City of Tacoma | Standing Committee Memorandum

TO: Hyun Kim, City Manager
FROM: Ramiro A. Chavez, P.E. PgMP, Director, Environment & Public Works RACPP
COPY: Government Performance and Finance Committee; Andy Cherullo, Director, Finance; Rosa Mcleod, Government Relations Officer
PRESENTER: Dominic Greco, Environmental Services Business Services Manager; Mark Westland, Environmental Services Principal Data Analyst
SUBJECT: Environmental Services 2027-2028 Proposed Budget and Rate Revenues
DATE: August 18, 2026

PRESENTATION TYPE:
Informational Briefing

SUMMARY:
This presentation provides a high-level overview of the Environmental Services Department (ES) 2027-2028 proposed budget and the requested revenue increases for Solid Waste, Wastewater, and Stormwater utilities.

BACKGROUND:
ES develops rates for its Solid Waste, Wastewater, and Stormwater utilities every two years as part of the biennial budget process. Beginning January 1, 2027, ES will merge with Public Works to form the Environment & Public Works Department (EPW); however, for the 2027-2028 biennium, the two departments will continue to prepare separate budgets.

Rate development is guided by legal requirements, industry best practices, and ES's adopted financial policies. Rate models ensure the balancing of required revenues with operating and capital costs, debt service, and taxes along with ensuring compliance with financial policies and bond covenants related to cash balances and debt service coverage.

ES is also planning for future operational changes across all utilities. The Stormwater and Wastewater utilities face increasing regulatory requirements and aging infrastructure, resulting in greater capital investment needs than in previous years. For Solid Waste, the upcoming closure of the LRI landfill will result in higher disposal costs and additional capital investments to support updated disposal methods and other facility improvements. These factors drive rate increases, though proposed increases for 2027-2028 are lower than those approved last biennium.

ISSUE:
Budget development incorporates requests from the City Council and City Manager. Significant factors affecting future revenue needs include ongoing capital investments in Wastewater and Stormwater, and the Solid Waste fleet; impacts of historically high construction inflation; new and more stringent regulatory requirements; and increased operating costs, including significant increases in garbage disposal contract pricing.

ALTERNATIVES:
The proposed revenue increases support ES utilities' six-year Long-Range Financial Plans. Without these revenue adjustments, ES will require even higher projected rate increases in the future years and may need to immediately reduce services to lower costs. Service reductions could include personnel layoffs. Reducing capital spending is not recommended, as it increases risk to the utilities and typically results in higher long-term project costs.

FISCAL IMPACT:
The requested revenue increases are included in ES’s proposed 2027-2028 budget.

RECOMMENDATION:
This is an information briefing only. No action is requested.