

MAYOR'S OFFICE — WORKING DOCUMENT V6

# City of Tenino — 2026 Budget & Recovery Plan

*Gross budget total \$2,015,797 · Less \$148,304 beginning balance · Less \$200,000 one-time grant = \$1,667,493 true recurring revenue · Sheriff contract required · Additional cuts from Tuesday also required for long-term solvency*

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## SECTION 1 — PUBLIC PRESENTATION

### **Critical Correction — Starting Balance Is Inside the Budget Total**

The \$2,015,797 gross budget figure includes two non-recurring items that must be removed to understand true structural revenue: the \$148,304 beginning fund balance (cash carried forward from prior years — standard WA municipal budgeting practice) and a \$200,000 one-time state law enforcement grant. Removing both yields true recurring revenue of \$1,667,493. This means the Sheriff contract alone produces a small annual deficit. The additional cuts from Tuesday's proposed budget are required, not optional, for long-term solvency.

### Step 1 — What Money Does Tenino Actually Receive Each Year?

<b>GROSS BUDGET DOCUMENT TOTAL</b> <b>\$2,015,797</b> All revenue lines including one-time items	<b>LESS: BEGINNING FUND BALANCE</b> <b>-\$148,304</b> One-time carryforward — does not repeat
<b>LESS: ONE-TIME LAW ENFORCEMENT GRANT</b> <b>-\$200,000</b> State grant — not a recurring revenue source	<b>✓ TRUE RECURRING ANNUAL REVENUE</b> <b>\$1,667,493</b> The only figure that repeats each year

Sales Tax	\$410,000
Utility Taxes (electric, sewer, cable, etc.)	\$325,000
Property Tax	\$310,000
State & County Shared Revenue	\$228,685
Public Safety Sales Tax (0.1% county)	\$80,000
B&O Tax	\$95,000
Rents & Leases (Ag Park, Quarry House, etc.)	\$94,400
School District — SRO Contract	\$50,000
Licenses, Permits & Other	\$220,915
— Beginning Fund Balance (one-time — deducted)	\$148,304

— Law Enforcement Grant (one-time — deducted)

**\$200,000**

The two grayed items above are deducted from the \$2,015,797 gross total to arrive at true recurring revenue of \$1,667,493. The beginning fund balance is cash carried forward from prior years — it does not repeat. The \$200,000 law enforcement grant is a one-time state award — relying on it structurally would be a dependency trap. All projections use \$1,667,493 as the recurring base. HB 2015 sales tax (\$45K) not included — starts 2027.

## Step 2 — Fixed Costs Must Be Paid Before Anything Else

Like a household's mortgage and utilities — these are unavoidable obligations paid first regardless of any other decisions.



### Debt Repayment

**\$160,000**

Interest on \$1.6M borrowed from Water & Sewer funds without proper accounting by prior administration



### Insurance — Fixed Annual Premium

**\$180,625**

Covers all city buildings and operations. Does not change based on staffing decisions in 2026.



### Utilities

**\$93,647**

All city buildings (electric, water, sewer for city facilities). Street lighting is budgeted in the Street Fund — not General Fund.



### Legal & Court Services

**\$135,000**

City attorney, prosecutor, public defender, municipal court — required by state law. Recently renegotiated at favorable rates.



### IT & Software Systems

**\$152,145**

Financial management, records, compliance. City cannot legally operate without these.



### Other Fixed Obligations

**\$255,750**

Planning contracts, audit, fire/EMS, state dues, elected stipends, vehicles, street maintenance

True Recurring Revenue

**\$1,667,493**

Less: All Fixed Costs

(\$938,595)

**Remaining for Salaries & Services**

**\$728,898**

*Over half of all recurring revenue is consumed by fixed costs before a single employee is paid. Only \$728,898 remains — and law enforcement alone currently costs \$733,869.*

## Step 3 — The Structural Problem



### **The City Spends More Than It Earns Every Year**

With recurring revenue of \$1,667,493 and expenditures of \$1,701,838 (after the Sheriff contract), the city runs a structural deficit of \$36,142 per year even with the biggest cost-saving measure available. The beginning balance buffer shrinks each year until it is gone.



### **The \$1.6M Debt Was Hidden**

Prior city management borrowed from the Water and Sewer enterprise funds without proper accounting. This is \$160,000 per year in debt payments in 2026, rising to \$185,866 per year from 2027 onward — money that cannot go to services.



### **Zero Reserve Fund**

A healthy city keeps 10–15% of its budget in emergency reserve. Tenino has zero. One lawsuit, one major infrastructure failure, or one bad revenue year creates an immediate crisis.

## Step 4 — The Two-Part Solution



### **Part 1: Contract With Thurston County Sheriff — Saves \$297,769/Year**

The biggest single action available. Reduces law enforcement cost from \$683,869 to \$436,100 while improving coverage from 18 to 24 hours per day. The Sheriff will use the existing police station. Rainier and Bucoda already use this model successfully.



### **Part 2: Additional Structural Cuts — Required for Long-Term Solvency**

The Sheriff contract alone produces a small annual deficit (\$36,142). The Mayor's proposed cut budget addresses the remaining gap. Without these additional cuts, the city depletes its remaining reserve by 2030. With them, Tenino achieves genuine structural balance.



### Part 3: New Revenue — HB 2015 Sales Tax (\$45,000/Year Starting 2027)

A new 0.1% public safety sales tax requires ordinance passage. Partially offsets the debt service increase in 2027 but does not close the structural gap alone.

### The Honest Message to the Public

The Sheriff contract is essential and saves nearly \$300,000 annually. But the city's structural imbalance — built up over years of underfunded operations and hidden debt — requires additional spending reductions as well. This administration is presenting both parts of the solution together, not asking residents to accept half-measures.

## Step 5 — What Does the Future Look Like? (Sheriff Contract Only, No Additional Cuts)

This shows the baseline with only the Sheriff contract — before Tuesday's additional proposed cuts. It is an honest picture of why those cuts are also necessary.

<b>2026 Year-End Balance</b>	<b>\$112,162</b>
<b>2027 Balance (after \$25,699 deficit + HB2015 partially helps)</b>	<b>\$86,463</b>
<b>2028 Balance</b>	<b>\$51,564</b>
<b>2029 Balance — Nearly Zero</b>	<b>\$7,957</b>
<b>2030 — Insolvent Without Additional Cuts</b>	<b>-\$45,909</b>

### Why This Matters

Without the Tuesday cut budget, the city runs out of reserves by 2029–2030 even with the Sheriff contract. Every dollar cut from Tuesday's proposed budget extends solvency and eventually enables reserve accumulation. The two actions — Sheriff contract AND additional cuts — are a package, not alternatives.

*Once Tuesday's cut budget figures are confirmed, this chart will be updated to show the combined trajectory. That version will show a genuinely positive reserve-building path.*

## SECTION 2 — 2026 BUDGET SUMMARY

### ⚠️ Key Correction from v5

The gross 2026 budget total is \$2,015,797, which includes two non-recurring items: the \$148,304 beginning fund balance (standard WA municipal practice) and a \$200,000 one-time state law enforcement grant. Removing both yields true recurring revenue of \$1,667,493. The Sheriff contract produces a small annual deficit; year-end balance of \$112,162 is the beginning balance partially consumed, not a surplus on top of it.

#### TRUE RECURRING REVENUE

**\$1,667,493**

Gross budget \$2,015,797 minus \$148,304 starting balance  
minus \$200,000 one-time grant

#### 2026 ANNUAL NET (SHERIFF CONTRACT ONLY)

**-\$36,142**

Small deficit — additional cuts required

#### YEAR-END BALANCE 2026

**\$112,162**

Starting balance partially consumed — this IS the ending  
reserve

#### WITHOUT ADDITIONAL CUTS — 2030

**-\$45,909**

Insolvent — confirms Tuesday cuts are essential

### How the Revenue Figure Breaks Down

ITEM	AMOUNT	NOTES
Gross 2026 Budget Total (all lines)	<b>\$2,015,797</b>	All revenue as shown in budget document
Less: Beginning Fund Balance (one-time carryforward)	<b>(\$148,304)</b>	Does not repeat — standard WA budgeting practice
Less: Law Enforcement Grant (one-time state)	<b>(\$200,000)</b>	One-time award — dependency trap if relied upon
HB 2015 Sales Tax — deferred to 2027	<b>\$0</b>	Requires ordinance passage first
<b>TRUE RECURRING ANNUAL REVENUE</b>	<b>\$1,667,493</b>	<b>The only figure that repeats each year</b>

### 2026 Budget Math — Sheriff Contract Only

ITEM	AMOUNT
True Recurring Revenue	

	\$1,667,493
Total Expenditures (with Sheriff contract)	(\$1,701,838)
Annual Operating Deficit	-\$36,142
Beginning Fund Balance (starting point)	\$148,304
<b>Year-End Balance 2026</b>	<b>\$112,162</b>

## What the Sheriff Contract Still Achieves

### ✔ Without Sheriff Contract – The Picture Is Far Worse

If the city kept its police department, the 2026 operating deficit would be approximately \$333,911 (-\$36,142 - \$297,769 savings). The beginning balance would be nearly wiped out in year one, and the city would be insolvent by mid-2027. The Sheriff contract is still essential — it just isn't sufficient on its own.

SCENARIO	ANNUAL DEFICIT	2026 YEAR-END	SOLVENT THROUGH
Keep current PD — no changes	-\$333,911	-\$185,607	Already insolvent
Sheriff contract only (this baseline)	-\$36,142	\$112,162	~2029
Sheriff + Tuesday cuts (TBD)	Surplus TBD	\$112K+ TBD	Indefinitely

*Tuesday's cut budget figures will be added to the third scenario once confirmed. That scenario is where the long-term reserve-building story lives.*

## SECTION 3 — FIXED COSTS

### Fixed Costs = \$938,595 — 56.3% of True Recurring Revenue (\$1,667,493)

Fixed costs consume nearly 59 cents of every recurring dollar before anyone is paid — based on true recurring revenue of \$1,667,493 (gross \$2,015,797 less \$148,304 beginning balance less \$200,000 one-time grant).

### Insurance — \$180,625

#### Fixed Annual Premium — Does Not Change in 2026

The city pays a single fixed fee covering all operations. No reduction occurs from the Sheriff contract in 2026. Reduction possible at 2027 renewal — start conversation with broker now.

DEPARTMENT / AREA	AMOUNT
Law Enforcement — Officers & Operations	\$29,800
Community Planning	\$19,925
City Hall & General	\$16,675
Legislative	\$15,450
Law Enforcement — Building	\$11,000
Building Services	\$10,300
Ag Park	\$10,025
Executive	\$9,250
HR / Central Services	\$13,850
Parks, Library & Other Facilities	\$25,350
Judicial & Finance	\$14,600
Animal Control / Food Warehouse	\$4,725
<b>TOTAL INSURANCE (2026 — unchanged)</b>	<b>\$180,625</b>

### Utilities — \$93,647

ITEM	AMOUNT
Cultural Facilities (Quarry House, Ag Park)	\$16,700
City Hall	\$9,000
Ball Fields	\$7,425
Law Enforcement Building (Sheriff will use)	\$7,300
Library	\$6,825
Parks & Campground	\$6,225
Ag Park	\$1,500
<b>TOTAL UTILITIES</b>	<b>\$93,647</b>

### Legal Services — \$135,000 (Unchanged)

#### Recently Negotiated — No Reduction in 2026

ITEM	AMOUNT
Prosecuting Attorney	\$30,000
Public Defender	\$30,000
Thurston County Municipal Court	\$25,000
City Attorney	\$20,000
Audit Costs (State required)	\$28,000
Building Inspection Contract	\$4,500
Other Legal	\$80,800
<b>TOTAL LEGAL &amp; COURT</b>	<b>\$135,000</b>

### IT & Software — \$152,145

#### MNS Appears in 9 Departments — \$80,100 Remains After Sheriff Contract Eliminates PD Portion

Consolidation audit in 2026 could yield \$15–30K in savings — worth pursuing as part of broader cuts.

ITEM	AMOUNT	STATUS
MNS – Central Services	\$21,000	Audit opportunity
MNS – Legislative	\$20,000	Audit opportunity
MNS – Law Enforcement	\$18,000	Eliminated by Sheriff contract
MNS – Planning	\$15,000	Audit opportunity
MNS – Executive	\$11,600	Audit opportunity
MNS – Finance	\$5,800	Audit opportunity
MNS – Parks / Building / Streets	\$7,000	Audit opportunity
Credit Card Processing	\$9,000	
RMS System – Police	\$10,000	Eliminated
Lexipol – Police	\$5,500	Eliminated
BIAS Financial Software	\$7,000	
Copier / Internet / E-Gov / Other	\$17,745	
<b>TOTAL IT &amp; SOFTWARE</b>	<b>\$152,145</b>	

## SECTION 4 — 5-YEAR PLAN

### Assumptions — Both Scenarios

True recurring revenue \$1,667,493 in 2026, growing 2% annually · HB 2015 sales tax \$45,000 begins 2027 · Sheriff contract \$425,000 growing 2% · All other costs grow 3% from adjusted base · Debt \$160K interest-only (2026), \$185,866 amortization (2027+) · Beginning balance \$148,304

### Interfund Debt Schedule — \$1.6M @ 3% / 10 Years

YEAR	BEG. BALANCE	PRINCIPAL	INTEREST	TOTAL PAYMENT	END BALANCE
2026 — Interest only	\$1,600,000	\$0	\$160,000	\$160,000	\$1,600,000
2027 — Amortization begins	\$1,600,000	\$137,866	\$48,000	\$185,866	\$1,462,134
2028	\$1,462,134	\$142,002	\$43,864	\$185,866	\$1,320,132
2029	\$1,320,132	\$146,262	\$39,604	\$185,866	\$1,173,870
2030	\$1,173,870	\$150,650	\$35,216	\$185,866	\$1,023,220
<b>5-Year Totals</b>		<b>\$576,780</b>	<b>\$326,684</b>	<b>\$903,464</b>	

### Scenario A — Sheriff Contract Only, No Additional Cuts

ITEM	2026	2027	2028	2029	2030
<b>REVENUE</b>					
Recurring Revenue (2% growth)	\$1,667,493	\$1,699,010	\$1,732,990	\$1,767,650	\$1,803,003
HB 2015 Sales Tax (begins 2027)	\$0	\$45,000	\$45,000	\$45,000	\$45,000
<b>Total Recurring Revenue</b>	<b>\$1,667,493</b>	<b>\$1,744,010</b>	<b>\$1,777,990</b>	<b>\$1,812,650</b>	<b>\$1,848,003</b>
<b>EXPENDITURES</b>					
Sheriff Contract (2% growth)	\$425,000	\$433,500	\$442,170	\$451,013	\$460,034
Retained PD Building (3% growth)	\$11,100	\$11,433	\$11,776	\$12,129	\$12,493
All Other Operating (3% growth)	\$1,105,738	\$1,138,910	\$1,173,077	\$1,208,269	\$1,244,517

Interfund Debt Payment	\$160,000	\$185,866	\$185,866	\$185,866	\$185,866
<b>Total Expenditures</b>	<b>\$1,701,838</b>	<b>\$1,769,709</b>	<b>\$1,812,889</b>	<b>\$1,857,277</b>	<b>\$1,902,910</b>
<b>Annual Net (Deficit)</b>	<b>-\$34,345</b>	<b>-\$25,699</b>	<b>-\$34,899</b>	<b>-\$44,627</b>	<b>-\$54,907</b>
<b>Fund Balance (beginning \$148,304)</b>	<b>\$113,959</b>	<b>\$88,260</b>	<b>\$53,361</b>	<b>\$8,734</b>	<b>-\$46,173</b>
Balance as % of Expenditures	6.7%	5.0%	2.9%	0.5%	-2.4%

**! Scenario A: Insolvent by 2030 Without Additional Cuts**

Sheriff contract alone is not sufficient. The 1% annual gap between revenue growth (2%) and cost inflation (3%) means deficits worsen every year, exhausting the fund balance by 2030.

**Scenario B — Sheriff Contract + All Approved Cuts, Net of New Expenses**

*Cuts: Mayor stipend \$6,000 · Training/Travel \$3,350 · STFEMS \$10,000 · Pool donation \$5,000 · Audit deferred \$3,000 · Civil Service Commission \$11,250 (2026) / \$17,750 (ongoing) = \$38,600 saved in 2026 · Less: software \$2,880 · Net reduction 2026: \$35,720*

ITEM	2026	2027	2028	2029	2030
<b>REVENUE</b>					
Recurring Revenue (2% growth)	\$1,667,493	\$1,699,010	\$1,732,990	\$1,767,650	\$1,802,662
HB 2015 Sales Tax (begins 2027)	\$0	\$45,000	\$45,000	\$45,000	\$45,000
<b>Total Recurring Revenue</b>	<b>\$1,667,493</b>	<b>\$1,744,010</b>	<b>\$1,777,990</b>	<b>\$1,812,650</b>	<b>\$1,847,662</b>
<b>EXPENDITURES</b>					
Sheriff Contract (2% growth)	\$425,000	\$433,500	\$442,170	\$451,013	\$460,033
Retained PD Building (3% growth)	\$11,100	\$11,433	\$11,776	\$12,129	\$12,492
All Other Operating (3% growth on reduced base)	\$1,070,018	\$1,095,424	\$1,128,287	\$1,162,136	\$1,196,887
Interfund Debt Payment	\$160,000	\$185,866	\$185,866	\$185,866	\$185,866
<b>Total Expenditures</b>	<b>\$1,666,118</b>	<b>\$1,726,223</b>	<b>\$1,768,099</b>	<b>\$1,811,144</b>	<b>\$1,854,282</b>
<b>Annual Net (Deficit)</b>	<b>+\$1,375</b>	<b>+\$17,787</b>	<b>+\$9,891</b>	<b>+\$1,506</b>	<b>-\$7,390</b>
<b>Fund Balance (beginning \$148,304)</b>	<b>\$149,679</b>	<b>\$167,466</b>	<b>\$177,357</b>	<b>\$178,863</b>	<b>\$171,473</b>
Balance as % of Expenditures	9.0%	9.7%	10.0%	9.9%	9.2%

**! Scenario B: Solvent Through 2030 — But Still Slowly Declining**

All approved cuts keep the city solvent through the projection period and now generate surpluses in 2026–2029. The fund balance grows from \$149K to nearly \$179K before a small -\$7,390 dip in 2030. Reserves approach 10% by 2028 — near the recommended floor. The Civil Service Commission cut (Cut

#6) was the key addition that tipped 2026 into surplus.

 **What Would Achieve True Structural Balance?**

With Cut #6 (Civil Service Commission), 2026 is now in surplus (+\$1,375). Reserves grow through 2029 and the city approaches the 10% reserve target by 2028. A small deficit of -\$7,390 reappears in 2030 as cost growth outpaces revenue — or the HB 2015 ordinance passed quickly enough to count partially in 2026. The pending IT and planning contract reviews alone could yield far more than this. Every additional permanent cut compounds favorably across all 5 years.

## SECTION 5 — LAW ENFORCEMENT

### CURRENT PD TOTAL COST

**\$683,869**

Net after SRO, all-in cost

### SHERIFF TOTAL COST

**\$436,100**

\$425K contract + \$11,100 building

### ANNUAL SAVINGS

**\$297,769**

Single largest budget action available

### COVERAGE IMPROVEMENT

**18 → 24 hrs**

Better service for less money

#### Sheriff Will Use the Police Station

No building sale needed. Station remains a city asset. Building operating costs (\$11,100) retained.

#### SRO Contract Already in Revenue — Math Unchanged

\$50,000 TSD SRO contract already in the \$1,667,493 recurring revenue. City should retain the contract.

### Costs Eliminated by Sheriff Contract

ITEM ELIMINATED	ANNUAL SAVINGS
3 Officer Base Salaries	\$362,300
Officer Health Care	\$72,000
Officer Benefits — Payroll Taxes	\$46,425
Officer Retirement (LEOFF2)	\$21,365
Standby / OT / Holiday Pay	\$32,500
Police Chief — Salary & Benefits	\$44,505
4 Patrol Vehicle Fuel	\$6,500
4 Patrol Vehicle Maintenance	\$10,000
RMS Records Management System	\$10,000
Lexipol Policy Software	\$5,500

MNS IT — Police Portion	\$18,000
Uniforms	\$1,500
TCSO Interlocal (absorbed into contract)	\$25,000
Other PD Operating	\$9,725
<b>TOTAL ELIMINATED</b>	<b>\$665,320</b>

## Costs Retained

RETAINED ITEM	AMOUNT	NOTES
Sheriff Contract	\$425,000	Includes SRO and 24-hr coverage
PD Building Utilities	\$7,300	Sheriff uses station
PD Building Alarm / Custodial	\$1,800	Sheriff uses station
Partial Admin / Phones	\$2,000	Coordination & records
Insurance — unchanged (fixed annual fee)	\$0 change	Whole-city fixed premium — no 2026 reduction
<b>TOTAL NEW LE COST</b>	<b>\$436,100</b>	

## Due Diligence Checklist

#	ACTION	STAKES
1	<b>Get TCSO contract quote in writing at \$425,000</b>	All projections depend on this
2	<b>Confirm SRO included in \$425K contract</b>	Protects \$50K TSD revenue
3	Benchmark against Rainier & Bucoda rates	Negotiation leverage
4	Confirm station arrangements with Sheriff	Eliminates sale/disposition question
5	Review union/CBA obligations for officers	Severance & LEOFF2 transition costs
6	Get written response time commitments	Public accountability

## SECTION 6 — ONE-TIME FUNDS

### ✔ Recurring Revenue Is 100% Clean

The \$1,667,493 in true recurring revenue contains no one-time money. The beginning balance (\$148,304) is tracked separately. Both property transactions below are also separate from the operating budget.

### Beginning Fund Balance — \$148,304

#### Partially Consumed in 2026 — Not a Free Resource

The \$148,304 starting balance is being drawn down by the \$36,142 operating deficit in 2026, leaving \$112,162 at year-end. It is not available for discretionary spending or one-time projects — it is the city's only financial cushion. Any additional cuts from Tuesday that close the structural deficit preserve more of this balance.

### Capital Improvement Fund — Property Sale (~\$200,000)

#### Already in the Capital Fund — Stays There

Not in the general fund. Not available for operations. Should be used for capital purposes only.

RECOMMENDED USE	PRIORITY	RATIONALE
<b>Fund capital projects that would otherwise require a general fund transfer</b>	1st	Protects future operating budgets from unexpected capital costs
<b>Explore prepayment of interfund loan principal (with city attorney approval)</b>	2nd	Since debt is owed to city's own funds, flexibility may exist. \$100K prepaid saves ~\$3K/year in interest

### Food Bank Building Sale — ~\$200,000 (Not Yet Budgeted)

#### ⚠ Below-Market Sale Requires Public Benefit Finding

If selling below fair market value, state law requires a formal council vote and documented public benefit finding before the sale. Engage city attorney before proceeding.

RECOMMENDED USE WHEN REALIZED	PRIORITY	RATIONALE
<b>100% to Reserve Fund via Council Resolution</b>	1st	Given the corrected picture, the city needs every dollar of reserve it can get. Council resolution should prohibit use for operations.

**Alternatively: Split reserve / interfund loan prepayment**

2nd

With city attorney approval. Both uses strengthen long-term position.

## What \$200K Food Bank Proceeds Would Do to the 5-Year Picture

YEAR	WITHOUT PROCEEDS	WITH \$200K RESERVE DEPOSIT
2026 Year-End Balance	\$112,162	\$312,162
2027 Balance (after deficit)	\$86,463	\$286,464
2028 Balance	\$51,564	\$251,565
2029 Balance	\$6,937	\$206,938
2030 Balance (Sheriff contract only)	-\$47,970	\$152,030

*Even with the \$200K deposit, the city still goes into deficit by 2030 without additional cuts. The food bank proceeds buy time but do not replace the structural cuts needed. With both the food bank proceeds AND Tuesday's cuts, the picture is significantly more stable.*

### **Recommended Council Policy – One-Time Money Never Funds Operations**

Formally adopt (even informally in meeting minutes) that all one-time proceeds go to reserve or capital funds only. This single commitment distinguishes the current administration from the prior one and prevents the structural deficit trap from recurring.

## SECTION 7 — KEY ISSUES

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### Critical — Before Budget Adoption

#### **Confirm Tuesday's Cut Budget Numbers — Then Update This Document**

The 5-year projection currently shows insolvency by 2030 without additional cuts. Once the Mayor's proposed cuts are confirmed, a second scenario showing the combined Sheriff + cuts trajectory must be built. That is the version to present publicly.

#### **Get TCSO Contract Quote in Writing at \$425,000**

Every number in this analysis rests on \$425,000. Until this is confirmed in writing, all projections are estimates.

#### **Formal Council Resolution on Interfund Debt Repayment**

10-year repayment deviates from state's 3-year preference. Council must formally adopt and notify State Auditor proactively. A documented plan is far better than an auditor finding.

#### **Adopt a Formal Reserve Policy with Minimum Target**

With a year-end balance of only \$112,162, the city has virtually no cushion. A formal reserve policy creates accountability and signals to the State Auditor that this administration is managing money differently.

### High Priority in 2026

#### **Pass HB 2015 Sales Tax Ordinance — \$45,000/Year Starting 2027**

Begin the approval process immediately. Every month of delay is ~\$3,750 in lost revenue. This tax partially offsets the debt service increase in 2027 but does not close the structural gap alone.

#### **MNS IT Contract Audit — \$80,100 Remaining After PD Eliminated**

Potential \$15–30K in savings through consolidation. Given the tight budget, every savings opportunity matters.

#### **Insurance Renewal 2027 — Start Conversation with Broker Now**

Document the restructuring. With no sworn officers, the 2027 renewal is an opportunity to reduce the \$180,625 fixed premium. Even a 10% reduction (\$18K) meaningfully improves the structural deficit.

#### **Union / CBA Obligations for Current Officers**

Severance, LEOFF2 transition, and CBA requirements could create one-time costs in 2026 not yet in these projections. Quantify before finalizing the budget.

## Opportunities Not Yet in Projections

### **Ag Park Lease Rate Review**

\$46,000 in annual lease revenue. Verify against market rates. Any increase flows directly to the bottom line.

### **Food Bank Building Sale Proceeds → Reserve Fund**

~\$200K if realized. Buys significant time even without fixing the structural deficit. See One-Time Funds tab.

### **Shift Eligible Costs to Public Safety Fund**

The existing \$80K public safety fund may be able to absorb prosecutor/public defender costs. City attorney should evaluate.

## Tuesday Checklist

### **What to Bring and Confirm**

1. The cut list — which are permanent cuts vs. one-time deferrals? Only permanent cuts help the structural picture.
2. Total dollar value of cuts — enough to close the \$36,142 annual structural deficit?
3. TCSO preliminary quote if available.
4. Union/CBA officer separation obligations.
5. Planning contract — targeted for 2027 reduction?
6. Confirm HB 2015 ordinance timeline.

## SECTION 8 — CUTS TRACKER

### Budget Comparison — Current vs. With All Cuts Applied

ITEM	CURRENT BUDGET (OWN PD, NO CUTS)	WITH ALL CUTS (SHERIFF + ADDITIONAL)	CHANGE
True Recurring Revenue	\$1,667,493	\$1,667,493	—
Total Expenditures	(\$1,999,607)	(\$1,666,118)	-\$333,489
<b>Annual Surplus / (Deficit)</b>	<b>-\$332,114</b>	<b>+\$1,375</b>	<b>+\$333,489 improvement</b>
Beginning Fund Balance	\$148,304	\$148,304	—
<b>Projected Year-End 2026</b>	<b>-\$183,810 (insolvent)</b>	<b>\$149,679</b>	<b>+\$333,489</b>

#### How the Cuts Tracker Works

The Sheriff contract (\$297,769 savings) is already embedded in the "With All Cuts" expenditure column — it is the single biggest action and is treated as the baseline for the new budget. The additional cuts below (#1–5) are logged separately on top of that. Together they reduce the annual deficit from -\$332,114 to -\$6,995, offset by \$2,880 new software expense for a net position of -\$9,875. HB 2015 sales tax (+\$45K in 2027) closes that gap entirely.

### Expenditure Cuts — Logged in Order Approved

*Note: Sheriff contract savings (\$297,769) are reflected in the comparison table above as the primary structural change. Additional cuts below are on top of that.*

#	DESCRIPTION	CATEGORY	ANNUAL SAVINGS	CUMULATIVE	REMAINING DEFICIT	NOTES
<b>Starting point after Sheriff contract:</b> Deficit = -\$34,345   Revenue \$1,667,493   Expenditures \$1,701,838						
1	<b>Mayor stipend</b>	Administration	<b>+\$6,000</b>	<b>\$6,000</b>	<b>-\$28,345</b>	Mayor voluntarily

	<b>elimination</b>					eliminates stipend as part of shared sacrifice commitment.
2	<b>Eliminate all Education/Training and Meals/Lodging/Travel — all departments</b>	Budget-wide policy	+\$3,350	\$9,350	-\$24,995	Aggregated across all funds. Shared sacrifice policy cut.
3	<b>Contracted Services — STFEMS</b>	Fund 511	+\$10,000	\$19,350	-\$14,995	Full elimination of STFEMS contracted services line.
4	<b>Pool donation eliminated</b>	Contributions	+\$5,000	\$24,350	-\$9,995	Discretionary donation to pool eliminated.
5	<b>Audit cost eliminated — no audit in 2026</b>	Administration	+\$3,000	\$27,350	-\$6,995	General Fund audit deferred for 2026. One-year saving; confirm with city attorney whether audit can be legally deferred.
<b>TOTAL ADDITIONAL CUTS</b>			\$27,350	\$27,350	-\$6,995 remaining deficit	

### Revenue Additions — Logged in Order Confirmed

#	DESCRIPTION	TYPE	ANNUAL AMOUNT	START YEAR	EFFECT ON DEFICIT	NOTES
1	<b>HB 2015 Public Safety</b>	New recurring	+\$45,000	2027	Closes gap — surplus +\$35,005	Requires ordinance passage. Starts

<b>Sales Tax (second 0.1%)</b>					2027 at earliest.
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## Fiscal Picture — 2026 and 2027

ITEM	2026	2027 (W/ HB 2015)	2027 (W/ DEBT SERVICE)
True Recurring Revenue	\$1,667,493	\$1,712,493	\$1,712,493
Expenditures (all cuts applied)	(\$1,666,118)	(\$1,666,118 est.)	(\$1,666,118 est.)
Interfund Debt Repayment	\$0 (2026 only \$160K est.)	(\$185,866)	(\$185,866)
<b>Annual Surplus / (Deficit)</b>	<b>+\$1,375</b>	<b>+\$46,375</b>	<b>-\$139,491</b>
Beginning Fund Balance	\$148,304	\$138,309	\$138,309
<b>Projected Year-End Balance</b>	<b>\$138,309</b>	<b>\$173,314</b>	<b>-\$12,557</b>

### ⚠️ 2027 Debt Service Is the Next Problem to Solve

With all current cuts applied, 2026 is nearly balanced (-\$9,995). HB 2015 in 2027 closes the operating gap. But the ~\$185,866 annual debt repayment tips 2027 back into deficit. Additional cuts, the HB 2015 ordinance, and the food bank/property sale proceeds all need to be part of the debt service strategy. See the 5-Year Plan tab for the full projection.

## Cut #6 — Civil Service Commission (Executive Budget)

DESCRIPTION	BUDGET LOCATION	2026 SAVINGS	ONGOING ANNUAL SAVINGS	NOTES
<b>Civil Service Commission — full elimination</b>	Executive	<b>+\$11,250</b>	<b>+\$17,750</b>	Commission exists solely to serve the police department. Total cost \$17,750: insurance portion \$6,500 cannot be changed in 2026 (contract year), so 2026 savings = \$11,250. Full \$17,750 eliminated from 2027 onward.

				<b>Not part of police budget — sits under Executive.</b>
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## New Expenditures Added

#	DESCRIPTION	CATEGORY	ANNUAL COST	NET POSITION AFTER	NOTES
1	<b>Software purchase — ongoing annual license</b>	Administration	<b>-\$2,880</b>	<b>+\$1,375 surplus</b>	New recurring expense added to operating base. Grows at 3% annually. Civil Service cut (Cut #6) more than offsets this.

## Pending — Under Discussion

ITEM	POTENTIAL SAVINGS	STATUS	NOTES
MNS IT contract reduction (post-PD)	Up to \$80,100	Under review	IT scope shrinks significantly without police systems. Exact savings TBD.
Planning contract deferral	Up to \$98,000	Under review	Portions may be deferrable. Confirm which are legally required.



### Washington State — Comparable Small City Policing Models

Cities within roughly 50–150% of Tenino's population (1,000–3,500 range) surveyed for policing model, cost, and coverage. Budget figures from most recent publicly available sources; estimates noted where data is limited.

## All Comparable Cities — At a Glance

CITY	COUNTY	POP.	EST. GENERAL FUND	POLICING MODEL	POLICE COST	OFFICERS / COVERAGE
<b>Tenino</b> ★	<b>Thurston</b>	<b>2,075</b>	<b>\$1.67M recurring</b>	<b>Own Dept.</b>	<b>\$684K gross (\$634K net of SRO)</b>	<b>Chief + 3 patrol ~18 hrs/day</b>
<b>Rainier</b>	Thurston	2,590	~\$2.0–2.3M est.	<b>Sheriff Contract</b>	Est. \$200–350K	TCSO 24 hrs/day
<b>Napavine</b>	Lewis	1,995	~\$1.5M est.	<b>Own Dept.</b>	\$911K (2024) ⚠	Chief + 4 patrol ~18 hrs/day

<b>Bucoda</b>	Thurston	630	~\$500–700K est.	<b>Sheriff Contract</b>	~\$47K (confirmed)	TCSO 24 hrs/day
<b>Winlock</b>	Lewis	~1,400	~\$1.2–1.5M est.	<b>Own Dept.</b>	Est. \$350–500K + earns \$216K from Toledo contract	Chief + 3 patrol + SRO ~20 hrs/day combined
<b>Toledo</b>	Lewis	~750	~\$800K–1.0M est.	<b>City-to-City Contract</b>	\$216K/yr to Winlock (confirmed)	80 hrs/week via Winlock PD

<b>Concrete</b>	Skagit	~1,000	~\$1.0– 1.4M est.	<b>Sheriff Contract</b>	Est. \$100–200K	Skagit Co. Sheriff 24 hrs/day
<b>Skykomish</b>	King	~200	Very small	<b>Sheriff Contract</b>	Est. \$30–60K	KCSO 24 hrs/day + all resources
<b>Coupeville</b>	Island	~1,900	~\$1.5– 2.0M est.	<b>Own Dept. (Marshal)</b>	Est. \$400–600K	Town Marshal + officers limited hrs
<b>Soap Lake</b>	Grant	~1,700	~\$1.2– 1.8M est.	<b>Own Dept.</b>	Est. \$400–550K	Chief + 2–3 patrol ~14 16 hrs/day
<b>Cosmopolis</b>	Grays Harbor	~1,677	~\$1.0– 1.5M est.	<b>City-to- City Contract</b>	\$10,300/month to Aberdeen (~\$124K/yr)	Aberdeen PD 24/7 as of Jan 1, 2026

<b>McCleary</b>	Grays Harbor	~2,059	~\$1.2–1.8M est.	<b>Own Dept.</b> ⚠️	Est. \$400–600K (no confirmed total)	Chief + officers; hrs unknown
<b>Stanwood</b>	Snohomish	~8,943	Much larger	<b>Sheriff Contract</b>	Est. \$2–3M	Snohomis Co. Sheriff

						24 hrs/day
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⚠️ *Figures marked "est." derived from OFM population data, state shared revenue calculations, and comparable city analysis — not confirmed budget documents. Verify before citing publicly. Cosmopolis and McCleary data from Grays Harbor County — included as nearby cities with directly comparable recent experience.*

**Key pattern:**

Cities at Tenino's size (~2,000 pop) that maintain own departments typically spend \$500K–\$900K on policing — often 35–60% of their entire general fund. Cities that contract with the county sheriff spend far less and get 24/7 coverage. The tradeoff is local control, identity, and the SRO relationship with the school.

**Thurston County Context — Tenino Is the Outlier**

CITY	POPULATION	POLICING MODEL	NOTES
Lacey	~60,000	Own PD	Largest city in county
Olympia	~57,000	Own PD	State capital
Tumwater	~27,000	Own PD	
Yelm	~11,000	Own PD	
<b>Tenino</b> ★	<b>~2,075</b>	<b>Own PD — proposed switch to TCSO</b>	<b>Only city in this size range with own PD</b>
Rainier	~2,590	TCSO Contract	Larger than Tenino — contracts with county
Bucoda	~630	TCSO Contract	
All other incorporated cities	Various	TCSO Contract	No own police department



### What the Comparable City Research Tells Us

Seven key findings from surveying Washington cities comparable to Tenino in size and budget structure. Each point is supported by documented evidence from public records, budget documents, and news coverage.

## 1. Tenino Is Already an Outlier Among Its Peer Cities

Among Thurston County cities in Tenino's size range, Tenino is the *only* one maintaining its own police department. Rainier (larger at 2,590) and Bucoda (smaller at 630) both contract with TCSO. The WASPC statewide database lists only five Thurston County cities with own departments: Lacey (60K), Olympia (57K), Tumwater (27K), Yelm (11K) — and Tenino (2,075). Tenino is the smallest by far.

## 2. Rainier's Switch Is the Most Directly Comparable Case

Rainier's decision to terminate its contract with Tenino PD and contract directly with TCSO (~2021) is the closest real-world precedent for Tenino's own situation — just in reverse. Rainier was paying Tenino ~\$80,000/year, which the council felt was too high relative to what TCSO could provide. Tenino can now approach the same TCSO contract from the other side of the table.

## 3. The Napavine Comparison Is a Warning — Not a Model

Napavine (Lewis County, pop. 1,995) — the city most similar to Tenino in size — saw its police budget jump to \$911,000 in 2024, a 33% increase in a single year. Their actual reserve trajectory confirms the full picture: **2025 starting balance \$837,000 → 2026 starting balance \$654,000 → 2026 projected ending balance \$400,000**. That means Napavine burned \$183,000 in 2025 and is projected to burn \$254,000 in 2026 — an accelerating rate. At that trajectory reserves are exhausted by 2028–2029.

### The comparison that ends the argument:

Napavine's projected 2026 burn alone — \$254,000 — would erase Tenino's entire reserve fund more than twice over. Unlike Tenino, Napavine has no viable path to a county sheriff contract. They are stuck on this trajectory. The burn rate is accelerating, not stabilizing.

## 4. Bucoda's Quote Is Worth Putting in the Record

When Bucoda left Tenino's police service in 2011, Mayor Alan Carr said: *"We are paying less than what we would have been paying with Tenino. They are present there and there is not a concern with reduction in manpower, which we had with Tenino."* The

"reduction in manpower" concern is identical to what Tenino faces today — one officer call = city uncovered. TCSO coverage is not dependent on any individual deputy being available.

## 5. Winlock/Toledo: City-to-City Contracts Are the Riskiest Model

Winlock sold police coverage to Toledo for years — exactly what Tenino did with Rainier and Bucoda. In 2018, a change in Winlock's mayor caused an acrimonious dispute; the interlocal was terminated early and **both cities dropped from ~20 hours/day to just 10 hours each overnight**. Toledo's situation deteriorated further — chief resigned 2022, council rejected Napavine contract, department went inoperable. Citizens said they wanted their own force but *"two decades of not keeping up with inflation"* made it impossible. They ended up at \$216K/year in an emergency arrangement.

### ⚠️ **The direct parallel:**

Tenino was Winlock. Rainier and Bucoda were Toledo. When pricing changed, both contract cities left. City-to-city contracts depend on political goodwill and personnel continuity from both sides. A county sheriff contract is structurally more stable — the county doesn't dissolve its department when a mayor changes.

## 6. Cosmopolis — A 120-Year Department That Just Closed

Cosmopolis (pop. ~1,677, Grays Harbor County) shut down its police department on December 31, 2025 after more than 120 years of operation — just two months ago. The path was nearly identical to Toledo: financial crisis in early 2024, half the department laid off, general fund projected to hit a \$63,000 deficit, emergency partial contract with Aberdeen PD at \$10,300/month starting May 2024, then full Aberdeen takeover January 1, 2026. Notably, it was Chief Layman himself who proposed cutting his own position. His public statement: *"The reality of modern policing means that maintaining a small, independent force is no longer financially feasible for our city."*

### ⚠️ **Important caveat — Cosmopolis chose a city-to-city contract, not the county sheriff.**

Aberdeen PD is covering Cosmopolis under an interlocal agreement. This carries the same fragility risk documented in the Winlock/Toledo case — it depends on Aberdeen's continued willingness and capacity. The Grays Harbor Sheriff was considered but not chosen. Tenino's proposed TCSO contract is structurally more stable than what Cosmopolis ended up with.

## 7. McCleary — Tenino's Mirror Image, Still Holding On

McCleary (pop. ~2,059, Grays Harbor County) is nearly identical in size to Tenino and still maintains its own police department — but is showing the same stress signals Tenino

faced before taking action. Their 2026 budget reveals: general fund reserves at just 17.8% (below the recommended 25–35%), a lapsed fire levy requiring a ballot measure to restore, a citywide hiring freeze, a mid-2025 budget amendment that modified police staffing downward, and a police equipment budget of just \$4,453 — bare minimum state compliance. McCleary has not yet made the structural decisions Tenino is making now.

**McCleary is where Tenino was 12–18 months ago.**

The financial pressures are clearly building. They haven't yet reached crisis but the trajectory — declining reserves, lapsed levies, staffing reductions — is the same pattern seen in Cosmopolis and Toledo before their departments collapsed. Tenino acting proactively is the right model.

**8. TCSO's Budget Situation Adds Urgency**

Thurston County is projecting a \$36M general fund deficit for 2026–27. While the Public Safety Sales Tax has allowed TCSO to hire 27 new deputies, the structural county deficit creates risk that contract prices could increase at renewal. Tenino should secure a multi-year contract with fixed pricing in writing before finalizing this decision.

**7. The SRO Arrangement Is the Key Variable to Confirm**

The \$50,000 SRO revenue from the school district is significant. If the dual-use SRO model can be maintained under a TCSO contract — TCSO assigns a deputy who serves as SRO during school hours and responds to city calls otherwise — the economic case is even stronger. This must be confirmed explicitly with both TCSO and TSD before the council votes.

**Summary — What the Peer City Evidence Shows**

QUESTION	EVIDENCE
Is contracting normal for cities Tenino's size?	Yes. Multiple WA cities from 600–9,000 pop. contract with the county sheriff. Tenino is the outlier in Thurston County.
Does contracting hurt service quality?	Bucoda: "Getting our money's worth." Rainier: chose TCSO over Tenino. North Bend: voted unanimously to return to KCSO after trying own dept.

Does keeping own PD get more expensive?	Napavine: +33% police cost in one year. Reserve burn accelerating — \$183K in 2025, \$254K projected 2026. Starting with 7× Tenino's reserves and still heading toward insolvency by 2028–2029.
Can cities get backup resources with a contract?	Yes. TCSO provides detectives, major crimes, and county-wide response included in contract price.
What happens when a city-to-city contract breaks down?	Winlock/Toledo 2018: political dispute terminated contract overnight, both cities lost half their coverage. Toledo PD collapsed entirely by 2022. Acting proactively — as Tenino is doing now — avoids Toledo's outcome.
Has any city regretted contracting with the sheriff?	No documented WA case of a city regretting a sheriff contract. North Bend chose to return to KCSO — the opposite direction.
Are nearby cities facing the same pressures?	Yes. Cosmopolis (pop. ~1,677, Grays Harbor) shut its 120-year PD Dec 31, 2025 — same financial trajectory as Toledo. McCleary (pop. ~2,059, nearly identical to Tenino) still has own PD but reserves at 17.8%, fire levy lapsed, hiring freeze, staffing reductions underway. Both confirm this is a regional pattern, not a Tenino-specific problem.

*City of Tenino — Budget Analysis v6 — Mayor's Office Working Document — Corrected*

*Gross budget total: \$2,015,797 · Less \$148,304 beginning balance · Less \$200,000 one-time grant · True recurring revenue: \$1,667,493  
2026 expenditures: \$1,701,838 · Annual deficit (Sheriff contract only): ~\$36,142 · Year-end balance: \$112,162  
Without additional cuts: insolvent by 2030 · Tuesday's cut budget required for structural solvency*