Revenue Strategy Update November 2025

November 12, 2025

2025-2026 CITY OF TACOMA
BIENNIAL OPERATING & CAPITAL BUDGET

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Agenda

- Revenue Strategy Overview
  - Actions Taken in the last 10 years
  - Options for Revenue Enhancements
  - Revenue Strategy Update
  - Overview of HB 2015
    - Local Law Enforcement Grant Program
    - Criminal Justice Sales & Use Tax (1/10th of 1 Percent)

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New Revenues and Restructures

~New General Fund Revenues - $18.3M annually in 2025-2026 Dollars

General Fund

2017-2018

- Animal License Fees - $100K
- South Sound 911 Sales Tax - $700K
- Transport Fees and Fire Inspection Fees - $1M
- Business License Fees - $3M

2021-2022

- Ground Emergency Medical Transportation (GEMT) - $500K

2023-2024

- Business License Fees - $10.4M

2025-2026

- Utility Tax Exemptions Removal - $2.3M
- Short-Term Rental Licensing, International Investment Exemption Removal, and False Alarm Fees - $280K

~Other Funding Sources and Restructures - $36.7M in 2025-2026 Dollars

Other Funds

2017-2018

- Tacoma Creates - $7M per year
- SAFER Funds

2021-2022

- Affordable Housing Sales Tax - $7M per year
- Moved Cable Franchise Fees to General Fund (Net $2M)

2023-2024

- EMS Levy Increase - $9M per year
- REET for Streets Initiative - $1.5M per year
- Tidy Up Excise Tax- $5.8M per year

2025-2026

- REET for Streets Initiative - $1.5M per year
- Code Enforcement Move - $400K per year
- Event Excise Tax -$500K
- Sheltering & CSO Grants

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Revenue Options

	Authority	Annual Revenue	Notes
Business and Occupation Tax	Councilmanic	Upwards of $20M	Increasing to the maximum is almost double for some categories (with voter approval, could go higher than maximum)
Business Licenses Fees	Councilmanic	Varies Significantly	Last major increase in 2023/2024. Reviewed regularly for adjustment
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 – Tidy-Up)	Councilmanic	Varies Significantly	Can be structured in a variety of ways, examples include Tidy-Up and Food & Beverage Tax at Dome and Greater Tacoma Convention Center (GTCC)
Vehicle Fee - Transportation Benefit District	Councilmanic	$3- 4.5M	Fee can be increased to $40 then $50 after 24 months
Other Fines and Fees	Councilmanic	Varies Significantly	Reviewed regularly to address cost of service and other factors
Gross Earnings Tax on Utilities	Voter Approval	$12M	Maximum limit can be increased through charter change. Currently at 7.5% or 8% for all major utilities (note for Power that will fall to 6% in April 2026)
Property Taxes - Levy Lid Lift • General • Affordable Housing • Cultural Access	Voter Approval	• Capacity approximately $70-80M • Affordable Housing $21M • Cultural Access $7M	Can be permanent or temporary, can also be structured for bonding. For a levy lid lift staff would not recommend exceeding a total levy exceeding $3 per $1000 AV, which would be an increase of about $55M per year.
Sales Tax • Transportation Benefit District	Voter Approval	Each 1/10 of 1% Sales Tax approximately $7M	• 2nd & 3rd 1/10 1% sales tax

*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.

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Revenue Strategy - Update

Strategy	Timeline/Next Steps
EMS Levy	Placed on August 2023 Ballot - Passed
Fire Levy Lid Lift	Placed on Nov 2024 Ballot - Failed to Pass
Streets Initiative Renewal	Placed on April 2025 Ballot - Failed to Pass
State Limit on Property Tax - Increase (from 1% to 3%)	Legislative priority (HB 2049, SB 5798) – Failed to Pass
Tacoma Creates	Passed by City Council Oct 2025
Traffic Impact Fees System Development Charges (ES)	Presented at Study Session Nov 2025
Streets Initiative Renewal 2	Planned for Ballot in 2026
Fire – Regional Fire Authority (RFA)	Study is underway to determine if creating an RFA would benefit taxpayers and service delivery
Public Safety - Criminal Justice Sales Tax - 1/10th of 1 percent of Sales Tax	Can be passed by City Council prior to June 30, 2028. After that date, it requires a ballot vote by the community in a primary or general election

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HB 2015 – Overview

HB 2015 created two programs:

- Local Law Enforcement Grant Program
- Criminal Justice Sales & Use Tax (1/10th of 1 Percent)

- Local Law Enforcement Grant Program ($100M):
  - The purpose is to increase community policing and public safety by providing direct support to local and tribal law enforcement agencies in hiring, retaining, and training law enforcement officers, peer counselors, and behavioral health personnel working in co-response
  - Grants cover 75% of salary up to $125K per position (25% local match)
  - Grants are for 3 years – after that 100% of the costs are on city/county
- Criminal Justice Sales & Use Tax (1/10th of 1 Percent):
  - Allows a qualified city or county to authorize by resolution or ordinance a 1/10th of 1 percent sales & use tax to be used for criminal justice purposes

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HB 2015 – Criminal Justice Sales& Use Tax

- HB 2015 created the ability for a City to use councilmanic authority to pass a 1/10th of 1 percent Sales & Use Tax
  - As long as the voters have not rejected a similar measure in the past two years
- If a City does not use their councilmanic authority prior to June 30, 2028, then any further action to enact a 1/10th of 1 percent Sales & Use Tax would require a vote of the community
- The ordinance authorizing this sales tax must include a finding by the City Council that the city has met all the requirements for the grant program
- There is a 180 day compliance window if a city passes the sales tax but is not yet in compliance with requirements
  - If still not in compliance after 180 days, the DOR will withhold $100,000 per month of the tax collected until the city complies
- To impose the Sales & Use Tax, a city must meet the criteria to receive a grant under RCW 43.101.540

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HB2015 - Criteria for Both the Grant and Sales Tax

The grants under the local law enforcement grant program must be awarded to local and tribal law enforcement agencies based on their submittals to the commission. To qualify for a grant pursuant to this section, a law enforcement agency must have:

(a) Issued and implemented policies and practices consistent with RCW 43.17.425 and 10.93.160, and the office of the attorney general's keep Washington working act guide, model policies, and training recommendations for state and local law enforcement agencies;

(b) Participated in commission training as required by RCW 43.101.455 and 36.28A.445;

(c) Issued and implemented policies and practices regarding use of force and de-escalation tactics consistent with RCW 10.120.030 and the office of the attorney general's model policies, and all other commission and attorney general model policies regarding use of force for law enforcement including, but not limited to, duty to intervene and training and use of canine teams;

(d) Implemented use of force data collection and reporting consistent with chapters 10.118 and 10.120 RCW when the program is operational, as confirmed by a notice from the attorney general's office to all police chiefs and sheriffs;

(e) Issued and implemented policies and practices consistent with chapters 7.105 and 9.41 RCW and the commission model policies and training addressing firearm relinquishment pursuant to court orders;

(f) A 25 percent officer completion rate with the commission's 40-hour crisis intervention team training;

(g) A 100 percent officer compliance rate for those officers required to complete trauma-informed, gender-based violence interviewing, investigation, response, and case review training developed or approved by the commission pursuant to RCW 43.101.272 and 43.101.276, and if requested by the commission, participated in agency case reviews;

(h) Except as it applies to tribal law enforcement agencies, received funding from a sales and use tax authorized pursuant to RCW 82.14.340 or 82.14.450, or authorized pursuant to section 201 of this act before the awarding of the grant;

(i) A chief of police, marshal, or sheriff who is certified by the criminal justice training commission pursuant to this chapter and who has not:

(i) Been convicted of a felony anywhere in the United States or under foreign law

(ii) Been convicted of a gross misdemeanor involving moral turpitude, dishonesty, fraud, or corruption; and

(j) Issued and implemented policies and practices that prohibit volunteers who assist with agency work from enforcing criminal laws, other than for assistance with special event traffic and parking, including engaging in pursuits, detention, arrests, the use of force, or the use of deadly force; carrying or the use of firearms or other weapons; or the use of dogs to track people or animals other than for purposes of search and rescue; and that set forth the required supervision of volunteers, including that they must be clearly identifiable by the public as distinguishable from peace officers and any identifying insignia must be officially issued by the agency and used only when on duty.

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HB 2015 – Criminal Justice Sales & Use Tax - Uses

- Monies received from the Sales & Use Tax must be used for criminal justice purposes which include:
  - Domestic Violence Services
  - Public Defenders
  - Diversion programs
  - Reentry work for inmates
  - Local government programs that have a reasonable relationship to reducing the numbers of people interacting with the criminal justice system - including homelessness or improving behavioral health
  - Community placements for juvenile offenders, community outreach programs, alternative response programs, mental health crisis response

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Regional Comparison – Sales Tax Rates

County	Location Name	Combined Sales Tax (1)	
Snohomish	Lynnwood	10.60%	
Snohomish	Mill Creek	10.60%	
Snohomish	Mukilteo	10.60%	
Snohomish	Bothell in Snohomish County	10.50%	
Snohomish	Brier	10.50%	*
Snohomish	Edmonds	10.50%	
Snohomish	Mountlake Terrace	10.50%	
Snohomish	Snohomish County Unincorp. PTBA	10.50%	
Snohomish	Woodway	10.50%	
King	Shoreline	10.40%	
King	Seattle	10.35%	*
Pierce	**Tacoma**	**10.30%**	
King	Renton	10.30%	*
Pierce	Auburn in Pierce County	10.20%	
Pierce	Pacific in Pierce County	10.20%	
Pierce	Puyallup	10.20%	
Pierce	Puyallup Tribe - Puyallup	10.20%	
King	Bellevue	10.20%	
King	Des Moines	10.20%	*
King	Federal Way	10.20%	
King	Hunts Point	10.20%	
King	Kent	10.20%	*
King	Puyallup Tribe - Federal Way	10.20%	
King	SeaTac	10.20%	*
King	Tukwila	10.20%	

* Have submitted an application to CJTC for 1/10 Sales Tax
** King County submitted an application that would apply to cities in King County

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HB 2015 – WORK

- HB 20165 created the ability for a City to use councilmanic authority to pass a 1/10th of 1 percent Sales & Use Tax
  - As long as the voters have not rejected a similar measure in the past two years
- If a City does not use their councilmanic authority prior to June 30, 2028, then any further action to enact a 1/10th of 1 percent Sales & Use Ta would require a vote of the community
- To impose the Sales & Use Tax, a city must meet the criteria to receive a grant under RCW 43.101.540
- There is a 180 day compliance window if a city passes the sales tax but is not yet in compliance with requirements
  - If still not in compliance after 180 days, the DOR will withhold $100,000 of the tax collected until the city complies
- The tax authorized in this section is in addition to any other taxes authorized by law and must be collected from those persons who are taxable by the state pursuant to chapters 82.08 and 2982.12 RCW upon the occurrence of any taxable event within such city or county.

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Reporting

- (4)(a) Cities and counties who impose the tax authorized under 37this section shall, within one calendar year of imposition of the tax and annually thereafter, make a report to either the association of Washington cities or the Washington state association of counties on 1how the moneys received from the tax were expended.
- by December 1, 2025, and annually thereafter, the association of Washington cities and Washington state association of counties shall compile all information received pursuant to (a) of this subsection and submit a report to the appropriate committees of the legislature detailing the purposes for which each city and county expended the moneys received from the tax.

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Grants Additional Info

- In addition to the requirements of subsection (3) of this 4section, in order to qualify for a grant pursuant to this section, a 5law enforcement agency must provide the commission, at time of 6application for grant moneys, a detailed staffing plan specifying the 7following:8
- (a) The total number of commissioned officers currently employed 9by the agency;10
- (b) The total number of noncommissioned officers currently 11employed by the agency;12
- (c) The total number of co-response teams established within the 13agency and what staffing are included in each co-response team;14
- (d) The total number of administrative staff currently employed 15by the agency;16
- (e) The average 911 response rate of the agency over the 12-month 17period immediately preceding the month in which the agency is 18applying for the grant; and19
- (f) The average case closure rate of the agency over the 12-month 20period immediately preceding the month in which the agency is 21applying for the grant.

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- (a) Recruiting, funding, and retaining new law enforcement 32officers, county corrections officers, peer counselors, and 33behavioral health personnel working in co-response in Washington 34state. Grants may provide up to 75 percent of the entry-level 35salaries and fringe benefits of full-time local or tribal law 36enforcement officers for a maximum of 36 months, with a minimum 25 37percent local cash match requirement and a maximum state share of 38$125,000 per position. Any additional costs for salaries and benefits 39higher than entry level are the responsibility of the grant recipient
- (b) Funding use of force, de-escalation, crisis intervention, and 3trauma-informed trainings for officers to remain in compliance with 4the commission's required trainings; and5
- (c) Funding broader law enforcement and public safety efforts 6including, but not limited to, emergency management planning, 7environmental hazard mitigations, security personnel, community 8outreach and assistance programs, alternative response programs, and 9mental health crisis response.

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- In selecting grant recipients, the commission shall 11prioritize those law enforcement agency applicants in the following 12order:13
- (a) Those who are seeking grants to establish co-response teams 14or community immersion law enforcement programs;15
- (b) Those who currently maintain co-response teams and are 16seeking grants to hire additional law enforcement officers;17
- (c) All other applicants.

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Current Economic Conditions

- Labor Market – showing signs of weakness in latest data
  - Fewer new jobs being created
  - Fewer participants in the labor force (retirement wave, immigration, etc.)
- Inflation – Showing some upward pressure
- Interest Rates – mortgage rates still above 6% which is a drag on the housing market
- Risks to Consider
  - General Uncertainty
    - Federal Government shut down
    - Independence of the Federal Reserve in question
    - On-again Off-Again On-Again Tariffs
    - Independence, accuracy and integrity of government collected data
  - Geopolitical conflicts
  - Federal Grants – eliminations, reductions, recovery of previous grants?
  - Unemployment and Inflation – both going up at same time (stagflation)?

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