

**TUMWATER CITY COUNCIL WORK SESSION  
MINUTES OF VIRTUAL MEETING  
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**CONVENE:** 6:00 p.m.

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

Staff: Finance Director Troy Niemeyer, Administrative Services Director Michelle Sutherland, Police Chief Jon Weiks, Transportation and Engineering Department Director Brandon Hicks, Parks and Recreation Department Director Chuck Denney, Communications Manager Jason Wettstein, and Deputy City Clerk Tracie Core.

**BUDGET  
WORKSHOP NO. 2:**

Director Niemeyer summarized the topics covered during the first workshop on the budget. The Council initiated the budget process at its retreat early in the year by updating Council Goals and Priorities. Since then, department directors submitted their respective budgets with requests they believe are necessary for the operation of their departments. Throughout the budgeting process, it was obvious needs are greater than one biennium budget requiring more work to defer some needs to the future. The next biennium budget will require some strategic discussions by the Council to review potential new sources of revenues and service levels. It took many years with low staffing and deferred maintenance to reach this level and it is not uncommon for many jurisdictions because of previous initiatives approved by voters impacting local government budgets. The top cause for the budget not keeping pace with costs is the cap on property tax each year of 1%. The car tab initiative harmed the state and local governments in terms of transportation funding. Tumwater's Transportation Benefit District (TBD) helps to close the funding gap. The property tax cap has limited the City's past and future ability to raise revenue to keep pace with increasing costs.

The car tab initiative passed by voters in the late 1990s lowered the price of car licenses to \$30. Much of the funding from car tabs funded transportation programs at the state and local level. The property tax cap passed in the early 2000s limited an increase in property tax each year to 1%. Cities could previously increase property taxes from 0 to 6%. The initiative removed the ability of city governments to raise property taxes beyond 1% regardless of the level of inflation. The various initiatives passed by voters essentially forced cities and counties to seek a la carte funding sources. Consequently, to obtain more transportation funds, the City formed the Transportation Benefit District to maintain roads. Another funding option was a levy lid lift, which the City utilized in 2011 for public safety costs for police and fire. The City also formed the Tumwater Metropolitan Park District (TMPD) approved by voters in 2018. The TMPD funds parks and a future community center.

Councilmember Agabi commented on the property tax cap and indicated

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that it is somewhat of a misnomer as assessed value of properties continue to increase, resulting in higher property taxes. The assessed value of property bridges the gap of 1% versus a higher property tax increase. Director Niemeyer said the property tax cap has created economic problems for cities. The City is limited to raising the property tax levy by 1% each year. However, the City also receives revenue from new construction. Different government structures, such as counties, the state, school districts, and the port have different requirements than cities, which is why property tax rates increase more than 1% overall.

During the upcoming biennium the City plans to defer more maintenance and defer hiring more positions to reduce the gap between revenue and expenditures to avoid using fund balance reserves.

The general fund is the City's primary fund covering the cost of essential City services of police, fire, roads, parks and recreation, community development, and support services provided by all City departments. New expenditures included in the proposed budget for the Police Department include body-worn cameras for police officers (hardware, software, & training for officers and staff), four additional FTEs, and space at City Hall. The proposal relocates Parks and Recreation functions from City Hall. Police body-worn camera staff will move to the space vacated by Parks and Recreation for closer proximity to the police department. The budget also includes increased wages for Police Guild members. Additional staff positions cost approximately \$706,000 for the biennium, guild wages increases by \$205,000, and camera hardware costs of \$213,000 attribute to a total of approximately \$1.1 million for the biennium.

Councilmember Von Holtz recommended exploring the possibility of grant opportunities to fund body-worn cameras.

Director Niemeyer responded to questions about Proposition 1 funds from the county funding some of the expenses. The City anticipates receiving \$940,000, which covers body-worn cameras and the City's portion of the new Medic One unit.

Council budget requests include Senior Home Repairs of \$25,000 each year totaling \$50,000 for the biennium, Community Human Services Program continuing at \$15,000 each year for a total of \$30,000, formation of an Equity Commission, and funding a study for stipends for boards and commissions. Other Council requests that have less impact on the budget include sensory recovery spaces at parks, brewtower signs to raise funds, Morningside staff working at the City Hall, and a paint recycling drop-off facility.

The Council's approval of Medic One contract amendments related to

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the new Medic One unit requires hiring nine new paramedics with four positions filled in 2024 and five positions filled in 2025 for a total of \$2.5 million for the biennium. Medic One reimburses the City of approximately 80% for paramedic salaries of approximately \$2 million resulting in a net cost to the City of \$512,000 for the biennium. Additionally, the Medic One Program pays for the vehicle and vehicle supplies. However, the City needs to remodel Station T-2 to accommodate additional personnel. The cost of renovation is estimated to at \$1.3 million.

Another budget expense is the increase in wages of non-represented employees based on the results of a Non-Represented Employee Salary Study completed by the City. Lacking the ability to bargain for wages, non-represented salaries have not kept pace with salaries of employees represented by unions. The study includes information on comparable salaries of other cities of similar size with the intent to increase the City's competitiveness in the job market and retain employees. The total increase in salaries each year would be approximately \$1.9 million including a COLA of 3.8%. The proposed wage increase is a position-by-position increase based on comparables of other similar-sized cities.

In addition to the market adjustment for non-represented salaries, the budget includes proposals for additional positions. Based on recent strategic and growth plans completed by both the police and fire departments, the police department identified a need for nine officer positions in addition to the FTEs for the body-worn camera program. The fire department identified a need for eight firefighters or firefighter paramedic positions in addition to the staffing for the new Medic One unit. The proposed budget includes five new police officers with four positions deferred to the next biennium, four new firefighter positions with four firefighters deferred to the next biennium, four engineer positions in Transportation and Engineering, two positions in Community Development with one position deferred to the next biennium, eleven positions in Parks, Recreation and Facilities, one FTE in the Finance Department, two FTEs in Human Resources and two FTEs deferred to the next biennium. Within the Water Utility, the budget includes nine FTEs in Water, two FTEs in Sewer, three FTEs in Stormwater, one FTE for ER&R Fleet, and two FTEs for ER&R IT

In addition to the new budget requests, the budget includes prior commitments. Prior commitments include Franz Anderson Tiny Home Village of \$275,000, \$275,000 for the Housing Authority Low-Income Senior Housing project, and \$550,000 for daycare assistance program through the Thurston Economic Development Council (EDC).

Discussion ensued on the status of the EDC utilizing funds to date. Director Niemeyer offered to follow-up with the EDC on the status of

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using the funds for daycare assistance. Councilmember Agabi noted that the contribution of \$550,000 from the City is earmarked for a new daycare center EDC is building in the City of Lacey. Councilmember Swarthout added that the EDC was awarded a Local Community Project grant for construction of a daycare center.

Councilmember Jefferson recommended improving the transparency of the budget requests by aligning the requests with the City's priorities and needs, as well as information depicting the financial impacts to the City caused by the initiatives. Director Niemeyer noted that information could be provided on the affects of the cap on property tax in comparison to inflation over time.

Director Niemeyer reviewed revenue sources in the general fund. Property tax is the second highest contributor of revenue following sales tax, which reversed from the last biennium because property tax was previously the City's largest single source of revenue for the general fund. Today, that amount has dropped to 22% with sales tax overtaking property tax at 27% of the revenue in the general fund. The City is experiencing the long-term effect on the limit of property taxes for the City. Property tax and sales tax comprise half of the revenue in the general fund followed by Business and Occupation tax and intergovernmental contracts and grants.

Thurston County Assessor's Office provided the City with a graph depicting how Thurston County property tax is distributed by percentage. Local school districts receive the largest amount at 36.6%, state schools receive 23%, and fire districts receive 10.63% (exclusive of Tumwater Fire Department). Thurston County receives 8.92% with all cities and towns in the county receiving 7.91%. The amount the City receives includes the 1% the City increases each year as well as for any new construction.

In response to questions about the City's annual levy of a property tax increase of 1%, Director Niemeyer explained that the property tax the City levies does not decrease each year with the same dollar amount of taxes levied from the prior year plus 1% reflecting the increase. Other levies by school districts and other smaller taxing districts are not bound by the 1% cap and can levy at higher rates.

Director Niemeyer reviewed general fund expenditures by category. The largest category of expense is for salaries and benefits (60%+) followed by other charges and services. General fund expenditures by department reflect the police and fire Departments are nearly half of general fund expenses followed by parks at 12.9%, transportation and engineering at 10.4%, and other departments at smaller amounts.

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During the last budget, the City forecasted revenues based on the potential of a recession. To offset the loss of revenue against budgeted expenditures, the City elected to use some fund balance to cover the deficit. Many of the expenditures from the last biennium were one-time costs or extraordinary expenditures. The proposed budget does not include as many one-time expenditures. Most of the expenses are ongoing costs for programs and employees. The proposed budget totals approximately \$10.2 million more in expenses than in revenue, which is too high and will result in some adjustments to reduce costs to avoid utilizing too much of the ending fund balance. The ending fund balance at the end of the year also includes the City's reserves of \$7.1 million. If the City's ending fund balance is too low, it could affect the City's credit rating and the ability to secure bonding. Bonding companies consider the City's reserves and ending funding balance for assurance the City can repay any debt.

Director Niemeyer shared a graphic of the City's projected financial cliff based on the last biennium budget. The blue line represents revenue with the red line representing expenditures. The graph depicts some fluctuation throughout time but generally the two lines track close together. By 2024, both lines begin intersecting reflecting the point where expenditures exceed revenues with the fund balance beginning to decline. Another line on the graph (purple) is the City's minimum required fund balance equating to two months of operating costs (17%) in the general fund. The green line represents the total ending fund balance. During the last budget cycle, the financial cliff was forecasted to occur in 2026. An updated fiscal cliff reflects that for the current budget, the financial cliff is forecasted to occur in 2028. Additional reductions in expenditures could extend the timeline.

Required actions during the next biennium include reviewing new positions in the police department, renewal of the TBD (expires in 2025 - ballot measure in April), continued economic development to increase new business and new development, continued efforts with Association of Washington Cities and other partners to promote efforts with the Legislature to increase property tax increase limit, monitoring revenue projections, making smart infrastructure investments, and exploring other revenue options.

The City's financial toolbox includes a limited number of revenue and expenditure tools. Reducing expenditures could include reducing level of service, reducing or eliminating programs, or reducing maintenance. Increasing revenue could include considering a levy lid lift, increasing fees and taxes, such as utility tax for City utilities, or seeking one-time revenues. The proposed budget includes a request to increase the utility tax for Tumwater utilities.

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Councilmember Cathey questioned whether the City has received complaints about the level of service provided by police and fire personnel. Director Niemeyer said he is not aware of any complaints and would defer to the Chiefs. He is not aware of any level of service complaints. Councilmember Cathey said the impetus for the question relates to the budget with a major portion allocated for police and fire. She has generally received mostly positive comments about the City's response to calls and questioned whether an assumption is occurring each year that the City should hire more public safety employees. It speaks to a combination of her concerns and questioning because each year, the budget includes a request for more positions that consumes a major portion of the budget. She is also concerned about the City's tendency to increase taxes and fees as it harms the low-income community consistently. One example is her water bill, which has nearly doubled. The Council should consider equity in terms of taxing as it affects community members who are struggling to remain housed.

Mayor Sullivan responded that in addition to considering utility rates and taxes and the impacts to low-income individuals and seniors in the community, staff is also discussing the possibility of establishing a program to provide assistance to community members in need.

Councilmember Althaus asked whether an investment in new positions in fire and police would help offset the need for overtime. Director Niemeyer responded that it could possibly have some impact but is uncertain as to the extent the investment in new positions would have to decrease the amount of overtime. Police Analyst, Dr. Bowers, has completed some analysis of data on call volumes versus staffing needs.

Councilmember Swarthout noted the lack of schedules reflecting overtime costs for police and fire within the budget materials. Inclusion of the information might address some of the questions as to whether the addition of new positions assists in reducing overtime costs.

Director Niemeyer reported the budget includes the utility Lifeline Program providing a 50% discount on utilities for low-income customers, as well as the City's hardship program funded from community donations. Staff is also exploring other programs or expansion of existing programs.

Councilmember Dahlhoff questioned whether staff has reviewed the application process for the assistance programs to identify any challenges or hurdles the process unintentionally creates for applicants. Director Niemeyer responded that more efforts are required on the program. The City retracted the hardship program from the Community Action Council for various reasons. The City received some feedback from customers as to the difficulties they encountered when applying for assistance. The

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City has revamped the process to a one-page form rather than applying through the Community Action Council. Customers are able to call or visit City Hall to apply. Applications are reviewed by the utility billing supervisor who forwards applications to fund to either him or the Assistant Finance Director for final approval.

Councilmember Cathey recommended including more information on the programs within customer billing statements. Director Niemeyer responded with additional information on efforts implemented by the City and other departments to disseminate information on the City's assistance programs.

Director Niemeyer reported the current utility tax rates for water, sewer, and stormwater is 6%. The budget proposes an increase in the tax rate to 12%. The increase would add an additional \$617,000 in revenue to the general fund. The cost to the average customer is \$8.08 a month. Each utility includes a proposed increase in rates in addition to the proposed increase in utility tax. Based on the proposal for the increases, the City utility services would continue to be less than the utility costs in the cities of Lacey and Olympia.

Dahlhoff said the Council's discussion should consider how to incentivize septic and well customers to connect to City utility services despite ongoing rate increases. Many areas in the City are on wells and septic systems.

Director Niemeyer reported the budget proposal also includes the potential of utilizing debt service funding for the new Maintenance and Operations facility and a water storage project.

Other budget inclusions include an urban forester position, continued sustainability projects and energy conservation projects, establishment of an Arts Commission and an Equity Commission, ongoing planning for the new community center, and brownfield redevelopment under the Environmental Protection Agency (EPA) grant and the Department of Ecology grant for the former Washington State Department of Transportation (WSDOT) site. The grants fund the study of pollution at the old brewery site and WSDOT facility off Capitol Boulevard. Other projects include renewing the TBD, moving forward on the new Maintenance & Operations facility, culvert replacement projects, continuation of the Deschutes Estuary Restoration project, and conversion of the City's fleet from fossil fuels to electric vehicles.

Director Niemeyer reviewed the proposed biennium budget totaling \$428 million. The last biennium budget was approximately \$300 million. The next budget workshop is scheduled on November 12, 2024. Two public hearings on the budget are scheduled on November 4, 2024 and

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November 19, 2024. Final adoption of the budget is scheduled on December 3, 2024.

Councilmember Jefferson requested the retention of the budget slide reflecting the City's budget overrun with proposed changes to reduce the overall budget for review at the next budget workshop.

Councilmember Swarthout requested a summary of each department's percentage increase for the next biennium. Director Niemeyer acknowledged the request.

**MAYOR/CITY  
ADMINISTRATOR'S  
REPORT:**

Mayor Sullivan reminded members that no Council meeting or work session is scheduled next week. The next meeting is scheduled on Monday, November 4, 2024 because of the election.

**ADJOURNMENT:**

**With there being no further business, Mayor Sullivan adjourned the meeting at 7:37 p.m.**

Prepared by Valerie L. Gow, Recording Secretary/President  
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