

**CITY OF OLYMPIA
FINANCE COMMITTEE
MINUTES
July 14, 2009**

Members Present: Joan Machlis, Craig Ottavelli and Joe Hyer, Chair

The minutes of June 9th and 11th were approved as amended.

The June 9th minutes were amended by Committee member Ottavelli. In the discussion of transportation impact fees, Chairman Hyer stated, "... capacity related projects such as Log Cabin extension..." Committee member Ottavelli said it should read Log Cabin Roundabouts.

2010 -2015 Preliminary Capital Facilities Plan (CFP)

Administrative Services Director Jane Kirkemo presented the Preliminary CFP including a report on the City debt capacity. She began by mentioning what wasn't in the CFP this year— additional funding for Percival Landing, park maintenance, sidewalks, bike lanes, neighborhood traffic calming devices, street trees and similar projects that have traditionally received annual allotments. "The CFP is a balance between what we have to do, what we want to do and what we can afford to do." Revenues that support the CFP have been heavily impacted by the economic decline. Real Estate Excise tax has seen the sharpest decline. In 2007 we collected \$2.6 million and thru June 30th of this year we have only collected \$300,000. "We will miss the 2009 CFP revenue budget by \$1 million, Ms. Kirkemo stated. The 2010 revenues will have to make up the deficit from 2009.

In addition to a decline in revenues Ms. Kirkemo explained the City is quickly approaching its Councilmanic debt capacity (does not require voter approval). She explained the formula for calculating debt capacity. A major impact is the decline in assessed valuation. The county assessor is seeing a 10% decline - county wide in assessed value. So, without issuing any debt the City could lose \$9 million in capacity due to the drop in assessed value. In addition the city will issue \$35 million in debt for the new city hall in August, followed by debt for the transportation stimulus projects, Hands on Children's Museum and parking payment boxes. After this debt issuance the city will have approximately \$18 million of Councilmanic capacity. There is sufficient capacity for voter approved (excess) debt.

The 2010- 2015 CFP is \$229 million or 8.5% less than the current CFP. Following the presentation to the Council the CFP will go to the Planning commission for comment. The Council will hold a public hearing in October and the Council will adopt as a part of the Operating Budget process in December.

Utility Policies and 2010 rates

Earlier in the year, the Finance Committee has reviewed each of the 4 city utilities. Public Works Director Michael Mucha told the Committee that based on their directions for the utilities, staff would propose a combined rate increase of 3.5%, including LOTT. Without LOTT our rate would be 2.7%. Committee member Machlis brought up concerns about the LOTT rate increase. "It just seems automatic, without concern for the current economic conditions. I will talk to the Mayor and suggest requesting LOTT to look at the impact of no rate increase next year." The Committee also discussed having a rate decrease for solid waste next year. The Committee questioned the large fund balance. Staff said they would work with the Utility Advisory Committee (UAC) and develop a recommendation for the Council during the budget process. The solid waste utility also needs to fund a replacement for all of the carts.

The majority of the current carts were purchased at the same time and there are insufficient funds to replace them staff said. Chairman Hyer also asked about adopting utility rates for 2 years rather than every year. "I am just trying to avoid the process for the UAC, staff and the Council. We all spend a great deal of time reviewing the rate proposals and if we could just focus on key indicators I think we could avoid some of the process." Mr. Mucha said he will also review this question with the UAC. The Committee also discussed billing the owners' vs. tenants of residential property. This proposal would require the bill to be in the owner's name. If the bill was not paid service would be discontinued. The Committee agreed to move forward with this concept. Staff also discussed having the county charge for storm water as a part of the property tax bill. Staff spends a great deal of time resolving storm water billing issues on commercial property. There are a significant number of accounts that are storm water only and if they are delinquent our only option is to turn the bill over to collections. Billing through the property taxes would ensure the city receives all of their funds. The Committee also agreed in these economic times we should be looking at every alternative to be more efficient and increase our collection rate.

Energy Savings Performance Audit

Debbie Sullivan, Technical Services Line of Business reviewed with the Committee the results of an energy audit on city owned buildings. Energy Savings Performance Contracting is a method of implementing improvements to existing buildings, while using resource savings to pay for part or all of the improvements. Savings can be from electricity, gas, water, sewer or solid waste disposal. Quantum Engineering performed the detailed engineering analysis of the existing systems including: mechanical, lighting, water and building infrastructure. The audit included 13 city owned buildings, 7 parks, the Police firing range, and fire training center. Over \$200,000 in annual resource savings were identified including electrical savings of 990,000 kwh, natural gas savings of 31,000 therms, and water savings of more than 20,000,000 gallons. This project will also reduce CO2 emissions by approximately 1,300,000 pounds annually.

Ms Sullivan explained that if the City wants to participate, it would require the issuance of approximately \$1.6 million in debt for the entire program. The Committee asked if the project could be done in pieces or phased in. Although the Committee supported the proposal, they were concerned it would use scarce debt capacity. Ms. Sullivan will review options of phasing or only doing the projects with the greatest financial return. She will forward this project to the full Council as a part of "Other Business."

At the end of the meeting Jane Kirkemo talked to the Committee about issuing Build America Bonds (BABs) for the City Hall project. They would be 30 year taxable bonds but the issuer receives a 35% interest rebate. This is something that was started in May and sunsets in December 2010. Currently there are no cities that have issued BABs in Washington. The State is looking at issuing BABs in the fall. The Committee gave the approval to continue evaluating if BABs would be the best alternative for the City.

The meeting adjourned at 6:50 p.m.