

**FIRCREST CITY COUNCIL  
SPECIAL MEETING AGENDA**

**MONDAY, NOVEMBER 04, 2024  
6:30 P.M.**

**COUNCIL CHAMBERS  
FIRCREST CITY HALL, 115 RAMSDELL STREET**

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1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. ROLL CALL
4. AGENDA MODIFICATIONS
5. [PRELIMINARY 2025 BUDGET – 4<sup>th</sup> BUDGET WORK SESSION](#) 2
6. ADJOURNMENT

**Join the Zoom:**

*Dial-in Information: 1-253-215-8782 Webinar ID: 881 9447 1250 Passcode: 592064*

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**To:** Mayor and Councilmembers  
**From:** Dawn Masko, City Manager  
**Date:** November 4, 2024  
**Subject:** 2025 Preliminary Budget Workshop

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**ARPA Discussion:**

During the budget workshops held on October 14<sup>th</sup> and October 21<sup>st</sup>, we discussed potential expenditures from ARPA funds. Following those discussions, \$56,633 remains in General Fund ARPA funds. Attached is the updated ARPA expenditures spreadsheet for your review. Since the original discussions, two additional items have come up that I am proposing using ARPA funds for:

- Information Technology Hypervisor Project: Additional funding of \$800 is needed.
- Police Radio Equipment for the 10<sup>th</sup> Police Officer: \$10,126 is needed for this.

If these items are funded from ARPA proceeds, \$45,707 will remain available for allocation towards projects such as the Masko Park project, City Hall furniture purchases, or other items identified that can be obligated before the end of 2024 for completion in 2025. There is a placeholder of \$20,000 for the Masko Park project, which brings the unallocated ARPA funds amount to approximately \$25,707.

The costs and scope of the Masko Park project, which includes enhancements to the trails and rhododendron garden, are currently being evaluated. We are gathering information on trail cleanup and landscaping in preparation for the Centennial celebration and obtaining quotes for playground equipment. Last week, staff and project proponents met with neighbors to discuss the project.

Contracting with a consultant for a comprehensive project plan by year-end may not be feasible due to timing concerns, and the estimated cost of \$10,000 to \$15,000 seems excessive for a project of this size. Parks & Recreation Director Grover is working with playground consultants to explore design options that incorporate additional play features. The swing set and necessary surfacing materials are estimated to cost around \$15,750, while expanding the play area with additional items, such as a log climbing structure, will require about \$26,250 more. We anticipate that \$10,000 will be raised through fundraising efforts, which would leave the City's contribution between \$5,750 and \$32,200, depending on the final scope of the project, plus site preparation costs and permits and inspection fees.

Additionally, we are requesting a quote from our contracted landscaping company, Greenleaf, for the cleanup of the trails, underbrush, and Rhododendron Garden, as well as the potential creation of a new trail through the park. Staff will also reach out to the Pierce Conservation District and the Tahoma Bird Alliance (formerly the Tahoma Audubon Society) about organizing ongoing cleanup efforts. We can explore the installation of descriptive or memorial signs in the Rhododendron Garden next year, which could also serve as a good Eagle Scout project. Public Works is looking into the possibility of refurbishing and reinstalling the plaque that previously resided on the border of the park. I will provide further updates to the Council as more information becomes available.

We are also working with an office furniture vendor to obtain a quote for City Hall office furniture. The goal is to implement this plan in phases as funding allows, with the potential to use ARPA funds for the initial phase.

### **Questions/comments from previous Budget Workshops:**

- **Is the \$10,000 transfer from the General Fund for Street Beautification sufficient?**

Per Public Works Director Bemis, this amount continues to be sufficient.

- **Are the handguns recommended for purchase the same as we are already using, and would they require re-training our officers?**

Per Police Chief Schaub, about half of the department already carries S&W pistols. The other half are currently using Glocks. Every officer has shot the S&W pistol at the range, so any required retraining required would be minimal.

- **Is it possible to use ARPA funds for repairs to Wellhouse #4?**

It is probably not feasible to use ARPA funds due to the timing of obtaining quotes and authorizing a contract. However, staff will be exploring alternative fund sources for these repairs.

Staff are still looking into the following questions:

- Is a generator necessary at Wellhouse 6/7 since Wellhouse #9 is primary and there is a loop program in place?
- The percentage of Fircrest Soccer Club players who are Fircrest residents.
- How many Animal Licenses have been purchased?
- What are the comparables that were used for the proposed increases in planning and building-related fees and charges?

### **Fees & Charges Increases:**

Proposed increases to building and planning fees will be discussed with the Council once Community Development Director Newman returns to work and can provide further information.

A memorandum recommending a 3.0% increase in water rates to maintain the fund's stability is attached.

### **Salary Survey:**

Given the tight budget outlook for 2025, my focus has been on developing equitable solutions for employees who are more than 5% below market rates. I am also exploring a phased approach to bringing all positions up to the median market in early 2025 once 2024 is closed out. Due to the vacant Finance Director position, some revenue assumptions may rely on outdated figures. Once we have a new Finance Director in place and clarity on the 2024 financials, we will be better positioned to assess potential salary adjustments. However, I will present recommendations to the Council regarding positions significantly below market rates, including the Parks & Recreation Director.

I will provide the Council with detailed supporting documentation related to the information I provided at the last budget workshop as soon as my schedule allows.

Please feel free to contact me with any questions or concerns.

**CITY OF FIRCREST - ARPA PROGRESS REPORT**

<b>GENERAL FUND</b>	<b>2021-2024 Actuals</b>	<b>Remaining Budget</b>	<b>Total Budgeted &amp; Actual</b>
<b>ARPA Funds Received</b>	<b>\$ 1,909,840.00</b>	<b>\$ -</b>	<b>\$ 1,909,840.00</b>
<b>Expenditures</b>			
Assistance Grants (Business, Utility, Rental)	\$ 142,608.90	\$ -	\$ 142,608.90
AEDs for Police Patrol Cars & City Vehicles	36,683.06	-	36,683.06
City COVID-19 Related Expenses (PPE, Laptops, Zoom Licenses)	13,837.89	-	13,837.89
Council Chambers AV System	71,221.39	-	71,221.39
HVAC - CH/Court	16,838.97	-	16,838.97
Police Retention Bonuses	60,000.00	-	60,000.00
Police Signing Bonus	20,000.00	-	20,000.00
City Hall Alarm	18,045.38	-	18,045.38
Electronic Timesheet Program	12,600.00	-	12,600.00
Police Equipment (shields & noise suppressants handguns)	55,609.50	8,577.00	64,186.50
Additional (10th) Police Officer	-	67,612.00	67,612.00
City Hall Columns	-	11,000.00	11,000.00
IS Equipment	-	5,000.00	5,000.00
Police Vehicle	-	77,290.00	77,290.00
Metal Detector - Court Security	-	5,000.00	5,000.00
Copier & Folding Machine for Court	-	1,350.00	1,350.00
Laptop Replacements for City Staff	-	6,000.00	6,000.00
Website Update & Accessibility Update	-	10,933.00	10,933.00
Masko Park/Rhody Garden Projects	-	20,000.00	20,000.00
IS Equipment - Hypervisor Project - additional funds needed	-	800.00	800.00
Police Radio Equipment for 10th Officer	-	10,126.00	10,126.00
Transfer to Water Capital	1,213,000.00	-	1,213,000.00
<b>Total Expenditures</b>	<b>\$ 1,660,445.09</b>	<b>\$ 223,688.00</b>	<b>\$ 1,884,133.09</b>
<b>ARPA Funds Remaining</b>	<b>\$ 249,394.91</b>	<b>\$ 25,706.91</b>	<b>\$ 25,706.91</b>

<b>WATER CAPITAL FUND</b>	<b>2021-2024 Actuals</b>	<b>Remaining Budget</b>	<b>Total Budgeted &amp; Actual</b>
<b>ARPA Funds Received (Transferred from General Fund)</b>	<b>\$ 1,213,000.00</b>	<b>\$ -</b>	<b>\$ 1,213,000.00</b>
<b>Expenditures</b>			
Rose Water Main Project	\$ 143,373.26	\$ -	\$ 143,373.26
Summit Water Main Project	446,010.21	-	446,010.21
Weathervane Project	1,677.50	-	1,677.50
Water Meter Replacement Project	474,668.58	43,400.00	518,068.58
Princeton Street Service Connections	-	50,000.00	50,000.00
Reservoir Inspection & Cleaning	-	53,870.45	53,870.45
<b>Total Expenditures</b>	<b>\$ 1,065,729.55</b>	<b>\$ 147,270.45</b>	<b>\$ 1,213,000.00</b>
<b>ARPA Funds Remaining</b>	<b>\$ 147,270.45</b>	<b>\$ -</b>	<b>\$ -</b>



**To:** Mayor and City Council  
**From:** Dawn Masko, City Manager  
**Date:** November 4, 2024  
**Subject:** Water Rate Increase

This memorandum outlines the proposed rate increase for the Water Utility. Comprehensive information was provided as part of the 2024 budget process, and at that time, scenarios were provided that included a 4.5% rate increase in 2024 based on the Consumer Price Index for our region (CPI-W), followed by 2% rate increases in 2025 and 2026 as recommended in the Water Rate Study conducted in 2018.

Included in this memo is updated information for the Council’s review. Staff have provided several examples of the impact of the proposed 3.0% rate increase on various customers based on water volume usage. The chart below illustrates that during the winter months, 55% of single-family residential customers fall into Tier 1, while 42% are in Tier 2. During the summer months, the majority of customers shift into Tier 2. Updated customer information will be provided when available; however, any fluctuations in the data presented below will be minor.

Single-Family Residential Customers by Tier					
Billing Cycle	Tier 1	Tier 2	Tier 3	No Usage	Total
February 2023	1,222	921	34	41	2,218
August 2023	471	1,137	599	13	2,220

*There are currently 100 accounts on Budget Billing.*

Information provided by Public Works calculates that the single-family residential customer's average water usage is 1,179 cubic feet in the winter billing cycles and 3,131 cubic feet (cf) in the summer billing cycles. Based on that data, staff have used those averages to calculate the impacts of a proposed rate increase. Additionally, we have provided examples at the end of this memo based on 800 cf, 1400 cf, 2800 cf, and 4500 cf to illustrate potential impacts to customers in each tier.

The Council has previously authorized 2% water rate increases in both 2022 and 2023 and a 4.5% increase in 2024. Prior to 2022, there had not been a rate increase since 2019.

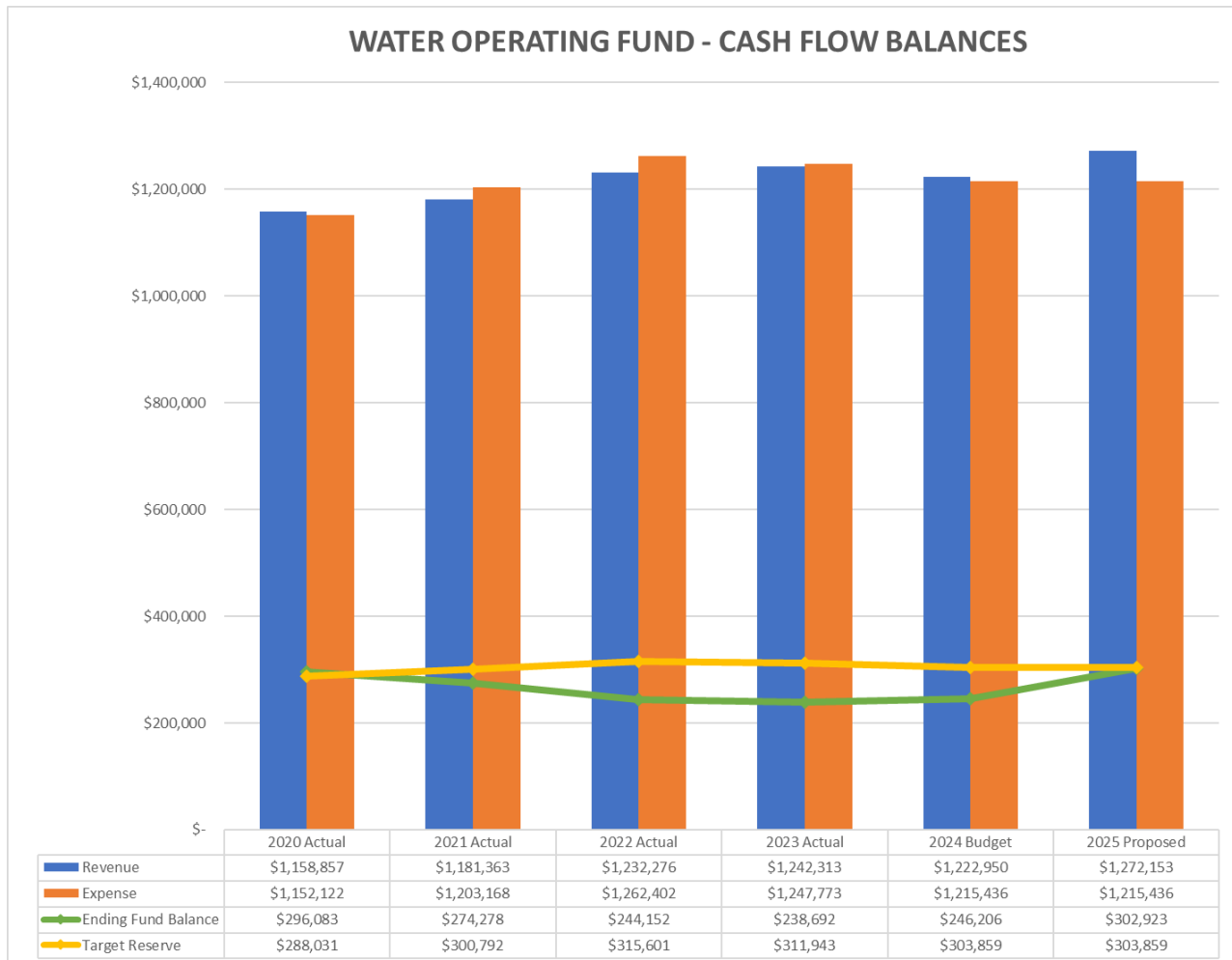
Single Family Residential		2019	2020	2021	2022	2023	2024
Base Rate		\$37.00	\$37.00	\$37.00	\$37.74	\$38.49	\$40.22
Tier 1	0 – 1,000 cf	\$0.0109	\$0.0109	\$0.0109	\$0.0109	\$0.0113	\$0.0118
Tier 2	1,001 – 4,000 cf	\$0.0163	\$0.0163	\$0.0163	\$0.0163	\$0.0169	\$0.0177
Tier 3	4,001+ cf	\$0.0272	\$0.0272	\$0.0272	\$0.0272	\$0.0288	\$0.0301
Rate Increase		4.2%	0.0%	0.0%	2.0%	2.0%	4.5%

Unfortunately, the rate increase history for the years prior to 2024 did not keep pace with inflation and the impact on Water operating expenditures, resulting in an incremental decrease in ending fund balance.

	Rate Increase	Expenditure Increase	CPI-W June to June
2019	4.2%	-26.9%	3.6%
2020	0.0%	-0.7%	1.7%
2021	0.0%	4.4%	1.0%
2022	2.0%	4.9%	6.3%
2023	2.0%	5.9%	9.5%

The Water Capital Fund was created in 2018 with a transfer from the Water Operating Fund. The 2019 expenditures reflect a decrease from 2018 due to the impact of that transfer.

City Financial Policies state that the goal is to maintain reserves equal to at least three (3) months of adopted operating expenditures. The chart below illustrates the gap between the Water Operating Fund’s target reserve and its actual ending fund balance. While the proposed Water Operating Budget for 2025 is structurally balanced, without a rate increase, the ending fund balance will continue to decline. The current projected ending fund balance for 2025, without a rate increase, is \$302,923, which still falls slightly short of the target reserve. Regular rate increases are essential for the City to cover operating expenses, bolster reserves, and ensure that funds are available for unanticipated repairs. Additionally, these increases will help prepare for upcoming retirements and their associated vacation leave liabilities in the coming years.



The chart below shows the rates based on a 2.0%, 2.5%, 3.0%, and 3.6% increase. Staff are recommending a 3.0% water rate increase for 2025. While less than the 3.6% COLA, it will allow the City to increase its ending fund balance, meeting the target reserves of three months of expenditures while also providing the ability to begin to address unanticipated expenses without dipping into reserves.

		2025				
Single Family Residential		No Increase	2.0%	2.5%	3.0%	3.6% COLA
Base Rate		\$40.22	\$41.03	\$41.23	\$41.43	\$41.67
Tier 1	0 – 1,000 cf	\$0.0118	\$0.0120	\$0.0121	\$0.0122	\$0.0122
Tier 2	1,001 – 4,000 cf	\$0.0177	\$0.0181	\$0.0181	\$0.0182	\$0.0183
Tier 3	4,001+ cf	\$0.0301	\$0.0307	\$0.0309	\$0.0310	\$0.0312
Projected Revenue Increase		\$0	\$53,624	\$53,887	\$54,150	\$54,466

The chart below shows the current residential water rates for our surrounding jurisdictions:

### 2024 Residential Water Rate Comparison

Based on an Average of 1400 cf

<u>Residential Water Service</u>	<u>2-Month Avg. Bill</u>	<u>Per Month Avg.</u>
University Place - Summer	\$128.98	\$64.49
University Place - Winter	\$121.51	\$60.76
Steilacoom	\$104.58	\$52.29
Tacoma - Summer	\$99.74	\$49.87
Tacoma - Winter	\$93.95	\$46.98
Lakewood	\$73.12	\$36.56
Fircrest - Current	\$59.10	\$29.55

Based solely on water rates, Fircrest’s rates continue to be among the lowest in our area. The table below shows how the proposed rate increase compares to the proposed rate increases for the same cities listed above based on cubic feet of water usage.

	2025 PROPOSED Residential Rates					
	Bi-monthly Customer Bill based on Base Rate + Volume Charge					
	800 cf	1179 cf	1400 cf	2800 cf	3131 cf	4500 cf
City of University Place – Summer	\$110.65	\$127.36	\$137.11	\$198.84	\$213.43	\$273.80
City of University Place – Winter	108.01	121.37	129.17	178.55	190.22	238.51
Town of Steilacoom	85.03	99.76	108.34	162.73	175.59	228.78
City of Tacoma – Summer	85.50	98.46	106.02	153.91	165.23	212.06
City of Tacoma – Winter	83.45	93.82	99.87	138.19	147.25	184.72
City of Lakewood	65.33	74.37	79.64	119.92	130.66	175.10
City of Fircrest – 3.6% Increase	51.45	57.18	61.23	86.90	92.97	124.50
City of Fircrest – 3% Increase	51.15	56.85	60.88	86.40	92.43	123.78
City of Fircrest – 2.5% Increase	50.90	56.57	60.58	85.98	91.98	123.18
City of Fircrest – 2% Increase	50.66	56.29	60.28	85.56	91.54	122.58
City of Fircrest – No Increase	49.66	55.19	59.10	83.88	89.74	120.17

Staff recommends that the Council approve a 3% increase for 2025. This increase would generate approximately \$54,150 of additional revenue and allow the City to close the gap between the anticipated ending fund balance and the target reserve. The impact of the bi-monthly increases on customers is shown in the chart below.

	2024 Current	2025 Proposed	Difference	% Increase
Base Rate	\$40.22	\$41.43	\$1.21	3.0%
800 cf	49.66	51.15	1.49	3.0%
1179 cf	55.19	56.85	1.66	3.0%
1400 cf	59.10	60.88	1.78	3.0%
2800 cf	83.88	86.40	2.52	3.0%
3131 cf	89.74	92.43	2.69	3.0%
4500 cf	120.17	123.78	3.61	3.0%

*The base rate does not include any water usage. All other rates shown include base rates plus water usage charges.*

The chart below shows the effect of a 3.0% increase in 2025, followed by a 2% increase in 2026 and 2027. While staff are not recommending the adoption of rate increases beyond 2025 without additional evaluation, estimated information is shown below.

	Current Rate	3.0% Increase	2025 Rate	2.0% Increase	2026 Rate	2.0% Increase	2027 Rate
Base Rate	\$40.22	\$1.21	\$41.43	\$.083	\$42.26	\$0.85	\$43.10
800 cf	49.66	1.49	51.15	1.02	52.17	1.04	53.22
1179 cf	55.19	1.66	56.85	1.14	57.98	1.16	59.14
1400 cf	59.10	1.77	60.87	1.22	62.09	1.24	63.33
2800 cf	83.88	2.52	86.40	1.73	88.12	1.76	89.89
3131 cf	89.74	2.69	92.43	1.85	94.28	1.89	96.17
4500 cf	120.17	3.61	123.78	2.48	126.25	2.53	128.78

*The base rate does not include any water usage. All other rates shown include base rates plus water usage charges.*

Additional work is needed in the coming year to assess the Water Utility Fund and explore strategies to ensure its long-term financial health. At this time, staff recommend a water rate increase to maintain the fund in a prudent manner. This increase will strengthen the ending fund balance while providing the necessary time to evaluate the Water Fund further and consider options for its long-range sustainability.

If the Council supports the rate increase, a public hearing must be held prior to its adoption. The Council can set a date for a public hearing at the November 12<sup>th</sup> City Council meeting, which will allow for sufficient time for the required public notice. Following the public hearing, an ordinance will be presented to the Council for adoption. If adopted, the rate increase would take effect with the February 1<sup>st</sup> utility billing cycle, and the increase will be reflected in the April 2025 utility statement.

Please let me know if you have any questions or require additional information on this topic. Thank you.



**City of Fircrest**  
**Water Utility - Customer Impact**  
**Typical Single-Family Residential Bill**

Bi-Monthly Use (cf)	<b>1,179</b>
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Winter Billing Cycle Average (February 2023)
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Charge	2024 Current	2025 Proposed
<b>Base Charge (Bi-Monthly)</b>		
Bi-Monthly	\$ 40.22	\$ 41.43
<b>Volume</b>		
Tier 1 (0-1,000 cf)	\$ 0.0118	\$ 0.0122
Tier 2 (1,001-4,000 cf)	0.0177	0.0182
Tier 3 (4,001+ cf)	0.0301	0.0310

Consumption Amount	2024 Current	2025 Proposed
Fixed Bi-Monthly Rate:	\$ 40.22	\$ 41.43
<b>Volume:</b>	<b>Cubic Ft</b>	
Tier 1 Usage	1,000	11.80
Tier 2 Usage	179	3.17
Tier 3 Usage	-	-
<b>Total Usage:</b>	<b>1,179</b>	<b>14.97</b>
<b>Total:</b>	<b>\$ 55.19</b>	<b>\$ 56.85</b>

Bi-Monthly Use (cf)	<b>3,131</b>
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Summer Billing Cycle Average (August 2023)
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Charge	2024 Current	2025 Proposed
<b>Base Charge (Bi-Monthly)</b>		
Bi-Monthly	\$ 40.22	\$ 41.43
<b>Volume</b>		
Tier 1 (0-1,000 cf)	\$ 0.0118	\$ 0.0122
Tier 2 (1,001-4,000 cf)	0.0177	0.0182
Tier 3 (4,001+ cf)	0.0301	0.0310

Consumption Amount	2024 Current	2025 Proposed
Fixed Bi-Monthly Rate:	\$ 40.22	\$ 41.43
<b>Volume:</b>	<b>Cubic Ft</b>	
Tier 1 Usage	1,000	11.80
Tier 2 Usage	2,131	37.72
Tier 3 Usage	-	-
<b>Total Usage:</b>	<b>3,131</b>	<b>49.52</b>
<b>Total:</b>	<b>\$ 89.74</b>	<b>\$ 92.43</b>

**City of Fircrest**  
**Water Utility - Customer Impact**  
**Single-Family Residential Bill - other examples**

Bi-Monthly Use (cf)	<b>800</b>
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Billing Based on 800 cf
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Charge	2024 Current	2025 Proposed
<b>Base Charge (Bi-Monthly)</b>		
Bi-Monthly	\$ 40.22	\$ 41.43
<b>Volume</b>		
Tier 1 (0-1,000 cf)	\$ 0.0118	\$ 0.0122
Tier 2 (1,001-4,000 cf)	0.0177	0.0182
Tier 3 (4,001+ cf)	0.0301	0.0310

Consumption Amount		2024 Current	2025 Proposed
Fixed Bi-Monthly Rate:		\$ 40.22	\$ 41.43
<b>Volume:</b>	<b>Cubic Ft</b>		
Tier 1 Usage	800	9.44	9.72
Tier 2 Usage	-	-	-
Tier 3 Usage	-	-	-
<b>Total Usage:</b>	<b>800</b>	<b>9.44</b>	<b>9.72</b>
<b>Total:</b>		<b>\$ 49.66</b>	<b>\$ 51.15</b>

Bi-Monthly Use (cf)	<b>1,400</b>
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Billing Based on 1400 cf
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Charge	2024 Current	2025 Proposed
<b>Base Charge (Bi-Monthly)</b>		
Bi-Monthly	\$ 40.22	\$ 41.43
<b>Volume</b>		
Tier 1 (0-1,000 cf)	\$ 0.0118	\$ 0.0122
Tier 2 (1,001-4,000 cf)	0.0177	0.0182
Tier 3 (4,001+ cf)	0.0301	0.0310

Consumption Amount		2024 Current	2025 Proposed
Fixed Bi-Monthly Rate:		\$ 40.22	\$ 41.43
<b>Volume:</b>	<b>Cubic Ft</b>		
Tier 1 Usage	1,000	11.80	12.15
Tier 2 Usage	400	7.08	7.29
Tier 3 Usage	-	-	-
<b>Total Usage:</b>	<b>1,400</b>	<b>18.88</b>	<b>19.45</b>
<b>Total:</b>		<b>\$ 59.10</b>	<b>\$ 60.88</b>

**City of Fircrest**  
**Water Utility - Customer Impact**  
**Single-Family Residential Bill - other examples**

**Bi-Monthly Use (cf)** **2,800**

Charge	2024 Current	2025 Proposed
<b>Base Charge (Bi-Monthly)</b>		
Bi-Monthly	\$ 40.22	\$ 41.43
<b>Volume</b>		
Tier 1 (0-1,000 cf)	\$ 0.0118	\$ 0.0122
Tier 2 (1,001-4,000 cf)	0.0177	0.0182
Tier 3 (4,001+ cf)	0.0301	0.0310

**Billing Based on 2800 cf**

Consumption Amount	2024 Current	2025 Proposed
<b>Fixed Bi-Monthly Rate:</b>	\$ 40.22	\$ 41.43
<b>Volume:</b>	<b>Cubic Ft</b>	
Tier 1 Usage	1,000	11.80
Tier 2 Usage	1,800	31.86
Tier 3 Usage	-	-
<b>Total Usage:</b>	<b>2,800</b>	<b>43.66</b>
<b>Total:</b>	<b>\$ 83.88</b>	<b>\$ 86.40</b>

**Bi-Monthly Use (cf)** **4,500**

Charge	2024 Current	2025 Proposed
<b>Base Charge (Bi-Monthly)</b>		
Bi-Monthly	\$ 40.22	\$ 41.43
<b>Volume</b>		
Tier 1 (0-1,000 cf)	\$ 0.0118	\$ 0.0122
Tier 2 (1,001-4,000 cf)	0.0177	0.0182
Tier 3 (4,001+ cf)	0.0301	0.0310

**Billing Based on 4500 cf**

Consumption Amount	2024 Current	2025 Proposed
<b>Fixed Bi-Monthly Rate:</b>	\$ 40.22	\$ 41.43
<b>Volume:</b>	<b>Cubic Ft</b>	
Tier 1 Usage	1,000	11.80
Tier 2 Usage	3,000	53.10
Tier 3 Usage	500	15.05
<b>Total Usage:</b>	<b>4,500</b>	<b>79.95</b>
<b>Total:</b>	<b>\$ 120.17</b>	<b>\$ 123.78</b>