

Rough Draft of CFP Letter – 9/9/13 Finance Subcommittee Meeting

September 23, 2013

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 2014-2019 Preliminary Capital Facilities Plan (Draft CFP) as required by the Growth Management Act. We find that the plan is responsive to the general economic conditions. Given the revenue shortfall the city is experiencing, taking care of our existing resources should be the major emphasis of the plan. Within this context, we are presenting in this letter several ideas for the City Council's consideration.

CAPITAL FACILITIES ELEMENT

In the 2012 Planning Commission letter to the Council, we recommended updating the Long Term Financial Strategy (LTFS) that was published by the Olympia City Council in December 1999. The LTFS financial principles and guidelines are listed on page ix of the Draft CFP following the Message from the City Manager.

Upon further inspection of the LTFS, we are not certain that document as constructed provides adequate direction to City staff and the Council in setting priorities for the CFP. The LTFS is a good general guide for overall budgeting, but is not targeted toward capital budget priorities. In our view, the appropriate guidance for the CFP is the Capital Facilities Element (CFE) of the Comprehensive Plan, which is mandated in the Growth Management Act. This year, as part of the Comprehensive Plan update, the CFE was extracted from the Comprehensive Plan document and included within the CFP (pages 14 and 15).

The Planning Commission supports this change. We believe that as the guiding goals and principles for capital facilities investment, the CFE should be included in the CFP and serve as the guiding document for Council and staff in establishing each year's CFP. It should establish clear priorities and be the go-to document when Council is considering any capital investment.

Recommendation: As the guiding document for the CFP, we recommend that the CFE be included in its own section near the beginning of the CFP; it is currently included in the Introduction Section with the FAQs and background data. We also recommend that the Planning Commission be given additional time to work on the CFE goals and principles. There simply was not enough time in our work plan or during the development of this letter to give adequate attention to this GMA-required Comprehensive Plan element. This element

should be given the weight of other Comprehensive Plan sections, including a public hearing and comment period, input from City staff, and full consideration by the Council.

MAINTENANCE FUNDING

As the City Manager's letter states, this plan continues to focus on maintenance and that we must maintain our capital infrastructure. He identifies building, park, street, and utility maintenance as the focus of this CFP.

As stated in our 2012 letter, the Planning Commission agrees that protection of our assets should be our first priority in establishing the Draft CFP. However, we are concerned that the proposed maintenance funding would still be significantly below the required amount necessary just to reach a "managed care" maintenance level for non-utility infrastructure maintenance, which includes building, park, and street maintenance. At that level, it is assumed that buildings or system components will periodically or often fail.

For example, the Parks Department estimates the need for its Condition Assessment and Major Maintenance Program at \$500,000 per year, but only \$170,000 is provided for 2014. We also understand from staff that more maintenance funding than provided is needed for building, storm water and drinking water asset management. The Street Repair and Reconstruction Program, traditionally funded at \$2.025 million, would receive \$1.85 million in 2014. Even at the traditional level, many high priority "worst first" streets needing major reconstruction will not be completed in the 2014-19 period.

The proposed level of funding will not meet the public's expectations, will potentially increase costs for repairs, and will require continued use of emergency funding to meet our goal of maintaining what we have. Unrealistic goals and funding will simply push our maintenance issues into future budgets. We need to find ways to fully fund our maintenance responsibilities now or the problem will only increase in size and impact future projects.

Recommendation: The Planning Commission recognizes that, given the current financial conditions, meeting our maintenance funding needs is no easy task. However, we feel the following recommendations from our 2012 letter are worthy of consideration:

- The Council should consider asking the public to approve new revenue sources, such as a 1% utility tax for city building and structures maintenance and/or increased vehicle license fee for street maintenance.
- Funding provided from maintenance revenue measures in a dedicated maintenance fund which, except in extreme cases, should be used exclusively for maintenance purposes.
- The City should commit to performance measures indicating target outcomes, such as reaching and maintaining certain street, building, and park condition ratings.

OUT-YEAR FUNDING

The Draft CFP clearly identifies the CFP as a public vision, “constrained by fiscal realities.” It notes that the Capital Facilities Plan “does not represent a financial commitment (page vii). Projects beyond the current year Capital Budget should not be viewed as a commitment to fund the project, but instead as an indication that given the information available at the time, the City plans to move forward with the project in the future” (page 6).

The Draft CFP appears to focus more on vision than on fiscal realities which, despite the written qualification that the Plan is not a commitment for funding, raises public expectations and consequent disappointment when funding for projects listed in the CFP are continuously projected into the out-years for which there is no commitment.

This is evident in the Bicycle Program, as was clearly noted in the previous letter from the OPC to the Council and is noted in this letter under the discussion of transportation. The bicycle capital facilities projected for funding in future years are, to begin with, extremely modest in relation to the policies to encourage bicycling as an realistic transportation alternative that can be found in the existing Comprehensive Plan and in the recommended Update. Yet even this very modest program has not been funded for the last.....years. The City has implemented only 9% of the quite modest Bicycle Master Plan adopted by the City in 2009. (p. 48)

The same pattern can be observed throughout the CFP. A few examples rather than a thorough listing suffice to validate the general concern. In the Park Department’s maintenance program, \$170,000 is projected for expenditure in 2014 but \$500,000 is projected for each of the subsequent five years. It is not clear what change would permit this major increase in funding. Similar patterns are evident for the Hazard Elimination Safety Program (p. 51) Pedestrian Crossing Program, (p.56), and the Sidewalk Construction Program (p.58)

In the case of the Bicycle Program and of several other programs in the proposed CFP where funds are identified for out-years but where no funding is available at this time, additional review of actual probability of future funding and revision of the Plan where funds are not likely would increase the overall credibility of the CFP.

The potential violation of statute resulting from the inconsistency between projected facilities and available funding and the apparent dependence on “time adjustments” and grants to make up the difference concerns the OPC.

Recommendation: The Planning Commission recommends...

PARKS

The City of Olympia, Parks, Arts, and Recreation Department, 2010 Parks Plan identifies a need for two large community parks, as does the Parks chapter of the draft CFP (page 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 densifies, it should be the city's priority to achieve the 2010 targeted outcome ratio for park land before using the utility tax funds for parks improvement and parks maintenance.

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 identifying potential sites now, and, if necessary, buying an option to purchase prior to 2017.

Other Parks issues to discuss at OPC meeting:

1. We should work with the Olympia School District to make more playfields available.
2. More funding needed for capital maintenance through the CAMMP program. The Parks Department requested \$500K/year but are scheduled to receive \$170K in this CFP.
3. Percival Landing: Funding is still needed for Section A Phase 2, Section B, and Section C. Section A Phase 2 estimated to cost \$6.5M to replace the floats and \$15M to replace floats and walkways; repair estimate (if no construction) is \$750K within 3 to 4 years. Section B replacement, \$20M; repair, \$1.6M within 3 to 4 years. Section C replacement, \$20M; repair, \$1.3M within 5 to 10 years. We discussed including in the letter, getting data out to the public and the importance of addressing sea-level rise.
4. Neighborhood parks within 1/2 mile of all citizens.

TRANSPORTATION

Introduction

The introduction to the transportation section should reference the basic objective of the Comprehensive Plan and the update to the Comprehensive Plan, i.e. to make the City more compact and to increase the density 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. There needs to be acknowledgement here that transportation is closely related to land use and that the objective more compact land use is a high priority of the Comprehensive Plan and the recommended Update. The "ways" a project becomes part of the CFP fails to make any link to land use objectives or the consequence of land use decisions.

Recommendation: The text in the transportation sections of the CFP should include explicit acknowledgement that the objective of a more compact city stated in the current Comprehensive Plan and in the recommended update to that plan should be the basis for investment in transportation capital facilities. This might be done by referencing the goals and policies listed on pp. 14-15.

Bicycle Facilities Program

The proposed annual budget from the City of \$40,000 appears inconsistent with goals and policies of the Comprehensive Plan to encourage a more compact city and encourage alternatives to the use of cars. The total bicycle budget for the five year period from 2015-2019 of \$200,000 is .8% of the approximate \$23 million from City impact fee funds for transportation capital facilities that are primarily for the use of cars (p. 19).

A reason for this discrepancy appears to be the current policy to use impact fees only for road construction.

Recommendation: The City should explore expenditures of transportation impact fees for alternative transportation facilities.

The proposed bicycle projects are dictated by street overlay or reconstruction activities and do NOT reflect the need to create a connected and coherent network of bicycle facilities. This apparent policy does not appear consistent with the existing and the proposed Comprehensive Plan which emphasize pedestrian and bicycle travel nor with the 2009 Bicycle Master Plan. There is no expenditure proposed in 2014 (p. 49). The 2012 letter from the Planning Commission to the Council noted that the projection of bicycle expenditures in future years has been a pattern.

Recommendation: The CFP should provide an explicit rationale for the defunding of the bicycle program and explain how this proposed action is consistent with the Comprehensive Plan goals and policies related to bicycle facilities referenced in this section. (p. 49).

Sidewalk Construction Program

This program is distinct from the two "Parks and Pathways Program" (pp. 52-54). No projects are planned for 2014. The funding for the remaining five years is just over \$20,000 per year with the funds coming from the CIP Fund. This is far below the cost estimate for the three projects identified for the remaining five years, over \$7 million. (p.57).

Recommendation: The source of funding for the various pathway and sidewalk programs needs to be more clearly identified. The obvious disparity between the proposed funding for the two Parks and Pathway Programs and the Sidewalk Construction Program does not appear consistent with the provisions in the Comprehensive Plan and the proposed update for improved pedestrian facilities and needs to be explained.

Pedestrian Crossing Improvements

The text states that timing or project completion is dependent on “available funds.” (p. 55). Pedestrian safety would seem to be the highest priority of the City for at least three reasons: the value of human life; the need to encourage walking; the cost to the City from liability claims.

Recommendation: Funding for Pedestrian Crossing Improvements, including lighted crosswalks, needs to be reconsidered in relation to both the goals and policies of the Comprehensive Plan and the recommended Update and the liability of the City.

TRANSPORTATION WITH IMPACT FEES (pp. 65-75)

Introduction

The introduction provides a useful overview of how transportation impact fees and notes that impact funded transportation projects need to account for the growth projection of the City. However, it lacks a discussion of the geographical basis of these growth projections and how assumptions regarding the location of growth affect impact fees and the priority of impact related transportation projects.

Recommendation: The projected transportation projects funded by impact fees in 2014 should be reviewed prior to expenditure of the proposed funds to reflect the land use policies in the current Comprehensive Plan, and the subsequent plan adopted by the City Council.

Given the clearly stated objective in the Comprehensive Plan for a more compact city, acceptance of grants supporting expansion of the City into the UGA needs to be examined and a decision made whether the City should apply for and accept such funding.

Recommendation: The City should not apply for state or federal funding of transportation projects in the Urban Growth Area until the City Council determines if such projects are consistent with the Comprehensive Plan, as revised by the Council.

Boulevard Road, Cain Road, Fones Road, Henderson Boulevard, Log Cabin Road and Wiggins Road Programs

The Boulevard Road Intersection Improvements Program identifies three “project sites” for roundabouts in response to the Boulevard Road Corridor Study. Three additional roundabouts are proposed in separate programs: one for Fones Road at Home Depot Driveway; one at the intersection of Henderson and Eskridge; and one at Wiggins Road and 37th Avenue. A signalization improvement is proposed at Cain Road and North Street and an extension is proposed on Log Cabin Road.

The projected funding of these projects from transportation fees is over \$22.3 million in the next six years. This is out of a total projected impact fee receipts for the six year planning period of \$25.7 million.

Without more complete information, the investments appear to be designed to accommodate major expansions in development in ~~this~~ the southwest area of the City. This rationale is stated explicitly for the Fones Road project and for the Log Cabin Road project, viz. "Southeast Olympia is one of Olympia's fastest developing areas. The proposed extension of Log Cabin Road crosses an undeveloped area prime for residential development." (p. 73)

Facilitating or accommodating this projected development with the expenditure of over \$22 million in impact fees does not appear consistent with the goal of compact development in both the existing Comprehensive Plan and in the Update.

Recommendation: The City should review expenditure of 87 percent of impact fees on the projected development of one area of the City and should the Comprehensive Plan vision of a more compact city.

West Olympia Access Program

The CFP proposes the expenditure of approximately \$750,000 in transportation impact funds for an "interchange justification report" for West Olympia. The justification for the justification report states that a projected deficiency "in access and circulation opportunities hampers the ability to meet Olympia's growing land use ...on the Westside". (p. 74). As has been noted above, continued land development at the urban fringe is not consistent with the goals and policies in the current Comprehensive Plan or in the update to the plan. Before this expenditure is approved, the City should determine whether the projections used to justify this study are based on any specific land use plans and, more importantly, whether any land use plans exist that will assure that any added capacity is not consumed in the very short term by additional development stimulated by the proposed projects.

Recommendation: Information on current land use regulations in the areas to be served by major transportation facilities in West Olympia should be reviewed prior to approval of funding for the West Olympia Access-Interchange Report.

GENERAL CAPITAL FACILITIES

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 mental health, as well as augment property value. However, the city does not have an urban forestry management plan or targeted goals for tree canopy. At present, the city only employs a half-time FTE urban forester. It seems prudent to include funding in the CFP to carry out the urban forestry goals, especially those associated with measuring and

increasing tree canopy. The City of Seattle has developed an Urban Forestry Management Plan which can serve as a guide. (Note: Item needs editing)

OPC Recommendation #14: Add funding in the CFP to develop an urban forestry management plan and support an urban forestry program within the six-year CFP time frame. Trees are an asset with numerous benefits to the community that requires management.

UTILITIES

A remodel of the Eastside Street Maintenance Center is planned for \$491,600. Public Works management states that the staff is too crowded at the present facility and it is adversely affecting their work environment, efficiency, and morale. The Drinking Water Utility has indicated they have identified an alternative option that would be less costly. This recommendation aligns with the July Draft Comprehensive Plan objective PU2.8 “Consider the social, economic and environmental impacts of utility repairs, replacement and upgrades.” (Note: Judy is working on update.)

OPC Recommendation #15: Consider a less costly option for a remodel for the Eastside Maintenance Center.

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. At the urging of the Utility Advisory Committee, the Utility in its draft Wastewater Management Plan intends to implement volume-based rates for residential customers. Under the plan, users of less drinking water who also produce less wastewater would be charged lower rates than users of 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.

The Utility intends to apply for state and federal clean diesel fuel retrofit programs to assist in funding the replacement of two of its oldest diesel generators. Use of newer cleaner burning diesel technology will reduce diesel emissions and improve outdoor air quality. Diesel exhaust is a harmful air pollutant that has been linked to development of lung cancer and lung and heart disease.

Recommendation: The OPC recommends pursuing grants to lower exposure to harmful pollutants such as diesel exhaust.

The Stormwater Utility has three stated goals for the storm and surface water utility. Briefly, they are to reduce flooding, improve water quality, and to improve aquatic habitat functions. These goals have similar weighting as to their priority in the utility's policy documents, yet the funding is unequal with only 2%, or about \$30,000 of funding, proposed in 2013 for habitat functions. Proposed Comprehensive Plan Goal GN6 and eight associated policies speak to the protection and restoration of aquatic habitat.

The utility has indicated that it would be possible to shift \$1,233,500 from three proactive infrastructure improvement projects. These projects are designed to reduce flooding. According to staff, delaying the projects would not substantially increase flooding risks in the near-term. As an alternative, this money could be used to fund aquatic habitat improvements such as riparian vegetative enhancements, land acquisition, and wetland shoreline enhancements. It is important to protect our natural habitat from the increased pressure of urbanization.

In addition, the Utility has appropriation authority of about \$840,000 for land acquisition, of which \$115,000 is committed to Black Lake land acquisition. Presently, land values and interest rates are low, so this may be an opportune time to purchase land. (Note: Judy is working on update.)

OPC Recommendation #16: The Stormwater Utility should consider using funding from the habitat land acquisition fund and from shifting funding from non-critical flooding projects (up to \$2 million) for land acquisition and other priority habitat improvements.

OLYMPIA SCHOOL DISTRICT

As required by the Growth Management Act, the Planning Commission has reviewed the Olympia School District's Capital Facilities Plan and provides the following comments.

1. The wide annual variation in impact fees over the most recent years and the significant difference between the fees for single family residences and multi-family residences requires a detailed explanation. More importantly, a methodology employing a multi-year average of new home and apartment construction needs to be considered reduce these swings and the seemingly random fee schedule.

For example, in 2010, the single family home fee was \$2,735. In 2011 it dropped to \$659. In 2012 it rose to \$2,969 and in 2013 it rose again to \$5,179.

In 2011, the multi-family home impact fee was \$1,152. It dropped to \$235 in 2012. It rose to \$1,645 in 2013.

These very large swings undercut public confidence in the impact fee process. A clear explanation of the current methodology for the calculation of impact fees is important to public understanding the OSD's CFP.

2. 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. It should also explain whether impact fees can help fund capital facilities to facilitate walking or bicycling to school. If so, a methodology to include such pathways should be included in the calculation of impact fees.
3. Consistent with the objectives in the Comprehensive Plan, the OSD should not fund construction of car facilities by high school students who do not demonstrate special needs.

The CFP for the OSD should note if additional parking facilities at the two OSD high schools are included in the cost of new school facilities and, if so, if these are for staff or for students.

4. 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 a cost-sharing program between the OSD and the City of Olympia for proper maintenance of these facilities is feasible..

CONCLUSION

The Olympia Planning Commission and its Finance Subcommittee appreciate the opportunity to provide these comments and recommendations regarding the 2014-2019 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, Randy Wesselman, Mark Russell, David Hanna, Dave Okerlund, and Clark Halvorson of City staff and Jennifer Priddy of OSD. We would also like to thank the Utility Advisory Committee and members of the public who provided comments and letters.

Thank you.

Sincerely,

JERRY PARKER, CHAIR
Olympia Planning Commission

ROGER HORN, CHAIR
OPC Finance Subcommittee