

Thurston Climate Mitigation Collaborative Community Advisory Workgroup Meeting

Tuesday, May 20, 2025 | 4 – 6 PM

This meeting will be held virtually via Zoom. See details at end.

AGENDA

1. Welcome and Call to Order (5 minutes)
2. Announcements (10 minutes)
 - a. Staff Announcements
 - b. CAW Member Announcements
3. Upcoming Agendas (15 minutes)
 - a. Upcoming Agendas Review
 - b. Agenda Requests for upcoming CAW Meetings
 - c. Agenda Requests for upcoming EC Meetings
4. Business Items
 - a. Funding Sources for Climate Implementation
 - i. *Memo: Funding and Financing Climate Action Plans*
 - ii. *Attachment: Funding for Climate Action in Olympia and Thurston County*
 - b. TCMC Administrative Update
 - i. *Memo: [TBD]*
5. Adjourn

Join Zoom Meeting:

<https://pdx.zoom.us/j/84633136463>

MEMORANDUM

TO: Thurston Climate Mitigation Collaborative Community Advisory Workgroup

FROM: Thurston Climate Mitigation Collaborative Staff Team:
Pamela Braff, City of Olympia

DATE: May 20, 2025

SUBJECT: Funding and Financing Climate Action Plans

Requested Action

Receive a briefing on funding and financing climate action plans.

Purpose of this Action

During the March 18 CAW meeting, CAW members requested and approved a future agenda topic on how to fund TCMP activities.

Background and Analysis

Meeting the greenhouse gas reduction targets established by the Thurston Climate Mitigation Plan (TCMP) will require significant investment by state and local governments, as well as local businesses and households. During this briefing, staff will provide an overview of funding and financing mechanisms for local governments to support implementation of the TCMP, including grants, partnerships, loans, City/County budgets, and new taxes and fees. Staff will also discuss the limitations and key considerations for each funding and financing mechanism.

Engagement Questions

- In a world with no financial or political constraints, what would be the ideal approach to fund implementation of the TCMP?
- Given the reality of current conditions, what is the most strategic approach to fund implementation of the TCMP? What are the constraints, opportunities, and barriers associated with this approach?

Attachments

N/A

Funding for Climate Action in Olympia *and Thurston County*

TCMC Community Advisory Workgroup
May 20, 2025



What's in a municipal climate budget?

Some examples...

	Capital Budget	Operating Budget
Mitigation	<ul style="list-style-type: none">• Fleet Electrification• City/County Building Retrofits• Bike, Pedestrian, and Transit Infrastructure	<ul style="list-style-type: none">• Utility Costs (e.g., green power)• Employee Commute Trip Reduction• Staff Salaries, benefits, and training• Community Programs and Services• Incentives
Resilience	<ul style="list-style-type: none">• Stormwater Infrastructure• Sea Level Rise Berms and Barriers• Energy backups for Critical Facilities	<ul style="list-style-type: none">• Habitat Restoration• Emergency Preparedness Outreach• Staff Salaries, benefits, and training• Community Programs and Services• Incentives

Major Types of Financial Mechanisms

1. **Grants** can provide “repayment-free” capital.
 - BUT unpredictable; responsive to funder priorities; and can require significant staff capacity for grant management
2. **Partnerships** secure capital from non-governmental and corporate actors.
 - BUT challenging to find partners with aligned mission, values, *and* capital
3. **Loans** provide access to upfront capital, whose principal and interest must be repaid over the duration of the loan.
 - BUT requires a source of revenue for repayment

Major Types of Financial Mechanisms

4. **Bonds** provide dependable, predictable financing for large infrastructure projects.
 - BUT requires a source of revenue for repayment
5. **Budget** refers to using money in a city's general fund. Funded through taxes and fees.
 - BUT city/county budgets are limited with many demands for new and improved programs and services. Other special revenue funds are legally restricted for specific projects or purposes.
6. **New Taxes and Fees**, as well as cost savings and other revenues, can create new capital flows to fund climate action.
 - BUT options are limited and often require voter approval. Jurisdictions must carefully consider feasibility and impacts.

BUDGETS

Funding City of Olympia Programs & Services

Dedicated vs. General Fund Revenue

Total Preliminary Operating Revenue \$212,706,582

Dedicated Fund Revenue
\$102,751,251

Utility Rates

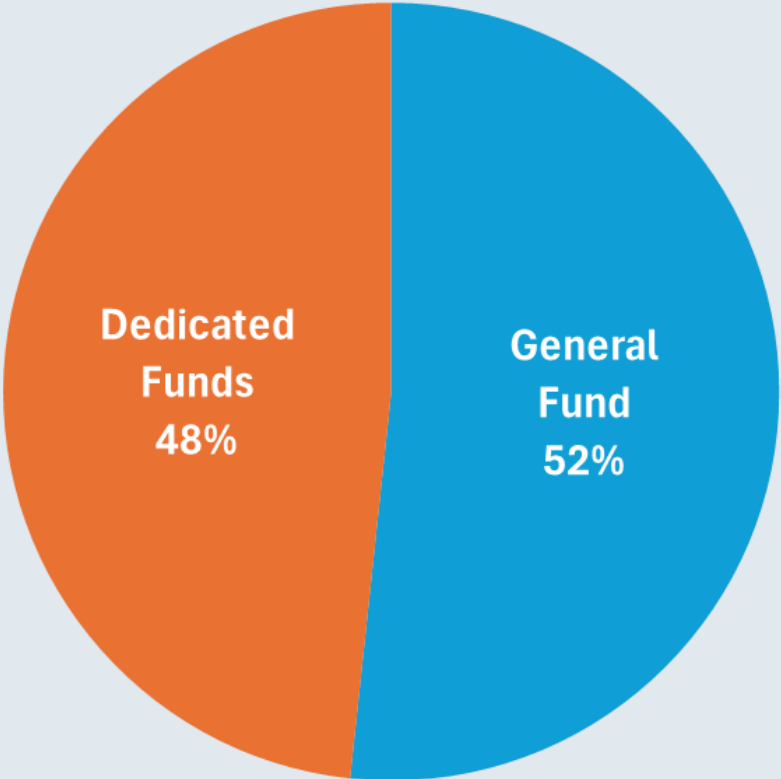
Fees for Service

Metropolitan Park District

Cultural Access Sales Tax

Home Fund Sales Tax

Grants (excluding General Fund)



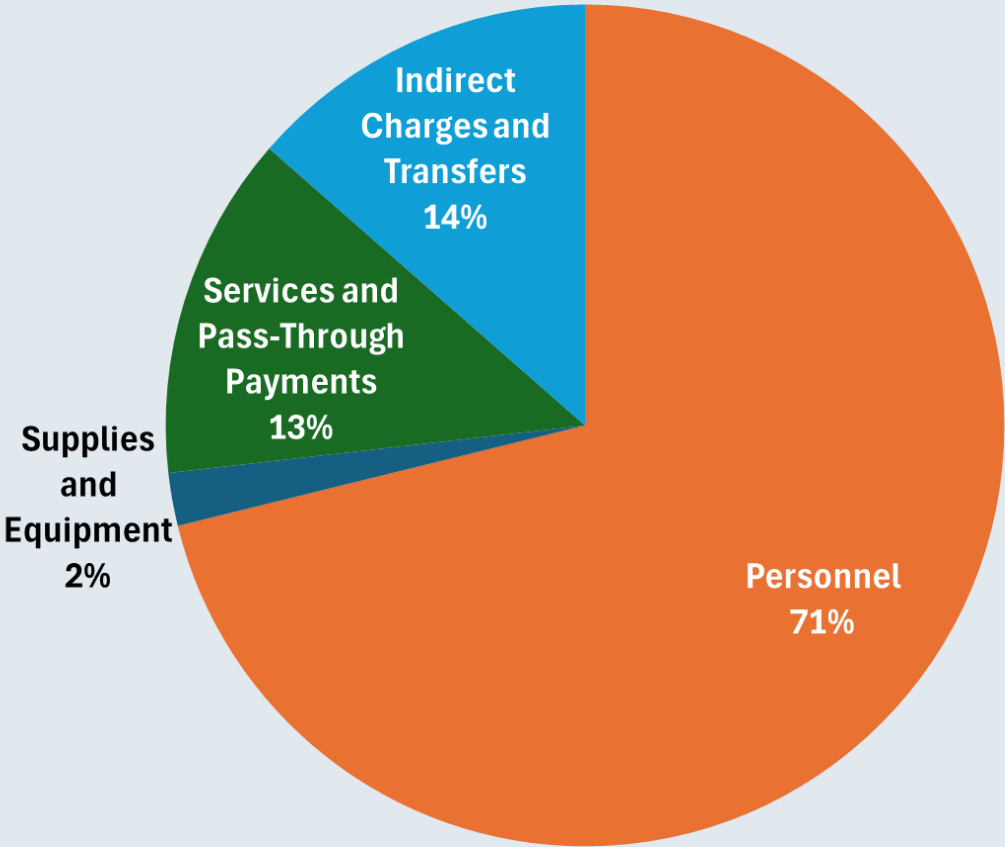
General Fund Revenue
\$109,955,331

Sales Tax

Property Tax

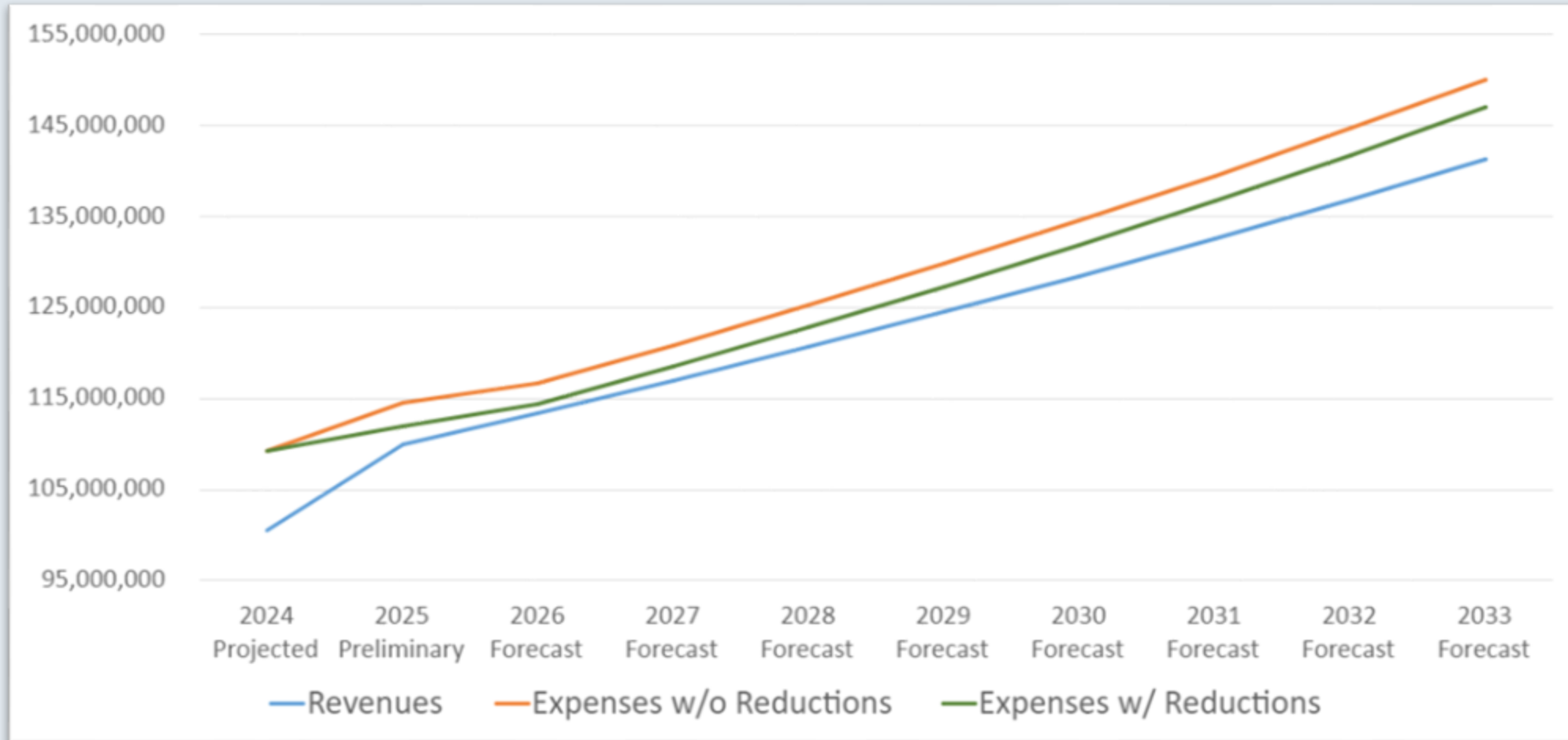
Business & Occupation (B&O) Tax

2025 General Fund By Expense Type (Olympia)



Expense Type:	Budget:
Personnel	\$81,052,610
Supplies and Equipment	\$2,310,626
Services and Pass-Through Payments	\$15,118,797
Capital Outlay	\$80,500
Indirect Charges and Transfers	\$15,458,394
Total	\$113,940,427

10-Year General Fund Forecast (Olympia)



Taxes and Fees

Taxes and Fees

What are the options?

- Property Tax
- Sales Tax
- Private Utility Tax
- Municipal Utility Tax
- Excise Tax



Property Tax

Local Authority

- Yes
- Requires voter approval (Levy lid lift)

Key Considerations

- Consistent and predictable funding
- Imposed for specified duration
- Increases costs to property owners
- Likely less regressive than other approaches. Higher property values typically correlates with higher ability to pay.

Property Tax

Local Authority

- Yes
- Requires voter approval (Levy lid lift)

Potential Revenue

Rate Increase per \$1,000	Estimated Revenue
\$0.01 rate increase	\$116,882
\$0.10 rate increase	\$1,168,822
\$0.20 rate increase	\$2,337,644

Estimates based on 2022 assessed valuation.

Sales Tax

Local Authority

- No
- Cities may impose “unrestricted” sales taxes totaling 1.0% on top of the 6.5% state sales tax.
- Additional “restricted” local sales taxes for specific purposes must be authorized in state statute.
- Some “restricted” taxes require voter approval.

Key Considerations

- **Requires state action to authorize a local sales tax for climate action.**
- Most sales taxes may be imposed permanently.
- Generates extra tax revenue from out-of-town visitors.
- Sensitive to economic conditions.
- Tax burden (as a percent of income) falls hardest upon low-income households.

Sales Tax

Local Authority

- No
- Cities may impose “unrestricted” sales taxes totaling 1.0% on top of the 6.5% state sales tax.
- Additional “restricted” local sales taxes for specific purposes must be authorized in state statute.
- Some “restricted” taxes require voter approval.

Potential Revenue

Retail Sales Tax	Current Rate	Estimated Revenue Per 1% Increase
	9.5%	\$2,186,000

Estimates based on 2022 actual collections.

Private Utility Tax

Local Authority

- Yes
- Requires voter approval

Key Considerations

- No established upper limit on legal tax rate.
- *Potential* to influence consumer behavior (energy efficiency and/or electrification).
- Tax burden (as a percent of income) falls hardest upon low-income households.

Private Utility Tax

Local Authority

- Yes
- Requires voter approval

Potential Revenue

Utility Taxes	Current Rate	Estimated Revenue Per 1% Increase
Electric	9.0%	\$589,900
Gas	9.0%	\$165,958
Telephone	9.0%	\$215,791

Estimates based on 2022 actual collections.

Municipal Utility Tax

Local Authority

- Yes
- Does not require voter approval

Key Considerations

- No established upper limit on legal tax rate.
- No potential to influence consumer behavior (energy efficiency and/or electrification).
- Tax burden (as a percent of income) falls hardest upon low-income households.

Municipal Utility Tax

Local Authority

- Yes
- Does not require voter approval

Potential Revenue

Utility Taxes	Current Rate	Estimated Revenue Per 1% Increase
Garbage	12.5%	\$136,885
Sewer	12.5%	\$202,248
Storm	12.5%	\$62,276
Water	12.5%	\$140,099

Estimates based on 2022 actual collections.

Business and Occupation Tax

Local Authority

- Yes
- Does not require voter approval if less than or equal to 0.2%.
- Requires voter approval to exceed 0.2%.

Key Considerations

- B&O tax is a gross receipts tax. It is measured on the value of products, gross proceeds of sale, or gross income of the business.
- Unlikely to influence consumer behavior.
- Tax burden (as a percent of income) may disproportionately impact small businesses and/or business with high operational costs and low profit margins.

Business and Occupation Tax

Local Authority

- Yes
- Does not require voter approval if less than or equal to 0.2%.
- Requires voter approval to exceed 0.2%.

Potential Revenue

B&O Tax	Current Rate	Estimated Revenue Per 0.1% Increase
	0.1%	3,000,000

Estimates based on 2022 actual collections.

Some food for thought:

- Washington State has a highly regressive tax system.
- Economic and political environment impacts the viability of ballot measures.
- Previous ballot measures can impact the success of future initiatives.
- Appetite for new taxes and fees varies across the TCMC jurisdictions.
- Budgeting for climate action within the existing city budget process can advance implementation, while working within existing budget constraints.



Discussion Questions

- In a world with no financial or political constraints, what would be the ideal approach to fund implementation of the TCMP?
- Given the reality of current conditions, what is the most strategic approach to fund implementation of the TCMP? What are the constraints, opportunities, and barriers associated with this approach?

