2027-2028
CITY OF TACOMA

BIENNIAL OPERATING & CAPITAL BUDGET

Public Utilities Board Internal Services Update

August 12, 2026

Agenda

- Assessments Overview
- City Internal Services
- 2027-2028 Baseline Assessments
  - Changes from 2025-2026
- Budget Proposals
- Use of Excess Cash Reserves
- Budget Timeline & Upcoming Dates

Overview: Why Do We Have Assessments?

- Some services support the entire (or most of the) organization
- To equitably share the costs of shared support services between departments
- Assessments help reflect the actual or "fully loaded" cost of delivering services, which helps departments set fees and/or rates
- Centralizing certain functions is more efficient, creates standard processes, and allows operating departments to focus on service delivery to the community
- To comply with state law and minimize audit issues

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Overview: What is reasonable & fair?

Assessment methodologies need to be reasonable & fair and should not be burdensome or costly to administer.

Methodologies typically have/are:

1. A connection between the measure and the service received
2. All beneficiaries pay
3. Stable and predictable
4. Easy to develop & maintain
5. Clear and comprehensible
6. Customers can impact costs
7. Drives appropriate behavior

Overview - Why Do Assessments Grow (or Shrink)?

- **The Internal Service Budget Grew**

  For example, if you pay assessments for the Finance Department, and Finance’s budget grew compared to last biennium, then your Finance assessments would likely increase as well.

- **Your Department or Program Grew**

  If your department has more FTEs, or a larger budget, compared to last biennium, then most likely your FTE-based and budget-based assessments will increase.

- **Other Departments Shrank**

  If other departments took cuts, or did not grow at the same rate, then your Department may pay for a larger share of internal service costs via assessments.

- **Internal Service Use of Cash Makes Assessments Look Low**

  Sometimes an internal service department will use excess cash reserves to fund operations, lowering the assessment cost temporarily.

City Internal Services shared with TPU

- City Attorney's Office
- City Council
- City Manager's Office
- Emergency Management
- Finance
- Hearing Examiner
- Human Resources
- Information Technology
- Public Works (RPS)
- Workforce Training & Development – LEAP & TTEP

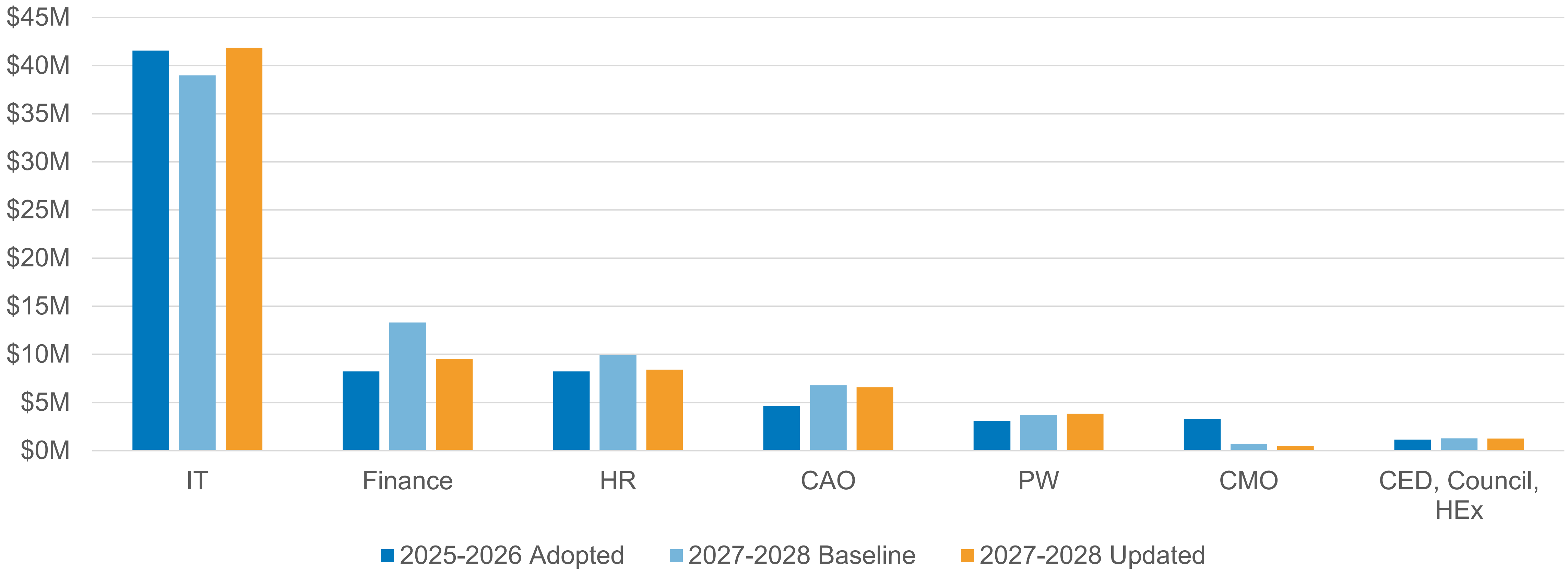
Changes in 2025-2026

- City Attorney’s Office added two dedicated TPU attorneys
- Additional licensing costs for S/4, establishing an infrastructure sustainment fund and other IT methodology changes
- Use of cash budgeted in several ISF departments

Changes in 2027-2028 GG Assessments

- No major changes in methodology from 2025-2026
  - IT Asset Management
  - Safety Office moved from CMO to TPU
- Removed use of cash and other one-times from baseline budget
  - Most significant was Finance, City Manager's Office, and HR.
  - Compounding impact on the appearance of increased cost; baseline increases due to cost escalations and the full cost of service without the offset of cash.

GG Assessments Received by TPU



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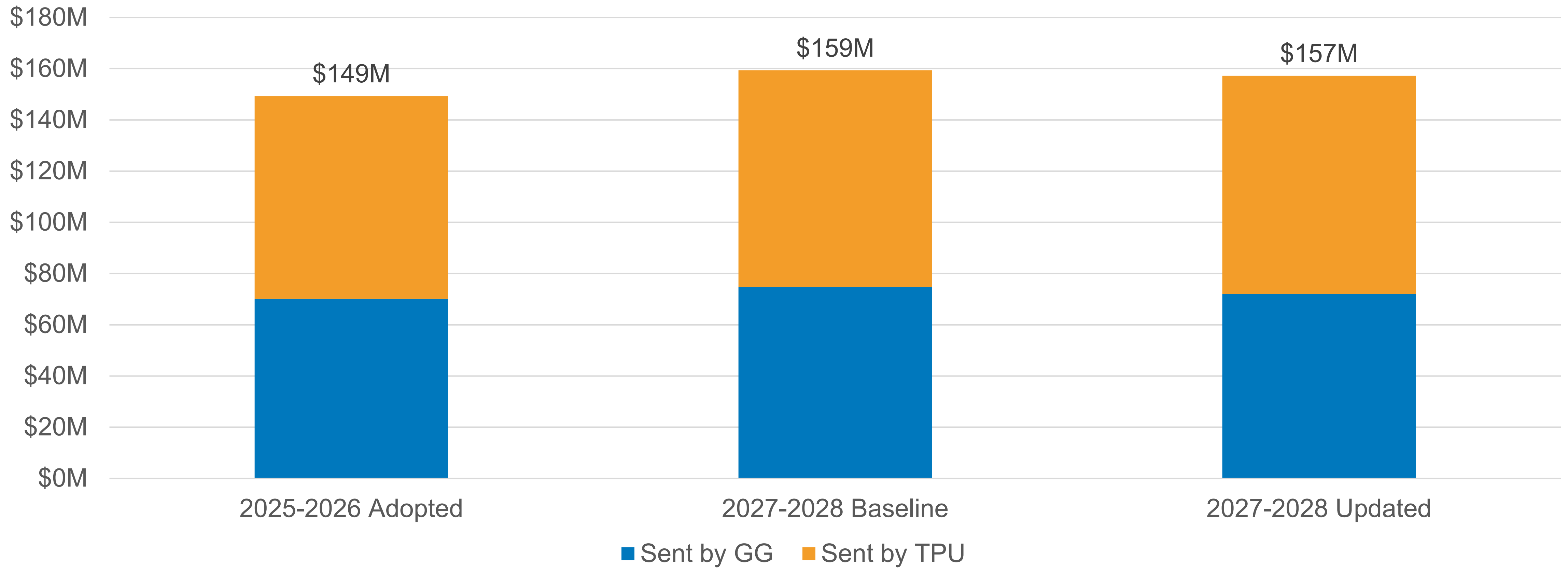
Total Assessments Received by TPU



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Cash Reserves

Item	Amount
Reserve Requirement (5% for IT & PW; 3% for others)	**$4.6M**
Average 2026 Cash Balance	**$30.3M**
Excess Reserves	**$22.4M**
Cash Use to buydown 2027-28	**$12.1M**
Cash Use for 2027-28 proposals	**$4.3M**
Remaining excess	**$6.0M**

- General Government assessments are based on budget, so any savings in actual spend = cash accumulation.
- Occurred over multiple biennia; will spend down over multiple biennia.
- Active monitoring to avoid excessive accumulation in future years.

Budget Timeline & Upcoming Dates

- **Throughout August** — Finalize decisions & impacts
- **By August 28** — Balanced budget
- **Throughout September** — Develop budget book & presentations
- **October 6** — 2027-2028 Proposed Budget presented to Council
- **October 13** — TPU presents at a Joint Study Session
- **November 17** — Budget Adoption

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