

BUDGET HIGHLIGHTS

The City’s 2017-2018 Proposed Biennial Budget reflects a continued commitment to strong financial responsibility and is a framework for how the City plans to use its resources to serve the community. Through careful financial management, use of recurring revenues to fund recurring expenditures, and targeted reductions, the Proposed Budget for 2017-2018 is balanced and allows the City to maintain, and in some cases, expand current levels of service.

Additionally, the 2017-2018 Proposed Budget provides funding for deferred maintenance (including \$5 M to replace the City’s aging fleet as well as a bonding effort to update the Tacoma Dome) and strategic infrastructure investments (including street maintenance and repair and capital projects). Through the use of one-time savings from 2015-2016, the City plans to fund one-time investments in equity, economic development, and social services enhancements, in response to residents’ desire to make Tacoma a more welcoming and livable community.



2017-2022 Forecast

In May 2016, staff from the Office of Management & Budget presented the City Council with a six-year forecast. In order to maintain the current levels of service, the difference between revenues and expenditures in the General Fund was projected to be \$6.7 M in 2017-2018. This shortfall would increase substantially if the City were to address deferred maintenance and provide funding for enhanced services.

Over the last two biennia, the City has been carefully reviewing expenditures, monthly financial reports, and methods for monitoring its budget. As a result, the City is expected to meet its reserve goals of 15% of General Fund Expenditures, set aside savings to fund one-time projects in 2017-2018, and propose a balanced 2017-2018 budget that funds recurring expenditures with recurring revenues.

ECONOMIC CONDITIONS

Overall, economic conditions are improving; however, the effects of the 2008 recession are still being felt in the city, the region, the State, and across the country. While the national economy has been recovering, the economic data remains mixed, and recovery is expected to continue at a moderate pace. The labor market continues to improve slowly, with unemployment dropping and wages increasing. However, international markets continue to slow, impacting the State’s economy and national GDP growth.

Community Feedback

The City held its first T-Town City Services Expo in May 2016 at the Tacoma Dome to provide the community with hands-on demonstrations of all the services provided by the City. More than 2,000 people attended the T-Town event, and 780 participated in a budget priority exercise.

Throughout August and September the City Manager attended Neighborhood Council meetings to provide an overview of the budget development process and elicit community feedback. Public safety, libraries, and housing and homelessness topped the community's list of priorities.

T-Town Event Feedback Services in order of Priority (780 Participants)	
1	Fix streets in poor condition
2	Increase homeless services
3	Clean, green, and beautify the city
4	Make streets safer for bikes & pedestrians
5	Increase affordable housing
6	Improve community policing
7	Upgrade to energy efficient facilities, streetlights, & signals
8	Invest in blighted areas of the city
9	Attract private investment

2017-2018 BUDGET DEVELOPMENT STRATEGY

The 2017-2018 Budget Development Strategy reflects the City's commitment to fiscal sustainability.

CONTINUE SOUND FINANCIAL MANAGEMENT PRACTICES

The General Fund is projected to meet the City's financial reserve goal of 15% of annual expenditures. One-time savings and revenues will be used to fund one-time expenditures.

MAINTAIN OR EXPAND SERVICES THAT CREATE A SAFE, VITAL, AND LIVABLE COMMUNITY

The 2017-2018 Proposed Budget significantly enhances public safety, which represents 59% of the General Fund budget, as well as libraries and homeless services.

ONGOING REVENUES SUPPORT ONGOING EXPENDITURES AND INITIATIVES

In the Proposed Budget, ongoing General Fund expenditures are structurally aligned with recurring revenues. When ongoing service demands exceed ongoing revenues, the City analyzes whether it is necessary to increase its ongoing resources to cover the increased demand. In the 2017-2018 Proposed Budget, revenues, such as increased fees for business licenses, help support the need for increased public safety services.

ADDRESS OUTSTANDING DEFERRED MAINTENANCE ISSUES

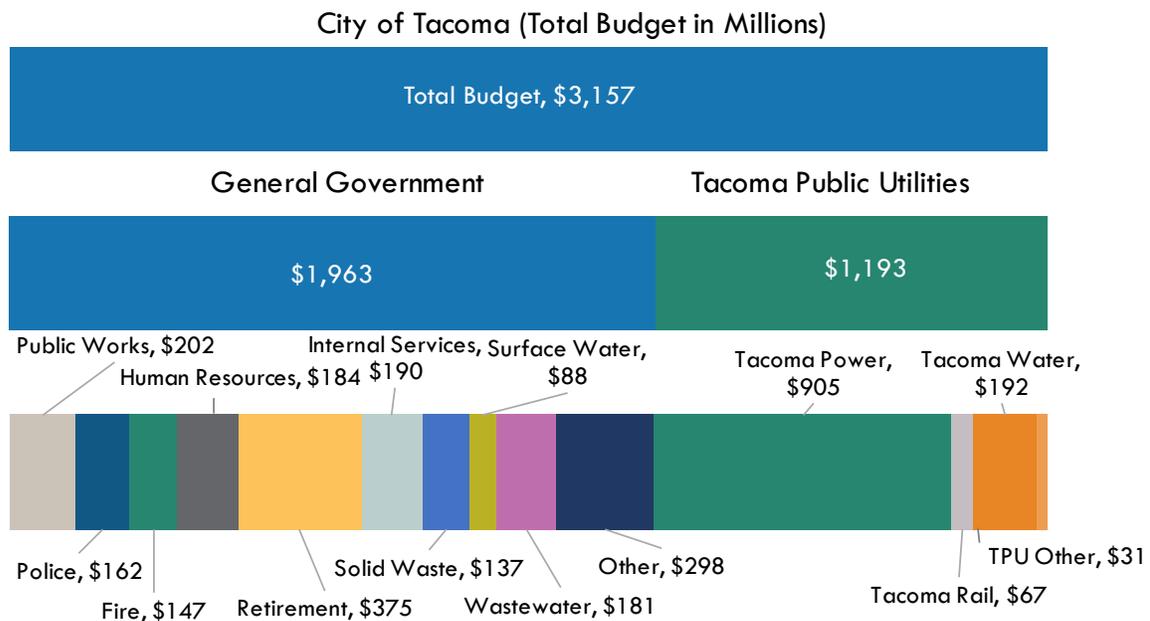
The Proposed Budget includes significant outlays for deferred maintenance, including fleet replacement, bond payments to repair and improve the aging Tacoma Dome, and replacement of the Greater Tacoma Convention & Trade Center's two-way radios.

CONTINUE PERFORMANCE MEASUREMENT EFFORTS TOWARD TACOMA 2025

Departments developed goals to monitor their progress toward the community's vision as reflected in the Tacoma 2025 strategic plan. The 2017-2018 Proposed Budget document includes goals as well as performance measures for each department.

CITYWIDE BUDGET

The City provides a variety of services, ranging from public safety to street repair to utilities to funding for human services. The City's total 2017-2018 Proposed Budget is \$3.16 B. The City manages these services using accounts – called funds – to track expenditures and revenue sources. Of the total Proposed Budget, \$460 M, or 14%, is allocated to the General Fund, which is associated with traditional City services such as Police, Fire, and Libraries.



POLICE

The Police Department provides patrol services, community based policing, and criminal investigations. The department also manages dispatch services.



FIRE

The Fire Department provides 911 dispatch and emergency communication services, fire suppression, and emergency medical services. It also assists in planning for emergency management and fire prevention.



UTILITIES

The City of Tacoma provides utility services for power, water, surface water, wastewater, rail, and solid waste. These services are entirely funded through user rates.

LIBRARIES

The City manages eight municipal libraries through Tacoma that provide access to traditional library services as well as computers and electronic items.



NEIGHBORHOOD & COMMUNITY SERVICES

Neighborhood & Community Services manages the City's contracting process with organizations throughout Tacoma to provide human services, senior services, and ensure compliance with City codes by property owners.



PUBLIC WORKS

Public Works manages the City's facilities, parking system, fleet, most capital projects, and street and maintenance operations.



GENERAL FUND REVENUES

Major revenue sources for the General Fund include property tax, business tax, sales tax, and utility tax. The City continually monitors these revenue sources throughout the biennium to ensure compliance with existing tax codes.



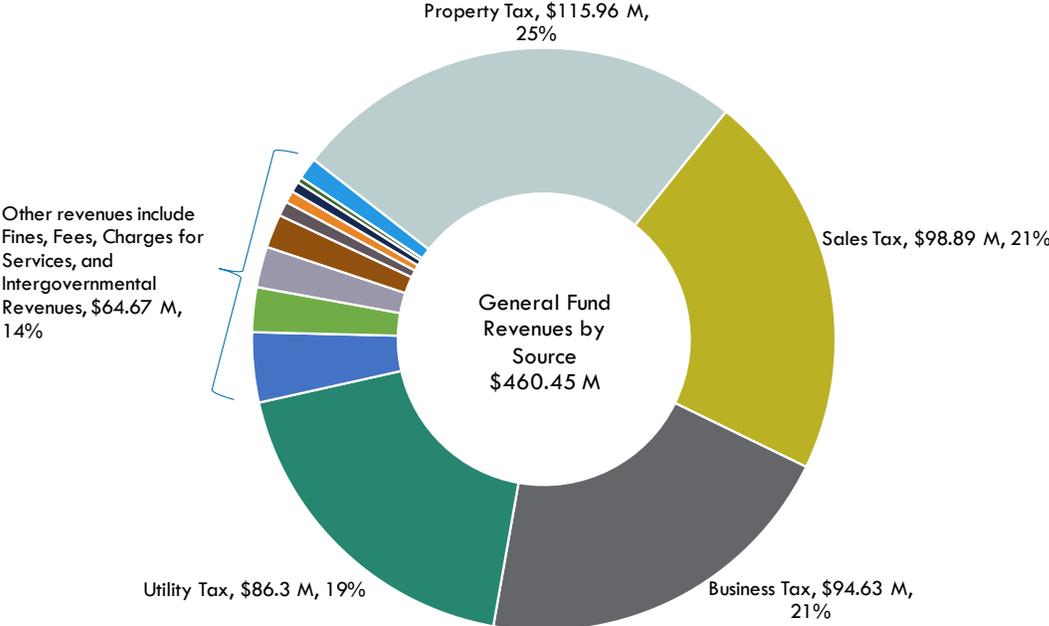
PROPERTY TAXES represent **\$116 M** or **25%** of General Fund Revenues. Property tax revenues are limited by state law. The City’s revenues can only increase by 1% from year to year, as well as adding additional revenues based on new construction.

SALES TAXES represent **\$99 M** or **22%** of General Fund Revenues. Tacoma consumers pay a sales tax rate of 9.6% of which 1.0% is the City’s General Fund portion and 0.1% funds mental health, chemical dependency services, and the Transportation Benefit District. These revenues are highly variable depending on economic conditions.



BUSINESS TAXES represent **\$95 M** or **21%** of General Fund Revenues. Business taxes are paid based on the total income of a business. The City offers exemptions from business taxes for businesses whose gross receipts are less than \$250,000 annually. These revenues are also dependent on economic conditions.

UTILITY TAXES represent **\$86 M** or **19%** of General Fund Revenues. Utility taxes are paid by both private and public utilities and are calculated based on the total operating revenues earned by the utilities.



GENERAL FUND EXPENDITURES

Police and Fire services represent approximately 59% of the General Fund Budget. Other core services include Libraries, Public Works, Neighborhood & Community Services, and Community & Economic Development. In these core areas, the 2017-2018 Proposed Budget:

PUBLIC SAFETY

Adds 17 new positions to the Police Department, adds one new Aid Vehicle for emergency services, and converts Squad 15 in East Tacoma to a 3-person engine company.

COMMUNITY SERVICES

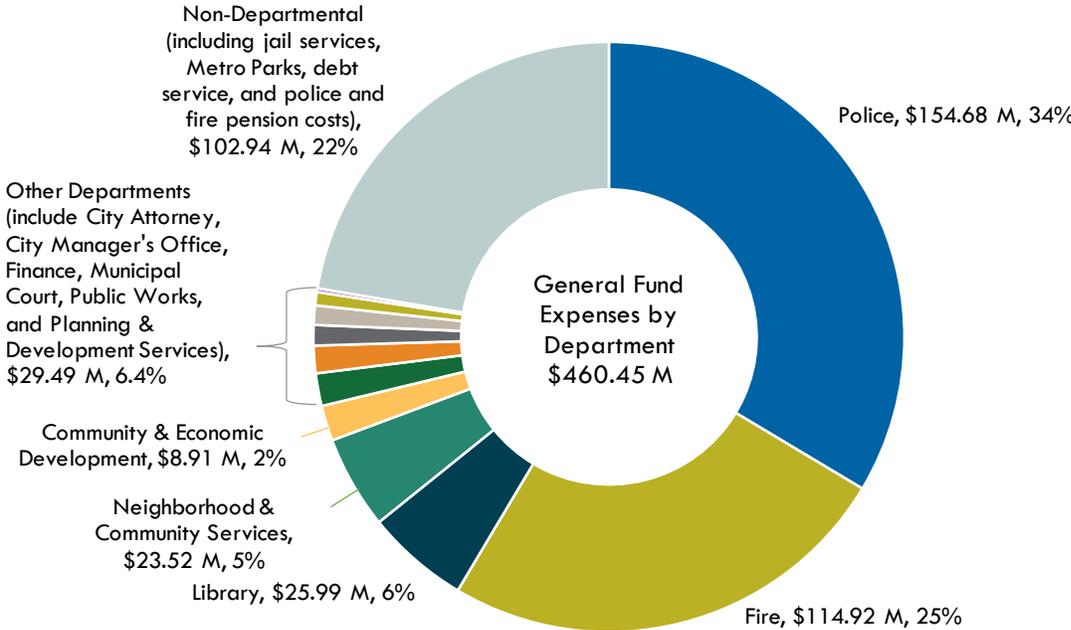
Enhances library services, implements a digital equity program, and provides wraparound services for homeless individuals and families and humanely relocates individuals experiencing homelessness to reclaim sites for positive community use.

STREETS AND CAPITAL

Funds the Eastside Community Center, continues trail construction and pedestrian safety improvements, and implements the Safe Routes to Schools program.

NON-DEPARTMENTAL

Non-Departmental makes up a significant amount of the General Fund. Transfers and contributions to other funds as well as the City's jail contract were moved to Non-Departmental in the 2017-2018 biennium, which has caused it to grow significantly. Also housed in Non-Departmental are police and fire pension costs and miscellaneous other costs of City operations.



2017-2018 BUDGET HIGHLIGHTS

PUBLIC SAFETY

The 2017-2018 Proposed Budget enhances public safety service through added positions and resources for both the Fire and Police departments.

Fire

The Proposed Budget recommends the addition of eight new firefighter positions. Four of the new positions will be directed to Squad 15 in East Tacoma to restore it to a three-person engine company. The remaining four positions would staff a peak-time aid vehicle to help address the increased volume of emergency medical services calls. In addition, two new staff are proposed to support the FD CARES program, which redirects high utilizers of 911 emergency response services to more appropriate community resources. One staff member will serve as a program manager and the other will assist with call intake, case preparation for nurse review, and data input.

Police

In response to community demand, the City proposes adding 13 new commissioned and four non-commissioned public safety positions to the Tacoma Police Department (TPD). These 17 new full time positions help fulfill TPD’s mission to ensure Tacoma is a safe and secure environment in which to live, work, and play. Specifically, TPD is adding a Violence Reduction Team (comprised of one sergeant and six officers), two property crimes detectives, an animal control officer, a latent print examiner, a school resource sergeant, one computer services technicians, one advanced training officer, two hiring unit background investigators, and a community relations specialist.



INFRASTRUCTURE

Streets Initiative

The City will continue to implement the voter-approved street initiative which dedicated new property tax, utility tax, and sales tax revenues to repair Tacoma’s long neglected streets. The Proposed Budget maintains ongoing City funding of \$18.8 M for street maintenance and plans to spend an additional \$31.5 M in street initiative funding for a combined biennial total of \$50 M. Ongoing funding will provide maintenance and repair for up to 160 blocks. Initiative funding will allow the City to fund the repair and maintenance of an additional 1,040 city blocks.

The Proposed Budget includes funding to address deferred maintenance of the City’s infrastructure and enhanced services, such as trails, bike and pedestrian amenities, and street improvements. The Proposed Budget includes \$2.5 M in capital projects along the Foss Waterway to repair the Site 12 Seawall and remove the Municipal Dock timber elements. Funding is also proposed to improve the City’s trail network including the Prairie Line Trail, the Historic Water Ditch Trail, and the final segment of trail on North 37th Street.



The City has budgeted \$500,000 to implement the Safe Routes to School program and an additional \$500,000 for the sidewalk program, which partners with property owners to reconstruct unfit and/or unsafe sidewalks. An additional \$1 M is budgeted to purchase and install speed zone flashing beacons at 10 elementary schools, two middle schools, and two high schools.

In partnership, the Public Works Department and Tacoma Public Utilities propose replacing and upgrading more than 75% of the City’s streetlight network to LED technology over the next two years. The proposed project would replace approximately 16,400 of the City’s 21,600 streetlight fixtures with new LED technology, with remaining fixtures replaced in future years. This new technology uses 50-65% less energy on average and operates 15 to 20 years before maintenance is required (lasting up to 4 times longer than existing streetlamps). The cost of the conversion would be funded through streetlight energy savings and ongoing maintenance savings.

The proposed budget authorizes new non-voted (LTGO) bonding for the first time since 2010 to fund necessary improvements to the Tacoma Dome.



Tacoma Dome
The City of Tacoma will bond for a total project cost of \$19.8 M to:
<ul style="list-style-type: none">• Replace upper and lower bowl seating• Add loading docks• Update dressing rooms• Upgrade fire alarm system• Enhance security

COMMUNITY SERVICES

To address the increase in homelessness over the past five years, the City proposes dedicating \$680,000 to partner with local churches to increase shelter capacity for families experiencing homelessness.

The City plans to fund a program to humanely relocate individuals living in encampments and reclaim the site for positive and active uses by the community.

Additionally, the 2017-2018 Proposed Budget includes \$1 M in funding for the purchase of facilities for a Youth Drop-In Overnight Center and a Teen Home. These facilities will improve the quality of life for homeless youth, reduce crime, and help connect them to services.



The 2017-2018 Proposed Budget includes \$5 M for the Eastside Community Center, a partnership with Metro Parks and other entities that will build out a school campus to bring a swimming pool, a gym, after-school activities, and nature hikes to the Eastside neighborhood. This includes \$2 M in funding set aside in the 2015-2016 Budget.



Library

Proposed Budget includes improvements to three library branches, including:

- Upgrades to the Main Library elevator to help eliminate breakdowns
- Refurbishment of the South Tacoma Branch
- Replacement of the roof at Kobetich Library

Funding is also included for the completion of Phase III of the RFID Initiative, which will provide each library branch with an Intelligent-Automated Book Drop, add a part-time Children's Librarian and add a part-time Library Associate to pilot a project at McCarver Elementary to provide increased literacy training and homework assistance to students and parents.

Economic Development

The 2017-2018 Proposed Budget holds in reserve an additional \$1.2 M of Real Estate Excise Tax in support of South Tacoma Business District Improvements. This amount, in addition to the \$1 M funded in the 2015-2016 Budget, is planned to be leveraged as a City contribution toward a Local Improvement District to implement a multimillion dollar capital main street project.

The 2017-2018 biennium recommends establishing an Urban Design Studio to serve as a technical design and data resource to assist developers and staff in ensuring consistency with the goals and policies of the One Tacoma Comprehensive Plan. The Urban Design Studio would support creation of a design manual and enhance the review process to incorporate context-sensitive and neighborhood-specific design plans.

EFFECTIVE AND EFFICIENT GOVERNMENT



In an effort to save taxpayer money and increase the efficiency of City operations, the City is improving the way it buys the goods and services required to conduct City operations. In the 2017-2018 Proposed Budget, the City plans to complete implementation of its Procure-2-Pay automation system, which includes digital solutions for vendor sourcing and solicitation, contract management, supplier information, procurement, and invoicing/payment processing.

The City proposes continuing the implementation of the Tacoma Information Management System (TIMS), its electronic records management system, which began in 2016. When fully implemented, TIMS will manage desktop documents, email, archiving, and retrieval for all City departments. In 2017-2018, the City plans to complete the system development plans work and roll out the system for most major departments.



To keep up with increased demand for the Tacoma First Customer Support Center services, the City recommends adding an Administrative Assistant position in the 2017-2018 biennium.

Environmental Sustainability

The City proposes taking action to implement sustainability initiatives in accordance with its Environmental Action Plan, including:

- Phase 2 of the City's Climate Change study
- Woodstove Program Support
- Resource Conservation Program
- Electric Vehicle Program
- Equitable Access to Healthy Food
- Urban Forest Management Plan

The City also proposes implementing a program to allow glass to be commingled with other recycled materials in recycling bins. This would allow for automated, instead of manual, glass collection. Costs of implementation would be offset by operational savings beginning in 2019.



RATE AND FEE UPDATES

Open Space Rate Increase

The 2017-2018 Proposed Budget provides for a dedicated 0.5% rate increase in both years of the biennium for open space management. Open space management provides surface water filtration and flow control in addition to enhancing the environment and helping to control erosion. The active management of these areas also reduces invasive vegetation, increases tree health, and reduces trash and pollution. City Council approved a similar dedicated rate increase in 2013-2014. The rate increase is expected to generate \$500,000 in new revenue.



Business License Fee Update

Tacoma, like most cities, charges a fee for businesses to register and get a business license. Currently, Tacoma uses a two-tier business license fee model - businesses that gross less than \$12,000 per year pay an annual licensing fee of \$25; businesses that gross \$12,000 and over per year pay an annual licensing fee of \$90. These fees were last adjusted in 2012. The 2017-2018 Proposed Budget recommends adding a third tier to the current two-tier system and updating

the \$90 fee for inflation effective January 1, 2017, as shown in the table below. This fee structure would generate approximately \$3.8 M per biennium in additional General Fund revenue.

Proposed New Structure with Third Tier for Large Businesses	Current Fee	Proposed Fee	Change in Fee
Businesses gross less than \$12,000	\$25	\$25	\$0
Businesses gross between \$12,000-\$249,999	\$90	\$110	\$20
Businesses gross over \$250,000	\$90	\$250	\$160

Pet License Fee Update

Pet owners within Tacoma are required to register their pets with the City. The fees help support the City's animal control efforts and the cost of housing stray animals at the Humane Society Animal Shelter. The fees were last adjusted in 2002. The 2017-2018 Proposed Budget recommends increasing the license fees as shown in the table below. Fees charged to senior citizens for cats and dogs that are spayed or neutered would not change. This fee structure would generate approximately \$200,000 per biennium in additional revenue.

Type of License	Current Fee	Proposed Fee	Change in Fee
Cat License (spayed/neutered)	\$12	\$20	\$8
Dog License (spayed/neutered)	\$20	\$30	\$10
Cat License (not spayed/neutered)	\$55	\$65	\$10
Dog License (not spayed/neutered)	\$55	\$65	\$10
Senior Citizens Licenses			
Cat (spayed/neutered)	\$5	\$5	\$0
Dog (spayed/neutered)	\$10	\$10	\$0
Cat (not spayed/neutered)	\$30	\$35	\$5
Dog (not spayed/neutered)	\$30	\$35	\$5

Utility Rates

The City operates several large utilities under the direction of the Tacoma Utility Board, including Tacoma Power, Tacoma Water, and Tacoma Rail. The City of Tacoma also manages utility service through its Environmental Services department, which includes Solid Waste Wastewater, and Surface Water management.

The following system average rate increases are projected for the 2017-2018 biennium:



Utility	2017	2018
Power ¹	TBD	TBD
Water	4.0%	4.0%
Rail	Varies	TBD
Solid Waste	4.0%	4.0%
Wastewater	5.5%	4.5%
Surface Water ²	5.5%	5.5%

¹ As of the date of printing, the Power rates for 2017 and 2018 were unknown.

² Includes 0.5% dedicated revenues for Open Space program.

EQUITY IN THE BUDGET PROCESS



The City of Tacoma is dedicated to making the city a more inclusive, welcoming place for individuals of all backgrounds, and a home where everyone has the power and the tools to achieve their full potential. Each City department was tasked with considering equity – when everyone has access to the opportunities necessary to satisfy their essential needs, advance their well-being and achieve their full potential – in proposing additions and reductions to their budgets.



Some of the **major equity initiatives** being advanced this biennium are:

Small Business Enterprise (SBE) Contracting Disparity Study

McCarver Elementary Library Support

Lincoln Business District Revitalization

My Brother's Keeper Cities United

Welcoming Cities

Citywide Equity Training

Community Relations Staff for Police

Digital Equity Program

Summer Jobs 253

Equitable Access to Healthy Food

Woodstove Replacement Program

Funding for County Behavioral Health Hospital

Fire Cadet Program

Human Resources Hiring Disparity Study

The **SBE Contracting Disparity Study** would research whether discrimination in the marketplace is disproportionately affecting businesses owned by historically disenfranchised groups. The study may result in changes to legislation that creates disparate impacts.

The IT department's **Digital Equity Program** would establish competitive grant funding for technology-focused community service organizations. It will also promote participation in income-based internet service plans to increase usage in underserved communities.

The **Fire Cadet Program** would, in cooperation with the Boys & Girls Club of South Puget Sound, expose adolescents to a portion of the firefighter training curriculum to entice them to consider careers in the fire service. The program would be free for all participants.

MAJOR CHANGES IN THE 2017-2018 BUDGET

Assessments and Internal Service Fund

There are a number of functions performed within the City of Tacoma that benefit other City departments rather than serving citizens directly. Some examples of these services include Human Resources, Information Technology, and Finance. These functions have been performed by departments typically housed within the General Fund. In order to provide greater clarity around internal services and to more fully account for the cost of these programs, most internal service functions have been moved into the General Government Internal Services Fund (ISF).

In the past, because many of the internal services were a part of the General Fund, charges were not allocated to other General Fund departments. In 2017-2018, all funds, including the General Fund, will receive charges from the ISF, which will more accurately represent the full cost of the services provided to citizens.

Multi-Year Appropriation for the Capital Budget

Unlike the operating budget, which sets appropriation levels for the two years of the upcoming biennium, the Capital Budget establishes multi-year or long-term appropriation authority. Once approved by the City Council, the Capital Budget will establish the appropriation or spending authority for the duration of each project. Amounts approved remain until expended or unencumbered by a future ordinance.



Non-Departmental

Non-Departmental expenditures are generally those that cannot be directly associated with a department. Non-Departmental expenditures include contributions to outside agencies such as Metro Parks Tacoma and funding for jail services. Expenditures also include the City's debt service payments and contributions to various city funds.

The significant increase in expenditures between 2015-2016 and 2017-2018 is due to the movement of transfers into Non-Departmental from Departmental budgets within the General Fund. Such transfers include City Street and Street Initiative Funds (\$17.5 M), Eastside Community Center (\$3.5 M), Traffic Enforcement Fund (\$1.4 M), Permit Services Fund (\$1.3 M), capital project support (\$3 M), and other smaller changes. The budget for Jail costs (\$11 M) were moved from the Police Department budget into Non-Departmental.