

# Budget Updates

September 2024

2025-2026 CITY OF TACOMA

**BIENNIAL OPERATING  
& CAPITAL BUDGET**

## Agenda

- 2024 Year to Date Update
- Gap Update
- Revenue Options

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# 2024 Update through July

## Revenues Updates

- Positive One-Time Revenues due to Power Gross Earnings Tax Audit (\$1.8M)
- Positive Interest Earnings (\$1.5M) and Business and Occupations Taxes (\$3.3M)

*Trends are built into assumptions for 2025-2026 therefore these variances will add one-time resources*

## Expense Updates

- Cheney Stadium Capital – contribution to help match state funds (\$2M)
- Risk and Benefit Contributions – Liability Risk and Workers Compensation (over \$1.5M)

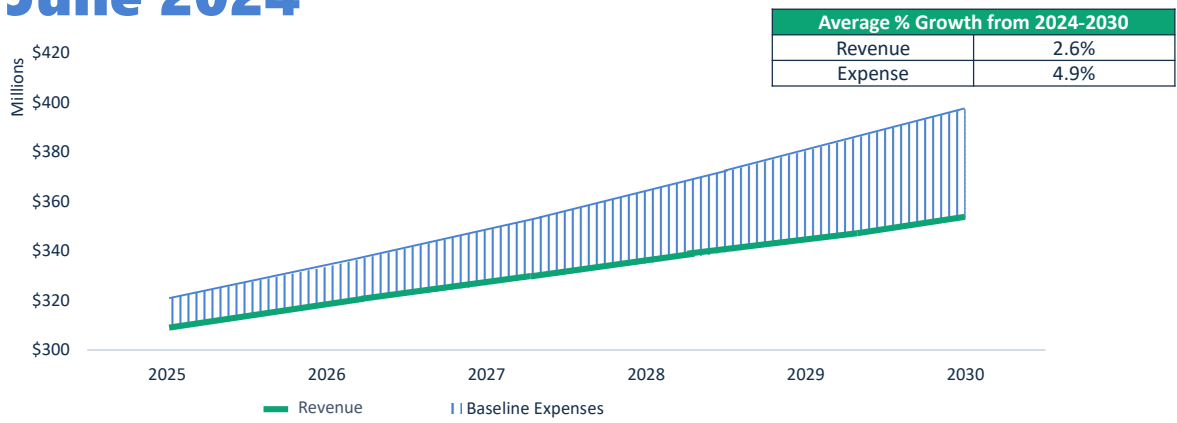
*While Personnel Services is seeing a positive variance, Fleet material costs are higher than anticipated and OMB is currently tracking these offsetting expenses*

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# General Fund Financial Forecast – June 2024



|                          | 2025     | 2026     | 2027     | 2028     | 2029     | 2030     |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Baseline Structural Gap* | -\$10.4M | -\$15.8M | -\$22.2M | -\$29.0M | -\$36.4M | -\$44.6M |

\*Does not include needs beyond baseline, including extensions of one-time projects such as the Temporary and Emergency shelter sites which need an additional \$9M to continue services through 2026

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# Updated Expense Projections



Healthcare Updates Based on Estimates from Mercer and Police and Fire Pension Costs (-\$3.3M)



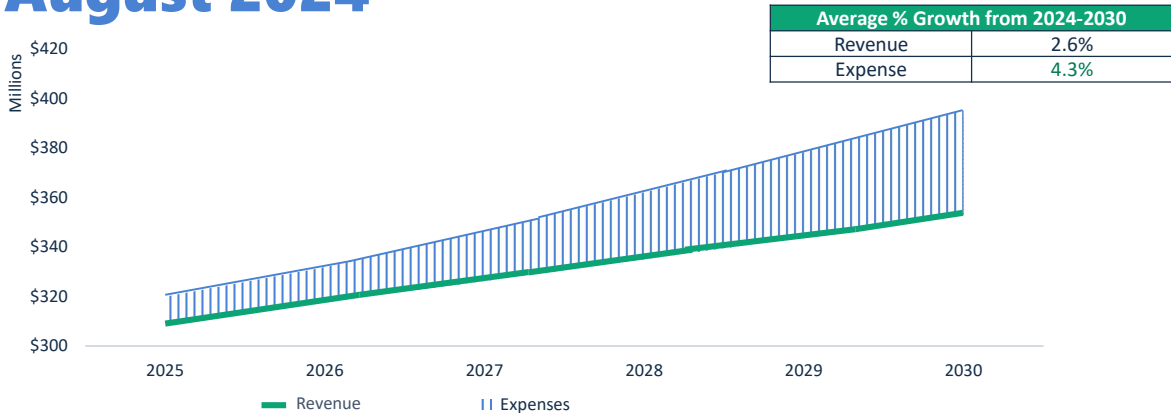
Updated projections for expenses - personnel, internal services, liability costs (+\$1M)

*\*Updates shown for General Fund in 2025-2026. These updates were made across funds.*

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# General Fund Financial Forecast – August 2024



|                         | 2025    | 2026     | 2027     | 2028     | 2029     | 2030     |
|-------------------------|---------|----------|----------|----------|----------|----------|
| Baseline Structural Gap | -\$9.8M | -\$14.1M | -\$20.4M | -\$27.1M | -\$34.3M | -\$42.5M |

*\*Does not include needs beyond baseline, including extensions of one-time projects such as the Temporary and Emergency shelter sites which need an additional \$9M to continue services through 2026*

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## Evaluating the baseline to produce a BALANCED BUDGET

### Reduction Targets

- Update costs to reflect service level or demand
- Reduce services levels
- Stop offering a program
- Is a service duplicated or not achieving results in priority areas?

### Re-Structure Revenues or Costs

- Evaluate how programs are allocating current revenues or staff time

### Identify New Revenues or Update Revenues

### Propose Increased Service Levels or New Services

- Focus on Council and Community Priority Areas, Adopted Plans and Policies, and Community Feedback

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## Fines, Exemptions, and Audits

- Increase false alarm service fee from \$100 to \$115
- Eliminate the business & occupation tax deduction for international investment management services - going from zero tax on income to 0.4%
- Implement a focused compliance effort to identify short term rentals operating in Tacoma without a business license

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## Utility Tax Exemptions

Exemptions in TMC 6A.100.040 – Including uncollected accounts, interest on construction bonds, and reimbursements for damages.

### Exemptions Identified by Staff:

Item D - Contribution in aid of construction

Item F - Amounts received from the sale of capital assets

Item G - Interest earned on construction bonds

Clarification on Grant Revenue

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## Parking

*Needed to ensure that the parking system's revenues can sustain expenses*

- Off-Street Monthly Parking Permits & Residential Parking Permits – Public Works is currently working with Republic Parking on a rate survey, adjustments, and communication planning
- On Street Metered Parking – Public Works is working with Parking Technical Advisory Group on recommendations for 2025
- Fees – Public Works is conducting research on fee structures and amounts and implementation approaches

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## Event Related Excise Tax

- Excise tax on the sale of food & beverage sold on the property of City-Owned Indoor Venues
- Revenues would support Community Impact activations, CERC Events Event Grant Funding, Non-Profit Cultural Program

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## Revenue Strategy

|                             | Item                                       | Update   | Timeline/Next Steps       |
|-----------------------------|--|--|---------------------------|
| 2025-2026 Proposed Budget   | Fines, Exemptions, and Audits              | False Alarm Service Fee Increase, Identify Short Term Rentals without licenses, Eliminate exemption for International Business   | GPFC in October           |
|                             | Utility Tax Exemptions                     | Alternatives to eliminate existing exemptions (may include Construction related revenues)  | GPFC in October           |
|                             | Event Excise Tax                           | Food and Beverage Service Tax at Dome paid by contractor and would support special events funding  | GPFC in October           |
|                             | Parking Rates and Fees                     | Updates to Parking Rates and Fees to better cover the system's costs   | Varied                    |
| Impacts to 2025-2026 Budget | Fire Levy Lid Lift                         | Funding to support \$30M annually for Fire Department facilities, fleet, maintenance, and staffing to improve response capacity and firefighter safety   | Vote in November 2024     |
|                             | Extension of TBD Sales Tax                 | Council action to extend Transportation Benefit District Sales Tax   | December 2024 (Tentative) |
| In Progress                 | Extension of TC Sales Tax                  | Council action to extend Tacoma Creates Sales Tax  | First Quarter 2025        |
|                             | Streets Initiative 2                       | Property Tax and Utility Taxes   | On Ballot in 2025         |
|                             | Revenues Related to Legislative Priorities | Property Tax - Continue to prioritize changing the 1% growth limit, revenue options to support base operational needs in the General Fund, revenue authority by State to cities or direct funding of homelessness services | Legislative priority 2025 |
|                             | Additional Levy Lid Lift                   | Support Operational Costs in General Fund and facility needs   | Council Discussion 2025   |
|                             | Impact Fees                                | Staff provided an update in 2024 on the development of Traffic Impact Fees   | Development in 2024       |

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## Next Steps

- GPFC Meeting October 1 on Fee Schedule for 2025-2026 and October 15<sup>th</sup> on Taxes, Fines, and Exemptions shared today
- Proposed Budget Presented by City Manager on October 1, 2024
- Work Sessions throughout October and November
  - October 8 – Utilities and Infrastructure (Tacoma Public Utilities, Environmental Services, and Public Works)
  - October 15 – Public Safety (Fire and Police)
  - October 22 – Housing, Homelessness, and Economic Development (Planning and Development Services, Neighborhood and Community Services, and Community and Economic Development)
  - October 29 – Tacoma Venues and Events and Internal Services
- City Council Workshop on November 8, 2024
- First and Second Readings on November 19 and December 3, 2024

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