



To: Mayor and City Councilmembers  
From: Tho Kraus, Assistant City Manager/Administrative Services  
Through: John J. Caulfield, City Manager  
Date: November 5, 2018  
Subject: Public Hearing on Proposed 2018 Year-End Budget Adjustment

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## **BACKGROUND**

The RCW requires that all cities that are on a biennial budget cycle hold a mid-biennium review. In addition to the required mid-biennium review, the City may review and modify the budget at other times throughout the year provided a public hearing is held and the budget ordinance is approved by December 31.

The proposed budget adjustment makes the following types of modifications:

- Housekeeping adjustments to incorporate items previously approved by the City Council;
- Appropriate projects funded by grants and contributions; and
- New allocations, on an exception basis.

## **CHANGES & ADDITIONAL ADJUSTMENTS**

In addition to the change in accounting for the Leonard Thomas punitive damages settlement (accounting for it in both the Risk Management Fund and General Fund), three additional items were added since the original proposed budget adjustment was presented to the City Council at the October 22<sup>nd</sup> study session. They are:

- 1) Felony Seizure Fund – Add \$50,000 in expenditures, offset by \$50,000 seizure asset forfeiture funds.
- 2) Public Safety Grants Fund – Add \$72,000 in expenditures, offset by \$72,000 grant revenues.
- 3) Risk Management Fund – Add \$100,000 in claims expense, offset by \$100,000 insurance recoveries.

## PROPOSED BUDGET ADJUSTMENT - SUMMARY

### Year 2018:

- No change to total beginning fund balance for all funds; revised estimate remains same at \$26.90M;
- Increases total revenues for all funds by \$2.66M, resulting in a revised estimate of \$87.85M;
- Increases total expenditures for all funds by \$3.60M, resulting in a revised estimate of \$99.73M; and
- Decreases total ending fund balance for all funds by \$942K, resulting in a revised estimate of \$15.01M.

The table below provides a breakdown of the proposed 2018 year-end budget adjustment by fund group.

Fund Group	Beginning Fund Balance			Revenue			Expenditure			Ending Fund Balance		
	Current Budget	Proposed Adjustment	Proposed Revised Budget	Current Budget	Proposed Adjustment	Proposed Revised Budget	Current Budget	Proposed Adjustment	Proposed Revised Budget	Current Budget	Proposed Adjustment	Proposed Revised Budget
<b>Total Year 2018</b>	\$ 26,896,630	\$ -	\$ 26,896,630	\$ 85,193,374	\$ 2,656,500	\$ 87,849,874	\$ 96,134,955	\$ 3,598,500	\$ 99,733,455	\$ 15,955,049	\$ (942,000)	\$ 15,013,049
General	9,152,229	-	9,152,229	38,175,327	517,500	38,692,827	41,730,365	1,092,500	42,822,865	5,597,191	(575,000)	5,022,191
Special Revenue	3,470,383	-	3,470,383	11,096,462	622,000	11,718,462	13,736,979	622,000	14,358,979	829,866	-	829,866
Debt Service	925,368	-	925,368	1,354,745	-	1,354,745	1,231,437	-	1,231,437	1,048,676	-	1,048,676
Capital Projects	4,226,096	-	4,226,096	24,207,744	267,000	24,474,744	27,085,382	267,000	27,352,382	1,348,458	-	1,348,458
Enterprise	4,689,608	-	4,689,608	3,025,601	50,000	3,075,601	5,628,520	417,000	6,045,520	2,086,689	(367,000)	1,719,689
Internal Service	4,432,946	-	4,432,946	7,333,495	1,200,000	8,533,495	6,722,272	1,200,000	7,922,272	5,044,169	-	5,044,169

## ENDING FUND BALANCE – GENERAL FUND

In support of the City's financial integrity, the City Council adopted a set of financial policies including fund balance reserves totaling 12% of General/Street O&M Funds operating revenues. The ending fund balance reserve requirements continues to be met with this budget adjustment (\$5.02M ending fund balance equates to 12.9% of General/Street O&M operating revenues).

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. A 2% reserve fund equates to \$781K.
- *5% General Fund Ending Fund Balance Reserves:* The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength. A 5% reserve fund equates to \$1.95M.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events. A 5% reserve fund equates to \$1.95M.

**PROPOSED BUDGET ADJUSTMENT – DETAIL**

	Year 2018	
	Revenue	Expenditure
<b>Grand Total - All Funds</b>	<b>\$ 2,656,500</b>	<b>\$ 3,598,500</b>
<b>Total - Fund 001 General</b>	<b>\$ 517,500</b>	<b>\$ 1,092,500</b>
Increase Sales Tax Revenue Estimate	500,000	-
Decrease General Fund Contribution to Transportation CIP (offset by increase in REET Contribution to Transportation CIP by equal amount)	-	(500,000)
PD - Leonard Thomas Punitive Damages Settlement (Internal Service Charge to Risk Management)	-	1,000,000
CED - Library Funding- Secure Lending/Property	-	550,000
CED - Department of Archaeology and Historic Preservation Grant	12,000	12,000
PRCS - Beecher's Foundation Pure Food Kids Workshop	-	25,000
PRCS - Studio Fitness Donation	5,500	5,500
<b>Total - Special Revenue Funds</b>	<b>\$ 622,000</b>	<b>\$ 622,000</b>
<b>Total - Fund 102 Real Estate Excise Tax</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>
Increase REET Contribution to Transportation CIP Source is increase in REET Revenue Estimate (offset by decrease in General Contribution to Transportation CIP by equal amount)	500,000	500,000
<b>Total - Fund 181 Felony Seizure</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>
Increase Felony Seizure Expenditures Offset by Felony Seizure Asset Forfeiture	50,000	50,000
<b>Total - Fund 190 CDBG</b>	<b>\$ -</b>	<b>\$ -</b>
Purchase of a new CDBG vehicle \$30,000 (#43230) Funding Source is existing CDBG funds, no budgetary impact	-	-
<b>Total - Fund 195 Police Grants</b>	<b>\$ 72,000</b>	<b>\$ 72,000</b>
PD - Department of Justice Bulletproof Vest Grant	22,000	22,000
PD - Washington Traffic Safety Commission Phlebotomy Grant	50,000	50,000
<b>Total - Capital Improvement Project Funds</b>	<b>\$ 267,000</b>	<b>\$ 267,000</b>
<b>Total - Fund 302 Transportation CIP</b>	<b>\$ 267,000</b>	<b>\$ 267,000</b>
302.0051 Overlay: Lakewood Dr – Flett Creek to 74th Increase Budget for Storm Related Portion of Project Funding Source is SWM	267,000	267,000
Decrease in General Fund Contributions of \$500,000 Offset by Increase in REET Contributions of \$500,000	-	-
<b>Total - Enterprise Funds</b>	<b>\$ 50,000</b>	<b>\$ 417,000</b>
<b>Total - Fund 401 Surface Water Management</b>	<b>\$ 50,000</b>	<b>\$ 417,000</b>
Transfer to Transportation CIP Project for Storm Related Portion of Project 302.0051 Overlay: Lakewood Dr – Flett Creek to 74th	-	267,000
Waughop Lake Treatment Funding Source is Flood Zone Control Opportunity Fund \$50,000 and SWM \$100,000	50,000	150,000
<b>Total - Internal Service Funds</b>	<b>\$ 1,200,000</b>	<b>\$ 1,200,000</b>
<b>Total - Fund 501 Fleet &amp; Equipment</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>
Replacement of Totaled Police Vehicle #40960 Funded by Transfer In From Risk Management Insurance Proceeds	50,000	50,000
Increase Claims Expense Offset by Insurance Recoveries	100,000	100,000
<b>Total - Fund 504 Risk Management</b>	<b>\$ 1,050,000</b>	<b>\$ 1,050,000</b>
Transfer to Fleet & Equipment Fund for Replacement Totaled Police Vehicle #40960 Funding Source is Insurance Proceeds	50,000	50,000
PD - Leonard Thomas Punitive Damages Settlement	1,000,000	1,000,000

**Fund 001 General**

***Sale Tax Revenue Estimate***

Increase sales tax revenue estimate by \$500,000 based on sales tax activity through June 2018. The revenue increase will partially offset the cost of punitive damages settlement and library funding.

***PD – Punitive Damages Settlement – 1-Time***

Add \$1,000,000 in internal service charges paid to the Risk Management Fund for settlement of punitive damages from the Leonard Thomas verdict.

***CED – Library Funding – 1-Time***

Add \$550,000 for City’s contribution towards new library for the purpose of assisting the library securing lending and property purchase.

***CED – DAHP Grant – 1-Time***

Add \$12,000 in revenue and expenditures for a Department of Archaeology and Historic Preservation grant. These funds are provided to update the City’s historical inventory list of property and conduct a reconnaissance level survey of the Oak Park Neighborhood.

***PRCS – Beecher’s Foundation Pure For Kids Workshop – 1-Time***

Add \$25,000 for support of Beecher’s Foundation Pure Foods Kids Workshop. This program is committed to change the way Puget Sound residents eat by shifting consumer demand to more local food suppliers, as well as reducing diet-related diseases by encouraging better nutritional choices.

***PRCS – Studio Fitness Donation – 1-Time***

Add \$5,500 from Studio Fitness donation received in 2018 to support you and recreation programs. Possible expenditures include outdoor movie screens, registration/marketing banner and youth sports equipment.

**Fund 102 Real Estate Excise Tax (REET)**

***REET Revenue Estimate***

Increase REET revenue estimate by \$500,000 based on REET activity through July 2018. The revenue increase will help offset the cost of punitive damages settlement and library funding. Since REET can only be used for capital purposes, a change in funding sources for capital projects is necessary. REET contribution to CIP will increase by \$500,000 and General Fund contribution will decrease by the same amount. The result is as follows:

302.0051 Overlay: Lakewood Drive – Flett Creek to 74<sup>th</sup>  
(\$300,000) Decrease in General Fund Contribution  
\$300,000 Increase in REET contribution

302.0004 Minor Capital and Major Maintenance  
(\$200,000) Decrease in General Fund Contribution  
\$200,000 Increase in REET contribution

**Fund 181 Felony Seizure**

***Felony Seizure – 1-Time***

Increase felony seizure expenditures by \$50,000 offset by \$50,000 increase in felony seizure asset forfeiture revenue.

**Fund 190 CDBG**

***Purchase of New Vehicle #43230 – 1-Time***

Purchase of a 2018 Chevy Silverado with existing CDBG funds. An additional CDBG vehicle is needed to perform duties without monopolizing pool vehicles. There is no budgetary impact since CDBG are already budgeted.

**Fund 195 Police Grants**

***Department of Justice Bulletproof Vest Partnership Grant – 1-Time***

Add grant award of \$22,000 for the period October 3, 2018 through August 31, 2020. These funds are provided to purchase ballistic grade body armor vests for law enforcement officers. The match component to this grant is \$22,000 which is budgeted in the general fund.

***Washington Traffic Safety Commission Phlebotomy – 1-Time***

Add grant award of \$50,000. This is state funding for the certification of five officers to participate in the Pierce County Regional Phlebotomy Program. The program runs from September 28, 2018 through June 30, 2019. This

funding will reimburse the Tacoma Police Department as sub-grantee to pay for certifications, tuition, books and overtime of officers while attending school.

### **Fund 302 Transportation Capital**

302.0051 Overlay: Lakewood Drive – Flett Creek to 74<sup>th</sup>

\$267,000 Increase in expenditures

\$267,000 Increase in revenues (SWM contribution for share of storm related capital)

Change in Funding Source (Decrease General Fund Contribution/Increase REET Contribution):

302.0051 Overlay: Lakewood Drive – Flett Creek to 74<sup>th</sup>

(\$300,000) Decrease in General Fund Contribution

\$300,000 Increase REET Contribution

302.0004 Minor Capital and Major Maintenance

(\$200,000) Decrease in General Fund Contribution

\$200,000 Increase REET Contribution

### **Fund 401 Surface Water Management**

#### ***Transfer to Transportation CIP – 1-Time***

Add \$267,000 for SWM's contribution for share of storm related capital portion of 302.0051 Overlay: Lakewood Drive – Flett Creek to 74<sup>th</sup> project.

#### ***Wauhup Lake Alum Treatment – 1-Time***

Add \$150,000 (funded by \$50,000 Flood Control Zone Opportunity Fund and \$100,000 SWM) to the existing budget of \$250,000 for Wauhup Lake alum treatment for a total project cost of \$400,000. Total Sources is \$400,000 (\$300,000 Flood Control Zone Opportunity Fund and \$100,000 SWM Fund).

### **Fund 501 Fleet & Equipment**

#### ***Replace Police Vehicle #40960 – 1-Time***

Add \$50,000 for replacement police vehicle #40960, funded by insurance proceeds. The vehicle being replaced is a 2014 Ford Interceptor that was totaled in a serious collision. The Police Department needs this vehicle for operations and does not have an extra vehicle that could be used to replace the damaged one.

### **Fund 504 Risk Management**

#### ***Transfer Insurance Proceeds to Replace Police Vehicle #40960 – 1-Time***

Add \$50,000 expenditures for transfer of insurance proceeds for the replacement of police vehicle 40960, funded by insurance proceeds.

#### ***PD – Punitive Damages Settlement – 1-Time***

Add \$1,000,000 for settlement of punitive damages from the Leonard Thomas verdict.

#### ***Claims Expense – 1-Time***

Increase claims expense by \$100,000 offset by \$100,000 in insurance recoveries.

### **NEXT STEPS**

- Adoption on November 19, 2018

### **ATTACHMENT**

- Proposed Revised Budget by Fund

Fund	Beginning Fund Balance			Revenue			Expenditure			Ending Fund Balance
	Prior Amount	Adjustment	Revised	Prior Amount	Adjustment	Revised	Prior Amount	Adjustment	Revised	
<b>General Government Funds:</b>	<b>\$ 13,547,980</b>	<b>-</b>	<b>13,547,980</b>	<b>\$ 50,626,534</b>	<b>\$ 1,139,500</b>	<b>\$ 51,766,034</b>	<b>\$ 56,698,781</b>	<b>\$ 1,714,500</b>	<b>\$ 58,413,281</b>	<b>\$ 6,900,733</b>
001 General	9,152,229	-	9,152,229	38,175,327	517,500	38,692,827	41,730,365	1,092,500	42,822,865	5,022,191
101 Street	11,305	-	11,305	2,396,465	-	2,396,465	2,407,770	-	2,407,770	-
102 Real Estate Excise Tax	950,823	-	950,823	1,500,000	500,000	2,000,000	2,450,823	500,000	2,950,823	-
103 Transportation Benefit District	143,506	-	143,506	814,000	-	814,000	957,506	-	957,506	-
104 Hotel/Motel Lodging Tax Fund	1,513,239	-	1,513,239	700,000	-	700,000	1,485,871	-	1,485,871	727,368
105 Property Abatement/RHSP	247,597	-	247,597	505,000	-	505,000	752,597	-	752,597	-
106 Public Art	19,598	-	19,598	15,000	-	15,000	34,598	-	34,598	-
180 Narcotics Seizure	284,762	-	284,762	101,042	-	101,042	385,804	-	385,804	-
181 Felony Seizure	45,363	-	45,363	-	50,000	50,000	45,363	50,000	95,363	-
182 Federal Seizure	2,360	-	2,360	75,000	-	75,000	77,360	-	77,360	-
190 Grants	51,852	-	51,852	2,125,700	-	2,125,700	2,177,552	-	2,177,552	-
191 Neighborhood Stabilization Prog	105,469	-	105,469	80,000	-	80,000	185,469	-	185,469	-
192 SSMCP	94,509	-	94,509	2,719,177	-	2,719,177	2,711,188	-	2,711,188	102,498
195 Public Safety Grants	-	-	-	65,078	72,000	137,078	65,078	72,000	137,078	-
201 GO Bond Debt Service	-	-	-	478,135	-	478,135	478,135	-	478,135	-
202 LID Debt Service	4,935	-	4,935	191,881	-	191,881	196,816	-	196,816	-
204 Sewer Project Debt	793,506	-	793,506	684,729	-	684,729	556,486	-	556,486	921,749
251 LID Guaranty	126,927	-	126,927	-	-	-	-	-	-	126,927
<b>Capital Project Funds:</b>	<b>\$ 4,226,096</b>	<b>\$ -</b>	<b>\$ 4,226,096</b>	<b>\$ 24,207,744</b>	<b>\$ 267,000</b>	<b>\$ 24,474,744</b>	<b>\$ 27,085,382</b>	<b>\$ 267,000</b>	<b>\$ 27,352,382</b>	<b>\$ 1,348,458</b>
301 Parks CIP	993,418	-	993,418	4,921,634	-	4,921,634	5,915,052	-	5,915,052	-
302 Transportation CIP	2,529,384	-	2,529,384	19,007,115	267,000	19,274,115	20,952,358	267,000	21,219,358	584,141
311 Sewer Project CIP	51,715	-	51,715	103,995	-	103,995	127,472	-	127,472	28,238
312 Sanitary Sewer Connection	651,579	-	651,579	175,000	-	175,000	90,500	-	90,500	736,079
<b>Enterprise Fund:</b>	<b>\$ 4,689,608</b>	<b>\$ -</b>	<b>\$ 4,689,608</b>	<b>\$ 3,025,601</b>	<b>\$ 50,000</b>	<b>\$ 3,075,601</b>	<b>\$ 5,628,520</b>	<b>\$ 417,000</b>	<b>\$ 6,045,520</b>	<b>\$ 1,719,689</b>
401 Surface Water Management	4,689,608	-	4,689,608	3,025,601	50,000	3,075,601	5,628,520	417,000	6,045,520	1,719,689
<b>Internal Service Funds:</b>	<b>\$ 4,432,946</b>	<b>\$ -</b>	<b>\$ 4,432,946</b>	<b>\$ 7,333,495</b>	<b>\$ 1,200,000</b>	<b>\$ 8,533,495</b>	<b>\$ 6,722,272</b>	<b>\$ 1,200,000</b>	<b>\$ 7,922,272</b>	<b>\$ 5,044,169</b>
501 Fleet & Equipment	3,953,548	-	3,953,548	2,846,546	50,000	2,896,546	2,062,359	50,000	2,112,359	4,737,735
502 Property Management	436,898	-	436,898	791,588	-	791,588	987,052	-	987,052	241,434
503 Information Technology	42,500	-	42,500	2,332,463	-	2,332,463	2,309,963	-	2,309,963	65,000
504 Risk Management	-	-	-	1,362,898	1,150,000	2,512,898	1,362,898	1,150,000	2,512,898	-
<b>Total All Funds</b>	<b>26,896,630</b>	<b>\$ -</b>	<b>\$26,896,630</b>	<b>\$ 85,193,374</b>	<b>\$ 2,656,500</b>	<b>\$87,849,874</b>	<b>\$ 96,134,955</b>	<b>\$ 3,598,500</b>	<b>\$99,733,455</b>	<b>\$ 15,013,049</b>