

Budget Update

May 9th, 2023



1

Agenda

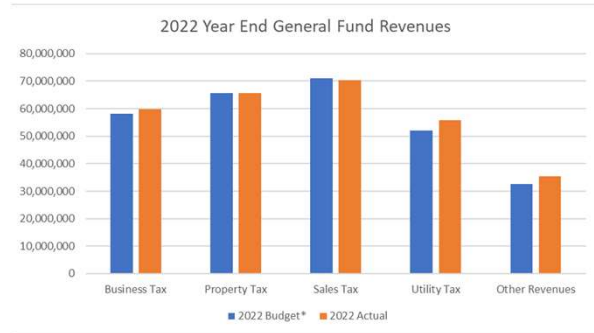
- 2022 Year End Position
- Reappropriation
- 2023 Quarter 1 Revenues
- Future Outlook

2023-2024 CITY OF TACOMA
BIENNIAL
OPERATING & CAPITAL
BUDGET

2

2022 General Fund Revenue

Revenue Source	Variance	Variance %
Property Tax	-\$0.03M	-0.04%
Sales Tax	-\$0.8M	-1.1%
Business Tax	+\$1.7M	2.9%
Utility Tax*	+\$3.7M	7.1%
Other Revenue**	+\$2.7M	8.4%
Total	+\$7.27M	2.5%



*\$3.7M in Power Wholesaling Revenues – One-time
 **\$1.8M in Other Revenues – One-Time transfer from closing a fund



3

2022 Year End Position

- When taking into account both revenues and expenses, the General Fund ended 2022 contributing \$15M to Fund Balance above:
 - Planned use of \$8M of Fund Balance in the adopted 2023-2024 budget
 - Fully funded reserves of \$82M
- Before this is considered as savings, staff needs to do the Re-appropriation Process



4

Re-Appropriation (REA)

Why?

- Carry-over savings for **obligated costs from prior year** into new biennium
- Adjusting existing commitments
- Correcting for new information

2023-2024 CITY OF TACOMA
BIENNIAL
 OPERATING & CAPITAL
BUDGET

5

Re-Appropriation Summary

General Fund – Net \$15.3 M

- \$9.5M In Delays and Obligations (3% of Expenses) – Project contributions for SR 167, Hilltop Link, Home in Tacoma Phase 2, Library Savings, and others
- \$5.3M Emergent Needs and Updates – Police Retention Incentives, updated Board up costs, and extensions of key safety contracts
- \$0.5M in Corrections

Other Funds

- Capital Projects
 - Dome, Theaters, and Convention Center (\$5.5M)
 - Facilities – Main Library Remodel (\$1.8M), Beacon Center (\$1.6M), and Municipal Building Exterior (\$2M)
- Fleet Delays - \$2.9M
- Grants
 - ARPA (\$11.7M)
 - Heavy Rescue Vehicle (\$1.2M)
 - Transportation (\$14.4M)
 - Department of Commerce Grant (\$1M)
- Bond Proceeds – Updated transfer of \$12M from Wastewater to Storm Water

2023-2024 CITY OF TACOMA
BIENNIAL
 OPERATING & CAPITAL
BUDGET

6

American Rescue Plan Act Update 2021-2022

2021-2022 Financial Update

Budget	\$30.5M
2021-2022 Actuals	\$18.71M
Re-appropriation	\$11.79M
Identified Savings	\$340k

Staff recommends that in accordance with City Council’s motion, the projected savings of \$340K from closed projects be allocated to shelter site extension, continuation, or emergent needs.

Project Updates

Completed ARPA Projects

- Affordable Housing Utility Infrastructure
- After School Care (Beyond the Bell support)
- Enhanced Encampment Response
- Food Insecurity Funding
- Graffiti Removal

Continuing ARPA Projects

- Body and Dash Camera Expansion
- Participatory Budgeting
- THA Mixed Use Project Commercial Space
- Business District Security
- Center for Strong Families Capacity Building
- Emergency Sheltering

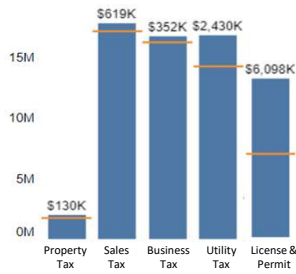


7

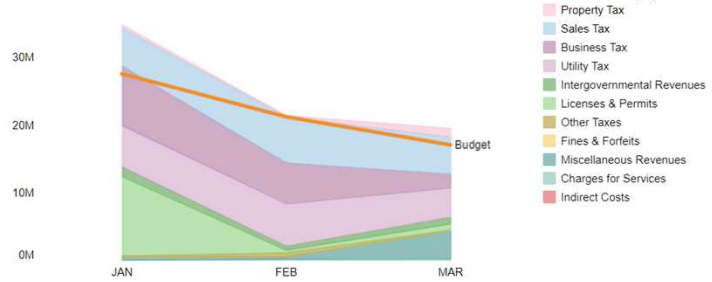
2023 1st Quarter

8

2023 Quarter 1 General Fund Major Revenue Categories



Monthly Revenues



- Property Tax, Sales Tax, Business Tax, and Other Revenues all right on track with projections
- Utility Tax is up due to Power Wholesaling trends that are not projected to continue (related to high natural gas prices)
- Licenses and Permits is higher than anticipated, as collection efforts progress over the next several months staff can get a better idea of account adjustments. The billing process occurs once a year.

2023-2024 CITY OF TACOMA
BIENNIAL
OPERATING & CAPITAL
BUDGET

9

Future Outlook Trends we're monitoring

- Real Estate market – REET Revenues down 30% in Q1 from Projections (returning to pre-pandemic levels)
- Construction trends
- Continued interest rate increases
- Low unemployment and continued growth in jobs
- Labor costs
- Continued inflationary pressures (especially on capital costs)
- Debt Ceiling and Discussions of Congressional Claw Back of ARPA

"For the first time since 2020, more respondents expect falling rather than increased employment at their firms in the next three months. Fewer respondents than in recent years expect their firms' capital spending to increase in the same period." - National Association for Business Economics, January 2023

"Economic output and employment are continuing to grow at a solid pace while inflation remains much too high," Waller said, noting that investors should not expect rates to fall any time soon." Monetary policy will need to remain tight for a substantial period of time, and longer than markets anticipate." – Christopher Waller, Federal Reserve Board Governor

2023-2024 CITY OF TACOMA
BIENNIAL
OPERATING & CAPITAL
BUDGET

10

Budget Update

May 9th, 2023

11

REET 1 & 2

2017-2020	2021	2022	Quarter 1 2023
Range from	Actuals of	Budget: \$16.2 M	Budget: \$3.1 M
\$8.8 M to \$11.3M	\$17.6 M	Actuals \$14.9 M	Actuals: \$1.9 M
		Variance: -\$1.3 M	Variance: -\$1.2 M

Given uncertainty in Real Estate market, staff planned for healthy reserve balances in both sub-funds (over one-year of expenses). Therefore, staff does not recommend modifying capital plans at this time.

12