



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

October 14, 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.

On October 13, 2021, the OMPD Advisory Committee received additional information from City staff regarding funds that were restored and funds anticipated to be restored in 2022. We reviewed the draft letter that was sent for comments in May of 2021 and updated this letter that is being provided to the OMPD Board and City Council.

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.

As indicated in the previous paragraphs, \$723,000 (\$423,000 in NVUT and \$300,000 in VUT) was diverted from land acquisition to park operating purposes. At our October 13, 2021, meeting, we learned that \$255,265 from the end-of-year savings was provided to address a portion of the funds diverted in 2020. City Manager, Jay Burney, is planning to restore an additional \$200,000 in 2022 to address the diverted funds. We support these changes and recommend that the City continue to look for opportunities to restore the remaining diverted funds. Providing the remainder of diverted funds would be appreciated by community who have supported the use of funding for acquiring, developing, and maintaining new park properties. We feel that funding would indicate good faith to City residents.

In addition, the public comment (attached) states concern about the ongoing declaration of exigent circumstances, which was passed on April 24, 2020. The people who provided the public comment have requested that the exigent be ended at this time. The Advisory Committee agrees with that statement and recommends that the City Council votes to remove the exigent circumstances status as soon as they feel it is appropriate.

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, Chair
OMPD Advisory Committee

Enclosure: City of Olympia Fiscal Year 2020 Compliance Findings Report
Public Comments letter received from the YES Olympia Parks Coalition

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
- \$ 300,000 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

August 30, 2021

OMPD Advisory Committee members,

YES Olympia Parks is made up of representatives from several parks advocacy groups. (See list at end of this letter.) While each group participates in different topics related to City Parks we are all supportive of continuing compliance with the City of Olympia and OMPD Interlocal Agreement (Agreement). The Agreement sets out specific funding details that were the foundation of the 2015 MPD voted measure for additional parks funding. The Agreement also includes a continued commitment for use of funds from the 2004 Voted Utility Tax. We will continue to monitor compliance with the intent of these voted measures.

Our community is taxing themselves in order to acquire, develop and maintain a great parks system. As our population grows and density of uses increase the importance of parks and open spaces is even more critical than in the past. Access to outdoor spaces and recreation is a key feature of the quality of life we enjoy. The open spaces preserved as part of our parks system also support environmental sustainability.

We have two concerns, one with the draft compliance report and the other about the City declaration of exigent circumstances.

First, funds that were removed from the Parks budget during early 2020 were not restored when 2020 year-end funds were distributed, even though the City had available funds. We disagree with the committee statement below regarding the reasons for this and their support of these changes.

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.

When year-end funding was discussed at the March Finance Committee meeting there was an estimated \$3.1 million available for allocation. At the April 21 Finance Committee meeting a total of almost \$4 million was shown to be available. City Manager Jay Burney, during the April meeting, indicated that the balance showed available funds after the City had honored 'contractual obligations' but did he did not mention the Interlocal Agreement and the expectation that funds would be restored if year end funds are available. We view the Interlocal Agreement as equivalent of a contract. (Any voted tax measure should be treated the same.)

Here is the specific clause in the Interlocal Agreement:

(iv.) 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.

While the City had declared an exigent circumstance, it was clear in the Spring of 2021 that the city finances for 2020 did not suffer that in reality. Because of this, funds that had been withheld from Parks budgets should be restored.

It is troubling that the commitment to restore funds that were withheld from the Parks budget was not raised by staff or Council members. The staff presented a long list of potential uses for the year-end funds and did not include restoration of parks funds. Considering the end of year balance, we would have expected that staff and Council would honor the spirit of the agreement.

The final disposition of 2020 year-end funds as adopted by the Council at their May 4, 2021 meeting is attached. This list includes one time as well as on-going expenses. When this list was presented at the May 4 Council meeting the city manager indicated that the restoration of parks funds was still a potential but there has been no formal action that we are aware of to date. We believe a request to restore Parks funding should be included in the report from the Advisory Committee.

Our second concern is the City Council declaration of exigent circumstances, which occurred on April 24, 2020. At the time, this declaration made sense. However, the declaration has no specific end date. Since the City is apparently past the emergency level concern when it was adopted, the declaration should be ended. If a new emergency arises, the Council could hold another hearing as per the agreement. Simply declaring an ongoing exigent circumstance was not the intent of the Agreement. We hope that the report for 2021 will show compliance without the use of a declaration of exigent circumstances.

We appreciate the work of the Committee and hope that you will adjust your report to reflect the concerns we have outlined above.

Sincerely,

Signed by Bob Jacobs and Karen Messmer – representing the YES Olympia Parks Coalition

Yes Olympia Parks Coalition

YES Olympia Parks is a coalition of organizations that support parks, open spaces, and recreation. The coalition negotiated the wording for the MPD ordinance and the Interlocal Agreement between the City and the MPD. These documents defined the terms under which the coalition would support and campaign for the Olympia Metropolitan Park District (OMPD) ballot measure, which it successfully did.

- Olympia Coalition for Ecosystems Preservation
- Friends of LBA Woods (formerly LBA Woods Coalition)
- Friends of the Waterfront
- Woodland Trail Greenway Association
- Parks and Sidewalks Campaign Committee of 2004
- North Capitol Campus Heritage Park Development Association

2020/2021 End of Year General Fund Allocation - - Adopted at May 4, 2021 Council Meeting

Updated: 4/27/2021

Attachment #1

2020/2021 EOY GENERAL FUND FUND ALLOCATION RECOMMENDATION				2020/2021 Funds	\$3,983,778
Line ID	Department	Exp Description	Expenditure	OT/OG*	Allocation
1	CPD	Squaxin Interpretive Sign/Display	25,000	OT	25,000
2	CPD	Housing Market Study Update	50,000	OT	50,000
3		Subtotal Community Planning & Development			75,000
4	FIN	Budgetary Software Licenses (Workiva)	11,250	OG	11,250
5	FIN	Business Accountant Add'l - CP&D	12,000	OG	12,000
6		Subtotal Finance			23,250
7	GEN CITY	2021 Expenditure Reductions (excludes vacancies)	952,688	OG	952,688
8	GEN CITY	ERP Financial Software Contribution	200,000	OG	200,000
9	GEN CITY	1% COLA - Independent Employees (Retro Jan - Jun 2021)	120,000	OT	120,000
10		Subtotal General City			#####
11	OCM - Strategic Initiatives	Police Auditor - Add'l Funding	70,000	OG	70,000
12	OCM - Strategic Initiatives	Public Safety Plan	100,000	OT	100,000
13	OCM - Strategic Initiatives	Demonstration Review	100,000	OT	100,000
14	OCM - Strategic Initiatives	Data Visualization	50,000	OT	50,000
15	OCM - Housing/Homeless Response	Interfaith Works Commitment	250,000	OT	250,000
16	OCM - Housing/Homeless Response	Homeless Response Support	150,000	OG	150,000
17	OCM - Housing/Homeless Response	Homeless Scattered Site Support	300,000	OG	300,000
18		Subtotal Office of City Manager			#####
19	OFD	Regional Fire Authority Study	150,000	OT	150,000
20	OFD	Basic Life Support Transport Financial Study	50,000	OT	50,000
21		Subtotal Olympia Fire Department			200,000
22	OPD	OPD Guild 2020 Retro Pay	190,000	OT	190,000
23	OPD	Critical Response Unit Expansion Pilot	250,000	OT	250,000
24		Subtotal Olympia Police Department			440,000
25	OFD/OPD	Public Safety Asset Management	200,000	OG	200,000
26		Subtotal Public Safety			200,000
27	PW	Building Repair & Maintenance	500,000	OG	500,000
28	PW	Snowplows - plows, not trucks	50,000	OT	50,000
29		Subtotal Public Works			550,000
30		Department Grand Totals			#####
31		Remaining to Unallocated Fund Balance Reserve			202,840
32		Grand Total			3,983,778