

2025-2026 Mid-Biennium Budget Modifications

October 14, 2025

2025-2026 CITY OF TACOMA

**BIENNIAL OPERATING
& CAPITAL BUDGET**

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Agenda

- Review of Year-To-Date Revenues and Expenditures
- Mid Biennium Budget Modifications
 - Summary
 - Answers to Questions from October 7 Study Session
 - Calendar of Key Dates

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General Fund 2025 Year-to-Date Revenue Collections

General Fund Revenue Jan-Aug 2025			
Revenue Type	Budget	Actual	Variance
Business Tax	(50,534,897)	(49,730,787)	(804,110)
Property Tax	(39,264,050)	(39,358,448)	94,398
Sales Tax	(48,018,341)	(46,885,119)	(1,133,222)
Utility Tax	(41,009,431)	(40,726,316)	(283,115)
Charges for Services	(1,914,704)	(1,942,836)	28,132
Fines & Forfeits	(613,216)	(680,668)	67,453
Indirect Costs	-	(136,364)	136,364
Intergovernmental Revenues	(11,795,103)	(11,611,043)	(184,060)
Licenses & Permits	(17,463,266)	(20,238,121)	2,774,855
Miscellaneous Revenues	(3,037,915)	(4,396,348)	1,358,432
Other Taxes	(1,883,113)	(1,934,688)	51,575
Grand Total	(215,534,036)	(217,640,738)	2,106,702

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General Fund 2025 Year-to-Date Expenditures

General Fund Expenditures Jan -Aug 2025			
Dept	Budget	Actual	Variance
City Attorney's Office	2,086,101	2,002,213	83,888
City Manager's Office	2,101,484	1,721,415	380,069
Community & Economic Developmer	4,278,340	3,401,069	877,271
Finance	4,914,745	4,591,691	323,055
Fire	55,032,447	56,211,528	(1,179,081)
Information Technology	4,035	(26,604)	30,639
Library	13,462,444	11,537,597	1,924,847
Municipal Court	2,944,280	2,816,153	128,127
Neighborhood & Community Service	12,234,467	9,625,126	2,609,340
Non-Departmental	33,610,248	34,106,898	(496,650)
Planning & Development Services	1,796,537	1,372,896	423,642
Police	86,247,322	86,202,439	44,883
Public Works	1,217,207	1,174,264	42,944
Expenditure Total	219,929,656	214,736,684	5,192,972

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Proposed Mid-Biennial Budget Modifications – Summary

	General Fund			Other Funds			All Funds		
	One-time	Ongoing	Total	One-time	Ongoing	Total	One-time	Ongoing	Total
Additions	16,616,372	4,154,733	20,771,105	15,044,286	5,307,397	20,351,683	31,660,658	9,462,130	41,122,788
Reductions	(2,261,031)	(949,813)	(3,210,844)	(2,432,676)	(373,022)	(2,805,698)	(4,693,707)	(1,322,835)	(6,016,542)
Total	14,355,341	3,204,920	17,560,261	12,611,610	4,934,375	17,545,985	26,966,951	8,139,295	35,106,246
Grants/Revenues	-	-	-	32,025,759	5,729,564	37,755,323	32,025,759	5,729,564	37,755,323

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Questions & Answers

- 1% for Arts – Ramiro Chavez & Rebecca Solverson
- Environmental Services Watershed Modeling – Ramiro Chavez
- Reductions in Neighborhood & Community Services- Vicky McLaurin
- IT Radio Replacement Program – Daniel Key
- Audits/Tax & License – Andy Cherullo
- General Fund Reserves – Andy Cherullo

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Q/A Tax & License – Audit & Compliance Work

The Tax & License Division (T&L) of the Finance Department works with businesses performing work in the City. T&L Audit & Compliance staff:

- Provide education on tax and licensing requirements
- Ensure consistency in tax reporting
- Ensure equitable treatment within niche categories

	2022	2023	2024	2025 (Sept)
Audit	2,800,000	4,100,000	5,400,000	3,800,000
Compliance	2,100,000	2,100,000	3,400,000	2,500,000
Total	4,900,000	6,200,000	8,800,000	6,300,000

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Q/A Tax & License – Audit & Compliance Work

Short-Term Rental (STR) business compliance efforts

- January of 2024 - 85 STR's licensed with the City
 - Generated \$9,000 in annual business license revenue
- Mid-2024, Tax & License contracted with third party vendor (for \$27,000) to assist with discovery of STR within the City
 - Vendor identified 500 potential STR's in the City
 - Tax & License contacted these potential STR's and educated them of business licensing requirements
- Currently 355 STR's are licensed with the City
 - Estimated annual license revenue is \$57,000

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Q/A – General Fund Reserves

- The General Fund is considered to have a high level of risk due to the following:
 - Dependence on revenue streams that are inherently volatile and susceptible to economic downturns, revenue reduction impacts, and/or are limited in their ability to grow
 - The General Fund is the main funding source when responding to unexpected events/emergencies.
 - The General Fund is one of the main sources of liquidity (cash flow) for the City
 - The General Fund supports many other funds of the City (directly or indirectly)
- The City's Reserve Policy was updated in 2021 based on the City's desire to:
 - Maintain a prudent level of reserves based on the high level of risk faced by the General Fund
 - Consider revenue and economic cycles as well as liquidity needs (cash flow), and
 - Desire to maintain strong bond ratings to minimize borrowing costs

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Q/A – General Fund Reserves

- There are three tiers of reserves for the General Fund:
 - **General Fund Reserve** - for catastrophic events
 - Minimum level of 16.7% of expenditures (equates to 2 months of expenditures)
 - Use requires a super majority plus one vote of City Council
 - No more than 1/3 can be used in any year
 - If these fund are used, a plan to replenish the reserve with 2 years must be adopted
 - **Emergency Reserve** – for economic cycles/downturns, adverse weather, and other emergencies
 - A target level of 5% of expenditures
 - Use requires a super majority vote of City Council members present
 - **Contingent Reserve** – for legal judgements/settlements, identified deferred maintenance needs, specific capital projects that may not otherwise be accomplished through other funding sources
 - A target level of 5% of expenditures
 - Use requires a majority vote of City Council members present

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Q/A – General Fund Reserves

Reserve Funds	2021 (Actual)	2022 (Actual)	2023 (Actual)	2024 (Actual)	2025 (Budget)
General Fund Reserve - (16.7% of Expenditures)	41,690,353	46,519,604	50,414,812	54,177,923	55,377,672
Emergency Reserve - (5% of Expenditures)	12,482,142	13,928,025	15,094,255	16,220,935	16,580,141
Contingent Reserve - (5% of Expenditures)	12,482,142	13,928,025	15,094,255	16,220,935	16,580,141
Reserves Total	66,654,637	74,375,654	80,603,322	86,619,793	88,537,954

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Mid Biennium Modification - Key Dates

Key Mid Biennium Modification Actions & Dates	
Department Budget Staff work on Mid-Mod Proposals	August - Early Sept (Done)
OMB Review of Department Mid-Mod Proposals	Early - Mid Sept (Done)
City Manager Review of Mid-Mod Proposals	Mid - Late Sept (Done)
City Council Study Session - Mid Mod Proposal Review	Tuesday October 7 (Done)
City Council Study Session - Mid Mod Proposal Review	Tuesday October 14 (Today)
Public Hearing & 1st Reading	Tuesday October 21
2nd Reading/Adoption of Mid-Biennial Budget Modification	Tuesday October 28

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