



One Community Around The Lake

Council Retreat

2026 Budget Discussion

SEPTEMBER 30, 2025



Today's Agenda

- General Fund Outlook & Review
- Citywide Cost Reduction Efforts
- Capital Projects

Future Discussions

- Revenue Generation & Cost Recoulement (10/7)
- Salary Survey Scenarios (10/14)

Operating Revenues

- Property Taxes
 - Implicit Price Deflator >1%
 - Updated values from Assessor's Office – Increased estimates <1% \$30,000
 - 2026 Budget and forecast model include 86% General Fund Allocation - \$5,800,000
- Sales Tax
 - Retail & Accommodation
 - Reduced expectation for 2025 to a 2.7% increase over 2024
 - Reduced 2026 budget forecast to 2% increase over 2025
 - Construction Sales Tax
 - Increased 2026 forecast by approximately 10% based on current year trend (\$100,000)
- Investment Interest
 - FED Rate has decreased as expected to 4.25% and is expected to decrease to 4% by yearend
 - FED predictions are it will be between 3% - 3.5% by yearend 2026

Expense Updates

Staffing

- 2025 Positions on Hold (11)
 - Building Supervisor
 - Senior Budget Accountant
 - Park Revenue Development Specialist
 - Police Officer (4) – Still recruiting
 - Maintenance Worker – Storm
 - Facility Maintenance Technicians (2)
 - HR Manager (Reclassification)
 - Assist Equip Mechanic/ICS (Reclassification- rem)
 - Commander (Promotion)
- Removed from 2025 & 2026 Budget
 - Facility Maintenance Technicians
 - Will contract for janitorial
 - May need to hire 0.5 FTE Park Worker to maintain the Mill
 - Assist Equip Mech/ICS (reclass)
- 2025 Positions In Process for Immediate Hire
 - City Engineer
 - Plans Examiner

2026 Operating Budget Increases

Recommended Staffing

IT - Application/Data Analyst

- Data Security, Mandatory ADA Updates, Critical System Support
 - Q2 Hire - \$112,000
 - 76% General Fund (\$85,000)

Traffic Engineer

- Develop and Implement traffic safety camera program
- Develop and Implement traffic calming program
 - Q1 Hire - \$164,000
 - Includes vehicle lease costs
 - 100% funded by Traffic Safety Camera Program (reimbursed)

Expense Updates

Salaries & Benefits

- COLA
 - Non-Reps 2.44%
 - Guild Commissioned 3.00%
 - Guild Non-Commissioned 2.44%
 - Teamsters (*in negotiations*)
- Medical & Dental Rates – Updated from Estimated
 - Reduced citywide forecasted cost by \$74,000 (80% GF)

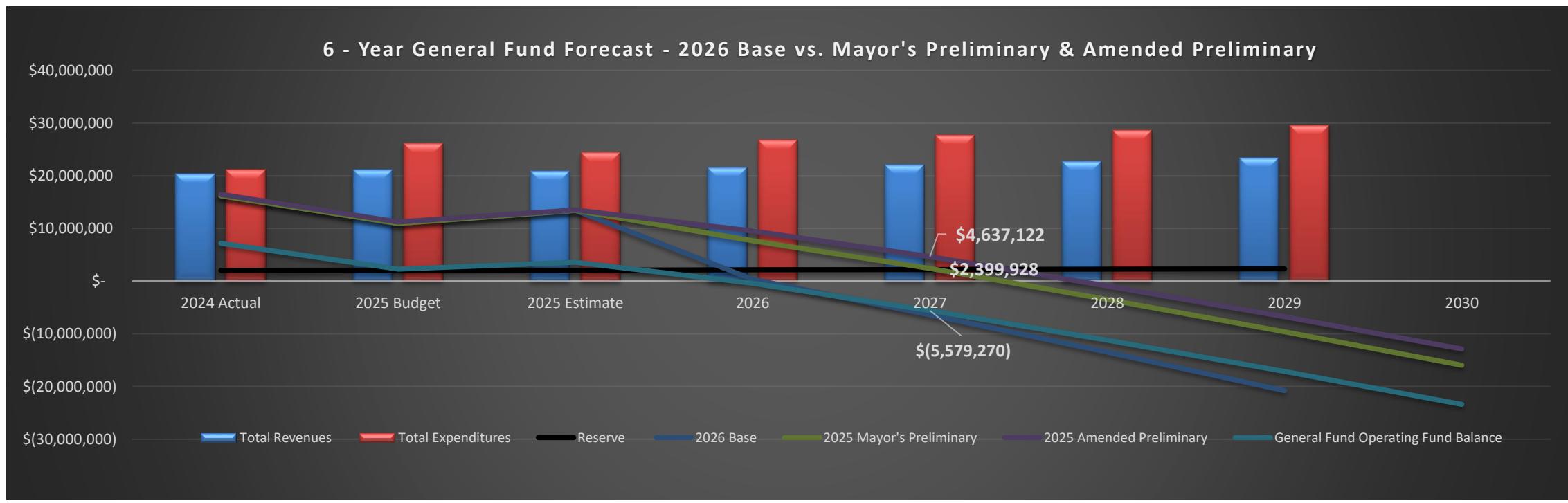
Plan Provider	% Increase
Regence Medical	8.70%
Kaiser Medical	11.60%
Delta Dental	4.30%
Willamette Dental	7.60%

- Potential Increase to L&I rates
 - 4.91% proposed January 1, 2026
 - \$35,000 (80% GF)

2026 General Fund Forecasted

All numbers are estimates. Numbers for years two through six can change as 2025 continues and the 2026 Budget is developed and discussed. Long-term General Fund forecast often go in a negative fund balance, usually by the third or fourth year. This does not mean the City will run out of money but instead illustrates the path the City could realize if no adjustments are made during the first two years.

Adjustments to the forecast model will be made to illustrate cost savings measures as implemented citywide in 2025 and 2026.



2026 Mayor's Preliminary Budget – All Funds

Fund Name	Beginning Cash Balance	2026 Proposed Revenues	2026 Proposed Expenditures	2026 Proposed Ending Cash Balance	Revenue Over Exp (+)
General Fund (000)	\$3,577,954	\$21,871,926	\$25,979,108	(\$529,227)	(\$4,107,182)
Other General Funds (000)	\$11,327,340	\$3,100,450	\$2,380,712	\$12,047,078	\$719,738
Special Revenue (100)	\$4,270,155	\$5,937,845	\$4,926,893	\$5,281,107	\$1,010,952
Debt Service (200)	\$0	\$1,873,887	\$1,866,287	\$7,600	\$7,600
Capital Projects (300)	\$18,502,523	\$4,653,000	\$5,713,587	\$17,441,936	(\$1,060,587)
Other Proprietary (400)	\$61,419	\$748,936	\$740,436	\$69,919	\$8,500
SWM Funds (400)	\$6,804,986	\$7,343,826	\$6,315,557	\$7,833,254	\$1,028,269
Internal Service (500)	\$2,060,170	\$1,403,150	\$1,502,724	\$1,960,596	(\$99,574)
Trust (600)	\$34,642	\$395,900	\$396,961	\$33,581	(\$1,061)
Totals	\$46,639,189	\$47,328,920	\$49,822,265	\$44,145,844	(\$2,493,345)

Reallocations of Cost

- Administrative staff to capture time against capital project funds and grants
- Administrative overhead (Admin, Finance, IT, HR, MSD) allocate proportionate share of wages to Permit Division
- (3) Park projects allocated to pandemic recovery fund in 2025
 - PR funds are unrestricted General funds.
 - Recommend amendment the budget to move the costs to Park Mitigation fund.
 - Reallocate approximately \$800,000 onetime funds to help with the GF shortfall.
 - Will reduce funds available for continuing Park Projects
 - May need to reevaluate the Capital Budget being introduced tonight
- Allocate any additional unencumbered PR funds to GF to help with shortfall (onetime stopgap)

Citywide Staff Survey

A survey was sent to all staff citywide to provide ideas for expense reductions, cost recoupment, efficiencies, and revenue generation.

We received 68 new ideas that have been added to the extensive list provided by the department leads as previously discussed.

Staff is working through the suggestion to determine which can be implemented and whether they can be done internally, will need additional stakeholders, or additional equipment or software.

Some ideas include:

- Limiting the use of city attorney
- Sell properties as they become vacant (in process)
- Automate more processes
- Completion of projects (no new projects)
- Review current programs/reduce current programs
- Planning for the future operating costs related to capital projects
- Limit training to mandatory and necessary
- 4-day work weeks
- Voluntary furloughs

Recommended ideas will be consolidated and brought back to Council at a future date

Other Expense Reductions for Discussion

The Mayor's Proposed Budget does not include any of the following recommendations

- Higher share of Medical/Dental Cost to employees
- Take no action on Salary Market Survey
- No COLA Increase
- Furlough days (unemployment costs)

Implications of workforce “savings” are being evaluated

Other Revenue Sources & Strategies

- Property Taxes – Excess Levies
- Business & Occupation Taxes
- Local Improvement Districts
- Street and Lot Parking Fees
- Lodging Tax (Hotel/Motel)
- External Services
 - Storm Pond Clean Up
 - Dead Animal Pick Up
 - City Ornament Sales
 - Banner Fee
 - Modification of Rental Fees
- Technology & AI – improve efficiencies
- Encourage remote work
- Implement Economic Development Strategies
 - Destination Business
 - Boutique Hotel
- Sell unused city owned properties
- Sell naming rights for structures and/or land
- Banner – Fence sponsors
- Bench/Tree Donations
- Update contracts with Row Clubs
- Use of available city facilities for Rental
 - New City Hall
 - Library
 - City Hall Modulars

Cost Recoupment

- ROW Permits
 - Penalties for non-compliance
 - Charge for weekend work
- Events
 - Modify special event fees
 - Reduce in-kind donations
 - Charge actual costs/staff time
 - Banner hanging fees – over street
- Electric Charging Station fee
- Code Enforcement
 - Illegal Sign Removal Charge
 - Cease waiving fees
- Modification of fees to cover staff costs
 - Business Licenses
 - Home occupation fee
 - Tree removal fee
 - Annexation Fee for SEPA
 - Attorney fee & staff time
 - Buoy Program
- In Process
 - Technology Fees 3%
 - Credit Card Fees – January 2026
 - Fees Resolution Review

2026 Budget Calendar - Revised

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
September 13, 2025	Council Retreat – Preliminary Budget & Strategic Staffing & New Revenues	10/30/25
September 23, 2025	Compensation Markey Study Introduction	
September 30, 2025	Council Budget Discussion – Budget Recap & Capital Budget Introduction	
October 7, 2025	Council Budget Discussion – Revenue Generation	
October 14, 2025	Compensation Markey Study Review & Recommendations	
October 21, 2025	Council Budget Session – Proposed Operating & Capital Budget Review	
October 28, 2025	Council Budget Session (as needed)	
November 18, 2025	Public Hearing – Setting of Levies (Property Tax Levy – Filed by November 30)	11/30/2025
November 18, 2025	Public Hearing - Proposed Budget Hearing	11/30/2025
November 25, 2025	Final Public Hearing	12/2/2025
December 2, 2025	Final Public Hearing (continuation – if needed)	12/7/2025