

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 1**

CONVENE: 6:03 p.m.

PRESENT: Mayor Debbie Sullivan and Councilmembers Peter Agabi, Michael Althaus, Joan Cathey, Leatta Dahlhoff, Angela Jefferson, Eileen Swarthout, and Kelly Von Holtz.

Staff: City Administrator Lisa Parks, City Attorney Karen Kirkpatrick, Finance Director Troy Niemeyer, Community Development Department Director Michael Matlock, Administrative Services Department Director Michelle Sutherland, Fire Chief Brian Hurley, Police Chief Jon Weiks, Transportation and Engineering Department Director Brandon Hicks, Parks and Recreation Department Director Chuck Denney, Assistant Finance Director Shelly Carter, Assistant Fire Chief Shawn Crimmins, Communications Manager Jason Wettstein, Police Commander Jay Mason, IT Manager Lance Mason, and Deputy City Clerk Tracie Core.

**BUDGET
WORKSHOP NO. 3:**

City Administrator Parks recapped information covered during the first two budget workshops. The budget is framed around the Vision and Mission statements for the City of Tumwater, as well as a series of beliefs helping guide the budget development process.

The approach and strategy for addressing the larger needs of the City and the community are based on existing resources established within the next biennium budget and guided by the Council's Strategic Priorities and Goals. The City continues to fund services and programs within available resources using some ending fund balance monies and deferring some costs to the extent possible while also adding modest levels of additional revenue from existing tools. Staff and the Council will continue exploring creative options for identifying new and different revenue sources to address existing shortfalls and to balance existing resources. In 2025, the City will embark on a process to realign expenses and revenues with community's needs. A community survey will be released to identify service expectations and willingness by the community to pay for different services and programs.

The City's financial policies guide the development of the budget. The policies were adopted in 2018 and updated in 2022. Rating bureaus for issuing bonds seek financial policies from municipalities as part of the bond financing process.

City Administrator Parks reviewed the Council's updated Strategic Priorities and identified a series of goals to accomplish over the next biennium in support of the Strategic Priorities.

City Administrator Parks outlined the process for development and adoption of the final budget and major budget priorities and goals included in the 2025/2026 City Budget:

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 2**

- Non-Represented Salary Increases – 14% average increase
- COLA Increase – 2% in 2025 and 2.5% in 2026
- New positions – 39 (with 4 reclassifications)

Information on employee attrition reflects a rate of 10.8% with 25 employees leaving the City. Some departures were attributed to policy violations or failure to successfully complete probationary periods, retirements, or accepting other positions with other agencies/employers. The City successfully filled 37 positions of which eight positions were internal promotions.

Director Niemeyer reviewed a comparison of City budgets over several bienniums for revenues. For the first time, sales tax is the City's largest source of revenue over property tax. The City's financial toolbox is limited in terms of tools available to increase revenue, such as changes in level of service/programs, revenue increases (taxes and fees), and increasing efficiencies (implementation of the City's new financial reporting system (ERP) and other technology improvements).

The proposed budget includes an increase in the utility tax for all City utility services from 6% to 12% in addition to utility rate increases for water, sewer, and storm. The City offers three utility payment assistance programs for customers experiencing financial difficulties. The City has not increased the utility tax since 1991.

Suggestions were offered on the importance of increasing visibility of the City's utility assistance programs to help offset the impacts of rates and utility tax increases because many in the community are unaware of the programs. In terms of the proposed utility tax increase, City Administrator Parks explained that projected revenues include the 12% utility tax increase within the general fund.

Director Niemeyer reviewed projected revenues and proposed expenditures by department. Total expenditures for the budget biennium in the general fund are \$100.2 million. Drivers of expenditures include salaries and benefits for employees (nearly 70%), salary adjustments, inflation, increased demand, facility and infrastructure maintenance, technology investments, regional partnerships, green investments, and increased public expectations.

The Council discussed the inclusion of information reflecting how various increases in expenditures affect the overall budget and reasons for proposing different increases to balance the budget. One example was conveying how the rate of inflation and COLAs impact the budget compared to previous bienniums. City Administrator Parks shared that the City has experienced an increase in liability insurance in 2020 of less

TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 3

than \$300,000 to over \$800,000 in 2024. Other factors are employee costs, minimum staffing levels, overtime, long-term employee insurance programs, and the competitive hiring market that contribute to the increase in the cost of doing business.

Director Niemeyer addressed questions about the reasons for the substantial increase in the City's liability insurance. The increase is not reflective of the City's claim history but is based on the insurance market with increased liabilities surrounding police shootings, lawsuits, and overall increases in the insurance market since 2020. The City participates in an insurance pool administered by the Washington Cities Insurance Authority (WCIA).

City Administrator Parks shared a pie chart depicting general fund expenditures by expenditure type. At this time, the City has limited debt service reflecting an increased capacity for the City to fund large capital projects. Another graph outlined the beginning fund balance, projected revenue, projected expenditures, and budgeted ending fund balance. Over time, the City has reduced the reliance on the ending fund balance to help balance the next biennial budget. To date, the City has reduced the use of the ending fund balance by half since October 2022. Reliance on the ending fund balance to assist in balancing the budget is a common practice by other local municipalities. Additionally, the City has mandated and dedicated reserve accounts. Those funds include emergency reserve funds, facility reserve funds, and several other funds.

Director Niemeyer explained that the proposed budget forecasts the use of approximately \$5 million of ending fund balance. The fund balance is at the highest amount with the amount increasing over the last four years. According to the financial policy, the minimum ending fund balance required is \$8.6 million based on 17% of annual expenditures per best practices from the Government Finance Officers Association.

In response to questions on whether the use of ending fund balance is reflective of one-time costs or ongoing costs, City Administrator Parks explained that in the past, the budget was balanced by the use of ending fund balance primarily for one-time costs. However, because of market increases, utilization of ending fund balance is required to balance and stabilize costs necessary over the next two years while also exploring other possible sources of revenue and innovative ways of accomplishing needs. One option is the possibility of reprioritizing services and programs dependent upon the results of the community survey. A major reason for the gap is largely the structural deficit of property tax caused by the 1% limit on a property tax increase. She emphasized that the use of ending fund balance is not a long-term strategy and that over the next two years staff and the Council will explore options for balancing revenues, priorities, and expenditures.

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 4**

City Administrator Parks and Director Niemeyer reviewed some proposed revisions and adjustments by department/fund:

- Legislative Department: The original proposal anticipated a retreat facilitator and a consultant to assist in updating Strategic Priorities. Some assumptions are included for the Council's travel and training budget. Revisions include reducing costs of the Council retreat and retaining general operating expenses at 2023/2024 levels.
- Non-Departmental – Intergovernmental services, state audit costs, election costs, regional contributions, and social services: The budget includes some carryover projects from the previous biennium. The Tumwater childcare grant program through the Thurston Economic Development Council (EDC) carryover is \$350,000 in addition to \$275,000 for the Franz Anderson project. The Council discussed the lag by the EDC in utilizing funding of \$350,000 for the childcare project. Other costs include assistance to assess City Hall space needs and security enhancements, costs for interim and extra space costs to accommodate program changes, Historic Brewtower Strategic Plan, property abatement of nuisance properties, some costs associated with the implementation of the Habitat Conservation Plan, brownfield redevelopment, support for Council meetings, public relations assistance for a potential ballot proposition to renew the Transportation Benefit District and a levy lid lift for the Metropolitan Park District, a community survey, costs for establishment of the Equity Commission and planning, and a 10-year financial strategy and planning tool.
- Finance Department: Addition of a new position and associated equipment, professional services support for annual financial report, increased credit card processing fees, and an increase in public defense costs from Thurston County based on potential changes in case load standards by the state. Recent revisions include removal of the new position, elimination of support for preparation of the annual financial report, and retaining the current level of public defense costs.
- Parks and Recreation Department: The revised budget includes some limited funds for maintaining parks and City facilities in addition to Metropolitan Park District funding for maintenance. City Administrator Parks advised that the budget includes funds to complete a Parks, Recreation, and Open Space Plan. Completion of the plan will enable the City to qualify for grant funding from the State Recreation and Conservation Office. Director Denney reviewed the status of some park improvements and removal of some park play toys in disrepair

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 5**

because of liability to the City. Play structures, despite the cost, are not included as a capital project in the Capital Facilities Plan. City Administrator Parks advised of the possibility of creating a CFP for parks for long-term planning for replacement of park structures.

- **Police Department:** The original budget included 11 positions and equipment/vehicles to support those positions. Three of the positions and equipment support the body-worn camera program and eight positions would support implementation of the Police Department Strategic Growth Plan. The Regional Law Enforcement Records Management System is administered by the Tumwater Police Department. That system is shifting to a new program and is in process. Current revisions include retention of the body-worn camera personnel (3 positions) and deferral of the implementation of the Police Department Strategic Growth Plan. The budget also includes estimates of specialty pay associated with body-worn cameras for police officers. The cameras will be leased rather than purchased. Other costs associated with the new program are software costs to meet public disclosure request requirements, as well as hardware. The annual cost of the program over two years is less in the first year than the second year for a total of \$850,000. A savings option would delay deployment of the units until the first quarter of 2027. City Administrator Parks described the steps necessary to implement the body-worn camera program and car cameras. The budget includes implementation of the body worn camera program in 2025/2026 with the possibility of delaying some of the costs by deploying the program in the next biennium. Additionally, Thurston County Proposition 1 funds are included in the revenue projections. Police Commander Mason answered questions on the details of implementing the body-worn camera program for all commissioned officers within the police department, body-worn camera operational policies, and outreach efforts to address community expectations. The Police Guild supports implementation of the program. Councilmember Althausser expressed interest in the Council engaging in a policy discussion about the new program.
- **Fire Department:** The original budget included 17 new positions with nine of the positions in support of the additional medic unit and eight positions for implementation of the Fire Department Strategic Growth Plan. Other items include implementation of the FD Cares Program in collaboration with the Olympia Fire Department. Revisions include retaining the nine positions for the new medic unit and deferral of the remaining positions as well as associated reductions in costs of equipment and gear.
- **Community Development:** The budget includes the addition of

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 6**

one position and a reclassification of a position, ongoing efforts on the Habitat Conservation Plan, and the update of the Comprehensive Plan.

- Water Resources & Sustainability Department: the original budget request included two new positions and one reclassification. The revised budget would only fund one position of the Urban Forester (partially funded by a grant) and the reclassification of one position with the department continuing to focus on grant-funded programs and projects.
- Transportation and Engineering Department: The budget includes one new position which has been deferred (Procurement). One position is included for Transportation - Operations (Signal Technician).

City Administrator Parks reviewed the category of special revenue funds that are restricted and utilized for specific purposes:

- Affordable Housing Sales Tax
- Domestic Violence Prevention
- Lodging Tax Fund
- Development Fees Fund
- Barnes Lake
- Transportation Benefit District (voter approved)
- Metropolitan Park District (voter approved)
- Debt Service (Golf Course & Fire Engine)

City Administrator Parks referred the Council to information on the Capital Facilities Plans for General Government and Transportation projects.

Utility funds include:

- Water
- Sewer
- Storm

Other funds include:

- Golf
- ER&R Fund (Vehicles and Equipment)
- 502 IT ER&R Fund (New and specific to IT and includes creation of a new IT Department to centralize IT services and maximize purchasing advantages for equipment and software and reclassification of the manager to IT director. An amendment to an ordinance is required by the Council for consideration before the end of the year).

As required by state statute, utility or propriety funds must be self-

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 7**

supporting with user fees covering the full cost of the utility service to include both capital and operating costs.

The Golf fund generates revenue and requires a transfer from the general fund to support the golf course. The golf course is scheduled for evaluation by the Council next year. This year, some improvements were identified in the facilities budget for the golf course that were subsequently removed and added to the Golf fund to track all golf course costs comprehensively.

Discussion ensued on placing the ordinance for the new IT Department as a consent calendar item or Council Consideration item. City Administrator Parks reviewed the meeting agendas for the two Council meetings in December. The second public hearing on the budget is scheduled on November 19, 2024. City Administrator Parks advised that an amendment for the 2023-2024 City Budget is unnecessary and should be removed from the draft agenda. The Council supported adding the IT proposal as a Council Consideration item.

City Administrator Parks reviewed agenda items for the meeting of the Tumwater Metropolitan Park District scheduled on

Director Niemeyer reported on the potential of switching the version of the new ERP system from on-premise to the cloud, as the vendor no longer supports the on-premise version. The switch will require a contract amendment for review and consideration by the Council. The funds for the change are included in the budget in the General Government CFP. Additionally, the program designated two project managers. Due to changing staffing needs, the program has operated with one project manager. However, as modules are implemented for utilities and permitting, the second project manager is required. The budget includes the second project manager.

City Administrator Parks advised that staff will forward the presentation and the slides to the Council.

Councilmember Agabi cited the City of Olympia's plans to help balance its budget. He asked whether staff has considered similar options.

Councilmember Jefferson commented on the improved clarity of the presentation materials.

City Administrator Parks advised that staff has utilized all existing tools available to reduce expenditures. Additional options require further evaluation as well as working with the community in terms of meeting community expectations and priorities.

**TUMWATER CITY COUNCIL WORK SESSION
MINUTES OF VIRTUAL MEETING
NOVEMBER 12, 2024 Page 8**

**MAYOR/CITY
ADMINISTRATOR'S
REPORT:** There were no reports.

ADJOURNMENT: **With there being no further business, Mayor Sullivan adjourned the meeting at 8:27 p.m.**

Prepared by Valerie L. Gow, Recording Secretary/President
Puget Sound Meeting Services, psmsoly@earthlink.net