

CITY OF TACOMA FINANCIAL OVERVIEW

JUNE 19, 2013 - FIRST MEETING

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Tadd Wille, Budget Officer

OFFICE OF MANAGEMENT AND BUDGET

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OVERVIEW

- Economic Conditions
- City of Tacoma Budget Structure
- General Fund Fiscal Outlook (2013-2018)

OFFICE OF MANAGEMENT AND BUDGET

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ECONOMIC CONDITIONS



ECONOMIC OVERVIEW

Although there are positive economic signs, the effects of the 2008 recession still lingering and impacting Tacoma

- 2008 recession directly impacted all of the City's major revenue sources - Property, Sales, Utility, B&O
- Recovery has been slow

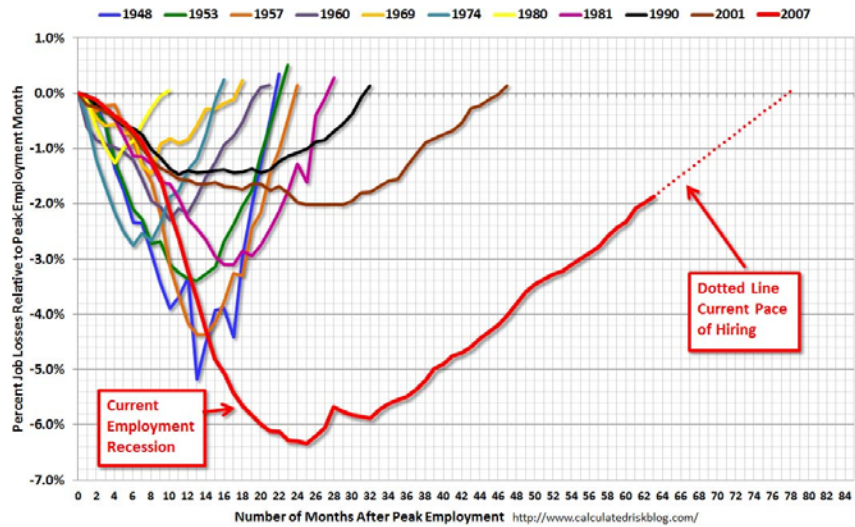
Recent Economic Data is Encouraging:

- Housing market has had 6-8 months of positive news (prices up, permitting up)
- Job Growth is occurring in most sectors, but slowly
- 2013 retail sales showing positive signs

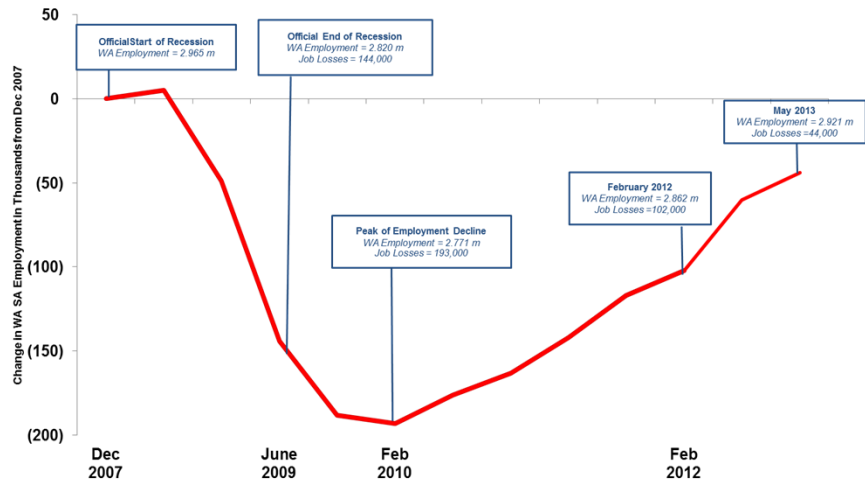
However, risks remain that could impact recovery.



NATIONAL PERCENT JOB LOSS IN POST WWII RECESSIONS



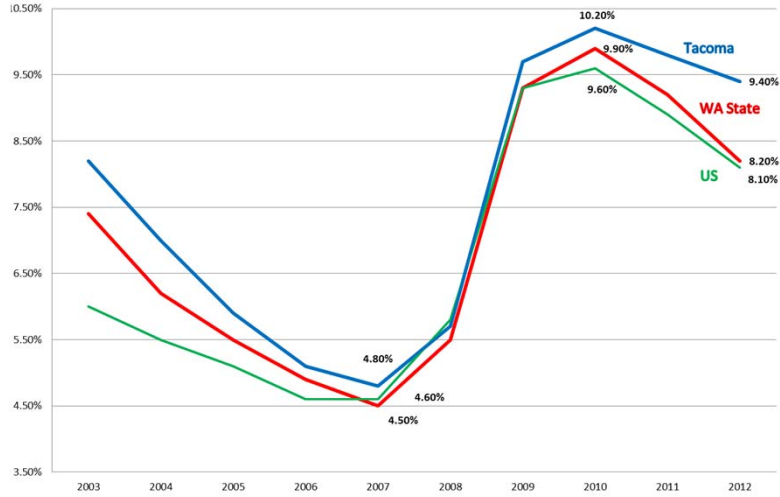
WASHINGTON STATE JOB LOSSES - NOT YET BACK TO 2007 LEVELS



Source: SWM & Employment Security Department seasonally adjusted non-farm employment. Totals may differ slightly due to rounding.



UNEMPLOYMENT RATE

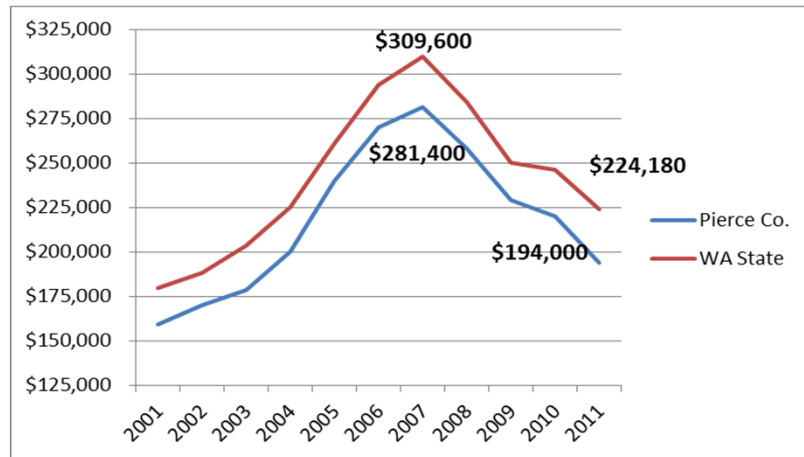


Source: US Bureau of Labor Statistics

Washington U.S. Tacoma



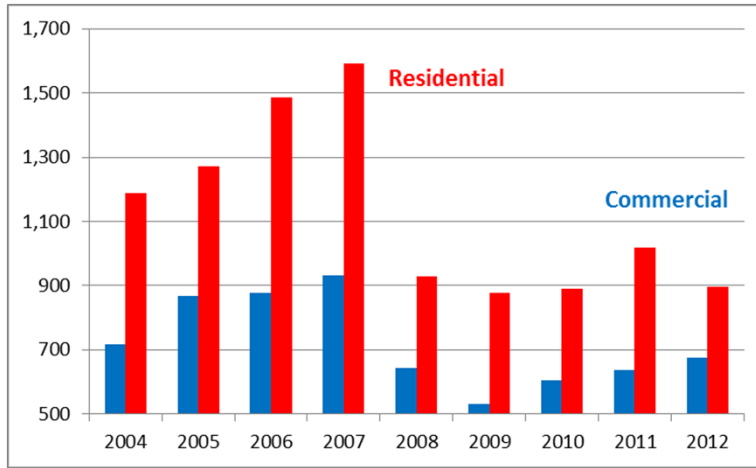
MEDIAN HOME PRICES



<http://wcrer.be.washington.edu/WSHM/buildOwnReport.aspx>



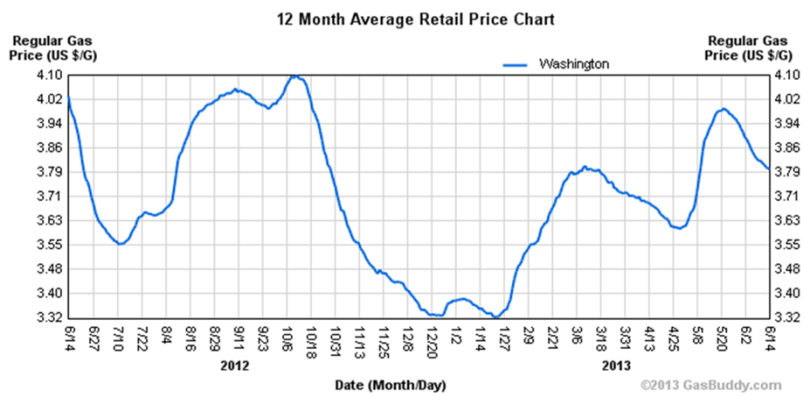
TACOMA - NUMBER OF BUILDING PERMITS ISSUED



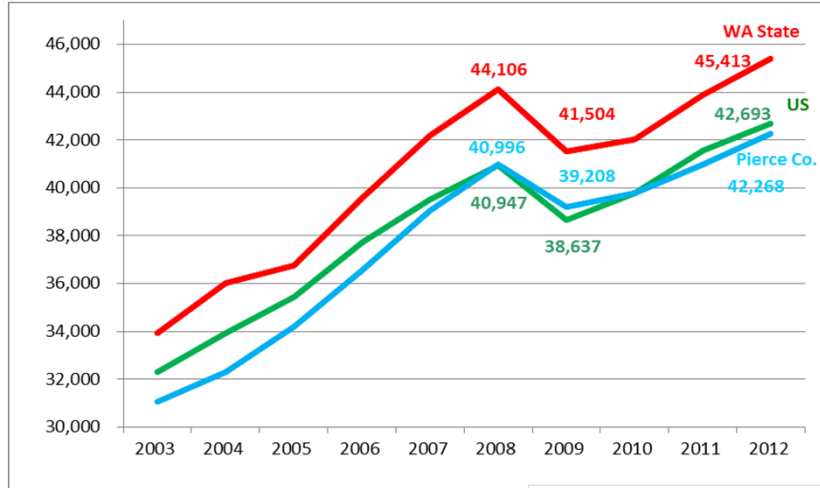
Source: City of Tacoma



WASHINGTON STATE AVERAGE GAS PRICES



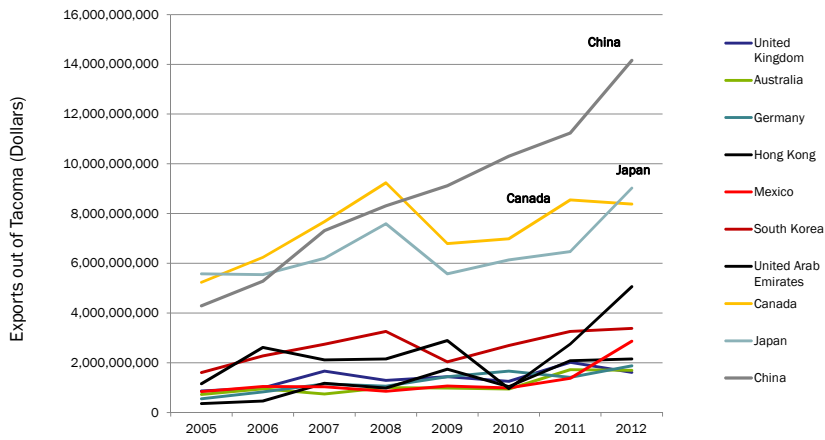
PERSONAL INCOME



Source: <http://www.ofm.wa.gov/trends/economy/fig101.asp>



TACOMA EXPORTS



ITA - International Trade Administration - US Dept of Commerce



WHAT'S IT ALL MEAN?

Q: Why are we talking about home prices, unemployment, gas prices, personal income, exports?

A: These metrics impact Consumer and Business Confidence which impacts Tacoma's major revenue sources – Property, Sales, Utility, B&O.

If consumers are confident, they will spend money on food, cars, entertainment, homes, home repair and improvement, major appliances, services, etc.

If businesses see demand, they will hire more people, manufacture, order and/or ship more products, provide more services, etc.



ECONOMIC OUTLOOK & RISKS

Upside:

- Economic recovery continues, but at slow pace,
- Many signs of positive changes
 - Unemployment falling and job creation growing (slowly)
 - Consumer & business confidence rising (but volatile)
 - Housing market showing recovery - median prices recovering, permitting is up from historic lows
 - Tacoma has a diverse economic base

Downside Risks:

- Global outlook – European Debt Crisis, India & China, Middle East turmoil (oil shocks)
- US Outlook – If Europe falls deeper into a recession or China slows their economy too quickly, it will impact US. Also, political stalemate in Washington D.C. will add to uncertainty
- WA State Outlook largely dependent on Global and US – as they rise/fall so does WA
- Tacoma still has large inventory of foreclosures that need to clear the market



BUDGET STRUCTURE



CITY OF TACOMA BUDGET STRUCTURE

City of Tacoma

Tacoma Public Utilities (TPU)

General Government

Water

Power

Rail

Fleet, Low Income Assistance, Self Insurance

Environ. Services (ES)

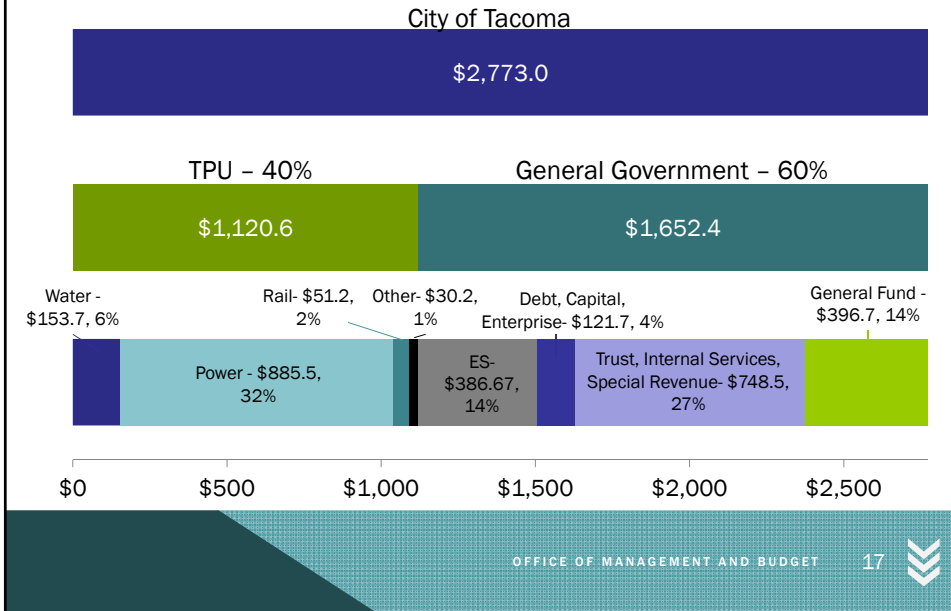
Capital, Debt, & Enterprise

Special Revenue, Trust, and Internal Services

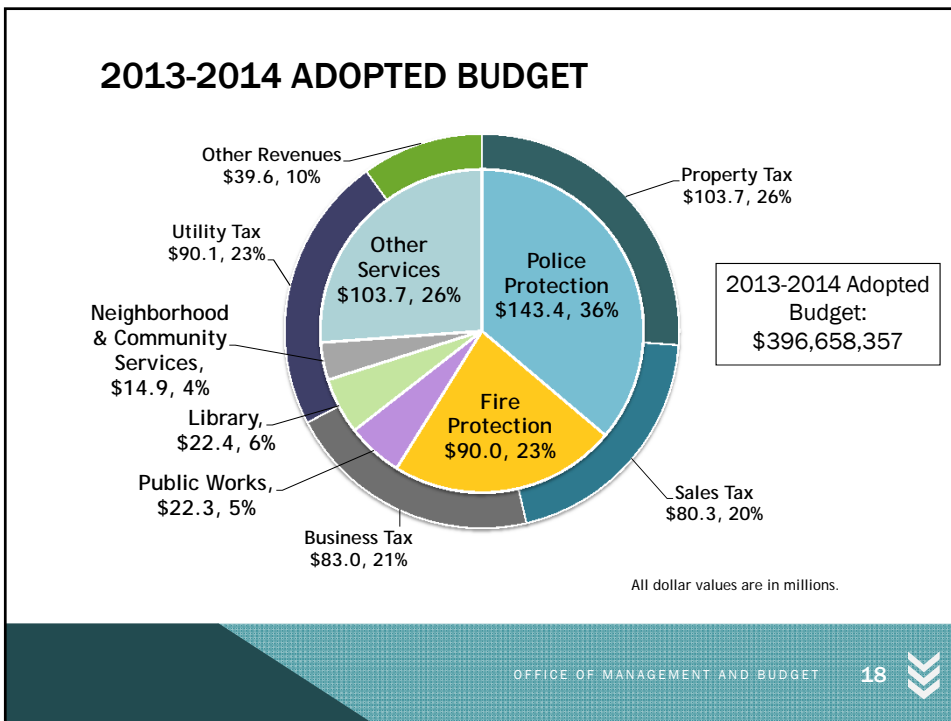
General Fund



CITY OF TACOMA BUDGET STRUCTURE – 2013-2014 ADOPTED BUDGET (MILLIONS)



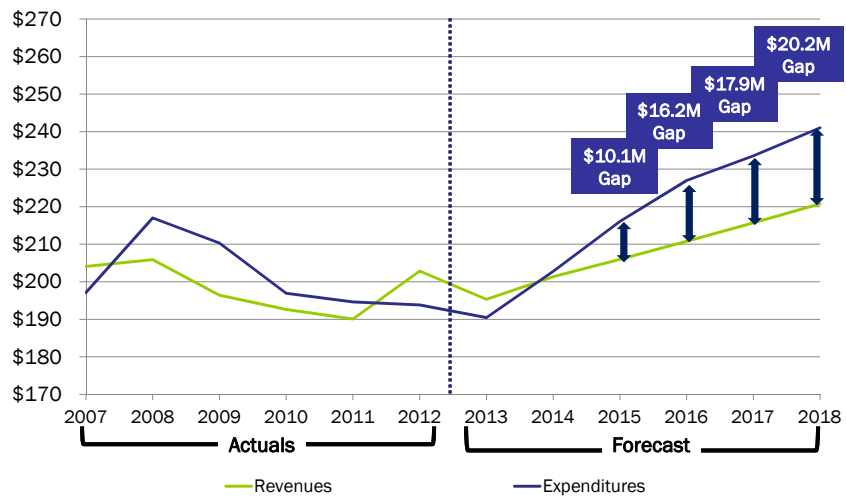
2013-2014 ADOPTED BUDGET



GENERAL FUND FISCAL OUTLOOK (2013-2018)



GENERAL FUND FORECAST (IN MILLIONS)

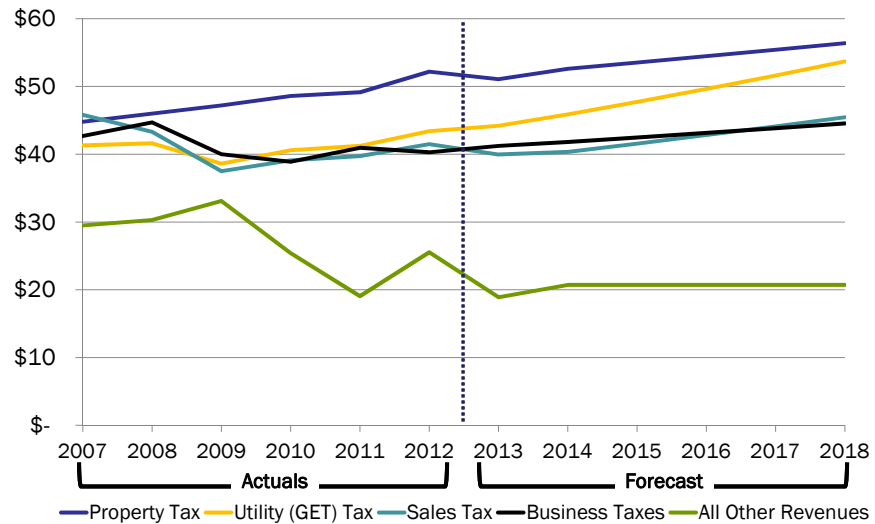


GENERAL FUND FORECAST

(In Millions)	2013 Budget	2014 Budget	2015 Projection	2016 Projection	2017 Projection	2018 Projection
Revenues	\$195.3	\$201.3	\$206.0	\$210.8	\$215.7	\$220.8
Expenditures	\$190.5	\$202.8	\$216.1	\$227.0	\$233.6	\$241.0
Ending Balance	\$4.8	(\$1.4)	(\$10.1)	(\$16.2)	(\$17.9)	(\$20.2)
Biennial Ending Balance	\$3.4 M		(\$26.3M)		(\$38.1M)	



GENERAL FUND REVENUE BY SOURCE (IN MILLIONS)

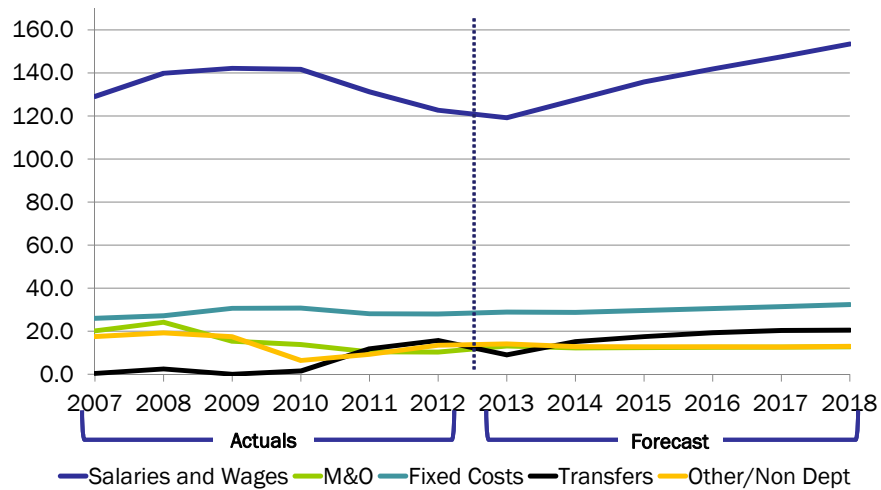


REVENUE ASSUMPTIONS IN FORECAST

Revenue Source	Projected Yearly Increases
Property Tax	1.75%
Sales Tax	3.03%
B&O Tax	1.6%
Utility Tax	4.0%
Other	Flat or small increases



COMPONENTS OF GENERAL FUND EXPENDITURES (IN MILLIONS)



EXPENDITURE ASSUMPTIONS IN FORECAST

- Reflects funding to provide today's level of recurring City services
- Fully funds expiring COPS (15 FTE) and SAFER (37 FTE) Grants (\$12 M in 2015-2016)
- Assumes fixed cost annual increases of 3% and Maintenance and Operation annual increases of 1%
- Assumes salary increases based on historical averages and contractual requirements
- Health benefits increases based on Mercer Consulting projections (between 7-8%)



OTHER CONSIDERATIONS

Reserve Contribution

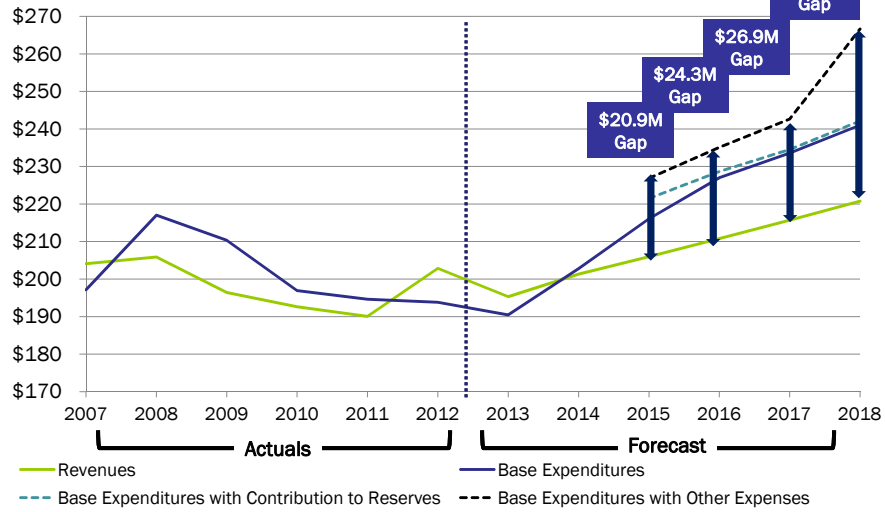
- Recent bond downgrades quoted below average levels of reserves
- In July, City Staff will recommend to City Council that the reserve policy be set at 15%-20% of General Fund yearly expenditures

Deferred Maintenance and Other Expenses

- Fleet Replacement Fund Contribution
- Facilities Maintenance
- IT Procurement and Replacement
- EMS Contribution
- Affordable Care Act impact



GENERAL FUND FORECAST (IN MILLIONS)



SUMMARY



SUMMARY

Economic Conditions

- Although there are positive economic signs, the effects of the 2008 recession still lingering and impacting Tacoma, and risks remain that could impact recovery

City of Tacoma Budget Structure

- Overall City budget is \$2.7 billion, but focus of the Task Force is on the General Fund portion of revenues and spending

General Fund Fiscal Outlook (2013-2018)

- Projected expenditure growth is greater than projected revenue growth (structural deficit)



CITY OF TACOMA FINANCIAL OVERVIEW

6/20/2013

