

**AGENDA**  
**GIG HARBOR CITY COUNCIL STUDY SESSION**  
**Thursday, May 28, 2026 - 3:00 PM**  
**Community Rooms**

*This meeting may also be accessed through Zoom at <https://zoom.us/j/93216056382> or by calling (253) 215-8782 and entering Meeting ID 932 1605 6382.*

**CALL TO ORDER/ROLL CALL**

**DISCUSSION ITEMS**

- 1. 2027-2032 Six-Year Transportation Improvement Program (TIP) discussion**
  - a. Staff Report: Public Works Director Jeff Langhelm, PE
  - b. Clarifying Questions
  - c. Public Comment
  - d. Council Deliberation and Direction
- 2. Sales Tax Update**
  - a. Staff Report: Finance Director Scott Larson
  - b. Clarifying Questions
  - c. Public Comment
  - d. Council Deliberation and Direction

**ADJOURN**

**PUBLIC COMMENT & DECORUM**

**PUBLIC COMMENT & DECORUM**

The city council wants to hear from the public as much as possible. However, the business of the city must proceed in an orderly, timely manner. The primary purpose of council meetings is to conduct the city's business so we have created a variety of ways the community can make their voices heard. Monday city council meetings are just one opportunity. These guidelines are designed to make sure every person who wants to be heard has both the opportunity to be heard and feels welcome to do so.

We receive comments three ways:

1. During council meetings
2. During council study sessions.
3. Email [mayorandcouncil@gigharborwa.gov](mailto:mayorandcouncil@gigharborwa.gov) at any time about any issue. This email goes to the elected officials and leadership at the city.

### Public Comment at City Council Study Sessions

We welcome comment at Council study sessions following the staff report and clarifying questions of each discussion item. Comments must be related to the discussion item at hand.

When the mayor calls for public comment, please come forward to the table (or raise your hand on Zoom). When it's your turn, we'll ask you to tell us your name and connection to the issue you want to discuss. You'll then have a maximum of two minutes to speak.

Unfortunately, this isn't a time for dialogue, but a staff person or councilmember may be available to talk with you at a break or after the meeting.

### Additional guidelines

- Anyone making "out of order" comments may be subject to removal from the meeting.
- Please address your remarks to the city council as a body and not to any specific individual.
- Please be courteous and not engage in derogatory remarks or insinuations.
- No demonstrations, including clapping, are allowed.

### Email

You are welcome to email the mayor and councilmembers about any issue facing the city by writing to the address above. Do remember that council sets the policy direction while city departments execute those decisions. A series of online reporting tools might help you resolve an issue more quickly so check them out too: <https://www.gigharborwa.gov/146/Submit>

### **AMERICANS WITH DISABILITIES (ADA) ACCOMMODATIONS**

ADA accommodations can be provided upon request. Those requiring special accommodations should contact the city clerk at [cityclerk@gigharborwa.gov](mailto:cityclerk@gigharborwa.gov) or (253) 853-7613 at least 24 hours prior to the meeting.



City of Gig Harbor  
3510 Grandview Street  
Gig Harbor, WA 98335  
gigharborwa.gov  
(253) 851-8136

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## **MEMORANDUM**

TO: City Council

FROM: Aaron Hulst, PE, City Engineer

DATE: May 28, 2026

SUBJECT: 2027-2032 Six-Year Transportation Improvement Program (TIP)

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In accordance with RCW 35.77.010, cities must annually prepare and adopt a comprehensive transportation program for the ensuing six calendar years that is consistent with the agency's transportation comprehensive plan. This is commonly referred to as the Six-Year Transportation Improvement Program (TIP) and is required to be submitted annually to the state Secretary of Transportation. Included as part of the TIP adoption process is a public hearing. While a TIP represents the jurisdiction's anticipated transportation projects over a six-year period, each individual project may be undertaken in any given year, subject to the budget deliberation process.

As part of the 2024 Comprehensive Plan, the city completed a rigorous capacity analysis of the city's roadway system which evaluated the future levels of service (LOS) at intersections. From this analysis, the short and long-range project lists were updated in the Transportation Element of the Comprehensive Plan to address future LOS deficiencies. The conclusions from the 2024 Comprehensive Plan, the 2026-2031 Six-Year TIP, and the 2025-2026 Budget, informed the attached 2027-2032 Six-Year TIP.

The TIP project numbering sequence is generally structured such that projects under construction are the highest in the numbering sequence. Next are projects that are budgeted. From there, the numbering is staff's general recommendation prioritizing projects in future budget cycles.

Please see the attached TIP Comparison List for staff's recommendations to see which projects have been removed, added, or re-sequenced compared to prior year. Staff will be available to answer questions on specific projects during the study session.

The TIP, associated report, and resolution will be presented for adoption at the June 22, 2026 City Council Meeting. The full TIP report and associated funding assumptions will be included in this packet.

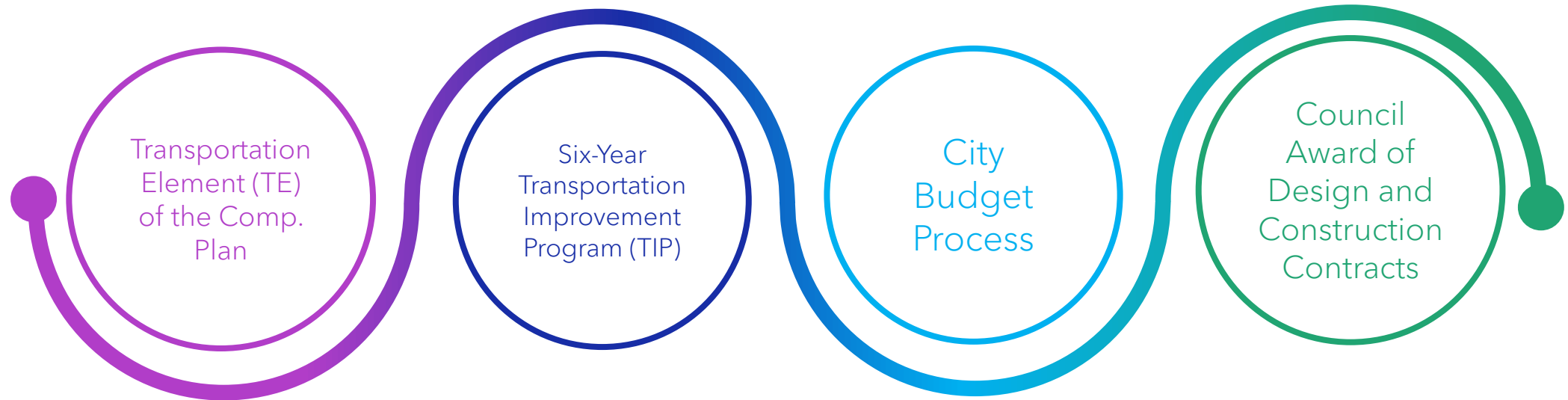
As part of this study session, staff requests city council direction on whether to submit Transportation Improvement Board (TIB) grant applications for two projects on the 2027 TIP. The TIB grants, if awarded, would partially fund construction for two TIP projects: Project #4 (the Olympic Dr./Pt. Fosdick Dr. Right Turn Pocket Extension) and Project #5 (the Peacock Hill Ave. Half Street Improvements). The grant applications are due on July 31 and are awarded by the end of 2027. Staff will expand upon this topic at the council study session.

Study Session Packet attachments:

- The Progression of a Transportation Project – flow chart
- What is the TIP? – summary sheet
- 2026 TIP vs. 2027 TIP Comparison List
- 2027-2032 Six-Year Transportation Improvement Program Map

# THE PROGRESSION OF A TRANSPORTATION PROJECT

(POINTS WHERE COUNCIL HAS OPPORTUNITY FOR INPUT)



## Transportation Element (TE)

Every ten years we are required to update the Transportation Element of the Comprehensive Plan. The TE takes a comprehensive look at the state of the City's transportation network.

## 6-Year TIP

A near-term planning document that identifies a list of planned transportation projects over the next six years. TIP projects are required to be consistent with the projects identified in the comprehensive plan.

## City Budget Process

During the budget process Council determines which projects to fund in the upcoming budget cycle.

## Contract Award

Council's opportunity to review and approve a design or construction contract to move a project forward.

## WHAT IS THE SIX YEAR TRANSPORTATION IMPROVEMENT PROGRAM (TIP)?

- It is the City's near-term list of transportation projects that are projected to happen over the next six years.
- It is a planning document that Engineering/Public Works updates yearly (in June) and is adopted via resolution by the City Council.
- It is a requirement of the Revised Code of Washington (RCW).
- It is a useful tool for the Public Works Department when applying for Federal or State grant applications.
- A document in the form of a map and a report (which you will see in the June Council Packet) that follows WSDOT's format for entering projects into the State TIP (STIP).
- Per RCW 35.77.010, a new project can only be added to the TIP if that project is identified in the Transportation Comprehensive Plan.
- It is typical for a project high on the TIP list (eg: #1-3) to have the following characteristics:
  - The project is budgeted by City Council.
  - The project has received Federal or State grants that have timelines/deadlines
  - The project is anticipated to begin before other projects in the TIP list
  - The project has shown in the traffic model to have the largest benefit to vehicular or pedestrian level of service (LOS).
- It is typical for a project low on the TIP list (eg: #25-28) to have the following characteristics:
  - The project is not yet budgeted by City Council.
  - The project has not applied or received Federal or State grants.
  - The project is anticipated to happen late in the six-year TIP timeframe

## WHAT THE SIX YEAR TRANSPORTATION IMPROVEMENT PROGRAM IS NOT.

- A complete list of projects that are set in stone.
- A commitment by the City to spend money on any particular transportation project. Commitment to fund transportation projects is typically decided during the budget process.

## 2026 vs. 2027 TIP Comparison List

| 2026 TIP | 2027 TIP         | Project Name                                                                               |
|----------|------------------|--------------------------------------------------------------------------------------------|
| 1        | Removed          | Wagner Way/Wollochet Signal                                                                |
| 2        | 1                | 38th Ave/56th Roundabout                                                                   |
| 3        | 2                | 38th Ave. Phase 2 (56th St. to Hunt St.)                                                   |
| 4        | 3                | SR-16/Wollochet Dr. Safety Improvements                                                    |
| 5        | Combined with #3 | Wollochet Drive/SR-16 WB on-ramp right turn lane                                           |
| 6        | 4                | Olympic Drive/Pt. Fosdick right turn lane extension                                        |
| 7        | 5                | Peacock Hill Ave. Half Street Imp. (~300' north of Ringold to ~150' north of 150th St. Ct) |
| 10       | 6                | Harborview Dr/Soundview Dr Intersection Improvements                                       |
| 8        | 7                | Burnham Dr/Borgen Blvd Corridor Study                                                      |
| 14       | 8                | Hunt St./Skansie Ave. Intersection Safety Improvements                                     |
| 18       | 9                | Burnham Drive Improvements Phase 1B (N. Harborview Dr. to Eagle's Club)                    |
| 16       | 10               | 50th St. Ct. Improvements                                                                  |
| 13       | 11               | Harborview Drive/Pioneer Way Intersection Improvements                                     |
| 22       | 12               | Rosedale Street/Skansie Avenue Intersection Improvements                                   |
| 11       | 13               | 38th Avenue Phase 1B (Briarwood Lane to 50th Street)                                       |
| 12       | 14               | 38th Avenue Phase 1C (50th Street to 56th Street)                                          |
| NEW      | 15               | Borgen Boulevard/SR-16 WB Off-Ramp Metering Study                                          |
| 15       | 16               | Hunt St./38th Ave. Intersection Improvements                                               |
| 17       | 17               | Soundview Drive/Hunt Street Intersection Improvement                                       |
| 9        | 18               | Austin St/Harborview Dr Roundabout                                                         |
| 19       | 19               | Burnham Drive Improvements Phase 2 (Harbor Hill Drive to Borgen Blvd.)                     |
| 20       | 20               | Cushman Trail Phase 5A Design and Permitting                                               |
| 21       | 21               | Olympic Drive/SR-16 Intersection Improvements                                              |
| 23       | 22               | Grandview Street Improvements (Soundview Drive to McDonald Avenue)                         |
| 24       | 23               | Grandview Street Improvements (McDonald Avenue to Stinson Ave)                             |
| 25       | 24               | Skansie Avenue Improvements (Rosedale Street to Hunt Street)                               |
| 26       | 25               | Wollochet Drive Interchange Improvements Design (Kimball Drive to Hunt Street)             |
| 27       | 26               | Vernhardson Street (Peacock Hill Avenue to City Limits)                                    |
| 28       | 27               | Olympic Drive and Spur to Hollycroft                                                       |

|  |         |
|--|---------|
|  | Removed |
|  | New     |



# Six-Year Transportation Improvement Program 2027 - 2032

| Project # | Project Name                                                                                |
|-----------|---------------------------------------------------------------------------------------------|
| 1         | 38th Ave./56th St. Roundabout                                                               |
| 2         | 38th Ave. Phase 2 (56th St. to Hunt St.)                                                    |
| 3         | SR-16/Wollochet Dr. Safety Improvements                                                     |
| 4         | Olympic Dr./Pt. Fosdick right turn lane extension                                           |
| 5         | Peacock Hill Ave. Half Street Imp. (~300' north of Ringold to ~150' north of 150th St. Ct.) |
| 6         | Harborview Dr./Soundview Dr. Intersection Improvements                                      |
| 7         | Burnham Dr./Borgen Blvd. Corridor Study                                                     |
| 8         | Hunt St./Skansie Ave. Intersection Safety Improvements                                      |
| 9         | Burnham Dr. Improvements Phase 1B (N. Harborview Dr. to Eagle's Club)                       |
| 10        | 50th St. Ct. Improvements                                                                   |
| 11        | Harborview Dr./Pioneer Way Intersection Improvements                                        |
| 12        | Rosedale St./Skansie Ave. Intersection Improvements                                         |
| 13        | 38th Ave. Phase 1B (Briarwood Ln. to 50th St.)                                              |
| 14        | 38th Ave. Phase 1C (50th St. to 56th St.)                                                   |
| 15        | Borgen Blvd/SR-16 WB Off-Ramp Metering Study                                                |
| 16        | Hunt St./38th Ave. Intersection Improvements                                                |
| 17        | Soundview Dr./Hunt St. Intersection Improvement                                             |
| 18        | Austin St./Harborview Dr. Roundabout                                                        |
| 19        | Burnham Dr. Improvements Phase 2 (Harbor Hill Dr. to Borgen Blvd.)                          |
| 20        | Cushman Trail Phase 5A Design and Permitting                                                |
| 21        | Olympic Dr./SR-16 Intersection Improvements                                                 |
| 22        | Grandview St. Improvements (Soundview Dr. to McDonald Ave.)                                 |
| 23        | Grandview St. Improvements (McDonald Ave. to Stinson Ave.)                                  |
| 24        | Skansie Ave. Improvements (Rosedale Str. to Hunt St.)                                       |
| 25        | Wollochet Dr. Interchange Improvements (Kimball Dr. to Hunt St.)                            |
| 26        | Vernhardson St. (Peacock Hill Ave. to City Limits)                                          |
| 27        | Olympic Dr. and Spur to Hollycroft                                                          |

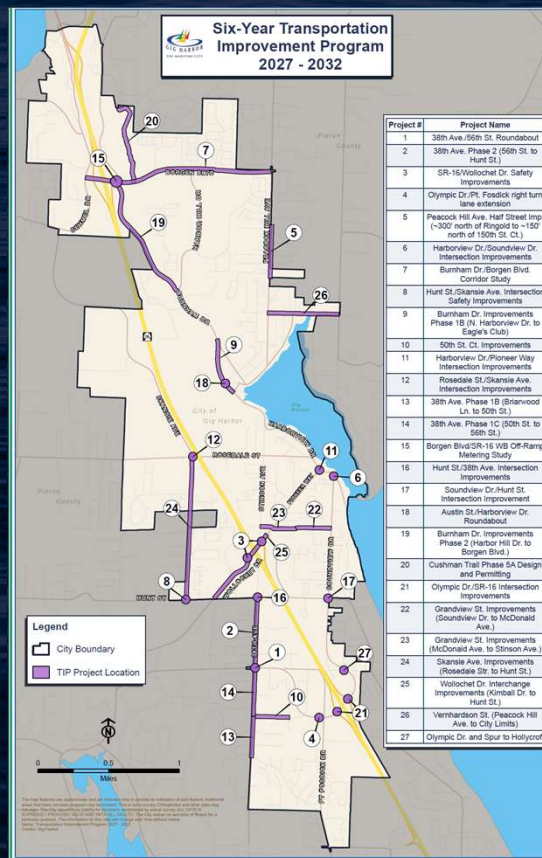
## Legend

- City Boundary
- TIP Project Location



The map features are approximate and are intended only to provide an indication of said feature. Additional areas that have not been mapped may be present. This is not a survey. Orthophotos and other data may not align. The City assumes no liability for variations ascertained by actual survey. ALL DATA IS EXPRESSLY PROVIDED 'AS-IS' AND 'WITH ALL FAULTS.' The City makes no warranty of fitness for a particular purpose. The information on this map will change over time without notice.  
Name: Transportation Improvement Program 2027 - 2032  
Credits: Gig Harbor

# 2027-2032 Transportation Improvement Program (TIP)



**Washington State Department of Transportation**

**Six Year Transportation Improvement Program From 2026 to 2031**

Agency: Gig Harbor  
 County: Pierce  
 WSP/STIP: public

Y Inside N Outside

| Project No. | Project Name                                  | Project Type | Project Location                                                                                        | Project Description | Project Status | Project Cost                                                                                            | Project Funding | Project Impact | Project Benefit | Project Risk | Project Mitigation | Project Monitoring | Project Evaluation | Project Reporting | Project Review | Project Approval | Project Implementation | Project Completion | Project Handover | Project Closeout |
|-------------|-----------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------|---------------------|----------------|---------------------------------------------------------------------------------------------------------|-----------------|----------------|-----------------|--------------|--------------------|--------------------|--------------------|-------------------|----------------|------------------|------------------------|--------------------|------------------|------------------|
| 15          | Harborview Drive/Soundview Drive Improvements | SR           | 15A/15B/15C/15D/15E/15F/15G/15H/15I/15J/15K/15L/15M/15N/15O/15P/15Q/15R/15S/15T/15U/15V/15W/15X/15Y/15Z | SR                  | 15             | 15A/15B/15C/15D/15E/15F/15G/15H/15I/15J/15K/15L/15M/15N/15O/15P/15Q/15R/15S/15T/15U/15V/15W/15X/15Y/15Z | 15              | 15             | 15              | 15           | 15                 | 15                 | 15                 | 15                | 15             | 15               | 15                     | 15                 | 15               | 15               |

**Funding**

| Phase  | Phase Start Year (YYYY) | Federal Fund Code | Federal Funds | State Fund Code | State Funds | Local Funds | Total Funds |
|--------|-------------------------|-------------------|---------------|-----------------|-------------|-------------|-------------|
| F      | 2027                    |                   | 0             |                 | 0           | 250,000     | 250,000     |
| P      | 2028                    |                   | 0             | 1B              | 150,000     | 200,000     | 350,000     |
| Totals |                         |                   | 0             |                 | 350,000     | 450,000     | 800,000     |

**Expenditure Schedule**

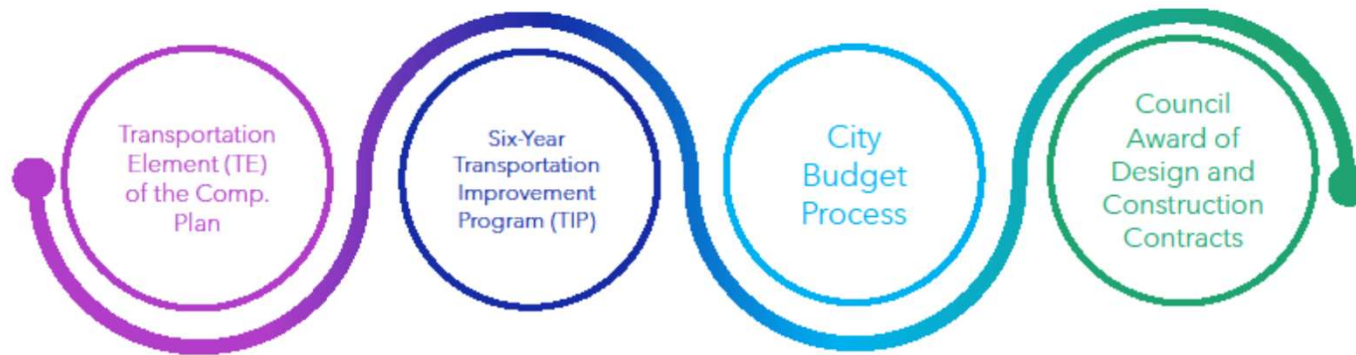
| Phase  | 1st | 2nd     | 3rd     | 4th | 5th & 6th |
|--------|-----|---------|---------|-----|-----------|
| F      | 0   | 250,000 | 0       | 0   | 0         |
| P      | 0   | 0       | 150,000 | 0   | 0         |
| Totals | 0   | 250,000 | 150,000 | 0   | 0         |

Report Date: June 27, 2025

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# The Progression of a CIP Transportation Project

(POINTS WHERE COUNCIL HAS OPPORTUNITY FOR INPUT)



## Transportation Element (TE)

Every ten years we are required to update the Transportation Element of the Comprehensive Plan. The TE takes a comprehensive look at the state of the City's transportation network.

## 6-Year TIP

A near-term planning document that identifies a list of planned transportation projects over the next six years. TIP projects are required to be consistent with the projects identified in the comprehensive plan.

## City Budget Process

During the budget process Council determines which projects to fund in the upcoming budget cycle.

## Contract Award

Council's opportunity to review and approve a design or construction contract to move a project forward.



# What is the TIP?

- The TIP is an abbreviation for Transportation Improvement Program
- The deliverables are a Map and a detailed report in WSDOT format
- A near-term list of proposed capital transportation projects to be implemented over the next six years.
- Required by RCW to be adopted annually by July 1 for ensuing calendar year's TIP
- The TIP generally structured as a high level, achievable, 6-year project list



# What is the TIP? (cont'd)

- It is typical for a project that is high on the TIP (eg: #1-3) to align with the below criteria:
  - Budgeted Project
  - Received Grants that have deadlines
  - Project will begin soon
  - Large benefit to vehicle and bike/ped (LOS) and safety
- It is typical for a project that is low on the TIP (eg: #25-27) to align with the below criteria:
  - Not budgeted
  - Not received grants
  - Will not be constructed until the end of the 6-year timeframe
- What the TIP is Not:
  - An exact priority list
  - A budget commitment



## 2026 vs. 2027 TIP Comparison List

| 2026 TIP | 2027 TIP         | Project Name                                                                               |
|----------|------------------|--------------------------------------------------------------------------------------------|
| 1        | Removed          | Wagner Way/Wollochet Signal                                                                |
| 2        | 1                | 38th Ave/56th Roundabout                                                                   |
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| 11       | 13               | 38th Avenue Phase 1B (Briarwood Lane to 50th Street)                                       |
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| NEW      | 15               | Borgen Boulevard/SR-16 WB Off-Ramp Metering Study                                          |
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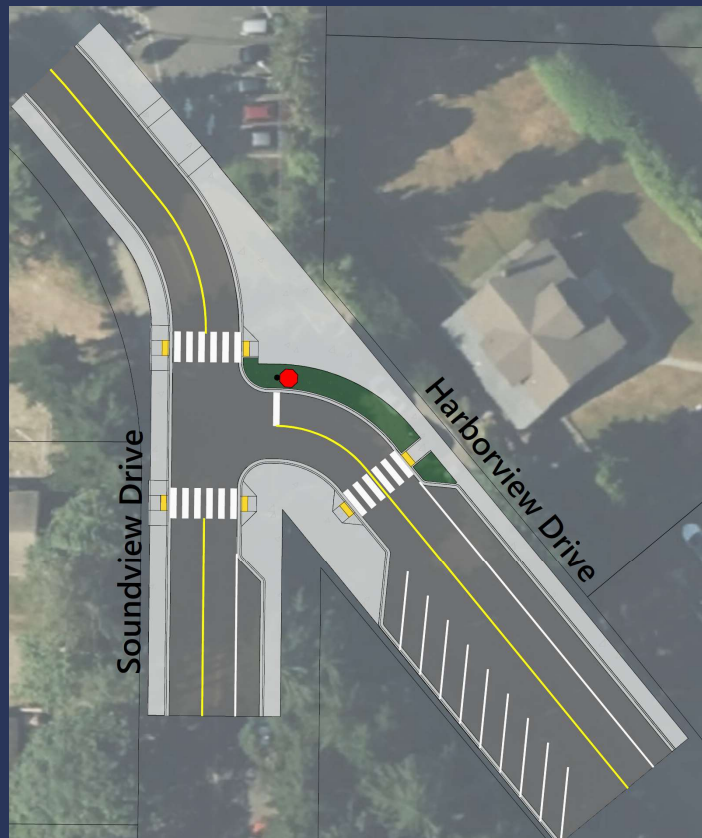




# TIP Project Renderings



# TIP Project Renderings



# TIP Project Renderings



# 2027 TIP Staff Recommendations:

- Adopt the proposed 2027 TIP at the June 22, 2026 city council meeting.
  - This includes adding project #15, the Burnham roundabout metering project to the TIP, as recommended at a previous study session.
  - Also removing the completed Wollochet Signal, combining the Wollochet Interchange projects into, combining
- At the June 22 meeting the full TIP report will be provided in the packet that includes a detailed funding analysis and project timelines.



# Staff Requests From Council Today:

- Concur at this study session to authorize staff to apply for two TIB grant applications at the upcoming (July 31 deadline) call for projects
- Both of the below projects have a high chance of being awarded since TIB prioritizes projects that are close to construction ready.
  - 2027 TIP Project #5 – Peacock Hill Half Street Improvements
  - 2027 TIP Project #4 – Olympic/Pt. Fosdick Right Turn Lane Extension



# Peacock Hill Half Street Improvements

- 2027 TIP Project #5 – Peacock Hill Half Street Improvements
- Project Status: 90% design
- Adds sidewalk along the west side of Peacock Hill
- Closes the sidewalk gap between Gig Harbor North and North Harborview/Finholm
- Funding breakdown:
  - Max TIB Grant Award ~\$1.5M Maximum
  - Total project construction cost in 2027 ~\$6M



# Olympic/Pt. Fosdick Right Turn Lane Extension

- 2027 TIP Project #4
- Project Status: Bid/Construction Ready
- Extends the right turn pocket on Olympic adjacent to Met. Market
- Improves LOS at the intersection
- Funding breakdown:
  - Total project construction cost in 2027 ~\$400K
  - Max TIB Grant Award ~\$320K
  - City Match ~\$80K



# Questions?

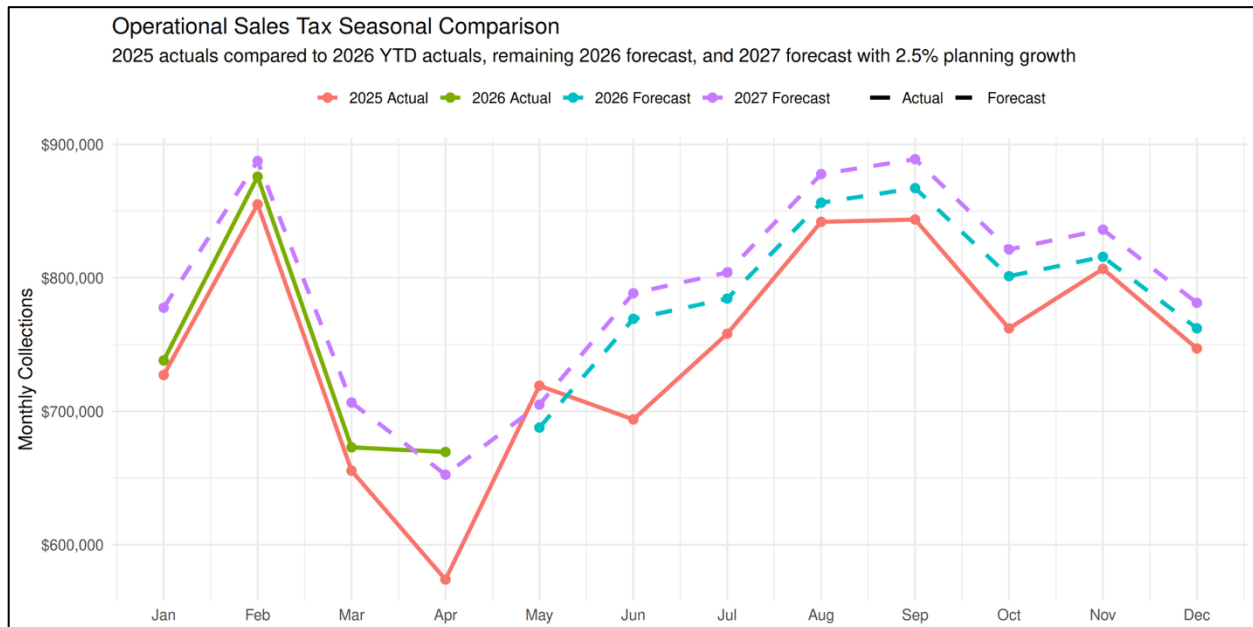


## Memorandum

**TO:** Katrina Knutson, City Administrator  
**FROM:** Scott Larson, Finance Director  
**DATE:** May 10, 2026  
**SUBJECT:** April 2026 Sales Tax Update

### Sales Tax Budget Forecast and Economic Activity Review

Sales tax collections through April 2026 continue to perform modestly ahead of the adopted 2025–2026 biennial budget assumptions. On a distribution basis<sup>1</sup> (cash receipts received by the City), April collections exceeded the forecast by approximately 7.5%, and the updated full-year forecast now projects 2026 collections approximately 4.2% above the adopted budget.



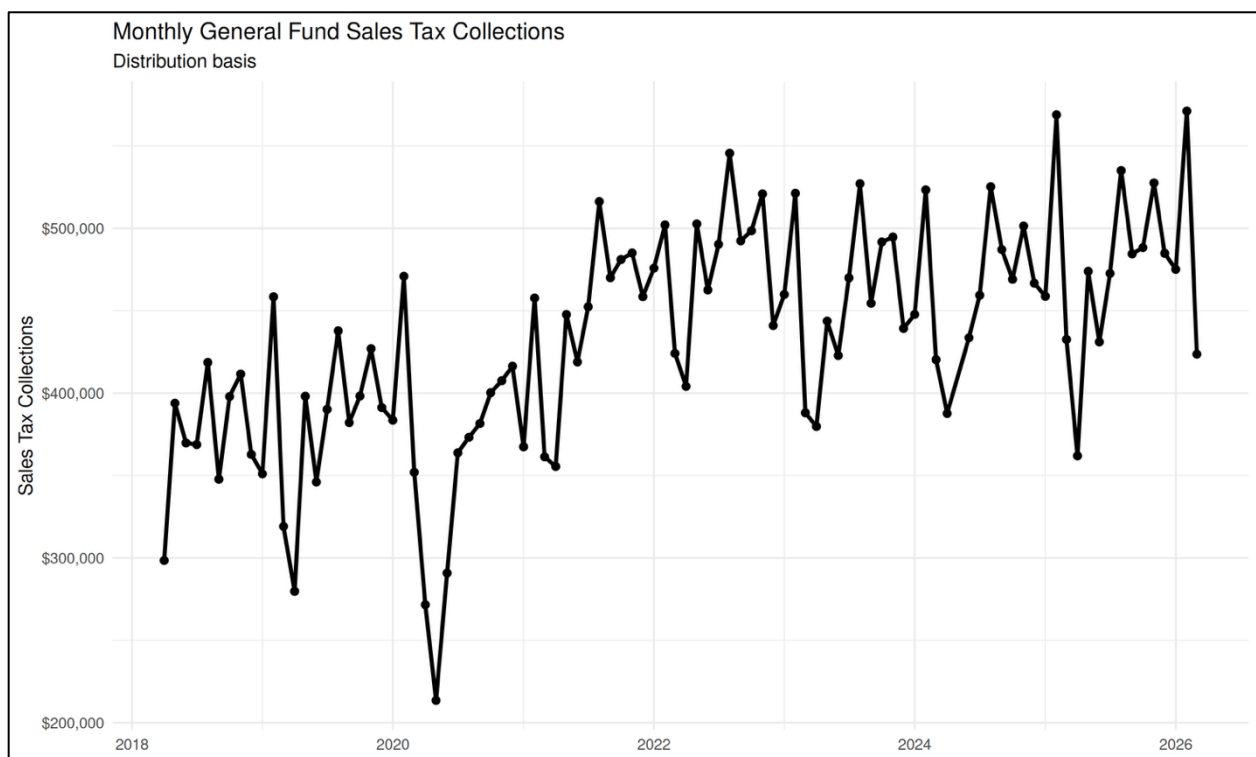
<sup>1</sup> Distribution-basis analysis reflects the timing of sales tax distributions actually received by the City from the Washington State Department of Revenue and is primarily used for budget monitoring, cash flow analysis, and operational revenue forecasting.

Monthly sales tax collections continue to reflect a generally upward long-term trend, though collections remain subject to normal seasonal fluctuations throughout the year. Recent performance has remained broadly consistent with historical seasonal patterns while continuing to track modestly above forecast expectations, see chart below.

At the same time, filing-basis<sup>2</sup> economic activity data suggests modest moderation in several sectors over the most recent rolling six-month period. Construction, food services, and portions of traditional retail activity remain below prior-year levels, while information and digital-service-related activity remains comparatively resilient.

The City's sales tax base continues to appear diversified and structurally stable, supported by a combination of:

- local retail and restaurant activity,
- regional destination spending,
- construction and service-sector activity,
- and increasingly integrated national marketplace and platform-based commerce.



<sup>2</sup> Filing-basis analysis attempts to align taxable activity to the period in which underlying economic activity occurred, rather than when sales tax distributions are received by the City. Because taxpayer filing frequencies vary (monthly, quarterly, annual, and amended returns), short-term sector trends may reflect reporting timing differences in addition to underlying economic conditions.

# Budget Forecast Update

Through April 2026, the City has received approximately \$2.96 million in sales tax collections, including Hospital Benefit Zone (HBZ) revenues. Based on updated seasonal forecasting models, the current full-year forecast is approximately \$9.30 million, compared to the adopted 2026 budget of \$8.92 million which is about \$379,000 or 4.2% above the budget.

The model's forecast interval remains relatively wide, reflecting the inherent volatility of sales tax receipts and ongoing macroeconomic uncertainty. The current 80% forecast range is approximately \$8.55 million to \$10.05 million.

**Table 1 — 2025 - 2026 Sales Tax Forecast Summary**

| <b>Metric</b>         | <b>2025 Actual</b> | <b>2026 Forecast</b> |
|-----------------------|--------------------|----------------------|
| Full-Year Collections | \$8.98M            | \$9.30M              |
| YTD Collections       | \$2.84M            | \$2.96M              |
| Year-over-Year Growth | —                  | 3.5%                 |
| YTD Growth            | —                  | 4.1%                 |
| Adopted Budget        | \$8.75M            | \$8.92M              |
| Variance from Budget  | +\$238k            | +\$379k              |
| Percent Variance      | 2.7%               | 4.2%                 |
| 80% Forecast Range    | —                  | \$8.55M – \$10.05M   |
| 95% Forecast Range    | —                  | \$8.16M – \$10.44M   |

## Forecast Validation and Recent Performance

To evaluate forecast reliability, the model was rolled backward and used to produce one-month-ahead forecasts for January through April 2026 using only information that would have been available prior to each month's actual collections.

The results indicate the model has performed well through the first four months of 2026, with relatively low forecast error and all actual observations falling within both the model's 80% and 95% forecast intervals.

The rolling backtest produced:

- a mean absolute percent error of approximately 3.0%,
- an average forecast bias of approximately +2.7%,
- and 100% interval coverage for both the 80% and 95% forecast ranges.

**Table 2 — 2026 Rolling Forecast Validation**

| Month         | Forecast  | Actual     | Variance  | Percent Variance |
|---------------|-----------|------------|-----------|------------------|
| January 2026  | \$736,547 | ~\$738,147 | ~\$1,600  | 0.2%             |
| February 2026 | \$844,210 | ~\$875,840 | ~\$31,630 | 3.7%             |
| March 2026    | \$676,733 | ~\$672,979 | -\$3,754  | -0.6%            |
| April 2026    | \$622,893 | \$669,549  | \$46,656  | 7.5%             |

## April Performance

April operational collections totaled approximately \$669,549 compared to a forecast of approximately \$622,893. This represents positive variance of approximately \$46,656.

While a single month should not be overinterpreted, April results were generally favorable despite broader economic uncertainty and mixed filing-basis sector trends observed in recent periods. Because filing-basis analysis is influenced by taxpayer filing frequency and reporting timing, short-term sector movements should generally be interpreted as directional rather than definitive indicators of economic conditions.

**Table 3 — April Forecast Comparison**

| Metric             | Amount                |
|--------------------|-----------------------|
| April Forecast     | \$622,893             |
| April Actual       | \$669,549             |
| Variance           | \$46,656              |
| Percent Variance   | 7.5%                  |
| 80% Forecast Range | \$540,362 – \$705,424 |
| 95% Forecast Range | \$496,673 – \$749,113 |

# May Forecast Outlook

The current point forecast for May 2026 operational collections is approximately \$687,816.

**Table 4 — May 2026 Forecast Range**

| <b>Metric</b>      | <b>Amount</b>         |
|--------------------|-----------------------|
| May Point Forecast | \$687,816             |
| 80% Forecast Range | \$605,524 – \$770,109 |
| 95% Forecast Range | \$561,961 – \$813,672 |

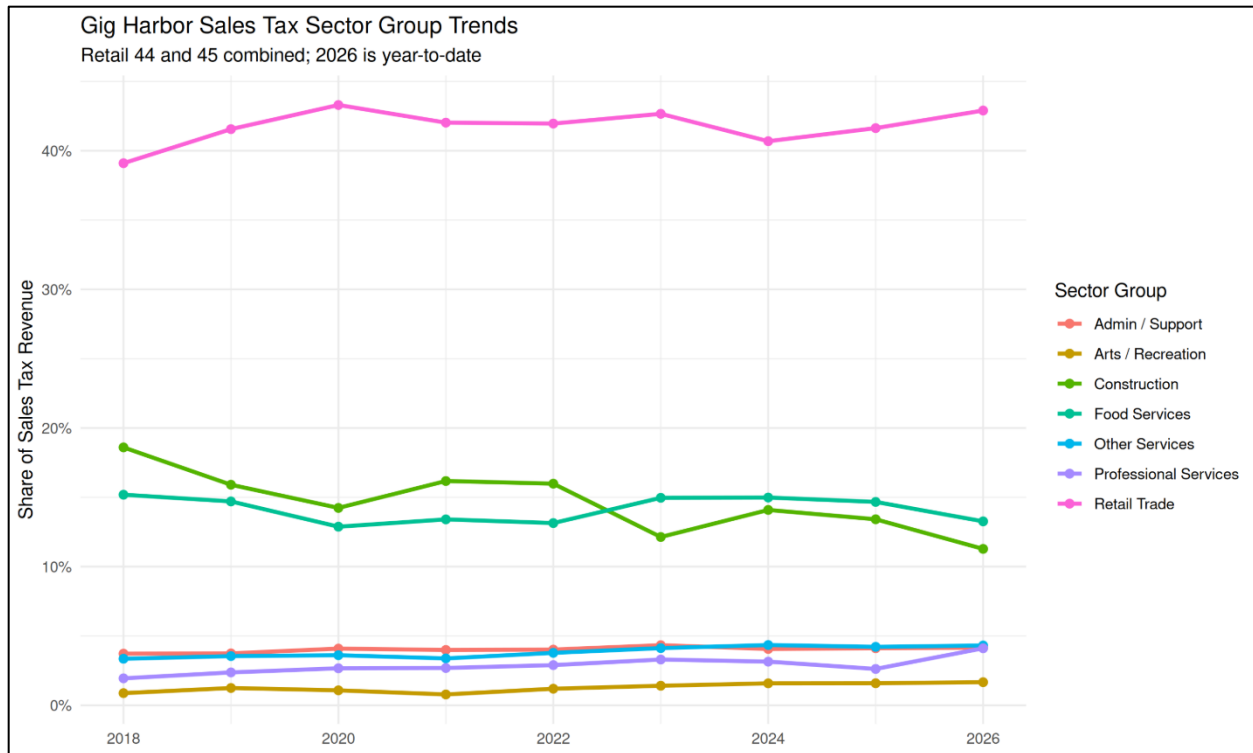
## Sector Trends and Economic Activity

Filing-basis economic analysis continues to indicate generally stable underlying economic activity, though several sectors have shown modest moderation relative to the prior year when evaluated on a rolling six-month basis. Because taxpayer filing frequencies vary between monthly, quarterly, annual, and amended returns, short-term sector trends may partially reflect reporting timing effects in addition to underlying economic conditions.

The broader composition of the City’s operational sales tax base has remained relatively stable over time as shown in the Gig Harbor Sales Tax Sector Group Trends chart below, with retail activity<sup>3</sup> continuing to represent the largest share of collections. Construction-related activity has moderated as a share of the overall tax base in recent years, while food services and service-oriented sectors have remained comparatively stable.

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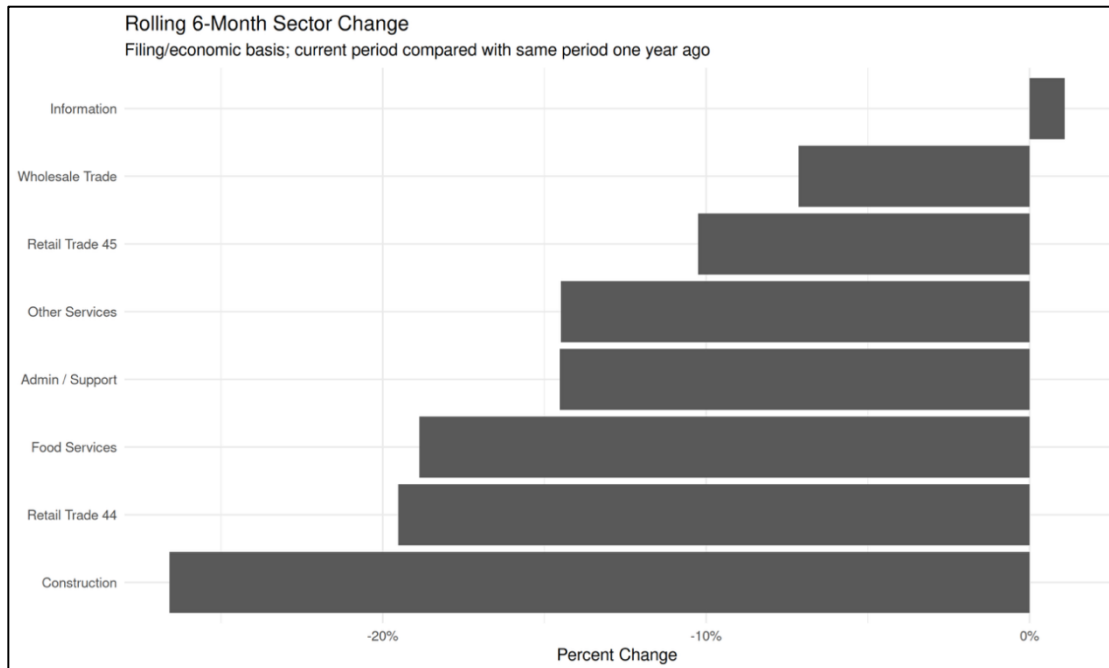
<sup>3</sup> “Retail activity” reflects the combined Retail Trade sectors defined under North American Industry Classification System (NAICS) categories 44 and 45. NAICS 44 generally includes traditional brick-and-mortar retail establishments, such as grocery stores, building material suppliers, and automotive dealers, while NAICS 45 primarily includes specialty retailers and non-store retail activity, including many e-commerce and online marketplace transactions. For presentation purposes, these sectors are combined due to their similar economic characteristics and because many large retailers report activity across both classifications.



Recent rolling-period comparisons showed comparatively weaker activity within construction, portions of the retail sector, and food services, while information-related activity remained comparatively stable as shown in the Rolling 6-month Sector Change chart below. At this stage, the data is best interpreted as indicating modest moderation rather than a material adverse economic trend.

**Table 5 — Rolling 6-Month Sector Comparison (Filing Basis)**

| Sector            | Prior Year | Current Period | Approximate Trend              |
|-------------------|------------|----------------|--------------------------------|
| Construction      | \$376,759  | \$276,541      | Lower Relative to Prior Period |
| Retail Trade (44) | \$478,495  | \$385,104      | Below Prior Period             |
| Food Services     | \$396,821  | \$321,960      | Below Prior Period             |
| Retail Trade (45) | \$677,683  | \$608,177      | Slightly Below Prior Period    |
| Other Services    | \$119,746  | \$102,395      | Slightly Below Prior Period    |
| Admin / Support   | \$114,448  | \$97,826       | Slightly Below Prior Period    |
| Wholesale Trade   | \$136,942  | \$127,164      | Stable                         |
| Information       | \$121,304  | \$122,622      | Stable / Slightly Higher       |



The divergence between:

- stronger distribution-basis receipts,
- and softer filing-basis sector activity,

likely reflects:

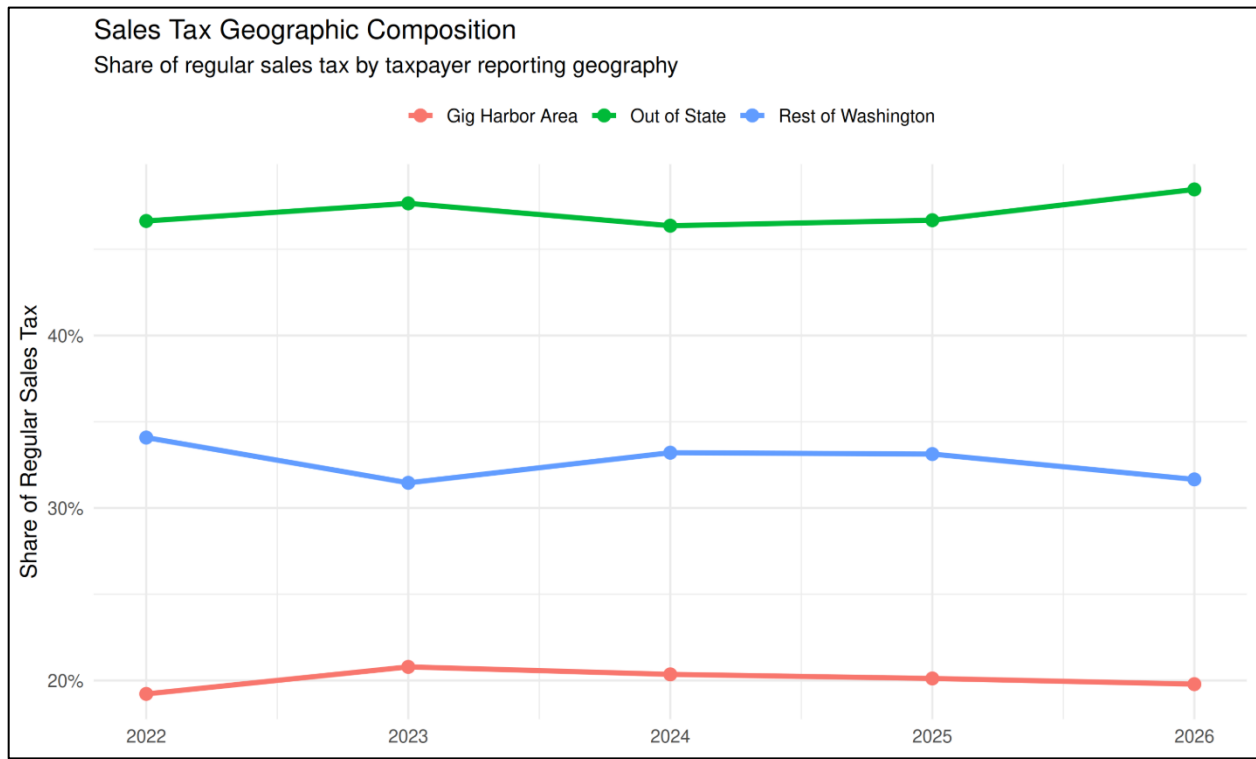
- seasonality,
- timing effects, especially in construction,
- online marketplace and remote retail collections,
- and continued resilience in destination and service-oriented spending.

## Geographic Composition of the Sales Tax Base

Analysis of taxpayer reporting addresses indicates the City's sales tax base remains anchored by Gig Harbor and Washington-based businesses, while also reflecting a substantial contribution from nationally administered retail, marketplace, logistics, and service activity. The Sales Tax Geographic Comparison below visually breaks down local, versus state, versus national taxpayer reporting address.

Approximately 52–54% of recent collections were associated with Washington-based taxpayer addresses, while approximately 46–48% were associated with out-of-state entities. This pattern has remained relatively stable since 2022 and suggests the City's

sales tax base is, diversified, regionally integrated, and not dependent on a small number of local businesses or sectors.



## Overall Assessment

Current sales tax performance remains favorable relative to the adopted budget, and the broader sales tax base continues to appear diversified and structurally stable.

At the same time, filing-basis sector activity suggests portions of the local economy have moderated compared to the prior year, particularly within construction and consumer-facing retail sectors. Because sales tax collections are inherently lagged and subject to both filing and distribution timing effects, recent favorable collections may not yet fully reflect evolving macroeconomic conditions, including inflationary pressures, fuel price volatility, and broader geopolitical uncertainty.

At present, the data supports:

- a cautious near-term revenue outlook,
- continued monitoring of consumer spending and economic conditions,
- and maintaining prudent budget and financial planning assumptions for the remainder of 2026.



# APRIL 2026 SALES TAX UPDATE

May 26, 2026

Scott Larson, Finance Director

EXECUTIVE SUMMARY

The financial signal from April is stability—not acceleration.

Current collections are favorable, but the better read is a steady, mature tax base.

\$9.30M

2026 forecast collections

+\$379k

above adopted budget

+3.5%

forecast year-over-year growth

+7.5%

April variance vs forecast

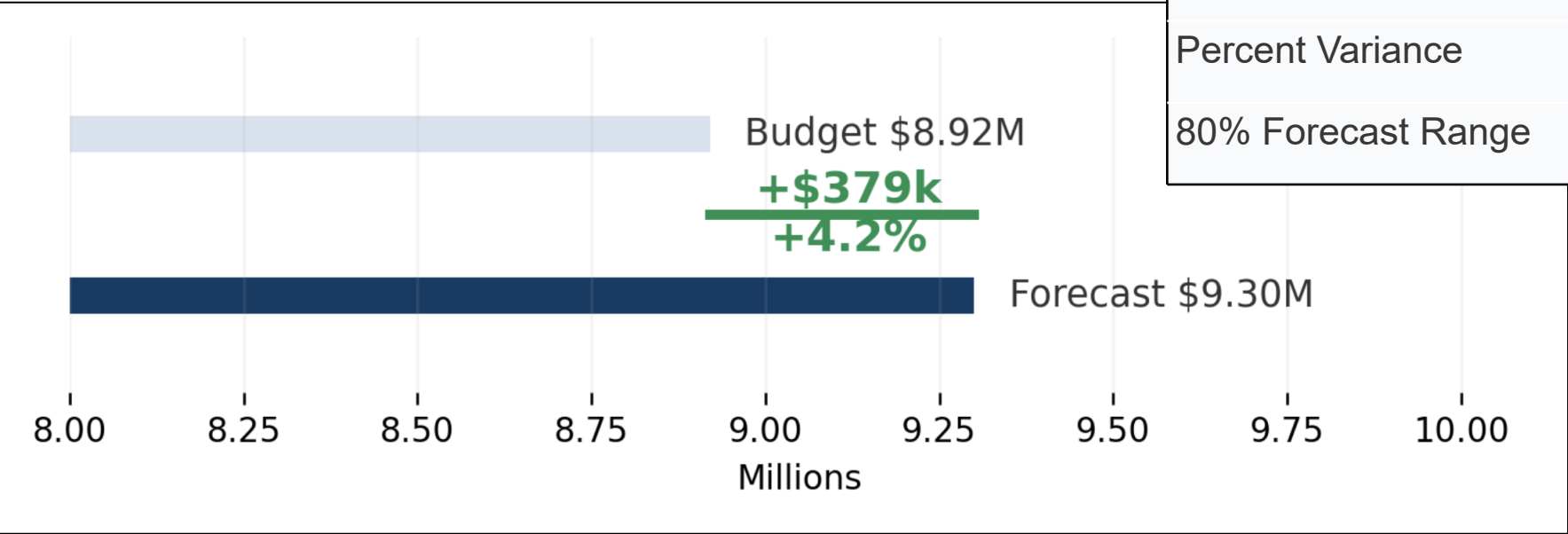
No immediate structural warning sign is visible; the signal is stability, not acceleration.

Source: April 2026 Sales Tax Update memo, distribution-basis forecast and April collections.

SALES TAX FORECAST

Collections remain modestly ahead of budget assumptions.

| Metric             | 2026             |
|--------------------|------------------|
| Full-Year Forecast | \$9.30M          |
| Adopted Budget     | \$8.92M          |
| Variance           | +\$379k          |
| Percent Variance   | +4.2%            |
| 80% Forecast Range | \$8.55M–\$10.05M |

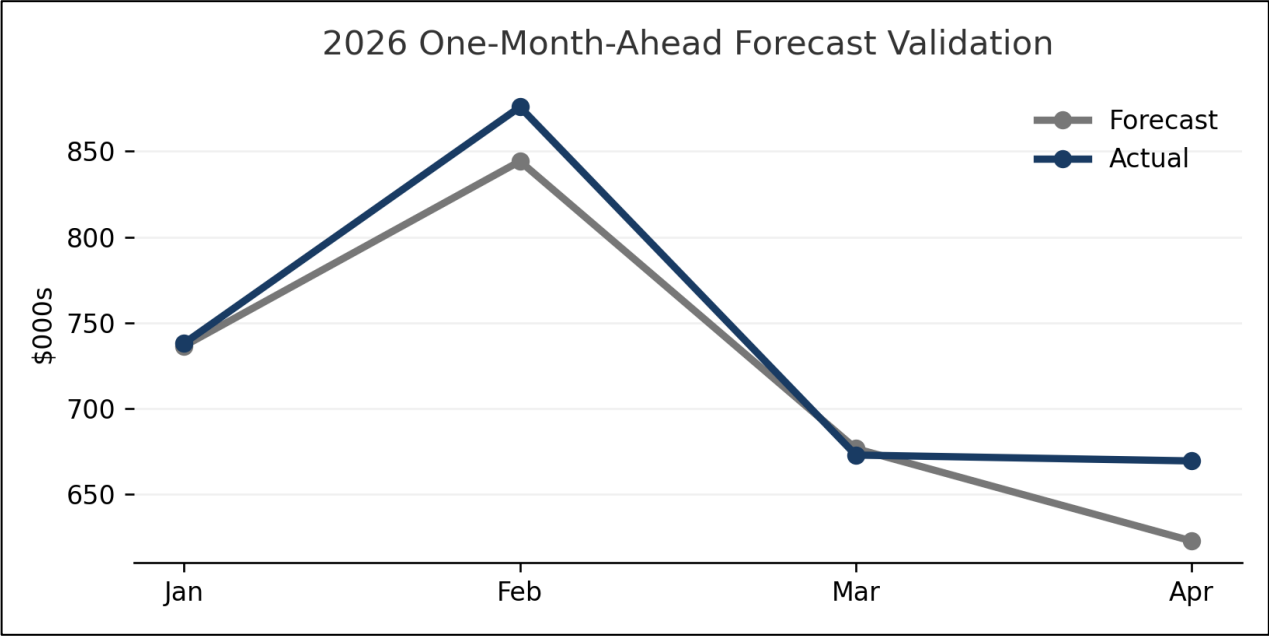


The City is ahead of budget, but the forecast interval still argues for prudent assumptions.

Source: Memo Table 1 — 2025–2026 Sales Tax Forecast Summary.

FORECAST VALIDATION

The model has performed well through the first four months of 2026.



| Month | Variance | % Var. |
|-------|----------|--------|
| Jan   | +\$1.6k  | 0.2%   |
| Feb   | +\$31.6k | 3.7%   |
| Mar   | -\$3.8k  | -0.6%  |
| Apr   | +\$46.7k | 7.5%   |

~3.0%  
MAPE

+2.7%  
average bias

100%  
80%/95% interval  
coverage

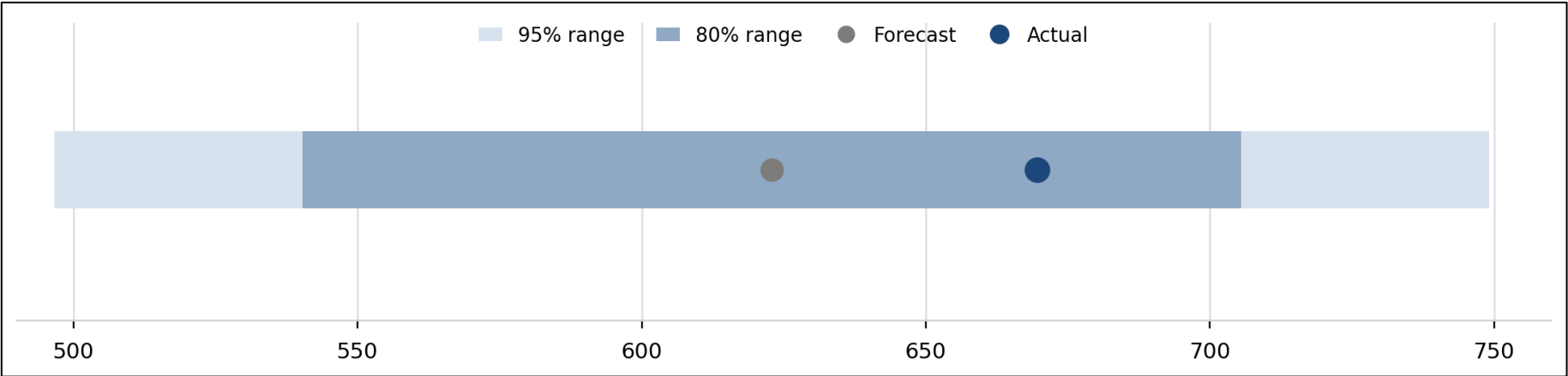
Forecast reliability is reasonable so far; actuals have remained within expected ranges.

Source: Memo Table 2 — 2026 Rolling Forecast Validation.

APRIL PERFORMANCE

April exceeded expectations, but one month is not a trend.

| Metric           | Amount        |
|------------------|---------------|
| April Forecast   | \$622,893     |
| April Actual     | \$669,549     |
| Variance         | +\$46,656     |
| Percent Variance | +7.5%         |
| 80% Range        | \$540k–\$705k |
| 95% Range        | \$497k–\$749k |



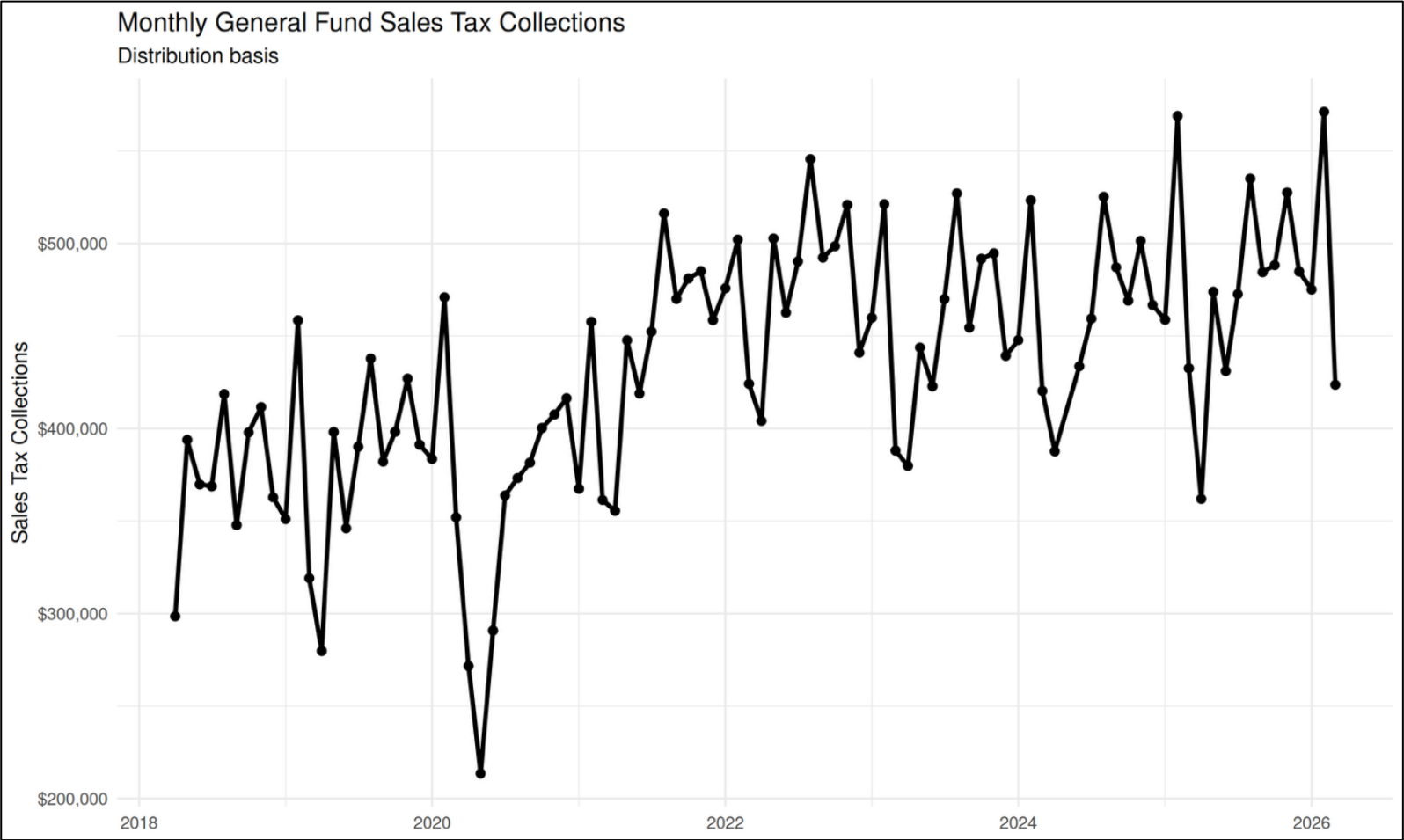
Positive performance should be read as favorable evidence inside a stable range—nor as proof of a new growth curve.

The right interpretation: favorable month, steady environment.

Source: Memo Table 3 — April Forecast Comparison.

SALES TAX TREND

The post-COVID growth curve has flattened.



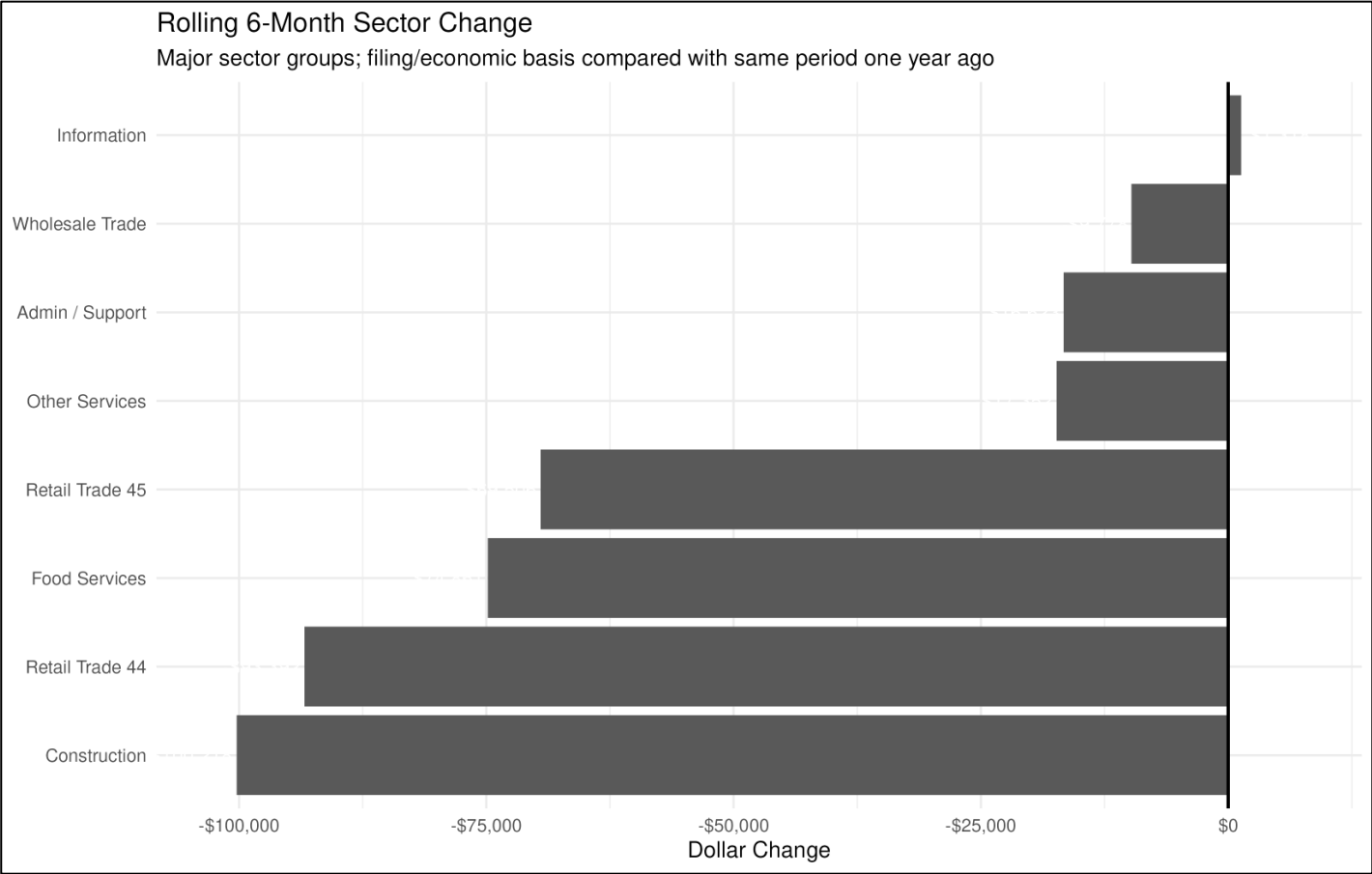
What the line says:

- 2021–2022: rebound and growth.
- 2023–2026: stable plateau.
- No obvious decline in peaks or baseline.
- Stable and mature is the honest read.

Source: Memo chart — Monthly General Fund Sales Tax Collections, distribution basis.

SECTOR-LEVEL ECONOMIC ACTIVITY

Several sectors have softened modestly relative to the prior period.



Economic read:

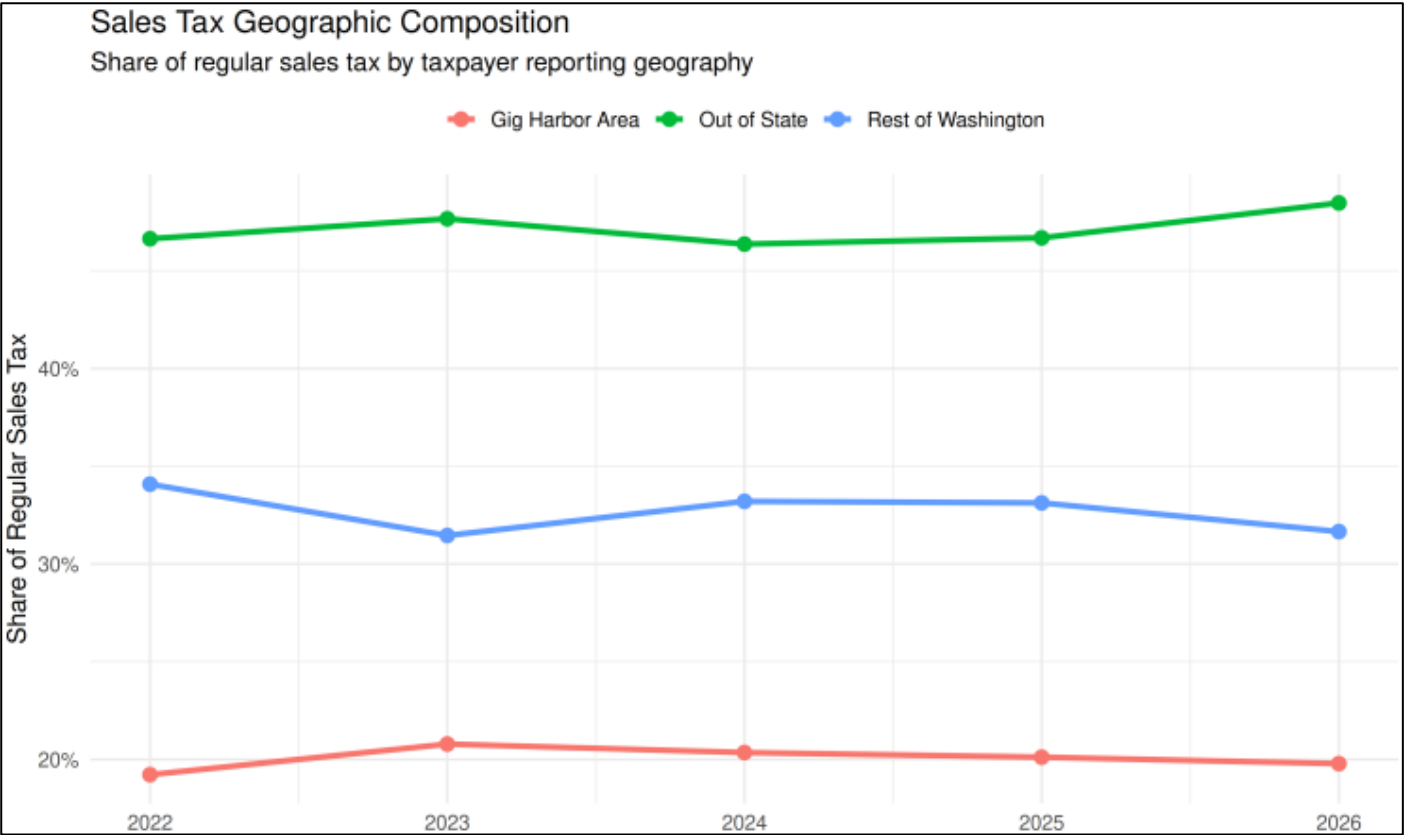
- Construction is lower relative to the prior period.
- Retail and food services are softer.
- Information remains comparatively resilient.
- This is moderation, not a collapse signal.

The surface-level revenue picture is stable, but sector detail argues for continued monitoring.

Source: Memo Table 5 and Rolling 6-Month Sector Change chart, filing basis.

GEOGRAPHIC COMPOSITION

The sales tax base is regionally integrated—not dependent on a handful of local businesses.



52–54%

Washington-based

46–48%

Out-of-state entities

Diversification is a strength: local activity matters, but the base is broader than local storefronts.

Source: Memo geographic composition analysis and Sales Tax Geographic Composition chart.

## RISKS / ITEMS TO WATCH

The outlook remains stable, but uncertainty has not disappeared.

### Construction

Slowdown or timing shifts in construction-related activity.

### Consumer Spending

Retail and food service moderation could continue.

### Inflation / Fuel

Cost pressure can change household behavior and business margins.

### Macro Uncertainty

Broader economic and geopolitical uncertainty remains unresolved.

### Filing Timing

Filing-basis data can move because of reporting timing, not only activity.

**The watch list supports caution.**

Source: Memo Overall Assessment and filing-basis discussion.

OVERALL ASSESSMENT

This is a stable revenue environment—not a high-growth environment.

Current sales tax performance remains favorable relative to budget, while sector data points to modest moderation beneath the surface.

Stable revenues

— Updated collections remain above adopted budget assumptions.

Diversified base

— The tax base reflects local, regional, and national marketplace activity.

Prudent monitoring

— Construction, retail, and food service trends should continue to be watched.

The data supports steady management, not a change in fiscal posture.

Source: Memo Overall Assessment.

