

BUDGET CONTEXT SETTING

January 7, 2025

2025-2026 Adopted Budget Council Work Sessions

2025-2026 CITY OF TACOMA

**BIENNIAL OPERATING
& CAPITAL BUDGET**

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1 January 7th Agenda

- 1 Introduction
- 2 Fiscal Sustainability Task Force
- 3 Revenues
- 4 Expenses
- 5 Balancing Strategies
- 6 Problem Statement and Discussion

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Work Session Road Map

Deliverable | Policy guidance to instruct City Manager in identifying:

- \$4.7M of ongoing reductions & revenues in the 2025-2026 City General Fund.
- Strategies to address future General Fund structural gaps.

JAN. 7 Context Setting

JAN. 14 Current Programs & Services

JAN. 28 Parameters & Criteria

TBD Example Package

Intended Outcome | A 2025-2026 Budget that reflects Council priorities & reduction strategies.

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FISCAL SUSTAINABILITY TASKFORCE

Determine Policy Ecosystem

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Fiscal Sustainability Taskforce

Final Report 2013

Identified short and long term strategies to:

- Enhance City revenues
- Reduce City expenses
- Promote the City's financial integrity, competitiveness, and service levels.



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Fiscal Sustainability Taskforce Recommendations

Financially Sustainable Definition

- Balanced Budget
- Quality Service Levels
- Strong Debt Rating
- Healthy Reserves
- Strategic Budget
- Pro-active
- Predictable

Fiscal Integrity

- The City is transparent, accountable and responsible in expenditure of public funds
- Budgeting, forecasting and Financial planning are accurate.
- The public is aware of the City's priorities and fiscal condition.

Competitiveness

- An attractive business climate with competitive tax policies and a place where businesses and their employees want to work and live because Tacoma is a vibrant and livable City.

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Fiscal Sustainability Progress

Financially Sustainable Definition	Current State (Updated 2025)	
Strong Debt Rating	Improved debt ratings.	
Healthy Reserves	Fully funded reserves and new reserve policy in 2021.	
Fiscal Integrity	<ul style="list-style-type: none"> Strong Council, public, and departmental reporting practices. Regular Review of Efficiencies and Expense. Still navigating challenge of further reductions given population trends, wage, and cost inflation. 	

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Fiscal Sustainability Progress

Financially Sustainable Definition	Current State (Updated 2025)	
Balanced for Strong Service Levels	The General Fund is balanced in 2025-2026 but sustainability of service levels is an issue.	
Strategic	<ul style="list-style-type: none"> Strategic plan guides discussion and funding priorities. It is not used to determine an affordable level of services. 	
Proactive	<ul style="list-style-type: none"> Strong response to COVID pandemic. Made decisions before financial pressures. 	

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2 Fiscal Sustainability Progress

Financially Sustainable Definition	Current State (Updated 2025)	
Predictable	<ul style="list-style-type: none"> Processes are stable and predictable. The structural deficit leads to reduction budgets creating uncertainty. 	
Competitiveness	<ul style="list-style-type: none"> More information is needed. Tacoma has broadly maintained tax levels, but General Fund services are stretched. 	

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2 Fiscal Sustainability Implementation



Strategic Plan



General Fund Supported Funds



Salaries & Benefits – Contribution Increases



Police & Fire Service Levels Review



Repair & Replacement Funding



New Revenues



Updated Reserve Policy (2021)

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What is still an issue?



- Replacement of Fleet, Facilities, & Equipment
- Expense Growth
- Tax Limits, Revenue Stagnation, & Uncertainty
- Long-Term Vision
What services do we want to do well?
- New Revenues for New Services = Less Flexibility

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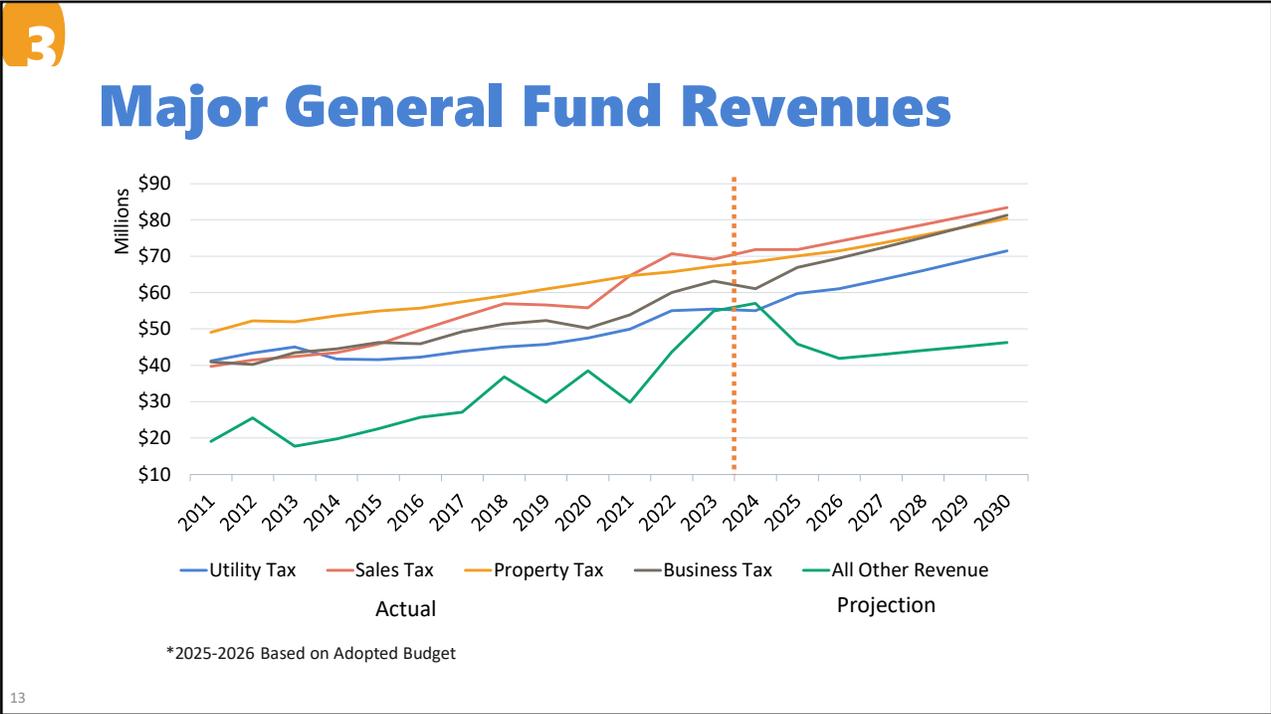
REVENUES

Identify Root Causes



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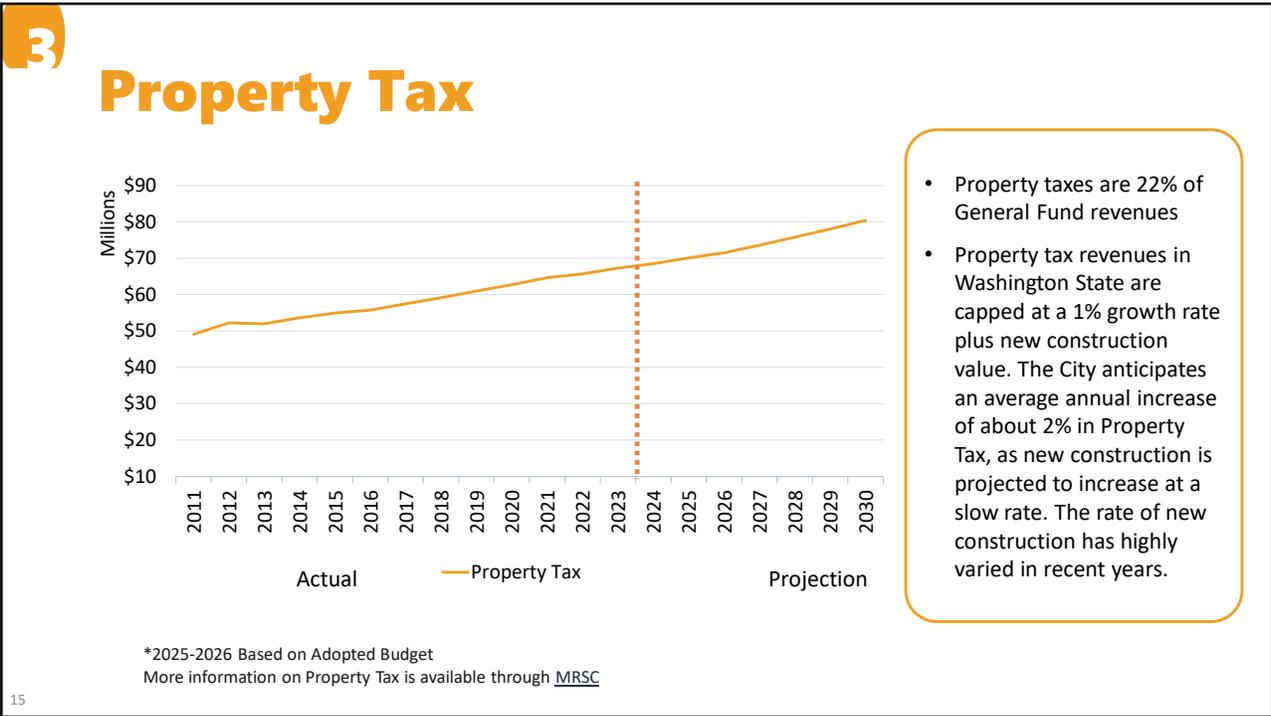
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	Strategy	Timeline/Next Steps
Completed	Fire Levy Lid Lift	Failed during November Election
	Event Excise Tax	A tax on the sale of food & beverage sold on the property of City-Owned Indoor Venues adopted in the 2025-2026 Budget.
	Utility Tax Exemption Removal	Removed Utility Tax exemptions – adopted in the 2025-2026 Budget.
In Progress	Streets Initiative	Placed on Ballot for April 2025
	Facilities or Operational Levy Lid Lift	Next steps planned for 2025
	Property Tax Limit Increase	Legislative priority
	Impact Fees	Continue work on Program Development in 2025
	Updates to Existing Measures (Tacoma Creates)	Next steps planned for 2025
Recently Updated	EMS Levy Lid Lift	Approved by voters in August 2023
	Fees & Business Licenses	Updates Fees and Licenses in Fall 2022 with Budget Process
	Excise Tax Options	Tidy Up Tacoma Solid Waste Excise Tax implemented in 2022 with Budget Process

Also need to consider the timing of items coming to voters from other governmental agencies, including MetroParks (2026), Schools (none expected in the next two years), Transit agencies, and others.

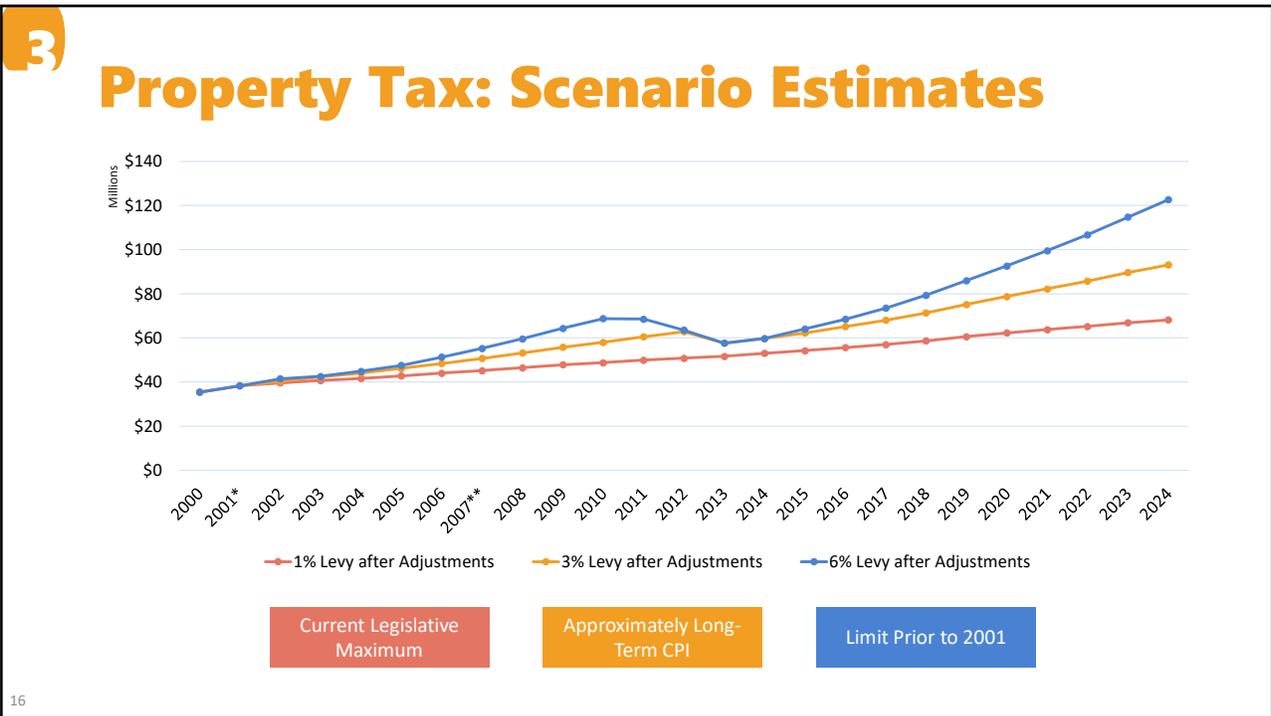
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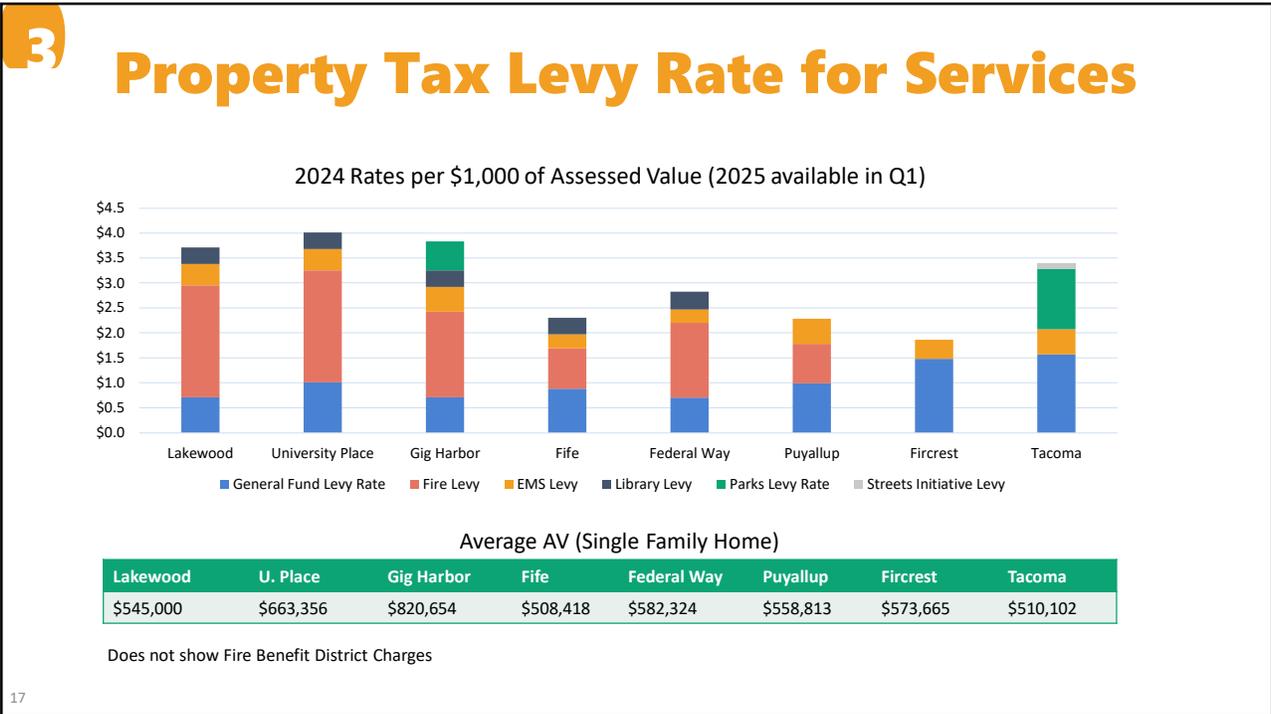
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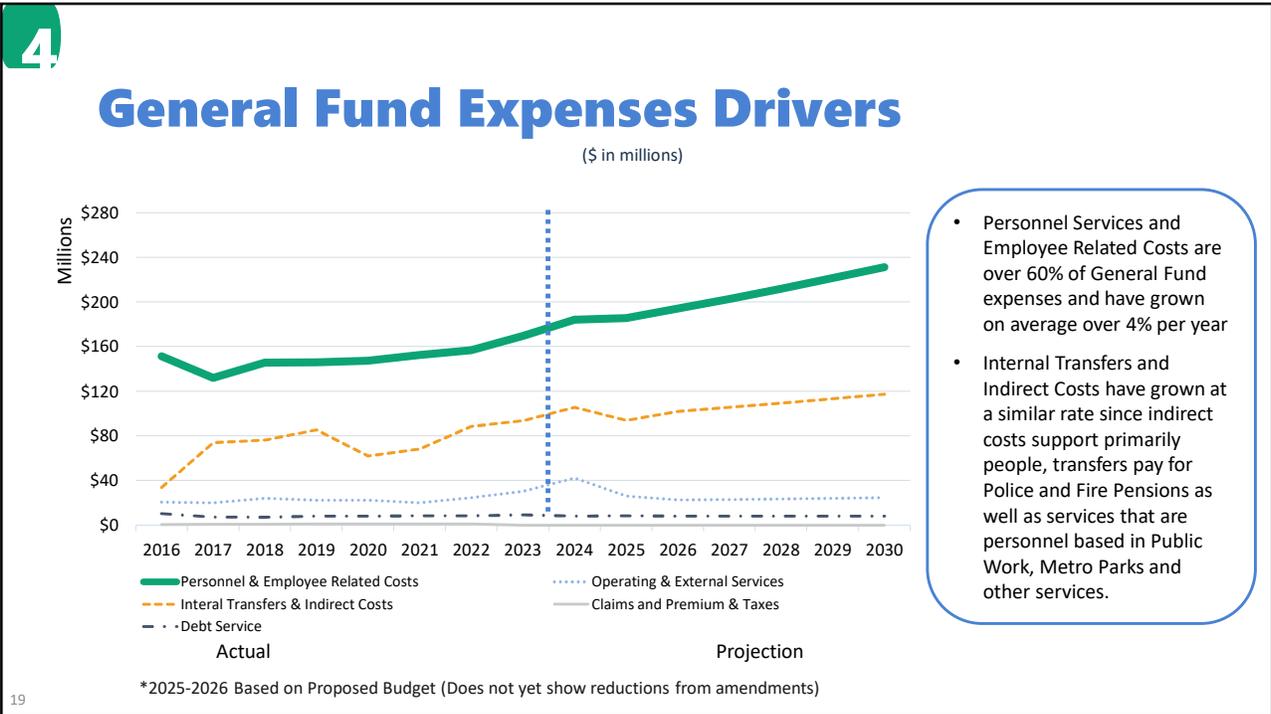
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4 EXPENSES

Identify Root Causes

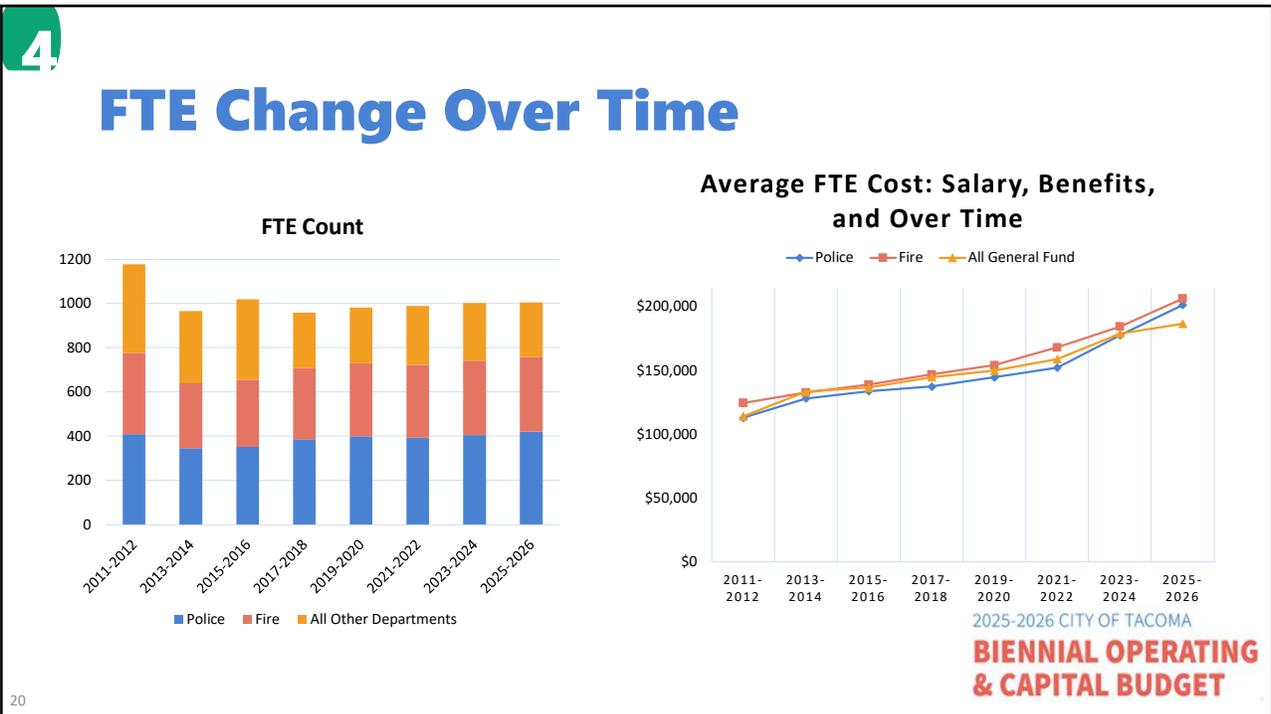
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Balancing Strategies

Determine Policy Ecosystem

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How have we closed the General Fund gap?

New Revenues

- Fees
- General Fund Taxes

Other Funding Sources and Restructures

- Grants
- Partnerships
- Taxes for Specific Uses

Ongoing Reductions

Reductions are often not a single action that saves millions but many cuts to reach millions in savings.

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5 New General Fund Revenues

~\$16.4 million annually in 2025-2026 Dollars

2017-2018	2021-2022	2023-2024	2025-2026
<ul style="list-style-type: none"> Animal License fees (\$100K) South Sound 911 Sales Tax (\$700K) Transport Fees and Fire Inspection Fees (\$1M) Business License Fees (\$2M) 	<ul style="list-style-type: none"> Ground Emergency Medical Transportation (\$500k) 	<ul style="list-style-type: none"> Business License Fees (\$10.4M) 	<ul style="list-style-type: none"> Utility Tax Exemptions Removal (\$1.4M) Short-Term Rental Licensing, International Investment Exemption Removal, and False Alarm Fees (\$287k)

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5 Other Funding Sources and Restructures

~\$65 million annually in 2025-2026 Dollars

2011-2012	2013-2014	2015-2016	2017-2018	2020-2021	2023-2024	2025-2026
<ul style="list-style-type: none"> Created Transportation Benefit District Mental Health and Substance Use Disorder Sales tax (\$8M per year) 	<ul style="list-style-type: none"> Vehicle License Fee (\$3M per year) 	<ul style="list-style-type: none"> Tacoma Streets Initiative (\$17.5M) Grant Funding 	<ul style="list-style-type: none"> Tacoma Creates (\$8M per year) SAFER Funds 	<ul style="list-style-type: none"> Affordable Housing Sales Tax (\$8M per year) Moved Cable Franchise Fees to General Fund (Net \$2M) 	<ul style="list-style-type: none"> EMS Levy Increase (\$9M per year) REET for Streets Initiative (\$1.5M per year) Tidy Up Excise Tax (\$5.8M per year) Grants & ARPA 	<ul style="list-style-type: none"> REET for Streets Initiative (\$1.5M per year) Code Enforcement Move (\$400k per year) Event Excise Tax (\$508k) Sheltering & CSO Grants

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Ongoing Reductions

\$21.5 in current expense reductions for 2025-2026



- Move personnel between funds and eliminate positions (-13 ongoing FTE in 2021-2022).
- General Fund Staffing was 1,489 FTEs in 2009-2010 and 1,002 in 2023-2024.
- Delayed Hiring and Vacancy Projections.



- Limited police fleet purchases.
- NO ongoing funding for Fire or Public Works Fleet in the General Fund.



- Limited ongoing funding for equipment and facilities.
- Annual Repair and Replacement budgeted at \$3.4M annually for \$650M+ need.



- Streamlined department functions.
- Transitioned service delivery models to other partners (Senior Services, Human Rights)
- Delayed or reduced program services (e.g. delay Participatory Budgeting, Complementary Services).

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PROBLEM STATEMENT

Articulate Problem Statement

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Problem Statement

General Fund revenues have grown and are projected to grow at a slower pace than the expenses for services it provides.

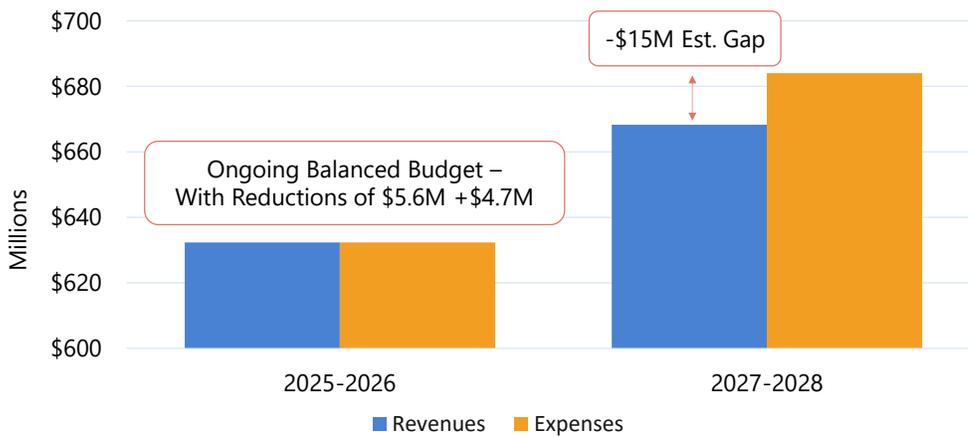
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General Fund Gap in 2027-2028 Council Motion on December 3rd - \$8.9M in Reductions



Average % Growth	
Revenue	2.8%
Expense	4%

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