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2025–2026

Mayor's  
Proposed  
Budget

Mayor's  
Message

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Dear Tumwater City Council,

I am pleased to present the 2025-2026 Mayor's Proposed Budget. This preliminary biennial budget has been developed with careful consideration of our city's rich past, what Tumwater is today, and how Tumwater will be shaped in the future.

The budget, along with the City's Comprehensive Plan, is one of the most important responsibilities of Tumwater's elected leaders. Although it is stated in numbers, the budget represents an action plan for our next biennium and implements the core elements of the Council's 2025-2026 Strategic Priorities and Goals adopted earlier this year.

The 2025-2026 budget also reflects the changing, more stark reality: delivering city services to meet our community's needs continues to be increasingly challenging. We address several of the challenges through this biennium's budget and have a strategy for ensuring the budget aligns with community priorities in the long term.

This version of the Mayor's Proposed Budget is preliminary and is expected to change prior to final approval in December. It currently relies on using Ending Fund Balance to achieve a balance between revenues and expenditures. Working with our staff, we are continuing to refine the various components of this biennial budget, so we are able to reduce the amount of Ending Fund Balance necessary to achieve a balanced budget.

As outlined in more detail below, the strategy represented in this budget is to identify the current and future needs of our growing and changing community; to immediately address the most pressing of the existing needs; and to spend time and resources in 2025 developing a 10-year financial plan that is innovative, sustainable, and fiscally responsible to carry our community forward into a positive, prosperous future.

## **Economic Realities and Growing Challenges**

To begin, I would like to provide context on the challenges and opportunities Tumwater is experiencing as we grow, many of which are common to other cities throughout the Thurston County region and in Washington State. Much of the information below uses the latest available data from the U.S. Census, from Thurston County Regional Planning Council (TRPC), and other sources, including internal, Tumwater statistics.

We are a bigger city. In 2004, Tumwater had some 13,000 residents. Twenty years later, we are now home to more than 27,000 people and we are anticipating we will exceed 32,000 people by 2030, just five short years away. By 2045, TRPC projects there will be over 46,000 people living in Tumwater's Urban Growth Area (UGA).

According to the data, there has been both revenue and job growth in Tumwater over the past several years. For example, taxable retail sales have grown from \$.5 billion annually to \$1.23 billion annually from 2013 to 2022. We can also conservatively estimate there are now 27,000 jobs in Tumwater, up from 20,610 in 2014. With growth among the City's major employment sectors - including state government, health care, retail, professional services and manufacturing – TRPC projects Tumwater will have more than 37,000 jobs by 2045.

We are a more varied and culturally dynamic City than in the past. Census data shows roughly 76% of Tumwater identified as white in 2020, compared with 85% in 2010. This increasing cultural richness and demographic change presents innovative opportunities to further explore and implement our foundational beliefs in the PEOPLE of our community.

In 2021, TRPC data indicates more than 50% of households in Tumwater had an annual income of \$75,000 or more, and nearly 40% had annual incomes of \$100,000 or more. And yet, nearly one-third of City households were cost burdened during the timeframe of 2017-2021, and the poverty rate in Tumwater held steady at about 9% from 2012 to 2021.

Tumwater's participation in important and vital regional initiatives such as climate change adaptation and mitigation, reducing homelessness, environmental and habitat restoration, transportation infrastructure and emergency services has increased significantly in recent years.

City facilities and services have grown along with our community. From 2004 to 2024, we have added over 100 acres of parks, our fire and law enforcement personnel are responding to substantially increased calls for service, we are processing an additional 1,000 building and land use permits – many of which have increased in complexity – and we have almost doubled the number of connections to our public water and sewer systems, which have 10,121 and 7,676 customers in 2024, respectively.

During this same 20-year period (2004-2024), City staffing levels across all departments have increased from a City-wide total of 123 full-time equivalent (FTE) positions to 237 FTEs. Tumwater is assuredly transitioning to becoming a larger and more complex community and organization.

For the City, this context means we are faced with three primary challenges:

- Staffing levels have not kept pace with growth;
- We have deferred maintenance needs in our facilities; and
- The needs of our growing community come amid structural financial (revenue) challenges.

**Tumwater staffing levels have not matched the growth of our community and the associated needs for facilities, infrastructure, and services.** This imbalance between the need for services and staff to provide those services is seen when we look at the volume and complexity of our day-to-day work.

City permit staffing has increased approximately 12.5% over the past 12 years, during which time permit applications have increased in volume by more than 80%.

Utilizing the same number of employees, the overall size of Tumwater's water system has increased by 123% since 2020 and connections to the water system have grown 156% as the city's population has increased. Within the City's sewer department, the total FTEs decreased by 12% since 2020, while the overall size of our sanitary sewer system increased by 37%.

While our staff have done a fantastic job of securing outside funding to assist with our various transportation projects, we also have experienced delays in maintaining signals, streetlights, signs and maintenance on roadways and sidewalks because there are not enough employees to oversee projects.

As a full-service city (including a Fire Department) with 237 FTEs, Tumwater employs approximately 8 people per 1,000 residents. By comparison, the similarly sized full-service cities of Camas and Longview each have just over 9 employees per 1000 residents, and the City of Olympia employs approximately 11 people per 1,000 residents.

**We need to address deferred maintenance.** Our community counts on us to keep our parks and buildings in service and in good condition. Additionally, maintenance is an investment, as it is almost always less expensive to repair than to replace. Tumwater's growth has happened rather quickly, requiring our focus to be on implementing new facilities and infrastructure to serve our larger community. Understandably, repairs and

maintenance have been delayed as City resources – both human and financial – have been directed toward managing and accommodating growth.

The challenges related to the upkeep of our facilities are associated with both the volume and complexity of our maintenance obligations.

In 1999, the City had 4 parks maintenance employees taking care of 130 acres of parks. Today, we have 5.5 parks maintenance employees caring for 238 acres of parks. The personnel numbers do not match the need, nor the increasing types of maintenance required at each park, such as important and proactive tree care, trail system upkeep and new conservation initiatives.

Maintenance has evolved in complexity over the past decades with more technical equipment, higher and more complex safety standards, more housing directly adjacent to park lands, and expectations of greater responsiveness by the public. We have enhanced the amenities we provide in our parks like gardens, playfields, irrigation systems, and trails. At the same time, our ability to hire and retain seasonal workers with specialized skills to match the new technology and processes has become more challenging.

**Finally, we need to plan for growth, including new housing and services, which will increase our costs amid limited and diminishing revenue sources.** Housing units in Tumwater have grown from 8,060 in 2010 to approximately 12,000 in 2024. In 2030, TRPC forecasts nearly 15,000 housing units in the Tumwater UGA, which increases to 21,000 by 2045. With increased housing and housing types – including emergency and supportive facilities for our most vulnerable people - comes increased utility, emergency, transportation, and permitting services as well as all of the support services that keep the City organization functioning, such as finance, human resources and administration. This is, and has been, an ongoing challenge for our community, both in terms of costs as well as complexity.

Tumwater is not unique in this challenge. Cities in Washington State have been faced with a financial structural deficit for more than 20 years: the current annual 1% cap on an increase to the property tax levy. This cap limits the annual increase of a primary source of city revenue to a value that is significantly less than overall increased costs, which are often described by using the Consumer Price Index, or CPI. As described by the US Bureau of Labor Statistics, *“The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market ... based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living.”* (<https://www.bls.gov/regions/west/news->

[release/consumerpriceindex\\_seattle.htm](https://www.seattle.gov/finance/press-releases/consumer-price-index-seattle.htm)). Comparatively, the average August CPI for the Seattle-Tacoma-Bellevue area from 2020 through 2024 was 4.86%.

In Washington, property tax increases are not based on the increasing value of properties but rather on the amount of the property taxes assessed in the previous year. The property tax levy is the total amount of property taxes that will be collected each year by the jurisdiction – for example, \$1,000,000 – from the various properties located within its jurisdiction, such as city limits. Using this example, the 1% cap means the annual increase of the total amount of property tax collected from one year to the next will be \$10,000 for a total of \$1,010,000. When the total levy is shown to have grown more than that 1% (without some specific action taken by the jurisdiction), it is largely because new construction is added to that levy as it is added to the overall tax rolls for the County. For Tumwater, the property tax levy represents 25.7% of annual revenue, and the total levy for 2024 is \$9,500,000.

Consistent with other local governments in Washington State, the current 1% cap has created a structural deficit in the City's budget, which causes increasing difficulty in funding critical community needs. It reduces our ability to respond to new and emerging issues and diminishes our capacity to serve our community's growing population.

At the same time that we are faced with shrinking revenue sources, the actual cost of doing the City's business has grown steadily and will continue to grow with inflation and the increased need for services. In 2020, overall General Fund expenditures were approximately \$28.9 million. In 2023, they were \$36 million, and they are on track to exceed \$37 million this year. By 2026, we project expenditures will exceed \$51 million and they could reach nearly \$58 million by 2028. With increased population and community needs, just our police and fire investments are growing at a faster rate than general government over time.

Beyond growing needs, there has been a seismic shift in inflation over time. We no longer enjoy the historically low inflation levels that were in place since the Great Recession, and while inflation growth rates are tapering in recent months, the accumulated inflation is unlikely to recede any time soon. Implementing City government services today has become increasingly complex across our various functions - road and building maintenance, law enforcement and fire/emergency response, water and sewer utilities, recreation and cultural amenities, and ensuring we are a welcoming community. Key influences such as climate change, demographic changes, homelessness, technological advances - among other known and unknown future factors - mean the work of managing city government will continue to grow in complexity and will require more investment, both human and financial.

Thankfully, some revenue sources in Tumwater have been growing. Overall growth - new construction, new businesses and new people shopping in Tumwater and paying sales tax - as well as smart budgeting have kept the City out of the red despite our growing challenges. This revenue growth has helped to delay the impacts of the financial structural deficit described above and has allowed Tumwater to continue to avoid a “fiscal cliff.” Historical revenue growth for the city has been at a respectable 6.5% allowing for increasing reserves over time.

### **Long Term Financial Sustainability Requires Thoughtful Planning**

To meet our Strategic Priorities and Goals amid our emerging challenges, we have developed a financial strategy that is focused both on today’s immediate needs and on our long-term financial stability into the future. Our approach builds on the sound business and budgeting strategies of the recent past, and pivots towards additional, innovative techniques intended to maximize our ability to deliver the services our community needs. This strategy will be developed, refined, implemented, and adapted as needed over the next several biennial budget timelines, and is generally categorized into three phases.

- **Balance and stabilize:** The 2025-2026 budget achieves a balance between meeting our community’s needs with adequate resources, including beginning to address our staffing shortages. We will fund services and programs within our means, defer what we can defer, consider changes to the services we offer, and explore options for revenue consistent with the needs of the City.
- **Realign and reset:** Beginning in 2025, we will embark on a process to realign expenses and revenues with the community’s needs. We will engage the community to better understand their priorities, evaluate those priorities with Council to develop clear policy direction for the future. Additionally, we will work with municipal financial experts to complete an in-depth financial analysis, develop innovative tools and processes to address future needs, including exploring long-term funding options. These changes will be reflected in the 2027-2028 budget.
- **Refine and sustain:** With new tools and processes to steward and maintain city services adequately, we will avoid significant shortfalls in future biennial budgets and meet obligations that have been deferred. Within a new framework of sustainable financial management, we can pursue opportunities that align with community needs, steward programs with a clear understanding of trade-offs, and invest in Tumwater’s future.

## **Budget Highlights**

The City's financial resources are limited, so choices must be made about what programs and services can be funded. In Tumwater, these choices are developed by the City Council, which are then memorialized in the Strategic Priorities and Goals. Below are the Strategic Priorities that have been identified by the City Council, along with examples of how they are addressed in the 2025-2026 budget.

### **Build a Community Recognized for Quality, Compassion, and Humanity**

**Affordable Housing and Houselessness** – In addition to our on-going commitment to the Regional Housing Council - \$115,000 in cash as well as City Council Member and staff time – this budget allocates resources for the following initiatives, among others:

- Homeless Shelter, Emergency and Transitional Housing Assessment and Feasibility Study specifically for Tumwater;
- Continued funding for the Community Human Services program and the Low-Income/Senior Home Repairs program that was piloted in 2024;
- Ongoing funding for the Housing Authority of Thurston County's Sterling Pines development (former Tumwater Inn site) and the City of Olympia's Franz Anderson Permanent Supportive Housing project.

**Parks & Trails** – We will be continuing work on the Community Center Design project as well as completing a comprehensive update to our Parks, Recreation and Open Space Plan (the last complete update occurred in 2009), which will open up grant funding for future capital improvements.

**Crisis Response and CARES Programs** – To serve the needs of our most vulnerable community members, we will implement both a crises response program in partnership with Thurston Mason Behavioral Health/Olympic Health & Recovery Services as well as a Fire Department Community Assistance, Referrals and Education Services (FD CARES) program collaboratively with the City of Olympia Fire Department.

### **Be a Leader in Environmental Health and Sustainability**

**Climate Change and Sustainability** - We will continue working collaboratively and proactively to implement the Thurston Climate Mitigation Plan (TCMP), including continuing to leverage grant funding to support the transition of City facilities, equipment and operations to more "green" technologies. Additionally, we are hiring our first Urban Forester to continue our efforts to implement the City's adopted Urban Forestry Management Plan.



**Sewer System Improvements** – We will complete the required update to the City’s Sanitary Sewer Comprehensive Plan, and we will continue our education and outreach efforts to promote transition from on-site septic systems to our domestic sewer system, to identify incentive programs to promote low-income housing development, and to develop additional assistance programs to assist our most vulnerable community members.

**Stormwater Facilities Investments** – We are investing in capital projects throughout the Tumwater UGA aimed at improving our community’s water quality and natural environments including several stormwater, drainage system and outfall improvement efforts, flood reduction work, and habitat restoration and fish passage barrier removal projects.

## **Create and Maintain a Transportation System Safe for All Modes of Travel**

**Pavement Maintenance** – We will bring a proposed ballot proposition for Council consideration in early 2025 that will ask our community to vote affirmatively to continue funding the City’s Transportation Benefit District for another 10 years. This program has been instrumental in ensuring Tumwater’s streets are maintained and preserved, and in providing important match dollars to leverage available state and federal transportation improvement grant funding.

**Transportation Projects** – We will complete several design efforts for identified projects including Tumwater Boulevard Interchange, 79<sup>th</sup> Avenue Roundabout, and X Street Roundabout. In addition to these projects moving into construction during the later part of the biennium, additional construction will include 2<sup>nd</sup> Ave Pedestrian and Bike Improvements as well as Mottman Road Improvements, which is a collaborative project with the City of Olympia.

**Deschutes Valley Trail** – We will complete design and begin construction of the Deschutes Valley Trail.

## **Provide and Sustain Quality Public Safety Services**

**Implement the New Medic One Unit**– We will continue on-boarding and training of new Paramedic Firefighters to staff the new Medic Unit as outlined in our agreement with Thurston County Medic One. We will also move forward with necessary improvements and updates to Station T-2 to accommodate the new Medic Unit.

**Plan For/Begin Implementation of Body Worn Cameras (BWC)** – We will begin hiring and training the required supervisory and support personnel necessary to implement a

BWC program, engaging our community regarding their expectations for BWC, finalizing policies governing the program, training officers, evaluating/selecting/procuring and installing the various technology components including the cameras themselves as well as the computer hardware and software required for the program.

**Complete the New Law Enforcement Records Management System (LERMS) –**

Tumwater Police Department is the administrative agency for the new regional LERMS system, which is currently underway with the transition away from the old system.

## **Pursue Targeted Community and Economic Development Opportunities**

**Prairie Habitat Mitigation Land** – We will continue working with our local government partners and willing landowners to identify, secure and purchase prairie habitat mitigation land.

**Brownfield Redevelopment** - We are continuing our efforts to characterize existing environmental contamination within the Brewery District and at the WSDOT old headquarters building. As those efforts progress, we will embark on a regionally collaborative Planned Action EIS process to assist not only with any required environmental clean up activities, but to also identify and solidify partnerships to work toward redevelopment of these areas into productive, beneficial community assets as identified in the City’s planning documents.

**Comprehensive Plan Updates** – We will complete our GMA-required 10-year comprehensive plan review and update process in 2025, and will begin various implementation strategies, as work loads and financial resources such as grants allow.

## **Refine and Sustain a Great Organization**

**Market-Rate Salaries and Benefits & Limited New Positions** – We have been able to successfully negotiate Collective Bargaining Agreements (CBAs) with the Tumwater Police Guild and the Teamsters Union, and we are nearing a tentative agreement with IAFF Local 2409 (Firefighters) and expect that to be approved by the end of 2024. Similarly, we will be implementing market rate salary adjustments for all our non-represented staff in an effort to ensure we are able to keep and hire qualified people to join Team Tumwater. Additionally, in a limited fashion, we have attempted to fund some of the identified new positions, at least on a limited basis, until further financial and policy level analysis is complete.

**Operations and Maintenance Facility** – We are continuing with the design and permitting of the new Operations and Maintenance (O&M) Facility at the former Trails End Arena. We have included the start of construction of this facility in the 2025-2026

biennium, and we have included assumptions related to financing to support this project.

**ERP Implementation** – We are continuing with implementation of the new ERP system by adding staff resources – which were originally planned but not refilled when people left the City – to improve the timeline, efficiency and effectiveness of the new system.

The 2025-26 budget presented us with hard choices. It required an objective analysis to help us understand what we are able to fund based on current resources, and what needs to be deferred until the in-depth financial analysis has occurred and any resulting, policy level conversations regarding how to either increase revenue or decrease our levels of service can also occur. As a result, several items have been deferred and are not funded in this budget.

**Additional Positions** – The new positions included in this budget are a small fraction of those necessary to provide the services our community needs. The inability to fund necessary positions is the most significant barrier to moving forward with several projects and initiatives across the various City departments.

Police Department Strategic Growth Plan – Without the identified/associated staffing (beyond those devoted to body worn cameras), the Police Department will not be able to move beyond responding to calls for service, which even today is extremely difficult with limited staffing levels. Time to build trust with our community through proactive, community-based interactions – such as business liaison officers, retail patrols, community-focused patrols, crime victim volunteer program, youth academy – is severely limited.

Fire Department Strategic Plan – Several of the goals and objectives in the new Strategic Plan will be difficult to implement without additional personnel, including enhanced training opportunities, improved work/life balance, improved community outreach initiatives and implementation of a proactive Community Risk Reduction program.

Project Implementation is delayed or becomes more costly – The City has been in the position of not applying for grant funding because we do not have enough people to manage the projects that would be funded with those outside resources. Without additional positions, we are continuing in that mode, which means we are delaying projects, or we are spending more money on projects because we have to hire outside consultants to do the work due to resource constraints.

As expected for a service-oriented agency, personnel are the City of Tumwater's largest expenditure category. The bulk of what a city does – including maintaining parks and roads, planning, police and fire services, administration and much more – requires people to

make it happen. Our challenge with staffing levels has been a long-standing issue, and we are continuing to struggle providing adequate staffing for city services.

- We need to overcome our current staffing deficit. We need to recruit, train, equip, furnish, and deploy staff at adequate levels that are comparable to other cities in the region, consistent with City objectives.
- To retain quality staff, we need to assess and adjust pay to reflect current market rates.
- Both staffing and compensation are aspects to a more formalized approach to workforce planning and continuous improvement that we have begun to implement, with other key goals including expanding Diversity, Equity, Inclusion, and Belonging, safety, health and ongoing learning and training.
- We need to meet stewardship obligations to the public by addressing deferred maintenance in parks and other City facilities.
- Programs that the community values have been added without additional staffing. While city employees are doing their best to keep up with an expanded workload, this is not a sustainable approach for the long term.

**Deferred Maintenance** – We have only been able to fund a small portion of the identified deferred maintenance in our facilities and parks with this budget. Although we have included some of the positions requested to begin to address staffing needs for maintenance, for now, we will continue to utilize older equipment and to approach repairs and maintenance on a “break and fix” basis, as opposed to being able to implement a proactive asset management system.

### **A first step, and a continuing path forward**

The 2025-2026 budget is another step toward building a foundation and identifying and adopting tools to ensure we have a financially sustainable city government. The changing context requires a modified approach, and the 2025-2026 budget outlines our effort to address shortfalls, and prepares to strengthen our financial outlook with good planning.

I have noted some significant challenges, and we intend to meet those challenges through a combination of maximizing efficiencies, developing partnerships, pursuing outside revenue, reducing expenses, and delaying implementation of identified needs. This budget will help us to retain our current service delivery to the maximum extent possible as we work to explore and implement new and innovative financial opportunities to set us on a path to sustainability.

### **Appreciating staff and collaborative leadership**

Thank you to City staff for their tireless work and leadership. The Management Team and staff have worked together, putting aside their own departmental interests to look first at the needs of the City as a whole. This process – a different way than in the past – was challenging, creative and productive all at once. City management faced hard realities in cooperatively crafting this budget. Facing these realities is what we need to do as city leaders who care about every member of this community and the financial stability of the City we serve.

I am especially grateful to the City Council for its leadership and collaboration over the past several months as this budget has come together. Your creativity, values and strategic priorities shine through in this work.

Sincerely,

A handwritten signature in blue ink that reads "Debbie Sullivan". The signature is written in a cursive, flowing style.

Debbie Sullivan  
Mayor

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2025–2026

Mayor's  
Proposed  
Budget

Strategic  
Priorities &  
Goals

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## City of Tumwater

Strategic Priorities and Goals 2025 – 2026

### Build a Community Recognized for Quality, Compassion, and Humanity

- Support and advance intergenerational housing opportunities.
- Implement the Tumwater Housing Action Plan.
- Work with Regional Housing Authority to support regional programs and affordable housing.
- Explore alternative building materials for housing.
- Continue to streamline permitting processes for development and construction projects.
- Continue to maintain and advance positive Tribal Relations.
- Implement Metropolitan Parks District Commitments including planning for and siting a community center.
- Develop a city-wide trail system.
- Develop innovative partnerships and strategies with community human and social services organizations to improve service delivery to people in need, including senior citizens, low-income residents, and others.
- Review current water shutoff policies through an equity framework.

### Be a Leader in Environmental Health and Sustainability

- Engage the community on the benefits of environmentally sustainable practices.
- Promote community involvement in environmental programs, including highlighting local career pathways for students.
- Decarbonize new and existing City buildings whenever practicable.
- Sufficiently resource programs identified in the Thurston Climate Mitigation Plan and Urban Forestry Management Plans and prioritize implementation.
- Evaluate energy savings through resource sharing, recovery, and reuse concepts, including pilot Energy District demonstration projects.
- Assess climate change vulnerabilities of City infrastructure and resources.
- Promote a higher level of environmental and community protection through the integration of ecosystem services and environmental justice for City actions, where feasible.
- Continue to fund and promote septic-to-sewer conversions.
- Continue to ensure ample drinking water supply and support water reuse opportunities.
- Improve overall habitat and water quality by assessing fish passages, removing obstructions, converting urban-density septic systems, and collaborating with area Tribes.

## Create and Maintain a Transportation System Safe for All Modes of Travel

- Continue implementation of the Capitol Boulevard Plan.
- Implement transportation components of the Brewery District Plan.
- Continue to improve maintenance and interconnectivity of a bicycle and pedestrian system.
- Continue implementation of and evaluate new funding sources for the Sidewalk Program.
- Update Transportation Impact Fee Program and Transportation Plan.
- Provide a safe, efficient, and cost-effective transportation system.
- Continue improving the maintenance of the transportation system.
- Demonstrate the importance and impact of the Transportation Benefit District.
- Explore opportunities to extend multimodal transportation facilities to areas of the City outside the urban core.

## Provide and Sustain Quality Public Safety Services

- Complete and begin implementation of the Law Enforcement Strategic Growth Plan.
- Complete and begin implementation of the Fire Department Strategic Plan.
- Ensure timely, efficient, and effective public safety response in our community.
- Explore and implement partnerships to improve efficiency of service delivery.
- Evaluate and promote City programs to reduce risk to life and property throughout our community.
- Develop innovative initiatives and programs to address growing service demands.

## Pursue and Support Targeted Community and Economic Development Opportunities

- Update and Implement the City's Economic Development Plan.
- Support the Tumwater Craft movement.
- Facilitate brownfield revitalization in the Brewery District and Capitol Boulevard Corridor.
- Use strategic targeted public investment to leverage private and other sources of investment.
- Establish a development climate that stimulates economic development, consistent with the comprehensive plan.
- Promote opportunities to implement Town Center/City Square mixed-use concepts.
- Promote economic development strategies with a "triple bottom line" – people, planet, and prosperity - sustainability perspective.
- Complete and implement the Habitat Conservation Plan.

## Refine and Sustain a Great Organization

- Be good stewards of public funds by following sustainable financial strategies.
- Update the non-represented employee compensation plan.
- Attract, retain, and promote a talented and diverse workforce.
- Create a dynamic culture of Diversity, Equity, Inclusion, and Belonging.
- Support an environment of continuous learning and improvement, including Council.
- Enhance recruitment through new partnerships.
- Study compensation for commissions and boards.
- Review plans, policies, and documents for potentially racist and biased language.



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2025–2026

Mayor's  
Proposed  
Budget

Financial  
Information &  
Proposed Budget

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**CITY OF TUMWATER**

*Proposed Budget*

**2025-2026**

FUNDS BY TYPE	Beginning Fund Balance	Revenues	Total Resources	Expenditures	Ending Fund Balance	Proposed Budget
<b>General Government Funds</b>						
001 General Fund	\$ 23,567,529	\$ 95,703,685	\$ 119,271,214	\$ 105,939,908	\$ 13,331,306	\$ 119,271,214
002 Public Safety Reserve	1,472,246	4,370,800	5,843,046	4,877,629	965,417	5,843,046
007 Permit Reserve	736,709	40,000	776,709	-	776,709	776,709
008 Emergency Reserve	2,106,528	70,000	2,176,528	-	2,176,528	2,176,528
009 Facilities Reserve Fund	1,713,648	180,000	1,893,648	-	1,893,648	1,893,648
012 Recreation Special Programs	94,495	145,400	239,895	109,250	130,645	239,895
015 Parks Board	139,830	50,000	189,830	40,000	149,830	189,830
016 E-Link & Fiberoptics	799,298	376,000	1,175,298	361,000	814,298	1,175,298
017 Historical Commission	31,556	22,000	53,556	20,000	33,556	53,556
018 K-9	2,921	800	3,721	2,850	871	3,721
019 US Flag Recognition	13,715	1,200	14,915	1,100	13,815	14,915
<b>GENERAL GOVERNMENT FUNDS</b>	<b>\$ 30,678,475</b>	<b>\$ 100,959,885</b>	<b>\$ 131,638,360</b>	<b>\$ 111,351,737</b>	<b>\$ 20,286,623</b>	<b>\$ 131,638,360</b>
<b>Special Revenue Funds</b>						
105 Affordable Housing Sales Tax Fund	\$ 81,750	\$ 135,000	\$ 216,750	\$ 126,000	\$ 90,750	\$ 216,750
107 Domestic Violence Prevent Fund	3,210	400	3,610	3,226	384	3,610
108 Drug & Other Seizure Fund	53,000	5,000	58,000	58,000	-	58,000
109 Lodging Tax Fund	709,608	876,000	1,585,608	988,809	596,799	1,585,608
111 Development Fees Fund	13,983,574	5,600,000	19,583,574	7,284,000	12,299,574	19,583,574
120 Barnes Lake Mgmt Dist. Fund	34,149	67,120	101,269	73,331	27,938	101,269
130 Transportation Benefit District	2,038,746	5,080,000	7,118,746	6,635,650	483,096	7,118,746
<b>Debt Service Fund</b>						
200 General Obligation Debt Service Fund	\$ 42,504	\$ 490,281	\$ 532,785	\$ 390,500	\$ 142,285	\$ 532,785
<b>Capital Project Funds</b>						
303 General Government CFP Fund	\$ 2,567,356	\$ 36,544,572	\$ 39,111,928	\$ 36,427,549	\$ 2,684,379	\$ 39,111,928
304 Transportation CFP Fund	7,506,843	28,601,249	36,108,092	34,723,929	1,384,163	36,108,092
<b>Proprietary Funds</b>						
400 Water Utility Fund	\$ 16,468,722	\$ 61,471,612	77,940,334	\$ 59,943,499	\$ 17,996,835	\$ 77,940,334
401 Sewer Utility Fund	16,871,746	29,241,729	46,113,475	30,438,621	15,674,854	46,113,475
411 Storm Utility Fund	10,392,308	34,005,044	44,397,352	28,015,086	16,382,266	44,397,352
480 Golf Course Fund	-	5,977,268	5,977,268	5,977,268	-	5,977,268
<b>Internal Service Funds</b>						
501 Equip Rental & Rsv Fund - Fleet	\$ 3,829,870	\$ 7,255,523	\$ 11,085,393	\$ 6,279,936	\$ 4,805,457	\$ 11,085,393
502 Equip Rental & Rsv Fund - IT	471,924	6,451,773	6,923,697	6,208,700	714,997	6,923,697
<b>CITY-WIDE TOTALS</b>	<b>\$ 105,733,785</b>	<b>\$ 322,762,456</b>	<b>\$ 428,496,241</b>	<b>\$ 334,925,841</b>	<b>\$ 93,570,400</b>	<b>\$ 428,496,241</b>

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2025–2026

Mayor's  
Proposed  
Budget

General Fund  
Summary Budget  
& Graphs

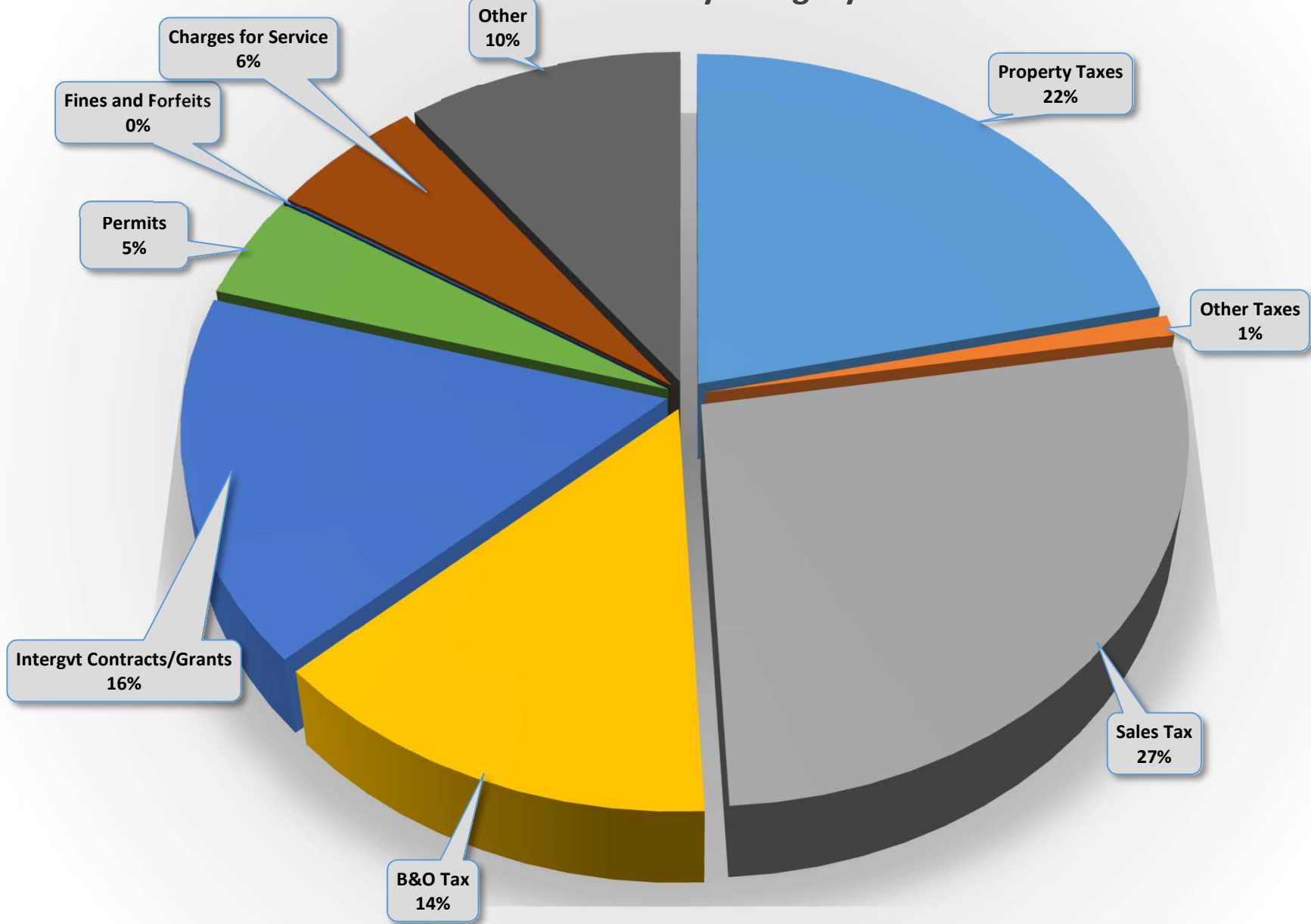


**CITY OF TUMWATER**  
**General Fund Proposed Budget**  
**2025 - 2026**

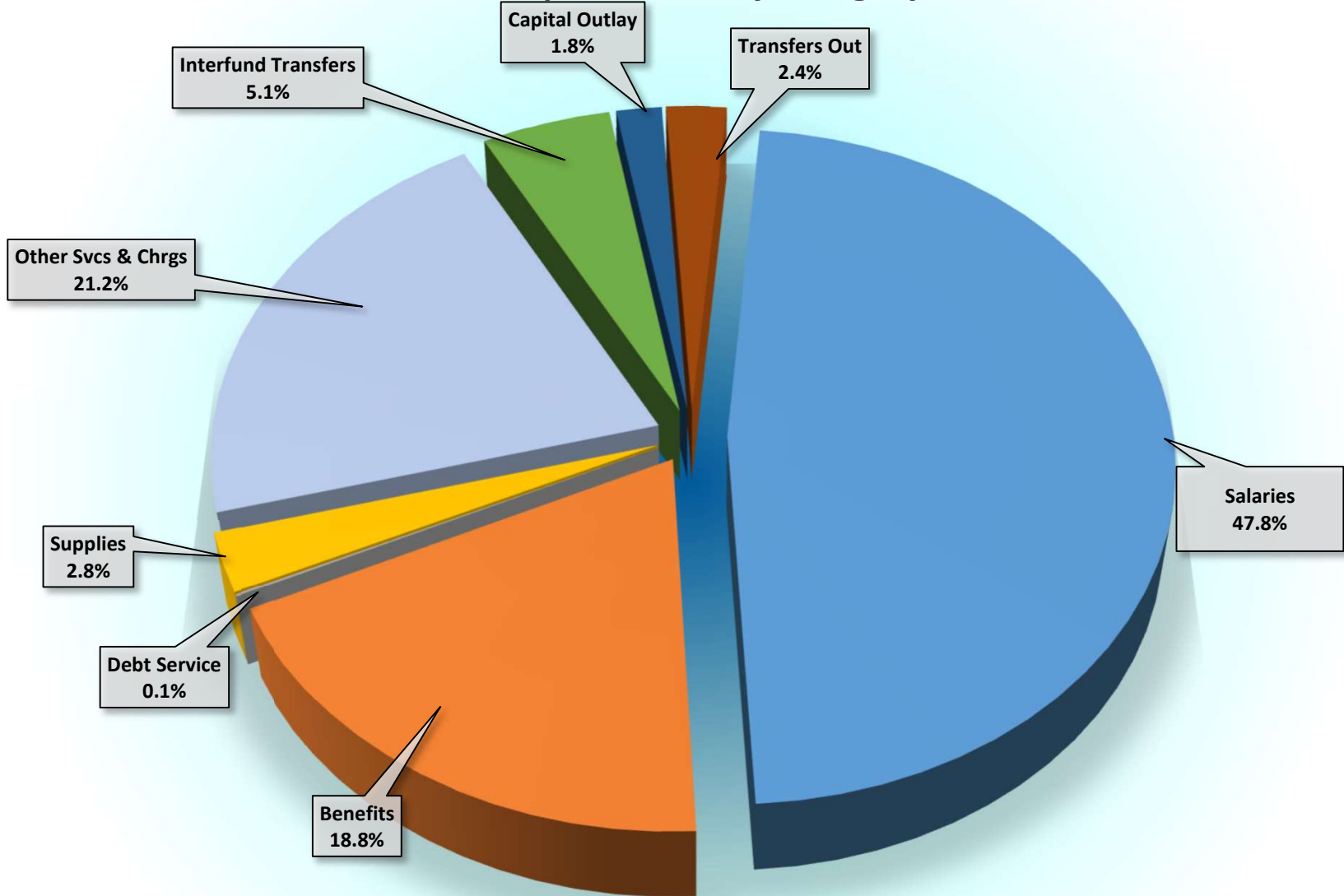
	2021-2022 Actual	2023-2024 Adjusted Budget	2023-2024 Estimate	2025-2026 Proposed Budget
<b>BEGINNING FUND BALANCE</b>	\$ 11,122,466	\$ 20,883,341	\$ 20,883,341	\$ 23,567,529
<b>REVENUES</b>				
Property Tax	\$ 16,811,491	\$ 18,600,000	\$ 18,496,633	\$ 20,529,000
Sales Tax	20,449,321	18,508,500	22,501,641	25,679,075
Utility Tax	5,147,750	5,895,000	5,796,418	7,201,898
Business & Occupation Tax	6,122,062	6,300,000	6,083,139	6,192,040
Other Taxes	718,433	675,000	785,333	902,000
Intergovernmental Contracts	6,351,033	8,026,707	7,528,778	11,514,108
Shared Revenue and Grants	5,582,847	3,890,436	4,007,636	4,084,577
Service Fees-Internal	3,189,943	3,027,000	2,939,230	3,125,000
Service Fees-Rgst/PlnCh/Insp	2,599,855	1,531,500	4,173,635	2,302,000
Fines & Forfeits	87,198	83,000	71,040	60,000
Development/Permits Fees	2,986,331	2,140,000	3,412,330	3,295,077
Other Licenses & Permits	1,049,248	955,500	1,022,958	1,109,000
Transfers In/Interfund	2,664,034	4,316,221	3,849,609	6,929,348
Miscellaneous	659,377	269,000	1,631,750	2,758,562
Other Financing Sources	235,876	267,000	3,957	22,000
<b>TOTAL RESOURCES</b>	\$ 85,777,265	\$ 95,368,205	\$ 103,187,428	\$ 119,271,214
<b>EXPENDITURES</b>				
Salaries and Wages	\$ 31,307,494	\$ 39,000,242	\$ 38,734,703	\$ 50,728,051
Benefits	13,464,152	15,936,202	15,824,669	19,916,247
Supplies	1,770,079	2,158,943	1,943,300	2,920,272
Other Services & Charges	9,721,380	18,580,754	15,835,496	22,440,925
Intergovernmental	4,610,672	5,080,923	5,080,923	5,402,865
Capital Outlay	336,564	436,973	116,473	1,875,575
Debt Service	54,481	-	54,481	109,050
Interfund Transfers Out	3,629,102	2,260,410	2,029,854	2,546,923
<b>TOTAL EXPENDITURES</b>	\$ 64,893,924	\$ 83,454,447	\$ 79,619,899	\$ 105,939,908
Ending Fund Balance-appropriated	n/a	11,944,374	23,567,529	13,331,306
<b>TOTAL APPROPRIATION</b>	64,893,924	95,398,821	103,187,428	119,271,214
<b>ENDING FUND BALANCE</b>	\$ 20,883,341	\$ 11,944,374	\$ 23,567,529	\$ 13,331,306

EXPENDITURES BY DEPT	2021-2022 Actual	2023-2024 Adjusted Budget	2023-2024 Estimate	2025-2026 Proposed Budget
Fire & Emergency Services	\$ 16,960,187	\$ 20,141,010	\$ 19,703,126	\$ 25,620,703
Police	15,858,770	18,989,518	18,378,212	24,557,275
Parks & Recreation	7,778,634	11,287,598	10,696,459	13,672,688
Transportation & Engineering	5,166,400	7,628,319	7,149,775	11,015,061
Non-Departmental	7,036,107	7,082,855	7,124,832	7,980,622
Community Development	3,819,776	6,228,160	5,654,521	6,864,434
Finance	4,046,621	5,369,857	4,949,174	5,658,794
Executive	1,889,384	2,410,251	2,232,498	4,421,234
Administrative Services	1,258,233	2,266,144	1,907,169	2,055,864
City Attorney	818,660	1,277,107	1,144,106	2,184,483
Water Resources & Sustainability	-	438,701	372,971	1,491,661
Legislative	261,152	334,927	307,056	417,089
<b>TOTAL DEPARTMENT EXPENDITURES</b>	\$ 64,893,924	\$ 83,454,447	\$ 79,619,899	\$ 105,939,908

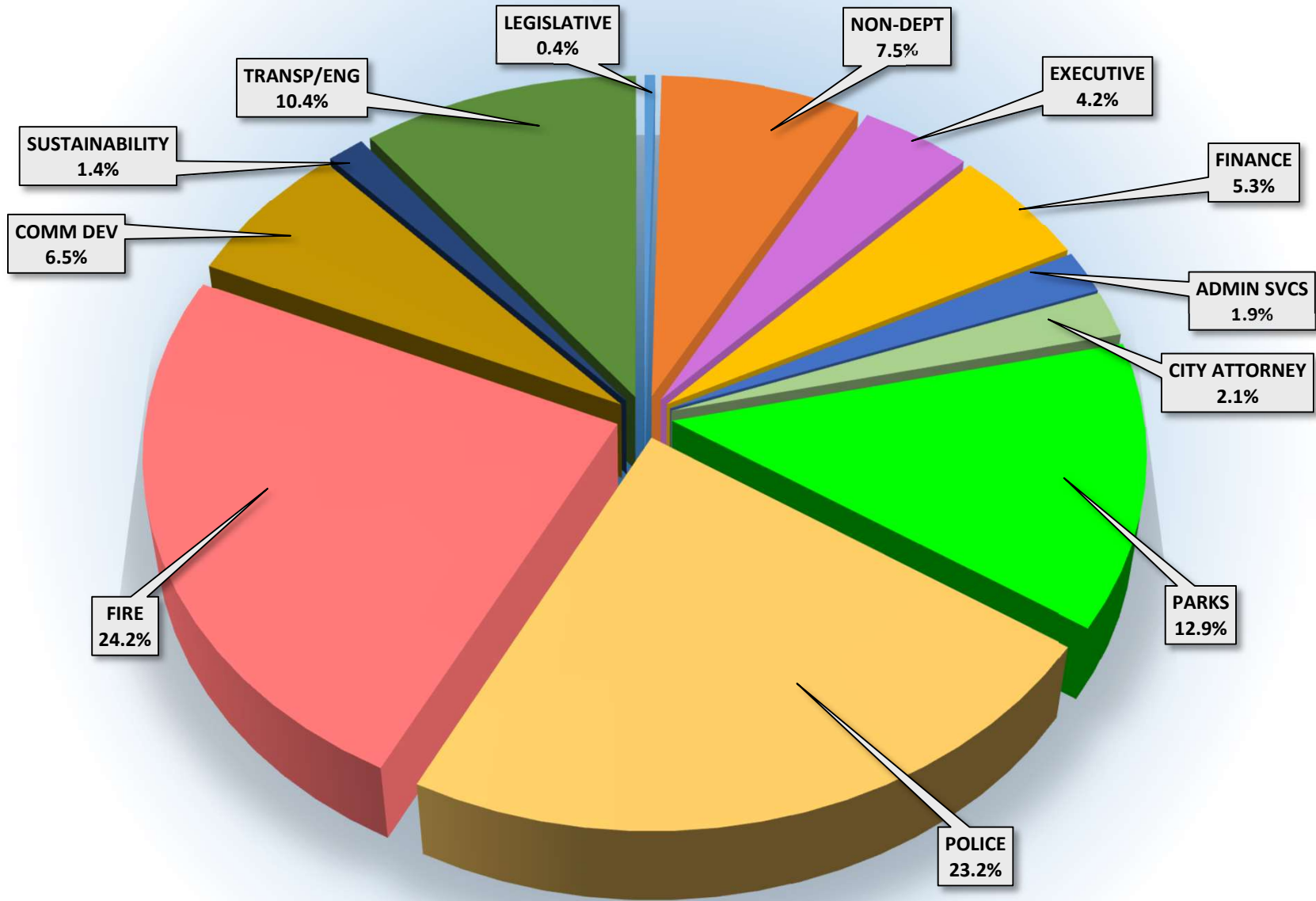
## General Fund Revenue By Category 2025-2026



## General Fund Expenditures by Category 2025-2026



## General Fund Expenditures by Department 2025-2026



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2025–2026

Mayor's  
Proposed  
Budget

Proposed Revenue  
Projections –  
All Funds





## Proposed Revenue Projection

Fund	Character Code	2025-2026
		Proposed Budget
001 - GENERAL FUND	BB - Property Taxes	20,529,000
001 - GENERAL FUND	BD - Sales Taxes	25,679,075
001 - GENERAL FUND	BI - Utility Taxes	7,201,898
001 - GENERAL FUND	BO - B&O Taxes	6,192,040
001 - GENERAL FUND	BZ - Other Taxes	902,000
001 - GENERAL FUND	CA - Intgovtl Contracts	11,514,108
001 - GENERAL FUND	CD - Shared Rev and Grant	4,084,577
001 - GENERAL FUND	CO - Svc Fees - Internal	3,125,000
001 - GENERAL FUND	CS - SvcFees PlnChk/Insp	2,302,000
001 - GENERAL FUND	FF - Fines & Forfeits	60,000
001 - GENERAL FUND	HD - Dvlpmnt/Permit Fees	3,295,077
001 - GENERAL FUND	HI - Other Lic & Permits	1,109,000
001 - GENERAL FUND	IF - Transfers In	6,929,348
001 - GENERAL FUND	VO - Misc Revenues	2,758,562
001 - GENERAL FUND	ZZ - Othr Financng Source	22,000
<b>001 - GENERAL FUND Total</b>		<b>95,703,685</b>
002 - GENERAL FUND- LEVY LID LIFT	BB - Property Taxes	4,210,800
002 - GENERAL FUND- LEVY LID LIFT	VO - Misc Revenues	160,000
<b>002 - GENERAL FUND- LEVY LID LIFT Total</b>		<b>4,370,800</b>
007 - PERMIT RESERVE	VO - Misc Revenues	40,000
<b>007 - PERMIT RESERVE Total</b>		<b>40,000</b>
008 - EMERGENCY RESERVE	VO - Misc Revenues	70,000
<b>008 - EMERGENCY RESERVE Total</b>		<b>70,000</b>
009 - FACILITY RESERVE FUND	VO - Misc Revenues	180,000
<b>009 - FACILITY RESERVE FUND Total</b>		<b>180,000</b>
012 - RECREATIONAL YOUTH PROGRAMS	CS - SvcFees PlnChk/Insp	137,400
012 - RECREATIONAL YOUTH PROGRAMS	VO - Misc Revenues	8,000
<b>012 - RECREATIONAL YOUTH PROGRAMS Total</b>		<b>145,400</b>
015 - PARKS BOARD	IF - Transfers In	40,000
015 - PARKS BOARD	VO - Misc Revenues	10,000
<b>015 - PARKS BOARD Total</b>		<b>50,000</b>
016 - E-LINK & FIBER	VO - Misc Revenues	376,000
<b>016 - E-LINK &amp; FIBER Total</b>		<b>376,000</b>

## Proposed Revenue Projection

Fund	Character Code	2025-2026 Proposed Budget
017 - HISTORICAL COMMISSION	IF - Transfers In	20,000
017 - HISTORICAL COMMISSION	VO - Misc Revenues	2,000
<b>017 - HISTORICAL COMMISSION Total</b>		<b>22,000</b>
018 - K-9	VO - Misc Revenues	800
<b>018 - K-9 Total</b>		<b>800</b>
019 - U.S. FLAG RECOGNITION PROGRAM	VO - Misc Revenues	1,200
<b>019 - U.S. FLAG RECOGNITION PROGRAM Total</b>		<b>1,200</b>
105 - AFFORDABLE HOUSING SALES TAX	BD - Sales Taxes	126,000
105 - AFFORDABLE HOUSING SALES TAX	VO - Misc Revenues	9,000
<b>105 - AFFORDABLE HOUSING SALES TAX Total</b>		<b>135,000</b>
107 - DOM VIOLENCE ADV/PREVENT	VO - Misc Revenues	400
<b>107 - DOM VIOLENCE ADV/PREVENT Total</b>		<b>400</b>
108 - FORFEITURES & SEIZURES	VO - Misc Revenues	5,000
<b>108 - FORFEITURES &amp; SEIZURES Total</b>		<b>5,000</b>
109 - LODGING TAX FUND	BD - Sales Taxes	800,000
109 - LODGING TAX FUND	VO - Misc Revenues	76,000
<b>109 - LODGING TAX FUND Total</b>		<b>876,000</b>
111 - DEVELOPMENT/SPECIAL FEES	CS - SvcFees PlnCk/Insp	4,800,000
111 - DEVELOPMENT/SPECIAL FEES	VO - Misc Revenues	800,000
<b>111 - DEVELOPMENT/SPECIAL FEES Total</b>		<b>5,600,000</b>
120 - BARNES LAKE MANAGEMENT DIST	US - Other Service Fees	62,120
120 - BARNES LAKE MANAGEMENT DIST	VO - Misc Revenues	5,000
<b>120 - BARNES LAKE MANAGEMENT DIST Total</b>		<b>67,120</b>
130 - TRANSPORTATION BENEFIT DIST	BD - Sales Taxes	4,600,000
130 - TRANSPORTATION BENEFIT DIST	VO - Misc Revenues	480,000
<b>130 - TRANSPORTATION BENEFIT DIST Total</b>		<b>5,080,000</b>
200 - G.O. DEBT SERVICE FUND	IF - Transfers In	390,281
200 - G.O. DEBT SERVICE FUND	VO - Misc Revenues	100,000
<b>200 - G.O. DEBT SERVICE FUND Total</b>		<b>490,281</b>

## Proposed Revenue Projection

		2025-2026
Fund	Character Code	Proposed Budget
303 - CFP - GENERAL GOVERNMENT	BI - Utility Taxes	2,219,249
303 - CFP - GENERAL GOVERNMENT	BZ - Other Taxes	30,000
303 - CFP - GENERAL GOVERNMENT	CA - Intgovtl Contracts	4,600,000
303 - CFP - GENERAL GOVERNMENT	CD - Shared Rev and Grant	8,627,000
303 - CFP - GENERAL GOVERNMENT	IF - Transfers In	7,064,323
303 - CFP - GENERAL GOVERNMENT	VO - Misc Revenues	1,988,000
303 - CFP - GENERAL GOVERNMENT	ZZ - Othr Financng Source	12,016,000
<b>303 - CFP - GENERAL GOVERNMENT Total</b>		<b>36,544,572</b>
304 - CFP - TRANSPORTATION	BI - Utility Taxes	1,313,649
304 - CFP - TRANSPORTATION	BZ - Other Taxes	1,989,600
304 - CFP - TRANSPORTATION	CA - Intgovtl Contracts	6,325,000
304 - CFP - TRANSPORTATION	CD - Shared Rev and Grant	13,579,000
304 - CFP - TRANSPORTATION	IF - Transfers In	4,354,000
304 - CFP - TRANSPORTATION	VO - Misc Revenues	1,040,000
<b>304 - CFP - TRANSPORTATION Total</b>		<b>28,601,249</b>
400 - WATER FUND	BI - Utility Taxes	1,809,045
400 - WATER FUND	CS - SvcFees PlnCh/Insp	50,000
400 - WATER FUND	FF - Fines & Forfeits	100,000
400 - WATER FUND	UC - Utility Service Fees	13,799,560
400 - WATER FUND	UM - Connectns/Drop-in	1,357,637
400 - WATER FUND	VO - Misc Revenues	1,135,000
400 - WATER FUND	ZZ - Othr Financng Source	43,220,370
<b>400 - WATER FUND Total</b>		<b>61,471,612</b>
401 - SEWER FUND	BI - Utility Taxes	891,245
401 - SEWER FUND	CD - Shared Rev and Grant	361,000
401 - SEWER FUND	CS - SvcFees PlnCh/Insp	50,000
401 - SEWER FUND	FF - Fines & Forfeits	20,000
401 - SEWER FUND	UC - Utility Service Fees	18,851,996
401 - SEWER FUND	UM - Connectns/Drop-in	3,080,488
401 - SEWER FUND	VO - Misc Revenues	987,000
401 - SEWER FUND	ZZ - Othr Financng Source	5,000,000
<b>401 - SEWER FUND Total</b>		<b>29,241,729</b>
411 - STORM DRAIN UTILITY FUND	CD - Shared Rev and Grant	17,914,035
411 - STORM DRAIN UTILITY FUND	FF - Fines & Forfeits	18,500
411 - STORM DRAIN UTILITY FUND	UC - Utility Service Fees	9,420,659
411 - STORM DRAIN UTILITY FUND	VO - Misc Revenues	651,850
411 - STORM DRAIN UTILITY FUND	ZZ - Othr Financng Source	6,000,000
<b>411 - STORM DRAIN UTILITY FUND Total</b>		<b>34,005,044</b>

## Proposed Revenue Projection

Fund	Character Code	2025-2026 Proposed Budget
<b>480 - MUNICIPAL GOLF COURSE</b>	CS - SvcFees PlnCh/Insp	3,202,975
<b>480 - MUNICIPAL GOLF COURSE</b>	IF - Transfers In	2,237,693
<b>480 - MUNICIPAL GOLF COURSE</b>	VO - Misc Revenues	224,000
<b>480 - MUNICIPAL GOLF COURSE</b>	ZZ - Othr Financng Source	312,600
<b>480 - MUNICIPAL GOLF COURSE Total</b>		<b>5,977,268</b>
<b>501 - ER&amp;R - FLEET</b>	CO - Svc Fees - Internal	4,387,237
<b>501 - ER&amp;R - FLEET</b>	CS - SvcFees PlnCh/Insp	1,487,786
<b>501 - ER&amp;R - FLEET</b>	IF - Transfers In	1,080,500
<b>501 - ER&amp;R - FLEET</b>	VO - Misc Revenues	300,000
<b>501 - ER&amp;R - FLEET Total</b>		<b>7,255,523</b>
<b>502 - ER&amp;R - IT</b>	CO - Svc Fees - Internal	1,072,552
<b>502 - ER&amp;R - IT</b>	CS - SvcFees PlnCh/Insp	5,312,221
<b>502 - ER&amp;R - IT</b>	IF - Transfers In	25,000
<b>502 - ER&amp;R - IT</b>	VO - Misc Revenues	42,000
<b>502 - ER&amp;R - IT Total</b>		<b>6,451,773</b>
<b>Grand Total</b>		<b>322,762,456</b>

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2025–2026

Mayor's  
Proposed  
Budget

Proposed  
Expenditures –  
All Funds

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<b>Expenditure Detail</b>	
<b>Category Key</b>	
Category	Description
10 - Salaries and Wages	Employee Salaries and Wages
20 - Benefits	Employee Benefits
30 - Supplies	Office Supplies, Gas/Oil/Fuel, Operating Supplies, Clothing/Uniforms/Gear, Small Tools & Equipment
40 - Other Svcs and Chgs	Professional & Intergovernmental Services, Communications, Conference/School/Training, Travel, Advertising, Operating Rentals & Leases, Insurance, Utilities, Repairs & Maintenance, Software Maintenance, Dues & Subscriptions, Memberships, Miscellaneous
41 - Intrfnd Chg for Svc	Interfund Charges for Internal Services/Cost Allocation
60 - Capital Outlay	Capital Outlay - Capital Facility Improvements, Vehicles, Equipment
70 - Debt Svc Principal	Debt Service - Principal Only
80 - Debt Svc Interest	Debt Service - Interest Only
90 - Transfers Out	Transfers Out to Other Departments, Split Costs

2025-2026  
Proposed Budget Expenditure Detail

Fund	Department	Category	2025 Dept Request	2026 Dept Request	2025-2026 Proposed Budget
001 - GENERAL FUND	02 - LEGISLATIVE	10 - Salaries and Wages	78,120	80,640	158,760
001 - GENERAL FUND	02 - LEGISLATIVE	20 - Benefits	8,386	6,811	15,197
001 - GENERAL FUND	02 - LEGISLATIVE	30 - Supplies	3,900	3,700	7,600
001 - GENERAL FUND	02 - LEGISLATIVE	40 - Other Svcs and Chgs	40,860	65,860	106,720
001 - GENERAL FUND	02 - LEGISLATIVE	41 - Infrnd Chg for Svc	48,917	49,895	98,812
001 - GENERAL FUND	02 - LEGISLATIVE	60 - Capital Outlay	25,000	5,000	30,000
001 - GENERAL FUND	02 - LEGISLATIVE Total		205,183	211,906	417,089
001 - GENERAL FUND	03 - NON-DEPARTMENTAL	20 - Benefits	190,470	190,470	380,940
001 - GENERAL FUND	03 - NON-DEPARTMENTAL	30 - Supplies	10,450	11,000	21,450
001 - GENERAL FUND	03 - NON-DEPARTMENTAL	40 - Other Svcs and Chgs	3,453,847	2,257,962	5,711,809
001 - GENERAL FUND	03 - NON-DEPARTMENTAL	90 - Transfers Out	1,053,765	812,658	1,866,423
001 - GENERAL FUND	03 - NON-DEPARTMENTAL Total		4,708,532	3,272,090	7,980,622
001 - GENERAL FUND	04 - EXECUTIVE	10 - Salaries and Wages	903,696	955,833	1,859,529
001 - GENERAL FUND	04 - EXECUTIVE	20 - Benefits	389,310	404,241	793,551
001 - GENERAL FUND	04 - EXECUTIVE	30 - Supplies	8,500	8,500	17,000
001 - GENERAL FUND	04 - EXECUTIVE	40 - Other Svcs and Chgs	939,350	725,050	1,664,400
001 - GENERAL FUND	04 - EXECUTIVE	41 - Infrnd Chg for Svc	42,873	43,881	86,754
001 - GENERAL FUND	04 - EXECUTIVE Total		2,283,729	2,137,505	4,421,234
001 - GENERAL FUND	05 - FINANCE	10 - Salaries and Wages	1,246,188	1,322,242	2,568,430
001 - GENERAL FUND	05 - FINANCE	20 - Benefits	529,040	555,830	1,084,870
001 - GENERAL FUND	05 - FINANCE	30 - Supplies	11,800	22,800	34,600
001 - GENERAL FUND	05 - FINANCE	40 - Other Svcs and Chgs	833,547	860,947	1,694,494
001 - GENERAL FUND	05 - FINANCE	41 - Infrnd Chg for Svc	136,832	139,568	276,400
001 - GENERAL FUND	05 - FINANCE Total		2,757,407	2,901,387	5,658,794
001 - GENERAL FUND	06 - ADMINISTRATIVE SERVICES	10 - Salaries and Wages	369,712	488,751	858,463
001 - GENERAL FUND	06 - ADMINISTRATIVE SERVICES	20 - Benefits	158,473	216,897	375,370
001 - GENERAL FUND	06 - ADMINISTRATIVE SERVICES	30 - Supplies	23,000	16,800	39,800
001 - GENERAL FUND	06 - ADMINISTRATIVE SERVICES	40 - Other Svcs and Chgs	292,360	317,830	610,190
001 - GENERAL FUND	06 - ADMINISTRATIVE SERVICES	41 - Infrnd Chg for Svc	85,169	86,872	172,041
001 - GENERAL FUND	06 - ADMINISTRATIVE SERVICES Total		928,714	1,127,150	2,055,864
001 - GENERAL FUND	07 - CITY ATTORNEY	10 - Salaries and Wages	427,165	447,075	874,240
001 - GENERAL FUND	07 - CITY ATTORNEY	20 - Benefits	167,977	176,618	344,595
001 - GENERAL FUND	07 - CITY ATTORNEY	30 - Supplies	7,000	3,500	10,500
001 - GENERAL FUND	07 - CITY ATTORNEY	40 - Other Svcs and Chgs	456,398	461,641	918,039
001 - GENERAL FUND	07 - CITY ATTORNEY	41 - Infrnd Chg for Svc	18,371	18,738	37,109
001 - GENERAL FUND	07 - CITY ATTORNEY Total		1,076,911	1,107,572	2,184,483

2025-2026  
Proposed Budget Expenditure Detail

Fund	Department	Category	2025 Dept Request	2026 Dept Request	2025-2026 Proposed Budget
001 - GENERAL FUND	09 - PARKS & RECREATION	10 - Salaries and Wages	2,465,167	2,600,292	5,065,459
001 - GENERAL FUND	09 - PARKS & RECREATION	20 - Benefits	1,118,154	1,173,157	2,291,311
001 - GENERAL FUND	09 - PARKS & RECREATION	30 - Supplies	335,200	342,492	677,692
001 - GENERAL FUND	09 - PARKS & RECREATION	40 - Other Svcs and Chgs	1,729,086	1,695,680	3,424,766
001 - GENERAL FUND	09 - PARKS & RECREATION	41 - Infrnd Chg for Svc	388,704	405,181	793,885
001 - GENERAL FUND	09 - PARKS & RECREATION	60 - Capital Outlay	988,075	341,500	1,329,575
001 - GENERAL FUND	09 - PARKS & RECREATION	90 - Transfers Out	90,000	-	90,000
001 - GENERAL FUND	09 - PARKS & RECREATION Total		7,114,386	6,558,302	13,672,688
001 - GENERAL FUND	10 - POLICE	10 - Salaries and Wages	6,736,219	7,171,812	13,908,031
001 - GENERAL FUND	10 - POLICE	20 - Benefits	2,550,475	2,762,617	5,313,092
001 - GENERAL FUND	10 - POLICE	30 - Supplies	617,300	310,600	927,900
001 - GENERAL FUND	10 - POLICE	40 - Other Svcs and Chgs	983,265	927,715	1,910,980
001 - GENERAL FUND	10 - POLICE	41 - Infrnd Chg for Svc	918,817	950,405	1,869,222
001 - GENERAL FUND	10 - POLICE	60 - Capital Outlay	31,500	21,000	52,500
001 - GENERAL FUND	10 - POLICE	70 - Debt Svc Principal	49,450	51,900	101,350
001 - GENERAL FUND	10 - POLICE	80 - Debt Svc Interest	5,100	2,600	7,700
001 - GENERAL FUND	10 - POLICE	90 - Transfers Out	274,500	192,000	466,500
001 - GENERAL FUND	10 - POLICE Total		12,166,626	12,390,649	24,557,275
001 - GENERAL FUND	11 - FIRE DEPARTMENT	10 - Salaries and Wages	8,591,538	8,802,373	17,393,911
001 - GENERAL FUND	11 - FIRE DEPARTMENT	20 - Benefits	2,782,573	2,883,944	5,666,517
001 - GENERAL FUND	11 - FIRE DEPARTMENT	30 - Supplies	383,308	210,509	593,817
001 - GENERAL FUND	11 - FIRE DEPARTMENT	40 - Other Svcs and Chgs	718,958	639,914	1,358,872
001 - GENERAL FUND	11 - FIRE DEPARTMENT	41 - Infrnd Chg for Svc	225,472	232,614	458,086
001 - GENERAL FUND	11 - FIRE DEPARTMENT	60 - Capital Outlay	109,500	40,000	149,500
001 - GENERAL FUND	11 - FIRE DEPARTMENT Total		12,811,349	12,809,354	25,620,703
001 - GENERAL FUND	13 - COMMUNITY DEVELOPMENT	10 - Salaries and Wages	1,679,644	1,765,886	3,445,530
001 - GENERAL FUND	13 - COMMUNITY DEVELOPMENT	20 - Benefits	714,516	750,350	1,464,866
001 - GENERAL FUND	13 - COMMUNITY DEVELOPMENT	30 - Supplies	12,855	7,000	19,855
001 - GENERAL FUND	13 - COMMUNITY DEVELOPMENT	40 - Other Svcs and Chgs	1,172,400	501,400	1,673,800
001 - GENERAL FUND	13 - COMMUNITY DEVELOPMENT	41 - Infrnd Chg for Svc	128,627	131,756	260,383
001 - GENERAL FUND	13 - COMMUNITY DEVELOPMENT Total		3,708,042	3,156,392	6,864,434
001 - GENERAL FUND	30 - WATER RESOURCES & SUSTAIN	10 - Salaries and Wages	68,658	72,837	141,495
001 - GENERAL FUND	30 - WATER RESOURCES & SUSTAIN	20 - Benefits	33,272	35,130	68,402
001 - GENERAL FUND	30 - WATER RESOURCES & SUSTAIN	30 - Supplies	2,798	1,000	3,798
001 - GENERAL FUND	30 - WATER RESOURCES & SUSTAIN	40 - Other Svcs and Chgs	960,048	317,918	1,277,966
001 - GENERAL FUND	30 - WATER RESOURCES & SUSTAIN Total		1,064,776	426,885	1,491,661
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	10 - Salaries and Wages	2,165,998	2,288,205	4,454,203
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	20 - Benefits	1,025,847	1,091,689	2,117,536



2025-2026  
Proposed Budget Expenditure Detail

Fund	Department	Category	2025 Dept Request	2026 Dept Request	2025-2026 Proposed Budget
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	30 - Supplies	278,770	287,490	566,260
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	40 - Other Svcs and Chgs	1,024,679	1,064,210	2,088,889
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	41 - Infrnd Chg for Svc	661,149	689,024	1,350,173
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	60 - Capital Outlay	150,000	164,000	314,000
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING	90 - Transfers Out	124,000	-	124,000
001 - GENERAL FUND	31 - TRANSPORTATION & ENGINEERING Total		5,430,443	5,584,618	11,015,061
001 - GENERAL FUND Total			54,256,098	51,683,810	105,939,908
002 - GENERAL FUND- LEVY LID LIFT	03 - NON-DEPARTMENTAL	90 - Transfers Out	2,041,059	2,836,570	4,877,629
002 - GENERAL FUND- LEVY LID LIFT	03 - NON-DEPARTMENTAL Total		2,041,059	2,836,570	4,877,629
002 - GENERAL FUND- LEVY LID LIFT Total			2,041,059	2,836,570	4,877,629
012 - RECREATIONAL YOUTH PROGRAMS	09 - PARKS & RECREATION	30 - Supplies	14,000	14,000	28,000
012 - RECREATIONAL YOUTH PROGRAMS	09 - PARKS & RECREATION	40 - Other Svcs and Chgs	39,725	41,525	81,250
012 - RECREATIONAL YOUTH PROGRAMS	09 - PARKS & RECREATION Total		53,725	55,525	109,250
012 - RECREATIONAL YOUTH PROGRAMS Total			53,725	55,525	109,250
015 - PARKS BOARD	09 - PARKS & RECREATION	30 - Supplies	20,000	20,000	40,000
015 - PARKS BOARD	09 - PARKS & RECREATION Total		20,000	20,000	40,000
015 - PARKS BOARD Total			20,000	20,000	40,000
016 - E-LINK & FIBER	15 - INFORMATION TECHNOLOGY	30 - Supplies	87,500	87,500	175,000
016 - E-LINK & FIBER	15 - INFORMATION TECHNOLOGY	60 - Capital Outlay	93,000	93,000	186,000
016 - E-LINK & FIBER	15 - INFORMATION TECHNOLOGY Total		180,500	180,500	361,000
016 - E-LINK & FIBER Total			180,500	180,500	361,000
017 - HISTORICAL COMMISSION	03 - NON-DEPARTMENTAL	30 - Supplies	10,000	10,000	20,000
017 - HISTORICAL COMMISSION	03 - NON-DEPARTMENTAL Total		10,000	10,000	20,000
017 - HISTORICAL COMMISSION Total			10,000	10,000	20,000
018 - K-9	10 - POLICE	30 - Supplies	2,850	-	2,850
018 - K-9	10 - POLICE Total		2,850	-	2,850
018 - K-9 Total			2,850	-	2,850
019 - U.S. FLAG RECOGNITION PROGRAM	10 - POLICE	30 - Supplies	275	275	550
019 - U.S. FLAG RECOGNITION PROGRAM	10 - POLICE Total		275	275	550

2025-2026  
Proposed Budget Expenditure Detail

Fund	Department	Category	2025 Dept Request	2026 Dept Request	2025-2026 Proposed Budget
019 - U.S. FLAG RECOGNITION PROGRAM	11 - FIRE DEPARTMENT	30 - Supplies	275	275	550
019 - U.S. FLAG RECOGNITION PROGRAM	11 - FIRE DEPARTMENT Total		275	275	550
<b>019 - U.S. FLAG RECOGNITION PROGRAM Total</b>			<b>550</b>	<b>550</b>	<b>1,100</b>
105 - AFFORDABLE HOUSING SALES TAX	03 - NON-DEPARTMENTAL	40 - Other Svcs and Chgs	63,000	63,000	126,000
105 - AFFORDABLE HOUSING SALES TAX	03 - NON-DEPARTMENTAL Total		63,000	63,000	126,000
<b>105 - AFFORDABLE HOUSING SALES TAX Total</b>			<b>63,000</b>	<b>63,000</b>	<b>126,000</b>
107 - DOM VIOLENCE ADV/PREVENT	10 - POLICE	40 - Other Svcs and Chgs	3,226	-	3,226
107 - DOM VIOLENCE ADV/PREVENT	10 - POLICE Total		3,226	-	3,226
<b>107 - DOM VIOLENCE ADV/PREVENT Total</b>			<b>3,226</b>	<b>-</b>	<b>3,226</b>
108 - FORFEITURES & SEIZURES	10 - POLICE	40 - Other Svcs and Chgs	-	58,000	58,000
108 - FORFEITURES & SEIZURES	10 - POLICE Total		-	58,000	58,000
<b>108 - FORFEITURES &amp; SEIZURES Total</b>			<b>-</b>	<b>58,000</b>	<b>58,000</b>
109 - LODGING TAX FUND	04 - EXECUTIVE	30 - Supplies	5,200	5,000	10,200
109 - LODGING TAX FUND	04 - EXECUTIVE	40 - Other Svcs and Chgs	243,050	198,000	441,050
109 - LODGING TAX FUND	04 - EXECUTIVE Total		248,250	203,000	451,250
109 - LODGING TAX FUND	09 - PARKS & RECREATION	30 - Supplies	8,378	8,378	16,756
109 - LODGING TAX FUND	09 - PARKS & RECREATION	40 - Other Svcs and Chgs	181,883	248,920	430,803
109 - LODGING TAX FUND	09 - PARKS & RECREATION	60 - Capital Outlay	-	90,000	90,000
109 - LODGING TAX FUND	09 - PARKS & RECREATION Total		190,261	347,298	537,559
<b>109 - LODGING TAX FUND Total</b>			<b>438,511</b>	<b>550,298</b>	<b>988,809</b>
111 - DEVELOPMENT/SPECIAL FEES	13 - COMMUNITY DEVELOPMENT	90 - Transfers Out	4,172,000	3,112,000	7,284,000
111 - DEVELOPMENT/SPECIAL FEES	13 - COMMUNITY DEVELOPMENT Total		4,172,000	3,112,000	7,284,000
<b>111 - DEVELOPMENT/SPECIAL FEES Total</b>			<b>4,172,000</b>	<b>3,112,000</b>	<b>7,284,000</b>
120 - BARNES LAKE MANAGEMENT DIST	30 - WATER RESOURCES & SUSTAIN	30 - Supplies	1,850	1,850	3,700
120 - BARNES LAKE MANAGEMENT DIST	30 - WATER RESOURCES & SUSTAIN	40 - Other Svcs and Chgs	40,250	25,260	65,510
120 - BARNES LAKE MANAGEMENT DIST	30 - WATER RESOURCES & SUSTAIN	41 - Infrnd Chg for Svc	2,040	2,081	4,121
120 - BARNES LAKE MANAGEMENT DIST	30 - WATER RESOURCES & SUSTAIN Total		44,140	29,191	73,331
<b>120 - BARNES LAKE MANAGEMENT DIST Total</b>			<b>44,140</b>	<b>29,191</b>	<b>73,331</b>

Fund	Department	Category	2025 Dept Request	2026 Dept Request	2025-2026 Proposed Budget
130 - TRANSPORTATION BENEFIT DIST	31 - TRANSPORTATION & ENGINEERING	40 - Other Svcs and Chgs	4,891,000	1,723,000	6,614,000
130 - TRANSPORTATION BENEFIT DIST	31 - TRANSPORTATION & ENGINEERING	41 - Intrfnd Chg for Svc	10,750	10,900	21,650
130 - TRANSPORTATION BENEFIT DIST	31 - TRANSPORTATION & ENGINEERING Total		4,901,750	1,733,900	6,635,650
130 - TRANSPORTATION BENEFIT DIST Total			4,901,750	1,733,900	6,635,650
200 - G.O. DEBT SERVICE FUND	05 - FINANCE	70 - Debt Svc Principal	174,900	184,400	359,300
200 - G.O. DEBT SERVICE FUND	05 - FINANCE	80 - Debt Svc Interest	19,650	11,550	31,200
200 - G.O. DEBT SERVICE FUND	05 - FINANCE Total		194,550	195,950	390,500
200 - G.O. DEBT SERVICE FUND Total			194,550	195,950	390,500
303 - CFP - GENERAL GOVERNMENT	35 - CAPITAL PROJECTS	60 - Capital Outlay	13,452,500	21,239,480	34,691,980
303 - CFP - GENERAL GOVERNMENT	35 - CAPITAL PROJECTS	70 - Debt Svc Principal	341,770	348,610	690,380
303 - CFP - GENERAL GOVERNMENT	35 - CAPITAL PROJECTS	80 - Debt Svc Interest	75,000	75,000	150,000
303 - CFP - GENERAL GOVERNMENT	35 - CAPITAL PROJECTS	90 - Transfers Out	573,352	321,837	895,189
303 - CFP - GENERAL GOVERNMENT	35 - CAPITAL PROJECTS Total		14,442,622	21,984,927	36,427,549
303 - CFP - GENERAL GOVERNMENT Total			14,442,622	21,984,927	36,427,549
304 - CFP - TRANSPORTATION	35 - CAPITAL PROJECTS	40 - Other Svcs and Chgs	4,100,000	2,000,000	6,100,000
304 - CFP - TRANSPORTATION	35 - CAPITAL PROJECTS	60 - Capital Outlay	14,210,000	13,685,000	27,895,000
304 - CFP - TRANSPORTATION	35 - CAPITAL PROJECTS	90 - Transfers Out	352,816	376,113	728,929
304 - CFP - TRANSPORTATION	35 - CAPITAL PROJECTS Total		18,662,816	16,061,113	34,723,929
304 - CFP - TRANSPORTATION Total			18,662,816	16,061,113	34,723,929
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	10 - Salaries and Wages	2,018,479	2,229,919	4,248,398
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	20 - Benefits	967,237	1,088,082	2,055,319
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	30 - Supplies	640,294	643,800	1,284,094
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	40 - Other Svcs and Chgs	4,208,394	3,752,945	7,961,339
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	41 - Intrfnd Chg for Svc	931,963	973,997	1,905,960
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	60 - Capital Outlay	26,128,500	15,405,000	41,533,500
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	70 - Debt Svc Principal	20,600	21,000	41,600
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	80 - Debt Svc Interest	3,950	3,550	7,500
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN	90 - Transfers Out	481,535	424,254	905,789
400 - WATER FUND	30 - WATER RESOURCES & SUSTAIN Total		35,400,952	24,542,547	59,943,499
400 - WATER FUND Total			35,400,952	24,542,547	59,943,499
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	10 - Salaries and Wages	1,278,364	1,363,698	2,642,062
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	20 - Benefits	616,518	663,952	1,280,470
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	30 - Supplies	104,800	103,800	208,600

2025-2026  
Proposed Budget Expenditure Detail

Fund	Department	Category	2025	2026	2025-2026
			Dept Request	Dept Request	Proposed Budget
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	40 - Other Svcs and Chgs	8,461,537	8,853,277	17,314,814
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	41 - Infrnd Chg for Svc	509,896	517,622	1,027,518
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	60 - Capital Outlay	3,071,000	4,200,000	7,271,000
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	70 - Debt Svc Principal	10,300	10,500	20,800
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	80 - Debt Svc Interest	1,970	1,765	3,735
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN	90 - Transfers Out	349,901	319,721	669,622
401 - SEWER FUND	30 - WATER RESOURCES & SUSTAIN Total		14,404,286	16,034,335	30,438,621
401 - SEWER FUND Total			14,404,286	16,034,335	30,438,621
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	10 - Salaries and Wages	1,607,567	1,718,572	3,326,139
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	20 - Benefits	757,864	812,544	1,570,408
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	30 - Supplies	185,194	186,500	371,694
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	40 - Other Svcs and Chgs	1,380,243	1,546,304	2,926,547
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	41 - Infrnd Chg for Svc	416,489	435,323	851,812
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	60 - Capital Outlay	6,590,000	11,540,000	18,130,000
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	70 - Debt Svc Principal	27,700	28,300	56,000
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	80 - Debt Svc Interest	17,500	17,000	34,500
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN	90 - Transfers Out	427,829	320,157	747,986
411 - STORM DRAIN UTILITY FUND	30 - WATER RESOURCES & SUSTAIN Total		11,410,386	16,604,700	28,015,086
411 - STORM DRAIN UTILITY FUND Total			11,410,386	16,604,700	28,015,086
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	10 - Salaries and Wages	916,341	970,304	1,886,645
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	20 - Benefits	337,534	353,699	691,233
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	30 - Supplies	722,550	673,200	1,395,750
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	40 - Other Svcs and Chgs	656,127	512,133	1,168,260
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	41 - Infrnd Chg for Svc	29,213	29,797	59,010
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	60 - Capital Outlay	392,600	12,500	405,100
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	70 - Debt Svc Principal	302,150	51,900	354,050
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION	80 - Debt Svc Interest	14,620	2,600	17,220
480 - MUNICIPAL GOLF COURSE	09 - PARKS & RECREATION Total		3,371,135	2,606,133	5,977,268
480 - MUNICIPAL GOLF COURSE Total			3,371,135	2,606,133	5,977,268
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING	10 - Salaries and Wages	354,098	371,297	725,395
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING	20 - Benefits	166,521	177,150	343,671
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING	30 - Supplies	566,100	603,900	1,170,000
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING	40 - Other Svcs and Chgs	323,973	350,039	674,012
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING	41 - Infrnd Chg for Svc	109,462	110,396	219,858
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING	60 - Capital Outlay	1,527,000	1,620,000	3,147,000
501 - ER&R - FLEET	31 - TRANSPORTATION & ENGINEERING Total		3,047,154	3,232,782	6,279,936
501 - ER&R - FLEET Total			3,047,154	3,232,782	6,279,936

2025-2026  
Proposed Budget Expenditure Detail

Fund	Department	Category	2025 Dept Request	2026 Dept Request	2025-2026 Proposed Budget
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	10 - Salaries and Wages	860,446	897,729	1,758,175
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	20 - Benefits	378,204	395,393	773,597
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	30 - Supplies	269,250	230,250	499,500
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	40 - Other Svcs and Chgs	903,791	932,952	1,836,743
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	41 - Infrnd Chg for Svc	97,636	99,589	197,225
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	60 - Capital Outlay	70,000	100,000	170,000
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	70 - Debt Svc Principal	491,900	466,210	958,110
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES	80 - Debt Svc Interest	10,500	4,850	15,350
502 - ER&R - IT	06 - ADMINISTRATIVE SERVICES Total		3,081,727	3,126,973	6,208,700
502 - ER&R - IT Total			3,081,727	3,126,973	6,208,700
Grand Total			170,302,676	164,693,066	334,925,841

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2025–2026

Mayor's  
Proposed  
Budget

# Financial Policies

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# CITY OF TUMWATER FINANCIAL POLICIES

## SECTION 1 PURPOSE

Tumwater is a full-service City that provides police and fire services, maintains parks and other public facilities, offers recreational programs and activities, conducts urban planning, issues construction permits, and makes sure residents have safe transportation options. These services are considered general government services. The City also operates three utilities that provide clean drinking water, remove and recycle wastewater safely and manage storm water conveyances and ponds to prevent flooding, and to protect the environment; and, it operates a transportation benefit district which is a special district dedicated to the maintenance of streets and sidewalks. Furthermore, all of these services utilize internal support services such as finance, human resources, community relations, equipment purchases and maintenance, and administration. The City has the authority to impose taxes, such as property taxes, sales taxes and business taxes, as well as fees for specific services, which pay for the cost of these services. The City has to be accountable for the use of all public funds and keep its service promise.

These written policies are approved by Council and apply to all City funds and activities, including general government, utility and internal services, and for any special districts. Special policies for a sub-set of services will be called out. They are intended to be adaptable to changing needs and support Council strategies and goals long-term while ensuring financial protection and sound fiscal practices.

The intent here is to establish written policy and not procedures. Policy is a philosophy or thought process and provides a framework for procedures and day to day decision making. The establishment of specific accounting and financial procedures is the responsibility of the Finance Director and should be in the spirit of these policies. They may be established administratively by the City Administrator

The policy provides guidance in what should be done and as such, prevents what should not be done. It does not state all that should not be done, because that list would be infinite. This policy should be reviewed and updated periodically to be a living document that fits the times.



CITY OF TUMWATER  
FINANCIAL POLICIES

**SECTION 2  
OBJECTIVE**

The City strives to:

- Maintain all essential services without major service interruption,
- Obtain equitable and fair revenue sources,
- Build financial stability and sustainability,
- Fulfill all financial obligations,
- Be prepared for growth, economic change, and emergencies,
- Comply with laws and regulations, and
- Maintain a high bond rating.

These following policies are to provide guidance for decisions that have a significant fiscal impact and that are in support of the above goals. They are broken out into the following topics:

- Reserve and Contingency Policies
- Revenue and Other Resources
- Expenditures
- Budget Preparation
- Stewardship Over What the City Owns
- Long-term Financial Planning
- Long-term Operational Financial Planning
- Investments
- Debt
- Auditing, Accounting and Financial Reporting
- Management of Federal Grants

CITY OF TUMWATER  
FINANCIAL POLICIES

**SECTION 3  
RESERVE AND CONTINGENCY POLICIES**

Reserves reduce financial risk, provide flexibility, add to financial stability, and contribute to good bond ratings. Typically, they are established to manage uneven revenue and expenditure fluctuations, known or planned expenditure spikes, or to provide cash flow for large and long-term strategic goals. The purpose for any reserve should be defined and the reserves should be used according to that purpose. Otherwise, there is no reason to maintain a reserve. Reserves are expected to periodically fall below the required levels and are expected to then be replenished within a reasonable time. A reasonable time will depend on the City's financial situation and is defined as no more than five years or shorter where feasible.

The following reserves are reserves commonly established by government organizations and follow best practices. Each serves a different purpose and uses a different time horizon. The General Fund cash flow reserve, for example, bridges uneven cash flows from the City's normal operations and throughout a normal operating year. The facility reserve is a tool to accumulate funds for known large projects in the foreseeable future. And the Contingency Fund sets aside funds in an attempt to prepare for future emergencies such as an earthquake, an ice storm, or a chemical spill, which could happen tomorrow or in twenty years. When cash is needed, the primary need determines which reserve serves the purpose and should be used to address that need.

**General Fund Cash Flow Reserve:** The purpose of this reserve is to bridge uneven cash flows throughout a year and in the normal course of operations of the General Fund. The General Fund, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. The 17% constitutes an estimate for needed cash balance and a commitment of fund balance and is measurable at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may be released by Council through the adoption of a resolution at any time or as part of the regular budget process. This policy helps ensure that the City can meet its obligations throughout a calendar year.

**Facility Reserve:** The City maintains a reserve fund per Tumwater City Code 3.36.030 for the purpose of providing funds for the repair, major maintenance and replacement of City facilities. These financial policies make reference to the above mentioned City Code section and, specifically, commit a target amount of two million dollars (\$2,000,000). This amount may come from various sources and, at a minimum, is to be accumulated from first year property taxes on new construction in

## CITY OF TUMWATER FINANCIAL POLICIES

excess of \$30 million as a transfer from the General Fund annually. The Capital Facilities Plan (CFP) serves as the project plan and should include the projects that may be funded from this reserve. The CFP is approved by Council.

**Contingency Fund:** City Code section 3.36.035 establishes a contingency fund for the purpose of providing funds for unanticipated and unbudgeted emergencies as defined in RCW 35A.34.140 [<http://app.leg.wa.gov/rcw/default.aspx?cite=35A.34.140>] and 35A.34.150 [<http://app.leg.wa.gov/rcw/default.aspx?cite=35A.34.150>]. The above Tumwater City Code section and RCWs are made an integral part of these financial policies. In addition, in the case of an emergency not defined in RCW [35A.34.140](#), “council may, upon the adoption of an ordinance by a majority plus one stating the facts constituting the emergency, the estimated amount required to meet it, and declaring that an emergency exists, make the expenditure therefor.”

**Water Utility Cash Flow Reserve:** The purpose of this reserve is to bridge uneven cash flows throughout a year and from year-to-year in the normal course of operations of the Water Utility. The fees for service of the water utility are partially based on water consumption charges. Consumption, and therefore revenues, can fluctuate greatly from month to month and year to year. The Water Utility, at a minimum, should maintain an ending fund balance of twenty percent (20%) of annual budgeted operating expenditures and debt service payments. The 20% is a percentage higher than for the cash flow reserve of the General Fund or other utilities because the water utility has a higher risk of uneven cash flows due to its weather dependence and volumetric service fee structure. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

**Wastewater Utility Cash Flow Reserve:** The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of operations of the Wastewater Utility. The utility, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any

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need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

**Storm Water Utility Cash Flow Reserve:** The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of operations of the Storm Water Utility. The utility, at a minimum, should maintain an ending fund balance of seventeen percent (17%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve may fall below required levels during normal operations. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the City can meet its obligations throughout a calendar year and from year to year.

**Equipment Rental and Reserve Fund Cash Flow Reserve:** The purpose of this reserve is to bridge uneven cash flows throughout a year in the normal course of business in the Equipment Rental and Reserve Fund (ER&R). The ER&R fund should maintain an ending fund balance of eight percent (8%) of annual budgeted operating expenditures and debt service payments. This reserve constitutes a commitment of fund balance and is measured at the end of each year. The commitment percentage can be changed by Council through a Resolution. The reserve may expressly be released by Council through the adoption of a resolution at any time or as part of the regular budget process. The reserve is over and above funds set aside for the planned replacement of equipment and other capital assets in the ER&R fund. Any need for replenishment will become part of the biennial revenue requirement forecast and rate setting assessment. This policy helps ensure that the ER&R fund can meet its obligations throughout a calendar year.

The City maintains several other special revenue funds such as for the prevention of domestic violence, safekeeping of forfeited and seized property, development fees, Barnes Lake maintenance, the Lodging Tax Fund, and others. The purpose of these funds is to use all such designated revenue and fund balances for the designated special purposes. These funds tend to hold relatively small amounts of cash, with revenues that are highly variable and expenditures that can be scaled back if revenues do not meet expectations. Thus, no reserve policy is established in this document. The Council and City management may establish additional such special purpose funds at any time.

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**SECTION 4  
REVENUE AND OTHER RESOURCES**

The City has certain resources available to deliver its services. These resources consist of on-going revenues, one-time revenues, and fund balances.<sup>1</sup> The City also makes a distinction between one-time expenditures, such as acquisition of capital assets, and on-going expenditures, such as compensation and purchases for day-to-day operations.

On-going revenues should pay for all on-going expenditures. They may also fund one-time projects.

One-time revenues and fund balance should only pay for one-time projects and should not be relied upon for ongoing operations. One-time revenues are defined as: sale of assets, interest, special distributions, grants, and any other revenue that is extraordinary, such as a legal settlement or retroactive sales taxes.

The City seeks to recover the full cost of operating all business-type and internal service funds, such as the utilities, the Equipment Rental and Reserve Fund, and the Tumwater Valley Municipal Golf Course through fees for service. These funds provide a direct services to Tumwater residents and businesses for which they charge a service fee. The service fees should ultimately recover the full cost of service. Full cost includes the cost of ongoing operations and ongoing infrastructure repair and maintenance, as well as necessary infrastructure expansion, and the estimated cost of future equipment and building replacements (including any debt service payments and depreciation), that are not funded through other designated capital funding sources, such as connection fees. Connection fees are intended for the acquisition of new infrastructure capacity capital assets only.

The City also provides direct services in its general government funds, such as issuance of permits, building inspections, recreational classes, public records requests, and more. It strives to charge service fees to recover the full cost of these services but also recognizes that it is not always feasible, legal or advisable.

The City strives to stay economically competitive in the community and to be a City of choice for residents and businesses. A full cost recovery of all costs of governmental services may, therefore, be less than one hundred percent (100%) and be outweighed by other considerations that benefit the broad public good. The City actively pursues

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<sup>1</sup> Fund balances can be compared to retained earnings in a business environment, and are the unspent revenues of prior years in each fund.

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new revenue opportunities, especially those that add financial diversification and stability, as long as they are derived fairly, equitably, and from a broad base for broad services, or from a specific narrow group when only that group will benefit.

The City may solicit sponsorships and pursue fund raising and donation revenue options by taking a programmatic approach and for a purpose that benefits both, the sponsor and City or the sponsor and the Public equally. It may also accept individual donations and endowments that are to be put to public use, benefit its general government purposes, or provide support to the economically disadvantaged, and do not award special financial or economic advantage to the donor.

A firm approach to collecting old and outstanding balances is applied while balancing the cost of those collections with the recovered revenues. With that approach City staff may turn over past-due accounts and amounts to a collection agency or file a lien. City staff may take non-payment due to a hardship under special consideration and may make arrangements for payments over time for up to twelve months, waive any penalties and late fees, and suspend otherwise normal collection procedures. A hardship case is defined as a serious accident, long-term illness or disability, natural disaster, loss of livelihood, loss of home, or other life-changing occurrence. The Finance Director is to approve any special arrangements in advance and these decisions should be documented for accountability. Staff is encouraged to offer the City's utility assistance program to those customers who are eligible and provide contact information for other help organizations, including the City-sponsored utility assistance program.

Debt proceeds are a one-time resource and can be used for one-time investments into infrastructure, such as for the purchase of land, construction of capital projects or for the purchase of long-lived capital equipment, as long as the City has identified a revenue source to make the debt service payments.

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**SECTION 5  
EXPENDITURES**

Any City is primarily a service organization and, thus, personnel costs are a large portion of overall expenditures. The City strives to be an employer of choice in the community and attract quality employees that represent the organizational values of the City. Therefore, it strives to set compensation levels that are competitive in the public service sector.

The human resources department personnel review the City's salary and grade schedule periodically and assess its competitiveness with comparable governmental entities. It strives to establish pay grades that fit into the median range of comparable positions. Council must approve pay grade and position changes with a Resolution at any time or through the regular budget process.

Bonuses are not permitted except as signing or referral bonuses used for recruitment purposes and as approved by Council.

The City should only incur those ongoing expenditures for which it can pay from ongoing revenues.<sup>2</sup>

The City strives to follow its written procurement procedures and adhere to all State and Federal purchasing and bidding rules where applicable. The City receives federal grants from time to time and is committed to follow 2 CFR 200, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, where it applies.

The City has several administrative functions that provide shared administrative services, such as executive management, public affairs, human resources, accounting, treasury and finance, legal, risk management, and more to all City departments and funds. The cost of those services is charged to the business-type and special purpose funds (the utilities, equipment rental and replacement fund, Golf, Barnes Lake Benefit District, Transportation Benefit District, and any other special purpose district the City may form) based on factors that reasonably estimate a fair share. It implements a full cost approach for the funds that receive the benefit. These shared services are not charged to other general government funds and departments to avoid the double accounting of expenditures, offset by internal revenue. The Finance Director makes recommendations on the appropriate allocation and the Finance Department administers the cost allocation.

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<sup>2</sup> This is not intended to preclude paying project oversight costs from one-time capital funds.

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**SECTION 6  
BUDGET PREPARATION**

The City budget should be a reflection of the Mayor's and Council's strategies and goals. Under the direction of the City Administrator and the Finance Director, the heads of individual funds and departments have the primary responsibility to formulate preliminary budget proposals that meet Mayor and Council direction to the extent feasible.

The financial policies documented here are also to be applied to the preparation of the City's budget.

The budget is prepared on the modified basis of accounting. This is the same as the official financial reporting basis of accounting for governmental services funds, but differs from the full accrual basis of accounting for the official financial reports of the business-type funds. The budget for the latter group of funds includes expenditures, such as outlay for capital projects and payments for debt principal, which are instead reported as addition to fixed assets and reduction in liability, respectively, in the official financial statements. Additionally, depreciation and amortization are expenses reported on official financial statements, but are not budgeted.

The budget represents a spending authority that should not be exceeded by the end of the budget period. The level of spending authority is at the fund level, where the General Fund and general fund sub-funds<sup>3</sup> may be combined. The amount of spending authority should not exceed the sum of an estimated beginning fund balance and budgeted revenues. This encourages that spending authority stays within planned resources and it presents a balanced budget.

The Finance Department is responsible for the coordination and overall preparation and administration of the City's budget. Revised Code of Washington Chapter 35.34 applies and has very specific requirements as to the timing of budget estimates, budget proposal, publication and adoption, as well as public notices, to name a few examples. The Finance Director coordinates the budget process so that the City follows all statutes.

The Finance Department assists department budget managers in the preparation of their respective budgets, particularly when it comes to inter-fund charges and

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<sup>3</sup> The Levy Lid Lift fund, K-9, emergency reserve, e-link fund are all examples of General Fund sub-funds. They were established to ensure these funds are expended for specific purposes. They have separate budgets, but are combined into the General Fund for external financial reporting purposes.



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personnel costs. The Finance Department assists with solutions and alternatives so that the budget is also a useful tool for budget managers. All reserves and contingencies should be presented in the City's budget.

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**SECTION 7  
STEWARDSHIP OVER WHAT THE CITY OWNS**

As a matter of policy, the City prefers electronic money transactions, whether it makes or receives payments. It observes internal control procedures for the receipting of coins, bills or electronic cash, including the segregation of duties, the physical safeguard of checks, coins and bills, assignment of direct responsibility for daily cash handling, daily cash counts, and monthly cash reconciliations.

It is regarded as preferable internal control to maintain one high-volume and main transaction bank (or check-writing) account into which all receipts are recorded, from which all checks are written, and all electronic payments are made. This is with the recognition that other low-volume bank accounts may be required or advisable, such as for the state-required travel advance account, performance bonds, funds held in trust, and other fiduciary monies. Accumulated cash may be invested in lawful investment vehicles. The Finance Director is responsible for the implementation of effective controls over all bank and investment accounts.

The City owns and maintains land, buildings, right-of-ways, infrastructure, equipment and other long-lived assets, also known as capital assets. Capital assets are individually identified and recorded in a capital asset system and depreciated over their useful lives, per generally accepted accounting rules. The City may set a significance threshold so that items at or above the threshold are recorded as capital assets, and items below the threshold are expensed. The City set the threshold to \$5,000. The Finance Department estimates the useful lives to be consistent over years and among similar items. Information about additions to the capital asset records are provided at least annually to the City's insurance carrier for property and liability insurance coverage.

The City maintains two equipment rental and reserve funds (ER&R), as prescribed in Tumwater City Code 3.36.060 to be used for the expenditures of salaries, wages and operations required for the repair, replacement, purchase and operation of all motor vehicles as well as other portable equipment which the city shall decide to maintain and replace through this fund.” In Fund 501 the City includes all motorized and other rolling stock. Fund 502 contains computers and IT assets. The Finance Director, or delegate, together with management staff of the ER&R fund, develops annual estimated operating and annual replacement costs of the existing equipment complement. These costs are charged to the users and collected in the fund. At times additions are made to the existing complement of equipment. Additions require a transfer of funds to the ER&R fund from the acquiring fund or department in the amount of the initial purchase cost. Annual replacement fees begin

## CITY OF TUMWATER FINANCIAL POLICIES

in the first year after the year of acquisition. Replacement fees continue until the equipment is replaced regardless of the initial estimated life expectancy. The annual estimated replacement cost schedule for each category of equipment shall be established by the Finance Director in consultation with the City Administrator and department director. This schedule may be periodically adjusted based on actual operating experience. The annual depreciation expense will be used as a minimum estimate of the annual replacement cost.

The departments that own the assets must take a periodic inventory of all fixed assets. The fixed asset inventory is taken at least every two years, but can be taken more often at the discretion of the department director and/or Finance. Departments shall retain documented proof of the inventory count and retain it for five (5) years. In addition, they shall inform the finance department when: (1) the inventory count is complete, (2) if there are assets that need to be removed or added to the ERP system, and (3) of any significant impairments to any fixed assets.

City staff make purchases of a variety of long-lived items, such as furniture, equipment, containers, trailers, power tools, to name a few, with a cost of less than \$10,000. They are recorded as an operating cost, not as a capital asset and are not depreciated. A sub-group of these items, called small and attractive assets, are considered to be at high risk of premature and undetected loss. This is because they are small or light, used infrequently, are easily removed from the premises without anyone noticing, and could be disposed without approval, be converted to personal use, and could result in personal gain. The department directors (or designees) maintain a list of common small and attractive assets based on the above attributes. The current threshold is \$1,000 per item. Department directors should implement a reasonable safeguard and tracking mechanism for small and attractive assets, including a periodic inventory. As with capital assets, departments perform the physical inventory count at least once every two years, and should inform the Finance Department when the inventory has been completed,

The City disposes of certain capital and non-capital assets from time to time. The Council is to declare all such items surplus through approval of a resolution. City staff disposes of any surplus items with positive value (see below) through negotiated sale, auction, transfer to another government entity, or donation to a non-profit agency. At times, capital and non-capital items become obsolete or the cost of storage, disposition, or repair exceeds the remaining value. In that case the surplus item has either no or a negative value to the City. The City Administrator, or delegate, may approve disposition of such surplus items through the responsible disposal as refuse. Nothing herein shall be interpreted to authorize the gifting of any capital or non-capital items to a city employee, employee family member, or other private person.

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These same policies apply to equipment originally acquired for a City utility. RCW 35.94.040 sets rules for the disposal of utility property to be leased, sold, or conveyed. This policy assumes that an item has to have a value to be leased, sold, or conveyed and that RCW 35.94.040 does not apply to items with a zero or negative value.

### **SECTION 8 LONG-TERM CAPITAL FACILITIES FINANCIAL PLANNING**

The Growth Management Act requires a Capital Facilities Plan (CFP) be part of the City's Comprehensive Plan. The Public Works Department should present to Council a CFP for major transportation projects, parks and other general government projects, and for major utility (water, wastewater, storm water) projects every other year, for a six-year forecasting period, at a minimum, that begins with an even-numbered year. For a biennial budget cycle, that aligns the beginning for the CFP forecasting period with the second year of the biennial budget.

The CFP must include appropriate funding each year to balance resources with planned project expenditures. Appropriate funding could be restricted revenue such as that for the Transportation Benefit District, loan or bond proceeds, real estate excise tax, impact fees, grants, developer or other contributions, motor vehicle fuel tax, and general transfers from other funds. The City has committed the utility tax from private utility and City utility enterprises (6% at the time of the writing of these policies) to the General Fund (Fund 001) and each of the two Capital Facilities funds (fund 303 and 304) as follows: of the six percentage points (6%), three and seven tenths percentage points (3.7%) to the General Fund, one and a half percentage points (1.5%) to the General Government Capital Facilities Fund 303, and eight tenths of one percentage point (0.8%) to the Transportation Capital Facilities Fund 304. Although expected to be rarely done, these allocations may be adjusted by the Council as part of the budget process.

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**SECTION 9  
LONG-TERM OPERATIONAL FINANCIAL PLANNING**

The revenues, expenditures and fund balances for the general fund should be forecasted each year, about mid-calendar-year, for the current and next 5 years, making it a rolling five-year forecast, as an early look at changing economic conditions and possible unfavorable consequences, such as declining revenues and increasing costs. This enables the City to be flexible, and make choices to adjust its expectations and/or service levels as early as possible.

The utilities should strive to work towards a forecast for revenues, expenditures and fund balances for a six-year period, updated every two years and on the same update-cycle as the Capital Facilities Plan (CFP). The CFP is the basis for the amounts of planned capital spending for those six years. The plan should also include reasonable revenue and operating cost assumptions, as well as minimum funding for all reserves as established by these policies.

Estimates and forecasts of all revenues and expenditures should be cautious in a slow economic environment, taking a financially restrained approach. Estimates and forecasts of revenues and expenditures may become less restrained at a time of a more growth-oriented outlook.

The utilities' financial plans should assume that they support themselves through fees for service and that they do not receive financial or economic support from the General Fund.

The utilities should make every effort to set service fees that recover full life-cycle costs which may lead to periodic accumulations of fund balances. The accumulation of fund balance is regarded as competent long-term planning tool for foreseeable needs. This tool helps temper annual rate increases and enables the City to fund a large portion of its projects with cash or to position the City well for long-term debt issues.

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**SECTION 10  
INVESTMENTS**

Most funds hold some amount of cash since the timing of expenditures seldom matches the time of receipt of revenue. This cash accumulates and can be invested. The Finance Director acts as investment officer and has the authority to invest accumulated cash with the objective of safety first, liquidity second, and third, a market rate return that can reasonably be expected given these objectives, while complying with State law.

Accumulated cash includes funds over and above the minimum required reserves as described in the policy.

The investments must adhere to the requirements of RCW Chapter 35A.40 Section 050 Investment of Funds [<http://app.leg.wa.gov/RCW/default.aspx?cite=35A.40.050>], RCW Chapter 39.59 Public Funds-Authorized Investments, and RCW Chapter 39.59 Section 040 Authorized investments-Bonds, warrants, certificates, and other investments [<http://app.leg.wa.gov/RCW/default.aspx?cite=39.59.040>]. These chapters define specific investments by types, quality and maturity. The most current Washington State Investment Board (WSIB) investment policies adhere to these RCW Chapters and are, herewith, made an integral part of these policies as guidance for City investments. The most current WSIB policies went into effect as of September 15, 2016 and are attached (see Exhibit B).

The investment officer must remain impartial in all investment decisions and must not pursue a personal activity that creates a conflict of interest in the execution and management of the City's investment program. A conflict of interest arises, when the investment officer could in fact or appearance, either directly or indirectly, benefit financially or economically from his or her influence or decision. This requirement extends to any employee, committee member, or Council member who could significantly influence an investment decision.

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**SECTION 11  
DEBT**

The City issues debt infrequently and primarily for large capital purchases and infrastructure projects. It takes a conservative approach in the sense that it keeps debt maturities as short as possible and complies with RCW Chapter 35A.40 [<http://app.leg.wa.gov/rcw/default.aspx?cite=35a.40>], RCW Chapter 43.80 [<http://app.leg.wa.gov/RCW/default.aspx?Cite=43.80.100>], as minimum requirements. The City will also observe any other laws and regulations pertaining to debt.

Debt payments limit the City’s ability to respond to ongoing operational needs and unexpected expenses. For this reason, it is advisable to limit the amount of debt and associated debt payments. The debt limits prescribed by the RCWs are shown in the table below. The City further voluntarily limits its debt exposure by adopting more stringent debt limits at a level half of that required by the RCWs. The limits are stated as percentage of the City’s assessed property values.

<b>Type of Debt</b>	<b>RCW Limits</b>	<b>City Policy</b>	<b>2016 Actual</b>
General Obligation <sup>1</sup> :	2.50 %	1.25%	0.1165%
Non-Voted	1.50 %	0.75 %	0.0977%
Voted	1.00 %	0.50%	0.0188%
Open Space, Parks	2.50 %	1.25%	0.1706%
Utilities	2.50 %	1.25%	0.0036%
Revenue <sup>3</sup> bonds	no limit	no limit <sup>2</sup>	-
Local Improvement District <sup>3</sup>	no limit	no limit <sup>2</sup>	-

<sup>1</sup> Proceeds may be used for any City function, fund, or department

<sup>2</sup> The ability to pay and debt coverage ratios will set a natural debt limit here.

<sup>3</sup> Statutory limits do not apply, because the City’s general revenue or taxing authority are not pledged.

The City may issue debt for the acquisition of long-lived assets, where the maturity of the debt does not exceed the estimated useful life of the asset and where the asset or existing revenue serves as security for the debt. Any debt issue should be paired with a known and adequate revenue flow from which principal and interest are paid.

When the Capital Facilities Plan or any other long-term plan includes the proceeds of a debt issue, the plan will also identify and include the source of making annual payments for principal and interest.

The Finance Director is responsible for the analysis of debt requirements. This includes the timing, calculation of outstanding debt, debt limits, future debt burden,

## CITY OF TUMWATER FINANCIAL POLICIES

and revenue requirements. The Finance Director is also responsible for the coordination of debt issues and subsequent required disclosures. The water, waste water and storm water utilities are combined as one water services utility for debt issuance purposes.

The City may issue the following types of debt: General Obligation bonds, voted and non-voted for any City purpose; Certificates of Participation<sup>4</sup> and full faith and credit bonds for any City purpose, revenue bonds for the utilities and special districts with or without the backing of the City's full faith and credit<sup>5</sup>, and short-term loans in anticipation of long-term bonds, all subject to RCW limitations and other relevant City policies. The City may also enter into long-term leases that constitute in substance a debt-financed purchase, a so-called capital lease.

The Finance Director assesses the lowest cost debt financing option for any debt issue. The Finance Director is responsible for the solicitation and selection of professionals, who are required to issue and administer City debt, such as bond counsel, financial advisor, underwriter, and fiscal agent.

A refinancing is a practice of selling new bonds to replace or combine existing bonds. Typically this is done when interest rates have fallen below an existing issues' effective interest rate. The City considers it best practice to initiate a refinancing when the net present value savings are at least three percent (3%). The Finance Director shall periodically evaluate bond issues and recommend a refinancing for this reason, as well as for other reasons, such as when the timing of anticipated revenues changes, or when it is in the City's best interest to modify bond covenants. A refinancing and a new issue may be combined.

An advance refunding is a practice of placing funds into escrow, and entirely relinquishing control over such funds, for the future repayment of bonds. Typically this is done when the bond security<sup>6</sup> no longer qualifies as security, such as through

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<sup>4</sup> The State of Washington facilitates bond issues where the debt needs of several small jurisdictions may be combined into one debt issue. Each jurisdiction holds a proportion of that debt issue through a Certificate of Participation or COP and makes the debt service payments to the State. It reduces issuance and interest costs to the COP holders, and minimizes subsequent disclosure requirements.

<sup>5</sup> The general fund may lend its creditworthiness to the utilities, for example, when utilities issue revenue bonds. It minimizes interest costs and debt coverage ratio requirements.

<sup>6</sup> Examples of bond securities are land, a building, or equipment that is typically acquired with the bond proceeds. For tax-exempt bonds, the underlying security has to be used for almost all public and very minor private purposes.



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conversion<sup>7</sup>, sale or impairment<sup>8</sup>, or when the issuer desires to extinguish the debt. The Finance Director shall recommend an advance refunding when it is in the best interest of the City.

The preferred method of debt issuance is the competitive process because it generally helps obtain a low total interest cost. A negotiated debt placement is permissible in special cases, such as in a volatile interest rate environment, under extenuating time pressure, or for an issue requiring special underwriter skills.

The three utilities of water, wastewater and storm water are considered to be one water utility for debt purposes. The City will strive to set service fees for the utilities that are estimated to maintain a minimum revenue bond debt coverage ratio of 1.25.

The City must identify revenue for any new debt and should associate it with a specific community benefit, so that the residents of Tumwater know what they are paying for.

The City strives to have a General Obligation bond rating of A or better (based on the S&P credit rating tiers, see Exhibit A) and is committed to filing all required subsequent debt disclosures according to applicable debt covenants and Security and Exchange rules.

Unused debt proceeds are invested according to the City's investment policy and any resulting arbitrage rebates are to be filed as required.

The City may use inter-fund borrowing when the lending fund has cash available and both funds benefit. Such inter-fund borrowing shall be in writing, with loan terms that include principal, annual interest, and payment schedule, and be approved by Council. The interest rate charged for such borrowing should be no less than what the lending fund would earn if its accumulated cash was invested in accordance with the policies in Section 10.

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<sup>7</sup> An example of a conversion is when an old City Hall is converted from public use to private use, such as commercial offices.

<sup>8</sup> An example of impairment could be a building damaged in a fire. Insurance proceeds could be used to either repair and rebuild or retire the associated debt early, because the building will not be recovered.

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**SECTION 12**  
**AUDITING, ACCOUNTING AND FINANCIAL REPORTING**

Section 21.2 of Council Rules established a standing Budget and Finance Committee. Its stated purpose is to develop and review policy issues and make recommendations regarding budget amendments, financial contracts, social and health services funding, financing, and budget development not otherwise covered by other committees or the full Council. The Mayor and three Council members form the Budget and Finance Committee. The Budget and Finance Committee has also acted as oversight committee over the City's annual audit engagement, audit reports, and any necessary follow-up, and should continue to do so. It should also receive information about unusual developments, cases of fraud, waste and abuse.

The Finance Department is responsible for the establishment and accounting of all funds, and fund assets, liabilities, revenues, expenditures, and expenses using the double-entry accounting method. The funds are established according to Generally Accepted Accounting Principles (GAAP) and are further described in the Tumwater Municipal Code chapter 3.36.

The Finance Department prepares GAAP-compliant annual financial statements including footnotes. It does not prepare an Annual Comprehensive Financial Report (ACFR) which requires certain additional budget comparative data and statistical information, the cost of which is deemed to outweigh the benefit at the time these policies are written. This may be reconsidered at any time.

The Tumwater accounting records should be designed to support financial reporting per GAAP and to support all required filings with the Washington State Auditor's Office (SAO). The 'Blue Book' of the Government Finance Officers' Association (GFOA) and the SAO Budget and Reporting System (BARS) manual serve as guidance for Chart of Accounts structure, GAAP implementation, audit preparation, and best accounting practices.

The Finance Department is also responsible for issuing timely internal reports for the Mayor, Council, City Administrator, and Directors.

The Finance Director should design and implement internal controls to prevent errors and omissions, and loss of assets, including through segregation of duties, physical security over cash, assignment of direct responsibilities for cash and bank record handling, secure access to bank accounts, purchase approval processes, periodic interim financial reviews, periodic reconciliations, and inventory taking.

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The Finance Director has the responsibility to establish a fund and account structure as required by SAO, GAAP or other laws and regulations. At the same time, the decision to add funds or accounts should follow an emphasis on simplicity and accountability, whenever possible. Funds and accounts require annual maintenance and essentially exist forever. It is prudent to keep the number of funds and accounts to those that are required and financially significant, or are of particular interest to the Public, Council, commissions and committees, or management long-term.

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**SECTION 13  
MANAGEMENT OF FEDERAL GRANTS**

The City applies for federal grants where possible and advisable, to fund transportation, law enforcement, water/sewer/storm drainage utility infrastructure projects, to name a few. When the City receives federal grants it strives to administer those grants in conformance with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards, when it applies. Key elements for that compliance are:

- Written Internal Controls over the grant funds and ability to demonstrate that the policies are being followed (2 CFR 200.303);
- Written procedures to minimize the time lag between advance payments by the granting agency (draws) and related disbursements (2 FCR 200.305);
- Written procedures to avoid a conflict of interest (2 CFR 200.318);
- Written Procurement Policies (2 CFR 200.320); and,
- Oversight and assurance that only Allowable Costs are claimed and ability to demonstrate the oversight (2 CFR 200.403).

The City's internal controls over federal funds take the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as guidance and strive to be able to demonstrate that it follows Federal statutes, regulations, and the terms and conditions of the Federal awards through oversight or monitoring, that it takes prompt action when non-compliance is identified, and that it takes reasonable measures to safeguard private personal and otherwise sensitive and confidential information.

The City strives to obtain grant funds as a reimbursement of expenditures. This means that any grant eligible invoices and internal labor costs have been paid by the City from City funds, and are billed to the granting agency subsequently and in the same amount as previously paid. In the unlikely event, that funds are drawn in advance of the expenditures, such as in the case of inadequate working capital, the draw is made as reasonably close to the expenditure timing as is administratively possible.

The City's procurement policies, adopted by Council, require the absence of employee or agent conflict of interest during the selection, award and administration of contracts, and include actions to be taken in the case of a violation.

The department managing a project, which is funded by direct or indirect federal funds, is responsible for the ability to demonstrate that it follows procedures that assure that only allowable costs are claimed.

CITY OF TUMWATER  
FINANCIAL POLICIES

CITY OF TUMWATER  
FINANCIAL POLICIES

SECTION 14: EXHIBIT A  
CREDIT RATING TIER CHART OF THREE MAJOR RATING AGENCIES

Moody's		S&P		Fitch		Rating description	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term		
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	
Aa1		AA+		AA+			
Aa2		AA		AA			
Aa3		AA-		AA-			
A1	P-2	A+	A-1	A+	F1	High grade	
A2		A		A			
A3		A-		A-			
Baa1	P-3	BBB+	A-3	BBB+	F2	Upper medium grade	
Baa2		BBB		BBB			
Baa3		BBB-		BBB-			
Ba1	Not prime	BB+	B	BB+	B	Lower medium grade	
Ba2		BB		BB			
Ba3		BB-		BB-			
B1		B+		B+			
B2		B		B			
B3		B-		B-			
Caa1	Not prime	CCC+	C	CCC	C	Non-investment grade speculative	Non-investment grade aka high-yield bonds aka junk bonds
Caa2		CCC				Extremely speculative	
Caa3		CCC-				Default imminent with little prospect for recovery	
Ca		CC					
C	C						
/	Not prime	D	/	DDD	/	In default	
/		DD					
/		D					

We are here

The City strives to have a General Obligation bond rating of A or better.

CITY OF TUMWATER  
FINANCIAL POLICIES

**SECTION 14: EXHIBIT B**

WASHINGTON STATE INVESTMENT BOARD INVESTMENT POLICIES

Refer to WSIB website for details. <https://www.sib.wa.gov/index.html>

WSIB Policy page <https://www.sib.wa.gov/policies.html>

WSIB Policy updated 9/21/23 [https://www.sib.wa.gov/docs/policies/2\\_05\\_500.pdf](https://www.sib.wa.gov/docs/policies/2_05_500.pdf)