



REPORT FOR FISCAL YEAR 2020

City's compliance with funding levels set forth in the Interlocal Agreement between the OMPD Board and Olympia City Council

May 5, 2021

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

Dear OMPD Board Members:

At our May 5, 2021 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 2020" (attached). The report was prepared and presented by Nanci Lien, Fiscal Services Director for the City.

On April 14, 2020 the Olympia City Council passed a resolution declaring an "exigent financial circumstance" due to the economic impacts of the COVID-19 pandemic. Section 4.1.1 (i) of the Interlocal Agreement (concerning 11% of the General Fund revenues) and Section 4.1.1 (iv) (concerning the second half-percent of the Non-Voted Utility Tax) allow for some or all of those funds to be utilized for non-park purposes during an "exigent financial circumstance." The City is therefore compliant with those sections.

At the end of the year, the 4.1.1 (i) funding still met and exceeded the 11% allocation. The 4.1.1 (iv) budget, \$423,000, shifted from Parks' Land Acquisition to Parks operating purposes. The same amount, \$423,000, was included in the 4.1.1 (iii) for Parks' Land Acquisition budget.

Sections 4.1.1 (ii & iii) commit to using the 2% Voted Utility Tax (VUT) and one-half of the 1% 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." Based on the report, it appears that all but \$300,000 of VUT and \$21,566 of NVUT was utilized for park land acquisition. The remaining \$300,000 in VUT was utilized for park maintenance and the \$21,566 of NVUT remains in the Capital Project Fund for future parks use. It appears, therefore, that there was indeed a "priority on acquisition to the extent practicable" and the City was therefore compliant with those two sections.

Based on the report presented, it appears that \$723,000 (\$423,000 in NVUT and \$300,000 in VUT) was diverted from land acquisition to park operating purposes. After review of the 2020 year-end funding presentation, it appears funding was not restored to OPARD from end-of-year savings. Due to the lower-than-expected revenue generated by the City, we support these changes.

At the conclusion of the City's 2020 Audit conducted by the Washington State Auditor's Office, the City will report any changes to the Advisory Committee. The City expects this audit to be complete by the end of August. The Committee reserves the right to amend this report as necessary should additional information become available.

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

Sincerely,

Roger Horn

Roger Horn, Chair

OMPD Advisory Committee

Enclosure: City of Olympia Fiscal Year 2020 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 2020
Presented May 5, 2021**

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 2020 Budget, the City initially allocated \$5,413,497 to OPARD General Fund activities as part of the adopted budget, which represents 11% of the taxes referenced above.

Due to impacts related to the COVID-19 pandemic, in the later part of the year, the City revised the 2020 budgeted revenue projections resulting in a downward adjustment to the 11% allocated to OPARD. The

revised the allocation of \$5,372,814 was a reduction of \$40,683 from the original allocation. Please see detail in Addendum 1 at the end of the report.

Compliance Status

For 2020, the City met and exceeded 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 2020 budget included \$1,778,846 for the 2% VUT revenue. The 2020 budget allocated the following uses of this budgeted revenue:

- | | |
|---------------------|---|
| • \$1,014,000 | Parks' Land Acquisition |
| • \$ 673,000 | Parks' Debt Service of previously purchased park land |
| • <u>\$ 300,000</u> | Parks' Maintenance |
| \$1,986,000 | Total |

Compliance Status

For 2020, the City met and exceeded 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 2020 budget included \$444,756 for 1/2 of the 1% NVUT revenue. The budget allocated \$423,190 for Parks' Land Acquisition use of this budgeted revenue. The variance of \$21,566 remained in the Capital Projects Fund for future parks use as stated above.

Compliance Status

For 2020, 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 2020 budget included \$444,756 for 1/2 of the 1% VUT revenue. The budget allocated \$423,190 for Parks' Land Acquisition use of this budgeted revenue. The variance of \$21,566 remained in the Capital Improvement Fund for future parks use as identified above.

In addition, due to COVID-19 related impacts, the City used an exigent financial circumstances declaration and allocated \$423,000 for Parks operating purposes.

Compliance Status

Due to economic impacts related to the COVID-19 pandemic, the City Council passed Resolution M-2116 declaring exigent financial circumstances that prevented the City from complying with this section of the Interlocal Agreement. With the declaration in place for 2020, the City was in compliance with this section.

ADDENDUM 1

Olympia General Fund Revenue Budget relevant for OPARD 11% allocation.

2020 Revised Budget -OPARD 11% Allocation	
Revenue Type	Budgeted Projection
Sales Tax	\$19,623,352
B&O & Admission Tax	\$6,262,064
Property Tax	\$12,487,866
Private Utility Tax	\$4,442,871
Public Utility Tax	\$6,027,614
Grand Total	\$48,843,767
Total 11% Allocation	\$5,372,814