

**TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
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CONVENE: 12:09 p.m.

PRESENT: Acting Chair & Councilmember Eileen Swarthout and Councilmembers Peter Agabi and Michael Althausen.

Excused: Chair/Mayor Debbie Sullivan.

Staff: City Administrator Lisa Parks, City Attorney Karen Kirkpatrick, Finance Director Troy Niemeyer, and Deputy Finance Director Shelly Carter.

Councilmember Swarthout volunteered to serve as Chair in the absence of Mayor Sullivan.

CHANGES TO AGENDA: Item 5, Review Scope of Work for Financial Planning Consultant was moved as the first item of consideration.

REVIEW SCOPE OF WORK FOR FINANCIAL PLANNING CONSULTANT: City Administrator Parks introduced Morgan Shook, Director of ECONorthwest. As discussed throughout the budget process last year, financial planning was acknowledged as an important project and is a component necessary to update the City's Strategic Priorities and Goals, as well as framing future community surveys. The review covers the scope of work for the financial planning consultant, ECONorthwest.

Mr. Shook reported ECONorthwest is a 50-year old economics finance firm providing a range of services. He serves as the Director and is one of the owners of the company. Major areas of financial focus for cities include cost of service, e.g. police and fire services, revenue and economic forecasting, revenue strategies and policies, and infrastructure funding and finance. The scope of work supports the City in developing an analytical tool that represents the City as a financial enterprise and enables different financial strategies under a series of different scenarios. The City will use the tool during annual long-term planning.

The financial tool is intended to engage departments, senior leadership, and the Council in identifying ways to deliver robust and effective services to the residents of the City while identifying any implications of those services. Scenario planning enables evaluating priorities and outcomes to ensure the City is well informed as it makes choices to engage constituents and making decisions on current and future budgets.

Councilmember Althausen asked about the nexus of financial planning with planning, land use, and policies or whether the scope is limited to the internal operations of the City such as efficiencies and sources of revenue. Mr. Shook explained the importance of the relationship of the tax base in terms of how the state has structured tax policy such as the

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property tax increase limit of 1% while allowing taxes from new construction and retail activity. The tool is intended to answer questions on different taxing scenarios.

City Administrator Parks added that the work completed on the update of the Comprehensive Plan is also connected to the financial and strategic planning efforts. In the context of land use planning under the Growth Management Act, comprehensive planning specifically addresses capital facilities. Mr. Shook is a certified AICP Planner in addition to his biochemical engineering education and experience.

City Administrator Parks outlined the timeline of the project. The first task is a project kick-off meeting during the upcoming management team meeting. The second task focuses on the budget assessment and financial analysis with a goal to produce a draft prior to releasing a community survey. Mr. Shook's technical work will focus on the long-term development of the fiscal modeling tool. The tool will not be a proprietary software tool but will be a tool that consolidates all information from various sources for condensation and presentation to the Council during retreat sessions over the year to test some scenarios during discussions to update strategic goals and priorities. The goal is to create a framework, tools, and some systems to assist the Council in rendering well-informed, technically solid, and fiscally responsible decisions on priorities moving forward.

Councilmember Althaus commented on the importance of the process to demonstrate how the Council considered all viable options within a report form for transparency to the community.

City Administrator Parks advised that the contract with ECONorthwest is within the delegated signing authority of the Mayor and the City Administrator. The contract has been negotiated with a briefing to the Council scheduled prior to releasing the community survey. Councilmember Althaus asked that the process consider feedback from the Council that might inform survey questions.

Discussion ensued on possible formats for updating the Council on progress. Acting Chair Swarouth recommended conveying information as part of Friday updates to the Council.

**PASS THROUGH OF
CREDIT CARD
FEES:**

Director Niemeyer reported that as the City continues implementation of the new ERP system, one option is utilizing Tyler Technologies payment system. Of focus throughout the implementation of the system was agreement by staff to utilize the system fully by taking advantage of the system's full capability rather than pursuing workarounds to align with current City business practices. The Tyler payment system serves

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as the credit card processing application used at City Hall for customers paying utility and development fees by credit card. The Tyler system is somewhat more expensive than current credit card merchant fees. The request is to receive some direction after a review of the pros and cons.

Currently, the City absorbs all credit card fees at a cost of approximately \$250,000 annually for utility payments. The cost is included within the utility rates with all customers assuming the cost of the fees within utility rates. Staff recommends an equitable process by passing the fees to customers paying by credit card.

The City also absorbs credit card fees for permitting and other development fees. The City imposes a cap of \$1,500 on credit card payments because development fees and building permit fees are much higher than utility payments. Additionally, the option of charging credit card fees for the full cost of development fees would likely please many customers. However, customers would continue to retain the option of paying by check as well.

Currently, the City offers a variety of ways to pay for services. The new system enables more options, such as payment by e-check from a checking account at a cost of \$1 for each transaction, which staff proposes the City absorb rather than passing the fee to the customer. Another option in addition to cash or check, are other online payment options that do not incur any additional fees. Staff believes it is possible to save \$250,000 because the new system provides numerous payment options.

Deputy Director Carter suggested considering auto pay customers and not passing fees as customers have the option of using a bank account or a credit card.

City Administrator Parks advised of the importance of briefing the committee on a decision to change the process and the reasons for considering a change.

City Attorney Kirkpatrick verified that the change is an administrative function but represents a change in policy that should be considered by the Council prior to implementation by staff.

Acting Chair Swarthout asked for a breakdown of the different payment options and associated costs for each payment method.

Director Niemeyer advised that dependent upon any decision for credit card fees, staff plans to implement the Tyler system for cashiering and credit card processing. The question is whether the City continues to

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absorb credit card fees, which would be more than current costs, or pass the costs to customers paying by credit card.

Acting Chair Swarthout commented that it is unfortunate the new system is charging higher fees than other vendors. She asked how the vendor justifies the cost. Director Niemeyer said staff projects the fees to increase by approximately \$10,000 to \$12,000 annually. However the increase is dependent on the method of payment. A credit card transaction includes merchant fees to VISA and Mastercard and a small percentage to Tyler Technologies for utilization of the system. Advantages to the City are easier reconciliation of daily payments, easier reporting and deposits, and economic benefits to the City through an integrated system. The c-check option is available either online or in-person at a cost of \$1. Fees vary in amount with staff projecting an increase in fees if the City continues to absorb fees.

City Administrator Parks said the fees are initiated through the credit card companies. The City encourages customers to pay online as well as receiving utility bills online while providing options for payments that do not incur any pass through fees. For customers electing to use the convenience of a credit card, staff recommends passing the fees to the customer. Many other utility companies pass those fees to customers. The City is providing customers with choices rather than mandates.

Councilmember Althaus asked whether staff has considered offering an incentive program for customers to link payments to bank accounts, as the option is less expensive to both the customer and the City. He suggested offering a sign-up program for direct payment to bank accounts with a \$5 credit on a utility bill, as the transaction fee is generally less at \$1 per transaction.

Director Niemeyer said the City provides a \$5 incentive to customers to sign up for e-bills but has not offered a similar incentive for direct pay from a bank account. Direct payment from a bank account incurs no additional fees.

City Administrator Parks recommended presenting the information to the Council outlining the alternatives, costs, and fees the City plans to pass on to customers or absorbed by the City.

Acting Chair Swarthout expressed concerns involving the security of customer bank account information. Deputy Director Carter noted that the City currently has enrolled many customers in auto pay using bank accounts as the form of payment. The ways of payment would not necessarily change under the proposal, only the fees that are assessed.

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Tyler Technologies serves as an independent merchant service company and assesses fees for the service.

Many contractors are requesting the ability to charge costs to credit cards as the Community Development Department has limited charges to \$1,500. Many contractors prefer to use credit cards and have indicated no problems with paying the fees.

Director Niemeyer added that another option is enabling Community Development to pass the fees to the development community but continue absorbing fees for utilities. Tyler Technologies does not charge the City a monthly charge for the software. Alternatively, the company charges additional fees through payment transactions. Implementation of the new system would cost the City an additional \$10,000 to \$12,000 annually for credit card and merchant fees.

Councilmember Agabi said he is not supportive of the new system unless the Tyler Technologies provides additional services to the City. He questioned the benefits to the City of not incurring an annual fee for utilization of the new system.

City Administrator Parks said it is uncertain whether the City has an option of paying a monthly subscription fee versus collection of credit card fees.

Director Niemeyer affirmed the options are not available to the City as the software program serves as a source of income to the company.

Councilmember Agabi conveyed concerns as the City recently increased utility rates and is proposing a ballot measure to continue the sales tax increase for transportation. The City should consider ways to lessen the impact.

City Administrator Parks concurred as the conversation has focused on those aspects. Staff has identified that if the City passes the fees to customers, there are many other options for customers to pay online or digitally that do not incur a fee. Another message similar to the messaging for the Transportation Benefit District measure is the importance for all people using the roads to contribute to road maintenance and not just residents who live in the City. The proposal is essentially a user fee that is currently absorbed by the City at a cost of \$250,000 annually just for utilities. That cost is allocated to all customers with many not using the credit card payment option.

Councilmember Agabi pointed out that fees and taxes are often confused by many in the community leading to false assumptions,

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which speaks to the importance of clear messaging to the community spelling out the cost to the City each year for credit card processing while informing the community that they have other options.

City Administrator Parks affirmed the City would develop appropriate campaign messaging recognizing that some people likely would not understand or choose not to understand the issue. The message to the community is the availability of multiple options to pay utility bills in the City of Tumwater and that some options will be at an additional charge. The communications strategy will include a breakdown of fees associated with each payment option.

**UTILITY
ASSISTANCE
PROGRAM UPDATE:**

Director Niemeyer reported that implementation of the increase in utility tax included a review of the City's utility assistance programs. Staff identified a list of 294 individuals who may qualify for the Lifeline Program. The Lifeline Program provides a 50% discount on utility bills based on income status.

Any discount program creates a budgetary impact. If those individuals qualified and enrolled, utility revenue would be reduced by \$21,021 per month or \$252,000 annually. At the time of the research, staff assumed many more people would qualify for the program but did not anticipate the large number of people who might qualify. The Lifeline Program has the same criteria as Thurston County's discount for property tax. If an individual qualifies for reduced property tax through Thurston County, they are considered eligible to enroll in the City's Utility Lifeline Program.

Discussion ensued on whether renters versus homeowners could also qualify for the program. Thurston County's program includes single-family owners as well as owners of duplexes or fourplexes.

City Administrator Parks pointed out that the Council and staff committed to pursuing outreach to the community to increase awareness of the program. Staff plans to pursue outreach and developed a process. However, for transparency, the effort will create a budgetary impact. Another promise was evaluating the program and applicability. The information will help inform potential options for different program alternatives for utility payment assistance in the context of the cost of service analysis in progress by a utility consultant that includes equity and affordability components.

Acting Chair Swarthout referred to a GIS tool utilized by the City of Tacoma that targets different areas in the city to provide more thorough information on needs for different types of information or programs. The issue is complex as it is likely the 294 individuals identified by staff

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live throughout the City and not in just one area of the City.

ADJOURNMENT: With there being no further business, Acting Chair Swarhout adjourned the meeting at 1:16 p.m.

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