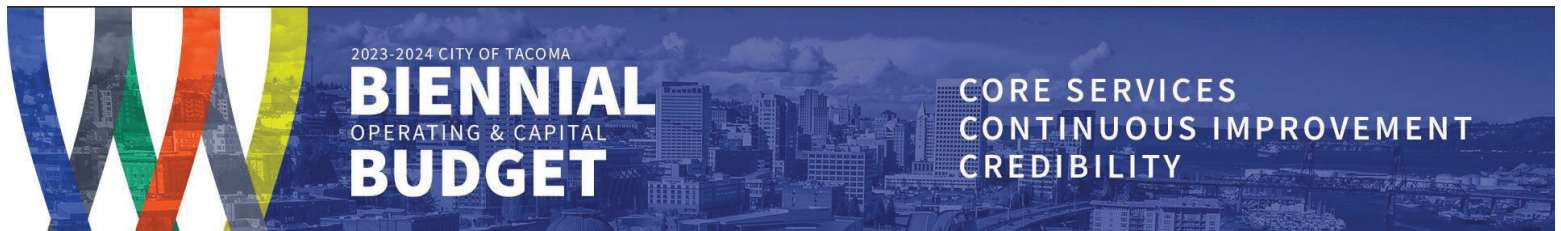


# Revenue Strategy

**June 14, 2022**

**Study Session**

**Office of Management & Budget**



## Agenda

- What issues are impacting our financial sustainability?
- When does the City consider revenue options?
- Timing Considerations
- Guiding Principles for a Revenue Strategy
- Next Steps

# What issues are impacting the City's financial sustainability?

- Cyclical economic periods, inflationary pressures, and uncertainty
- Constraints on revenue options, such as State limits on property taxes
- Development and population growth drives demand for services
- Community need for new, different, and expanded services, especially in priority areas



3

## Revenue options are only one of the approaches to addressing financial sustainability

### Reduce Expenses

- 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

## City use of new revenues for investments in new services or infrastructure

---

**Affordable Housing Sales Tax** - permanent

---

**Mental Health and Substance Use Disorder Sales Tax** - permanent

---

**Tacoma Creates Sales Tax** – end in 2025

---

**Streets Initiative (Gross Earnings Taxes, Sales Tax, Property Tax)** - end in 2025

---

**EMS Property Tax** – permanent & below limit, can bring forward levy lid lift to voters

---

**Excess Property Tax Levy to Support Police Facilities** - ends in 2022 when debt service is paid off

---

2023-2024 CITY OF TACOMA  
**BIENNIAL**  
OPERATING & CAPITAL  
**BUDGET**

5

## Timing Considerations

*Important due to the collective impact of tax increases, voter fatigue, and coordination/partnership opportunities*

### City of Tacoma

- Recent studies related to Fire Facilities and Hilltop and Eastside Library Services
- TPD Facilities Levy ends this year and will reduce property tax paid by the community to City of Tacoma services
- Tacoma Creates and Streets Initiative End in 2025

### Other Jurisdictions

- Likely that MetroParks and Tacoma Public Schools will consider capital bonds through Property Tax Levy prior to 2025

2023-2024 CITY OF TACOMA  
**BIENNIAL**  
OPERATING & CAPITAL  
**BUDGET**

6

# Revenue Options

	Authority	Revenue Generation	Notes
Gross Earnings Tax on Utilities	Voter Approval	Up to approximately \$3M	Currently at 8% Max for all major utilities excluding Power and Natural Gas (7.5%). Maximum can be increased through charter change
Business and Occupation Tax	Councilmanic	Upwards of \$10M	Increasing to the maximum is almost double for some categories (with voter approval can go higher than maximum)
Property Taxes - Levy Lid Lift <ul style="list-style-type: none"> <li>• General</li> <li>• EMS</li> <li>• Affordable Housing</li> </ul>	Voter Approval	<ul style="list-style-type: none"> <li>• Capacity above \$100M annually</li> <li>• EMS -\$7.9M Annually</li> <li>• Affordable Housing - \$18.6M Annually</li> </ul>	Can be permanent or temporary, can also be structured for bonding
Business Licenses Fees	Councilmanic	Upwards of \$3M annually	Adjusted regularly to reflect CPI changes. Hasn't been updated in 5 years. Can increase beyond this level.
Impact Fees	Councilmanic	Varies Significantly	The City does not have impact fees. Impact fees help offset costs related to new infrastructure and increased population and development pressures
Excise Taxes (for example Head Tax)	Councilmanic	Varies Significantly	Can be structured in a variety of ways
Transportation Benefit District Sales Tax	Councilmanic	\$6-7M	
Other Fines and Fees	Councilmanic	Varies Significantly	Adjusted regularly to reflect CPI changes and cost of service

7

\*Bonding often comes up as a revenue source. Since it requires a revenue source to pay for debt service, it is not shown as a new revenue.

## Guiding Principles for a Revenue Strategy

### Prioritizing Areas of Focus/Expense

- Consider as part of holistic revenue approach by City
  - How does it fit into the timing of other initiatives?
  - What will be the fully impact on residents and businesses?
  - Does the expense need match with budget discussions on priorities for expenses?
- Consider revenue options when adding significant new services

### Timing

- Create a calendar and potential timeline for revenue proposals & evaluate/update during biennial budgeting process

### Impact

- Analyze collective impact of proposals on residents and businesses
- Include alternatives to reduce impact of measures on small businesses or low-income households

8

# Next Steps

	Update	Timeline/Next Steps
Property Tax	Continue to prioritize removing the 1% growth limit in legislative lobbying	Legislative Sessions
EMS Levy Lid Lift	Given cost and demand increases compared to limited revenue growth, TFD will bring forward an update on benefits of pursuing a levy lid lift	Provide update at Study Session in late summer/fall 2022
Impact Fees	City Council supported the recommendations of the Impact Fee Framework Plan completed in July 2021	Continue work on Framework Development in 2022 and 2023
Facilities Levy Lid Lift	Funded consultant services during 2021-2022 modification process Facility Condition assessment, Fire Facilities study, and Library Services study will inform this work	Tours of Facilities Summer 2022 Community Engagement Fall 2022- Spring 2023
Administrative Fee Adjustments <ul style="list-style-type: none"> <li>• Fee Schedule</li> <li>• Business Licenses</li> </ul>	Regular process to reflect cost increase	Update Fees and Licenses in Fall 2022 with Budget Process
Excise Tax Options	Staff research in progress	Provide Update in Fall 2022 with Budget Process
Updates to Existing Voter Approved Measures	Staff will continue to work on benefits and needs related to renewing Tacoma Creates and Streets Initiative	Provide Updates in 2023

Bring revenue strategy update to City Council in the Fall of 2022 along with 2023-2024 Proposed Budget



# Revenue Approaches and Options

**June 14, 2022**

**Study Session**

**Office of Management & Budget**

