



September 24, 2012

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 2013-2018 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.

LONG-TERM FINANCIAL STRATEGY

In developing its CFP draft, City staff has made use of the Long Term Financial Strategy (LTFS) that was published by the Olympia City Council in December 1999. The message from the City Manager at the beginning of the Draft CFP states that "The LTFS has put us on firm footing to deal with the chaotic economic challenges we have faced over these last few years." A summary of the key financial principles and guidelines are provided on page 10 of the Draft CFP.

We find that the LTFS is a useful document that provides important guidance for setting community budget priorities. However, the plan needs to be updated. The plan itself states that the strategy should be updated annually (page 7):

"The LTFS is partly a solid foundation, and partly a moving target. The principles and guidelines for wise management of public resources are the solid foundation. But evolving community needs and financial forecasts provide a moving target. Consequently, the City must update the LTFS annually."

It goes on to say annual updates should include updating long-term and one-year financial forecasts and confirming or revising priorities. While the current Council may not want to carry out a process as extensive as the 1999 effort, providing priorities for the staff, advisory committees, and the public could be very useful. As we reviewed this year's CFP, we looked to the LTFS for guidance. It would have been useful to have a version that was more up-to-date.

A component of the LTFS in 1999 was a community survey that included topics such as Priority of City Services, Where to Look for Cuts, Budget Balancing Strategies, and Strategy for Financing Major Projects. We recognize that the Council has increased its outreach to the

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public on budget questions. A formal survey such as the one conducted in 1999 could be very helpful for updating the LTFS principles and guidelines.

The City's CFP depends to a significant extent on federal and state grants. At a time of severe fiscal constraints, the update to the LTFS should document the dependence of each major CFP funding category on federal and state grants. The update should also assess the potential vulnerability of these grants to reduction or elimination.

OPC Recommendation #1: When time and resources are available, the Council should update the LTFS.

MAINTENANCE FUNDING

As the City Manager's letter states: "The major theme of the CFP remains the same – maintain and sustain what we have." His letter also speaks to getting the fundamentals right. It is important the appropriate resources be directed to maintaining our assets in order to do it right.

As the basis for our comments on maintaining what we have, following are principles and data supporting investment in maintenance in the LTFS and Comprehensive Plan:

- In the 1999 LTFS survey, street repair was right at the top of the citizen priority list for future expenditures. Maintaining public buildings was not far behind. In the list of city services, street maintenance was third most important (of 16), right after fire and police. Though this survey was done over a dozen years ago, we suspect the concept of taking care of what you have first is pretty robust and would continue to be a community priority.
- LTFS principle #4 states "Preserve physical infrastructure." (Please note that the number associated with LTFS principles does not reflect priority order.)
- LTFS principle #2, "If the city cannot deliver a service well, the service will not be provided at all" indicates an ethos of quality which would apply to maintenance.
- LTFS principle #13 states "Recognize the connection between the operating budget and capital budget." If we build physical infrastructure we need to recognize a commitment to maintaining it.
- Policy PF 1.5 of the Capital Facilities Plan chapter of the Olympia Comprehensive Plan provides seven policy considerations for project expenditures in a CFP. Fourth in the list is "Renovate existing facilities, preserve the community's prior investment or reduce maintenance and operating costs" and fifth is "Remove existing capital facilities' deficiencies, encourage full use of existing facilities, or replace worn-out or obsolete facilities."

Maintenance issues are becoming more significant in each of the non-Utility CFP elements:

2013-2018 Preliminary Capital Facilities Plan

- The Parks Department's budgeted maintenance funds are projected to be significantly below the amount needed to fully fund ongoing maintenance requirements. We are concerned that our parks will become unsafe or unusable over time if we don't find the funds to maintain them.

In addition, some new "non park" facilities (e.g., roundabouts, medians, landscaping at some City buildings) are maintained by Parks staff. We are concerned that this additional burden may impact maintenance of what are traditionally considered parks.

- As the funding challenges for the Washington Center re-facing project has shown, the City lacks a systematic method for funding major repair and rehabilitation costs for buildings.
- Each year since 2007 the pavement condition rating for city streets has fallen, from 78 in 2007 to 68 in 2011. At the level of funding proposed in the Draft CFP, condition ratings will continue to worsen, costing more in the long run if more major street reconstruction is required.

We are concerned that the proposed maintenance funding is 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. This 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.

Careful planning for existing infrastructure maintenance needs is essential in ensuring that adequate funding is and will be available. Inadequately funding ongoing maintenance or lacking resources for emergency maintenance funding negatively affects all aspects of the capital and operating budgets. Establishment of a dedicated maintenance fund that retains its unspent funding will help offset future under-funding and reduce emergency funding requirements.

We are concerned with the proposal to move maintenance, normally an operating budget expense, into this and future capital budgets. By doing this, utility tax dollars used for maintenance will not be available for other planned projects such as sidewalks, bike lanes, and parks capital projects. This may not have been the public's expectation when passing the utility tax increases and will cause confusion in understanding both the capital and operating budgets and comparing past years with the future.

OPC Recommendation #2: 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. Components associated with the measures should include:

- **Retaining funding provided from such revenue measures in a dedicated maintenance fund which, except in extreme cases, should be used exclusively for maintenance purposes.**
- **Commitment to performance measures indicating target outcomes, such as reaching and maintaining certain street, building, and park condition ratings.**
- **Enabling use of voted “2% utility tax” dollars for capital improvement projects as envisioned in the utility tax ballot measure.**

Future maintenance requirements should be considered when new capital projects are added to the CFP. New maintenance commitments can impact maintenance funding for existing infrastructure.

The Public Facilities Inventory on Pages 217-225 indicates all facilities are in good/excellent/fair conditions with the exception of five items. For example, the Washington Center is described on page 224 as “Fair” condition while page 147 indicates proposed repair cost \$3,850,000. The data are contradictory. The chapters on Utilities, which operate like businesses, offer more data compared to the data on maintenance of streets, bridges and buildings. The CFP Draft does not provide sufficient data to plan for capital facility maintenance.

OPC Recommendation #3: Given the importance of maintenance associated with infrastructure and the City’s maintenance priority, the CFP should include a consolidated report indicating any new maintenance commitments in the CFP, what the overall maintenance cost is, how it will be funded, and its impact on other projects. This report will help the public understand the costs of new projects beyond the direct capital cost.

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 72). 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.

OPC Recommendation #4: After the initial utility bonds are retired in 2016, the first priority for new bonds should be purchase of additional community parks. If the City has an opportunity to purchase property for community parks before that time, the City should consider using bond funding, either Councilmanic or voter-approved, for two planned community parks in 2013 or 2014.

The Commission is concerned that there is no short term or long term funding for improvements or maintenance of Percival Landing, Heritage Fountain Block, and the Isthmus. Percival Landing, Heritage Fountain Block, and the possible Isthmus area attract many citizens and visitors to downtown Olympia and serve as the center for many Community events. These three areas support downtown business in Olympia and define a future core area for downtown. These areas are noted in either the 2013 – 2018 Capital Facilities Plan or the 2010 Park Plan.

OPC Recommendation #5: We support efforts by the Council to provide short term and long term funding for public improvements for Percival Landing, Heritage Fountain Block, and the Isthmus. We urge the Council to plan for long-term maintenance funding for any new facilities reconstructed or acquired in these areas.

In past years, the Commission has recommended that the City seek Thurston County Conservation Future Funds (CFF) for park acquisition and development. Citizens of Olympia pay into this fund but to date the City has been unsuccessful in our efforts to secure funding for Olympia parks from this source. Thurston County has now established a process for cities and other organization to apply for Conservation Future Funds.

OPC Recommendation #6: The City should include the CFF Funds as a possible revenue source in the Parks Plan and CFP. The Council should direct Olympia Parks and Recreation Department to submit a park project proposal annually that could be approved by Thurston County for funding under the Thurston County CFF guidelines.

The Commission encourages the City to seek ways to further leverage the public's willingness to volunteer their time, resources, and expertise in helping to develop and maintain our parks and public spaces. Finding ways around liability issues, costs of supervision, and union concerns would facilitate neighborhood groups, businesses, civic organizations, and individual citizens helping the City meet its park goals. It might be valuable to talk with State Parks and/or the state Department of Natural Resources regarding their policy and procedures around using volunteers. They may be able to assist the city in regards to training and use of power equipment.

OPC Recommendation #7: The City should expand policies and programs that allow and encourage increased volunteer participation of citizens and civic organizations on City projects.

The City of Olympia Parks, Arts, and Recreation Department should consider approaching local civic organizations, neighborhood associations, local businesses, and contractors to donate material and labor to rebuild existing facilities or build new facilities once the facility has been architecturally designed and engineered to meet the department requirements.

TRANSPORTATION

The continuing lack of funds for sidewalk, pedestrian crossing improvements and bicycle facility construction in the CFP is discouraging. Excepting where dedicated revenues or grants are secured, relatively little progress on non-motorized plans are likely to result from this six-year CFP. We understand the fiscal constraints the City is under and agree that maintenance of existing infrastructure is paramount. Considering that the economy is relatively flat and maintenance needs City-wide are chronically underfunded, we question the legitimacy of showing that CIP funds are “planned” for sidewalk, pedestrian crossing improvements, and bicycle facilities in CFP out-years.

OPC Recommendation #8: Provide policy direction to staff regarding the level of truth-in-planning regarding inclusion of projects where there is little evidence of proper funding. Develop a more realistic approach to funding the projects in our active transportation master plans and project lists. Consider dedicated funding sources if needed.

The Street Repair and Reconstruction program is at risk of not being adequately funded according to our discussions with staff. We find this disturbing and urge that the Council find a way to fully fund the program to achieve the target of least-cost pavement management. Existing funding from the Transportation Benefit District is important, but insufficient.

OPC Recommendation #9: As mentioned in Recommendation #2, the Council should consider a voted measure to increase the vehicle license fee to properly fund the Street Repair and Reconstruction Program. This will also enable CIP funds to be used for projects that have been languishing, such as active transportation programs.

While we support maintenance of existing infrastructure, the 4th Avenue Bridge Railing Repairs, costing an estimated \$450,000 over six years concerns us. We were unable to obtain comparative maintenance costs of the old 4th Avenue Bridge, but this project in the preliminary CFP suggests that we might need to do a better job of vetting construction techniques, materials or even the quality of builders' work in other jurisdictions to avoid making what we construe as costly errors in the future.

OPC Recommendation #10: Implement a more rigorous process for ensuring the quality of contractor work on major infrastructure projects.

It is gratifying to finally see evidence of the Transportation Mobility Strategy in the CFP, such as the Smart Corridors project. We also note that a multimodal level of service (LOS) and more sophisticated modeling of trip distance by mode are being developed and will be used in the upcoming phase of the West Olympia Access Study. This is a notable and welcome change.

OPC Recommendation #11: We strongly support multimodal LOS and person-trip modeling efforts that staff are developing. Such policies are responsive to the Comprehensive Plan. Furthermore, we think Olympia should be a leader in this area. The CFP could include language that better describes these examples of the evolution of transportation policy and management in Olympia.

The Streetlight Conversion to LED project responsive to several City policies regarding reducing environmental impact, improved fiscal management and, potentially also “Dark Skies” by limiting skyward light pollution. We understand that the local match for this grant-funded project could be paid for with electricity savings resulting from it. We congratulate staff on this creative approach.

OPC Recommendation #12: Retain the Streetlight Conversion to LED project in the CFP. Further, we support an effort to assess other potential capital projects to reduce City operating costs. Solar panels and green roofs on City facilities are examples of such projects.

GENERAL CAPITAL FACILITIES

The Washington Center for the Performing Arts project on page 147 of the Draft CFP combines siding repair and costly remodeling (\$3,850,000 is indicated). The architect has proposed a more expensive option, which would use grant funding, and a less expensive no-grant option. However, both options far exceed the repair-only cost.

OPC Recommendation #13: For truth-in-planning, the CFP should break out the costs of a more basic repair from optional aesthetic improvements. This will help the public and Council decide whether to fund aesthetic expenditures when there are other maintenance and capital needs.

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.

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.”

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

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.

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 has excellent Utilities which provide vital public health functions such as access to clean drinking water, disposal of sewage, handling of solid waste, and controlling flooding and storm water. Utility costs have been steadily increasing despite the economic downturn. It would be beneficial for Public Works to conduct an efficiency analysis and a cost-benefit analysis of its utilities to identify savings. They would also provide transparency to let rate payers understand what services and infrastructure are paid for by rates. The recommendation aligns with the July Draft Comprehensive Plan objectives PE4.1 "*Base public infrastructure investments on analysis determining the lowest life-cycle cost and benefits to environmental, economic and social systems.*"

OPC Recommendation #17: Public Works should consider conducting an efficiency and cost-benefit analysis of the Utilities.

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.

In 2005-2006, multifamily housing units were generating 65% of the students that single-family residences generated. Five years later it is less than 5%. Such a large change does not seem likely and raises questions about the validity of the impact fee analysis.

OPC Recommendation #18: The CFP should include explanations of major shifts that may raise questions about the credibility of the data.

School impact fees are collected in the Olympia School District from new development within Olympia city limits, but not from development in the urban growth area (UGA).

Rules surrounding SEPA mitigation fees dictate that the District may only receive SEPA funds for new developments with greater than 10 units in the UGA. Whenever developments are below that threshold, they contribute nothing to capital-targeted revenues, despite the fact that such households contribute to the classroom burden, just as do those in larger developments.

Furthermore, rules prevent the District from collecting SEPA fees unless a particular development can be shown to be the cause of a capacity problem at a school. This approach fails to recognize that all new developments should contribute to addressing capacity needs in the district. Our community has a school *system* and a holistic perspective should be utilized in allocating costs for impacts to that system. Such an approach would ensure that all contributors pay their fair share to mitigate impacts of school crowding.

Lastly, OSD staff must negotiate SEPA fees on each individual development meeting the threshold criteria. This strikes us as very inefficient compared to set impact fee rates that are applied to all developments within the City's limits.

OPC Recommendation #19: The County Commission is considering School Impact Fees for OSD areas outside the Olympia city limits. The City Council should strongly support this effort.

Charging impact fees for all new development within the OSD will establish consistent, efficient, and realistic revenue collection for future school capital needs.

CONCLUSION

The Olympia Planning Commission and its Finance Subcommittee appreciate the opportunity to provide these comments and recommendations regarding the 2013- 2018 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, David Riker, David Hanna, Dave Okerlund, Rich Hoey, and Andy Haub of City staff and Jennifer Priddy of OSD. We would also like to thank the Utility Advisory Committee and the Parks and Recreation Advisory Committees, as well as individual citizens, who provided comments and letters.

Thank you.

Sincerely,



AMY TOUSLEY, CHAIR
Olympia Planning Commission



ROGER HORN, CHAIR
OPC Finance Subcommittee