



## City Council

### Confirmation of Funding Process for Acquisition of Isthmus Parcels

**Agenda Date:** 8/27/2013  
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**Agenda Item:**

Confirmation of Funding Process for Acquisition of Isthmus Parcels

**Issue:**

Confirmation of process for determining funding options for the acquisition of the Isthmus parcels located at 505 and 529 4<sup>th</sup> Avenue W in Olympia.

**Committee Recommendation:**

N/A

**City Manager's Recommendation:**

Move to confirm the funding process for the acquisition of the Isthmus parcels (Option 1).

**Staff Contact:**

Jay Burney, Assistant City Manager, 360.753.8740

**Presenter(s):**

Jay Burney, Assistant City Manager

**Background and Analysis:**

On April 23, 2013, the City of Olympia City Council authorized the City Manager to enter into a purchase and sale agreement for purchase of properties located on the Isthmus at 505 and 529 4<sup>th</sup> Avenue W. At the time, the City had a pending legislative request for one million dollars to help fund the acquisition of the Isthmus parcels. However, due to the extended legislative session, staff had not received confirmation of State funding.

On June 25, 2013, the City was still waiting on a decision from the State legislature about whether some or all of the City's request for one million dollars would be granted. However, because of a timeline to close on the property prior to June 30, 2013, the City was in a position of having to remove all purchase contingencies and close on the property prior to a final decision on the state budget. The City Council had to decide whether to acquire the parcels prior to knowing what amount of money the legislature was going to grant to the City. As a part of deciding to move forward on the purchase, staff identified a list of possible impacts to existing park projects in case the state did not grant the City the money it requested. Staff presented a reasonable and viable option of potential impacts to other park projects that could result

if there was no state funding for the Isthmus.

Other potential funding options were and are also available. For example, the City may receive grants from state agencies to reimburse the acquisition. By way of illustration, the Ward Lake Park parcel received a reimbursement grant after the City acquired that parcel. The City also has the authority to use community development block grant funds. The Capital Park Foundation has also indicated that they have funds to contribute to the project. Accordingly, Council will need to choose from different options to fund the portion of acquisition of the Isthmus parcels that was not covered by state grants.

The City has a certain amount of flexibility during a budget year. The City uses a bottom line budget approach but separates the general fund from other funds, such as the utilities. Some budget line items may end up more expensive than predicted and some line items may be less expensive than predicted. The City has the administrative budget flexibility to adjust to unanticipated events. The City must stay within the adopted bottom line budget, unless the Council approves a budget amendment (and stays within the appropriate funds). Likewise, project costs in the Capital Facilities Plan are only estimates. The City Council may approve an increase in the total capital budget and authorize transfers between funds listed on the Ordinance adopting the Capital Facilities Plan. In addition, a project that becomes unfeasible in one year may be carried forward to the following year's budget or CFP. Although specific project costs will vary from CFP estimates, the City will stay within the fund totals, unless Council approves amendments.

Staff was directed to continue seeking funds for the Isthmus properties acquisition and the legislature did provide for some money for the Isthmus project. The City received \$167,000 and may be in line to receive more funds if projects ahead of the City's project do not move forward with the grant funding agencies. In addition, the City is hoping that additional state grants will add to the total. Accordingly, the potential option for funding the Isthmus acquisition and development that was presented to Council in June is out of date. As sources of funds become clearer, staff will notify Council of other options. Some of these options may come forward as part of the proposed 2014 to 2019 Capital Facilities Plan.

The process for adopting and amending the City's Capital Facilities Plan requires a public hearing which would include opportunity for the public to comment on the proposed Plan. Final decisions on capital facilities plans cannot be made until that opportunity for public comment occurs. Some of the funding decisions for the acquisition of the Isthmus may ultimately be made by adjusting projects in the 2014 to 2019 CFP. However, no final decisions may be made until after an opportunity for public comment. A public hearing on the CFP is tentatively scheduled before the City Council on October 8, 2019.

Accordingly, staff proposes that Council wait until staff receives further information on existing grant application for the Isthmus properties and until the 2014-2019 CFP process is complete before making final decisions on how to fund the portion of the acquisition costs that were not funded in the state 2013 state budget process.

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

Community interest in the Isthmus project has been generally supportive.

**Options:**

1. Acknowledge and accept the process for making final decisions on the funding of the Isthmus properties, which may include amending the Capital Facilities Plan.
2. Solicit additional input from staff.

**Financial Impact:**

The financial impact is described above.