



Meeting Minutes

Finance Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8447

Monday, August 11, 2014

5:00 PM

Council Chambers

Special Meeting

1. ROLL CALL

Present: 3 - Chair Jim Cooper, Committee Member Nathaniel Jones and Committee Member Cheryl Selby

2. CALL TO ORDER

Chair Cooper called the meeting to order at 5:00 p.m.

3. APPROVAL OF MINUTES

3.A [14-0777](#) Approval of June 24, 2014 Finance Committee Meeting Minutes

The minutes were unanimously approved.

4. COMMITTEE BUSINESS

4.A [14-0778](#) Continue Discussions on Long Term Revenue Strategies

City Manager Steve Hall began the discussion with an overview of the past and current financial situation of the City.

Chair Cooper explained the City Council has a goal of developing a sustainable budget and a key piece to a sustainable budget is evaluating major revenues. Earlier this year the Committee recommended the Council apply the utility tax to cable TV. Further, the Committee has been assessing the Business and Occupation (B & O) tax. The tax has not changed substantially since its inception in 1959. Previous Committee meetings have included a discussion of removing the religious exemption, setting a threshold for the nonprofit exemptions and providing some relief for the small businesses. Tonight's meeting was to discuss partnership options with the hospital.

Providence St. Peter Hospital Chief Executive Medrice Coluccio, Chief Financial Officer Denise Marroni, and Primary Care Chief Kevin Haughton met with the Committee. They explained the hospital has been in Olympia for over 125 years, is the largest private employer, and is the region's health care safety net. They welcome the opportunity to develop partnerships but do not want the nonprofit exemption removed or capped at a specific dollar amount.

Committee Member Selby asked how many for-profit clinics St. Peter Hospital has acquired in the last few years. She also asked about their decision to close the chemical dependency center.

The Committee will continue the discussion of long-term revenue strategies at the September 10 meeting.

4.B [14-0760](#) Deferral of Impact Fees as Economic Development Incentive

The City Council adopted an ordinance in 2009 allowing developers to delay payment of impact fees until final inspection. During the time the program was in effect, a total of 28 deferrals were processed. Because few developers used the option, the ordinance was allowed to sunset on August 1, 2011. Staff is recommending reestablishing the deferral program without a sunset clause.

Presently impact fees for a single family dwelling are \$3,127 for Transportation, \$5,090 for Parks and \$5,895 for Schools for a total of \$14,112. The proposed impact fee deferral program does not include General Facility Charges or LOTT Capacity Charges. These charges are assessed at the time of building permit, relate to the sewer and drinking water utility and add over \$12,000 to the cost of the permit.

Impact fee deferrals necessitate additional administrative work; however, it is not an unreasonable amount of work and can be accommodated within existing resources. Financial impacts are minimal. The deferral program changes the timing of impact fee payment only.

The Committee asked staff to reach out to the School District to understand what impact a deferral program would have on them.

The Committee agreed to recommend re-enacting the impact fee deferral option as part of the 2015 budget process.

4.C [14-0416](#) Briefing on Tax Exempt Financing and Debt Limit

Administrative Services Director Jane Kirkemo gave a briefing on tax exempt financing. Used by state and local governments, tax exempt financing funds public *capital* improvements that are important to sustained economic growth. Debt financing is accomplished by issuing bonds to pay for specific projects or services. The goal of Olympia's debt policy is to maintain the ability to provide high quality, essential services in a cost effective manner. Unlike corporate debt issues, the interest received by holders of state and local governments is generally exempt from federal taxes and most state and local taxes. Consequently, investors will accept a lower interest rate on tax exempt issues; thereby reflecting their reduced tax burden. This lower rate reduces borrowing costs for most governments by approximately 25%.

There are two types of tax exempt bonds: general obligation bonds and revenue bonds. General obligation bonds are backed by the "full faith and credit" of the City. This means the City pledges to guarantee the repayment of the debt. In Washington State there are two types of general obligation bonds: councilmanic and voter

approved. Councilmanic bonds are authorized (within state limits) by a simple majority of the City Council; whereas voter approved bonds must be authorized by the voters. Voter approved debt (e.g. 4th Fire Station) requires a 60% approval from the voters to increase their property taxes to repay the debt. Councilmanic debt is repaid within the general operating budget.

Revenue bonds are issued for a specific project, such as constructing a sewer pipe line, and are paid from the revenues (rates) received from the utility. Because they are not backed by the full faith and credit of the issuer, revenue bonds generally pay a slightly higher interest rate than general obligation bonds to reflect the fact they are backed by a particular stream of revenue. As a matter of policy, the City of Olympia raises any necessary rates *prior* to issuing debt.

Different than most local government functions, tax exempt financing is controlled first and foremost by the federal government - specifically the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). Additionally, Washington State Constitution limits the amount/type of debt that may be issued. To ensure existing and future bond holders have relevant financial and operating information about the City, the City Treasurer must provide or disclose information about the bonds and the City before, during, and *after* issuing municipal securities. Since certain municipal bonds are exchanged between buyers and sellers in a secondary market, continuing disclosure remains necessary for decisions being considered by investors in the municipal market. Electronic Municipal Market Access (EMMA) is the portal that must be used by the City to provide ongoing disclosure.

The discussion was completed.

4.D [14-0782](#) Oral Report: Mid-Year Retreat Preparation

City Manager Steve Hall discussed the upcoming mid-year Council retreat. He explained the proposed agenda has each of the four Council committees discussing their accomplishments. The Committee also felt there should be a discussion of the Affordable Care Act (ACA), public defender, and retirement costs.

Mr. Hall stated the full Council will set the agenda for the retreat at the August 19 Council meeting.

The report was received.

4.E [14-0775](#) Oral Report: Updates

This item was discussed under Item 4D, File 14-0782.

The report was received.

5. ADJOURNMENT

The meeting was adjourned at 7:10 p.m.