Mayor's 2025-2026 Budget Message

October 14, 2024

Mukilteo City Council
Residents of Mukilteo
Mukilteo Business Community

Dear City Council and Mukilteo Community,

It is an honor to present the 2025-2026 biennial budget for your review and action. This is my eleventh budget submission and the first biennial budget I've brought forward. I'm optimistic that moving to a biennial process will foster greater efficiency, ease administrative burdens, and improve our long-term financial stability. The City's budget policies can be found under the introduction section.

This budget has undoubtedly been the most challenging to prepare since my current term began in 2022. Like many municipalities, we face rising costs in labor, goods, and services. For 2025, our staff expenses have increased by 12.4% percent since 2023; with an additional 4.85% for 2026. That fact, coupled with lower-than-anticipated revenues, has required thoughtful adjustments to maintain a balanced budget.

In addition to lower-than-expected revenues, like sales tax, the Emergency Medical Services levy sent to voters did not pass. The current levy rate of approximately $0.26 per $1,000 of assessed property value is insufficient to cover the City's Fire and EMS services. As a result, we've had to use funds that would typically go toward other needs like personnel costs to subsidize these essential services. We will be exploring the costs and potential impacts to residents if we were to consider a regional Fire Department instead of a City-operated one.

To maintain essential City services, this budget postpones funding for the South Mukilteo Park project and construction of entryway signs, reallocating approximately $1.8 million in American Rescue Plan Act funds to address immediate needs in the general fund, particularly rising labor costs. I want to emphasize that this decision is necessary to preserve current service levels—not to fund new initiatives or positions.

This budget is lean by necessity. There are no new general fund budget items in the 2025-26 cycle. Thankfully, past City Councils have maintained prudent reserves and exercised financial restraint, which is helping us manage through these challenging times. The recently re-established Long-Range Financial Planning Committee will guide us in developing a comprehensive plan for the future. This will involve assessing funding sources, key revenue and expenditure assumptions, and reviewing our policies related to fund balances and reserves. No major changes in the City's financial policies will be made until the Committee completes its work and sends their recommendations to the City Council.

I remain confident that, through continued fiscal responsibility, the insights from the Long-Range Financial Planning Committee, and the ongoing work on annexation, we will navigate these uncertain times. We are committed to leveraging every available grant dollar to ensure that we make the most of our City's resources.

Budget Priorities

- Public Safety – Public Safety continues to be my number one priority. This budget fully funds Police, Fire, and Emergency Medical Services personnel costs. Thanks in large part to a state grant, the Police Department will be receiving a small add on to their facility in the 2025-2026 budget. Although a very lean budget, it is able to fund new police cars and new defibrillators and ventilators for the fire department.
- Infrastructure Preservation – We have tremendous infrastructure here in Mukilteo. I made a point to prioritize preserving our existing infrastructure through projects that will largely be funded through our stormwater rates, not the general fund. These projects include repairing stormwater outfalls, which protects personal property and prevents pollutants from entering our waterways. Additionally, this budget allocates funding to inspect 20 miles of stormwater pipes in our City.
- Fiscal Responsibility – The 2025-26 budget reflects my commitment to responsible and transparent stewardship of taxpayer dollars. This budget prioritizes funding core services without overextending the City's resources, while continuing to identify efficiencies and areas where we can do more with less.

Budget Overview

Highlights of Funded Programs

1. Full funding of our Police, Fire and Emergency Medical Services Department.
2. Funds the Police Facility Wellness Center project.
3. Funds 20 miles of CCTV stormwater pipe inspections.
4. Repairs three stormwater outfalls.
5. Allocates dollars towards replacement of speed cushions.

Expenditure Reductions and Savings

1. Delayed construction of South Mukilteo Park (approx. $1,190,000)
2. Delayed construction of entryway signs (approx. $443,000)

Taxes and Fees

My 2025-2026 budget projects little to no growth in retail sales tax for 2025 and assumes a modest increase of 2.4% for 2026. Utility taxes are expected to decline in 2025, from 2024; a 2.4% increase is used for 2026. My budget includes the statutory 1% increase in general property taxes ($59,601 for 2025, and $60,196 for 2026).

General Fund Ending Fund Balance

The General Fund ending fund balance for 2025 is $5,171,084 which exceeds the policy requirement of 16.67% (two months in reserve) by $2,123,562. However, for 2026 the ending fund balance is $2,503,925 which is $908,208 below that required to meet the policy. The decrease in ending fund balance is attributable to costs associated with EMS and city-wide personnel costs, combined with relatively little increase in revenue.

The 2025-2026 Budget

In FY 2024, total budgeted revenues were $17,192,155 and total budgeted expenditures were $17,909,938.

In FY 2025 total budgeted revenues are $17,662,640. In FY 2026, budgeted revenues are $17,801,543.

Proposed operating expenditures for FY 2025 total $18,281,474, a 2.1% increase over 2024. FY 2026 proposed expenditures total $20,468,702, a 12% increase over FY 2025.

Capital improvements total $3,085,743 for FY 2025, a 19% decrease as compared to FY 2024. Capital improvements have not yet been budgeted for FY 2026.

In line with the City's fiscally conservative approach, the budgets include a "Committed" City Reserve of $1,000,000.

Closing Comments

Thank you, Councilmembers, for committing so much of your time to exploring and articulating the community's priorities thus far in the budget process. This budget is truly a team effort. I want to give a special thanks to Finance Director Núñez and City Administrator Powers for their work on the budget.

My top priority continues to be keeping our community safe and attractive to businesses and residents and making living in our community one of the best investments in the region. I want to thank our City staff for their continued hard work and dedication. Thank you, citizens and businesses, for your trust in the Council, Mayor and employees.

My staff and I look forward to working with the Council over the next several weeks and responding to any budget-related questions that may arise from you and interested citizens.