

**TUMWATER CITY COUNCIL WORKSESSION**  
**MINUTES OF VIRTUAL MEETING**  
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**CONVENE:** 5:31 p.m.

**PRESENT:** Mayor Debbie Sullivan and Councilmembers Peter Agabi, Michael Althaus, Joan Cathey, Leatta Dahlhoff, Angela Jefferson, Charlie Schneider, and Eileen Swarthout.

Staff: City Administrator John Doan, Fire Chief Brian Hurley, Finance Director Troy Niemeyer, and City Clerk Melody Valiant.

Others: Karen Meyer, The Athena Group and Karen Reed, RFA Consultant.

**REGIONAL FIRE  
AUTHORITY  
BRIEFING:**

City Administrator Doan introduced Karen Reed and Karen Meyer as the consultants assisting the Regional Fire Authority (RFA) Planning Committee in developing the RFA Plan. Information during the review will include the committee's recommendations on governance, organization of the RFA, and financing the RFA. The request to the Council following the review is to provide direction on whether the committee should continue its work.

Councilmember Cathey asked whether the City has received any negative or positive comments regarding the potential formation of the RFA. City Administrator Doan advised that some input has been received; however, the development of the proposal has been within the zoom environment, which provides good transparency for the public but it also places the process within a position of the public commenting on drafts and ideas as opposed to a complete proposal. The committee has not finished its task to develop a proposal. The committee is hosting another public workshop on August 15, 2022. The public is invited to attend and offer comments or ask questions.

City Administrator Doan reported a RFA is a separate, independent unit of local government created by voters with the same powers and revenues as a fire district with some flexibility in governance. Thirteen RFAs exist in the state, including two in Thurston County (West Thurston RFA, Southeast Thurston RFA).

The RFA proposal responds to challenges identified by the cities of Olympia and Tumwater. Current response times are not within the target range of six to seven minutes or less for 90% of all calls. Call volumes continue to increase in both cities. Both cities have limited resources to meet demands. The RFA provides a dedicated, sustainable funding model.

Councilmember Jefferson recommended highlighting the benefits of the

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RFA.

Councilmember Schneider asked how the RFA would improve response times. City Administrator Doan cited current challenges of a medic unit or a fire engine responding to a basic life support (BLS) call requiring transport. One of the proposals in the RFA Plan is BLS Transport service to release medics or a fire engine after providing immediate medical care. Today, when medic units or a fire engine respond to a call, transport is dependent upon an ambulance which can be time-consuming requiring the units to remain and unable to respond to other calls, which results in an increase in response time.

The process for creating the RFA begins with the creation of the RFA Planning Committee to develop a proposed RFA Plan for approval by both City Councils for placement of a ballot measure for voters to consider.

The RFA Planning Committee membership includes councilmembers from both cities, labor representatives, and fire chiefs from both cities. The timeline is to present a Plan to the city councils in October for deliberation with a decision by February to place the proposal on the ballot for the April 2023 election. If approved by voters, the RFA would be formed effective August 2023 with RFA taxes assessed beginning in January 2024.

The RFA is an independent government operation with functions of administration, budget and finance, capital, and reserves.

Councilmember Cathey asked how responses would be framed to members of the public questioning a higher cost for lowering response times. She has been asked several questions as to why combining the two fire departments would improve service and who would be in charge. City Administrator Doan advised that throughout the briefing, those types of questions would be addressed.

Councilmember Schneider cited the cap on property tax at 1% by local jurisdictions. The funding proposal for the RFA includes a fire benefit charge. He questioned how the City would be able to control those costs because he is concerned about the control of costs with the City no longer in control of budgeting or purchasing of equipment to avoid overwhelming taxpayers. City Administrator Doan advised that the RFA is governed by elected officials. The proposal includes seven elected officials and five are independently elected to govern the RFA. Those elected officials and two Councilmembers are accountable to the public in terms of service to be provided, and taxes and fees collected to ensure the community believes it is receiving the services it is paying for. The second threshold is

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dependent upon the structure of the fire benefit charge and future bond issues as those will require the RFA to seek approval from voters. Much is dependent upon the relationship between the RFA and taxpayers. The RFA board is an independent governing board with one elected representative from each city who can share information with each city council. However, the cities do not direct or have any authority over the RFA Board.

Councilmember Schneider reiterated his concerns that the RFA Board would have the ability to increase fees or taxes with no oversight. City Administrator Doan emphasized how elected officials are accountable to the voters.

Karen Reed added that the fire benefit charge (FBC) cannot comprise more than 60% of the RFA's operating budget by statute. The FBC must also be renewed by voters periodically.

City Administrator Doan reported the RFA has a governance structure similar to the City. The Planning Committee reviewed a number of options with the variation revolving around the number of city appointments to a seven-member board. The committee recommends the long-term structure of the board to be comprised of five elected officials beginning in 2026 with one elected representative from each city. The initial RFA board is comprised of three elected officials from each city phasing into the expanded board with five at-large RFA Commissioners and 2 elected officials from the cities. The committee, at this time, has not offered a recommendation on the length of terms or staggering of terms.

Councilmember Cathey inquired as to how each elected official of the City is selected to serve on the RFA board. City Administrator Doan said it would entail an appointment by the council. However, based on Tumwater's City Council Rules, the appointment would be by the Mayor. The term of service would match commissioner terms. He noted that the Council could amend Council Rules enabling the appointment of the representative by the Council rather than the Mayor.

Ms. Reed added that the statute requires terms not exceeding six years and the stop and start point of the terms must be staggered.

Fire Chief Hurley reviewed a proposed RFA organizational chart, which is a required element within the RFA Plan. He and Olympia Interim Fire Chief Carlson have conferred on the most efficient structure for merging the two organizations. The RFA Plan includes new staff (18 FTEs) for proposed service enhancements to include two BLS Transport units, a

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Community Assistant Referrals and Education Services (CARES) unit (3 FTEs to include a licensed social worker and behavioral health specialist), and 2-Battalion staffing. Administrative staffing includes 9 new FTEs and one maintenance position. Two existing positions would be modified to serve as (1) Deputy Chief – Support Services, and (2) Assistant Chief – EMS. The RFA Planning Committee supports the proposed organizational chart.

Councilmember Jefferson recommended highlighting existing resources and what the RFA will provide in addition to the information on BLS Transport and the CARES Unit.

Councilmember Schneider asked about the provision of services for transport when the fire departments are unable to respond. Fire Chief Hurley advised that response is provided by Olympia and Tumwater and by private ambulance companies, which have also experienced difficulty in both staffing and response capability, which is the reason for considering the BLS Transport model.

Administrative staff includes a finance director with 2 assistants, human resources Director with 2 assistants, IT director with one assistant, one communications/public education/outreach position, and one facilities maintenance position. Initially, those services could be contracted back to the cities or contracted externally. In the combined organization, the RFA organizational model would include 12 response units with 35 personnel on duty each day.

Fire Chief Hurley displayed and described the draft organizational chart with modified positions reflected in purple, positions reflected in blue are existing positions in essentially the same role, and green positions are new positions.

City Administrator Doan described the sources of RFA funding. Funding options include property tax, FBC, and in Thurston County, RFAs have the EMS levy, which funds advanced life support (ALS) and some element of BLS. Additionally, there are fees for service, such as the state paying the City of Olympia a fee for fire service for state buildings or permit fees when inspections are required. The RFA can operate without the benefit of a FBC allowing the RFA to levy a tax up to \$1.50 per \$1,000 assessed valuation (AV). In that scenario, the committee has discussed the need to assess a FBC. The FBC generates more revenue to provide and maintain enhanced services. The proposed RFA would be funded by a fire levy of \$1.00 per \$1,000 AV, EMS levy, and fees for service in addition to the FBC. The statute caps the fire levy at \$1 per \$1,000 AV if the RFA

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charges a FBC. The FBC is a fee and not a tax and is charged based on the fire response needs of a structure. Larger and complex structures require more resources to respond to a fire. The FBC includes exemptions and discounts and only applies to structures and not land. Small structures of 400 square feet or less are exempt from paying a FBC. Discounts are afforded to structures with sprinklers. The FBC is not subject to the 1% cap. Only a fire district or a RFA can assess a FBC.

The FBC formula identifies different classifications of structures, square footage, and assigns a weighting value based on different structure classifications (function of risk, type of building, and size of building). All applicable discounts are factored, such as low-income, seniors, disabled, or for sprinklers. Each year, the RFA board determines expenditure requirements and establishes the property tax rate within the fire levy, and required FBC. The FBC functions to serve as the balancing factor between the needs of the RFA and the ability to receive revenue. The FBC is established annually through an annual process. All RFAs in the state use a similar FBC formula. The FBC includes an appeal process. Billing is through the County Assessor's Office. The FBC must be reauthorized by voters every six years by a super majority vote (60%).

When the RFA is created, \$1.00/\$1,000 AV of each city's property tax capacity shifts to the RFA affecting the City's actual levy rate only if the actual levy would exceed the maximum legal capacity. The shift redefines the amount of additional property tax each city could impose (excluding voter-approved bonds). Today, the City of Olympia's maximum levy rate is 3.325 per \$1,000 AV. The City of Tumwater's maximum levy rate is \$3.10 per \$1,000 AV. If voters approve the RFA, each city's maximum levy rate would reduce by \$1.00 per \$1,000 AV resulting in no net increase in the property tax rate to taxpayers. As both fire departments currently cost more than \$1.00/\$1,000 AV, the proposal enables both cities to retain the amount of current spending in excess of \$1.00/\$1,000 AV for other city purposes. For Tumwater, the excess would be focused on public safety needs with Olympia focusing on public safety and homelessness response.

City Administrator Doan reviewed a 7-year financial plan as required by the statute identifying planned expenditures and revenues necessary to support the RFA comprised of operations, capital, facilities and equipment, staffing for a 2-Battalion model, service enhancements, reserves, and cash flow.

Key assumptions in the financial plan include all fire department employees in good standing becoming RFA staff (as reflected on the organizational chart). Thirty-three FTEs would be added to support

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service enhancements and the administrative structure. All fire stations, equipment, and apparatus would be transferred to the RFA at no cost. If a station is no longer used by the RFA in the future, the donating City will regain title at no cost. The RFA service territory encompasses the boundaries of both cities. If annexations occur, taxes & FBC revenues from annexed areas will support RFA operations. Any additional capital and staffing needs associated with annexations will be addressed at that time. No additional fire stations are included in the 7- year forecast.

Six reserves are included in the Financial Plan. The cities contribute its balance of existing fire department reserves. The reserves include:

- Emergency Reserve - Not funded until 2031
- Apparatus Reserve, Equipment Reserve, Equipment Reserve - Funded to meet projected needs with annual contributions from revenue
- Debt Service Reserve - 2 engines funded with councilmanic debt in 2025, total cost of \$3.2 million, repaid over 15 years
- Debt service repayments - funded starting in 2026.
- Retirement Reserve - Funded initially at \$150,000 starting in 2024 – this is the expected annual draw rate. Funded at this rate (with inflation) moving forward

**Key Finance Assumptions:**

- A fire benefit charge will be needed to support the operations
- Projected expenditures exceed the amount that would be received from a \$1.50/\$1,000 of AV fire levy, even after considering other revenues (EMS levy, fees for service)
- The RFA Plan assumes Option 2: the main revenue sources will be:
  - A fire levy not exceeding \$1.00/\$1,000 AV
  - A fire benefit charge
  - A share of countywide EMS levy revenues
  - Fees for service, including contract revenues
- Both Cities retain their LEOFF 1 Liabilities (for retired firefighters)
- Remaining Tumwater fire levy lid lift revenues transferred to RFA for apparatus purchase so commitment to voters is kept (\$2 million)
- Some planned capital acquisitions (equipment, apparatus) will be deferred by a year or two in the interest of smoothing the RFA budget from year to year – no operational impact anticipated
- City obligations for fire department employee accrued sick leave, vacation leave, retirement pay-out are transferred to the RFA

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The RFA will need revenue to pay its bills each month. Beginning in 2023 (August-December), the RFA will operate with the revenue remaining from the 2023-2024 city fire department budgets. The RFA will start with \$0 in 2024 unless cities provide working capital. Tax and fee revenues would not be received until April/ May. The proposal is for the City of Olympia to provide an \$8 million loan (2 loans) to the RFA for working capital, to be repaid over 4 years. An additional \$2 million is from the Tumwater public safety levy lid lift (it can be applied to cash flow and replaced in reserves by the RFA before it is needed to purchase fire trucks).

Labor costs of salaries and benefits for firefighters and other staff are approximately 80% of the annual cost of the RFA. The two labor unions will merge if the RFA is created. Draft terms of a proposed labor agreement will be resolved before the RFA is created, but the actual collective bargaining agreement can only be executed after the RFA is established. The two labor union representatives serve on the RFA Planning Committee as nonvoting members. Salaries will increase overall as the RFA is a larger agency, pay will need to be comparable to that paid by similar, larger agencies. The “comparable salary” increase is 6.84% overall. Labor leadership has agreed to phase in the comparable salary adjustments over four years beginning 2025. Other labor cost assumptions include a 2023 4% increase (following historical practice), a 6.5% increase in 2024 (projected cost of living allowance (COLA), and COLA increases from 2025 through 2030 based on CPI estimate (ranging from 3.5% to 6.5% per year). Benefit packages (or equivalent) would continue under the RFA.

To maintain revenue stability and meet expenditure needs, a non-voted bond of \$3.2 million would be issued by RFA in 2025 to fund purchase of two replacement fire engines. Funding to repay the bond would be from reserve fund allocations each year. In 2027, the RFA would seek voter approval to restore fire levy rate to \$1.00/\$1,000 (50%+1 voter approval required). In 2029, the RFA would need voter approval to reauthorize the FBC. Based on the statute, the FBC expires if not reauthorized by voters after six years. The RFA Plan estimates the FBC will contribute between 34% and 36% of the RFA budget between 2024 and 2029.

City Administrator Doan reviewed the RFA financial plan timeline.

Councilmember Schneider commented on the projected increase of RFA expenditures from 2022 from an estimated \$27 million to nearly \$40 million in 2024, which is reflective of an approximate 47% increase over a two-year period. That increase appears to be very excessive. It appears

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the RFA has too many expenses with no controls in place. City Administrator Doan explained that the chart does not reflect 2022. If comparing 2022 to future years, it is important to consider the addition of services and staff (BLS Transport & CARES unit). Both of those programs generate revenue to offset expenses. The chart reflects the percentage of increase each year, which is reflective of today's increase in the fire department's annual expenses. The fire department is one of the most expensive elements of the City's organization.

Councilmember Althausen noted that in 2024, the figure represents 100 percent of the functional expenditures of the RFA. Today, the fire department is supported by City administrative and financial staff and those costs are not reflected in the fire department's budget. Additionally, those services and overhead are not charged back to the fire department. Another 2022 expense not reflected is payments for fire apparatus.

City Administrator Doan reported the RFA proposal includes a FBC, which is calculated on classifications of structures, square footage, and the weighting for each structure classification minus any discounts/exemptions or surcharges. He shared a table of proposed FBC classifications and weights for residential, mobile home, apartment, and commercial structures. The proposal does not include hazard surcharges. State law requires the FBC to include discounts for senior and disabled persons that match the property tax discounts in place today. State law also exempts religious structures and nonprofit low-income housing from the FBC. A 10% discount for properties with sprinklers is proposed. The discount would apply to all structures with sprinklers for all classifications as long as the sprinkler system meets code requirements and is operational. He displayed a summary of the FBC proposed structure & cost shares by sector if the RFA was created in 2022.

Based on 2022 FBC total collections by structure classification, the FBC will contribute between 34-36% of the RFA budget in the first financial planning period (the first 7 years). Residential properties in total are 66% of the total square footage in the RFA and would pay 63.3% of the total FBC. Commercial properties are 27.7% of the square footage and would pay 30.6% of the total FBC. Apartments are 5.4% of the square footage and would pay 5.3% of the total FBC. The largest commercial properties pay approximately 2.6 times the FBC cost on a square footage basis as compared to a small commercial property.

Some parcels may not be included in the database that would be exempt from the FBC and sprinkler discount data have not been entered into the database. Consequently, the data as reflected over estimates FBC



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collections. As sprinkler data are identified, the forecast will be updated and presented in October. Additionally, an online FBC calculator is under development for availability to the public next spring so voters can enter data to estimate their respective FBC for 2024.

City Administrator Doan shared examples of a FBC for residential homes:

- 1500 square feet - \$337
- 2000 square feet - \$389
- 2500 square feet - \$435

Square footage includes not just living space, but also garages and other structures.

City Administrator Doan responded to a question about the amount of the FBC today explaining that neither city assesses a fire benefit charge today.

City Administrator Doan shared an example of a FBC for apartments, mobile homes, and commercial structures.

Assumptions included in the proposed Financial Plan include the following:

- Actual inflation rates versus estimates
- Assessed value growth may not match the 6.5% per year increase in the model – this will impact Fire Levy collections and how much FBC revenue must be collected
- Any change in FBC total collections impacts all individual FBC fees
- FBC data will be refined to include buildings known to have sprinklers that will qualify for a 10% discount
- Any changes councils make to the RFA Plan
- Both councils must adopt identical plans for the RFA to proceed to a ballot

Next steps include:

- Town hall meeting scheduled on August 15, 2022
- Draft RFA Plan reviewed by Committee (August-September)
- Draft RFA Plan presented to Councils (early October)
- Final RFA Plan submitted to Councils (late October)
- Budgets for 2023-2024 will be approved with 2 scenarios: 1) RFA is approved by voters; 2) RFA is not approved by voters
- Councils will have until late February 2023 to decide whether to

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approve the RFA Plan and place RFA measure on the April 2023 election ballot.

Councilmember Schneider said his concerns surround the checks and balances of the process. As mentioned during the presentation, the commissioners would have the opportunity to determine how much to increase the FBC. It was also inferred that if the public did not support the action, the public could convey their displeasure at the ballot box. He questioned whether the Council is serving to represent the community and their concerns and needs. One of the major concerns of most community members is the increase in taxes, which can often be unchecked.

Councilmember Agabi asked whether the public would have an opportunity to submit questions or submit feedback. City Administrator Doan affirmed the RFA website enables options for submission of questions and comments. A second public workshop is scheduled on Monday, August 15, 2022. Councilmember Agabi asked whether the input from the community would be considered moving forward. City Administrator Doan affirmed the committee would review all public and council input and consider next steps moving forward based on the information.

Councilmember Jefferson asked whether seniors would be exempt from the fire benefit charge. City Administrator Doan explained that low-income seniors would either be exempt or qualify for a discount similar to discounts afforded for property tax. Councilmember Jefferson suggested the presentation materials should include additional information on the anticipated benefits under the RFA and highlight why a RFA is recommended by comparing current conditions with conditions proposed under a future RFA scenario.

City Administrator Doan responded to questions about the process for seniors to apply for the FBC discount or exemption. Contact with the Assessor's Office will be necessary to determine whether the exemption or the reduction in the FBC is automatically computed as part of a property tax billing or whether it would require a separate application process.

Councilmember Cathey shared feedback on whether to continue the planning process while acknowledging that there are many questions and many concerns surrounding the proposal. Staff has done an excellent job providing answers to questions and while she is not wholeheartedly excited about the proposal, she wants the process to continue, as many of the questions will be addressed. City Administrator Doan expressed appreciation for her frankness and agreed the proposal is a major issue

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before each City Council; however each Council acknowledges that fire and emergency medical are major services in the community. The issue surrounds the ability of providing those services in a quality way, which is incredibly important to the community. Councilmember Cathey offered that emergency medical services are very important in the communities and should be emphasized.

Councilmember Dahlhoff thanked staff for the presentation on behalf of the committee as she and other committee members to include Councilmembers Swarthout and Althausen have been meeting over the last year to develop the plan. Input from the Council was important at this time to assist the committee in determining if it is possible to develop a plan that is realistic and viable for the community. If the RFA does not move forward and is not presented to the voters, both cities would continue to face challenges of increased service areas, increased service demands, and both cities would likely have problems with adequately funding each fire department. Cities would need to consider new revenue sources to ensure sustainable and dependable fire and emergency medical services would be provided.

City Administrator Doan encouraged the Council to review the 2019 fire study (available on RFA webpage), which outlines the challenges and offers a solution of pursuing a regional approach.

The Council supported the committee moving forward with the development of the RFA Plan with some reservation voiced by Councilmember Agabi because the proposal appears to reflect an average of \$350 to \$500 in new property tax for the average Tumwater resident. His concern is ensuring the process affords an opportunity for residents to provide feedback prior to the Council rendering a final decision. Mayor Sullivan acknowledged the concern and noted that the City's budget would either include the RFA or exclude the RFA.

Councilmember Cathey thanked Councilmembers Althausen, Dahlhoff, and Swarthout for their work and the time they have invested in the process.

Councilmember Swarthout thanked the Council for providing feedback. The schedule includes additional time to address questions and engage in more discussions until a decision is required by February 2023.

Mayor Sullivan acknowledged and thanked Ms. Reed and Ms. Meyer for attending the meeting.

**RECESS:**

Mayor Sullivan recessed the meeting at 7:21 p.m. for a break.

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**RECONVENE:** Mayor Sullivan reconvened the meeting at 7:31 p.m.

**BIENNIAL BUDGET KICK-OFF:** City Administrator Doan reported the briefing launches the City's biennial budget process for 2023-2024. He acknowledged Senior Accountant Bill Sampson for his work in preparing the draft budget.

The Council's retreat in February set the tone of the budget and updated the City's vision, mission, beliefs, strategic priorities, and the development of two-year goals. During June, department directors submit budget requests based on the City's facilities plans and department operational needs. An update on all revenue sources follows with the Mayor proposing a budget in September for consideration by the City Council. During September and October the Council will participate in a series of budget workshops. The proposed budget is published for review by the community followed by two public hearings in October and November to receive public feedback. The budget is scheduled for adoption in early December. The City's Capital Facilities Plan is updated in 2023.

City Administrator Doan reviewed a list of accomplishments over the last biennium noting that despite the COVID pandemic, the City was able to accomplish many of its goals:

- Island Annexations
- New programs in sustainability, arts, economic development and police crime analysis
- Trosper/Capitol project released for bid
- Metropolitan Park District projects launched
- Trails on Tumwater Hill
- Equity Partnership and 21-Day Challenge
- Completion of Deschutes Valley Trail segment
- Launched RFA Partnership
- Published Police Report to the Community
- Completed significant re-paving projects and improved pavement rating
- Heritage and South Puget Sound Community College opened at Craft District
- Funding secured for X Street improvements
- Ongoing participation in Regional Housing Council
- Golf Course sale of water rights

City Administrator Doan described the components of the City's budget:

- General Fund pays for most local government services with

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revenue sources from property taxes, contracts (Medic One), and fees

- Proprietary Funds are separate accounts for utilities and the golf course
- Capital Project Funds
- Accounting Funds for debt service, reserves, and special commitments

Director Niemeyer described the City's revenue sources and types of expenses.

City Administrator Doan pointed out how the state's tax structure forces dependency by cities on development revenue through new property taxes, sales tax from new construction, real estate excise tax, permit revenue, impact fees, new sales, and utility taxes. When cities do not experience new development, revenues begin to decline.

Director Niemeyer identified General Fund revenue drivers and explained why some revenue sources were higher than projected during the current biennium and why some projections in the new biennium have been increased.

City Administrator Doan responded to questions as to whether cost of living increase and other expense factors have been included in the budget. At this time, the budget review is focused on preliminary revenue projections. As more information is received on sales tax data, additional property valuation (new construction), and other major sources of revenue, staff will begin preparing the budgeted expense forecast.

Director Niemeyer reported personnel costs are a major City expense. Today, costs are increasing for inflation, medical, and pension. Many long-term employees have retired and replacing them has been challenging within the current market. The City anticipates high inflation will continue in the short-term but will eventually reduce over the next several years. Demands for services continue to increase stressing the importance of maintaining facilities and infrastructure, as well as upgrading technology and investing in green energy.

The economic forecast is based on a review of data from the State Economic Forecast Council and other sources of information and data. The City anticipates the CPI will remain elevated through the end of the year with some slowing next year. It is possible the country may experience a recession; however, for the City, the forecast is more optimistic as it does not appear a recession would affect the City as the

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state-based employment helps to stabilize the City's financial structure. Construction remains strong and will likely slow over the next several years. Sales continue to be slow and the City forecasts any industrial development would not be affected.

Councilmember Agabi questioned the outcome of the budget's economic forecast if the country should experience a recession. City Administrator Doan explained that the property tax is a major revenue contributor to the City's budget. Property tax is not typically affected during a recession unless the recession is severe and property tax valuation reduces across the country. Unless the City adjusts the property tax rate downward, the property tax rate stays consistent and increases by 1%. The City does not establish a tax rate but rather establishes a levy (dollar amount) to collect. The Assessor's Office converts the levy into a tax rate. He cited a scenario of forecasting a need for the property tax to contribute \$9 million for 2023. The City sets the levy rate at \$9 million and the Assessor's Office calculates the tax rate based on the valuation of the City and the amount of funds the City wants to receive, which establishes the tax rate. When valuations increase, tax rates typically reduce but property tax for the homeowner likely increases to some extent. If property values decrease, the tax rate increases. Property tax is considered a stable source of revenue.

Councilmember Agabi asked whether the 21-22 figures are actual or estimated revenue. City Administrator Doan said the figures for 2021 are actual revenues and for 2022, the figures represent an estimate. Director Niemeyer added that the figures for the first six months of 2022 are actual with the last six months based on an estimate.

Councilmember Althaus commented that during a recession his values are aligned with ensuring the City provides a core base of services and support to assist and support community members.

Councilmember Dahlhoff agreed and noted that the City's partnership with non-profit entities that provide services the City does not provide could possibly benefit by receiving some assistance funds from the City. She recommended communicating with the community about the City's efforts and how the City supports those efforts.

City Administrator Doan commented that the Great Recession of 2007-2009 resulted in the subprime mortgage crisis leading to the collapse of the housing market, which financially affected the City. When the valuation of property in Tumwater dropped, it affected property tax revenue taking quite some time for the City to recover. Today, no one is

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predicting the collapse of the housing market because reasons for the housing collapse do not exist today, as that crisis led to the failure or collapse of many of the United States' largest financial institutions.

City Administrator Doan displayed the well-known “falling off the cliff” chart, reflecting a five-year forecast the City first prepared during the Great Recession. The graphic features a red line representing expenditures and a blue line representing revenue. Both lines track closely except when they separate beginning in 2024 because at that time, expenditures are projected to exceed projected revenue. He added that the chart has typically resembled reflected the same projection each year. Ending fund balance directly contributes to how closely the lines track. For example, the City had a higher fund balance in 2021, which increased the minimum required fund balance to 17%, as recommended for a municipality. Some amount of fund balance was carried between the minimum and the ending amount. In 2024, the City begins to use the ending fund balance to fill the gap. The chart forecasts that by 2027, the City will exhaust reserves. The chart reflects how at the end of each budget cycle and throughout the budget process the Council has committed to certain decisions to enable extending the gap to future years affording time for the City to take specific actions. Some examples over the past decade include establishment of the Metropolitan Park District to help support park programs, passage of the levy lid lift for public safety, and establishment of the Transportation Benefit District to support transportation projects. Additionally, the county adopted a housing sales tax measure to support the provision of affordable housing. In 2017, the Council initiated a planning process for regionalizing fire and medical emergency services. He stressed the importance of planning now to address the impending gap as it affords time to course correct.

City Administrator Doan reviewed the elements of the City’s financial tool box containing five tools to assist the Council in reducing the financial gap:

- Change level of service
- Increase revenue sources
- Increase efficiencies (nearly exhausted)
- Increase taxes and fees
- Use one-time revenues

City Administrator Doan reviewed the status of City Reserve Funds:

- 002 Public Safety – funds facilities, equipment, and staff in Police (4) and Fire (3) through 2037 (Source, 2011 Levy Lid Lift). By

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2027, all revenue remaining from the public safety lid lift will fund employees.

- 007 Permit – supports Community Development and Engineering activities during slowdowns and recovery
- 008 Emergency – for declared emergencies with a maximum of \$0.375/\$1,000 (target is 2.05 million in 2024)
- 009 Facilities – for facility maintenance (policy is \$2 million )
- New Proposal: Revenue Stabilization – supports General Fund activities during slowdowns (target is \$3.6 million in 2022)

City Administrator Doan reviewed potential budget impacts related to the Regional Fire Authority. The 2023-2024 budget assumes RFA does not pass; however, should the RFA pass, impacts to the budget would be effective January 1, 2024 and would include the transfer of assets, transfer of staff, reduction in property tax levy of \$1.00/\$1,000 AV, execution of financial commitments to the RFA, and a budget amendment following RFA election.

City Administrator Doan reported the Council's next budget workshops are scheduled on September 1, 2022, September 27, 2022, and October 11, 2022. The Council is scheduled to receive the draft budget prior to September 6, 2022. He extended an invitation to the Council to meet with him and Director Niemeyer to address any questions.

**MAYOR/CITY  
ADMINISTRATOR'S  
REPORT:**

There were no reports.

**ADJOURNMENT:**      **With there being no further business, Mayor Sullivan adjourned the meeting at 8:32 p.m.**

Prepared by Valerie L. Gow, Recording Secretary/President  
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