



2025-2026 Budget Strategy

City of Tacoma | Environmental Services

Environmental Services Commission

June 13, 2024





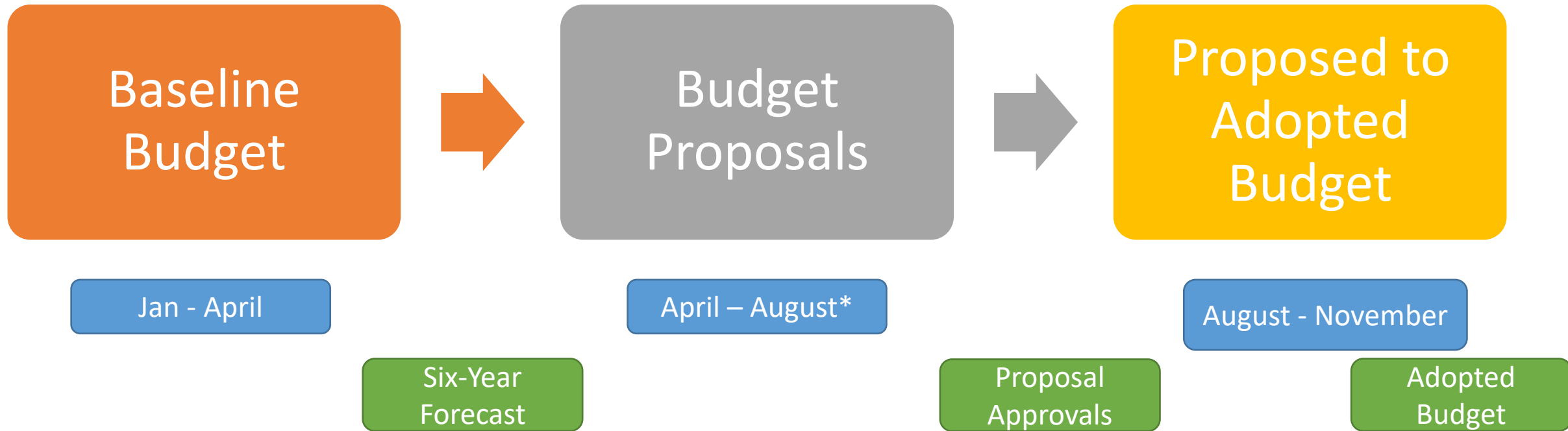
Overview



- Budget Development Process Review
- Baseline Budget Update
 - Infrastructure Cost Increases
 - Outstanding concerns
- Preliminary Revenue Forecast Review
- 2025-2026 Budget Strategy
 - High-level proposal overview
 - Customer assistance
- Next Steps



Budget Development Process





ES Baseline Operating Budget* Cost Growth

	Solid Waste	Wastewater**	Stormwater
Personnel Services	9.1%	11%	12.1%
Operating Expenses	33.9%	7.7%	8.7%
External Services	17.4%	No change	-3.2%***
Assessments****	4%	5%	18%
Fleet	26%	33%	54%
Taxes	10%	17.2%	14.5%
Total Operating Budget Increase	10.9%	10.2%	8.7%

*Excludes capital budget

**Internal Transfers category (not shown) increased 36% due to increases in Western Slopes contract. Site development transfer to PDS increased 15% in both Wastewater and Stormwater

*** Removal of one-time contract dollars for Stormwater comprehensive plan and PCD ILA (\$-510K). Otherwise would be slight increase.

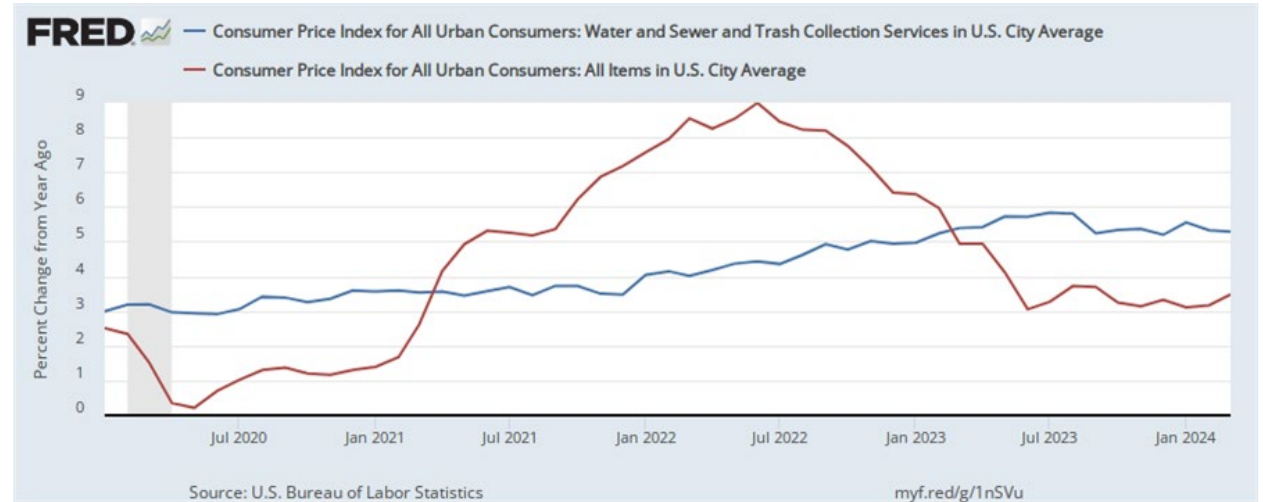
**** Does not include impacts from approved 2025-2026 budget proposals



Infrastructure Cost Increases

Construction and Other Inflation

The utility generally faces different inflationary pressures than consumers. While customers primarily observe the Consumer Price Index (CPI) as an indicator for inflation, the Construction Cost Index (CCI) is a better indicator for a capital-intensive utility. Long-term financial planning allows the utility to weather periods of high costs in the short term and spread the impact over time.



Ongoing Impacts

The rate of inflation continues to level off, however cost decreases are unlikely, resulting in a new, higher 'normal' cost environment. Our Capital Improvement Plan (CIP) is considerably higher in part due to this higher escalation.

Interest rates for the next several years are expected to be near their highest levels in over a decade, resulting in higher financing costs for our upcoming capital plan.



ENR publishes both a Construction Cost Index and Building Cost Index that are widely used in the construction industry. The Construction Cost Index (CCI) tracks 200 hours of common labor at the 20-city average of common labor rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft.



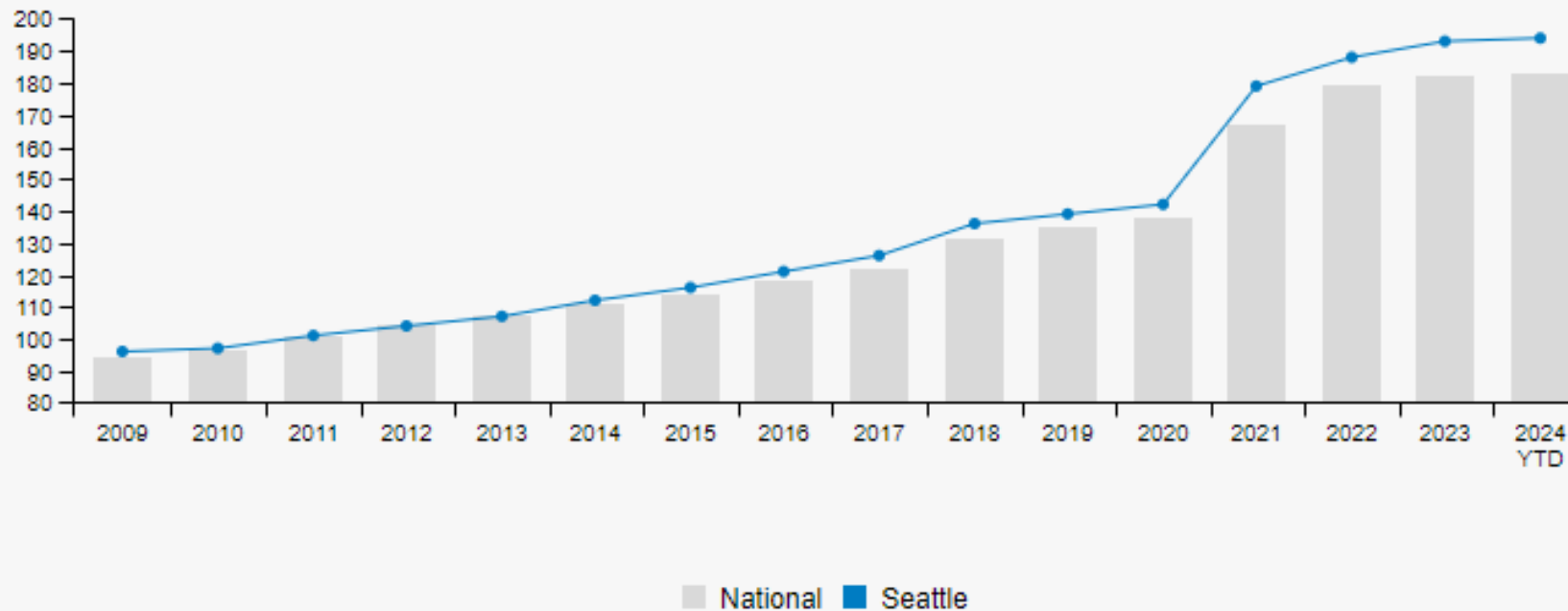
Infrastructure Cost Increases



CONSTRUCTION COST INDEX

Mortenson Quarterly Cost Index Q1 2024

(JANUARY 2009 = 100)





2025-2026 Major Concerns



Capital

- New “normal” higher costs
- Capital backlog
- Life-cycle replacement

Regulations

- Known and unknown
- Legal costs
- New permits
- Organics and recycling legislation

Financial Sustainability

- Affordability
- Long-range asset management funding strategy



2024 Financial Forecast

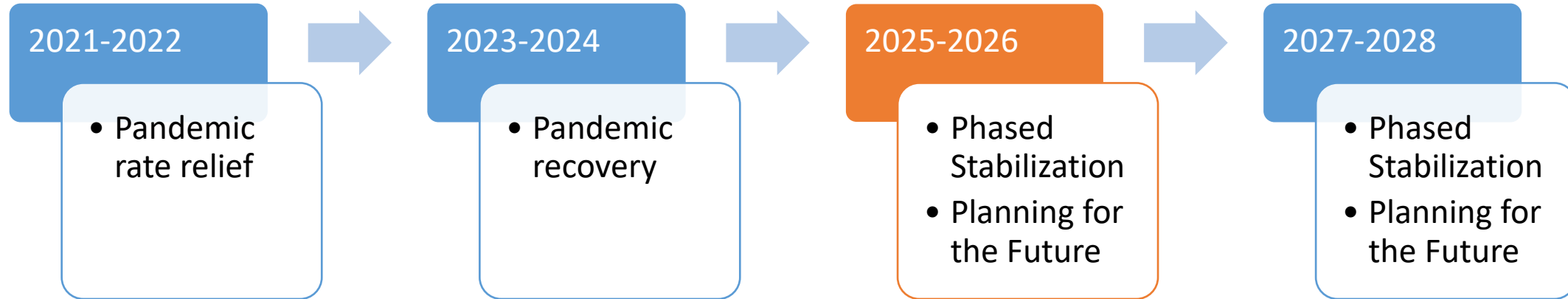


2025-2030 Preliminary* Six-Year Revenue Plan (March 2024)

Year	Solid Waste	Wastewater	Stormwater
2023	4%	8%	6%
2024	4%	8%	6%
2025	4%	7.0%	7.5% (+2.5%)
2026	4%	7.0%	7.5% (+2.5%)
2027	4%	6.0%	6.0% (+1.5%)
2028	4%	6.0%	6.0% (+1.5%)
2029	4%	5.5%	5.5%
2030	4%	5.5%	5.5%

*Subject to change based upon 2024 performance and updated 2025-2026 plan

Budget Strategies



Consistent Guiding Strategies

- Maintain effective and efficient service levels and operations
- Limited targeted investments or enhanced services
 - Support policy goals (Equity/Climate Action Plan)
 - Address requirements and critical business needs (Utility Growth, Changing Regulations, and Safety)
- Help our most vulnerable customers
- Plan for long-term organization, staffing, and asset needs

2025-2026 Budget Strategy



- Maintain **effective and efficient service** levels and operations
 - Understand baseline costs and current organizational needs
 - Seek improvements to the customer experience
 - Address requirements and critical business needs (growth, regulations, safety)
- **Advance strategic priorities** with limited targeted investments or enhanced services
 - Equity • Climate and Environmental Health • Council Policy Priorities
- **Long-range planning** for organization, staffing, and asset needs
 - Ensure financial sustainability
 - Consider affordability and support for vulnerable customers
 - Plan for capital backlog and next bond issuance
 - Long-term asset management planning with funding strategy
- Consider **new revenue** opportunities



Major Initiatives and Proposals

Effective and Efficient Service Levels

- Institute Safe and Efficient SWM Staffing Levels
- Establish Environmental Services Asphalt Crew
 - Maintenance hole replacement program
- Enhance O&M Procurement Support Through Additional Warehouse Staff
- Utilize Project Staff to Address the Backlog of Electronic Documentation System Updates
- Add Environmental Services Funded Specialist Home in Tacoma Plan Reviewer

Healthy Neighborhoods +
Thriving Puget Sound =
A Better Tacoma



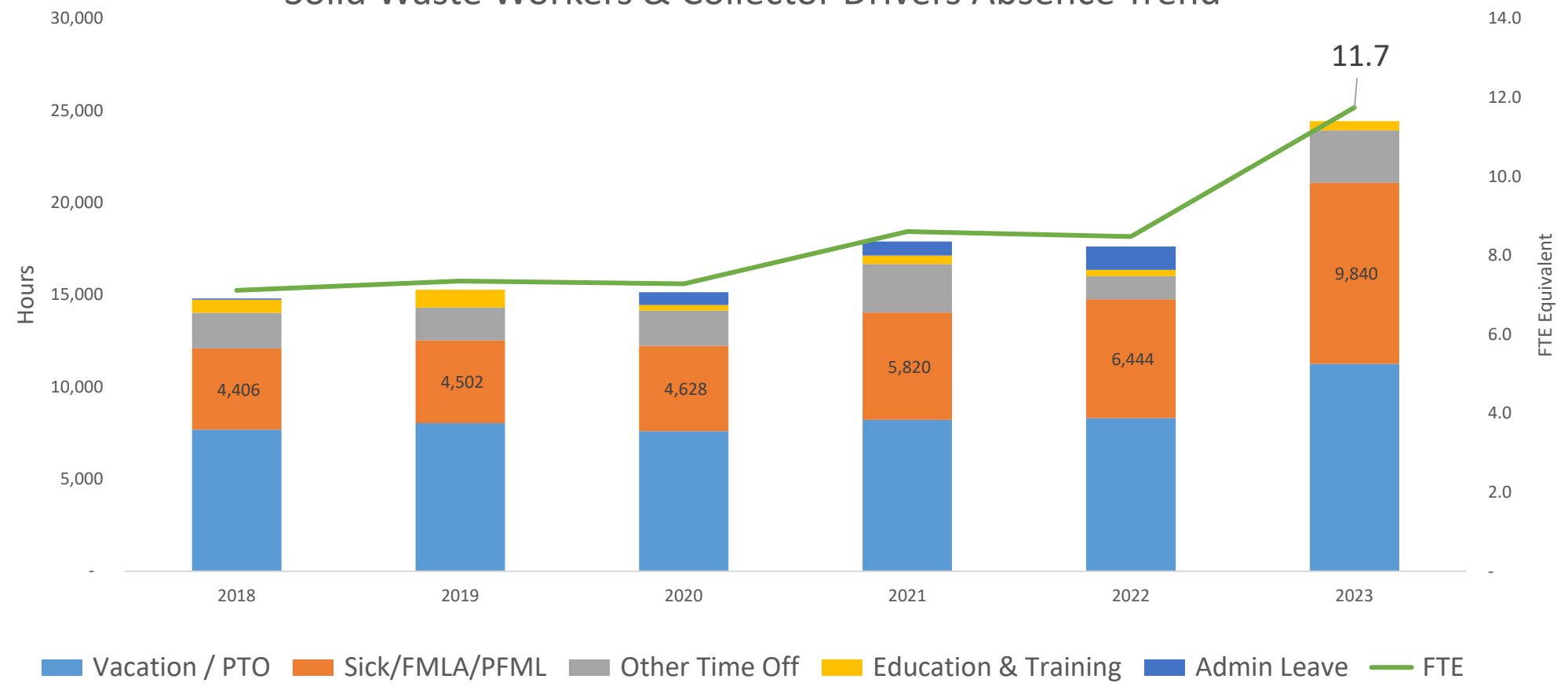
ENVIRONMENTAL SERVICES DEPARTMENT



Major Initiatives and Proposals

Effective and Efficient Service Levels

Solid Waste Workers & Collector Drivers Absence Trend





Major Initiatives and Proposals

Strategic Priorities – Equity and Climate

- Establish Budget for ES Equity Team Initiatives and Events
- Sponsor UWT Engineering Pathways Apprenticeship Program
- Improve Urban Forestry Planning Through Construction Arborist Position
- Pilot Call-2-Haul Multifamily Outreach Campaign





Major Initiatives and Proposals

New Revenue Opportunities

- Increase Environmental Services Grant Capacity Through Grant Coordinator
- Pursue Renewable (RNG) Fuel Credit
- Increase TAGRO Product and Delivery Fees





Major Initiatives and Proposals

Long Range Planning

- Wastewater Comprehensive Plan
- Stormwater Comprehensive Plan
- Solid Waste Master Site Plan
 - Future of disposal
- Address capital backlog from pandemic delays and inflation
- Long-term asset management planning with funding strategy
- Increase rate stabilization fund
- Monitor key financial indicators (for 2027 bond issuance)



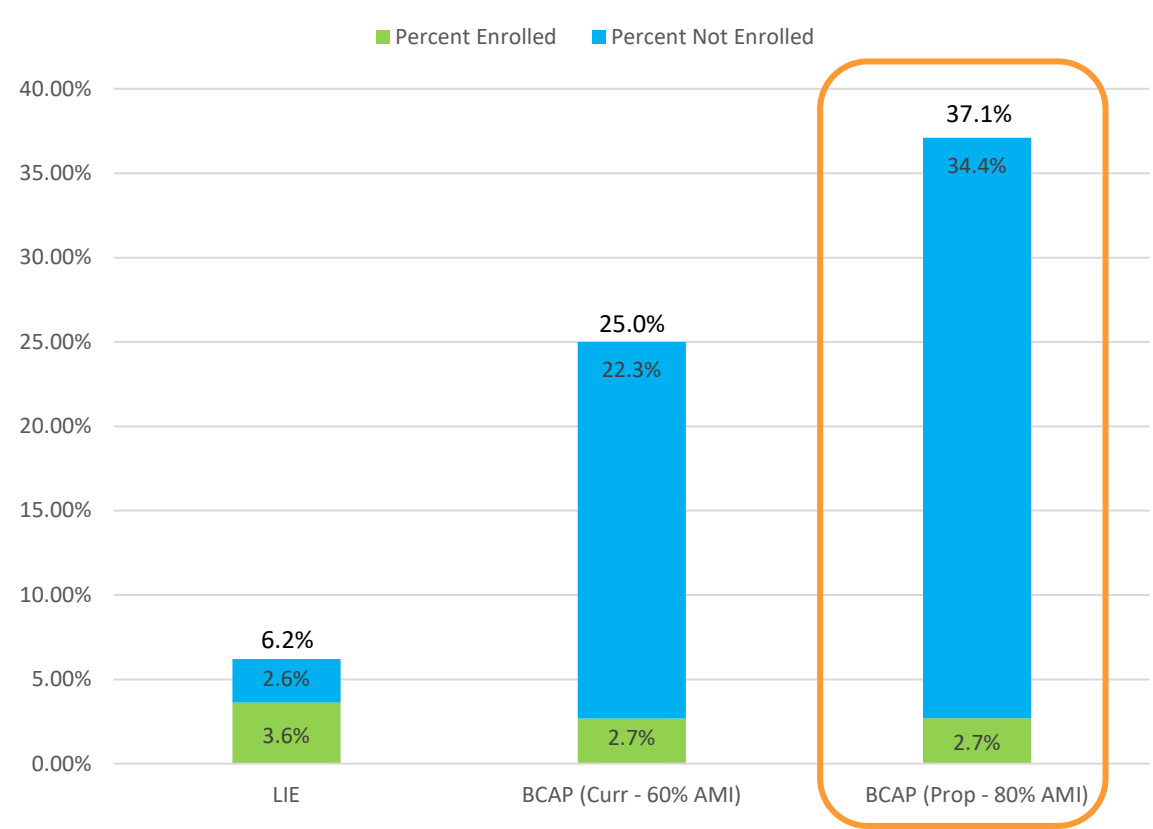


Major Initiatives and Proposals

Customer Assistance Program Enhancement

Bill Credit Assistance Program Eligibility Update: from 60% to 80% AMI

Percentage of Customers Eligible & Enrolled



LIE Eligibility

- 3,830 Customers
- 6% of Customers
- 2,235 Enrolled, +5% YOY

BCAP Current Eligibility – 60% of AMI

- 15,216 Customers
- 25% of Customers
- 1,624 Enrolled, +126% YOY

BCAP Proposed Eligibility – Increase to 80% of AMI

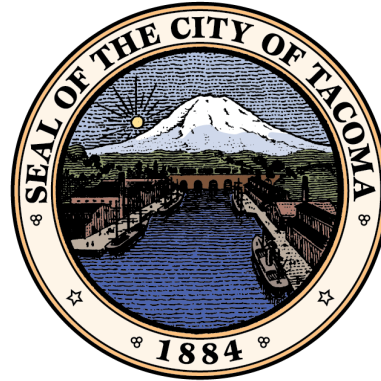
- 22,577 Customers
- 37% of Customers



Next Steps



- Report back to ESC July 11
 - Updated 2025-2026 revenue requirement
 - Incorporate most recent Capital Improvement Plan
 - Include budget proposals plugs
 - Environmental Services proposals
 - Internal Service proposals
- Budget proposal approvals
- Final revenue requirement and rates August/September



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