

# FINANCIAL UPDATES AND MODIFICATION

Study Session – September 14, 2021  
Office of Management and Budget



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## AGENDA

- General Fund Financial Update – Actuals through July 2021
  - Including Revised Projections for 2021-2022
- Other Funds Financial Update
- Modification Process



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## ECONOMIC INDICATORS

U.S.	2018 (% Change)	2019 (% Change)	2020 (% Change)	2021 Current (% Change)
Consumer Sentiment*	98.4 (7.1%)	96.0 (-2.4%)	81.6 (-17.6%)	82.7 (1.3%)
<b>Tacoma-Lakewood Metro</b>				
Unemployment	5.1%	5.1%(0%)	9.6% (88.2%)	6.2% (-35.4%)
Population	888k (3.3%)	891K (0.34%)	905K (1.6%)	
Median Household Income	\$74.7K	\$80.2K (7.4%)	\$86.5K (7.9%)	\$90.8k (5.0%)
<b>City of Tacoma</b>				
Tacoma Median Home Selling Price	\$305,780	\$335,000 (9.8%)	\$380,000 (13.4%)	\$454,000 (19.5%)
Tacoma Median 2Br Monthly Rent	\$1,216 (6.5%)	\$1,356 (11.5%)	\$1,513 (11.6%)	\$1,572 (3.9%)
Regional CPI-W**	269.0 (3.6%)	273.5 (1.7%)	276.2 (1.0%)	293.6 (6.3%)

\*Monthly Average with Preliminary August Data

\*\* July over July Data



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## GENERAL FUND UPDATE THROUGH JULY 2021

General Fund approximately \$17.4 M favorable through July 2021

\$ 8.6 M more in revenues

- Favorable trends in Sales Taxes (\$5.5 M), Utility Taxes (\$0.7 M), and Licenses and Permits (\$1.3 M),
- Timing in Property Tax (\$1.1 M)

\$ 8.8 M less in expenditures

- Timing and delays in external contracts, transfers, etc. (\$4.9 M)
- Savings in Jail Services and Police and Fire Pension (\$3.9 M)



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## GENERAL FUND REVENUE UPDATE THROUGH JULY 2021

Revenue Category	2021 Budget Through July	2021 Actuals Through July	Variance (\$)	Variance (%)
Property Tax	\$34.5 M	\$35.6 M	\$1.1 M	3.1%
Sales Tax	\$29.9 M	\$35.4 M	\$5.5 M	18.5%
Business Tax	\$35.6 M	\$35.0 M	-\$0.6 M	-1.5%
Utility Tax	\$28.9 M	\$29.6 M	\$0.7 M	2.4%
Other Revenues	\$17.5 M	\$19.3 M	\$1.8 M	10.4%
<b>Total</b>	<b>\$146.4 M</b>	<b>\$154.9 M</b>	<b>\$8.5 M</b>	<b>5.9%</b>

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## GENERAL FUND REVENUE ANNUAL TRENDS

Revenue Category	2019 Actuals	2020 Actuals	2021 Budget Reprojection 09/2021	2022 Budget Reprojection 09/2021	Difference from 2021-2022 Adopted Budget
Property Tax	\$61.0 M	\$62.7 M	\$63.2 M	\$64.5 M	\$0 M
Sales Tax	\$56.6 M	\$55.8 M	\$60.2 M	\$62.1 M	\$17.8 M
Business Tax	\$52.3 M	\$50.2 M	\$50.9 M	\$53.3 M	-\$2.4 M
Utility Tax	\$47.3 M	\$49.3 M	\$47.9 M	\$49.6 M	\$0 M
License & Permits	\$7.4 M	\$7.0 M	\$6.8 M	\$7.0 M	\$0.8M
Other Revenues*	\$21.2 M	\$31.6 M	\$21.0 M	\$21.8 M	\$0 M
<b>Total</b>	<b>\$245.8 M</b>	<b>\$256.6 M</b>	<b>\$250.0 M</b>	<b>\$258.3 M</b>	<b>\$16.2M*</b>

\*Includes \$10.4 M in One-Time Funding from CARES and Internal Transfers in 2020

\*\*2021: +\$7.1 M and 2022: +\$9.1 M

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## GENERAL FUND EXPENDITURE THROUGH JULY 2021

### General Fund Expense Variance \$8.8 M

<b>Delays</b>	<b>\$4.9 M</b>
Timing of Debt Service Payments	\$0.8 M
Timing of Transfers	\$1.2 M
Misc. Expense /Contract Delays	\$2.9 M
<b>Savings</b>	<b>\$3.9 M</b>
Jail Services	\$1.8 M
Fire & Police Pensions	\$1.7 M
South Sound 911	\$0.3 M



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## GENERAL FUND SUMMARY

- One-Time
  - 2020 Year End - \$20 M
  - Jail and Police and Fire Pension Savings - \$4-6 M
- Ongoing
  - Revenue Reprojections as of 9/2021 - \$16.2 M
    - 2021: +\$7.1 M
    - 2022: +\$9.1 M



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## CONSIDERATIONS

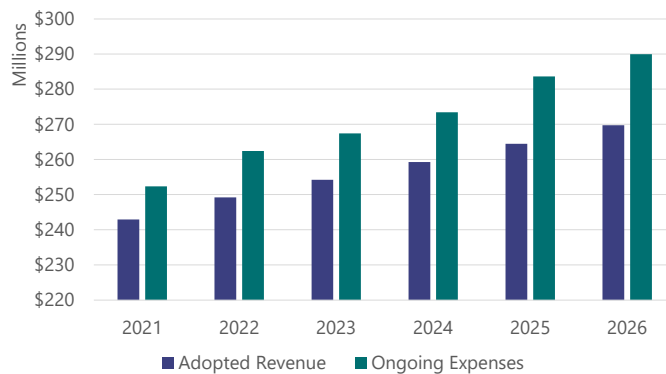
- Structural Deficit
- One-Time
  - Parking Debt (\$6 M)
  - Fleet replacements (\$1.85 M)
  - Streets Initiative contribution (\$1.75 M)
  - Fire Facility Study (\$1 M)
  - East 11th Street Bridge (\$5 M)
- Ongoing and One-Time
  - Deferred maintenance of facilities (+\$58 M in backlog and \$7 M in annual ongoing need)
    - Fire Facility Needs – Cooling (\$1.5 M)
    - Fleet Warehouse HVAC Replacements (\$1.5 M)
    - Tacoma Dome HVAC (\$10 M)
  - Increased Third Party Liability (\$3 M for 2022)
  - Divertible Calls and Community Safety Transformation (\$2 M annual ongoing)
  - Police Staffing Study (\$5.7 M annual ongoing)
  - Homelessness Service Needs
  - Heat/Cold Responses
  - Class and Compensation

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2021-2022  
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## STRUCTURAL GAP



If all ongoing reprojected revenues are spent on ongoing items, this gap will remain and will need to be addressed as part of the 2023-2024 budget development process.

	2021	2022	2023	2024	2025	2026
Adopted Structural Gap	\$9.4 M	\$13.2 M	\$13.2 M	\$14.2 M	\$19.1 M*	\$20.2 M*

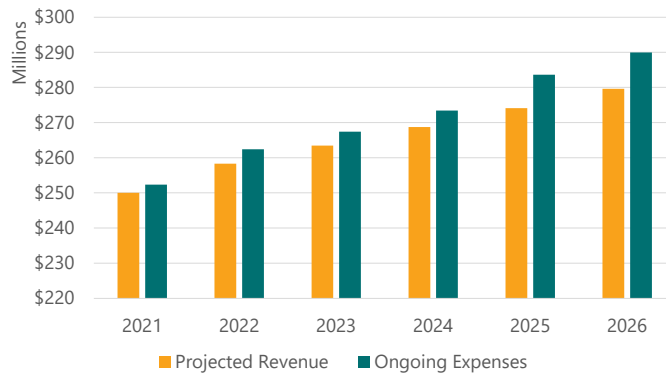
\*Includes Fire Engine Service funded with ARPA through 2024

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## STRUCTURAL GAP



If all ongoing revenues are spent on one-time items, structural gap drops to approximately ~\$4M per year.

	2021	2022	2023	2024	2025	2026
Re-projected Structural Gap	\$2.4 M	\$4.1 M	\$4.0 M	\$4.7 M	\$9.5 M*	\$10.3 M*

\*Includes Fire Engine Service funded with ARPA through 2024

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## OTHER FUNDS FINANCIAL UPDATES

Fund – Revenue excluding some transfers	2019 Actual	2020 Actual	19/20 Difference	Current 2021 Trend (compared to Budget)
Parking	\$7.4 M	\$3.8 M	-\$3.6 M	-51.1% ↓
Dome	\$31.3 M	\$7.6 M	-\$23.7 M	-86.8% ↓
Convention Center	\$13.3 M	\$11.3 M	-\$2.0 M	-17.1% ↓
Cheney Stadium	\$1.1 M	\$0.6 M	-\$0.5 M	-40.2% ↓
Real Estate Excise Tax	\$10.9 M	\$9.1 M	-\$1.8 M	+109% ↑
Permitting	\$14.6 M	\$16.9 M	\$2.3 M	+36.2% ↑
Street Revenues	\$22.1 M	\$22.6 M	\$0.5 M	+2.75% ↑

Utilities – Overdue residential accounts \$23M (August 2021)

Affordable Housing Trust Fund – New Sales Tax began collection in July

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# MODIFICATION PROCESS AND TIMELINE

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## BUDGET AS A TOOL

**Policy  
(Strategy)**

**Operations**

**Finances**

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## CITY COUNCIL - MODIFICATION

- Purpose: To Recognize Emergent Needs and Changes Not Anticipated During Budget Development



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## CITY COUNCIL DIRECTION MODIFICATION

- Focus on Council Priorities and Implement Racial Equity Action Plans (REAPs) and Transformational Processes
- Address Priority Areas Identified by Council but Not Fully Funded in Adopted Budget and American Rescue Plan Act funding (ARPA)
  - Community Safety
  - Homelessness
  - Deferred Maintenance and Restoration of Services
  - Environmental Action Plan and Climate Action Plan
- Infrastructure and Access Focus for 2022 ARPA and Federal Infrastructure Funding

Staff will create a list of proposals based on studies and recommendations and City Council Discussions.

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## MAJOR DATES

Key Mid-Biennium Modification Dates	
Financial Position – Study Session	September 14
Reserve Policy and ARPA Update – Study Session and COW	September 21
Briefings with Council Members	Late September
Capital Needs and Deferred Maintenance – Study Session	October (TBD)
Community Safety Proposals – Study Session	October 12
Briefings with Council Members	Mid to Late October
Modification - Study Session	November 2
1st Reading	November 9
Adoption of Mid-MOD	November 16



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