LYNNWOOD
WASHINGTON

Date: September 14, 2026

To: City Council

From: Mayor George Hurst

Monisha Harrell, Assistant City Administrator / Interim Finance Director

Subject: 2027-2028 Preliminary Proposed Budget

INTRODUCTION

In accordance with Chapter 35A.34 of the Revised Code of Washington and Chapter 2.72 of the Lynnwood Municipal Code (LMC), preliminary revenue and expenditure estimates have been forecasted for the City's General Fund budget for 2027–2028. A more comprehensive and detailed proposed 2027–2028 Biennial Budget, including revenues and expenditures for all City funds, will be presented at the October 12 City Council meeting.

REVENUE FORECASTING STRATEGY

There are three primary types of revenue forecasting models:

- **Pessimistic (Worst Case):** Assumes adverse market conditions, such as economic downturns, supply chain disruptions, or the loss of major clients.
- **Realistic (Base Case):** Based on historical data, current market trends, and normal operating conditions. This is the forecast generally used for primary budgeting purposes.
- **Optimistic (Best Case):** Assumes favorable conditions, such as significant sales increases, successful product launches, or rapid market expansion.

Lynnwood is a growing and vibrant city, and General Fund revenues have increased from a base of approximately $60 million in 2023 to approximately $70 million in 2025. However, City expenditures from 2023 to the present have increased at a rate exceeding revenue growth. These expenditures were authorized based on optimistic revenue forecasts that projected the City would generate $74 million in 2025 and $77 million in 2026.

The focus of the proposed 2027–2028 Biennial Budget is to realign City expenditures with a more realistic, base-case revenue forecast and establish a sustainable balance between ongoing revenues and expenditures.

METHODOLOGY

Because revenues can fluctuate from year to year, the majority of projections for the upcoming biennium are based on the average of the last three completed years of actual revenues received (2023–2025).

For revenue sources experiencing notable declines, such as Utility Tax–Cable and Gambling Tax–Punchboard & Pull Tab, 2027 forecasts were calculated at 70% of 2025 actual revenues, with 2028 forecasts calculated at 85% of the 2027 projections. This approach is intended to better reflect current revenue trends.

For more stable revenue sources based on legislatively adopted, predetermined rates, such as Utility Tax–Electric and Utility Tax–Water, 2027 and 2028 projections were based on the most recent full year of actual revenues received.

GENERAL FUND REVENUES

Property Tax: Lynnwood is currently authorized to collect $8,900,000 annually. The City's full bank capacity is just under $11,100,000. The 2027 and 2028 projections assume authorization to collect the full capacity, based on the average property tax collection rate of 99.6%.

Sales Tax: Sales tax remains the General Fund's largest revenue source and is expected to remain relatively steady, although growth has not been as strong as in recent years. Retail activity has been affected by tariffs and significant increases in oil prices, which have increased by an average of $0.97 per gallon since September 2025. Given the importance of sales tax to the General Fund, monthly receipts will require close monitoring throughout the biennium.

Utility Taxes: Revenue estimates are based on the trends associated with each utility source. Utilities with stable user bases are projected to remain relatively steady, while utilities with declining user bases are projected to experience an average annual decline of 15%.

Development Services Charges: Volatility in project starts, global business conditions, and access to capital has made these revenues difficult to predict.

Accordingly, three-year historical trends were used to develop more reliable estimates of anticipated revenues.

Recreation Charges: Although the City has experienced strong revenues in prior years, recent collections have shown some softness that may be related to reductions in operating hours. Staff are continuing to evaluate the relationship between reduced hours and revenue declines to develop an informed recommendation to the City Council regarding the best path forward. Revenue projections are based on the three-year average.

Charges for Services and Fines & Forfeitures: The City is moving toward a more consistent partnership with other cities for use of the regional Community Justice Center facility. Revenue projections are based on 2026 data because prior-year revenues do not accurately reflect current operating conditions.

Non-Operating Revenues: These revenues reflect cost-allocation payments from other City funds to offset internal service costs provided by the General Fund in support of those funds' operations.

GENERAL FUND EXPENDITURES

The proposed preliminary expenditure budget for 2027–2028 reflects the City's current baseline but does not yet incorporate the full reductions necessary to achieve a balanced budget.

The budget currently assumes a 6.2% increase in employee insurance premiums; however, the City will not receive actual premium rates from AWC until early to mid-October. Based on updated information, current premium expectations are now between 11% and 14%.

Another significant potential expense is the loss of the Criminal Justice Center's medical services provider. We recently received notice that our current provider may discontinue service effective December 31, 2026. We are working with the provider, AWC, and other local municipal jails to determine whether there is a viable path to retaining the current provider. If retention is not possible, the City could incur significant additional costs associated with transitioning to a new provider, estimated at approximately $1–2 million annually.

No other new initiatives have been added at this time, as the City has remained focused on identifying efficiencies and opportunities to reduce overall costs.

Object Code	General Fund Revenues	Actual 2023	Actual 2024	Actual 2025	Actual (as of 9/4) 2026	Forecasted 2027	Forecasted 2028
311100	General Property Tax	$ 4,498,675.54	$ 4,682,711.33	$ 7,221,884.54	$ 4,654,722.62	$ 11,055,600.00	$ 11,166,156.00
311120	EMS Property Tax	$ 245.00	$ 310.05	$ 2,089.87	$ (1,646.82)	$ -	$ -
	Total Property Tax	**$ 4,498,920.54**	**$ 4,683,021.38**	**$ 7,223,974.41**		**$ 11,055,600.00**	**$ 11,166,156.00**
313110	Sales Tax	$ 30,180,484.62	$ 28,634,009.45	$ 29,975,445.25	$ 14,202,879.15	$ 29,596,646.44	$ 29,596,646.44
	Total Sales Tax	**$ 30,180,484.62**	**$ 28,634,009.45**	**$ 29,975,445.25**		**$ 29,596,646.44**	**$ 29,596,646.44**
316410	Utility Tax - Electric	$ 2,202,744.13	$ 2,375,288.92	$ 2,586,826.02	$ 1,564,139.53	$ 2,586,826.02	$ 2,586,826.02
316430	Utility Tax - Gas	$ 763,026.22	$ 724,077.08	$ 804,609.31	$ 508,495.10	$ 763,904.20	$ 763,904.20
316450	Utility Tax - Solid Waste	$ 744,625.41	$ 771,142.41	$ 846,692.89	$ 706,350.27	$ 846,692.89	$ 846,692.89
316460	Utility Tax - Cable	$ 460,816.46	$ 402,649.84	$ 385,195.84	$ 181,007.84	$ 269,637.09	$ 229,191.52
316470	Utility Tax - Telephone/Pager	$ 537,240.56	$ 532,260.51	$ 478,807.26	$ 257,930.36	$ 335,165.08	$ 284,890.32
316420	Utility Tax - Water	$ 543,748.63	$ 578,670.71	$ 619,766.99	$ 778,492.03	$ 619,766.99	$ 619,766.99
316440	Utility Tax - Sewer	$ 953,635.95	$ 1,172,998.28	$ 1,459,548.23	$ 1,946,687.92	$ 1,459,548.23	$ 1,459,548.23
316480	Utility Tax - Storm	$ 288,746.70	$ 300,921.69	$ 322,442.34	$ 315,529.70	$ 322,442.34	$ 322,442.34
	Total Utility Tax	**$ 6,494,584.06**	**$ 6,858,009.44**	**$ 7,503,888.88**		**$ 7,203,982.84**	**$ 7,113,262.52**
318110	Admissions Tax	$ 612,215.30	$ 555,648.45	$ 568,198.39	$ 412,328.25	$ 578,687.38	$ 578,687.38
	Total Admissions Tax	**$ 612,215.30**	**$ 555,648.45**	**$ 568,198.39**		**$ 578,687.38**	**$ 578,687.38**
316810	Gambling Tax - Punch Board & Pull Tab	$ 218,650.10	$ 187,381.45	$ 149,223.50	$ 59,256.61	$ 104,456.45	$ 88,787.98
316820	Gambling Tax - Bingo & Raffles	$ 2,183.03	$ 1,427.58	$ 1,203.00	$ 1,159.30	$ 842.10	$ 715.79
316830	Gambling Tax - Amusement Games	$ 150,541.02	$ 128,176.60	$ 128,816.46	$ 75,411.16	$ 135,844.69	$ 135,844.69
317200	Leasehold Tax	$ 13,045.40	$ 193,844.44	$ 76,618.31	$ 64,111.06	$ 94,502.72	$ 94,502.72
	Total Other Taxes	**$ 384,419.55**	**$ 510,830.07**	**$ 355,861.27**		**$ 335,645.96**	**$ 319,851.18**
321320	Hazardous Permits	$ 43,974.70	$ 127,626.11	$ 163,211.34	$ 107,017.00	$ 111,604.05	$ 111,604.05
321600	Speciality Business License	$ 637.00	$ -	$ 56.00	$ 56.00	$ -	$ -
321900	General Business License	$ 663,947.53	$ 698,267.37	$ 643,713.94	$ 524,697.73	$ 668,642.95	$ 668,642.95
321901	General Business License Employee Fee	$ 1,588,513.48	$ 1,536,767.55	$ 1,542,997.86	$ 1,226,598.46	$ 1,556,092.96	$ 1,556,092.96
321992	Technology Fee	$ 99,652.32	$ 78,993.08	$ 71,347.38	$ 135,206.46	$ 49,943.17	$ 49,943.17
	Total Licenses and Fees	**$ 2,396,725.03**	**$ 2,441,654.11**	**$ 2,421,326.52**		**$ 2,386,283.13**	**$ 2,386,283.13**
322010	Building Permits	$ 632,978.85	$ 763,296.65	$ 563,541.68	$ 1,187,033.89	$ 653,272.39	$ 653,272.39
322020	Storm Drain Permits	$ 61,356.28	$ 76,696.38	$ 67,098.21	$ 216,317.87	$ 68,383.62	$ 68,383.62
322030	Electric Permits	$ 373,752.02	$ 391,231.95	$ 391,896.95	$ 354,020.07	$ 385,626.97	$ 385,626.97
322040	Mechanical Permits	$ 181,079.37	$ 182,763.90	$ 215,119.01	$ 324,411.55	$ 192,987.43	$ 192,987.43
322050	Plumbing Permits	$ 93,912.65	$ 128,922.06	$ 110,958.30	$ 211,920.66	$ 111,264.34	$ 111,264.34
322060	Side Sewer Permits	$ 87,274.73	$ 50,374.79	$ 56,317.24	$ 41,614.00	$ 64,655.59	$ 64,655.59
342400	Building Inspection Fees	$ 9,535.50	$ 5,949.50	$ 17,723.00	$ 18,616.00	$ 11,069.33	$ 11,069.33
342420	Fire Hydrant Inspection Fees	$ 33,748.29	$ 5,701.42	$ 18,223.79	$ 25,985.94	$ 19,224.50	$ 19,224.50
342440	Water Tap Inspection Fees	$ 26,118.00	$ 32,920.96	$ 26,620.00	$ 29,783.00	$ 28,552.99	$ 28,552.99
345810	Zoning and Subdivision Services	$ 197,235.20	$ 128,187.00	$ 167,586.00	$ 94,955.00	$ 164,336.07	$ 164,336.07
345830	Plan Check Fees - Electrical	$ 43,533.52	$ 83,595.06	$ 55,389.60	$ 76,234.51	$ 60,839.39	$ 60,839.39
345831	Plan Check Fees	$ 599,026.99	$ 606,876.53	$ 430,288.99	$ 1,570,469.68	$ 545,397.50	$ 545,397.50
345850	Transport Concurrency Management	$ 4,334.67	$ 207.50	$ -	$ -	$ -	$ -
Multiple	Other Development Services Charges						
	Total Development Services Charges	**$ 2,343,886.07**	**$ 2,456,723.70**	**$ 2,120,762.77**		**$ 2,305,610.12**	**$ 2,305,610.12**
347020	Recreation Center Admissions	$ 722,977.55	$ 787,667.49	$ 839,283.03	$ 587,242.71	$ 783,309.36	$ 783,309.36
347050	Recreation Center Annual Pass	$ 549,039.82	$ 625,771.55	$ 651,634.48	$ 407,890.70	$ 608,815.28	$ 608,815.28
347120/347170	Aquatics	$ 702,003.81	$ 833,522.56	$ 1,084,937.08	$ 850,710.31	$ 873,487.82	$ 873,487.82
347110	Recreation Program Fees	$ 551,095.86	$ 698,604.26	$ 699,716.38	$ 617,490.20	$ 649,805.50	$ 649,805.50
347200/347220	Program Fees - Senior Center 62+	$ 122,042.09	$ 129,506.24	$ 122,256.85	$ 89,583.36	$ 124,601.73	$ 124,601.73
347910	Admin Fee for Refunds (Class)	$ 3,120.65	$ 4,560.10	$ 6,482.50	$ 4,775.00	$ 4,721.08	$ 4,721.08
362400	Facility Rental - Park Reservations	$ 48,878.85	$ 47,784.50	$ 45,865.00	$ 39,535.00	$ 47,509.45	$ 47,509.45
362410	Facility Rental - Meadowdale	$ 280,413.60	$ 279,329.11	$ 372,054.88	$ 241,410.52	$ 310,599.20	$ 310,599.20
362490	Facility Rental - Cedar Valley Gym	$ 75,498.42	$ 83,645.28	$ 107,019.52	$ 75,383.23	$ 88,721.07	$ 88,721.07
362430	Facility Rental - Swim Facility With Tax	$ 187,564.54	$ 185,922.57	$ 194,493.75	$ 104,183.31	$ 189,326.95	$ 189,326.95
Multiple	Other Recreation Charges						
	Total Recreation Charges	**$ 3,242,635.19**	**$ 3,676,313.66**	**$ 4,123,743.47**		**$ 3,680,897.44**	**$ 3,680,897.44**
341700	Sale of Merchandise/Auction Concessions	$ 18.95	$ -	$ 73.70	$ -	$ -	$ -
341810	Public Records	$ 221.49	$ 234.71	$ 174.90	$ 182.10	$ 210.37	$ 210.37
342110	Fingerprinting Fees	$ 6,269.60	$ 5,707.25	$ 4,915.46	$ 3,081.00	$ 5,630.77	$ 5,630.77
342300	Detention and Correction Services and CRC lease	$ -	$ -	$ 135,432.00	$ 765,841.23	$ 1,200,000.00	$ 1,200,000.00
342310	Misc Corrections Fees/Resale of Food for CRC/Restitution	$ -	$ 32.40	$ 451.72	$ 721.66	$ 242.06	$ 242.06
342330	Community Service & Court Commitment	$ -	$ -	$ -	$ -	$ -	$ -
	Total Charges for Services	**$ 6,510.04**	**$ 5,974.36**	**$ 141,047.78**		**$ 1,206,083.20**	**$ 1,206,083.20**
354010	Red Light Photo	$ 3,499,872.10	$ 5,293,575.43	$ 5,545,058.02	$ 2,746,243.03	$ 4,779,501.85	$ 4,779,501.85
354020	Red Light Photo - Vendor	$ 26,094.94	$ 26,369.14	$ (174,696.04)	$ 4,148.00	$ (40,743.99)	$ (40,743.99)
357370	Municipal Court	$ 696,045.50	$ 412,422.16	$ 1,913,239.47	$ 481,782.21	$ 1,007,235.71	$ 1,007,235.71
	Total Fines & Forfeitures	**$ 4,222,012.54**	**$ 5,732,366.73**	**$ 7,283,601.45**		**$ 5,745,993.57**	**$ 5,745,993.57**
321910	Franchise Fee-Cable TV	$ 406,611.56	$ 362,529.90	$ 335,295.22	$ 227,472.94	$ 234,706.65	$ 199,500.66
	Total Franchise Fees	**$ 406,611.56**	**$ 362,529.90**	**$ 335,295.22**		**$ 234,706.65**	**$ 199,500.66**
341920	Meadowdale Joint Operations	$ 3,414.83	$ 15,007.15	$ -	$ -	$ -	$ -
341930	Library Custodian & Maintenance Services	$ 21,843.68	$ 12,675.35	$ -	$ 7,199.47	$ -	$ -
394000	Liquor Excise Tax	$ 276,115.12	$ 285,023.66	$ 267,205.19	$ 129,369.27	$ 276,114.66	$ 276,114.66
395000	Liquor Board Profit	$ 296,200.44	$ 307,921.44	$ 309,395.72	$ 156,744.22	$ 304,505.87	$ 304,505.87
335091	PUD Privilege Tax	$ 274,589.03	$ 280,256.82	$ 302,374.21	$ -	$ 285,740.02	$ 285,740.02
337302	Law Enforcement Services & Special Police Services	$ 9,806.88	$ 8,949.00	$ 28,345.05	$ 12,582.51	$ 15,700.31	$ 15,700.31
334010	Adminstrative Office of Courts Grants	$ 37,255.34	$ 40,486.82	$ 24,296.03	$ 6,150.69	$ 34,012.73	$ 34,012.73
316710	Federal COPS Grant	$ 108,604.17	$ 121,433.41	$ 148,333.46	$ 90,187.15	$ -	$ -
306010	Other State and Federal Police Grants	$ -	$ -	$ -	$ -	$ -	$ -
334042	WA State Department of Commerce	$ 58,500.00	$ 281,866.81	$ 249,203.19	$ 336,577.54	$ 196,523.33	$ 196,523.33
334350	WA State Traffic Safety Commision	$ 18,223.99	$ 1,598.03	$ -	$ -	$ -	$ -
337010	Snohomish County - Senior Center	$ -	$ -	$ -	$ -	$ -	$ -
337230	PHD 2: 3rd Grade Swim Program	$ 1,432.75	$ -	$ -	$ -	$ -	$ -
337404	ILA - Sound Transit Funds	$ 445,034.86	$ 325,842.14	$ 69,130.94	$ 20,741.57	$ -	$ -
Multiple	Other Intergovernmental Revenue						
	Total Intergovermental Revenue	**$ 1,551,021.09**	**$ 1,681,060.63**	**$ 1,398,283.79**		**$ 1,112,596.92**	**$ 1,112,596.92**
361110	Investment & Other Interest	$ 278,581.38	$ 241,505.20	$ 371,855.83	$ 243,836.46	$ 297,314.14	$ 297,314.14
	Total Interest	**$ 278,581.38**	**$ 241,505.20**	**$ 371,855.83**		**$ 297,314.14**	**$ 297,314.14**
	TOTAL OPERATING REVENUE	**$ 56,618,606.97**	**$ 57,839,647.08**	**$ 63,823,285.03**		**$ 65,740,047.79**	**$ 65,708,882.68**
	Other Revenue Sources						
369500	Credit Card Processing Fee						
341000	Cost Allocation - Utility Fund	$ 2,905,750.04	$ 2,905,749.96	$ 3,627,066.00	$ 2,257,800.00	$ 1,900,000.00	$ 1,900,000.00
341010	Cost Allocation - Golf Fund	$ 78,300.00	$ 78,300.00	$ 86,900.00	$ 60,800.00	$ 86,900.00	$ 86,900.00
341020	Cost Allocation - Fleet	$ 64,150.04	$ 64,149.96	$ 71,200.00	$ 49,866.64	$ 71,200.00	$ 71,200.00
344500	Electric Vehicle Charging Stations	$ -	$ -	$ 36,449.14	$ 48,746.03	$ 36,449.14	$ 36,449.14
369920	Contracting Rebates	$ 145,112.38	$ 124,697.95	$ 103,728.17	$ 49,537.48	$ 72,609.72	$ 61,718.26
381200	Interfund Loan Proceeds-Golf Fund	$ 3,928.36	$ 3,272.47	$ 2,633.01	$ -	$ -	$ -
388800	Prior Period Adjustment	$ -	$ -	$ -	$ -	$ -	$ -
Multiple	Insurance Recoveries & Judgements/Settlements					$ -	$ -
369910	Other Non-Operating Revenue (and other stuff)	$ 2,440.80	$ -	$ -	$ -	$ -	$ -
	Total Other Non-Operating Revenue	**$ 3,199,681.62**	**$ 3,176,170.34**	**$ 3,927,976.32**		**$ 2,167,158.86**	**$ 2,156,267.40**
	Transfer from Other Funds	$ 17,033.00					
	Transfer from Criminal Justice Fund						
	Total Transfers-in	**$ 17,033.00**	**$ -**	**$ -**			
	TOTAL TRANSFERS AND OTHER REVENUES	**$ 3,216,714.62**	**$ 3,176,170.34**	**$ 3,927,976.32**		**$ 2,167,158.86**	**$ 2,156,267.40**
	TOTAL OPERATING, TRANSFERS & OTHER REVENUES	**$ 59,835,321.59**	**$ 61,015,817.42**	**$ 67,751,261.35**		**$ 67,907,206.65**	**$ 67,865,150.09**

	Actual			Actual	Forecasted	
	2023	2024	2025	First Half of 2026	2027	2028
Operating Expenditures						
Development and Business Services	$ 5,409,428.00	$ 6,210,149.00	$ 5,873,482.00	$ 2,686,193.00	$ 5,477,302.00	$ 5,644,905.00
Executive	$ 1,796,134.00	$ 2,054,425.00	$ 2,197,336.00	$ 1,119,709.00	$ 1,927,550.00	$ 2,028,320.00
Finance	$ 3,346,993.00	$ 3,731,470.00	$ 3,885,272.00	$ 1,680,988.00	$ 3,268,432.00	$ 3,588,538.00
Fire	$ 1,384,326.00	$ 757,222.00	$ 369,082.00	$ 187,872.00	$ 380,000.00	$ 380,000.00
Human Resources	$ 932,636.00	$ 1,169,923.00	$ 1,148,748.00	$ 559,056.00	$ 1,100,346.00	$ 1,154,172.00
Information Technology	$ 2,709,402.00	$ 3,268,978.00	$ 2,865,321.00	$ 1,583,401.00	$ 3,618,871.75	$ 3,666,949.75
Legal	$ 1,391,591.00	$ 1,460,151.00	$ 1,457,214.00	$ 1,033,779.00	$ 1,900,000.00	$ 1,950,000.00
Legislative	$ 471,588.00	$ 467,873.00	$ 479,302.00	$ 307,804.00	$ 521,397.12	$ 539,282.00
Municipal Court	$ 1,750,461.00	$ 2,075,152.00	$ 2,915,387.00	$ 1,441,081.00	$ 3,429,503.00	$ 3,623,595.00
Non-Departmental	$ 570,578.00	$ 637,529.00	$ -	$ 104,395.00	$ 250,000.00	$ 250,000.00
Parks, Recreation, and Cultural Arts	$ 9,237,398.00	$ 10,533,728.00	$ 10,408,616.00	$ 5,068,228.00	$ 10,832,902.36	$ 11,352,812.36
Police	$ 23,564,710.00	$ 27,072,038.00	$ 31,454,250.00	$ 15,532,093.00	$ 32,734,681.00	$ 34,491,347.00
Public Works	$ 3,156,587.00	$ 3,211,845.00	$ 3,370,876.00	$ 1,933,145.00	$ 5,054,434.20	$ 5,245,877.84
Total Operating Expenditures	**$ 55,721,832.00**	**$ 62,650,483.00**	**$ 66,424,886.00**	**$ 33,237,744.00**	**$ 70,495,419.43**	**$ 73,915,798.95**
Other Financing Uses						
Transfer to Streets Fund	$ 1,075,700.00					
Transfer for CJC Debt Service	$ 2,444,712.00					
Transfer to Rec Center Debt Service	$ 1,602,088.00					
Transfer to Solid Waste	$ 26,500.00					
Other Transfers Out	$ 177,000.00					
Total Financing Uses	**$ 5,326,000.00**	*$ 4,722,150.00*	*$ 5,934,720.00*	*$ 3,137,960.00*	*$ 5,708,273.04*	*$ 7,018,567.44*
Total Operating Expenditures and Other Uses	**$ 61,047,832.00**	**$ 67,372,633.00**	**$ 72,359,606.00**	**$ 36,375,704.00**	**$ 76,203,692.47**	**$ 80,934,366.39**