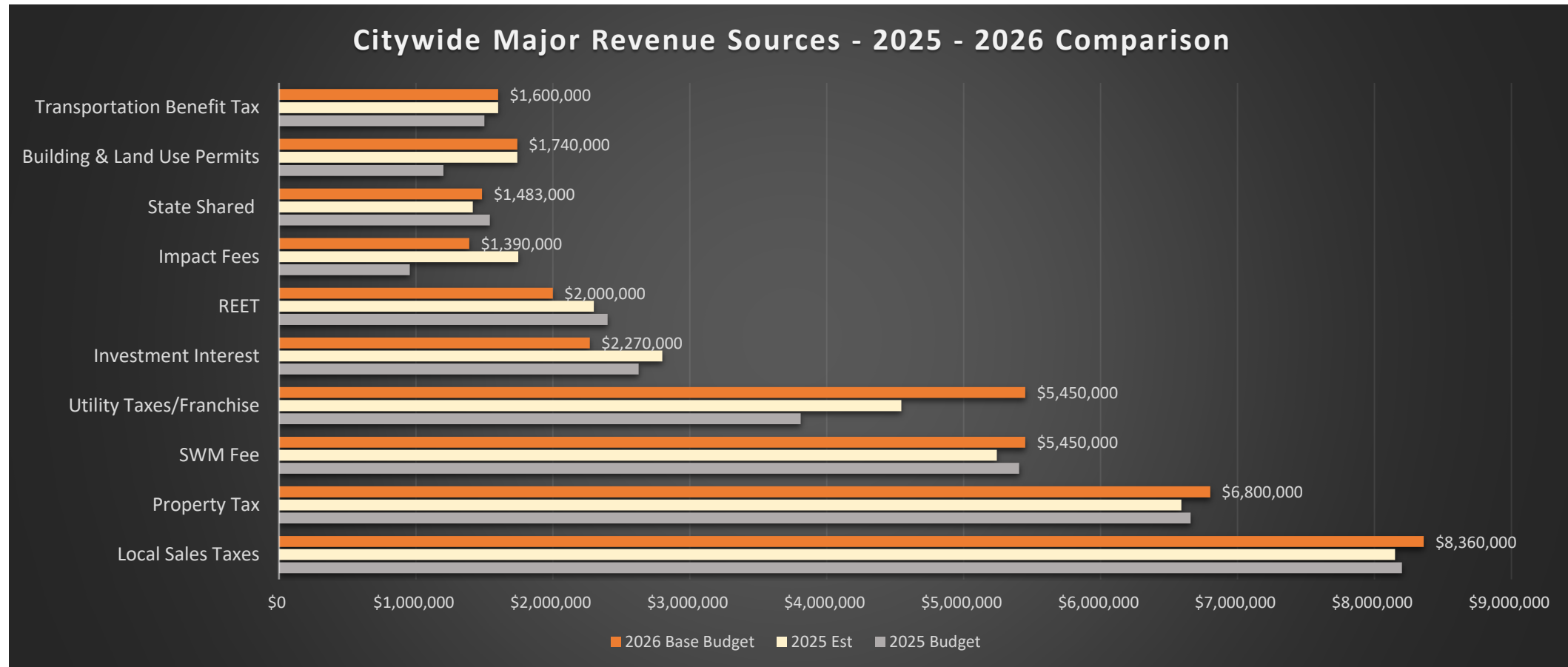



Major Revenue Assumptions

Revenue Source	Fund	Uses	% Total Rev	2025 Budget	2025 Est	2026 Base Budget	2026 Vs 2025 Estimated
Property Tax	General 72%	Unrestricted	10%	\$4,792,672	\$4,750,000	\$4,900,000	103%
Local Sales & Use Tax	General	Unrestricted	13%	\$6,212,586	\$5,980,000	\$6,130,000	103%
Construction Sales Tax	General/Reserve	Unrestricted	3%	\$900,000	\$1,160,000	\$1,200,000	103%
Crim Just./Afford Housing	General	Some Restrictions	2%	\$1,088,436	\$1,010,000	\$1,030,000	102%
Utility Taxes/Franchise	General	Unrestricted	8%	\$3,319,803	\$3,620,000	\$3,680,000	102%
Liquor/DUI/State Shared	General	Some Restrictions	2%	\$732,293	\$690,000	\$746,000	108%
Building Permits	Permit	Restricted	3%	\$1,000,000	\$1,500,000	\$1,500,000	100%
Zoning & Subdivision (Plats)	Permit	Restricted	1%	\$200,000	\$240,000	\$240,000	100%
Property Tax	Street – 28%	Unrestricted	4%	\$1,863,817	\$1,840,000	\$1,900,000	103%
Utility Taxes	Street	Unrestricted	4%	\$489,586	\$925,000	\$1,770,000	191%
State Shared - MVFT	Street	Restricted to Fund Usage	2%	\$807,953	\$725,000	\$737,000	102%
TB - Transportation Benefit ST	Transportation Benefit	Restricted	3%	\$1,500,000	\$1,600,000	\$1,600,000	100%
Real Estate Excise Taxes	REET I&II	Restricted	4%	\$2,400,000	\$2,300,000	\$2,000,000	87%
Traffic Impact Fees	Developer Contribution	Restricted	1%	\$455,000	\$748,160	\$490,000	65%
Park Impact Fees	Park Mitigation	Restricted	2%	\$500,000	\$1,000,000	\$900,000	90%
Surface Water Fees	Storm & Surface Water	Restricted to Fund Usage	11%	\$5,403,921	\$5,242,000	\$5,450,000	104%
Investment Interest	Various	Unrestricted	5%	\$2,626,214	\$2,800,000	\$2,270,000	81%

- Sales Tax – 3% increase
- Permit Fees – base budget projects no change. Department staff are evaluating expected revenues
- Street Fund Utility taxes – significant increase due to increase sewer utility tax
- TBP – should increase by 3%. (Table will be corrected)
- REET – continued decrease expected
- Mitigation Fees are expected to decrease (will be evaluated with Permit detail)
- SWM fees 4%
- Investment interest 5-10% decrease

Major Revenue Assumptions





General Fund Revenues Expectations

2025 Estimated

2026 Budgeted

Estimating little to no increase over prior year

- Sales Tax – Budgeted a 5% increase over prior year but have only seen a 2% increase. This is an estimated shortfall of \$230,000.
 - *2026 budget expects a 3% increase.*
- Cable Franchise Fees – Budgeted a 4% reduction but are currently seeing an 11% decrease or \$26,000.
 - *2026 budget builds in 11% decrease.*
- Marijuana and Liquor Excise Taxes – Budgeted a 5% reduction but are seeing a 15% decrease or \$45,000.
 - *“State Shared” revenues and are mostly based on population growth.*
- Investment Interest – 5% reduction budgeted but we are seeing a 23% decrease based also on decreasing cash balances. We expect an estimated shortfall of \$200,000.
 - *Estimated decrease of 10% in 2026.*
- Utility Taxes (Electric, Gas, Telephone & Water) are expected to exceed budget by about 9% or \$240,000 if the current trend continues.
 - *1-2% increases built into 2026.*

2026 Base Budget
Expenditure
Assumptions




Citywide Expenditure Outlook

2026 Base Budget

- The initial base budget includes current staffing levels and current programs, with some basic increases due to cost increases only.
- Departments have been given the opportunity to submit budget requests for additional operations, staffing, equipment, and projects based on the needs of their department and the city that will be discussed during the retreat
- Any increases in levels of service or new programs or services are submitted as new request.

Expenditure Comparison - Citywide

Fund Type	2025 Budgeted Expenditures	2025 Estimated Expenditures	2026 Base Expenditures	2025 Budget to Estimated	2025 Estimated to 2026 Base Budget
General Fund	\$ 26,080,474	\$ 24,036,374	\$ 26,161,441	-7.8%	8.8%
General Managerial Funds	\$ 8,927,475	\$ 8,445,068	\$ 2,734,455	-5.4%	-67.6%
Special Revenue Funds	\$ 5,986,761	\$ 4,820,180	\$ 4,626,995	-19.5%	-4.0%
Debt Service	\$ 1,867,512	\$ 1,866,762	\$ 1,866,287	0.0%	0.0%
Capital Projects	\$ 34,699,570	\$ 31,476,509	\$ 4,713,587	-9.3%	-85.0%
Other Proprietary	\$ 839,739	\$ 839,150	\$ 740,436	-0.1%	-11.8%
SWM Funds	\$ 11,421,786	\$ 10,055,024	\$ 6,549,744	-12.0%	-34.9%
Internal Service Funds	\$ 1,672,868	\$ 1,700,422	\$ 982,870	1.6%	-42.2%
Trust Fund	\$ 396,961	\$ 300,536	\$ 396,961	-24.3%	32.1%
Totals	\$ 91,893,146	\$ 83,540,025	\$ 48,772,776	-9.1%	-41.6%



Citywide Expenditure Outlook

2026 Base Budget Assumptions

- Liability Insurance – 10% increase \$121,000.
 - Increases are based value of property and equipment covered
 - Vehicles and Machinery increased by 1.6%
 - Property Values increased by 6.8%
 - Based on Risk
 - Risk valuation increased by 21% due to claims filed and closed in prior years.
- Public Defender Cost – New defense standards will cause our contract costs to increase substantially. Currently estimated at 32% (but may be low.
- Medical/Dental Insurance Rates - 10% increase - \$350,000

Cost of Living Adjustment Non-Represented

Rationale

- Current CPI-W is 2.715%
 - 90% of CPI-W of is 2.44%
- The city has a history of doing 90% of CPI-W
- Competitive & Comparable Cities
- City Council parameters to maintain 60th Percentile
 - *2.44% COLA may fall below 60th Percentile as other comparable cities use full CPI*
- Retention & Recruiting
- Union-represented job classes typically receive regular market analysis increases in addition to COLA

2.44% COLA

- Estimated Total Cost \$240,000
 - General Fund \$178,400
 - Street Fund \$26,100
 - Stormwater Fund \$35,500

We estimate a continued 20% (\$50,000) of the increases will be reimbursed by the Permit Fund for permit related work performed by staff allocated to Other funds.

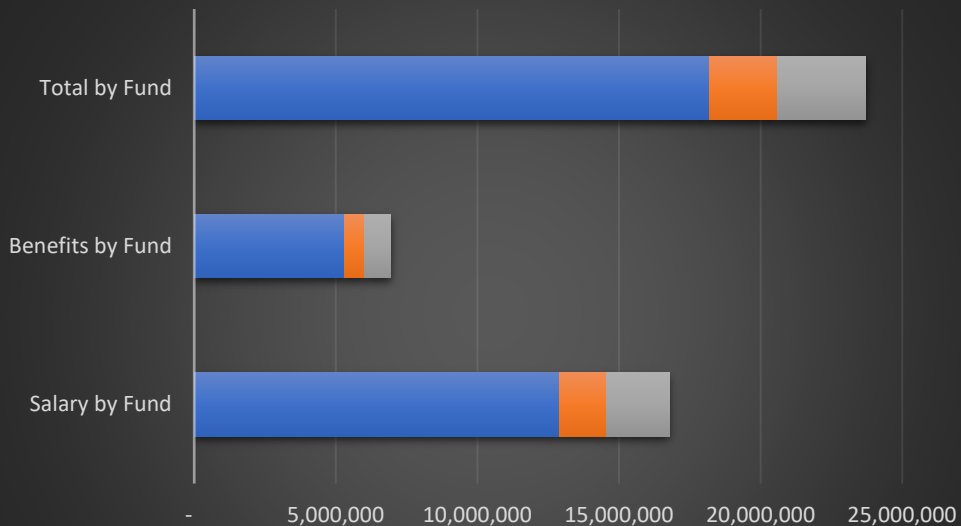
Represented Classes: 2026 COLA

- Guild Commissioned 3% (2024 Contract) \$147,200
- Guild Non-Commissioned 2.44% (2025 Contract) \$21,000
- *Teamsters (In Negotiations – estimate at 2.44%)*

Estimated Staffing Costs – Base Budget w/COLA

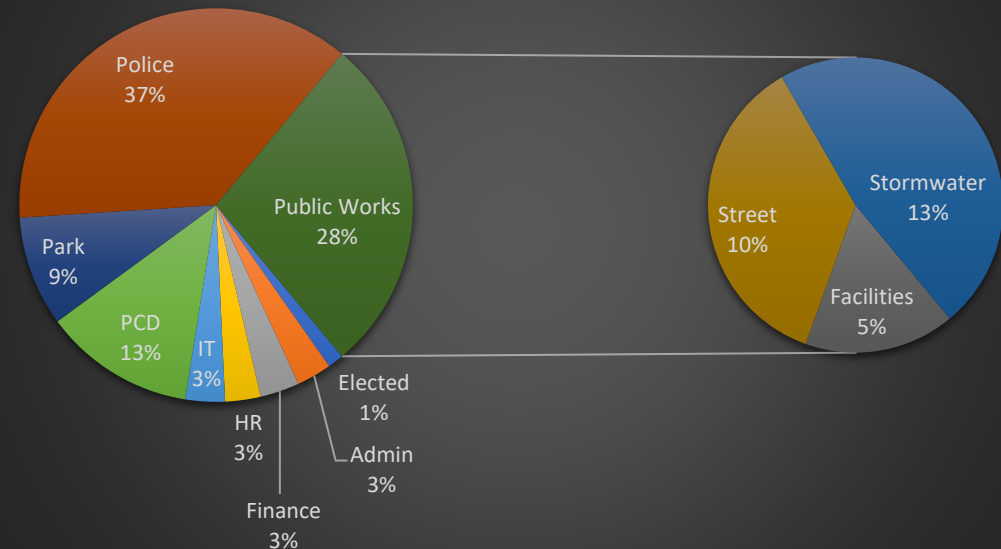
Total Citywide Wages \$23,710,000

Wages by Fund



	Salary by Fund	Benefits by Fund	Total by Fund
General Fund	12,889,669	5,299,475	18,189,144
Street	1,670,347	723,777	2,394,124
Stormwater	2,212,307	914,213	3,126,521

Wages by Department



Ending Fund Balance Comparison - Citywide

Fund Name	2025 Budgeted Ending	2025 Estimated Ending	2026 Base Ending Cash Balance
General Fund	\$ 2,186,999	\$ 3,866,197	\$ (1,353,665)
Other General Funds	\$ 10,030,065	\$ 11,188,671	\$ 11,454,666
Special Revenue Funds	\$ 3,488,525	\$ 4,481,770	\$ 6,244,025
Debt Service	\$ 10,456	\$ 9,286	\$ 5,000
Capital Projects	\$ 18,105,007	\$ 22,221,839	\$ 22,373,486
Other Proprietary	\$ 54,578	\$ 62,429	\$ 64,429
SWM Funds	\$ 5,611,238	\$ 7,432,934	\$ 8,653,919
Equipment Funds	\$ 2,038,604	\$ 2,048,217	\$ 2,584,600
Trust Fund	\$ 27,443	\$ 61,472	\$ 60,411
Totals	\$ 41,552,915	\$ 51,372,815	\$ 50,086,871

2026 Base Budget - Citywide

Fund Type	2026 Beginning Cash Balance	2026 Base Revenues	2026 Base Expenditures	2026 Base Ending Cash Balance	Revenue Over Exp (+)
General Fund (000)	\$ 3,786,197	\$ 20,941,579	\$ 26,161,441	\$ (1,433,665)	(\$5,219,862)
Other General Funds (000)	\$ 11,188,671	\$ 3,000,450	\$ 2,734,455	\$ 11,454,666	\$265,995
Special Revenue (100)	\$ 4,481,770	\$ 6,389,250	\$ 4,626,995	\$ 6,244,025	\$1,762,255
Debt Service (200)	\$ -	\$ 1,871,287	\$ 1,866,287	\$ 5,000	\$5,000
Capital Projects (300)	\$ 22,128,837	\$ 4,865,236	\$ 4,713,587	\$ 22,280,486	\$151,649
Other Proprietary (400)	\$ 62,429	\$ 742,436	\$ 740,436	\$ 64,429	\$2,000
SWM Funds (400)	\$ 7,432,934	\$ 7,770,729	\$ 6,549,744	\$ 8,653,919	\$1,220,985
Internal Service (500)	\$ 2,048,217	\$ 1,519,253	\$ 982,870	\$ 2,584,600	\$536,383
Trust (600)	\$ 61,472	\$ 395,900	\$ 396,961	\$ 60,411	(\$1,061)
Totals	\$51,190,527	\$47,496,120	\$48,772,776	\$49,913,871	(\$1,276,656)

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