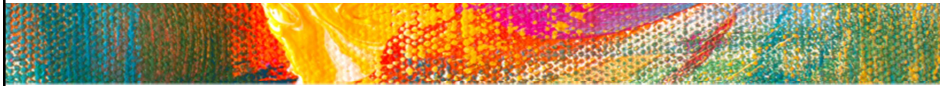


2021-2022 PROPOSED BUDGET UPDATES

Study Session
November 17, 2020



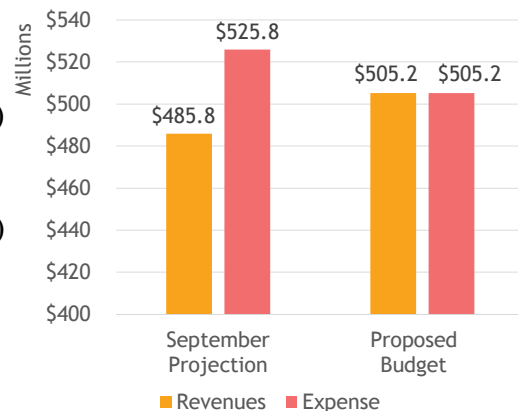
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2021-2022
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PROPOSED BUDGET - CLOSING THE GAP (\$40M)

- Reductions and Mitigations (-\$27.3M)
 - 53% One-Time
- Savings from 2020 Reductions (\$12.9M - One-Time)
- Labor Costs Assumptions & Internal Service Charges (-\$4.5M - Ongoing)
- Updates and Redirects Revenues (\$6.5M - Ongoing)
- Enhanced Services (\$11.2M)
 - 62% One-Time

**Due to the use of one-times,
2023-2024 Projected Gap at \$19M**



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CONTINUED ECONOMIC UNCERTAINTY

- **Emergency** - Cases at historic highs
- **Shutdown** - New round of shutdowns through December and future shutdowns uncertain (industry, impact, and duration)
- **Local Employment** - Resiliency of local employers and their ability to withstand prolonged economic stress
- **Resetting the Economy** - Fundamental changes in the economy and uncertain short term and long term impacts
- **Disparate Impacts** - Less impacts on higher wage earners and higher impacts on low wage earners

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INCREASING LEVELS OF RISK

Use of Reserves for One-Time
Expenses during periods Economic
Growth



Use of Reserves for Short Term
Revenue Drops



Use of Reserves for One-Time
Expense in periods of Economic
Decline and Uncertainty



Use of Reserves for Ongoing
Expenses in Economic Decline and
Uncertainty

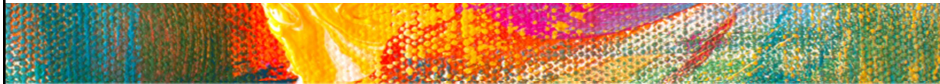


- **Structural Imbalance:** Two Ways Out - Growth in Revenues or Reduced Expenses
- **Kick-the-Can:** Not making reductions today pushes out reductions to the future
- **Duration:** Using Reserves at the start of a crisis means less for unanticipated future issues
- **Catastrophes:** Constrains ability to respond to emergent needs
- **Risk to Bond Rating:** Impacts reputation & future infrastructure investments and costs
- **Rebuild Reserves:** Revenues will need to be used to rebuild reserves

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AMENDMENTS



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AMENDMENTS - I-976 AND OTHERS

- Street Operations One-Time Adjustments from I-976 Funding (-\$2M)
- Library - add ongoing funding in order to mitigate impacts to Library services (\$1M)
- Neighborhood Planning Program - add one plan in 2021-2022 (\$480K, +1FTE)
- Opioid Coordinator - City would match funds from Pierce County (\$120K)
- Gross Earning Tax Revenue Impacts - related to Changes in Rates (\$280K)
- Downtown Retail Coordinator Continuation (\$100K)
- Housing Disparity Study
- Clean & Healthy Work Program
- Continued Consideration of TPD Staffing Matrix Study

50% of Adjustments are Ongoing (\$1M)
Impact on Gap in 2023-2024: adds \$1M which increases gap to \$20M

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STAGGERED BLS PLUS 1 ENGINE (C)

- Adds \$2.2M in Ongoing Expenses
- Proposes \$2.2M in Reductions (\$1.3M Ongoing)
- Impact to 2023-2024 Gap: increases gap from \$20M to \$20.9M

Alternatives	A - Proposed Budget		B - Staggered/Delayed		C - Staggered/Delayed Plus 1 Engine Return in 2022		D - Current Service plus BLS	
	2021	2022	2021	2022	2021	2022	2021	2022
BLS Units	5 Units April	5 Units in Operation	2 Units April and 3 Units October	5 Units in Operation	2 Units April and 3 Units October	5 Units in Operation	No BLS Units by TFD	3 Units January and 2 Units January
Engines Out of Service	3	2	2	2	2	1	0	0
Personnel Impacts								
Budgeted Recruit Class (6 Months - Max 24 People)	2		2	1	2	1	2	2
Overtime Beyond Budget		X		✓		✓		✓
	2021	2022	2021	2022	2021	2022	2021	2022
	Change from Baseline		(Change from A - Proposed)		(Change from A - Proposed)		(Change from A - Proposed)	
GF Impact (Personnel)	-\$5.3M	-\$3.7M	\$0M	\$0M	\$0M	+\$2.2M	+\$5.3M	+\$3.7M
Biennial Net (Increased Expense)		-\$9.0M		\$0M		+\$2.2M		+\$9.0M
EMS Net Impact (Rev & Expense)	+\$0.4M	+\$1.4M	-\$6.2M	-\$0.5M	-\$6.2M	-\$0.5M	-\$3.3M	-\$6.1M
Biennial Net (Lost Revenue & Increased Expense)		+\$1.8M		-\$6.7M		-\$6.7M		-\$9.4M

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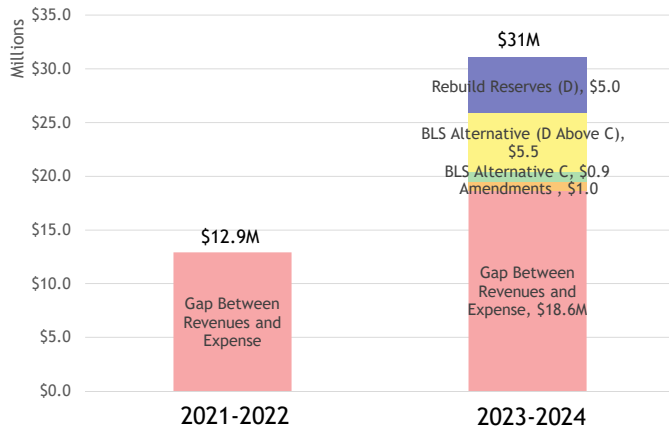
CURRENT SERVICE PLUS BLS (D)

- Adds \$9.01M in Ongoing Expenses
- Proposes Use of \$5M in Reserves (reduces reserves to 15% of annual expenses or \$38M) and \$4M in Reductions (\$1.3M Ongoing)
- Impact to 2023-2024 Gap: increases gap from \$20M to \$27.7M and requires additional \$5M to rebuild reserves

Alternatives	A - Proposed Budget		B - Staggered/Delayed		C - Staggered/Delayed Plus 1 Engine Return in 2022		D - Current Service plus BLS	
	2021	2022	2021	2022	2021	2022	2021	2022
BLS Units	5 Units April	5 Units in Operation	2 Units April and 3 Units October	5 Units in Operation	2 Units April and 3 Units October	5 Units in Operation	No BLS Units by TFD	3 Units January and 2 Units January
Engines Out of Service	3	2	2	2	2	1	0	0
Personnel Impacts								
Budgeted Recruit Class (6 Months - Max 24 People)	2		2	1	2	1	2	2
Overtime Beyond Budget		X		✓		✓		✓
	2021	2022	2021	2022	2021	2022	2021	2022
	Change from Baseline		(Change from A - Proposed)		(Change from A - Proposed)		(Change from A - Proposed)	
GF Impact (Personnel)	-\$5.3M	-\$3.7M	\$0M	\$0M	\$0M	+\$2.2M	+\$5.3M	+\$3.7M
Biennial Net (Increased Expense)		-\$9.0M		\$0M		+\$2.2M		+\$9.0M
EMS Net Impact (Rev & Expense)	+\$0.4M	+\$1.4M	-\$6.2M	-\$0.5M	-\$6.2M	-\$0.5M	-\$3.3M	-\$6.1M
Biennial Net (Lost Revenue & Increased Expense)		+\$1.8M		-\$6.7M		-\$6.7M		-\$9.4M

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IMPACTS ON PROJECTED GAP IN 2023-2024



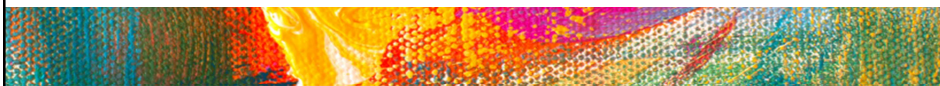
- **Economic Uncertainty** - recent case counts and lockdown measures indicate that we are still not in a recovery phase economically and uncertain when recovery will start
- **Emergencies** - while in an extended emergency, another event could occur (earthquake, winter weather, etc.)
- **Cycle of Reducing Services** - when need is highest in community

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