



City Council

Discussion of Budget Special Topics - Utility Rates, General Facility Charges, Impact Fees, Parking Business Improvement Area, and Lodging Tax

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Title

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Recommended Action

Committee Recommendation:

The Utility Advisory Committee (UAC) is recommending utility rates and general facility charges (GFCs) for 2022.

City Manager Recommendation:

Review and discuss the following 2022 Operating Budget topics and recommendations: UAC 2022 recommended Utility Rates and General Facility Charges; Parks, Transportation, and Olympia School District Impact Fees; Parking & Business Improvement Area Board (PBIA) budget; Lodging Tax; and Stipends for Council Appointed Boards, Committees, and Commissions.

Report

Issue:

Whether to discuss the following operating budget special topics and recommendations: UAC 2022 recommended Utility Rates and General Facility Charges; Parks, Transportation, and Olympia School District Impact Fees; Parking & Business Improvement Area Board (PBIA) budget; Lodging Tax; and Development Permit Fees.

Staff Contact:

Aaron BeMiller, Finance Director, 360.753.8465

Presenter(s):

Aaron BeMiller, Finance Director
Eric Christensen, Water Resources Director, Public Works
Tammy LeDoux, Finance & Policy Coordinator, Parks, Arts & Recreation
Mark Russell, Deputy Director, Public Works
Leonard Bauer, Director, Community Planning & Development

Jennifer Priddy, Assistant Superintendent, Olympia School District
Max DeJarnatt, Parking Program Analyst, Community Planning & Development
Mike Reid, Economic Development Director
Joan Lutz, Budget/Financial Analyst

Background and Analysis:

The 2022 Preliminary Operating and Capital Budgets assume revenue and expenses from Utility Rates; General Facility Charges (GFCs); Parks and Transportation Impact Fees; Parking Business Improvement Area; and Lodging Tax revenue. Staff will present information on these topics and take questions from Council for future budget discussion meetings. Action will be taken in mid-December as part of the budget approval process.

Utility Rates and GFC Increases

On October 7, 2021, the UAC discussed proposed changes to the 2021 utility rates and GFCs for the four utilities - Drinking Water, Wastewater, Storm and Surface Water, and Waste ReSources. This recommendation was presented to Finance Committee on October 20, 2021. Staff will share the recommendation with the full Council. The City has included a 1% increase on the Municipal Utility Tax (MUT) in the 2022 budget for Council consideration. The MUT is estimated to generate roughly \$591,000 in additional General Fund revenues.

Park Impact Fees

This year's inflationary adjustment calculation for Park Impact Fees would result in an increase of 7.72% or \$431 for a single-family residence. However, for 2022, staff proposes to freeze Park Impact Fees at the 2018 level, which has been done for the last 3 years. Staff has contracted with FCS Group and they are in the process of updating the park impact fee calculation, based on the Parks, Arts & Recreation Plan which will be adopted in 2022. As recommended by the Parks and Recreation Advisory Committee, the consultant will also calculate what the fee would be if the City chose to implement non-residential Park Impact Fees. The Impact Fee Study will be presented to Council in April/May 2022.

Transportation Impact Fees

The City's first Transportation Master Plan was adopted by Council in February 2021 and included changes to the City's Transportation Concurrency and Impact Fee Programs. These programs are now multi-modal, adding capacity to our street system by making bike, pedestrian, and transit improvements, in addition to improvements for vehicles. The current Transportation Impact Fee is \$2,551 per new "person" trip. Staff proposes a 5% increase in the impact fee to keep up with inflation and increased costs of construction materials and labor. The cost per new "person" trip is proposed to be \$2,679 in 2022. Staff will present an overview of the proposed Transportation Impact Fees.

Olympia School District Impact Fees

Based on its updated Capital Facilities Plan, the Olympia School District is requesting an increase for 2022 impact fees for single-family homes from \$5,448 to \$6,029; an increase in multi-family residential impact fee from \$2,133 to \$2,477; and an increase in the downtown residence impact fee from \$1,756 to \$2,040. These figures are inclusive of a discount rate of 15% for Single and non-downtown Multi-family residences and 30% for Multi-family residences in the downtown area as approved by the Olympia School District Board of Directors.

Parking Business Improvement Area (PBIA)

PBIA is projecting \$124,000 revenue in 2022, with budget split among three core focus areas: Clean & Safe; Streetscape Beautification; and Marketing. Staff will share the recommended 2022 budget, including updates related to the Downtown Recovery Fund.

Lodging Tax

The City levies lodging tax in two, 2% increments. The tax is used for tourism promotion and the acquisition or operation of tourism-related facilities. The City allocates the first 2% of the tax to support the Washington Center for the Performing Arts. The second 2% is allocated to tourism-related projects or events recommended by the Lodging Tax Advisory Committee (LTAC). Finance Department is reporting an estimated \$377,694 in Lodging Tax to be generated in 2022 and a 2022 beginning reserve balance of \$681,507. LTAC met on October 15, 2021, to review 18 applications. The committee is recommending awarding \$586,491 of lodging tax funds.

Development Permit Fees

The City of Olympia collects fees to offset a portion of the cost of reviewing applications for new development and inspecting new construction. Fee amounts are adopted by the City Council and codified in Olympia Municipal Code Title 4. They include Engineering Fees (OMC 4.04), Building Code Review and Permit Fees (OMC 4.36), and Land Use Application Review (OMC 4.40).

In 2004, the City Council conducted a Permit Cost Recovery Study and established a goal to recover 85% of the cost of delivering development review services from permit fees.

In 2015, the City conducted an updated Cost Recovery Study and the City Council adopted Resolution No. 6983 creating a Development Fee Revenue Fund.

This year the City has contracted with Financial Consulting Services, Inc. (FCS), to again update our Cost Recovery Study, and examine the operation of the Development Fee Revenue Fund. FCS has completed the cost recovery analysis and found that the City is not currently recovering 85% of the cost of delivering development review services. [Note: City staff will request a briefing on the complete FCS study to be scheduled for a future Finance Committee meeting.]

City staff also completed a comparison of Olympia development fees to those of neighboring cities.

Based on these analyses, City staff recommend the attached adjustments of development fees to more closely approximate the City's target recovery rate while remaining relatively aligned with development fees in neighboring cities.

Neighborhood/Community Interests (if known):

Public hearings are scheduled on November 16, 2021 and November 23, 2021 on the Operating and Capital Budgets. Council can hear testimony on the proposed changes at that time.

Options:

1. After hearing the presentation, request additional information from City staff.
2. After hearing the presentation, no additional information from City staff requested.
3. Hear the presentation at another time.

Financial Impact:

Briefing only, no financial impact.

Attachments:

2022 Proposed Development Permit Fees

2022 Proposed Park Impact Fees

2022 Proposed Transportation Impact Fees

2022 Proposed Olympia School District Impact Fees