



City of Tacoma

Government Performance and Finance Committee Minutes

747 Market Street, Tacoma, WA 98402, Conference Room 248

Dial: 253-215-8782 Meeting ID: 844 1669 0206

Webinar Link: www.zoom.us/j/84416690206 Passcode: 614650

October 01, 2024

10:00 AM

Chair John Hines, Vice Chair Kiara Daniels, Joe Bushnell,
Sarah Rumbaugh, Kristina Walker (alternate)

Call To Order

Chair Hines called the meeting to order at 10:09 a.m.

Roll Call

Present: 3 - Bushnell, Daniels and Hines

Absent: 1 - Rumbaugh

Council Member Daniels participated virtually.

Public Comment

There was no public comment.

Briefing Items

- [24-1033](#) Proposed Changes to Deductions from the Gross Earnings Tax
[Andy Cherullo, Director; Danielle Larson, Tax and License Division Manager, Finance; Alex Yoon, Deputy Director, Tacoma Public Utilities]

At approximately 10:11 a.m., Andy Cherullo, Director, and Danielle Larson, Tax and License Division Manager, Finance; and Alex Yoon, Deputy Director, Tacoma Public Utilities (TPU), presented the proposed changes to deductions from the Gross Earnings Tax (GET), including an overview; background, noting General Fund revenue sources, and GET is changed to both public and private utilities; current deductions in Tacoma Municipal Code (TMC) Section 6A.100.040; historic data from 2019-2024; grants, noting implications with GET; proposed TMC changes, noting steps and deductions for Tidy Up Tacoma excise tax; and recommendations.

Discussion ensued throughout regarding the definition of private utilities, totals based on all utilities, how other municipalities collect GET, collections of grant revenues for public and private companies, added costs, contributions in aid of construction (CIAC) code, utilities impact, removing exception for

CIAC regarding impacting costs to developers, earned interest on sale of construction bonds, removing tax on Christmas tree sales and rent to Environmental Services, developer donated assets, utility taxes from the General Fund, and power surcharge.

MOTION: Vice Chair Bushnell moved to forward the proposed amendments to Tacoma Municipal Code Section 6A.100.040, to the full City Council for consideration.

SECONDED BY: Council Member Daniels.

ACTION: Voice vote was taken and carried. The motion was declared adopted.

Ayes: 3 - Bushnell, Daniels and Hines

Absent: 1 - Rumbaugh

2. [24-1035](#)

Tacoma Public Utilities Preliminary Budget and Rates Update

[Alex Yoon, Deputy Director, Tacoma Public Utilities; Michelle Rhubright, Budget and Financial Planning Manager, Tacoma Power; Daniel McCabe, Division Manager, Business Services, Tacoma Rail; Jodi Collins, Financial Stewardship Manager, Tacoma Water]

At approximately 11:02 a.m., Yoon, presented TPU's preliminary budget and rates update, including the timeline for TPU and Council for the remainder of the year; and public outreach, noting budget and rates, and ongoing outreach.

Daniel McCabe, Division Manager, Business Services, presented the Tacoma Rail preliminary budget overview, noting revenue, expenditures, total capital, and the increase of capital due to implication of the battery electric locomotives; cost savings measures, noting efficiencies, reductions, funding and value examples, and grants; 2025-2026 preliminary budget, noting revenues and expenditures; budget revenues, noting line haul switching; expected rate impact, noting proposed line haul rates; and recommended rate policy changes, noting adding updated verbiage regarding cash balances to the rate policy.

Jodi Collins, Financial Stewardship Manager, Tacoma Water, presented the Tacoma Water preliminary budget, including recommended changes to the water rate and financial policy, noting water quality and robust supply, and including verbiage regarding cash balances; budget development, noting prudent financial stewardship and operational innovations; cost efficiencies and rate mitigation, noting cost efficiencies to help mitigate rate increases; budget assumptions and risks; proposed budget expenditures and revenue, noting balanced budget proposal; funding for expenditure increases; projected range of system average rates, noting 2025-2034 base case assumptions and

scenario development; preliminary rate proposal, noting proposed annual rate adjustments by customer class; retail rates remain competitive, noting regional comparison of average monthly bills, and comparison of average monthly bills with and without the Bill Credit Assistance Program (BCAP); and recommended changes to water service construction charges, noting fixed fees and responding to developer and staff feedback.

Michelle Rhubright, Budget and Financial Planning Manager, Tacoma Power, presented the Tacoma Power preliminary budget, including pressure and opportunities related to costs and strategies; budget highlights, noting a ten percent increase from 2023-2024; rate mitigation, noting financial stability, cost saving measures, debt restructuring, and resources management; proposed total budget expenditures and revenues, noting increase in assessments; recommended 5.3 percent annual rate increases in 2025 and in 2026, noting actual rate increases, base case rate increases, and range of projected rate increases; rates remain low and competitive, noting 2024 Western Washington monthly residential bill comparison; and recommended changes to Tacoma Power financial policies.

Yoon compared an average monthly five-service bill with and without BCAP, noting proposed rate adjustments equating to an average of 6.4 percent increase per year in 2025 and 2026, and TPU's goal to reach 10,000 BCAP enrollments by the end of 2024.

Discussion ensued throughout regarding Tacoma Rail's budget, industry standards, comparative rates, the demurrage fee being utilized, expansion of rail car storage, capacity of rail infrastructure, grants received, revision to the policy statement regarding cash balances, and target number of days for cash balances on reserves; Tacoma Water's policy statement regarding cash balances; and Tacoma Power's policy changes and cash balance targets.

Topics for Upcoming Meetings

3. [24-1036](#) October 15, 2024 - Fee Schedule Update; Excise Tax at Tacoma Venues; Amendments to Tacoma Municipal Code Chapter 6B.40 - Alarm Ordinance; Amendments to Tacoma Municipal Code Chapter 6A.30 - Business and Occupation Tax
- November 5, 2024 - Board of Ethics Interviews; Audit Advisory Board Interviews; Multi-Family Tax Exemption Update; Environmental Services Solid Waste Management Division Special Permits Recycling Incentive Tacoma Municipal Code Changes
- November 19, 2024 - Joint Audit Advisory Board Quarterly Meeting; Monthly Budget Update; Cybersecurity Update; Charter Review Citizen Referendum; Charter Review - Fiscal Notes

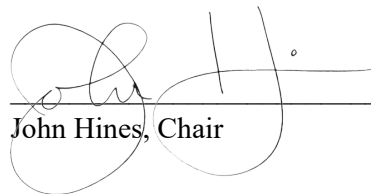
D'Angelo Baker, Committee Liaison, stated the next meeting will be on October 15, 2024, and will include a fee schedule update, excise tax at Tacoma Venues, proposed amendments to TMC Chapter 6B.40 regarding alarms, and proposed amendments to TMC Chapter 6A.30 regarding Business and Occupation Tax.

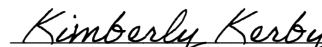
Other Items of Interest

There were no other items of interest.

Adjournment

There being no further business, the meeting adjourned at 11:55 a.m.



John Hines, Chair

Kimberly Kerby, City Clerk's Office