



# City of Olympia

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## Meeting Minutes - Draft Finance Committee

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**Wednesday, May 14, 2014**

**4:30 PM**

**Room 207**

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### Special Finance Committee Meeting

#### 1. ROLL CALL

Since Chair Cooper was participating via phone, Committee Member Jones served as chair for this meeting.

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

#### 2. CALL TO ORDER

The meeting was called to order at 5:00 p.m.

#### 3. APPROVAL OF MINUTES

**3.A 14-0406** Approval of April 9, 2014 Finance Committee Meeting Minutes

**The minutes were approved unanimously.**

#### 4. COMMITTEE BUSINESS

**4.A 14-0452** Continue Discussions on Long Term Revenue Strategies

During the budget process staff discussed several potential revenue options to be evaluated for the 2015 budget:

- Utility Tax on Cable.
- Business and Occupation (B&O) Tax Revisions.
- Legislative Changes to Transportation Benefit Districts (TBD).
- Voter approved TBD increases.
- Levy Lid Lifts.
- Local Improvement Districts (LIDs).
- Councilmanic Debt Issuances.
- One-Time Revenues.

The Committee discussed the first 2 items at the April Committee meeting. The Legislature did not take any action on TBDs during the legislative session, so \$20 is the maximum a TBD can charge without a vote of the people. For the one-time revenue, staff was anticipating a one-time increase in the Real Estate Excise Tax

(REET) from the sale of the Capital Mall and Top Foods. However, one sale was a name change only and the other was a leasehold change. Therefore, the City will not receive any additional REET from these transactions. During the April meeting the Committee gave staff direction to move ahead with the utility tax on cable as a part of the Capital Facilities Plan (CFP). Staff contacted Comcast about our intent to implement the tax. Following a presentation of the CFP there will be an opportunity for Comcast to comment on the tax, but there will be no public hearing (until the budget hearing). The tax is on the utility, not the customer, although the utility typically passes the tax on to the customer. Staff's recommendation is for the tax to be effective the last quarter of 2014 with the first collections in January 2015. The Committee also agreed the revenue would go to the major maintenance in the CFP.

Committee Member Jones made a proposal for a coordinated set of changes to Olympia's B & O tax. Olympia's B & O tax has not been substantially updated since 2004 and this collection of adjustments will simplify rates and structures, support small local businesses, and generally fine-tune Olympia's approach to the B & O tax.

The proposal included:

- Raising the threshold for businesses from the current \$20,000 gross revenue to \$200,000. Businesses with less than \$200,000 in total annual revenue would be exempt from the local B & O tax.
- Non-profit businesses would continue to be exempt from all local B & O taxes unless their annual gross receipts exceeded a certain threshold (\$30 to \$50 million). These larger non-profit businesses would pay the same rate as for-profit groups beginning with the first dollar.
- Religious organizations engaged in the provision of health care would not have a special exemption (OMC 5.04.110.F.2). All non-profit organizations would be treated equally.
- To encourage new businesses, Olympia would eliminate the \$25 new business registration fee. The one-time \$25 B & O tax registration fee and the \$30 annual business license fee remain unchanged.
- To assist businesses with the local B & O tax and to improve business compliance and fairness, Olympia would create a new full-time code compliance officer position with responsibility for business licensing and the local B & O tax.

The Committee had invited representatives from both hospitals as well as the Economic Development Council and the Chamber of Commerce to attend tonight's meeting. City Manager Steve Hall began the discussion by summarizing the City's financial position.

***Committee Member Selby left the meeting at 5:50 p.m.***

Providence Health & Services Senior Director Doug Upson participated in the

discussion on B & O Tax changes. Committee Member Jones said the City valued the services and charity provided by St. Peter Hospital. However, the need for the City to subsidize the hospital is changing. Mr. Upson said placing a tax on the hospital would hurt their ability to provide charity care, but said they are a part of the community and aren't going anywhere. Staff asked questions about the amount of deductions and exemptions but both agreed on the approximate taxable revenues. Staff will meet with hospital accounting staff to get a better understanding of the fiscal impact of any proposed tax changes.

The Committee also discussed adding the 6% utility tax to Cable TV. The Committee previously recommended adding the tax. Staff will prepare the 2015 Capital Facilities Plan, including the tax. Staff will forward an ordinance after the Planning Commission public hearing in August and then provide Comcast 90 days to implement. The City would then receive 3 payments in 2015. The Finance Committee will make a recommendation to the full Council.

**The Committee agreed to recommend to the full Council applying the utility tax to cable TV. The Committee did not make a recommendation regarding the B & O tax changes.**

**4.B 14-0416** Briefing on Tax Exempt Financing and Debt Limit

**The Committee postponed this item until a future agenda due to a lack of time.**

**4.C 14-0450** 2015 Budget Public Engagement Plan

One of Council's goals for 2013 and 2014 is to adopt a sustainable budget. A part of the goal is to increase public awareness/understanding of the City's budget. For the 2015 budget, staff is recommending we augment the base established last year. The Committee reviewed all of the activities added last year as a part of the **Budget 365** process.

In addition to the base established last year, staff is proposing to:

1. Meet with advisory boards at least 2 times a year to discuss the capital and operating budgets. (Finance Committee met in March with the advisory boards.)
2. Meet with Labor groups in the fall.
3. Meet with the Parks and Recreation Advisory Committee and other park supporters to discuss the City's budget and schedule for the Parks Plan Update (scheduled for the June 11 Finance Committee meeting).
4. Utilize some of the online options available through Oly Speaks ([olyspeaks.org](http://olyspeaks.org)).
5. Develop messaging plans for any tax/revenue increases.

Staff suggested putting the survey that was developed for the State Auditor's office on the City's website for use. Staff distributed a sample questionnaire for the Committee

to review. The Committee agreed to the public engagement additions, including the survey. However, the Committee wanted the full Council to review the questionnaire. Committee Member Selby suggested waiting until the fall to do the survey. Committee Member Jones asked how we would promote the survey and how results would be used. City Manager Steve Hall explained the survey is just one piece of data. He distributed a budget scorecard that will also be used to give people a quick glance at how the City is doing. Committee Member Cooper noted outreach done last year as a part of **Budget 365** was awesome. He supported using the scorecard, but suggested a mailing go to every household, similar to Tumwater's newsletter. Mr. Hall recalled the City did a newsletter years ago, but as budgets got tight it was one of the first things to be cut. He said he has asked the communications team to research how much it would cost for Olympia to produce and mail a publication similar to Tumwater's newsletter.

**The Committee agreed with the recommended The Committee agreed to forward the 2015 Budget Public engagement Plan to the Council for discussion at the June 17 Council meeting.**

**4.D 14-0464 Annual Transfer of Stormwater Funds for Sidewalk Improvements**

In 2008 and 2009, the Finance Committee and City Council considered how much the Storm and Surface Water Utility should contribute to City transportation projects to address stormwater issues. On May 5, 2009, the City Council adopted a cost sharing policy that was recommended by the Finance Committee, Utility Advisory Committee (UAC) and staff. One aspect of the policy is the annual transfer of funds from the Utility to the Transportation Capital Fund to offset the additional expense of mitigating stormwater on Parks and Pathways sidewalk projects. During a recent meeting with advisory committees this policy came up and someone questioned if we were still transferring the funds. Public Works Director Rich Hoey briefed the Committee:

- The stormwater utility still contributes funding annually for mitigation on transportation projects. The figure has grown from \$150K to approximately \$186K due to inflation. In recent years, these funds have been directed to the Parks and Pathways sidewalk program to help offset stormwater mitigation costs associated with sidewalk projects. The stormwater funding represents about 15% of the total annual funding for Parks and Pathways sidewalks and has a corresponding impact on the schedule for sidewalk construction.
- Stormwater and Transportation are still contributing approximately \$25K annually to a porous pavement insurance fund. Earlier generations of porous pavements are failing at a high rate and repairs/replacements will continue to be needed.
- There have been significant improvements in porous asphalt and pervious concrete in the last five years. In terms of sidewalks, we have identified a product (Evolution Paving) that we believe to perform well in terms of porosity,

structural durability and surface finish. This field is still evolving; however, and it's a challenge to provide definitive life cycle costs given the limited period of use and questions regarding long-term durability.

- We continue to be cautious about the use of porous pavements in roadways due to the failure risks. We continue to evaluate City pilot projects, including porous asphalt on Decatur Street and in the Yauger Park parking lot, as well as a pervious concrete bike lane on RW Johnson. There are varying durability issues with all these applications
- Our stormwater utility cleans all City-owned porous pavements. Sidewalks are cleaned annually and pavements 2-4 times per year. This maintenance obligation will grow with the advance of low impact development techniques.
- The City's stormwater manual includes a number of retrofit provisions. Examples include when project costs exceed \$500K, or when the new and replaced impervious surfaces exceed 50% of the total impervious surfaces within the project area. The West Bay sidewalk project is the most recent example of a project that has triggered a stormwater treatment retrofit of the roadway runoff. We are currently incorporating stormwater treatment into the design of the project.

Committee Member Jones thanked staff for the update and requested a letter or notation explaining the process be included in the CFP and operating budget.

**The Committee agreed to recommend continuation of the current policy to the full Council.**

**4.E      14-0476      Discussion of Regionalization/Partnerships in the Delivery of Services**

The City's General Fund Operating Budget is not sustainable. In order to avoid additional cuts in programs and services, the City must consider all options to economize its work, including regionalization and shared services. Since 2009, the City has had to reduce public services and programs to ensure a balanced budget. The main problem is the structure of local government funding. Some sources of City revenue are fixed (property tax - annual 1% increase), volatile (sales tax), or declining (private utility tax) revenues. However, on the expense side, costs continue to rise at a rate of 3-5% or more. Health care, retirement costs, fuel, etc. are not fixed. To become sustainable, the City is focusing on six main areas of change:

- Develop reliable revenues.
- Pursue changes to State collective bargaining rules.
- Reduce benefit costs.
- Implement more efficiencies.
- Increase partnerships.
- Consider regionalization.

Some areas of regionalization may save money, some may not. Tonight's discussion is about the current shared or regional services and the possibilities of more. City

Manager Steve Hall reviewed the current list of shared services as well as other areas we are considering. He also reviewed a list of 2015 budget needs, unmet reserves, and the next round of potential cuts. Committee Member Selby asked about combining our jail with the County and possibly combining fire services with Tumwater. She asked that we invite Tumwater to a future meeting. The Committee asked about the duplication of utility services along North Street. This is a topic that will continue to be discussed during current and future budget deliberations.

**The Committee unanimously agreed to direct staff to continue looking for services to regionalize.**

## **5. ADJOURNMENT**

The meeting was adjourned at 6:25 p.m.