Meeting Location:
216 Prospect Street
Port Orchard, WA 98366

Contact us:
Phone (360) 876-4407
cityhall@portorchardwa.gov
www.portorchardwa.gov

Finance Committee
Finance Committee Regular Meeting

Tuesday, February 17, 2026
4:30 PM

Remote Access

Link: https://us02web.zoom.us/j/81030540082
Zoom Meeting ID: 81030540082
Zoom Call-In: 1 253 215 8782,,81030540082#

Webinar ID: 810 3054 0082

1. Call to Order

2. Discussion Items

1) Finance Department (15 mins) Finance Director, Noah Crocker
a. Sales Tax & REET Revenue Report
b. Preliminary Treasurers Report – Funds, accounts

A. Sales Tax & Real Estate Excise Tax (REET)
B. Downtown Revitalization Grant Program
C. Cyber Security Grants
D. AI Policy
E. Salary Survey

3. Adjournment

4. Next Finance Committee Meeting

ADA Requirements

In compliance with the American with Disabilities Act, if you need accommodations to participate in this meeting, please contact the City Clerk's office at (360) 876-4407. Notification at least 48 hours in advance of meeting will enable the City to make arrangements to assure accessibility to this meeting.

REMINDER: Please silence all electronic devices while City Council is in session.

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Agenda Staff Report

Discussion Items: Sales Tax & Real Estate Excise Tax (REET)

Meeting Date: February 17, 2026

Prepared By: Noah Crocker, M.B.A., Finance Director

Presenter: Noah Crocker, M.B.A., Finance Director

Summary and Background: 2025

- Sales Tax revenue for December 2025 was 10% less than December 2024. For 2025 total sales tax revenue was lower than 2024 sales tax revenue by 2.89%. However, it was higher than budgeted for FY 2025 by 2.63%.
- REET for 2025 was approximately 16% less than 2024. However, it was higher than budgeted for FY 2025 by 23%.

2026

- Sales Tax revenue for January 2026 was 5.68% less than January 2025. For 2026 total sales tax revenue is 1.38% below budget for FY 2026.
- REET revenue for January 2026 was 77.5% less than January 2025. For 2026 REET Revenue is 29% below budget for FY 2026.

Relationship to Comprenhensive Plan: N/A

Recommendation: Discussion

Motion for Consideration: N/A

Has item been presented to Committee/Work Study? If so, which one: Finance Committee

Fiscal Impact: N/A

Alternatives: N/A

Attachments:
2025.12.31-New Sales Tax History Template.pdf
2026.01.31-New Sales Tax History Template.pdf

Sales Tax Collections

Population

Summary of Budget to Actuals	2024	2025	2026	Biennial
Budget	6,895,000	7,600,000	7,665,000	15,265,000
Actual	8,031,757	7,799,987	-	7,799,987
Over/Under	$ 1,136,757	$ 199,987	$ (7,665,000)	$ (7,465,013)

Percentage of Biennial Budget Received
51%

Actuals				
	2024	2025	2026	Biennial
January	$ 631,079	$ 615,894		$ 615,894
February	723,810	720,131		$ 720,131
March	609,403	599,665		$ 599,665
April	574,283	555,942		$ 555,942
May	681,038	662,443		$ 662,443
June	685,812	605,926		$ 605,926
July	708,235	654,834		$ 654,834
August	726,041	719,580		$ 719,580
September	704,489	705,012		$ 705,012
October	685,878	674,137		$ 674,137
November	649,457	700,508		$ 700,508
December	652,233	585,914		$ 585,914
Total	**$ 8,031,757**	**$ 7,799,987**	**$ -**	**$ 7,799,987**

Actuals		
	Year over Year Change	% Change
January	$ (15,184)	-2.41%
February	$ (3,679)	-0.51%
March	$ (9,739)	-1.60%
April	$ (18,340)	-3.19%
May	$ (18,595)	-2.73%
June	$ (79,885)	-11.65%
July	$ (53,401)	-7.54%
August	$ (6,461)	-0.89%
September	$ 524	0.07%
October	$ (11,742)	-1.71%
November	$ 51,051	7.86%
December	$ (66,319)	-10.17%
Total	**$ (231,770)**	**-2.89%**

Budget			
	2025 estimated based on 5yr avg	Budget vs Actual (Over/Under)	% Over/Under
January	$ 584,055	$ 31,840	5.5%
February	$ 671,830	$ 48,301	7.2%
March	$ 542,661	$ 57,003	10.5%
April	$ 521,856	$ 34,086	6.5%
May	$ 626,006	$ 36,437	5.8%
June	$ 633,021	$ (27,094)	-4.3%
July	$ 673,422	$ (18,588)	-2.8%
August	$ 707,510	$ 12,070	1.7%
September	$ 678,340	$ 26,673	3.9%
October	$ 656,109	$ 18,028	2.7%
November	$ 676,382	$ 24,126	3.6%
December	$ 628,809	$ (42,895)	-6.8%
Total	**$ 7,600,000**	$ 199,987	**2.63%**

Real Estate Excise Tax (REET) Collections

Summary of Budget to Actuals	2024	2025	2026	Biennial
Budget	$ 1,600,000	$ 1,600,000	$ 1,600,000	**$ 3,200,000**
Actual	2,347,499	1,969,902	-	**$ 1,969,902**
Over/Under	**$ 747,499**	**$ 369,902**	$ (1,600,000)	$ (1,230,098)

Percentage of Biennial Budget Received
62%

Actuals				
	2024	2025	2026	Biennial
January	$ 107,320	$ 213,733		$ 213,733
February	104,091	161,143		$ 161,143
March	139,296	211,010		$ 211,010
April	152,272	157,264		$ 157,264
May	171,062	238,073		$ 238,073
June	173,797	188,270		$ 188,270
July	125,930	191,524		$ 191,524
August	255,423	148,785		$ 148,785
September	204,747	108,426		$ 108,426
October	125,621	139,484		$ 139,484
November	135,707	102,663		$ 102,663
December	652,233	109,528		$ 109,528
Total	**$ 2,347,499**	**$ 1,969,902**	**$ -**	**$ 1,969,902**

Actuals		
	Year over Year Change	% Change
January	$ 106,412	99.15%
February	$ 57,051	54.81%
March	$ 71,713	51.48%
April	$ 4,992	3.28%
May	$ 67,011	39.17%
June	$ 14,473	8.33%
July	$ 65,594	52.09%
August	$ (106,637)	-41.75%
September	$ (96,320)	-47.04%
October	$ 13,863	11.04%
November	$ (33,044)	-24.35%
December	$ (542,705)	-83.21%
Total	**$ (377,597)**	**-16%**

Budget			
	2025 estimated based on 5yr avg	Budget vs Actual (Over/Under)	% Over/Under
January	$ 67,796	$ 145,937	215.3%
February	$ 117,049	$ 44,093	37.7%
March	$ 123,737	$ 87,272	70.5%
April	$ 111,723	$ 45,541	40.8%
May	$ 111,590	$ 126,482	113.3%
June	$ 143,720	$ 44,549	31.0%
July	$ 205,086	$ (13,562)	-6.6%
August	$ 139,015	$ 9,771	7.0%
September	$ 168,193	$ (59,767)	-35.5%
October	$ 118,087	$ 21,398	18.1%
November	$ 97,079	$ 5,584	5.8%
December	$ 196,925	$ (87,397)	-44.4%
Total	**$ 1,600,000**	$ 369,902	**23%**

Sales Tax Collections

Population

Summary of Budget to Actuals	2024	2025	2026	Biennial
Budget	6,895,000	7,600,000	7,665,000	15,265,000
Actual	8,031,757	7,799,987	580,925	8,380,912
Over/Under	$ 1,136,757	$ 199,987	$ (7,084,075)	$ (6,884,088)

Percentage of Biennial Budget Received
55%

Actuals				
	2024	2025	2026	Biennial
January	$ 631,079	$ 615,894	$ 580,925	$ 1,196,819
February	723,810	720,131		$ 720,131
March	609,403	599,665		$ 599,665
April	574,283	555,942		$ 555,942
May	681,038	662,443		$ 662,443
June	685,812	605,926		$ 605,926
July	708,235	654,834		$ 654,834
August	726,041	719,580		$ 719,580
September	704,489	705,012		$ 705,012
October	685,878	674,137		$ 674,137
November	649,457	700,508		$ 700,508
December	652,233	585,914		$ 585,914
Total	**$ 8,031,757**	**$ 7,799,987**	**$ 580,925**	**$ 8,380,912**

Actuals		
Year over Year Change	% Change	
$ (34,969)	-5.68%	
$ (34,969)	-5.68%	

Budget		
2026 estimated based on 5yr avg	Budget vs Actual (Over/Under)	% Over/Under
$ 589,050	$ (8,125)	-1.4%
$ 677,576		#VALUE!
$ 547,303		#VALUE!
$ 526,320		#VALUE!
$ 631,360		#VALUE!
$ 638,435		#VALUE!
$ 679,181		#VALUE!
$ 713,561		#VALUE!
$ 684,141		#VALUE!
$ 661,720		#VALUE!
$ 682,167		#VALUE!
$ 634,187		#VALUE!
$ 7,665,000	**$ (8,125)**	**-1.38%**

Real Estate Excise Tax (REET) Collections

Summary of Budget to Actuals	2024	2025	2026	Biennial
Budget	$ 1,600,000	$ 1,600,000	$ 1,600,000	**$ 3,200,000**
Actual	2,347,499	1,969,902	48,116	**$ 2,018,018**
Over/Under	**$ 747,499**	**$ 369,902**	**$ (1,551,884)**	**$ (1,181,982)**

Percentage of Biennial Budget Received
63%

Actuals				
	2024	2025	2026	Biennial
January	$ 107,320	$ 213,733	$ 48,116	$ 261,848
February	104,091	161,143		$ 161,143
March	139,296	211,010		$ 211,010
April	152,272	157,264		$ 157,264
May	171,062	238,073		$ 238,073
June	173,797	188,270		$ 188,270
July	125,930	191,524		$ 191,524
August	255,423	148,785		$ 148,785
September	204,747	108,426		$ 108,426
October	125,621	139,484		$ 139,484
November	135,707	102,663		$ 102,663
December	652,233	109,528		$ 109,528
Total	**$ 2,347,499**	**$ 1,969,902**	**$ 48,116**	**$ 2,018,018**

Actuals	
Year over Year Change	% Change
$ (165,617)	-77.49%
$ (165,617)	-77%

Budget		
2025 estimated based on 5yr avg	Budget vs Actual (Over/Under)	% Over/Under
$ 67,796	$ (19,680)	-29.0%
$ 117,049		#VALUE!
$ 123,737		#VALUE!
$ 111,723		#VALUE!
$ 111,590		#VALUE!
$ 143,720		#VALUE!
$ 205,086		#VALUE!
$ 139,015		#VALUE!
$ 168,193		#VALUE!
$ 118,087		#VALUE!
$ 97,079		#VALUE!
$ 196,925		#VALUE!
$ 1,600,000	**$ (19,680)**	**-29%**

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Agenda Staff Report

Discussion Items: Downtown Revitalization Grant Program

Meeting Date: February 17, 2026

Prepared By: Nick Bond, AICP, Community Development Director

Summary and Background: During the Mid-Biennial Review City council requested staff look into developing a downtown revitalization grant program. DCD is in the early stages of their research.

Relationship to Comprenhensive Plan: N/A

Recommendation: Discussion

Motion for Consideration: N/A

Has item been presented to Committee/Work Study? If so, which one: Finance Committee

Fiscal Impact: $100,000 was included in the Mid-Biennium Budget adjustments under 001.07.558.70.40

Alternatives: N/A

Attachments:

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Agenda Staff Report

Discussion Items: Cyber Security Grants

Meeting Date: February 17, 2026

Prepared By: Noah Crocker, M.B.A., Finance Director

Presenter: Noah Crocker, M.B.A., Finance Director

Summary and Background: See Attached Staff Report

Relationship to Comprenhensive Plan: N/A

Recommendation: Discussion

Motion for Consideration: N/A

Has item been presented to Committee/Work Study? If so, which one: Finance Committee

Fiscal Impact: N/A

Alternatives: N/A

Attachments:
2025 Cybersecurity Grant Awards - Staff Report.pdf

2025 HSA/CISA SLCGP (State & Local Cybersecurity Grant Program) Awarded Entries

PROJECT 1 – Original Proposal Brief

"Shielding City Data: Secure Enterprise Password Management for Port Orchard"

The City of Port Orchard is undertaking a crucial project to bolster its cybersecurity posture and streamline its digital operations through the implementation and widespread adoption of an enterprise password management (EPM) software product. This initiative aims to centralize the management of all City employee passwords, sensitive credentials, and access keys in a secure, encrypted repository. At a high level, the project involves selecting a suitable EPM solution, integrating it with existing IT infrastructure, migrating current password data, and comprehensively training all City staff on its effective and secure use. The ultimate goal is to eliminate the risks associated with weak, reused, or manually managed passwords, enhance compliance with data security regulations, and significantly improve the efficiency of IT administration by providing a powerful and user-friendly system for managing digital identities across the entire organization.

Requested Amount: $16,000

Awarded Amount: $16,000

(Due to broader federal funding challenges within HSA and CISA, the cybersecurity grant program was delayed, with awards finally issued in late December 2025.)

Breakdown for a quick staff update:

The City of Port Orchard is launching a new project to replace outdated password habits with a secure, citywide "digital vault." Instead of juggling multiple logins or worrying about security risks, you'll soon use a single, encrypted tool to manage all your credentials in one place. We'll handle the setup and provide full training, ensuring everyone has the tools they need to protect City data while making your daily digital tasks faster and easier.

Frequently Asked Questions:

What is a "Digital Vault" or EPM? It is a secure application (an Enterprise Password Manager) that stores all your professional usernames and passwords in one encrypted place. Think of it as a high-security safe for your digital keys.

Why are we doing this now? Using the same password for multiple sites or writing them down creates big security risks. This project helps protect City data and makes it easier for you to log in to your daily tools without the headache of forgetting passwords.

Do I have to move all my passwords myself? Not alone! The IT team will lead the transition, helping to migrate current data and providing step-by-step training so everyone feels comfortable using the new system.

Will this make my job harder? Actually, it should make it easier. Once set up, you'll only need to remember one "Master Password" to unlock the vault, which will then automatically fill in your logins for other City applications.

Is my data actually safe in one place? Yes. These systems use industry-standard encryption that is much more secure than saving passwords in a web browser or on a spreadsheet. It's designed to keep hackers out while giving you quick access.

PROJECT 2 – Original Proposal Brief

"Resilience Through Immutability"

The City of Port Orchard is embarking on a critical cybersecurity project focused on enhancing its data resilience and recovery capabilities. The project involves the purchase and implementation of an immutable enterprise backup hardware solution. This initiative aims to establish an unalterable, tamper-proof copy of the City's vital digital data, providing the ultimate last line of defense against modern cyber threats, particularly ransomware, accidental deletions, and insider attacks.

At a high level, the project will identify and acquire specialized backup hardware designed with immutability features (meaning data, once written, cannot be modified or deleted for a set retention period). This hardware will be integrated into the City's existing IT infrastructure to capture regular backups of all critical systems, applications, and data. The primary objective is to ensure that even if the City's primary systems or traditional backups are compromised, a clean, verifiable, and untouched copy of the data remains available for rapid and complete recovery, thereby guaranteeing business continuity for essential City services.

Requested Amount: $48,500

Awarded Amount: $48,500

(Due to broader federal funding challenges within HSA and CISA, the cybersecurity grant program was delayed, with awards finally issued in late December 2025.)

Breakdown for a quick staff update:

The City of Port Orchard is upgrading its cyber defenses with new "immutable" backup technology. This creates a digital vault where our data is locked and cannot be changed or deleted by hackers. Even if a cyberattack hits our main systems, this unshakeable backup ensures we can quickly restore city services and protect vital records.

- **The Goal:** To ensure the City can recover instantly from cyberattacks or data loss.
- **The Technology:** We are installing specialized hardware that creates **"immutable"** backups—think of it like writing in permanent ink rather than pencil. Once the data is saved, it cannot be edited, encrypted by hackers, or deleted for a set period.
- **The Benefit:** This provides a "fail-safe" last line of defense. If ransomware strikes our main network, we have a clean, untouched copy of our data ready to go, keeping City Hall running without interruption.

Frequently Asked Questions:

What exactly is "immutable" backup?

Think of it as a digital vault. Unlike standard files that can be edited or deleted, "immutable" data is locked the moment it's saved. It cannot be changed, overwritten, or erased by anyone—including hackers—for a set period of time.

Why are we doing this now?

Cyber threats like ransomware have become more sophisticated. If a hacker manages to get into a network, they often try to delete traditional backups first. This new system ensures we always have a "golden copy" of our data that remains untouched and ready for recovery. This is in addition to our immutable cloud backups.

Does this change how I do my daily work?

No. This is a "behind-the-scenes" security upgrade. You will continue to save your files and use City systems exactly as you do now. The new hardware works in the background to capture and protect your work automatically.

How does this help the City?

It’s our ultimate insurance policy. In the event of a major technical failure or cyberattack, this technology allows us to restore City services and records in hours or days rather than weeks, ensuring we can continue serving the community without long-term disruption.

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Agenda Staff Report

Discussion Items: AI Policy

Meeting Date: February 17, 2026

Prepared By: Noah Crocker, M.B.A., Finance Director

Presenter: Noah Crocker, M.B.A., Finance Director

Summary and Background: IT has a presentation

Relationship to Comprenhensive Plan: Supports comp

Recommendation: Discussion

Motion for Consideration: N/A

Has item been presented to Committee/Work Study? If so, which one: Finance Committee

Fiscal Impact: N/A

Alternatives: N/A

Attachments:
AI Presentation.pdf
Port Orchard AI Policy-FINAL (1).pdf

A.I. COMMITTEE

Establishing a Framework for Responsible AI Usage

Introduction

Purpose of the AI Committee

Why AI policy matters for Port Orchard

Alignment with city goals and ethical standards

Committee Inception

The Call to Action

Initial Invitations: January 17, 2025

First Meeting: April 24, 2025

Initial Focus

- Introduction to basic AI concepts and terminology
- Review of educational videos to establish a shared baseline
- Discussion of potential municipal use cases and immediate needs

The AI Committee Membership

Cross Departmental Collaboration

- **Finance:** Noah Crocker (Finance Director), Rebecca Zick (Deputy Finance Director), Kori Pearson (Acct. Asst. III/IT Specialist)
- **Information Technology:** Sean Dunham (IT Manager), Jake Langston (IT Specialist)
- **Administration:** Debbie Lund (HR Director), Brandy Wallace (City Clerk), Jenine Floyd (Deputy City Clerk)
- **Operational Leadership:** Denis Ryan (Public Works Director), Nick Bond (DCD Director), Jim Fisk (Principal Planner), Caden Cucciardi (Asset Management Technician)
- **Public Safety:** Alan Iwashita (Deputy Police Chief)

Policy Development Timeline

Subcommittee to Final Draft

Policy Subcommittee formed July 2025

First Meeting August 2025

Urgency: The committee formed an AI policy subcommittee immediately upon deciding a formal policy was needed "asap"

Drafting Process: The subcommittee worked through several iterations (v0.1 through v0.6) between July and December 2025

Finalization: Version 1.0 was completed on **December 16, 2025**

Distribution: The final draft was provided to HR for citywide distribution to employees and union representatives for comments

Policy Objectives

Establish clear AI governance framework

Ensure transparency and accountability

Promote responsible innovation

Protect privacy and security

Core Principles

Guiding Values for AI Use

Innovation: Commit to responsibly exploring AI to improve community services

Transparency & Accountability: Ensure AI systems are compliant with all laws and that documentation is available publicly

Bias Reduction: Actively evaluate systems to address potential algorithmic or human bias

Data Privacy: Apply standard operating procedures to reduce privacy risks throughout the AI lifecycle

Usage Guidelines: Human-in-the-Loop

Ensuring Accuracy and Accountability

Human Oversight (HITL): All AI outputs must be reviewed by a human prior to use in any official City capacity

Attribution Requirement: Substantive use of AI generated content in final products requires clear attribution

Example Attribution: *"Some material in this brochure was generated using [AI System] and was reviewed for accuracy by [Department/Group]"*

Responsibility: Reviewers must ensure output is accurate and free of discrimination

Data Security and Privacy

Protecting City Information

Restricted Data: Users shall not submit "Confidential," "Highly Confidential," or non-public information to AI systems outside City control

Model Training: City data, including prompts, may not be used to train or tune AI models outside City control

Prohibited Tools: Technologies that cannot prevent City data from contributing to their language models are barred from use

Acquisition and Compliance

Formal Approval Process

Approved Registry: Microsoft Copilot is currently the primary approved AI tool

New Requests: Department directors must request new tools through the IT request process; the AI Committee may provide final approval/denial

Automatic Suspension: If existing software adds AI capabilities, they may be suspended by IT pending their formal review, and potentially by the AI Committee

Consequences: Noncompliance may result in disciplinary action, up to and including termination

Addressing Feedback

Collaborative Refinement

Distribution Results: Comments were received from various departments following the HR distribution

Resolution: All technical and procedural concerns were addressed by the IT department

Current Status: The policy is now ready for full implementation, ensuring legal and operational safeguards are in place

Common Questions & Clarifications

Question/Comment: “What happens if a vendor implements AI into a key software (e.g., Tyler, Cartegraph, etc.). This seems to put us at the mercy of losing out vital processes with no alternative and with no notice.”

Response: "Most vendors announce AI features well in advance—giving us plenty of time to follow our AI Acquisition & Review Guidelines.
To keep things efficient, IT conducts the initial due diligence and risk assessment. We approve ‘No Risk’ or 'Low Risk' items directly and only escalate 'Medium to High Risk' cases to the AI Committee. This streamlined approach ensures the committee meets for a review only when necessary, and with an outline of researched pros/cons already vetted by the IT department."

Q&A - Feedback Discussion

Common Questions & Clarifications

Question/Comment: “Section 4.1 states that users are responsible for ensuring output is accurate and free of discrimination and bias. Humans are, of course, also biased, which is where AI learns it. I agree that it should be human responsibility to evaluate, but would point out that this means humans need either tools or training (or both) to remove bias. This may be an avenue for instituting regular anti-bias training, maybe as a requirement for using AI.”

Response: "Your suggestion to make anti bias training a requirement for AI access is a proactive way to mitigate risk. Much like "Cybersecurity Awareness" training is often required to maintain network access, "Responsible AI Training" could be the gateway to using these tools. This protects both the employee and the organization. To support the mandate in Section 4.1, we are currently investigating training solutions with both our current software partners and prospective AI vendors. Our goal is to ensure that any AI tool we deploy comes with a "literacy layer" that helps staff recognize and mitigate bias.”

Q&A - Feedback Discussion

Common Questions & Clarifications

Question/Comment: “I would respectfully request we treat AI no differently than any other technology resource. Requestors should work with IT, involved departments, and Legal, to ensure the technology is suitable for their specific need. The inclusion of uninvolved departments is unnecessary and inappropriate.”

Response: “This is a fair point, and we certainly want to avoid creating unnecessary "red tape." However, the reason we’ve structured the AI Committee to include diverse representation is to ensure we are treating AI with the specific level of due diligence its unique risks require.

Q&A - Feedback Discussion

Response (continued):

"Here is how we are viewing the involvement of various departments:

1. Departments as Subject Matter Experts (SMEs)

Rather than being "uninvolved," representatives from various departments serve as **Subject Matter Experts**. AI isn't a static tool; it interacts with data and workflows in ways that traditional software often doesn't. Having a cross section of expertise allows us to:

Evaluate Suitability: Ensure a tool meets the high standards and specific nuances of a particular department's professional field.

Identify Cross Functional Use Cases: Often, a tool requested by one department can solve a silent pain point in another, allowing us to maximize our investment."

Q&A - Feedback Discussion

Response (continued):

“2. Developing Training and Use Cases

This collaborative structure is vital for our training initiatives. We are currently looking into training programs with our current and potential vendors, and we need the input of different departments to:

Identify realistic use cases for hands on training.

Determine what specific "bias detection" skills are most relevant to different roles.

Help design training that ensures users can realistically meet the accountability standards set in Section 4.1”

Q&A - Feedback Discussion

Response (continued):

“3. Efficiency through Collaboration

Our goal is to work with these departments, not just perform a review on them. By bringing Legal, IT, and Departmental SMEs together early:

We avoid "siloed" decisions that might overlook a risk unique to one area.

We create a unified front for vendor negotiations, ensuring they provide the training and support our staff actually needs.

As mentioned in our workflow, No and Low Risk items bypass this committee entirely, ensuring we only use this broader expertise when the complexity of the AI warrants it.”

Q&A - Feedback Discussion

Implementation and Support

- Final policy adoption
- Distribution of an AI Users Guide and training materials
- Use Case discussions and assessments
- Establishing departmental standards for "Human-in-the-Loop" (HITL) reviewers

Next Steps

CITY OF PORT ORCHARD

Artificial Intelligence Policy

Effective Date: ASAP

PURPOSE

The purpose of this policy is to set forth the requirements to observe when acquiring and using software that meets the definition of "artificial intelligence."

SCOPE

All individuals and entities (herein defined as “Users”), including City departments, employees, elected officials, vendors, contractors, and volunteers, who operate under the authority of the City of Port Orchard and engage with City data are bound by this policy.

DEFINITIONS

Terms used in the current Artificial Intelligence space are fluid and dynamic, accepting this reality, attached in Appendix A is a list of current definitions that have been approved by the AI committee to ensure a shared understanding of its scope and application.

ARTIFICIAL INTELLIGENCE (AI) PRINCIPLES

These Principles describe general codes of conduct that represent the values and responsibilities of the City to its residents. This policy serves to inform Users in their use of AI technology. Users shall adhere to the principles and requirements outlined in this policy.

- **Innovation:** The City values public service innovation to meet our residents' needs. We commit to responsibly explore and continuously evaluate AI technologies, which will improve our services and advance beneficial outcomes for our community.
- **Transparency and Accountability:** The City values transparency and accountability and understands the importance of these values in our use of AI systems. The City will ensure that the development, use, and deployment of AI systems are evaluated for and compliant with all laws and regulations applicable to the City prior to use and will make documentation related to the use of AI systems available publicly.
- **Validity and Reliability:** The City will work to ensure that AI systems perform reliably and consistently under the conditions of expected use, and that ongoing evaluation of system accuracy throughout the development and/or deployment lifecycle is managed, governed, and auditable.
- **Bias, Harm Reduction and Fairness:** The City acknowledges that AI systems have the potential to perpetuate inequity and bias resulting in unintended and potentially harmful outcomes. The City will evaluate AI systems with a strong focus on equity, addressing potential impacts arising from data, human, or algorithmic bias.

- **Data Privacy:** The City values data privacy and understands the importance of protecting personal data. The City strives to ensure that policies and standard operating procedures reduce privacy risks, and are applied to AI systems throughout development, testing, deployment, and use.
- **Explainability and Interpretability:** The City understands the importance of leveraging AI systems, models, and outputs that are easily interpreted and explained. The City will attempt to ensure all AI systems utilized, and their outputs, are communicated in clear language, representative of the context in which they are deployed.
- **Security and Resiliency:** Securing our data, systems, and infrastructure is important to the City. The City will ensure AI systems are evaluated for resilience and can maintain confidentiality, integrity, and availability of data for critical City systems. The City will actively work to minimize security risks in alignment with governing policy and identified best practices.

POLICY

1. Acquisition and Usage of AI Technology

1.1. The City has a list of approved AI tools that can be used in accordance with individual department policy (see Appendix B). This list applies to all employees of the City and elected officials.

1.2. Consistent with the City's standards for Acquisition of Technology Resources, Department directors may request acquisition of AI tools (not listed in Appendix B) through the City's current IT request process. Departments may not acquire or use AI systems without following the approval process identified in this policy.

1.3. The IT Department shall review requests according to its current risk and impact methodology, which shall include specific review criteria for AI technology (see Port Orchard Acquisition of AI Review Guidelines). The IT Department will then bring the request to the AI Committee for approval or denial.

1.4. The City's standard for technology acquisition applies to all technology, including Open Source, Free to Use software, or SaaS (Software as a Service) tools.

1.5. If a technology that has already been approved for use in the City adds or incorporates AI capabilities, the IT Department shall immediately issue a technical restriction to suspend the use of those new AI capabilities pending formal review. the AI Committee will immediately be notified and will then evaluate the change to ensure it continues to follow this policy, according to its current risk and impact methodology (see Section 1.3). If the AI Committee approves the new AI capabilities, the IT Department may lift the technical restriction.

1.6. The City’s IT Department shall revoke authorization for a technology that adds AI capabilities and/or restrict the use of those AI capabilities; if those AI capabilities present risks that cannot be effectively mitigated to comply with this policy or other City policies until the risks can be addressed.

- The IT Department's responsibilities include the technical authority to implement immediate and mandatory suspension or restriction of new AI capabilities added to existing software, as required by Section 1.5. The IT Department is responsible for notifying the impacted department(s) of the suspension and/or restrictions.

2. Use of AI Outputs

2.1. Outputs of AI systems shall be reviewed by human(s) prior to each use in an official City capacity ("Human in the Loop" or HITL).

3. Attribution, Accountability, and Transparency of Authorship

3.1. Any outputs generated by an AI system, and used substantively in a final product, requires attribution to the relevant AI system used.

- Departments shall interpret substantive use thresholds to be consistent with the principles outlined in this document, as well as relevant intellectual property laws.
- All attributions should include the name of the AI system used plus an HITL assertion (which should include the department or group that reviewed/edited the content).

*****Example:*****

“Some material in this brochure was generated using ChatGPT 4.0 and was reviewed for accuracy by a member of the Department of Human Resources before publication.”

4. Reducing Bias and Harm

4.1. AI systems may produce outputs based on stereotypes or use data that is biased. Users will review and evaluate AI generated content and the designated HITL reviewer shall ensure that the output is accurate and free of discrimination and bias (HITL).

5. Data Privacy

5.1. Use of AI tools shall be consistent with the principles and standards described in the City's Data Privacy Policy, and Information Security Policy.

5.2. Unless suitable enterprise controls and data protection mitigations are in place, users shall not submit any of the following to AI systems outside of the City's control:

- Data classified by the City's data classification guidelines as "Confidential" or "Highly Confidential" as listed in the Port Orchard Data Classification Guidelines.
- Data that constitutes a Protected Data or Public Record that is exempt from disclosure under the Revised Code of Washington (RCW) (RCW 42.56, et al.) or other applicable laws.
- Any other non-public information such as: preliminary drafts, intra-agency memorandums, or sensitive operational data that is not officially approved for public disclosure.

Unless suitable enterprise controls and data protection mitigations are in place, users shall not submit data that is classified by the City's data classification guidelines as "Confidential" or "Highly Confidential", or that otherwise is not considered to be acceptable to disclose to the public, to AI systems outside of the City's control.5.3. No City data or records, including inputs or prompts, are to be used for training or parameter tuning for AI models outside the City's control. AI technologies that cannot prevent City data or records from contributing to their language models may not be used.

6. Public Records & City Records Management

6.1. All records generated, used, or stored by AI vendors or solutions may be considered public records and must be disclosed upon request.

6.2. All AI solutions and/or vendors approved for City use shall be required to support retrieval and export of all prompts and outputs (either via exposed functionality or through vendor contract assurances).

6.3. Users who use AI tools are required to maintain, or be able to retrieve upon request, records of inputs, prompts, and outputs in a manner consistent with the City's records management and public disclosure policies and practices.

EXCEPTIONS

Any exceptions to this policy must be approved in advance through submission to the City AI Committee.

POLICY COMPLIANCE

Noncompliance may result in the Mayor, department directors, or their designees, imposing disciplinary action, up to and including termination of employment or vendor contract.

RELATED STANDARDS AND POLICIES

- City of Port Orchard Data Privacy Policy
- City of Port Orchard Data Security Policy
- City of Port Orchard Acquisition of AI Review Guidelines
- City of Port Orchard Data Classification Guidelines
- National Institute of Standards and Technology Artificial Intelligence Risk Management Framework (NIST AI 100-1) (In Draft Folder)
- Revised Code of Washington (RCW):
    - Ethics In Public Service (RCW 42.52)
    - Public Records Act (RCW 42.56)
    - Preservation and Destruction of Public Records (RCW 40.14)

RESPONSIBILITIES

This policy will be maintained through the City's AI Committee. Their responsibilities include creating and maintaining the AI risk and impact criteria, developing mandatory standards for the uniform interpretation and measurement of "Substantive Use" (Section 3.1), criteria by which to evaluate suggestions for amendments to Appendix B, (see City of Port Orchard AI Review and Guidelines Policy), including the creation of mandatory departmental standards for designating and training HITL reviewers..

DOCUMENT CONTROL

This policy shall be effective on TBD and shall be reviewed regularly, or as appropriate.

POLICY REVIEW AND APPROVAL HISTORY

Version	Content	Contributors	Approval Date
v 0.1	Initial Draft	Reviewer(s): Noah Crocker-Finance Director, Rebecca Zick-Deputy Finance Director, Kori Pearson- Acct Asst III/IT Specialist, Alan Iwashita-POPD Deputy Chief, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech	July 17, 2025
v 0.2	2nd Draft	Reviewer(s): Noah Crocker-Finance Director, Rebecca Zick-Deputy Finance Director, Kori Pearson- Acct Asst III/IT Specialist, Alan Iwashita-POPD Deputy Chief, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech	August 21,2025
v 0.3	3rd Draft	Reviewer(s): Noah Crocker-Finance Director, Rebecca Zick-Deputy Finance Director, Kori Pearson- Acct Asst III/IT Specialist, Debbie Lund – HR Director, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech, Jenine Floyd – Deputy City Clerk, Nick Bond – DCD Director	August 28,2025
v 0.4	4th Draft	Reviewer(s): Noah Crocker-Finance Director, Rebecca Zick-Deputy Finance Director, Kori Pearson-Acct Asst III/IT Specialist, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech	September 4, 2025
v 0.5	5th Draft	Reviewer(s): Noah Crocker-Finance Director, Rebecca Zick-Deputy Finance Director, Kori Pearson- Acct Asst III/IT Specialist, Debbie Lund–HR Director, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech, Jenine Floyd–Deputy City Clerk, Nick Bond–DCD Director, Jim Fisk–Senior Planner, Alan Iwashita-Deputy Police Chief	November 20, 2025
v 0.6	6th Draft	Reviewer(s): Noah Crocker-Finance Director, Kori Pearson- Acct Asst III/IT Specialist, Debbie Lund–HR Director, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech, Jenine Floyd–Deputy City Clerk, Nick Bond–DCD Director, Jim Fisk–Senior Planner, Alan Iwashita-Deputy Police Chief	December 9, 2025
v 1.0	Final Version	Reviewer(s): Noah Crocker-Finance Director, Rebecca Zick-Deputy Finance Director, Kori Pearson- Acct Asst III/IT Specialist, Debbie Lund–HR Director, Sean Dunham-IT Manager, Jake Langston-IT Specialist, Caden Cucciardi- Asset Management Tech, Brandy Wallace-City Clerk	December16, 2025

APPENDIX A: **GENERAL AI DEFINITIONS**

AI (Artificial Intelligence): The capability of a machine or system to perform tasks that typically require human intelligence, such as generating text or audiovisual content, making or recommending decisions, analyzing data, or automating processes.

AI Algorithm / AI Model: A set of programmed instructions that processes data to perform tasks, make decisions, or solve problems within an AI system.

AI Assistant: An AI tool which is intended to aid a user in their day-to-day work by suggesting content, retrieving information, automating processes, and performing other similar tasks.

AI Policy: A document that provides a framework for the effective and responsible use of AI systems within an organization.

AI System: Any tool, software, process, and workflow, or other system which is based on AI technology, or which uses AI technology as a key component of that system.

AI Tool: A piece of software which provides AI functionality and can be applied to a specific use case.

AI Use Case: A specific task or purpose for which an AI tool is used or under consideration.

AI User: An individual who is responsible for using, developing, purchasing, configuring, or maintaining AI systems.

AI User Guide: A document which supplements an AI policy with more detailed guidance on how to implement the policy.

Agentic AI: Autonomous AI systems that can act independently to achieve predefined goals, making decisions and taking actions without constant human oversight.

Anonymization: A process by which data is altered so that it cannot be connected to specific individuals or organizations.

Bias: Systematic tendencies that can exist within AI systems, often stemming from flawed data, algorithms, or design processes, that may lead to discriminatory or inaccurate outcomes affecting certain groups or individuals.

Black Box Algorithm: An AI algorithm which produces decisions or other outputs with little or no mechanism for the user to analyze the logic which led to that result.

Data Privacy: The protection of non-public information about a person or organization from disclosure without their consent.

Data Output: Refers to the information produced by a computer or device as a result of processing input data. It can take various forms, including; Text, Images, Audio, Video, and more.

Generative AI: AI systems which use algorithms to create text, audio, image, or video content based on some combination of user prompts and stored data and instructions.

Human-in-the-Loop (HITL): A system design philosophy that requires human oversight and intervention in AI-driven processes. This ensures that final, critical decisions are made by a person, not the algorithm.

Large Language Model (LLM): A type of generative AI that is trained on a massive amount of text data to understand, summarize, generate, and predict new human-like language.

Machine Learning: A type of AI which uses algorithms to extract information from and recognize patterns in data, often used for forecasting, prediction, classification, or analysis.

Open Data: Information derived from an organization's operations which is shared publicly to promote transparency or for use by external parties.

Protected Data: Information generated or acquired in the course of an organization's operations which is not intended or approved for public disclosure.

Public Record: Records stemming from an organization's operations which must by law be shared upon request, whether or not it is actively published as open data.

APPENDIX B: **AI TECHNOLOGY REGISTRY (AI Tools Currently Approved By AI Committee)**

Microsoft Copilot

City of Port Orchard
216 Prospect Street, Port Orchard, WA 98366
(360) 876-4407 • FAX (360) 895-9029

Agenda Staff Report

Discussion Items: Salary Survey

Meeting Date: February 17, 2026

Prepared By: Debbie Lund, Human Resources Director, CEBS SPHR SHRM-SCP

Presenter: Debbie Lund, CEBS SPHR SHRM-SCP, Human Resources Director

Summary and Background: N/A

Relationship to Comprenhensive Plan: N/A

Recommendation: Discussion

Motion for Consideration: N/A

Has item been presented to Committee/Work Study? If so, which one: Finance Committee

Fiscal Impact: N/A

Alternatives: N/A

Attachments:
Report to Finance Committee.pdf

CITY OF PORT ORCHARD
Human Resources
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MEMORANDUM

To: Finance Committee

From: Debbie Lund, Human Resources Director

Date: February 13, 2026

RE: Non-represented Salary Study Discussion

Remember: Salary studies are an art form, not a science. There is no "formula" for a black and white salary study.

Port Orchard History as it was told to Debbie

Compare to neighboring jurisdictions: Bainbridge, Bremerton, Gig Harbor, Poulsbo and Kitsap County

Pros	Cons
1. We know people there and can get good information 2. Relatively easy to complete since only 5. 3. This is likely our labor force and applicant pool.	1. Small sample size. One adjustment can have significant impact. 2. Cities are of various sizes. 3. County is unusual comparison.

Another Option. Conduct study in fashion similar to binding arbitration groups. PERC (Public Employment Relations Commission) has a well established methodology for interest arbitration groups (fire, police, transit, corrections, etc.).

That methodology uses 3 components: 1) Population, 2) Assessed Valuation and 3) sales tax revenue. For each category use +/- 50% for each metric. Lastly consider the "Cascade Curtain" to eliminate the other side of the state. *See attachment for current results using this methodology.*

During union negotiations, variances can be agreed to by the bargaining sides, in Port Orchard's case when negotiating the police contract we agreed to include Poulsbo in our comparables even though they fell (slightly) outside the methodology.

Pros	Cons
1. Similar sized cities, presumably similar operational organization. 2. The greater number of comps likely leads to greater stability in the results over time. 3. Greater number of comps **may** mean greater chances of finding comparable positions (i.e. parking enforcement).	1. More, less familiar cities to research. 2. Will change over time with growth. 3. Removes Kitsap County, a possible applicant pool, from our comp list which may or may not impact how our wages compare when recruiting. 4. Kitsap County is a valuable comp when it comes to labor/trades recruitments. 5. Removes Bremerton, our nearest geographical City. 6. Removes Bainbridge.

"Price Point":
Government's typically have an assigned range (low to high) for each position. The numbers in between the low and high are specific steps within the range, typically spaced equally apart (i.e. 2.5% between steps). The number of steps in the range vary greatly from organization to organization. Port Orchard uses 7 steps for non-represented employees. Our historical comps range anywhere from 6 to 10 steps.

Of philosophical importance to this process is the question of how the City wants to compare with the market. Historically, Port Orchard has used the <u>average</u> of the highest step of the salary range of the comparables to set as Port Orchard's top step. There are numerous other ways to look at the data. For example, we could look at range mid-points rather than the high step. Bainbridge uses the <u>median</u> of the high steps of their comps rather than the average. Some advocate for being "better than average" and using another incremental approach such as the <u>average plus 1%</u> of the comps.

Other principles of salary studies

Job Matches
1. Generally want 70% of the job duties to be the same.
2. Cannot be based on title. Cannot assume an Office Assistant I here is the same as an Office Assistant I at any other entity. Need job descriptions.
3. Most important factors are KSA's. Knowledge, Skills and Abilities. What is required to do the job, including education level and years of experience? What level of decision making does the position have? What level of skill is required to do the job?

4. Next factor is level of responsibility. Salary studies are not about quantity of work. As an example: the position who prepares financial statements and also opens and sorts the mail every day is paid for the level of knowledge and responsibility for the financial statement accuracy, not the added task of the mail.
5. There will be positions for which no comparable is available. In those cases, an internal equity review will need to occur to match the position to another internal position of similar KSAs.

Most important

1. Select methodology before knowing results.
2. Seek information based on position, not the person.
3. Establish a methodology and stick to it, regardless of results.
4. Know that no study will make everyone happy.
5. This is **not** (unless directed otherwise) a *compensation* study.
    a. A compensation study would include a review of benefits, medical cost share, City contributions to various accounts such as HRA VEBA or deferred compensation and leave accruals to determine a total compensation package. This is a significantly greater body of work, likely needing a consultant with expertise in this area.
6. **Remember**: **Salary studies are an art form, not a science.**

Decisions to be made

1. **Is the Finance Committee supportive of a 2026 non-represented salary study?**
2. **If so, should the study be done internally or by a consultant?**
    a. If by a consultant, funds will need to be allocated.
3. **If conducting a study, who should the comparables be for non-represented staff for the upcoming (and future) salary studies?**
    a. Historical?
    b. Based on PERC methodology (population, A/V, sales tax and "cascade curtain")
    c. Hybrid
4. **Lastly, compared to our comps, where do we want to land?**
    a. Compare high steps
        i. Average high step
        ii. "better than average" high step
        iii. Median high step
    b. Midpoint (calculating steps from up and down from there)
        i. Average midpoint;
        ii. "better than average" mid point
        iii. Median midpoint

Results of +/- 50% Population, A/V and sales tax calculations

City/Town	County	Population	Pop Rank	A/V	A/V Rank	Sales Tax	Sales Tx Rank
Port Orchard	**Kitsap**	**19,260**	**7 of 14**	**3,443,682,394**	**8 of 14**	**8,031,757**	**3 of 14**
Arlington	Snohomish	23,080	3 of 14	4,944,744,596	1 of 14	7,012,429	5 of 14
Battle Ground	Clark	22,790	4 of 14	4,051,531,743	6 of 14	5,556,407	10 of 14
Bonney Lake	Pierce	23,450	2 of 14	4,845,953,176	3 of 14	7,841,927	4 of 14
Burlington	Skagit	10,910	13 of 14	2,583,088,616	11 of 14	10,041,281	1 of 14
Centralia	Lewis	18,730	8 of 14	2,556,347,765	12 of 14	5,021,427	12 of 14
Covington	King	22,160	5 of 14	4,177,959,047	5 of 14	6,196,108	7 of 14
Enumclaw	King	13,400	10 of 14	2,523,570,865	13 of 14	4,422,716	14 of 14
Gig Harbor	Pierce	13,110	12 of 14	4,863,169,990	2 of 14	8,646,648	2 of 14
Monroe	Snohomish	20,960	6 of 14	4,637,266,994	4 of 14	6,609,070	6 of 14
Oak Harbor	Island	24,820	1 of 14	3,257,665,371	9 of 14	5,124,043	11 of 14
Poulsbo	Kitsap	13,110	11 of 14	2,987,976,388	10 of 14	5,707,150	9 of 14
Ridgefield	Clark	16,290	9 of 14	3,808,341,129	7 of 14	4,509,184	13 of 14
Snohomish	Snohomish	10,500	14 of 14	2,492,166,684	14 of 14	5,890,390	8 of 14
13 comp cities							

Historical Comps NOT included							
Bainbridge Island	Kitsap	25,530		13,460,238,119		6,665,686	
Bremerton	Kitsap	45,890		6,211,981,987		12,149,123	
Bremerton	*Kitsap*	*238%*		*180%*		*151%*	
Kitsap County data not compatible							

13 is a lot. Possible eliminations based on geographic proximity (< 1 hr) to major metropolitian areas. **10 is still a lot**							
Burlington	Skagit	10,910	13 of 14	2,583,088,616	11 of 14	10,041,281	1 of 14
Centralia	Lewis	18,730	8 of 14	2,556,347,765	12 of 14	5,021,427	12 of 14
Oak Harbor	Island	24,820	1 of 14	3,257,665,371	9 of 14	5,124,043	11 of 14

Another possibility; use only those counties that are in or border King County

City/Town	County	Population	Pop Rank	A/V	A/V Rank	Sales Tax	Sales Tx Rank
Port Orchard	**Kitsap**	**19,260**	**5 of 9**	**3,443,682,394**	**6 of 9**	**8,031,757**	**2 of 9**
Arlington	Snohomish	23,080	2 of 9	4,944,744,596	1 of 9	7,012,429	4 of 9
Bonney Lake	Pierce	23,450	1 of 9	4,845,953,176	3 of 9	7,841,927	3 of 9
Covington	King	22,160	3 of 9	4,177,959,047	5 of 9	6,196,108	6 of 9
Enumclaw	King	13,400	6 of 9	2,523,570,865	8 of 9	4,422,716	9 of 9
Gig Harbor	Pierce	13,110	7 of 9	4,863,169,990	2 of 9	8,646,648	1 of 9
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Poulsbo	Kitsap	13,110	8 of 9	2,987,976,388	7 of 9	5,707,150	8 of 9
Snohomish	Snohomish	10,500	8 of 9	2,492,166,684	9 of 9	5,890,390	7 of 9
8 Comp Cities							

Eliminates 5							
Battle Ground	Clark	22,790	4 of 14	4,051,531,743	6 of 14	5,556,407	10 of 14
Burlington	Skagit	10,910	13 of 14	2,583,088,616	11 of 14	10,041,281	1 of 14
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