

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 1**

**CONVENE:** 1:00 p.m.

**PRESENT:** Mayor Pete Kmet and Councilmembers Leatta Dahlhoff, Debbie Sullivan, and Eileen Swarthout.

Staff: City Administrator John Doan, Finance Director Troy Niemeyer, and Transportation and Engineering Director Brandon Hicks.

**CITY  
OPERATIONS  
AND  
MAINTENANCE  
FACILITY:**

City Administrator Doan briefed the committee on the history of the project, status of the current plan, a new alternative supported by the Mayor, the funding plan, and a recommendation to move forward to the City Council.

Current operations and maintenance facilities have historically been referred to as the public works shops located behind City Hall. The shops opened in 1988 moving from another facility on Tumwater Hill. The shops house all City utilities, street operations, office space, lunchroom, equipment and materials storage internally and externally, and parking for staff and vehicles. The City's fleet, funded separately and operated by the Equipment Replacement Reserve Fund, includes vehicle maintenance and a fueling facility. The site also houses the police department and parks storage facilities, as well as the police outdoor impound yard. The facility has exceeded its capacity and is technologically outdated. The underlying property is owned by the City's general fund. The long-term vision for the property is parks and open space as envisioned in the Tumwater Town Center Plan and the City's Campus Master Plan.

City Administrator Doan displayed an aerial photo of the current site and described the location of different uses on the property and the different types of vehicles used for operations and maintenance activities. He shared an illustration of the Tumwater Town Center Plan with a mix of future uses of residential, commercial, public space, and offices located throughout the Town Center.

Development of the City's Campus Master Plan was driven by the remodel of the police facility and to address future capacity needs. The plan includes a significantly sized addition to the rear of City Hall as well as a cross street connecting New Market, a new street added behind the State Attorney General's Office, and an urban park/event space with parking along internal streets.

The City also owns the existing Parks and Facility building located at the corner of Capitol Boulevard and Israel Road formerly used as the City's main fire station from 1987 to 2000 when the Fire Department moved to a new Headquarters Station adjacent to City Hall. When the facility was vacated by the Fire Department, Parks and Facilities moved into the building. The property has some challenges because of underlying deed restrictions by the

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 2**

Federal Aviation Administration, which prevents the City from selling the property. A letter from the former Port of Olympia Executive Director directed the giving of the property to the City. However, the transfer of the property does not authorize the City to sell the property. The property is zoned General Commercial. Prior to the pandemic, Tumwater Farmers Market hosted its market on the property during market hours in spring, summer, and fall each year. Since the pandemic, the market has relocated to Peter G. Schmidt Elementary School with the market open on Sundays rather than Wednesdays. The market has not been as successful requiring the market to develop an entirely new customer base. The City has engaged in some conversations with the market as well as with representatives from the Night Market located off Old Highway 99, which is seeking a permanent location with more parking and visibility. The old fire station could be conducive to a market as it includes large rolling doors securing the four bays within the facility. In addition to the old fire station, the City constructed some temporary shelters in the rear of the building to house parks and facilities equipment.

In 2011, the City explored new sites to locate a new operations and maintenance facility based on a set of initial criteria of property size, proximity, and ownership requirements. In 2014, the Trails and Arena property became available and the City purchased the 28-acre property at a price of \$800,000. In 2018, the City demolished most of the buildings on the property with some buildings retained for storage. Prior to demolition of some buildings on the site in 2018, the City hired TCF Architecture, a firm with expertise in similar public works/utilities facilities, to develop a master plan for the site.

The planning process by the City and the firm included a review of the property, functions, streets, utilities, police functions, parks and facilities maintenance, and office space for Transportation and Engineering and Water Resources. Adding space for the two departments exceeded the project budget. Additionally, a public meeting room was included based on initial feedback from the community and the potential for a future park site to take advantage of the kettle area. The property is essentially two parcels with three primary areas with the western parcel containing one building and heavily occupied by pocket gophers. The second parcel is divided into two areas with the upper portion previously the site of the main arena and one building remaining for storage. The parcel is heavily impacted as the property was previously graveled and used for parking, vehicles, and horses. The second area of property contains a sizable kettle with a substantial elevation drop. The kettle was used for waste from horses over the 40-year operation of the arena. Some of the surrounding area has developed since the City purchased the property.

In 2018, the City held a public discussion on master plan options. One of the

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 3**

preferred options was Alternative A with the main shops located on the western parcel and a park on the eastern side of the property with employee parking with retention of the street between the two properties because of the cost of relocating the street and utilities. The community conveyed general support for the project with many neighbors supporting a park. Several community members acknowledged potential improvements in service response to neighborhoods during inclement weather. Other members of the community preferred the City's uses to commercial uses while other residents expressed concerns about any kind of activity occurring on the property and the location of a park near their homes.

Some of the employee parking could be accommodated by widening the street and adding angled parking along the street. Another design feature is fronting office space along 79<sup>th</sup> Avenue to improve aesthetics. The rear side of the western portion of the property abuts residential areas.

Since completion of the master plan, progress on the project stopped because of the need for a Habitat Conservation Plan (HCP) approved by the U.S. Fish and Wildlife Service to address the presence of gophers. The City purchased some gopher credits from the Kaufman Brothers valued at approximately \$700,000 sufficient to provide mitigation for the project site. In 2018, the City passed the Metropolitan Park District (MPD) providing a source of park impact fees to develop a park in the neighborhood. In 2017, the Council approved the allocation of a portion of City utility rate increases to fund the project. In 2017, the Council approved an additional 1% for all City utility rates (water, sewer & storm), a 1% increase in 2018, and a 2% increase in 2019, 2020, and 2021. Staff is recommending another 2% increase in 2022.

In 2020, the U.S. Fish and Wildlife Service agreed to proceed with an individual HCP for the project site. In 2021, the Legislature approved a request from the City for \$150,000 in state funding to help support the meeting space component of the project. In light of increased project costs because of the construction market, Mayor Kmet requested a review of the project for potential modifications to reduce the share of cost from the general fund. Because of prior actions to increase utility rates to cover the utility's portion of the project, the City has accumulated nearly all of the funding for the utility component of the project equaling approximately 60% of the project cost. The challenge is funding the general fund portion as the general fund competes with other general fund needs. Staff examined options for reducing that share from the general fund and removed parks and facilities and police from the public works shops portion and retained streets and fleet as the only general fund contributors. Additionally, the City's fleet is funded by each user group. Staff also postponed the parks plan for the existing public works shops site because there is no designated funding from the MPD or in the Capital Facilities Plan to construct a park behind City Hall.

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 4**

As an alternative, Parks, Facilities, and Police could be moved to the existing public works shops after completing some minor improvements to the HVAC system and improving energy efficiency. Minor renovations would be completed to the existing Parks and Facilities buildings at the corner of Capitol Boulevard and Israel Road for availability to the markets.

The last element of the current plan is to improve the intersection of Old Highway 99 and 79<sup>th</sup> Avenue. Additionally, because U.S. Fish and Wildlife Service confirmed the nexus between the new operations and maintenance project and a proposed roundabout at the intersection, the City is able to utilize the HCP for the roundabout project, which would expedite the project and enable the City to receive some funding.

Councilmember Swarthout inquired about the timing for the roundabout project. Director Hicks said it likely would not be completed until two to three years because of right-of-way acquisition necessary for the project.

City Administrator Doan reviewed a preliminary funding schedule. Based on the revised scope of the project and construction cost escalation, the estimated cost is \$11,820,000 from the general fund or approximately 32.8% of the entire project cost. Approximately half of the project cost for the roundabout would be from transportation impact fees. The City would also utilize the Elink and Fiber Fund to pay for the cost of connecting the new public works shops to the City's fiber network.

Mayor Kmet asked whether the total cost of the park is paid from park impact fees. City Administrator Doan said the park is funded entirely by park impact fees and would be reflected as another line item. The original calculation did not include the park. Mayor Kmet referred to a discussion about not including parking on the park side. City Administrator Doan said that particular element of the project would be determined during project design.

City Administrator Doan presented the recommended funding plan:

- Issue utility and GO bonds to finance project
- Utility portion funding stream includes:
  - Utilize the cumulative 10% increase, plus a final year in 2023 of 1% utility rate increase dedicated to the project
- General Fund portion funding stream
  - Utilize the existing \$1 million in savings in the CFP for the project
  - Implement Utility Tax (above the 6%) according to following proposed schedule:
    - ❖ 4% - Years 1-5
    - ❖ 3.5% - Years 6-10

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 5**

- ❖ 3.0% - Years 11-20
- ❖ 2.5% - Years 21-28
- ❖ 2.0% - Years 29-30

Mayor Kmet explained that the Council can increase the City utility tax rates but cannot increase utility tax on private utilities without a public vote.

City Administrator Doan shared comparisons of utility taxes in other communities. The City of Lacey charges 12% utility tax for water. The City of Lacey is using the increase to compensate for the cost of water used by the Fire District. The City of Olympia charges 11.5% utility tax and is considering an increase to 12.5% to pay for general fund city operations. The City of Vancouver charges 24.5% in utility tax.

City Administrator Doan reviewed implications for not moving the project forward:

- Approximately \$2 million would be wasted (property, preliminary design, gopher credits, and demolition of buildings)
- Need to consider alternatives for storage needs
- Significant investment required for existing facilities
- Farmers and Night Market continue to have a need for a new venue
- Cost for park at Trails End would exceed budget if it is a separate project
- Legislative funding of \$150,000 would need to be returned
- 79<sup>th</sup> Avenue/Old Highway 99 roundabout would be delayed until the City receives its approved City-wide HCP from U.S. Fish and Wildlife Service
- Cost of money could increase significantly

Staff recommends the committee recommend the City Council approve the preliminary funding strategy, authorize proceeding with the architecture and engineering contract to update and finalize the design, and proceed with permitting and outreach to the community.

Councilmember Sullivan asked whether some community opposition could affect the project. City Administrator Doan replied that the community shared a range of opinions from support to some who opposed the project. Mayor Kmet added that during the City's proposal to create the Metropolitan Park District, he visited the neighborhood to the north of the property and spoke to residents about the project. No residents objected the proposal. The concerns about diesel fumes and noise should gradually reduce as the City replaces vehicles. Including a meeting room will benefit the community. Many of the residents who work at other public works facilities in the region were very supportive of the proposal while others oppose any proposal regardless of the

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 6**

project. A strong Council backing will be necessary to move the project forward as the alternative is not optimistic because the investment in the property of \$800,000 would be insufficient to purchase commercial property at another location. He stressed the importance of communicating with and outreaching the surrounding neighborhoods and the community as a whole about the importance of the project.

Councilmember Dahlhoff asked whether the design of the public meeting space to accommodate all forms of accessibility would increase project costs. She said she does not want to exclude community members with different abilities. Director Hicks advised that all new development must comply with ADA accessibility guidelines. The facility would meet accessibility criteria. Councilmember Dahlhoff noted that often many people encounter challenges in buildings that meet ADA requirements. It is important to ensure the building is accessible.

City Administrator Doan commented that over the next decade, the City is planning for several new parks. It might present an opportunity for the Council to discuss designing a park that exceeds ADA requirements and designed to be more accessible.

Discussion ensued on the importance of communicating the increased costs of a customer's utility bill with the utility tax increases. City Administrator Doan said the average monthly utility bill today is \$110. A 4% increase in utility tax would equate to an additional \$4.40.

Mayor Kmet asked about the timing for issuing bonds for the new facilities. City Administrator Doan said design would proceed over the next year. It is likely construction bonds would be issued followed by a second issuance of bonds when the project is completed.

Mayor Kmet offered that it also may be possible to obtain lower interest rates than what has been projected because of potential funding opportunities, such as a public state bank for public facilities or through the federal government. Large construction projects planned on Port properties could also offer a source of funds from construction sales tax to help mitigate impacts to the general fund.

City Administrator Doan reviewed the proposed recommendation.

**MOTION:**

**Councilmember Sullivan moved, seconded by Councilmember Swarthout, to recommend the City Council approve the following recommendation proposed by staff:**

- **Approve Preliminary Funding Strategy**
- **Authorize staff to proceed with architecture and engineering**

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 7**

- contract/Update and Finalize the design**
- A&E contract will require separate Council approval**
- With design, proceed with permitting**

**A voice vote approved the motion unanimously.**

**ORDINANCE NO.**  
**O2021-024, 2022**  
**SALARY**  
**SCHEDULE:**

Director Niemeyer briefed the committee on proposed salary schedule changes for the next year. The City has historically used the CPI-U Seattle/Tacoma/Bellevue SemiAnnual 1st Half (June) 2021 Index as the standard for COLA increases. This year the amount is 3%, which is recommended for non-represented staff. Additionally, represented employees included the same figure within contracts. The firefighters contract includes a 2.5% increase as previously bargained by the union. Police personnel rates remain static as the new contract has not been executed.

The ordinance reflects the proposed changes for 2022. The City considers the Association of Washington Cities comparable positions, completes an analysis of each position, and adds the 3% COLA to the salary. Proposed changes are to those positions that are out of alignment with the market. This year, the focus is on engineering classes. The City was able to compare similar positions in other cities. Some market discrepancies exist in some of the lower level engineering classes. Additionally, the City has encountered challenges in recruiting engineers partly because of the difficult labor market and the competitiveness of engineering positions.

The City proposes to increase the minimum hourly rate to \$15.

Director Niemeyer reviewed a chart of the 2021-2022 Classification and Pay Schedule changes reflecting the 2022 minimum and 2021 maximum and the 2022 maximum salaries and the number of employees in each position. He reviewed the list of proposed changes.

*Councilmember Dahlhoff disconnected from the meeting.*

City Administrator Doan added that other agencies use different methods for selecting the CPI for establishing COLA rates. For instance, Intercity Transit uses a much higher CPI and a higher COLA based on the timing of using the CPI. Tumwater historically and in its union contracts has used the June CPI, which was prior to when the CPI increased substantially. If the increased cost of goods continues through next year, the City would likely have a higher COLA next year. Additionally, some work on the schedule is necessary next year to correct some deficiencies related to compression. As an example, some employees currently at the top scale of union salaries typically in police and fire who also receive premium pay, overtime, and educational incentives are often paid more than departmental leadership. It will also be important to consider the salaries of Olympia and Lacey as they are typically not used as a

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**November 23, 2021 Page 8**

comparable for salaries. It has become a challenge for the City in terms of a competitive job market between the three cities.

Director Niemeyer added that another potential change pertains to the Golf Operations Coordinator position, which is the City's lowest graded position. Because of insufficient time to complete an analysis of the position prior to the meeting, staff is requesting some changes to the position prior to presenting the proposal to the City Council.

**MOTION:**                    **Councilmember Sullivan moved, seconded by Councilmember Swarthout, to recommend the City Council approve Ordinance No. 2021-024, Salary Schedule for 2022 to include further analysis and potential adjustment to the Golf Operations Coordinator position. A voice vote unanimously approved the motion.**

Mayor Kmet recommended the staff report to the Council should include a listing and reasons for the proposed changes.

**ADJOURNMENT:**    **With there being no further business, Mayor Kmet adjourned the meeting at 2:20 p.m.**

Prepared by Puget Sound Meeting Services, [psmsoly@earthlink.net](mailto:psmsoly@earthlink.net)