

**TUMWATER CITY COUNCIL WORKSESSION
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CONVENE: 5:37 p.m.

PRESENT: Mayor Pete Kmet and Councilmembers Neil McClanahan, Joan Cathey, Debbie Sullivan, Leatta Dahlhoff, and Eileen Swarhout.

Excused: Councilmembers Michael Althausen and Tom Oliva.

Staff: City Administrator John Doan, Assistant City Administrator Heidi Behrends Cerniwey, City Attorney Karen Kirkpatrick, Police Chief Jon Weiks, Finance Director Ursula Euler, Public Works Director Jay Eaton, Fire Chief Scott LaVielle, Community Development Director Michael Matlock, Communications Manager Ann Cook, and Recording Secretary Valerie Gow.

**2019-2020 BIENNIAL
BUDGET
WORKSHOP #1**

City Administrator Doan and Finance Director Euler facilitated the first 2019-2020 biennial budget workshop focusing on accomplishments, current regional, state, and national economics, the budget approach for the biennial budget, and highlights of the 2017-2018 Biennium Budget. The budget reflects the City's vision, mission, beliefs, and is guided by the Council's Strategic Priorities. Budget proposals from each department are factored on those core values and beliefs.

The focus for the next five to ten years is pursuing targeted community development opportunities, building a community of quality, compassion, and humanity, providing a safe multimodal transportation system, providing sustained quality public safety services, refining and sustaining a great organization, and being a leader in environmental sustainability.

City Administrator Doan reviewed negative economic conditions affecting the City. Because the economy is state-based, the City will be impacted in 2020 because of the lag in economic activity. A significant amount of uncertainty exists nationally because of the November election, which might mean major change and potential impacts. Mortgage rates are rising and inflation is beginning to increase. County budgets continue to experience constraints with stagnate revenues.

Director Euler reviewed several positive economic conditions:

- Homes costing within the \$300,000 range continue to sell well
- Central Puget Sound continues to be strong
- State revenue is strong
- Consumer confidence is higher despite uncertainties

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- Local business activity growing and retail sales remain strong
- Strong community support and building the “Tumwater” brand
- Significant opportunities exist in Tumwater – housing prices, proximity to I-5, and Tumwater Craft branding

The biennial budget is factored on forecasted revenue from property taxes (1% cap; except for new construction), sales taxes, and utility and Business and Occupation (B&O) taxes.

While strength in the local economy continues and the City maintains its vigilance and oversight in managing revenues and expenses, the challenge continues to be a constrained budget because of limited revenues, increased operating expenses, increases in salaries and benefits, aging facilities requiring more maintenance and repairs, and a limited ability to increase fees.

Preliminary budget assumptions over the next two years are reflective of the following:

- Revenues increase by 6.5%
- Expenditures increase by 11.5%
- Use fund balance for facility and equipment reserves, deferred maintenance, equipment purchases, and facility repairs
- Continue to take advantage of financial tools – level of service changes, increase revenue sources, efficiencies, increase in taxes and fees, or pursuing one-time revenues

Despite the challenges of increasing costs and less revenue, the 2019-2020 biennial budget is dependent upon the following:

- Passage of the Metropolitan Park District measure to help stabilize the overall City budget; otherwise budget remains status quo
- Seeking appropriate economic development opportunities
- Completing study of fire regionalization with emphasis on alternative fire service model
- Exploring service changes to reduce costs
- New programs and staffing will depend on “service trading” or additional revenue sources
- Lobby to change property tax cap to match Consumer Price Index (CPI)

Director Euler reviewed some highlights from the 2017-2018 biennium:

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- Property taxes on track
- Sales tax performing 12% more than forecasted but growth is slowing
- B&O taxes are more than forecasted because of the improved economy and consumer confidence
- Utility taxes continue to remain strong
- Permit revenue and plan checks fees from construction exceed the forecast but are reducing
- Shared revenue remains steady – higher gas taxes, larger criminal justice, and marijuana sales
- Traffic citations decreased because of the decrease in police staffing
- The 2019-2020 biennium budget is factored on estimated 2018 actual expenditures and revenues

The Council offered observations, comments, and suggestions during the discussion:

- Consider reordering the focus of the vision to reflect a people-oriented perspective versus a strong economic focus
- The biennial budget includes some major deferred maintenance projects.
- The Craft District development is a significant development occurring over the next several years.
- Build-out continues in the Warehouse District.
- The increase in single-family development continues with the completion of the Preserve subdivision in addition to other single-family subdivision developments.
- Several large commercial and industrial developments are in the pipeline.

City Administrator Doan reported Workshop #2 would include a review of major General Fund goals and objectives, expenditures for General Fund departments, and the proposed balanced budget.

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

Mayor Kmet reported on information shared during a recent joint mayors meeting. The mayors discussed homelessness, housing, and messages from the City of Olympia indicative of the City of Lacey and City of Tumwater not contributing equally. Upon further questioning, the City of Olympia indicated a need for restroom showers to supplement the shelter operated by Interfaith Works. Mayor Kmet said he discussed with LOTT Clean Water Alliance the possibility of contributing some funds to support that need because of the nexus of homeless people living in local forests. Additionally, the City of Olympia anticipates the Salvation Army will need some

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additional funds because renovation and operational costs were higher than anticipated.

Interfaith Works representatives shared that more shower/restroom capacity is required but the facility is limited for expansion. Alternatively, self-contained construction trailer units could be added and connected to the facility.

The Amtrak contract is scheduled for renewal. The contract is a joint effort by the cities of Lacey, Olympia and Tumwater, Intercity Transit, and Amtrak. Amtrak has advised it will no longer contribute funds.

The City of Olympia continues to struggle with homeless housing and homelessness with the Council receiving some pushback from the community because of problems occurring in the community.

Councilmember Cathey asked about the opportunity to accommodate public comments during the Council's October 2, 2018 joint meeting with the Tumwater School District. City Administrator Doan said the joint meeting is scheduled on the day of the Council's regular meeting with no scheduled actions other than a similar agenda from the last joint meeting with the Tumwater School District at Peter G. Schmidt Elementary School. The Council is hosting the meeting.

Councilmember Cathey inquired as to the process for preparing for the joint discussion of topics included on the agenda. City Administrator Doan advised that he met with Superintendent John Bash to review a draft agenda prior to the teachers' strike and prior to some of the work pursued by the Council on homelessness and affordable housing. At the end of last week, they met and discussed the Community Summit on housing and homelessness and drafted an agenda to include an overview of potential new development occurring in the City because of its impact on the property tax base, a discussion on school construction projects, and a discussion on housing and homelessness. The district will share information on what it has learned from its homeless camp in terms of how homelessness impacts and is experienced within the Tumwater School District, and some personal stories about homelessness. Following those conversations, more discussion is planned on the Council's affordable housing and homelessness action plan. Time is also allocated to promote some dialogue around City and School District issues. The School District would like to conclude the conversation with a discussion on School District finances and the outcome of the strike and its impact on the future. The meeting at the River's Edge Restaurant begins at 5:30 p.m. with a meal and concludes at 8 p.m. Tumwater's School

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Resource Officers have been invited to attend the meeting.

Discussion ensued on soliciting support from the School District on the City's Metropolitan Park District ballot measure. Mayor Kmet recommended providing School District Boardmembers with a summary fact sheet on the measure.

Councilmember Council mentioned issues in the Tumwater School District associated with diversity and bullying that she would like to address during the meeting to increase the Board's awareness of community concerns surrounding racism, diversity, and bullying occurring in the schools.

ADJOURNMENT: With there being no further business, Mayor Kmet adjourned the meeting at 8:06 p.m.

Prepared by Puget Sound Meeting Services, psmsoly@earthlink.net