

October 14, 2014

Olympia City Council
PO Box 1967
Olympia, WA 98507

Dear Mayor Buxbaum and City Council Members:

The Olympia Planning Commission (OPC) has conducted its review of the City of Olympia's 2015-2020 Preliminary Capital Facilities Plan (Draft CFP) as required by the Growth Management Act. We agree that taking care of our existing resources should be the major emphasis of the plan. Following is a summary of our recommendations for your consideration.

CAPITAL FACILITIES ELEMENT GOALS AND POLICIES

The 2013 Planning Commission letter to the Council included a recommendation that Council allow the OPC to review the Capital Facilities Element (CFE) goals and policies that are found on page 127 of the this year's Draft CFP. These goals and policies are part of the Comprehensive Plan, but were not part of Planning Commission's Comprehensive Plan review. We received approval to review the CFE at the June 12, 2014, meeting of the Council's Community Economic Revitalization Subcommittee.

Over the past few months, the OPC Finance Subcommittee worked on a draft update of the CFE goals and policies. One of our main objectives was to ensure that projects in the Capital Facilities Plan are consistent with the Comprehensive Plan recommended by the Planning Commission. In particular, we wanted to ensure that future CFPs reflect Comprehensive Plan goals to make the City more compact as a means to increase walkability, reduce the need for car trips, increase the feasibility of improved transit service, and provide a wider range of housing opportunities.

We also recommended in the 2013 CFP letter, the Council consider updating the Long Term Financial Strategy (LTFS) that was developed in 1999 by the Olympia City Council. The LTFS principles and guidelines, which are listed on page vi of the Draft CFP, are used by the City to determine which projects to include in the Capital Facilities Plan. As part of our update to the CFE, we incorporated many of the principles and guidelines from the LTFS.

The draft was reviewed and approved by the full OPC for transmittal to the Council.

Recommendation: The OPC's draft update to the detailed CFE goals and policies is provided as an attachment to this letter. We recommend the Council review the draft and provide feedback on the proposed changes. If, after review, the Council decides to proceed with an update of the CFE, the public should be given ample opportunity to provide comment on the draft proposed by the Commission, as revised by the Council.

We also recommend that, when adopted, the CFE goals and policies be used to determine which projects to include in the CFP. In our draft proposal, guidelines and policies from the LTFS that are relevant to the CFP have been included. The CFE, as an official part of the Comprehensive Plan, should be the document used for CFP development rather than the LTFS.

MAINTENANCE FUNDING

The Planning Commission agrees that protection of our assets should be the first priority of capital funding in the Draft CFP. The OPC supports the decision of the Council to extend the utility tax to cable. We suggest that this new revenue be applied to building maintenance as recommended in the Draft CFP.

Additional funding is also needed for parks and street maintenance. The City needs to find ways to more fully fund its maintenance responsibilities now or deficiencies will increase in size and cost, and negatively impact quality of service and future budgets.

Recommendation: The Planning Commission recognizes that, given the current financial conditions, meeting our maintenance funding needs is no easy task. However, we believe that the City place a priority on implementing revenue measures that address park and road maintenance needs. Our recommendations regarding park and road maintenance funding are included in the Parks and Transportations sections of this letter.

We support the proposed increase in funding for the Park Department's Condition Assessment and Major Maintenance Program (CAMMP) from \$170,000 in 2014 to \$250,000 in 2015. However, Parks has indicated that they need \$500,000 per year to fund CAMMP. The Draft CFP has decreased the annual amount from 2015 forward from \$500,000 in last year's CFP to \$250,000 per year in this year's CFP. We recommend that the Council seek new revenue sources that would allow increased funding for Parks major maintenance.

TWO-YEAR BUDGET

In several cases, funding projected for the second year of the six-year CFP period has not been provided or has been reduced significantly when the budget for that year is adopted. Examples we've seen in recent years include bicycle, sidewalk, and park maintenance programs. The OPC believes that providing greater certainty to our funding projections would be beneficial to citizens, staff, and City officials.

One way to provide more accurate funding projections in our CFP is to adopt two-year budgeting in place of our current one-year budget process. Currently, 36 cities and six counties in Washington are using biennial budgeting. Two-year budgeting has been allowed in Washington since passage of legislation in 1985 (see 35.34 RCW). Nearby cities with two-year budgets include Tumwater, Tacoma, and University Place.

An updated version of a 2004 article by Mike Bailey, Finance Director for the City of Redmond, points out the pros and cons of two-year budgeting. Advantages include time savings, a longer

term planning perspective, a more strategic approach to financial planning, and less focus on budget in election years when members have less time available. Disadvantages cited in the article include loss of control over the supplemental year, difficulty in forecasting, and software limitations. (Note: this article and other information on biennial budgeting can be found on the MRSC of Washington website: <http://www.mrsc.org/subjects/finance/budgets/biennial.aspx>)

The City of Olympia did use a two-year budget in the mid-1980s, but converted back to one-year budgeting after a short time. Jane Kirkemo can provide more detail.

Recommendation: The Planning Commission recommends the Council consider converting to a two-year budget for capital and operating expenditures. Revenue data for establishing estimates for the second year are available from city and county sources. By law, the first year of a two-year budget must be an odd year. The first opportunity for the City to have a two-year budget would be the 2017-2018 biennium.

PARKS

Community Parks

The City of Olympia Parks, Arts, and Recreation Department's 2010 Parks Plan identifies a need for two large community parks, as does the Parks chapter of the Draft CFP (p. 39). With land values in decline, this would be an excellent time to begin negotiating with possible sellers of large land parcels that would meet the criteria for community parks. The 2004 increase in the utility tax was designated for purchase of future community parks. We realize some of the utility tax funds had to be used in the rebuilding of Percival Landing; however, there was a commitment to the citizens of Olympia that the utility tax funds would be used to secure additional park land. The time is right to pursue purchasing these large community park sites before all the large parcels of land in the City of Olympia are committed to other types of development.

Current utility tax bonds will be paid off in 2016. Because the cost of land is relatively low and land appropriate for park sites will become less available as the city becomes denser, it should be the city's priority to achieve the 2010 targeted outcome ratio for park land before using the voted utility tax funds for parks improvement or other purposes.

Recommendation: After the initial utility bonds are retired in 2016, the first priority for new bonds should be purchase of additional community parks. We support the Parks Department's efforts to identify potential sites now, and if necessary, buying an option to purchase when funds become available in 2017. Also, given the shortage of community park facilities, we recommend the City work with the Olympia School District now to explore expansion of our Joint Use Agreement to provide additional recreational opportunities for the community.

Park Maintenance

The Condition Assessment and Major Maintenance Program (CAMMP) is a systematic assessment process designed to monitor the condition of park assets, identify and prioritize needed major repairs or replacement, and budget and schedule these projects. The CFP recognizes that it is critical to fund maintenance requirements and new construction concurrently to meet recommended levels of service for a growing population.

Recommendation: We support the proposed increase in funding for the Park Department's Condition Assessment and Major Maintenance Program (CAMMP) from \$170,000 in 2014 to \$250,000 in 2015. However, Parks has indicated that they need \$500,000 per year to fund CAMMP. The Draft CFP has decreased the annual amount from 2015 forward from \$500,000 in last year's CFP to \$250,000 per year in this year's CFP. We recommend that the Council seek new revenue sources that would allow increased funding for Parks major maintenance.

Comment [KS1]: Begin to consider what are the advantages and disadvantages of a metro parks approach? Consider as part of the update of the parks master plan.

Comment [RH2]: Should we suggest any specific revenue options, e.g., voted utility tax, B&O? We could just mention revenue options that have been reviewed by Council Finance Committee.

Percival Landing

The Percival Landing Boardwalk was built in three phases in the 1970s and 1980s. The Draft CFP states the structure was inspected for wear and tear in 2004 and again in 2009 and is scheduled for further inspection in 2014. The first inspection showed that the wooden creosote pilings and other wood framing and planks were succumbing to rot and marine organisms. As a result, the City Council agreed it was necessary to replace the entire Percival Landing structure at an estimated cost of \$50 million. The first phase of the replacement (Section A, Phase 1) has been completed at a cost of \$14.5 million

The Draft CFP states that "The plan provides direction for a systematic replacement program, cost estimates, and phasing approach in order to pursue funding sources to continue engineering, design, and construction." The sole funding for the Landing replacement is \$1 million over the 2015-2019 timeframe for Phase II Design and Engineering.

Recommendation: Out of 53 parks and recreation amenities, Olympia's citizens have consistently identified waterfront parks and trails as most important (Park Facility Rating Sheet, 2010 Parks and Recreation Plan, Chapter 3, p. 56). Our waterfront is the crown jewel of Olympia and provides an extraordinary setting for our state's capitol. We recommend that the City spend the time necessary over the next year to develop a comprehensive funding plan for Percival Landing replacement.

Comment [KS3]: Use five year condition report and to consider the next steps to implement the recommendations of the report.

TRANSPORTATION

Multimodal Investment

The Planning Commission recognizes the severe fiscal constraints under which the City operates and which result in the continued suspension of funding for many transportation programs in 2015. As a consequence of these ongoing constraints, the stated goals and objectives of the transportation program are unrealistic guides to future transportation investments.

Recommendation: The City should undertake a fundamental reassessment of the goals and objectives of transportation programs in light of the continued constraints on transportation funding. Unless major changes occur in funding for transportation, the goals and objectives stated in the CFP for the various transportation programs should be rethought and revised if the CFP is to be credible and effective.

The Draft CFP would be significantly enhanced if a more systematic and structured process was used to allocate funds among modes. The project lists in the Draft CFP are based on criteria specific to each mode—motorized vehicles, bicycles, walking, and public transit. What is needed is a logical and comprehensive approach to allocating funds among these four modes.

The draft CFP uses level of service (LOS) as a criterion for recommended transportation investments. Many transportation analysts characterize LOS as a car-based criterion that promotes continued and expanded car use. In California urban areas, LOS is being replaced by “VMT” (vehicle miles traveled). Transportation projects, including improved bicycle and pedestrian facilities, will be evaluated in terms of their ability to REDUCE vehicle miles traveled by private cars. This approach needs to be considered by Olympia.

Transportation decisions should also reflect considerations of social equity. Specifically, the recommended transportation projects in the CFP should more fully consider the needs of those who cannot afford or operate private motor vehicles. Changes in demographics are likely to reduce the number of people owning motor vehicles and increase the use of alternative modes.

Bicycle Facilities Program

The bicycle program described on page 50 of the Draft CFP relies on the Street Repair and Reconstruction Program for future bicycle infrastructure improvements. The proposed project list does not reflect the need to create a connected and coherent network of bicycle facilities. The OPC thanks the Council for including \$100,000 in the 2014 budget to begin work on such a network.

We support continued efforts to create a bicycle network that serves citizens of all ages and interests. Under the current approach to bike facilities, designated bike lanes in the right-of-way, bicycling will remain the domain of the “fit and the fearless.” The City should consider providing physically protected bike lanes through downtown and other congested areas of the City to encourage ridership by people who would like to ride but are intimidated by car traffic.

The very high cost of proposed street reconstruction projects is due, in part, to stormwater mitigation. The Bicycle Facilities Program text states that “additional pavement width from the bicycle facility triggers stormwater mitigation requirements.” Many cities have been able to create bike lanes without widening the roadway through “road diets” and “lane diets.” A road diet reduces the number of lanes through the use of shared turn lanes and a lane diet shrinks the width of lanes. These strategies have slowed vehicle speeds, but not necessarily throughput, and increased safety for cars, pedestrians and bicyclists, while maintaining the existing street width.

Only 9% of the facilities in the 2009 Bicycle Master Plan have been completed to date (p. 51). To achieve the alternative transportation goals in the proposed Comprehensive Plan, it's important that the development of our bicycle network advance more quickly

Recommendation: The City should acknowledge the continued postponement of funding for the Bicycle Program and consider updating the 2009 Bicycle Master Plan, continue work on creating a family-friendly bicycle network, explore creation of protected bike lanes in congested areas of the City, and consider alternative designs to reduce the cost of bicycle facilities, including those projects that are part of the Street Repair and Reconstruction Program.

Sidewalks, Pathways, and Other Pedestrian Programs

The Parks and Pathways – Sidewalk Program (p. 56) and the Sidewalk Construction Program (p. 59) both address the City's sidewalk needs. The Draft CFP provides \$6.5 million and \$153,000, respectively, for these two programs. Since 2003, only 9.2% of the sidewalk miles included in the 2003 Program Sidewalk Plan have been completed. At the current rate, the sidewalk "needs" will not be met for many decades. We need to adjust our expectations, increase funding, or find ways to make our investment go farther.

The Parks and Pathways – Neighborhood Pathways Program is funded at \$125,000 for 2015 and the following five years (p. 54). Neighborhood involvement in this program in 2014 has been very encouraging and the completed projects are widely supported in the community.

Recommendation: The OPC recommends that the City consider revising the technical requirements and construction standards for sidewalks to make our dollars go farther. The City may also want to reassess the 2003 sidewalk priority list by accepting input from neighborhood associations and other citizen groups on what they see as sidewalk priorities on local streets.

The OPC supports continued funding of the Neighborhood Pathways Program out of Parks and Pathways utility tax funds.

We also strongly support the pedestrian safety projects in the Hazard Elimination (p.53), Pedestrian Crossing Improvements (p. 57), and ADA Requirements (p. 61) programs. These programs should be very high priorities of the City for at least three reasons: the value of human life, the need to encourage walking, and the potential cost to the City from liability claims.

Street Repair and Reconstruction

The assumed out-year funding of \$2.1 million falls far short of the \$5 million annual funding needed to keep street condition ratings from declining over the next 20 years" (Staff fact sheet, September 2013). The same fact sheet indicates that, in current dollars, the backlog of rehabilitation in 2013 would require \$42 million dollars. That backlog has likely increased in 2014, given the shortfall in annual funding. Six million dollars per year is needed to reduce the backlog to \$2 million in 20 years. The currently proposed funding of \$2.1 million per year

remains well below the \$5 million annual investment required to keep the street condition rating from further decline.

Recommendation: In response to the deteriorating rating for existing streets and the increasing backlog of streets in need of rehabilitation, the City should consider a public process to describe in clear and concise terms the existing street conditions and trends and the current street rating target. It should then invite public comment on a desired street rating target and the possible means to fund the desired level of street repair and reconstruction.

We also recommend that the Council support efforts to implement new legislation that would allow an increase in the Transportation Benefit District vehicle license fee from the current \$20 per vehicle without a public vote. Legislation has been proposed, but has failed, in recent years to increase the non-voted fee from \$20 to \$40.

TRANSPORTATION WITH IMPACT FEES

Impact Fee Projects

The City cannot collect impact fees in the Urban Growth Area (UGA). The costs of projects attributable to growth in the UGA (p. 67) would be funded by grants, not impact fees.

The project descriptions for impact fee projects provide little specific information on whether or how the projects will contribute to a more compact, walkable city.

Recommendation: Given the clearly stated objective in the Comprehensive Plan for a more compact city, the City's policy regarding application for grants supporting expansion of the City into the UGA needs to be examined. The City should not apply for state or federal funding of transportation projects in the Urban Growth Area until the City Council determines that such projects reflect land use goals of the Comprehensive Plan.

The project description for each of the impact fee projects should describe how the project might promote a more compact and walkable city. Specific attention should be directed to how the land use assumptions used in generating the demand for and funding of the specific project might be affected by policies to encourage development at the urban nodes identified in the Comprehensive Plan Update.

GENERAL CAPITAL FACILITIES

Urban Forestry

The proposed update to the comprehensive plan contains numerous references to trees, including an urban forestry goal (GN3) with six policies, four of them new. Trees provide a number of vital functions, such as decreasing storm water runoff, reducing the effects of heat, and providing carbon sequestration. They also enhance the visual landscape, reduce stress, and promote health, as well as augment property value. However, the City does not have an urban forestry master

plan or targeted goals for tree canopy. Last year the City increased funding for a part time urban forestry position and was awarded an EPA Greening America's Capitols grant for the "Greening of Capitol Way" project.

Last year a Tree Subcommittee was formed and submitted a report to Council. The subcommittee developed the following vision statement: "*Build an urban forestry program that protects and multiplies Olympia's trees to benefit the community, the environment and future generations.*" The subcommittee's report contained six recommended steps to reestablish and strengthen programs to protect and develop the City's urban forest. Some of the recommendations included improving long-term planning for an urban forest, considering trees as infrastructure, establishing a citizen's tree advisory committee, developing an urban forestry master plan, reestablishing a landmark tree program, establishing and training a tree volunteers to support urban forestry, supporting tree planting and acquiring urban green space to maintain a healthy tree canopy.

OPC Recommendation: The City should add funding in the CFP to develop an urban forestry master plan and support an urban forestry program within the six-year CFP time frame. Additionally, the City should establish a citizen's tree advisory committee and implement recommendations of the Tree Subcommittee as feasible. Trees are an asset with numerous benefits to the community and require responsible management.

UTILITIES

Wastewater Rates

Presently the Utility's wastewater rates are volume-based (according to the volume of drinking water a customer uses) for commercial customers, but one flat rate for residential customers. This means that a one-person household is charged the same rate for wastewater as a large family household. As recommended by the Utility Advisory Committee, the Utility in its draft Wastewater Management Plan intends to implement volume-based rates for residential customers. Under the plan, households that use less drinking water, which also produce less wastewater, would be charged lower rates than households that use more drinking water.

Recommendation: The Planning Commission recommends implementation of volume-based wastewater rates for residential customers to create a more equitable fee structure and encourage water conservation.

Aquatic Habitat Protection

The Stormwater Utility has three stated goals for the storm and surface water utility: reduce flooding, improve water quality, and improve aquatic habitat functions. These goals have similar priority in the utility's policy documents. In 2013, only 2%, or about \$30,000 of funding, was proposed in the 2013-2018 CFP for habitat functions. Last year, the Planning Commission recommended that the Stormwater Utility consider increasing funding for land acquisition and other priority habitat improvements by shifting up to \$1,233,500 from noncritical flooding projects and using \$725,000 appropriation authority for land acquisition. The Utility Advisory

Committee (UAC) also recommended greater emphasis and funding to fulfill aquatic habitat goals. Comprehensive Plan Goal GN6 and eight associated policies speak to the protection and restoration of aquatic habitat.

In March 2013, after further consultation with the UAC, the Utility decided to shift funding to aquatic habitat protection. The Draft CFP includes \$297,000 in 2014 and \$642,000 in 2015-2019 for aquatic land acquisition and stewardship (p. 105). Past spending authority for land acquisition resulted in limited purchases due to difficulty in finding appropriate affordable properties. Some of this spending authority was shifted to other projects.

Recommendation: The Planning Commission is strongly in favor of the Utility and the UAC's efforts to prioritize acquisition and stewardship of aquatic habitat lands. The Utility should make every effort to use all of the approximately \$1 million allocated in the six-year CFP for aquatic habitat land acquisition and stewardship since past funding authority was largely unused or diverted to other projects.

Comment [RH4]: I'm inclined to delete these issues. They were in our 2013 letter and are being addressed by UAC and Utilities. I think we should add a section about Sea Level Rise.

OLYMPIA SCHOOL DISTRICT

Under provisions of the Growth Management Act, the City collects school impact fees which are then transferred to the Olympia School District (OSD). Because of the role of the City in collecting school impact fees and the extremely important role of schools in achieving the goals of the Comprehensive Plan, the City routinely reviews the Capital Facilities Plan (CFP) of the Olympia School District.

At this time, the adopted Capital Facilities Plan of the Olympia School District for 2015-2020 is not available. It will be made available to the City in early October. The following comments are based on a background summary of selected aspects of the School District's Draft Capital Facilities Plan presented to the Planning Commission in August.

1. The methodology used to calculate impact fees needs to be explained in a manner that is clear to developers and homeowners that are required to pay the fee. In previous impact fee calculations submitted to the City, the OSD provided a clear logic and rationale for the impact fees and documentation of the calculation of the proposed fees. A major consideration in these calculations were the amount of state subsidy provided for new school construction and the expected taxes to be paid to the School District over the life of a newly constructed residence. This material is absent in the current draft CFP of the School District.
2. OSD needs to clarify the financing for capital projects funded in part by the recent Capital Levy (p. 42). It is not clear if these projects include previously described capital projects to increase capacity. The CFP should explain the division between the portion of the total revenue for these projects to be supplied by the levy and the portion to come from impact fees.

3. The draft CFP provides information on birth rates, on the shifting family composition of the School District population, and on projected population in the District. (pp. 8-12) The CFP needs to clarify how these factors determine the calculation of students per projected new residential unit.
4. OSD needs to assess and explain the wide annual variation in impact fees over recent years and the significant difference between the fees for single family residences and multi-family residences. The single family home fee was \$2,735 in 2010, \$659 in 2011, \$2,969 in 2012, and \$5,179 in 2013. The multi-family home impact fee was \$1,152 in 2011, \$235 in 2012, \$0 in 2013 and \$1,749 in 2014 (p. 41).

These very large swings undercut public confidence in the impact fee process and may seem unfair to homeowners and developers who pay the higher amounts. Moreover, the apparent use of projected capacity needs may put an unfair burden on those new developments which occur at a time when existing capacity limits are reached. Those developments which, by chance, were undertaken while excess capacity existed are charged a very low impact fee or no impact fee at all.

We recommend that OSD develop a methodology employing a multi-year average of new home and apartment construction needs to reduce these swings and the seemingly random fee schedule.

5. The CFP for the OSD should describe expenditures by the OSD on the safe routes to school program and the coordination between such investments by the OSD and expenditures by the City for sidewalks and pathways. The potential contribution of such safe routes to school program in reducing the need for and cost of the current bussing program is an appropriate topic for the CFP.
6. The OSD owns playfields and open space that are used by residents of the City when not in use by students. The CFP for the OSD should discuss how maintenance of these facilities is paid by the OSD and whether the cost-sharing program between the OSD and the City of Olympia for proper maintenance of these facilities should be expanded.
7. The siting of schools has major implications for the health and learning environment of students and the transportation and land use goals of the City, as identified in the Comprehensive Plan. These implications include but are not limited to the effect of adjacent transportation facilities on pollution and noise levels, the feasibility of non-motorized access to schools by students, and the influence of school location on residential development. For these reasons, the City suggests the School District fund the development of specific siting criteria for new school facilities.

Comment [RH5]: Jerry, do we need to repeat these recommendations? If we keep them, they should be updated to be stronger and clearer.

CONCLUSION

The Olympia Planning Commission and its Finance Subcommittee appreciate the opportunity to provide these comments and recommendations regarding the 2015-2020 Capital Facilities Plan.

We hope the Council finds them helpful in their budget deliberations. We will gladly answer any questions that might arise from this letter.

We would like to express our appreciation for the work of all those who helped develop the Draft CFP and OSD CFP, and for those who patiently answered our many questions, including Jane Kirkemo, Mark Russell, Randy Wesselman, Sophie Stimson, David Hanna, Dave Okerlund, and Andy Haub of City staff and Jennifer Priddy of OSD. Many thanks also to Keith Stahley and Nancy Lenzi of Community Planning and Development staff for their support of our Finance Subcommittee. We would also like to thank the Utility Advisory Committee, Bicycle and Pedestrian Advisory Committee, and members of the public who provided comments and letters.

Thank you.

Sincerely,

MAX BROWN, CHAIR
Olympia Planning Commission

ROGER HORN, CHAIR
OPC Finance Subcommittee