



Finance Committee

Discussion of Options to Account for and Report on Parks Arts and Recreation Department Funding

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Title

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Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Discuss options to account and report for Parks Arts and Recreation Department funding

Report

Issue:

Whether to discuss options to account and report for Parks Arts and Recreation Department funding

Staff Contact:

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Presenter(s):

Nanci Lien, Fiscal Services Director

Jonathon Turlove, Director of Planning and Maintenance

Background and Analysis:

In 2015, Olympia voters approved Proposition 1 which created the Olympia Metropolitan Parks District (OMPD). The proposition provides ongoing funding through special property taxes to acquire, maintain, operate, and improve parks. Collection from the new tax began in 2017. The OMPD is governed by a Board composed of the Olympia City Councilmembers. The OMPD exercises powers given to metropolitan park districts in state law, including levying property taxes and contracting with the City of Olympia to perform District functions.

The OMPD Board created an advisory committee to provide transparency and public reporting on the use of OMPD and other dedicated City of Olympia Parks funds. An interlocal agreement between the

City and the OMPD was approved in 2016 and amended in 2018. The Interlocal Agreement states the process for limiting and controlling the OMPD's annual budget and property tax levy. The agreement specifically states:

1. The City shall include in its annual General Fund Operating Budget revenue to support the Olympia Parks, Arts and Recreation Department (OPARD) projects, program and services in amounts necessary to meet or exceed the minimum funding. The calculation is based off of the 2015 adopted net budget for OPARD of \$4.4 million, which was 11 percent of the General Fund revenues; i.e. sales tax, business and occupation tax, property tax, private utility tax and public utility tax, excluding currently dedicated portions.
2. The City commits to use 2% Voted Utility Tax revenues to acquire new park land and to maintain and develop those park properties, with a priority of acquisition to the extent practicable.
3. The City commits to use one-half of the 1% Non-Voted Utility Tax revenues to acquire new parkland and to maintain and develop those acquired park properties, with a priority on acquisition to the extent practicable until January 1, 2030.
4. The City intends to allocate in its budget the remaining one-half of the Non-Voted Utility Tax to acquire new parkland and to maintain and develop those acquired properties, with a priority on acquisition to the extent practicable until January 1, 2026. 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.

The later three commitments were intended to achieve the City's goal of acquiring 500 acres of parkland. Currently, the City has acquired 424 acres toward the goal, including 100.4 acres in 2018.

The Interlocal Agreement also directs the OMPD Advisory Committee to provide an annual report to the City Council and OMPD regarding the City's compliance with the funding levels for items 1 through 4 listed above. The first compliance reported was presented on July 11, 2018, which covered the 2017 budget. With the exception of an oversight of \$24,200, the City was in compliance with the terms of the Interlocal Agreement. The City remedied the oversight and appropriated the \$24,200 in a subsequent budget amendment.

In the OMPD Advisory Committee's letter dated July 1, 2018, the Committee requested the OMPD Board to consider creating a dedicated fund (enterprise fund). The request was to: 1) ensure that OPARD-related funds not expended by year-end remain with OPARD; and 2) to enhance accountable and transparency.

The City has fully met its obligations to the OMPD using current practices and is under no obligation to make changes. The creation of a Parks' Enterprise fund has both operational pros and cons, which staff will discuss at the meeting.

Staff will provide an overview of the City's current finance and budget processes related to OPARD revenues and expenditures and present options and impacts for tracking on-going revenues and expenditures; and for allocating year-end funds.

Neighborhood/Community Interests (if known):

N/A

Options:

1. Continue with current process which is to return all year-end funds to the General Fund.
2. Distribute a portion of year-end OPARD funds to OPARD based on a percentage of original OPARD revenue allocation.
3. Maintain OPARD's budget in General Fund with project tracking on all revenues and expenditures and include indirect overhead charges.
4. Move OPARD to a General Fund subfund and include indirect overhead charges.
5. Move OPARD to a Special Revenue or Enterprise Fund and include indirect overhead charges.

Financial Impact:

None

Attachments:

None