



City of Lacey, Washington
Finance & Economic Development Committee Agenda

Refer to the bottom of the agenda for meeting information.

Tuesday, June 27, 2023

8:30 AM

Council Chambers and Online

1. Agenda Items

- A. **Electric Vehicles Charging Rate Policy**
Marcus Hoch, Management Analyst
- B. **Tuition Reimbursement Update**
Rick Walk, Interim-City Manager
- C. **2024 Budget Calendar**
Troy Woo, Finance Director

2. Adjourn

Attend Remote or In Person

The public may attend the meeting in person, or you may watch or listen to the meeting using one of the following platforms:

In Person: Council Chambers at Lacey City Hall, 420 College Street SE, Lacey, WA 98503

Via Zoom: <https://us02web.zoom.us/j/84194543210>

City Website: <https://cityoflacey.org/upcoming-meetings/>

Facebook: <https://www.facebook.com/cityoflacey>

YouTube: <https://www.youtube.com/watch?v=r7-C9A8ZEXs>

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**FINANCE & ECONOMIC
DEVELOPMENT COUNCIL**
JUNE 27, 2023

SUBJECT: Rate Policy for Charging Electric Vehicles

RECOMMENDATION: NA- Introductory Briefing to Review Pricing Options for Charging Electric Vehicles

STAFF CONTACT: Rick Walk, Interim City Manager *RW*
Troy Woo, Finance Director *TW*
Scott Egger, Public Works Director *SE*
Marcus Hoch, Public Works Management Analyst *MH*

ORIGINATED BY: Public Works

ATTACHMENTS:

1. [EV Station Map](#)
2. [EV Charging Rates Options Table](#)
2. [Local Market Charging Rate Comparable Table](#)

FISCAL NOTE: Revenue/Expense dependent on option selected

WORK PLAN GOAL AND STRATEGY: **Environmental Stewardship**
K. Continue Implementation of Climate Mitigation efforts

BACKGROUND:

The City of Lacey is currently in the process of upgrading and expanding its electric vehicle (EV) charging infrastructure. The existing four Level-2 charging stations at City Hall will be replaced with two new Level-2 charging stations (4 charging ports), and adding one DC Fast charging station, increasing the number of EV parking spaces from four to five. New EV charging locations will also be added at the Community Center, with one 2-port Level-2 station and one DC Fast. The library will receive one 2-port Level-2 station for their patrons. The new charging stations will add an additional six EV stalls for public use.

Currently, the existing charging stations are free to use with the city paying all costs operating the system. The new stations, totaling ten stalls, will be connected to the Chargepoint Network App, connecting EV drivers to Lacey’s EV charging station locations. Drivers can

use Chargepoint's services to locate the stations on their on-line map, which will increase visibility of our locations and increase the demand for usage, thus increase energy costs.

Chargepoint allows the City to create and apply a payment structure for each station. Below are 3 pricing options to consider implementing once the new charging stations are installed.

Option 1 – No Cost:

Customers would charge for free and the City would not receive revenue for the usage of the charging stations and could cost the City approximately \$41,000 per year in expenses or more. This plan could increase usage, especially on the DC Fast stations, increasing the energy costs for the City.

Option 2- Recover Energy and Chargepoint expenses:

The cost of energy is \$0.12 per kWh. The combined cost of energy and credit card expenses would be recovered by the customer a rate at \$0.14 per kWh.

Option 3 - Recover Energy, Chargepoint expense and collect replacement cost of the stations.

The Level-2 stations have a replacement cost of \$14,411 and the DC Fast station replacement cost is \$131,268. In order to recover costs, the Level-2 Station rate would be \$0.19 per kWh and the DC Fast rate would be set at \$0.29 per kWh. At these rates, a reserve would be created to fund the cost of replacing the stations in approximately 10 years.

In researching the Thurston County area's EV charging stations, there were two types of payment methodology, pay by hour (flat rate per hour) and pay by kWh. The disadvantage with the pay by hour option is that a DC Fast charging station would fully charge an EV in less than an hour, while a level 2 station can take up to 4 hours or more, thereby charging the level 2 customer up to 3 hours more for the same amount of power consumed. The pay by kWh option charges each customer based on the energy the EV consumes. Tesla and ElectrifyAmerica also use this method for their DC Fast charging stations, starting at a rate of \$0.36 kWh or more. The Level-2 Stations in the area, Private and Public Sectors, have a rate of \$0.18 to \$0.39 per kWh.

Idle/Overstay Fee:

Another feature that should be included in the Pricing Strategy is the Idle/Overstay Fee. This fee is charged when an EV has stopped charging. The purpose of this fee is to motivate EV owners to move their vehicles and create an opportunity for others to charge their EVs. Currently, EV stalls at City Hall are occupied by one user all day often denying others from charging.

Staff recommends implementing Option-3 noted above in combination with an Idle/Overstay fee. Staff recommends an Overstay fee of \$5.00 per hour for overstay at Level-2 chargers and \$10.00 per hour for overstay at Level-3 fast chargers. The City Manager or Public Works Director should be given authority to make changes to charging rates and fees when market conditions change. This would ensure that the City would not only cover the daily operational cost but also the replacement cost of the stations.

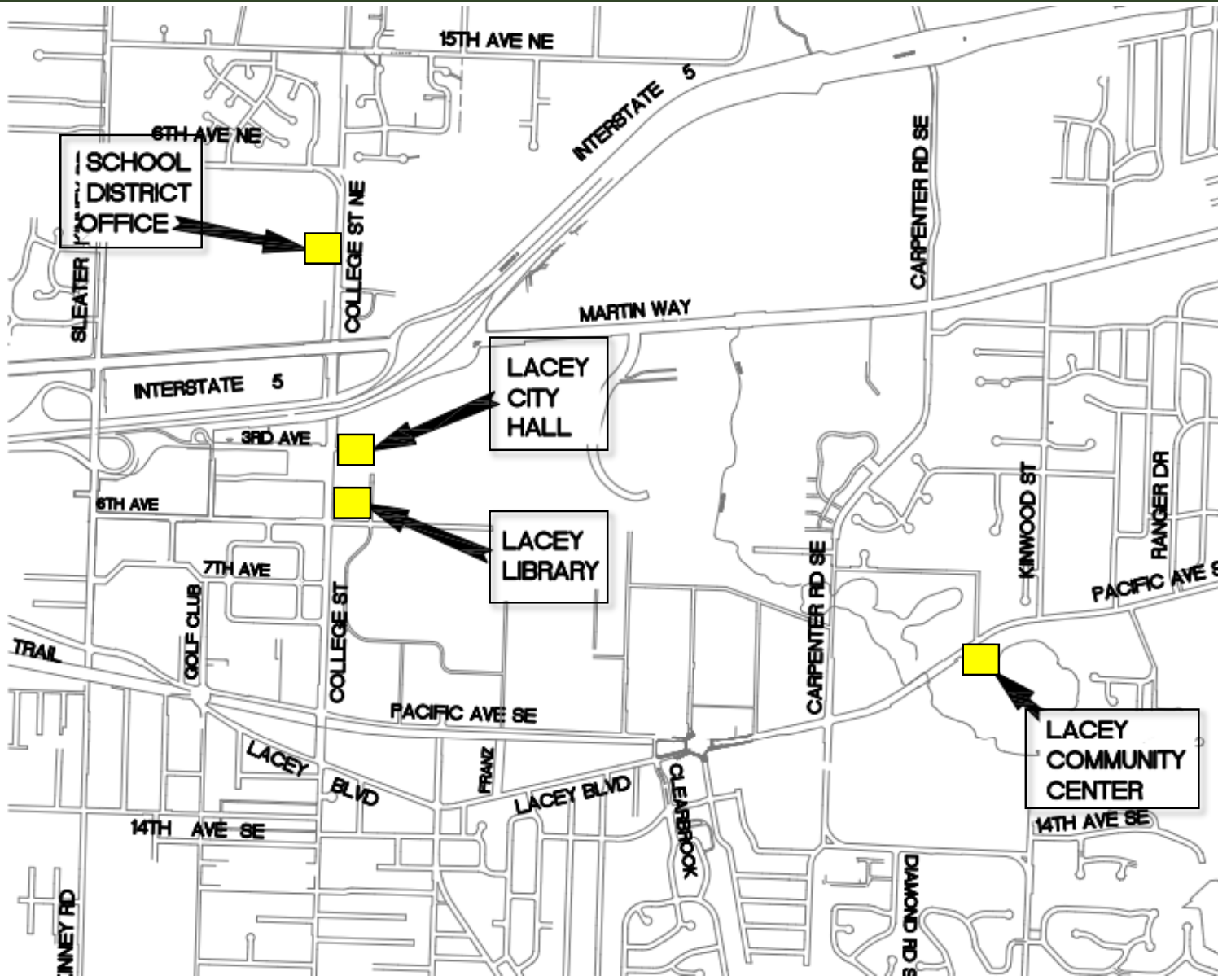
ADVANTAGES:

1. Selecting a payment option could minimize the City's EV station expenses, generate revenue to replace stations at the end of their useful life, and having the EV be revenue neutral to the General Fund.

DISADVANTAGES:

1. If the City continues with the no cost pricing schedule with the Chargepoint stations, with the annual expense could approximately be around \$41,184 or more based on consumption. A no-cost pricing schedule will not provide revenue for replacement cost.

E-V CHARGING STATIONS



North Thurston Public Schools District Office

1- Type 2 (2 charging locations)

Lacey City Hall

2 - Type 2 (4 charging locations)
1 - Type 3 (1 charging location)

Lacey Timberland Library

1- Type 2 (2 charging locations)

Lacey Community Center

1 - Type 2 (2 charging locations)
1 - Type 3 (1 charging location)

Project Cost: ~\$700,000

Federal Grant: ~\$500,000

EV Charging Rate Options

June 28, 2023

Level-2 Charger Rate Options

(Vehicle Charge Time: 2-4 hrs)

| EV per Charge (30kwh) | 6 | | |
|--|------------------|------------------|------------|
| Total Visits Per Day: (8 Level-2 parking spaces x 2 visits per day) | 16 | | |
| Price Per kWh | Revenue Per Year | Expense Per Year | Net |
| Option 1: No Charge to Customer (Lacey Cost = \$0.12 per kWh) | | (\$16,474) | (\$16,474) |
| Option 2: Recover Energy & Chargepoint Cost: (\$0.14 per kWh) | \$17,472 | (\$16,723) | \$749 |
| Option 3: Recover Energy, Chargepoint & Replacement Cost: (\$0.19 per kWh) | \$23,712 | (\$23,111) | \$601 |

DC-Fast Charger Rate Options

(Vehicle Charge Time: up to 1 hr)

| EV per Charge (60kwh) | 12 | | |
|--|------------------|------------------|------------|
| Total Visits Per Day: (2 parking spaces x 6 visits per day) | 12 | | |
| Price Per kWh | Revenue Per Year | Expense Per Year | Net |
| Option 1: No Charge to Customer (Lacey Cost = kWh @ \$0.12) | | (\$24,710) | (\$24,710) |
| Option 2: Recover Energy & Chargepoint Cost: (kWh @ \$0.14) | \$26,208 | (\$25,085) | \$1,123 |
| Option 3: Recover Energy, Chargepoint & Replacement Cost: (\$0.29 per kWh) | \$54,288 | (\$54,146) | \$142 |

Total Combined Annual Revenue and Expense

Level-2 Chargers and DC-Fast Chargers

| Price Per kWh | Revenue Per Year | Expense Per Year | Net |
|--|------------------|------------------|------------|
| Option 1: No Charge to Customer | \$0 | (\$41,184) | (\$41,184) |
| Option 2: Recover Energy & Chargepoint Cost | \$43,680 | (\$41,808) | \$1,872 |
| Option 3: Recover Energy, EV Costs & Replacement | \$78,000 | (\$77,258) | \$742 |

| Location | Organization | Gov't | Locality | Type of Charger | Charge Method | Price per Hour | Per kwh | Parking Fee | Distance from City Hall |
|-----------------------|------------------------|-------|----------|-----------------|-------------------------|--------------------------------|-------------|---|-------------------------|
| 700 Capital Way N | Port of Olympia | Yes | Olympia | 2 | Consumption | N/A | 0.25 | No | 3.75 |
| 676 Woodland Sq Loop | 52380A-1 Lacey | Non | Lacey | 2 | Consumption | N/A | 0.28 | No | 0.33 |
| 1111 Washington St SE | WA DNR | Yes | Olympia | DC FAST | Consumption | N/A | 0.39 | No | 3.55 |
| 676 Woodland Sq Loop | 52380A-1 Lacey | Non | Lacey | DC FAST | Consumption | N/A | 0.42 | No | 0.33 |
| 11509 Bridgeport Way | Lakewood Light & Power | Non | Lakewood | 1 | Consumption w/ Overstay | N/A | 0.18 | No | 16.72 |
| 505 14th Ave | FYI Properties | Non | Olympia | 2 | Consumption w/ Overstay | N/A | 0.38 | Yes, 5 hrs free, then \$5 per hr, max \$25.00 | 3.46 |
| 103 Sid Snyder Ave | WA DES | Yes | Olympia | 2 | Consumption w/ Parking | N/A | 0.39 | Yes-separately | 3.75 |
| Average | | | | | | | 0.33 | | |
| 719 Sleater Kinney | DOL | Yes | Lacey | 2 | Free | N/A | - | No | 0.78 |
| 300 Desmond Dr | WA Ecology | Yes | Lacey | 2 | Free | N/A | - | No | 0.79 |
| 6135 Martin Way E | WADOC | Yes | Lacey | 2 | Free | N/A | - | No | 1.1 |
| 6010 Main St | DOL | Yes | Lakewood | 2 | Free | N/A | - | No | 16.42 |
| 2000 Lakeridge Dr | Thurston Co. Court | Yes | Olympia | 2 | Free w/Parking | N/A | - | Yes \$0.50 per hr, min \$0.75 | 4.41 |
| 225 College NE | WSSDA | Non | Lacey | 2 | Hourly | 2.00 | - | No | 0.25 |
| 641 Sleater Kinney | Target | Non | Lacey | 2 | Hourly | 2 hrs free, \$2 per hour after | - | No | 0.6 |

PSE kwh is \$0.11143
Should round up to \$0.12

Memo

Date: June 16, 2023

To: Department Directors, Managers, and Supervisors

From: Rick Walk, Interim City Manager *RW*
Troy Woo, Finance Director *TW*

Subject: Budget Call, Instructions, and Schedule for 2024 Budget Development

With the exception of a few resources, the 2023 revenue collections indicate the local economy has recovered from the impacts of the COVID-19 public health emergency and related safety restrictions.

However, there are indicators and reasons to assume future revenue levels will flatline or even recede. Inflation remains well above the Federal Reserve target of 2.0 percent and it remains the main focus for interest rate increases. By increasing interest rates, the Federal Reserve is attempting to slow down the economy and job growth to control inflation. The interest rate increases have stopped after 10 straight rate increases as the economy is showing signs that the rate increases have been working, but there is further slowing needed.

- The most recent Seattle area inflation, from April 2023, was 6.9 percent. For comparison, the April U.S. inflation was 4.9 percent. Both inflation factors continue along a declining trend, but still remain considerably higher than the Federal Reserve target. The Seattle area has typically lagged behind the national inflation trends, so this is not cause for alarm. The Seattle area inflation peaked mid-2022. The May 2023 U.S. inflation was 4.0 percent, which is still moving in a positive position, but is double the Federal Reserve target.
- At its June meeting, the Federal Reserve paused the recent rate-hiking campaign after 10 consecutive rate increases. The pause acknowledges expected and continued trickle-down effect from the previous rate increases. In its statement, the Federal Reserve stated, "Holding the target range steady at this meeting allows the Committee to assess additional information and its implications for monetary policy." The Federal Reserve signaled that additional rate increases are likely during the second half of 2023. The Federal Reserve exit rate is now projected to be 5.6 percent. The current rate is 5.25 percent, so at least one or two more rate

increases are expected. Future rate actions will depend on economic indicators. Currently, labor growth and wage gains are solid, which are putting upward pressure on prices. It is still anticipated by many market analysts and economists there will be a mild recession late in 2023.

- Overall sales tax has increased 1.03 percent (cash basis) year-to-date 2023. Assuming that local retail prices have increased consistent with inflation it appears that sales volume decreased so far in 2023.
 - The City's largest single source of sales tax, the General Merchandise Stores category increased just 0.4 percent cash basis 2023 over 2022. Again, assuming prices increased consistent with inflation, actual sales activity volume likely decreased.
 - The Construction of Building category has decreased 2.0 percent year-to-date compared to 2022. This is a volatile category as illustrated by the 2023 year-to-date decrease following an overall 2022 43.8 percent increase compared to 2021. However, 2023 building permit and plan check activity indicates higher construction volumes will continue for the short term.
 - The Food Services and Drinking Places category have increased 14.4 percent or \$78,875. This category perhaps more than any other category has benefitted from the expiration of the COVID-19 safety restrictions.
- Gambling taxes returned to normal levels, but admission taxes are still below prepandemic levels. The shift to streaming entertainment options may result in admission taxes never returning to its previous levels.

Through April, operating costs have been significantly higher than 2022. The majority of the year-to-date \$3.5 million increase is due to salaries and benefits. It should be noted, the majority of the City's labor cost did not include cost-of-living adjustments during 2022 and those cost-of-living adjustments were paid retroactively during January and March of 2023, which combined have inflated the labor cost variance. While the year-to-date labor cost comparisons will not be accurate until near year-end, it appears labor costs could be as much as \$2.0 million higher in 2023.

Summary and Direction

A year has passed, but the economic environment feels very much the same. High inflation, rising workforce challenges, supply chain issues, rising interest rates, inverted yield curves, and recession predictions continue to dominate the economic discussions. These issues plus the continued efforts of the Federal Reserve to slow down the economy will increase the difficulty level for developing the 2024 revenue projections.

- The next Seattle area inflation will be the June 2023 consumer price index and will be released mid-July. The next inflation report is expected to continue to show slowing inflation, but remaining at a higher than acceptable level.

- At its June 13-14 meeting, the Federal Reserve pause the rate hikes, but indicated additional rate increases were likely this year.
- There are still expectations for a mild national recession by year-end. Recessions are significant declines in economic activity and generally are recognized as two consecutive quarters of economic decline. Historically, the timing of the Seattle region beginning and end of economic cycles lag behind the national economic cycles. If history is an indicator, a local recession would not be expected until 2024.

While the Federal Reserve rate increase pause is welcomed economic news indicating the economy is expected to continue cooling and inflation is slowing at a pace acceptable with the goal. The Federal Reserve's intent to bring inflation down to its target of 2.0 percent has not changed. The May U.S. inflation was 4.0 percent, which is significantly higher than the 2.0 percent target. The April 2023 Seattle/Tacoma/Bellevue inflation was 6.9 percent. Inflation is decreasing, but inflation is expected to remain above the target until 2024 or 2025, so future rate increases are likely. The intent of the rate increases is to slow the growth of the economy. When, not if, inflation comes under control by slowing down the economy, it will decrease the growth of the City's discretionary and consumption-base revenues. This will directly impact some of the City's most significant revenues sources including sales tax, business and occupation (B&O) tax, utility tax, admissions tax, gambling tax, real estate excise tax, and some State-shared revenues such as fuel and liquor taxes. The impact may slow the rate of revenue growth that has helped the City's budget provide much needed resources to address increasing workloads. In the event the economy enters a recession, revenues may decrease.

Looking forward to 2024, the new Police Station will continue to be the City's highest priority. The \$61.5 million project is scheduled to move into the construction phase during Spring 2024. The funding for the project will consist of \$36.7 million general government reserves General Fund and Arterial Street (real estate excise tax), \$6.8 million of American Rescue Plan Act State and Local Fiscal Recovery funds, and \$18.0 million of future non-voted general obligation debt. This critical project will be using a significant level of reserves and will obligate future real estate excise tax (and potentially other general fund resources) for debt service for a 20-year period. The General Fund's financial flexibility will be reduced for the foreseeable future.

The development of a Capital Facilities Plan for city buildings started as a 2022 Budget priority and continues in 2023. The draft plan has identified \$99.0 million of building needs over the next 15 years. This is an important process we are undertaking so that we can proactively plan for our facility needs. As part of this process, a funding strategy is being developed for City Council consideration. The implementation of this plan will require a similar strategy as the new Police Station, so there is the potential for the significant reduction of reserves and future financial flexibility (debt) if the City Council chooses to prioritize and fund the Capital Facilities Plan.

Operating and maintenance expenditures are expected to continue to increase due to high inflation likely through 2023 and into 2024. Inflation rates are trending in the right direction, but most economists believe inflation will remain high for a longer period of time. Again, historically, the

Seattle inflation lags behind the national trend and appears to be the case during this cycle, because the Seattle inflation peaked after the national inflation.

Given the continued efforts of the Federal Reserve to slowdown the economy and indicators of a recession, any expansion to the 2024 Budget will need to do so with caution as long-term sustainability becomes less certain. Similar to 2022, a number of capital projects, equipment purchases, and special projects have been delayed in 2023 due to supply chain challenges and higher than normal staffing vacancies, so controlled expansion to the 2024 will provide the capacity to complete past year's commitments. Also, the City's ability to maintain its financial sustainability long-term will be considered with each new budget request.

Here is a tentative budget schedule for your review. The schedule roughly follows the same timelines as last year's schedule.

- Friday, June 16: Finance Director issues 2024 Budget "Call".
- Monday, June 26: Budget System will be open for use. Note: any minor increases must be accompanied with an offsetting reduction.
- Monday, June 26: Any Capital Facilities Project Forms that require the Engineering Department's assistance with scoping, cost estimates, and any other tasks necessary to complete the forms must be submitted to Ashley to allow for time prior to budget request due date. The form maybe found on the Common Drive, <N:\Shared Rosters\Capital Project Request Form.PDF>.
- Friday, July 14: Capital Facilities Project Forms due to Ashley to determine scheduling and recommend prioritization within the full list of proposed and already scheduled City projects.
- Monday, July 31: Budget proposals are due. Please remember to include the Public Works Capital Facility Project form, if applicable.
- Friday, August 7: Estimates presented to City Manager for modifications, revisions, or additions.
- Aug 14 – Aug 25: Departmental Budget Reviews.
- Tuesday, August 22: Finance and Economic Development Committee - Final 2023 Budget Amendment Ordinance briefing.

- Thursday, Sept. 7: Final 2023 Budget Amendment Ordinance considered by the City Council.
- Monday, Sep. 25: City Manager balances proposed 2024 Budget.
- Tuesday, Sept. 26: Finance and Economic Development Committee Budget Discussion – provide current information on estimates of revenues and preliminary expenditure requests by department.
- Thursday, October 5: 2024 Budget Workshop (Worksession to follow regular meeting)
- Friday, October 13: Proposed 2024 Budget and Budget Message are filed with City Clerk and City Council. Copies of 2024 Budget made available to the public.
- Monday, October 16: City Clerk publishes notice of filing of proposed budget.
- Thursday, October 19: 2024 Budget Presentation to City Council.
- Monday, October 24: City Clerk publishes first notice of November 2 public hearing on revenue sources.
- Tuesday, Oct. 24: Finance and Economic Development Committee - Budget Discussion (if necessary).
Finance and Economic Development Committee - Property Tax.
Finance and Economic Development Committee – Utility Rate Ordinances.
- Monday, October 30: City Clerk publishes second notice of November 2 public hearing on revenue sources.
- Thursday, November 2: City Council to conduct public hearing on 2024 revenue sources, including consideration of possible increases in property tax revenues and utility rate increases.
- Monday, November 6: Utilities Committee – Utility Rate Ordinances
City Clerk publishes first notice of November 16 public budget hearing.
- Monday, November 13: City Clerk publishes second notice of November 16 public budget hearing.
- Thursday, November 16: Conduct Proposed 2024 Budget Hearing: Provide overview of total budget, review expenditure requests for Administration/Finance, Police,

Public Works, Community & Economic Development, Parks, Culture & Recreation, and miscellaneous funds.

City Council sets the 2024 Property Tax Levy by ordinance.

City Council sets 2024 Water rates by ordinance.

City Council sets 2024 Wastewater rates by ordinance.

City Council sets 2024 Stormwater rates by ordinance.

Monday, November 27: City Clerk publishes first notice of December 7 public budget hearing.

Monday, December 4: City Clerk publishes second notice of December 7 public budget hearing.

Thursday, December 7: Conduct Proposed 2024 Budget Hearing: Provide overview of total budget, review expenditure requests for Administration/Finance, Police, Public Works, Community & Economic Development, Parks, Culture & Recreation, and miscellaneous funds.

Thursday, December 21: City Council to adopt 2024 Budget.