



# City of Olympia

City Hall  
601 4th Avenue E  
Olympia, WA 98501

Information: 360.753.8447

## Meeting Agenda Finance Committee

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**Monday, August 11, 2014**

**5:00 PM**

**Council Chambers**

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### Special Meeting

**1. ROLL CALL**

**2. CALL TO ORDER**

**3. APPROVAL OF MINUTES**

**3.A** [14-0777](#) Approval of June 24, 2014 Finance Committee Meeting Minutes

Attachments: [Minutes](#)

**4. COMMITTEE BUSINESS**

**4.A** [14-0778](#) Continue Discussions on Long Term Revenue Strategies

**4.B** [14-0760](#) Deferral of Impact Fees as Economic Development Incentive

Attachments: [Impact Fee Deferral OMC](#)  
[Impact Fees Current 2014](#)

**4.C** [14-0416](#) Briefing on Tax Exempt Financing and Debt Limit

**4.D** [14-0782](#) Oral Report: Mid-Year Budget Preparation

**4.E** [14-0775](#) Oral Report: Updates

**5. ADJOURNMENT**

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# City of Olympia

City Hall  
601 4th Avenue E  
Olympia, WA 98501

Information: 360.753.8447

## Meeting Minutes - Draft Finance Committee

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Tuesday, June 24, 2014

5:00 PM

Room 207

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### Special Finance Committee Meeting

#### 1. ROLL CALL

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

#### 2. CALL TO ORDER

Chair Cooper called the meeting to order at 5:00 p.m.

#### 3. APPROVAL OF MINUTES

**3.A 14-0581** Approval of May 14, 2014 Finance Committee Meeting Minutes

**The minutes were unanimously approved.**

**3.B 14-0624** Approval of June 11, 2014 Finance Committee Meeting Minutes

**The minutes were unanimously approved.**

#### 4. COMMITTEE BUSINESS

**4.A 14-0612** Scope of Work for Community Park Site Suitability Assessment

The Finance Committee began a discussion about the feasibility of purchasing the Bentrige property for a future community park at the June 11 Committee meeting. The City has not yet conducted a thorough analysis of this parcel's suitability. The Parks and Recreation Advisory Committee (PRAC) recommended the Finance Committee fast track a park feasibility study of the Bentrige property. Staff is aware of four other large parcels that could be suitable sites for a future community park, but has not conducted feasibility studies on those parcels. Staff's recommendation is to analyze all of the potential sites. The other potential sites are:

- Lindell/Lister Road Site (Northeast)
- Spooners on Yelm Highway (Southwest)
- Cooper Point Old Sundberg Gravel Pit (Westside)
- Trillium Subdivision Site (Southeast)

The scope of work for the study will include factors such as location, required public improvements, topography, land and development costs, critical areas and utility availability. These factors significantly influence a site's potential for a community park. The study will result in a prioritized list of sites for future Council consideration. Staff estimated the study of all of the sites should cost approximately \$60,000 and require 90 days to complete once the contract is signed. If the Committee wants to recommend only evaluating the Bentridge site it would cost approximately \$18,000 and take 60 days to complete. Funds for either analysis would come from community park impact fees.

**The Committee agreed to recommend evaluation of all the potential sites for suitability as a new community park to the City Council due back on July 8, 2014.**

**4.B 14-0627** Briefing on the Preliminary Capital Facilities Plan (CFP)

Staff gave a briefing on the preliminary Capital Facilities Plan (CFP), which will be presented to the full Council on July 15. The most significant changes in the CFP are the inclusion of the utility tax on cable and the number of new drinking water projects. Staff is recommending we apply the 6% utility tax on cable effective January 1, 2015 with the proceeds used for major maintenance. As a result of the update on the drinking water master plan, staff has added \$19.5 million of new projects. However, staff and the Utility Advisory Committee are still evaluating the financial impact of these projects. Many of these projects may be moved beyond the 6 year plan. The CFP will come back to the Committee for further review and comment.

**The report was received.**

**4.C 14-0626** Continue Discussions on Long Term Revenue Strategies

The Finance Committee has previously discussed several revenue options. The Committee has agreed to recommend applying the utility tax to cable beginning in 2015. The Committee has also discussed several changes to the Business and Occupation (B & O) tax. At the May meeting the Committee considered eliminating the deduction for religious hospitals and suggested applying the tax to nonprofits that exceed a certain threshold. The Committee directed staff to work with the hospital to better understand the impact of the proposed changes to them.

Chair Cooper and Administrative Services Director Jane Kirkemo briefed the Committee on their respective meetings with representatives from St. Peter Hospital. Chair Cooper said he invited St. Peter Hospital to the August Finance Committee meeting.

**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.D 14-0628** Short- and Long-Term Impacts of the Affordable Care Act (ACA)

Staff briefed the Committee on the financial impacts of the Affordable Care Act (ACA). Staff told the Committee the City is not in jeopardy of being fined for the benefits we offer but the City will incur a significant financial impact from the Cadillac tax (a 40% excise tax above thresholds). The Cadillac tax goes into effect in 2018. Depending on the increase in insurance premium costs, the City will begin paying the Cadillac tax in 2018 on general employees.

The Committee discussed with staff what could be done to reduce or eliminate the impact of the Cadillac tax. Staff said there is no way to avoid the tax on LEOFF 1 employees and any change to current represented employees would need to be bargained. The Committee said the full Council needs to understand the impacts of the ACA and suggested a study session on the topic. The Committee also suggested staff meet with union representatives to discuss the topic.

**The information was received.**

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

**The discussion was postponed until a future agenda due to a lack of time.**

**5. ADJOURNMENT**

The meeting was adjourned at 7:15 p.m.



# City of Olympia

## Finance Committee

### Continue Discussions on Long Term Revenue Strategies

**Agenda Date:** 8/11/2014  
**Agenda Item Number:** 4.A  
**File Number:**14-0778

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**Type:** discussion **Version:** 1 **Status:** In Committee

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#### **Title**

Continue Discussions on Long Term Revenue Strategies

#### **Recommended Action**

##### **City Manager Recommendation:**

Provide guidance to staff on revenue strategies to pursue for the 2015 budget.

#### **Report**

##### **Issue:**

Discussion of ideas on long term revenue strategies.

#### **Staff Contact:**

Jane Kirkemo, Administrative Services Director, 360.753.8499

Steve Hall, City Manager, 360.753.8447

#### **Presenter(s):**

Jane Kirkemo, Administrative Services Director

#### **Background and Analysis:**

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

1. Utility Tax on Cable
2. Business and Occupation Tax Revisions
3. Legislative Changes to Transportation Benefit Districts (TBD)
4. Voter approved TBD increases
5. Levy Lid Lifts
6. Local Improvement Districts (LIDs)
7. Councilmanic Debt Issuances
8. One-Time Revenues

The committee discussed these items at the April and May meetings.

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). The committee recommended the revenue would go towards major maintenance in the CFP.

At the May meeting, the Committee discussed a proposal with hospital representatives on the B & O tax. Subsequent to this proposal, staff met with Providence Hospital to discuss revenue options. Tonight's meeting is to continue the discussion with the Committee.

**Neighborhood/Community Interests (if known):**

The hospital is concerned about the financial impact of the proposed changes. They are concerned about the impact it will have on their charity care.

**Options:**

The hospital will discuss other potential partnerships with the City.

**Financial Impact:**

Not determined at this time.



# City of Olympia

## Finance Committee

### Deferral of Impact Fees as Economic Development Incentive

**Agenda Date:** 8/11/2014  
**Agenda Item Number:** 4.B  
**File Number:**14-0760

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**Type:** recommendation   **Version:** 1   **Status:** In Committee

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#### **Title**

Deferral of Impact Fees as Economic Development Incentive

#### **Recommended Action**

##### **City Manager Recommendation:**

Recommend reinstating an impact fee deferral option.

#### **Report**

##### **Issue:**

Consider impact fee deferrals and discuss whether to consider reinstating an impact fee deferral option.

#### **Staff Contact:**

Keith Stahley, Director Community Planning and Development Department, 360.753.8227

#### **Presenter(s):**

Keith Stahley, Director Community Planning and Development Department

#### **Background and Analysis:**

Title 15 of the Olympia Municipal Code deals with impacts fees. City Council adopted Ordinance 6649 (Section 15.04.040 Assessment of impact fees H.) in 2009 that established the deferral program. It is included in **Attachment 1**. This ordinance terminated the deferral program on August 1, 2011. Council could reestablish the deferral program by passing an ordinance reestablishing it.

During the time that the program was in effect, a total of 28 deferrals were processed.

Presently impact fees for a single family dwelling are \$3,127 for Transportation, \$5,090 for Parks and \$5,895 for Schools or a total of \$14,112. See **Attachment 2** for a complete Impact Fee Schedule.

The Impact fee deferral program does not include General Facility Charges and LOTT Capacity Charges. These charges are assessed at the time of building permit and relate to the sewer and drinking water utility and add over \$12,000 to the cost of the permit. For a single family dwelling the sewer GFC is \$3,342, the LOTT Capacity Charge is \$4,924 and the water GFC is \$3,456 for a ¾”

meter and the stormwater GFC is \$1,076 per 2,500 square feet of impervious area.

Impact fee deferrals do represent additional administrative work, however, it is not an unreasonable amount of work and can be accommodated within existing resources. Requiring impacts fees to be paid before final inspection limits the risks to the City.

**Options:**

1. Recommend reinstating an impact fee deferral option.
2. Do not recommend reinstating an impact fee deferral.

**Financial Impact:**

Financial impacts are minimal. The deferral program changes the timing of impact fee payment only.



#### 15.04.040 Assessment of impact fees

H. Impact fee payments may be deferred until prior to the City conducting a final building inspection. All applicants and/or legal owners of the property upon which the development activity allowed by the building permit is to occur must sign an Impact Fee Deferral Agreement in a form acceptable by the City Attorney. The applicant will pay a \$50 administrative fee, along with fees necessary for recording the agreement in the office of the Thurston County Auditor.

In the event that the fees are not paid within the time provided in this subsection, the City shall institute foreclosure proceedings under the process set forth in Chapter [61.12](#) RCW, except as revised herein. The then-present owner shall also pay the City's reasonable attorney fees and costs incurred in the foreclosure process. Notwithstanding the foregoing, the City shall not commence foreclosure proceedings less than thirty (30) calendar days prior to providing written notification to the then-present owner of the property via certified mail with return receipt requested advising of its intent to commence foreclosure proceedings. If the then-present owner cures the default within the thirty-day cure period, no attorney fees and/or costs will be owed.

The deferred payment option set forth in this subsection shall terminate on August 1, 2011, unless otherwise re-authorized by the City Council.

## Impact Fee Deferrals

Date	Application #		Date	Application #	
12/21/2011	10	3692	12/28/2010	8	3358
8/2/2011	11	1976	12/28/2010	8	3360
7/28/2011	8	3470	12/28/2010	8	3362
7/22/2011	11	2422	12/28/2010	8	3363
7/14/2011	11	1969	12/28/2010	8	3364
7/14/2011	11	1970	12/28/2010	8	3365
7/14/2011	11	1973	12/28/2010	8	3366
7/6/2011	11	2058	12/28/2010	8	3367
5/6/2011	11	1676	12/28/2010	8	3368
4/21/2011	11	1230	12/28/2010	8	3369
4/21/2011	11	1231	12/15/2010	10	2094
4/21/2011	11	1232	8/4/2010	9	1992
4/21/2011	11	1233	7/1/2010	9	1989
4/21/2011	11	1234			
4/21/2011	11	1235			
<b>Total Deferrals</b>	<b>15</b>			<b>13</b>	



# IMPACT FEES effective January 1, 2014

## ***What are Impact Fees?***

- ◆ An impact fee is a tax on development used to pay for its proportionate share of the impacts to public facilities. The City of Olympia collects impact fees for transportation, parks, and school facilities.
- ◆ Impact fees are charged only for new construction or changes in building use that create a need for street improvements, schools or parks facilities. (See pages 2 and 3 for fee schedules.)

## ***When are Impact Fees Paid?***

- ◆ Impact fees are based on the rates in effect on the date a complete building permit application is submitted and are collected by the City at the time a building permit is issued.

## ***Exceptions:***

- ◆ Fee payers may request credits, reductions, refunds, or exemptions:
  - ◆ Credits can be granted for the value of dedicated land, improvements, or construction provided by the fee payer if the land, improvements, and/or facility are within the City's adopted Capital Facilities Plan. The amount of the credit cannot exceed the impact fees that would have been due from the project. Any claim for a credit must be made to the Director of the Community Planning and Development Department no later than 20 calendar days after the submission of an application for a building permit.
  - ◆ Reductions in transportation impact fees may also be requested for Transportation Demand Management (TDM) and Commute Trip Reduction (CTR) measures. Such credits may be given at the discretion of the Director for certain operational or physical TDM improvements that reduce the impact on the City's transportation system. See page 4 for details.
  - ◆ Refunds are available if the impact fees paid are not spent or encumbered within six years of when the fees were paid. Refunds must be requested within one year of the date the right to claim the refund arises.
  - ◆ Exemptions are listed in the impact fee code. Fee payers may request that the Director of Community Planning and Development (or Olympia School District for school impact fees) determine whether a particular development falls within an exemption defined in the code.
  - ◆ All requests for credits, reductions, refunds, or exemptions must be in writing and filed with the Director of Community Planning and Development at the address below.



# IMPACT FEES effective January 1, 2014

## TRANSPORTATION IMPACT FEE RATE SCHEDULE

Effective January 1, 2014

Land Uses	Unit of Measure	Fee
<b>RESIDENTIAL</b>		
Single Family (Detached)	Dwelling	\$3,127
Multifamily –Townhouse, Duplex	Dwelling	\$2,029
Senior Housing & Accessory Dwelling Unit	Dwelling	\$ 768
Mobile Home	Dwelling	\$1,827
<b>COMMERCIAL – SERVICES</b>		
Bank	Sq ft/GFA	\$17.13
Daycare	Sq ft/GFA	\$16.53
Hotel/Motel	Room	\$2,088
Service Station <sup>1</sup>	Fueling position	\$6,037
Movie Theatre	Seat	\$121
Health Club	Sq ft/GFA	\$7.26
Marina	Berth	\$469
<b>INSTITUTIONAL</b>		
Elementary/Jr High/High School	Student	\$184
University/College	Student	\$502
Church	Sq ft/GFA	\$1.80
Hospital	Sq ft/GFA	\$4.03
Asst Living, Nursing Home, Group Home	Bed	\$545
<b>INDUSTRIAL</b>		
Light Industry/Manufacturing/Industrial Park	Sq ft/GFA	\$3.88
Warehousing/Storage	Sq ft/GFA	\$1.44
Mini Warehouse	Sq ft/GFA	\$1.17
<b>RESTAURANT</b>		
Restaurant	Sq ft/GFA	\$18.02
Fast Food Restaurant	Sq ft/GFA	\$29.94
<b>COMMERCIAL RETAIL</b>		
<b>Retail Shopping Center</b>		
Up to 49,999 sq ft	Sq ft/GLA	\$5.78
50,000 – 99,999 sq ft	Sq ft/GLA	\$5.11
100,000 - 199,999 sq ft	Sq ft/GLA	\$5.02
200,000 – 299,999 sq ft	Sq ft/GLA	\$4.59
300,000 – 399,999 sq ft	Sq ft/GLA	\$5.47
Over 400,000 sq ft	Sq ft/GLA	\$6.16
<b>COMMERCIAL OFFICE</b>		
<b>Administrative Office</b>		
Up to 99,999 sq ft	Sq ft/GFA	\$11.00
100,000 – 199,999 sq ft	Sq ft/GFA	\$6.70
200,000 - 299,999 sq ft	Sq ft/GFA	\$5.85
300,000 sq ft and over	Sq ft/GFA	\$5.48
Medical Office/Clinic	Sq ft/GFA	\$11.02

Land Uses	Unit of Measure	Fee
<b>OTHER RETAIL USES</b>		
Supermarket >5,000 sq ft	Sq ft/GFA	\$14.63
Convenience Market < 5,000 sq ft	Sq ft/GFA	\$27.12
Discount Merchandise Store (free standing)	Sq ft/GFA	\$5.77
Miscellaneous Retail Sales	Sq ft/GLA	\$5.94
Furniture Store	Sq ft/GFA	\$0.41
Car Sales – New/Used	Sq ft/GFA	\$8.43
Nursery/Garden Center	Sq ft/GFA	\$4.94
Pharmacy/Drugstore	Sq ft/GFA	\$6.33
Video Rental	Sq ft/GFA	\$9.20
Automobile Care Center	Sq ft/GLA	\$4.93
Quick Lubrication Vehicle Shop	Servicing Position	\$5,464
Hardware/Bldg Materials Store <25,000 sq ft	Sq ft/GFA	\$5.00
Home Improvement Superstore >25,000 sq ft	Sq ft/GFA	\$2.42
<b>DOWNTOWN FEES<sup>2</sup></b>		
Multifamily Residential – Townhouse, Duplex	Dwelling	\$832
Senior Housing & Accessory Dwelling Unit	Dwelling	\$345
Asst Living, Nursing Home, Group Home	Bed	\$370
Hotel/Motel	Room	\$1,548
Movie Theatre	Seat	\$100
Marina	Berth	\$287
Downtown Services/Retail <sup>3</sup>	Sq ft/GLA	\$3.51
<b>DOWNTOWN ADMINISTRATIVE OFFICE<sup>2</sup></b>		
Up to 99,999 sq ft	Sq ft/GFA	\$7.15
100,000 – 199,999 sq ft	Sq ft/GFA	\$5.36
200,000 - 299,999 sq ft	Sq ft/GFA	\$4.65
300,000 sq ft and over	Sq ft/GFA	\$3.93
Medical Office/Clinic	Sq ft/GFA	\$9.64
Industrial Park	Sq ft/GFA	\$2.43
Warehousing/Storage	Sq ft/GFA	\$0.91
Mini Warehouse	Sq ft/GFA	\$0.74

**Notes:**

For uses with Unit of Measure in "sq ft/GFA" or "sq ft/GLA," impact fee is dollars per square foot.

<sup>1</sup> Service Station can include Mini Mart (less than or equal to 2,500 sq. ft.) and/or Car Wash. Mini Mart greater than 2,500 sq. ft. is calculated separately.

<sup>2</sup> Downtown: See map on page 3.

<sup>3</sup> Downtown Services/Retail include Retail Stores, Restaurants, Supermarkets, Convenience Markets, Video Rentals, Banks, Health Clubs, Day Cares, and Libraries.



**There are five (5) options regarding the amount of impact fee to pay.**

1. Pay the amount as shown on this rate schedule.
2. Prior to obtaining a building permit, submit a request to the Director of Community Planning and Development (CP&D) for the City to provide an independent fee calculation for you. There is a \$500 fee for this calculation.
3. Submit your own independent fee calculation. The fee for review of this calculation is \$500 plus payment of any review costs (a second \$500 is required as a deposit toward such costs).
4. Appeal Process: Prior to an impact fee appeal, the fee payer must first make a Request for Director’s Review on form available from CP&D. This request must be submitted in writing within 14 days of payment of the impact fee at issue. A written determination will be made by the Director and that determination may be appealed to the Olympia Hearing Examiner. See OMC 15.04.090 and OMC 18.75.040 for more information.
5. Include in the project proposal Transportation Demand Management (TDM) and Commute Trip Reduction (CTR) measures that reduce peak-hour traffic and, thus, reduce the need to build some transportation improvements. Eligible projects may reduce transportation impact fee assessments by providing:

ACTION	REDUCTION
<b>Operational Improvements:</b> <ul style="list-style-type: none"> <li>• Installation of centralized Transportation Demand Management (TDM) information center with maintained information. <span style="float: right;">1%</span></li> <li>• Commercial development that would be occupied by employees subject to Commute Trip Reduction ordinance or evidence to voluntarily comply with Commute Trip Reduction ordinance. <span style="float: right;">3%</span></li> <li>• Installation of parking spaces that are <b>designated</b> as paid parking (by residents or employees). <span style="float: right;">3%</span></li> <li>• Signage and enforcement designating parking lots to be used for carpool or vanpool parking for non-building occupants. <span style="float: right;">1%</span></li> </ul>	
<b>Physical Improvements:</b> <ul style="list-style-type: none"> <li>• Construction of direct walkway connection to the nearest arterial. <span style="float: right;">1%</span></li> <li>• Installation of on-site sheltered bus stop or bus stop within 1/4 mile of site with adequate walkways as determined by Transportation Division staff. <span style="float: right;">1%</span></li> <li>• Installation of bike lockers or employee showers. <span style="float: right;">1%</span></li> <li>• Construction of on-site internal walk/bikeway network that connects to existing City bicycle/pedestrian networks. <span style="float: right;">1%</span></li> <li>• Installation of preferential carpool/vanpool parking facilities. <span style="float: right;">2%</span></li> <li>• Under-build median parking requirements by at least 20% OR under-build by at least 30% OR under-build by at least 40%. <span style="float: right;">2% or 4% or 7%</span></li> <li>• Downtown construction that provides no parking for employees or customers. <span style="float: right;">10%</span></li> </ul>	
<b>Other:</b> <ul style="list-style-type: none"> <li>• Other operational or physical Transportation Demand Management measures identified by the developer (with supporting documentation). <span style="float: right;">Up to 20% based upon peak-hour trip reductions</span></li> </ul>	
<b>Total Maximum Reduction</b>	<b>Up to 20%</b>



# City of Olympia

## Finance Committee

### Briefing on Tax Exempt Financing and Debt Limit

**Agenda Date:** 8/11/2014  
**Agenda Item Number:** 4.C  
**File Number:**14-0416

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**Type:** discussion **Version:** 1 **Status:** In Committee

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#### **Title**

Briefing on Tax Exempt Financing and Debt Limit

#### **Recommended Action**

##### **City Manager Recommendation:**

Briefing and discussion.

#### **Report**

##### **Issue:**

Discussion of municipal debt issuance and debt limits

#### **Staff Contact:**

Jane Kirkemo, Administrative Services Director, 360.753.8499

#### **Presenter(s):**

Jane Kirkemo, Administrative Services Director

#### **Background and Analysis:**

Tax exempt financing is used by state and local governments to raise funds to finance public *capital* improvements that are important to sustained economic growth. Debt financing is accomplished by issuing bonds to pay for specific projects or services. The goal of Olympia's debt policy is to maintain the ability to provide high quality, essential services in a cost effective manner. Unlike corporate debt issues, the interest received by holders of state and local governments is generally exempt from federal taxes and most state and local taxes. Consequently, investors will accept a lower interest rate on tax exempt issues; reflecting their reduced tax burden. This lower rate reduces borrowing costs for most governments by approximately 25%.

There are two types of tax exempt bonds: general obligation bonds and revenue bonds. General obligation bonds are backed by the "full faith and credit" of the city. This means the City pledges to guarantee the repayment of the debt. In Washington state there are two types of general obligation bonds: councilmanic and voter approved. Councilmanic bonds are authorized (within state limits) by a simple majority of the City Council; whereas voter approved bonds must be authorized by the voters. Voter approved debt (e.g. 4<sup>th</sup> Fire Station) requires a 60% approval from the voters to increase their property taxes to repay the debt. Councilmanic debt is repaid within the general

operating budget.

Revenue bonds are issued for a specific project, such as constructing a sewer pipe line, and are paid from the revenues (rates) received from the utility. Because they are not backed by the full faith and credit of the issuer, revenue bonds generally pay a slightly higher interest rate than general obligation bonds to reflect the fact they are backed by a particular stream of revenue. As a matter of policy, the City of Olympia raises any necessary rates *prior* to issuing debt.

Different than most local government functions, tax exempt financing is controlled first and foremost by the federal government - specifically the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). Additionally, Washington State constitution limits the amount/type of debt that may be issued. To ensure existing and future bonds holders have relevant financial and operating information about the City, the City Treasurer must provide or disclose information about the bonds and the city before, during, and *after* issuing municipal securities. Since certain municipal bonds are exchanged between buyers and sellers in a secondary market; continuing disclosure remains necessary for decisions being considered by investors in the municipal market. Electronic Municipal Market Access (EMMA) is the portal that must be used by the City to provide ongoing disclosure.

So what are the steps/pieces of a debt issuance?

1. Formally adopt a Capital Facilities Plan (CFP).  
Before undertaking any long term debt program the City must have a clear understanding of the types of projects they intend to finance and when and how expenditures for projects will be made.
2. Decide what type of debt to issue?  
Is the issuance general obligation or revenue debt? In some cases the City may want to issue revenue bonds but fear the revenue stream is not sufficient to pay the debt. In this case we would issue a “double barrel” bond; pledging the revenues as well as the full faith and credit of the city. For example; in 2009, the City wanted to widen Harrison Avenue using impact fees but feared a decline in development reducing the impact fee revenue stream. Impact fees were pledged, but if they were not sufficient the general fund would have to make up any difference.
3. Determine the size of the issuance and the length of the debt.  
The length of the debt (typically 10-, 20-, or 30-year debt) should not be greater than the life expectancy of the project. In determining the size of the issuance you need to consider any cash or grant that you can pledge to reduce the size of the issuance. Most of the City’s debt is 20-year debt. The largest exception to the 20-year rule is the debt for City Hall. We issued 30-year “back loaded” debt for this building. That means the debt service is backload (larger at the end of the debt) at 10-year intervals. So when the debt on the 4<sup>th</sup> Ave Bridge is paid off the money is then pledged to pay off City Hall debt.
4. Prepare an Official Statement (OS).  
The OS discloses pertinent information regarding the debt offering. In the corporate capital market it is the same as an offering circular or a prospectus.



5. Adopt a bond ordinance/resolution.

The City Council adopts an ordinance/resolution authorizing the treasurer to proceed with the sale. The ordinance/resolution describes the nature of the bond offering, terms and conditions of the sale and the obligations of the issuer to the bondholders.

6. Select the method of sale.

The City may issue the bonds on a competitive or negotiated basis. In a competitive sale, the city solicits bids from firms to purchase its bonds and sells to the firm offering the lowest true interest cost. The City's debt policy states that Olympia will issue bonds on a competitive basis whenever possible.

7. Have the bonds rated by a rating agency. Prepare the rating presentation.

Olympia has always had their bonds rated by both Moody's and Standard and Poor's Rating Agencies. This step includes a presentation to the agencies about the City of Olympia and the particulars about the bonds.

8. Take bids from investors.

Take the bids at the specified time and award the bids based on the lowest interest cost.

9. Have the bond closing.

Approximately one month later, the City will have a bond closing with the investor. The City receives its money and the investor with the lowest interest cost will receive the City's bonds. This step includes a series of closing documents as well as both parties must begin the disclosure process.

Layered on top of the federal process for the issuance of debt are the State of Washington Debt limits. Staff has reviewed the limitation on debt with the planning commission and Council. The budget document, beginning on page 159, explains the limits and outlines all of our existing debt obligations (including state loans). The key to remember is the debt limit is a function of Assessed Value (AV). In the 3 years our AV went down we lost \$10 million of capacity without issuing any debt. We currently have a total of \$63 million of outstanding debt capacity. Within that amount we could issue up to \$23.5 in councilmanic debt. In addition to these limits the City had debt authority with a vote of the people of 2.5% each for Parks and utility purposes. Olympia has never accessed this authority.

**Neighborhood/Community Interests (if known):**

N/A

**Options:**

N/A

**Financial Impact:**

N/A



# City of Olympia

## Finance Committee

### Oral Report: Mid-Year Budget Preparation

**Agenda Date:** 8/11/2014  
**Agenda Item Number:** 4.D  
**File Number:** 14-0782

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**Type:** report   **Version:** 1   **Status:** In Committee

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#### **Title**

Oral Report: Mid-Year Budget Preparation

#### **Recommended Action**

##### **City Manager Recommendation:**

Discuss and agree on report for mid-year retreat.

#### **Report**

##### **Issue:**

What will the committee report at the mid-year retreat?

#### **Background and Analysis:**

Council's mid-year retreat is Saturday, August 30, 9:00 a.m. - 1:30 p.m. Each committee will make a report about 2014 activity and upcoming issues.



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# City of Olympia

## Finance Committee

### Oral Report: Updates

**Agenda Date:** 8/11/2014  
**Agenda Item Number:** 4.E  
**File Number:** 14-0775

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**Type:** report   **Version:** 1   **Status:** In Committee

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**Title**

Oral Report: Updates

**Recommended Action**

**City Manager Recommendation:**

Other Information items for discussion.