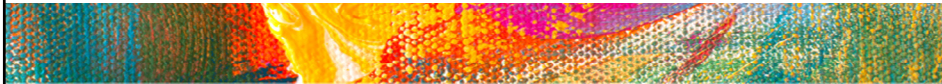


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2021-2022 BUDGETING GOALS



Establishes Alignment with Organizational Goals



Focuses on Results & Outcomes Given Available Resources



Involves & Promotes Effective Communication with Community



Reflects Equity Principles



Incorporates Long Term Perspective★

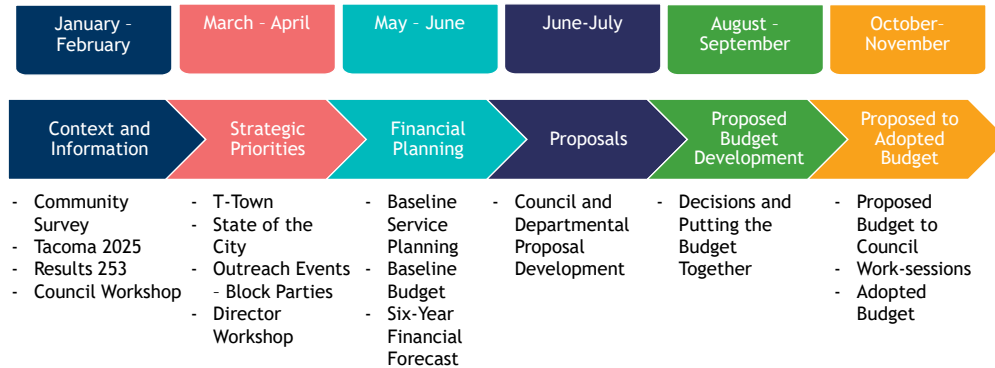


Supports Fiscally Responsible Actions by Management and Employees★

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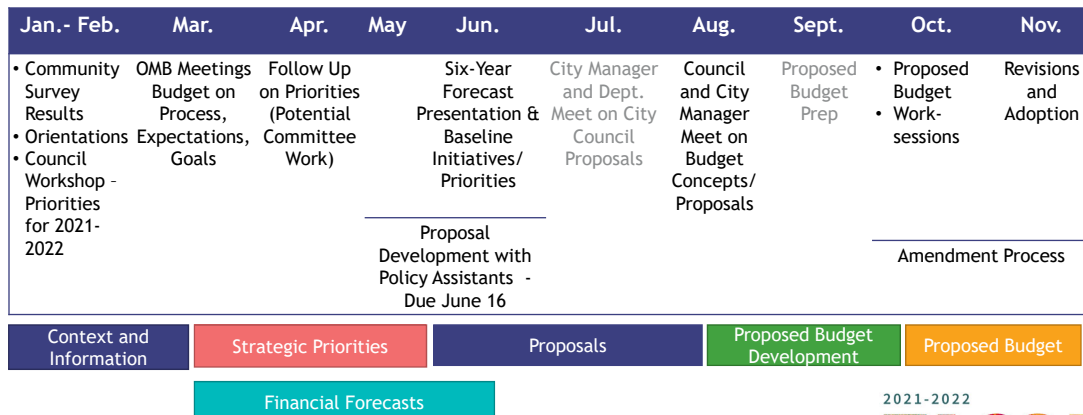
OVERALL APPROACH



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CITY COUNCIL



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ALIGNMENT WITH GOALS FOCUSING ON RESULTS INVOLVING COMMUNITY ADVANCING EQUITY

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ALIGNMENT WITH GOALS AND FOCUS ON RESULTS



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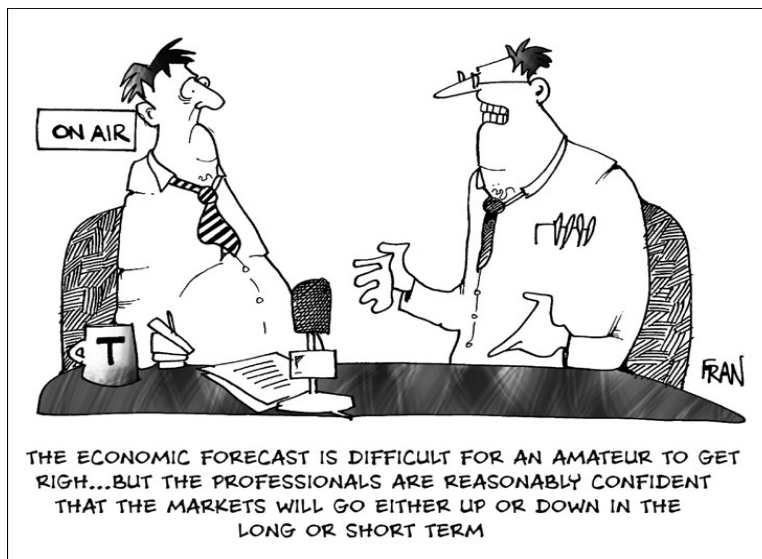
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INCORPORATES LONG TERM PERSPECTIVE

SUPPORTS FISCALLY RESPONSIBLE ACTIONS

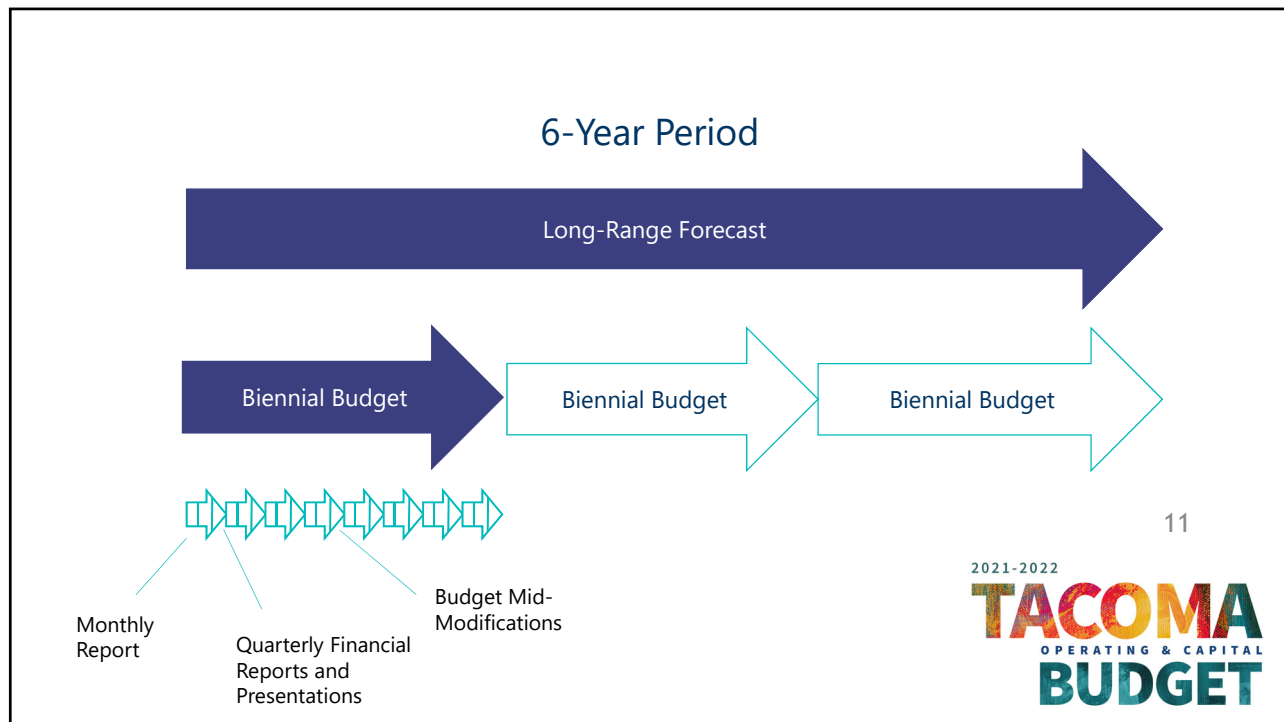
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LONG-RANGE FORECAST

- 6-year basis
- Assumes status quo continues
- Provides snapshot of long-term structural sustainability of the City's tax base and expense base
- Facilitates discussions of long-term policies, such as infrastructure investment, labor and pension costs, and tax policies
- Exposes impacts on future generations of short-term decisions

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City Council Touch Points: Presented in late May/early June.
Updated throughout the budget development process

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WHAT DOES A BAD FORECASTING/BUDGETING PROCESS LOOK LIKE?

- Doesn't discuss its assumptions or positive and negative considerations
- Too tight - meaning that decision-makers won't have room to respond to emergent issues
- Doesn't consider future needs (such as maintenance)
- Doesn't include frequent monitoring
- Commitments outside of priorities setting process and reviews of financials

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WHAT DOES A GOOD FORECASTING/ BUDGETING PROCESS LOOK LIKE?

- If we are always going to be "wrong," we want to be on the right side of wrong
- Allows for some changes in the economy to the negative or positive without requiring severe corrections
- Clear about assumptions and risks
- Monitors trends and adjusts budget as needed (adjust our spending to match changes in the economy)
- Tracks one-time and accumulated savings for needed future investments
- Decisions are made holistically and in context of other needs and financial projections - As part of budget decision process

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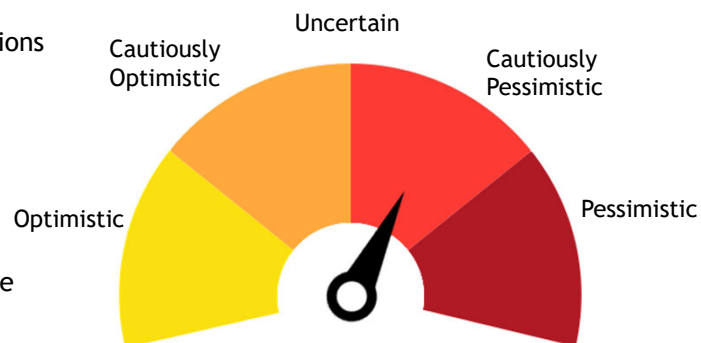
ANOTHER ECONOMICS JOKE? THERE ISN'T ENOUGH DEMAND

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CURRENT ECONOMIC OUTLOOK

- Global Uncertainty & Trade Tensions
- Reduces Investment
- Inverted Yield Curve
- Global Manufacturing Recession
- Consumer Confidence
- Job Growth Slowing
- Remaining Affordability and Wage Concerns
- Coronavirus



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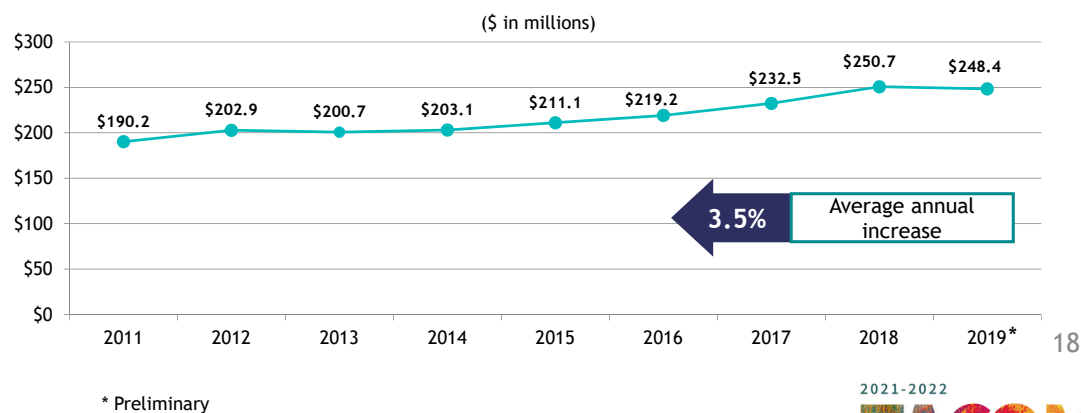
APPROACHES TO DEALING WITH ECONOMIC UNCERTAINTY

- Use Ongoing Revenues for Ongoing Expenses/Services and One-time Revenues for One-time expenses
- Assess Baseline Service Levels
 - Reduce costs through service changes
 - Identify new revenue sources - limited
- Build Strategic Reserves for Known Commitments
 - Savings go to fund commitments in future years
 - Build the reserves as well in support funds
- Identify One-Time Investments that can be Delayed or Eliminated
 - Examples from Mid-Biennium Modification
- Limit New Service Growth or Ongoing Growth
- Identify New Revenues to Support New or Expanded Services

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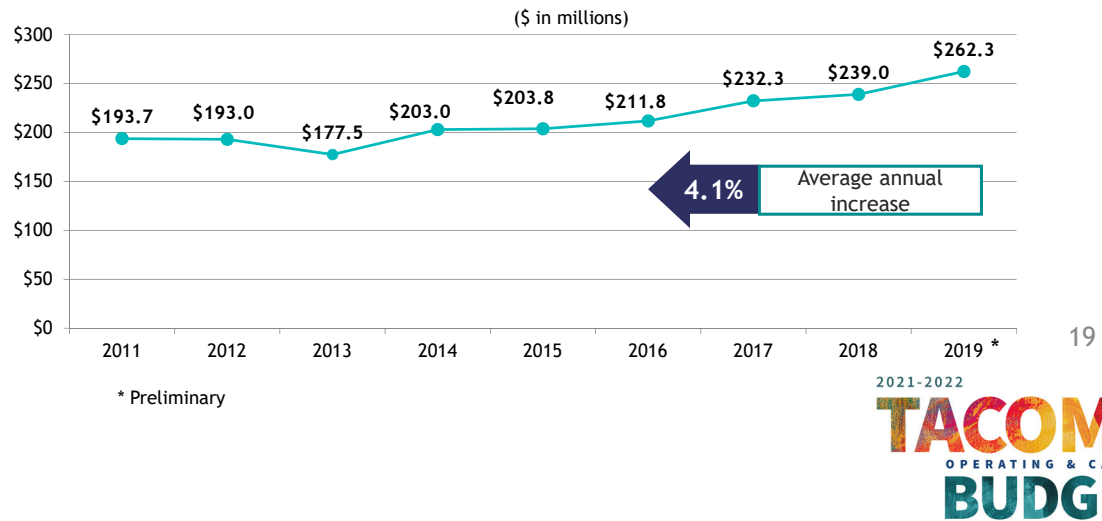
TOTAL GENERAL FUND REVENUES



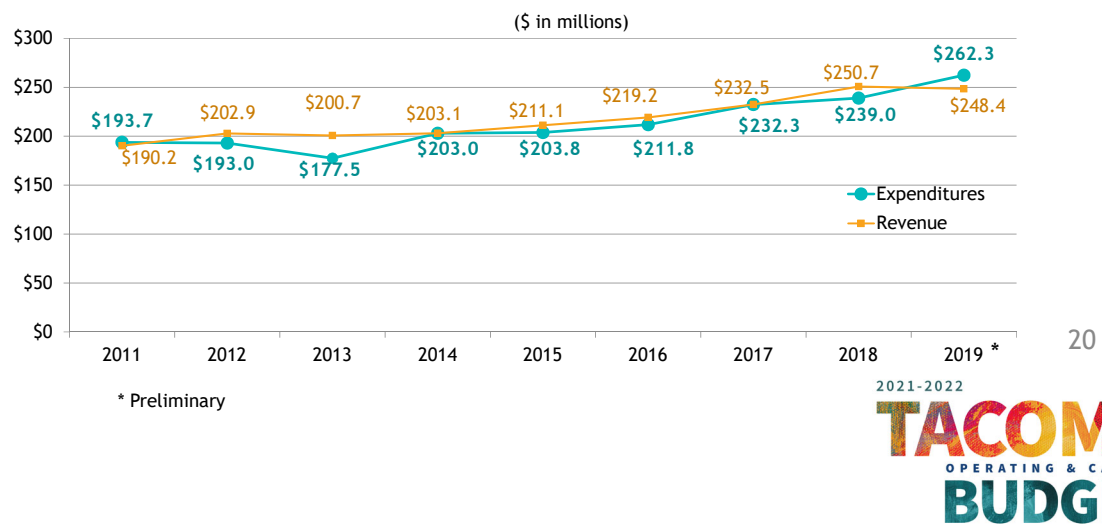
18

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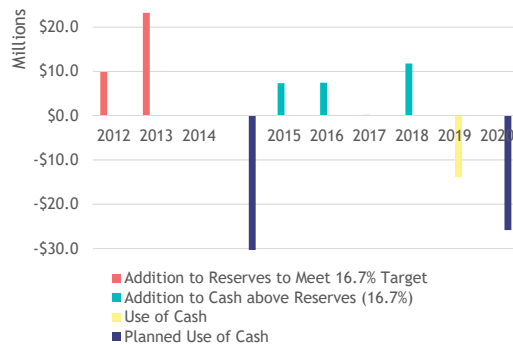
TOTAL GENERAL FUND EXPENSES



TOTAL GENERAL FUND REVENUES & EXPENSES



REBUILDING RESERVES



How to build reserves:

- More revenues than expense
 - Revenues above Projection: Revenues Exceed Budget (2% Goal), One-time Revenues
 - Expenses Below Projections: Lower than Anticipated Costs, Expense Savings, Expense Delays or Eliminations (2% Goal)
- Intentional Reductions

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RESERVES

Why

- Bond Ratings
 - Fitch Upgraded Two Notches - A+ to AA
 - Lower Cost of Borrowing
- Strategic Use of Reserves Above Targets
- Cyclical Reserve - Drops in Revenues (12-18 Months)
- One-Time Emergency Needs

Current Risks

- Deferred Asset Management means facility risks (repair, replacement, or failures)
- Impact on Borrowing
- Economic Outlook and Sales Tax Trend
- Local Economy Changes

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OUTSTANDING ITEMS

Commitments

- SR167 (\$1.5 M)
- Sound Transit Link (\$1.0 M)

Other Considerations and Projects

- Heidelberg Complex
- Fire Service Study and Facilities
- Library Services Study
- Police Staffing Study
- Tacoma Dome Asset Needs, Street Operations Building, and Tacoma Municipal Building Needs
- Ruston Way Visioning
- Legal Risks
- I-976
- Mitigation of Click! Revenues

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KEY POINTS

Current Issues

- Expense Growth Continues to Exceed Revenue Growth
- Outstanding Commitments and Considerations
- Economic Risks

Approach

- Revenue Projections will likely be Flat to Limited Growth
- Assess Baseline Service Levels and Make Expense Reductions
- Maintain Reserve Levels

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SUMMARY

Strategic Alignment, Results, Engagement, & Equity

Long Term Forecasting and Financial Sustainable Decisions

- Economic cycles are inevitable, we should be prepared
- We've made progress, but the structural deficit still exists
- Forecasts should be accurate enough to guide policy decisions and flexible enough to respond to changing conditions and new information
- Spending decisions should be made in context of other priorities
- Reserves are an important part of financial management

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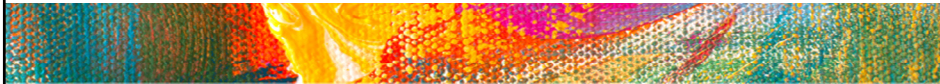
NEXT STEPS

- City Council Work on Priorities
- Meetings with City Council on Expectation and Budget Process
- Six Year Forecast June 2nd
- City Council proposals Due June 16th
- Proposed Budget



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STRATEGIC USE OF RESERVES

| | 2019-2020 Adopted Budget |
|---------------------------------|--------------------------|
| 2018 Ending Cash - Unrestricted | |
| Revenues | |
| Expenses | |
| Planned Use of Cash | |
| Projected Reserve Level - 16.7% | |
| Re-appropriation | |
| | |
| Modification | |
| Current Reserve Level | |
| | |

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PROPOSAL DEVELOPMENT

- Identifies problem and uses data to demonstrate predicted impact
- Aligns with goals, strategies, and initiatives
- Consciously advances equity
- Includes collaboration with internal and external partners



OMB ROLE

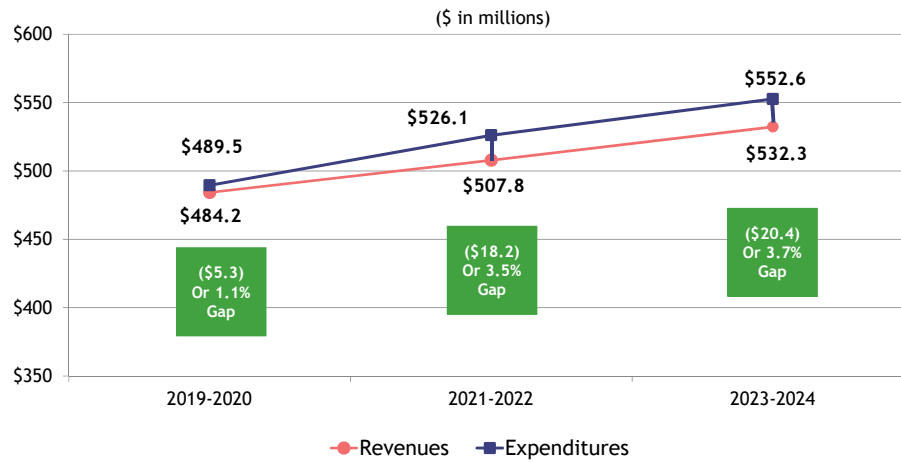
- Develop, coordinate and manage the process
- Provide analysis to ensure data is effectively and consistently used - impacts of funding, accurate financials with a focus on sustainability
- Ensure consistency to improve communication, quality analysis, and fairness across departments - promotes trust and transparency
- Advise on cross departmental items, strategies for meeting council and departmental priorities, and funding approaches

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GENERAL FUND FORECAST

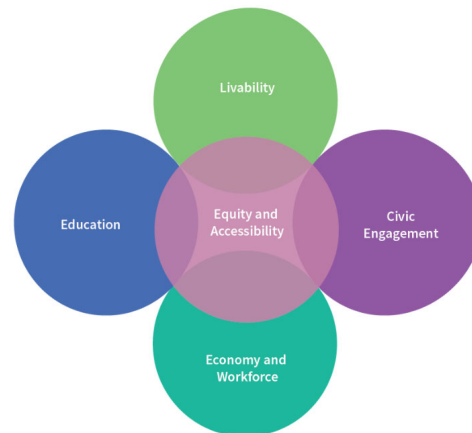


| Average % Growth from 2020-2024 | |
|---------------------------------|------|
| Revenue | 2.1% |
| Expense | 3.2% |

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2025 GOALS

-  Livability
-  Economy/Workforce
-  Education
-  Civic Engagement
-  Equity and Accessibility



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