



City of Tacoma

City Council Action Memorandum

TO: Elizabeth Pauli, City Manager
FROM: Adam Cook, Director, Tacoma Venues & Events
COPY: City Council, City Clerk, Hyun Kim
SUBJECT: Ordinance – Vendor Refreshment Serving Tax – 12/10/24
DATE: November 6, 2024

SUMMARY AND PURPOSE:

An ordinance amending Chapter 6A, Tax Code, of the Municipal Code relating to Title 6, Tax and License Code, to add a Chapter 6A.130, Vendor Refreshment Serving Tax. This Chapter would implement an excise tax on major vendors responsible for the sale of food and beverage at specific City-owned facilities. Certain proceeds from this tax could be used to fund existing community event expenses thereby removing them from the General Fund over the course of the 2025-26 biennium and allowing for greater community support. Tacoma Venues & Events recommends approval of this ordinance and subsequent implementation of the Vendor Refreshment Serving Tax.

BACKGROUND:

This department's recommendation is based on a comprehensive analysis of both the proposed 2025-26 budget and consumer financial impacts of implementation and the potential impact to City of Tacoma community support.

TVE Special Events funding accounts for \$733,000 in General Fund expenses each biennium. This is distributed between personnel and general operating costs, production expenses for the MLK Jr Day Celebration and City of Destiny Awards, 4th of July fireworks demonstration, and community event grant funding. Current baseline budget for the latter three allocations does not meet the anticipated need in 2025-2026.

To help support the General Fund budget reduction goals and provide continued and stable funding for community-based events, TVE has proposed that current Special Event expenses be transferred to other TVE Funds. Personnel and operating costs will transfer in 2025. Production expenses for the MLK Jr Day Celebration and City of Destiny Awards, community event skill-shop training and grant funding will transfer in 2026.

To support these and other necessary expenses on an ongoing basis, beginning in 2025, staff proposes the City of Tacoma to implement an excise tax on the seller of all food & beverage sold on the property of City-Owned Indoor Venues. Sellers whose total daily gross revenue is below \$15,000 will be exempt from such tax. This exemption shall not apply to sellers with annual gross revenue of more than \$1,000,000 generated at City-Owned Indoor Venues. This tax would be implemented starting January 1, 2025 based on the following schedule:

Item to be Taxed	Tax Rate
Single Service Package \$0-\$4.99 retail price	\$0.25
Single Service Package \$5-\$9.99 retail price	\$0.50
Single Service Package \$10-\$21.99 retail price	\$1.00
Single Service Package \$22-\$32.99 retail price	\$3.00
Single Service Package \$33+ retail price	\$4.00
Bulk Package \$0-\$49.99	\$5.00
Bulk Package \$50-\$149.99	\$8.00
Bulk Package \$150-\$349.99	\$35.00
Bulk Package \$350+	\$45.00



Revenue derived from the tax in 2025 will be held for initial distribution in 2026. This hold will ensure that the funds cannot be over-committed if there is an unanticipated reduction in revenue. Full distribution plans will be created during 2025 and reviewed with Council prior to implementation in 2026.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Implementation of this ordinance would affect the City of Tacoma's General Fund, the seller and consumers of Food and Beverage at City-owned venues, and community and cultural event producers within the Tacoma community.

Impact - General Fund

Transferring the expenses for Special Events to TVE will result in \$381,000 in General Fund savings over the 2025-26 biennium and permanent savings of approximately \$525,000 for future biennia.

Impact - Seller and Consumer of food and beverage at City-owned venues

Implementation of this ordinance would impose a tax on the seller of food and beverage items, currently TVE's partner Aramark, and would not be a tax that could be added on to the consumer at the point of sale. However, the seller would be able to build this tax into their base price structure. Assuming that were to happen, the increase to consumers purchasing single service items would likely range between \$0.25 Cents and \$1 dollar at the Tacoma Dome. Through Aramark, TVE has conducted an extensive market price analysis. Current pricing for items at both the Tacoma Dome and Greater Tacoma Convention Center is below market average pricing and would remain so even with tax implementation..

Impact - Community and Cultural Event Producers

Community Event Grant funding requests have increased 82% since 2022, both in number of requests and amount requested. The total funding available has actually decreased during the same period, leading to reduced belief & trust in city services. Transferring this program out of the General Fund will help stabilize the available funding and rebuild trust in the program. Additionally, a portion of the excise tax could be used to support the Community and Special events programs to further increase access to services. The full annual disbursement decisions will be made based on available funding from the previous year's collections.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

In 2021, TVE implemented a competitive grant application process for community event funding with an emphasis on ensuring equitable distribution of funding throughout the City and to events with significant impacts on equity and diversity within the community. In 2024, TVE created skillshop training seminars, including an equity toolkit, to better support community events in their production and equity efforts. By implementing this tax, the available funding for these initiatives would potentially increase, thereby creating greater impact throughout the community.

Livability: Equity Index Score: Moderate Opportunity

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

Increase positive public perception of safety and overall quality of life.

Explain how your legislation will affect the selected indicator(s).

TVE's Community Events program is focused on providing equitable distribution of funding and training for



community and cultural events throughout our community. By ensuring access to event entertainment regardless of location, this program increases the overall quality of life for Tacoma residents. With a significant portion of the grant funding criteria focused on diversity and free content, the program also ensures equitable access to services and funding for diverse income levels and races/ethnicities in our region.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Excise Tax is not implemented	Potentially lower consumer prices for food and beverage	Increased expense in General Fund and reduced funding to community events
2. Excise Tax could be implemented at lower levels	Potentially lower consumer prices for food and beverage	Less potentially available funding to community events and other programs
3. Excise Tax could be implemented at higher levels	Consumer prices for food and beverage may increase beyond market average pricing and beyond consumer capacity	Higher potentially available funding to community events and other programs

EVALUATION AND FOLLOW UP:

Success of the program will be based on the total revenue collected from the tax measured against the total amount distributed. TVE currently tracks details of all community event grants provided through the existing program and will continue to do so. It will also implement tracking for any new program funded through this revenue stream. TVE will continue to report on these programs through our annual report provided to Council during the first quarter of each year.

STAFF/SPONSOR RECOMMENDATION:

TVE recommends support for the proposed excise tax. Implementation of the tax will have minimal impact on the average consumer of food & beverage items at the Tacoma Dome or Greater Tacoma Convention Center, and will keep the prices in alignment with the market average. Implementation will have significant impact on reducing the General Fund obligation while also allowing for the potential increase in support to events throughout the City of Tacoma.



FISCAL IMPACT:

This tax will add an additional \$900,000 in expenses to be funded by the collection of the tax. Please see table below:

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4180 - TDSP	819000	Revenue CE under development	-\$900,000
2. 4180 - TDSP	819000	Various – Event and administrative related Expenses	\$900,000
TOTAL			\$0

What Funding is being used to support the expense?

Funding will be self generated to support all expenses on a rolling basis. As an example, the funds received in 2025 will determine the expenses in 2026.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

NO, PLEASE EXPLAIN BELOW

Expenditures and revenues are included in the proposed 2025-26 budget.

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

No

ATTACHMENTS:

Proposed Ordinance

Proposed Updated Municipal Code Title 6, Chapter 6A.130.