City Council Proviso: Revenue Options

July 2025

SEAL OF TUKWILA WASHINGTON

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The Revenue Proviso team and Proviso report is a cross-departmental effort. The team first met on January 9, 2025 and subsequently met multiple times to define project scope, assign work tasks, and provide input into the report.

The Mayor and City Administrator extend their appreciation to the Revenue Proviso Team for the work required to produce this report. Further, special recognition is extended to Tommy Conkling, Fiscal Coordinator, for his work on the Proviso Report.

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Executive Summary

The City maintains a six-year financial forecast for the General Fund. Forecasting is a long-term planning tool that encourages strategic thinking and provides decision-makers with tools to allow for making more informed business decisions by focusing on long-term objectives and the future impact of current decisions. The City of Tukwila is facing a structural imbalance between its recurring revenues and ongoing expenses. If this imbalance is not addressed, the General Fund could exhaust its reserves within a few years. For reference, the six-year General Fund forecast as presented in the 2025 – 2026 budget is included in in Appendix D at the end of the report.

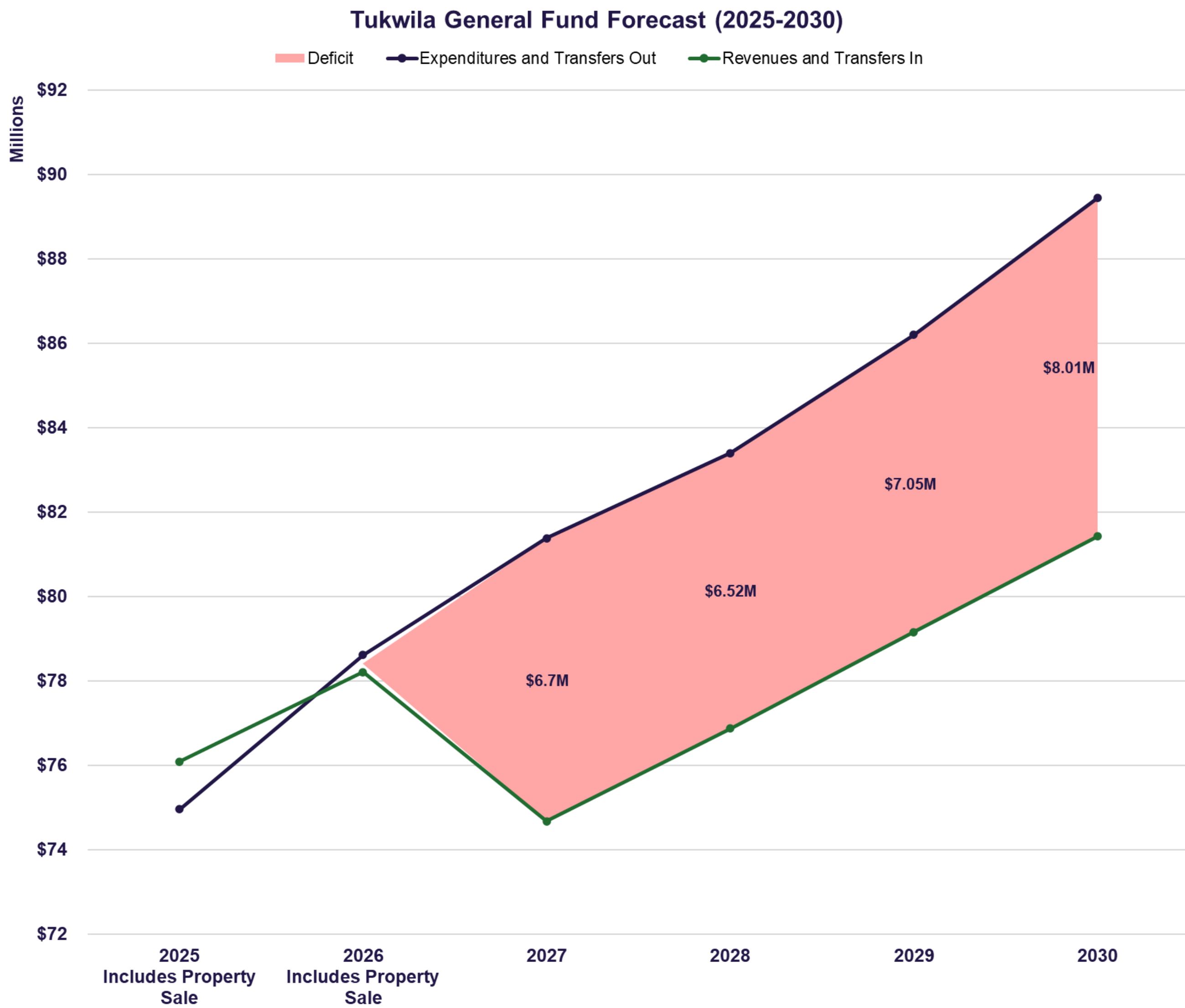
The Mayor has described the 2025 – 2026 budget as a transitional budget, one that is balanced and provides for the continuation of city services at least at their current service levels, but uses one-time resources to pay for ongoing operations. The Mayor's stated priority for 2025 is for his team to work on finding solutions to achieve a sustainable budget over time, beginning with the 2027 – 2028 budget. This report was developed both in response to a formal request by the City Council to evaluate potential new revenue sources and as one of the components of the larger budget sustainability work currently underway to address the Mayor's priority. Further, the report is intended to support long-term financial planning and decision-making by providing a resource for decision makers on available revenue options.

This work was preceded by the formation of a community-based Financial Sustainability Committee in 2024 that was tasked with key questions regarding prioritization of limited financial resources, using the right tools to achieve long-term sustainability, calibrating city services and programs with the community members' desires and willingness to pay and distributing impacts to residents and businesses in the most equitable and balanced way. The April 2024 report informed this revenue research and continues to inform the larger budget sustainability work.

The City's 2025 – 2026 biennial budget was adopted by the Tukwila City Council on November 25, 2024. The biennial budget is balanced but includes one-time resources to fund ongoing operations in both years of the biennium. As part of the budget sustainability conversations between the Mayor and the City Council during the budget deliberations, the budget Ordinance (Ordinance No. 2749) included the following Proviso language in Exhibit A:

"Throughout the rigorous biennial budget process, it has become clear that the City cannot depend exclusively on cost-cutting measure to address future budget deficits. To ensure long-term financial stability, it will be imperative to identify new revenue sources and strengthen existing revenue streams. The City Council has directed the Finance Department to return midyear to present and discuss potential additional revenue options".

Tukwila's budget challenges are not unique. Cities across Washington face similar constraints due to the state's revenue structure. Taken together, the two main pillars of General Fund revenues, property tax and sales tax, have not kept pace with inflation. From 2014 to 2024, property tax revenue declined by nearly seven percent after adjusting for inflation, and sales tax revenue increased by just over one percent (see Appendix C for more information). Meanwhile, the cost of providing existing public services continues to rise, and the City has gradually provided more services to the community over time. The City has already taken several major steps to address the growing gap between revenues and expenditures, including the implementation of a Business & Occupation (B&O) tax and annexation into the Puget Sound Regional Fire Authority (PSRFA). Still, forecasts developed in 2024 show that from 2027 to 2030, revenues are expected to grow at an average rate of 2.7 percent per year, while expenditures are projected to grow at 3.6 percent.



This report has been created and designed to satisfy the Revenue Proviso included in the 2025 – 2026 budget Ordinance. An accompanying presentation to the City Council to discuss the report will take place in July 2025. In addition, this revenue report is a component of a larger city-wide effort aimed at creating a sustainable budget. The Budget Sustainability effort includes five (5) workgroups:

- Immediate Changes, Efficiency Improvements, Out of the Box

- Revenue Options (Revenue Proviso)
- Salary and Benefits Policies
- Operating Expenditures
- Capital & Utilities Maintenance & Improvement Expenditures

This report presents fifteen potential revenue options available to the City under current law. Each option includes information on estimated revenue potential, time to implement, administrative effort, legal and procedural requirements, and who ultimately bears the cost. Revenue options include changes to property taxes, sales taxes, utility taxes, and admissions taxes, as well as new options such as revenues from permitting cannabis sales.

Importantly, this document is not a set of recommendations. It is a technical resource designed to support informed policy deliberation. City staff are available to provide additional analysis if the Council or Mayor would like to explore any of the options in greater detail. Along with the separate work to review expenses, this report is intended to help City leadership develop a path toward long-term financial sustainability.

The Mayor will provide the City Council with his recommendations for creating a sustainable budget later this fall or winter. The recommendations, including any modifications made in partnership with the City Council, will be included in the City's budget process and planning for the 2027 – 2028 biennium budget.

Purpose of This Report

This report was developed in response to a formal request by the Mayor and by Tukwila City Council for information on potential new revenue sources available to the City. It is intended to support the Mayor and Council as they evaluate options for addressing the City's long-term structural budget imbalance—an imbalance in which expenses are projected to grow faster than revenues, even under conservative assumptions and without new programs, staffing increases, or reliance on one-time revenues.

The City of Tukwila, like many local governments in Washington, is constrained by a state policy environment that limits local revenue flexibility, particularly regarding property tax growth and other general fund revenues. At the same time, the cost of maintaining existing services is rising due to inflation, labor market pressures, and aging infrastructure. Residents and businesses also expect the City to provide greater levels of service, which increases costs.

Recognizing these pressures, the Mayor has charged City management with identifying strategies to improve long-term financial sustainability. This includes both increasing revenue and more aggressively controlling expenditure growth. Although the City's work to evaluate expense reductions is still underway, the revenue analysis began earlier and is being presented first. These two efforts, revenue analysis and expenditure analysis, are intended to complement each other as part of a broader strategy to strengthen the City's financial outlook.

This report provides a comprehensive overview of revenue options currently available to the City under existing state law, including options that are councilmanic—legislated and authorized by the City Council—and those that may require voter approval. Each revenue analysis includes estimates of potential revenue yield, implementation timelines, legal authority, administrative effort, and equity considerations for each option. No specific recommendations are made; instead, the report is structured to support Council and Mayoral deliberation by offering a clear, consistent analysis across a wide range of revenue mechanisms.

Ultimately, this document is intended to be a technical resource, not a policy directive. It frames the revenue choices available to the City of Tukwila in the context of its legal, economic, and political environment. Council and the Mayor will determine the next steps, including which options to advance for further public engagement or implementation.

How to Use This Document

This report is intended to support informed policy deliberation by City Council, the Mayor, and other stakeholders by providing detailed, consistent, and accessible information about revenue options available to the City of Tukwila. It is not a policy recommendation, but a foundation for Council to weigh tradeoffs and initiate the next steps in addressing the City's structural budget imbalance.

Readers should use this document to:

- **Understand the landscape of options:** The report provides an overview of all identified revenue tools available under current Washington State law, along with detailed profiles of each.
- **Compare revenue tools side-by-side:** Each option is presented using a consistent set of criteria to enable comparison of factors such as revenue potential, time to implement, legal requirements, and administrative effort (see Dimensions of Analysis)
- **Identify follow-up questions and areas for further analysis:** The information presented here represents staff knowledge as of the date of this report. City Council or staff may determine that further legal, financial, or community engagement work is needed to advance a given option.

The report is organized to begin with a summary table of all options, followed by detailed analysis of each. Appendices provide additional context, including:

- Potential variance and/or ramp-up in revenue collections for the listed revenue options
- Revenue options considered but excluded
- Technical notes on inflation-adjusted revenue trends

City leadership may use this document in conjunction with the parallel work being conducted to more aggressively control the growth of expenditures. Together, these efforts are intended to support a long-term, sustainable financial future for the City of Tukwila.

Dimensions of Analysis

Each revenue option is presented through several dimensions of analysis. These dimensions of analysis include:

- **Estimated Annual Revenue:** The amount of revenue expected to be collected from the given revenue option. This is presented as a point estimate (a single number). It should be understood, however, that the true amount collected could vary from this estimate.
- **Time to Implement:** An estimate for how long a given revenue option would take to implement.
- **Offsetting Expenditures:** Costs that the City would incur to collect a given revenue. This reduces the net financial benefit to the City.
- **Implementation Requirements:** Legal, procedural, or technical considerations that are needed to implement a revenue option.
- **Administrative Effort:** A description of the effort and complexity involved in implementing and collecting the revenue.
- **Peer Usage**: A listing of peer governments that collect a given revenue. Where feasible, specific financial information about the rates or amounts collected by peers is provided.
- **Who Pays:** A description of the people, organizations, or other parties that would be the actual payers of the revenue option.
- **Equity Implications:** An assessment of how the revenue option affects different income groups and communities. This analysis usually considers whether the revenue option is

regressive (disproportionately impacts lower-income households), progressive (higher-income households pay a larger share relative to their income), or proportional (affects all income levels equally). Most revenue options available to local governments in Washington State are regressive. Washington State has the second-most regressive state and local tax structure in the country.[1]

- **Other Considerations:** Any information that may be important for consideration and analysis of the revenue option that does not easily fit into the dimensions of analysis listed above.

[1] Institute on Taxation and Economic Policy, "Washington: Who Pays? 7th Edition," ITEP, accessed June 2, 2025

Overview of All Revenue Options

Listed in approximate order of total possible revenue

Revenue Type	Estimated Annual Revenue	Offsetting Expenditures	Administrative Effort	Who Pays	Implementation Authority
1. B&O Tax Changes	Year 1: $955,000 Year 2: $2,988,000	Minimal	Moderate	Businesses	Councilmanic
2. Property Tax Banked Capacity	Up to $6,000,000	None	Low	Property Owners Some of this tax is passed onto renters	Councilmanic
3. Property Tax Levy Lid Lift *Only feasible if banked capacity were fully used*	$995,100 per every $0.10 increase to the levy rate	None	Moderate-to-High	Property Owners Some of this tax is passed onto renters	Voter-Approved
4A. Sales Tax: Transportation Benefit District, Councilmanic	$2,791,000	Year 1: $50,000 Additional Years: $25,000	Moderate	Consumers	Councilmanic
4B. Sales Tax: Transportation Benefit District, Ballot Measure	$8,375,000	Year 1: $50,000 Additional Years: $25,000	Moderate	Consumers	Voter-Approved

Revenue Type	Estimated Annual Revenue	Offsetting Expenditures	Administrative Effort	Who Pays	Implementation Authority
5. Sales Tax: Criminal Justice (HB2015, New Authority)	$2,791,000 Plus potential grant funds from the Local Law Enforcement Grant Program	None, unless penalties are imposed for noncompliance	Moderate	Consumers	Councilmanic
6. Sales Tax: Public Safety (RCW 82.14.450)	$2,370,000 Plus potential grant funds from the Local Law Enforcement Grant Program	None	Moderate	Consumers	Voter-Approved
7A. Admissions Tax Changes – Nonprofits	$557,000	Minimal	Low	Consumers	Councilmanic
7B. Admissions Tax Changes – Bowling	$70,000	Minimal	Low	Consumers	Councilmanic
7C. Admissions Tax Changes – Foster Golf Course	$90,000	Minimal	Low	Consumers	Councilmanic
8. Gambling Tax Changes	$400,000 per 1% increase	None	Low	Casinos	Councilmanic

Revenue Type	Estimated Annual Revenue	Offsetting Expenditures	Administrative Effort	Who Pays	Implementation Authority
9. Interfund Utility Tax Changes	$295,000 per 1% increase	Minimal	Low	Consumers	Councilmanic
10. Increase Franchise Fees for External Water and Sewer Districts	$280,000	$10,000 in Year 1	Moderate	Utility Districts and Consumers	Councilmanic
11. Permitting Cannabis Sales	Year 1: $175,000 Year 2: $200,000 Year 3: $250,000	Potential increase in public safety-related expenditures	Low-to-Moderate	Consumers and Businesses	Councilmanic
12A. External Utility Taxes – Electricity	$317,000 per 1% increase	None	Low	Consumers	Voter-Approved
12B. External Utility Taxes – Solid Waste	$138,000 per 1% increase	None	Low	Consumers	Councilmanic
12C. External Utility Taxes – Telephone	$113,000 per 1% increase	None	Low	Consumers	Voter-Approved
12D. External Utility Taxes – Gas	$126,000 per 1% increase	None	Low	Consumers	Voter-Approved

Revenue Type	Estimated Annual Revenue	Offsetting Expenditures	Administrative Effort	Who Pays	Implementation Authority
12E. External Utility Taxes – Cable TV	$28,000 per 1% increase	None	Low	Consumers	Councilmanic
13. Burglary Alarm Permits	$81,000	Minimal	Medium	Person/Business with Registered Alarm	Councilmanic
14. Parking Tax Changes	$53,000 per 1% increase	None	Low	Consumers	Councilmanic
15. Indirect Cost Recovery for Grants	$40,000	None	Year 1: Moderate Ongoing Years: Low	Agency Awarding the Grant	Administrative, Councilmanic

Revenue Options Detailed Analysis

1. Business & Occupation (B&O) Tax Changes With Accompanying Business License Changes	
Description	Increase the B&O gross receipts tax rates and reduce the gross receipts tax threshold; add a square footage component to B&O tax; replace the per-employee Business License fee with a flat fee/tiered fee structure.
Estimated Annual Revenue	Year 1: $955,000 Year 2: $2,988,000
Time to Implement	Six months
Offsetting Expenditures	Minimal
Implementation Requirements	• Amend TMC Chapters 3.26* and 5.04. • Adopt new Business License Fee Resolution. • Coordinate the Business License fee changes with the WA Department of Revenue (DOR) *Note that the B&O tax increase in TMC Chapter 3.26 is subject to referendum as set forth in RCW 35.21.706.
Administrative Effort	The administrative effort is moderate. City staff will need to complete the following: • Amend TMC Chapters 3.26 and 5.04 • Coordinate the Business License fee changes with the DOR • Update public guidance and tax forms on the City's website • Provide timely advanced notice to businesses There will be additional administrative effort on an ongoing basis associated with administering the B&O tax due to an increase in the number of businesses required to file returns (as a result of the lower gross receipts tax threshold). Additional administrative effort may also arise from the need to educate businesses regarding the square footage tax and verify that square footage tax is reported correctly.

Peer Usage	Neighboring cities (except for SeaTac) currently impose B&O tax at higher rates and with a lower threshold as compared to Tukwila. Two neighboring cities, Kent and Auburn, also impose square footage tax. The tax rates and taxable thresholds vary among cities. The Association of Washington Cities (AWC) publishes a list of cities' gross receipts B&O tax rates and thresholds annually here.
Who Pays	Persons engaging in business pay for the B&O tax and Business License fees.
Equity Implications	B&O tax revenues are proportional as the tax is based on a percentage of gross income received by the business and the size of business facilities located within the City. The proposed changes to the Business License fees will have a variable impact. As compared to the current fee schedule, the fee will decrease for some businesses, and for others it will increase. Since the proposed Business License fee is a flat amount irrespective of the amount of gross income earned by the business, it is predominantly regressive in nature since lower-income businesses pay a larger percentage of their income.
Other Considerations	While changes to the B&O tax will result in additional administrative effort, efficiencies will be gained by implementing a tax administration and online filing software solution, which is currently in development. As a result, based on the information currently available, there are no additional expenses associated with revenue collection. To the extent that additional staff are employed to administer City taxes and business licensing, it is reasonable to assume that additional staff could result in revenue gains which may exceed additional costs incurred.

Business & Occupation Tax Revenue Option

Gross Receipts Minimum Threshold		Gross Receipts Tax Rates	
In Tukwila	Companywide	Retail Sales/Services	All Other Activities
$100,000	$500,000	0.0012	0.0017

Square Footage Minimum Threshold		Quarterly Square Footage Rates For annual filers, these rates are multiplied by four	
Warehouse	Other Floor Space	Warehouse	Other Floor Space
4,000	12,000	$0.12	$0.02

Business License Fee Revenue Option

Non-Resident	Home Occupation	General Business
$150	$75	• $150 for 0-10 employees • $300 for 11-25 employees • $500 for 26-50 employees • $750 for 51-100 employees • $1,000 for 101 or more employees

2. Property Tax Banked Capacity	
Description	A jurisdiction can choose to levy (collect) less than the maximum allowable property tax increase each year. This unused tax capacity is "banked," meaning it can be used in future years without exceeding legal limits. In December 2024, the City banked $6,000,000 in property tax capacity, recognizing that property owners in the City would soon be impacted by fees paid to the Puget Sound Regional Fire Authority (PSRFA).
Estimated Annual Revenue	Up to the full value of the banked capacity: $6,000,000
Time to Implement	Collections begin the year after a new property tax ordinance is passed
Offsetting Expenditures	None
Implementation Requirements	• Councilmanic majority vote • Must pass vote during year prior to expected collections (e.g., ordinance increasing collections in 2027 must be passed during 2026)
Administrative Effort	Low. This revenue would require staff presentation and Council deliberation at the Finance and Governance Committee, Committee of the Whole, and the regular Council meeting.
Peer Usage	The following Cities banked property tax capacity after joining a Regional Fire Authority. These cities later chose to use some or all this banked property tax capacity. • Kent (PSRFA member): 2017 • Kenmore: 2023 • Lynnwood: 2025 • Puyallup: 2025 • Port Townsend: 2021, 2022 The following Cities joined a Regional Fire Authority without reducing (banking) any of their own property tax capacity. • Maple Valley (PSRFA member) • Shoreline: 2025 This list of peers using banked property tax is not exhaustive. This represents information easily accessible online. There may be others not listed.

2. Property Tax Banked Capacity	
Who Pays	Individuals and businesses that own property in Tukwila pay this tax. However, some portion of this cost does get passed onto tenants, both residential and commercial, through rent or lease agreements. The extent to which this tax increase is passed onto renters varies due to a wide range of factors, including:[2] • **Market conditions:** The supply and demand for property is a primary determinant of rental costs. In a tight market with low vacancy rates, such as those in the greater Seattle area, property owners are generally able to pass more of their costs, including taxes, onto tenants. • **Jurisdictional competition and tenant mobility:** Tenants are mobile, which means that landlords compete for renters across the larger regional rental market, not just within jurisdictional boundaries. An increase in property taxes within one jurisdiction may not significantly shift the market equilibrium for rental costs, which can limit landlords' abilities to pass through property tax costs. Tukwila's small size reduces the impact of the City's property tax changes on the larger regional rental market. • **Proximity to urban centers:** Passthrough rates tend to be higher in areas closer to major metropolitan cores.[3] Tukwila's proximity to Seattle may increase the likelihood of higher passthrough. • **Public service benefits:** Rental demand—tenants' willingness to pay for property—is influenced by the degree of perceived public service benefits received. Landlords can generally passthrough more property tax costs when the level of public benefits received by renters is perceived as high. • **Type of Lease:** Commercial leases often allow for more direct passthrough of property taxes. Triple Net (NNN) leases, commonly used in Washington, explicitly require tenants to cover property tax obligations, resulting in full tax passthrough in many cases.

[2] Richard W. England, "Tax Incidence and Rental Housing: A Survey and Critique of Research," National Tax Journal 69, no. 2 (June 2016): 435-460.
David J. Schwegman and John Yinger, "The Shifting of the Property Tax on Urban Renters: Evidence from New York State's Homestead Tax Option," CES Working Paper 20-43 (December 2020).
Carroll, Robert J and John Yinger. "Is The Property Tax A Benefit Tax? The Case of Rental Housing." National Tax Journal (1994): 47(2): 295-316.
Orr, Larry L. "The Incidence of Differential Property Taxes on Urban Housing: Reply." National Tax Journal 23, no. 2 (1970): 193–198.
When it comes to Seattle's property tax levy, renters are not immune," KUOW, accessed June 2, 2025.
[3] Lyndsey A. Rolheiser, "Commercial Property Tax Incidence: Evidence from Urban and Suburban Office Rental Markets," SSRN, 2019.

2. Property Tax Banked Capacity	
Equity Implications	Property taxes are primarily paid by property owners, who typically have higher incomes and greater wealth than renters.[4] As such, property taxes are often considered more progressive than other local revenue sources, such as sales taxes. However, some of the tax burden may be passed on to tenants through higher rents, depending on local market conditions and lease structures. This creates potential equity concerns, especially for lower-income renters who already face high housing cost burdens. In commercial settings, lease agreements often allow for more direct passthrough of tax costs, which may affect small businesses that rent space. The equity impact also varies within the population of property owners. While property taxes are based on assessed value, they still represent a larger share of income for lower-income owners than for those with higher incomes.[5] Additionally, systemic issues in property valuation and assessment practices can lead to uneven burdens across neighborhoods and property types.[6] In general, while property taxes are less regressive than many other local tax options, they still have nuanced equity implications, particularly when considering their indirect effects on renters and the distribution of tax burdens among different types of property owners.

4 Choi, Jung Hyun, and Amalie Zinn. 2024. "The Wealth Gap between Homeowners and Renters Has Reached a Historic High." *Urban Institute*, April 19, 2024

5 Institute on Taxation and Economic Policy, "Washington: Who Pays? 7th Edition," ITEP, accessed June 2, 2025

6 Christopher Berry et al., "An Evaluation of Property Tax Regressivity in Seattle and Surrounding King County (2006 – 2018)," Center for Municipal Finance, Harris School of Public Policy, University of Chicago, July 2020.

3. Property Tax Levy Lid Lift	
Description	A property tax levy lid lift is a concept that allows the City to increase their property tax collections beyond the standard limit set by law, currently 1%. There are two types of levy lid lifts: • **Single-Year Levy Lid Lift:** It allows your jurisdiction to increase the maximum levy by more than one percent for one year only. o That amount is then used as a base to calculate all subsequent 1% levy limitations for the duration of the levy. • **Multi-Year Levy Lid Lift:** This permits incremental increases over several years, providing more flexibility for long-term funding needs. Levy lid lifts are often used to fund essential services like public safety, parks, or infrastructure improvements. They require voter approval and are presented as ballot measures during elections.
Estimated Annual Revenue	In 2025, every $0.10 increase to the levy rate would generate $995,100.
Time to Implement	• Single-year lid lifts may be voted on during any election • Mutli-year lid lifts must be voted on during a primary or general election • Election must be held not more than 12 months before levy is made (e.g., if vote in 2026, increase effective for 2027 levy).
Offsetting Expenditures	None
Implementation Requirements	Requires a vote by residents, pursuant to RCW 84.55.060 and WAC 458-19-045
Administrative Effort	Medium-to-High: financial modeling, council proceedings, resident communications and outreach

3. Property Tax Levy Lid Lift	
Peer Usage	**Single-Year Levy Lid Lifts:** • Arlington: 2014 • Bellevue: 2016, 2022 • Bothell: 2016 • Duvall: 2016 • Kirkland: 2012, 2020 • Mercer Island: 2012, 2022 • Snoqualmie: 2012, 2016 • University Place: 2023 **Multi-Year Levy Lid Lifts:** • Bothell: 2018 • Maple Valley: 2023 • Medina: 2019 • Mountlake Terrace: 2016 • Normandy Park: 2016, 2021 • Shoreline: 2016, 2022
Who Pays	Property owners and property renters. See *Property Tax Banked Capacity* above for a detailed analysis of who pays this tax.
Equity Implications	See *Property Tax Banked Capacity* above for a detailed analysis of the equity implications of property taxes.
Other Considerations	Property tax banked capacity must be fully used before a levy lid lift should be considered.

Current Sales Tax Overview

By law, Cities must remit 15% of their 0.5% First Half and 0.5% Second Half sales taxes to their Counties. Additionally, the state Department of Revenue charges a 1% processing fee for collecting sales taxes. Therefore, Tukwila's true percentage of sales received through its sales tax is **0.8415%** [99% of 85% of 1%; 99%*85%*(0.5%+0.5%)].

County - Region	City	Aggregate Sales Tax Rate	City Sales Tax Total	City Sales Tax Components						County Total	Transit District	State
				First Half	*Second Half*	*Public Safety*	*Transport. Benefit District*	*Housing & Related Services*[1]	*City Criminal Justice - NEW*[2]			
King	**Tukwila**	**10.2%**	**1.0%**	**0.5%**	**0.5%**					**1.3%**	**1.4%**	**6.5%**
King - Nearest	Auburn	10.3%	1.1%	0.5%	0.5%		0.1%			1.3%	1.4%	6.5%
King - Nearest	Burien	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
King - Nearest	Des Moines	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
King - Nearest	Kent	10.2%	1.1%	0.5%	0.5%			0.1%		1.2%	1.4%	6.5%
King - Nearest	Newcastle	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
King - Nearest	Renton	10.3%	1.2%	0.5%	0.5%		0.1%	0.1%		1.2%	1.4%	6.5%
King - Nearest	SeaTac	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
King - Nearest	Seattle	10.35%	1.15%	0.5%	0.5%		0.15%			1.3%	1.4%	6.5%
King	Bellevue	10.2%	1.1%	0.5%	0.5%			0.1%		1.3%	1.4%	6.5%
King	Federal Way	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
King	Issaquah	10.3%	1.2%	0.5%	0.5%		0.1%	0.1%		1.2%	1.4%	6.5%
King	Kenmore	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
King	Kirkland	10.3%	1.1%	0.5%	0.5%	0.1%				1.3%	1.4%	6.5%
King	Woodinville	10.2%	1.0%	0.5%	0.5%					1.3%	1.4%	6.5%
Pierce	Edgewood	10.1%	1.0%	0.5%	0.5%					0.6%	2.0%	6.5%
Pierce	Fife	10.1%	1.0%	0.5%	0.5%					0.6%	2.0%	6.5%
Snohomish	Edmonds	10.5%	1.0%	0.5%	0.5%					0.4%	2.6%	6.5%
Snohomish	Lynnwood	10.6%	1.1%	0.5%	0.5%		0.1%			0.4%	2.6%	6.5%
Snohomish	Mountlake Terrace	10.5%	1.0%	0.5%	0.5%					0.4%	2.6%	6.5%
Snohomish	Mukilteo	10.6%	1.1%	0.5%	0.5%		0.1%			0.4%	2.6%	6.5%

Notes:

[1]Cities can only impose this sales tax component if their County has not already imposed such a tax. The three Cities listed above implemented these sales taxes prior to their counties implementing this tax, so they are grandfathered into keeping it. All other Cities listed, however, are barred from implementing this sales tax.

[2]This new sales tax was passed into law (HB2015) in June 2025, so no Cities have yet to implement this tax.

4. Sales Tax: Transportation Benefit District 4A: Councilmanic 4B: Ballot Measure	
Description	A Transportation Benefit District (TBD) is a dedicated local funding source used for transportation projects such as road maintenance, bridge improvements, traffic management, pedestrian improvements, and transit-supportive infrastructure. Revenue would come from either a 0.1% councilmanic sales tax or a higher rate with optional car tabs if pursued via ballot measure. A TBD can be drawn for only a certain area of the City, restricting sales tax collections to within that area. The whole City could be a TBD or just a section of it, like the Southcenter district.
Estimated Annual Revenue	• $2,791,000 at 0.1% sales tax (councilmanic action) • $8,375,000/year at 0.3% sales tax (ballot measure)
Time to Implement	• 6 to 12 months (0.1% councilmanic sales tax) • 12 to 24 months (0.3% sales tax via ballot measure)
Offsetting Expenditures	• ~$50,000 one-time administrative startup (creation of TBD, public notice, finance/accounting updates) • ~$25,000/year ongoing administration if separately accounted and reported
Implementation Requirements	• 0.1% sales tax: Councilmanic vote with public hearing and 10-day notice • 0.3% sales tax or Vehicle License Fees above $50: Voter-approved ballot measure • Sales tax increase through councilmanic authority limited to 0.1% • Sales tax increase up to 0.3% requires voter approval • Vehicle license fees: $20–$40 councilmanic; up to $100 with voter approval
Administrative Effort	Moderate effort required, including: • Creating the district • Amending City Code • Financial tracking for TBD funds • Public outreach and education (especially for ballot measure)

4. Sales Tax: Transportation Benefit District 4A: Councilmanic 4B: Ballot Measure	
Peer Usage	• Renton (0.1% TBD sales tax) • Auburn (0.1% TBD sales tax) • Burien ($20 vehicle tab fee) • Seattle (0.15% sales tax + $40 vehicle tabs)
Who Pays	• Primarily consumers purchasing goods in Tukwila (especially visitors/shoppers at Westfield Southcenter) • Sales tax generally has a smaller impact on Tukwila residents compared to vehicle license fees
Equity Implications	• Sales tax is generally more equitable than vehicle license fees. • Sales taxes are regressive, but because Tukwila is a regional retail hub (Westfield Southcenter), a large portion of sales tax revenue would be paid by non-residents. • The boundary could be drawn for the TBD to only include the regional center, such as the Southcenter District. • Vehicle license fees would fall heavily on Tukwila households regardless of income.

Other Considerations	• A TBD would significantly help the City meet its Transportation Improvement Plan (TIP) funding needs.
	• Early implementation would allow Tukwila to leverage matching funds from federal, state, and regional grants tied to transportation projects.
	• At 0.1% sales tax, a TBD would pay for 75% of Street Maintenance's annual operating expenses, relieving the General Fund of almost $3 million annually.
	• A 0.1% sales tax would not materially affect competitiveness. Current cumulative (all governments) sales tax rates:
	    o Tukwila: 10.2%
	    o Bellevue: 10.2%
	    o Seattle: 10.35%
	    o Lynnwood (Alderwood Mall): 10.6%

5. Sales Tax: Criminal Justice (HB2015, New Authority)	

Description	• Beginning July 27, 2025, Cities and Counties may impose a new 0.1% sales and use tax dedicated to criminal justice purposes
	• Revenue must be used for broadly defined criminal justice purposes, including:
	  ○ Law enforcement staffing and training
	  ○ Mental health crisis response and co-response teams
	  ○ Diversion and reentry programs
	  ○ Domestic violence and victim services
	• Public safety and criminal justice functions make up a plurality of City General Fund expenses, providing a wide range of eligible uses for this revenue
	• Meeting the eligibility criteria, verifying compliance with the Criminal Justice Training Commission (CJTC), and then adopting this tax (and/or the Public Safety Sales Tax) would qualify the City to apply for the Local Law Enforcement Grant Program, potentially unlocking significant additional funding

Estimated Annual Revenue	• $2,791,000, plus potential additional revenues through the Local Law Enforcement grant program
Time to Implement	• 6 to 12 months, assuming grant eligibility is met and verified by the CJTC • May require a longer timeline if eligibility deficiencies are identified and must be resolved
Offsetting Expenditures	• None, unless penalties are triggered for non-compliance • If the City does not meet CJTC requirements within 180 days of first submission, the state will withhold $100,000 per month until compliance is achieved

5. Sales Tax: Criminal Justice (HB2015, New Authority)	

Implementation Requirements	• May be imposed by Council vote from July 27, 2025, through June 30, 2028
	• After June 30, 2028, the tax may only be adopted via ballot measure
	• Cities may not adopt this tax if its voters rejected a ballot measure imposing a public safety or criminal justice tax within the past 12 months. This currently does not apply to Tukwila.
	• The City must meet all Criteria for the Local Law Enforcement Grant Program, including:
	  o Crisis intervention and trauma-informed training compliance
	  o CJTC and Attorney General's Office (AG) policy adoption (use of force, de-escalation, domestic violence, etc.)
	  o Established policies that comply with state law and AG guidance for practices related to citizenship status
	  o CJTC trainings related to behavioral health and first aid
	  o Compliance with state law on use of force data reporting
	  o Established policies related to civil protection orders and the court-ordered surrender of firearms
	  o 100% completion by required officers for CJTC trainings on sexual assault and gender-based violence
	  o Established policies for supervising agency volunteers, insignia worn by volunteers, and for restricting those volunteers from enforcing criminal laws, using force, carrying weapons, or using dogs for purposes other than search and rescue
	  o Staffing plan and data reporting on response/case closure rates
	• Formal documentation must be submitted to the CJTC, which must verify compliance before tax collection can begin

Administrative Effort	Moderate effort required, including: • Significant effort required to compile and maintain policy compliance documentation for CJTC • Annual reporting to Association of Washington Cities on use of funds • Standard financial tracking procedures once implemented

5. Sales Tax: Criminal Justice (HB2015, New Authority)	
Peer Usage	• King County is actively pursuing implementation • Other cities may follow, but as of July 2025, this is a brand-new taxing authority and few, if any, peers have implemented it yet
Who Pays	• Consumers purchasing goods in Tukwila, including non-resident visitors and shoppers at Westfield Southcenter
Equity Implications	• Regressive, as with other sales taxes, lower-income households pay a higher share of income • However, Tukwila's retail base draws large non-resident spending, helping to export a share of the tax burden • Revenue must fund criminal justice-related programs that may improve equity outcomes (e.g., mental health crisis response)
Other Considerations	• Because this tax cannot be imposed if a public safety or criminal justice tax was recently rejected by voters, the timing and sequencing of sales tax adoption should be carefully considered if both this tax and *Revenue Option 6. Public Safety Sales Tax (RCW 82.14.450)* are being evaluated. • Implementation requires careful coordination between City departments (Police, Legal, Finance, Mayor's Office) for documentation and reporting • Unlike the *Public Safety Sales Tax (RCW 82.14.450)*, there is no revenue sharing with the County. 100% of this revenue is retained by the City • The Local Law Enforcement Grant Program ends June 30, 2028. Early implementation of this tax increases the likelihood and degree of potential grant funds received.

6. Sales Tax: Public Safety (RCW 82.14.450)	
Description	• An additional sales tax up to 0.1% • 15% of these revenues are shared with the County. Tukwila retains 85%. • Revenues are partially restricted: 1/3 must be used for criminal justice and/or fire protection • If the City implements the tax prior to King County, then the City would be able to collect the tax in perpetuity. • However, **if King County implements a similar tax at its maximum rate prior to the City of Tukwila, then the City will never be able to implement such a tax**.
Estimated Annual Revenue	$2,370,000 Plus potential Local Law Enforcement Grant Program Funds, if in compliance with the CJTC requirements delineated in *Revenue Option 5. Sales Tax: Criminal Justice (HB2015, New Authority)*
Time to Implement	After approval in a primary or general election
Offsetting Expenditures	None
Implementation Requirements	• Detailed in RCW 82.14.450 • Voter-approved • The sales tax may only be submitted at a primary or general election; it may not appear in any February or April special election. • Motor vehicle sales and the first 36 months of motor vehicle leases are exempt
Administrative Effort	Moderate effort required, including: • Amending City Code • Public outreach and education (especially for a ballot measure) • Financial tracking for these funds

6. Sales Tax: Public Safety (RCW 82.14.450)	
Peer Usage	26 Cities in Washington have a 0.1% public safety sales tax, including: • Kirkland • North Bend • Snoqualmie • Gig Harbor • Roy • Marysville • Mill Creek • Monroe
Who Pays	Primarily consumers purchasing goods in Tukwila, especially visitors/shoppers at Westfield Southcenter
Equity Implications	Sales taxes are regressive, but because Tukwila is a regional retail hub (Southcenter Mall), a large portion of sales tax revenue would be paid by non-residents.
Other Considerations	• Because Police, Municipal Court, and Fire represent over 45% General Fund expenses, both the restricted and unrestricted portions of this sales tax will greatly help the City's overall bottom line. • See Sales Tax Overview to examine how increasing sales tax would affect competitiveness with other jurisdictions. • If the City of Tukwila imposes this tax prior to the County, then Tukwila can retain this tax authority in perpetuity. However, if the County imposes its maximum rate of 0.3% and the City of Tukwila has not previously imposed a Public Safety Sales Tax, then Tukwila will never be able to implement such a sales tax. This would permanently reduce the City's revenue potential by millions of dollars. See Scenario Analysis on next page. • If voters were to reject this ballot measure prior to the City implementing the new *Criminal Justice Sales Tax* (Revenue Option #5), then the City would be barred from implementing the *Criminal Justice Sales Tax* for 12 months.

6. Public Safety Sales Tax (RCW 82.14.450): Scenario Analysis of King County Public Safety Sales Tax Implementation

The combined rate of Public Safety Sales Tax rates (strictly through RCW 82.14.450, HB2015 sales tax is not included) for King County and Tukwila cannot exceed 0.30%. If the County implements a 0.30% sales tax (leftmost column) prior to Tukwila implementing a 0.10% tax, then Tukwila cannot implement such a tax. This results in an estimated $1.9 million of foregone revenue each year (rightmost column).

If Tukwila implements a 0.10% public safety sales tax prior to King County, then the County's maximum public safety sales tax rate in Tukwila would be 0.20%. Regardless of King County's decisions, Tukwila could keep this 0.10% sales tax in perpetuity.

County Tax Rate	Scenario 1: Tukwila Implements Prior to King County			Scenario 2: Tukwila Does Not Implement Prior to King County			
	Tukwila Tax Revenue	County Revenue Shared with Tukwila	Total Tukwila Revenue	Tukwila Tax Revenue	County Revenue Shared with Tukwila	Total Tukwila Revenue	Permanent Annual Lost Revenue By Not Implementing Before the County
0.10%	$2,370,000	$480,000	$2,850,000	$0, But City Can Implement Later	$480,000	$480,000	N/A
0.20%	$2,370,000	$960,000	$3,330,000	$0, But City Can Implement Later	$960,000	$960,000	N/A
0.30%	$2,370,000	County Cannot Impose Tax at this Rate in Tukwila	$3,330,000	Tukwila can never impose 0.1% Public Safety Sales Tax	$1,440,000	$1,440,000	$1,890,000

County shared revenue is distributed proportionally to population, so would move up or down depending on Tukwila's rate of resident growth compared to the resident growth within the rest of the County. From 2010-2023, Tukwila's rate of growth was 7% less than the rest of the County. If this trend continues, then the County revenue shared with Tukwila will decline over time.

If the City imposes its own sales tax, however, revenue growth will correlate with sales growth that occurs within the City. Over the past 10 years, sales have steadily grown over time.

7A. Admissions Tax Changes: Nonprofits	
Description	Eliminate the admissions tax exemption for nonprofit organizations
Estimated Annual Revenue	$557,000
Time to Implement	Five months
Offsetting Expenditures	Minimal
Implementation Requirements	Remove the admissions tax exemption for nonprofit organizations in TMC 3.20.025(A)(1)
Administrative Effort	The administrative effort is low. The City will need to complete the following tasks to eliminate the exemption: • Amend TMC 3.20.025 • Update public guidance on the City's website • Provide timely advanced notice to impacted taxpayers
Peer Usage	Auburn, Burien, and Kent provide an admissions tax exemption for nonprofit organizations. Seattle provides an admissions tax exemption to select nonprofit organizations or events, but it is not a blanket exemption. Renton does not provide any similar nonprofit exemption.
Who Pays	The admissions tax is paid by consumers.
Equity Implications	This revenue option is regressive, as lower-income individuals pay a larger percentage of their income in taxes.
Other Considerations	The number of organizations that would be impacted by this change is not known. The revenue estimate provided is based on the limited information currently available.

7B. Admissions Tax Changes: Bowling	
Description	Eliminate the admissions tax exemption for bowling and related equipment rental
Estimated Annual Revenue	$70,000
Time to Implement	Five months
Offsetting Expenditures	Minimal
Implementation Requirements	Remove the admissions tax exemption in TMC 3.20.025(A)(2)
Administrative Effort	The administrative effort is low. The City will need to complete the following tasks in order to eliminate the exemption: • Amend TMC 3.20.025 • Update public guidance on the City's website • Provide timely advanced notice to impacted taxpayers
Peer Usage	Bowling activities are exempt from admissions tax in Seattle, Burien, and Kent. While other neighboring cities do not provide such an exemption, available information indicates that there aren't any bowling facilities currently present in those cities (e.g. Auburn, Renton).
Who Pays	The admissions tax is paid by consumers.
Equity Implications	This revenue option is regressive, as lower-income individuals pay a larger percentage of their income in taxes.

7C. Admissions Tax Changes: Foster Golf Course	
Description	Eliminate the admissions tax exemption for the Foster Golf Course
Estimated Annual Revenue	$90,000
Time to Implement	Five months
Offsetting Expenditures	Minimal
Implementation Requirements	Remove the admissions tax exemption in TMC 3.20.025(A)(3)
Administrative Effort	The administrative effort is low. The City will need to complete the following tasks in order to eliminate the exemption: • Amend TMC 3.20.025 • Update public guidance on the City's website • Provide timely advanced notice to the Foster Golf Course
Peer Usage	Neighboring cities charge admissions tax at the same rate as the City, which applies to activities such as those conducted by the Foster Golf Course that would become subject to tax.
Who Pays	The admissions tax is paid by consumers.
Equity Implications	This revenue option is regressive, as lower-income individuals pay a larger percentage of their income in taxes.
Other Considerations	If this exemption is removed, admissions tax revenues collected by the Foster Golf Course will be allocated to the Foster Golf Link Fund until legislative action is taken to reallocate such revenues to the General Fund, in accordance with TMC 3.20.025(A)(3).

8. Gambling Tax Changes	
Description	Increase the Tukwila Gambling tax rate for Public Card Rooms/Social Card Games. Tukwila's current policy is as follows: • 11% if the City has 5 or fewer card rooms (current rate) • 15% if the City has 6 card rooms • 20% if the City has more than 6 card rooms
Estimated Annual Revenue	$400,000 for each 1% increase in the Gambling tax for Public Card Rooms/Social Card Games
Time to Implement	Five months
Offsetting Expenditures	None
Implementation Requirements	• Amend the tax rate in TMC 3.08.030 • Follow the regulations set forth in RCW 9.46.110
Administrative Effort	Administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend TMC 3.08.030. • Update the Gambling tax return form and public guidance • Provide timely advanced notice to impacted taxpayers
Peer Usage	Current Gambling tax card room rates of neighboring cities: • Renton: 10% Gross Receipts • Kent: 11% Gross Receipts • Burien: 11% Gross Receipts • Federal Way: 10% Gross Receipts • Auburn: 4% Gross Receipts
Who Pays	Local casinos pay the Gambling Tax
Equity Implications	The tax is proportional as it is based on a percentage of gross revenue.
Other Considerations	The City's current tax rate is at the high end of its peer cities. Setting the tax rate too high could cause casinos to relocate to nearby cities with lower rates, resulting in lost revenue. Any rate increases should ensure Tukwila remains competitive with nearby jurisdictions.

9. Interfund Utility Tax Changes	
Description	Interfund utility taxes are internal charges levied on City-owned utilities (Water, Sewer, Surface Water) based on their revenue. These taxes are transferred to the General Fund and support citywide services such as public safety, human services, and parks. Increasing the tax rate from the current 10% to 11% (or higher) would provide an ongoing boost to General Fund revenues without requiring voter approval.
Estimated Annual Revenue	$295,000 per 1% increase
Time to Implement	6 to 9 months
Offsetting Expenditures	Minimal
Implementation Requirements	• No legal cap for interfund utility tax rates under RCW 35.22.280 • Tukwila Municipal Code (TMC 3.54) currently authorizes a 10.0% rate through December 31, 2027 • Historical rate has ranged from 10% to 15% in prior years • Ordinance amendment would be needed to raise the rate beyond 10.0%
Administrative Effort	• Low • Finance already conducts monthly interfund transfers. Rate updates would require minor accounting and budget adjustments. • Likely administrative efforts include financial modeling, Council deliberation, ordinance adoption, and implementation

Peer Usage	• Seattle, Tacoma, and Renton all apply internal utility taxes from city-run utilities to support their General Funds
	• Tukwila's current 10% rate is moderate and consistent with local peers
	    o Seattle: 11.5% to 15.5%, depending on utility
	    o Tacoma: 8%
	    o Auburn: 11.5%
	    o Kirkland: 10.5%

Who Pays	Utility customers (residents, businesses, and government agencies), as costs are recovered through rates

9. Interfund Utility Tax Changes	
Equity Implications	Like many other revenue options, this tax is regressive. Because utility taxes are flat percentages of bills, they take a higher share of income from lower-income households. Mitigation strategies include targeted utility assistance or low-income rate discounts.
Other Considerations	• We currently tax other franchise utilities operating in our ROW at 6% • Our internal utility tax gross total would increase further if utility rates increase.

10. Increase Franchise Fees for External Water and Sewer Districts	
Description	Franchise fees are charges the City imposes on utilities for the right to operate within and use public rights-of-way (ROW). Tukwila currently charges a 6% franchise fee on gross revenues earned within city limits by three external public utility providers: Water District 125, Highline Water District, and Valley View Sewer District. This proposal increases those fees to 10%, aligning with our internal tax.
Estimated Annual Revenue	$280,000 in 2025, growing to over $317,000 by 2029 in additional General Fund revenue across the three districts
Time to Implement	12 months
Offsetting Expenditures	$5,000–$10,000 in staff/legal time for negotiation and ordinance amendments
Implementation Requirements	Councilmanic vote; typically requires a majority vote of the City Council to adopt or adjust the fee. RCW 35A.47.040 – Franchise authority RCW 35.21.860 – Franchise fee requirements
Administrative Effort	• Moderate • Staff/legal time for outreach, negotiations, and drafting amended agreements
Peer Usage	• Bellevue, Kent, Seattle, and other cities charge 8% to 12% franchise fees on external water, sewer, or cable utilities • Tukwila's current 6% is below the low end of the regional range • We charge our own utilities 10%
Who Pays	Customers of the utility districts (residential and commercial ratepayers); utility districts may absorb or pass on the increased cost through rates
Equity Implications	Franchise fees are embedded in water and sewer bills and are mildly regressive, though the proposed increase (~4%) is small relative to total bills. Low-income residents could be affected if districts pass the full cost on. Mitigation would need to come through the utilities' own assistance programs.
Other Considerations	External districts may resist or request delayed implementation

11. Permitting Cannabis Sales	
Description	Marijuana producers, processors, and retailers are allowed in HI, TVS, and TSO Zoning Districts and 3 licenses have been allocated to Tukwila by the State Liquor and Cannabis Board (LCB). No such uses are currently operating in the City but the uses could be permitted in additional zones such as RCM and TUC to increase opportunity. Note: This revenue option is currently on a parallel track. The City Council has asked that staff provide options for expanding the areas available for cannabis retail in the City. The Planning and Community Development Committee (PCD) will begin to discuss this issue in July 2025.
Estimated Annual Revenue	$250,000 from cannabis excise tax, sales tax, and B&O tax for 3 retail locations, and $38,000 current per capita distribution from LCB
Time to Implement	4 months to draft an ordinance, perform SEPA review, provide a draft for the Department of Commerce review, hold a public hearing and adopt code changes.
Offsetting Expenditures	Cannabis stores are frequent targets for theft, typically in the form of armed robberies or smash and grab burglaries. This may lead to increased public safety expenditures.
Implementation Requirements	Expanding cannabis uses into more retail friendly zones. Determining whether there should be any specific requirements for this use such as bollards to protect the building or private security. Deciding whether to reduce any buffer distances from child-oriented uses to increase available locations.
Administrative Effort	Depending on the level of public outreach desired for the ordinance, staff effort would range from low to medium.
Peer Usage	Local dispensaries generated the following excise tax distributions in 2024: • Auburn: 4 sites ($238,000) • Des Moines: 2 sites ($135,000) • Covington: 2 sites ($107,000) • Burien: 2 sites ($164,000) • Renton: 4 sites ($300,000)
Who Pays	Recreational cannabis purchasers pay the 37% excise tax in addition to sales tax. Businesses pay Tukwila's B&O tax.
Equity Implications	A third cannabis retail license was granted in Tukwila by LCB as part of the social equity effort per E2SHB 2870 and SB 5080.

Other Considerations	The state cannabis excise tax and its distribution has changed over time and can be altered in any future legislative session, thereby altering the revenue received.

12A. External Utility Taxes: Electricity	
Description	Increase the utility tax rate on electricity services
Estimated Annual Revenue	$317,000 for each 1% increase in the rate of tax
Time to Implement	Twelve months
Offsetting Expenditures	None
Implementation Requirements	• Obtain voter approval to increase the tax rate, per RCW 35.21.870 • If approved by the majority of voters, amend TMC 3.50.040(1).
Administrative Effort	The City will need to complete the following tasks to implement the new tax rate: • Obtain approval from the majority of voters • Amend TMC 3.50.040(1) • Update the utility tax return form and public guidance • Send timely advanced notice to impacted taxpayers
Peer Usage	Neighboring cities levy a utility tax on electricity services at a rate of six percent, except SeaTac, which does not impose utility taxes. In comparison, the City's tax current rate is six percent.
Who Pays	While the utility tax is paid by the business that is providing electricity services, the cost of the tax is passed on to the consumer by the business. The effective rate is slightly higher than the tax rate.
Equity Implications	The tax is regressive. The cost of the tax is passed on by the business to the consumer, with lower-income individuals paying a larger percentage of their income in taxes.

12B. External Utility Taxes: Solid Waste

Description	Increase the utility tax rate on solid waste services
Estimated Annual Revenue	$138,000 for each 1% increase in the rate of tax. Of this amount, $52,000 would be allocated to the General Fund, with the remainder dedicated to road maintenance and road-related projects.
Time to Implement	Five months
Offsetting Expenditures	None
Implementation Requirements	Amend TMC 3.51.040
Administrative Effort	The administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend TMC 3.51.040 • Update the utility tax return form and public guidance • Send timely advanced notice to impacted taxpayers
Peer Usage	The City's current tax rate is 16 percent. Neighboring cities levy a utility tax on solid waste services at the following rates. • Seattle – 14.2 percent • Kent – 18.4 percent • Renton – 6.8 percent • Burien – 6 percent • Auburn – 11.5 percent • SeaTac – does not impose utility taxes
Who Pays	While the utility tax is paid by the business that is providing solid waste services, the cost of the tax is passed on to the consumer by the business. The effective rate is slightly higher than the tax rate.
Equity Implications	The tax is regressive. The cost of the tax is passed on by the business to the consumer, with lower-income individuals paying a larger percentage of their income in taxes.

12B. External Utility Taxes: Solid Waste	
Other Considerations	• The solid waste utility tax only applies to nonresidential customers. Residential solid waste pickup services are exempt from the tax. • TMC 3.51.020 could be amended to allow any increases in the rate of tax to be allocated entirely to the general fund. Currently, 37.5% of the solid waste utility tax revenue is allocated to the general fund, with the remainder allocated to a dedicated fund for road maintenance.

12C. External Utility Taxes: Telephone	
Description	Increase the utility tax rate on telephone services
Estimated Annual Revenue	$113,000 for each 1% increase in the rate of tax
Time to Implement	Twelve months
Offsetting Expenditures	None
Implementation Requirements	• Obtain voter approval to increase the tax rate, per RCW 35.21.870 • If approved by the majority of voters, amend TMC 3.50.040(3).
Administrative Effort	The City will need to complete the following tasks in order to implement the new tax rate: • Obtain approval from the majority of voters • Amend TMC 3.50.040(3) • Update the utility tax return form and public guidance. • Send timely advanced notice to impacted taxpayers
Peer Usage	• Neighboring cities levy a utility tax on telephone services at a rate of six percent, except SeaTac, which does not impose utility taxes. • In comparison, the City's tax current rate is six percent.
Who Pays	While the utility tax is paid by the business that is providing telephone services, the cost of the tax is passed on to the consumer by the business. The effective rate is slightly higher than the tax rate.
Equity Implications	The tax is regressive. The cost of the tax is passed on by the business to the consumer, with lower-income individuals paying a larger percentage of their income in taxes.

12D. External Utility Taxes: Natural/Manufactured Gas	
Description	Increase the utility tax rate on natural/manufactured gas services
Estimated Annual Revenue	$126,000 for each 1% percent increase in the rate of tax
Time to Implement	Twelve months
Offsetting Expenditures	None
Implementation Requirements	• Obtain voter approval to increase the tax rate, per RCW 35.21.870 • If approved by the majority of voters, amend TMC 3.50.040(2).
Administrative Effort	The City will need to complete the following tasks in order to implement the new tax rate: • Obtain approval from the majority of voters • Amend TMC 3.50.040(2) • Update the utility tax return form and public guidance • Send timely advanced notice to impacted taxpayers
Peer Usage	Neighboring cities levy a utility tax on gas services at a rate of six percent, except SeaTac, which does not impose utility taxes. In comparison, the City's tax current rate is six percent.
Who Pays	While the utility tax is paid by the business that is providing gas services, the cost of the tax is passed on to the consumer by the business. The effective rate is slightly higher than the tax rate.
Equity Implications	The tax is regressive. The cost of the tax is passed on by the business to the consumer, with lower-income individuals paying a larger percentage of their income in taxes.

12E. External Utility Taxes: Cable TV	
Description	Increase the utility tax rate on cable television services
Estimated Annual Revenue	$28,000 for each 1% increase in the rate of tax, with an anticipated decrease of approximately 10% annually
Time to Implement	Five months
Offsetting Expenditures	None
Implementation Requirements	Amend TMC 3.50.040(4)
Administrative Effort	The administrative effort is low. The City will need to complete the following tasks to implement the new tax rate: • Amend TMC 3.50.040(4) • Update the utility tax return form and public guidance • Send timely advanced notice to impacted taxpayers
Peer Usage	The City's current tax rate is six percent. Neighboring cities levy a utility tax on cable television services at the following rates. • Seattle: 10% • Auburn, Burien, Kent, Renton: 6% • SeaTac: No utility taxes
Who Pays	While the utility tax is paid by the business that is providing cable TV services, the cost of the tax is passed on to the consumer by the business. The effective rate is slightly higher than the tax rate.
Equity Implications	The tax is regressive. The cost of the tax is passed on by the business to the consumer, with lower-income individuals paying a larger percentage of their income in taxes.
Other Considerations	Cable television utility tax revenue has been consistently declining due to a consumer shift away from cable TV to streaming services

13. Burglary Alarm Permits	
Description	Requiring monitored burglary/panic alarms to be registered/permitted would bring in permitting revenue and increase collection rate for the existing false alarm program. This effort includes introduction of a late payment fee for false alarm invoices. Suggested fees for program: • Initial residential alarm registration: $25 • Initial commercial alarm registration: $100 • All annual registration renewals: $15 per year • Unregistered alarm fee: $50 per false alarm incident • Late payment fee: $25
Estimated Annual Revenue	$81,000 per year: • $36,000 in permitting • $45,000 in increased collection rate on false alarm invoices
Time to Implement	Four months
Offsetting Expenditures	Minimal. There would need to be awareness campaigns, which would include basic communications materials such as door hangers that officers would leave behind while checking alarms or leaflets inside utility bills.
Implementation Requirements	Amend TMC Chapter 8.08 False Alarms to include alarm registration requirement and to set fees.
Administrative Effort	Efforts would include a media campaign to raise awareness of new requirements, working with current false alarm partner CryWolf to establish and implement registration requirements, fielding questions/calls from community.
Peer Usage	• Renton: $25 for initial registration only; $50 failure to register fee; $25 late payment fee • Auburn: $24 annually; $200 failure to register fee; $25 late payment fee • Kent: No registration/permitting, limited alarm response • Federal Way: $25 annually; $50 failure to register fee; $25 late payment fee • Des Moines: $25 annually; $200 failure to register fee; $25 late payment fee
Who Pays	Person/Business to whom the alarm is registered.

13. Burglary Alarm Permits	
Equity Implications	Since our current false alarm program was implemented in 2023, 94% of billable alarms are attributable to commercial locations, residents would be minimally impacted.
Other Considerations	A different model to consider would be similar to Seattle and Tacom: they charge the registration and false alarm fees to the alarm monitoring companies. It's then up to each company to recover the fees from the individual alarm owners.

14. Parking Tax Changes	
Description	Increase the commercial parking tax rate. The City's current tax rate is 15% of commercial parking charges.
Estimated Annual Revenue	$53,000 for each 1% percent increase in the rate of tax
Time to Implement	Five months
Offsetting Expenditures	None
Implementation Requirements	Amend the tax rate in TMC 3.48.030
Administrative Effort	The administrative effort is low. The City will need to complete the following tasks in order to implement the new tax rate: • Amend TMC 3.48.030 • Update the parking tax return form and public guidance • Provide timely advanced notice to impacted taxpayers
Peer Usage	The following neighboring cities impose a commercial parking tax. • Burien: $3.91 per transaction (flat fee) • SeaTac: $4.13 per transaction (flat fee) • Seattle: 14.5% of commercial parking charges
Who Pays	The tax is paid by consumers on commercial parking transactions.
Equity Implications	This revenue option is regressive, as lower-income individuals pay a larger percentage of their income in taxes.

15. Indirect Cost Recovery for Grants	
Description	Indirect costs, sometimes called overhead costs, are City costs incurred for a common purpose and not directly connected to a specific project or grant. Some examples include payroll, City insurance, office furnishings, technology, and utility services. Having an indirect cost recovery plan allows the City to identify actual costs of services, relieve pressure on the General Fund, and get reimbursed for allowable overhead costs from federal and state grants. The City consistently receives state and federal grant funding with the option to include an indirect cost rate.
Estimated Annual Revenue	$40,000
Time to Implement	Twelve months
Offsetting Expenditures	None
Implementation Requirements	*Setting up a Negotiated Indirect Cost Rate Agreement (NICRA):* 1. Prepare a cost allocation plan and a comprehensive indirect cost rate proposal (ICRP) in accordance with 2 CFR Part 200. (Currently in progress, City Contract No. 25-057) 2. Identify the City's cognizant federal agency (the agency providing the most federal funding). 3. Submit ICRP to the City's cognizant agency. *Recovering Indirect Costs:* 4. Include a line item for indirect costs in grant budget proposal. 5. If awarded, submit backup documentation to the granting agency to support indirect cost rate. 6. Request reimbursement for indirect costs up to the budgeted amount, based on the amount of direct staff time billed to the grant (Project Management, Grant Management)

15. Indirect Cost Recovery for Grants	
Administrative Effort	There is medium-to-high initial administrative effort needed to establish the NICRA, which includes the existing contract underway to establish a revised indirect cost allocation plan (Contract No. 25-057), along with significant staff time. There will also be some additional administrative effort to maintain internal service funds in alignment with this agreement. However, once in place, there is minimal administrative effort to collect this revenue. Staff applying for grants will need to include a line item for indirect costs and submit backup documentation to the granting agency. When reimbursements are received, Accounts Receivable will need to accurately code direct revenue to the project/program separate from indirect revenue.
Peer Usage	Other cities in Washington who have indirect cost allocations include Bremerton, Arlington, Poulsbo, Monroe, Vancouver, Walla Walla, Everett, and Bainbridge Island.
Who Pays	The funding agency awarding the grant
Equity Implications	None
Other Considerations	The City's maintains four internal service funds: Fleet, Self-Insured Healthcare, LEOFF I Retiree Self-Insured Healthcare, and Firemen's Pension. Federal Regulations (2 CFR Part 200, Appendix V) require internal service funds to have a maximum of "60 calendar days cash expenses for normal operating purposes." This essentially means the fund balance in these funds must be less than 1/6th of regular annual expenditures. This requirement is achievable, but will require staff to analyze current practices, re-establish existing procedures, and create new procedures to ensure this requirement is consistently met. Without strict adherence to this requirement, the City risks having to return some of these indirect funds to the federal government.

Appendix A: Potential Variance and Ramp-Up in Revenue Collection

The revenue numbers listed in the body of this report are presented as point estimates: single numbers used to approximate the best guess for what these revenues might be. This simplicity makes revenue options easier to understand and to compare to one another. When forecasting revenues, however, there are two important factors that must be kept in mind:

1. **Variance and Uncertainty**: Revenues are affected by a wide range of economic factors. Even for established revenues, any forecast about the future is likely to be inaccurate to some degree since we cannot be sure about future economic conditions. For example, revenue forecasts in every government made right before the Great Recession or the onset of COVID-19 were highly inaccurate.
2. **Ramp-Up**: Some revenues would gradually increase in amount over time. When planning for the long-term financial and operational needs of the City, the delay from policy implementation to revenue collection should be considered.

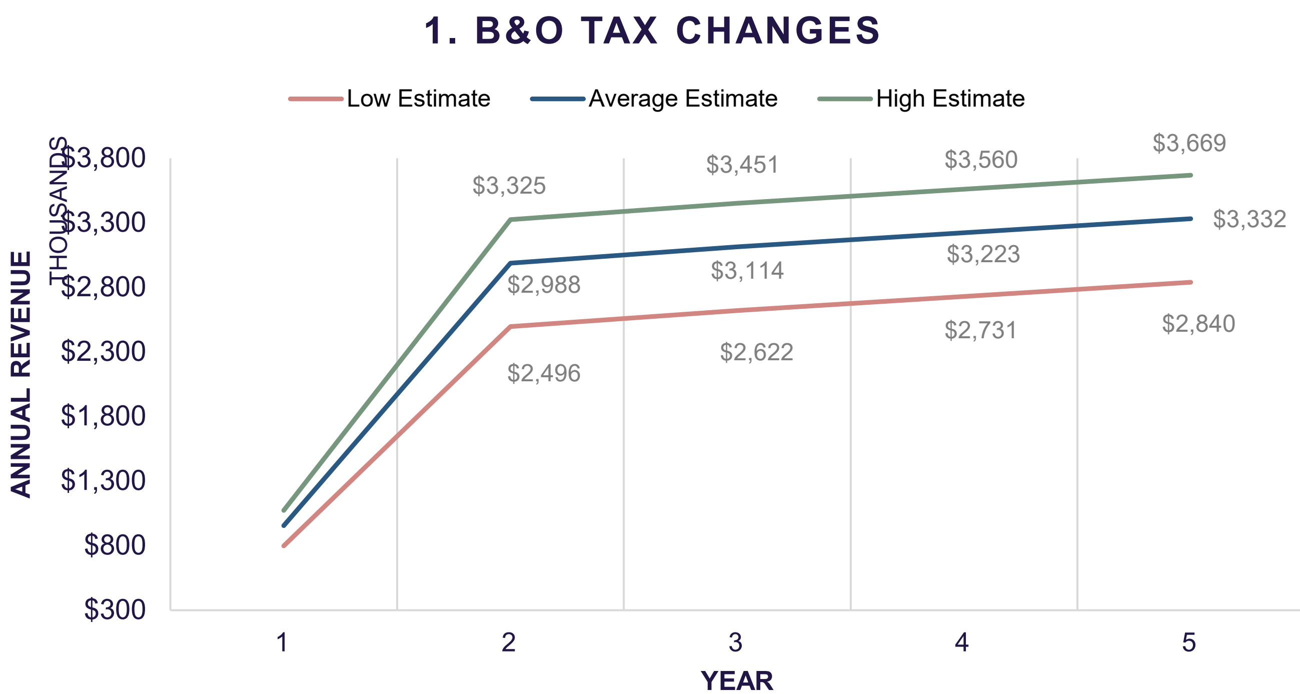
Although the body of the report details some information about the above factors in revenue collection, this appendix provides much more granular detail about this variance and ramp-up of various revenue sources over time.

1. B&O Revenue Changes

Since the City's B&O tax was first imposed beginning January 1, 2024, and since the B&O tax currently does not include a square footage tax component, the revenue estimates come with some uncertainty. A portion of the estimate is based upon actual business revenues reported and business license fees paid for 2024. Additional revenues have been estimated based upon assumptions concerning the size of business facilities within the City and statistical information concerning potential business revenues, for which the actual amount may deviate.

Year 1 revenues are estimated to be lower than in subsequent years due to the timing of tax return payments and compliance efforts that will be needed to educate taxpayers.

Year	1	2	3	4	5
High Estimate	$1,073,000	$3,325,000	$3,451,000	$3,560,000	$3,669,000
Average Estimate	$955,000	$2,988,000	$3,114,000	$3,223,000	$3,332,000
Low Estimate	$798,000	$2,496,000	$2,622,000	$2,731,000	$2,840,000



2. Property Tax Banked Capacity

Using the City's banked property tax capacity comes with very little uncertainty; ordinance language can be specifically tailored to a specific revenue amount. There is a limited amount of variance in the out-years for this banked capacity due to the levy amount assessed on new construction, which will not be known until it occurs.

There is no ramp-up period.

3. Property Tax Levy Lid Lift

Similar to accessing Banked Capacity, the City can be fairly precise with this form of property tax. Variance would occur in out-years with the lid lift levy rate assessed on new construction.

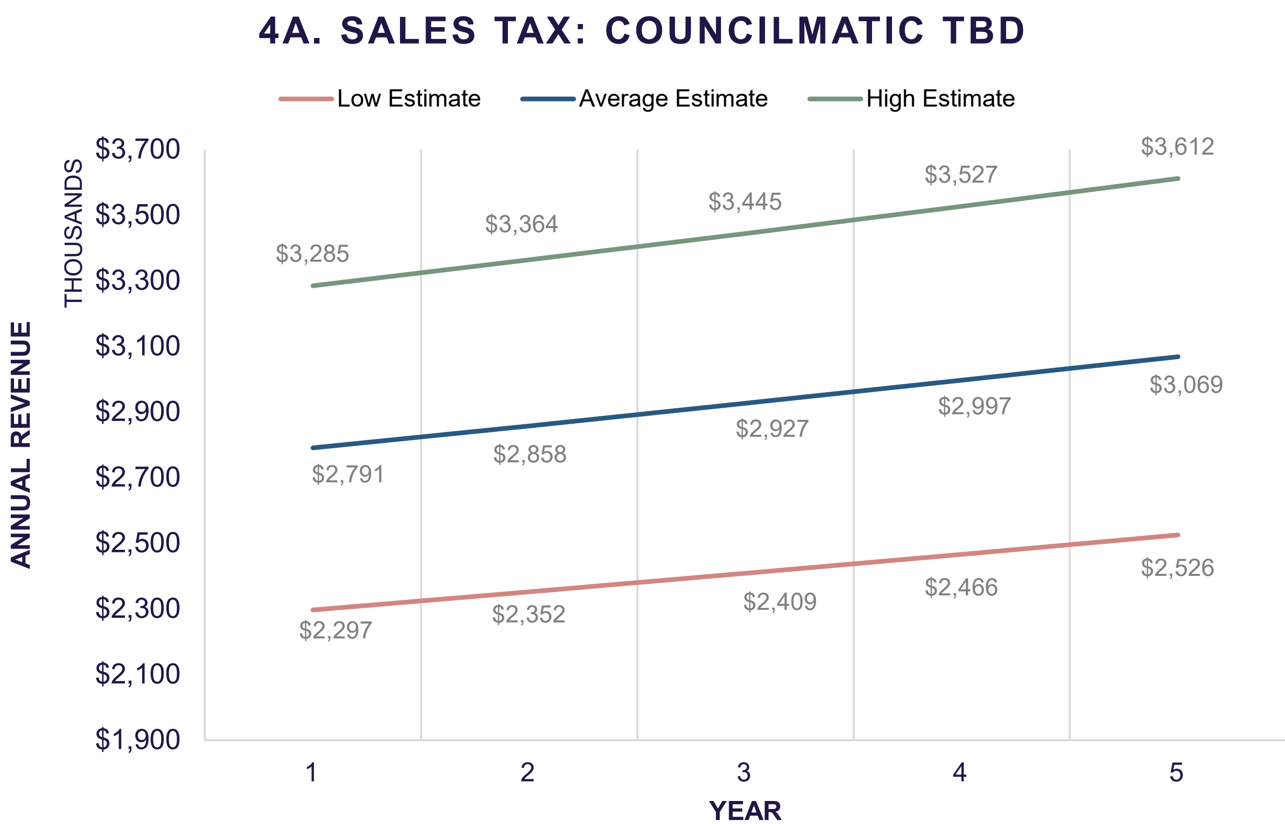
There is no ramp-up period.

4 through 6: Sales Taxes

From 2014 to 2023, the maximum year-to-year variation in sales tax collected was ±17.7%. The average increase in nominal (not inflation-adjusted) sales tax receipts was 2.4%.

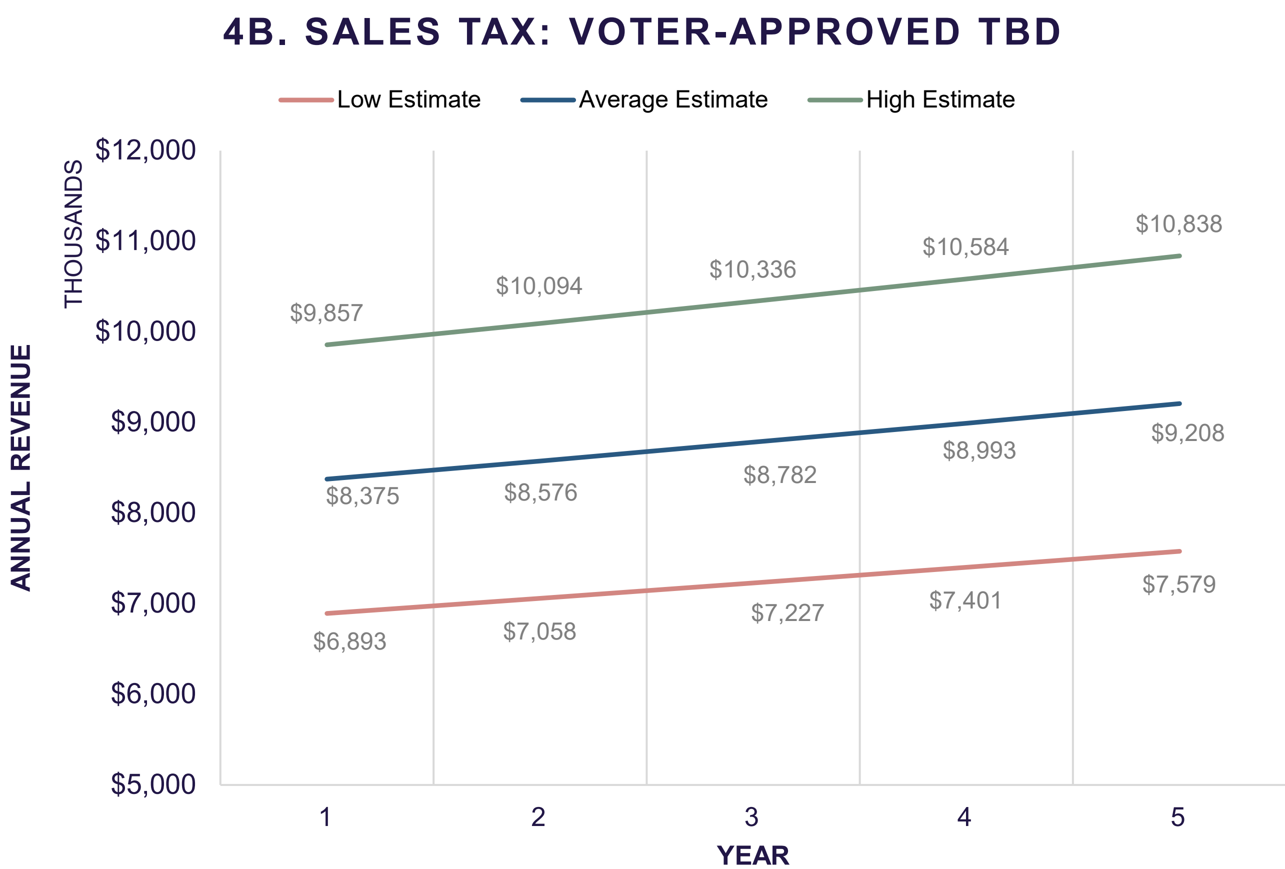
4A. Sales Tax: Transportation Benefit District, Councilmanic

Year	1	2	3	4	5
High Estimate	$3,285,007	$3,363,847	$3,444,580	$3,527,249	$3,611,903
Average Estimate	$2,791,000	$2,857,984	$2,926,576	$2,996,813	$3,068,737
Low Estimate	$2,296,993	$2,352,121	$2,408,572	$2,466,377	$2,525,571



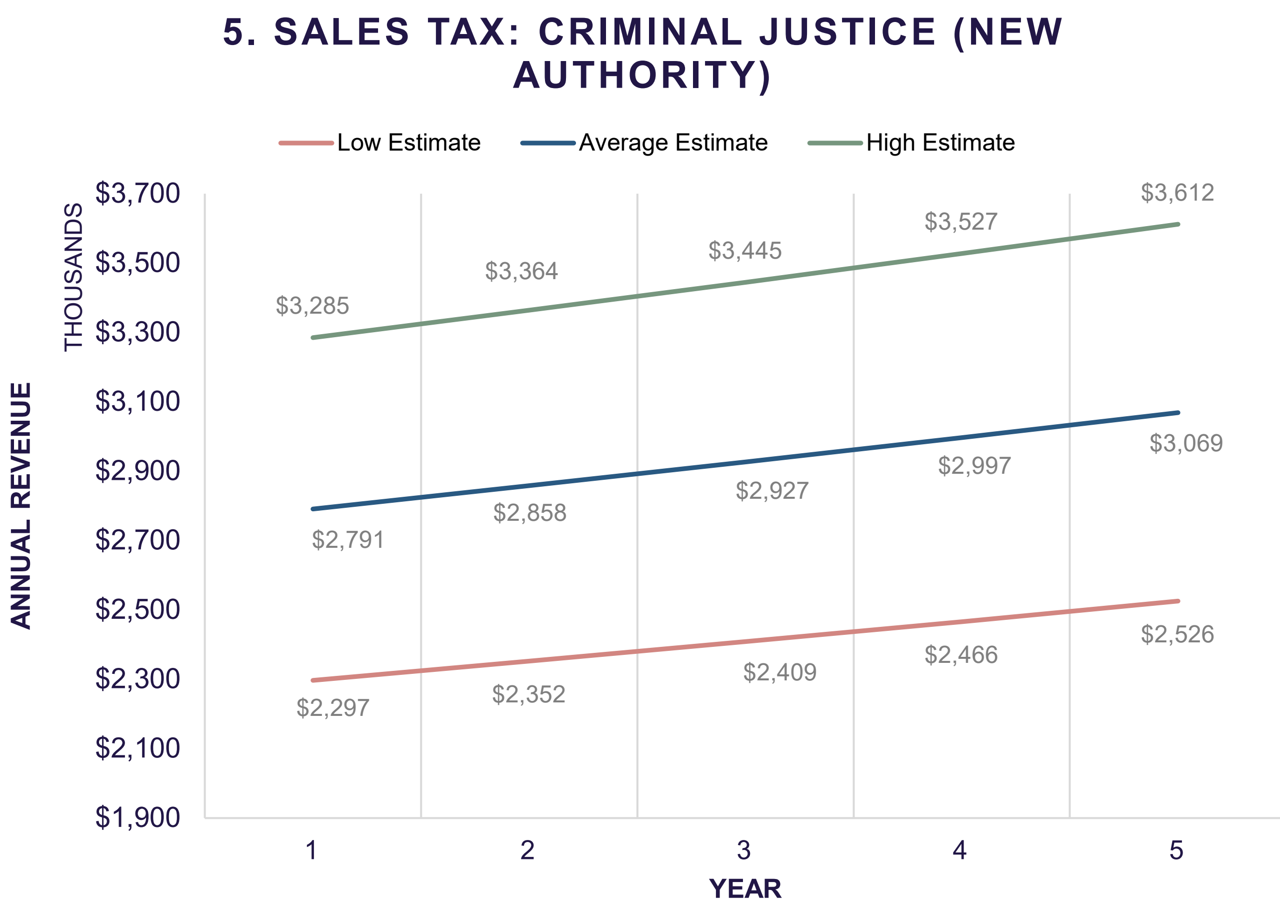
4B. Sales Tax: Transportation Benefit District, Voter-Approved

Year	1	2	3	4	5
High Estimate	$9,857,375	$10,093,952	$10,336,207	$10,584,276	$10,838,298
Average Estimate	$8,375,000	$8,576,000	$8,781,824	$8,992,588	$9,208,410
Low Estimate	$6,892,625	$7,058,048	$7,227,441	$7,400,900	$7,578,521



5. Sales Tax: Criminal Justice (HB2015, New Authority)

Year	1	2	3	4	5
High Estimate	$3,285,007	$3,363,847	$3,444,580	$3,527,249	$3,611,903
Average Estimate	$2,791,000	$2,857,984	$2,926,576	$2,996,813	$3,068,737
Low Estimate	$2,296,993	$2,352,121	$2,408,572	$2,466,377	$2,525,571



6. Sales Tax: Public Safety (RCW 82.14.450)

Year	1	2	3	4	5
High Estimate	$2,789,490	$2,856,438	$2,924,992	$2,995,192	$3,067,077
Average Estimate	$2,370,000	$2,426,880	$2,485,125	$2,544,768	$2,605,843
Low Estimate	$1,950,510	$1,997,322	$2,045,258	$2,094,344	$2,144,608

7. Admissions Tax Changes

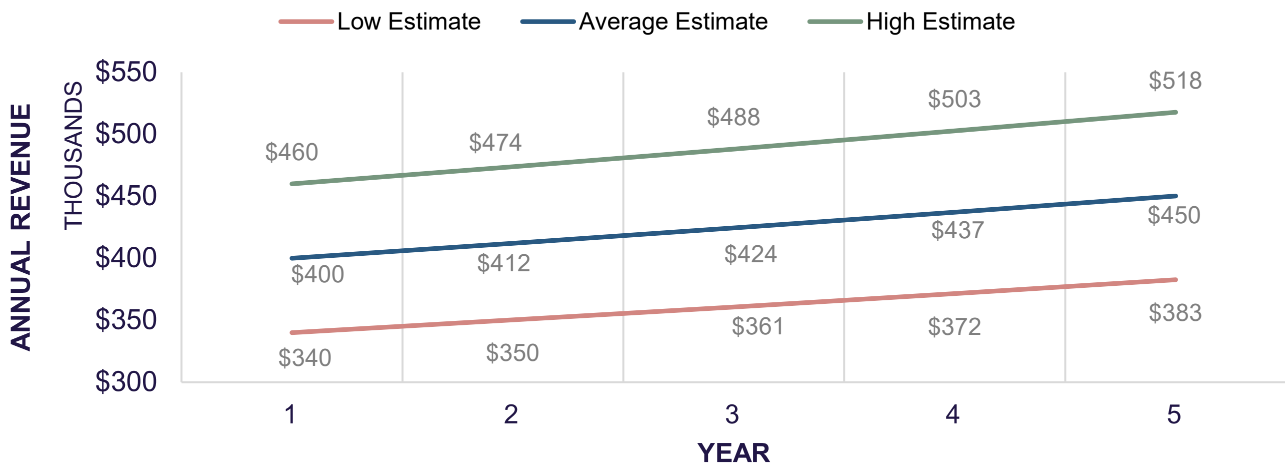
There is no significant ramp-up period or year-to-year changes for these revenues.

Year	A. Nonprofits	B. Bowling	C. Foster Golf Course
High Estimate	$641,000	$81,000	$104,000
Average Estimate	$557,000	$70,000	$90,000
Low Estimate	$473,000	$60,000	$77,000

8. Gambling Tax Changes

Year	1	2	3	4	5
High Estimate	$460,000	$473,800	$488,014	$502,654	$517,734
Average Estimate	$400,000	$412,000	$424,360	$437,091	$450,204
Low Estimate	$340,000	$350,200	$360,706	$371,527	$382,673

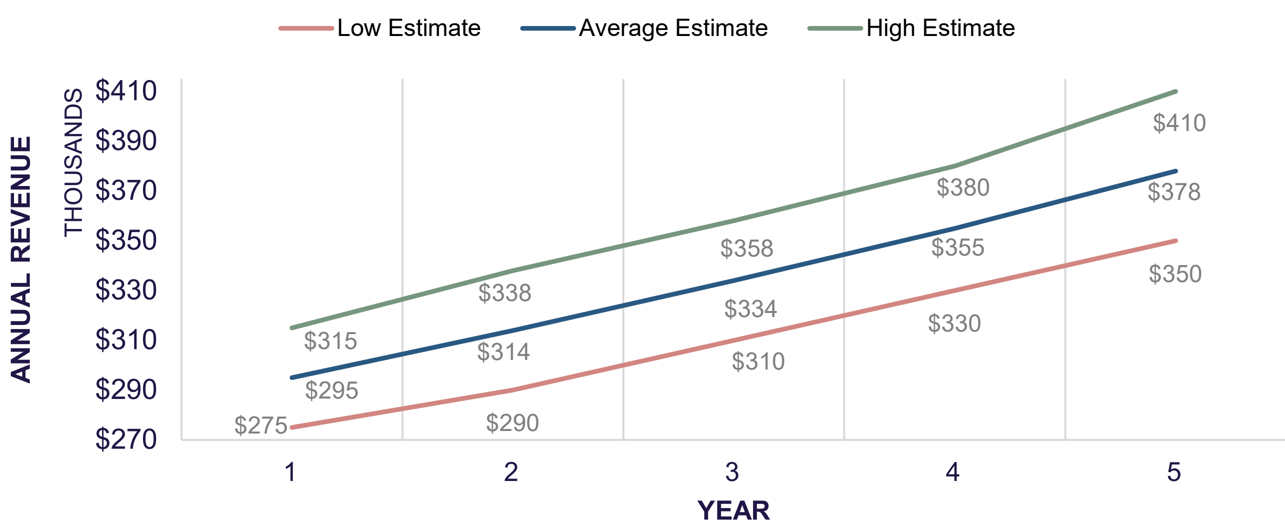
8. GAMBLING TAX CHANGES



9. Interfund Utility Tax Changes

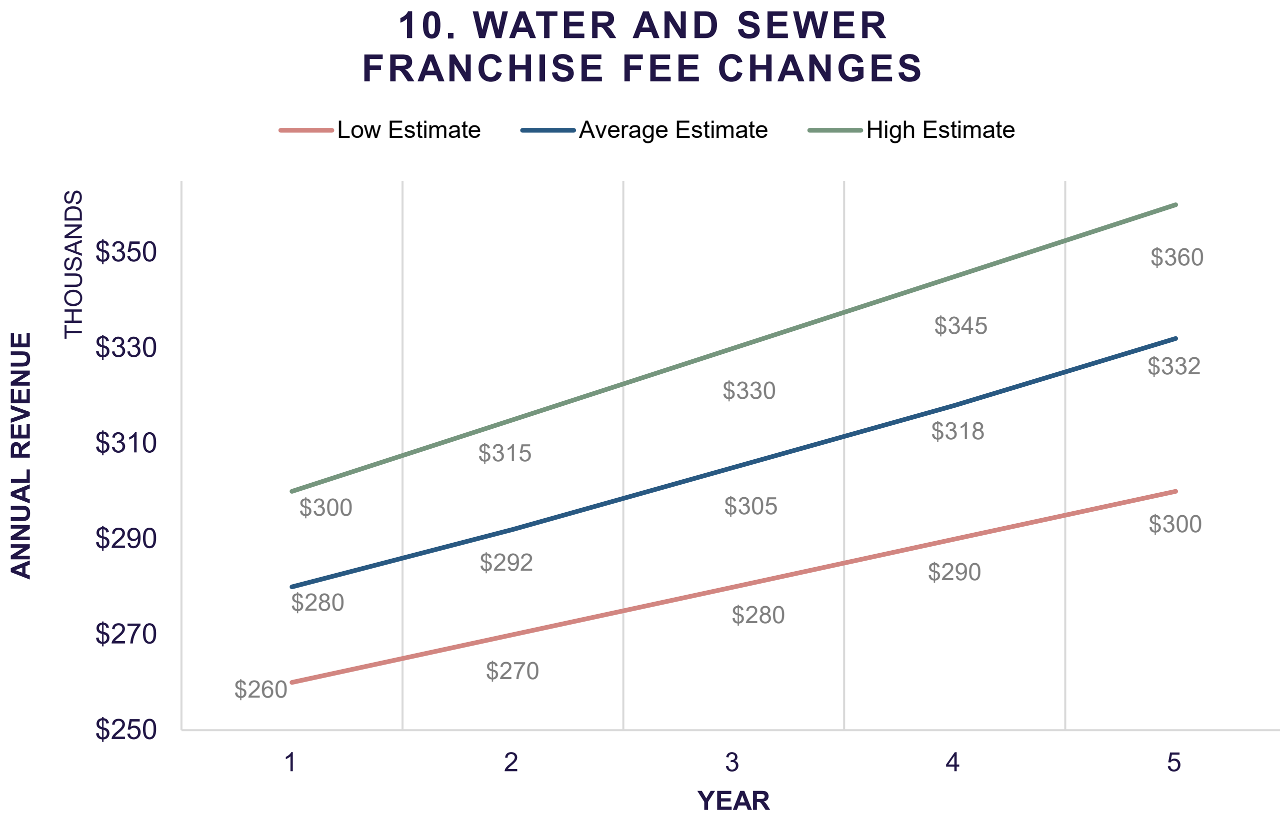
Year	1	2	3	4	5
High Estimate	$315,000	$338,000	$358,000	$380,000	$410,000
Average Estimate	$295,000	$314,000	$334,000	$355,000	$378,000
Low Estimate	$275,000	$290,000	$310,000	$330,000	$350,000

9. INTERFUND UTILITY TAX CHANGES



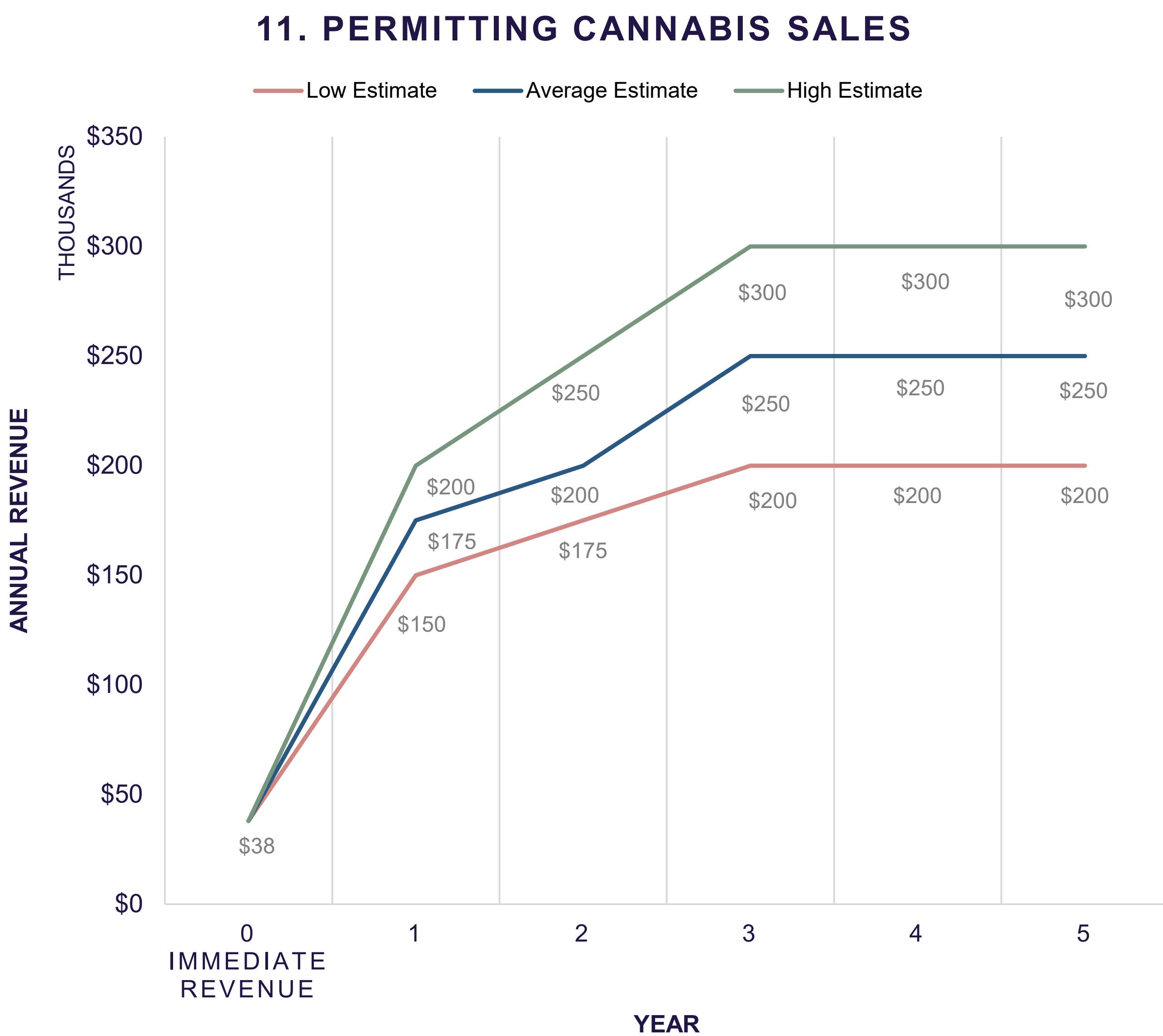
10. Increase Franchise Fees for External Water and Sewer Districts

Year	1	2	3	4	5
High Estimate	$300,000	$315,000	$330,000	$345,000	$360,000
Average Estimate	$280,000	$292,000	$305,000	$318,000	$332,000
Low Estimate	$260,000	$270,000	$280,000	$290,000	$300,000



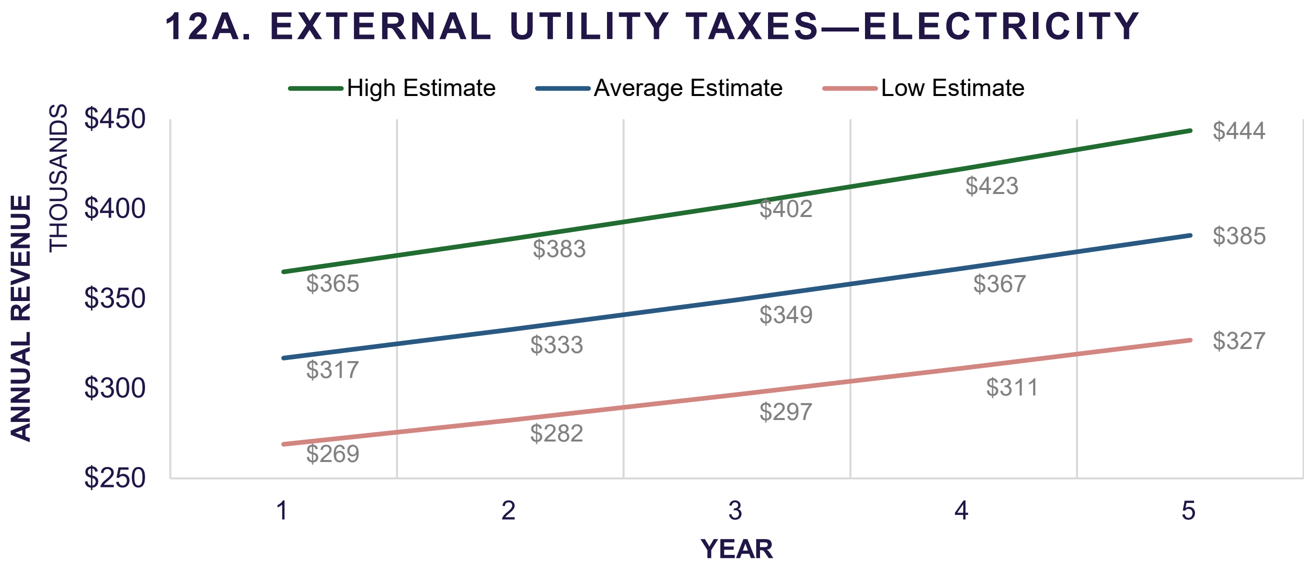
11. Permitting Cannabis Sales

Year	0	1	2	3	4	5
High Estimate	$38,000	$200,000	$250,000	$300,000	$300,000	$300,000
Average Estimate	$38,000	$175,000	$200,000	$250,000	$250,000	$250,000
Low Estimate	$38,000	$150,000	$175,000	$200,000	$200,000	$200,000



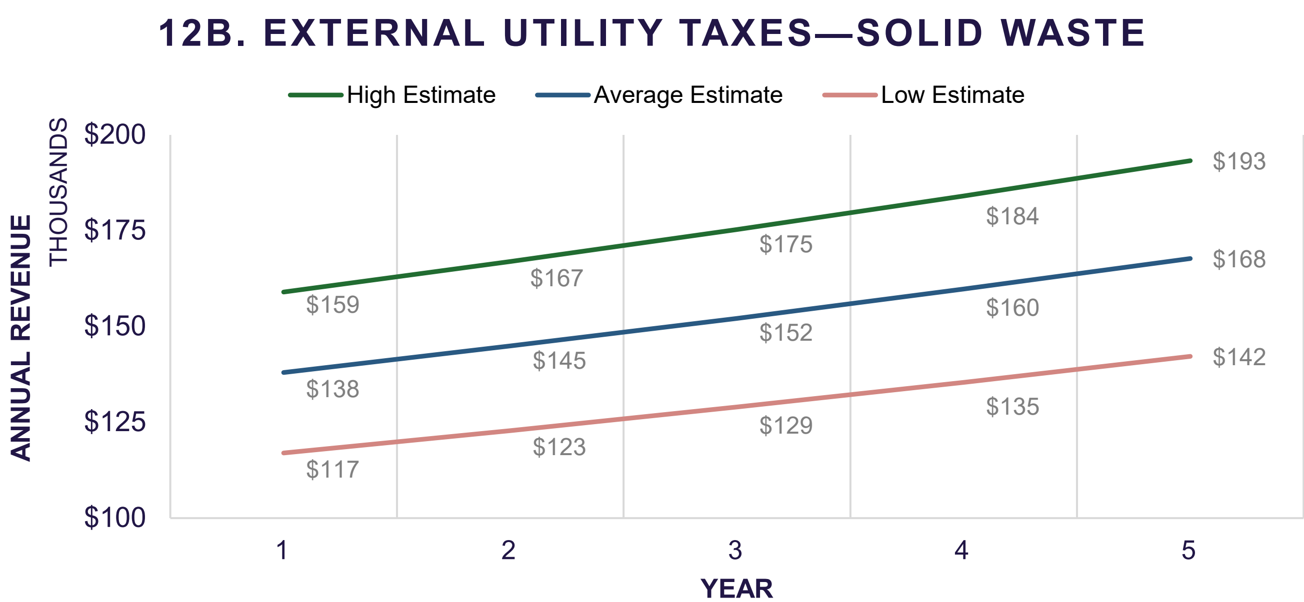
12A. External Utility Taxes: Electricity

Year	1	2	3	4	5
High Estimate	$365,000	$383,250	$402,413	$422,533	$443,660
Average Estimate	$317,000	$332,850	$349,493	$366,967	$385,315
Low Estimate	$269,000	$282,450	$296,573	$311,401	$326,971



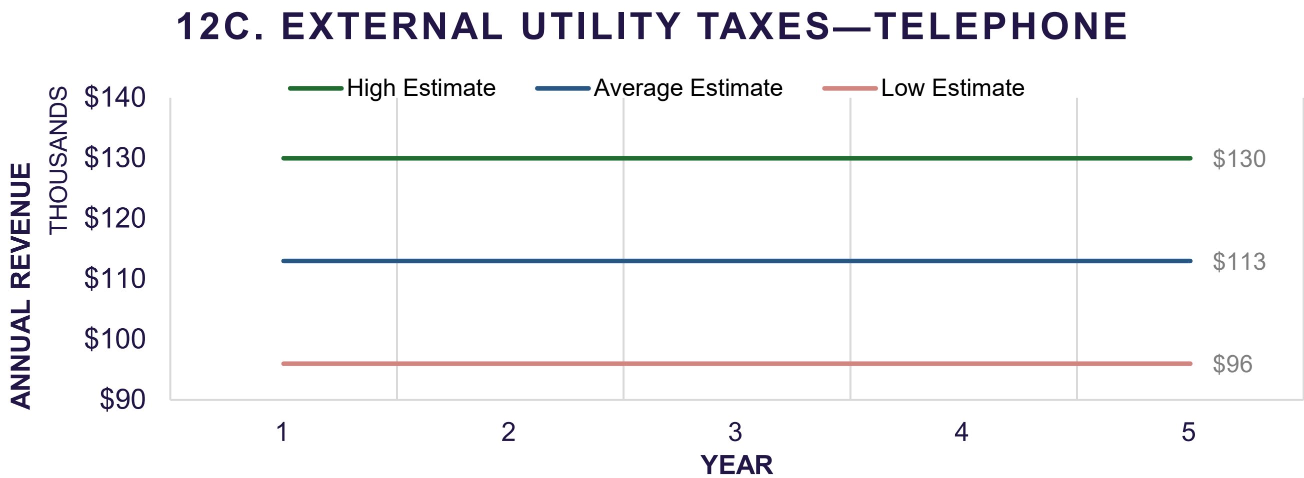
12B. External Utility Taxes: Solid Waste

Year	1	2	3	4	5
High Estimate	$159,000	$166,950	$175,298	$184,062	$193,265
Average Estimate	$138,000	$144,900	$152,145	$159,752	$167,740
Low Estimate	$117,000	$122,850	$128,993	$135,442	$142,214



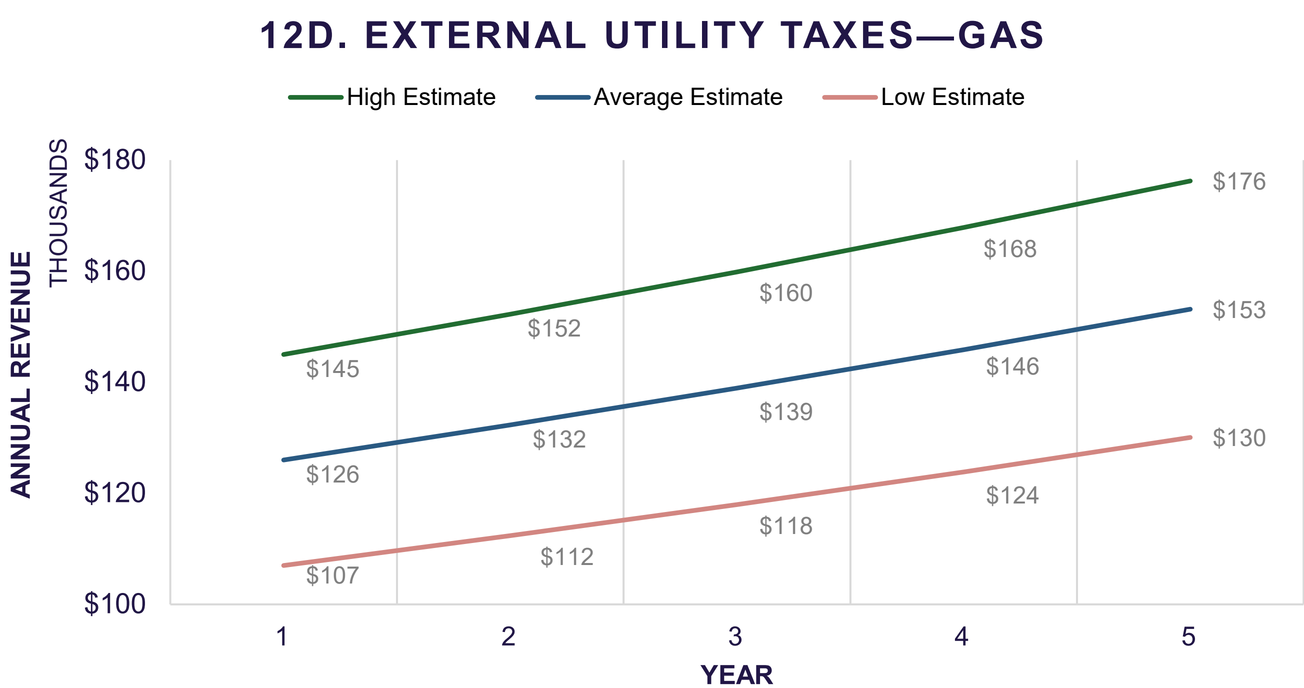
12C. External Utility Taxes: Telephone

Year	1	2	3	4	5
High Estimate	$130,000	$130,000	$130,000	$130,000	$130,000
Average Estimate	$113,000	$113,000	$113,000	$113,000	$113,000
Low Estimate	$96,000	$96,000	$96,000	$96,000	$96,000



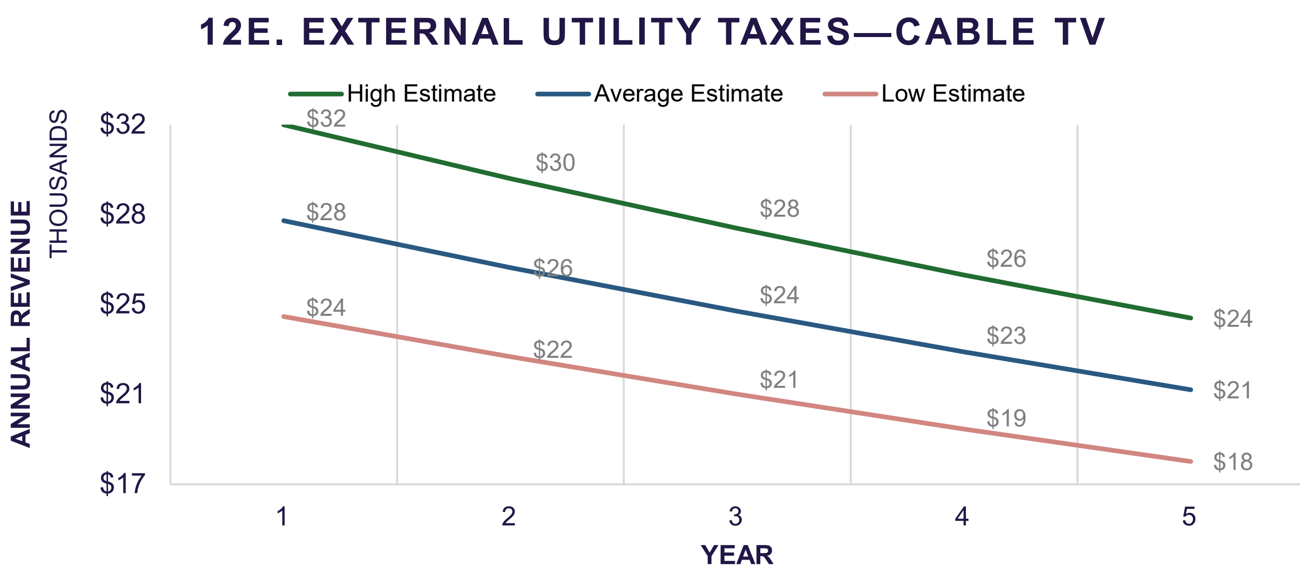
12D. External Utility Taxes: Natural/Manufactured Gas

Year	1	2	3	4	5
High Estimate	$145,000	$152,250	$159,863	$167,856	$176,248
Average Estimate	$126,000	$132,300	$138,915	$145,861	$153,154
Low Estimate	$107,000	$112,350	$117,968	$123,866	$130,059



12E. External Utility Taxes: Cable TV

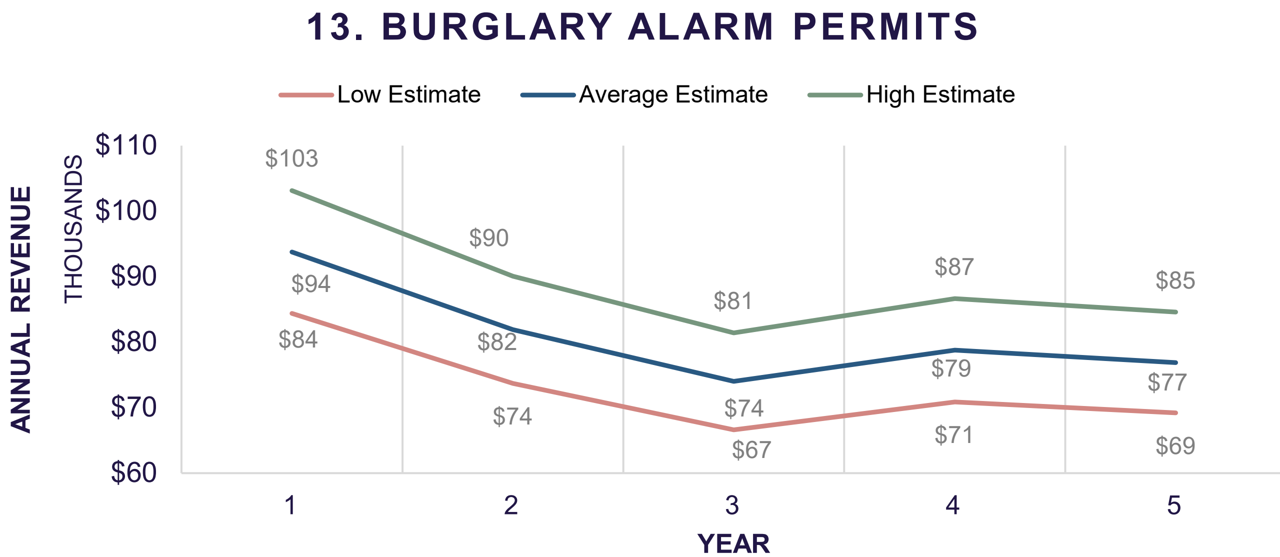
Cable TV					
Year	**1**	**2**	**3**	**4**	**5**
High Estimate	$32,000	$29,760	$27,677	$25,739	$23,938
Average Estimate	$28,000	$26,040	$24,217	$22,522	$20,945
Low Estimate	$24,000	$22,320	$20,758	$19,305	$17,953



13. Burglary Alarm Permits

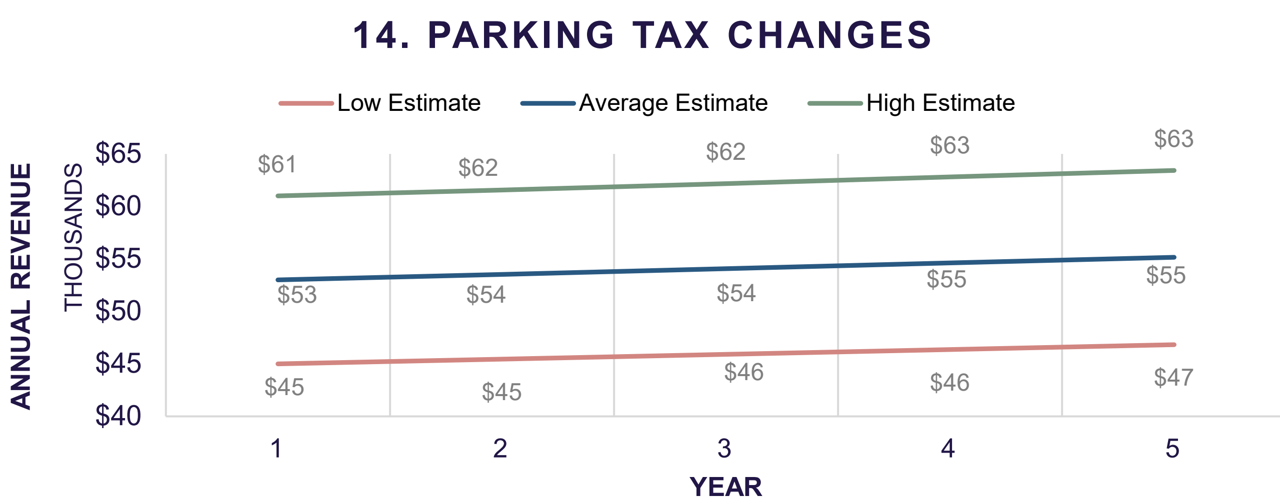
Revenues are expected to decline as businesses are incentivized to reduce false alarms.

Year	1	2	3	4	5
High Estimate	$103,140	$90,078	$81,415	$86,640	$84,578
Average Estimate	$93,764	$81,889	$74,014	$78,764	$76,889
Low Estimate	$84,388	$73,700	$66,613	$70,888	$69,200



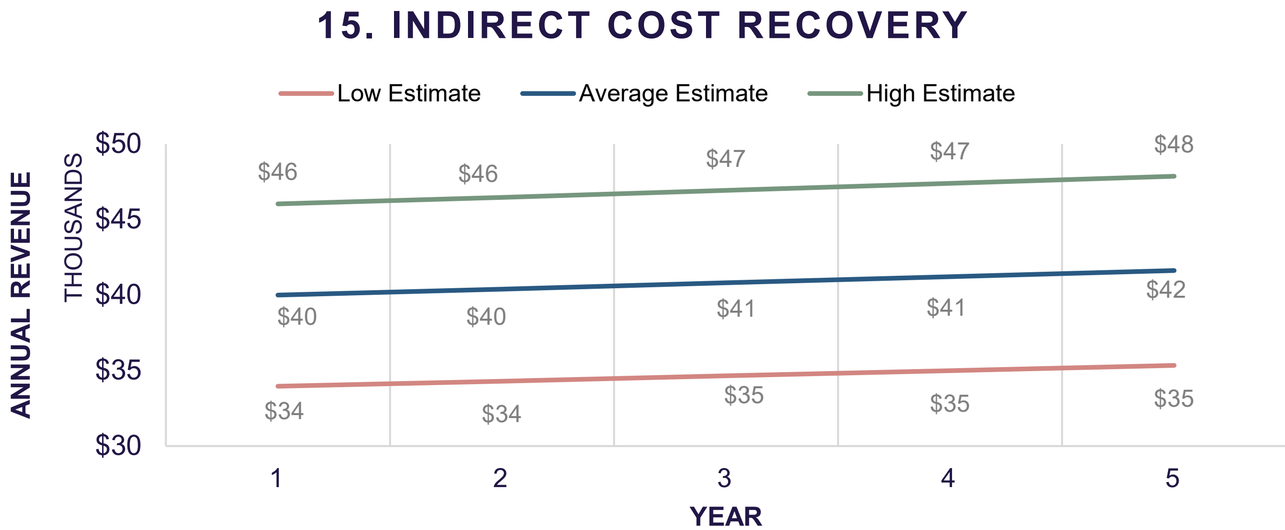
14. Parking Tax Changes

Year	1	2	3	4	5
High Estimate	$61,000	$61,560	$62,175	$62,797	$63,425
Average Estimate	$53,000	$53,530	$54,065	$54,606	$55,152
Low Estimate	$45,000	$45,450	$45,905	$46,364	$46,827



15. Indirect Cost Recovery for Grants

Year	1	2	3	4	5
High Estimate	$46,038	$46,460	$46,925	$47,394	$47,868
Average Estimate	$40,000	$40,400	$40,804	$41,212	$41,624
Low Estimate	$33,962	$34,302	$34,645	$34,991	$35,341



Appendix B: Revenue Ideas Excluded from Analysis

A. Enterprise Investments (e.g. Driving Range)

Enterprise investments refer to City-owned, business-type ventures that aim to generate ongoing revenue. A good example in Tukwila is converting part or all of the City-owned Foster Golf Course into a driving range, which could potentially increase revenue through higher volume, lower overhead, or year-round usage.

Reasons for Exclusion

- Requires a full business plan, including market demand, financial modeling, and capital investment estimates. This is beyond the scope of this revenue proviso process.
- High upfront costs and operational risks make this revenue source more speculative than the options included in the body of the report.
- Potential for net revenue loss if the enterprise underperforms.
- Revenue outcomes are highly uncertain and would require long-term analysis and planning.
- If Council is interested in pursuing this further, a separate, dedicated process would be needed.

B. Excise Taxes/Sin Taxes

Excise taxes, sometimes called "sin taxes," are targeted taxes on specific goods or activities, such as alcohol, tobacco, or sugary beverages. These taxes are often intended to discourage consumption or to help offset public costs associated with those products.

Reasons for Exclusion

- While technically allowed under state law, there is no existing system at the state level to collect and remit these taxes to the City.
- The City would need to build an entirely new administrative framework to assess, collect, and enforce these taxes
- This would likely require multiple full-time staff positions and ongoing administrative oversight.
- Because Tukwila is geographically small, it would be simple for consumers to purchase goods in nearby jurisdictions to avoid this tax
- Compared to other options in the report, this approach presents sharply higher startup and operational costs, making it impractical unless interest from Council is particularly strong.

C. Expanded Use of Investments

This involves increasing the City's investment activity, such as purchasing more bonds or diversifying financial holdings, to generate higher returns on City assets.

Reasons for Exclusion

- The City already actively invests in bonds and other allowable instruments under Washington law and will continue to do so as part of its standard financial practices.
- Returns from investment activity are variable and difficult to forecast with confidence, especially in the short term.
- Investment policy decisions are more appropriately addressed through ongoing treasury and financial management processes rather than through this revenue proviso process.
- Unlike new taxes or fees, expanding investments does not represent a distinct policy choice that Council must make. This is an operational financial decision already underway.

D. Improving Cost Recovery on City Services

This involves updating City fees to more accurately reflect the actual cost of providing services. It includes revising fee schedules, improving billing practices, and evaluating whether current subsidies for certain services remain appropriate. Examples include permitting fees, parks and recreation charges, and facility rentals.

Reasons for Exclusion

- Efforts to improve cost recovery are already underway across multiple City departments as part of financial and operational management.
- For many services, especially those that provide public benefit like recreational programs, cost recovery is also a policy choice. Full cost recovery may not always align with community values or equity goals.
- Because changes to fee schedules are often incremental and service-specific, they are better handled as part of departmental processes rather than this citywide revenue strategy.
- This approach, while important, does not create a large new revenue stream relative to the options included in the main body of the report.

E. Increasing Tukwila Buy Local Practices

This involves adjusting the City's procurement policies to prioritize purchasing from businesses based in Tukwila. The goal is to support the local economy while modestly boosting the City's own revenue through increased local sales tax and business and occupation tax.

Reasons for Exclusion

- These efforts are administratively underway

- While this supports local economic development, the direct financial benefit to the City is limited
- Any increase in sales tax or business and occupation tax revenue would be very small
- The primary value of this approach lies in economic development and community investment, not in substantial new revenue generation

F. Increased Grant Awards

This refers to expanding the City's efforts to apply for and secure state, federal, and other external grant funding to support programs, services, and capital investments.

Reasons for Exclusion

- The City already actively pursues grant funding across departments and has done so consistently for many years.
- While grant revenue is an important part of the City's financial picture, it is not a reliable or controllable revenue stream for addressing structural imbalances in the General Fund.
- The City has limited ability to predict which competitive grants it will receive in a given year, making it difficult to provide meaningful revenue estimates.
- Because grants are often one-time or restricted in use, they are not a substitute for ongoing revenue sources like those analyzed in the body of the report.
- Grants often require a match and can often encumber the City with additional costly requirements well into the future.

G. Indirect Cost Plan Revision

The City's indirect cost allocation plan to ensure that the General Fund is appropriately reimbursed by other funds for central services such as finance, HR, and IT (TIS). These costs are partially borne by other funds who utilize these central services.

Reasons for Exclusion

- The City already has a contract in place with an outside firm for this and work is underway to complete this revision.
- This effort does not generate new revenue for the City as a whole. Instead, it reallocates existing costs across funds to better reflect the true cost of services.
- Because it is a reorganization of internal revenues rather than a net increase in City resources, it was not included alongside the other external revenue options in this report.

H. Reserve Policy Changes

The City's reserve policy could be lowered to free up one-time resources for General Fund use. Tukwila currently maintains reserves equal to approximately 28% of the prior year's ongoing General Fund revenues. While the Government Finance Officers Association (GFOA) recommends a minimum of two months (approximately 16.7%) of expenses or revenues in reserve, most local governments set a higher floor of at least three months (25%). Many in Washington maintain even higher reserve levels depending on their individual needs.

Reasons for Exclusion

- The City's current reserve level is already in line with best practices and supports long-term financial health.
- Maintaining higher reserves strengthens the City's creditworthiness and reduces the cost of borrowing when issuing bonds.
- Reducing reserves would produce a one-time infusion of revenue and offer minimal ongoing financial resources.
- Drawing down reserves to fund operations undermines long-term stability and creates future financial risk.
- Unlike other revenue options presented in this report, this approach does not create a recurring funding source and is not sustainable.

I. Hotel-Motel Tax Changes

The Hotel-Motel Tax is a special additional tax applied to lodging services within the city. Currently set at 1%, this tax is collected from visitors staying in Tukwila's hotels and motels. Revenue generated through this mechanism comes primarily from non-residents utilizing temporary accommodations.

Reasons for Exclusion

- City is already at the maximum allowable rate of 1%
- Hotel-Motel tax revenue is legally restricted in how it can be used, so funds cannot be directed to assist with general fund needs
- Although the City could eliminate this special hotel/motel tax and then collect *some* additional general sales tax instead, the amount of overall revenue collected by the City would decline 68% to 100% (depending on how RCW 67.28.1816 is interpreted)
    - For example, if the City did not have this 1% in special lodging tax in 2024, it may have been able to collect $310,000 more in General Fund sales tax but would have collected $675,000 less in lodging tax to encourage tourism
    - This lost Hotel-Motel tax special use funding would have secondary negative effects on sales tax revenue due to less investment by the City in tourism-related activities—the restricted purpose of these funds

J. Wireless Communication Facilities and Small Cell Site Leasing on Municipal Light Poles

The City could lease space on city-owned street and sport field light poles and water storage facilities to wireless carriers for wireless communication facilities and other “small cell site” equipment, including 5G wireless and micro-cell sites. Carriers replace existing poles with sturdier versions to support equipment.

Reasons for Exclusion

- FCC regulations cap fees at only $270 per pole per year (for Micro Sites only; not other WCF types)
- Despite 5 years of discussions with carriers, only a few poles (if any) have been implemented
- Limited by technical requirements as not all poles have necessary fiber internet access
- Design elements must ensure new poles maintain aesthetic consistency with existing infrastructure, which creates additional barriers to implementation
- Historical adoption rate indicates minimal carrier interest despite the theoretical potential for more revenue
- Other city facilities could be leased but carriers have not approached the City for such arrangements

K. Transportation Benefit District (TBD) Vehicle License Fees

A vehicle license fee that may be imposed by cities through a Transportation Benefit District (TBD) to fund transportation-related projects. These vehicle license fees could be imposed either separately or in addition to a TBD sales tax. Cities may charge up to $50 per vehicle without voter approval, though increases must occur in $10 increments every 24 months. Cities may charge up to $100 with voter approval. Revenue from these fees must be used for transportation improvements identified in local, regional, or state transportation plans

Reasons for Exclusion

- Although technically allowed alongside a TBD sales tax, it is uncommon for jurisdictions to implement both at the same time.
- A TBD sales tax generates significantly more revenue and is easier to administer.
- Compliance with car tab renewals is imperfect. Approximately 10% of Washington drivers are not current on their renewals, which further reduces predictability and yield.

L. City Sales Taxes that Tukwila Cannot Impose

Several additional sales tax mechanisms for city governments exist under Washington State law, but Tukwila is not eligible to implement them due to statutory limitations. These include a city-level transit sales tax, a mental health and substance use disorder sales tax, a sales tax for distressed public facilities districts, a cultural access sales tax, and a housing and related services sales tax.

Reasons for Exclusion

- *City Transit Sales Tax* – Only cities that operate their own transit agencies may impose this tax. Tukwila does not run a municipal transit agency.
- *Mental Health and Substance Use Disorder Tax* – Cities are preempted from imposing this tax when their county already does. King County currently imposes it.
- *Distressed Public Facilities District Tax* – This tax is limited to qualifying public facilities districts that are distressed. Tukwila is not eligible.
- *Cultural Access Sales Tax* – Cities in King County are preempted from levying this tax because King County already imposes it.
- *Housing and Related Services Sales Tax* – Only cities that adopted this tax before their county imposed it are eligible. King County now imposes this tax, and only Issaquah, Renton, and Kent are grandfathered in.

M. Red Light Camera Program

Red light cameras automatically issue infractions to vehicles that fail to stop at designated intersections, with the goal of improving public safety. Although the program would indeed increase revenue, the primary intent of such a program is to reduce dangerous driving behavior, not to raise funds for the City's General Fund.

Reasons for Exclusion

- The main goal is to improve traffic safety, not generate revenue. It is better considered within the context of transportation or enforcement policy.
- State law (RCW 46.63.220) requires that all revenue from red light camera infractions be used solely for traffic safety purposes, not for general City operations.

Appendix C: Expected Future Impact of Inflation on Major City Revenues

Like nearly all cities in Washington State, the two main revenues in the City's General Fund consist of Property Taxes and Sales Taxes. Taken together, these revenue sources were slightly over half of General Fund revenue in 2023 and 2024.

From 2014-2024, although both Property Tax and Sales tax increased considerably in *nominal* amounts, when adjusting for inflation, the *real* values of these revenues were considerably less.

Revenue Type	2014	2024	Difference ($)	Difference (%)
Sales and Use Tax				
Nominal	17,105,322	23,729,637	+6,624,315	+38.7%
Inflation-Adjusted	17,105,322	17,329,555	+224,233	+1.3%
Property Tax				
Nominal	14,186,753	18,106,912	+3,920,159	+27.6%
Inflation-Adjusted	14,186,753	13,223,326	(963,427)	-6.8%

Sales tax remained largely flat over this decade, increasing in real terms by only 1.3%, or $224 thousand. Property tax declined in real terms by 6.8%, or $963 thousand. Taken together, the purchasing power of these key local government revenues declined over the past decade.

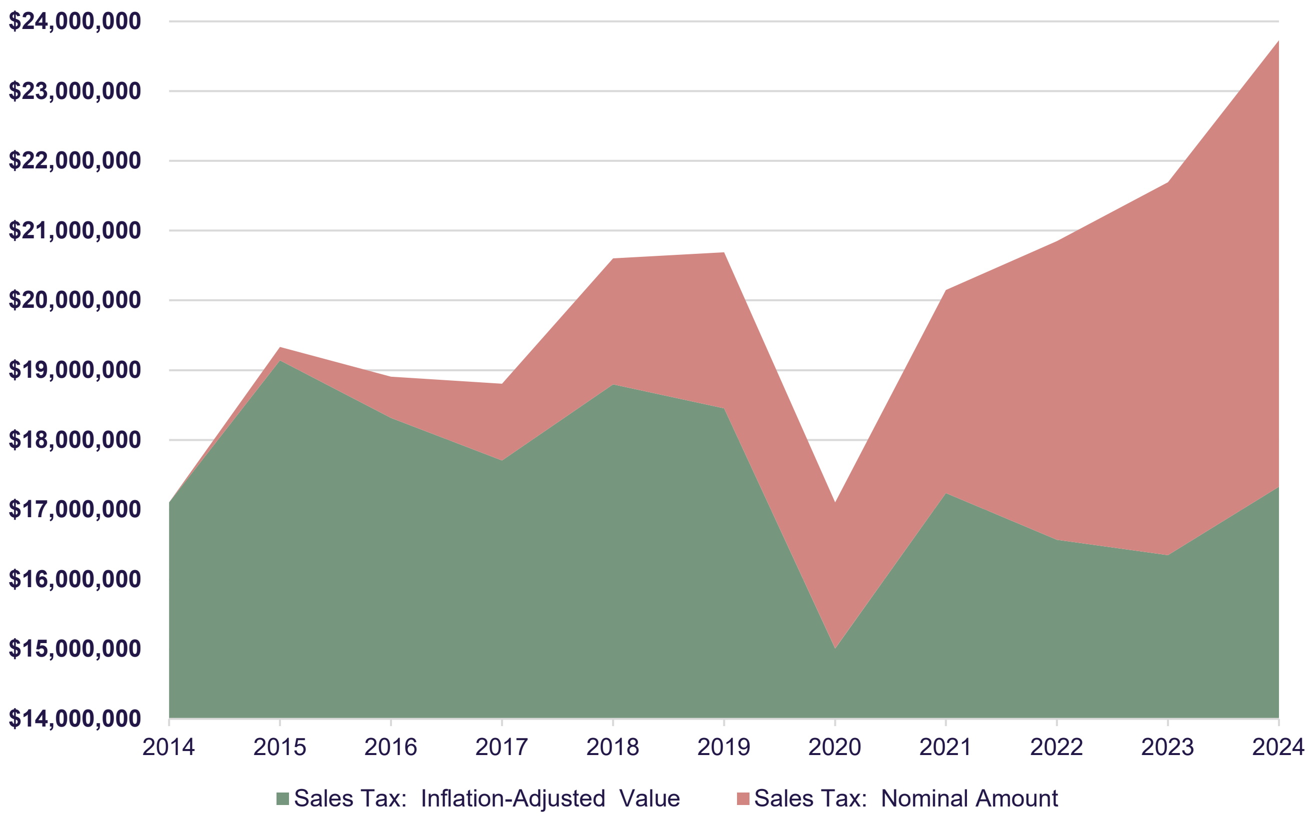
These declines in inflation-adjusted revenues are not unique to Tukwila. Washington State policies, particularly during the 40-year-high inflation rates during the past few years, have severely reduced the purchasing power of the key revenues available to local governments.

Simultaneously, like most businesses, governments, and non-profits, costs have continued to climb at or near the overall rate of inflation. Many costs have increased at a much higher rate than overall inflation, including healthcare expenses.

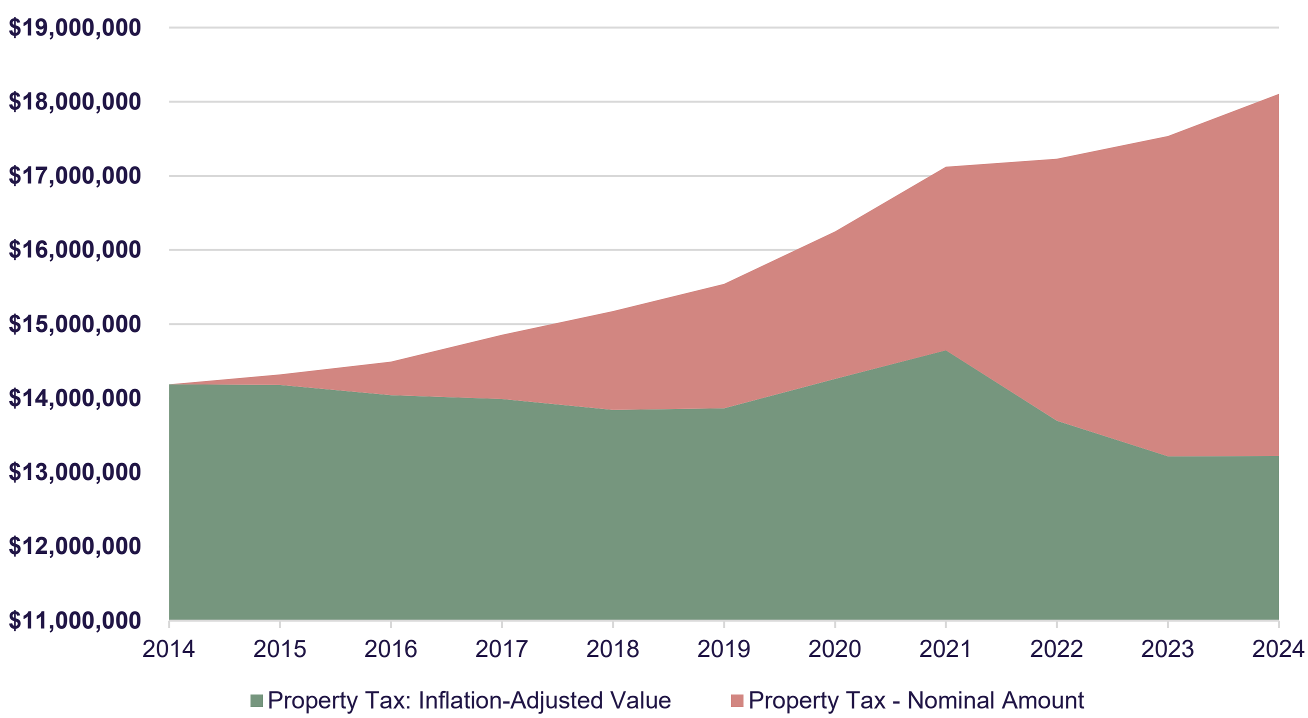
Five of the most significant revenue options listed in this report are some forms of sales tax or property tax. Based on the experience of the past decade, and without policy changes from the state government, **the default assumption should be that these major revenues will not increase at the same pace as expenditures over time**. This includes the sales tax and property tax options listed in this report.

If the budget were perfectly balanced today, the future inflation-adjusted value of these key revenues would be expected to decline, meaning expenditures would outpace these revenues, even if everything in the City remained exactly the same. This dynamic, common across Washington cities, means that achieving long-term budget stability will require more than simply closing today's budget gap.

Nominal and Inflation-Adjusted Sales Tax Revenue



Nominal and Inflation-Adjusted Property Tax Revenue



Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Consumer Price Index: Seattle-Tacoma-Bellevue CPI-U	245.125	247.614	253.122	260.656	269.527	276.23	281.281	289.628	315.507	337.109	351.426
Annual Inflation Rate: Seattle-Tacoma-Bellevue	Base Year	1.0%	2.2%	3.0%	3.4%	2.5%	1.8%	3.0%	8.9%	6.8%	4.2%
Sales Tax: Nominal	$ 17,105,322	19,334,152	18,908,190	18,807,201	20,603,618	20,687,748	17,102,061	20,148,103	20,850,313	21,693,508	23,729,637
Sales Tax: Inflation Adjusted	$ 17,105,322	19,139,806	18,314,821	17,706,518	18,795,561	18,453,649	15,010,354	17,234,950	16,569,191	16,349,680	17,329,555
Property Tax: Nominal	$ 14,186,753	14,323,133	14,494,747	14,857,787	15,177,011	15,545,878	16,251,567	17,124,167	17,233,512	17,536,670	18,106,912
Property Tax: Inflation Adjusted	$ 14,186,753	14,179,158	14,039,879	13,988,241	13,845,162	13,867,056	14,263,882	14,648,236	13,695,016	13,216,808	13,223,326

Appendix D: General Fund Forecast Made In Fall 2024

Six-Year Financial Forecast

Forecasting is a long-term planning tool that encourages strategic thinking and provides decision-makers with the tools to allow for making better business decisions by focusing on long-term objectives and the future impact of current decisions. Long-term financial planning provides a platform for analyzing trends as well as risk factors that may impact the City's financial standing and allows for the organization to be proactive in addressing any emerging issues. This planning, which includes maintaining a six-year financial forecast for the General Fund, helps to provide awareness of the financial standing of the City to the City Council, employees, and the greater Tukwila resident and business communities.

The forecast revenue and expense assumptions are based on a five-year trend with any known outliers excluded. The forecast is built assuming status quo operations meaning that no new positions, programs, or program expansions are included in the analysis. Similarly, the forecast assumes no programs, services, or positions are eliminated. Any known future changes are included in the numbers, such as a scheduled retirement of debt or changes in State-shared revenues.

Forecast Key Takeaways

- Forecasts are reliably unreliable. That doesn't diminish their power as a tool for decision-makers considering operational adjustments.
- Without structural changes (labor cost model, service delivery methods, use of technology; organizational structure, etc.), the General Fund will consume the entirety of its available fund balance within the forecast range ending 2030.
- The structural imbalance for 2025 is $3.6 million and in 2026 it is $5.4 million when one-time land sale proceeds are removed from budget consideration.

Why Does the Forecast Assume Status Quo

The status quo assumption is very unlikely, and we could forecast increases in positions and programs based on past trends. However, we choose not to include these in our forecast to avoid creating an anchoring effect, a reference point to make subsequent judgements, by creating an expectation of continued staffing growth and rate increases necessary to sustain that growth. The forecast is designed to illustrate the difference between revenue and expense growth in the status quo over a period of years.

Budget Sustainability

The City is legally required to adopt a balanced budget where resources are at least equal to budgeted expenses. However, adopting a balanced budget does not necessarily mean the budget is sustainable. A sustainable budget exists when normally occurring operational revenues are equal to normally occurring and ongoing expenses and where extraordinary resources are used for one-time expenditures. Like most government entities, the City is experiencing a budget sustainability challenge where expenses increase each year at a rate that exceeds the growth of resources. Forecasted revenues for 2027 – 2030 increase by an average of 2.7% annually while expenses for the same period increase by 3.6%. This structural imbalance demonstrates that without a new revenue source, an increase in rates, decrease in expenses, or a combination of those things, the City will need to balance its budget over time using one-time resources. As shown below, this budget model is not sustainable over more than just a few years.

Administration has already taken up the challenge in 2025 to begin work on solutions to achieve a sustainable budget over time. This initiative is differentiated from prior endeavors- where short-term strategies are typically employed to balance the budget for the next biennium. This initiative focuses on right-sizing expenditures and service levels to available revenues over a prolonged period of time- six years. Difficult choices will need to be made about ongoing City services and operations. Mayor and Council priorities, the Financial Sustainability Committees' recommendations, community survey data and the City's strategic plan will be used to guide those conversations.

Understanding the Forecast

Tukwila's forecast starts from our adopted or proposed budget and makes an educated guess at the future revenues and expenses based on an analysis of past trends, current conditions, and likely future conditions. The basis for the forecast is that if our assumptions hold true, we will experience a certain outcome. Based on our assumptions, the forecast below demonstrates a long-term financial footprint that is not sustainable where expenses exceed revenue and where reserve funds are needed to support operations.

Forecasts are fluid and are created to estimate future years' financial standing at a current point in time. The forecast is likely to change substantially in the next few years as decisions are made that affect the City's financial position. Additionally, any future changes to local and national economic indicators incorporated in the forecast will affect future forecast assumptions. Finally, forecasts are not an absolute and people may differ on what assumptions to use. All forecasts, especially those that look out months or years into the future, involve guesswork and assumptions and are reliably incorrect. However, this does not diminish their power as a tool for decision-makers considering operational adjustments.

The forecast assumptions used to calculate future revenues and expenses are shown below:

	Annual % Change	
Revenue Assumptions	**2026 - 2027**	**2027 - 2030**
Sales & Use Tax	1.5%	3.0%
Property Tax	1.8%	1.8%
Gambling & Excise Tax	1.9%	1.9%
Business & Occupation Tax	2.0%	2.0%
Private Utility Tax	4.5%	4.5%
Public Utility Tax	6.4%	6.4%
Admissions Tax	2.0%	3.0%
Charges for Services	1.5%	1.5%
Other/Misc Income	1.0%	1.0%
License & Permits	2.7%	2.7%
Indirect Cost	5.0%	5.0%
Intergovernmental	1.0%	1.0%
Franchise Agreements	5.0%	5.0%
Fines & Penalties	1.0%	1.0%

	Annual % Change
Expense Assumptions	**2026 - 2030**
Salaries (inc. OT, Extra Labor, Holiday Pay)	3.2%
Historical Salary Underspend	-3.1%
Medical & Dental	7.0%
FICA	3.2%
PERS/PSERS Pension	3.2%
Industrial Insurance	7.0%
LEOFF 2 Pension	3.2%
Uniform/Clothing	2.0%
Unemployment	0.0%
All Other Operating/Service/Supplies	3.0%

Using our past experiences, and known future changes, we can anticipate trends over time. Inflation and growth in population have been contributors to our increases in revenue and expense in most years, but different revenue and expenses tend to grow at different rates. As an example, in the charts above, we are assuming sales tax revenue will continue to increase by a larger percentage than property tax collections in most years. Similarly, because of the trend in market conditions, we assume employee benefits (medical and dental insurance costs) will increase at a larger percentage year over year than salaries. At times, our actuals fail to follow an established trendline and we need to decide if that constitutes a change in trend or a short-term anomaly which should be excluded from our forecast calculations as an outlier.

Another tool we use to help shape our future growth assumptions are national, state, and local key economic indicators. A few of those key indicators are:

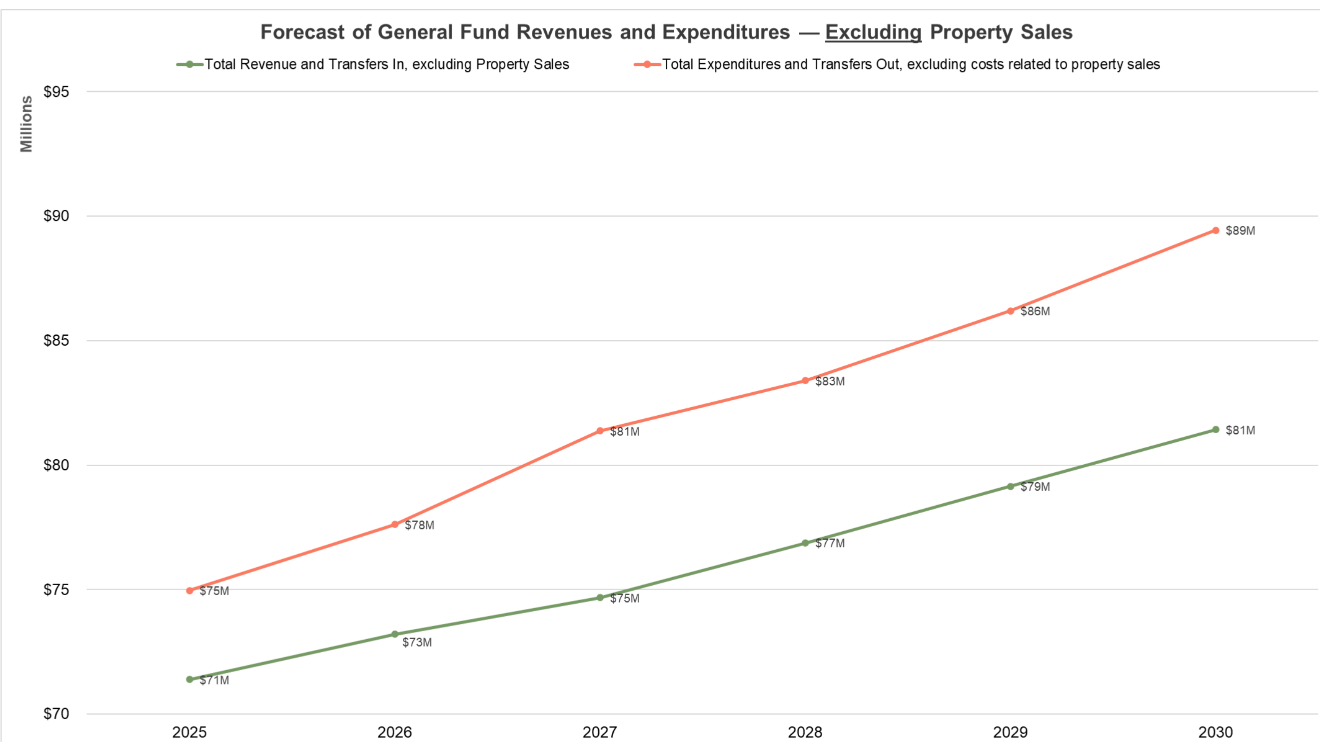
- Nationally:
  - Two key measures for consumer confidence moved in opposite directions in September.
  - Gross Domestic Product (GDP) increased by 3.0% in Q2, compared to a 1.6% Q1 increase.
  - Consumer prices increased 2.4% over last year.
- Locally:
  - Washington's unemployment rate has been steady each month since March.
  - Seattle-area home prices increased for the fourth consecutive month.
  - Washington personal income increased by 5.1% in the second quarter.
  - State-wide, retail sales tax and B&O collections increased 2.5% & 2.1% respectively.

Forecast Excluding Budgeted Land Sales in 2025 & 2026

The table and line graph below represent our six-year forecast calculations rolled up to category totals in the table and total revenues and expenses in the line graph. This forecast view e*xcludes* budgeted land sales in 2025 and 2026 of $4.7 and $5.0 million respectively. The proposed budget includes these land sales to balance the budget for the coming biennium but, as one-time revenues, they should be used for one-time expenses and not to balance resources with ongoing expenses. Additionally, without land sales, the General Fund will not meet its fund balance reserve policy requirement beginning in 2025. Without structural changes, the General Fund will consume the entirety of its available fund balance in 2028.

The table and line graph below also demonstrate that without the land sales budgeted in 2025 & 2026, the General Fund shows an imbalance of roughly $3.2 and $5.0 million respectively. As mentioned previously, beginning early in 2025, the Mayor has tasked the Tukwila Leadership Team to begin looking at solutions to this structural imbalance.

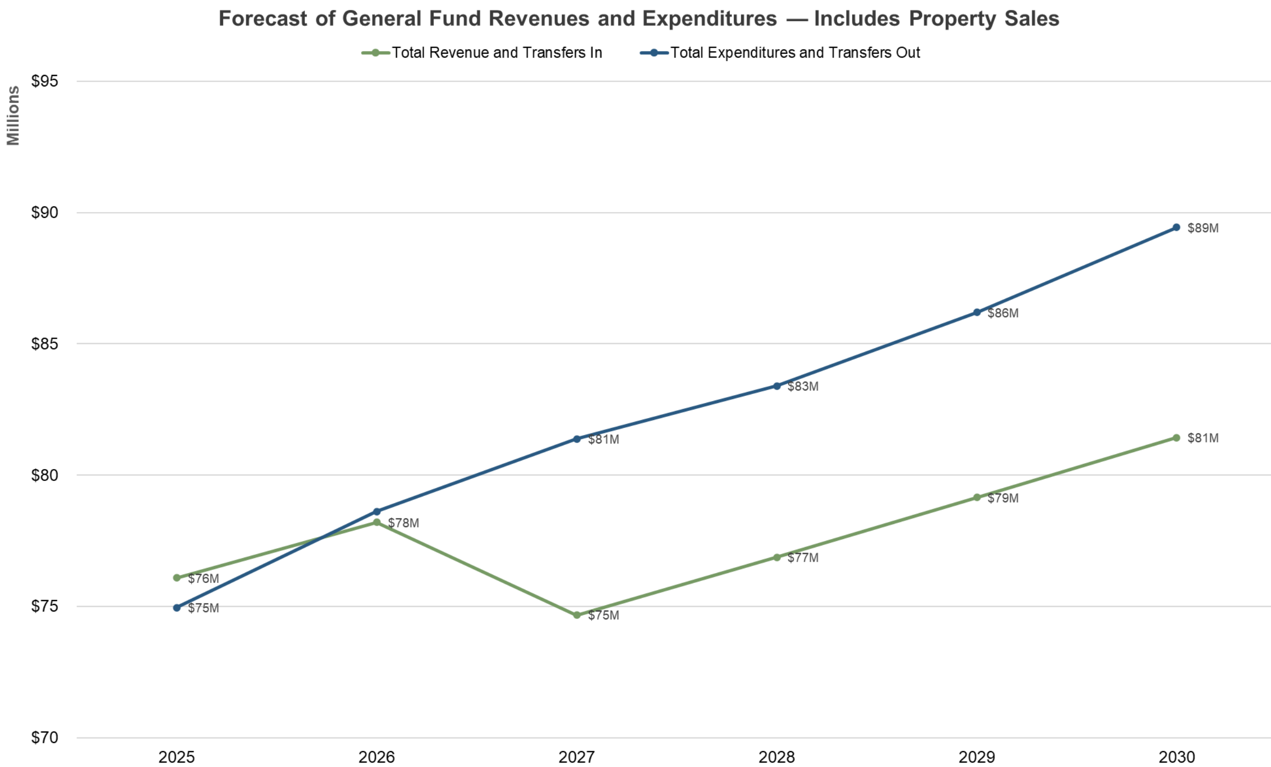
General Fund	*2025 Proposed Budget*	*2026 Proposed Budget*	*2027 Projected*	*2028 Projected*	*2029 Projected*	*2030 Projected*
Revenues - EXCLUDING Revenues From One-Time Property Sales						
Total Taxes	$ 51,976,379	$ 53,854,765	$ 55,049,065	$ 56,671,954	$ 58,352,642	$ 60,043,812
Total Non-Tax Revenues	17,916,352	17,930,727	18,305,533	18,882,956	19,483,210	20,107,308
Total Ongoing Revenues	69,892,731	71,785,492	73,354,598	75,554,910	77,835,851	80,151,120
Transfers In & Bond Proceeds	1,494,619	1,419,637	1,318,824	1,317,654	1,317,225	1,274,624
Total Revenue and Transfers In, excluding Property Sales	71,387,350	73,205,129	74,673,422	76,872,564	79,153,076	81,425,744
Expenditures - EXCLUDING Expenditures Reated to One-Time Property Sales						
Salaries and Benefits	46,318,094	49,101,228	50,986,699	52,954,529	55,008,895	57,154,216
Salary Underspend			(1,138,218)	(1,174,641)	(1,212,230)	(1,251,021)
Services	22,109,457	22,326,305	24,026,094	24,746,877	25,489,283	26,253,962
Supplies	1,640,914	1,667,078	1,717,090	1,768,603	1,821,661	1,876,311
Capital	200,000	-	-	-	-	-
Principal, and Interest	30,205	30,205	968,127	-	-	-
Debt Service Transfers Out	3,692,390	3,784,347	3,787,556	3,789,292	3,782,274	4,093,895
Other Transfers Out	971,089	702,450	1,030,000	1,310,000	1,310,000	1,310,000
Other Non-Operating	-	-	-	-	-	-
Total Expenditures and Transfers Out, excluding costs related to property sales	74,962,150	77,611,612	81,377,348	83,394,660	86,199,883	89,437,362
General Fund - Fund Balance						
Beginning Fund Balance	15,564,070	13,030,075	8,726,516	2,022,589	(4,499,506)	(11,546,312)
Surplus/Deficit	(3,574,799)	(5,406,483)	(6,703,926)	(6,522,095)	(7,046,806)	(8,011,618)
Salary Underspend	1,040,804	1,102,925				
Ending Fund Balance	13,030,075	8,726,516	2,022,589	(4,499,506)	(11,546,312)	(19,557,930)
Reserve Fund Balance Policy Met?	No	No	No	No	No	No



Forecast Including Budgeted Land Sales in 2025 & 2026

The table and line graph below represent our six-year forecast calculations rolled up to category totals in the table and total revenues and expenses in the line graph. However, this forecast *includes* the one-time land sales as included in the proposed budget. With these one-time revenues supporting ongoing operations, both 2025 and 2026 show the General Fund with a surplus at the end of the year and meeting the City's fund balance requirements for those years. However, with those one-time revenues removed from the forecast in later years as an outlier, the 2027 budget shows the General Fund in a deficit position and not meeting fund balance policy requirements. Without structural changes, the General Fund will consume the entirety of available fund balance in 2030.

General Fund With Land Sales	2025 Proposed Budget	2026 Proposed Budget	2027 Projected	2028 Projected	2029 Projected	2030 Projected
Revenues						
Total Taxes	$ 51,976,379	$ 53,854,765	$ 55,049,065	$ 56,671,954	$ 58,352,642	$ 60,043,812
Total Non-Tax Revenues	17,916,352	17,930,727	18,305,533	18,882,956	19,483,210	20,107,308
Total Ongoing Revenues	69,892,731	71,785,492	73,354,598	75,554,910	77,835,851	80,151,120
Transfers In & Bond Proceeds	1,494,619	1,419,637	1,318,824	1,317,654	1,317,225	1,274,624
Sale of Capital Assets	4,700,000	5,000,000	-	-	-	-
Total Revenue and Transfers In	76,087,350	78,205,129	74,673,422	76,872,564	79,153,076	81,425,744
Expenditures						
Salaries and Benefits	46,318,094	49,101,228	50,986,699	52,954,529	55,008,895	57,154,216
Salary Underspend			(1,138,218)	(1,174,641)	(1,212,230)	(1,251,021)
Services	22,109,457	23,326,305	24,026,094	24,746,877	25,489,283	26,253,962
Supplies	1,640,914	1,667,078	1,717,090	1,768,603	1,821,661	1,876,311
Capital	200,000	-	-	-	-	-
Principal, and Interest	30,205	30,205	968,127	-	-	-
Debt Service Transfers Out	3,692,390	3,784,347	3,787,556	3,789,292	3,782,274	4,093,895
Other Transfers Out	971,089	702,450	1,030,000	1,310,000	1,310,000	1,310,000
Other Non-Operating	-	-	-	-	-	-
Total Expenditures and Transfers Out	74,962,150	78,611,612	81,377,348	83,394,660	86,199,883	89,437,362
General Fund - Fund Balance						
Beginning Fund Balance	15,564,070	17,730,075	18,426,516	11,722,589	5,200,494	(1,846,312)
Surplus/Deficit	1,125,201	(406,483)	(6,703,926)	(6,522,095)	(7,046,806)	(8,011,618)
Salary Underspend	1,040,804	1,102,925				
Ending Fund Balance	17,730,075	18,426,516	11,722,589	5,200,494	(1,846,312)	(9,857,930)
Reserve Fund Balance Policy Met?	Yes	Yes	No	No	No	No



Identified Risks

- *Budget Sustainability*: The 2025 & 2026 operating budget is balanced using one-time resources from land sales. **The true gap in those years is $3.6 and $5.4 million respectively**. Without additional resources, a reduction in expenses, or a combination of those, the financial standing of the City will continue to erode, forcing a reduction of services to the Tukwila resident and business communities.

- *Staffing & Service Levels*: Forecast assumes flat staffing levels. It is unlikely the existing staff will be able to keep pace with service demand over time. Without an increase in staffing or other measures, and an associated funding source, the outcome will be a degradation of existing service levels.

- *Infrastructure Repair & Maintenance*: Difficulty fully funding necessary infrastructure repair and maintenance needs, and capital replacement reserves, on an ongoing basis and relying on onetime resources to provide some level of funding for those purposes. The lack of ongoing, sustainable funding may result in deterioration of infrastructure, especially in the General Fund.

- *Economic Recession & Slowdowns*: The City's General Fund is heavily dependent on taxes. Sales and use tax, business and occupation tax, and taxes on utilities are volatile and impacted by the economy. As the forecast for revenue is based on trends excluding outliers, it is possible that revenue growth may not be sustained and could decline, or increase at a slower rate, than projected. This would further impact the City's ability to fund services.

- *Legislative Changes*: Unfunded mandates and changes in federal, state, and county priorities or their fiscal position may impact shared revenues and sources. The City is at risk of being negatively impacted by upstream policy decisions affecting revenue changes and reduced service levels from other levels of government.