



REPORT FOR FISCAL YEAR 2023

City's compliance with funding levels set forth in the Interlocal Agreement between the OMPD Board and Olympia City Council and compliance with requirements of the Washington State Auditor's Office

May 2, 2024

Olympia Metropolitan Park District (OMPD) Board
PO Box 1967
Olympia, WA 98507

Dear OMPD Board Members:

At our May 1, 2024 meeting, the OMPD Advisory Committee received an oral presentation and written report titled "City of Olympia Report to the Olympia Metropolitan Park District Advisory Committee Regarding Section 4.1.1, (i) through (iv) for Fiscal Year 2023" (attached). The report was prepared and presented by Joan Lutz, Finance Manager for the City.

Based on the report, the presentation, and follow-up questions with Ms. Lutz, the OMPD Advisory Committee unanimously agrees that the City was compliant with Section 4.1.1, (i) through (iv) for Fiscal Year 2022. It further notes that the City Council did not alter spending authority during the fiscal year after passing its 2023 budget.

Washington State Auditor's Office conducted the 2021-2022 OMPD Audit in the areas of Accountability for Public Resources and Financial Statement in 2023. The findings were shared with the Advisory Committee at the May 1 meeting. The Auditor's Office report found full compliance by the city with required processes.

Thank you for taking the time to consider our report. Please feel free to contact me at dfarber@ci.olympia.wa.us if you have questions or comments.

Sincerely,

Daniel Farber, Chair
OMPD Advisory Committee

Enclosure: City of Olympia Fiscal Year 2023 Compliance Findings Report
CC: Olympia City Council

City of Olympia Report to the
Olympia Metropolitan Park District Advisory Committee
Regarding Section 4.1.1, (i) through (iv)
For Fiscal Year 2023
Presented May 1, 2024

Section 4.1.3 of the 2016 Interlocal Agreement between the City of Olympia (City) and the Olympia Metropolitan Parks District (OMPD) requires the OMPD Advisory Committee (Committee) to provide an annual report to the City Council (Olympia) and the OMPD Board regarding the City's compliance with the funding levels in (i) and (iv) of Section 4.1.1 of the Interlocal Agreement. In 2018, Amendment No. 1 to the Interlocal Agreement expanded the scope of the report to include funding levels in (i) through (iv) of Section 4.1.1.

This document is a report to the Committee by the City regarding Section 4.1.1, (i) through (iv) of the Interlocal Agreement. These items are included under the COMPLIANCE FINDINGS section of this report.

COMPLIANCE FINDINGS

SECTION 4.1.1 (i):

Interlocal Agreement Language

"The City shall include in its annual General Fund Operating Budget revenues to support the Olympia Parks, Arts and Recreation Department (hereafter "OPARD") projects, programs and services in amounts necessary to meet or exceed the minimum funding described in this paragraph. The 2015 adopted net budget for OPARD is \$4.4 million which is 11% of the General Fund revenues calculated using the methodology in Addendum 1. This percentage so calculated will be the baseline for allocating General Fund revenues to OPARD in subsequent years, unless the City Council by resolution with a majority plus one ("super majority") vote of its members after public hearing, determines that an exigent financial circumstance or natural disaster prevents the Council from maintaining this level of General Fund support. The Council will approve OPARD's budget and provide oversight in accordance with the City's normal budget processes. In accordance with state guidelines, the City shall account for the OMPD and treat it as a Blended Component Unit and shall keep the necessary records to ensure the proper expenditure of all funds received by it for parks and recreation purposes, in accordance with this Agreement, state law and City ordinances."

Discussion

This section requires the City to allocate 11% of certain budgeted General Fund tax revenues to support the Olympia Parks, Arts and Recreation Department (OPARD). These revenues are the general use portion of: Property Tax, Sales Tax, Business & Occupation Tax, Admission Tax, Private Utility Tax, and Public Utility Tax. For the 2023 Budget, the City allocated \$6,485,475 to OPARD General Fund activities as part of the adopted budget, which represents 11% of the taxes referenced above. Please see detail in Addendum 1 at the end of this report.

Compliance Status

For 2023, the City met the 11% allocation and was in compliance with this section.

SECTION 4.1.1 (ii):

Interlocal Agreement Language

“The City commits to use the 2% Voted Utility Tax (VUT) revenues to acquire new park land and to maintain and develop those acquired park properties, with a priority on acquisition to the extent practicable.”

Discussion

The City imposes a voter-approved utility tax (VUT) of 2% on private utilities (electric, gas and telephone) for park purposes. All VUT tax revenue is recorded in a Special Revenue Fund and restricted for the parks’ uses identified above.

The City’s 2023 budget included \$1,924,444 for the 2% VUT revenue for parks use.

Compliance Status

For 2023, the City met the 2% VUT allocation and was in compliance with this section.

SECTION 4.1.1 (iii):

Interlocal Agreement Language

“The City commits to use one-half of the 1% Non-Voted Utility Tax (NVUT) revenues to acquire new park land and to maintain and develop those acquired park properties, with a priority on acquisition to the extent practicable.”

Discussion

The City imposes a non-voted utility tax of 6%. 1/6th of that tax is referred to in the Interlocal Agreement as the 1% Non-Voted Utility Tax (NVUT). This section requires the City to commit 1/2 of the 1% NVUT to acquire new park land and to maintain and develop those acquired park properties. These NVUT revenues are recorded in a Capital Projects Fund and restricted for the parks’ uses identified above.

The City’s 2023 budget included \$481,111 for 1/2 of the 1% NVUT revenue and remained in the Capital Projects Fund for future parks use as stated above.

Compliance Status

For 2023, the City was in compliance with this section.

SECTION 4.1.1 (iv):

Interlocal Agreement Language

“The City intends to allocate in its budget the remaining one-half of the Non-Voted Utility Tax (NVUT) to acquire new park land and to maintain and develop those acquired park properties, with a priority on acquisition to the extent practicable. If such budget allocation does not occur, to the extent a year end fund balance exists, then the City intends, absent an exigent financial circumstance, to allocate the first \$500,000 of that balance to such purposes.”

Discussion

As noted above, the City imposes a non-voted utility tax of 6%. 1/6th of that tax is referred to in the Interlocal Agreement as the 1% Non-Voted Utility Tax (NVUT). Section 4.1.1. (iii) requires the City to

commit 1/2 of the 1% NVUT to acquire new park land and to maintain and develop those acquired park properties and this section requires the City to commit the *remaining* 1/2 of the 1% NVUT for the same purposes. These NVUT revenues are recorded in a Capital Projects Fund and restricted for the parks' uses identified above.

The City's 2023 budget included \$481,111 for 1/2 of the 1% NVUT revenue and remained in the Capital Improvement Fund for future parks use as identified above.

Compliance Status

For 2023, the City was in compliance with this section.

SECTION 4.1.1 (v):

Interlocal Agreement Language

"The City intends to maintain the funding levels in (i.) and (ii.) without a time limit, and the funding levels in (iii.) until January 1, 2030 and the funding levels in (iv.) until January 1, 2026."

ADDENDUM 1

Olympia General Fund Appropriation for Parks Revenues Relevant
For Parks 11% of Revenues

<u>Original Budget of Eligible Taxes</u>	
Sales Tax	\$ 25,100,000
B&O Tax	8,120,000
Property Tax	13,656,827
Private Utility Tax	6,538,833
Public Utility Tax	5,543,200
	\$ 56,909,473
11% of total to support Parks, Arts & Recreation	\$ 6,485,475
<u>Amount Originally Budgeted</u>	6,485,475
Variance Amount	\$ 0