



## **AGENDA**

1. Call to Order
2. Attendance Roll Call
3. General Public Comment
4. Presentation on Budget Calendar
5. Review Fiscal Sustainability Recommendations
6. City Manager's Report
7. Review March 19, 2026 Meeting Agenda
8. Council Comments
9. Adjournment

To listen to the meeting via telephone, call 1-253-215-8782. To watch the meeting online: 1) Go to <https://zoom.us/join>; 2) Enter meeting ID 810 1113 9518 and click "join". No passcode needed.

To make a public comment remotely (Zoom or telephone), in person, or in writing, please refer to the Public Comment and Public Hearing Testimony Protocol on the city website <https://www.cityofmlt.com/129/Agendas-and-Minutes>.

No person shall make personal attacks, or threatening remarks while addressing the Council which disrupts, disturbs, or otherwise impedes the orderly conduct of the meeting. All hate speech will be construed as threatening remarks.





**STAFF REPORT**

**To:** Mountlake Terrace City Council  
**From:**  
**Meeting Date:** March 12, 2026  
**Subject:** Presentation on Budget Calendar

**Required Reviews:**

Jennifer Joki	Created/Initiated - 02/23/2026
Sirke Salminen	Approved - 02/23/2026
Sirke Salminen	Approved - 02/23/2026
Hillary Evans	Approved - 02/23/2026
Carolyn Hope	Final Approval - 02/23/2026

**Council Goal(s):**

**Legislative History:**

**Subject Summary:**

**Financial/Budget Impacts:**

Budget Amendment  
 Required? \_\_\_\_\_

Budget and Sources:	
Expenditure:	
New Appropriation Required + Sources:	

**Additional Financial Information:**

**Community Notifications:**

If "Other," please specify:

**Board/Commission Recommendation:**

**Staff Recommendation:**

**Council Motion:**

**Attachments:**

1. 2027-2028 Budget Calendar



CITY OF  
**MOUNTLAKE  
TERRACE**



CITY OF  
**MOUNTLAKE  
TERRACE**

# **PRESENTATION TITLE**

City Council Work Session: March 12, 2026

Sirke Salminen, Finance Director, Finance

Caitland Reinke, Finance Technician, Finance

# PURPOSE

- 2027/2028 Budget Preparation Schedule



# AGENDA

- Present budget process



# COUNCIL GOALS

- Growing a vibrant community.
- Responsible governance to ensure desired level of service.
- An informed and engaged community.



# LEGISLATIVE HISTORY

- Cities, counties, and certain special purpose districts in Washington State are required to adopt budgets on an annual or, in some cases, biennial (two-year) basis. These budgets not only provide legal authority to expend funds for various purposes but also reflect the legislative body's priorities and the organization's goals.
- Budget season typically kicks into high gear in the summer, culminating with the adoption of next year's budget no later than December 31.

# 2027/2028 BUDGET CALENDAR

## Deadlines for Preparing 2027/2028 Budget

### March

- Saturday, March 7 Council Retreat
- Thursday, March 12 Budget Calendar presentation to Council



# April

- April 15-30 \*Budget request documents to all departments
- Tuesday, April 28 Community Budget Meeting
- Thursday, April 30 Department preliminary budgets due to Finance



# May

- May 1-30 Department preliminary budget meetings with Finance
- Monday, May 18 Community Budget Meeting
- Tuesday, May 26 Community Budget Meeting



## June

- Friday, June 12
- June 15-26

Department budget revisions due to Finance

Department budget revision meetings with Finance

## July

- July 1-30

Departments finalize their budget

# August

- Friday, August 14 \*Final department budgets due to Finance
- Tuesday, August 25 Review budgets with City Manager and Deputy City Manager



# September

- Tuesday, September 15
- \*Finance Director provides estimates filed by department heads to City Manager and Deputy City Manager



# October

- Thursday, October 1 \*Estimates of current revenues from all sources provided to Council
- Thursday, October 22 \*Clerk publishes Notice of Public Hearing
- Thursday, October 29 \*Clerk publishes Notice of Public Hearing
- Friday, October 30 \*Preliminary Budget available to public
- October 1-31 Department presentations to Council

# November

- Thursday, November 5 \*Public Hearing on preliminary budget
- Thursday, November 12 \*Property Tax Levy presentation
- Thursday, November 19 \*Public Hearing and vote on Property Tax Levy
- Thursday, November 19 \*Second and Final Public Hearing on preliminary budget
- Monday, November 30 \*Property Tax Levy Ordinance to County Assessor and Snohomish County Council

# December

- Thursday, December 3 \*Consideration and potential vote on budget



# DISCUSSION & QUESTIONS

# Thank you





**STAFF REPORT**

**To:** Mountlake Terrace City Council  
**From:**  
**Meeting Date:** March 12, 2026  
**Subject:** Review Fiscal Sustainability Recommendations

**Required Reviews:**

Jennifer Joki	Created/Initiated - 03/05/2026
Jeff Niten	Approved - 03/05/2026
Sirke Salminen	New -
Hillary Evans	-

**Council Goal(s):**

Responsible Governance to Ensure Desired Level of Service  
Growing our Vibrant Community  
An Informed and Engaged Community

**Legislative History:**

Staff discussed the formation of a Fiscal Sustainability Taskforce (FST) and the development of a Long Range Fiscal Sustainability Plan with City Council on May 15, 2024, June 6, 2024, and March 22, 2025. Staff presented the proposed Fiscal Sustainability Taskforce Members to City Council on May 8, 2025. The City Council approved the consultant contract with Baker Tilly to support this work on February 20, 2025 and an amendment to that contract on January 8, 2026. Baker Tilly presented the long-range financial forecast to the City Council on July 24, 2025 and provided an update on the FST's work on October 9, 2025. On February 26, 2026, the Fiscal Sustainability Taskforce Project Team and members presented the Taskforce recommendations to City Council. On March 7, the City Council discussed high level fiscal sustainability goals.

**Subject Summary:**

The City of Mountlake Terrace established a Fiscal Sustainability Taskforce (Taskforce) to gain insights and input from the community about strategies to bridge a \$4M gap between revenues and expenditures in the general fund. The Taskforce met between July 2025 and January 2026 to examine the City's operating budget, identifying the underlying issues, evaluating potential solutions, and providing recommendations to the City Manager and City Council. These discussions more clearly revealed the community's values regarding taxes, fees, and services.

The Taskforce learned about the city budget and services and did a significant amount of

homework to both understand the financial status of the city and evaluate solutions. The Taskforce developed a Preferred Budget Package and Alternate Budget Package. Both packages have a combination of strategies, such as expenditure controls, service reductions, voter-approved revenues, and councilmanic revenues. These are provided in the attached memo.

At this meeting, city staff will share options for the proposed budget strategies of:

- Reduce redundant ERP and software subscriptions
- Eliminate historical budgetary savings assumptions
- Reduce General Fund expenditures by 5% over two years

Additionally, staff will share what further reductions would look like if either Council doesn't move forward with all the proposed revenue increases or voters don't approve them.

**Financial/Budget Impacts:**

Budget Amendment                      No  
 Required?    \_\_\_\_\_

Budget and Sources:	NA
Expenditure:	NA
New Appropriation Required + Sources:	NA

**Additional Financial Information:**

**Community Notifications:**

If "Other," please specify:

**Board/Commission Recommendation:**

The Taskforce recommendations are attached.

**Staff Recommendation:**

Staff recommend that City Council decide how to bridge the budget gap by the end of March, so that staff can prepare materials for the budget meetings planned in April and May and prepare for any potential ballot measures.

**Council Motion:**

**Attachments:**

1. FST Recommendations Memo FINAL

2. MLT FST City Council Presentation\_2.26.26\_v2



To: City Manager

From: Fiscal Sustainability Taskforce

Date: February 25, 2026

RE: Recommendations of the Fiscal Sustainability Taskforce

## Executive Summary

The Mountlake Terrace Fiscal Sustainability Taskforce (Taskforce) was convened to evaluate the City's long-term General Fund financial condition and recommend strategies to address a structural imbalance between ongoing revenues and expenditures. The Taskforce concurred that Mountlake Terrace faces an average annual General Fund deficit of approximately \$4 million in the near term, with the gap increasing in later years. Without action, General Fund reserves are projected to fall below the City's minimum reserve threshold within the next few years, increasing fiscal risk and pressure on core services.

The Taskforce determined that this challenge is structural and cannot be resolved through one-time measures. While statewide limits on revenue growth affect many cities, rising local costs related to personnel, insurance, public safety, and infrastructure have compounded the issue in Mountlake Terrace. Delaying action would further erode reserves and constrain future options, making proactive and deliberate action necessary.

In developing its recommendations, the Taskforce was guided by principles emphasizing the need to take action, preserve core services, prioritize equity and affordability, use existing revenue capacity before introducing new burdens, and rebuilding reserves over time.

City staff organized two public town halls and an online survey to educate people about the fiscal situation, provided information about the general fund and each of the budget strategies considered, and gathered feedback from the community on two proposed budget packages recommended by the Taskforce. Many Taskforce members were in attendance and observed that the community members showed general understanding of the fiscal challenge, with feedback focused on service priorities, tradeoffs, and fairness. The community feedback from the meetings and on-line poll supported the Taskforce's Preferred Budget Package recommendation.

Based on this work, the Taskforce adopted the **Preferred Budget Package**, which is a consensus recommendation. This package balances fiscal effectiveness, equity, and service preservation and provides a phased path toward long-term sustainability. Key elements include:

- Use of existing property tax banked capacity, phased over time,
- Targeted expenditure controls and limited-service reductions,
- Voter-approved revenue measures for transportation and recreation, and
- Preservation of core services, particularly public safety, and community amenities.

The Taskforce also developed an Alternative Budget Package reflecting a different balance of tradeoffs and risk tolerance. However, the Taskforce concluded that the Preferred Budget Package most closely aligns with its guiding principles and community feedback. The Taskforce respectfully submits this recommendation for City Council consideration and remains willing to support the City as implementation moves forward.

The Taskforce concluded that delaying action would further erode reserves and narrow future options. Addressing the fiscal challenge now allows the City to stabilize its finances, protect core services, and implement solutions in a measured and deliberate manner. For these reasons, maintaining the status quo is not a viable option, and action is required to ensure the City's long-term fiscal sustainability.

## **Background and Fiscal Challenge**

The forecast shows an average annual General Fund deficit of approximately \$4 million in the near term, with the gap increasing in later years. Absent corrective action, General Fund reserves are projected to fall below the City's minimum reserve threshold within the next few years, significantly reducing the City's financial flexibility and ability to respond to unforeseen events.

The Taskforce recognizes that these challenges reflect broader statewide conditions affecting many Washington cities, such as:

- Revenue growth is constrained by state law, including limits on annual property, sales, and utility tax increases.
- There are limited sources of revenues for cities and Mountlake Terrace is using most of them.
- Expenditures are increasing with cost-of-living impacting personnel costs, new case-law and inflationary costs are impacting overall public safety costs and insurance rates, and infrastructure costs continue to rise faster than revenues.
- Over the past five years, inflation averaged 5% compared to the five years prior, when it averaged 2.5%.
- Over the past 10 years, the city's population grew by approximately 4,700 people, the largest growth since 1970. Growth impacts the demand for services for the city.

In Mountlake Terrace, these pressures have been compounded by local cost increases and revenue impacts that have resulted in a deficit that cannot be resolved through one-time measures alone.

## **Taskforce Process**

The Taskforce met monthly between July and January. These meetings were supported by City staff and Baker Tilly. During these meetings, Taskforce members gained an understanding of:

- The City's organizational structure and core services,

- Municipal finance
- Funding of City Services
- The city's budgeting process and state requirements
- Fiscal sustainability planning
- The financial forecast and
- The city's financial condition.

Later, Baker Tilly provided a detailed review of the long-range General Fund forecast and the Fiscal Sustainability Plan/Budget Strategies analysis that Baker Tilly prepared independently. The Taskforce evaluated a broad range of potential budget strategies, including expenditure controls, service delivery changes, and revenue options, and discussed the tradeoffs associated with each. The Taskforce members were asked to complete homework and encouraged to review other outside sources (e.g., educational videos, other cities' financial information, the MRSC revenue guide and website, etc.) as needed to prepare for the meetings. Several members dug deeper into the topics to have in depth conversations at the meetings. The group asked questions and discussed in detail the complicated topics of property tax, metropolitan parks districts, and banked capacity. Those conversations allowed members to better understand the topics and the city's financial structure. The Taskforce members were provided with tools to rate the budget strategies and facilitated conversations during the meetings to encourage Taskforce members to share their perspectives about the strategies and rationale. The conversations were open, honest, and collegial.

## **Community Engagement Processes**

Community engagement was an integral component of the Taskforce's work. The City hosted two public town hall meetings – one virtual and one in person – to present the fiscal challenge, outline potential strategies, and solicit feedback from residents. These meetings were attended by Taskforce members and included facilitated breakout discussions that allowed participants to ask questions, express concerns, and provide input on specific strategies and budget packages. Taskforce members served as facilitators for the various resident groups to be able to answer questions and facilitate discussion. In addition, a recording of the presentation and a PDF copy of the presentation were provided online, and community members were encouraged to participate in a short poll to express their preference for the budget packages. In total, 29 community members participated in the meetings and online activity. Twelve of the Taskforce members attended the meetings to help facilitate the conversations. Five Councilmembers attended the public meetings. The community members agreed with the Taskforce's Preferred Budget Package recommendation. There were many comments captured that will help staff with future communications about budget decisions.

Across engagement formats, community input reflected a general understanding of the City's fiscal challenges and a desire to participate in shaping solutions. Feedback focused primarily on

prioritizing core services, evaluating equity and affordability impacts, and understanding the implications of specific revenue and service delivery options. The Taskforce reviewed and considered this input as part of its deliberations in developing the recommended budget packages presented in this memorandum.

## **Guiding Principles Used in Selecting Strategies**

In developing its recommendations, the Taskforce was guided by a set of principles intended to balance fiscal responsibility, service preservation, equity, and long-term sustainability. These principles reflect both the Taskforce’s deliberations and themes consistently expressed through community engagement.

- **Take Action to Address the Structural Deficit**  
The Taskforce agreed that maintaining the status quo is not a viable option. Action is necessary to address the City’s structural General Fund imbalance and to avoid continued erosion of reserves, which would limit the City’s ability to respond to future challenges.
- **Maintain Core Services Valued by the Community**  
Taskforce members’ deliberations sought to preserve core public services to the greatest extent possible, particularly public safety, recreation, and other services that contribute to community well-being. Where cost reductions were considered, preference was given to approaches that minimize direct impacts on service delivery.
- **Prioritize Equity and Affordability**  
Equity was a central consideration in evaluating strategies. The Taskforce favored approaches that are less regressive and more broadly shared across the community, and expressed caution regarding flat fees or taxes that disproportionately impact lower-income residents.
- **Use Existing Revenue Capacity Before Introducing New Burdens**  
The Taskforce supported using available and legally authorized revenue tools – such as existing property tax capacity – before pursuing new or expanded taxes, fees, or districts. The Taskforce felt that this would better reflect both fiscal prudence and community feedback and they considered it less regressive for lower income residents and renters.
- **Stabilize and Rebuild Financial Reserves**  
A key objective of the recommended strategies is to stabilize the General Fund and rebuild reserves over time to levels that provide adequate financial resilience. Maintaining healthy reserves was viewed as essential to sustaining service levels and managing economic uncertainty.
- **Balance Short-Term Actions with Long-Term Solutions**  
The Taskforce recognized that no single strategy would resolve the fiscal challenge.

Preference was given to balanced packages that combine expenditure reduction and efficiencies as well as revenue increases. They also preferred phasing in fiscal impacts with near-term actions and longer-term solutions.

- **Ensure Transparency and Ongoing Community Engagement**

Taskforce members emphasized the importance of clear communication and continued public education, particularly for complex or long-term strategies. Community understanding and trust were viewed as critical to successful implementation.

Together, these guiding principles informed Taskforce’s evaluation of potential strategies and the development of the recommended budget packages described in the following sections.

## Overview of Recommended Budget Packages

After reviewing the City’s long-range financial forecast, evaluating a wide range of potential budget strategies, and considering public feedback, the Taskforce concluded that addressing the City’s structural fiscal challenges requires a balanced and integrated approach, rather than reliance on any single strategy in isolation.

Throughout its deliberations, the Taskforce evaluated individual strategies across multiple categories, including expenditure controls, service delivery changes, and revenue enhancements. While many strategies were viable on their own, the Taskforce determined that assembling them into coordinated budget packages provided a more effective way to balance fiscal impact, equity considerations, service preservation, implementation timing, and overall risk to the City.

In developing its recommendations, the Taskforce focused on creating packages that would:

- Close the projected General Fund deficit over time,
- Stabilize and rebuild reserves to more sustainable levels,
- Protect core services valued by the community,
- Minimize regressive impacts where possible, and
- Allow phased implementation to manage community and organizational impacts.

Based on this evaluation, the Taskforce identified two integrated budget packages for the City’s consideration: a **Preferred Budget Package** and an **Alternative Budget Package**. Both packages are designed to improve the City’s long-term fiscal outlook, but they differ in their approach to revenue sources, risk tolerance, equity impacts, and reliance on service reductions or fees.

The **Preferred Budget Package** reflects the Taskforce’s consensus recommendation. It emphasizes the use of less regressive revenue tools, including existing property tax capacity, combined with targeted expenditure controls and limited-service reductions. This package places a strong emphasis on preserving core services, particularly public safety and community amenities, while restoring financial stability over time. The Taskforce believes this package best aligns with its guiding principles and with themes consistently expressed through community engagement.



The **Alternative Budget Package** was developed to reflect a different balance of tradeoffs and risk tolerance. While still addressing the fiscal gap, this package relies more heavily on fees and selected expenditure reductions and makes more limited use of existing property tax capacity. Some Taskforce members and community participants viewed this approach as offering greater short-term reserve protection, though with higher equity concerns and potential service impacts.

Each package is presented in the sections that follow and includes a summary table outlining the individual budget strategies, their timing, and their estimated annual fiscal impacts. The Taskforce’s intent is to provide City leadership with a clear and transparent comparison of options, recognizing that final decisions regarding implementation rest with the City Council.

### Preferred Budget Package

The Preferred Budget Package represents the Taskforce’s consensus recommendation for addressing the City’s structural General Fund imbalance. This package was developed to balance fiscal effectiveness, equity, service preservation, and implementation feasibility, while aligning closely with community feedback received through the town halls and online survey.

The Taskforce favored this package because it emphasizes the use of **less regressive revenue tools**, particularly existing property tax capacity, combined with targeted expenditure controls and limited-service reductions. It prioritizes maintaining core services valued by the community, including public safety and recreation, while stabilizing the General Fund and rebuilding reserves over time. The Taskforce believes this approach provides the most sustainable and predictable path forward and allows impacts to be phased in thoughtfully.

The table below summarizes the budget strategies included in the Preferred Budget Package, along with their timing and estimated annual fiscal impact.

Strategy	Category	Timing	Estimated Annual Fiscal Impact
<b>Update internal cost allocation plan</b>	Expenditure Control	2026	\$50,000
<b>Reduce redundant ERP and software subscriptions</b>	Expenditure Control	2026	\$50,000
<b>Eliminate historical budgetary savings assumptions</b>	Expenditure Control	2026	\$150,000
<b>Reduce General Fund expenditures by 5% (phased)</b>	Service Reduction	2026–2027	\$1,000,000
<b>Transportation Benefit District (sales tax)</b>	Revenue – Voter Approved	2028	\$835,000
<b>Metropolitan Parks District</b>	Revenue – Voter Approved	2030	\$2,150,000

Strategy	Category	Timing	Estimated Annual Fiscal Impact
<b>Shoreline fleet and equipment maintenance revenue</b>	Revenue – Councilmanic	2027	\$30,000
<b>Use 100% of available property tax banked capacity (phased)</b>	Revenue – Councilmanic	2027–2028	\$2,400,000

A brief explanation of the strategies follows.

- **Internal Cost Allocation Plan:** The city’s model for reimbursing the general fund for enterprise fund expenses needs revising. Essentially, the utilities pay for general fund services such as administration, finance, property management, and information technology services. This model requires an update, which could increase funding to the general fund.
- **Reduce Redundant ERP and Software Subscriptions:** Review software products to ensure we are not paying for extra licenses or add-on packages that we are not using. Evaluate more efficient products that could cost less or save staff time.
- **Eliminate Historical Budgetary Savings Assumptions:** Many cities, including MLT, build their annual budgets by estimating certain costs conservatively. Over time, this practice can result in a budget that is consistently underspent. The FST recommends that staff carefully evaluate budget line items to find savings.
- **Reduce General Fund Expenditures by 5%:** This proposal will reduce the general fund by \$525,000 in two phases, which will add up to \$1,050,000 annually starting in 2027. Options for service reductions will be vetted with the community during public meetings this Spring, before the 2027-2028 budget process. Initial savings will be made with vacant positions and reductions in contracts and removing the general fund contribution to the Street Construction Fund.
- **Transportation Benefit District Sales Tax:** The city established a TBD in 2011 and implemented a \$20 license fee. The law allows for TBDs to add up to 0.3% to the local sales tax rate. The current sales tax rate is 10.5%. The voters would need to approve the sales tax by a simple majority vote. The TBD Sales Tax option creates more revenue for the city than increasing the license fee by \$10-\$20. The Taskforce felt that the sales tax is less regressive than the license fee and more than just residents pay the sales tax. These funds must be used for transportation purposes and could eliminate the general fund subsidy for street operations.
- **Metropolitan Parks District:** The Taskforce preferred a city only MPD to begin with to bridge the \$2 million gap in 2030. This MPD would include all recreation and parks facilities, all programs, all staff, and would be city controlled. It would not initially have capacity to bond for a new facility. The Taskforce is open to adding other partners or

facilities to the MPD with more conversation and if a replacement for the Recreation Pavilion is in Mountlake Terrace.

- **Shoreline Fleet and Equipment Maintenance Revenue:** The City has a partnership with the City of Shoreline to maintain much of their fleet and equipment. The contract is up for renewal this year and we will need to increase rates, per previous discussions. This should lead to increased revenues for Fleet Management, which would reduce transfers from the general fund.
- **Use 100% of available Property Tax Banked Capacity (phased):** Banked capacity is when a taxing district, such as the city, levied less than they could have. Banked capacity is the difference between the highest lawful levy that could have been made and the actual levy that was imposed. For example, if the city's highest lawful levy last year was \$400,000 and the actual levy was only \$375,000, then the city would have \$25,000 in banked capacity. The Taskforce recommends using all the banked capacity phased between 2027 and 2028, as it is less regressive than other taxes and fees.

The Taskforce recognizes that several strategies included in this package – particularly voter-approved measures and longer-term structural changes – will require additional analysis, public engagement, and Council direction prior to implementation. Nonetheless, taken together, this package provides a balanced framework for restoring fiscal sustainability while maintaining essential services and community trust.

### Alternative Budget Package

The Alternative Budget Package was developed to reflect a different balance of tradeoffs and risk tolerance relative to the Preferred Budget Package. While both packages are intended to address the City's structural General Fund imbalance, the Alternative Package places greater emphasis on near-term reserve protection and reduced reliance on property tax capacity, with corresponding shifts in service and fee-related strategies.

Compared to the Preferred Budget Package, the Alternative Package differs in the following key ways:

- **Partial use of property tax banked capacity.**  
Rather than using 100 percent of available banked capacity, the Alternative Package limits its use to 75 percent, resulting in lower property tax impacts but reduced ongoing General Fund revenue.
- **Inclusion of additional expenditure reductions.**  
The Alternative Package includes the elimination of a Police Command Services position, introducing additional organizational and service delivery risk that the Taskforce sought to avoid in the Preferred Package.
- **Greater reliance on fees.**  
To offset reduced property tax revenue, the Alternative Package includes an increase in

the Transportation Benefit District license fee from \$20 to \$40 per year, which was viewed by some community members as more regressive.

The table below summarizes the strategies that differ from the Preferred Budget Package.

Strategy	Change from Preferred Package	Timing	Estimated Annual Fiscal Impact
<b>Use 75% of property tax banked capacity</b>	Reduces use from 100%	2027–2028	\$1,800,000
<b>Eliminate Police Command Services position</b>	Added strategy	2028	\$250,000
<b>Increase TBD license fee from \$20 to \$40</b>	Added strategy	2027	\$315,000

A brief explanation of the strategies follows.

- **Use 75% of available Property Tax Banked Capacity (phased):** In this package, the Taskforce recommends using 75% of the banked capacity phased between 2027 and 2028. The taskforce believes that using banked capacity is less regressive than other taxes and fees.
- **Eliminate Police Command Services position:** Currently, the Police Department has a Chief and two Commanders that oversee 32 people in the department. In 2020, a Deputy Chief was eliminated from the command staff group. This proposal would eliminate a Commander, upon retirement. This proposal provides cost savings to the general fund in one of the largest general funded departments. However, this action would create a broader span of control for command staff, limit command staff available to be on-call for emergencies, and could potentially cause issues with accreditation. This was a topic of much discussion among the Taskforce, with members understanding the impact of managing a large staff with two command staff and reducing police staff as the city is growing.
- **Increase TBD license fee from \$20 to \$40:** This is a councilmanic decision. Most cities have kept their TBD license fee lower due to the unpopularity of these fees post Initiative 976 and they are deemed regressive for lower income people who must have vehicles to get to work. However, this is one of few revenue sources for local municipalities. 54 cities implemented a TBD license fee. Most fees are at \$20, but some raised the rates to \$40-50.

Some Taskforce members and community participants expressed support for this package due to its more conservative reserve trajectory in the near term. However, the Taskforce ultimately concluded that the increased reliance on fees and service-related risks made this approach less aligned with the guiding principles and community preferences that informed the Preferred Budget Package

## Strategies Considered but Not Recommended

During its deliberations, the Taskforce reviewed a wide range of potential budget strategies identified in the Fiscal Sustainability Plan/Budget Strategies analysis prepared independently by Baker Tilly, as well as additional ideas raised by Taskforce members and community participants. All strategies were evaluated using the guiding principles outlined earlier in this memorandum.

Based on this evaluation, the Taskforce did not recommend certain strategies for inclusion in either the Preferred or Alternative Budget Packages for one or more of the following reasons:

- **Regressive impact on residents**  
Strategies that relied heavily on flat fees or essential-service taxes were viewed as disproportionately impacting lower-income residents and were not supported.
- **Significant reduction to core services**  
Strategies that would materially reduce public safety, recreation, or other highly valued community services were not favored.
- **Disproportionate organizational or operational risk**  
Some strategies introduced staffing, accreditation, or service delivery risks that outweighed their fiscal benefit.
- **Implementation complexity or uncertainty**  
Strategies with unclear fiscal outcomes, high administrative burden, or significant legal or operational uncertainty were deferred pending further analysis.
- **Need for additional community engagement**  
Certain options were considered premature without more focused public discussion and education.

Examples of strategies considered but not recommended include:

- Increases in **utility taxes**,
- Deeper General Fund **service reductions** beyond those included in the recommended packages, and
- Elimination of **highly valued programs or positions** that were viewed as **essential to community safety and well-being**.

The Taskforce believes that focusing on a limited and balanced set of strategies improves transparency, supports public understanding, and increases the likelihood of successful implementation, while still addressing the City's long-term fiscal challenges.

## Summary of Community Feedback Themes

Community engagement was an important component of the Fiscal Sustainability Taskforce’s work and informed the development of the recommended budget packages. Feedback was gathered through two public town hall meetings, facilitated breakout discussions, and an online survey. While individual perspectives varied, several consistent themes emerged across engagement formats.

- **General understanding of the fiscal challenge**  
Participants largely expressed an understanding of the City’s financial condition and the need for action. Feedback focused primarily on prioritization and tradeoffs rather than disputing the existence of the fiscal challenge.
- **Preference for the Preferred Budget Package**  
Across both in-person and online engagement, the Preferred Budget Package resonated more strongly than the Alternative Package. Participants cited its balance of service preservation, equity considerations, and use of less regressive revenue tools.
- **Support for using existing property tax capacity**  
Many community members expressed support for using available property tax banked capacity as a reasonable first step before introducing new taxes or fees, viewing it as transparent and predictable.
- **High value placed on core services and recreation**  
Public safety, recreation services, and community amenities were consistently identified as highly valued. Participants expressed concern about strategies that could undermine service quality, while also acknowledging a willingness to invest in services they value.
- **Concerns about regressive fees and affordability**  
Flat fees and certain taxes were viewed as disproportionately impacting lower-income residents. Equity and affordability were recurring considerations in feedback on revenue strategies.
- **Desire for clarity, transparency, and continued engagement**  
Many comments reflected a desire for clearer information regarding specific strategies—particularly related to recreation facilities and long-term governance options—and emphasized the importance of ongoing communication and community involvement as decisions move forward.

The Taskforce considered these themes in developing its recommendations and believes the Preferred Budget Package most closely reflects the values and priorities expressed through community feedback.

## **Implementation Considerations and Next Steps**

The Taskforce recognizes that implementation of the recommended strategies will require additional analysis, policy direction, and continued communication. The Taskforce understands that final decisions regarding the adoption and timing of specific strategies rest with the City Council, supported by City staff.

Several recommended strategies – particularly those requiring voter approval or longer-term structural changes – will benefit from further planning and public engagement. Clear and consistent communication regarding the City’s financial condition, proposed actions, and associated tradeoffs will be essential as decisions move forward.

Taskforce members have expressed a desire to remain informed as implementation progresses and to continue serving as a resource for the City. Members are willing to provide additional insights and, as appropriate, assist with public education and information sharing related to fiscal sustainability efforts.

## **Concluding Statement**

The Fiscal Sustainability Taskforce appreciates the opportunity to support the City in examining its long-term financial challenges and identifying strategies to improve fiscal sustainability. It is grateful for the collaboration and support provided by City staff and Baker Tilly throughout this process, as well as for the thoughtful input shared by community members during public engagement.

The Taskforce believes the consensus recommendations outlined in this memorandum provide a balanced and realistic framework for addressing the City’s structural fiscal challenges while preserving services valued by the community and maintaining transparency and equity. The Taskforce respectfully submits these recommendations for consideration and stands ready to provide additional support as the City moves forward. Thank you for this opportunity.



Respectfully submitted,

**Mountlake Terrace Fiscal Sustainability Taskforce**

**Taskforce Members:**

Brent Meyer	Ian Tucker
Charla Vaughan	Jaimee English
Clark Morgan	Jeannie Kee
Daniel Luoma	Jodie Gunderson
Ellen Lavoie	Kendehl Rojanasthien
Eric Nodtvedt	Kerem Onat
Gina Ruelas	Thesvy Cashen
	Tshilaba Verite

**Attachments:**

- Public Meeting Presentation
- Public Feedback Summary

# FST City Council Presentation

February 26, 2026



# AGENDA

- Introductions
- Overview of Fiscal Challenge
- Purpose of FST, Overview of Work to Date
- Budget Strategies Considered
- Community Engagement Process & Feedback Received
- FST Budget Strategy Recommendation
- Implementation and Next Steps
- Concluding Remarks

# Introductions

# FST Process Participants

## Fiscal Sustainability Task Force Members

Brent Meyer

Charla Vaughan

Clark Morgan

Daniel Luoma

Ellen Lavoie

Eric Nodtvedt

Gina Ruelas

Ian Tucker

Jaimee English

Jeannie Kee

Jodie Gunderson

Kendehl Rojanasthien

Kerem Onat

Thesvy Cashen

Tshilaba Verite

Laura Sonmore, Council Liaison



# FST Process Participants

## **Baker Tilly Facilitators**

- Steve Toler, Director
- Michael Perkins, Senior Manager

## **City Staff**

- Jeff Niten, City Manager
- Carolyn Hope, Deputy City Manager
- Sirke Salminen, Finance Director
- Sienna Spencer-Markles, Communications & Community Engagement Manager

# Overview of Fiscal Challenge

# Overview of Fiscal Challenge



The City's financial future requires community partnership in terms of service reductions and/or revenue enhancements

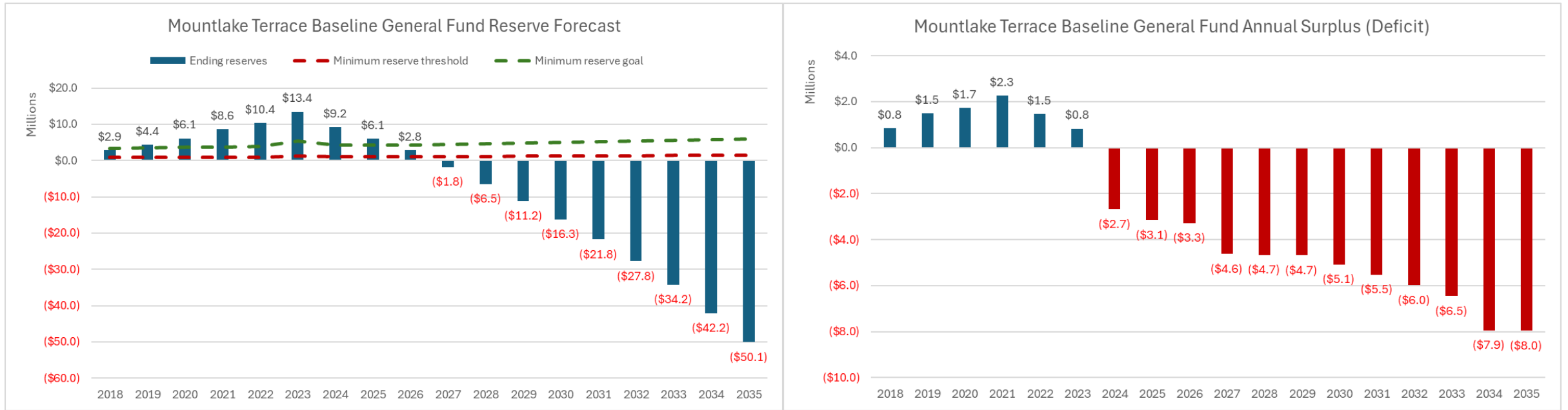


Budget strategies need to be introduced and implemented starting in FY 2026 to address the fiscal gap to preserve General Fund reserves



The Fiscal Sustainability Taskforce deliberations were informed based on the most recent financial forecast update (based on revised 2026 budget) to address the gap

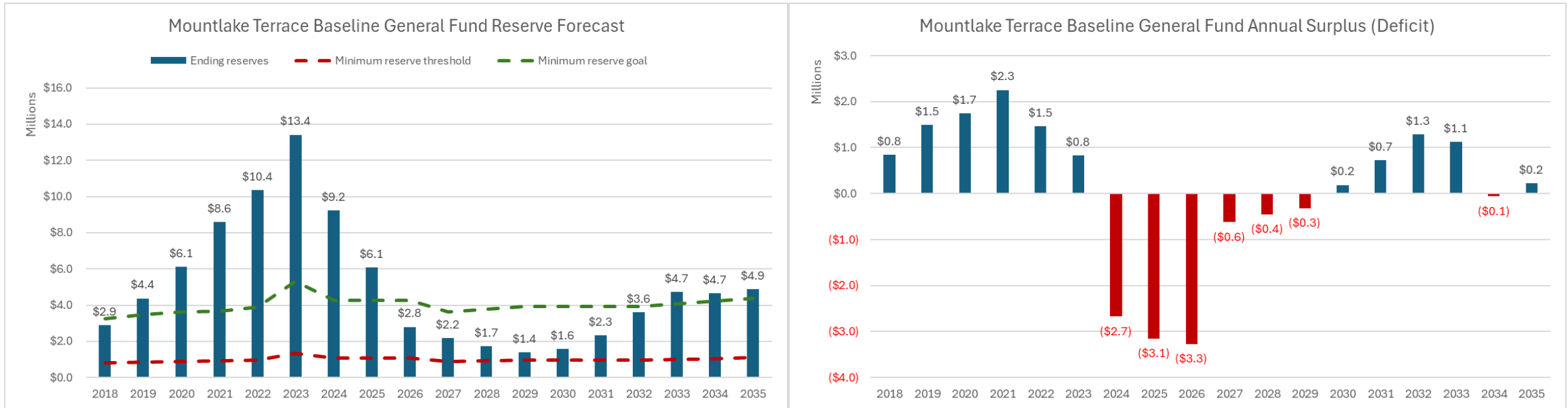
# Updated Baseline Forecast – Based on FY 2026 Revised Budget



- **Annual deficit** that averages **\$4.2 million** per year through 2030, and **\$5.4 million** through 2035
- Reserves would fall **below minimum reserve goal** in **2026**, and would fall **below minimum reserve threshold** in **2027**, without corrective action



# Addressing the Fiscal Gap



- Budget strategies (expenditure reductions and/or revenue enhancements) are required to address the fiscal gap and restore reserves at or above the minimum reserve goal by FY 2033
- **FY 2027 – \$4 million in new ongoing strategies** (Equivalent to **17% of total operating costs by FY 2030**)
- **FY 2030 – Additional \$2.3 million in new ongoing strategies phased in over 3 years** (Equivalent to **10% of total operating costs in FY 2032**)



# Purpose of FST, Overview of Work to Date

# FST Purpose



The Mountlake Terrace Fiscal Sustainability Task Force (FST) was convened to examine the City's long-term General Fund financial condition and develop recommendations to put the City on a path to fiscal sustainability.



The FST evaluated a broad range of potential budget strategies, including expenditure controls, service delivery changes, and revenue options, and discussed the tradeoffs associated with each.



Upon drafting its consensus budget strategies recommendation, the FST solicited public feedback through a series of community engagement meetings and incorporated that feedback into its finalized budget strategy recommendation for the City Council's consideration.

# Timeline of FST Process

## August 27

- Municipal Finance 101
- Funding of City Services
- City and state budgeting

## October 29

- Discuss budget strategies and scenarios
- Discuss public engagement topics

## January 28

- Finalize recommendations
- Prepare for council presentation

## September 24

- Fiscal Sustainability Planning Overview
- Financial Forecast Comparative Data
- Potential Budget Strategies

## December 16

- Review community engagement data
- Re-evaluate budget strategies
- Formulate recommendations

## February 26

- Present recommendation to City Council

# Budget Strategies Considered

# Fiscal Sustainability Strategy Types

## A. Expenditure controls and cost shifts

- Reducing expenses or shifting the cost burden away from the General Fund

## B. Service delivery changes

- Changing the way that services are delivered, either through contracting for services, insourcing services from other agencies, or through public-private partnerships

## C. Revenue enhancements

- Increasing the resources available to pay for services through new or increased revenues

## D. Service level reductions

- Service level reductions that must be implemented to the extent that the items above are not able to be implemented or do not sufficiently address the fiscal gap

Maintain Service Levels

Reduce Services

# Expenditure Controls

- Identify historical budgetary savings areas
- Review ERP Software subscriptions
- Eliminate Police Command Services Commander position upon retirement and shift responsibilities to other positions
- Revise cost allocation plan
- Freeze compensation/ benefits

# Service Delivery Modifications

- Outsource recreation programming to 3rd party
- Pursue alternative law enforcement services models
- Eliminate domestic violence coordinator position and shift responsibilities to County

# Revenue Enhancements

- Revise Shoreline equipment maintenance fees
- Transportation benefit district (TBD) sales tax increase
- Metropolitan Parks District
- Increase aquatics cost recovery
- Utilize property tax banked capacity
- General property tax levy lid lift
- Increase TBD License fee
- Utility tax (solid waste, sewer, stormwater) increase
- Utility tax (electric, gas, telephone, cable) increase

# Service Reductions/Eliminations

- Eliminate programs to reduce recreation fund subsidy
- Reduce General Fund expenditures by 10%
- Eliminate City sponsorships/special events

# Community Engagement Process & Feedback

# Community Engagement – Jan 13 - 22

**January 13, 6:30 PM  
ZOOM**



**January 14, 6:30 PM  
In-person, City Hall**



**January 15-22  
Online Poll**



**CITY OF  
MOUNTLAKE  
TERRACE**

# Community Engagement – Jan 13 & 14

## Part 1: Presentation

- Problem Statement
- Background
- Development of Budget Strategies
- Purpose of FST



## Part 2: Small Group Discussion

- Review Recommendations of FST
- Discuss with facilitator questions
- Take notes



## Part 3: Report Out

Ask participants to provide feedback on the recommendations and option to modify the proposals.



# Community Feedback Themes

1

Largely acknowledged fiscal challenges City is facing and agreed with need for action

3

Broad support for:

- *Property tax banked capacity strategy*
- *Protecting core services*
- *Continued investment in recreation services*

2

Strong preference for Preferred Budget Strategy Package

- *Cited as less regressive*

4

Concerns expressed regarding:

- *MPD governance, cost implications*
- *Elimination of police services commander position*
- *Transportation Benefit District license fee increase*

# FST Budget Strategy Recommendation

# Guiding Principles

- ◆ Take Action to Address the Structural Deficit
- ◆ Maintain Core Services Valued by the Community
- ◆ Prioritize Equity and Affordability
- ◆ Use Existing Revenue Capacity Before Introducing New Burdens
- ◆ Stabilize and Rebuild Financial Reserves
- ◆ Balance Short-Term Actions with Long-Term Solutions
- ◆ Ensure Transparency and Ongoing Community Engagement

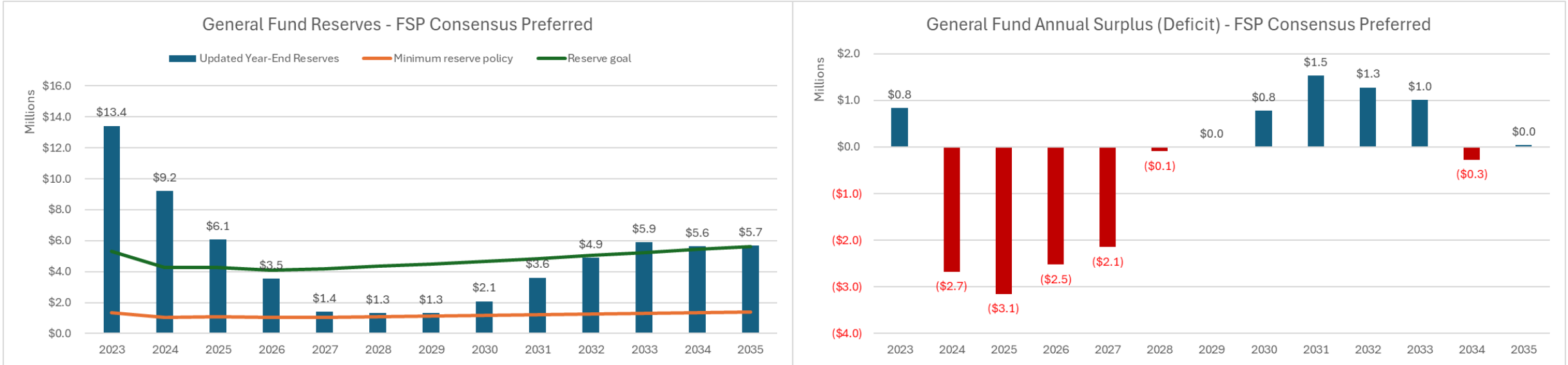
# Preferred Budget Strategy Package

Strategy	Category	Timing	Estimated Annual Fiscal Impact
Update internal cost allocation plan	Expenditure Control	2026	\$50,000
Reduce redundant ERP and software subscriptions	Expenditure Control	2026	\$50,000
Eliminate historical budgetary savings assumptions	Expenditure Control	2026	\$150,000
Reduce General Fund expenditures by 5% (phased)	Service Reduction	2026–2027	\$1,000,000
Shoreline fleet and equipment maintenance revenue	Revenue – Councilmanic	2027	\$30,000
Use 100% of available property tax banked capacity (phased)	Revenue – Councilmanic	2027–2028	\$2,400,000
Transportation Benefit District (sales tax)	Revenue – Voter Approved	2028	\$835,000
Metropolitan Parks District	Revenue – Voter Approved	2030	\$2,150,000

# Alternative Budget Strategy Package

Strategy	Category	Timing	Estimated Annual Fiscal Impact
Update internal cost allocation plan	Expenditure Control	2026	\$50,000
Reduce redundant ERP and software subscriptions	Expenditure Control	2026	\$50,000
Eliminate historical budgetary savings assumptions	Expenditure Control	2026	\$150,000
Reduce General Fund expenditures by 5% (phased)	Service Reduction	2026–2027	\$1,000,000
Shoreline fleet and equipment maintenance revenue	Revenue – Councilmanic	2027	\$30,000
Increase TBD license fee from \$20 to \$40	Revenue – Councilmanic <i>(Added strategy)</i>	2027	\$315,000
Use 75% of property tax banked capacity	Revenue - Councilmanic <i>(Reduced from 100%)</i>	2027–2028	\$1,800,000
Transportation Benefit District (sales tax)	Revenue – Voter Approved	2028	\$835,000
Eliminate Police Command Services position	Expenditure Control <i>(Added strategy)</i>	2028	\$250,000
Metropolitan Parks District	Revenue – Voter Approved	2030	\$2,150,000

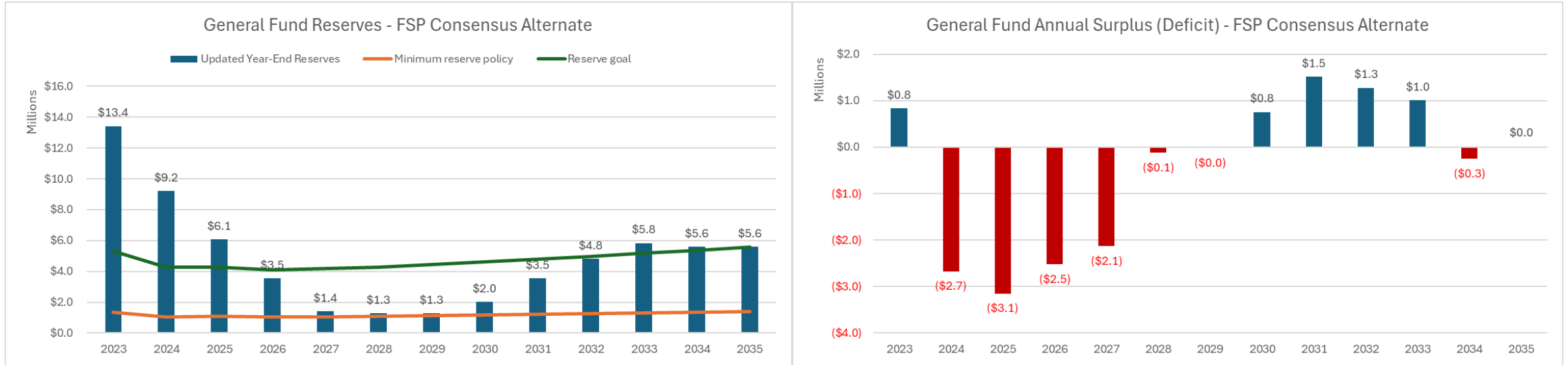
# Fiscal Impact of Preferred Budget Strategy Package



- Budget timing and projected fiscal impact of the preferred strategies address the fiscal gap by 2035, maintain reserves at or above the minimum reserve goal, and restore reserves to the reserve goal by or before 2035



# Fiscal Impact of **Alternate** Budget Strategy Package



- Budget timing and projected fiscal impact of the **alternate strategies still** address the fiscal gap by 2035, maintain reserves at or above the minimum reserve goal, and restore reserves to the reserve goal by or before 2035



# Implementation & Next Steps

# Role of City Council

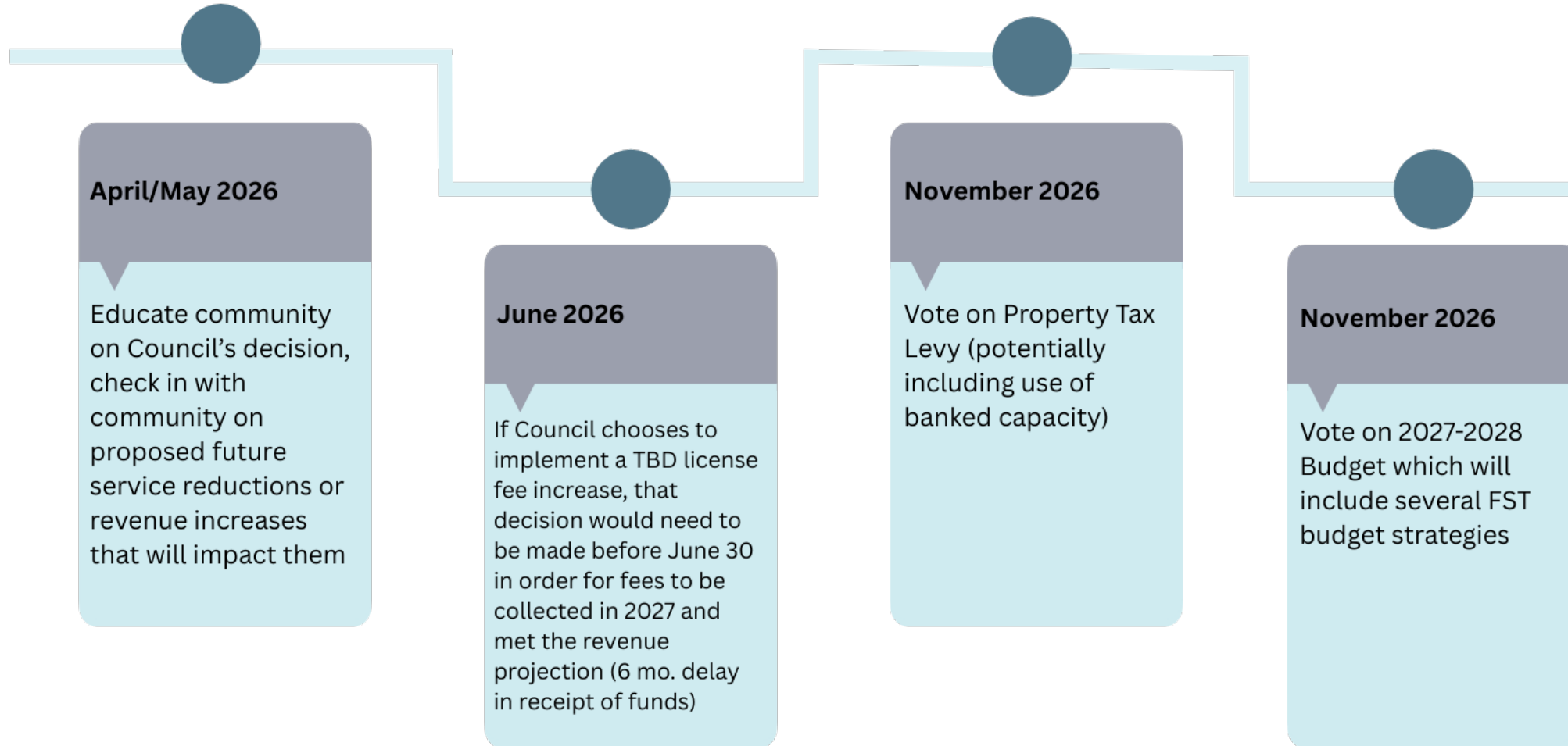
- Make the ultimate decision on how to achieve financial sustainability through actions in 2026 and the upcoming budget cycles.
  - Continue to review, discuss, and deliberate over the recommendations in future meetings.
  - Have the opportunity to ask more questions of the community in upcoming public meetings related to the budget.

# Role of City Staff

- Support the city council with answering questions
- Provide the city council with additional information if requested
- Organize community engagement opportunities
- Implement the decisions of city council

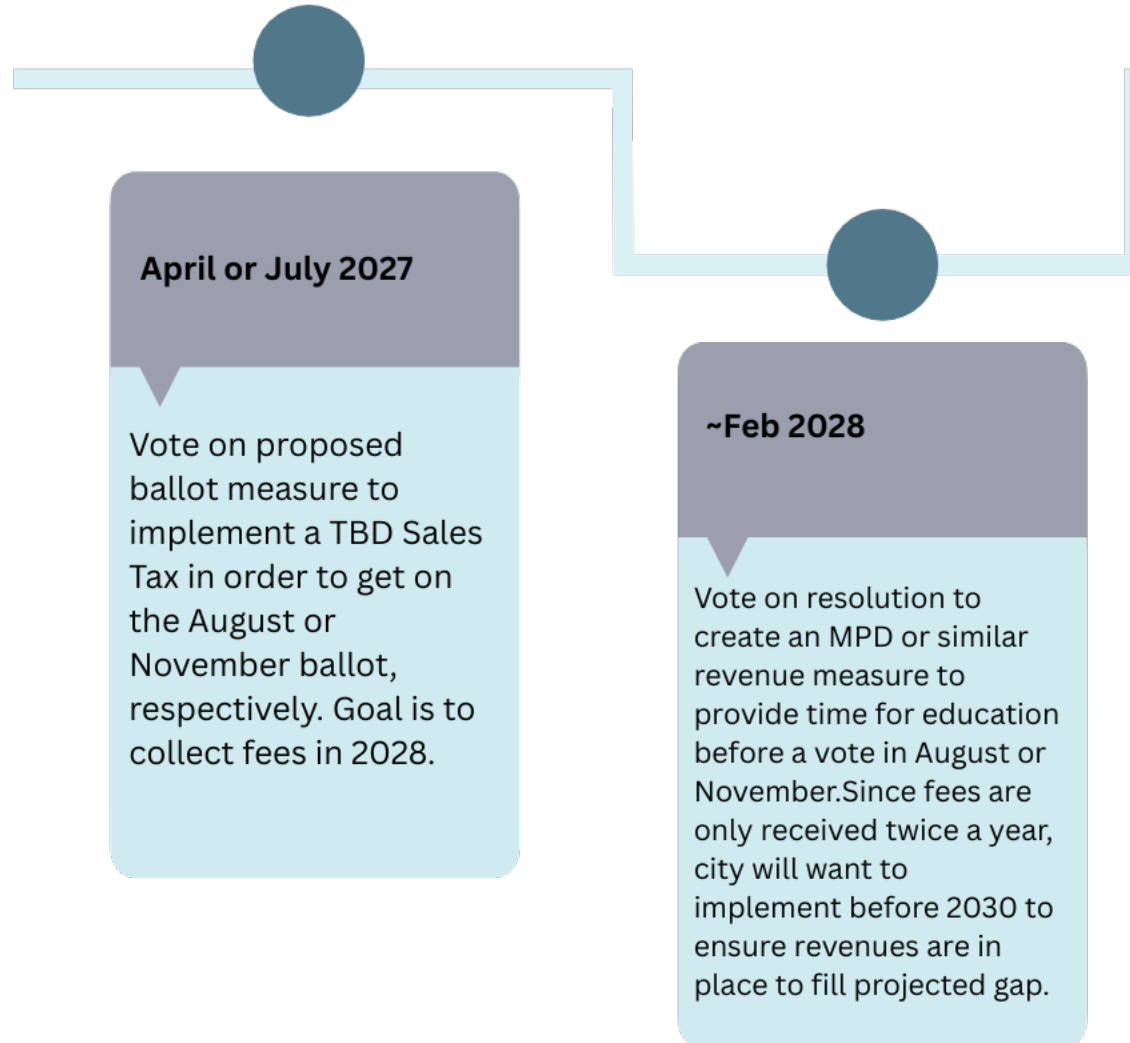
# Implementation Timing - 2026

**Pending Council decisions, here are some milestones:**



# Implementation Timing – 2027 to 2030

**Pending Council decisions, here are some milestones:**



# Concluding Remarks