

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 1

CONVENE: 6:00 p.m.

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

Absent: Councilmember Peter Agabi.

Staff: City Administrator Lisa Parks, City Attorney Karen Kirkpatrick, Community Development Director Michael Matlock, Finance Director Troy Niemeyer, Fire Chief Brian Hurley, Police Chief Jon Weeks, Water Resources and Sustainability Director Dan Smith, and Parks and Recreation Director Chuck Denney.

**WASHINGTON
CITIES INSURANCE
AUTHORITY (WCIA)
PRESENTATION:**

Director Niemeyer reported the City's provider of insurance is through the Washington Cities Insurance Authority (WCIA), which insures many other cities in the state. Because insurance rates have been increasing over the last several years, he invited Rob Roscoe, Deputy Director, WCIA, to brief the Council WCIA services and rates.

Mr. Roscoe described his professional experience working for WCIA and as a city director for the City of Auburn.

WCIA was created in 1981 by nine municipalities to control the cost of insurance through an interlocal agreement to create a public agency employing public employees. WCIA is a not for-profit organization established to cover the costs of members for both insurance coverage and claims. WCIA provides members \$20 million in liability insurance and insures the first \$4 million. Any costs exceeding \$4 million requires WCIA to purchase insurance within the traditional insurance market to cover the higher costs.

Because the foundation of the organization is based on a risk-sharing pool, membership is restricted to municipalities or to agencies providing municipal services, such as fire authorities or sewer and water districts.

WCIA serves as the City's insurance provider but members make decisions on insurance coverage. Each year, members determine different coverage to provide, expand, or reduce because of increased exposure.

Large claims or a lawsuit from members that escalates into millions of dollars are covered by insurance. When costs exceed a threshold, insurers often seek ways to avoid covering the costs. WCIA encountered two situations that involved re-insurers by fronting the cost to members to pay a claim with an expectation that the insurance company would reimburse WCIA. WCIA was required to engage in arbitration with the insurance company to seek reimbursement. WCIA eventually received reimbursements.

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 2

WCIA promotes risk management training and claim handling with a goal to reduce rate increases. Some members have experienced a large increase in rates to include the City of Tumwater. The City's experience has prevented larger increases than other municipalities are paying.

WCIA seeks to minimize rates and provide stable rates. Rates are established by a third-party actuary to review exposures and determine funding needs based on histories.

WCIA provides \$20 million in coverage to over 170 different municipal agencies in the state with a staff of 21 employees. In addition to liability insurance, WCIA provides, property, auto, equipment, crime infidelity (internal theft and embezzlement), and cyber and premise pollution liability (pass through program provided through a purchased insurance policy for all members). Service is provided by in-house claim staff unless the claim requires field adjusting, which can involve sewer backups and water main breaks, etc. requiring an evaluation of property damage. Third party vendors provide those services on WCIA's behalf.

Risk management staff provide guidance to municipalities on ways to mitigate, eliminate, or transfer any risk for new actions or programs contemplated by members. Sample contracts are provided to members to incorporate within legal documents to assist in reducing exposures.

WCIA staff provided training to 14,000 employees last year. Training is available online or in-person.

WCIA provides up to 1% of the assessment member pay, as well as risk reduction claims. Member peers determine the savings through a committee comprised of delegates representing each member.

Annual assessments are established based on member liability exposures. Members are rated based on employee worker hours that are classified into five different groups. The City of Tumwater is in the largest group (Group 4) with over 400,000 worker hours annually.

Insurance is a cyclical industry experiencing ups and downs with recent years experiencing increases in "hard" market conditions. Coverage is difficult to obtain, costs continue to increase, and deductibles are increasing while coverage is reducing. Member assessments are based on two main components of liability (worker hours) and property (values insured). The City has experienced some property losses over the last several years through arson and falling trees. Property rates began increasing after the pandemic because of labor shortages, resource limitations, and inflation. Carriers began increasing rates substantially for property, which are passed to members. Other impacts are caused by climate change creating floods, wildfires,

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 3

hurricanes, and temperature extremes. Prior to 2018, three insurance events exceeded \$10 billion each. From 2018 through 2023, 10 insurance events exceeded \$10 billion each resulting in a large increase in catastrophe events.

Mr. Roscoe reported the hard market has affected WCIA's ability to seek additional insurance coverage. In 2022, WCIA was seeking coverage above \$10 million and encountered difficulty because two large insurance companies withdrew service in the state, as the companies could no longer underwrite government agencies for-profit leaving a void in a number of different risk pools. The state does not impose any tort caps, which means a lawsuit is subject to a jury's decision. The state's Joint and Several Liability law also enables accident victims to collect an entire judgment from one at-fault person, even if there are several at-fault parties.

During WCIA's search in 2022 for additional coverage, WCIA was required to assume a \$1 million deductible with coverage increasing by 68% despite a clean loss history. The last several years have improved with the likelihood of rates returning to normalcy with rate increases in single digits of 3% to 5% instead of 20% to 40%.

Mr. Roscoe noted that since exposure in the state is unlimited, one claim could eliminate 10 years of profit, which is difficult for insurance companies to underwrite. WCIA offers a buffer by settling claims avoiding the higher levels. WCIA is experiencing an increase in claims since 2017, with 36 open claims in 2022. Washington's Legislature is not helping. A wrongful death statute was passed by the Legislature allowing individuals to file wrongful death lawsuits. Previously, individuals were required to have an economic interest to file a lawsuit for a wrongful death. The state expanded the law in addition to an expansion of civil rights claims.

In 2023, a Washington State case before the Washington State Supreme Court was upheld for \$100 million for the death of two children involving the case of Susan Powell and the Cox family. The father had court-ordered supervision of his two children overseen by the Department of Social and Health Services (DSHS). Although visitation was court-ordered, the DSHS case worker took the children to visit the father, who were killed after the father blocked entrance to the home. The father then set the home on fire. The court found DSHS at fault as the court did not dictate the location of the father's visitation with his children.

Mr. Roscoe cited several other public agency cases resulting in substantial judgments resulting in WCIA passing the costs to members. Cost increases are attributed to the number of claims and re-insurance costs purchased from other carriers. Insurance companies doing business in Washington typically insure a public entity or have some exposure increasing the risk level for WCIA.

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 4

Councilmember Althaus asked how the large verdicts involving WCIA members affect membership dynamics and coverage for other WCIA members. Mr. Roscoe said the impacts are not as great because WCIA does not enter the traditional insurance market until \$10 million is required. WCIA has experienced a good loss history with insurance carriers. Each year, WCIA markets its program to the insurance industry and documents histories of risk management, training, and claims. Increases in costs are buffered among members. City rates also increase commensurate with increased risk. WCIA evaluates members based on placement in the actuary group using the last five years of loss history with capping to avoid too much charge for any one loss. WCIA rates members similar to how the Department of Labor and Industries rate private industry using a factor of 1 over a window of time with a two-year delay. Loss history above 1 results in lower insurance rates while historical rates below 1 increase insurance rates. Based on a member's loss history, WCIA assigns an assessment rate.

Mr. Roscoe reviewed the City's loss history. The City experienced losses below \$1 million over a five-year period reflecting a favorable loss history when compared to other Group 4 members. He shared a graphic comparing Group 4 average loss history against the City's average loss history reflecting how the City is significantly below the Group 4 average.

WICA's cost for insurance has increased from 2014 to 2024 by over 506%. Whereas the City's rate has increased 77% over the same period. Additionally, most of WCIA's claims are below \$4 million. Each group is assigned a modification factor. The City's modification is .69 with the likelihood that the rate will drop next year because one significant claim will be eliminated from the City's loss history based on the five-year look-back window.

Mr. Roscoe recognized the Police Department as the department's losses are very low compared to the other police departments.

Mr. Roscoe responded to questions regarding infrastructure risks of uneven sidewalks. Preventive maintenance and adequate lighting all help to prevent accidents and identify defects. Auto liability is one of the City's largest exposures because of the City's large fleet of vehicles. He shared information on the City's claim history to highlight the City's liability exposure. Property loss is a large driver of costs. Wildfire exposure has increased in Western Washington because of climate change. WCIA insures \$16.6 billion in assets throughout the state. WCIA's 35 insurance carriers assume a small amount of the exposure as no single carrier insures the entire loss of an incident with insurance companies sharing the cost. Because carriers have recently increased premiums, many are beginning to experience profitability, which will likely increase stability in pricing. Essentially, volatility within the insurance industry and the market determine WCIA rates.

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 5

Councilmember Dahlhoff asked whether WCIA has received complaints or claims from member jurisdictions for food-borne illness by someone taking advantage of a free food pantry program. Mr. Roscoe advised that WCIA has no loss history associated with food banks or food pantries.

Councilmember Althausen inquired about the impact to membership when a member city ignores a risk assessment or behaves negligently. Mr. Roscoe replied that some of those scenarios have occurred. WCIA's insurance compact with members requires an annual audit of different exposures by a member. WCIA provides recommendations and mandatory actions. Mandatory actions are typically actions WCIA cannot defend as the member has created a unique exposure that unless rectified and controlled results in an increase in assessments and a penalty because of increased exposure. WCIA very rarely experiences those situations of members not complying. However, some members have created a unique loss profile or an exposure that created undue risk. In those cases, a member action plan was imposed by the WCIA Executive Committee to exclude coverage for the risk creating the exposure. WCIA strives to work with members to address exposures to resolve situations.

Mr. Roscoe responded to questions about the state's new distance requirements between vegetation and buildings to reduce fire risk and increased wildfires in Western Washington. Based on wildfire modeling completed by WCIA, the results were encouraging because WCIA does not insure many high value assets in remote areas prone to wildfire reducing WCIA's exposure when marketing its programs to insurance carriers. WCIA's exposure is greater for earthquakes and floods. Earthquakes are a high exposure in Western Washington because of the subduction zone.

Councilmember Dahlhoff asked whether risk assessments provided by WCIA have ever changed because of different information or the environment has changed creating a different or changed situation. Mr. Roscoe affirmed WCIA has encountered situations as case law adapts and evolves. Recreational immunity is a good example because of the constant number of cases that have eroded WCIA's ability to defend members who have opened land for public use for recreational purposes. WCIA now provides recommendations to help preserve and better defend should lawsuits or claims arise in allegations against a city.

**THURSTON EDC
PRESENTATION:**

Director Matlock introduced Heidi McCutcheon and Gene Angel from the Thurston Economic Development Council (EDC) to brief the Council on initiatives and efforts by the EDC and the Center for Business and Innovation. He added that staff is scheduled to present a term extension for the Phase II Thurston Strong grants for childcare in the community.

Ms. McCutcheon reported the briefing would include an overview of the organization, overall strategies of building a strong, equitable, and

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 6

sustainable economy, overarching trends and recent activities, and current economic trends affecting future employment in the region.

The pillars of sustainable economic development in the region focus on the Olympia Armory & Arts Center, Tumwater Craft Brewing and Distilling Center, Lacey MakerSpace, and the Agriculture Park in Tenino.

Ms. McCutcheon shared a plat map of the Agriculture Park under construction in the City of Tenino. The north building is nearing completion followed by the south building. The Legislature provided funding for completion of building pads for lots 3 and 4. The north building, owned by the City of Tenino, includes a community center, a restaurant, and an area for residents and visitors. The south building, owned privately, will house EDC's Center for Business and Innovation, agricultural programs, an area for entrepreneurial networking, and a suite of services for business owners and entrepreneurs. A ribbon cutting is scheduled by mid-summer.

The EDC's suite of services spans different options and programs. The APEX Accelerator Program is the largest program teaching businesses how to successfully bid on government contracts in the state. Last year, the program assisted approximately 400 businesses in successfully bidding on \$600 million in government contracts.

Within the last year, the EDC supported the Pacific Salish Economic Development District. Within the U.S. 380 districts have been established. Every county in the state are part of a district except Walla Walla. Districts must include multiple counties. Over the last year, a comprehensive economic development strategic was created comprised of different plans and focus areas within the community. The plan developed for the District focuses on competing for federal funding for job retention, creation of jobs, and inducing private investment. This year, efforts are focusing on creating the District's bylaws and articles of incorporation. The District will be sited within Thurston EDC at the Lacey campus of South Puget Sound Community College. One area of focus of the District is funding for infrastructure projects within the region.

Mr. Angel reported he serves as EDC's Director of Research and Evaluation. At the EDC, 2.5 FTEs are dedicated to research, which is unique for an EDC.

Councilmember Dahlhoff asked about research options to attract modern manufacturing companies focused on green and sustainability practices. Mr. Angel said it speaks to a recruitment strategy by identifying a green manufacturer. The EDC's tools are complex. One tool enables the measurement of ecological impacts of a suite of different types of industrial uses. Any jurisdiction interested in understanding all manufacturing types could receive assistance in identifying different uses that produce less of a

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 7

suite of environmental impacts. The EDC is able to provide a list of the top industrial uses meeting those goals.

Mr. Angel reported in 2023, the EDC conducted 2,323 interactions with businesses. Of those interactions, 520 were with BIPOC-owned businesses, 821 were with women-owned businesses, and 189 interactions were with veteran-owned businesses spanning all EDC programs for the entire county.

The EDC's total economic output impact in 2023 measured \$475.8 million for Thurston County. Jobs created and jobs saved totaled 1,441 during 2023 reflecting the highest numbers over the last four years of measurements.

Councilmember Jefferson asked about the differences employed by the EDC to achieve such a significance difference. Mr. Angel said the EDC is fully staffed for all programs and all programs are mature and operate through excellent regional partnerships. Another factor contributing to the increase is expansion and recruitment opportunities. The increase is the result of both programmatic capabilities and with some attributed to being well positioned as a community at the right time, the right place, and within the right market. Approximately \$109 million in wages can be attributed to the region and to the EDC's efforts.

For each \$1 EDC administrates, the return to the region is \$48 or a ratio of 1:48, which is extremely significant because the return rate is uncommon for most areas averaging a rate of 1:6-8. The strategies are working because of a supportive economic development council working with good regional partners.

Two research institutions identified the Thurston region as a tier 1 economy compared against all other major metropolitan areas. The Milken Institute ranked the region at the ninth best economy in the nation compared to other tier 1 cities, such as Boston, New York, and San Francisco. The region is also ranked fourth in income equality representing the fourth best ranking in the nation. The region has been able to mitigate any income inequality.

Councilmember Dahlhoff inquired about the definition used by the institutes pertinent to income inequality with respect to women earning less than men. Mr. Angel explained that the analysis considers the Gini coefficient or the standard metric economists use to measure economic inequality across the entire economy. It is the difference between the highest of the high paying jobs and the lowest of the lowest paying jobs. That difference within the Thurston region has shrunk. The research analysis used the Gini coefficient for all sectors.

The research by Milken Institute was substantiated by another research group, CHMURA Analytics and Economic Research. CHMURA identified the Thurston region as the second best economy in the nation placing the

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 8

region in tier 1 status. The institute documented that throughout the entire nation, the region's percentage gain of high tech job growth was number one in the country. Those types of jobs are software publishing, data processing, and other highly technical consulting occupations.

Along the I-5 corridor of major counties, Thurston County is the fastest growing county over the last 10 years. The model predicts Thurston County as the fastest growing county over the next 10 years placing the county above the Washington State average in terms of population growth. The county is benefitting from the reality that the state is a great place to live.

EDC's Economic Vitality Index is a leading indicator index comprised of many metrics that speak to economic health. The EDC develops the index with assistance from Professor Reilly Moore, an economist at St. Martin's University. The graph represents the difference in recovery patterns from the Great Recession and COVID recession and in the way the region recovered and the public stimulus between the two recessions. There is also a difference between the amount of existing capacity in place and the ability to respond to disaster. The combination of the metrics reflects the difference between then and now depicting an encouraging outcome. From an economy perspective of the larger picture, the Thurston region experienced a significant recovery due in part to regional partnerships and Thurston Strong.

The business confidence index as part of the Economy Vitality Index, reflects that any value above 50 means respondents were generally optimistic about the future of the economy while any value below 50 means respondents are feeling somewhat pessimistic. Business sentiment is closely tied to external factors, such as election seasons and national politics. Approximately 300 members from the business community participated in the survey. The results reflect a trend slightly pessimistic today. Of the businesses reporting an expectation in increased profits, the businesses attributed a growth in market demand. Per capita retail taxable sales for all jurisdictions reflect an increase for all jurisdictions. The results also depict that for a period, the City of Tumwater exceeded sales tax collections over the City of Olympia during the COVID pandemic likely due to the many big box stores located off Littlerock Road and Trosper Road.

Unemployment figures, although somewhat outdated, reflect historic lows at 3.2 while today's figure is approximately 4.7. The current figure is reflective of a level prior to the pandemic, which speaks to the recovery of the region with some adjustments attributed to early retirements and other changes in jobs.

Mr. Angel described the outcomes from a graph of total industry employment totals. By industry sector, public administration is the largest employment sector in the region. Private sector employment opportunities also rank high, which speaks to the community diversifying from public sector employment

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 9

over the last 20 years. The region's major employer is Joint Base Lewis McChord. The EDC in combination with University of Washington–Tacoma published research for three years, which is now recognized as a statewide research project by the Lieutenant Governor's Office. Nearly 1 in 5 or 18% of all jobs in Thurston County are attributable to JBLM.

One discouraging statistic is housing affordability for first-time homebuyers. Housing prices are not in parity with income, which speaks to the region as a supply constrained environment. The need is 50,000 new housing units across all income categories.

Mr. Angel invited questions.

Councilmember Dahlhoff asked about methods for attracting mixed-use development of both retail and housing units in one building. Mr. Angel responded that the environment for creating more mixed-use development usually occurs when it is financially feasible for the developer. Developers recognize Thurston County as a good opportunity to develop. It is also important to acknowledge that developers must also consider the costs to build and regulatory requirements. Increasing the ease of the development process to the extent possible will decrease costs and lower the costs of housing.

Ms. McCutcheon added that the cause of unintended consequences is also through the development of policies that speak to undesired development instead of incentivizing the housing outcomes desired in the region. Some communities addressing housing issues in successful ways have created incentives for builders. Additionally, in addition to increased costs in the market, some of the new requirements for green energy add more costs to new construction.

Councilmember Cathey commented that she believes economic growth does not account for the climate crisis with respect for the need for more housing. Although improvements in support of the climate can cost more, it is important to ensure that it occurs otherwise the future of earth is at stake. She questioned how to ensure a balance between two competing needs of climate and housing.

Ms. McCutcheon said it often speaks to pitting one against the other. It is important to consider whether the need is for affordable housing or is the need greater to protect the environment as good stewards of the existing ecosystem. It begins by reviewing policies and incentives instead of implementing requirements for developers. Many tools are available to provide incentives to encourage development of housing, such as reducing property tax, tax rebates, and other incentives to promote desired outcomes. Conversations are beginning to take place as it is not about an either/or decision because both are needed.

**TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 10**

Mr. Angel added that the climate crisis cannot be solved without economic development. As a member of Thurston Regional Planning Council's Thurston County Climate Mitigation Strategy Committee, one of the reportable finding of the work was that the single largest contributor of emissions in Thurston County is structures. The opportunity to solve the single largest source of emissions is an economic development possibility for the construction industry. The second source of emissions is transportation, which speaks to removing as many vehicles off the road to the extent possible by increasing density around and near transit hubs.

Councilmember Cathey pointed out that the different perspectives are deserving of agreeing to disagree because construction of larger apartment complexes to create density also requires paving land for parking areas. She is hopeful to continue more conversations surrounding competing needs while also addressing the climate crisis.

The Council thanked Ms. McCutcheon and Mr. Angel for the presentations. Ms. McCutcheon thanked the Council for its partnership and for supporting efforts by the EDC.

**ORDINANCE NO.
O2023-014,
PROPOSED
AMENDMENTS TO
TUMWATER
MUNICIPAL CODE
CHAPTER 12.32
PUBLIC PARKS:**

City Administrator Parks reported that since the November 21, 2024 Council meeting, a strong commitment was conveyed to the community to ensure proper notice of meetings related to the proposal. Within the last hour, she learned that the scheduled emails and noticing on the website did not occur. She recommended moving the proposal to another Council worksession to ensure proper noticing to the public. At this time, timing associated with the proposal is not a factor.

Councilmember Cathey questioned the reason for a review of the proposal during a worksession rather than during a regular meeting that affords an opportunity for the public comment on the proposal. City Administrator Parks advised that the review process incorporates both a worksession and a regular meeting. The worksession provides an opportunity for the Council to review the proposal and comments received during the community conservation meeting, as well as review alternatives included in the staff report. The worksession assists staff to develop materials for review during a Council meeting affording the community with another opportunity to provide comments.

Councilmember Cathey supported deferring the review to another worksession.

The Council supported deferring the proposal to another worksession. City Administrator Parks advised that the proposal would be considered at the Council's worksession scheduled on April 23, 2024. The U.S. Supreme Court is planning to consider the case on how public entities manage

TUMWATER CITY COUNCIL WORKSESSION
MINUTES OF VIRTUAL MEETING
March 26, 2024 Page 11

homelessness in April as well, which could also provide some insight for the Council.

**CANCELLATION OF
THE APRIL 2ND
REGULAR COUNCIL
MEETING:**

City Administrator Parks reported the one item scheduled on the April 2, 2024 Council meeting for the Council's review was a recommendation from the Historic Preservation Commission on the delisting of the Davis Meeker Garry oak tree from the Tumwater Historic Register. The Commission, at its meeting, did not reach a decision on a recommendation to the Council and anticipates forwarding a recommendation following its next meeting on April 18, 2024. She recommended canceling the April 2, 2024 Council meeting. A proclamation scheduled at the April 2, 2024 meeting would be rescheduled.

MOTION:

Councilmember Althaus moved, seconded by Councilmember Cathey, to cancel the April 2, 2024 Council meeting. A voice vote approved the motion unanimously.

Discussion ensued on the Commission's discussion and recommendation for converting a parcel located across from the tree to a park.

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

City Administrator Parks advised of her successful completion of Fire Ops 101 training. She thanked Fire Union Local 2409 for the invitation and sponsorship of her participation. She acknowledged and thanked Firefighters Trenton Brazie and Travis Leyva for their assistance and support during the training. She was able to complete all events and has a deeper appreciation for firefighters.

Mayor Sullivan reminded the Council of the retreat wrap-up meeting scheduled on Friday, March 29, 2024 at 5 p.m. The April 9, 2024 Council worksession is a joint tour with the Planning Commission.

ADJOURNMENT:

With there being no further business, Mayor Sullivan adjourned the meeting at 8:11 p.m.