



CITY OF
TUMWATER

**BUDGET & FINANCE COMMITTEE
MEETING AGENDA**

**Online via Zoom and In Person at
Tumwater City Hall, Council Conference
Room, 555 Israel Rd. SW, Tumwater, WA
98501**

**Friday, February 28, 2025
12:00 PM**

1. Call to Order
2. Roll Call
3. Approval of Minutes: Budget & Finance Committee, August 21, 2024 & January 24, 2025
4. Year-to-date budget update (Finance Department)
5. Employment Agreements (Executive Department)
6. Additional Items
7. Adjourn

Meeting Information

All committee members will be attending remotely. The public are welcome to attend in person, by telephone or online via Zoom.

Watch Online

<https://us02web.zoom.us/j/83348354102?pwd=zYzhX9v1WbmAvig2sCIH9yarTWBN7z.1>

Listen by Telephone

Call (253) 215-8782, listen for the prompts and enter the Webinar ID 833 4835 4102 and Passcode 878184.

Public Comment

The public may submit comments by sending an email to council@ci.tumwater.wa.us, no later than 5:00 p.m. the day before the meeting. Comments are submitted directly to the Committee members and will not be read individually into the record of the meeting.

Post Meeting

Video of this meeting will be recorded and posted on our City Meeting page: <https://tumwater-wa.municodemeetings.com>.

Accommodations

The City of Tumwater takes pride in ensuring that people with disabilities are able to take part in, and benefit from, the range of public programs, services, and activities offered by the City. To request an accommodation or alternate format of communication, please contact the City's ADA Coordinator

directly, call (360) 754-4129 or email ADACoordinator@ci.tumwater.wa.us. For vision or hearing impaired services, please contact the Washington State Relay Services at 7-1-1 or 1-(800)-833-6384.

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CONVENE: 3:01 p.m.

PRESENT: Mayor Debbie Sullivan and Councilmembers Peter Agabi, Michael Althausser, and Eileen Swarthout.

Staff: City Administrator Lisa Parks, City Attorney Karen Kirkpatrick, Finance Director Troy Niemeyer, Fire Chief Brian Hurley, Police Chief Jon Weiks, Communications Manager Jason Wettstein, and Executive Assistant Brittany McClanahan.

**APPROVAL OF
MINUTES: BUDGET
& FINANCE
COMMITTEE,
APRIL 23, 2024:**

MOTION: **Councilmember Althausser moved, seconded by Councilmember Agabi, to approve the minutes of April 23, 2024 as presented. A voice vote approved the motion.**

**DEBT FINANCING –
APPLICANT
PRESENTATIONS:** Director Niemeyer reported the new Maintenance and Operations (M&O) facility would be funded by debt financing through the issuance of municipal bonds. The briefing includes two presentations from two well-qualified bond underwriting firms, one of which will be selected to assist the City in the debt financing process.

Lindsay Sovde, Senior Managing Director, Seattle, Washington with HilltopSecurities, introduced team members Tyler Benson Assistant Vice President; Bill Evans, Managing Director in Dallas, Texas; and Ted Chapman, Managing Director in Dallas, Texas. Team members shared their area of expertise and their role as a member of a team supporting the issuance of bonds for the City.

Ms. Sovde said HilltopSecurities provides more than just financial advisory and underwriting services as the firm is a full-service provider to governments across the country for debt-related needs. Kevin Berry serves as a Fixed Income Specialist to assist the City with short-term investments and Colby Jackson is the firm’s Arbitrageur Specialist, which will be important to the City when it issues new bonds because the City will need to track the interest rate earned on the proceeds from the bond issue. A team of specialists can assist the City in those calculations. The firm’s investment management team provides longer-term investment management for the City and a continuing disclosure team for filing of financial information each year.

Ms. Sovde reviewed the firm’s competitive advantages over other bond

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underwriting firms:

- Experience with cities nationwide of nearly 77 years working with governments on municipal financing needs
- Long history of exploring a variety of transactions
- Expert insights from former Moody's and S&P analysts on potential credit rating outcomes
- Integrated development, public finance, corporate finance, and capital markets knowledge providing the best overall financing structure
- Understanding Council goals helps to ensure visions become reality
- Skill in funding a wide variety of public improvement projects
- Team approach, accessibility, and responsiveness

HilltopHoldings based in Dallas, Texas is a publicly traded company comprised of three companies; PlainsCapitalBank, a retail bank located in the Texas, PrimeLending, a mortgage brokerage company, and HilltopSecurities, offering investment banking solutions with offices located in 16 states.

HilltopSecurities is a full service provider and serves as an extension of City staff with or without a bond issue. HilltopSecurities is ranked fifth in national municipal investment banks. HilltopSecurities is ranked the number one provider of financial advisory services to cities in the country. Ms. Sovde shared a list of cities in the state served by the firm since 1999.

Recent issues were purchased for the cities of Edmonds, Richland, Shoreline, and Tacoma. Ms. Sovde described the scope of services to be provided to the City:

- Development of financing program
- Set financing terms
- Coordination of related service providers
- Preparation of documents
- Coordinate rating and credit enhancement process
- Conduct marketing and sale of debt
- Provide ongoing service

Mr. Evans explained that the firm has the team and personnel to guide the City through the phases of the process. He described the responsibilities of several of the team members to assist the City work through the various phases. The company is experienced, reliable, timely, and respected and is ranked the eighth top national underwriter. From 2021 to 2024, the company was the top Washington competitive underwriter. HilltopSecurities cover the full spectrum of investors from

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Tier I Institutions, Tier II & III Investors, Retail, and Exclusive Distribution Platforms. The direct benefit to the City is lowering borrowing costs. In 2023, the company competitively bid on 1,099 issues totaling \$19.28 billion. Mr. Evans shared a spreadsheet of numerous bids executed in 2023. He cited an example of a client seeking to issue \$9.75 million in bonds. When entering the marketplace, the firm was able to sell 43% of the bonds resulting in 57% remaining unsold. The firm assumed the risk of the remaining 57% in bonds that did not initially sell. Essentially, the firm used its own capital to underwrite the bonds.

Mr. Evans explained the difference between negotiated underwriting versus competitive underwriting. In a competitive sale, bonds are advertised for sale. The advertisement or notice of sale includes both the terms of the sale and the terms of the bond issue. Any broker dealer or dealer bank may bid on the bonds at the designated date and time. The bonds are awarded to the bidder offering the lowest interest cost. In a negotiated sale, an underwriter is selected to purchase the bonds. The underwriter sells the bonds to its investor customers. The terms of the bonds are tailored to meet the demands of the underwriter's investor client, as well as the needs of the issuer. Negotiated sales involve a process of a presale where the underwriter seeks customer indications of interest in the issue before establishing final bond pricing. The method of sale is known as a negotiated sale because the terms of the bonds and the sale are negotiated by the issuer and the bond purchaser. The firm's team involved in the process for the City is able to walk the City through each step during a negotiated transaction.

Mr. Evan responded to questions about the timeline and mechanism for locking the interest rate. Following the finalization of all bid documents, the firm sets the date for release of the documentation to the market with a planned date to price the deal. Investors examine the documentation, the amount of the funding request, the City's credit, the date of pricing, and contact the firm with any questions. Throughout the following week, the team advises the City of when the bonds will price. The day before pricing, the team meets with the City's team and reviews all aspects of the offering and the status of the market, which may have changed over the course of several days. Based on market conditions, the team presents any change in numbers. Feedback from perspective buyers is shared with the City in order to submit orders. The team computes the numbers and shares the information with the City for placement of the order.

Mr. Evans was asked about any cost advantage between the negotiated and competitive process. Mr. Evans said it depends because either option can be cost effective in different market environments. Much of

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the firm's PAR (face amount) amount is negotiated with approximately 25%-35% through a competitive process. The competitive process can be risky as it depends on the current market. Since 2020 to the present, the market experienced COVID creating market volatility, inflation, and rising interest rates. The negotiated process provides more assistance, especially if the City is not currently in the market or has not recently issued bonds. HilltopSecurities provides a team of experts to walk staff through the steps, especially if the market is experiencing some volatility as the underwriter can provide guidance on the market, such as recommending a delay of hours or days based on market conditions and activity.

Mr. Evans stressed the importance of ensuring the City is comfortable with the entire process. Funding of \$25 to \$35 million is a substantial amount of money and it is important as the City works through the process to have a team working closely with staff through the steps to ensure everyone is comfortable with the process.

Mr. Benson described the financial plan for the City. The negotiated process can be beneficial during a volatile market. The plan of finance for \$30 million for the M&O Center includes a review of the City's debt capacity and asset value (AV) history. The City's AV history is strong and supports debt capacity. Based on those factors, the City's non-voted debt capacity is approximately \$93.29 million.

Mr. Benson reviewed an example of structuring a \$30 million bond issue. The structure can be tailored to the City's goals and needs and to market demand. The negotiated process includes a pre-marketing process by contacting investors to build demand, enthusiasm, and interest in the City's bond issue.

The team addressed questions from the committee on the types of investors purchasing municipal bonds. An investor, such as Vanguard, has a number of different funds. Vanguard is careful about the types of funds, such as environmental, social, and governance. For example, if the issue was for a private prison, it is likely the bonds would not be purchased by Vanguard funds because the investors prefer not using its funds that do not align with their social or governmental values.

Mr. Evans was asked about the City's lack of presence in the market and whether the marketing aspect would focus on demonstrating the City's reliability or that the City presents a liability because the City has not been in the market for some time. It is likely that within the municipal bond market, the City's bond would create much interest because the City is not the State of Washington that issues \$4 billion in debt each year. The City of Tumwater is not a big city, such as the City

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of Seattle that offers a variety of different credits and bonds. The City of Tumwater is diversified and its current profile implies an S&P rating of AA+. The City's offering would likely receive much interest.

Mr. Chapman provided an overview of credit ratings. A credit rating is an opinion about the relative risk and potential for default associated with a particular security. A credit rating is expressed in alphanumeric symbols across a spectrum from highest to lowest. A credit rating is not a recommendation to buy, sell, or hold a particular security. Ratings are not required, although they are helpful. The three primary rating agencies include Moody's Investors Service, Standard & Poor's (S&P), and Fitch Ratings. The agencies evaluate a borrower's willingness and ability to pay by considering the agency's governance/management, financial position, debt levels, and the local economy. Within the municipal bond market in any given year, approximately \$350 to \$450 billion worth of transactions are completed. Approximately 85% to 90% of the agencies will have at least one rating on the cover of the offering statement. The other 90% will have some rating somewhere within the rating scale with at least one of the rating agencies. For the City's bond, it is likely that only one rating would suffice. The team would provide the Council with all information to ensure the Council is fully informed of all options. Rating agencies have a lot of confidence in local governments within the state. Cities and counties are highly rated with a typical rating below AAA. On average, ratings are higher than other states nationwide.

Mayor Sullivan thanked the team for providing information about the process and the company.

Director Niemeyer introduced Dave Trageser, Managing Director, D.A. Davidson in Seattle. Mr. Trageser has assisted the City in previous bond issues.

Mr. Trageser shared information on his 40-year career within the state. He has been in public finance for 39 years specializing in city, county, and other local governments. He introduced Maura Lentini. Ms. Lentini described her specialty as assisting the City through its rating process, developing a rating strategy, reducing uncertainty about the rating outcome, and positioning the strongest rating case possible.

Mr. Trageser identified the team of experts with D.A. Davidson and their respective roles and specialties. D.A. Davidson is a nationwide company. The company, an employee-owned firm, is based in Great Falls, Montana. As an employee-owned firm, the company is not subject to publicly offered or publicly traded company pressure to provide quarterly income but it is a large and growing company with

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116 locations in 30 states that is well capitalized that can benefit the City when pricing bonds. The company is a highly ranked underwriter both nationally and in Washington as the leader for underwriting bonds.

The company's four values include the highest standards of business ethics of employees, dedicated to delivering exceptional service to clients, being employee-owned, neighborly, and a supportive participant in communities throughout the company's history of 85 years.

The company's national ranking in 2023 was fifth nationally with 220 separate financings. The company serves as the number one underwriter in Washington State over the last several years. Mr. Trageser shared a list of other city clients in the state. The company's history with Tumwater goes back to 1992. In Thurston County, the company's strong commitment includes working with 19 municipalities.

Mr. Trageser reviewed a list of client and business references.

Mr. Trageser reviewed the firm's history with the City to include a review of all bond issues beginning in 1992. More recently, the City has not issued bonds. However, the firm assisted the City redeem some 2011 golf bonds to provide debt service savings. The firm worked with the City when S&P upgraded the City's rating in 2014.

Mr. Trageser described reasons for the City to consider debt for the project. Typically, it is because of the gap of available cash for the project, a desire to spread the cost over time, locking in the current cost of construction, eliminating cost increases, and potential opportunities to leverage other contributions to the project.

Ms. Lentini said a higher bond rating helps to achieve a lower interest rate for the City. The City is currently not rated. The City's AA from S&P was withdrawn in March 2022 after the 2011 bonds were redeemed. Previously, the City's rating was upgraded to AA in March 2014 under new criteria. The City's bond rating is based on multiple factors with many not controlled by the City. The rating is typically comprised of the City's debt factors, the economy, financial performance, and management factors.

Planning for financing a bond involves obtaining a bond rating, completing a financing plan, capital planning, and determining the bond structure. The factors are a major component with other considerations such as the City's financial policies, plan for fund balances next year, practices for reporting to the Council, strategic vision, and the strategic importance of the project. The team assists the City in framing those elements through the rating process.

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Rating outcome correlates directly to the wealth indicator of the City. The City of Tumwater's household incomes are higher than the median but not exceptionally higher. The group of other municipalities rated AA+ are similar to the City's wealth levels. Municipalities rated AAA typically have an income indicator of 150% of median income.

The City of Tumwater reflects a strong city with great cash reserves, fund balances, and very good financial reporting. Many municipalities use cash versus accrual accounting. S&P is not as sensitive as to the financial accounting method but prefers more robust financial reporting. The City of Tumwater is also a strong comparable because of its similar size, operation, and characteristics in common with the City of Olympia, which was recently upgraded from AA to AA+ by S&P. The team believes the City of Tumwater has an excellent chance of receiving an AA+ rating. Another consideration by the City is whether there is interest in issuing bonds with a portion as general obligation bonds and a portion backed by a utility.

The City's financial management policies are important to evaluate whether there might be a need for change to benefit the City. A set of policies promote financial integrity, assist elected officials and staff, and provide continuity over time. Key elements of the policy should include minimum fund balance goal, audit cycle and monthly financial reports, quarterly budget reports and forecasting, equipment replacement plan, use of capital facilities plan, and regular updates to the financial management policy.

Mr. Trageser advised that the company provides a weekly municipal market commentary to track conditions in the market. Recent signs indicate the economy is slowing to some degree. Federal rate cuts are expected in September that would have a positive effect on the market. Federal rates do not necessarily affect bond rates as the federal government can only control short-term taxable rates with the City likely issuing long-term fixed tax-exempt rates in the market.

Mr. Trageser reviewed the types of non-voted bonds that are available. The company assumes the City is considering a limited general tax obligation bond known as councilmatic bonds for the proposed transaction. The bonds are secured by the City's credit and are issued within the City's 1.5% statutory debt capacity using the general fund to pay the debt as well as from a variety of other revenue sources. Some cities with public works projects are issuing half LTGO bonds and half water-sewer revenue bonds that are allocated based on the use of the facility. The team would work with staff to complete any analysis on the types of different allocations or consider issuing a limited tax general obligation bonds as the City's has significant statutory capacity

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for the full amount with payments from different sources determined by the City. One bond issue would simplify the process; however, there are other considerations to review.

As previously mentioned, the City's credit is strong and the team anticipates the City receiving a strong AA rating. The City's statutory debt capacity is approximately \$94 million. Mr. Trageser cautioned that the amount is the statutory debt capacity and is not reflective of the City's ability to pay back the bonds. The City must demonstrate to the market that the City has sufficient cash flow to pay the debt.

Mr. Trageser reported the project team would run models to evaluate options for financing for different loan timelines. There are tradeoffs for any options. For example, a 15-year loan would be paid quicker but with higher payments while a 20-year term would be the standard for GO bonds, as well as 30 and 40-year terms.

Mr. Trageser shared an example of a hypothetical \$30 million LTGO bond issue reflecting a term of 20, 25, and 30 years. Shorter-term financing lowers the interest cost. The example assumes a conservative AA rating. The project team believes the City's rating will be a step higher.

Mr. Trageser shared an example of a timeline and key dates for moving forward with a bond issue. Essentially, 3-1/2 months are required to complete a financing process. One action required by the Council is approval of the delegation bond ordinance approximately two months prior to pricing bonds. The ordinance delegates the authority to staff/Mayor to finalize a transaction subject to certain parameters.

Councilmember Althaus asked about the company's capacity for underwriting if the City was unsuccessful in soliciting sufficient bond sales. Mr. Trageser responded that it is important for any underwriter to be highly capitalized and to have the capacity to buy bonds. Public offerings require selecting a date and time. After opening in the morning, a one-hour order window follows with the underwriter releasing the bond to the market and buyers transmitting orders electronically. Dependent upon the amount of orders and because the market is public, response is based on supply and demand with a higher number of orders equating to a lower interest rate. He explained how sales can be repriced and reoffered dependent upon the response. Should the sale only yield \$20 million in orders for a \$30 million bond, the team typically makes an adjustment and places \$10 million in inventory to resale the bonds to enable completion of the City's transaction. The role of the underwriter is to buy and sell. The company also retains in inventory, a sum of stock in bonds for

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customers.

Mr. Trageser reviewed federal tax-exempt rules. An issuance of bonds includes a reasonable expectation to spend bond proceeds within three years. If the City can comply with a two-year spend-down requirement, the City may keep arbitrage earnings. The City is required to comply with Electronic Municipal Market Access (EMMA) continuing disclosure requirements. Documentation is typically submitted in September of each year.

Mr. Trageser summarized the reasons for selecting D.A. Davidson. As the number one underwriter in the state, the company has a substantial commitment to city finance and to the City of Tumwater with service to the City over the last 32 years. The company serves the largest number of municipalities.

Mayor Sullivan thanked the team for providing information about the process and the company.

**AUDIT
ENGAGEMENT
LETTER:**

Director Niemeyer reported the State Auditor’s Office (SAO) has initiated an audit of the City for fiscal year 2023 including an audit of financial statements, a federal compliance audit, and an accountability audit. SAO has requested the City execute an audit engagement letter. The total audit cost is estimated to be approximately \$80,000. Staff recommends placing the audit engagement letter on the September 3, 2024 Council Consent Calendar with a recommendation to approve and authorize the Mayor to sign.

MOTION:

Councilmember Althaus moved, seconded by Councilmember Agabi, to place the audit engagement letter with the State Auditor’s Office on the September 3, 2024 Consent Calendar with a recommendation to approve and authorize the Mayor to sign. A voice vote approved the motion unanimously.

**EXECUTIVE
DEPARTMENT FTE
ADJUSTMENTS AND
NEW POSITION:
ECONOMIC
DEVELOPMENT
COORDINATOR:**

City Administrator Parks reported the request is to create a new position of Economic Development Coordinator, as well as confirm the total number of FTEs assigned to the Executive Department.

The City has encountered difficulties in filling the position of Economic Development Program Manager after Austin Ramirez left earlier in the year. At that time, Manager Ramirez proposed a series of adjustments to reflect the actual working conditions of the position, including the type of work and the most effective reporting structure. Some adjustments were initiated to the class specification (job description). The position was also moved from the Community Development Department to the Executive Department as a direct report to the City

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Administrator. Manager Ramirez also recommended adding another position to assist in advancing the City's brownfield redevelopment initiatives that have recently emerged as economic development strategies, as well as, addressing the workload, including managing federal and state grants the City obtained, and managing and coordinating the consultant team and stakeholder collaboration involved in those projects

Despite a robust recruitment process and offering the position to two candidates, both candidates declined the offer. To ensure important economic development functions of the City can progress, staff is proposing a new approach to implement many of Austin's recommendations to increase the pool of applicants.

The strategy includes two basic components of (1) filling the existing Assistant City Administrator position after adjusting the class specification to include oversight and management of the City's economic development programs, and (2) create a new Economic Development Coordinator position to support the Assistant City Administrator, with specific emphasis/focus on brownfield redevelopment. The position would be a level below the Economic Development Program Manager position.

The proposal requires Council action to create the new position and approve a salary range. Council action is requested to affirm/confirm seven FTE's within the Executive Department. The recommendations do not require a budget adjustment because of savings achieved in the budget because of the vacant positions.

Councilmember Agabi inquired as to whether the new position would include on-the-job training for the position since the salary range is lower. City Administrator Parks said the position is not considered an entry-level position but rather is a technically skilled position that would have some work and experience in brownfield redevelopment and grant administration. She added that non-represented employees are significantly paid less than the market. At this time, the City is obligated to offer the current salary range; however, many new hires are placed in a higher step within the grade, such as step 7, 8, or 9 to ensure the position is competitive with the market. The position advertisement would also include the salary range, as well as a statement that the City is proposing a market rate adjustment for the City's non-represented positions.

City Administrator Parks reported in 2023, the Executive Department was assigned five FTEs. In 2024, changes in the Executive Department staffing included adding the Economic Development Program Manager.

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If the proposal is approved, the action would also affirm and acknowledge that seven FTEs are assigned to the Executive Department. Additionally, the proposal does not eliminate the approved Economic Development Program Manager position at this time other than it would not be filled. However, filling the position would require either a budget amendment or including the salary in the next biennial budget. The proposal does not include a budget amendment, as funds are included in the current budget to fill the positions. The proposed request establishes a new position and affirms the total FTE count for the Executive Department. Staff is seeking a recommendation of approval to the City Council either as Consent Calendar item or under Council Considerations at the September 3, 2024 Council meeting.

Councilmembers Althaus and Swarthout recommended forwarding the committee's recommendation as an item under Council Consideration.

City Administrator Parks described the responsibilities of the Economic Development Coordinator and the Assistant City Administrator. The proposal creates more capacity in the Executive Department to complete more work. The advertisement of the Assistant City Administrator with economic development experience will expand the recruitment market, as it is a skill set that encompasses a wide range of experience.

City Administrator Parks described some of the desired experience the City is seeking in candidates applying for the Assistant City Administrator position.

MOTION: Councilmember Althaus moved, seconded by Councilmember Agabi, to recommend the City Council approve establishment of a new position of Economic Development Coordinator with a 2024 salary range of \$6,049 to \$7,368 (Grade 54); and confirm the departmental FTE count for the Executive Department to be seven at the September 3, 2024 Council meeting under Council Consideration. A voice vote approved the motion unanimously.

ADJOURNMENT: With there being no further business, Mayor Sullivan adjourned the meeting at 5:35 p.m.

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

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CONVENE: 12:09 p.m.

PRESENT: Acting Chair & Councilmember Eileen Swarhout 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 Swarhout 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 Swarthout 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 Swarhout 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.

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

TO: Budget and Finance Committee
FROM: Troy Niemeyer, Finance Director
DATE: February 28, 2025
SUBJECT: Year-to-date budget update

1) Recommended Action:

This item is informational only.

2) Background:

Staff will provide regular budget-to-actual reports.

3) Policy Support:

Be fiscally responsible and develop sustainable financial strategies.

4) Alternatives:

n/a

5) Fiscal Notes:

n/a

6) Attachments:

A. none

TO: Budget and Finance Committee
 FROM: Lisa Parks, City Administrator
 DATE: February 28, 2025
 SUBJECT: Employment Agreements

1) Recommended Action:

Place the Department Director Employment Agreement Template on the March 4, 2025 City Council [consent / consideration] calendar with a recommendation to approve and authorize the Mayor to sign employment agreements with current and future directors in substantially similar form consistent with adopted city policies as approved by the City Attorney.

2) Background:

According to Washington State law, under the Mayor-Council (Strong Mayor) form of government, the Mayor is, "...*the chief executive and administrative officer of the city, in charge of all departments and employees, with authority to designate assistants and department heads...*" Additionally, the mayor, "...*shall see that all contracts and agreements made with the city...are faithfully kept and performed...subject to approval by majority vote of all members of the council.*" (RCW 35A.12.100 and TMC 2.08.010). In compliance with these provisions, in Tumwater, the Mayor selects and appoints Department Directors, and because the current practice is for those positions to also have employment agreements, a majority of Council approves the employment agreements. Additional TMC provisions specifically require "confirmation" by a majority of the Council of the Mayor's selection of a City Attorney, a Finance Director and the City Administrator, resulting in Council action for these three positions, regardless of whether there is an employment agreement or not.

There are ten City of Tumwater Department Directors (not including the City Administrator), and of those Directors, seven currently have employment agreements and three do not, as follows:

Existing Employment Agreements: Fire Chief, Transportation and Engineering Director, Administrative Services Director, Police Chief, Water Resources and Sustainability Director, City Attorney, and Finance Director.

Directors without existing Employment Agreements: Community Development Director, Parks and Recreation Director and Information Technology Director.

While all of the existing employment agreements have similar provisions, they also have a variety of differences, including in some sections that are common across all of them. These differences include those that are akin to sentence structure or grammatical variations, and in some cases the differences are more substantive and related to the actual terms of the agreements.

Predicated by a desire to ensure parity for all Directors, staff is proposing to standardize all of the Directors' employment agreements by creating a template that is approved by City Council and delegates to the Mayor the authority to negotiate and sign those agreements in substantially the form of the template.

The current request is for the Council to consider and approve the employment agreement template that will be used to replace the existing employment agreements for those that have them, and to put in place employment agreements for the three Department Directors who don't currently have employment agreements.

3) Policy Support:

Refine and Sustain a Great Organization.
Attract, retain, and promote a talented and diverse workforce.

4) Alternatives:

Do not approve the template

5) Fiscal Notes:

The proposed template will not impact the currently approved biennial budget.

6) Attachments:

Employment Agreement Template

EMPLOYMENT AGREEMENT

(Insert name and title)

THIS AGREEMENT is entered into as of the ____ day of _____, 20__, by and between the CITY OF TUMWATER, a non-charter optional municipal code city, hereinafter referred to as “City”, and _____, hereinafter referred to as “Employee”. For the mutual benefits to be derived, City and Employee hereby agree as follows:

WHEREAS, the City desires to employ the services of the Employee as the _____ (title) for the City of Tumwater, as provided by Tumwater Municipal Code (TMC) 2.10 _____ and the Revised Code of Washington 35A.12.020, and as hereafter amended, respectively; and

WHEREAS, it is the desire of the Council and Mayor of the City of Tumwater to provide certain benefits, establish benefits, establish certain conditions of employment, and set working conditions of the City; and

WHEREAS, it is the desire of the City to: 1) secure and retain the services of the Employee and provide inducement for Employee to remain in such employment; 2) ensure Employee’s peace of mind with future security; 3) promote high standards for ethical behavior; and 4) provide a just means for termination of Employee services at such time as Employee may be unable to fully discharge Employee’s duties or when the City desires to terminate Employee’s employment; and

WHEREAS, the Employee desires to accept employment as the _____ (title) for the City of Tumwater, Washington;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the City and Employee agree to as follows:

Section 1. Duties. Employee shall perform all duties of the _____ (title) as set forth in the job description (attachment “A”), City’s Personnel/Operating Policies, and other duties as may be assigned from time to time by the City Administrator or Mayor.

Section 2. Term. Employment is “at will” and this Agreement is for an indefinite term of employment with no guaranteed tenure. This Agreement shall be effective as specified herein upon signature by the Mayor, and shall continue until terminated as provided by law or by provisions of this Agreement.

Section 3. Separation/Termination.

A. Employment is “at will”, and this Agreement is for an indefinite term of employment, with no guaranteed tenure. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the City to terminate the services of the Employee at any time.

B. Employee’s employment under this agreement may be terminated upon the occurrence of any one of the following:

1. If Employee has been permanently disabled or is otherwise unable to perform their duties because of illness, accident, injury, mental incapacity or health or other disability and is unable to perform their normal duties for a four (4) month period (unless a longer time period is otherwise agreed to by the Mayor) provided; however, this provision shall not be construed to obligate the CITY to compensate Employee during any period of incapacity beyond accumulated sick leave and vacation time, per the City of Tumwater Policy Manual. In the event of disability or inability to perform under this section the provision of 3(C) shall not apply.

2. By the Employee upon thirty (30) days advance written notice to the City. Nothing in this Agreement shall prevent, limit, or otherwise interfere with the right of the Employee to resign at any time from their position, subject only to the provisions set forth in this Agreement. In the event of a resignation under this subsection, the provisions of 3(C) shall not apply.

3. Immediately by City for cause. For purposes of this subparagraph, “cause” means Employee’s conviction of any criminal act, or the occurrence of any of the events as set forth in City of Tumwater Policy Manual, Personnel Policy Section 4.07.01(1). In the event of termination for cause, the provision of Section 3(C) shall not apply.

4. Upon City’s written notice of termination to Employee, City may implement such termination as a matter of right without cause, provided that the severance provisions of Section 3(C) shall apply.

C. In the event Employee is terminated by the Mayor pursuant to the provisions of 3(B)(4) of this Agreement, City shall pay Employee a lump sum cash payment equal to six (6) months’ pay. The City agrees to pay Employee any unused sick leave and vacation leave consistent with City policy. Employee agrees to

immediately return to City all the City's property of any kind which may be in Employee's possession.

Section 4. Compensation – Performance Review. The grade range for the position is _____. Upon the effective date of this Agreement, the salary for Employee shall be a monthly salary of _____ (\$_____ - Grade _____, Step _____), which salary shall be paid in accordance with the normal and usual procedure for payment of employees of the City. Employee shall be entitled to receive annual cost-of-living increases based on the percentage of increase provided to other exempt employees. Employee's performance evaluation will be conducted jointly by the Employee and City Administrator or Mayor, at least annually and more frequently if required by the City Administrator or Mayor, or if requested by Employee. Employee will be eligible for annual step increases (if the salary range for the Employee's position would allow) on the Employee's anniversary date upon the completion of a satisfactory performance evaluation. At any time during the term of the Agreement, City may, in its discretion, review and adjust the salary of the Employee, but in no event shall the Employee be paid less than the salary set forth in this Section except by mutual written agreement between the Employee and City. Such adjustments, if any, shall be made pursuant to a lawful governing body action. In such event, City and Employee agree to provide their best efforts and reasonable cooperation to execute a new agreement incorporating the adjusted salary.

Section 5. Hours of Work. Employee's work schedule shall be a minimum of forty (40) hours per week. Employee is an exempt employee under the terms of the Fair Labor Standards Act and shall not be compensated for overtime work. Employee's schedule of work each day and week shall vary in accordance with the work required to be performed including such time as may be necessary outside normal office hours. Therefore, Employee will be allowed administrative leave during normal hours subject to approval by the City Administrator or Mayor.

Section 6. Benefits. The following benefits shall be provided to Employee:

A. Sick Leave. Employee shall be provided one (1) day of sick leave per month as provided for employees of the City in accordance with the Policy Manual and all other related documents.

B. Holidays. Employee shall be entitled to take such paid holidays as are established by the City for exempt employees (currently eleven (11) days) as identified within the Policy Manual.

C. Vacation. Employee shall accrue vacation leave at Employee's current rate and increase according to City policies.

D. **Medical Benefits.** The City agrees to and shall put into force for Employee, Employee's spouse or domestic partner, and dependent children, and make required payments for medical, dental, vision, life, disability, and other insurance policies in the same manner as provided to other exempt City employees.

E. **Retirement and Deferred Compensation.** Employee shall be enrolled in the applicable retirement system available to Employee pursuant to the laws of the State of Washington. Both the City and Employee shall make the contributions that are required to be made in accordance with the applicable laws of the State of Washington. The City shall pay the City's contribution towards the Employee's federal social security benefits. The City shall make available to the Employee voluntary deferred compensation plans for long-term savings for retirement and shall make contributions to Employee's deferred compensation plans in the same manner as provided to other exempt City employees.

F. **Professional Development.** The City agrees to pay the expenses of Employee attending professional association meetings and conferences subject to scheduling and approval by the City Administrator or Mayor and to the extent budget funds are approved by the City Council, including such meetings and conferences necessary to maintain professional certifications. The City further agrees to pay annual dues necessary to maintain professional certifications/licenses.

G. **Vehicle Use.** The Employee shall have available a City-owned vehicle for use for City business. On those occasions the Employee should need to use Employee's personal vehicle for City business, the Employee will be reimbursed for mileage in accordance with the rates established within the City Personnel/Operating Policies.

H. **Uniforms/Equipment.** Employee shall be furnished the same uniforms and equipment provided to other employees of the department pursuant to the terms of their collective bargaining agreement, and shall be provided replacement uniforms as necessary. Additionally, Employee shall be entitled to all safety equipment, in a good and safe condition for Employee's use while on duty.

I. **Work related expenses.** Employee shall be reimbursed for work-related expenses the same as other employees as provided by the City's Personnel/Operating Policies. City shall provide and pay for a cell phone for business use only.

Section 7. **Bond.** The City shall bear the full costs of any bonds required of the _____ (title) under any law or ordinance.

Section 8. **Professional Liability.** City agrees to defend, hold harmless, and indemnify Employee from all demands, claims, suits, acts, errors, or other omissions in legal proceedings brought against Employee in Employee's individual capacity, or in Employee's official capacity, provided the incident arose while Employee was

acting within the scope of Employee’s employment. This indemnity and hold harmless agreement shall not apply to any dishonest, fraudulent, criminal or malicious act of the Employee or to any act of the Employee which is not performed on behalf of the City or which is outside the scope of Employee’s service or employment with the City. This promise to indemnify includes the reasonable costs of defense by counsel of the City’s choosing. In the event that the City Council of the City of Tumwater adopts an indemnification ordinance of general application for City officers and employees, this provision shall be void and the ordinance shall control.

Section 9. General Provisions.

A. This Agreement constitutes the entire agreement between the parties, and both parties acknowledge that there are no other agreements, oral or otherwise.

B. The parties hereby further agree that this Agreement cannot be amended or modified without the written concurrence of both parties; provided, however, that nothing herein shall be interpreted to limit or prohibit the City from adopting personnel rules and policies and otherwise establishing standards for the Employee’s performance. In the event of conflict between such rules and this Agreement, this Agreement shall control except as provided in Section 8 above.

C. If any provision of this Agreement is held to be unconstitutional or otherwise invalid for any reason, or should any portion of this Agreement be pre-empted by state or federal law or regulation, such decision or pre-emption shall not affect the validity of the remaining portions of the Agreement or its application.

D. Notice. Any written notices required to be given by the City to Employee, or by Employee to the City, shall be delivered to the following parties at the following addresses:

- 1. City of Tumwater
Mayor’s or City Administrator’s Office
555 Israel Road SW
Tumwater, WA 98501
- 2. _____(Employee): at either
_____Department
555 Israel Road SW
Tumwater, WA 98501

Or
Address on file

Any notices may be either delivered personally to the addressee of the notice or may be deposited in the United States mails, postage prepaid, to the address set forth above. Any notice so posted in the United States mail shall be deemed received three (3) days after the date of mailing.

Either party may change the address herein specified by giving written notice of such change to the other party in the manner provided above.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed and executed as of this _____ day of _____, 20____.

CITY OF TUMWATER

EMPLOYEE

, Mayor

(Name Printed)

Attest:

Melody Valiant, City Clerk

Approved as to form:

Karen Kirkpatrick, City Attorney