



City of Olympia

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360-753-8447

Meeting Agenda Finance Committee

Monday, November 18, 2013

5:30 PM

Room 112

1. ROLL CALL

2. CALL TO ORDER

3. APPROVAL OF MINUTES

3.A [13-0818](#) Approval of September 17, 2013 Finance Committee Meeting Minutes

Attachments: [Minutes](#)

3.B [13-0910](#) Approval of October 10, 2013 Finance Committee Meeting Minutes

Attachments: [Minutes](#)

4. COMMITTEE BUSINESS

4.A [13-0957](#) Oral Reports - Status Reports and Updates (Overview of the 2014 Operating and Capital Budgets)

5. ADJOURNMENT

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Meeting Minutes - Draft Finance Committee

Tuesday, September 17, 2013

5:30 PM

Room 112

1. ROLL CALL

Present: 3 - Chair Stephen H. Buxbaum, Committee Member Jim Cooper and Committee Member Nathaniel Jones

2. CALL TO ORDER

The meeting was called to order at 5:31 p.m.

3. APPROVAL OF MINUTES

3.A 13-0688 Approval of August 22, 2013 Finance Committee Meeting Minutes

Committee Member Jones moved, seconded by Committee Member Cooper, to approve the minutes. The motion carried by the following vote:

Aye: 3 - Chair Buxbaum, Committee Member Cooper and Committee Member Jones

4. COMMITTEE BUSINESS

4.A 13-0636 The Washington Center Operating Finances

Discussion began with the information the Committee requested from the Washington Center (Center) at the August 22 meeting. The Committee thanked the Center for the quick response in order to further consider a \$200,000 draw from the endowment fund. City Manager Steve Hall handed out a revised Strategic Plan for the Committee's review.

Committee Member Cooper said is excited about the Center's new leadership. After a brief discussion, the Committee agreed to forward to the full Council a request for a draw of \$200,000 from the endowment fund for the Washington Center.

Operationally, the funds cannot be made as an advance. Instead, the \$200,000 will be held and funds will be provided to the Center on a *Reimbursement for Services* basis, unless the Center needs equipment, such as ticketing equipment, in which case the City would purchase the equipment for the Center with the funds. If the Center ends up not needing all of the money requested, this process still offers the financial security they are seeking.

Chair Buxbaum stated he would be amending the City Council meeting agenda scheduled for this evening at 7:00 p.m. to put this agenda item under *Other Business* to be transparent and provide an opportunity to discuss it openly. A draw from the endowment fund for the Washington Center is not just an ordinary matter of business. This gives the Councilmembers a chance to show support for the Washington Center.

Committee Member Jones moved, seconded by Committee Member Cooper, to forward to the full Council a request for a draw of \$200,000 from the endowment fund for the Washington Center. The motion carried by the following vote:

Aye: 3 - Chair Buxbaum, Committee Member Cooper and Committee Member Jones

5. ADJOURNMENT

The meeting adjourned at 5:50 p.m.



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Meeting Minutes - Draft Finance Committee

Thursday, October 10, 2013

5:30 PM

Room 112

1. ROLL CALL

Present: 3 - Chair Stephen H. Buxbaum, Committee Member Jim Cooper and Committee Member Nathaniel Jones

2. CALL TO ORDER

The meeting was called to order at 5:30 p.m.

3. APPROVAL OF AGENDA

The Committee agreed to adjust the order of the agenda to allow staff to leave early.

Committee Member Cooper moved, seconded by Committee Member Jones, to approve the agenda as amended. The motion was approved by the following vote:

Aye: 3 - Chair Buxbaum, Committee Member Cooper and Committee Member Jones

4. COMMITTEE BUSINESS

4.F 13-0812 Use of Public Safety Sales Tax Funds

Police Administrative Services Manager Laura Wohl gave a presentation on how the revenues from the voter approved 1/10% sales tax have been spent and what the proposal for 2014 looks like. 2014 will be the first full year of collections. Staff is requesting a police sergeant, two walking patrol officers, returning an officer to the Thurston County Drug Task Force plus replacement/upgrading technology and equipment with the additional funding.

The report was received.

4.B 13-0787 Oral Report - Overview of CFP Including Pavement Management Costs

Public Works Transportation Director Mark Russell gave an overview of the status of our street repair. He said the City has a strategy that emphasizes preservation of pavement earlier while allocating additional funding to address the existing backlog of major repairs of poor pavement. The least cost strategy repairs pavement when it is in relatively good condition so that it doesn't decline to poor condition and require major repairs.

Mr. Russell walked through several funding strategies to improve the condition rating. At our current rate of funding, in 20 years the City will have a decreased rating of 62 and a backlog of \$46 million. The rating includes all streets. The Committee asked staff to provide the data in several formats. The Committee asked to see the numbers without the neighborhood streets and collectors. Chair Buxbaum said he is not sure we can afford to maintain a “good” rating on all of our streets without a new revenue source.

The report was received.

4.A 13-0789 Oral Report - Overview of CFP Including Building Repair and Replacement Fund

Public Works Deputy Director Debbie Sullivan walked through the building condition assessment. She said the City is responsible for repair and replacement on 18 buildings totaling 420,000 square feet. The average age is 30 years with the oldest (Family Support Center) being 101 years old. This summer the City hired a consultant to update the 2008 study. Staff has just received the report and has not had an opportunity to analyze the data. Based on the 2008 study, with an annual appropriation of \$600,000 and a debt payment on The Washington Center of \$240,000, the fund will be in a deficit position by 2015.

The Committee asked Mr. Sullivan to brief them when she has analyzed the 2013 condition assessment plan.

The report was received.

4.C 13-0810 Response to B & O Tax Questions from Previous Finance Committee Meeting

Earlier this year, Bill Sampson, Fiscal Services Accounting Supervisor, presented information on Business and Occupation (B & O) taxes to the Committee. This meeting was a follow-up to the earlier discussion. Chair Buxbaum commented that to meet some of the long term capital needs for maintenance, the City is going to have to find new revenue sources. The discussion centered on the exemption from B & O taxes for Group Health, Providence St. Peter Hospital, and Capital Medical Center. Mr. Sampson told the Committee the State preempts Health Maintenance Organizations (HMO) from local taxation. Further, the City currently allows an exemption from taxation for all 501 (c) 3 organizations. The City does have the ability to tax nonprofits using a threshold level higher than the State mandated \$20,000 exemption. Committee member Jones distributed a list of questions. City Manager Steve Hall said many of the questions were beyond the scope of our work efforts in licensing and B & O tax. Chair Buxbaum suggested we work with the Economic Development Council and Chamber of Commerce. “We aren’t here to squeeze anyone. But how do we do the public’s business and keep industry here. We have to restructure our revenue base.”

The report was received.

4.D 13-0792 Review 2014 Proposed Utility Rates

Public Works Waste ReSources Director Dan Daniels and Public Works Water Resources

Director Clark reviewed the proposed utility rate increases. Where feasible, staff sought to reduce expenditures and absorb inflationary increases in costs in order to lessen the need for rate increases.

The proposed 2014 Storm and Surface Water Utility 2% increase is based on recently completed planning efforts and regulatory requirements under the NPDES (National Pollution Discharge Elimination System) Phase II permit. The proposed 2014 budget incorporates various inflationary increases, but no major new initiatives or costs.

Stormwater rates are based on a flat-rate monthly charge for single family and duplex residential accounts. All other accounts are charged based on the quantity of impervious surface on the site and the year of development. Older developments consistently provide less onsite storm water treatment and storage infrastructure than newer developments. Therefore, these accounts incorporate a three-tiered rate structure with older developments paying more than new developments.

Staff's recommendation for wastewater is to increase rates by 4 percent and use fund balance above the required \$240,000 reserve to avoid a 9 percent rate increase. The projected reserve balance at the end of 2013 is \$425,260. The City Council elected in the past few years to use cash balances above reserve levels to cover rising costs, including higher municipal utility taxes. This allowed for no rate increase for the utility in 2012 and 2013, with the understanding additional revenue would be needed in future years.

The Wastewater Utility relies upon flat-rates for single-family residences and duplexes. However, a tiered system is being considered for potential implementation in 2014/2015. The tiered system would provide a lower rate for consumers that use very low quantities of drinking water and therefore generate low volumes of wastewater. An additional tier level could encourage water conservation among high drinking water users. Accounts other than single-family residences and duplexes are currently charged a minimum flat rate plus charges based on drinking water usage. The Committee was generally in favor of the consumption based billing.

At the July 10, 2013 work session, the LOTT Board reviewed the Preliminary Budget and Capital Improvements Plan. LOTT staff recommended a \$1.02 monthly increase, continuing the inflationary adjustment of 3 percent. That adjustment is based on several factors governing construction materials, power, and chemical costs. This would result in a 2014 rate of \$35.01 per equivalent residential unit (ERU). The increase in the development charge uses the same inflationary adjustment, but also includes an additional increase of \$64.10 for a total increase of \$205.67, resulting in a 2014 charge of \$4,924.54. The annual \$64.10 CDC increase was established in 2002 to pay for new capacity projects through 2020, and is not an inflationary adjustment.

The proposed 2014 budget for Drinking Water includes increases due to inflation, taxes, and debt service payments. The budget also reflects a reduction of two FTEs as we begin to transition to automated water meters in 2014. Revenue is projected to decline as a result of decreased wholesale water sales. Payments from Thurston PUD are expected to be \$18,000 less than last year, reflecting the PUD's efforts to minimize City water usage. Wholesale

revenues from the City of Lacey are assumed to remain stable in 2014.

An overall revenue increase of 7 percent is recommended. Actual rate increases will vary by customer class and consumption.

The Waste ReSources Utility is comprised of four distinct classes: Drop Box, Residential, Commercial, and Organics. The operating budget was developed based on the policy direction set in the *Towards Zero Waste: Olympia's Waste ReSources Plan 2008-2013*.

Key drivers for the 2014 rates include tipping fees, salaries, benefits, equipment expenses, and an increase in State and City taxes. Recycle commodity values have continued to decline over 91 percent on average for all materials since May of 2011. However, values of the commodities are projected to fall short of covering these fees.

Based on projected 2014 revenue and expenses, staff projects the budget to be out of balance by approximately \$747,000. In effort to continue with Council goal to minimize the rate impact to residential customers, staff is recommending to continue rate smoothing through 2014. We can do this by using excess reserve above the 10 percent requirement and subsidizing the Organics program through commercial rates. Actual rate increases will vary by service class. Below are the proposed 2014 rates.

Drop Box

Delivery/Set-up Fee Temporary Box (15% increase)
Rental Fee/Maintenance - Repair/Replace (3% increase)
Haul Fee (5% increase)
Service Fee (1% increase)

Residential 8% increase

Commercial 5% increase

Organics 6% increase

The Committee asked if the Utility Advisory Committee (UAC) was supportive of the rate increase. Staff said the UAC will provide comment to the Council for the public hearing.

The recommendation was received.

4.E 13-0814 Performance Measures Discussion

A committee including Community Planning and Development Director Keith Stahley, Public Works Director Rich Hoey, and Assistant City Manager Jay Burney walked the Committee through proposed performance measures using the 2013 Council goals - specifically focusing on the "Champion Downtown" goal. The Committee liked what is being proposed. Committee member Cooper said he believes this is taking us from outputs to outcome. Chair Buxbaum said we have a responsibility to link the Council's goals to the Comprehensive Plan. And our advisory committees need to get linked in. Committee member Jones said we need to put the icing on the cake by continually telling the story of how we are doing. The Committee was generally supportive of the staff's approach and wanted to expand the work.

The report was received.

4.G 13-0813 Oral Reports - Status Reports and Updates (Budget 365 and 2014 Projected Revenues)

Administrative Services Director Jane Kirkemo explained the new Budget 365 application that was launched on the City Website October 1. The site has operating and capital budgets plus a dashboard, budget summaries, analytical data, and a history of all financial reports (operating budgets, capital facility plans, and Comprehensive Annual Financial Reports). The site also has the ability to host surveys, comments on agenda items, or public testimony for hearings.

Staff also reviewed the proposed 2014 revenues. The most significant changes are the increase in sales tax and the increase in Assessed Value (AV). The 3.7% increase in AV will not have a direct impact on General Fund revenues but it does increase our debt capacity by approximately \$4 million. The second significant change is in sales tax. 2013 got off to a rocky start but has significantly improved in the second quarter. The preliminary budget has a 4% increase.

The Committee briefly discussed responding to letters on the CFP from various advisory boards and asked staff to bring a proposal back on how to provide feedback to the Committee for all the review they do on the Capital Facilities Plan.

Also, there was a brief discussion regarding the November Committee meeting. Regularly scheduled for November 14, several members will be attending the League of National Cities meeting in Seattle. The Committee tentatively agreed to move the meeting to Monday, November 18.

The reports were received.

5. ADJOURNMENT

The meeting adjourned at 9:50 p.m.

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Finance Committee

Oral Reports - Status Reports and Updates (Overview of the 2014 Operating and Capital Budgets)

Agenda Date: 11/18/2013

Agenda Number: 4.A

File Number: 13-0957

File Type: discussion

Version: 1

Status: In Committee

..Title

Oral Reports - Status Reports and Updates (Overview of the 2014 Operating and Capital Budgets)

..Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Continued discussion.

..Report

Issue:

Discuss any aspect of the 2014 Operating and Capital Budget, ask questions or request additional information to help adopt a balanced budget on December 17th.

Presenter(s):

Steve Hall, City Manager

Jane Kirkemo, Administrative Services Director

Background and Analysis:

N/A