

AGENDA ITEM

BUSINESS OF THE CITY COUNCIL
City of Des Moines, WA

SUBJECT: Presentation of General Fund
Financial Forecast and Development Impact
Model by FCS Group

FOR AGENDA OF: September 11, 2025

DEPT. OF ORIGIN: City Manager

DATE SUBMITTED: September 2, 2025

ATTACHMENTS:
1. Presentation

CLEARANCES:

- City Clerk _____
- Community Development _____
- Courts _____
- Finance *MM/RL*
- Human Resources _____
- Legal /s/TG _____
- Marina _____
- Police _____
- Parks, Recreation & Senior Services _____
- Public Works _____

APPROVED BY CITY MANAGER
FOR SUBMITTAL: _____

Purpose and Recommendation

The purpose of this agenda item is to present the General Fund Financial Forecast and Development Impact Model prepared for the City of Des Moines by the FCS Group.

Background

At the April 10, 2025, City Council meeting, the Council approved a professional services agreement with FCS Group to prepare a Long-Range Financial Plan for the City. The resulting Long-Range Financial Plan and Development Impact Analysis evaluated the City’s overall financial health and produced a fiscal forecast. As part of this work, the Development Impact Model examined vacant and underutilized parcels to estimate their potential revenue generation and service cost impacts, and to analyze how different types of development may affect the City’s financial resources.

Representatives from FCS Group will present their findings at the meeting and respond to questions from the City Council.

This information will provide the Council with a solid financial foundation as staff bring forward potential revenue-enhancement options at future meetings and as the Council begins consideration of the 2026 budget.



PART 1: General Fund Financial Forecast



Todd Chase, AICP, LEED Principal
Tim Wood, Project Manager
Luke Nelson, Senior Analyst





Review: City Policy on Forecast Overview

- City financial policies direct staff to conduct a **six-year financial forecast** as part of the budget process
- To develop the forecast, **City policies provide the following guidance:**
 - » **Conservative approach** to forecasting revenues and expenditures
 - » **Maintain minimum fund balance equivalent to 15 percent** of recurring expenses in each year of forecast (~\$129,000 in 2025)



Financial Forecast Objectives

- *Best practices* for government financial planning
 - » Evaluate current and future fiscal conditions to guide policy and programmatic decisions
 - » Identify future revenue and expenditure trends that may impact City's policies, goals, and services
 - » Integral part of the annual budgeting process
- City financial policy requires a six-year financial forecast as part of biennial budget development
 - » Evaluate revenue, operating, debt, and capital expenditures, and reserve management
 - » Achieve financial structural balance: one-time resources support one-time expenditures. Ongoing expenditures supported by ongoing resources.

Source: Government Finance Officers Association, Best Practices: Financial Forecasting in the Budget Preparation Process



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Key Financial Forecast Assumptions



Forecast Basis

2025 Adopted Budget with 95% Realization Factor



Sales Tax Revenue

4% Annual Increase
Adjust 2025 by +\$0.3M



Property Tax Revenue

1% Annual Increase



Labor Expense

4% Annual Increase



Benefit Expense

3% Annual Increase



Police Services Contract

5% Annual Increase

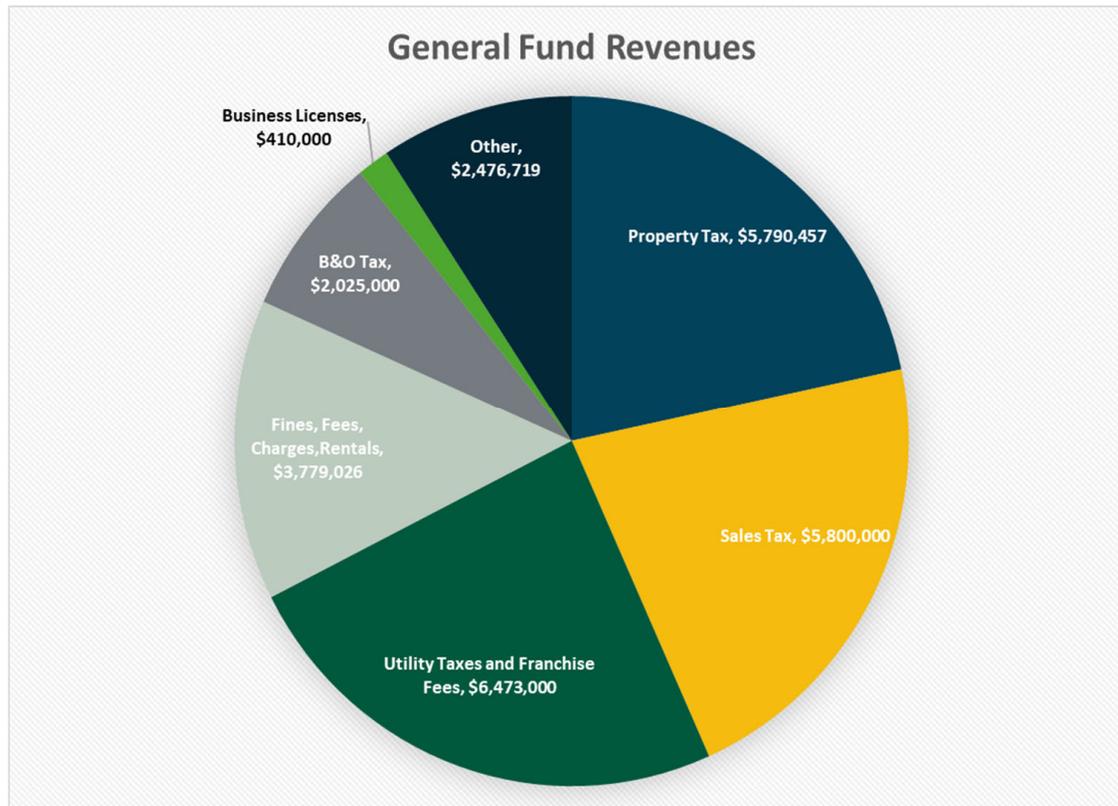


2025-2035 Financial Forecast Assumptions

- Revenues are expected to generally increase by 1.5% per year based on historical growth
- Softening of sales tax revenues and B&O taxes in late 2024 and 2025 lowered the outlook.
- Utility Tax revenue is expected to increase 3% for Electric, Solid Waste and Natural Gas and increase 1% for all other.
- Expenses are expected to increase by inflationary factors and expected salary increases of 4%



General Fund Revenue Sources (2025 Estimate)





General Fund Revenue Stability

	Share of 2022 General Fund Revenues	Historical Stability (2011-2021)
Sales Taxes	21%	Stable
Property Taxes	22%	Very Stable
Utility Tax and Franchise Fees	24%	Mixed
Business Licenses	2%	Stable
Business and Occupation Taxes	8%	Stable
Fees, Fines, Charges for Service, Rentals	14%	Less Stable

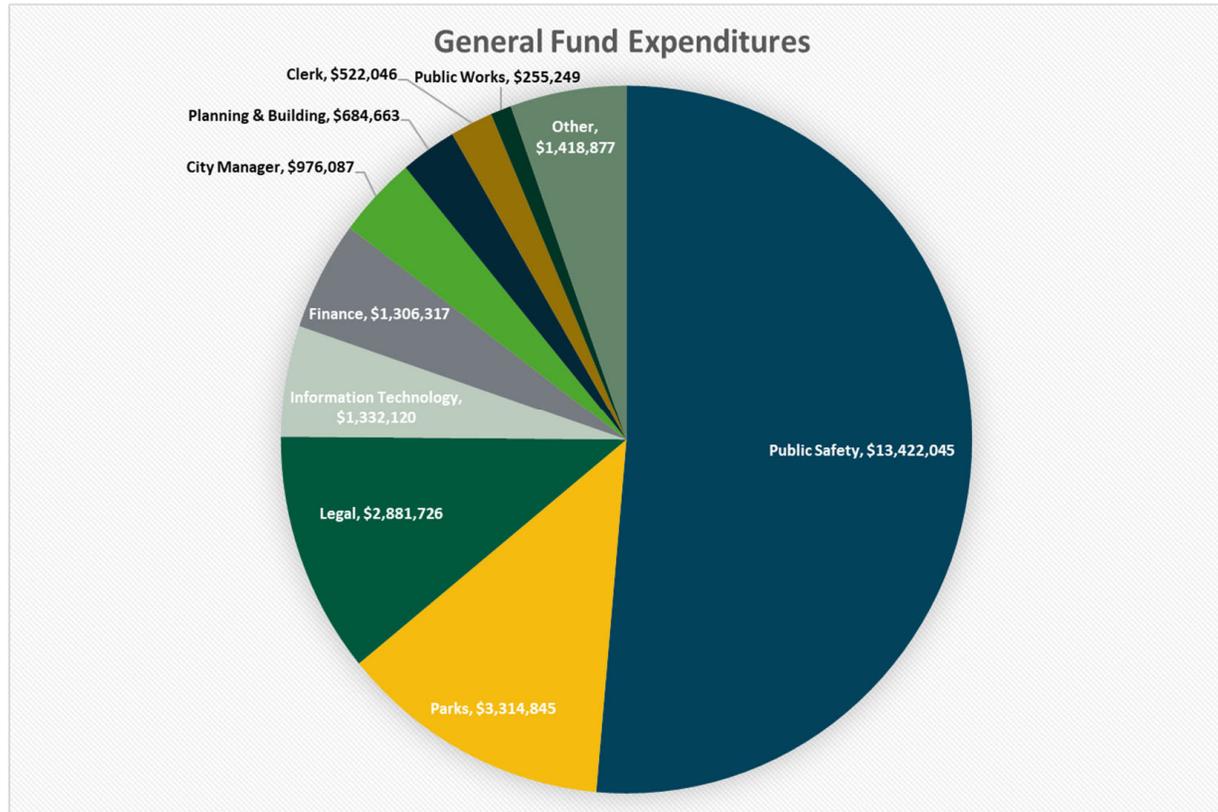
Note: This list only includes major General Fund revenue sources. Revenue from other sources comprise the remaining 9 percent of revenue.



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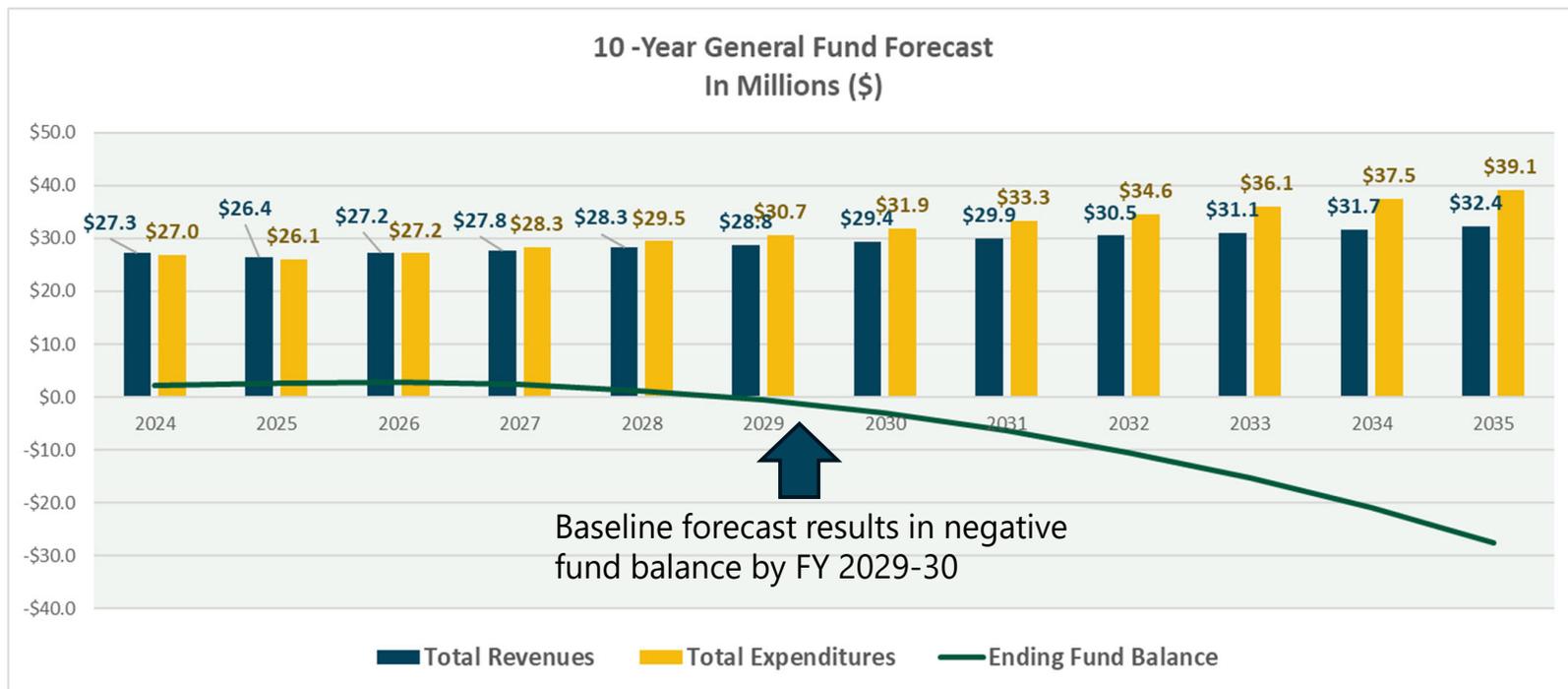


General Fund Expenditure Uses (2025)





Current General Fund Financial Forecast





2025-2035 Financial Forecast Summary

- The General Fund with existing revenue sources will be under the council reserve target by FY 2029-30.
- Key cost drivers of expenditure projected change in Public Safety and overall Personnel increases.
- Baseline Forecast is escalated based on 2025 expenditure budget with known changes since adoption
- New Revenue Sources should be evaluated in near-term



Overview of Major Councilmanic Revenue Options

Option	Description
Property Tax Levy Maximum/Banked Capacity	Raise local agency taxes to levy maximum and/or take available banked capacity.
Transportation Benefit District	Can assess up to \$40 car tab and/or .1% sales tax.
Utility Taxes	Up to 6% on electric, cable, gas, no limit on public utilities.
Business and & Operations Tax (B&O)	Gross receipts tax that can be set by business category and size
Other Business License Fees	Square footage, per employee
Admissions Tax	Taxes on specific events or activities in the jurisdiction
Fee and Fine Revenues	Evaluate methods for enhancing fee revenues for development, recreation, police and fines.

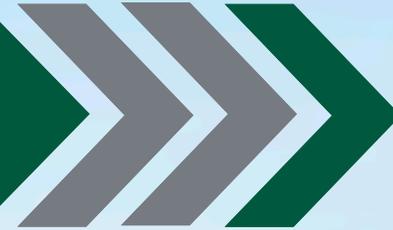
Part 1: Discussion





Des Moines *WA*
The Waterland City

PART 2: Development Impact Model



Todd Chase, Principal
Tim Wood, Project Manager
Luke Nelson, Senior Analyst





Part 2 Approach

- Key Objectives
 - » Consider value of redevelopment of vacant and underutilized parcels
 - » Analyze impacts of different development types on city financial resources
 - » Provide a new tool for staff to understand cost/benefit of proposed developments
- Discuss Assumptions
- Review DRAFT Findings

Development Assumptions

- Identify development typologies
 - » Mixed-use residential
 - » Multi-family
 - » Highway Commercial
 - » Single-Family Detached
 - Included as a baseline comparison, not as a likely land use.
- Evaluate potential opportunities
 - » Focused on downtown area
 - » Eight sites included in initial model





Development Typologies



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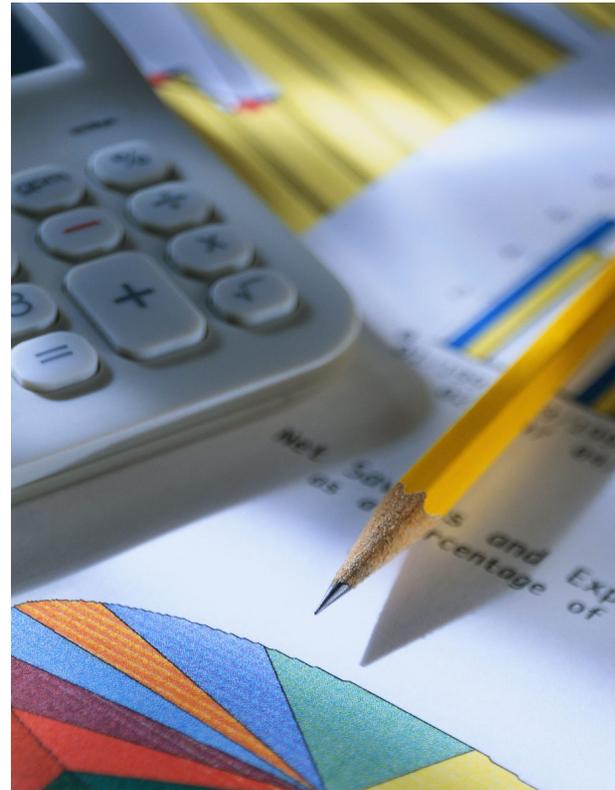
Approach

- Analyze Sample of Site Typologies
 - » Highline Place II (Mixed Use Residential w/commercial)
 - » Woodmont (Multifamily apartments)
 - » Walgreens (Highway Commercial)
 - » Burger King/Popeye's (Highway Commercial)
 - » Single-Family Detached housing (for comparison only)
- Gather Key Data
 - » Population and household size by type (U.S. Census)
 - » Des Moines Housing Action Plan
 - » Assessed value and mil rate (King County Assessor)
 - » Employment density (industry standards)



Approach: Fiscal Impact Assumptions

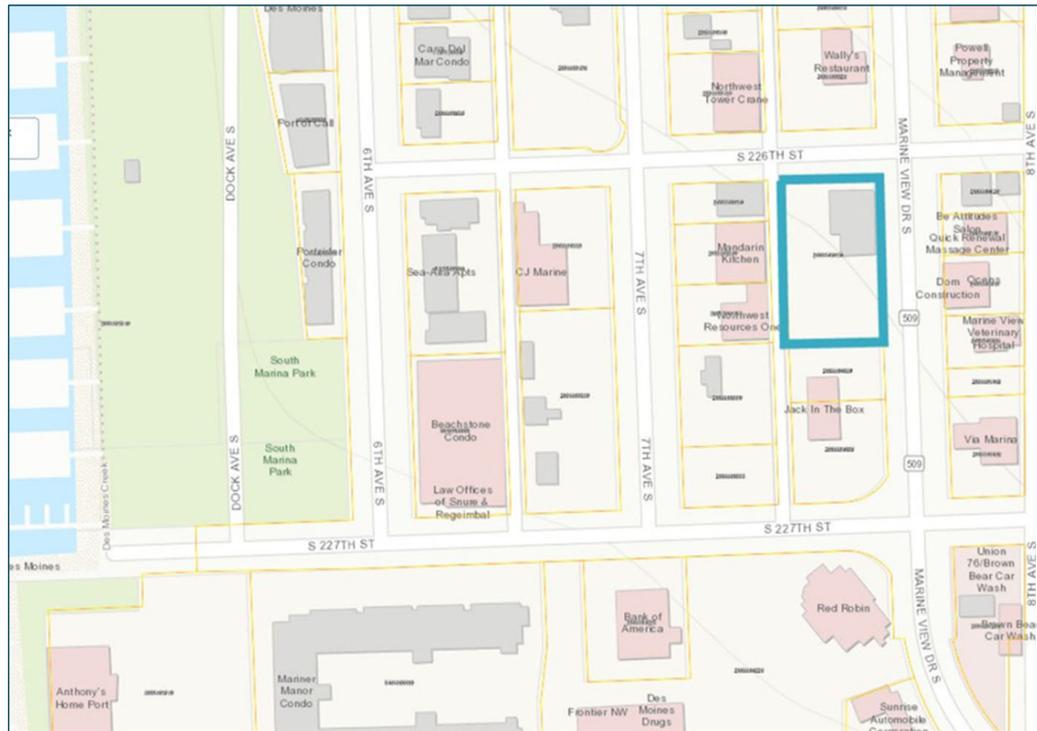
- Budget Assumptions
 - » Analyze 3 years of budget data
 - » Identify revenues and expenses impacted by new development
 - » Consider 1-time vs. reoccurring fiscal impacts
 - » Weight Gen. Fund line items by population & jobs
 - » Apply appropriate cost escalators (CPI, CCI, other)
 - » Calculate avg. fiscal impact per change in pop., jobs, Taxable Assessed Value (TAV)





Seascape Property (aka. "The Pit")

- Location: S. 226th & Marine View Drive S.
- Lot Size: 24,000 square feet
- Zoning: Downtown – Commercial
- Taxable Property Value: \$624,000



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Seascape Property (The Pit)



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Findings – Mixed-Use Development at Seascape Site

- Parcel would transition from vacant to a mixed-use development
 - » 49 apartment or condo units + 7,660 SF of commercial space
- Cost to serve new mixed-use: \$841,000 over ten years
- Revenue from new mixed-use: \$858,000 over ten years
- **10-year General Fund impact: +\$17,000**

Summary: Revenues and Expenses	Annual Avg (1-10)		Aggregate (1-10)	
Avg. Annual Revenue	\$	85,800	\$	858,003
Avg. Annual Additional Costs		84,079		840,788
Total Fiscal Impact	\$	1,722	\$	17,216

One Time Revenues	2026
Construction Sales Tax	\$179,269
Traffic Impact Fees	\$279,927
Total One Time Revenues	\$459,196



Results – Surface Parked Multifamily Development at Seascape Site

- Parcel would transition from vacant to a surface parked multifamily development
 - » 17 apartment units added
- Cost to serve new multifamily use: \$209,000 over ten years
- Revenue from new multifamily use: \$151,000 over ten years
- **10-year General Fund impact: -\$58,000**

Summary: Revenues and Expenses	Annual Avg (1-10)		Aggregate (1-10)	
Avg. Annual Revenue	\$	15,068	\$	150,678
Avg. Annual Additional Costs		20,884		208,843
Total Fiscal Impact	\$	(5,816)	\$	(58,164)

One Time Revenues	2026
Construction Sales Tax	\$60,897
Traffic Impact Fees	\$95,090
Total One Time Revenues	\$155,988





Findings – Highway Commercial Development at Seascape Site

- Parcel would transition from vacant to a highway commercial development
 - » 3,300 SF of new commercial space
- Cost to serve new commercial use: \$96,000 over ten years
- Revenue from new commercial use: \$226,000 over ten years
- **10-year General Fund impact: +\$129,000**

Summary: Revenues and Expenses	Annual Avg (1-10)	Aggregate (1-10)
Avg. Annual Revenue	\$ 22,583	\$ 225,828
Avg. Annual Additional Costs	9,645	96,446
Total Fiscal Impact	\$ 12,938	\$ 129,382

One Time Revenues	2026
Construction Sales Tax	\$42,180
Traffic Impact Fees	\$110,355
Total One Time Revenues	\$152,536





Findings – Single-Family Detached Development at Seascape Site

- This analysis is purely for illustrative purposes
- Parcel would transition from vacant to a single family detached development
 - » 4 new dwelling units
- Cost to serve new single-family use: \$64,000 over ten years
- Revenue from new single-family use: \$47,000 over ten years
- **10-year General Fund impact: -\$17,000**

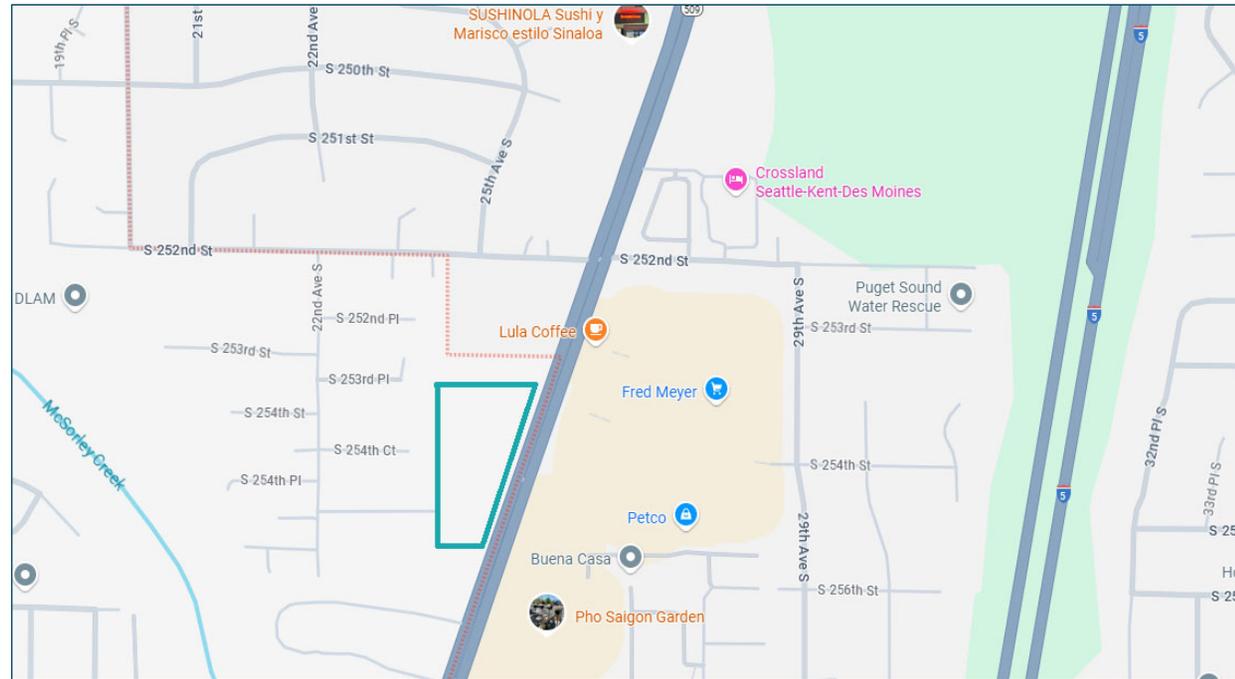
Summary: Revenues and Expenses		Annual Avg (1-10)	Aggregate (1-10)
Avg. Annual Revenue	\$	4,690	\$ 46,898
Avg. Annual Additional Costs		6,383	63,833
Total Fiscal Impact	\$	(1,693)	\$ (16,935)

One Time Revenues	2026
Construction Sales Tax	\$16,900
Traffic Impact Fees	\$31,920
Total One Time Revenues	\$48,820



Pacific Highway Example

- Location: Pacific Highway, just south of S 252nd St.
- Lot Size: 5 acres
- Zoning: Highway Commercial
- Taxable Property Value: \$2 million



Pacific Highway Site





Findings – Mixed-Use Development at Pac. Highway Site

- Parcel would transition from vacant to a mixed-use development
 - » 445 dwelling units, 62,000 SF of commercial space
- Cost to serve new mixed-use: \$7.49 million over ten years
- Revenue from new mixed-use: \$7.55 million over ten years
- **10-year General Fund impact: +\$64,000**

Summary: Revenues and Expenses	Annual Avg (1-10)		Aggregate (1-10)	
Avg. Annual Revenue	\$	754,954	\$	7,549,537
Avg. Annual Additional Costs		748,529		7,485,287
Total Fiscal Impact	\$	6,425	\$	64,250

One Time Revenues	2026
Construction Sales Tax	\$1,627,729
Traffic Impact Fees	\$2,544,499
Total One Time Revenues	\$4,172,227





Findings – Highway Commercial Development at Pacific Highway Site

- Parcel would transition from vacant to a highway commercial development
 - » 22,000 SF of new commercial space
- Cost to serve new commercial use: \$720,000 over ten years
- Revenue from new commercial use: \$1.8 million over ten years
- **10-year General Fund impact: +\$1.1 million**

Summary: Revenues and Expenses	Annual Avg (1-10)	Aggregate (1-10)
Avg. Annual Revenue	\$ 180,315	\$ 1,803,152
Avg. Annual Additional Costs	71,932	719,323
Total Fiscal Impact	\$ 108,383	\$ 1,083,829

One Time Revenues	2026
Construction Sales Tax	\$278,376
Traffic Impact Fees	\$1,003,116
Total One Time Revenues	\$1,281,493



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Findings – Single-Family Detached Development at Pacific Highway Site

- This analysis is purely for illustrative purposes
- Parcel would transition from vacant to a single family detached development
 - » 33 new dwelling units
- Cost to serve new single-family use: \$423,000 over ten years
- Revenue from new single-family use: \$177,000 over ten years
- **10-year General Fund impact: -\$246,000**

Summary: Revenues and Expenses	Annual Avg (1-10)	Aggregate (1-10)
Avg. Annual Revenue	\$ 17,670	\$ 176,700
Avg. Annual Additional Costs	42,287	422,874
Total Fiscal Impact	\$ (24,617)	\$ (246,173)

One Time Revenues	2026
Construction Sales Tax	\$151,815
Traffic Impact Fees	\$290,147
Total One Time Revenues	\$441,962



Overall Findings

- Takeaways
 - » Mixed-use developments & highway commercial uses often provide a net positive reoccurring fiscal impact.
 - Examples include 5-story multifamily and commercial retail developments
 - » Surface-parked multifamily & single-family often have negative fiscal impacts
 - » Redevelopment sites with high existing values tend to generate lower net new fiscal benefits
 - » One-time revenues (construction-related sales taxes, impact fees) can be more significant than reoccurring fiscal impacts.
- Next Steps:
 - » Development Impact Model will be refined based on tonight's input
 - » Model & guidebook to be provided to city staff for ongoing use

Part 2: Discussion

Thank you!

Todd Chase, Principal
Tim Wood, Project Manager
Luke Nelson, Senior Analyst

