

2026 Budget Discussion
October 14th, 2025



City Council Study Session

Sustainable Operating Budget



*A sustainable operating budget is one where
normally occurring revenues are equal to
normally occurring expenditures*

-and-

*One-time revenues are used for one-time
expenditures*

SOURCE: GOVERNING - THE FUTURE OF STATES AND
LOCALITIES



Agenda

1. What I Need Tonight – 2026 Budget Decisions
2. What Guides Our Budget
3. 2026 Budget Assumptions
4. 2026 Budget Enhancements
5. Revenue Update from 9/30 – Discussion of B&O Tax Scenarios & Recommendation
6. Reduction Recommendations/Discussion
 - \$1.2 Million Gap
7. Next Steps
8. Budget Calendar

What Do I need Tonight – Significant Decisions

- Agreement of One-Time Use of REET
 - Covers First 6 Months of Public Safety Sales Tax
- Agreement on B&O Increase Scenario
- Agreement on Reductions



Public Safety

Ensure that all Olympians feel safe and have access to reliable, compassionate care.



Environmental Stewardship

Preserve and enhance Olympia's natural resources.



Organizational Excellence

Deliver exceptional services and programs that are responsive to the needs of our community.



Community Livability

Enrich quality of life and foster belonging for all who live, work, or spend time in Olympia.



Economy

Promote a diverse and growing economy with pathways to prosperity for everyone.



Well-Planned City

Plan for, construct, and maintain a built environment that ensures the wellbeing of current and future generations

Priorities, Performance, and Investment

January - May

→ June – August

→ July – December

Set Priorities

What Needs Our Attention?

- Community conversations
- Engage Olympia
- Mid-year City Council retreat

Measure Performance

How Are We Doing?

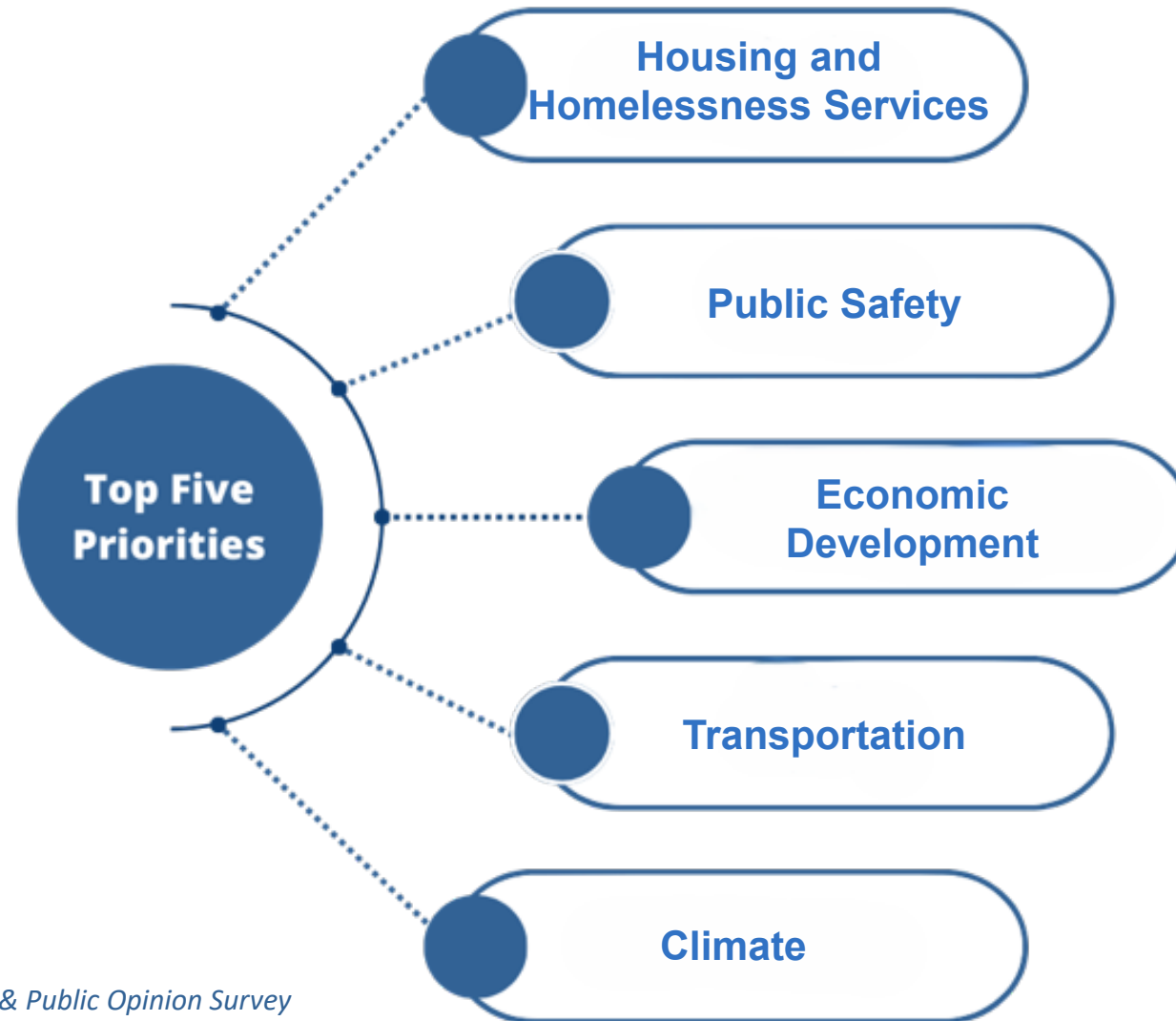
- Community survey
- Community indicators data
- Department data and analysis
- City work plans
- City Council retreat

Develop and Approve Budget

Where Do We Invest?

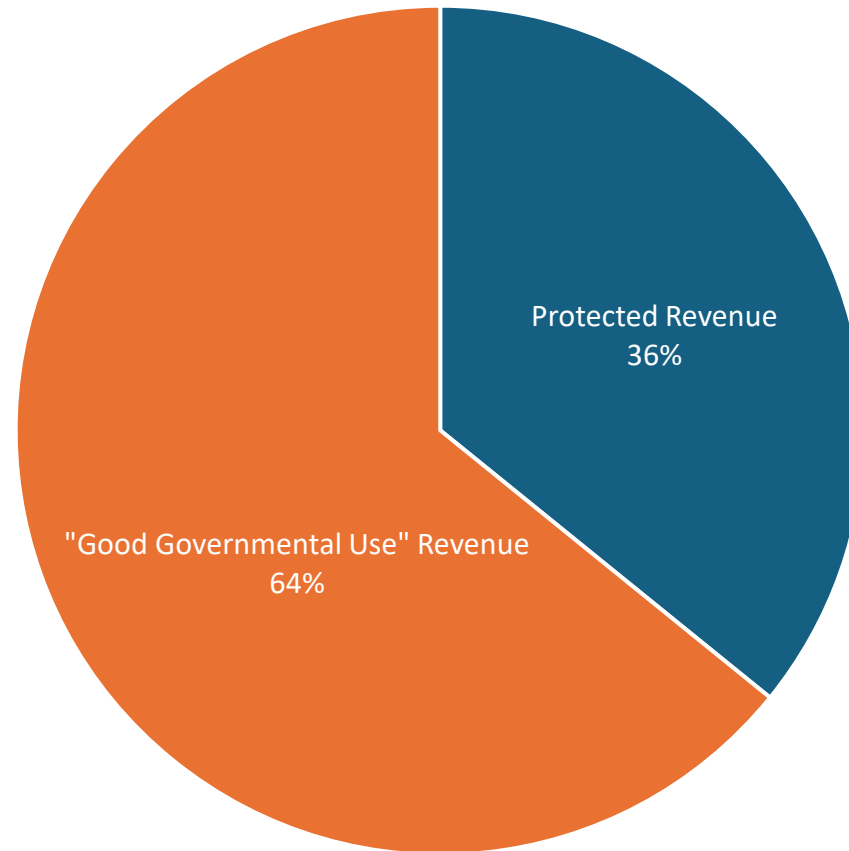
- **October** - Develop preliminary budget:
 - Operating Budget
 - Capital Facilities Plan
 - Utility rates
 - Impact fees
 - Revenue
- **November** – Public Hearings and balance the budget
- **December** – Budget adoption

Community Priorities

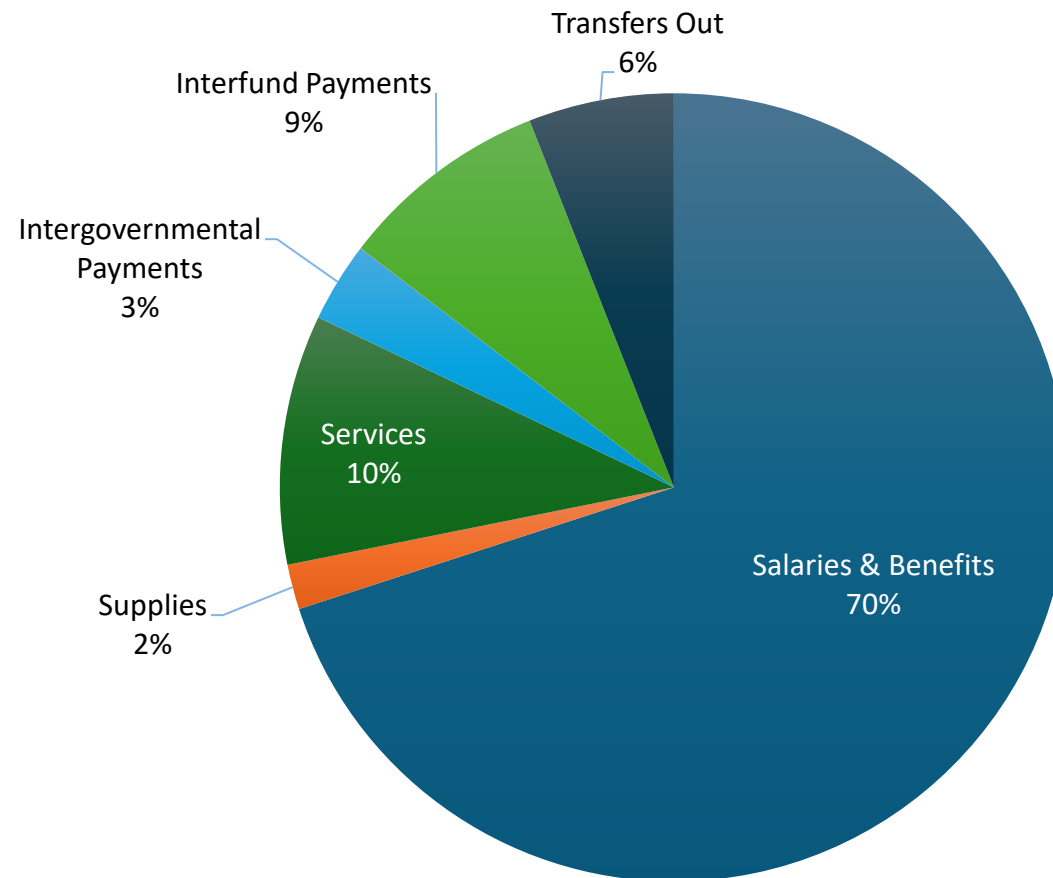


Source: 2023 Community Engagement & Public Opinion Survey

Dedicated Revenues vs Good Governmental Use



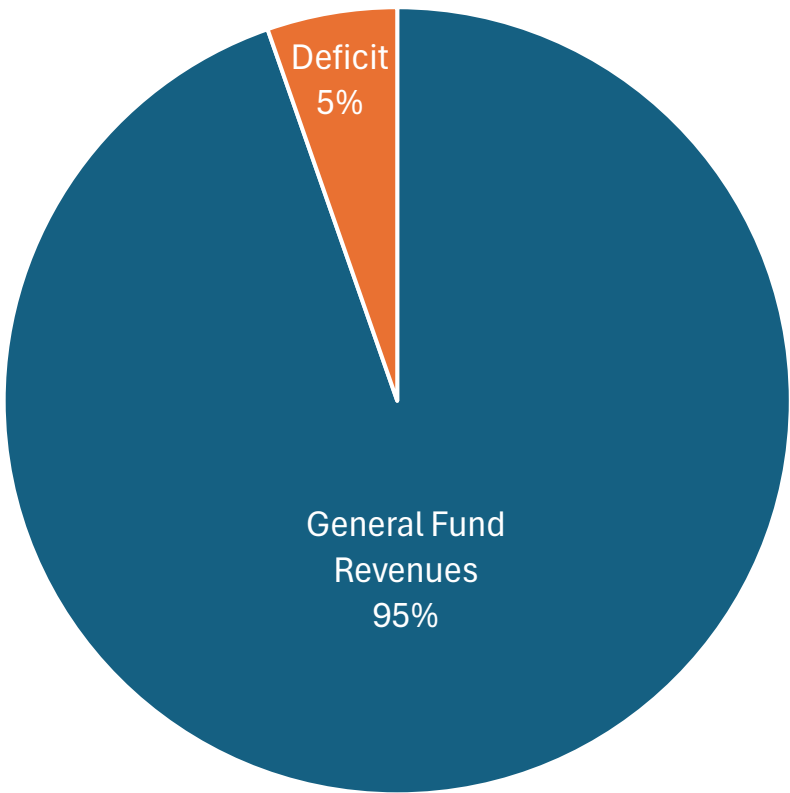
General Fund Expense By Type



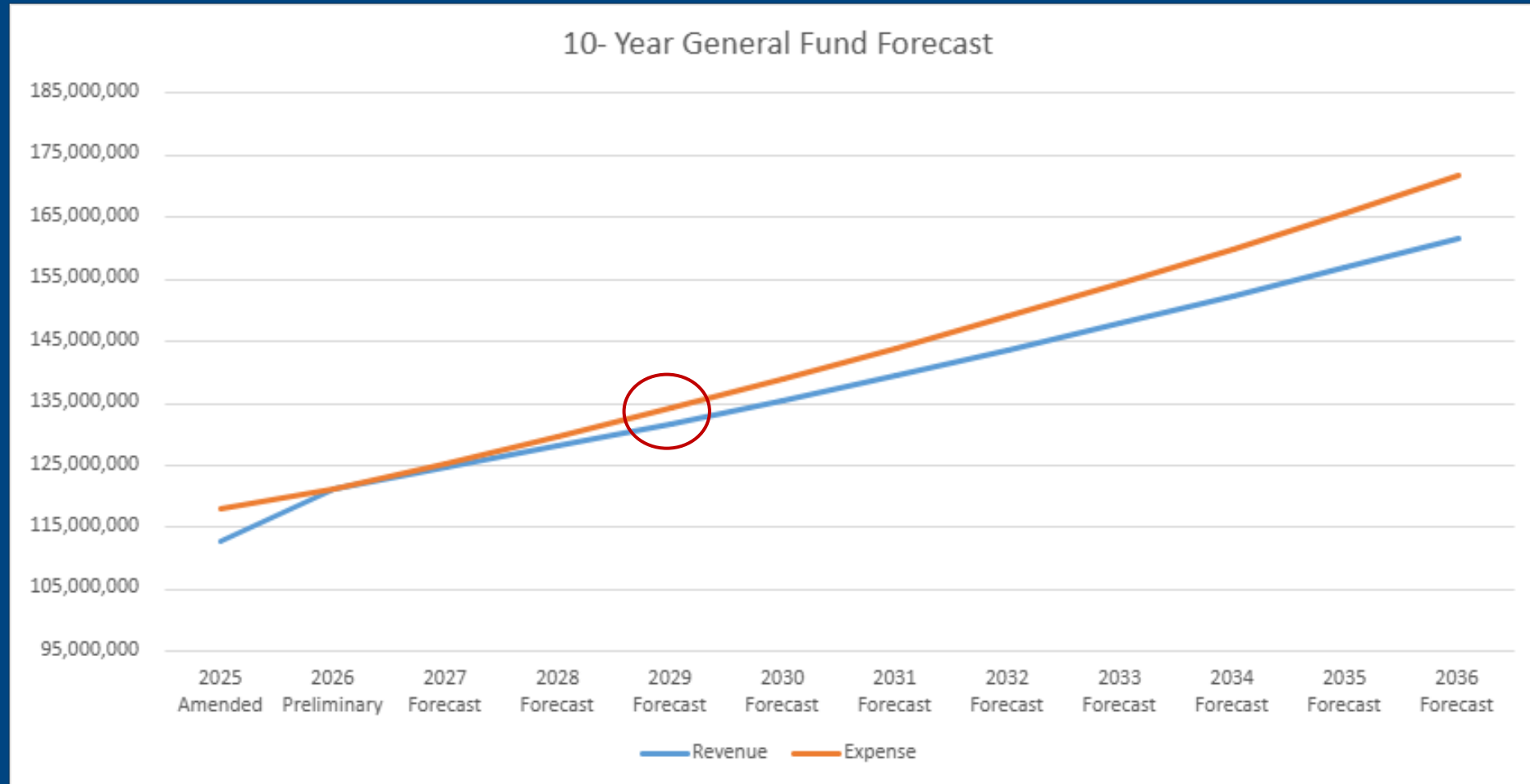
General Fund Balancing Position: \$(6.3 million)

As of October 14th, 2025

	Amount
Preliminary General Fund Expenses 2026	\$ 122,445,626
Preliminary General Fund Revenues 2026	<u>116,093,597</u>
Deficit to Balance	\$ 6,352,029



10-Year General Fund Forecast



2026 Budget Assumptions/Adjustments

Budget Assumptions

2.7% Wage adjustment for Independents, AFSCME, IUOE, Teamsters

Health Insurance Increase

- AWC Regence: 8.7%
- AWC Kaiser Permanente: 11.6%
- AWC Delta Dental: 4.3%
- Northwest Firefighter Trust Regence: 5.9%

Workers Compensation Rates (City and State annual rates):

- Fire increased to \$19,152 from \$13,543
- Office Staff increased to \$1,696 from \$1,120
- Field Staff increased to \$9,443 from \$6,108
- Police increase to \$14,459 from \$9,743

General Fund Revenue Assumptions

General Fund revenue assumptions are reviewed monthly and incorporate state and local economic indicators.

Projections based on:

- **Property Tax = Increased to 1% Maximum**
 - \$164,000 New Construction Adjustment Since 9/30 Meeting
- **Sales Tax = 4.6% increase over 2025 Actuals**
 - \$200,000 Adjustment Since 9/30 Discussion
- **B & O Tax = 4.5% increase over 2025 Actuals**
 - \$50,000 Adjustment Since 9/30 Meeting

Current Balancing Position/Adjustments Included

- BLS Revenue/GEMT Reimbursement Estimates Included
- Accounted for Vacancies
- ADA Coordinator – Facilities Funded - \$216,664 Savings
- Shift Urban Forester Funding to Parks - \$165,000 Savings
- One General Fund Enhancement Added
 - OFD Bunker Gear
- Two Frozen Positions
 - Tax Auditor (6 months)
 - Performance Mgmt Specialist (12 months)
- Additional GF Support of Development Fee Fund (2026) - \$1.3M
- **\$1.5 million in Real Estate Excise Tax Utilized to Cover One-Time Gap in Public Safety Sales Tax Funding (Council Discussion)**

2026 Budget Enhancement Discussion

Enhancements – General Fund (In Baseline Budget)

General Fund Impact

Increased Jail Costs	\$900,000
OFD Bunker Gear On-Going	\$84,000

Enhancements – Revenue Neutral (In Baseline Budget)

General Fund Impact

Additional Firefighter	\$180,000
Climate Resilience Coordinator	\$152,592
Launch Safe Housing & Rental Efficiency Program	\$150,000
Climate Energize Fellow	\$93,750
Energize Olympia Marketing & Outreach	\$15,000
Olympia Strong Implementation	\$200,000

Other Fund Impact

Olympia Sea Level Rise Collaborative	\$117,000
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Enhancements – Discussion Needed (Not Included)

General Fund Impact

Home Energy Score	\$115,000
\$90,000 One-Time	
\$25,000 On-Going	
Development Fee Study	\$60,000
ODA Downtown Guides Expansion	\$195,000
Emergency Manager	\$75,000

Other Fund Impact (TBD Sales Tax)

4-Person Sidewalk Repair Team	\$830,000
\$149,000 One-Time	
\$681,000 On-Going	

Enhancements – Sidewalk Maintenance Proposal

Assumes approximately 20-25 sites of panel replacement each year

Estimated cost:

- \$830,000 in first year
- \$681,000 each year following

Assumptions:

- The first year would have an additional \$149K for equipment (mini excavator)
- Administrative costs absorbed initially
- Funded with TBD Sales Tax

Annual Cost of \$681,000 includes:	Notes
\$517K for 4 new staff	<ul style="list-style-type: none">• 3 Maintenance Worker IIs• 1 Field Crew Leader
\$40K for equipment	
\$37K in materials	Added to existing \$27,000
\$87K for trees	Assumes 15 sites of tree removal and replacement

Revenue Discussion B&O Increase Scenarios

B&O Increase Scenarios

CLASSIFICATION	CURRENT		SCENARIO 1: .0015, 250K			SCENARIO 2: .0015, 500K		
	RATE	REVENUE	RATE	REVENUE	REVENUE INCREASE/ DECREASE	RATE	REVENUE	REVENUE INCREASE/ DECREASE
Manufacturing	0.0010	101,890	0.0015	150,581	48,691	0.0015	148,134	46,244
Printing & Publishing	0.0010	8,465	0.0015	11,961	3,496	0.0015	11,463	2,998
Retailing	0.0010	2,528,266	0.0015	3,680,294	1,152,028	0.0015	3,551,471	1,023,205
Road Construction or Extraction	0.0010	13,525	0.0015	17,439	3,914	0.0015	16,898	3,373
Service & Other Activity	0.0020	4,366,794	0.0020	4,207,088	-159,706	0.0020	4,067,291	-299,503
Wholesaling	0.0010	1,016,266	0.0015	1,490,234	473,968	0.0015	1,459,389	443,123
Total		8,035,206		9,557,597	1,522,391		9,254,646	1,219,440

CLASSIFICATION	CURRENT		SCENARIO 3: .002/.0015, 250K			SCENARIO 4: .002/.0015, 500K		
	RATE	REVENUE	RATE	REVENUE	REVENUE INCREASE/ DECREASE	RATE	REVENUE	REVENUE INCREASE/ DECREASE
Manufacturing	0.0010	101,890	0.0020	200,774	98,884	0.0020	197,512	95,622
Printing & Publishing	0.0010	8,465	0.0020	15,948	7,483	0.0020	15,284	6,819
Retailing	0.0010	2,528,266	0.0015	3,680,294	1,152,028	0.0015	3,551,471	1,023,205
Road Construction or Extraction	0.0010	13,525	0.0020	23,252	9,727	0.0020	22,530	9,005
Service & Other Activity	0.0020	4,366,794	0.0020	4,207,088	-159,706	0.0020	4,067,291	-299,503
Wholesaling	0.0010	1,016,266	0.0020	1,986,978	970,712	0.0020	1,945,852	929,586
Total		8,035,206		10,114,334	2,079,128		9,799,940	1,764,734

B&O Scenarios/Impacts

Scenario 1 – Gain \$303,000 in Budget Capacity

Scenario 2 – Balanced with Proposed Reductions

Scenario 3 – Gain \$860,000 in Budget Capacity

Scenario 4 – Gain \$545,000 in Budget Capacity

Proposed Reductions Discussion

\$1.2 Million Gap

Guiding Principles – Reduction Proposal

- Maintains Programs/Services funded through past ballot measures or protected revenues – Community Commitments
- Focused on Maintaining Programs
 - Work Plan Impacts/Timing
- Limit Public Safety Impacts
 - Police/Fire/Homeless Response/Alternative Programs
- Avoided reduction options in Public Works Transportation
 - \$1 million in reductions in 2025
- Avoided further significant cuts to support services (HR, IT, Finance)
 - Significant reductions in 2025
 - Comp Cities Study indicates we are behind

Proposed Reductions

- 2.5 FTE – Communications \$377,970
- 1.0 FTE – City Manager Support Position \$108,750
- 1.0 FTE – Legal Department \$208,684
- 1.0 FTE – Economic Development Support \$108,896
- 1.0 FTE – Familiar Faces (Vacant) \$136,196
- 1.0 FTE – Climate Program Spec (Vacant) \$127,199

Proposed Reductions

- Eliminate Federal Lobbyist Contract \$75,000
- 1.0 FTE – CPED Sr. Planner (9 Months) \$140,898

Total Reductions

\$1.2 Million

Other Revenue Options (One-Time)

- Fund Balance Above 10% Reserve \$2.1 Million
- Additional REET/Transportation \$1.5 Million
- Exigent Financial Circumstances/Parks \$500,000



Discussion

Next Steps/Budget Calendar

Oct. 14, 2025: *Study Session*: General Fund Balancing Update

Nov. 3, 2025: Rates, Fees, Special Revenue Presentation and first Public Hearing for the Operating Budget, and first and final Public Hearing for the Capital Facilities Plan and Transportation Improvement Plan

Nov. 18, 2025: Second Public Hearing Operating Budget

Nov. 24, 2025: Final Budget Balancing Presentation (Meeting on Zoom)

Dec. 9, 2025: First Readings: Ordinances

Dec. 16, 2025: Second Readings: Ordinances



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