

**TUMWATER BUDGET & FINANCE COMMITTEE  
MINUTES OF VIRTUAL MEETING  
MAY 23, 2025 Page 1**

**CONVENE:** 12:00 p.m.

**PRESENT:** Chair/Mayor Debbie Sullivan and Councilmembers Peter Agabi, Michael Althausen, and Eileen Swarthout.

Staff: City Attorney Karen Kirkpatrick, Assistant City Administrator Kelly Adams, Finance Director Troy Niemeyer, Water Resources & Sustainability Department Director Dan Smith, and Senior Accountant Nissa Musselman.

**APPROVAL OF  
MINUTES:  
BUDGET &  
FINANCE  
COMMITTEE,  
APRIL 25, 2025:**

**MOTION:** Councilmember Althausen moved, seconded by Councilmember Swarthout, to approve the minutes of April 25, 2025 as presented. A voice vote approved the motion.

**MONTHLY  
FINANCIAL  
UPDATE:**

Director Niemeyer provided an update on year-to-date financials beginning with the status of the national economy.

Earlier in the year, the economy appeared to be on track much like early 2024 as the City began working on the budget. Economic forecasts were positive and in January 2025, the Federal Reserve raised short-term interest rates with the intent of cooling off the economy to bring inflation down. The recession was avoided and inflation was beginning to decline. Unemployment continued to be low and the Federal Reserve began to cut rates after raising the rates over the last several years. Continued strong economic growth was predicted and Wall Street was excited about the new Administration.

Since April 2, 2025 when tariffs were announced, the stock market experienced steep declines because of financial uncertainty across all financial markets and no clear economic plan. In April and May, the economy experienced continued change with tariffs changing up and down and uncertainty surrounding the markets as well as consumer spending. Predictability and level expectations are beneficial for the economy and markets. Tariffs and deportations are highly inflationary policies and high inflation over the last several years leads to higher interest rates that can discourage large purchases, such as homes and automobiles.

In April 2025, *USA Today Newspaper* published how the economy was projected to grow by 1.7% but actual was only 0.8%. The economy was expected to grow by 2.5% in January 2025. A survey of economists now predicts approximately a 50% chance of recession. In February 2025, the prediction of a recession was

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**MAY 23, 2025 Page 2**

only 25%. Several economists surveyed indicated tariffs are the cause of the current economy.

Clear policies are important as the economy, consumers, and the markets want certainty to make informed decisions. Opening, expanding existing business, or closing a business all depend on some level of certainty. Today, the economy is experiencing a period of continued uncertainty with tariffs continuing to change. Although tariffs on China have been paused for 90 days, it speaks to the need for more efforts. A recent news article spoke to supply chain shortage as eminent with ports less busy because tariffs are bringing in less products, which will affect the economy. The uncertainty is how negatively it will affect the economy or how long and how much prices will increase. Some companies are not using “tariff” to avoid upsetting the Administration and have opted to refer to the “operating environment.” However, tariffs are a tax that will cost people more money.

During the COVID pandemic, inflation increased and companies blamed their issues on supply chain and inflation while Wall Street corporations reported record profits. When companies make record profits, it is just more than passing on increased costs; many are greedy and are raising prices on the consumer more than necessary. It is likely, that trend will continue as well in the current environment.

Economic risks include passage of the budget bill as currently drafted. The budget poses economic risks to Medicaid, cuts in some benefits, and an overall negative effect on the economy. The national debt will increase by \$3.3 trillion over the next 10 years with Moody’s recently downgrading the nation’s credit rating (first time in history). Foreign investors find U.S. debt less attractive and riskier, which leads to higher rates. As borrowing rates increase, debt secured by the City will increase in cost.

National polling reflects consumer confidence is down by 30%. The first quarter GDP was negative by 0.3% (first time in 3 years that the nation had a negative GDP). That corresponds with Tumwater’s April sales tax, which is the lowest in the last three years. Unemployment has increased but continues to be steady. The national debate speaks to stagflation, high inflation, and a shrinking economy, which has not occurred since the late 1970s.

Director Niemeyer displayed some graphs produced by the University of Michigan on consumer confidence and consumer sentiment. The graph reflects monthly data for consumer confidence and sentiment. Early on in 2025, consumer confidence dropped quickly. The graph includes a 10-year look-back reflecting a dip between 2022 and 2023. However, the nation avoided a recession and the nation course corrected. Consumer confidence has been tracked since 1960. The graph reflects when recessions occurred. Consumer confidence typically dips during a recession. Another graph reflected consumer confidence

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**MAY 23, 2025 Page 3**

related to job prospects. Current consumer surveys expect higher unemployment moving forward.

Director Niemeyer reviewed Tumwater financial data. On a cash basis, a graph reflected the City's sales tax for 2023, 2024, and 2025 (month-to-month). The City started the year with a small decrease of less than 2% in sales tax collection but in February and March, sales tax collections increased to 4% and 6%, respectively with April sales tax collections dipping under \$700,000. Optimistically, year-to-date reflects 2.66% over the 2024 collections. Staff will continue to monitor sales tax activity. For the first quarter of 2025, sales tax reflects a positive of 2.77%.

The public safety sales tax is a restricted source of funds for public safety purposes. The sales tax is a new source of funds. The new tax was effective in 2024 with no long-term comparative data available. The budget forecasted \$900,000 with the first quarter actual reflecting 2025 collections of over \$1 million.

Business and Occupation (B&O) Tax reflect a 6% increase in January, 5.7% increase in February, a 10%+ increase in March, and a 5.5% increase in April. May collections are less with several days remaining in May to receive collections. Year-to-date reflects 7.5% in B&O taxes over last year's collections.

Property tax collections occur in April and November. April receipts totaled \$4.5 million or 45% of budgeted property tax. May property tax receipts have not been received from Thurston County.

Conversations with colleagues in Thurston County, Lewis County, and Pierce County reflect Tumwater's sales tax collections are higher. Although sales tax is becoming the City's general fund revenue stream, the City is still less dependent on sales tax compared to other jurisdictions.

Councilmember Althaus asked whether recent legislative changes to sales tax and B&O tax will result in greater returns in revenue for the City. Director Niemeyer said he is uncertain as to how the recent changes will affect the City's budget. More information can be provided during the next update.

The City of Tumwater also has the advantage of steady employment with many state workers in the Olympia and Tumwater areas. Additionally, the City continues to grow both in residential and in businesses.

Councilmember Swarthout asked whether the City has utilized any of the public safety revenue. Director Niemeyer said that the funds collected in 2024 were deposited into a special account. The City plans to begin utilizing some of the funds later in the year.

**TUMWATER BUDGET & FINANCE COMMITTEE**  
**MINUTES OF VIRTUAL MEETING**  
**MAY 23, 2025 Page 4**

Director Niemeyer addressed questions on sales tax collections in the City. The City has a strong retail core and recently added some smaller retail businesses.

Discussion followed on the nation's escalating debt with the Administration's proposal to increase debt by \$3.3 trillion. National debt affects consumer confidence to a degree, as well as consumer behavior.

**BOND  
UNDERWRITER  
ENGAGEMENT  
LETTER:**

Director Niemeyer reported in August 2024, the committee received two presentations from bond underwriting firms. The City is constructing two large capital projects, an Operations and Maintenance (O&M) Facility and a large water reservoir. Both projects are budgeted during the current biennium. The O&M Facility is scheduled to begin construction in May 2026. The City plans to move forward with financing for the project.

Last year, the committee discussed debt financing as a way to fund the large projects. The cost of the project will be extended to coincide with the benefit. Future users will also help fund debt service. Last August, staff interviewed two firms. D.A. Davidson is recommended as the City's underwriting firm. The City has completed many debt financings through D.A. Davidson since 1991. The firm is an employee-owned firm. The second firm was Hilltop Securities. The company is based in Texas with a new Seattle office recently opened. Staff recommends selection of D.A. Davidson. The company provided a bond underwriting engagement letter that stipulates the City's plans to work with the company to afford the ability for the firm to provide staff with advice. Staff recommends the committee place the engagement letter on the Council's June 3, 2025 Consent Calendar with a recommended action to approve and authorize the Mayor to sign.

**CONSENSUS:**

**The committee agreed unanimously to forward the engagement letter with D.A. Davidson to the June 3, 2025 Consent Calendar with a recommended action to approve and authorize the Mayor to sign.**

**ORDINANCE NO.  
O2025-006-S1  
AMENDING TMC  
2.14 EXECUTION  
OF CONTRACTS  
AND OTHER  
LEGAL  
DOCUMENTS:**

City Attorney Kirkpatrick referred to the substitute ordinance in response to the committee's conversation at the last meeting. She offered to answer questions and requested direction on moving forward with the proposal.

The draft document within the staff report reflects the difference between the original proposed ordinance and current draft ordinance. The original draft excluded grants and interlocal agreements that were below \$100,000 from a Council review. The substitute ordinance does not include that exclusion with interlocal agreements and grants requiring City Council approval regardless of the amount with an exception for amendments that do not exceed the original amount by more than 10% and are within an approved budget and consistent with the underlying intent of the original agreement. "Amendment" was also added to different sections to clarify that the Mayor had authority to sign amendments.

**TUMWATER BUDGET & FINANCE COMMITTEE  
MINUTES OF VIRTUAL MEETING  
MAY 23, 2025 Page 5**

Councilmember Althausen questioned whether the provisions stated in subsection C also apply to B. City Attorney Kirkpatrick advised that subsection C is separate from the provisions contained in B. Councilmember Althausen asked about the possibility of the Mayor accepting or conveying property as outlined in B without Council approval. City Attorney Kirkpatrick said that the Mayor would be able to approve actions within the provisions as outlined, such as approval of public works projects, or community development permitting, such as dedications that are part of the permitting process, and temporary construction easements and right of entries (most likely with public works projects). The Mayor would need to comply with all other requirements of the statutes.

Councilmember Althausen asked whether the Mayor would have the ability to approve temporary road closures for construction. City Attorney Kirkpatrick advised that such action requires approved by the Council. The proposed provision applies to access to property.

City Attorney Kirkpatrick explained that the current proposal stipulates that contracts over \$100,000 need to be approved by the Council. The Mayor has authority up to \$100,000. Previously, the Mayor could delegate to directors up to \$50,000. However, the proposed language removes the \$50,000 and allows the Mayor to delegate up to the Mayor's delegated authority of \$100,000 to directors.

Discussion ensued on the proposed changes. Councilmember Althausen commented that the proposal creates some efficiency while still ensuring a transparent process.

**MOTION:** Councilmember Althausen moved, seconded by Councilmember Agabi, to place Ordinance No. O2025-006-S1 Amending TMC 2.14 Execution of Contracts and Other Legal Documents on the June 3, 2025, City Council Consideration Calendar with a recommendation to adopt. A voice vote approved the motion unanimously.

**ADJOURNMENT:** With there being no further business, Chair Sullivan adjourned the meeting at 12:55 p.m.