



# City of Olympia

## Long Term Financial Strategy

Set by the City Council, the following considerations are used to help guide the Council in making budget decisions. These processes constitute the Council's long-term financial strategy and encourages strategic thinking by providing the tools that allow for making better decisions by focusing on long-term objectives and the impact current decisions have in the future.

The City's Long-Term Financial Strategy process includes a recognition of the following identified risks:

1. Annually reviewing the City's 10-year financial forecasts for five (General Fund, Water, Sewer, Solid Waste, and Storm Water) of the six major funds as reported in the city Annual Comprehensive Financial Report (ACFR). These forecasts provide a forward-looking view of these funds allowing City officials and others to evaluate their long-term sustainability. All forecasts are built assuming status quo operations meaning that no new positions, programs, or rates are included in the forecast. Increases in charges for service or sales revenue is based on growth.

In reviewing the 10-year forecast, it is imperative to consider the following identified risks:

### **Staffing & Service Levels:**

The forecasts assume flat staffing levels in the forecasted years. It is unlikely that existing staffing will be able to keep pace with necessary additional service levels over time. Without an increase in staffing or other measures, and an associated funding source, the outcome will be a degradation of existing service levels.

### **Infrastructure Repair and Maintenance:**

The City has struggled to adequately fund necessary infrastructure repair and maintenance needs and capital replacement reserves on an on-going basis. The City has historically used one-time resources to provide some level of funding for those purposes. The lack of ongoing sustainable funding may result in deterioration of infrastructure, especially in the General Fund.

### **Economic Recession & Slowdowns:**

The City's General Fund is heavily dependent on taxes. Sales and use tax, business and occupation tax, and taxes on utilities are volatile and impacted by the economy. As the forecast for revenue is based on a five-year trend excluding outliers, revenue growth may not be sustained and decline, or increase at a slower rate, than projected. This will further impact the City's ability to fund services.

### **Legislative Changes:**

Unfunded mandates and changes in federal, state, and county priorities or their fiscal position may impact shared revenues and sources. The City is at risk of being negatively impacted by downstream revenue changes and reduced service levels from other levels of government.

2. Maintaining, updating, and creating financial policies aligning with best practices to guide financial operations and financial decision making.
3. Integrating and aligning financial planning in other City strategic planning processes including the Comprehensive Plan, Transportation Improvement Plan, Utility Improvement Plans, and the Capital Facilities Plan.

4. Identify and assess potential risks, including unfunded liabilities, changes in the economy, regulatory changes, and other issues that may impact the City's financial position and proactively take steps to help mitigate these identified risks.
5. When initiating a new program or activity, ensure that revenue to pay for the service is sustainable over time, ensure the service provided can be done well and pursue innovative service delivery methods, seek partnerships and other cost sharing strategies, be entrepreneurial, and continue to seek operational efficiencies.
6. Assess infrastructure condition in order to preserve and maintain current infrastructure through maintenance and repair schedules to achieve at least the full useful life of the asset.