

GENERAL FUND 2027-2028

City Council Work Session
October 12, 2026





Adopted Strategic Plan Key Focus Areas



LIVABILITY

Livability: what the City of Walla Walla focuses on to execute the organization's mission of enhancing the quality of life in Walla Walla.



ECONOMIC HEALTH

The City's financial stability through sustainable revenue sources, attracting new businesses and shopping opportunities, and support a strong economy through diverse employment sectors.



SAFE COMMUNITY

Organizational readiness around emergency management, infrastructure stability (maintenance/repair/multimodal), and overall community safety.



HIGH PERFORMING ORGANIZATION

The City will develop a culture of continuous improvement, collaboration with organizations and partners within the community, and well trained and supported work force.



GENERAL FUND REVENUE

- **Property Tax:** A tax the City collects on real property. The maximum allowable annual increase is 1% plus annexations or new construction. The voters can approve a levy lid lift to increase the City's levy.
- **Sales and Use Tax:** Consumers pay the City portion of the 9.1% sales tax rate when shopping in town, on the Internet, or with materials shipped to Walla Walla.
- **Business and Occupation Tax (B&O):** The city charges a tax for cable, electric, gas, and telephone services. The City charges the maximum limit allowed by the State of Washington; increasing the rates would require a public vote.
- **Utility Excise Tax:** The City charges this internal tax on its utilities. Established by ordinance with councilmanic approval, it has no external limit restrictions.
- **Intergovernmental Revenue:** Revenue received from other governmental agencies, most likely direct/indirect federal or state grant awards.
- **Licenses and Permits:** Fees charged to customers for the purchase of permits or licenses. Examples include building permits, business licenses, park permits, and plumbing permits.

GF REVENUE CONTINUED

- **Charges for Services:** Cost recovery method to charge customers for services and program participation.
 - **Internal Charges for Services:** General fund divisions perform services for other departments and divisions within the city. Examples include engineering services for projects. The Enterprise and internal service funds pay a portion of the administrative functions of the General Fund; they do not have to hire their own HR, Finance, Legal, etc.
 - **External Charges for Services:** Examples include parks and recreation program fees, memorial pool programs, building plan review, and cemetery services.
- **Fines and Penalties:** These are financial penalties imposed on individuals for law violations and other rules. Examples include criminal and non-criminal infractions, parking tickets, and library fines.
- **Miscellaneous Revenue:** This category includes investment earnings, private contributions, and other revenue that does not fit into any other category.
- **Transfers:** The General Fund transfers monies to other funds supporting operations and capital projects.

BUDGET ASSUMPTIONS

- Estimating sales tax using an average of 2025 actual revenue, the 2026 revised budgeted revenue, and commercial projects coming online.
- Increased B&O tax for private utilities knowing their rates are increasing.
- Interest rates are monitored quarterly; the Fed raised .25% at September meeting; interest revenue estimates are based on the 2026 budget.
- City Manager's budget includes the 1% property tax in the revenue projections, with the City Council to determine whether to levy at the October 14 regular meeting.
- Major projects within the budget:
 - Library Revitalization Project
 - Debt payment Myra Road Extension (Public Works Assistance Account Loan)
 - Next phase of Poplar Street – 5th to 14th Avenue
 - 4th and 6th Avenue bridges
 - Continued investigation into a new dispatch/Emergency Management location
 - Wastewater Treatment Plant Digester Project
 - Many others



BUDGET ASSUMPTIONS

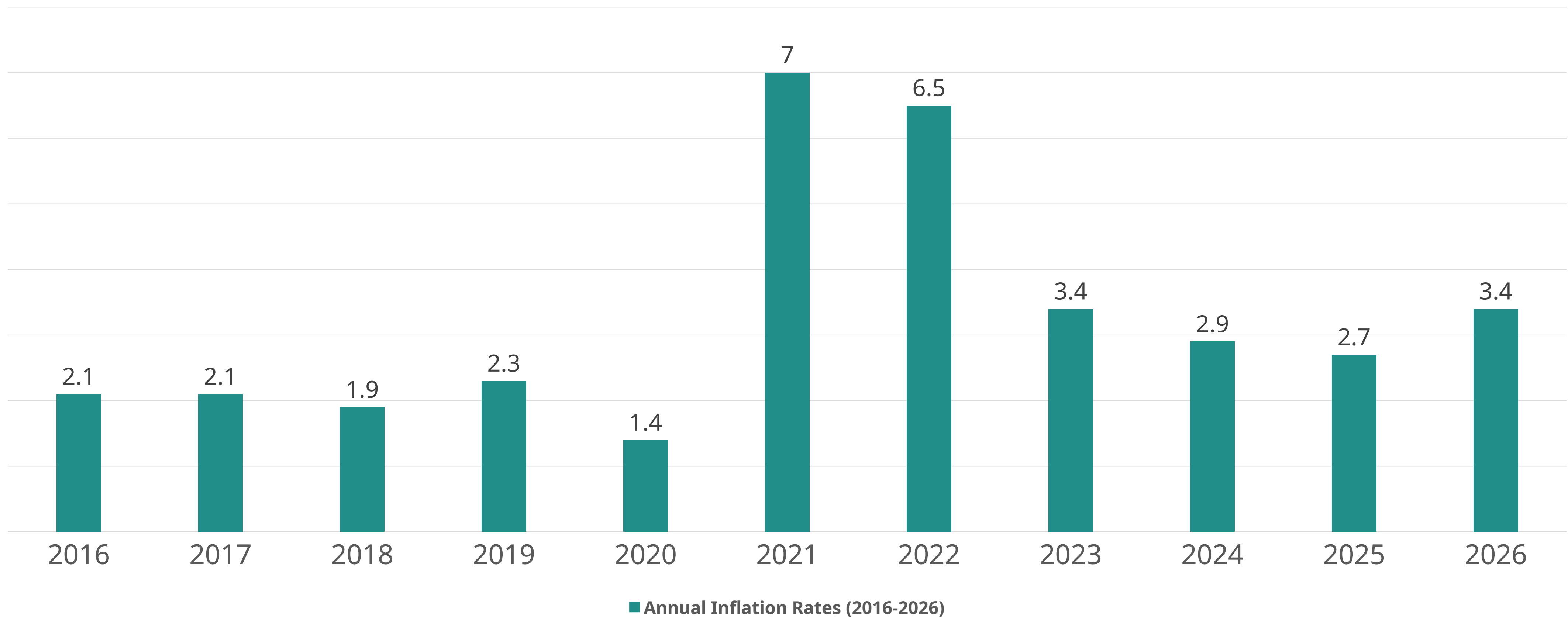
COST INCREASES TO ABSORB

Property & Liability Insurance		Parts/Equipment/Fuel
3.5% decrease 2026 over 2025		13% increase Engine Oil 2026 over 2025
5.92% increase 2027 over 2028		52% increase new garbage truck 2026 over 2023
		34.75% increase patrol vehicles 2026 over 2022
Walla Walla County Jail		14% unleaded and 34% diesel increase current over 2026
21.2% increase 2026 over 2025		
3% increase 2027 over 2026		Utilities
		11% increase PPL in 2027
Indigent Defense		8.8% increase PPL in 2028
21% increase 2026 over 2025		13.4% increase CNG in 2027
8% increase 2027 over 2026		8.8% increase CNG in 2028
Software PD		Heathcare Insurance
7.3% increase 2026 over 2025		11-14% increase 2027 over 2026
11% increase 2027 over 2026		
		Server Hardware
Body Worn Cameras		282.6% increase 2026 over 2025
2.2% increase 2026 over 2025		62.7 % increase 2027 over 2026
37.5% increase 2027 over 2026		
		Minimum Wage
		2017 minimum wage \$11.00/hour
		2026 minimum wage \$17.13/hour
		2027 minimum wage \$17.73/hour



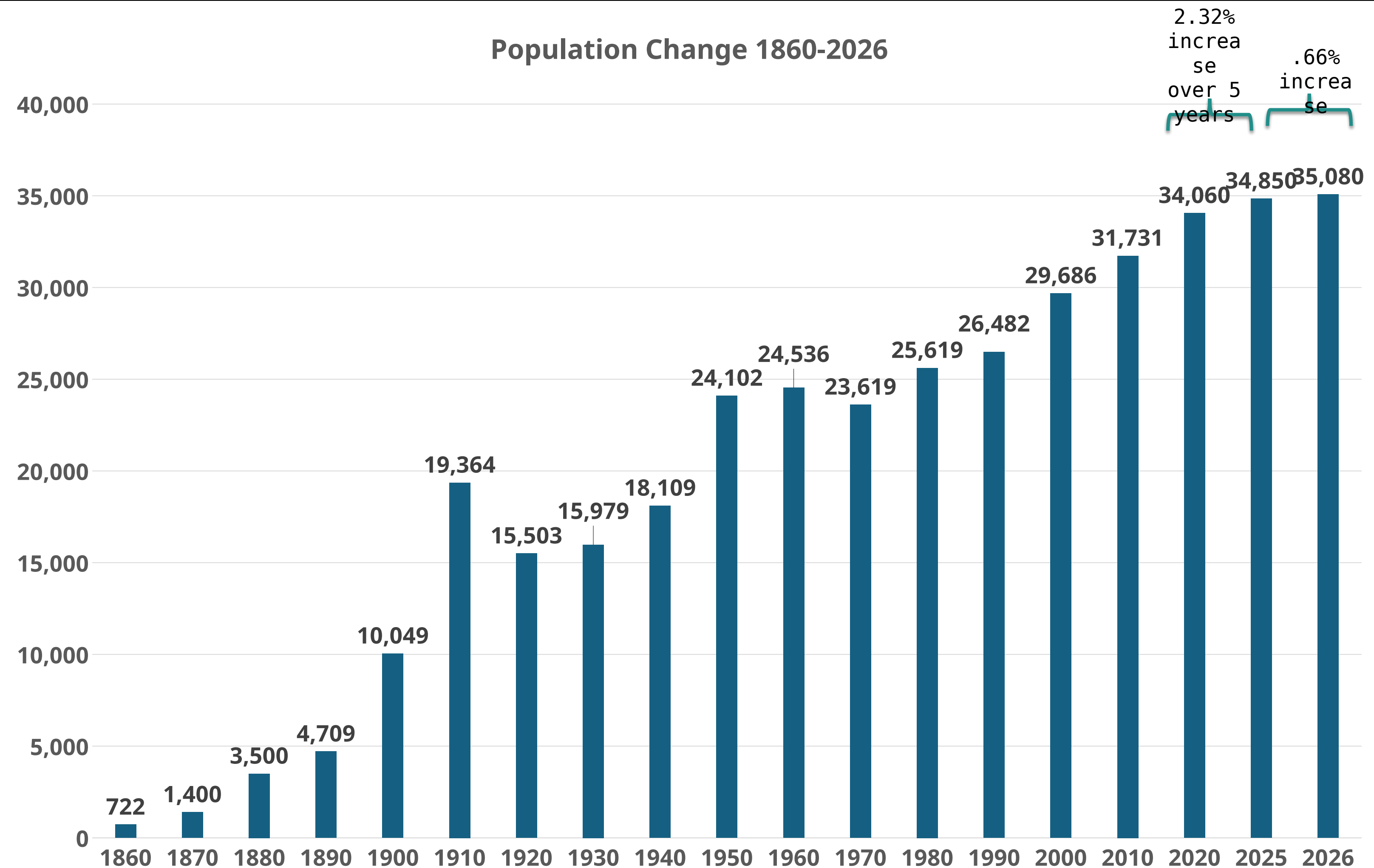
10-YEAR ANNUAL INFLATION RATES

Annual Inflation Rates (2016-2026)

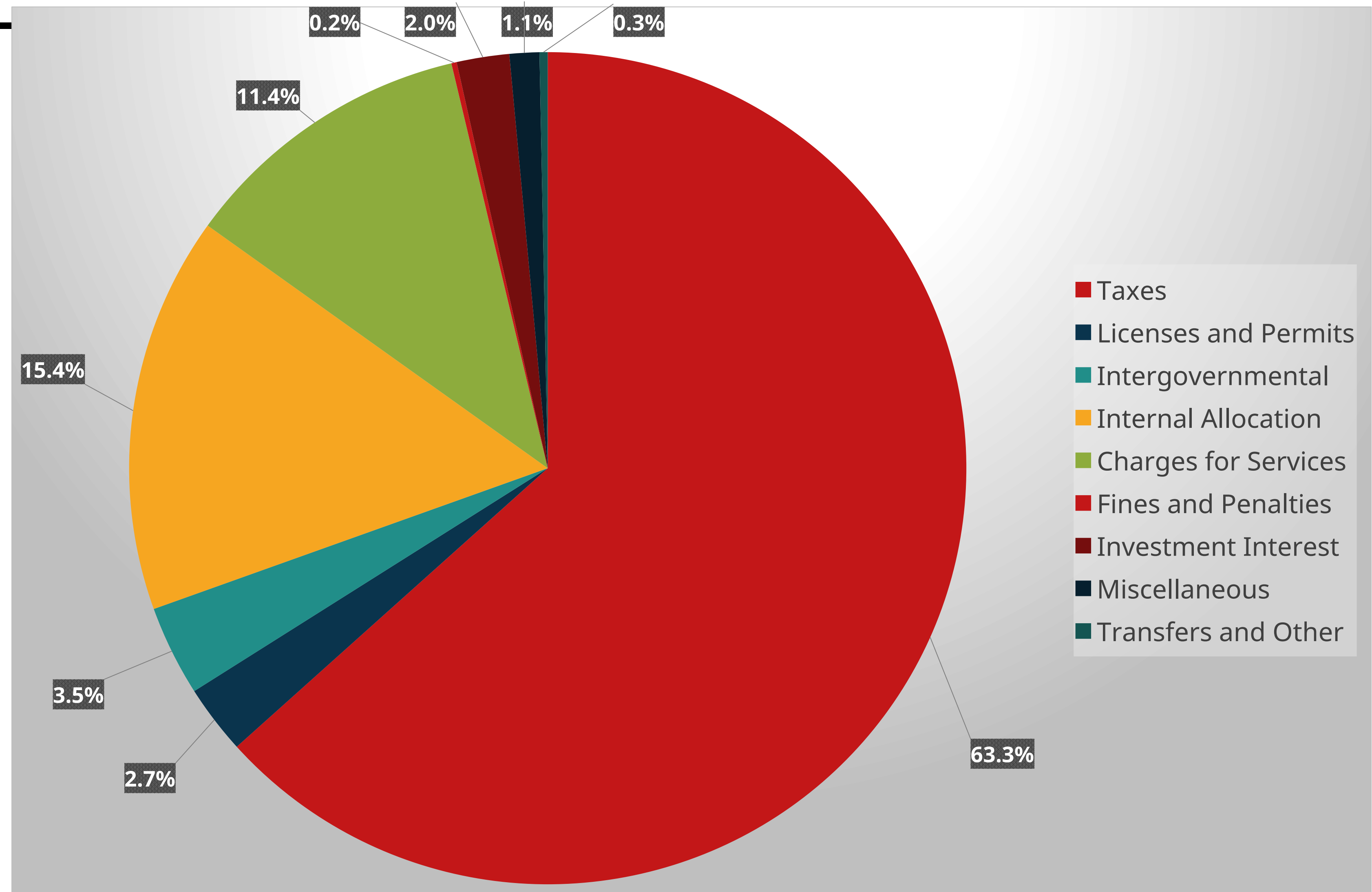




POPULATION GROWTH



2027-28 GENERAL FUND REVENUE



GENERAL FUND REVENUE BY YEAR

Revenue Type	2027		2028	
Taxes	\$	32,512,640	\$	32,951,480
Licenses and Permits	\$	1,350,950	\$	1,355,950
Intergovernmental	\$	1,771,950	\$	1,578,140
Internal Allocation	\$	7,786,850	\$	7,988,100
Charges for Services	\$	5,758,390	\$	5,922,120
Fines and Penalties	\$	103,600	\$	104,600
Investment Interest	\$	1,025,000	\$	965,000
Miscellaneous	\$	580,550	\$	593,550
Transfers and Other	\$	159,710	\$	148,370
Total Revenue	\$	51,049,640	\$	51,607,310

TAX REVENUE DETAILS

Taxes Type	2027	2028
	\$	\$
Property	7,908,498	8,070,401
	\$	\$
Sales and Use	8,600,000	8,600,000
	\$	\$
Business & Occupation	4,185,000	4,235,000
	\$	\$
Utility Excise	9,301,690	9,505,160
	\$	\$
Other	2,517,450	2,540,910
	\$	\$
Total Taxes	32,512,640	32,951,480

PROPERTY TAX

- 2027 Property Tax: 1% increase, plus new construction.

2027 Regular Property Tax Levy Calculation		
2026 Levy		\$7,748,198
1% Increase		\$77,482
New Construction (remodels too) at the 2026 Levy Rate	\$51,406,340	\$82,818
Annexation at the 2027 Levy Rate		\$0
Total Regular Levy Increase		\$160,300
2027 Property Tax Levy		\$7,908,498
2027 Regular Levy Rate/\$1,000 AV		\$1.6464
2026 Regular Levy Rate		\$1.6819
2026 City of Walla Walla Assessed Valuation for 2027	\$4,803,402,575	

SALES TAX REVENUE

This decision added approximately \$2M to sales tax revenue and allowed the city to weather some of cost increases to the general fund.

Sales Tax Revenue can be volatile and is an projection

2018 Supreme Court Decision, "Economic Nexus" – States can collect sales tax from online retailers.

Effective in Washington State, January 1, 2020.

Sales Tax reported at point-of-delivery, not business location.

New Development provides one-time sales tax increases.

2027-28 SALES TAX

The sales tax revenue budget for 2027 and 2028 is \$8,600,000, a 3.0% increase over the 2026 revised budget. The following table shows the different business sectors that provide the city with the largest portion of sales tax revenue.

Agriculture, Mining and Utilities	0.2%
Construction/Manufacturing	25.1%
Retail	37.8%
Transportation/Warehousing	0.9%
Professional and Financial Services	13.4%
Health and Education	1.2%
Entertainment, Accommodation and Food	16.5%
Other	4.9%
Total	100.0%

2027-28 INTERNAL UTILITY TAX

The 2027 and 2028 proposed Internal Utility Tax Rate is 17.6%, and the current City Council-approved rate for 2026 is 15.6%.

Fund	2027	2028
	\$	\$
Ambulance	261,360	264,350
Sanitation	\$ 1,677,660	\$ 1,779,180
Water	\$ 2,921,650	\$ 2,921,410
	\$	\$
Stormwater	575,060	574,970
Wastewater	\$ 2,427,670	\$ 2,430,480
Landfill	\$ 1,438,290	\$ 1,534,770
Internal Utility Tax Total	\$ 9,301,690	\$ 9,505,160

2027-28 CHARGES FOR SERVICES

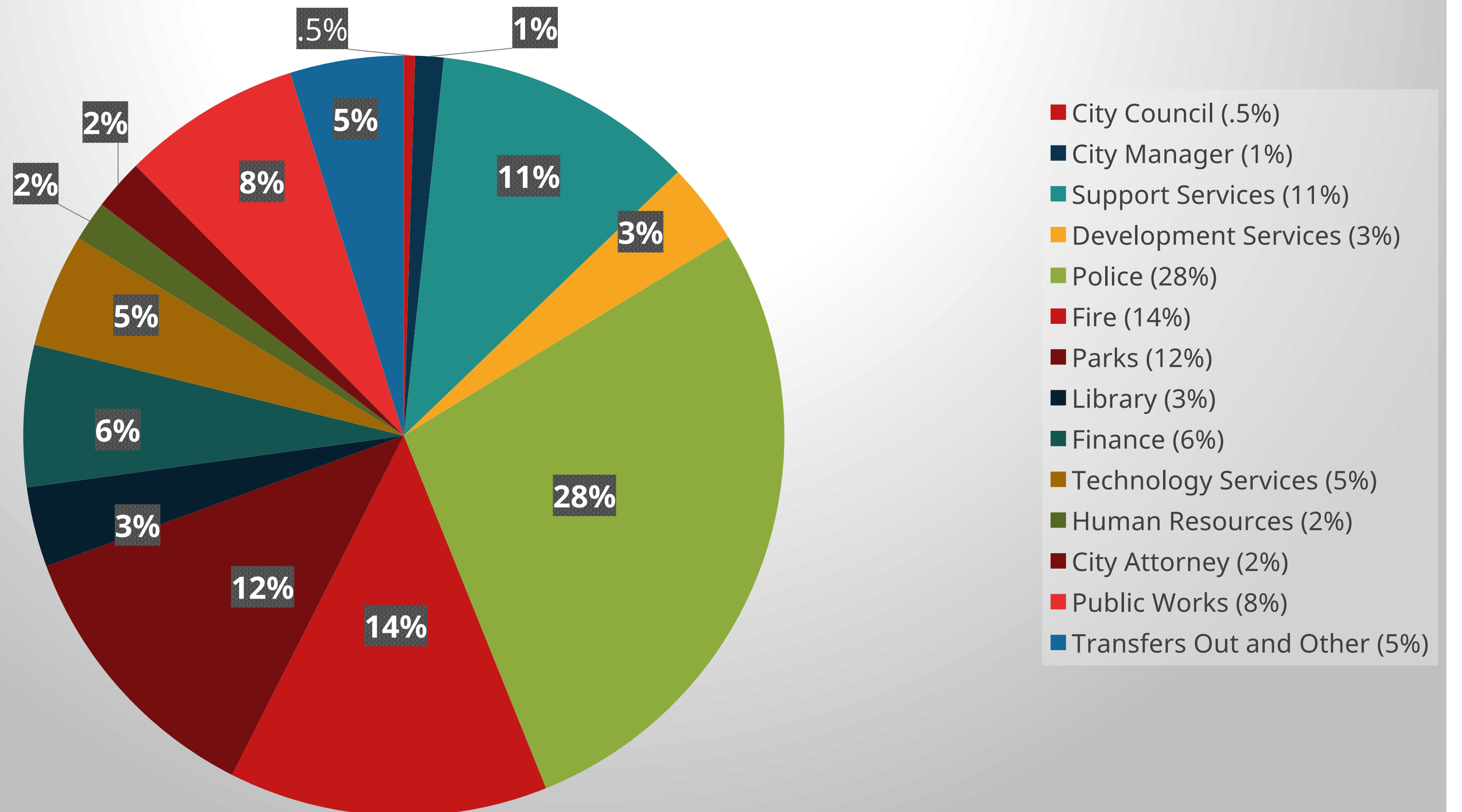
The 2027 service rates will be set using a cost-recovery method. Not to earn a profit but to recover expenses.

- Internal allocations are charged to the Enterprise and Internal Service Funds, which cover finance, human resources, technology, and other services.
- Internal charges include cost recovery for engineering support for enterprise funds and capital projects.
- External charges for services are memorial pool fees, park programs, cemetery service, and planning and building fees.

Type	2027	2028
Internal Allocations	\$ 7,786,850	\$ 7,988,100
Internal Customers	\$ 3,108,870	\$ 3,204,865
External Customers	\$ 2,649,520	\$ 2,717,250
Total Charges for Services	\$ 13,545,240	\$ 13,910,215

2027-28 GENERAL FUND EXPENDITURES

2027-2028 Expenditures by General Fund Department



2027-28 EXPENDITURES

General Fund Function	2027		2028	
General Government	\$	17,068,410	\$	17,585,550
Public Safety	\$	22,489,870	\$	22,688,020
Utilities & Environment	\$	793,180	\$	770,520
Development	\$	1,438,320	\$	1,547,480
Social Services	\$	374,110	\$	384,960
Culture & Recreation	\$	6,267,490	\$	6,391,990
Debt and Transfers	\$	2,560,610	\$	2,698,600
Total GF Expenses	\$	50,991,990	\$	52,067,120

General Fund Expenses	2027		2028	
Salaries	\$	24,195,590	\$	24,431,540
Benefits	\$	10,291,880	\$	10,655,840
Supplies	\$	1,586,230	\$	1,413,420
Services	\$	12,222,680	\$	12,782,070
Capital	\$	135,000	\$	85,650
Debt	\$	162,460	\$	162,460
Transfers Out	\$	2,398,150	\$	2,536,140
Total GF Expenses	\$	50,991,990	\$	52,067,120

2027-28 BUDGET CHALLENGES

- Significant cost increases outside of the city's control with some double-digit percentage increases
- Revenues do not keep pace with cost increases; 2027 to 2028 revenue estimates 1.15% increase
- Expenditures projected in 2027 over 2026 original budget is 8.37%; 2027 to 2028 is 2.11%

GENERAL FUND - DO NOTHING SCENARIO

Projected Budget	2027	2028	Biennium Total
Total Projected Revenues	\$49,467,520	\$49,920,040	\$99,387,560
Total Projected Expenses	\$53,557,372	\$54,730,405	\$108,287,777
Short Fall	(\$4,089,852)	(\$4,810,364)	(\$8,900,217)

GENERAL FUND SUMMARY

General Fund 2027-2028 with expenditure reductions and proposed revenue strategies to balance.

Proposed 2027-2028 General Fund Budget	2027	2028
Total General Fund Revenues	\$51,049,640	\$51,607,310
Total General Fund Expenses	\$50,991,990	\$52,067,120
Shortfall/Surplus	\$57,650	(\$459,810)

Fund	Beginning Fund Balance	2027 Revenues	2027 Expenditures	Estimated Ending Fund Balance	Ending FB %/ Expenditures	2028 Revenues	2028 Expenditures	Calculated Ending Fund Balance	Ending FB %/ Expenditures
Governmental									
General	\$8,406,894	\$51,049,640	\$50,991,990	\$8,464,544	16.60%	\$51,607,310	\$52,067,120	\$8,004,734	15.37%

HOW BALANCE THE GENERAL FUND

- To balance the budget, the City Manager directed staff to reduce their 2027-2028 budgets to original 2026 budget expenditure levels.
 - General Fund Gap of \$8.6M
 - Reduced expenses by \$2.6M in 2027 and 2028
- The property tax revenue includes the levying the 1%. \$77,482 plus new construction of \$82,818; levy increase total \$160,300.
- An internal Utility Excise tax increase of 2% for 2027 and 2028. \$1.4M each year
- Parks and recreation program fees to recover the increasing costs of providing the programs. These will be presented at the November 2 work session.
- Utility rate: Eliminate the separate City of Walla Walla rate and apply the Public rate to city departments.
- Freeze the following positions with attrition/vacancies:
 - Vacant Police Officer; savings \$136,000
 - 2 Firefighter positions with retirements in 2027; savings \$176,108 in 2027 and \$334,681 in 2028
 - Recreation Supervisor; savings \$141,000
 - 2 Engineering Positions; \$292,000*
- Business license fee from \$50/year to \$150/year; \$597,750 annually
- Extend the ladder truck interfund loan from 10-years to 20-years; saves \$113,00 per budget year
- Utilize fund balance for 2028; projected \$459,810
- No decision packages currently in the budget

