City of Lacey, Washington
City Council Regular Meeting Agenda

Refer to the bottom of the agenda for meeting information.

Thursday, November 2, 2023	6:00 PM	Council Chambers and Online

1. **Call to Order**
2. **Roll Call**
3. **Pledge of Allegiance**
4. **Land Acknowledgement**
   We, the City of Lacey, are on the ancestral land of the Tribal People of the Treaty of Medicine Creek, including the Nisqually Indian Tribe and Squaxin Island Tribe. We acknowledge, and remember those Tribal People not recognized today who were absorbed or relocated into other tribes for survival. We recognize the ancestors and their descendants who are still here. We recognize and respect the Tribal People of the Treaty of Medicine Creek as the traditional stewards of this land since time immemorial and their role today in taking care of these lands in perpetuity. We recognize and have the responsibility to call attention to the histories of dispossession, forced removal, and abridged treaty rights that allowed our nation, state, and city to develop as it has today. We recommend that community members read the Medicine Creek Treaty of 1854.
5. **Approval of Agenda and Consent Agenda Items:**
   A. Council Worksession meeting minutes of October 12, 2023
   B. Council meeting minutes of October 19, 2023
   C. Payment of claims, wages and transfers for October 9, 2023, through October 23, 2023
6. **Public Recognitions and Presentations:**
   A. **Storm Readiness Presentation**
   Kristine Rompa, Puget Sound Energy
7. **Public Comment:**
   Refer to the bottom of the agenda for instructions on how to provide public comment.
8. **Public Hearing:**

A. **2024 Proposed Budget Revenue Sources**
Troy Woo, Finance Director

9. Proclamations:

A. **Veterans Appreciation Month**
Keith Looker, Manager, Lacey Veterans Services Hub

B. **Native American and Indigenous Peoples Heritage Month**
Chairman Willie Frank, Nisqually Indian Tribe
Former Councilman Hanford McCloud, Nisqually Indian Tribe

10. Referral from Planning Commission:

11. Referral from Hearings Examiner:

12. Resolutions:

13. Ordinances:

14. Mayor's Report:

15. City Manager's Report:

A. **2023 Property Retained by the Police Department**
Robert Almada, Chief of Police

B. **Amendment to the PFD Interlocal Agreement**
Rick Walk, City Manager

16. Standing General Committees:

A. **Finance and Economic Development Committee**
Meeting of October 24, 2023

17. Other Business:

18. Boards, Commissions and Committee Reports:

A. <u>Mayor Andy Ryder</u>:
   1. Mayors' Forum
   2. Thurston Chamber Shared Legislative Committee
   3. Transportation Policy Board (TPB)

B. <u>Deputy Mayor Malcolm Miller</u>:
   1. Economic Development Council (EDC)
   2. Lodging Tax Advisory Committee (LTAC)
   3. Thurston County Coalition Against Trafficking (TCCAT)
   4. Thurston Thrives

C. <u>Councilmember Carolyn Cox</u>:
   1. Climate Action Steering Committee
   2. LOTT Clean Water Alliance

3. Regional Housing Council

D. Councilmember Lenny Greenstein:

1. Emergency Medical Services (EMS)
2. TCOMM911

E. Councilmember Michael Steadman:

1. Community Action Council
2. Nisqually River Council
3. Thurston County Law & Justice Council

F. Councilmember Ed Kunkel:

1. Joint Animal Services Commission (JASCOM)
2. Lacey South Sound Chamber
3. Olympia-Lacey-Tumwater Visitor & Convention Bureau (VCB)
4. Solid Waste Advisory Committee (SWAC)

G. Councilmember Robin Vazquez:

1. Intercity Transit Authority
2. Olympic Region Clean Air Agency (ORCAA)
3. Thurston Regional Planning Council (TRPC)
4. Thurston County Board of Health

19. Adjourn

Attendance and Public Comment

Attend Remote or In-Person

The public may attend the meeting in-person, or you may view 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
Zoom:	https://us02web.zoom.us/webinar/register/WN_EuncIr5nRu28JDTyxK7GWw
Website:	https://cityoflacey.org/government/public-meetings/
Facebook:	https://www.facebook.com/cityoflacey
YouTube:	https://www.youtube.com/watch?v=ZIdR2T9H9OM
Cable:	Channel 3 with your local cable provider
Phone:	(888) 788-0099 or (877) 853-5247 (Webinar ID 886 3074 3154)

Verbal Public Comment

Those wishing to provide verbal public comment may do so in-person or by Zoom:

In-Person:	Use the sign-up sheet located in the Council Chambers.
Zoom:	Preregister using the following Zoom link no later than two hours prior to the meeting: https://us02web.zoom.us/webinar/register/WN_EuncIr5nRu28JDTyxK7GWw Instructions and access details will be provided once registration is complete.

Written Public Comment
Public comments may also be submitted by email to PublicComment@ci.lacey.wa.us.
The commenting period will close two hours before the meeting time.
Written comments will be provided to the City Council electronically prior to the meeting.
Comments will not be addressed during the Council meeting; however, comments received will be added to the official record.

City of Lacey, Washington
Lacey City Council Worksession Minutes

Thursday, October 12, 2023	6:00 PM	Council Chambers and Online

1. Call to Order

Mayor Ryder called the meeting to order at 6:00 p.m.

2. Roll Call

Council Present
Mayor Andy Ryder
Deputy Mayor Malcolm Miller
Councilmember Carolyn Cox
Councilmember Michael Steadman
Councilmember Lenny Greenstein
Councilmember Ed Kunkel (remote)
Councilmember Robin Vazquez

Staff Present
Rick Walk, City Manager
Robert Almada, Chief of Police
Dave Schneider, City Attorney
Troy Woo, Finance Director
Ashley Smith, Design and Construction Manager
Brett Boogerd, Capital Projects Engineer
Elissa Fontaine, City Clerk

3. Land Acknowledgement

Mayor Ryder presented the abbreviated Land Acknowledgement.

4. Approval of the Agenda

Councilmember Greenstein moved to approve the agenda. Deputy Mayor Miller seconded. Motion carried.

5. Agenda Items

A. **Thurston EDC Center for Business and Innovation Annual Update**

Heidi McCutcheon, Director of Operations, Thurston EDC
Sean Moore, Director, Center for Business and Innovation, Thurston EDC
Michelle Pope, Director, Lacey MakerSpace

The Council received an update on the Thurston Economic Development Council Center for Business and Innovation, and the Lacey MakerSpace. The presentation highlighted partnerships and programs that feature resources designed to help small businesses grow and succeed. Representatives of Lacey MakerSpace also shared updates on the expansion of the facility, and information on memberships with testimonials.

B. **Greg Cuoio Park Phase 1A Update**

Ashley Smith, Design and Construction Manager

Staff presented an update for the Greg Cuoio Park Phase 1A Project. The update provided an overview, original design and revised design comparison, cost summary and project schedule.

C. **Crime Statistics**

Robert Almada, Chief of Police

Staff presented statistics on crime data within the City of Lacey, along with a comparison to neighboring jurisdictions, for the year 2022. The presentation also included a detailed assessment for police staffing needs.

D. **Public Safety Sales Tax Discussion**

Rick Walk, City Manager

Staff reviewed the Thurston County Public Safety Tax measure and requested direction regarding the resolution to be presented at the October 19, 2023, Council meeting.

Council were presented with the following options for consideration:

- One resolution: expressing support and confirming the intent of the funds.
- Two resolutions: one expressing support and the second confirming the intent of the funds.
- Another option not previously considered.

Mayor Ryder moved to proceed with one resolution. Councilmember Cox seconded. Mayor Ryder and Councilmember Cox voted in favor. Deputy Mayor Miller, Councilmembers Steadman, Greenstein, Kunkel and Vazquez did not vote. Motion failed.

6. Adjourn

Mayor Ryder called the meeting adjourned at 8:20 p.m.

City of Lacey, Washington
City Council Regular Meeting Minutes
Thursday, October 19, 2023 - Council Chambers and Online

1. Call to Order

Mayor Ryder called the meeting to order at 6:00 p.m.

2. Roll Call

Council Present
Mayor Andy Ryder
Deputy Mayor Malcolm Miller
Councilmember Michael Steadman
Councilmember Lenny Greenstein
Councilmember Carolyn Cox
Councilmember Robin Vazquez (remote)

Council Excused
Councilmember Ed Kunkel

Staff Present
Rick Walk, City Manager
Robert Almada, Chief of Police
Jen Burbidge, Parks, Culture and Recreation Director
Scott Egger, Public Works Director (remote)
Shannon Kelley-Fong, Assistant City Manager
Dave Schneider, City Attorney
Troy Woo, Finance Director
Brett Boogerd, Capital Projects Engineer
Linsey Fields, Climate and Sustainability Coordinator
Elissa Fontaine, City Clerk

3. Pledge of Allegiance

4. Land Acknowledgement

Mayor Ryder presented the abbreviated Land Acknowledgement.

5. Approval of Agenda and Consent Agenda Items:

A. Council Worksession meeting minutes of September 28, 2023

B. Council meeting minutes of October 5, 2023

C. A motion to approve payment of claims, wages, and transfers for September 11, 2023, through October 6, 2023.

Deputy Mayor Miller moved to approve the agenda and consent agenda. Councilmember Cox seconded. Motion carried.

6. Public Recognitions and Presentations:

A. **Lacey Youth Council Report**
Lacey Youth Council Representatives

Representatives of the Lacey Youth Council were introduced for the 2023-2024 school year.

7. Public Comment:

Public comment was provided by Terry Ballard.

8. Public Hearing:

9. Proclamations:

10. Referral from Planning Commission:

11. Referral from Hearings Examiner:

12. Resolutions:

A. **Resolution 1139 - In Support of Thurston County Proposition 1**
Dave Schneider, City Attorney

Thurston County placed Proposition 1 - Public Safety Tax on the forthcoming November 7, 2023, ballot. Proposition 1 calls for a sales and use tax for law enforcement protection, corresponding prosecution and public defense services, and election security. During the October 5, 2023, Council Worksession, a request was made for the Lacey City Council to consider a resolution in support of the measure. Staff was directed to prepare a resolution in support of Proposition 1, as well as a second resolution, declaring the Council's intent to use any potential distribution for law enforcement purposes.

Mayor Ryder moved to adopt Resolution 1139 in support of Thurston County Proposition 1. Councilmember Cox seconded.
Mayor Ryder, Deputy Mayor Miller, and Councilmembers Steadman, and Cox voted in favor.
Councilmembers Greenstein and Vazquez abstained.
Motion carried.

B. **Resolution 1140 - Related to Thurston County Proposition 1 and Declaring Intent**
Dave Schneider, City Attorney

Councilmember Greenstein moved to approve Resolution 1140 related to Thurston County Proposition 1 and Declaring Intent. Councilmember Steadman seconded. Motion carried.

13. Ordinances:

14. Mayor's Report:

15. City Manager's Report:

A. **Interlocal Agreement for the Thurston Climate Mitigation Plan**
Linsey Fields, Climate and Sustainability Coordinator

Staff reviewed the Interlocal Agreement between Thurston County and the Cities of Lacey, Olympia, and Tumwater to support regionally coordinated implementation of the Thurston Climate Mitigation Plan. Council received a prior review at the September 28, 2023, Council Worksession.

Councilmember Cox moved to authorize the City Manager to sign the necessary agreements to effectuate an Interlocal Agreement with Thurston County and the cities of Olympia & Tumwater. Councilmember Vazquez seconded. Motion carried.

B. **Contract Award: PW 2022-19 RAC Parking Lot Expansion**
Brett Boogerd, Capital Projects Engineer

Staff presented the contract that provides expansion of the Regional Athletic Complex (RAC) parking lot at the southeast corner of Steilacoom Road and Marvin Road. The project was advertised for nearly three (3) weeks and bids were opened on October 5, 2023. Fourteen (14) bids were received.

Councilmember Greenstein moved to award Lacey Contract Number PW 2022-19 to low bidder Miles Resources, LLC of Puyallup, Washington in the amount of $2,990,224.42. Deputy Mayor Miller seconded. Motion carried.

C. **2024 Budget Presentation**
Rick Walk, City Manager

The City Manager presented a detailed review of the City's 2024 Budget. Topics included the following:

- Total Budget
- Private Development Projects
- General Fund
- Sales Tax and Property Tax
- Workforce Enhancements
- Public Enhancements
- Capital Projects
- Special Revenue
- Enterprise Funds
- Utility Improvements
- Debt
- Internal Service Funds
- Public Participation

16. Standing General Committees:

17. Other Business:

18. Boards, Commissions and Committee Reports:

The Council unanimously agreed to postpone Boards, Commissions and Committee Reports until the next regular Council meeting.

A. <u>Mayor Andy Ryder</u>:

1. Mayors' Forum

2. Thurston Chamber Shared Legislative Committee

3. Transportation Policy Board (TPB)

B. Deputy Mayor Malcolm Miller:

1. Economic Development Council (EDC)

2. Lodging Tax Advisory Committee (LTAC)

3. Thurston County Coalition Against Trafficking (TCCAT)

4. Thurston Thrives

C. Councilmember Carolyn Cox:

1. Climate Action Steering Committee

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D. Councilmember Lenny Greenstein:

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4. Solid Waste Advisory Committee (SWAC)

G. Councilmember Robin Vazquez:

1. Intercity Transit Authority

2. Olympic Region Clean Air Agency (ORCAA)

3. Thurston Regional Planning Council (TRPC)

4. Thurston County Board of Health

19. Adjourn

Mayor Ryder adjourned the meeting at 8:31 p.m.

MAYOR: ______________________________________

ATTESTED BY CITY CLERK: __________________

DATE APPROVED: ____________________________

CITY OF LACEY
Shaping our community together

LACEY CITY COUNCIL MEETING
November 2, 2023

SUBJECT: **Disbursement Approval**

RECOMMENDATION: **By motion, approve payment of claims, wages, and transfers.**

STAFF CONTACT: Troy Woo, Finance Director

ORIGINATED BY: Troy Woo, Finance Director TW
Alix Turcotte, Senior Accountant AT
Carrie Bode, Accounting Technician CB

BACKGROUND:

The action requested of the City Council is by motion to approve payment of claims, wages and transfers for 10/09/2023 through 10/23/2023. The disbursements consist of the following:

Checks:	Week of	Beg. Check No.	End. Check No.	Amount
	10/13/2023	272127	272196	544,378.03
	10/20/2023	272197	272317	355,255.85

Electronic Transfers:	Week of	Amount
	10/09/2023	155.90
	*10/11/2023	35,667.01
	*10/11/2023	69,185.46
	10/13/2023	1,717,951.53
	10/13/2023	1,773.17
	10/16/2023	55.00
	10/16/2023	200.69
	10/17/2023	63.20
	10/17/2023	18.04
	10/20/2023	597,538.17
	10/23/2023	125,343.83

* Disbursements for employee out-of-pocket deductions and employee benefits.

Significant Disbursements:

Vendor	Amount	Description
Baker Underground	$ 85,407.57	Woodland Creek Stormwater
Cross Reiter Inc	$ 61,290.00	Sidewalk Trip Hazards
Malcolm Drilling Company	$ 116,726.50	S06 Water Rights
Miles Resources LLC	$ 115,899.53	2022 Carpenter Rd
Top-Rung Construction	$ 97,081.08	Childcare Center Siding
Tucci & Sons Inc	$ 1,192,546.02	2023 Overlay Phase 1
Washington Trust Bank	$ 62,765.57	Tucci & Sons Escrow Acct
Nisqually Indian Tribe	$ 98,523.00	9/2023 Inmate Support
Pacific Civil & Infrastructure	$ 201,280.48	Lift Station 19 Replacement
Phoenix Fabricators	$ 152,576.69	Terry Cargil Reservoir
Puget Sound Energy	$ 123,078.19	Utility Bill
Dept of Revenue	$ 125,343.83	9/2023 Excise Taxes

Storm Preparedness

October 2023

PUGET SOUND ENERGY

Agenda

- Safety moment
- Storm preparedness
- Infrastructure & readiness
- Customer resources
- How we restore power
- Things customers should know
- Outage communications

Safety Moment:

Downed Power Lines

- Assume it's energized and stay as far away as you can.
- Stay in your car. Don't drive over downed power lines.
- If you must evacuate, jump away and land with both feet together and shuffle away from safety.

If you come across a downed wire of any kind, call 911 or the utility serving the location. For PSE, call **1-888-225-5773**

PSE PUGET SOUND ENERGY

Storm preparedness

PSE's crews are constantly monitoring and maintaining all **26,000+ miles** of our electric grid. Year-round storm preparedness efforts include:

- Vegetation management
- Pole replacements
- Covered conductor (tree wire)
- Targeted reliability projects

  Cable remediation and undergrounding
- Distribution automation, ex. SCADA breakers
- AMI meter upgrades

PSE PUGET SOUND ENERGY

Readiness Infrastructure

- We have **900+ employees** with emergency response roles.
- We have **seven regional storm bases** managing local storm response.
  - Dedicated 24/7 on-call teams.
- Emergency Coordination Center (ECC)
  - Dedicated 24/7 on-call teams.
- Dedicated communications team at bases and ECC.

PUGET SOUND ENERGY

How power gets restored

Transmission lines

- Crews focus first on restoring power to high-voltage transmission lines

Substations

- Substations serve large numbers of customers in a broad geographic area

Distribution lines

- Crews then repair damage to distribution and service lines – the lines that directly serve homes and businesses

PSE PUGET SOUND ENERGY

Things customers should know

You might see 3 types of trucks:

1. PSE – Damage Assessment
2. PSE – Electrical first responders
3. Potelco – Lineworker

If the PSE truck leaves and still no power:

- A piece of equipment needs repair and a lineworker and crew are needed
- The outage may take extra time
- Clearing right-of-way

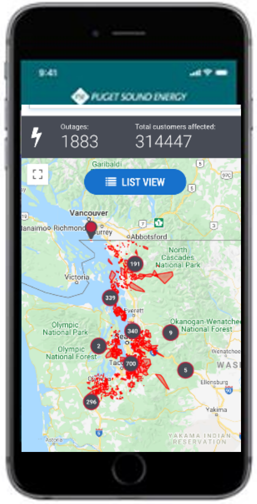
PUGET SOUND ENERGY

Things customers should know

Only 2 ways we know you don't have power
- Reporting your outage
- Substation outage

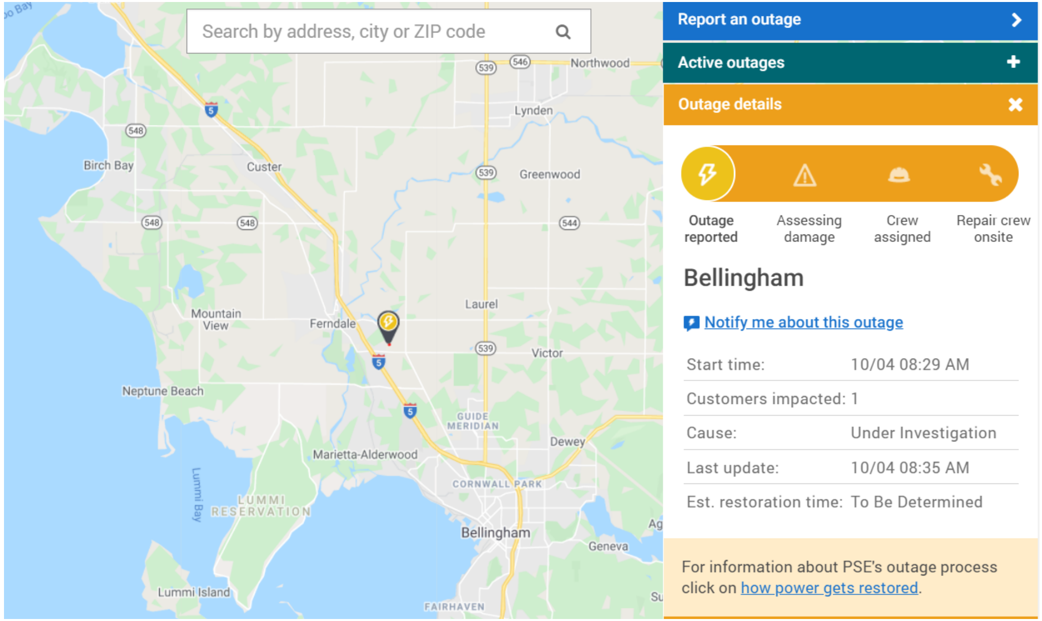
PLEASE report your power outage!
- myPSE app
- 1-888-CALL PSE

We want to hear from you!
- If you still don't have power - call us back!



Communications

- Outage map
- Report an outage
- myPSE app
- Social media
- Situation reports
- Storm resources
- Alerts & advisories
- Emergency operations



Be prepared!

What can our customers do right now to prepare for storm season!

- Emergency and preparedness kit
- Look up tips from website
- Back up charger for phone
- Batteries

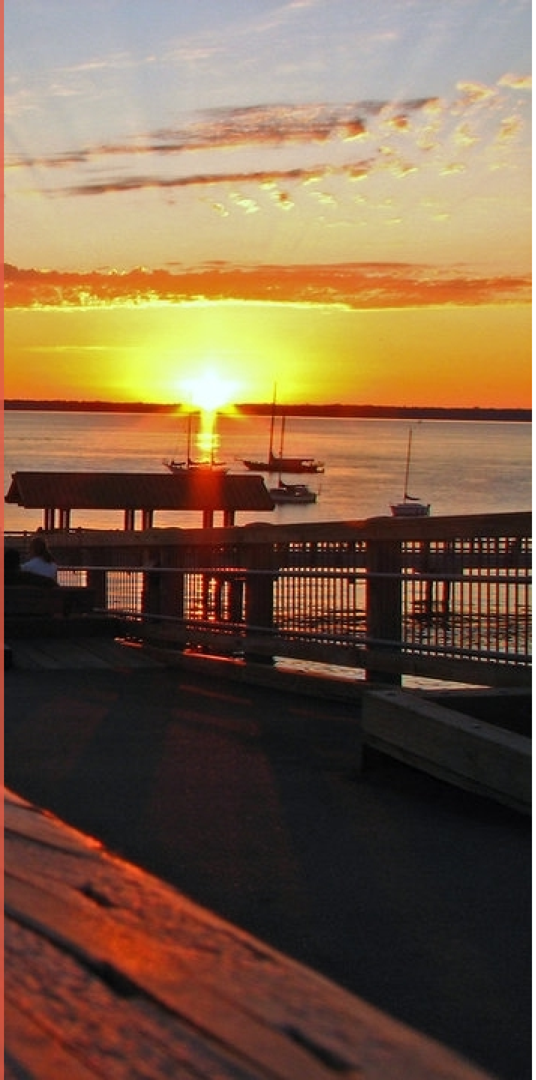
Safety & preparedness resources

Our most up-to-date information is available on our storm landing page at pse.com/storm

- This page highlights ways PSE is preparing and ways customers can prepare.
- Information for emergency responders including our energy system restoration plan.
    - We provide first responders the support they need to protect the public and themselves during electric and natural gas emergencies, including training videos, near-miss bulletins

PUGET SOUND ENERGY

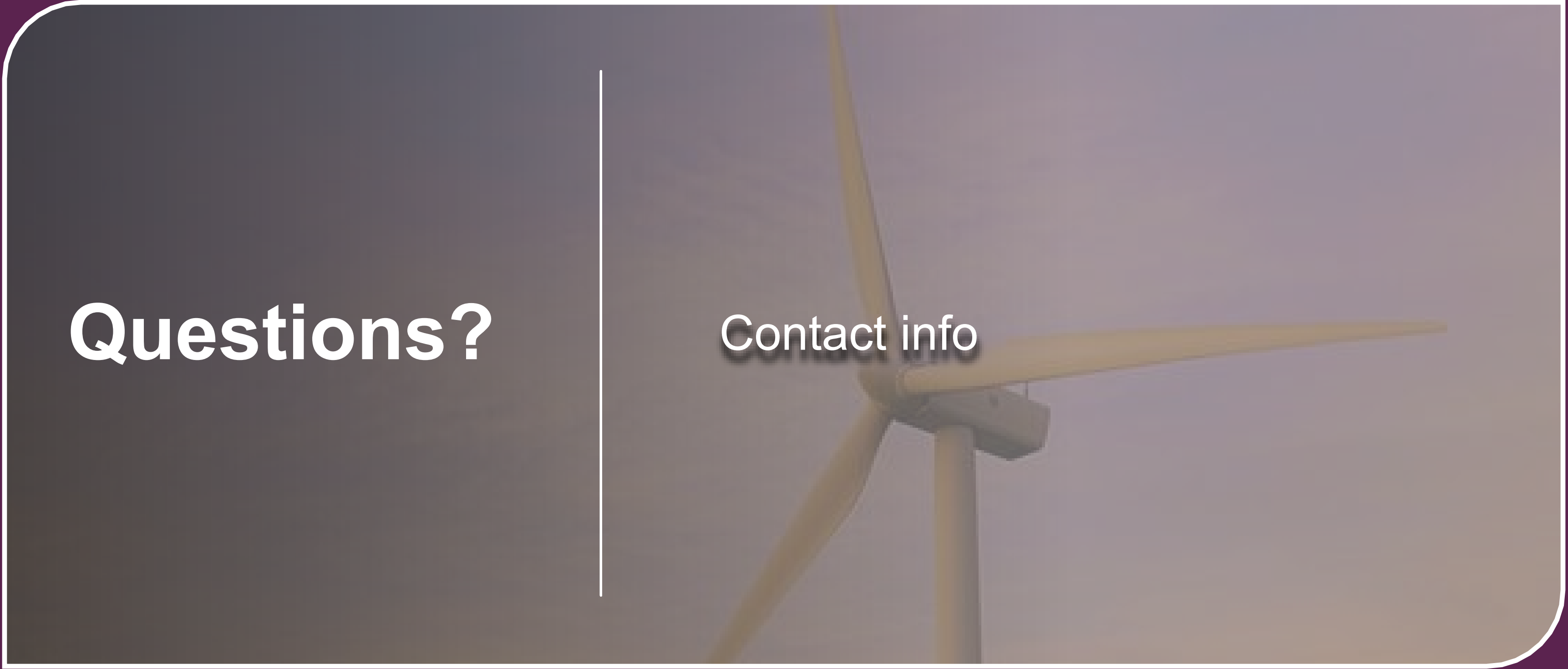
Local updates



In Thurston County PSE has:

- 1,331 miles of pipes and overhead wire
- 1,942 miles of underground cable
- 32 Substations
- 994 Gas Mains
- 138,837 electricity customers
- 57,183 natural gas customers

PUGET SOUND ENERGY



Questions?

Contact info

CITY OF LACEY
Shaping our community together

LACEY CITY COUNCIL MEETING
November 2, 2023

SUBJECT: **2024 Revenue Hearing**

RECOMMENDATION: **Conduct 2024 Revenue Hearing**

STAFF CONTACT: Rick Walk, City Manager RW
Troy Woo, Finance Director TW

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS:
1. General Fund Revenue Sources – Table
2. 2024 Budget Revenue by Category – Pie Chart

FISCAL NOTE: Proposed 2024 General Fund Revenues - $87,432,207

WORK PLAN GOAL AND STRATEGY: None

PRIOR REVIEW: Proposed property tax increases and revenue projections were discussed at the Budget Workshop conducted on October 5, 2023, as well as the Budget Presentation made on October 19, 2023.

BACKGROUND:

Chapter 251, Laws of 1995, codified as RCW 84.55.120, requires that a public hearing be conducted on revenue sources for the coming year's budget, including the consideration of possible increases in property tax revenues. It is required that this November 2 hearing be conducted before setting next year's property tax levy. The City Council is scheduled to set the 2024 property tax levies on November 16, 2023.

2024 projected General Fund revenues are $10,660,484 higher when compared to the amended 2023 General Fund budget. This is a slight change compared to the proposed budget that was presented on October 19, 2023. The change is related to an updated property tax projection. The property tax projection now includes the addition of the 2023 refund levy and slightly lower adjustments for additional new construction.

A table titled “General Fund Revenue Sources” (see attached) provides a comparison of the 2023 amended budget revenues and the 2024 proposed revenue budget. Sales tax continues to be the single largest resource for the General Fund followed by service fees, utility taxes, and property taxes. The 2024 Budget Revenue by Category – Pie Chart (see attached) illustrates the projected 2024 General Fund revenues by category in terms of percentage of the total General Fund Budget.

SIGNIFICANT GENERAL FUND REVENUE CHANGES

- The 2024 property tax projection includes an increase of $341,758 or 4.03 percent compared to the 2023 certified property tax levy. The adjustments consist of a combination of new construction additions ($121,399), exercising the 1.0 percent revenue limit ($84,887), and adjustments from the previous year’s refunds ($135,472). The overall total assessed value is decreasing $354.0 million or 2.82 percent. The new construction value is projected to increase assessed valuation $179.3 million. The new construction value increase is important, because it increases the overall assessed valuation without being subject to the 1.0 percent revenue limit. New construction adjustments generally lower the individual property impact from property taxes. The City’s regular property tax levy is estimated to be $8,830,429. The City’s regular property tax levy rate is projected to increase $0.0477 to $0.7247 per $1,000 of assessed valuation.

- The 2024 sales tax is projected $1,190,202 or 7.5 percent higher than the 2023 budgeted sales tax. The increase is related to a projection adjustment as opposed to increases to sales activity. The 2024 projection assumes similar construction levels and retail sales as the adjusted projection levels for 2023. Year-to-date sales tax generated from general merchandise (+1.6 percent) and construction (-1.9 percent) activities have remained very close to the same levels as year-to-date 2022. New construction can fluctuate greatly, so it is not considered sustainable in the long-term. However, based on current building permit activity, it appears new construction will remain strong through 2024.

  The following table shows the top 20 sales tax category collections over the last 12 months.

	Year-To-Date			Last 12
Category	**This Year**	**Last Year**	**% Chg**	**Months**
General Merchandise Retailers	$ 2,107,429	$ 2,075,213	1.6	$ 2,497,463
Sporting Goods, Hobby, Musical Instrument, Book	1,542,613	1,796,891	(14.2)	1,850,708
Construction of Buildings	1,398,561	1,425,528	(1.9)	1,587,966
Food Services and Drinking Places	1,295,734	1,184,163	9.4	1,560,288
Building Material and Garden Equipment and Supplies	848,689	827,298	2.6	1,030,362
Specialty Trade Contractors	791,461	751,542	5.3	975,007
Merchant Wholesalers, Durable Goods	627,396	515,129	21.8	732,065
Motor Vehicle and Parts Dealers	506,335	521,105	(2.8)	602,762
Furniture, Home Furnishings, Electronics, and Appliances	459,975	493,673	(6.8)	558,589
Administrative and Support Services	464,720	478,758	(2.9)	552,281
Professional, Scientific, and Technical Services	400,955	401,751	(0.2)	480,185
Food and Beverage Retailers	281,368	272,892	3.1	334,225
Clothing, Clothing Accessories, Shoe, and Jewelry	274,624	281,912	(2.6)	334,171
Repair and Maintenance	261,528	229,534	13.9	314,147
Telecommunications	232,893	212,820	9.4	278,978
Health and Personal Care Retailers	231,263	228,367	1.3	275,560
Rental and Leasing Services	202,828	184,707	9.8	240,750
Merchant Wholesalers, Nondurable Goods	188,850	172,453	9.5	230,597
Unclassified	153,789	143,710	7.0	188,674
Heavy and Civil Engineering Construction	152,506	134,963	13.0	174,487
	$ 12,423,517	**$ 12,332,409**		**$ 14,799,265**

- Overall, utility tax collections are projected to decrease $328,076 in 2024. The projection anticipates the fire suppression utility tax of 6.04 percent will be rescinded. Removing the impacts of the fire suppression utility tax, utilities taxes are projected to increase $622,590 or 7.0 percent due to rate increases, growth related demands, and adjustments based on trend analysis. The most significant utility tax increases are projected in the electrical utility (+$176,911), natural gas utility (+$158,778), and Lacey utilities (+$322,900) categories.

- Service fees are projected to increase $537,753 in 2024. Interfund service charges relating to engineering, park maintenance, and water resources are projected to increase $244,542 in 2024 due to labor cost increases. The anticipated reimbursement from the Washington State Criminal Justice Training Commission for Basic Law Enforcement Academy instruction increased service fee projections by $175,000. Parks and Recreation fees are projected slightly lower. Other services fees included in this category are intergovernmental service revenues and indirect cost recovery plan charges.

- An increase of $577,255 is expected from other taxes (business & occupation, admission, and gambling taxes). The business and occupation (B&O) tax budget is being increased $428,387 based on actual collection trends. B&O taxes usually follow a similar trend as sales taxes. Admissions tax is projected to increase, but is expected to remain below the pre-pandemic levels. The projection for gambling taxes is $136,868 higher and is now higher than the pre-pandemic activity levels.

- The broad category of all other revenues is projected to increase $8.2 million in 2024. This category is increasing mainly due to the use of reserve balances (+$17.5 million) to begin the construction of the new police station. The use of General Fund beginning cash is $8.2 million higher in the Proposed 2024 Budget.

ARTERIAL STREET FUND REVENUES

The funding sources for the Arterial Street Fund include real estate excise tax (REET), grants, motor vehicle fuel tax (MVFT), and mitigation fees. The 2024 REET projection is $2,500,000. This is lower than the five-year average, which includes the two of the highest collection rates in history. The 2022 and 2021 REET collections were $5.8 and $4.5 million, respectively, which both surpassed the previous high collection level of 2019 ($4.0 million). The year-to-date 2023 is significantly lower than the previous two years due to a real estate slowdown from a combination of high housing prices and 30-year mortgage rates approaching eight percent, which is the highest since November 2000. Motor vehicle fuel tax is projected to be slightly lower.

TRANSPORTATION IMPROVEMENT FUND REVENUES

Until 2012, the General Fund provided the funding for the highly successful annual street overlay program. From 2013 through 2016, the program was funded by City Council committed reserves. At the February 2017 special election, the voters overwhelmingly supported a 0.2 percent transportation benefit sales tax. These special revenues are accounted for in a separate budget fund. Using the same basis as the General Fund's sales tax projection, the transportation benefit district 0.2 percent sales tax will generate $3.7 million during 2024. The same tax base generates the transportation benefit sales tax, so it remains steady due to strong construction activity.

UTILITY FUND REVENUES

The proposed 2024 Budget assumes the following utility rate increases:

	Percentage Increase	**Residential Account Increase (700 cu.ft.)**
Water	5.25%	$1.72/month
Wastewater	9.50%	$2.62/month
Stormwater	4.50%	$0.61/month

The recommendation will include the adoption of multi-year utility rates based on the adopted Stormwater Comprehensive Plan, the draft Water Comprehensive Plan rate recommendations and a consultant developed revenue analysis completed for the Wastewater utility.

At its October 24, 2023 meeting, the Finance and Economic Development Committee directed staff to draft changes to the capital replacement and repair sections of the utility rate chapters. To update the sections to match the current practice, the committee directed that the specific capital rate references be replaced with more flexible language that prioritizes maintenance and operations and minimum reserve levels. These actions will increase the

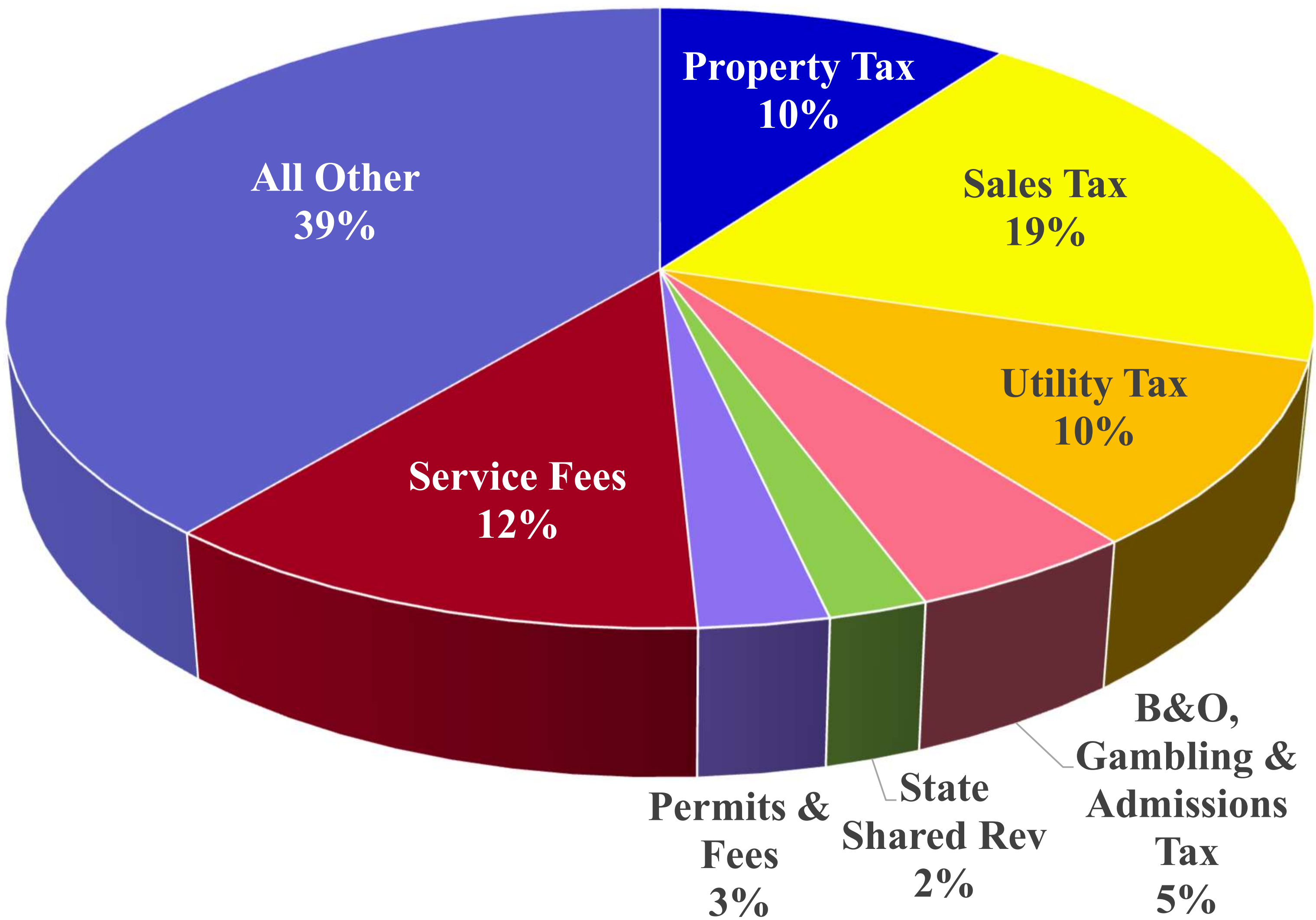
2024 utility transfers by $3.5 million. Updates to the Water and Wastewater chapters and a new Stormwater section will be included in the utility rate ordinances that the City Council is scheduled to consider on November 16, 2023.

The purpose of the revenue hearing is to accept public comment and for the City Council to provide guidance on the proposed 2024 revenues. The City Council is scheduled to adopt the 2024 ad valorem tax and utility rates on November 16, 2023.

General Fund Revenue Sources

	2023 Budget	2024 Proposed	Variance
Property Tax	$ 8,493,252	$ 8,830,429	$ 337,177
Sales Tax	15,912,551	17,102,753	1,190,202
Utility Tax	8,888,975	8,560,899	(328,076)
Other Taxes	3,667,222	4,244,477	577,255
State Shared Rev	1,777,762	1,854,830	77,068
Permits & Fees	2,376,918	2,432,461	55,543
Service Fees	9,871,569	10,409,322	537,753
All Other	25,783,474	33,997,036	8,213,562
	$ 76,771,723	$ 87,432,207	$ 10,660,484

General Fund
2024 Budgeted Revenue by Category



2024 Revenue Sources

CITY OF LACEY

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General Fund
Revenue Sources

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General Fund
2024 Budgeted Revenue by Category

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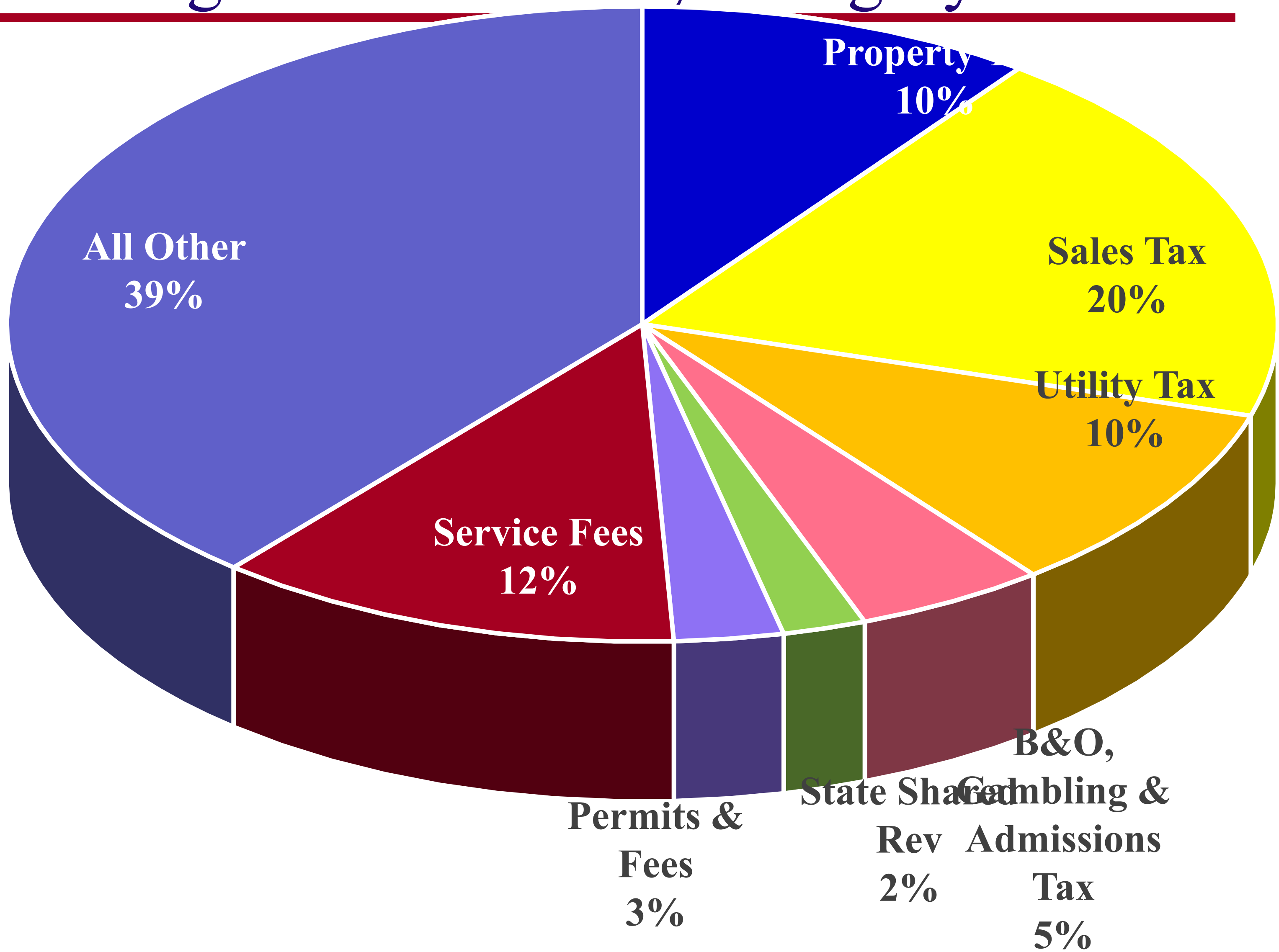


Projected Property Tax Revenues

Levy	2023 Budget	2024 Projection	Variance
General Levy	$ 8,493,252	$ 8,830,430	$ 337,178
Parks Imp. Bonds 2003	324,450	-	(324,450)
Parks Imp. Bonds 2006	362,600	360,200	(2,400)
	$ 9,180,302	$ 9,190,630	$ 10,328

Projected Property Tax Revenues

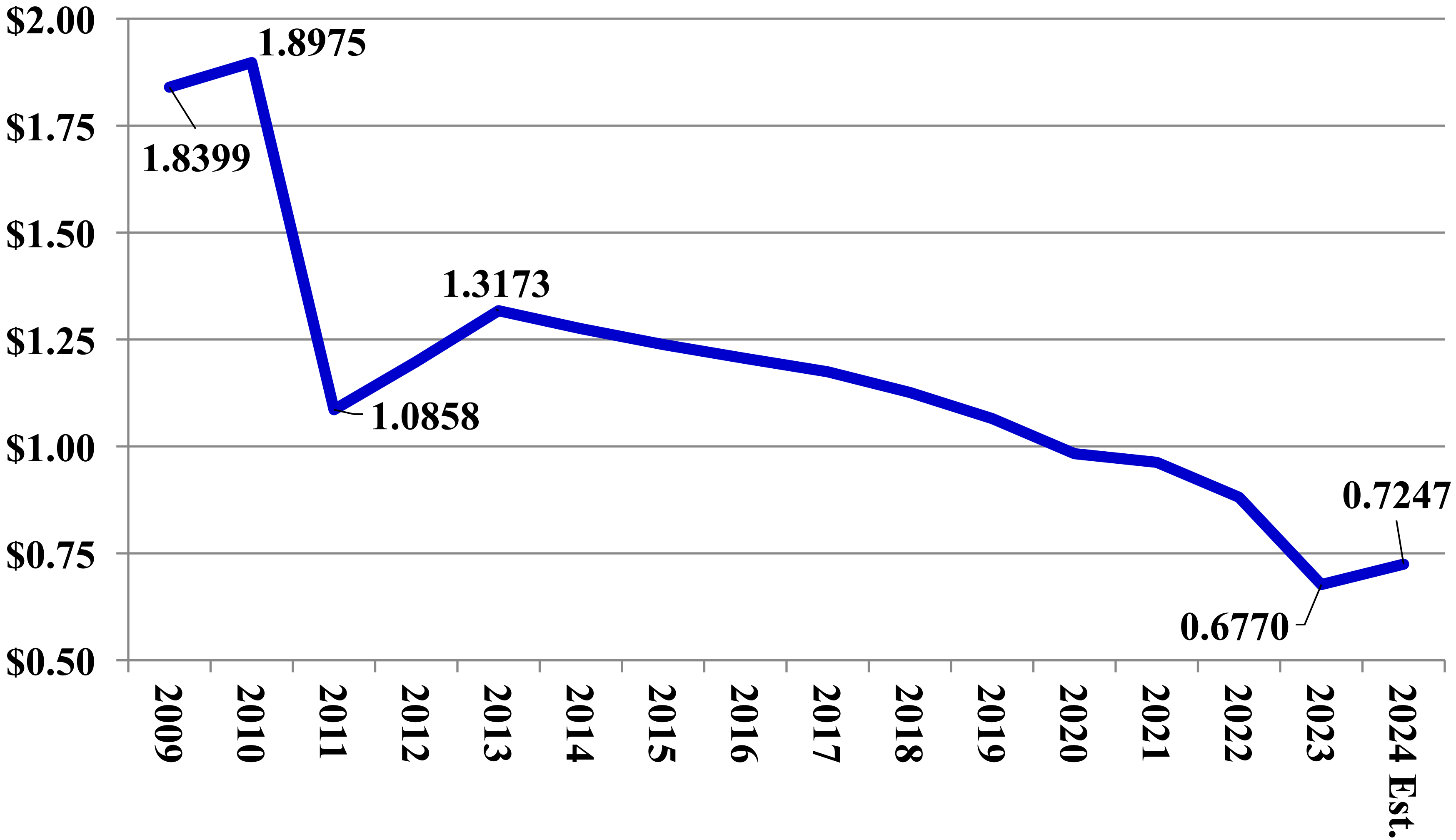
2023 General Property Tax Levy			**$**	**8,488,672**
New Construction	**$**	**121,399**		
1.0% Revenue Limit		**84,887**		
Refund Levy		**135,472**		
	$	**341,758**		
2024 General Property Tax Levy			**$**	**8,830,430**

Property Tax Levy History

	2015	2016	2017	2018	2019
General	1.2382	1.2057	1.1745	1.1261	1.0651
Fire Safety GO Bond	0.0978	0.0925	0.0873	0.0799	0.0723
Parks 2003/6 GO Bond	0.1525	0.1338	0.1296	0.1193	0.1069
Total	**1.4885**	**1.432**	**1.3914**	**1.3253**	**1.2443**

	2020	2021	2022	2023	2024 Estimate
General	0.9830	0.9628	0.8811	0.6770	0.7247
Fire Safety GO Bond	0.0632	0.0595	-	-	-
Parks 2003/6 GO Bond	0.0945	0.0876	0.0756	0.0553	0.0298
Total	**1.1407**	**1.1099**	**0.9567**	**0.7323**	**0.7545**

Regular Property Tax Levy History



2023 - 2024 Property Tax Comparison for a Typical Lacey Home

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2023 Levy	Levy Rate	Tax for $522K Home
General Levy	$ 0.6770	$ 353.51
G.O. Bond - 2003 Parks	0.0261	13.64
G.O. Bond - 2006 Parks	0.0292	15.25
	$ 0.7323	$ 382.40

2024 Levy	Levy Rate	Tax for $500K Home
General Levy	$ 0.7247	$ 362.33
G.O. Bond - 2003 Parks	-	-
G.O. Bond - 2006 Parks	0.0298	14.91
	$ 0.7545	$ 377.24

Impact of 1.0% Property Tax Increase

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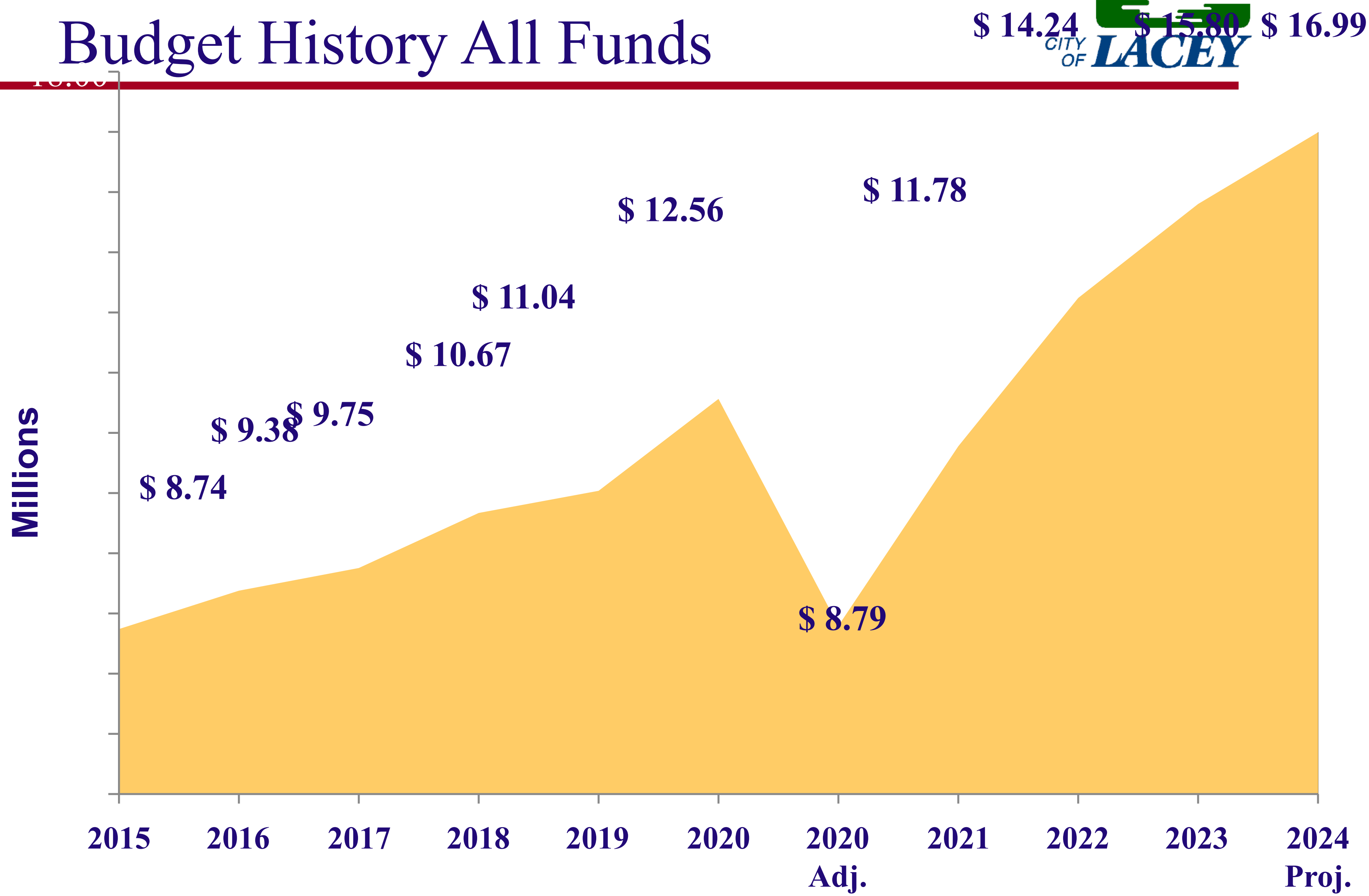
2024 Levy with 1.0% Adjustment	**Levy Rate**	**Tax for $500K Home**
General Levy	$ 0.7247	$ 362.33
G.O. Bond - 2003 Parks	-	-
G.O. Bond - 2006 Parks	0.0298	14.91
	$ 0.7545	$ 377.24

2024 Levy without 1.0% Adjustment	**Levy Rate**	**Tax for $500K Home**
General Levy	$ 0.7177	$ 358.85
G.O. Bond - 2003 Parks	-	-
G.O. Bond - 2006 Parks	0.0298	14.91
	$ 0.7475	$ 373.76

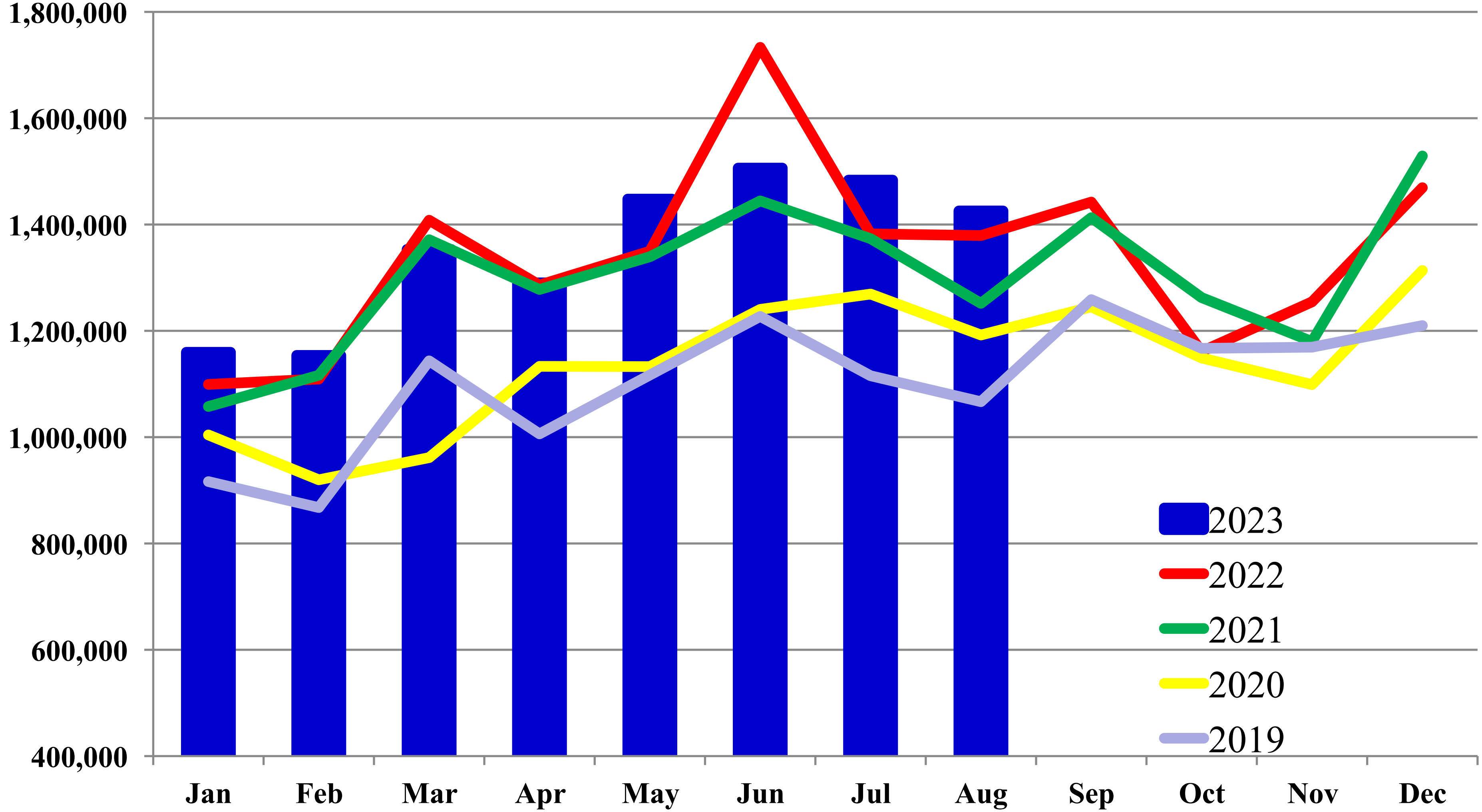
2024 Budget Assumptions - Revenue

- Sales Tax
  - 2024 projection $17,102,753
    - $1,190,202 increase compared to adopted 2023 Budget
    - 19.6% of total General Fund revenues
  - Last 12 Months ending August 2023
    - Retail trade = -3.8%
    - Construction = +1.5%
  - Year-to-Date August 2023
    - Retail trade = -4.5%
    - Construction = +1.3%

Sales Tax
Budget History All Funds



Total Retail Sales Tax



Year-to-Date Sales Tax Comparison

CITY OF LACEY
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Group	2023	2022	% Chg
General Merchandise Retailers	$ 2,107,429	$ 2,075,213	1.6
Sporting Goods, Hobby, Musical Instrument, Book	1,542,613	1,796,891	(14.2)
Construction of Buildings	1,398,561	1,425,528	(1.9)
Food Services and Drinking Places	1,295,734	1,184,163	9.4
Building Material and Garden Equipment and Supplies	848,689	827,298	2.6
Specialty Trade Contractors	791,461	751,542	5.3
Merchant Wholesalers, Durable Goods	627,396	515,129	21.8
Motor Vehicle and Parts Dealers	506,335	521,105	(2.8)
Furniture, Home Furnishings, Electronics, and Appliances	459,975	493,673	(6.8)
Administrative and Support Services	464,720	478,758	(2.9)
Professional, Scientific, and Technical Services	400,955	401,751	(0.2)
Food and Beverage Retailers	281,368	272,892	3.1
Clothing, Clothing Accessories, Shoe, and Jewelry	274,624	281,912	(2.6)
Repair and Maintenance	261,528	229,534	13.9
Telecommunications	232,893	212,820	9.4
Health and Personal Care Retailers	231,263	228,367	1.3
Rental and Leasing Services	202,828	184,707	9.8
Merchant Wholesalers, Nondurable Goods	188,850	172,453	9.5
Unclassified	153,789	143,710	7.0
Heavy and Civil Engineering Construction	152,506	134,963	13.0
	12,423,517	12,332,409	

Year-to-Date Sales Tax Comparison

CITY OF LACEY
Shaping our community together

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Year-to-Date Sales Tax Comparison

Category	2023	2022	% Chg
Retail Trade	6,343,597	6,641,978	-4.5
Construction	2,342,033	2,312,033	1.3
Accommodation and Food Services	1,392,686	1,278,951	8.9
Wholesale Trade	821,978	693,521	18.5
Administrative and Support Services	504,312	492,902	2.3

Retail Sales Tax
2022 WA State Sales Tax

Rank	City	Per Capita Sales Tax
1	Winthrop	$1,146.09
2	Concrete	$1,093.46
3	Fife	$1,079.78
38	Olympia	$ 447.48
47	Tumwater	$ 403.80
86	Yelm	$ 294.66
103	Lacey	$ 276.49

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47 35	Tumwater	$ 403.80 $414.97
86 93	Yelm	$ 294.66 $265.10
103 83	Lacey	$ 276.49 $279.52

Utility Taxes

- Utility Taxes
  - Overall decrease of $328,077
    - Lacey-Owned Utilities - $321,900 increase
    - Electricity - $176,911 increase
    - Natural Gas - $158,778 increase
    - Telephone - $74,794 decrease
    - Rescind Fire Protection Utility Tax - $950,667 decrease

Rescind 6.04% Public Utility Business Tax on Water Distribution

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Lane v. City of Seattle

- October 2008 Washington Supreme Court Ruling
  - Ruling confirmed fire hydrant and other fire suppression costs are the responsibility of the General Government and not water utilities.

- In 2012, City engaged a consultant to develop a fire protection services cost allocation plan.
  - $504,380 annual fire suppression costs incurred by the Lacey water utility or 5.7% of total expenditures.

Lane v. City of Seattle

- Ordinance No. 1401 adopted (11.15.2012)
  - Increased the City Utility Tax for Water by 6.04%
  - Projected 2013 tax generation = $504,380
- Ordinance No. 1402 adopted (11.15.2012)
  - Included a 5.39% decrease prior to applying the proposed multi-year 6.5% annual increases for 2013-2017

Substitute House Bill 1512 (2013)

- RCW 70A.145.030
  - A purveyor may allocate and recover the costs of fire suppression water facilities and services from all customers as costs of complying with state laws and regulations, or from customers based on service to, benefits conferred upon, and burdens and impacts caused by various classes of customers, or both.
  - Effective July 28, 2013

Water Rate and Utility Tax Fire Protection Recovery

Average Residential Bill	Adopted 2023 Rates
Monthly Base Charge	$ 19.33
Volume Charge (7 ccf)	13.43
Total Water Charge	$ 32.76
Current Utility Tax (6.0%)	$ 1.97
6.04% Utility Tax Decrease	1.98
Total Utility Bill	$ 36.71

Note: This illustration may include rounding errors when compared to the adopted rate schedule.

Water Rate and Utility Tax
Fire Protection Recovery

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CITY OF LACEY

Average Residential Bill	Adopted 2023 Rates		2023 Rates Including Fire Cost	
Monthly Base Charge	$	19.33	$	20.44
Volume Charge (7 ccf)		13.43		14.19
Total Water Charge	$	32.76	$	34.63
Current Utility Tax (6.0%)	$	1.97		
6.04% Utility Tax Decrease		1.98		
Total Utility Bill	$	36.71		

Total water revenues increased by $950,667 or 5.6981%

Note: This illustration may include rounding errors when compared to the adopted rate schedule.

Water Rate and Utility Tax
Fire Protection Recovery

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Apply 6.0% utility tax rate

Note: This illustration may include rounding errors when compared to the adopted rate schedule.

Water Rate and Utility Tax
Fire Protection Recovery

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Total Utility Bill	$ 36.71	

Rescind 6.04% utility tax rate

Note: This illustration may include rounding errors when compared to the adopted rate schedule.

Water Rate and Utility Tax
Fire Protection Recovery

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Current Utility Tax (6.0%)	$ 1.97	$ 2.08
6.04% Utility Tax Decrease	1.98	-
Total Utility Bill	$ 36.71	$ 36.71

Increase to water rate and rescind 6.04% utility tax rate results in a net zero impact to the ratepayer

Note: This illustration may include rounding errors when compared to the adopted rate schedule.

January 1, 2024 Water Rate and Utility Tax Proposals

- Increase water rates to include fire hydrant and other fire suppression services
  - Authorized by RCW 70A.145.030

- Rescind 6.04% utility tax on water utilities/purveyors
  - LMC 3.01.040
    - *The rate of tax levied pursuant to LMC 3.01.030 on all public utility businesses ~~except the water distribution business~~ shall be six percent. ~~The rate of tax levied pursuant to LMC 3.01.030 for water distribution business shall be 12.04 percent.~~*

Other Taxes

- Business and Occupation (B&O) Tax
  - $3,503,777 adjusted with sales tax
  - $428,387 increase compared to adopted 2023 Budget
- Admissions Tax
  - Projection: $180,000
  - $12,000 increase
  - ~$250,000 pre-pandemic
- Gambling Taxes
  - $540,700 (+$136,868 from 2023)
  - ~$394,500 pre-pandemic

Fees and Other Revenues

- Parks and Recreation Fees
  - $852,940
  - Thru September 2023 = $564,671
    - 2022 = $554,903
    - 2019 = $767,681
- Interest/Investment Income
  - Projection: $1,649,072 (+105.2%)

General Fund
Other Revenue Sources

- All Other Revenues
  - Overall $8,213,562 increase
    - Use of Reserves +$8,086,458
    - Transfers -$209,964
    - Investment Interest +$694,822

General Fund
Other Revenue Sources

- Beginning Cash
  - $8,086,458 increase
    - 2024 one-time projects funded with reserves
      - Police Station - $17,494,126
      - Greg Cuoio Park Phase 1A - $5,229,819
      - Police Records Management - $475,000
      - Economic Development - $375,000

General Fund
Other Revenue Sources

- Beginning Cash
  - Use of Reserves for Operation and Maintenance
    - Police Succession Planning (5 FTE's) - $750,000
    - Budget Policy Implementation - $383,870
    - Rapid Response Team - $238,863
    - Mobile Outreach Team - $213,520
    - RAC Long-Term Financial Plan - $200,000

2024 General Fund Revenue Considerations

- Planned Economic Slowdown
  - Stubborn inflation
  - Workforce challenges
  - Supply chain issues

- Revenue Outlook
  - Will the planned economic slowdown solution be preferrable to the problem (soft landing)?
  - How have/will high interest rates impact development and expansion?

Transportation Revenue Sources

- Real Estate Excise Taxes (REET)
  - $2,500,000 projection
- Motor Vehicle Fuel Tax
  - -$34,798 compared to adopted 2023 Budget
- Transportation Benefit District
  - 0.2% sales tax for the preservation of streets and sidewalks effective July 1, 2017.
    - 2024 Projection = $3,744,774

2024 Utility Rate Proposed Increases for Residential Accounts

- $1.82/month increase proposed for Water (700 cu.ft.)
  - Assumes 5.6981% increase to 2023 rates for fire protection
  - Assumes 5.25% increase (2024-2027)

- $2.62/month increase proposed for Sewer
  - Assumes 9.5% increase (2024-2027)

- $0.61/month increase proposed for Stormwater
  - Assumes 4.5% increase (2024-2025)

- $1.34/month approved rate increase for LOTT

2021 Utility Rate Decisions

- Water Rates: Full CIP, with 5.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027
Increase	5% mid yr.	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Debt			$11.50m		$12.25m		$16.75m

- Sewer Rates: Full CIP, with 5.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027
Increase	5% mid yr.	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Debt			$5.25m		$1.00m		

- Stormwater Rates: Adopted 2020 Comp Plan

	2021	2022	2023	2024	2025	2026	2027
Increase	4.50%	4.50%	4.50%	4.50%	4.50%		
Debt							

2021 Utility Rate Decisions

- Water Rates: **Full CIP**, with 5.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027
Increase	**5% mid yr.**	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
Debt			$11.50m		$12.25m		$16.75m

- Sewer Rates: **Full CIP**, with 5.0% July 2021 increase

	2021	2022	2023	2024	2025	2026	2027
Increase	**5% mid yr.**	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Debt			$5.25m		$1.00m		

- Stormwater Rates: Adopted 2020 Comp Plan

	2021	2022	2023	2024	2025	2026	2027
Increase	**4.50%**	4.50%	4.50%	4.50%	4.50%		
Debt							

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	2021	2022	2023	2024	2025	2026	2027
Increase	5% mid yr.	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Debt			~~$5.25m~~	$5.25m	$1.00m		

- Stormwater Rates: Adopted 2020 Comp Plan

	2021	2022	2023	2024	2025	2026	2027
Increase	4.50%	4.50%	4.50%	4.50%	4.50%		
Debt							

Utility Capital Replacement and Repair Funding Proposed Changes

- LMC 13.32.030 Water Service Charge
  - *An amount equal to fifteen percent of the revenues received from service charges as set forth herein shall be set aside by the city separately for the purpose of accumulating a depreciation reserve for the replacement of equipment and plant in place of the water system…*
- LMC 13.16.061 Sewer Basic Service Charge
  - *That portion of the basic sewer service charge levied for the purpose of replacing, rebuilding and repairing existing sewerage facilities shall be held…*
- New Stormwater Section LMC 13.70

Utility Capital Replacement and Repair Funding Proposed Language

"Service charge revenues shall be used for the purpose of maintenance and operations, debt service requirements, and maintaining minimum maintenance and operations reserve thresholds. The balance of revenues received from said charges shall be used for the replacement, repair and expansion of *water/wastewater/stormwater* systems and equipment."

Next Steps

- November 16, 2023 Proposed City Council Actions
  - Adopt Resolution authorizing Property Tax increase
  - Adopt Property Tax Levy Ordinance
  - Rescind Water Fire Protection Utility Tax Ordinance
  - Water, Wastewater, and Stormwater Rate Ordinances

Questions/Guidance/Discussion?

City of LACEY
Shaping our community together

CITY OF LACEY

Official Proclamation

WHEREAS, members of the Army, Air Force, Navy, Marines, Coast Guard, and Merchant Marine have answered a high calling to serve and have helped protect and secure the United States of America at every turn; and

WHEREAS, our country is forever indebted to our veterans for their courage and exemplary service as selfless individuals who, when duty called, willingly put themselves in harm's way to defend the lives and liberty of others; and

WHEREAS, we honor those who laid down their lives in freedom's defense and made the ultimate sacrifice for our benefit; and

WHEREAS, on Veterans Day, we salute those who have proudly worn the uniform of the United States of America and the families who have served alongside them, and we express our enduring gratitude, both in words and in actions, for their service; and

WHEREAS, as many veterans face overwhelming unknowns, through community collaborations we can ensure that those who have served their nation receive the resources they deserve; and

WHEREAS, through their commitment to freedom, our veterans have positively impacted millions of lives and made our country and the world more secure, and the City of Lacey resolves that their sacrifices will always be remembered;

NOW, THEREFORE, I, Andy Ryder, Mayor of the City of Lacey, on behalf of the City Council, do hereby proclaim the month of November 2023, as

Veterans Appreciation Month

in the City of Lacey, and I encourage all community members to recognize the valor and sacrifice of our veterans and to actively support our local veterans and their family members.

Andy Ryder

Mayor Andy Ryder
November 2, 2023

CITY OF LACEY
Official Proclamation

WHEREAS, since time immemorial, Native Americans, Alaska Natives, Native Hawaiians, and Indigenous peoples have built vibrant and diverse cultures — safeguarding land, language, spirit, knowledge, and tradition across generations; and

WHEREAS, Indigenous people have played a vital role in every stage of our nation's history and their contributions have enhanced the social, political, environmental, and economic well-being of the United States of America and local communities, like Lacey; and

WHEREAS, we acknowledge the Indigenous People who called this land home before the arrival of settlers and have been here since time immemorial; and

WHEREAS, the City would like to recognize that we are on the lands of the Tribal People of the Medicine Creek Treaty and other indigenous communities, and acknowledge the history of dispossession that allowed for the growth of our community; and

WHEREAS, the City offers respect to the Tribal People of the Medicine Creek Treaty and their Elders, past, present, and emerging, as well as all indigenous communities in Thurston County, Washington State, and across the nation; and

WHEREAS, our community reaffirms its commitment to respect and preserve the traditions and culture and to honor the unique heritage of our first inhabitants;

NOW, THEREFORE, I, Andy Ryder, Mayor of the City of Lacey, on behalf of the City Council, do hereby proclaim the month of November 2023, as

Native American Heritage Month

in the City of Lacey, and I encourage all community members to commemorate this month with appropriate programs and activities.

Andy D Ryder

Mayor Andy Ryder
November 2, 2023

CITY OF LACEY
Shaping our community together

LACEY CITY COUNCIL MEETING
November 2, 2023

SUBJECT: **Annual Review of Property Retained by the Police Department.**

RECOMMENDATION: **RCW 63.32.010 requires an annual review of property retained by the Police Department by the City Council.**

STAFF CONTACT: Rick Walk, City Manager RW
Robert Almada, Chief of Police

ORIGINATED BY: Lacey Police Department

ATTACHMENTS: 2023 Police Department Retained Property List

FISCAL NOTE: None

PRIOR REVIEW: None

BACKGROUND:

RCW 63.32.010(2) states police departments may:
"Retain the property for the use of the police department subject to giving notice in the manner prescribed in RCW 63.32.020 and the right of the owner, or the owner's legal representative, to reclaim the property within one year after receipt of notice, without compensation for ordinary wear and tear if, in the opinion of the chief of police, the property consists of firearms or other items specifically usable in law enforcement work: PROVIDED, that at the end of each calendar year during which there has been such a retention, the police department shall provide the city's mayor or council and retain for public inspection a list of such retained items and an estimation of each item's replacement value."

The attached "retained property list" complies with RCW 63.32.020 and provides the City Council with the list of items currently retained by the police department along with their current location and estimated value.

2023
Lacey Police Department
Retained Property List

Case #	Description	Location	Approx. Value
2006-3914	Two tree limb cutters	Response Trailer	$40
2007-1322	24” bolt cutters	Sgt. Vehicle	$20
2008-4414	“Dakine” brand backpack	Investigations	$15
2008-4751	Coleman Generator	Response Trailer	$300
2009-2055	“Nextar” brand GPS unit	Investigations	$50
2009-2905	“Rosetti” brand purse	Investigations	$20
2009-4680	“Garmin” brand GPS unit	Investigations	$60
2011-0750	“LG” brand 55” LED TV	Investigations	$300
2011-0750	Honda Generator ES6500	Impound Yard	$700
2011-4190	24” bolt cutters	Sgt. Vehicle	$20
2013-6829	128GB Apple i-pad air 174	Investigations	$200
2013-6829	128GB Apple i-pad air 174	Investigations	$200
2013-6829	128GB Apple i-pad air 174	Investigations	$200
2016-2792	36” bolt cutters	Patrol Vehicle	$40
2020-4616	Magpul rifle magazine, 30rds of .223	Armory	$60
2022-3469	Bolt Cutters (large)	Sgt. Vehicle	$50

CITY OF LACEY
Shaping our community together

LACEY CITY COUNCIL MEETING
November 2, 2023

SUBJECT:	**Modification to Interlocal Agreement regarding Creation of Public Facilities District for Regional Centers**

RECOMMENDATION:	**Authorize the City Manager to execute the Modification to Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers.** **Note: The "Next Steps" section of this staff report provides four (4) options for the Lacey City Council to consider.**

STAFF CONTACT:	Rick Walk, City Manager RW Shannon Kelly-Fong, Assistant City Manager SKF Troy Woo, Finance Director TW Dave Schneider, City Attorney DS
ORIGINATED BY:	City of Olympia
ATTACHMENTS:	Proposed Modification
FISCAL NOTE:	0.033% of the state share of sales and use tax
WORK PLAN GOAL AND STRATEGY:	Vibrant Place to Live, Work & Play Excellence in Programs & Services
OTHER POLICY DOC. ALIGNMENT:	Goal - Strategy
PRIOR REVIEW:	None

BACKGROUND:

On June 26, 2002, the cities of Lacey, Olympia, Tumwater and Thurston County passed an Interlocal Agreement (ILA) which created a Regional Public Facilities District (PFD). This original Interlocal Agreement has been subsequently amended on March 10, 2003, August 25, 2004, and July 12, 2006. The Parties to the ILA have determined that the Lacey Regional Athletic Complex (RAC) and the Hands On Children's Museum in Olympia constitute the Regional Centers under the ILA as amended.

Subsequent to the most recent amendment, the Washington State Legislature passed Engrossed House Bill 1201 ("EHB 1201"), which became effective on July 23, 2017. EHB 1201 amended RCW 82.14.390 and 82.14.485, which authorize sales and use taxes for regional centers. EHB 1201 extended the period during which the tax for PFDs can be imposed from 25 years after the tax is first collected to 40 years after the tax is first collected.

Per the existing ILA as amended, the collection of the tax is currently set to expire in 2028. The proposed modification would incorporate the legislative changes of EHB 1201 into the ILA as amended, and thus authorize the collection of the tax until 2043.

A 15-year extension would provide additional capital investment and expansion of the RAC and Hands On Children's Museum facilities. For Lacey, revenues from the PFD have been used for maintenance and operations of the RAC. This extension will help ensure the long-term viability of the RAC.

Notably, outstanding debt relating to the development of the facilities is one of the requirements to maintain the authority for the local sales tax. Lacey's existing debt for the RAC Phase 2 development will be retired in December 2027 and is not eligible for refunding. New debt must be issued before December 2027 to maintain the local sales tax authority.

The Olympia City Council approved this modification on October 24, 2023. The Tumwater City Council and Thurston County Board of Commissioners are expected to consider this modification by the end of the year.

Next Steps. Upon review, the Lacey City Council could consider one of the below options. Option 1 is recommended.

Option 1: Authorize the City Manager to execute the Modification to Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers.

Option 2: Take no action; do not authorize the City Manager to execute the Modification to Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers.

Option 3: Provide direction to City staff on other elements to consider in regards to this issue. After further diligence on these elements, City Staff would then return to the Lacey City Council to review.

Option 4: Some other option not contemplated in the above options.

MODIFICATION TO SECOND AMENDMENT TO AMENDED INTERLOCAL AGREEMENT REGARDING CREATION OF A PUBLIC FACILITIES DISTRICT FOR REGIONAL CENTERS

THIS MODIFICATION to the Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers is made and entered into by and between the City of Olympia, a municipal corporation (hereafter "Olympia"), the City of Lacey, a municipal corporation (hereafter "Lacey"), the City of Tumwater, a municipal corporation (hereafter "Tumwater"), and Thurston County (hereafter "the County"). The term "Parties" shall refer to all parties to this modification. The term "Party" shall refer to a party to this modification.

WHEREAS, the Parties hereto previously entered into an Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers dated March 10, 2003, which Agreement was amended by Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers dated August 24, 2004;

WHEREAS, the Parties have previously determined that the Hands On Children's Museum to be sponsored by Olympia should, together with the Lacey Area Athletic, Recreation, and Special Events Complex (commonly referred to as "the RAC"), constitute the Regional Centers under said Interlocal Agreement; and

WHEREAS, since the Parties executed the Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers on July 12, 2006, and said Agreement was recorded with the Thurston County Auditor under No. 3854338 on August 3, 2006, the Washington State Legislature passed Engrossed House Bill 1201 ("EHB 1201"), Chapter 164, Laws of 2017, of the 65th Legislature, 2017 Regular Session; and

WHEREAS, EHB 1201 became effective on July 23, 2017, following signature of Governor Jay Inslee and filing on May 4, 2017, as "An Act Relating to the taxing authority of public facilities districts; and amending RCW 82.14.390 and 82.14.485, and said legislation effects the Public Facilities District to whom the Parties previously entered into an Amended Interlocal Agreement; and

WHEREAS, EHB 1201 amended RCW 82.14.390 to provide in part that "[t]he tax imposed in this section expires when ((~~the~~)) bonds issued ((~~for~~)) to finance or refinance the construction, improvement, rehabilitation, or expansion of the regional center and related parking facilities are retired, but not more than ((~~twenty-five~~)) forty years after the tax is first collected"; and

WHEREAS, EHB 1201 also amended RCW 82.14.485 in part to read that the ". . . tax imposed in this section ((~~shall~~)) expires when ((~~the~~)) bonds issued ((~~for~~)) to finance or refinance the construction, improvement, rehabilitation, or expansion of the regional center and related parking facilities are retired, but not more than ((~~twenty-five~~)) forty years after the tax is first collected;

NOW THEREFORE, the Parties hereby agree to modify the Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers, as follows:

1. Modification. Lacey, Olympia, Tumwater, and the County, through their respective legislative bodies, agree to modify the terms of the Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers as provided in Paragraph 14 of the aforesaid Agreement, to incorporate the Legislature's amendments in EHB 1201 to RCW 82.14.390 and 82.14.485.

2. Tax imposed for finance, refinance, construction, improvement, rehabilitation or expansion. RCW 82.14.390 and 82.14.485 currently provide that the "tax imposed in this section expires when bonds issued to finance or refinance the construction, improvement, rehabilitation, or expansion of the regional center and related parking facilities are retired, but not more than forty years after the tax is first collected." The Parties hereby modify and amend their Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers to fully incorporate the legislative changes made by EHB 1201 to RCW 82.14.390 and 82.14.485 to permit financing or refinancing of construction, improvement, rehabilitation, or expansion of the Hands On Children's Museum and the Lacey Area Athletic, Recreation, and Special Events Complex ("RAC"), and to extend collection of the tax to no more than forty (40) years after the tax was first collected.

3. All other terms remain in effect. All other terms of the Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers remain in full force and effect.

4. Counterparts and digital or electronic signature. This modification to the Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The Parties may execute this agreement by digital or electronic signature, as permitted by law.

5. Effective date of modification. This modification shall become effective as of the date of the last Party's signature below.

6. <u>Filing of modification with County Auditor.</u> A final, executed Modification To Second Amendment to Amended Interlocal Agreement Regarding Creation of a Public Facilities District for Regional Centers shall be filed by Olympia with the Thurston County Auditor as required by RCW 39.34.040.

CITY OF OLYMPIA	**CITY OF LACEY**
______________________________	______________________________
Steven J. Burney, City Manager Dated____________________	Rick Walk, City Manager Dated____________________
Approved as to form:	Approved as to form:
______________________________	______________________________
Mark Barber, City Attorney	David Schneider, City Attorney
CITY OF TUMWATER	**THURSTON COUNTY**
______________________________	______________________________
Debbie Sullivan, Mayor Dated____________________	Dated____________________
Approved as to form:	Approved as to form:
______________________________	______________________________
Karen Kirkpatrick, City Attorney	Scott Cushing, Deputy Prosecuting Attorney

City of Lacey, Washington
Finance & Economic Development Committee Minutes

Tuesday, October 24, 2023	8:30 AM	Council Chambers and Online

DRAFT

1. Call to Order

Mayor Ryder called the meeting to order at 8:30 a.m.

2. Roll Call

Council Present
Mayor Ryder (Chair)(remote)
Councilmember Greenstein

Council Excused
Deputy Mayor Miller

Staff Present
Shannon Kelley-Fong, Assistant City Manager
Dave Schneider, City Attorney
Troy Woo, Finance Director
Elissa Fontaine, City Clerk

3. Approval of Agenda

Councilmember Greenstein moved to approve the agenda. Mayor Ryder seconded. Motion carried.

4. Agenda Items

A. Business and Occupation Tax Model Ordinance

Troy Woo, Finance Director

Staff presented a briefing on amendments to the State Business and Occupation (B&O) Model Tax Ordinance and highlighted required updates to the Lacey Municipal Code 3.02.078. The Committee expressed support for the amendments being brought to the full Council for action at a future meeting.

B. Water and Wastewater Capital Replacement and Repair Funding
Troy Woo, Finance Director

Staff discussed potential Lacey Municipal Code updates as part of the utility rate ordinances consideration. The Committee reviewed the proposal to rescind the required receipting of revenue into the Water and Wastewater Capital Funds. The change will be considered within the utility rate ordinances that are tentatively scheduled to go before the full Council for consideration on November 16, 2023.

5. Adjourn

Mayor Ryder adjourned the meeting at 8:48 a.m.