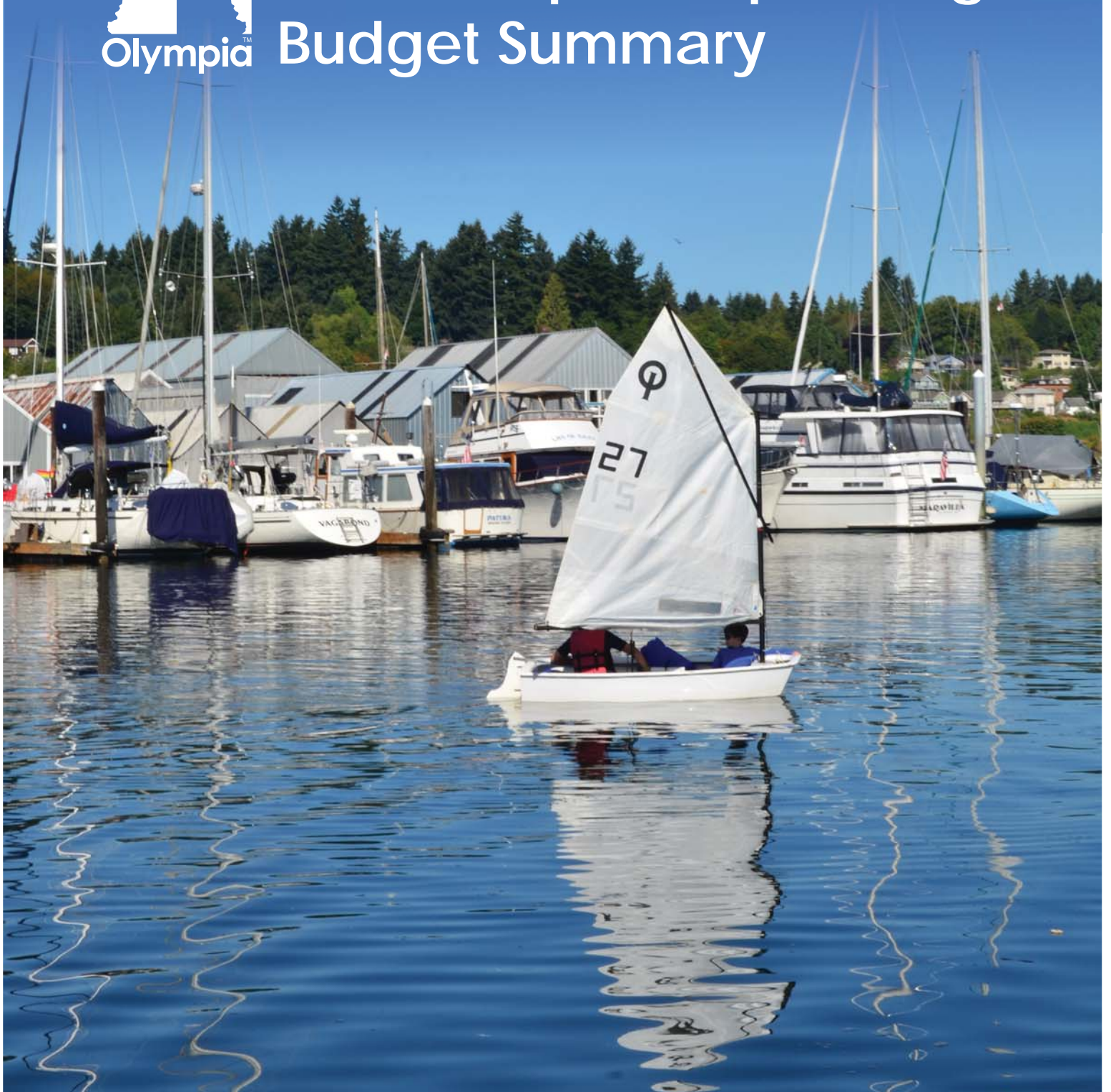




City of Olympia, Washington 2017 Adopted Operating Budget Summary



Letter from the City Manager

December 15, 2016

Dear City Council, Citizens, and Employees,

I am pleased to present the 2017 Operating Budget for the City of Olympia, Washington. This Budget provides the quality of life services our citizens want, it is sustainable, resilient, and continues to move us forward. In preparing this budget I couldn't help but reflect back almost a decade ago when the recession began. We were not paralyzed by the recession – we were motivated by it. We used the opportunity to innovate, redefine, and reinvent the Olympia our citizens want and need. Implicit in all challenges is the opportunity to re-direct in ways that make us stronger. Early on the Council adopted the goal to “Engage Citizens as Partners.” This has evolved into the goal to “Inspire Strong Relationships.” We knew then that people are the most defining element of our city.

To remain sustainable the City needs to stay focused on core services. We deliver great service to this community because we remain committed to essential services. During the recession we completely rewrote the City's Comprehensive Plan, the Parks Plan, and the Shoreline Master Plan. We constructed and opened a new City Hall and the Hands On Children's Museum. We renovated Percival Landing

increases have been offset by efficiencies. Beginning on page 32 the departments have listed some of the many achievements and efficiencies accomplished by the City in 2016. Through a variety of changes and innovations, we saved over two million dollars. That is efficiency and it enables us to create the future we want.

But the 2017 operating budget is much more than expenditure increases or numbers on a page. Next year you will see continued work downtown on the new state office building (215,000 sq. ft.), new residential units (136) at the Views on Fifth, and completion of the 3-2-1 Lofts. When you add what residential units have been built over the last two years to what is under construction or planned – that is an additional 650 market-rate residential units in the downtown area.

In Transportation, major resurfacing projects are focused on downtown streets driven by the Downtown Strategy. In Court/Public Defense, Olympia was one of only ten cities across the country to receive a \$200,000 Department of Justice grant to implement a Community Court. The Community Court links offenders to services

...Embracing change makes us think and act with a different set of tools – thinking beyond the immediate future to the future we desire...

Boardwalk and the Washington Center for the Performing Arts. All of this construction was in the downtown core. We were the first city in Washington State to create a Transportation Benefit District (TBD) and issue federally backed Build America Bonds. With citizen support we passed a levy lid lift to construct and staff a new fire station, and established the Olympia Metropolitan Park District (OMPD). The community did not create our fiscal challenge, but in partnership with citizens, we solved it. Embracing change made us think and act with a different set of tools – thinking beyond the immediate future to the future we desire. Some areas of the budget are strong, some still need help. We have much to celebrate, but also more to do.

The 2017 Operating Budget is \$142.6 million. It represents a 7.6% increase over the current budget. The general fund comprising basic municipal services excluding sub-funds is \$72.1 million, representing a 7% increase. The general fund without the influx of OMPD dollars is \$70.4 million, a 4.6% increase. Clearly the largest increase is in the Parks budget – reflecting the OMPD revenue linked to the Parks plan. On pages 22-23 you will find an outline of all Park resources (excluding grants and impact fees). The total 2017 Parks, Arts and Recreation budget is up 36%.

This budget also includes the addition of several new positions in other areas. All of the positions come with their own funding source. There is a total increase in staff of 12.3 FTEs. Correspondingly, salary and benefits account for 83% of the total 2017 expenditure increase.

Other expenditure increases are \$60,000 for the 2017 election of four City Council positions, almost a \$200,000 (22%) increase in liability insurance, and a \$16,000 increase (70%) in fees for the Olympic Region Clean Air Agency (ORCAA). With the increased usage of credit cards to pay for City services, a 20% increase (\$38,500) in credit card transaction fees is also budgeted. Many of these expenditure

designed to help them address the underlying issues fueling their criminal behavior. This includes services such as drug and alcohol treatment, housing, education, job training, mental health services, and transportation. We will need to find a new funding source for Community Court if we expect it to continue in 2018.

There are other programs and services we wanted to add or expand in the general fund budget. Unfortunately we ran out of time or money. Working with the Police Ad-hoc Committee we are ready to advance a public safety strategy, based on the Comprehensive Plan vision of policing the Olympia way. Unfortunately, limited resources hold us back from our work. Fully funding our walking patrol, dedicating more resources to neighborhoods, developing a partnership for mental health outreach services are all stalled by limited funding. Staff will work with the Finance Committee this year to develop a financing strategy for public safety critical needs.

Other City priorities such as implementation of the Downtown Strategy, an expanded urban forestry program, a greater commitment to multimodal transportation, and renovation of the maintenance center are not possible without budget cuts or public support for revenue increases.

Utilities

The expectation for our utilities is to provide reliable service while also protecting our physical environment and managing the cost to rate-payers. Under state law the utilities are each separate enterprise funds with dedicated funding through rates and charges. The budget includes rate increases in each of our utilities. Staff and the Utilities Advisory Committee struggled with these increases. We walk a fine line between investing in our utilities and providing services our customers can afford. The rate increases will ensure stable revenues

Letter from the City Manager

to maintain and improve existing service levels. Olympia has a history of providing a full array of services grounded in quality and innovation. We recently installed a shared trash compactor in one area of downtown. This will allow us to collect only once per month in that area instead of three times per week. Also, in Waste ReSources we are continuing to expand the residential one-side road collection. So far this practice has saved 730 gallons of fuel, 275 collection hours, and 1,800 miles traveled annually. Twenty years ago, Waste ReSources served 11,200 customers with nine trucks and 13 collectors. Today we serve 14,756 customers with four trucks and four collectors. Innovation and efficiency is what has allowed us to keep our rates as low as possible and still be good stewards of the environment. The rate increases are:

Drinking Water	5.7%
LOTT	2%
Storm and Surface Water	6.3%
Wastewater	4%
Waste Resources	
Residential	0%
Commercial	0%
Organics	6.5%

Revenue Outlook

Total revenues have increased almost \$8.6 million (6.5%). The most significant increase is obviously the inclusion of the OMPD revenues. The general fund is up \$4.7 million or seven percent. Without the OMPD revenues the general fund is up \$3.1 million or 4.7 percent. An improved local economy shows up early in Sales Tax and in Business & Occupation (B&O) tax receipts. For the last few years sales tax revenue increases have been driven by auto sales. While auto sales are still up, construction activity is now showing the largest increase in sales tax revenue. General sales tax is up five percent including the loss of the Toyota auto dealership (we assume they leave first quarter

2017). B&O taxes reflect an 8.8 percent (\$502,000) increase. For the last couple of years we have had a decline in private utility tax (gas, electric, and telephone). 2017 utility tax is basically flat with only a slight increase in electricity. Municipal utility taxes are budgeted to increase 4.4 percent (\$197,750) as a result of the projected rate increases. Another sign the economy is improving is development-related activity. We are budgeting for an 8.5 percent increase in revenue with all of the proposed residential and commercial activity. The budget also shows an increase in property taxes due to recent annexations and new construction.

Conclusion

The 2017 budget is another step toward achieving our desired future for Olympia. Our progress has been built on innovation, efficiency, collaboration, hard work, and continued focus on core services. We have resisted the temptation to “just restore” services with an improved economy; choosing instead to be more visionary on the path forward. Just getting Olympia back to the level it had been a decade ago does not create the future the community, Council or staff wants. I am proud of the road we have taken. There are still hard choices ahead, but this budget addresses our challenges while moving us forward.

I am eager to work with you as we build our budget and refine our vision.

Respectfully submitted,



Steven R. Hall
City Manager



Meet Your City Council



Cheryl Selby-Mayor
Dec. 2019*



Nathaniel Jones
Mayor Pro Tem
Dec. 2019*



Clark Gilman
Nov. 2017*



Jeannine Roe
Dec. 2017*



Jessica Bateman
Dec. 2019*



Jim Cooper
Dec. 2017*



Julie Hankins
Dec. 2017*

Citizen Advisory Boards and Commissions

- Arts Commission
- Ad Hoc Committee on Police and Community Relations
- Bicycle/Pedestrian Advisory Committee
- Design Review Board
- Heritage Commission
- Lodging Tax Advisory Committee
- Parking Business Improvement Area Board
- Parks and Recreation Advisory Committee
- Planning Commission
- Utility Advisory Committee

The seven members on Olympia's City Council are elected to four year terms from the community as a whole (commonly called at-large elections), not from districts or wards. The positions are non-partisan. The terms are staggered, with positions ending for three members at one time and four members the next. Olympia City Council elections are part of the Thurston County general election held in odd-numbered years.

For more information on the City Council and the City of Olympia's form of government, please visit our website at www.olympiawa.gov

Long-Term Financial Strategy - Key Financial Principles

- Make Trade-Offs
- Do It Well
- Focus Programs on Olympia Residents & Businesses
- Preserve Physical Infrastructure
- Use Unexpected One-Time Revenues for One-Time Costs or Reserves
- Invest in Employees
- Pursue Innovative Approaches to Service Delivery
- Contract In/Contract Out
- Maintain Capacity to Respond to Emerging Community Needs
- Pursue Entrepreneurial Initiatives
- Address Unfunded Liabilities
- Selectively Recover Costs
- Recognize the Connection between the Operating Budget and the Capital Budget
- Consider Alternative Service Delivery to Maximize Efficiency and Effectiveness

Long-Term Financial Strategy - Guidelines

What Should the City Do in the Following Year's Budget When the Financial Forecast is Positive?

- Assess the situation
- Maintain adequate reserves
- Use one-time revenues only for one-time expenses
- Use recurring revenues for recurring costs or for one-time expenses
- Stay faithful to City goals over the long run
- Think carefully when considering revenue cuts
- Think long-term

What Should the City Do Every Year, Whether the Financial Forecast is Positive or Negative?

- Increase operating cost recovery
- Pursue cost sharing

What Should the City Do in the Following Year's Budget When the Financial Forecast is Negative?

- Assess the situation
- Use reserves sparingly
- Reduce services
- Continue to think carefully when considering tax increases

What Should the Council Consider Before Increasing Taxes?

- Will the increase result in programs or services that will have a quantifiable public benefit?
- Is the tax source related and connected to the services that are to be supported by the new revenue?
- Is the increase fully justifiable in terms of need?
- Has every effort to educate citizens about the tax been taken in advance of the increase?
- Are the services that are intended to be supported by the new revenue supportable into the foreseeable future?

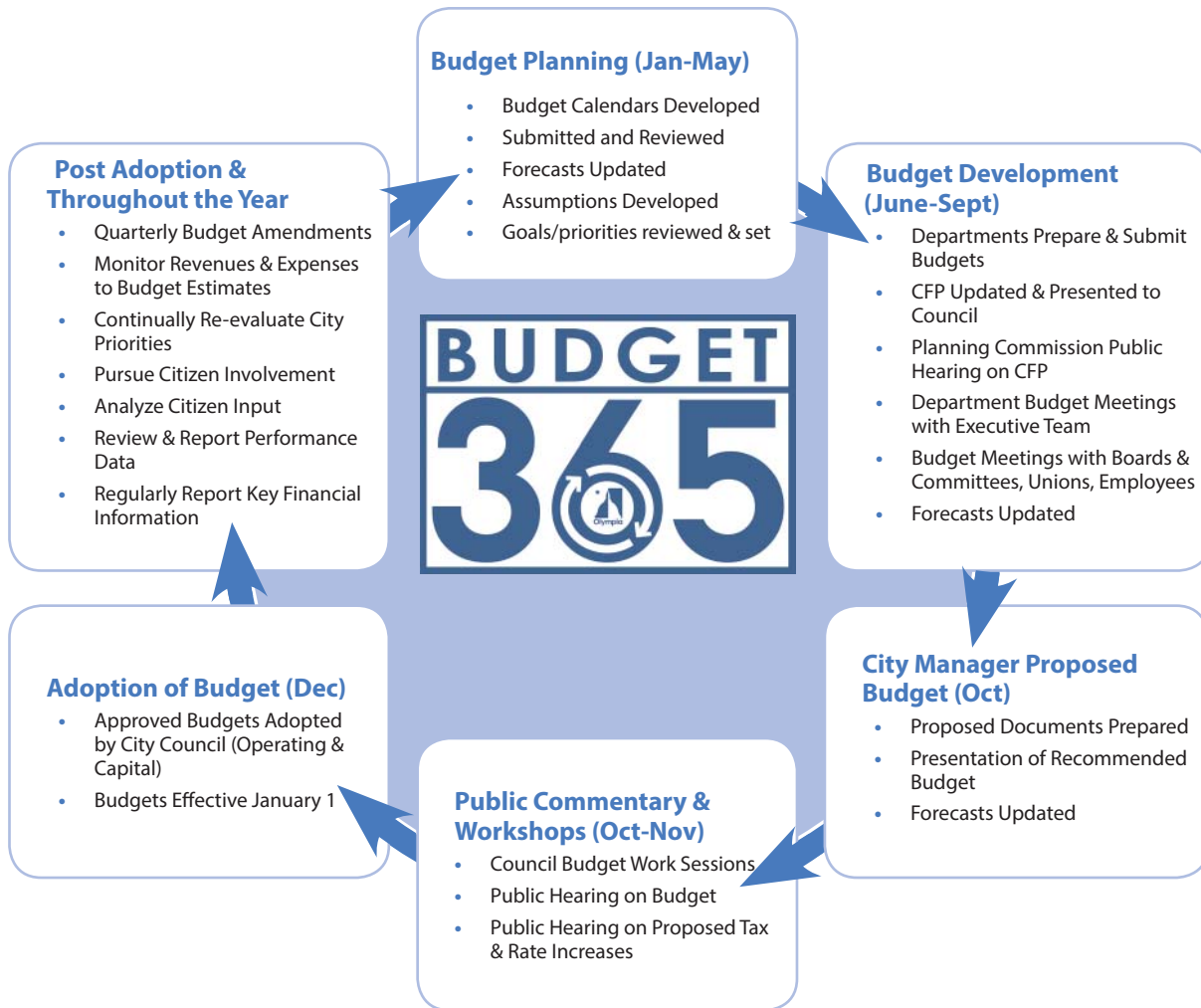
What should the Council Consider Before Asking Residents to Increase Taxes?

- Have efforts to educate residents about the tax been made?
- Has there been ample time for residents to debate and discuss the issue?
- Has the council taken the time to listen to residents' concerns?
- Do our residents understand what the results will be following implementation of the new tax?

* Term Ends

City of Olympia | The Budget Process

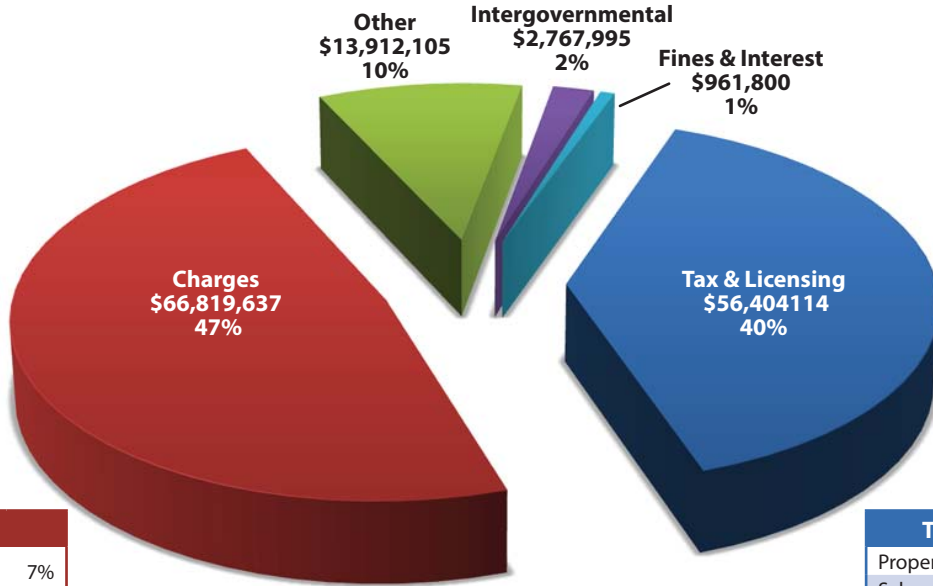
Development of the 2017 budget continues the implementation of **Budget 365**. Preparation of the City's budget is more than projecting revenues and expenditures for a given year. The budget provides a financial plan for the City Council, City staff, and citizens that identifies the operating costs considered essential to the successful operation of the City. The cycle does not end with the budget document as the end product of the arduous task of balancing the budget, or with adoption of the budget. The budget cycle for the City Manager, Budget Review Team, Finance Committee, City Council, and our citizens is year-round in nature since budget development and implementation occurs throughout the year.



Budget 365 is the City's budget process designed to inform citizens about how to get involved in our budget decision-making process. This year-round conversation will help us better understand which programs are the highest priority for our citizens and more quickly identify potential financial issues.

Where the Money Comes From - Total Operating Revenues

\$140,865,651

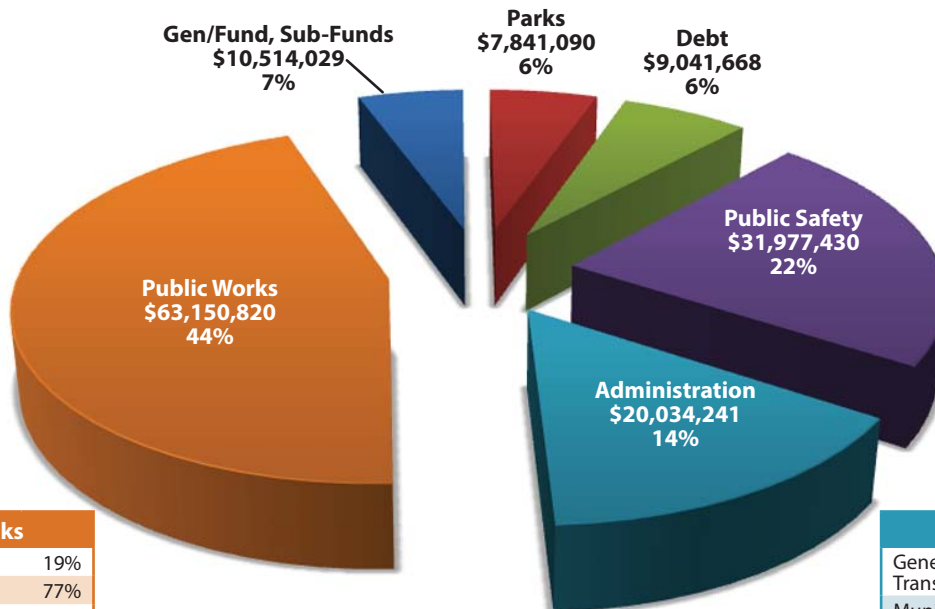


Charges	
Security (Persons & Property)	7%
General Government	13%
Drinking Water	19%
Wastewater	30%
Stormwater	8%
Waste ReSources	17%
Equipment Rental	3%
Other	3%

Tax & Licensing	
Property	27%
Sales	37%
Business	11%
Utility	17%
Other Taxes	<1%
Licenses & Permits	8%

Where the Money Goes - Total Operating Expenditures

\$142,559,278

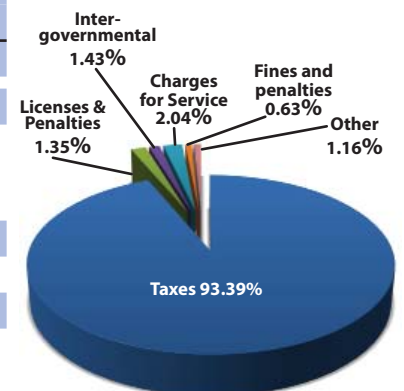
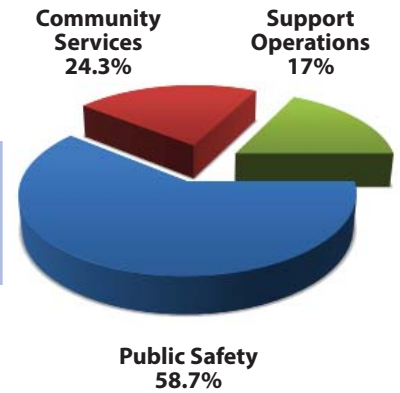


Public Works	
General Fund	19%
Utilities	77%
Equipment Rental	4%

Administration	
General Gov. (incl. Transfer to CIP)	25%
Municipal Court	9%
Admin. Services	36%
Community Dev.	30%

Operating Funds

	Expenses	Program Revenues	General Revenues*	% General Revenues	Reserves Use (Gain)
GENERAL FUND - Regular					
Public Safety					
Court and Probation	\$ 2,699,690	\$ 438,430	\$ 2,261,260	4.4%	
Fire	16,224,090	3,726,180	12,497,910	24.2%	
Police and Jail	15,886,350	373,630	15,512,720	30.1%	
Community Services					
Community Services and Planning	6,125,630	3,094,970	3,030,660	5.9%	
Parks, Arts and Recreation	7,995,690	2,898,680	5,097,010	9.9%	
Transportation Operations and Maint.	6,040,140	1,676,680	4,363,460	8.5%	
Support Operations					
Council, Executive and Legal	2,937,900	776,040	2,161,860	4.2%	
General Administration	8,271,850	2,833,270	5,325,580	10.2%	
Engineering	3,700,790	4,070,170	(369,380)	-0.7%	
Facilities, Operation and Maint.	2,186,610	480,540	1,706,070	3.3%	
Total General Fund - Regular	\$ 72,068,740	\$ 20,368,590	\$ 51,587,150		
GENERAL FUND - Sub/Funds					
Arts Fund	\$ 54,000	\$ 53,100			\$ 900
Development Fee Revenue Fund	3,321,530	3,321,530			-
Facilities Repair and Maintenance	1,492,612	1,492,612			-
Parking Fund	1,395,512	1,530,700			(135,188)
Post Employment Benefits	2,700,500	1,101,000			1,599,500
Special Accounts Control Fund	1,195,675	861,880			333,795
Washington Center Operations	354,200	349,200			5,000
DEBT SERVICE - General Obligation	5,998,015	2,568,886	3,424,675		4,454
Total Governmental Funds	\$ 88,580,784	\$ 31,647,498	\$ 55,011,825		\$ 1,921,461
BUSINESS TYPE ACTIVITIES					
Utilities:					
Drinking Water	\$ 13,297,934	\$ 13,302,290			\$ (4,356)
Wastewater	19,901,896	19,901,896			-
Stormwater	5,310,757	5,313,050			(2,293)
Waste ReSources	10,998,787	11,198,320			(199,533)
Debt Service - Bonds	2,146,689	2,168,341			(21,652)
Total Utility Funds	51,656,063	51,883,897			
Fleet (Equipment Rental)	2,322,434	2,322,434			-
TOTAL OPERATING FUNDS	\$ 142,559,281	\$ 85,853,829	\$ 55,011,825		\$ 1,693,627
GENERAL REVENUES					
Taxes					
General Fund, Regular			\$ 47,949,759	93.39%	
Debt Service - General Obligation			3,424,675		
Licenses and Permits			744,750	1.35%	
Intergovernmental			784,520	1.43%	
Charges for Service			1,123,610	2.04%	
Fines and Penalties			347,800	0.63%	
Other			636,711	1.16%	
Total			\$ 55,011,825		

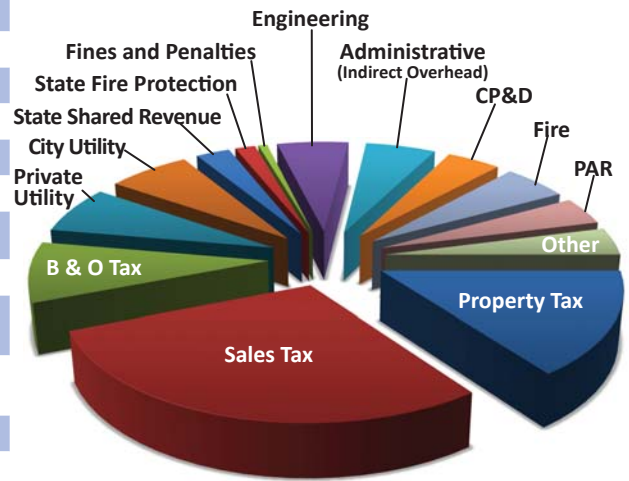


All numbers have been rounded in this table

*General Revenues totals reflected by City service rather than separated by specific Line of Business or Department.

General Fund (Regular) Revenues

	2016 Budget	% of Budget	2017 Budget	% of Total	% Change 2016 to 2017
Property Tax (1)	\$10,356,623	15.4%	\$10,823,869	15.0%	4.5%
Sales Tax (2)	19,998,310	29.7%	20,955,810	29.1%	4.8%
B&O Tax, and Licensing	5,882,000	8.7%	6,231,000	8.7%	5.9%
Utility Tax					
Private Utilities	4,881,790	7.3%	4,962,390	6.9%	1.7%
City Utilities	4,538,093	6.8%	4,735,690	6.6%	4.4%
State Shared Revenue	1,880,084	2.8%	1,931,720	2.7%	2.7%
State Fire Protection	1,114,490	1.7%	1,114,490	1.5%	0.0%
Fines and Penalties	459,950	0.7%	511,800	0.7%	11.3%
Engineering	4,070,169	6.1%	4,070,170	5.7%	0.0%
Administrative Indirect Overhead (3)	3,290,654	4.9%	4,000,658	5.6%	21.6%
Community Planning and Development	3,612,767	5.4%	3,094,972	4.3%	-14.3%
Fire	3,501,816	5.2%	3,726,179	5.2%	6.4%
Parks, Arts and Recreation (4)	1,027,127	1.5%	2,898,682	4.0%	182.2%
Other	2,613,092	3.9%	2,898,307	4.0%	10.9%
	\$ 67,226,965		\$ 71,955,737		

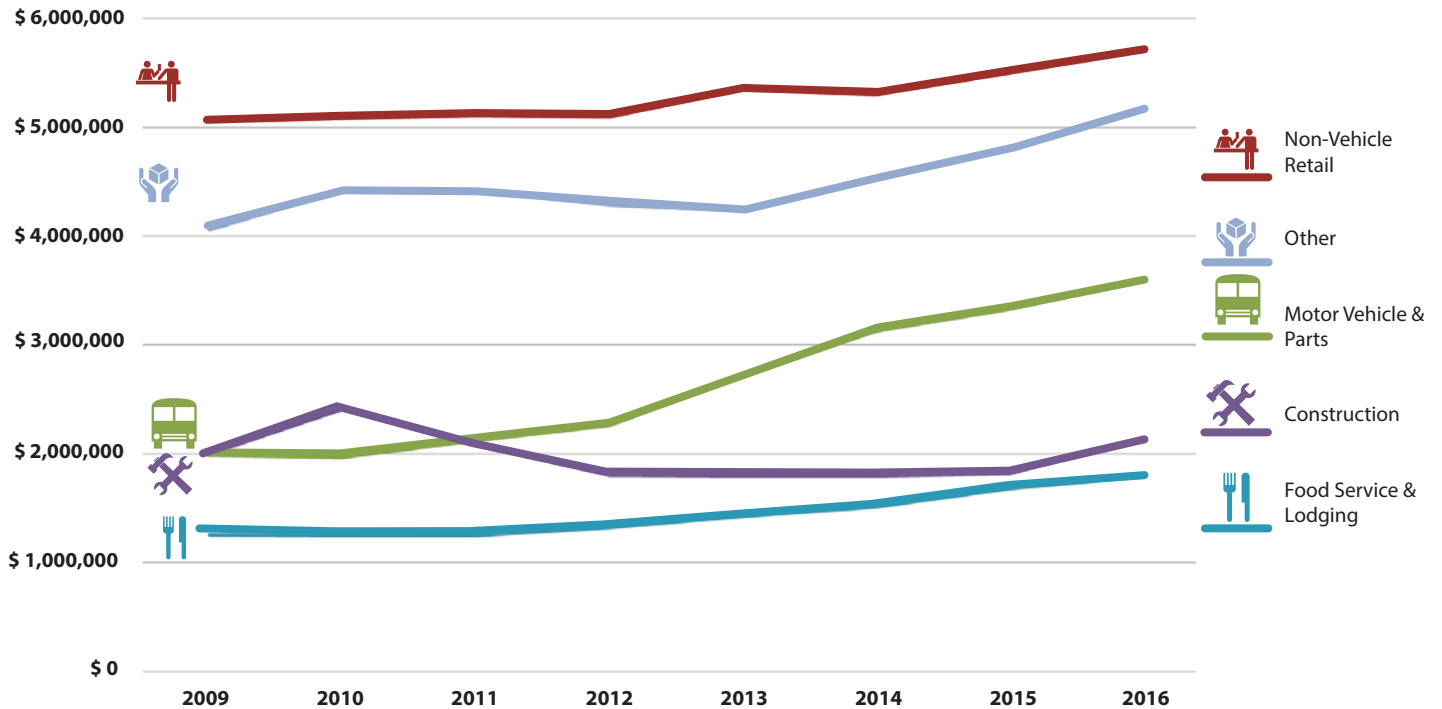


Notes:

	2016 Budget	% of Budget	2017 Budget	% of Total
(1) Property Tax Allocation, regular levy				
General Fund (amount shown above)	\$ 10,356,623	74.4%	\$ 10,823,869	75.1%
Debt Service Funds	\$ 2,293,998	16.5%	\$ 2,290,814	15.9%
LEOFF 1 retiree medical (a)	\$ 1,177,867	8.5%	\$ 1,085,000	7.5%
Firemen's Pension Fund (b)	\$ 100,000	0.6%	\$ 205,000	1.5%
(a) LEOFF I refers to police and firefighters pension system which existed prior to October 1977. These employees received post employment medical and dental benefits. Prior to the 2016 budget the police portion was paid by the General Fund and the Firemen's Pension Fund paid for the firefighters portion.				
(b) This Fund pays retirement benefits for firefighters hired prior to March 1970.				
(2) Sales tax:				
Regular (non dedicated)	\$ 17,597,800		\$ 18,481,280	
Criminal Justice	\$ 791,900		\$ 850,130	
Public Safety	\$ 1,548,610		\$ 1,589,400	
Brokered Natural Gas	\$ 60,000		\$ 35,000	
(3) Major increase is \$560,818 to be received from the Parking and Development Revenue Fee Funds. Previously these Funds were part of the General Fund. As separate Funds administrative costs are now distributed to those Funds.				
(4) The Parks, Arts & Recreation Department is expanding its operations with \$1,621,113 provided from the Olympia Metropolitan Parks District. The District was approved by voters in 2015. 2017 is the first year that the District will receive property tax.				

Retail Sales Tax

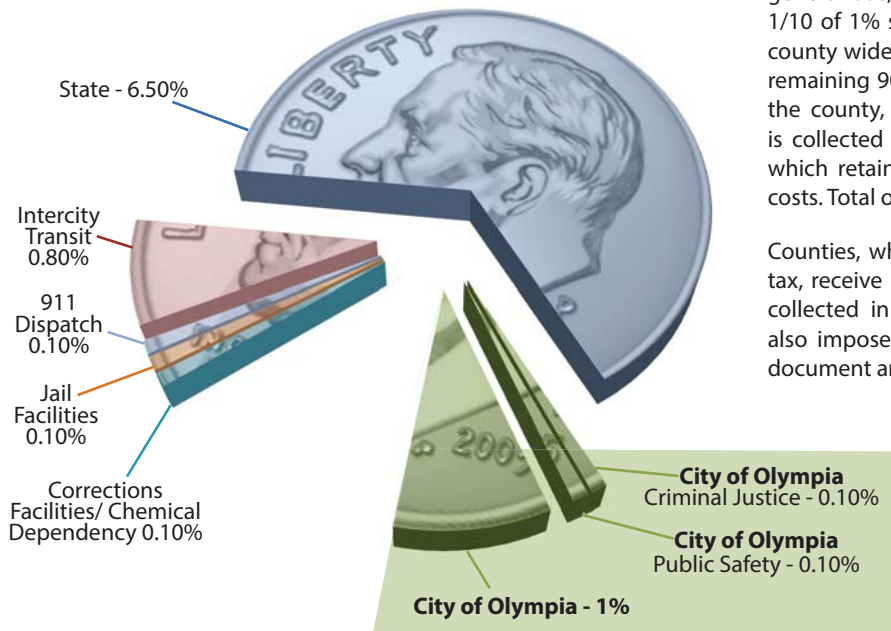
Sales Tax received by the City (Regular 1%)



Sales Tax

Sales Tax Distribution

Where does the 8.8% go?



Sales Tax (RCW 82.14 and OMC 3.48)

The City imposes a sales tax of 1.2% of which 1% is for general use, 1/10% for Public Safety, and a county wide 1/10 of 1% sales tax funds Criminal Justice activities. The county wide tax is distributed 10% to the county with the remaining 90% distributed on a per capita basis between the county, cities and towns within the county. The tax is collected and distributed by the State of Washington, which retains 1% of the tax collected for administration costs. Total overlapping sales tax within the City is 8.8%.

Counties, which also have imposed the general use sales tax, receive 15% of the city portion of sales tax revenues collected in cities of that county. Thurston County has also imposed a sales tax of 1%. Amounts shown in this document are exclusive of the County portion.

General Fund (Regular) Expenses by Type and Expenses by Function

Expenses by Type	2016 Budget	% of Total	2017 Budget	% of Total	% Change 2016-2017
Wages (1)	\$ 38,626,244	57.4%	\$ 41,813,189	58.00%	8.3%
Benefits (2)	13,708,055	20.4%	14,215,964	19.70%	3.7%
Supplies	2,151,758	3.2%	3,671,904	5.10%	70.6%
Professional Services	2,129,482	3.2%	2,337,740	3.20%	9.8%
Utility Costs	1,486,316	2.2%	1,515,326	2.10%	2.0%
Contracted Maintenance	977,321	1.5%	1,026,818	1.40%	5.1%
Vehicle Rents & Repairs	1,466,252	2.2%	1,411,844	2.00%	-3.7%
Liability & Property Insurance	1,118,030	1.7%	1,310,460	1.80%	17.2%
Intergovernmental Payments	1,241,321	1.8%	1,315,877	1.80%	6.0%
Transfers to Other Funds	1,022,881	1.5%	1,040,060	1.40%	1.7%
Other	3,415,805	5.1%	2,409,555	3.30%	-29.5%
	\$ 67,343,465		\$ 72,068,737		
Expenses by Function					
City Administration	\$ 9,559,395	14.2%	\$ 10,428,016	14.5%	9.1%
Special Accounts	2,307,859	3.4%	1,741,297	2.4%	-24.5%
Court	1,781,664	2.6%	1,824,976	2.5%	2.4%
CP&D (1)	5,511,561	8.2%	6,039,952	8.4%	9.6%
Fire	15,017,886	22.3%	16,099,085	22.3%	7.2%
Police	15,554,018	23.1%	15,878,345	22.0%	2.1%
Parks, Arts & Recreation (1) (3)	5,764,918	8.6%	7,841,090	10.9%	36.0%
Public Works					
Administration	658,987	1.0%	741,721	1.0%	12.6%
Engineering	1,925,775	2.9%	2,008,330	2.8%	4.3%
Facilities	3,636,937	5.4%	3,700,786	5.1%	1.8%
Transportation	5,624,465	8.4%	5,765,139	8.0%	2.5%
	\$ 67,343,465		\$ 72,068,737		

Notes:

(1) FTE Changes for 2017

1.00 FTE, Engineering Plans Examiner, funded in part from development fees - Community Planning & Development
 0.50 FTE, Maintenance Worker, funded from general resources - Parks, Arts & Recreation
 1.50 FTEs, Program Specialists, funded from general resources - Parks, Arts & Recreation
 1.00 FTE, Project Engineer, funded from charges to projects - Parks, Arts & Recreation
 8.75 FTEs, various positions, funded by the Olympia Metropolitan Parks District - Parks, Arts and Recreation
 See also note (4) below. Seasonal extra help is included in note below, but not in FTE changes.

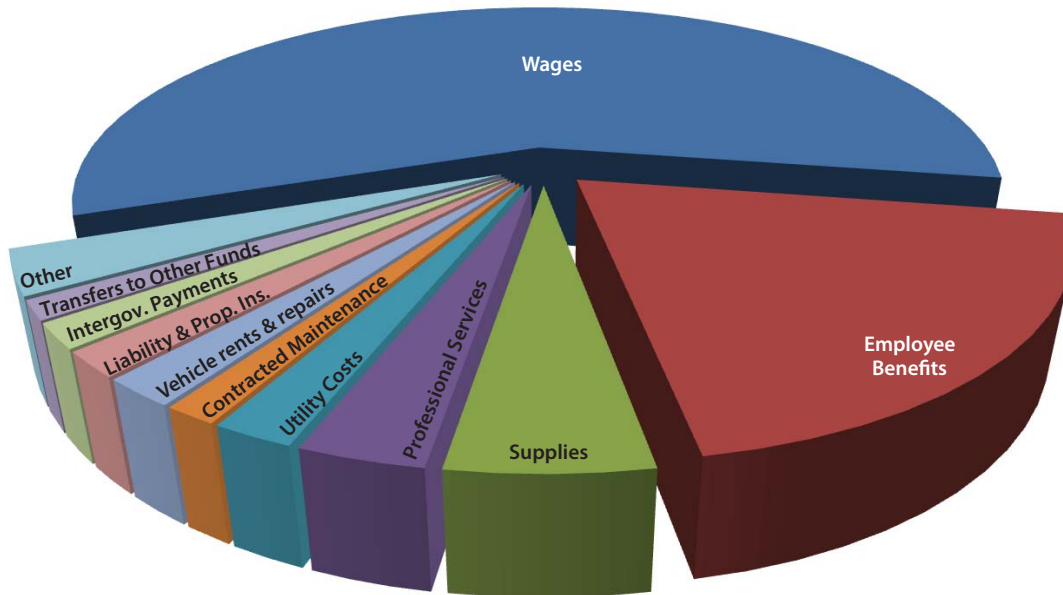
(2) Reflects the full costs of the PERS 2 retirements rate increase which was effective 7-1-2015 as 0.75% increase in the budget for those costs. The budget includes funding for a 5% increase in medical and dental insurance. Subsequent to the development of the preliminary budget, the city was notified that medical rate increases will be from 1.2% to 4.5% and that there would be no increase in dental rates. (See also note 4 below)

(3) The Olympia Metropolitan Parks District (OMPD) provided funding for expanded services and to move parks maintenance and development costs previously fund from the voted utility tax (VUT) into the General Fund.

OMPD Funding	Expanded Services	Costs previously VUT funded
Wages	\$598,282	\$371,229
Benefits	\$ 243,767	\$ 158,892
Benefits	\$133,783	\$ 69,227

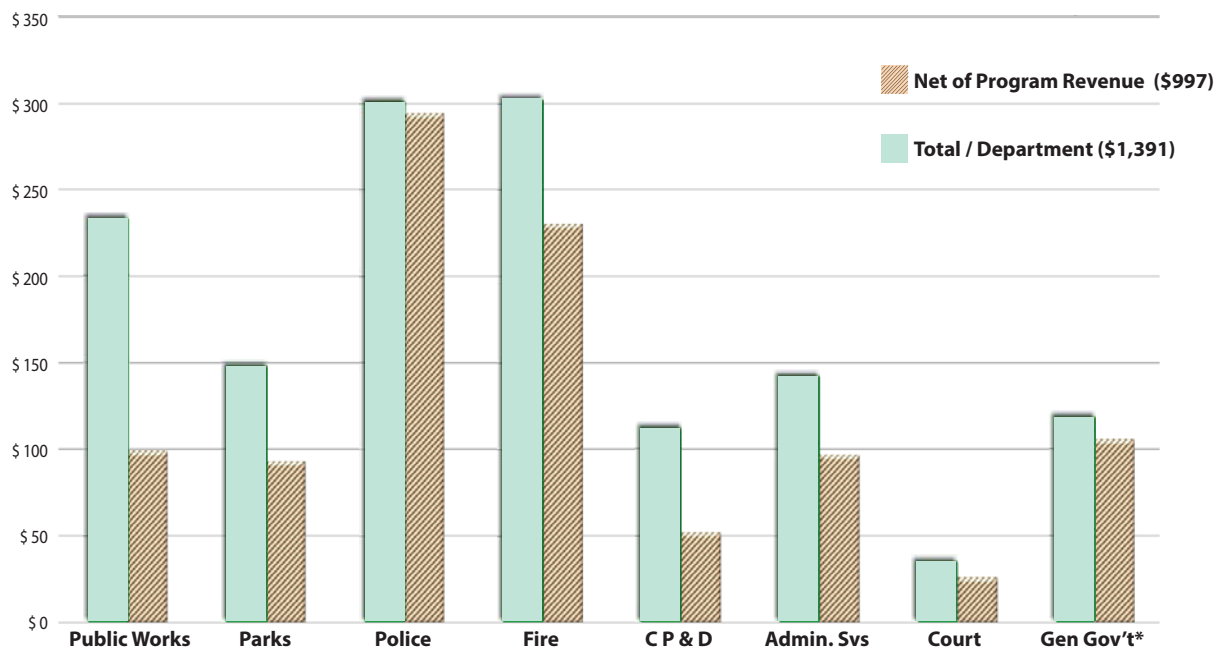
General Fund Expenses by Type

Total Expenses - \$ 72,068,737



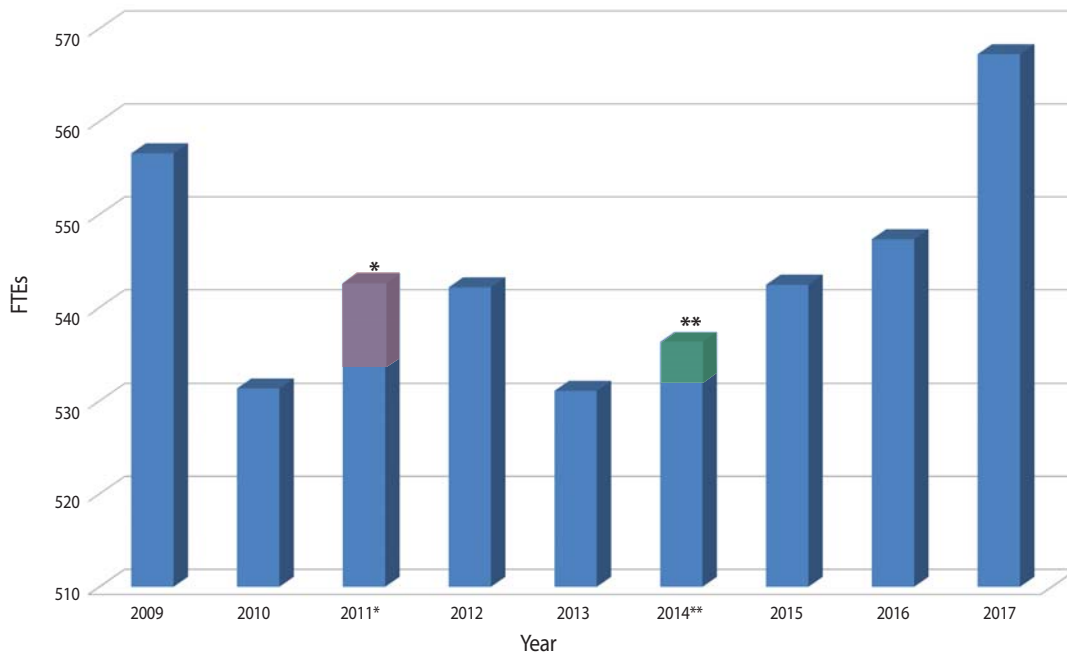
General Fund Cost Per Capita by Department

Total Cost per person per day \$3.81



* Gen Gov't includes special accounts. The preliminary budget includes \$1,582,189 for COLA reserve to be distributed later. Gen Gov't without COLA reserve is \$87 total and \$75 net of program revenue.

City Employee Full Time Equivalents (FTE)



* In 2011—Thirteen FTEs were added to staff and operate a fourth fire station. Funded by a levy lid lift.

** In 2014—Five FTEs were added to the Police department. Funded by the public safety sales tax

Information

The full version of the 2017 Adopted Operating Budget, in addition to the 2017-2022 Capital Facilities Plan, may be viewed online at: <http://olympiawa.gov/budget>

City of Olympia Buildings

City Hall Complex

601 4th Ave 98501
PO Box 1967 98507-1967

Fire Stations & Fire Training Center

#1 100 Eastside St NE 98506
#2 330 Kenyon St NW 98502
#3 2525 22nd Ave SE 98501
#4 3525 Stoll Rd SE 98501
Mark Noble Regional Fire Training Center-1305 Fones Rd 98501

Lee Creighton Justice Center

900 Plum St SE 98501

The Olympia Center

222 Columbia St NW 98501

Priest Point Park

2600 East Bay Dr NE 98506

Public Works Maintenance Center

1401 Eastside St SE 98501

City of Olympia Phone Numbers

Administrative Services	753-8325
Utilities	753-8340
Business Licensing/B&O Tax.....	753-8448
Transportation Benefit District.....	753-3727
Human Resources	753-8442
Community Planning & Development	753-8314
Criminal Justice Center	753-8312
Municipal Court Services	753-8312
Jail.....	753-8417
Parking	753-8017
Probation	753-8263
Prosecutor	753-8449
Fire Department	753-8348
General Government	753-8447
City Manager/Risk Management.....	753-8447
City Council	753-8244
Legal (Civil)	753-8338
Parks, Arts & Recreation	753-8380
Police Department	753-8300
Records	753-8302
Public Works	753-8588
Maintenance Center	753-8272



City Of Olympia
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