



# Meeting Agenda

## Finance Committee

City Hall  
601 4th Avenue E  
Olympia, WA 98501

Information: 360.753.8244

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**Wednesday, March 8, 2017**

**5:00 PM**

**Room 207**

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**1. CALL TO ORDER**

**2. ROLL CALL**

**3. APPROVAL OF AGENDA**

**4. APPROVAL OF MINUTES**

**4.A**     [17-0253](#)     Approval of February 8, 2017 Finance Committee Meeting Minutes

Attachments:     [Minutes](#)

**5. COMMITTEE BUSINESS**

**5.A**     [17-0179](#)     Discussion with Washington Center for the Performing Arts

**5.B**     [17-0187](#)     Discussion of 2016 Year-end Financial Position

Attachments:     [Access to Education Referral](#)  
                              [ARCH Program Referral](#)

**5.C**     [17-0181](#)     Discussion on Funding Options for a Sustainable Budget

Attachments:     [Funding Options](#)

**6. REPORTS AND UPDATES**

**7. ADJOURNMENT**

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City Hall  
601 4th Avenue E.  
Olympia, WA 98501  
360-753-8244

## **Finance Committee**

### **Approval of February 8, 2017 Finance Committee Meeting Minutes**

**Agenda Date:** 3/8/2017  
**Agenda Item Number:** 4.A  
**File Number:** 17-0253

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

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**Title**

Approval of February 8, 2017 Finance Committee Meeting Minutes



# Meeting Minutes - Draft

## Finance Committee

City Hall  
601 4th Avenue E  
Olympia, WA 98501

Information: 360.753.8244

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**Wednesday, February 8, 2017**

**5:00 PM**

**Council Chambers**

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**1. CALL TO ORDER**

Chair Cooper called the meeting to order at 5:04 p.m.

**2. ROLL CALL**

**Present:** 2 - Chair Jim Cooper and Committee member Jeannine Roe

**Excused:** 1 - Committee member Jessica Bateman

**3. APPROVAL OF AGENDA**

The agenda was approved.

**4. APPROVAL OF MINUTES**

**4.A** [17-0145](#) Approval of January 11, 2017 Finance Committee Meeting Minutes

The minutes were approved.

**5. COMMITTEE BUSINESS**

**5.A** [17-0119](#) Approval of the 2017 Finance Committee Work Plan

Administrative Services Director Jane Kirkemo distributed copies of the work plan, pointed out meeting schedule conflicts in 2017 between Finance Committee and City Council off-weeks. An annual review of the investment policy was added to May. An annual review of utility rates was added to October.

Chair Cooper asked for a report from the Olympia Metropolitan Park District (OMPD) advisory board before the OMPD advisory board reports to the full council. He asked to schedule it in October as a placeholder.

**Committee member Roe moved, seconded by Chair Cooper, to forward the 2017 Finance Committee Work Plan to the full Council for approval on consent. The motion was approved.**

**5.B** [17-0120](#) Oral Report - Review of 2016 Year-End Numbers

Ms. Kirkemo reviewed preliminary year-end financial information. The City was \$54,904 under budgeted revenues and \$822,941 under planned expenses. Subtract

fund balance used in the 2017 budget and growth in the 10% reserve and there is approximately \$345,000 available in excess of our 10% reserve. These numbers are very preliminary and will change prior to closing. When the Committee meets in March they must make recommendations for assignment of the balance to City Council. Staff presented the priorities suggested by Council during 2017 budget reviews. If the Committee recommends the original priorities made (without knowing the numbers), there is sufficient funding for legislative advocacy, art/cultural program enhancement, Comp Plan implementation, study of college education funding and regressive local tax structure, citizen engagement for community policing, and the downtown strategy. Committee member Roe said circumstances have changed and we need to re-look at priorities. The Committee will reassess during the March meeting.

Chair Cooper asked City Manager Steve Hall about the OMPD interlocal agreement requirement of \$500,000 for park land acquisition in the CFP or appropriated as a part of year-end fund balance. Mr. Hall reminded the Committee this was discussed last fall during the budget meetings. Staff's interpretation of the agreement is since no OMPD funds exist until May of 2017 that portion of the agreement, along with establishing the advisory review committee, will begin in 2017. The full 1% Non-voted Utility Tax should be appropriated in the 2018-2023 CFP. If sufficient funds do not exist then the Council would appropriate \$500,000 from the 2017 year-end fund balance.

Chair Cooper asked staff to prepare funding options to add an additional \$500,000 in the 2017 CFP for park land acquisition.

**The report was received.**

## **6. REPORTS AND UPDATES**

Ms. Kirkemo advised the Committee of the timing for 2017 elections. The deadlines for getting items on the ballot have already passed for the February and April elections. The City's deadline for the August 1 (primary) election is May 9. The City's deadline for the November 7 (general) election is July 25. Sales tax measures require 75 days notice to the Department of Revenue and collections can only begin at the beginning of the first, second or third quarters.

Mr. Cooper recognized Ms. Kirkemo's upcoming retirement and thanked her for her many contributions and years of service to the City.

## **7. ADJOURNMENT**

Chair Cooper adjourned the meeting at 5:58 p.m.



## Finance Committee

### Discussion with Washington Center for the Performing Arts

**Agenda Date:** 3/8/2017  
**Agenda Item Number:** 5.A  
**File Number:** 17-0179

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

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#### **Title**

Discussion with Washington Center for the Performing Arts

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

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

Meet with representatives from the Washington Center to review the audit and receive an update on development director position.

#### **Report**

##### **Issue:**

Whether to receive an update on the financial performance of the Washington Center.

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

Jill Barnes, Executive Director of the Washington Center

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

Each year the Finance Committee meets with the Executive Director and Board members of the Washington Center. This year the committee would also like an update on the development director position. In 2015, the city set aside \$200,000 to fund a development director position for two years. The committee would like an update on the capital campaign efforts.

##### **Attachments:**

None



## Finance Committee

### Discussion of 2016 Year-end Financial Position

**Agenda Date:** 3/8/2017  
**Agenda Item Number:** 5.B  
**File Number:** 17-0187

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

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**Title**

Discussion of 2016 Year-end Financial Position

**Recommended Action:**

**Committee Recommendation:**

Not referred to a committee.

**City Manager Recommendation:**

Review the preliminary year-end numbers and proposed use of fund balance, and assign fund balance for financial reporting purposes. Recommend use of fund balance to the City Council.

**Report**

**Issue:**

Whether to discuss the 2016 preliminary year-end financial position, make a recommendation for use of fund balance to the City Council and assign use of fund balance for reporting purposes.

**Staff Contact:**

Dean Walz, Fiscal Services Director, Administrative Services Department, 360.753.8465

**Presenter(s):**

Mary Verner, Administrative Services Director

Dean Walz, Fiscal Services Director, Administrative Services Department

**Background and Analysis:**

Preliminary year-end financial information is available for 2016. The committee received a briefing at its January 2017 meeting regarding early estimates of the year-end financial position of the General Fund. The preliminary year-end financial information and a listing of unfunded needs will be available at the meeting.

The Committee is asked to assign the balance of the General Fund. The assignment of fund balance has been delegated to the Finance Committee through the City's fund balance policy. Assignment of fund balance by the Committee is a recommendation and used for reporting purposes. The Committee is not authorized to expend funds. The City Council appropriates the use of fund balance at a later date. If the Committee does not make an assignment of fund balance then those amounts which could have been assigned will be shown in the annual report as unassigned.

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

None known

**Options:**

- 1) Make a recommendation for use of fund balance to the City Council and assign use of fund balance for reporting purposes.
- 2) Make a recommendation for use of fund balance to the City Council and do not assign use of fund balance for reporting purposes.
- 3) Do not make a recommendation for use and assignment of fund balance.

**Financial Impact:**

Estimated fund balance available for appropriation and assignment is \$344,271.

**Attachments:**

Access to Education Referral

ARCH Program Referral



# Olympia City Council Referral Request

Referral Number	2016-0003NJ
Date of Referral	7/12/16
Originator	Nathaniel Jones, Mayor Pro Tem
Referral To	General Government Committee
Request	<p>Enrollment in higher education has been declining. Olympia's young adults have less access to vocational training and career development opportunities today than in the past. These changes are not the result of inadequate services; rather, they are the result of changes in how we pay for education. All too often, the current system leaves our young adults with a large and unprecedented debt burden.</p> <p>More than ever, workforce development is critical to the local economy, yet public policy has made it more difficult for young workers to develop skills and achieve success. For years, more and more of the cost of education has been shunted onto the student and away from other sources.</p> <p>Our community is debating the appropriate local response, including whether a response is warranted. This referral seeks to define the impact of poor access to education on local residents and on the local economy.</p> <p>Because consideration of these consequences is a new for the City, the committee is advised to draw upon expert analysis.</p> <p>The committee is asked to develop a project plan, to provide progress reporting and to deliver a final report within one year.</p> <p>The findings of this work will inform the Council's engagement with the community and the use of its authority to respond.</p>
Options	<ol style="list-style-type: none"><li>1. Support the referral</li><li>2. Modify the referral</li><li>3. Decline the referral</li></ol>
Timing	Report completed within one year.
Attachments	None

\*Numbering consist of current year-3digitnumber- requesting Councilmember's initials.  
(e.g., 2016-003CS = third referral in 2016, requested by Mayor Cheryl Selby)







# Olympia City Council Referral Request

2016-000CS*	2016.0008CS
Date of Referral	11/7/16
Originator	Mayor Selby
Referral To	Finance Committee
Request	<p>Recommend funding to develop strategies to expand the City's leadership role in nurturing Olympia's Arts, Cultures and Heritage (ARCH) profile.</p> <p><b>Background:</b> Arts, Cultures and Heritage (ARCH) programs, projects and events contribute to the City's goals of a vibrant, livable community by contributing to our economic base, enhancing our identity and "sense of place," creating new opportunities for recreation and play, and deepening our understanding of our region and its history.</p> <p>Olympia has tremendous cultural and historical treasures, yet the City's support for ARCH falls short of the investment in other communities. The Downtown Strategy, the Metropolitan Parks District, the Parks, Arts &amp; Recreation Plan, and the City Comprehensive Plan reinforce the importance of ARCH to our community and identify goals and strategies that are unreachable without additional resources. A wide range of events, programs and projects would better safeguard and showcase Olympia's heritage, honor diverse cultures, and adequately support and encourage art and artists. A more creative and entrepreneurial approach - with additional resources - are needed to cultivate arts, culture and heritage opportunities. For all these reasons, the time is right for Olympia to assess the best strategies to foster an environment where arts, culture and heritage can thrive in the years ahead.</p> <p><b>Proposal:</b> Engage a consultant to assess the City's best options for expanding leadership, allocating and leveraging resources, and tracking results. The consultant's scope of work should include: analysis of what's working in other communities as well as the opportunities and challenges in our community; identification of goals, strategies and timeline; clarifying steps toward integrating programs and efforts, and to build new alliances.</p> <p>Change is rarely easy and always presents new challenges. We expect this proposal to meet some initial resistance. But we are confident that in building new alliances and cultivating a community of inclusion, we can overcome possible objections to the new structure. We see this proposal as offering countless opportunities for all those who want Olympia's Arts, Cultures and Heritage programs to grow and gain vitality.</p>

	<p><b>Goals:</b></p> <ul style="list-style-type: none"> <li>- Better connect Arts, Cultures and Heritage to City priorities.</li> <li>- Strengthen interconnections between Arts, Cultures and Heritage with other City departments and community partners.</li> <li>- Clarify goals and strategies for the next five years.</li> <li>- Identify priority actions to focus City resources, leverage results and measure impact.</li> </ul> <p><b>Estimated cost:</b> \$50,000. The consultant would report to City Manager Steve Hall.</p>
Options	Hire a consultant.
Timing	Report and recommendations to be completed by September 2017, to be considered for 2018 budget considerations.
Attachments	None.



## Finance Committee

### Discussion on Funding Options for a Sustainable Budget

**Agenda Date:** 3/8/2017  
**Agenda Item Number:** 5.C  
**File Number:** 17-0181

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

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#### **Title**

Discussion on Funding Options for a Sustainable Budget

#### **Recommended Action**

##### **Committee Recommendation:**

Not referred to a committee.

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

Discuss the revenue options available to meet expenditure needs for the next three to five years. No action requested.

#### **Report**

##### **Issue:**

Whether to discuss revenue options to meet expenditure needs for the next three to five years.

##### **Staff Contact:**

Steve Hall, City Manager, 360.753.8447

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

Steve Hall, City Manager

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

On a state level there are many concerns regarding the impact the state funding for the McCleary decision will have on city revenues. And, there are growing concerns on how to grow revenues to pay for policing priorities, homelessness and expansion of City services. The Finance Committee requested information on revenue options available (both voted and non-voted.)

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

None known.

##### **Options:**

This item is for information only.

##### **Financial Impact:**

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

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Depends on options chosen.

**Attachments:**

Funding Options

# Finance Committee

Funding Options: Voted and Non-voted



# Unknown Operating Budget Impacts

- Police needs
  - 2018 -\$2 to \$3 million
- General Fund gap
  - 5 year – (\$500k-\$3 million)
- Technology needs Citywide
- Large revenue loss from car dealership
- Pension costs/ health care costs
  - Replacement of ACA
- Flat private utility taxes
- Jail renovations/expansion
- Long term funding for community court
- Administrative cost for expanding services

# FUNDING GAPS – Capital Budget

- Percival repairs
  - \$15+ Million Replacement
- Pavement management
- Fire equipment replacement
- Building repair/replacement sufficient only for high priority projects
- Sidewalks – repair/new/replacement
- Insufficient funding for bike improvements
- Technology infrastructure
- Lack of sustainable funding for hazardous trees
- Dedication of full 1% NVUT for parks
- ADA plan update and improvements



# REVENUE OPTIONS

Not in Priority Order

- Utility tax
  - Voted (private utilities)
  - Municipal Utility Tax (MUT) on public utilities
- Bonds
  - Voted excess levy
- Sale of City-owned assets
- Grants
- TBD Increase in 2019
- Uncollected debt (parking and utilities)
- Sales tax (ESHB 2263)
- Property tax for housing

# REVENUES (continued)

- Marijuana tax revenue for local jurisdictions
- LIDs
- Annexations
- Levy LID Lift
- Economic development growth in the base
- Tax capacity
  - B & O
  - Gambling
- Efficiencies
- Red light cameras

# COUNCIL REVENUE OPTIONS

Option	Approximate Revenue Generated	Date	Effective Date	Comments	Impact
Utility Tax – Public	1% = \$475,000	Anytime, typically done as part of budget	Waste ReSources requires 45 day notice if charges to customer are increased	Current Rates: Drinking Water 10% Waste Water 10% Storm Water 10% Waste ReSources 10%	Average Residential \$13.50 per year Increase
Business & Occupation Tax	Varies by category \$2,600,000 if increased to maximum	Anytime	Quarterly Revenue recommend starting first day of calendar quarter	Maximum rate 0.2%. Services currently at 0.2%. All other categories at 0.1%.	If increased by 0.1% tax generated would be \$100 per \$100,000 of taxable activity.
Gambling Taxes	Varies by category \$100,000 if charge maximum rate	Anytime	“Primarily for enforcement”	Rates:      Current    Max Bingo & Raffle 5%    5% Pull Tabs      3%    5% Card Rooms    3%    20%	Estimated additional tax by type if increased to maximum Pull Tabs \$100,000 Card Rooms \$200
Local Improvement District (LID)	Depends on the project	Anytime	Property owners have 30 days after Public Hearing to protest. If 60% of property owners protest, the LID fails.	Requires a lot of administration and public involvement	Currently there is no demand for LIDs in the financial market

# COUNCIL REVENUE OPTIONS continued

Option	Approximate Revenue Generated	Date	Effective Date	Comments	Impact
TBD	\$400,000 \$10/vehicle	Beginning of any month after 12/31/19	Must give DOL 180 day notice	Law allows council to go to a maximum of \$50/vehicle after the \$40/vehicle rate has been in place for 2 years	This increase would take the fee to \$50/vehicle

# VOTER APPROVED OPTIONS

Option	Approximate Revenue Generated	Ballot Dates	Effective Date	Comments	Impact
Levy Lid Lift Requires 50% approval	\$0.25 = \$1,600,000	Primary or General Only	April following election	If the election is held prior to AV being known and the value decreases the amount generated could be less than estimated. Current levy rate per \$1,000 of assessed value is \$2.2641.	\$0.25/\$1000 assessed value = \$62.50 per year from a home assessed at \$250,000  Approximately 70% of property tax is generated from residential property and 30% from commercial
Utility Tax – Private Requires 50% approval	1% = slightly less than \$1,000,000	Any election date	90 days after passage and only on first day of calendar quarter	Current Rate 9% for electric natural gas and telecommunication and 6% on cable TV	Additional tax generated would be \$1 for each \$100 of service charges.
TBD fees for Transportation Use Only	\$20/vehicle = \$700,000 - May go up to \$100/vehicle 0.2% sales tax \$2,550,000	Primary or General	Must give 180 days to establish new rate	Sales tax authorization may not be in effect for longer than 10 years. It can be reauthorized by voters.	Annual sales tax paid at 0.2% sales tax approximately \$30/pp No nexus between tax and usage
Excess Levy Requires 60% approval	Revenue is tied to project (e.g. new fire station)	Feb, April, Aug. or Nov.	The calendar year following the vote.	Very difficult to attain 60% approval Property taxes can be itemized on federal taxes	Depends on the amount of levy

# VOTER APPROVED OPTIONS

Option	Approximate Revenue Generated	Ballot Dates	Effective Date	Comments	Impact
Housing Levy (RCW 84.52.105)	Depends on the rate levied. May charge up to 50 cents per \$1000/AV	Primary or General Only	April following election Levy is for a maximum of 10 years	Prior to election council must declare a housing emergency and develop a financing plan This is a junior tax levy and could impact OMPD levy	\$0.25/\$1000 assessed value = \$62.50 per year from a home assessed at \$250,000  Approximately 70% of property tax is generated from residential property and 30% from commercial
Sales Tax ESHB 2263	Difficult to estimate	Any election date	Initial revenue begins 75 days after notice to DOR and only on the beginning of a quarter (except Oc1) Initial levy is for 7 years but may be reauthorized	Revenue is for mentally ill, developmental disabilities and other vulnerable populations	Revenue may not be used to supplant existing funding