Olympia™

City of Olympia 2018 Adopted Operating Budget Summary

City Manager Executive Summary

December 12, 2017

Dear City Council, Citizens, and Employees.

I am pleased to present the 2018 Operating Budget for the City of Olympia, Washington. This budget stays within available resources while maintaining high-quality city services for the Olympia community.

Our best outcomes occur when we work together. In 2017, we continued to work with established partners to deliver important services to our citizens, while also building new partnerships. For example, with help from the City, the Low Income Housing Institute (LIHI) opened a new facility to provide housing for homeless veterans, disabled people, and homeless youth. To address the pending risks of climate change, we collaborated with the Port of Olympia and LOTT to launch a comprehensive sea level rise plan. In addition, despite the re-location of the Toyota dealership to Tumwater, we worked with the auto mall and other employers to build our business base as Olympia continues to be the main economic engine for Thurston County. Finally, using Community Development Block Grant (CDBG) dollars we helped support the new Providence Community Care Center to assist the region's most vulnerable citizens.

The 2018 budget focuses on core services and outstanding service delivery to this community. To fully fund core services, we seek out efficiencies, partnerships, and innovative revenue sources to meet this pledge. In 2017, the Transportation Benefit District increased their funding to meet the growing street repair needs. The City Council also developed a funding strategy to expand public safety services, and launched a pilot project using wastewater utility and other funds to add 24-hour restrooms in downtown.

In 2017, we reduced the increase in employee health care costs by migrating to new, less costly insurance while still meeting our commitment to City employees. We also expanded our energy efficiencies in fleet, buildings, and operations. And, we aggressively managed workers' compensation and unemployment costs to provide overall budget savings.

In November 2017, voters approved a Public Safety Levy Lid lift which will generate $2.8 million for public safety programs. The 2018 operating budget includes the addition of 13.85 employees; funds recruitment, training and equipment to support increased walking patrol in Downtown; enhances our Community Policing program in the neighborhoods; adds a Mental Health Response Team; permanently funds our Community Court; and adds a new Code Enforcement Officer in the Community Planning and Development Department.

The 2018 Operating Budget is $149.9 million, which includes the additional $2.8 million generated by the Public Safety Levy Lid lift. The Operating Budget represents a 5.1 percent increase over the 2017 budget. The General Fund budget comprising basic municipal services increased 8.7 percent, which is $6.3 million over 2017. Wages and benefits represented 7 percent ($4.2 million) of the increase. The General Fund budget includes the addition of one full-time employee for street maintenance (cost neutral), funding for a special election in 2018, increased prosecution services, a lobbyist, and an increase to help pay for new fire equipment that is at the end of life. In 2018, Council approved adding a Downtown Ambassador and Clean Team Program. The budget includes eight additional FTEs whose responsibility is to provide a clean and welcoming downtown. These services were previously contracted by the City.

The budget absorbs an approximately 1.5 percent rate increase ($330,000) in retirement contributions and over 7 percent increase in medical insurance rates ($470,000). The budget also provides sufficient funds to accommodate for the increased City Council compensation ($54,000) as determined by the independent salary commission.

The General Fund includes the Parks, Arts and Recreation Department (Parks). The Parks budget increased by $0.5 million (6.5%). The Parks budget has dedicated funding, which includes 11 percent of property, sales, business and utility taxes, support from the Olympia Metropolitan Park District (OMPD) and revenue generated by the Department from programming and facility rentals. These funding sources cover the additional expenses in the Parks budget. The increase in the Parks budget includes expanded hours for the Artesian Commons ranger/well host ($73,100), accelerated work on ADA improvements in parks ($200,000 in the Capital Program) and $138,220 to cover accounting, legal, technology, personnel and other support services.

City Manager - Executive Summary

Even with the successful passage of the Public Safety Levy Lid Lift, and our ability to maintain current core services, the City continues to have areas in the budget that are not fully funded such as funds for hazard tree removal and code enforcement abatement. Future work on revenue options will be needed to address these areas and other priority service needs of the community.

Utilities

Our utilities provide reliable service while also protecting our physical environment and managing the cost to ratepayers. The four utilities: Drinking Water, Wastewater, Storm and Surface Water, and Waste ReSources are each accounted as separate businesses. The Wastewater utility includes sewage collections and payments to the LOTT Clean Water Alliance, which provides sewage treatment. We walk a fine line between investing in our utilities and providing services at rates our customers can afford.

2018 rate increases include:

Drinking Water	4.4%
Wastewater	
Collections	0%
LOTT	2.0%
Storm & Surface Water	0%
Waste Resources	
Drop Box	6.0%*
Residential	6.0%*
Commercial	5.0%*
Organics	0%
*Includes 4% to begin funding for a future facility	

The Drinking Water rate increase will fund debt payments on loans for the following capital projects: Log Cabin Reservoir, Corrosion Control Facility at McAllister Wellfield, and Fones Road Booster Pump Station. The LOTT increase covers the general costs of sewage treatment. In addition to the proposed Waste ReSources increases to pay for general cost increases, the budget includes an increased rate to begin setting aside funds to pay for a new maintenance facility for the utility. Rate increases to fund a new facility are proposed to be phased in over several years with increases of four to five percent.

Revenue Outlook

Total General Fund revenues are up $6.2 million (8.7 percent). The economy remains strong. Taxes represent 68 percent of total General Fund revenue which is, 10 percent over the 2017 budget. The increased revenue collected through taxes in 2015, 2016 and 2017 were 4 percent, 4.9 percent, and 4.8 percent respectively. Much of the revenue growth in past years is driven by auto sales and construction spending. History tells us that these increases are cyclical and future budgets will likely be less robust when these revenue generators slowdown.

Conclusion

2018 will be a busy and rewarding year as we work on implementing the new public safety programs, a sea level rise work plan, implementing the downtown strategy, acquiring new park land and potentially adding new and expanded services if the Home Fund Sales and Use Tax is approved by voters in February, 2018.

The 2018 budget demonstrates the City's commitment to advancing our goals of innovation, efficiency, and partnerships while focusing on delivering exceptional services and maintaining a vibrant, healthy and beautiful Capital City of the State of Washington.

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. 2021*

Lisa Parshley
Dec. 2021*

Jessica Bateman
Dec. 2019*

Jim Cooper
Dec. 2021*

Renata Rollins
Dec. 2021*

Citizen Advisory Boards and Commissions

- Arts Commission
- Ad Hoc Committee on Housing Affordability
- 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*

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.

We develop the next years budget during the current year. So in January of 2018 we are starting to plan for the 2019 Budget.

Jan.-May — Budget Planning

- Budget Calendars Developed
- Submitted and Reviewed
- Forecasts Updated
- Assumptions Developed
- Goals/priorities reviewed & set

Prepare

June-Sept. — Budget Development

- Departments Prepare & Submit Budgets
- CFP Updated & Presented to Council
- Planning Commission Public Hearing on CFP
- Department Budget Meetings with Executive Team
- Budget Meetings with Boards & Committees, Unions, Employees
- Forecasts Updated

Draft

October — City Manager Proposed Budget

- Proposed Budget Documents Prepared
- Presentation of Recommended Budget
- Forecasts Updated

Review

Oct.-Nov. — Public Commentary and Workshops

- Council Budget Work Sessions
- Public Hearing on Budget
- Public Hearing on Proposed Tax & Rate Increases

Adjust

December — Adoption of Budget

- Approved Budgets Adopted by City Council (Operating & Capital)
- Budgets Effective January 1

Adopt

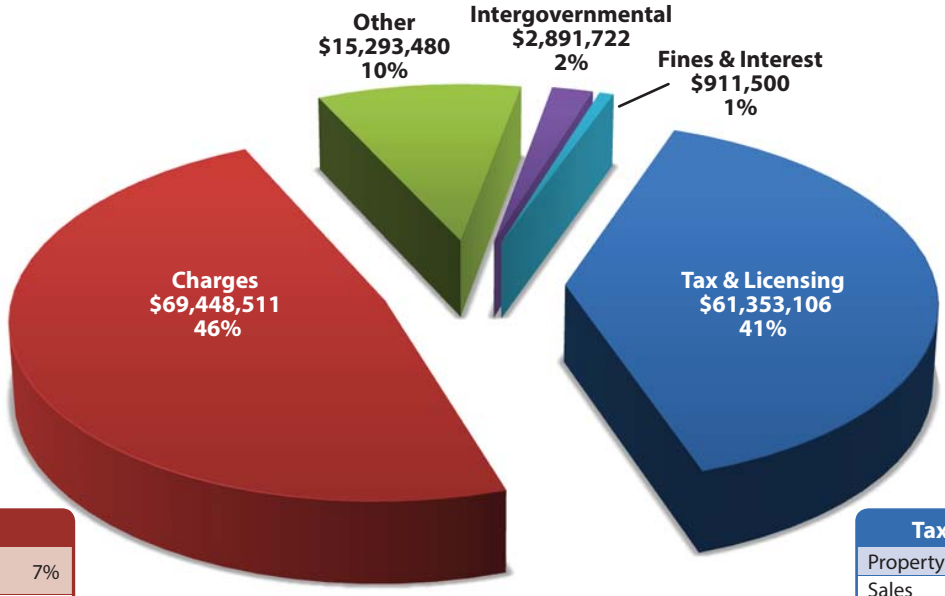
Post Adoption and Year Round

- Quarterly Budget Amendments
- Monitor Revenues & Expenses to Budget Estimates
- Continually Re-evaluate City Priorities
- Pursue Citizen Involvement
- Analyze Citizen Input
- Review & Report Performance Data
- Regularly Report Key Financial Information

The City's budget process is designed to inform citizens about how to get involved in our budget decision-making. 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

$149,898,319

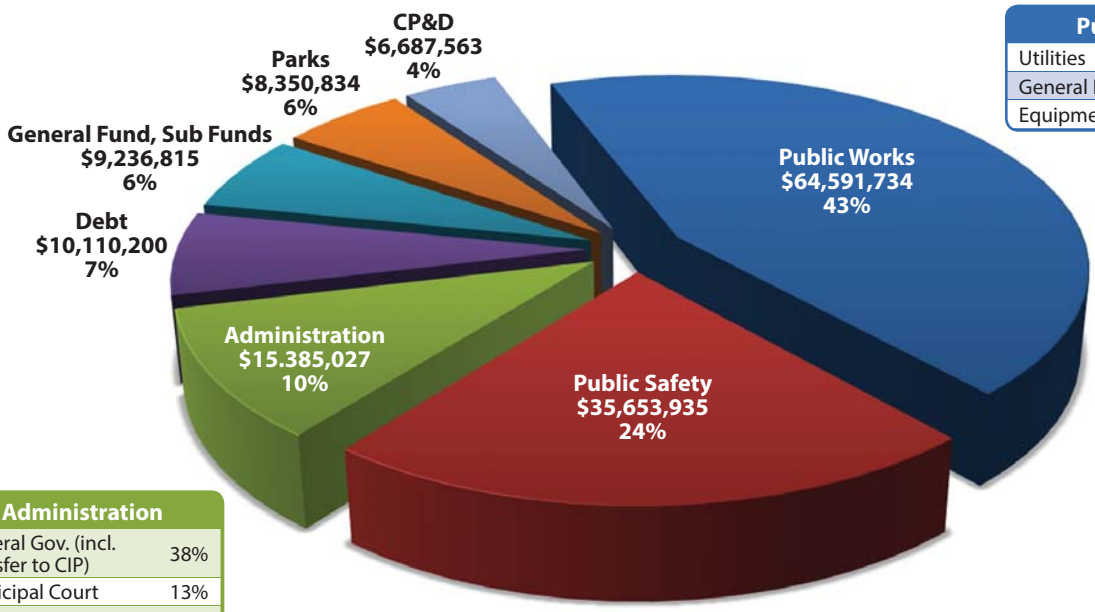


Charges	
Security (Persons & Property)	7%
General Government	13%
Drinking Water	20%
Wastewater	29%
Stormwater	8%
Waste ReSources	17%
Equipment Rental	3%
Other	3%

Tax & Licensing	
Property	30%
Sales	36%
Business	11%
Utility	16%
Other Taxes	<1%
Licenses & Permits	7%

Where the Money Goes - Total Operating Expenditures

$150,016,108



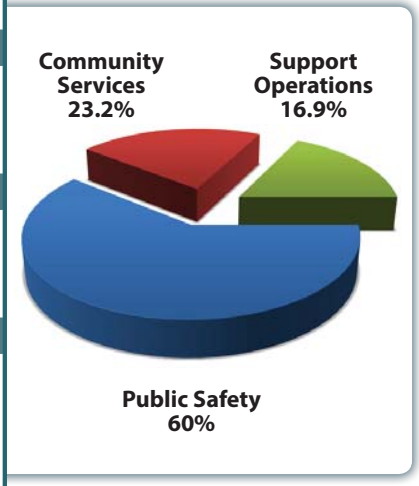
Public Works	
Utilities	77%
General Fund	19%
Equipment Rental	4%

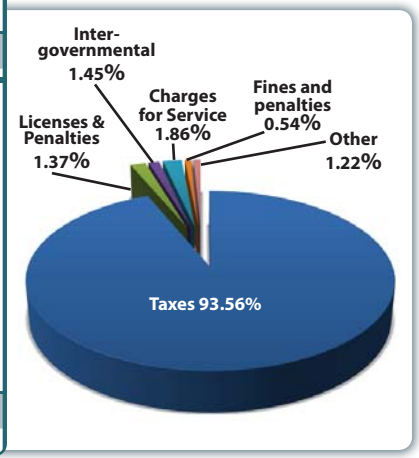
Administration	
General Gov. (incl. Transfer to CIP)	38%
Municipal Court	13%
Admin. Services	49%

Operating Funds

	Expenses	Program Revenues	General Revenues*	% General Revenues	Reserves Use (Gain)
GENERAL FUND - Regular					
Public Safety					
Court and Probation	$ 3,022,488	$ 467,429	$ 2,555,059	4.5%	
Fire	16,538,687	3,868,053	12,670,634	22.3%	
Police and Jail	19,348,059	520,120	18,827,939	33.2%	
Community Services					
Community Services and Planning	6,909,373	3,469,319	3,440,054	6.1%	
Parks, Arts and Recreation	8,505,472	3,174,642	5,330,830	9.4%	
Transportation Operations and Maint.	6,094,908	1,715,938	4,378,970	7.7%	
Support Operations					
Council, Executive and Legal	3,360,233	807,144	2,553,089	4.5%	
General Administration	8,613,057	2,864,243	5,536,243	9.8%	
Engineering	3,728,778	4,085,134	(356,356)	-0.6%	
Facilities, Operations and Maintenance	2,276,198	478,079	1,798,119	3.2%	
Total General Fund - Regular	**$ 78,397,253**	**$ 21,450,101**	**$ 56,734,581**		**$ 212,571**
GENERAL FUND - Sub/Funds					
Arts Fund	$ 55,800	$ 55,800			$ -
Development Fee Revenue Fund	3,756,900	3,756,900			-
Facilities Repair and Maintenance	1,149,775	1,511,873			(362,098)
Parking Fund	1,296,691	1,560,200			(263,509)
Post Employment Benefits	1,532,000	1,133,000			399,000
Special Accounts Control Fund	984,673	908,813			75,860
Washington Center Operations	460,976	455,976			5,000
DEBT SERVICE - General Obligation	6,007,469	2,574,103	3,425,580		7,786
Total Governmental Funds	**$ 93,641,537**	**$ 33,406,766**	**$ 60,160,161**		**$ 74,610**
BUSINESS TYPE ACTIVITIES					
Utilities:					
Drinking Water	$ 14,084,680	$ 13,983,920			$ 100,760
Wastewater	20,258,201	20,254,540			3,661
Stormwater	5,407,482	5,396,612			10,870
Waste ReSources	12,108,571	12,159,668			(51,097)
Debt Service - Bonds	2,156,097	2,165,630			(9,533)
Total Utility Funds	**$ 54,015,031**	**$ 53,960,370**			
Fleet (Equipment Rental)	2,359,540	2,371,022			(11,482)
TOTAL OPERATING FUNDS	**$ 150,016,108**	**$ 89,738,158**	**$ 60,160,161**		**$ 117,789**
GENERAL REVENUES					
Taxes					
General Fund, Regular			$ 52,858,976	93.56%	
Debt Service - General Obligation			3,425,580		
Licenses and Permits			825,200	1.37%	
Intergovernmental			869,440	1.45%	
Charges for Service			1,121,770	1.86%	
Fines and Penalties			327,500	0.54%	
Other			731,695	1.22%	
Total			**$ 60,160,161**		

All numbers have been rounded in this table

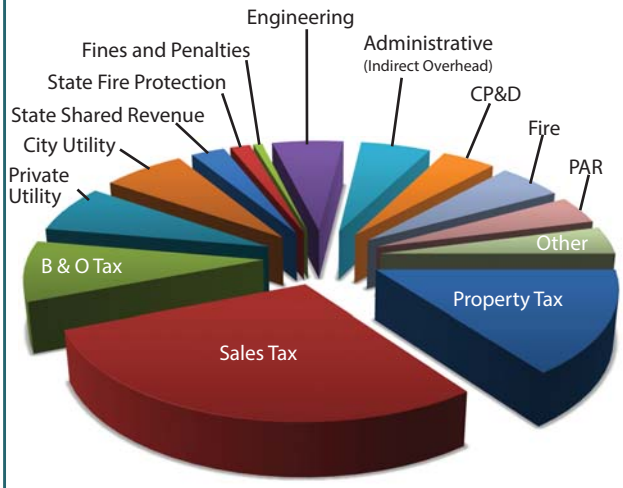




*General Revenues totals reflected by City service rather than separated by specific Line of Business or Department.

General Fund (Regular) Revenues

	2017 Budget	% of Budget	2018 Budget	% of Total	% Change 2017 to 2018
Property Tax (1)	$ 10,823,869	15.0%	$ 13,878,306	17.8%	28.2%
Sales Tax (2)	20,955,810	29.1%	22,041,050	28.2%	5.2%
B&O Tax, and Licensing	6,231,000	8.7%	6,838,000	8.7%	9.7%
Utility Tax					
Private Utilities	4,962,390	6.9%	5,025,790	6.4%	1.3%
City Utilities	4,735,690	6.6%	5,060,830	6.5%	6.9%
State Shared Revenue	1,931,720	2.7%	2,016,640	2.6%	4.4%
State Fire Protection	1,114,490	1.5%	1,114,490	1.4%	0.0%
Fines and Penalties	511,800	0.7%	491,500	0.6%	-4.0%
Engineering	4,070,170	5.7%	4,085,134	5.2%	0.4%
Administrative Indirect Overhead	4,000,658	5.6%	4,087,895	5.2%	2.2%
Community Planning and Development	3,094,972	4.3%	3,469,319	4.4%	12.1%
Fire	3,726,179	5.2%	3,868,053	4.9%	3.8%
Parks, Arts and Recreation	2,898,682	4.0%	3,174,642	4.1%	9.5%
Other	2,898,307	4.0%	3,033,033	3.9%	4.6%
	$ 71,955,737		**$ 78,184,682**		



Notes:

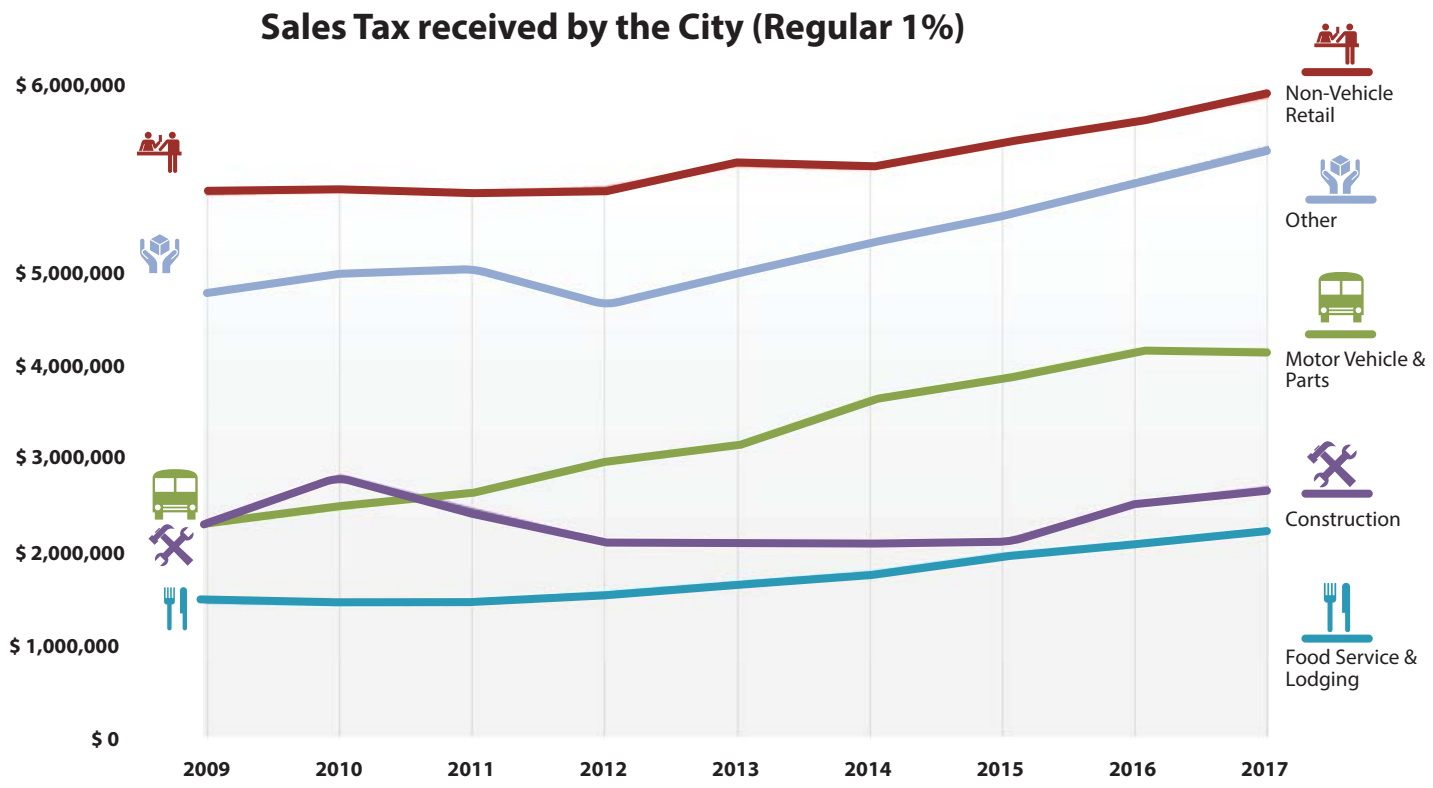
	2017 Budget	% of Budget	2018 Budget	% of Total
(1) Property Tax Allocation, regular levy				
General Fund (amount shown above)	$ 10,823,869	75.1%	$ 13,878,306	80.0%
2018 includes $2,800,000 voter approved levy lid lift for public safety purposes.				
Debt Service Funds	$ 2,290,814	15.9%	$ 2,229,650	12.9%
LEOFF 1 retiree medical (a)	$ 1,085,000	7.5%	$ 1,111,000	6.4%
Firemen's Pension Fund (b)	$ 205,000	1.5%	$ 124,307	0.7%

(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.

In addition to the regular levy the City collects voter approved property tax which was used for fire purposes.	$ 1,187,851		$1,195,930	
(2) Sales tax:				
Regular (non dedicated)	$ 17,597,800		$ 19,443,900	
Criminal Justice	$ 791,900		$ 894,420	
Public Safety	$ 1,548,610		$ 1,652,730	
Brokered Natural Gas	$ 60,000		$ 50,000	

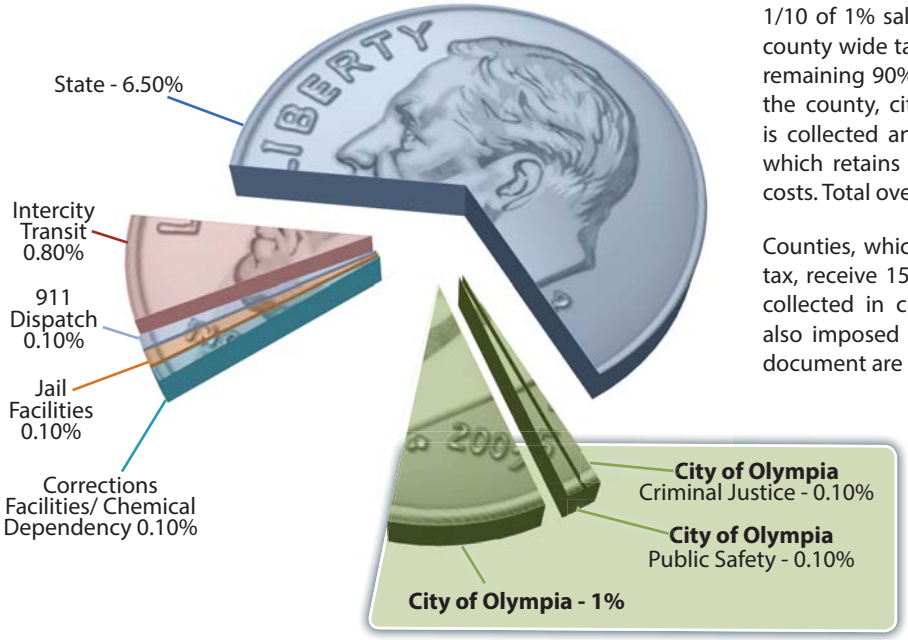
Retail Sales Tax



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	2017 Budget	% of Total	2018 Budget	% of Total	% Change 2017-2018
Wages (1)	$ 41,813,189	58.0%	$ 45,203,290	57.7%	8.1%
Benefits (2)	14,215,964	19.7%	15,082,025	19.2%	6.1%
Supplies	2,031,081	2.8%	2,060,200	2.6%	1.4%
Professional Services	2,337,740	3.2%	3,292,274	4.2%	40.8%
Utility Costs	1,515,326	2.1%	1,502,852	1.9%	-0.8%
Contracted Maintenance	1,026,818	1.4%	1,039,706	1.3%	1.3%
Vehicle Rents and Repairs	1,411,844	2.0%	1,463,054	1.9%	3.6%
Liability and Property Insurance	1,310,460	1.8%	1,425,430	1.8%	8.8%
Intergovernmental Payments	1,291,867	1.8%	1,374,096	1.8%	6.4%
Transfers to Other Funds	1,040,060	1.4%	1,114,961	1.4%	7.2%
Other	4,074,388	5.8%	4,839,365	6.2%	18.8%
	$ 72,068,737		**$ 78,397,253**		
Expenses by Function					
City Administration	$ 10,428,016	14.5%	11,224,724	14.3%	7.6%
Special Accounts	1,741,297	2.4%	2,146,472	2.7%	23.3%
Court (3)	1,824,976	2.5%	2,013,831	2.6%	10.3%
CP&D (3)	6,039,952	8.4%	6,687,563	8.5%	10.7%
Fire	16,099,085	22.3%	16,338,687	20.8%	1.5%
Police (3)	15,878,345	22.0%	19,315,248	24.6%	21.6%
Parks, Arts & Recreation (1)	7,841,090	10.9%	8,350,834	10.7%	6.5%
Public Works					
Administration	741,721	1.0%	673,292	0.9%	-9.2%
Engineering	3,700,786	5.1%	2,097,916	2.7%	4.5%
Facilities	2,008,330	2.8%	3,728,778	4.8%	0.8%
Transportation	5,765,139	8.0%	5,819,908	7.4%	1.0%
	$ 72,068,737		**78,397,253**		

Notes:

(1) FTE Changes for 2018

0.60 FTE, Case Manager - Courts
0.35 FTE, Public Defense Coordinator - Administrative Services
0.40 FTE, Community Court Social Worker - Administrative Services
1.00 FTE, Parking Services - Community Planning & Development
1.00 FTE, Code Enforcement funded by levy increase for public safety - CP&D
7.00 FTE, Ambassador / Clean Team Program previously contracted - CP&D
12.00 FTE, Police Department, funded from levy increase for public safety
0.40 FTE, Facilities Operation - Parks, Arts & Recreation
1.00 FTE, Transportation Maintenance Worker II - Public Works

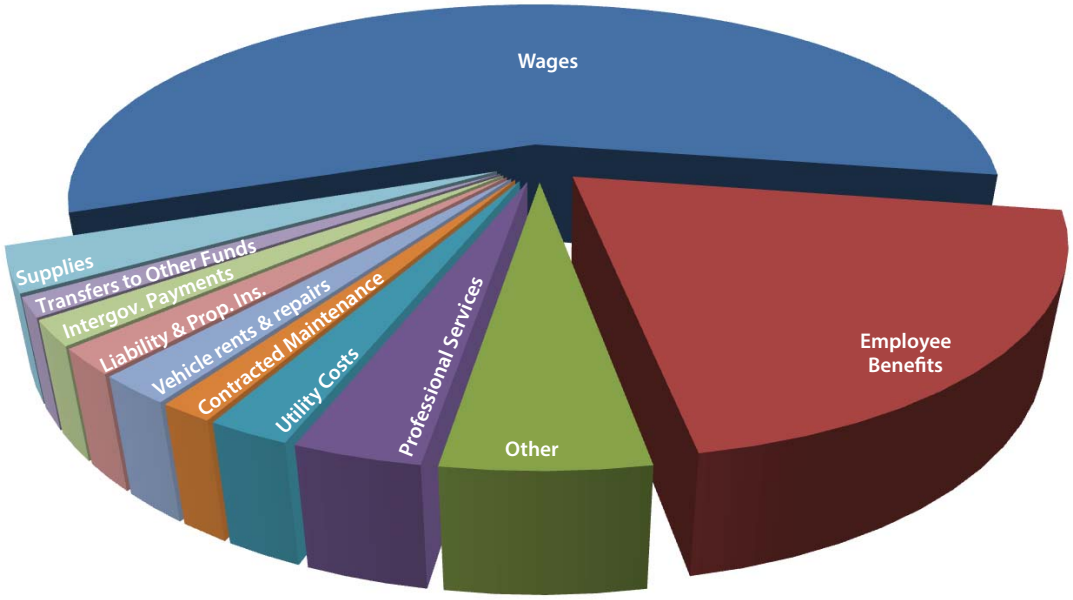
(2) The budget includes 1 rate increase of 7.2% to 7.6% and that there would be no increase in dental rates.

(3) In November 2017 voters approved a levy lid lift which provided $2,800,000 for public safety.

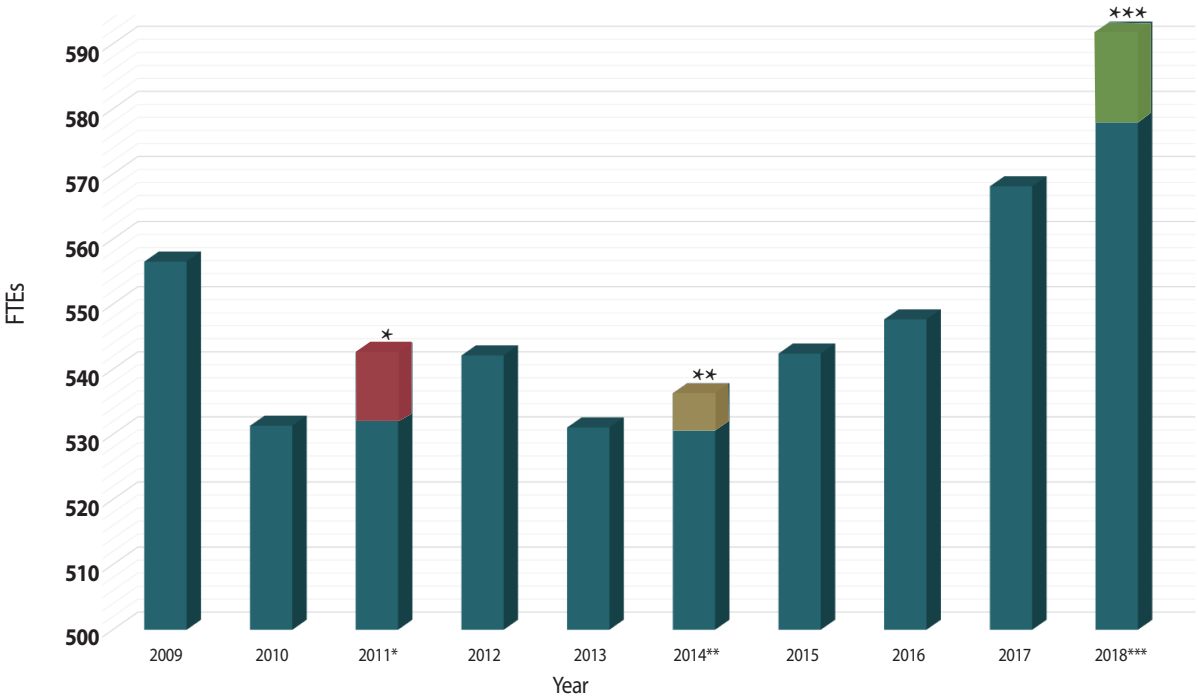
$2,619,333 Police Services
$90,778 Community Planning and Development
$89,889 Community Court

General Fund Expenses by Type

Total Expenses - $ 78,397,253



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

*** In 2018—12 FTEs were added to the Police department. Funded by the public safety levy

Information

The full version of the 2018 Operating Budget, in addition to the 2018-2023 Capital Facilities Plan, may be viewed online at: 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	570-3727
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	753-8333

City Of Olympia

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