



# City of Tumwater Strategic & Economic Development Plans

**Community Open House  
January 31, 2008**



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# City of Tumwater Strategic & Economic Development Plans

## Baseline Fiscal Analysis

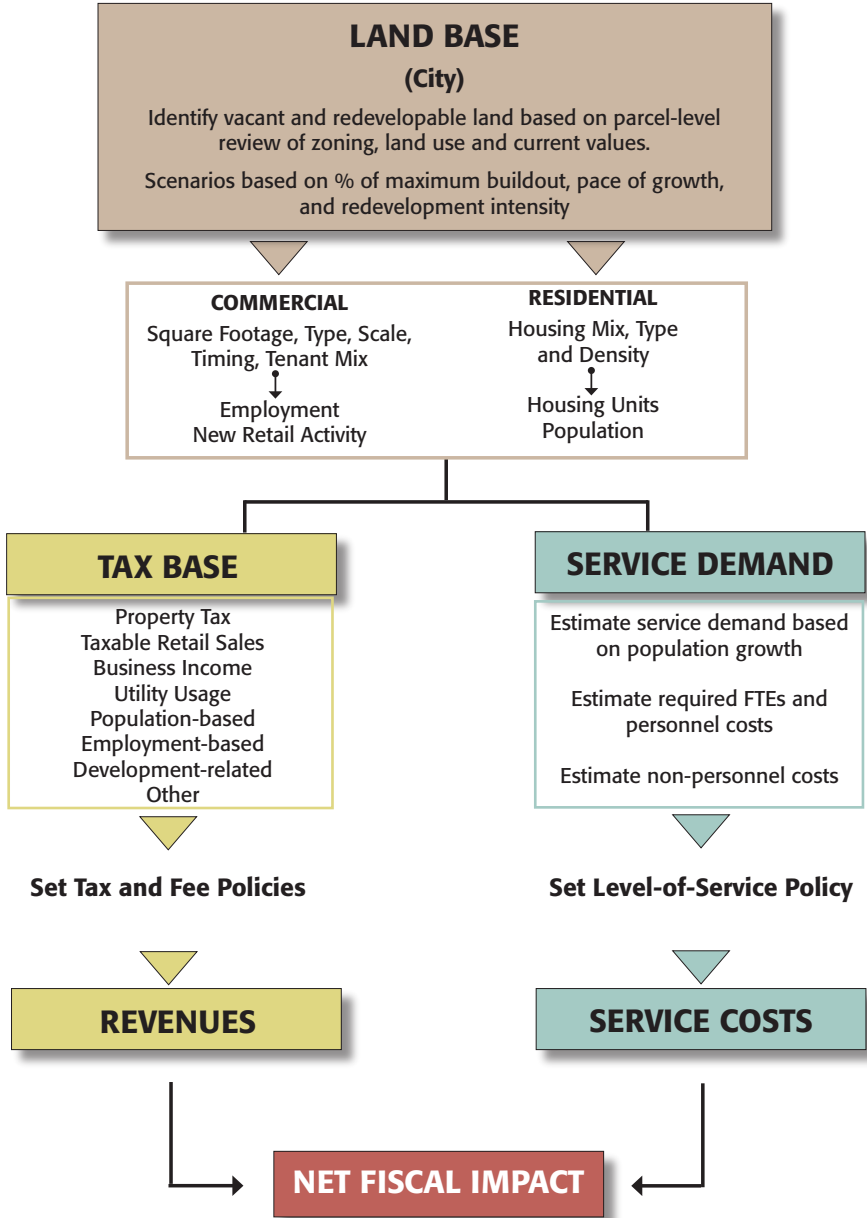
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# Fiscal Balance Framework

A city's long-term fiscal sustainability challenge is to balance land use, fiscal policies, and effective delivery of municipal services.



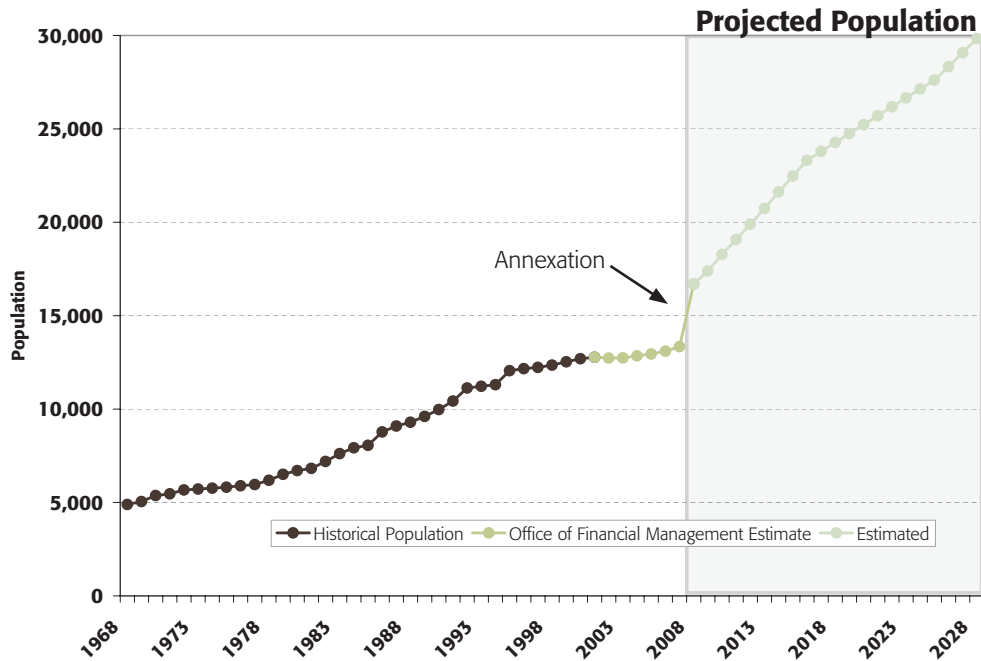
### Land-Based Fiscal Analysis

- The analysis starts with a baseline outlook for the current City and then allows for testing of alternative development scenarios (varying timing and type of development)
- Factors in the *land base* (such as population, employment, and commercial activity) drive both demand for services and the tax base
- *Budget Structure:*
  - The fiscal analysis is based on *2008 budgeted* expenditures and tax and fee structures, as outlined in the City of Tumwater Proposed Budget
  - The model isolates the components of the City's budget that are funded through general tax and fee revenues

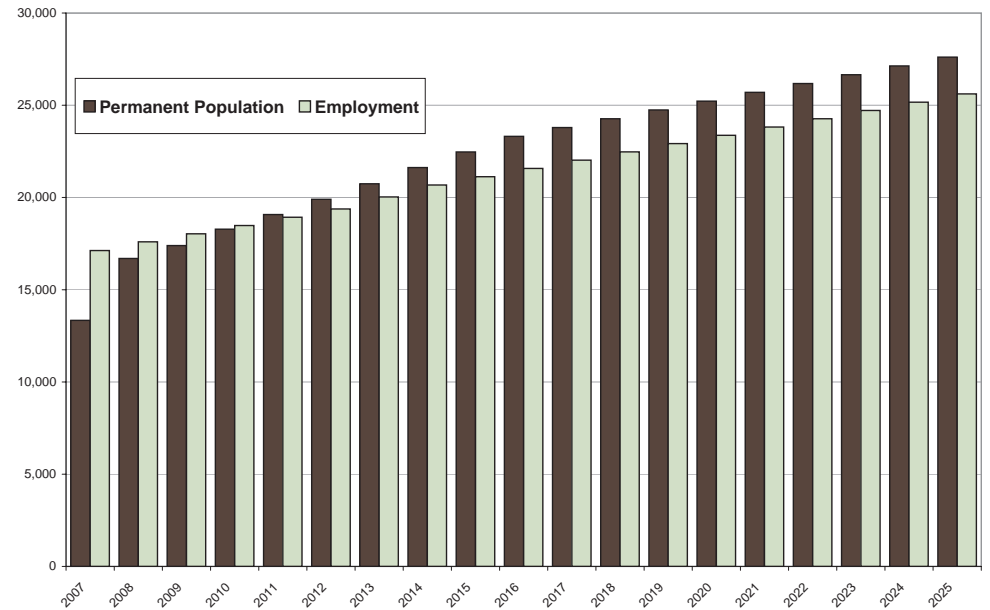


# Population and Employment Growth

## Historical and Projected Population



## Projected Population and Employment



Between 1970 and 2007, the annual average population growth rate was 2.5%. Development assumptions yield an average annual population growth rate of 2.9% between 2008 and 2028.

(Source: Berk & Associates)

- The population growth rate serves as one of the drivers for revenue and cost estimates
- The employment growth rate, in combination with the population growth rates affects revenues earned through B&O taxes and utility taxes, among others drives
- Population and employment growth rates are based on development assumptions and correspond with TRPC estimates
- 2007 population: approximately 13,340

# Key Development Assumptions

## Housing Unit (HU) Capacity and Assumed Pace of Development

	Total HU Capacity	% Build-out at 2028	HU Added through 2028	Avg Units per Year
<b>Current City</b>				
SF Housing Units	3,935	60%	2,361	112
MF Housing Units	1,765	60%	1,059	50

## Commercial Building Capacity and Assumed Pace of Development

	Total Capacity (SF)	% Build-out at 2028	Comm SF Added through 2028	Avg SF per Year	% Distribution
<b>Current City</b>					
Retail	660,000	75%	495,000	22,500	25%
Office	1,848,000	75%	1,386,000	63,000	70%
Other Commercial	132,000	75%	99,000	4,500	5%
<b>Total</b>	<b>2,640,000</b>		<b>1,980,000</b>	<b>90,000</b>	

## Industrial Building Capacity and Assumed Pace of Development

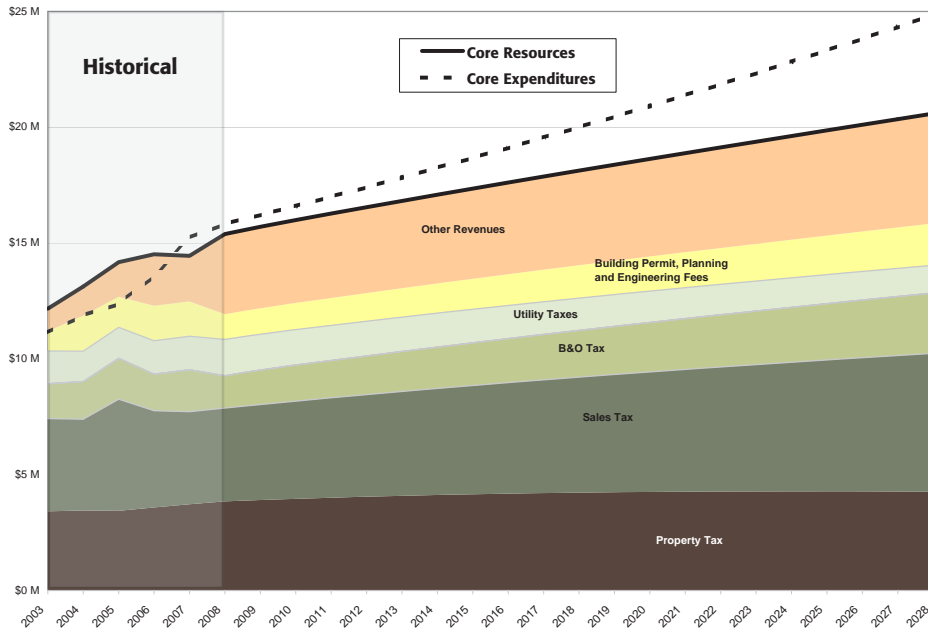
	Total Capacity (SF)	% Build-out at 2028	Comm SF Added through 2028	Avg SF per Year	% Distribution
<b>Current City</b>					
Industrial	3,024,000	75%	3,024,000	137,455	

Source: Thurston County Buildable Lands Inventory, 2007; Berk & Associates analysis, 2008

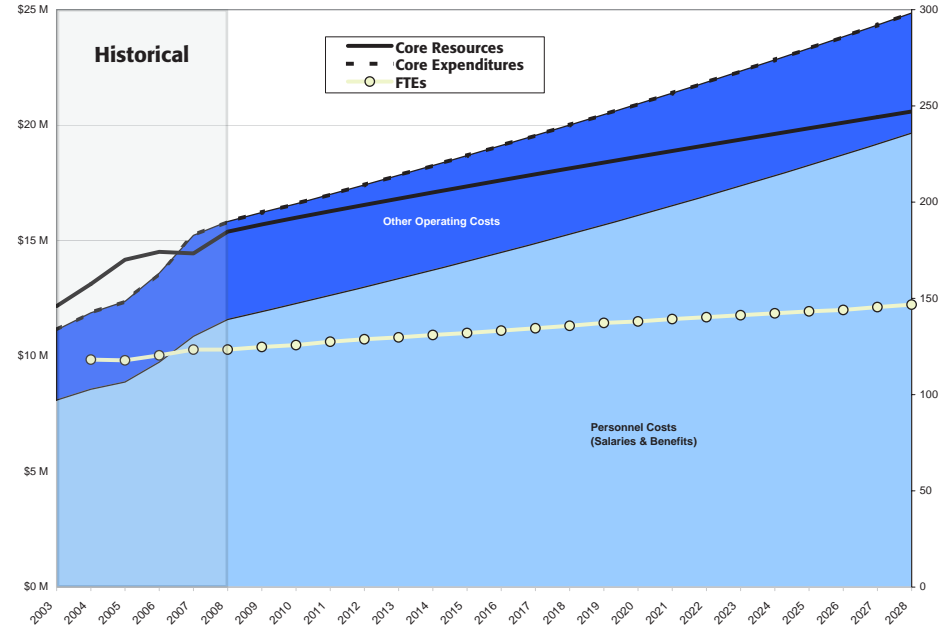
- Buildout assumptions have been chosen to calibrate to TRPC's population and employment estimates
- Development capacity assumptions are based on *Thurston County Buildable Lands Report*, updated in 2007: vacant, redevelopable, partially used, and pending parcels
- Residential unit capacity is estimated directly in the *Thurston County Buildable Lands Report*
- Residential and commercial density assumptions are based on recent achieved densities in the area
- Floor to Area (FAR) ratios of 0.35 for commercial and 0.30 for industrial were used to estimate building capacity related to developable commercial land
- Pace of development for the baseline growth scenario is based on historic trends in the City of Tumwater and history of permit activity
- **It is possible to test the fiscal impact of alternative development assumptions, including more or less total development, type of development and the timing of development**

# Baseline Projections

## City Core Revenues Over Time (Constant \$)



## City Core Expenses Over Time (Constant \$)



*Note: Charts do not include revenues or costs generated by the recently approved annexation*

### One-time Revenues from Potential Development:

- Property tax revenues from new construction assessed value (not subject to 1% limit)
- Revenues from taxable retail sales on construction
- Permit and plan check fees

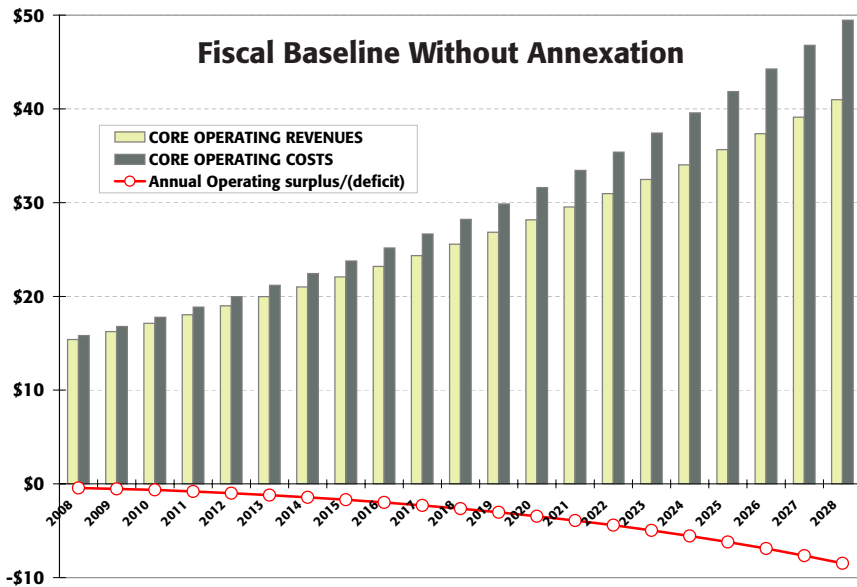
### Ongoing Revenues from Potential Development

- Revenues from taxable retail sales generated by commercial properties
- Utility tax revenues increase with new households and businesses

### Costs:

- Personnel Costs drive the City's expenses
- Total personnel costs (combined salaries and benefits) are growing at a rate that exceeds inflation

# Baseline Projections



## Actual Annual Average Growth Rate (2003-2007):

- Core Revenues: 4.4%
- Personnel Expenses - COLA (pegged to inflation) plus benefits and including staffing level growth: 7.6%
- Other Expenses: 9.6%

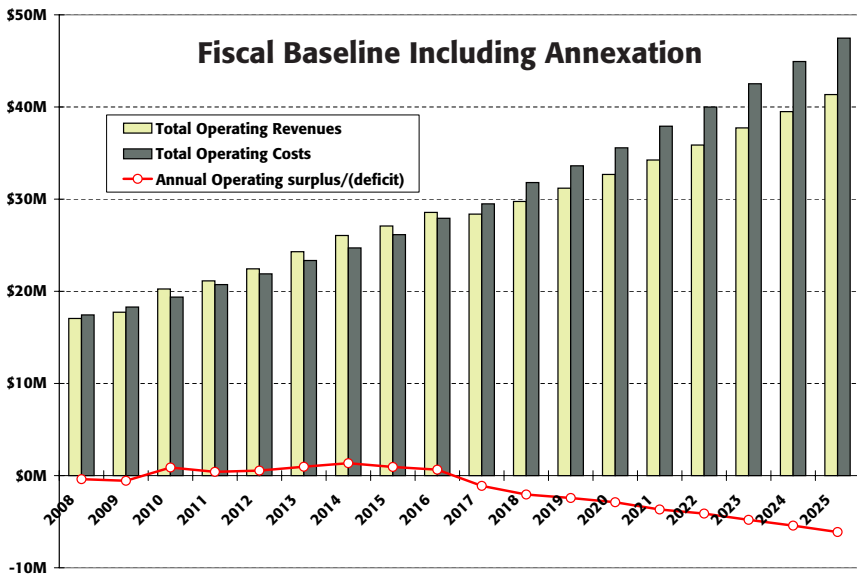
**Expenses are outpacing Revenues**

## Estimated Annual Average Growth Rate (2007-2028) without annexation:

- Core Revenues: 5.1%
- Personnel Expenses - COLA (pegged to inflation) plus benefits and including staffing level growth: 6.3%
- Other Expenses: 4.60%

## Estimated Annual Average Growth Rate (2007-2028) with annexation:

- Core Revenues: 6.5%
- Core Expenses (total combined personnel and other): 6.3%
- **Under the current baseline scenario, the annexation provides a near-term fiscal benefit with fiscal deficits in the long-term**
- **This assumes the city maintains current service levels, without adding service improvements**



Note: Revenues do not include beginning General Fund Balance; costs do not include ending General Fund Balance

# The Sustainability Challenge

**For most jurisdictions, achieving sustainability will require a mix of strategies.** The most successful organizations will find a way to effectively integrate **planning** (vision/forward looking), **management** (implementation) and **budgeting** (allocation of scarce resources) functions in service of a shared vision of the community and the role of municipal government.

## Revenue Focused Strategies

### OPERATING AND CAPITAL REVENUES

- **Economic development planning.** Identify ways to enhance revenues by affecting the pace and mix of development, expanding the city's retail base.
- **Assess current tax policies.** Consider options for new taxes or increased tax rates, including the role of future levy lid lifts, voter-approved bond measures and others.
- **Review user fees.** Maximize fee utilization to reduce general fund demands (parks & recreation, current planning).
- **Review land use policies.** Review land use mix in Comp Plan to optimize revenue generating capacity and demand for service and infrastructure.
- **Seek new taxing mechanisms.** Encourage decision-makers to expand the list of funding options (TIF, local option taxing authority).

### CAPITAL REVENUES

- **"Growth pays for growth."** Review impact and development fees.
- **New special purpose districts or dedicated funding.** Create dedicated funding for parks or other specialized services so these do not have to compete with general government services.
- **Local improvement districts.** Assess beneficiaries for the cost of new capital.

## Cost of Service Focused Strategies

### OPERATING AND CAPITAL COSTS

- **Process redesign.** Review how services are being delivered - look for efficiencies, make effective use of technology.
- **Establish performance measures and benchmarks.** Manage toward measurable objectives.
- **Review LOS standards.** Assess current service standards and practices.
- **Focus on core business areas.** Assess and prioritize demands for scarce resources.
- **Zero-based or outcome-based budgeting.** Consider alternative approaches to budgeting.
- **Labor policy review.** Assess the role of labor agreements in growth of public service costs (COLA's, step increases, health care costs, work rules).
- **Partnering opportunities.** Further pursue opportunities to partner with other entities, including nonprofits and community groups.
- **Contracting opportunities.** Identify opportunities to use the private sector.
- **Review land use policies.** Assess the cost implications of current land use policies.



## City of Tumwater Strategic & Economic Development Plans

# ECONOMIC DEVELOPMENT PROFILE

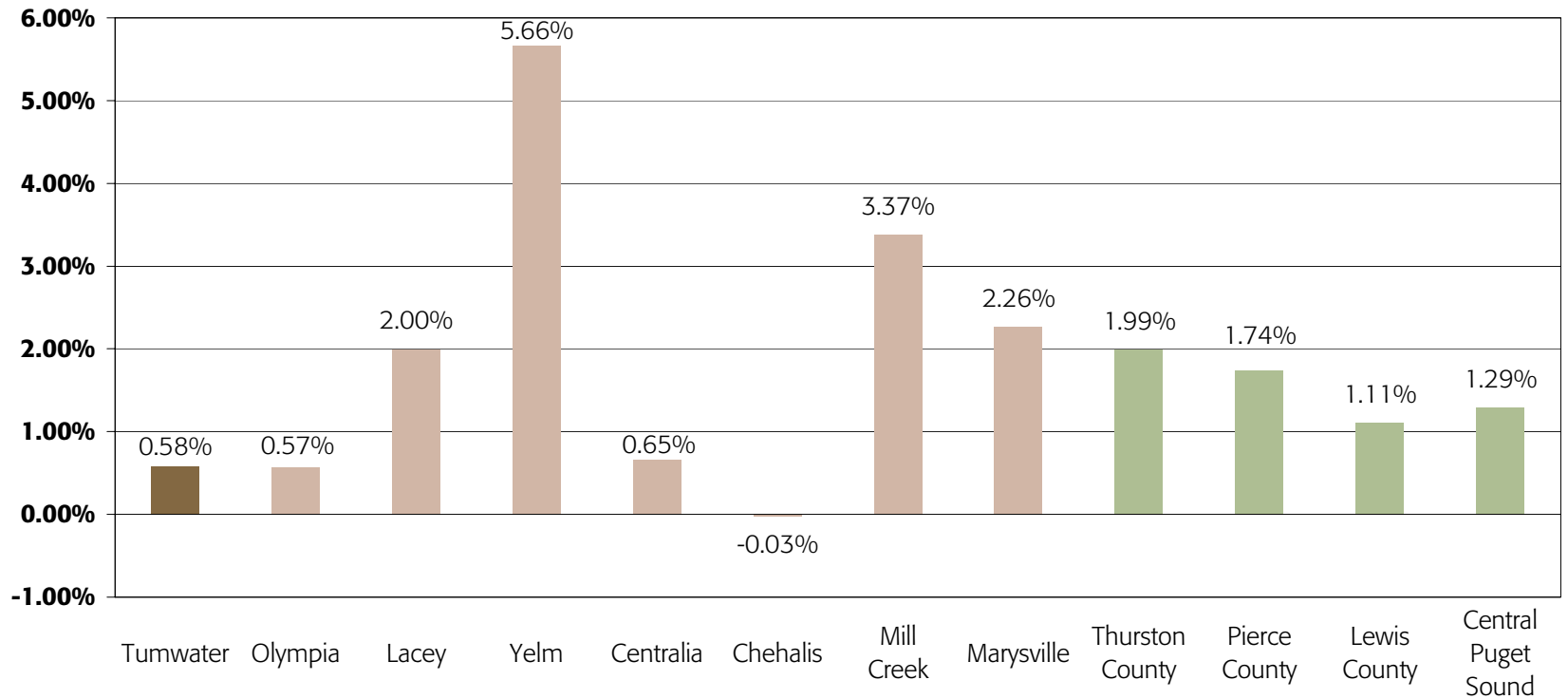
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# Population Growth

## Annual Average Population Growth, 2000-2007



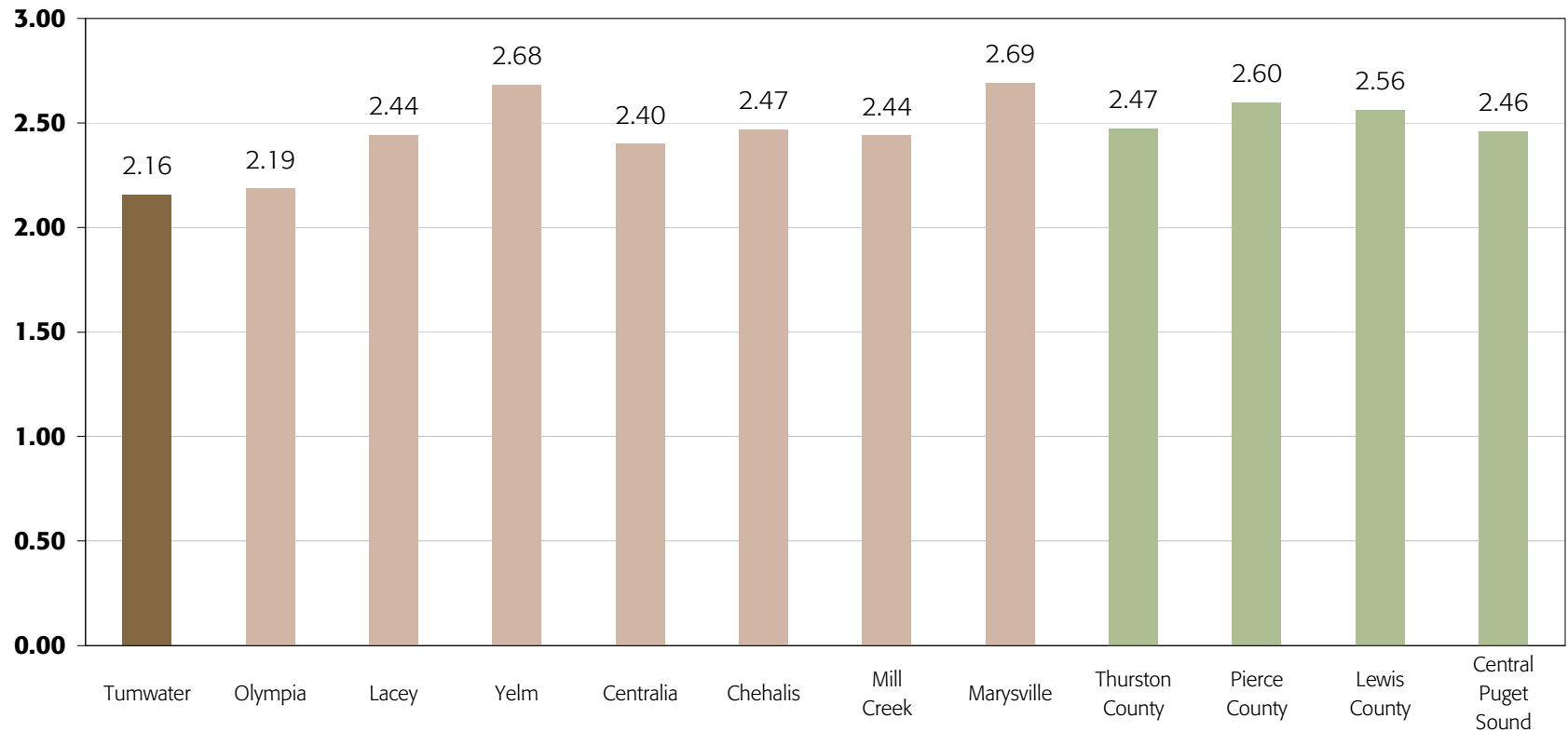
Annual Avg. Growth Rate	0.58%	0.57%	2.00%	5.66%	0.65%	-0.03%	3.37%	2.26%	1.99%	1.74%	1.11%	1.29%
Population 2000	12,698	42,514	31,226	3,289	14,742	7,057	11,525	25,315	207,355	700,818	68,600	3,275,857
Population 2007	13,220	44,230	35,866	4,837	15,429	7,044	14,539	29,608	238,000	790,500	74,100	3,582,900

Source: Washington Office of Financial Management, 2007

Notes: The "Central Puget Sound" region consists of King, Kitsap, Pierce, and Snohomish Counties combined.

# Persons per Household

## Persons per Household, 2007

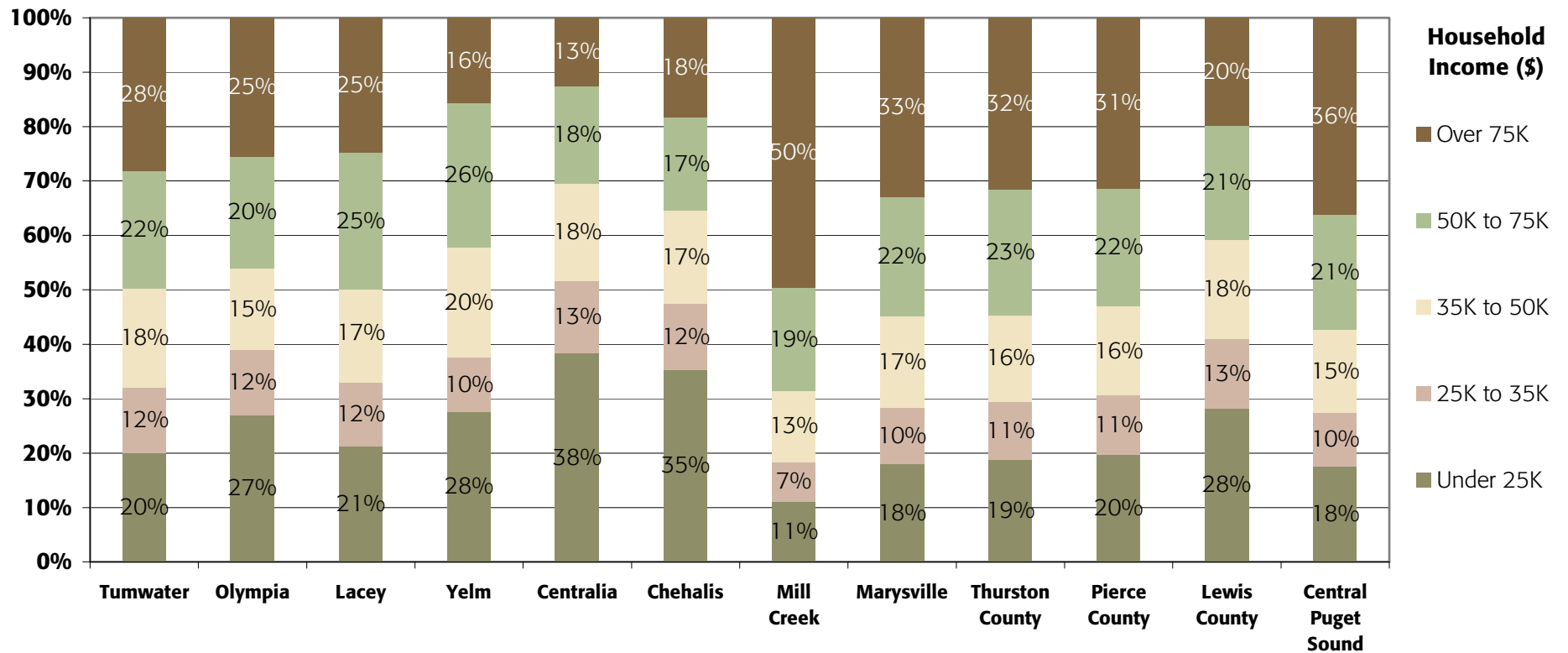


	Tumwater	Olympia	Lacey	Yelm	Centralia	Chehalis	Mill Creek	Marysville	Thurston County	Pierce County	Lewis County	Central Puget Sound
Persons per Household	2.16	2.19	2.44	2.68	2.40	2.47	2.44	2.69	2.47	2.60	2.56	2.46
Population in Households	13,048	43,123	33,819	4,454	14,864	6,766	13,522	29,942	229,252	749,734	72,333	3,434,120
Households	6,047	19,727	13,861	1,661	6,195	2,743	5,544	11,129	92,638	288,748	28,237	1,395,068

Source: Claritas, 2007

# Household Income

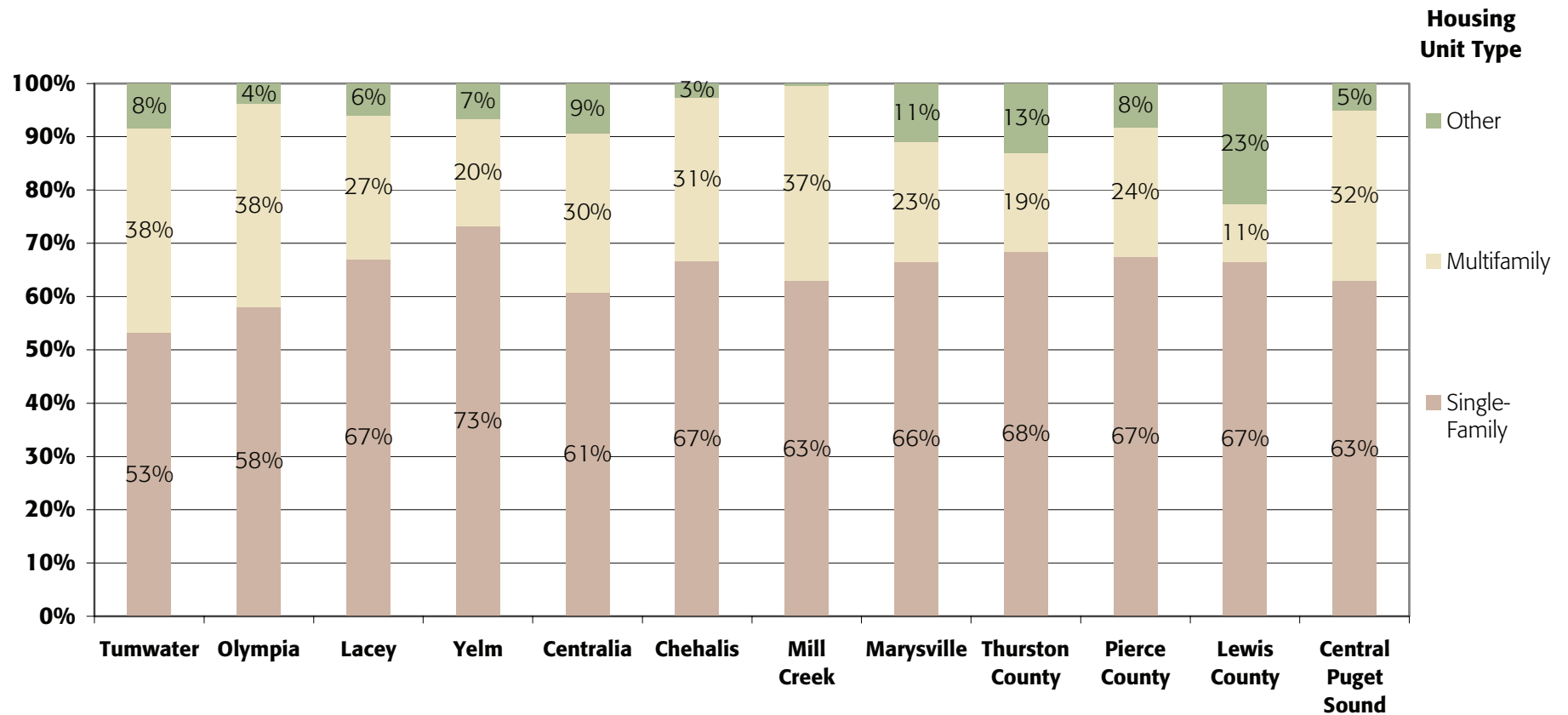
## Percentage of Total Households by Household Income Category, 2007



Source: Claritas, 2007

# Housing Unit Distribution

## Housing Unit Distribution by Type, 2007

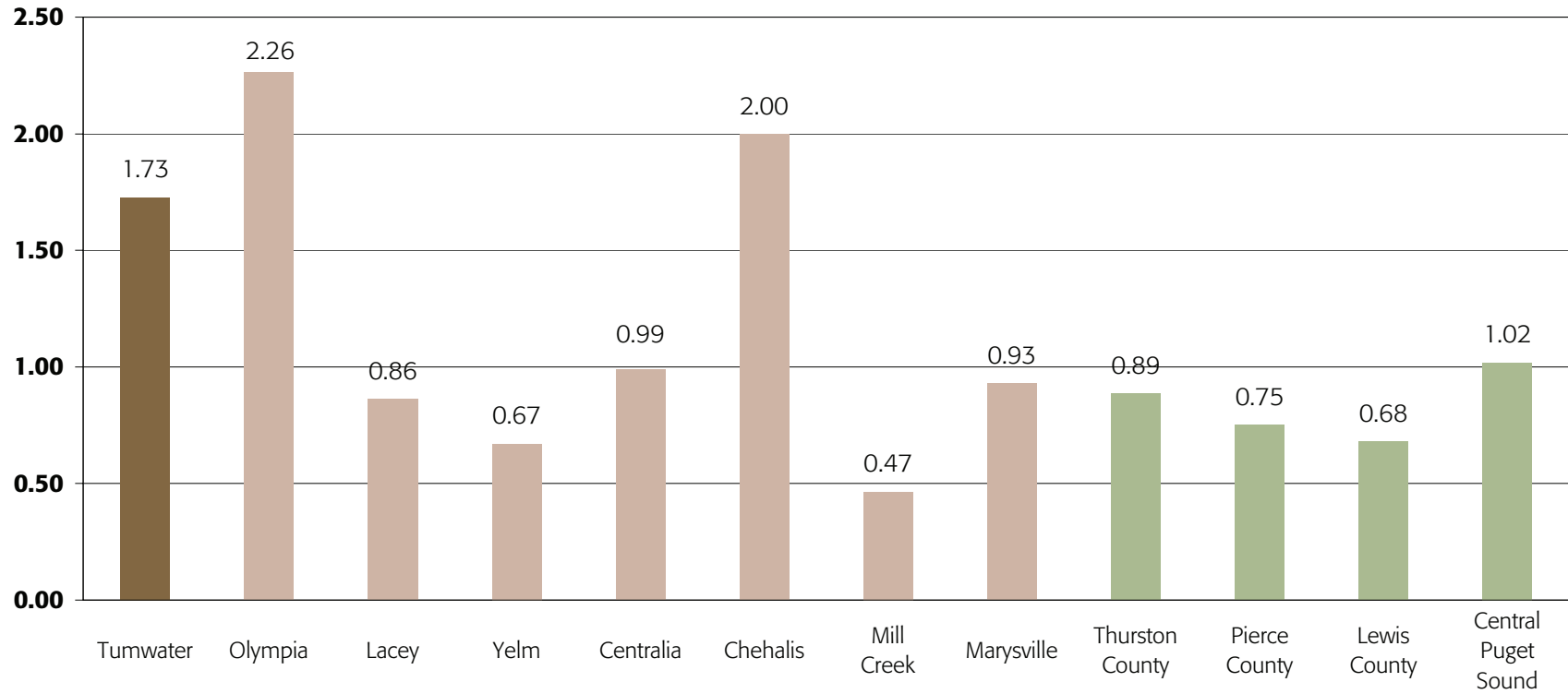


Source: Washington Office of Financial Management, 2007

Note: The "other" category is primarily comprised of mobile homes.

# Jobs to Housing

**Jobs to Housing Ratio, 2004**

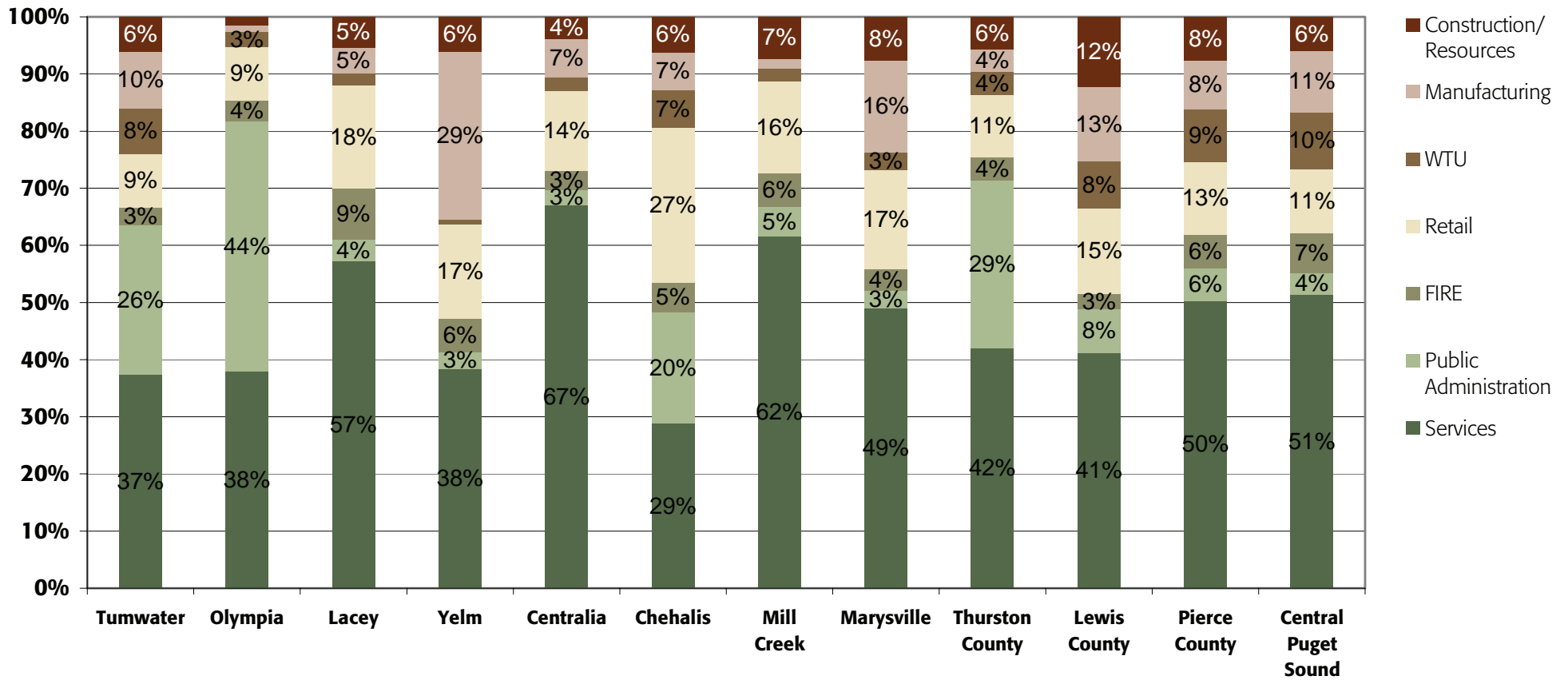


Jobs-Housing Ratio	1.73	2.26	0.86	0.67	0.99	2.00	0.47	0.93	0.89	0.75	0.68	1.02
Primary Jobs 2004	10,517	45,544	11,880	1,146	6,802	5,718	2,478	10,416	82,983	225,490	21,423	1,468,078
Housing Units 2004	6,090	20,127	13,776	1,712	6,881	2,861	5,321	11,220	93,733	300,170	31,490	1,441,019

Source: Washington Office of Financial Management; U.S. Census Bureau LEHD Program, 2007

# Employment by Category

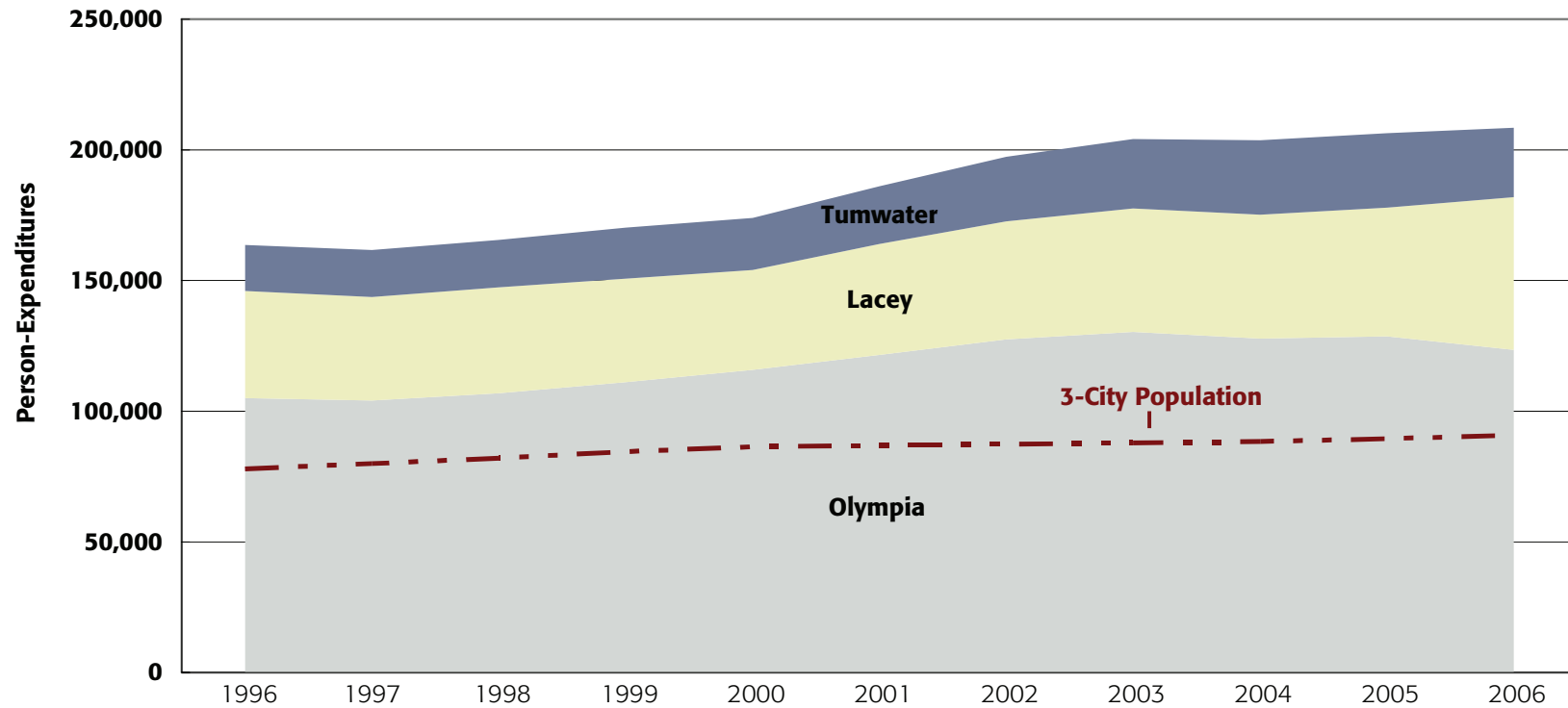
## Distribution of Primary Jobs by Category, 2004







Source: U.S. Census Bureau LEHD Program, 2007

# Regional Retail Market

## Total Retail and Restaurant Person-Expenditures in Tumwater, Lacey, and Olympia, 1996-2006

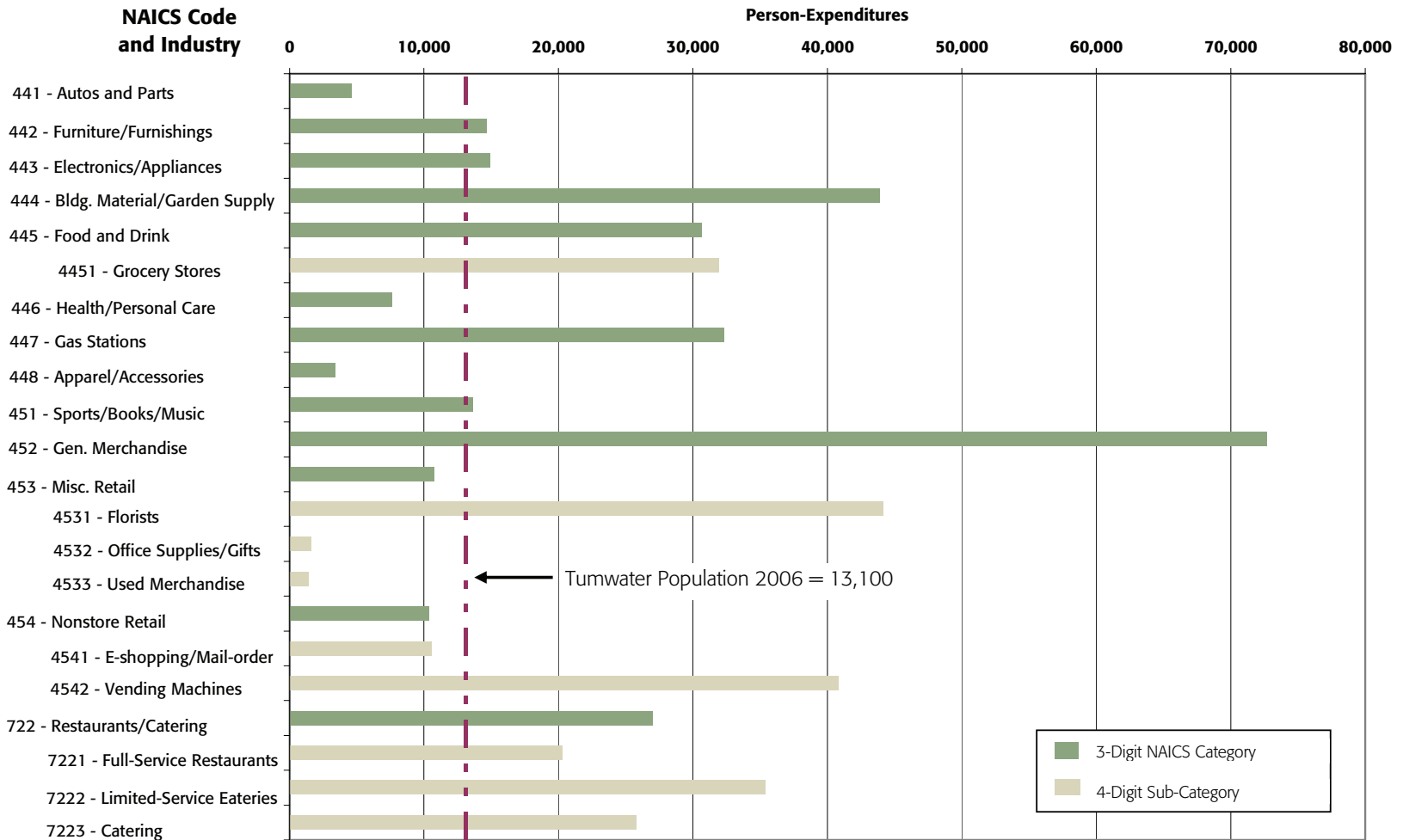


 Tumwater	17,611	17,909	18,249	19,493	19,861	22,132	24,644	26,553	28,493	28,490	26,524
 Lacey	40,971	39,579	40,429	39,623	38,198	42,403	45,223	47,224	47,315	49,404	58,476
 Olympia	105,013	104,132	106,907	111,120	115,835	121,546	127,474	130,339	127,813	128,562	123,452
 3-City Population	77,901	80,016	81,992	84,536	86,438	86,900	87,280	87,840	88,420	89,460	90,900

Source: Washington Department of Revenue, 2007

# Tumwater Retail

## Person-Expenditures in Tumwater by Retail Category, 2006



Source: Washington Department of Revenue, 2007

