Lacey City Council Amended* Agenda

Refer to the bottom of the agenda for meeting information.

Tuesday, June 10, 2025	6:00 PM	Council Chambers and Online

1. **Call to Order**
2. **Roll Call**
3. **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 they have today. We recommend that community members read the Medicine Creek Treaty of 1854.
4. **Approval of the Agenda**
5. **Public Comment**

   Refer to the bottom of the agenda for instructions on how to provide public comment.
6. **Agenda Items**

   B. **2025 First Quarter Financial Report and Budget Outlook**
   Rick Walk, City Manager
   Troy Woo, Finance Director

   A. **Regional Athletic Complex (RAC) Phase 3 Funding and Design Concepts**
   Jon McNamara, SCJ Alliance
   Trent Grantham, SCJ Alliance
   Jen Burbidge, Parks, Culture & Recreation Director
   Troy Woo, Finance Director
7. **Adjourn**

Meeting Information:

Attendance (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_kJXTukX4SdGpQomLU5FrFg
Website:	https://cityoflacey.org/government/public-meetings/
Facebook:	https://www.facebook.com/cityoflacey
YouTube:	https://www.youtube.com/watch?v=kr2PjUyg9To
Phone:	(888) 788-0099 or (877) 853-5247 (Webinar ID 894 9601 9189)

Verbal Public Comment

Each speaker is limited to three minutes. Comments are welcome on matters connected to City business or specific agenda items. **Because state law (RCW 42.17A.555) prohibits the use of public facilities to promote or oppose any ballot measure, public comment for or against the Lacey Metropolitan Park District cannot be accepted at this meeting.**

Prior to starting your comments, please provide your:

a. Name
b. City of residence or connection to the City
c. Topic or subject matter of your comments

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_kJXTukX4SdGpQomLU5FrFg Instructions and access details will be provided once registration is complete.

Written Public Comment

Public comments may also be submitted by email to PublicComment@cityoflacey.org. 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.

LACEY CITY COUNCIL WORKSESSION
June 10, 2025

SUBJECT:	**Regional Athletic Complex (RAC) Phase 3 Funding and Design Concepts**
RECOMMENDATION:	**Briefing on RAC Phase 3 Funding and Design Concepts**
STAFF CONTACT:	Rick Walk, City Manager RW Jen Burbidge, Parks, Culture & Recreation Director JB Scott Egger, Public Works Director SE Troy Woo, Finance Director
ORIGINATED BY:	LPCR Department
ATTACHMENTS:	1. Public Facilities District (PFD) Extension Timeline & RAC Phase 3 Design Concepts 2. April 23, 2024 City Council Staff Report Packet
FISCAL NOTE:	RAC Phase improvements will be financed by PFD restricted sales tax revenue supported bond issuance. The amount of debt and payment structure will be determined by the scope of capital improvements.
PRIOR REVIEW:	April 23, 2024 City Council Worksession and associated prior review City Council Worksession • City of Lacey • CivicClerk

BACKGROUND:

At April 23, 2024 City Council Worksession, City Council gave direction to staff to develop RAC Phase 3 design concepts focusing on baseball and softball fields and improvements to the existing soccer field located in RAC phase 1 and 2. The discussion centered on projected funding available, community needs and sporting event demand. Additional Background is provided in the April 23, 2024 City Council Staff Report Packet.

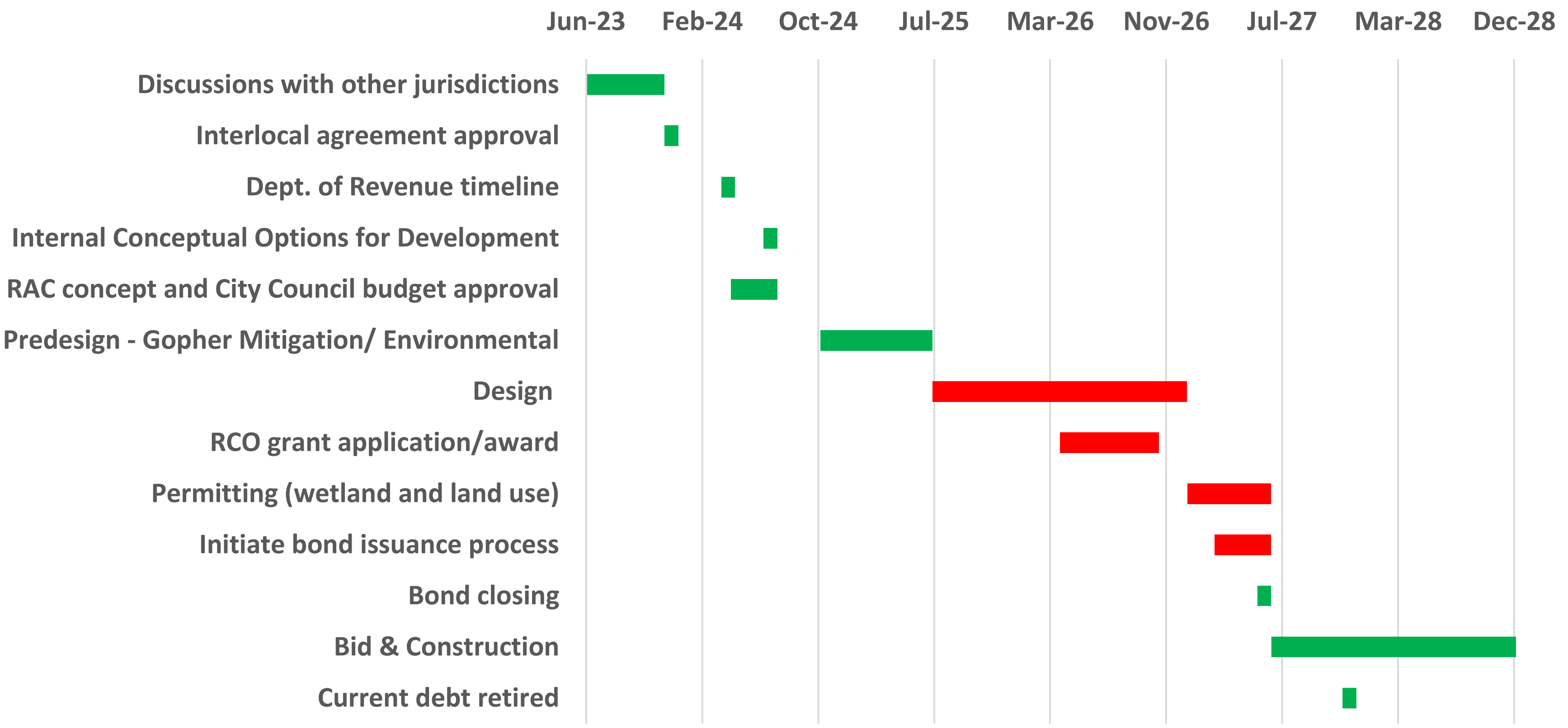
The City of Lacey's design consultant, SCJ Alliance, developed concept drawings for RAC Phase 3 expansion. The concept drawings included three options for the undeveloped property west of Marvin Road, which include 1) a baseball and two softball fields, 2) three softball fields and 3) a baseball and multi-purpose field. The design concepts also include converting a grass soccer field to turf. The addition of field lighting and berm seating adjacent to the existing turf soccer field.

The completed design concepts will be presented to the City Council at the June 10, 2025 City Council Worksession along with preliminary estimates for total cost of design and construction. Staff will also provide information on the projected financial capacity of the PFD sales tax revenue to issue debt for capital improvements.

The focus of the worksession is an introductory briefing to the RAC Phase 3 design concepts and estimated costs. Based on the information, the City Council will need to determine the scope of RAC Phase 3 improvements based on available funding. Once the decision is made, staff will start the design process to develop construction plans.

In order to preserve the PFD bonding the City will need to issue debt in June of 2027. To meet this deadline, staff will need to start the construction design process in July of 2025.

Public Facilities District Sales Tax Extension Timeline



LACEY REGIONAL ATHLETIC COMPLEX

CONCEPT 1
Plan

LEGEND

1. SITE CONCESSION BUILDING
2. LOCKER ROOM & RESTROOMS
3. CONCRETE RAMPS
4. TOT LOT PLAY (+/- 2,000 SF TOTAL)
5. BLEACHERS
6. COVERED STADIUM SEATING (500 CT.)
7. COVERED BATTING CAGES
8. BULLPENS
9. FIELD LIGHTING
10. RETAINING WALL
11. PUMP STATION
12. PLAY AREA (+/- 8,000 SF TOTAL)
13. STORMWATER MARCATION AREAS
14. TRAILS
15. GATHERING & ENTRY
16. PEDESTRIAN OVERPASS
17. GATED MAINTENANCE FACILITY WITH STORAGE

HARDSCAPE

SITE IMPACT

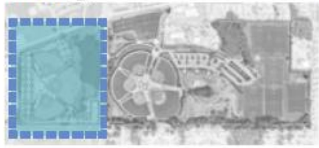
- TOTAL CUT: 80,000 CY
- TOTAL FILL: 44,000 CY
- BALANCE: 36,000 CY CUT

PARKING

TOTAL STALL COUNT:	353
• EV:	4
• STANDARD ADA:	6
• VAN ADA:	2
• BUS/COACH:	6

FACILITY CAPACITY: 1,059
*ASSUMING 3 PERSONS PER STALL (NOT INCLUDING BUS)

KEY MAP



SCALE: 1" = 100'
0 100' 200'

CONCEPT 2
Plan

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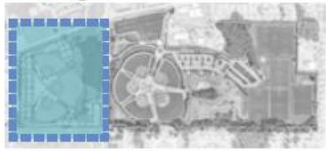

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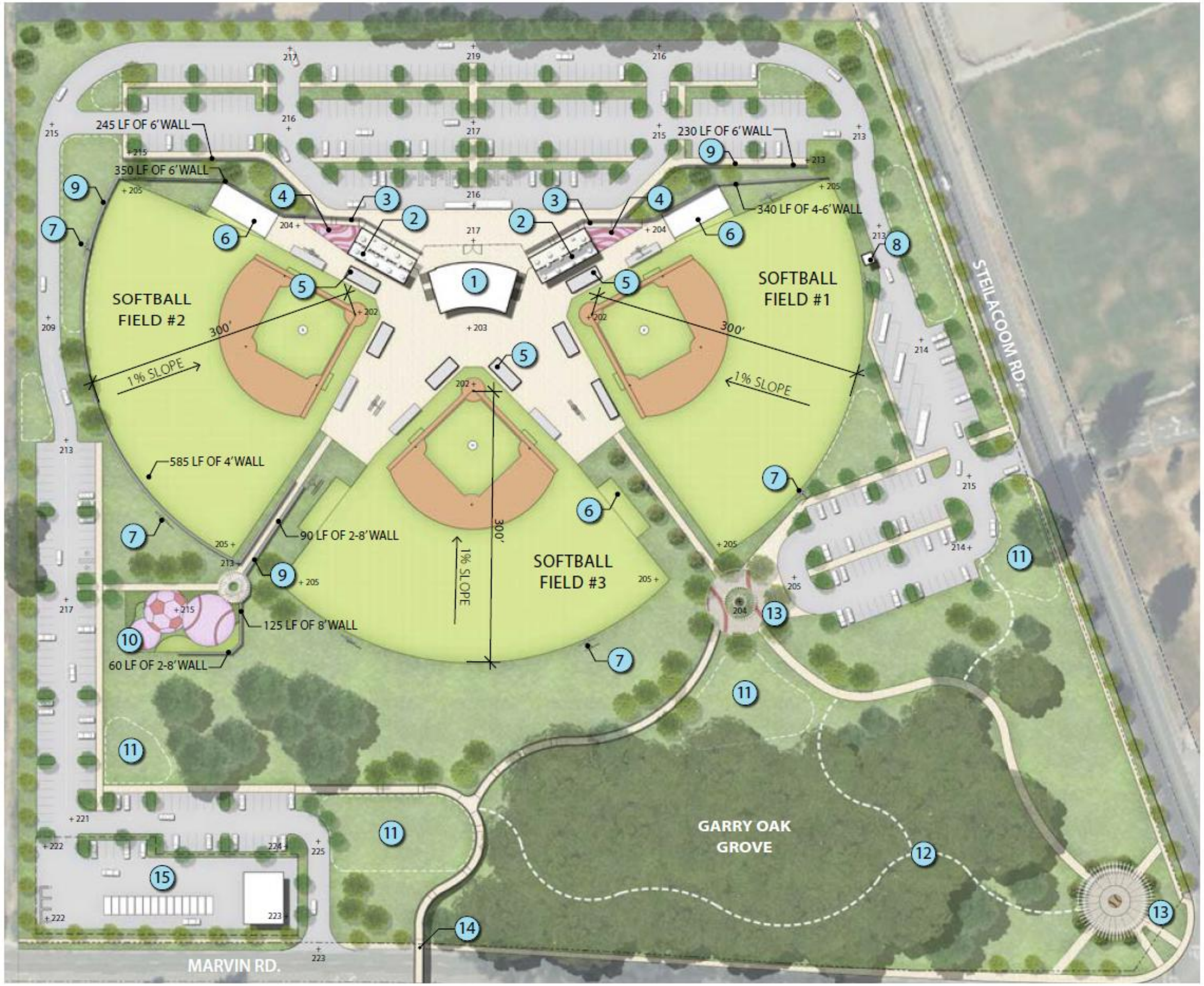

CITY OF LACEY

LACEY REGIONAL ATHLETIC COMPLEX

CONCEPT 3
Plan

LEGEND

1. SITE CONCESSION BUILDING
2. LOCKER ROOM & RESTROOMS
3. RESTROOMS
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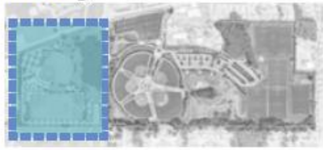

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CITY OF LACEY

LACEY REGIONAL ATHLETIC COMPLEX

EAST SIDE IMPROVEMENTS
Site Plan

LEGEND

1. MOBILE BLEACHERS
2. EXISTING CONCESSION & RESTROOMS
3. EXISTING FIELD LIGHT
4. BERM SEATING
5. NEW FIELD LIGHT

SITE IMPACT

- 16'-0" RUNOUTS
- MOBILE BLEACHERS FOR FIELD ONE
- BERM SEATING FOR FIELD TWO

KEY MAP

SCALE: 1" = 100'

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CITY OF LACEY

FUTURE EAST SIDE IMPROVEMENTS
Site Plan

LACEY REGIONAL ATHLETIC COMPLEX

LEGEND

1. TICKET BOOTH
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SITE IMPACT

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- 500 SPECTATOR SEATS ON FIELD ONE
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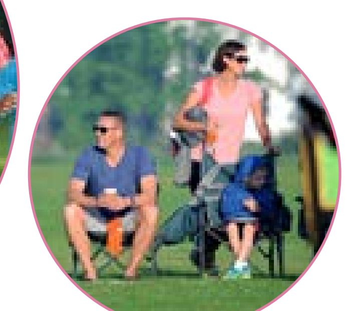
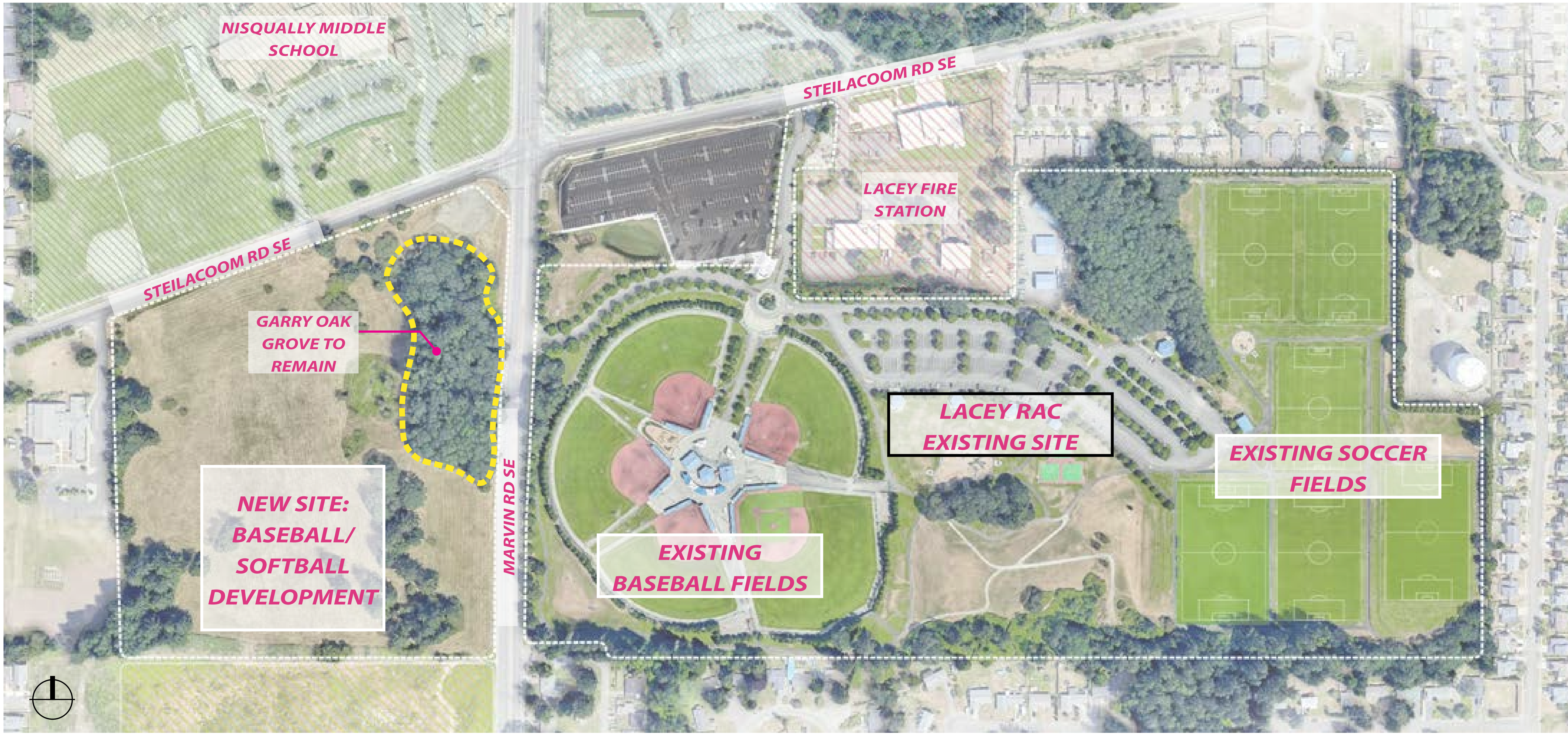
LACEY RAC
PHASE 3

8345 STEILACOOM RD SE,
OLYMPIA, WA

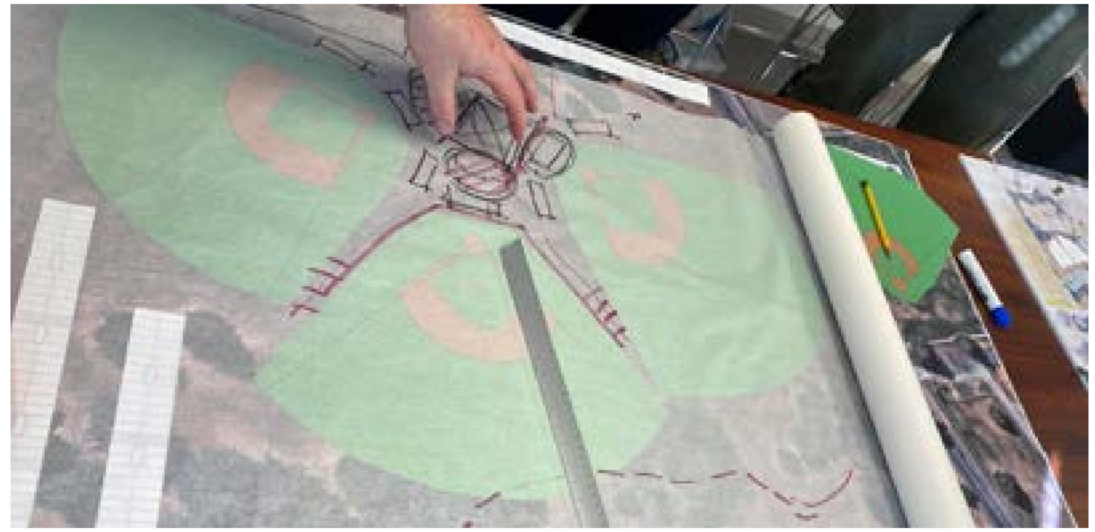
LACEY PARKS
CULTURE & RECREATION

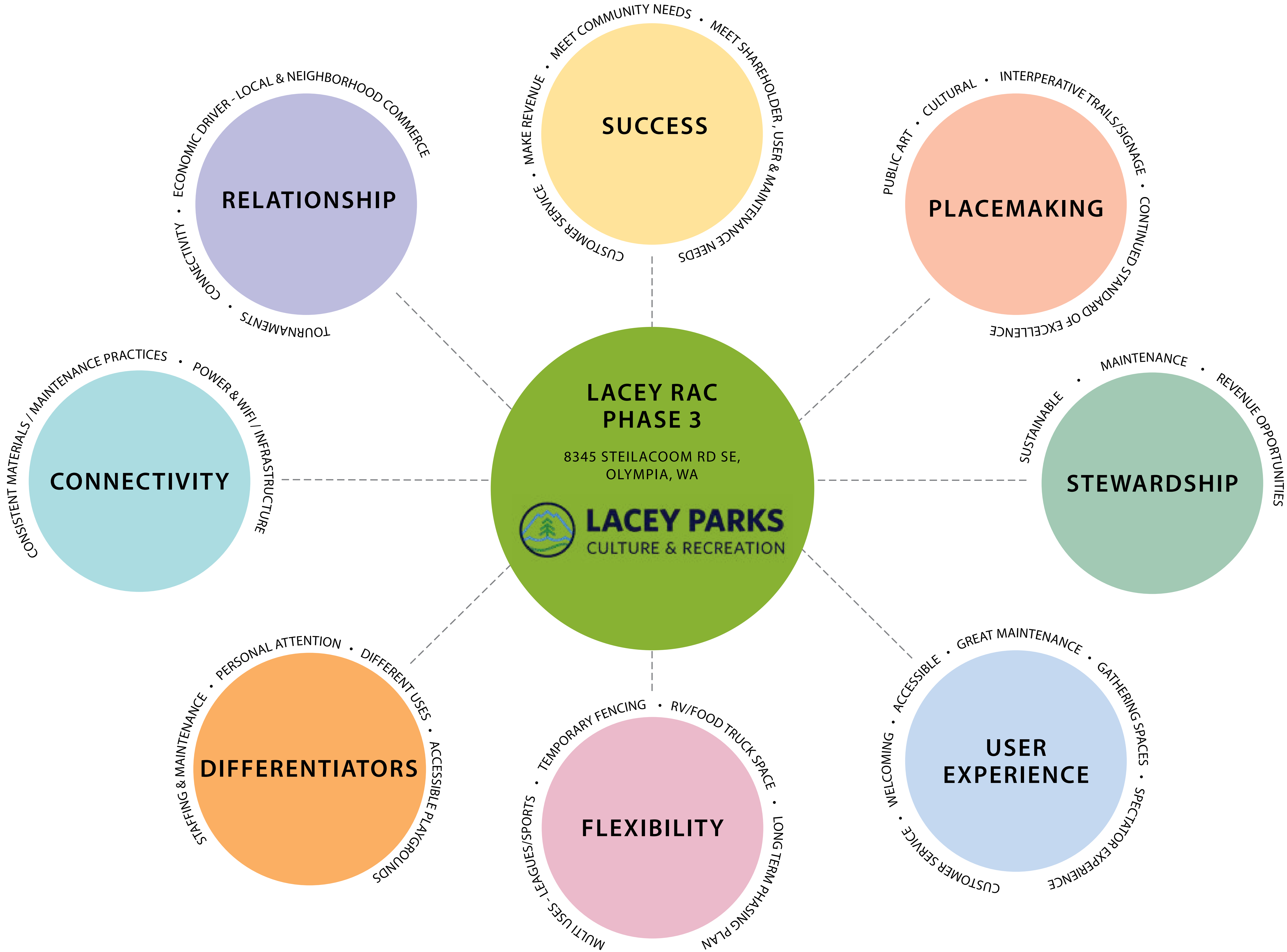


OVERALL SITE PLAN



DESIGN CHARRETTE




LACEY RAC
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LACEY PARKS
CULTURE & RECREATION
SUCCESS
MEET COMMUNITY NEEDS • MEET SHAREHOLDER, USER & MAINTENANCE NEEDS
CUSTOMER SERVICE • MAKE REVENUE
PLACEMAKING
CULTURAL • INTERPERATIVE TRAILS/SIGNAGE • CONTINUED STANDARD OF EXCELLENCE
PUBLIC ART
STEWARDSHIP
MAINTENANCE • REVENUE OPPORTUNITIES
SUSTAINABLE
USER EXPERIENCE
GREAT MAINTENANCE • GATHERING SPACES • SPECTATOR EXPERIENCE
CUSTOMER SERVICE • WELCOMING • ACCESSIBLE
FLEXIBILITY
TEMPORARY FENCING • RV/FOOD TRUCK SPACE • LONG TERM PHASING PLAN
MULTI USES - LEAGUES/SPORTS
DIFFERENTIATORS
PERSONAL ATTENTION • DIFFERENT USES • ACCESSIBLE PLAYGROUNDS
STAFFING & MAINTENANCE
CONNECTIVITY
CONSISTENT MATERIALS / MAINTENANCE PRACTICES • POWER & WIFI / INFRASTRUCTURE
RELATIONSHIP
ECONOMIC DRIVER - LOCAL & NEIGHBORHOOD COMMERCE
TOURNAMENTS • CONNECTIVITY

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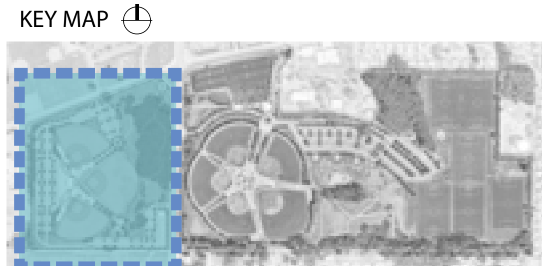

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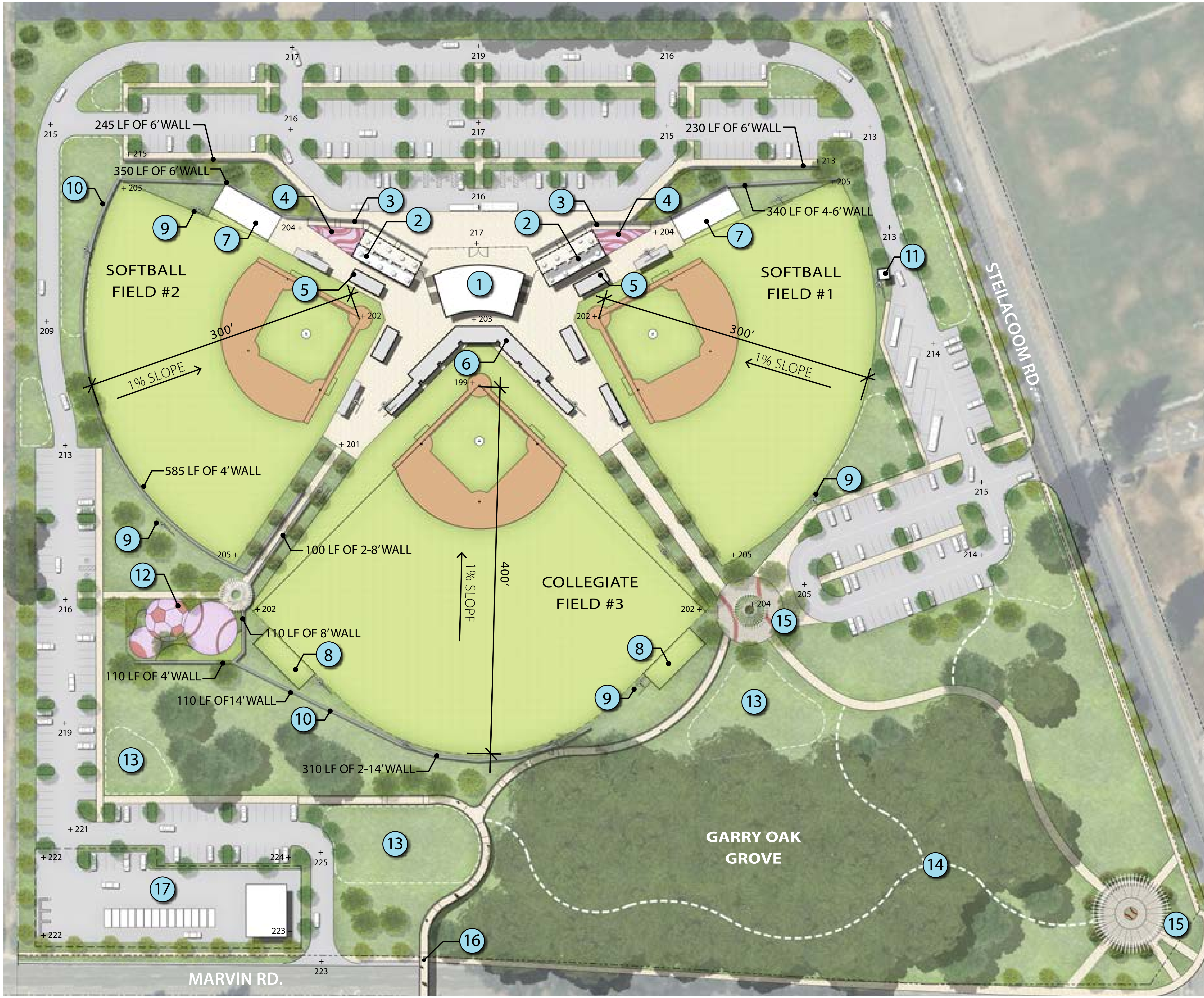

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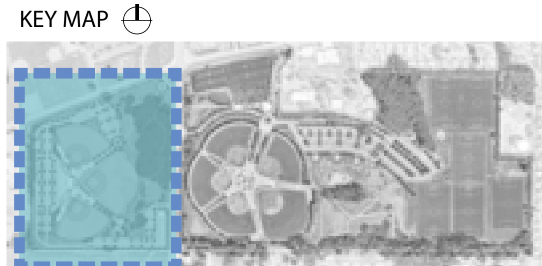

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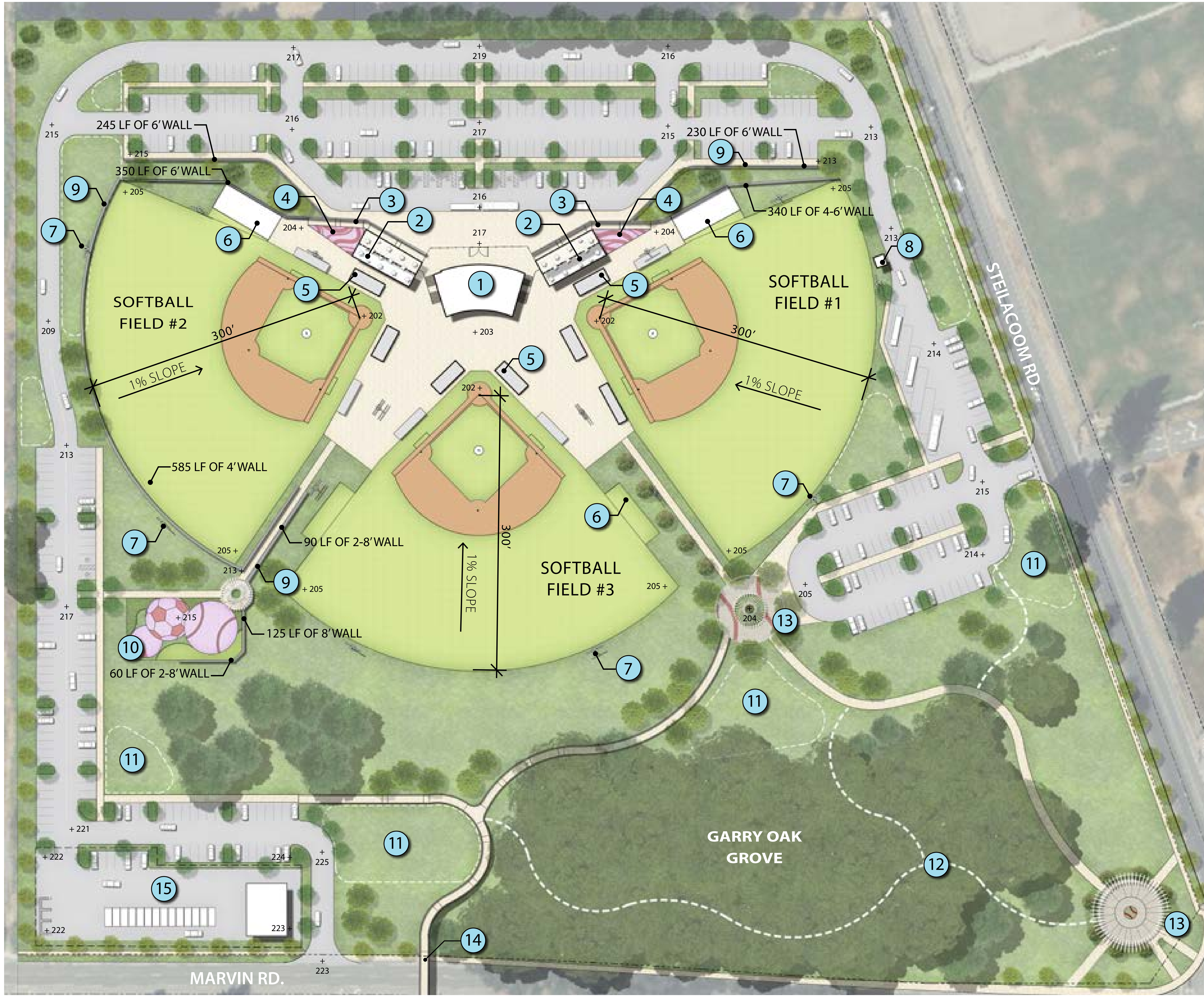

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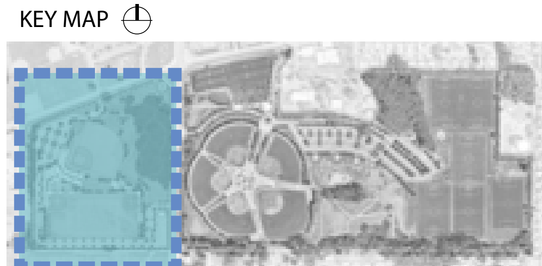

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Site Plan

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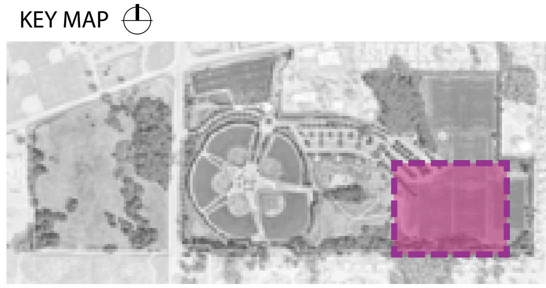

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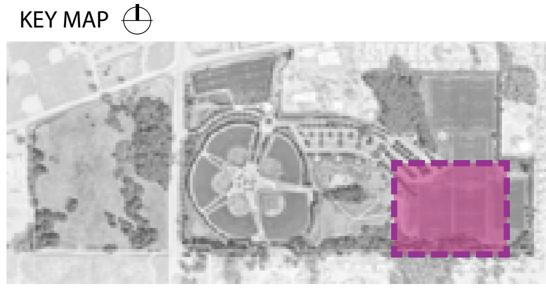

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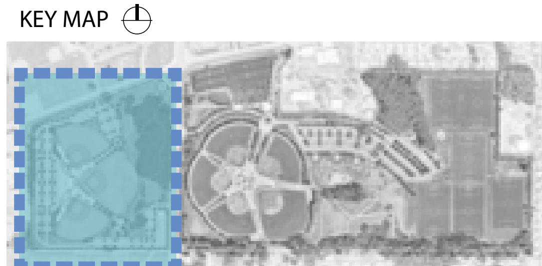

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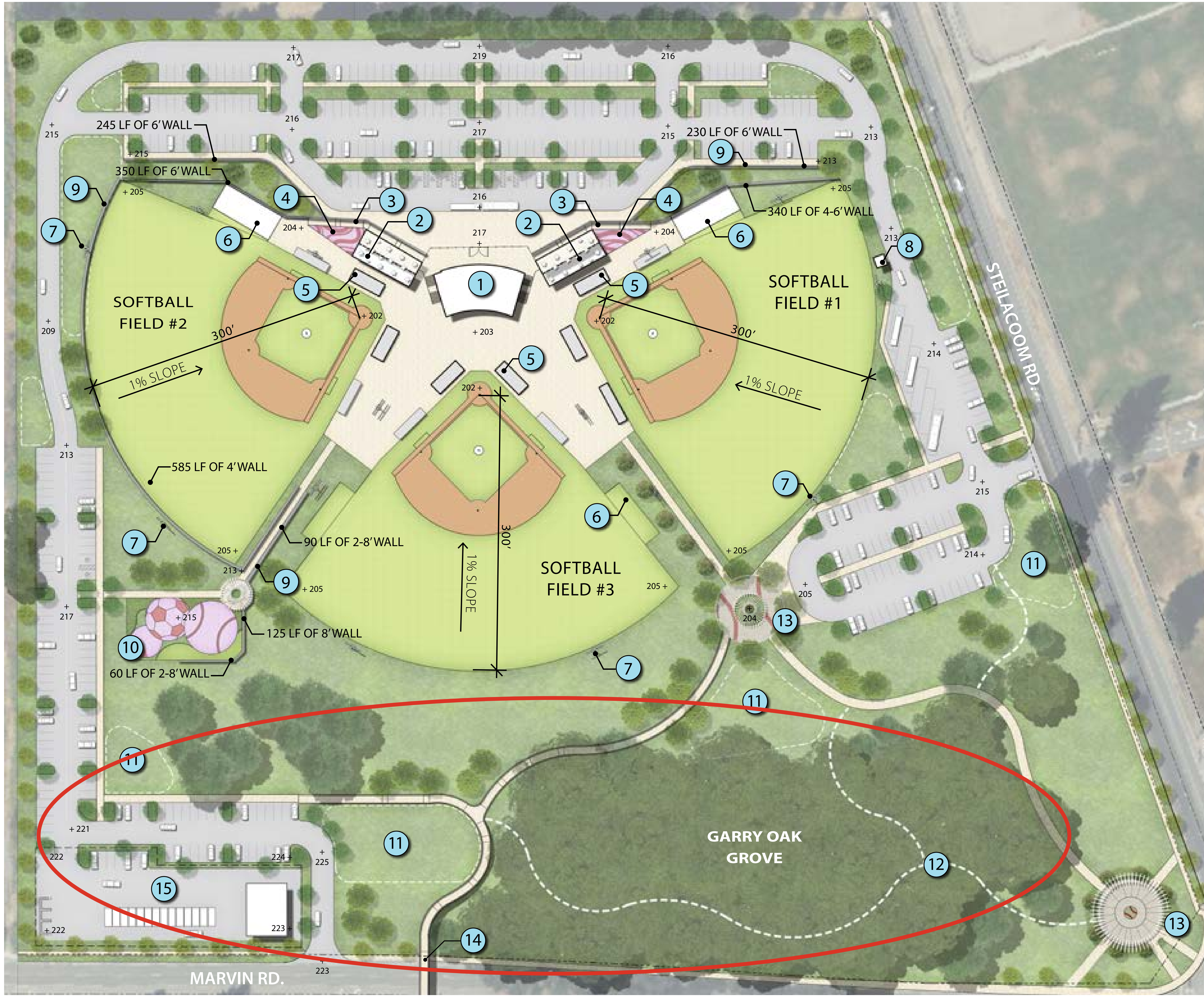
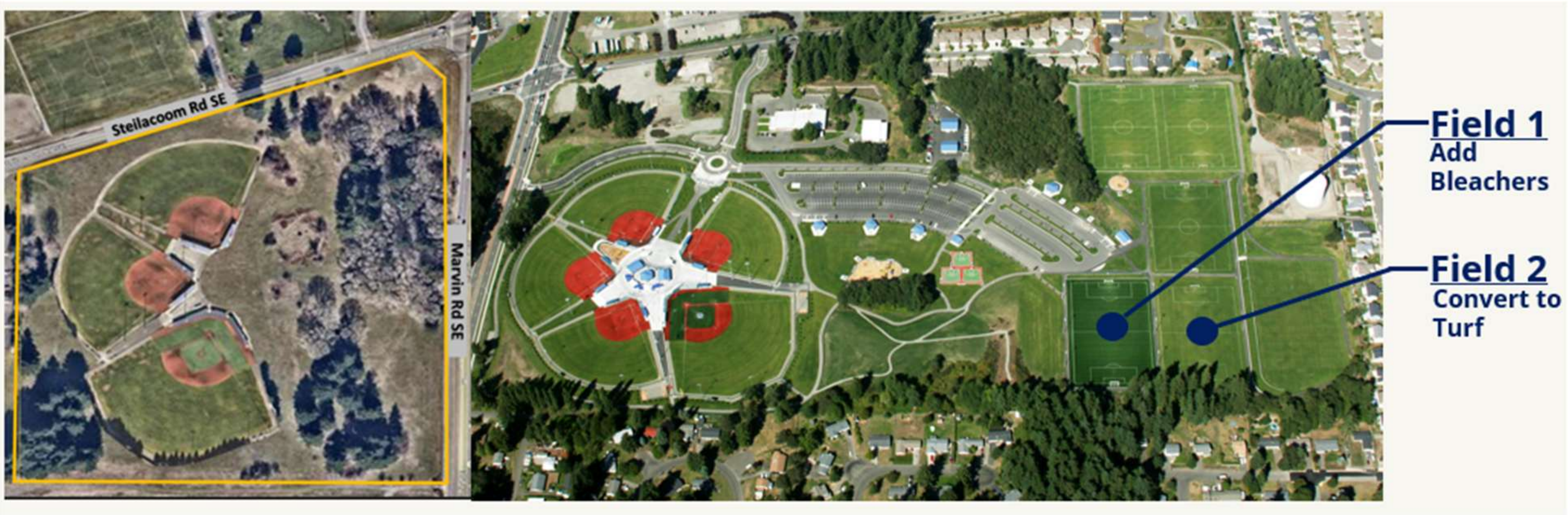


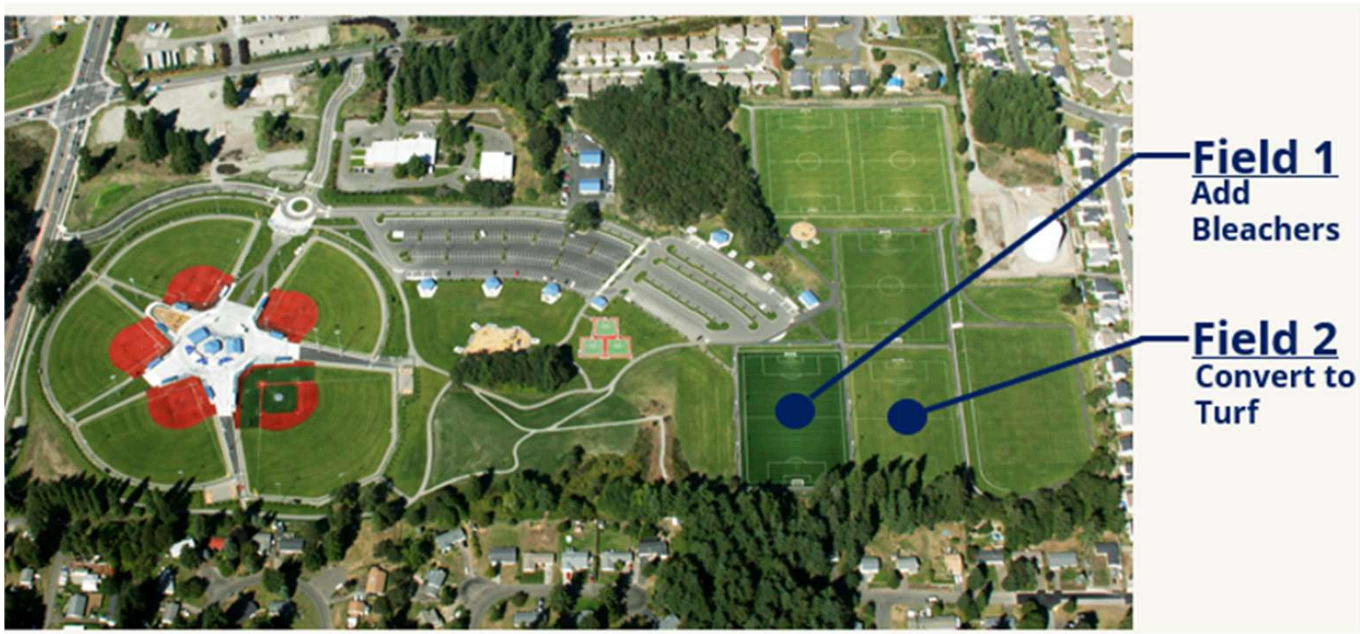
Regional Athletic Complex Phase 3 Funding (30-Year Extension)

City Council Worksession| June 10, 2025

2024 Recommendation

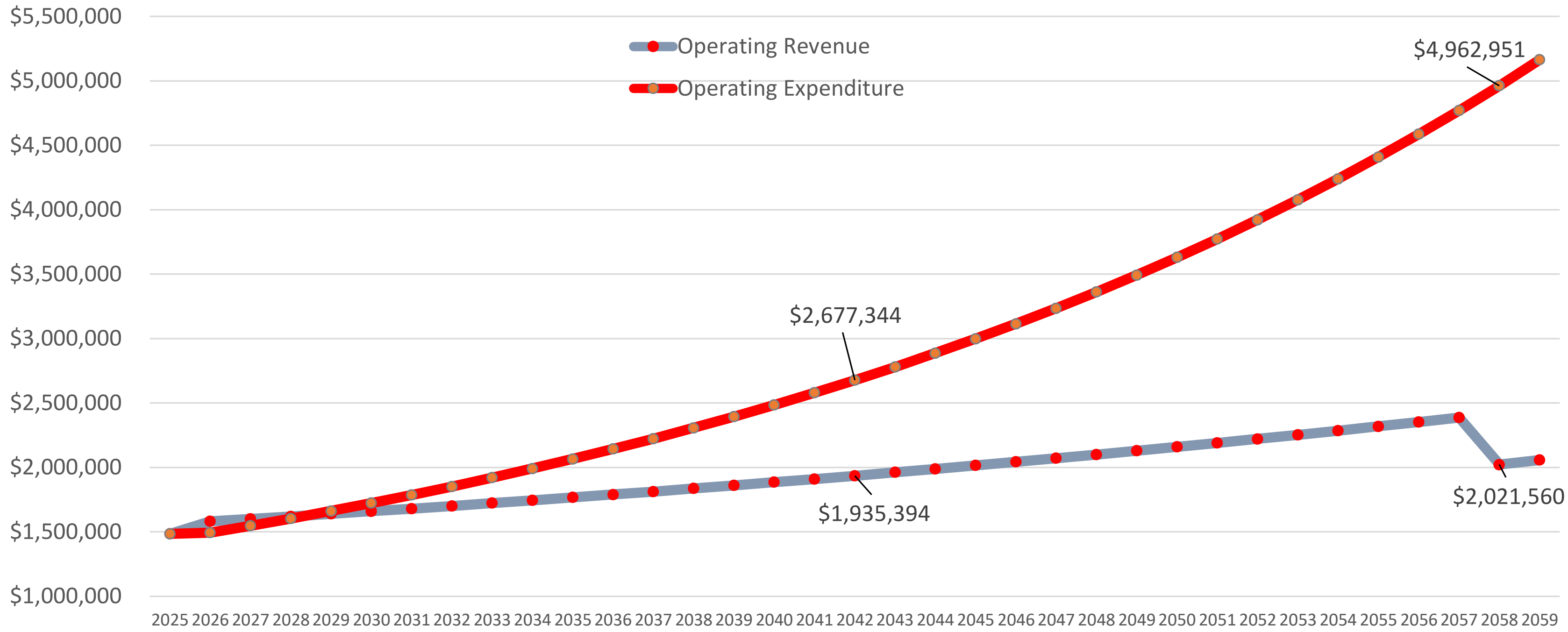


2025 Recommendation

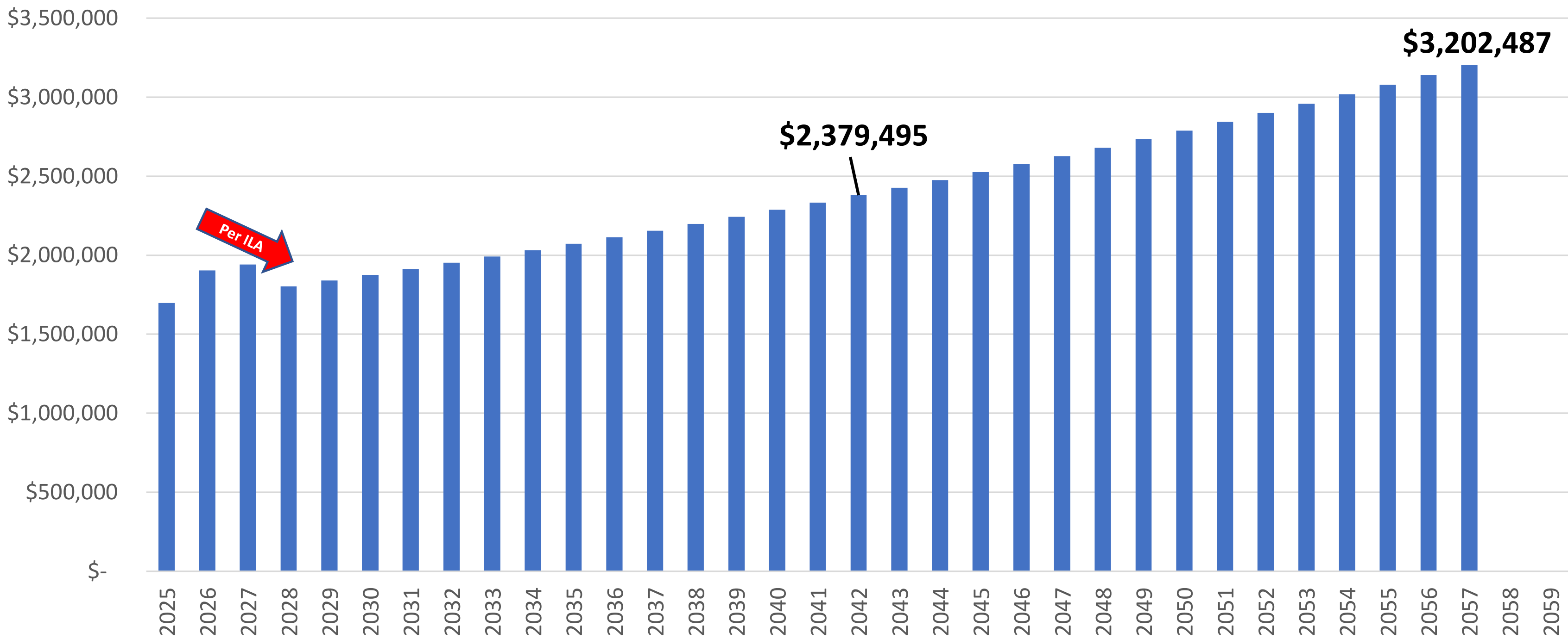


New 30-Year Extension Analysis

RAC Operating Revenue and Expenditure Projections (35 Year)



Public Facilities District
Sales Tax Projections (35-Year)



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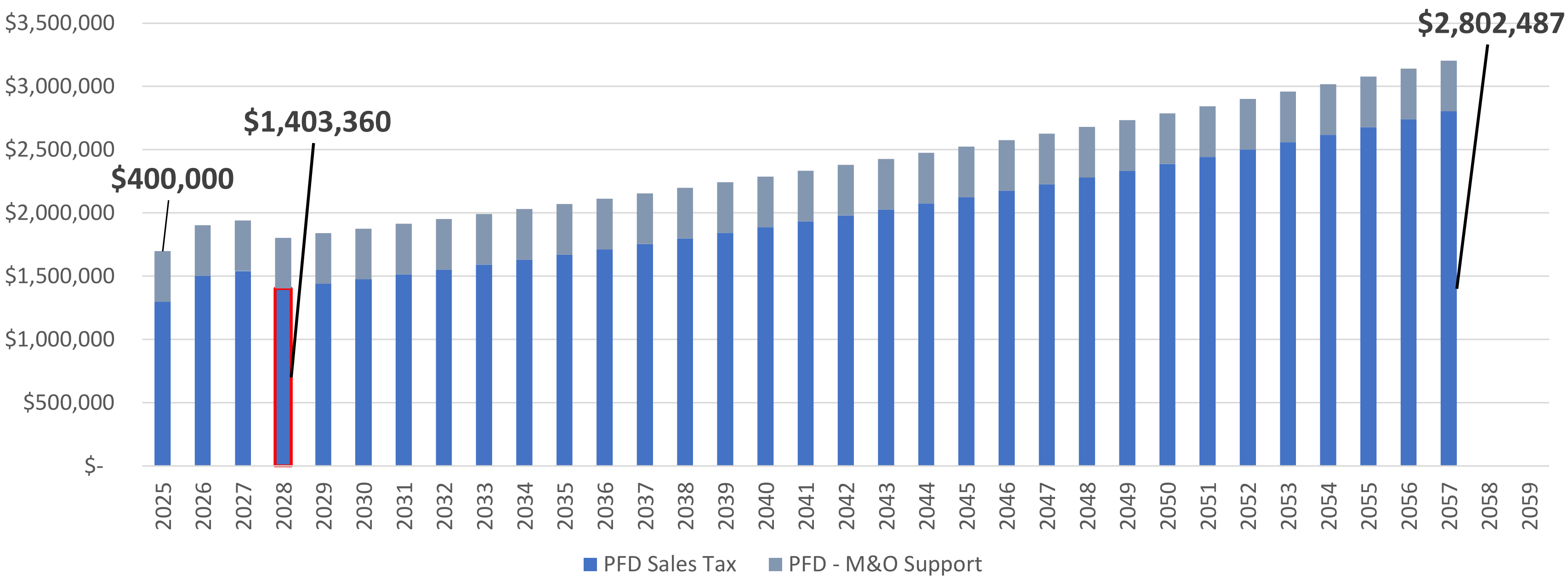

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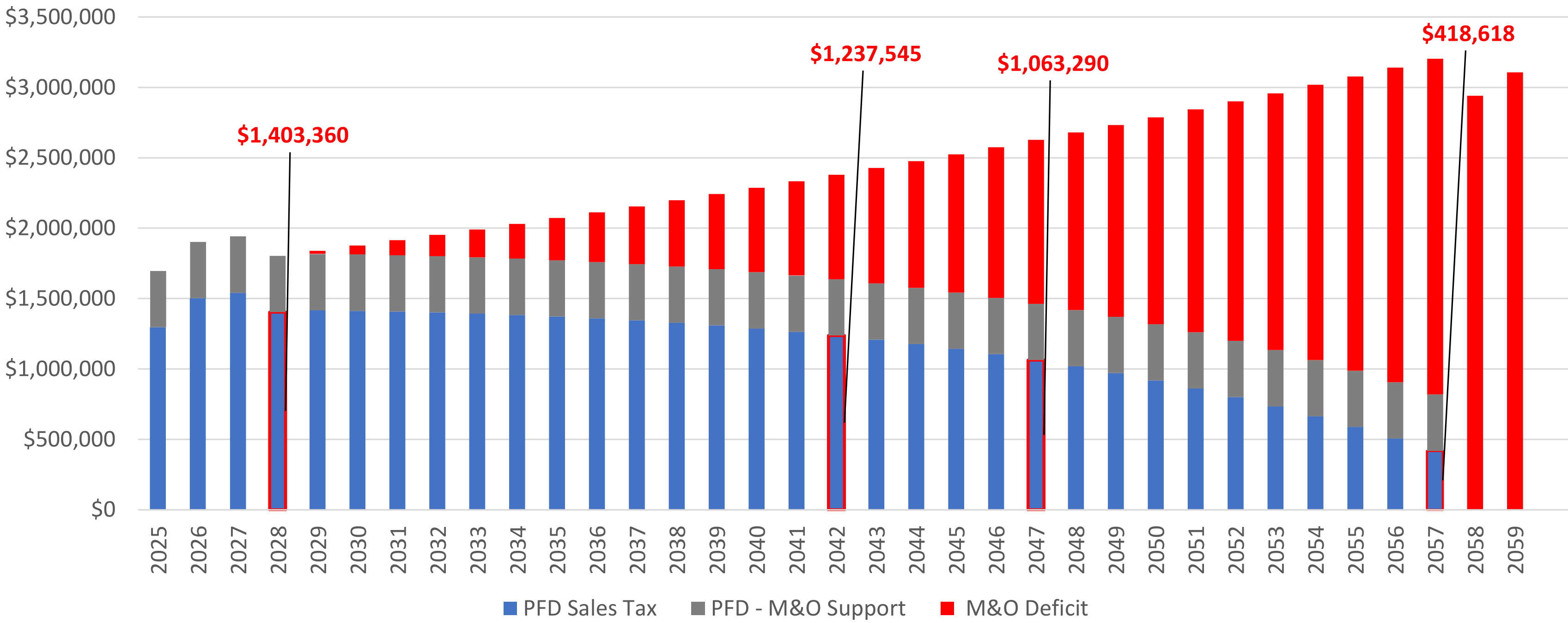
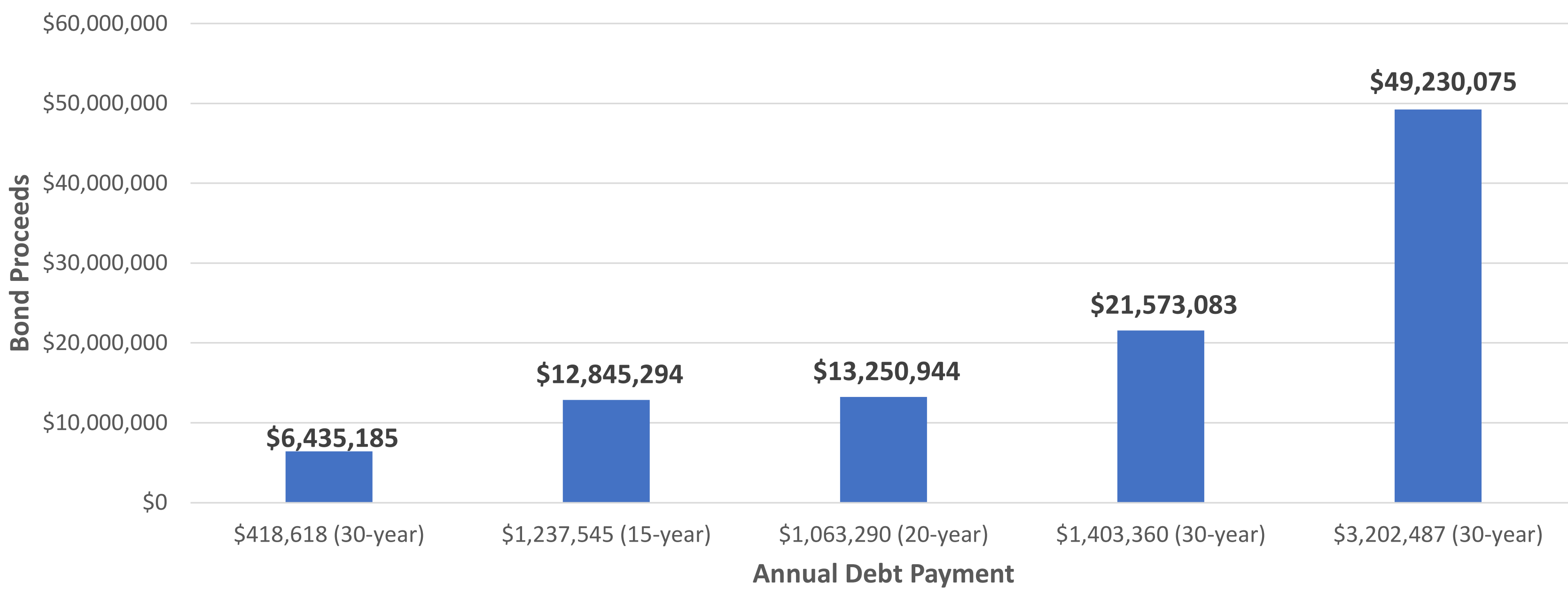
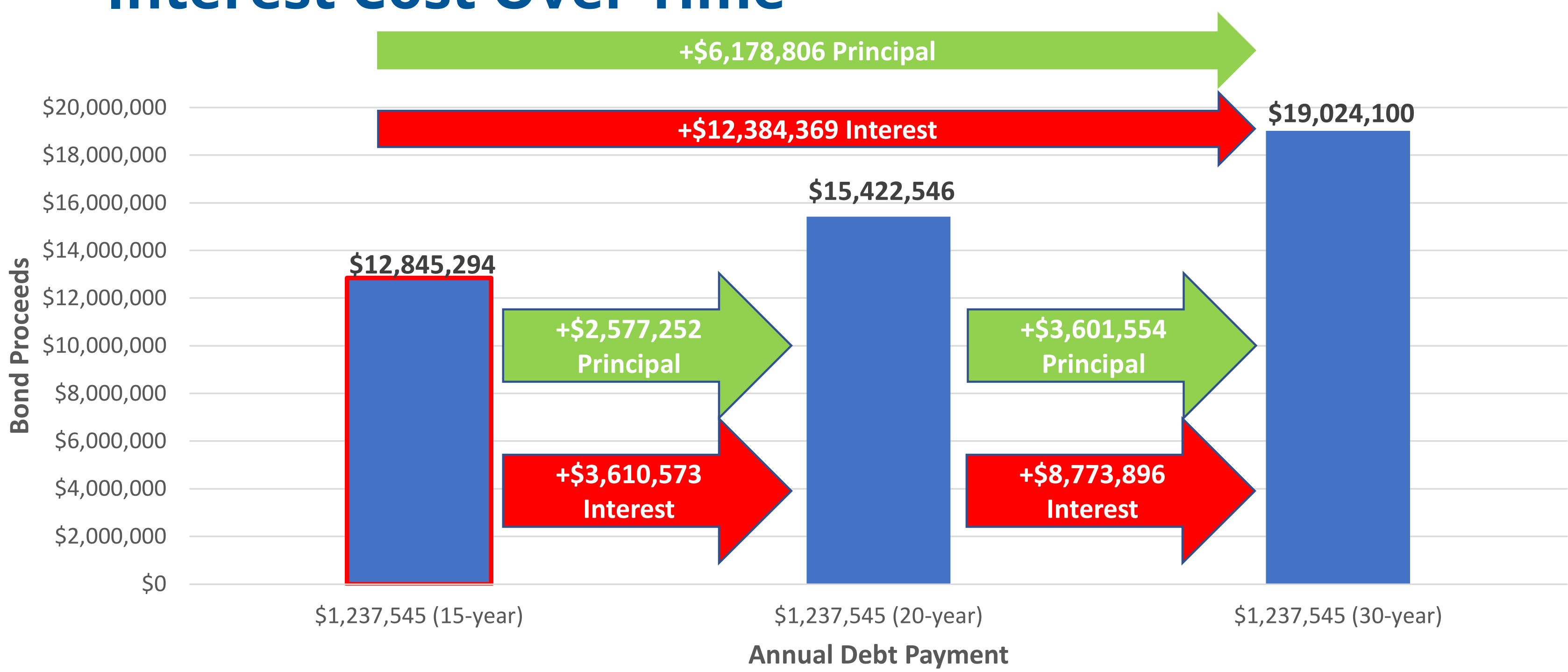


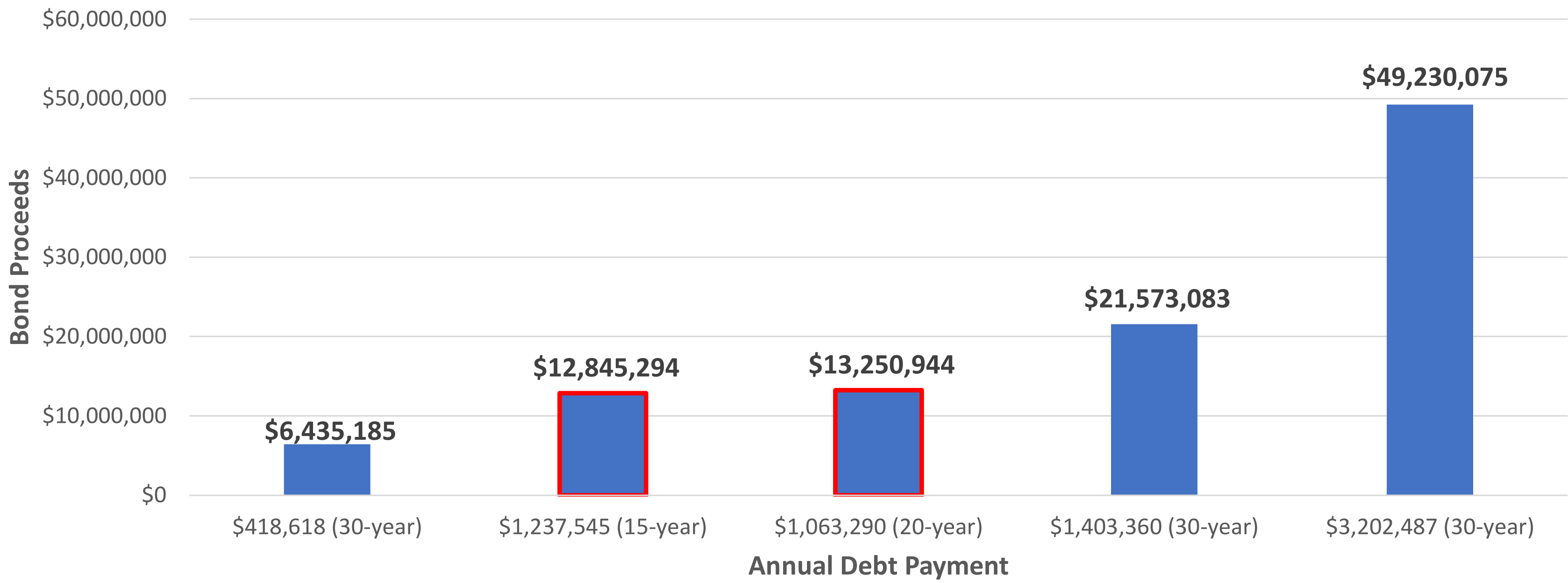
Public Facilities District
20-Year and 30-Year Debt Scenarios



Public Facilities District
Interest Cost Over Time

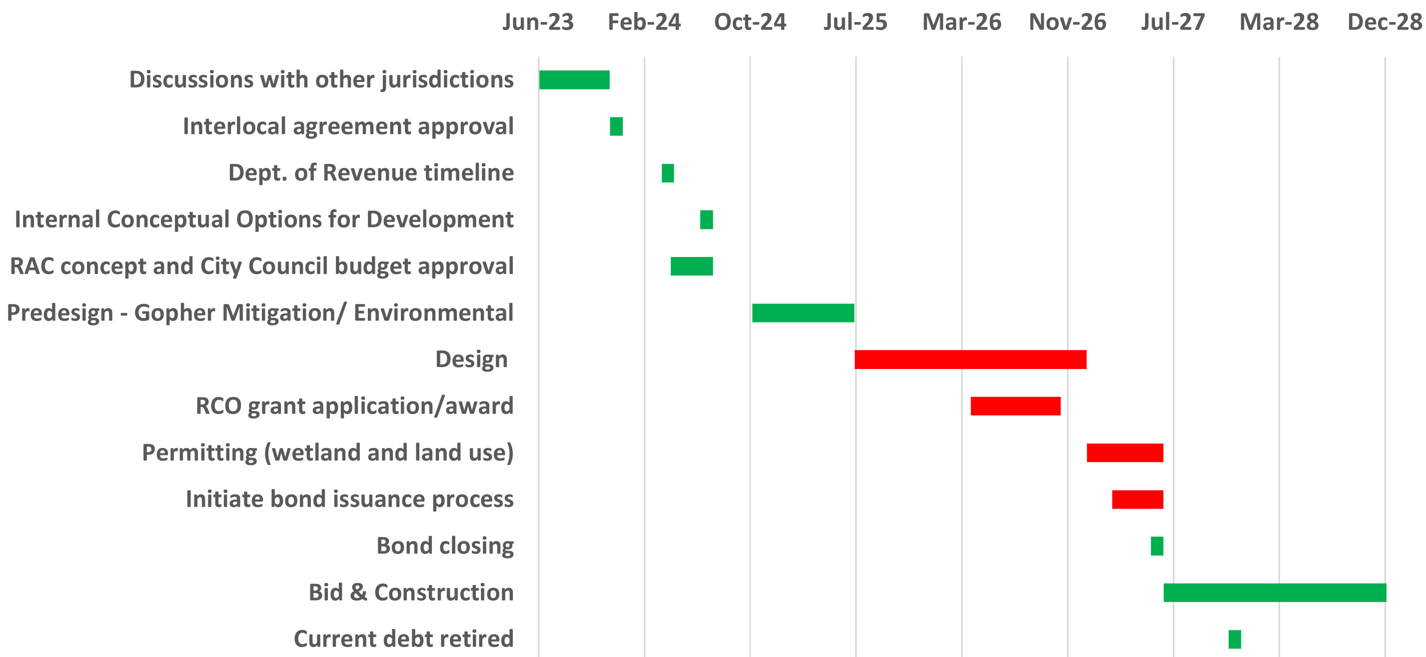


Public Facilities District
20-Year and 30-Year Debt Scenarios



CITY OF LACEY

Public Facilities District
Sales Tax Extension Timeline



Discussion / Questions

before moving to Design Presentation

Initial Estimates

CONCEPT 1 ~$61.7M

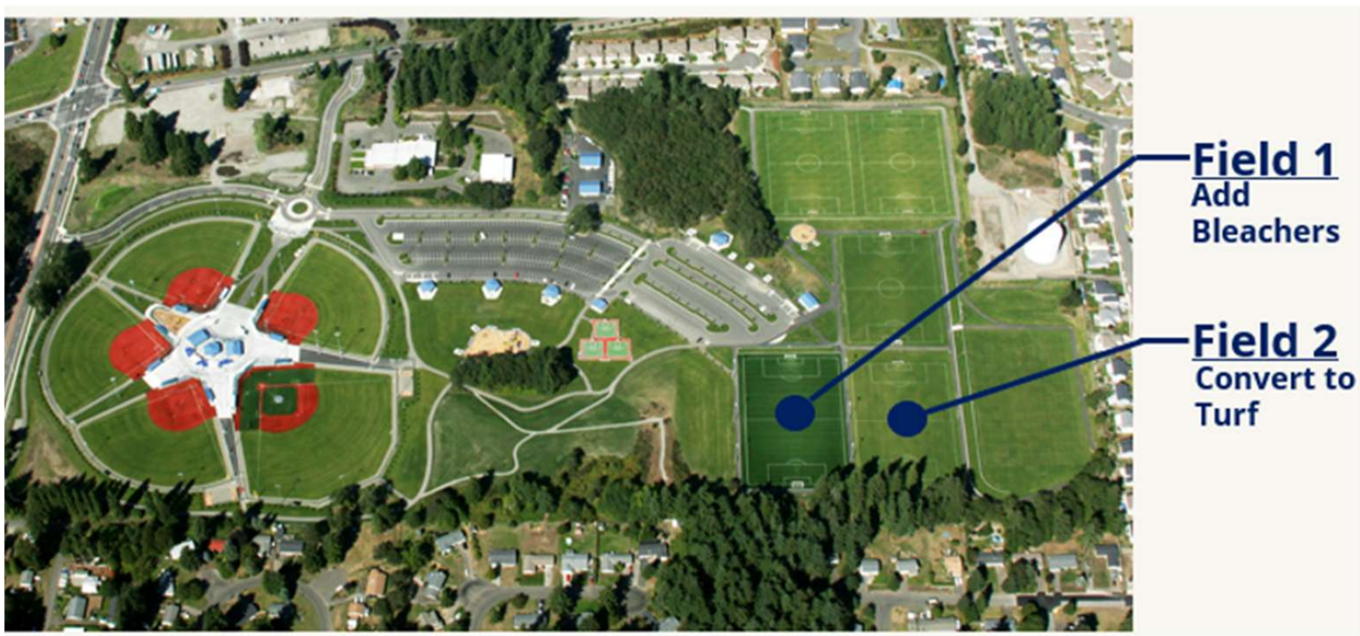
CONCEPT 2 ~$59.8M

CONCEPT 3 ~$61.7M

EAST SIDE MIN. SOCCER IMPROVEMENTS ~$9.3M

WEST SIDE MIN. PARKING & TRAIL IMPROVEMENTS ~$3.1M

2025 Recommendation



Discussion / Questions

CITY OF LACEY

FUTURE EAST SIDE IMPROVEMENTS
Site Plan

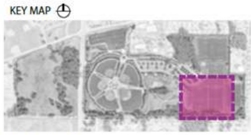
LEGEND

1. TICKET BOOTH
2. CONCESSIONS
3. EXISTING CONCESSION & RESTROOMS
4. NURSING ROOM
5. SINGLE-USE RESTROOMS
6. BLEACHER SEATING
7. LOCKER ROOM
8. MEDICAL ROOM
9. COACH'S OFFICE
10. TEAM STORAGE
11. GATE ENTRY/EXIT
12. NEW FIELD LIGHT
13. EXISTING FIELD LIGHT

SITE IMPACT

- 16'-0" RUNOUTS
- 500 SPECTATOR SEATS ON FIELD ONE
- 500 SPECTATOR SEATS ON FIELD TWO

KEY MAP



SCALE: 1" = 100'

0 100' 200'

LACEY REGIONAL ATHLETIC COMPLEX

CONCEPT 2
Plan

LEGEND

1. SITE CONCESSION BUILDING
2. RESTROOMS
3. CONCRETE RAMPS
4. TOT LOT PLAY (+/- 2,000 SF TOTAL)
5. BLEACHERS
6. BATTING CAGES & BULLPEN
7. FIELD LIGHTING
8. PUMP STATION
9. RETAINING WALL
10. PLAY AREA (+/- 8,000 SF TOTAL)
11. STORMWATER MARCATION AREAS
12. TRAILS
13. GATHERING & ENTRY
14. PEDESTRIAN CROSSING
15. GATED MAINTENANCE FACILITY WITH STORAGE

HARDSCAPE

SITE IMPACT

- TOTAL CUT: 78,000 CY
- TOTAL FILL: 44,000 CY
- BALANCE: 34,000 CY CUT

PARKING

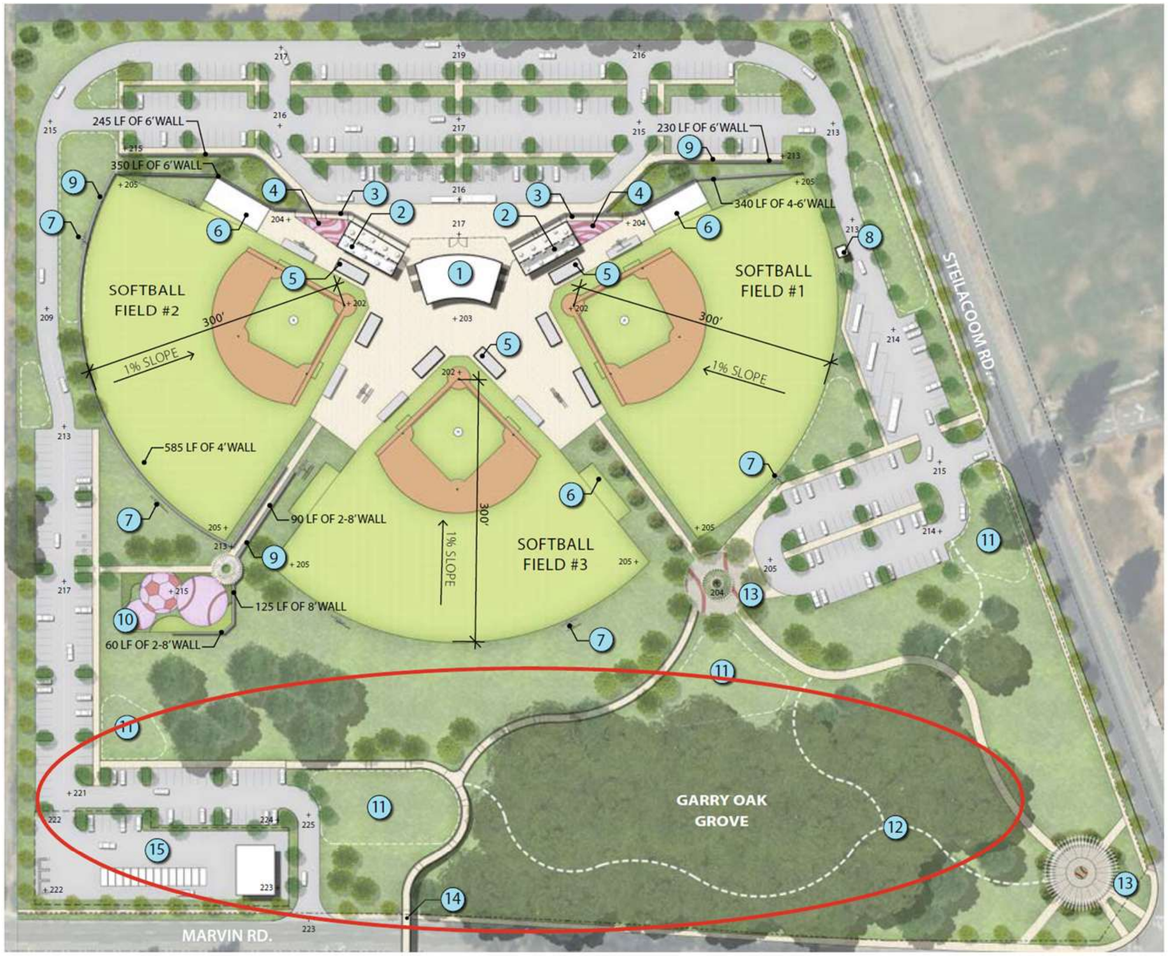
TOTAL STALL COUNT:	353
• EV:	4
• STANDARD ADA:	6
• VAN ADA:	2
• BUS/COACH:	6
FACILITY CAPACITY:	1,059

*ASSUMING 3 PERSONS PER STALL (NOT INCLUDING BUS)

KEY MAP

SCALE: 1" = 100'

0 100' 200'



LACEY CITY COUNCIL WORKSESSION
June 10, 2025

SUBJECT: **2025 First Quarter Financial Report**

RECOMMENDATION: **Review First Quarter Financial Report**

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

ORIGINATED BY: Finance Department

ATTACHMENTS: 1. Expenditure and Revenue Reports for the Quarter Ending March 31, 2025

FISCAL NOTE:

WORK PLAN GOAL AND STRATEGY: None

PRIOR REVIEW: None

BACKGROUND:

BACKGROUND:

The 2025 first quarter financial report has been completed. This report focuses on the General Fund. The detailed expenditure and revenue summaries are attached.

GENERAL FUND EXPENDITURES

As of March 31, 2025, total General Fund Expenditures were $15,669,231 or 18.4 percent of the amended 2025 Budget. This is an increase of $1,587,641 or 11.3 percent compared to the first quarter 2024 expenditure level.

In the first quarter of 2025, General Fund salaries and benefits rose by $764,148, accounting for nearly half of the total increase during the period. This level of growth was anticipated and incorporated into the adopted budget. Most of the remaining increase was also expected or can be attributed to timing differences of significant one-time expenditures compared to the prior year. Notably, there was a Labor and Industries (L&I) Retro Program payment that was not known at the time the budget was adopted. Additional details regarding this expenditure are provided below.

Although all first quarter expenditure categories show variances from the previous year, only the most significant variances are described below.

- A $239,047 increase occurred in the Contracted Services Department during the first quarter of 2025. A $233,238 increase occurred in the District Court contracted services. This is not reflective of an increase in service, but related to a timing and prior year adjustment.

- The City Clerk Department's expenditures were $109,411 higher as a result of establishing a new budget department separate from the Communications Department. There was a similar level of decrease to expenditures in the Communications Department, which was formerly a combined reporting department.

- An increase to the City's liability insurance (+$45,448) and a payment into the Association of Washington Cities (AWC) Labor and Industries (L&I) Retro Program (+$100,407) caused the Common Facilities Overhead Department to have a $121,580 increase over the same period in 2024. The Retro Program settled the 2021 claims year. Unfortunately, 2021 ended with a need to assess additional premiums totaling $2.5 million pool-wide. Key reasons for the assessment include:

    - Increased number and severity of presumptive Post-Traumatic Stress Disorder (PTSD) claims
    - Higher percentage of claims with time loss and disability award payments
    - A general increase to the number of claims

- The Community and Economic Development Department experienced a $134,251 increase compared to the first quarter of 2024. The main reasons include a $44,353 increase to salaries and benefits and a $49,992 increase to professional services relating to the resilience sub-element update to the Comprehensive Plan.

- A $592,297 increase occurred in the Public Safety Fund during the first quarter. This fund was not established until mid-year 2024 as a result of the voter-approved 0.2 percent public safety sales tax. Making up the majority of the 2025 expenditures are salaries and benefits ($322,519) and capital purchases (four police vehicles at $219,269).

Additional details are provided in the attached expenditure summaries for the General Fund departments and other funds.

GENERAL FUND REVENUES

As of March 31, 2025, total General Fund Revenues were $14,148,471 or 18.1 percent of the amended budget. Last year at this same time, revenues were 15.3 percent of budget. First quarter General Fund revenues decreased $57,420 compared to the previous year.

- Through March 2025, $173,623 of property taxes have been collected. This is equal to 2.0 percent of the annual property tax budget. The low collection rate during the first quarter is normal. Property taxes are due twice per year on April 30 and October 31. The vast majority of property taxes are collected near these dates. The first quarter 2025 property tax collections were $50,218 lower than 2024.

- 2025 sales tax receipts totaled $4,074,529 at the end of March. This is $142,083 or 3.4 percent lower than last year. Sales tax receipts from January and February will be accrued back to 2024 when the sales activity actually took place. Only two months of the 2025 have been received through April 2025. The accrual basis increase compared to the first two months of 2025 is 71,710 or 3.0% lower. The following table shows the year-to-date cash basis receipts of the City's top 20 sales tax sources.

	Year-To-Date			Last 12
Category	**This Year**	**Last Year**	**% Chg**	**Months**
General Merchandise Retailers	$ 877,375	$ 909,721	(3.6)	$ 2,583,535
Sporting Goods, Hobby, Musical Instrument, Books	621,554	640,392	(2.9)	1,792,123
Construction of Buildings	596,554	520,061	14.7	1,716,556
Food Services and Drinking Places	513,543	502,774	2.1	1,655,672
Building Material and Garden Equipment and Supplies	229,217	267,679	(14.4)	890,723
Specialty Trade Contractors	223,045	362,748	(38.5)	815,549
Motor Vehicle and Parts Dealers	165,048	188,725	(12.5)	695,215
Merchant Wholesalers, Durable Goods	213,844	174,935	22.2	636,493
Administrative and Support Services	183,876	192,156	(4.3)	564,506
Furniture, Home Furnishings, Electronics, and Appliances	178,979	181,949	(1.6)	537,890
Professional, Scientific, and Technical Services	157,203	177,458	(11.4)	440,996
Food and Beverage Retailers	122,404	121,873	0.4	370,318
Clothing, Clothing Accessories, Shoe, and Jewelry	120,463	121,084	(0.5)	332,811
Repair and Maintenance	96,587	108,551	(11.0)	315,118
Telecommunications	92,816	100,187	(7.4)	274,561
Merchant Wholesalers, Nondurable Goods	73,014	76,586	(4.7)	239,324
Rental and Leasing Services	85,412	77,100	10.8	228,358
Health and Personal Care Retailers	89,772	76,935	16.7	224,784
Couriers and Messengers	78,281	61,337	27.6	220,581
Amusement, Gambling, and Recreation Industries	47,517	45,766	3.8	167,873
	$ 4,766,504	**$ 4,908,017**		**$ 14,702,986**

At this point in the year, the top 20 sources have provided 92.8 percent of all sales tax. The largest sales tax category, "General Merchandise Stores", experienced a first quarter 3.6 percent decrease compared to the first quarter of 2024. The "Sporting Goods, Hobby, Musical Instruments, Book" category has decreased 2.9 percent. The "Construction of Buildings" category increased 14.7 percent. Year-to-date, the "Food Services and Drinking Places" category continues to show growth, but the two most recent months sales tax from this category has retracted slightly.

The most recent sales tax data revealed the 12th straight month of sales tax decline. Despite this trend, the 2025 projections remain valid. Sales tax collections will continue to be closely monitored and if any changes to the projections are warranted it will be communicated timely.

- The revenue report shows that business & occupation (B&O) tax first quarter revenues totaled $1,137,770 or 30.8 percent of budget estimate and an increase of $65,648 or 6.1 percent. It is anticipated that the majority of these reported revenues will be accrued back to 2024, so the current first quarter B&O tax collections are overstated. It is expected that the actual B&O taxes are in alignment with the sales tax increases, because both tax bases are similar.

- Overall, utility tax collections for the first quarter were $218,670 higher than the previous year. During the first quarter natural gas and electricity utility taxes increased $78,740 and $65,410, respectively. Utility tax from the City-owned utilities was up $82,078.

- Admissions Tax increased $7,230, but remains below the prepandemic levels. Gambling Tax increased $5,009. Gambling Tax continues to grow beyond the pandemic full recovery levels.

- Non-business license (includes building, mechanical, plumbing, and electrical permits fees) revenues have been collected at 26.4 percent of the budget estimate. Building permits decreased $19,787, but mechanical and plumbing permit fees increased $42,422 and $23,527, respectively. Building permit activity can be an indicator of future one-time sales tax increases, ongoing property tax, and utility tax increases, so the current economic indicator is certain taxes may experience slower growth in the future.

- Plan check fees continued it declining trend with a $239,455 decrease during the first quarter. This is an indicator of potential future building permit activity.

- The Other Miscellaneous revenue category decreased $164,777 due to a 2024 National opioid settlement receipt.

- Interest earnings decreased $528,497 due to a $395,678 *unrealized* market investment value loss. An unrealized loss is only an accounting, or *"on paper"*, loss that will not be realized unless investments are sold before the maturity date. As an example, a loss could occur in the event an investment is sold prior to the maturity date *and* the open market is paying a higher interest rate than the investment instrument the City is attempting to sell. The current market is experiencing rising interest rates and a number of the City's investment instruments were purchased prior to the 2022 interest rate increases. The City has no intention of selling investments prior to maturity dates, which means *no loss is anticipated* by the City. The City carefully analyzes its cashflow needs to avoid selling investments before maturity. It would take multiple and rare circumstances for the City to sell investments at a loss. When removing the impacts of the market value adjustment, interest earning decreased $128,153. Significant cash reserves were transferred to the Building Improvement Fund for the new police station and training facility project, which resulted in lower principal balances.

UTILITY FUNDS

First quarter 2025 operating expenditures for the City's utilities were consistent with the amended budget.

The Water Utility Maintenance and Operations Fund expenditures were $952,796 or 31.5 percent higher in 2025. An $835,450 increase is related 2024 backordered water meter and meter transmitting units being received. Salaries and benefits increased $133,109 and indirect (overhead) cost recovery charges increased $63,936. Water revenues were $437,837 higher than the first quarter of 2024. Water sales increased $547,623 due to water rate increases. The water revenue increase is higher than the adopted 5.25 percent rate increase, but still within projections.

Wastewater Utility Maintenance and Operations Fund expenditures were $265,297 or 6.2 percent higher in 2025. The revenue distributions to the LOTT Clean Water Alliance increased $158,674. Salaries and benefits increased $57,955 and indirect cost recovery charges increased $55,008. Wastewater total revenues were $677,493 higher than the previous year. LOTT revenues increased $274,945 and Wastewater Sales increased $353,960 due to the adopted 9.5 percent wastewater rate increases.

The Stormwater Maintenance and Operations Fund expenditures were $121,502 or 14.5 percent higher than 2024. Interfund service charges relating to Water Resources increased $79,358. Stormwater revenues were $46,681 higher than 2024 due to a $67,777 increase to Stormwater sales. 2025 Stormwater rates were increased 4.5 percent.

CONCLUSION AND FORECAST

As of the end of the first quarter of 2025, both revenues and expenditures are consistent with the projections established in the adopted budget.

In the first quarter of 2025, the City maintained a stable financial position, with General Fund revenues aligning closely with budget projections. Expenditures were largely in line with projections, with notable increases in salaries and benefits, but consistent with the adopted budget. Some variances were observed due to timing differences and unforeseen one significant one-time expenses, such as the Labor and Industries (L&I) Retro Program payment from 2021, which was not anticipated during the budget adoption.

As the City begins its 2026 Budget development process, the following key areas are worth monitoring:

Washington State Economic and Revenue Forecast Council

Looking ahead, the Washington financial landscape shows indications of challenges. The Washington State Economic and Revenue Forecast Council's May 2025 Economic and Revenue Update indicated:

- Weaker than expected Washington State job growth since the March 2025 forecast.
- Washington housing construction remained weak including the weakest two-month period for multi-family construction since 2014.
- Seattle consumer price index rose 1.7 percent compared to the U.S. average city consumer price index of 2.3 percent.
- Tracked revenue collections were $34.9 million lower than the forecast

Washington State 2025 – 2027 Biennial Budget

On May 20, 2025, Governor Ferguson signed the 2025–2027 biennial budget. Lawmakers addressed a $16 billion shortfall through a balanced approach combining both spending reductions and new revenue measures.

Key revenue enhancements include increases to the capital gains tax, estate tax, business and occupation (B&O) taxes, and the expansion of sales tax to include additional service business activities. On the expenditure side, budget reductions impact several areas, notably operating budgets, workforce and administrative, management reductions and higher education. Budget reductions will likely have a trickle-down effect in the Thurston County area.

National Economic Indicators

At its May 6-7 meeting, the Federal Reserve decided to keep the federal funds rate at 4.25%–4.50% for the third consecutive meeting. Chair Jerome Powell stressed the Federal Reserve is "not in a hurry" to cut rates based on uncertainties relating to recent tariff implementations and the potential impact on inflation and employment. The Federal Reserve acknowledged rising risks for both inflation and unemployment. The combination makes future policy decisions challenging.

The Federal Reserve is navigating a complex economic landscape marked by persistent inflation and slowing growth. While rate cuts are anticipated, the exact trajectory will depend on evolving economic indicators and the impact of current fiscal policies.

Elevated Inflation

Inflation remains above the Fed's 2.0 percent target, with core Personal Consumption Expenditures (PCE) inflation projected at 2.7 percent for 2025. The implementation of new tariffs is expected to further elevate inflation.

Slowing Economic Growth and Employment

The Federal Reserve has revised its 2025 GDP growth projection downward to 1.7 percent, indicating a deceleration in economic activity. This projected slowdown, combined with unemployment, which currently at 4.2 percent and expected to increase to 4.4 percent suggests a potential weakening labor market. There are already signs of slower job growth and fewer job openings.

Federal Reserve Policy Caution Amid Uncertainty

Federal Reserve officials advocate for a cautious approach, emphasizing the need to observe sustained evidence that inflation is moving towards the 2.0 percent target. Some projections include potential rate cuts later in 2025, but the timing and scope will remain uncertain and will be dependent of economic data.

Conclusion and Recommendation

Given these factors, it is recommended the City maintain its elevated fiscal prudence for the near future. Continued monitoring of revenues and expenditures will be essential to navigate and identifying changes to the evolving economic environment. This in the end will help the City ensure the continued delivery of essential services to the community.

Looking ahead, the upcoming mid-year financial report, which is set for development in late July, will play a pivotal role in shaping the remainder of the fiscal year. It will provide a comprehensive assessment of year-to-date performance and inform the development of the 2026 Budget.

In the meantime, staff will continue to monitor key economic indicators and fiscal trends closely. Should any significant changes or early warning signs emerge, staff will promptly communicate the need to take budget savings measures or adjust the City's financial direction to ensure continued fiscal responsibility and responsiveness to changing conditions.

City of Lacey
Monthly Expenditure Summary
March 2025

Expenditures: **General Fund**	**2024 Amended Budget**	**YTD 3/31/2024 Actual**	**2024 YTD % of Budget**	**2025 Amended Budget**	**YTD 3/31/2025 Actual**	**2025 YTD % of Budget**	**2025-2024 YTD Variance**
City Council	$ 588,626	$ 211,592	35.9%	$ 552,638	$ 124,821	22.6%	$ (86,772)
Contracted Services	2,635,541	315,747	12.0%	3,242,102	554,794	17.1%	239,047
City Manager	1,405,290	282,207	20.1%	1,463,878	343,976	23.5%	61,769
Human Resources	1,987,558	422,499	21.3%	1,905,533	404,642	21.2%	(17,857)
Human and Social Services	4,948,924	132,450	2.7%	5,510,264	219,566	4.0%	87,116
Communications	1,218,939	290,182	23.8%	860,135	200,991	23.4%	(89,192)
City Clerk	-	-		493,926	109,411	22.2%	109,411
Finance	2,415,890	505,299	20.9%	2,584,875	496,263	19.2%	(9,036)
Legal & Judicial	818,301	136,689	16.7%	972,646	224,552	23.1%	87,864
Common Facilities Overhead	1,706,031	843,208	49.4%	1,762,344	964,787	54.7%	121,580
Police	15,455,304	3,885,936	25.1%	16,211,745	3,971,381	24.5%	85,445
Public Works - Support SVC	149,448	33,409	22.4%	184,743	36,855	19.9%	3,447
Public Works - Engineering	5,389,924	1,310,859	24.3%	5,882,752	1,362,041	23.2%	51,182
Public Works - Parks Maint.	4,146,427	943,691	22.8%	4,152,635	879,220	21.2%	(64,471)
Public Works - Facilities Maint.	1,168,554	224,718	19.2%	1,232,630	256,244	20.8%	31,527
Community & Economic Dev.	5,003,656	1,063,836	21.3%	5,956,597	1,198,087	20.1%	134,251
Public Works - Water Resources	2,237,550	567,778	25.4%	2,864,662	613,006	21.4%	45,228
Parks, Culture, & Recreation	3,612,613	691,589	19.1%	3,710,326	739,103	19.9%	47,514
Transfers Out	27,295,275	-	0.0%	11,321,180	-	0.0%	-
Total Current Expense Fund:	**$ 82,183,851**	**$ 11,861,689**	**14.43%**	**$70,865,611**	**$ 12,699,742**	**17.92%**	**$ 838,053**
					-		
Criminal Justice Fund	$ 3,143,349	$ 401,998	12.8%	$ 1,546,195	$ 424,299	27.4%	$ 22,301
Public Safety Fund	-	-		2,510,962	592,297	23.6%	592,297
Community Buildings Fund	986,535	211,200	21.4%	1,124,720	252,175	22.4%	40,975
Regional Athletic Complex	1,281,355	366,234	28.6%	1,483,916	384,464	25.9%	18,230
Street Fund	4,758,499	1,053,013	22.1%	4,943,251	1,015,582	20.5%	(37,431)
Capital Equipment Fund	2,288,157	187,456	8.2%	2,633,323	300,673	11.4%	113,216
Total General Fund Expenditures	**$ 94,641,746**	**$ 14,081,590**	**14.88%**	**$ 85,107,978**	**$ 15,669,231**	**18.41%**	**$ 1,587,641**

Expenditures:
Other Funds

Arterial Street Fund	$ 26,304,704	$ 815,162	3.1%	$ 17,664,608	$ 329,804	1.9%	$ (485,358)
Transportation Improvement	5,340,000	97,496	1.8%	4,325,000	111,862	2.6%	14,366
Lodging Tax	600,000	8,496	1.4%	607,225	23,330	3.8%	14,834
Community Block Grant	769	-	0.0%	1,010	-	0.0%	-
Hicks Lake Management District	48,931	-	0.0%	50,099	-	0.0%	-
General Obligation Bond	954,262	-	0.0%	946,076	-	0.0%	-
LID Debt	138,134	-	0.0%	164,382	-	0.0%	-
Building Improvement	29,919,717	805,308	2.7%	40,353,208	3,130,441	7.8%	2,325,134
Parks & Open Space	6,479,624	82,157	1.3%	8,219,978	121,895	1.5%	39,737
Capital Project Revenue					-		
Regional Athletic Complex Capital	4,416,219	701,793	15.9%	4,182,793	357,583	8.5%	(344,210)
Water Utility	22,537,855	3,027,657	13.4%	25,266,998	3,980,453	15.8%	952,796
Wastewater Utility	24,282,717	4,257,913	17.5%	29,464,556	4,523,210	15.4%	265,297
Stormwater Utility	5,688,576	834,719	14.7%	6,193,159	956,221	15.4%	121,502
Reclaimed Water	2,223	-	0.0%	2,921	-	0.0%	-
Water Capital	46,475,835	1,681,020	3.6%	32,042,522	2,703,078	8.4%	1,022,058
Wastewater Capital	18,480,320	1,621,012	8.8%	19,165,288	668,337	3.5%	(952,675)
Stormwater Capital	2,043,125	36,038	1.8%	2,482,135	30,064	1.2%	(5,974)
Reclaimed Water Capital	43,177	-	0.0%	56,743	-	0.0%	-
Water Debt Service	15,055,324	-	0.0%	5,050,038	-	0.0%	-
Wastewater Debt Service	10,656,313	21,274	0.2%	3,404,735	19,149	0.6%	(2,125)
Stormwater Debt Service	2,354,289	-	0.0%	2,352,267	-	0.0%	-
Equipment Rental	4,922,482	821,741	16.7%	5,612,546	1,041,384	18.6%	219,643
Information Management	3,555,772	696,323	19.6%	3,854,747	604,139	15.7%	(92,184)
Total Expenditures	**$ 324,942,114**	**$ 29,589,699**	**9.11%**	**$ 299,071,012**	**$ 34,270,181**	**11.46%**	**$ 4,680,482**

City of Lacey
Monthly Revenue Summary
March 2025

Revenues: General Fund	2024 Amended Budget	YTD 3/31/2024 YTD Actual	2024 YTD % of Budget	2025 Amended Budget	YTD 3/31/2025 YTD Actual	2025 YTD % of Budget	2025-2024 YTD Variance
Taxes:							
Property	$ 8,186,519	$ 223,841	2.7%	$ 8,659,846	$ 173,623	2.0%	$ (50,218)
Sales	15,710,508	4,216,613	26.8%	15,773,405	4,074,529	25.8%	(142,083)
Business & Occupation	3,503,777	1,072,122	30.6%	3,697,413	1,137,770	30.8%	65,648
Admissions	180,000	30,304	16.8%	150,000	37,534	25.0%	7,230
Utility - Electric	3,255,750	945,347	29.0%	3,390,982	1,010,757	29.8%	65,410
Utility - Natural Gas	1,222,299	359,441	29.4%	938,441	438,181	46.7%	78,740
Utility - Solid Waste	598,901	142,733	23.8%	588,455	147,767	25.1%	5,034
Utility - Telephone	480,555	150,758	31.4%	543,725	138,165	25.4%	(12,593)
Utility - Water/Sewer/Storm	3,003,394	671,125	22.3%	3,457,269	753,203	21.8%	82,078
Excise - Forest/Leasehold	20,000	6,486	32.4%	20,000	457	2.3%	(6,029)
Gambling	540,700	134,555	24.9%	540,700	139,564	25.8%	5,009
Total Taxes	**$ 36,702,403**	**$ 7,953,324**	**21.67%**	**$ 37,760,236**	**$ 8,051,551**	**21.32%**	**$ 98,226**
Penalties & Interest	$ 5,000	$ 1,725	34.5%	$ 5,000	$ 7,383	147.7%	$ 5,658
Franchises	716,838	161,458	22.5%	654,158	149,924	22.9%	(11,533)
Licenses & Permits	1,675,123	410,020	24.5%	1,731,822	457,785	26.4%	47,765
Inter-Governmental:							
Criminal Justice	$ -	$ -		$ -	$ -		$ -
Traffic Safety	-	-		-	-		-
Liquor Excise	429,679	100,077	23.3%	394,978	96,161	24.3%	(3,916)
Liquor Profits	448,697	112,163	25.0%	443,748	112,247	25.3%	85
Other State Entitlements	135,000	41,580	30.8%	135,000	35,613	26.4%	(5,967)
Inter-Gov. Service Charges	335,678	65,457	19.5%	335,678	43,749	13.0%	(21,708)
Other Grants	719,614	30,937	4.3%	3,000	134,400	4480.0%	103,462
Total Inter-Governmental	**$ 2,068,668**	**$ 350,215**	**16.93%**	**$ 1,312,404**	**$ 422,170**	**32.17%**	**$ 71,955**
Service Charges:							
General Government	$ 6,750	$ 13,598	201.4%	$ 6,750	$ 48,602	720.0%	$ 35,004
Security of Persons/Property	181,500	27,924	15.4%	181,500	44,140	24.3%	16,216
Economic Environment/Plan Checking	609,000	372,874	61.2%	609,000	163,106	26.8%	(209,768)
Culture and Recreation	852,940	101,716	11.9%	856,650	109,510	12.8%	7,795
Total Service Charges	**$ 1,650,190**	**$ 516,111**	**31.28%**	**$ 1,653,900**	**$ 365,358**	**22.09%**	**$ (150,753)**
Interfund Charges:							
Engineering Services	$ 3,472,012	$ 963,323	27.7%	$ 4,679,490	$ 814,403	17.4%	$ (148,921)
Park Maintenance	557,575	131,621	23.6%	525,846	130,203	24.8%	(1,418)
Water Resources	2,675,841	660,585	24.7%	3,090,593	711,278	23.0%	50,693
Other Interfund Charges	1,548,204	387,051	25.0%	2,167,944	541,986	25.0%	154,935
Total Interfund Charges	**$ 8,253,632**	**$ 2,142,581**	**25.96%**	**$ 10,463,873**	**$ 2,197,870**	**21.00%**	**$ 55,289**
Violations	$ 100,000	$ 21,719	21.7%	$ 100,000	$ 33,341	33.3%	$ 11,622
Interest Earnings	1,350,508	1,325,397	98.1%	1,089,875	796,900	73.1%	(528,497)
Other Miscellaneous	62,900	186,652	296.7%	62,900	21,875	34.8%	(164,777)
Contributions	76,000	42,254	55.6%	86,000	20,277	23.6%	(21,977)
Financing	-	-		-	-		-
Transfers	48,500	-		177,902	-		-
Beginning Cash	30,306,227	-		10,401,838	-		-
Total Current Expense Fund Revenues	**$ 83,015,989**	**$ 13,111,455**	**15.79%**	**$ 65,499,908**	**$ 12,524,434**	**19.12%**	**$ (587,021)**
Criminal Justice Fund	$ 1,543,349	$ 442,241	28.7%	$ 1,546,195	$ 418,121	27.0%	$ (24,121)
Public Safety Fund	-	-		2,130,962	612,511	28.7%	612,511
Community Buildings Fund	961,535	65,869	6.9%	1,124,720	65,976	5.9%	107
Regional Athletic Complex Fund	1,281,355	205,863	16.1%	1,483,916	196,339	13.2%	(9,524)
Street Fund	4,745,499	291,744	6.1%	4,930,251	271,287	5.5%	(20,456)
Capital Equipment Fund	1,241,020	88,720	7.1%	1,358,012	59,804	4.4%	(28,916)
Total General Fund Revenues	**$ 92,788,747**	**$ 14,205,891**	**15.31%**	**$ 78,073,964**	**$ 14,148,471**	**18.12%**	**$ (57,420)**

Revenues: **Other Funds**	2024 Amended Budget	YTD 3/31/2024 YTD Actual	2024 YTD % of Budget	2025 Amended Budget	YTD 3/31/2025 YTD Actual	2025 YTD % of Budget	2025-2024 YTD Variance
Arterial Street Fund	$ 26,126,804	$ 1,729,098	6.6%	$ 17,289,608	$ 1,157,392	6.7%	$ (571,705)
Transportation Improvement Fund	5,340,000	1,037,045	19.4%	4,325,000	1,014,998	23.5%	(22,047)
Lodging Tax	600,000	116,925	19.5%	607,225	121,173	20.0%	4,248
Community Block Grant	769	790	102.7%	1,010	633	62.7%	(157)
Hicks Lake Management District	48,931	3,447	7.0%	50,099	3,032	6.1%	(415)
General Obligation Bond	954,262	10,212	1.1%	946,076	5,472	0.6%	(4,741)
LID Debt	138,134	83,413	60.4%	164,382	67,779	41.2%	(15,635)
Building Improvement	29,266,359	97,148	0.3%	37,315,228	18,580,100	49.8%	18,482,953
Parks & Open Space	5,691,426	28,261	0.5%	7,348,084	17,582	0.2%	(10,679)
Capital Project Revenue		-		2,500,000	360,356	14.4%	360,356
Regional Athletic Complex Capital	1,796,354	553,579	30.8%	3,391,658	519,695	15.3%	(33,884)
Water Utility	22,114,117	4,340,758	19.6%	25,025,651	4,778,594	19.1%	437,837
Wastewater Utility	24,123,504	6,501,236	26.9%	28,783,956	7,178,730	24.9%	677,493
Stormwater Utility	5,681,576	1,519,488	26.7%	6,186,159	1,566,169	25.3%	46,681
Reclaimed Water	2,223	2,283	102.7%	2,921	1,830	62.6%	(453)
Water Capital	38,917,790	1,462,322	3.8%	27,831,958	3,925,910	14.1%	2,463,588
Wastewater Capital	17,073,000	829,020	4.9%	18,300,000	608,193	3.3%	(220,827)
Stormwater Capital	2,033,125	167,933	8.3%	2,289,820	180,265	7.9%	12,333
Reclaimed Water Capital	43,177	44,354	102.7%	56,743	35,552	62.7%	(8,803)
Water Debt Service	15,055,324	19,443	0.1%	5,050,038	15,386	0.3%	(4,057)
Wastewater Debt Service	10,656,313	8,273	0.1%	3,404,735	6,203	0.2%	(2,069)
Stormwater Debt Service	2,354,289	879	0.0%	2,352,267	720	0.0%	(159)
Equipment Rental	4,553,776	1,279,409	28.1%	4,941,990	1,356,865	27.5%	77,456
Information Management	3,555,772	898,910	25.3%	3,854,747	908,779	23.6%	9,869
Total Revenues	**$ 308,915,772**	**$ 34,940,119**	**11.31%**	**$ 280,093,319**	**$ 56,559,881**	**20.19%**	**$ 21,619,762**

2025 First Quarter Financial Report
Revenues and Expenditures

City Council Worksession|June 10, 2025

First Quarter 2025
General Fund Expenditures

Department	2024 Expenditures	2025 Expenditures	Variance
City Council	$ 211,592	$ 124,821	$ (86,772)
Contracted Services	315,747	554,794	239,047
City Manager	282,207	343,976	61,769
Human Resources	422,499	404,642	(17,857)
Human and Social Services	132,450	219,566	87,116
Communications	290,182	200,991	(89,192)
City Clerk	-	109,411	109,411
Finance	505,299	496,263	(9,036)
Legal & Judicial	136,689	224,552	87,864
Common Facilities Overhead	843,208	964,787	121,580
Police	3,885,936	3,971,381	85,445
Public Works - Support SVC	33,409	36,855	3,447
Public Works - Engineering	1,310,859	1,362,041	51,182
Public Works - Parks Maint.	943,691	879,220	(64,471)
Public Works - Facilities Maint.	224,718	256,244	31,527
Community & Economic Dev.	1,063,836	1,198,087	134,251
Public Works - Water Resources	567,778	613,006	45,228
Parks, Culture, & Recreation	691,589	739,103	47,514
Transfers Out	-	-	-
TOTAL	**$ 11,861,689**	**$ 12,699,742**	**$ 838,053**

General Fund 2024 vs. 2025 Expenditures

General Fund	2024 Expenditures	2025 Expenditures	Variance
Current Expense Fund	$ 11,861,689	$ 12,699,742	$ 838,053
Criminal Justice Fund	401,998	424,299	22,301
Public Safety Fund	-	592,297	592,297
Community Buildings Fund	211,200	252,175	40,975
Regional Athletic Complex	366,234	384,464	18,230
Street Fund	1,053,013	1,015,582	(37,431)
Capital Equipment Fund	187,456	300,673	113,216
TOTAL	**$ 14,081,590**	**$ 15,669,231**	**$ 1,587,641**

CITY OF LACEY

First Quarter 2025 General Fund Revenues

First Quarter 2025
Current Expense Fund Revenues

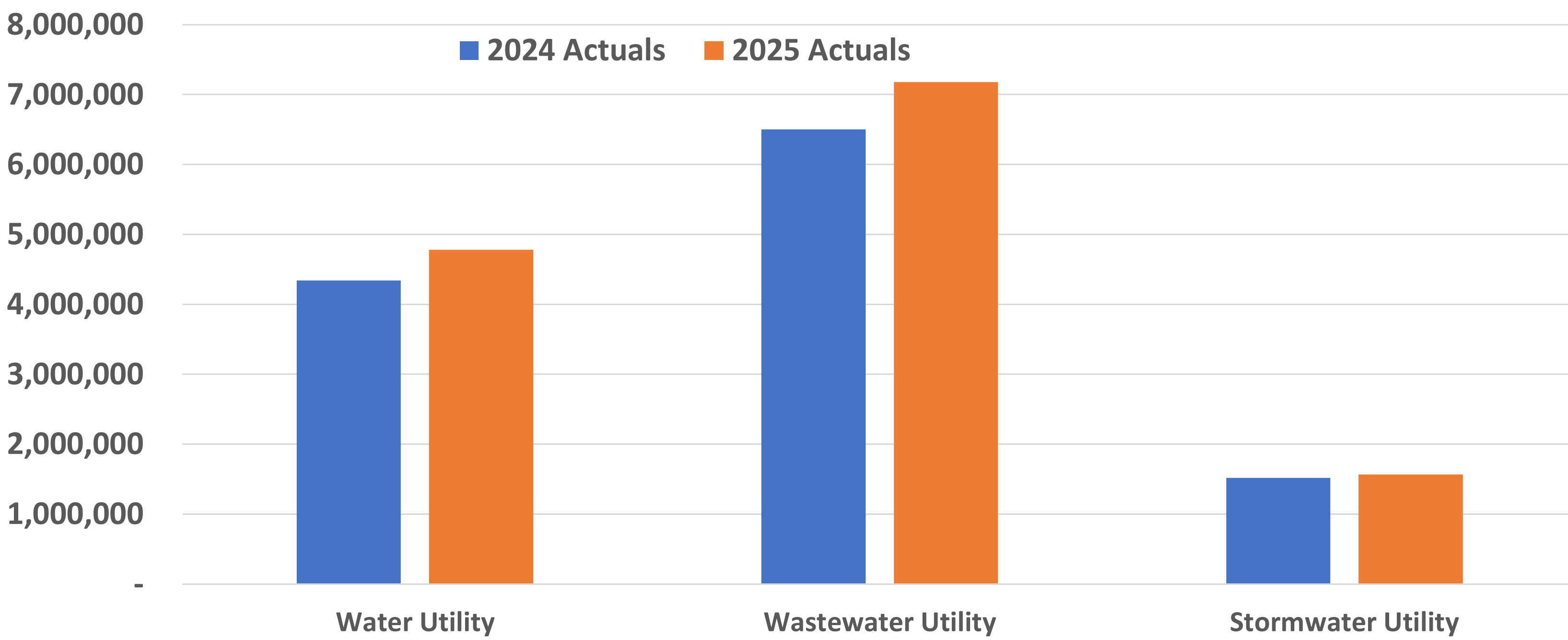
Current Expense Fund	2024 Revenue	2025 Revenue	Variance
Taxes	$ 7,953,324	$ 8,051,551	$ 98,226
Licenses & Permits	573,202	615,092	41,890
Inter-Government	350,215	422,170	71,955
Service Charges	516,111	365,358	(150,753)
Interfund Charges	2,142,581	2,197,870	55,289
Other Revenues	1,576,022	872,393	(703,629)
TOTAL	**$ 13,111,455**	**$ 12,524,434**	**($ 587,021)**

General Fund 2024 vs. 2025 Revenues

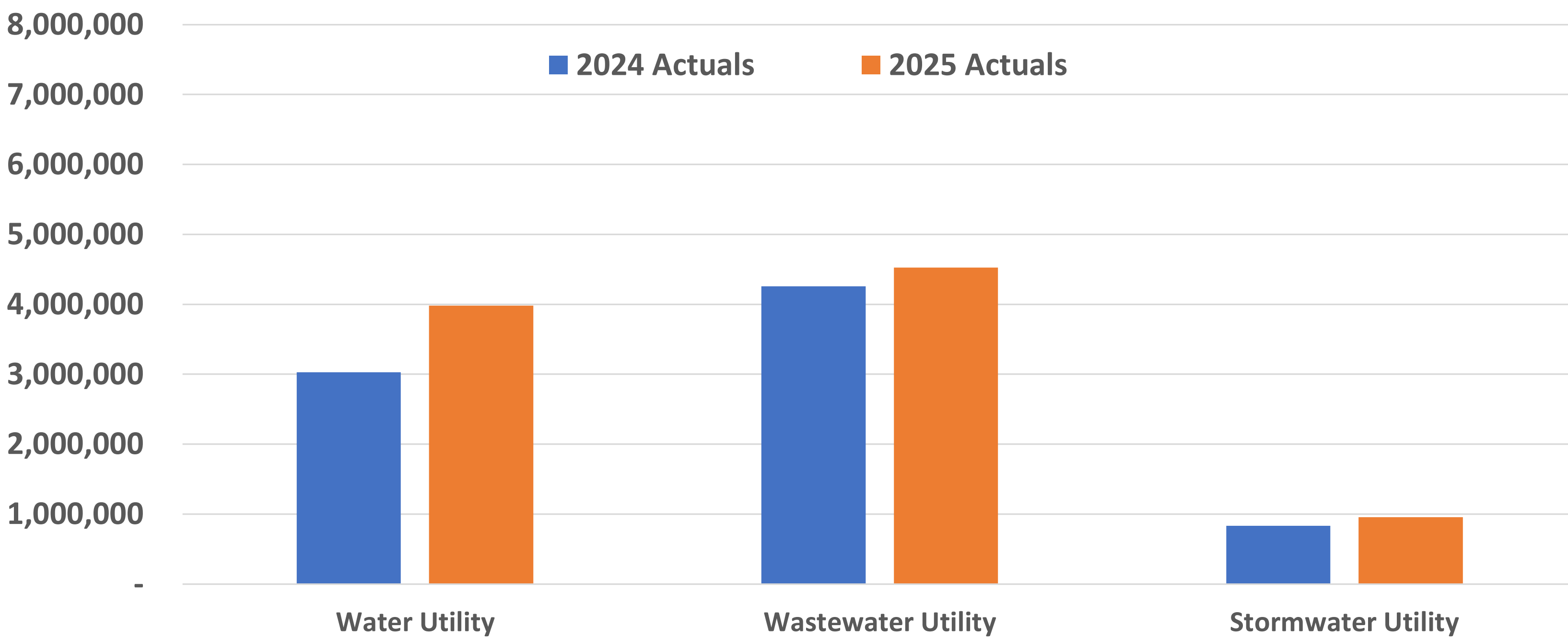
General Fund	2024 Revenues	2025 Revenues	Variance
Current Expense Fund	$ 13,111,455	$ 12,524,434	$ (587,021)
Criminal Justice Fund	442,241	418,121	(24,121)
Public Safety Fund	-	612,511	612,511
Community Buildings Fund	65,869	65,976	107
Regional Athletic Complex	205,863	196,339	(9,524)
Street Fund	291,744	271,287	(20,456)
Capital Equipment Fund	88,720	59,804	(28,916)
TOTAL	**$ 14,205,891**	**$ 14,148,471**	**($ 57,420)**

First Quarter 2025
Utility Revenues and Expenditures

Utility Funds 2024 vs. 2025 Revenues

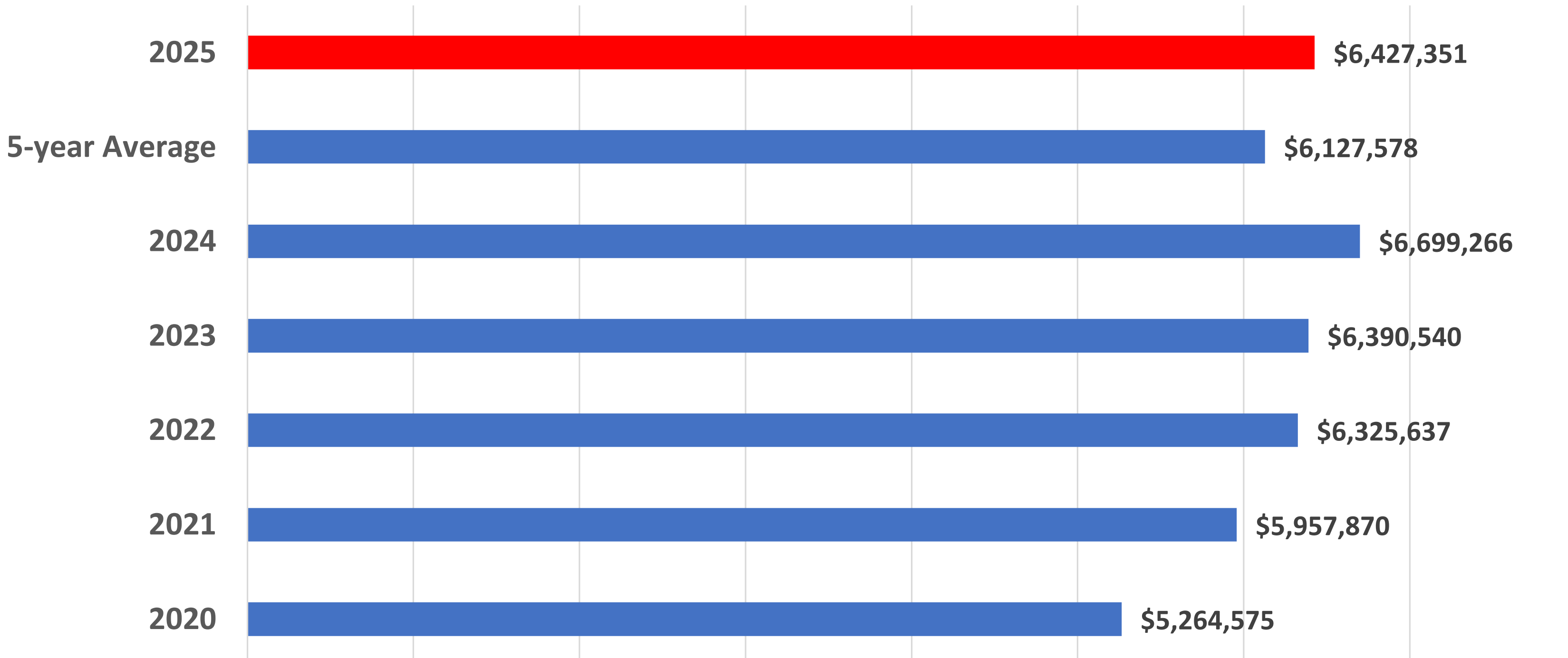


Utility Funds 2024 vs. 2025 Expenditures

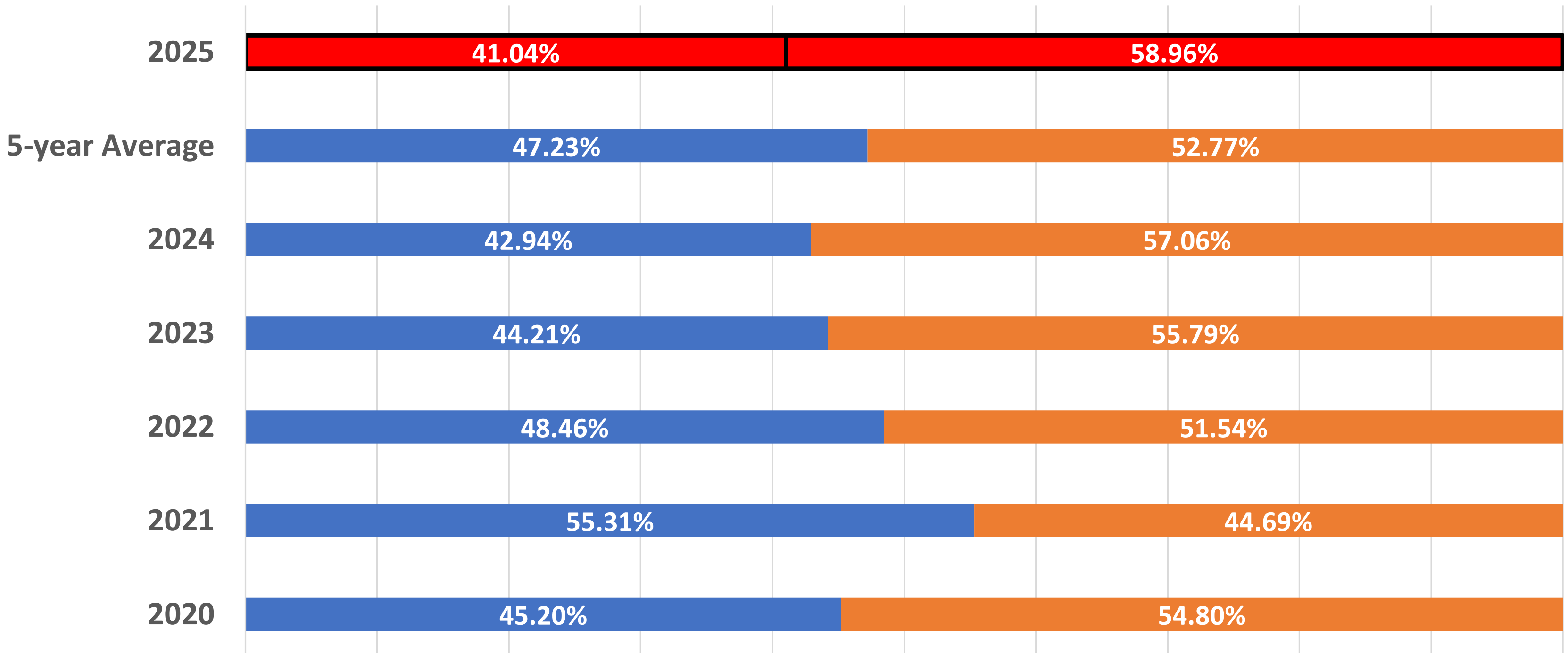


First Five Months of 2025

Sales Tax – First Five Months

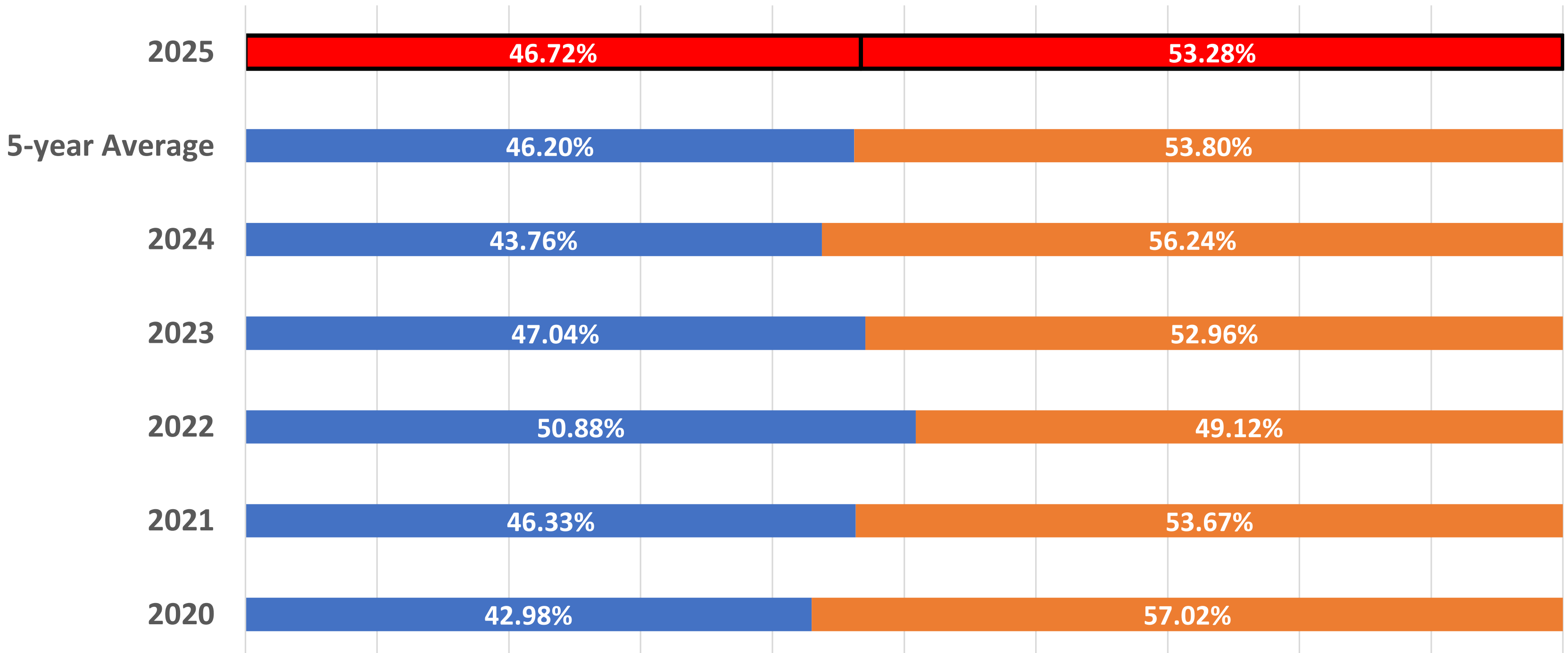


Sales Tax – First Five Months % of Budget

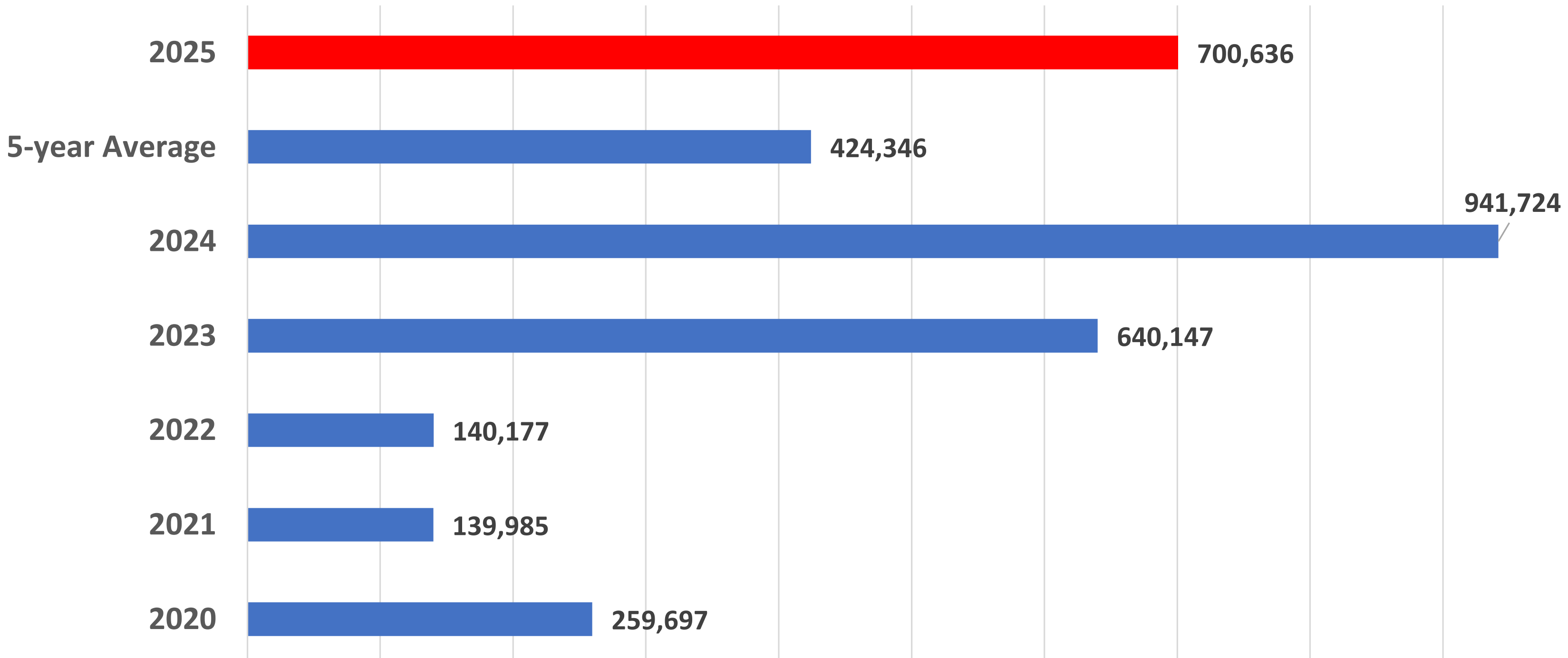


Utility Tax – First Five Months

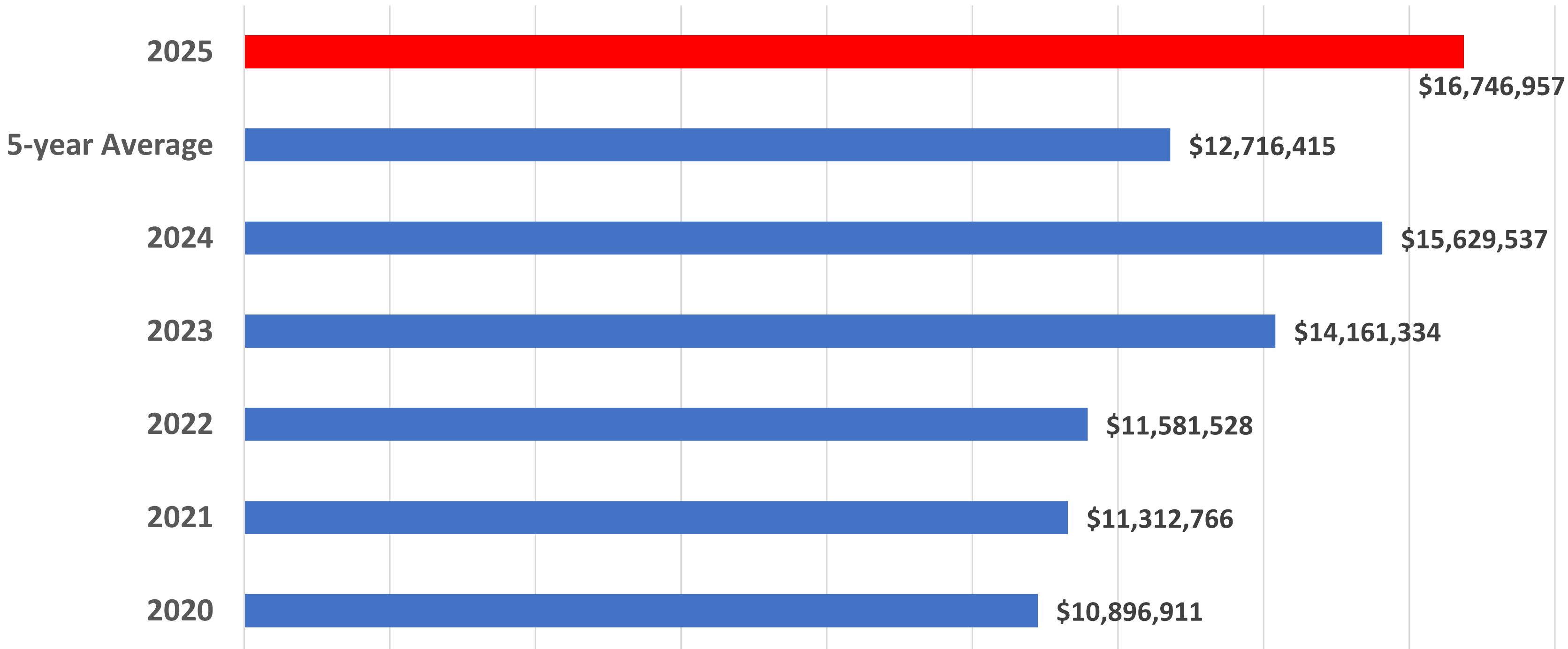
Utility Tax – First Five Months % of Budget



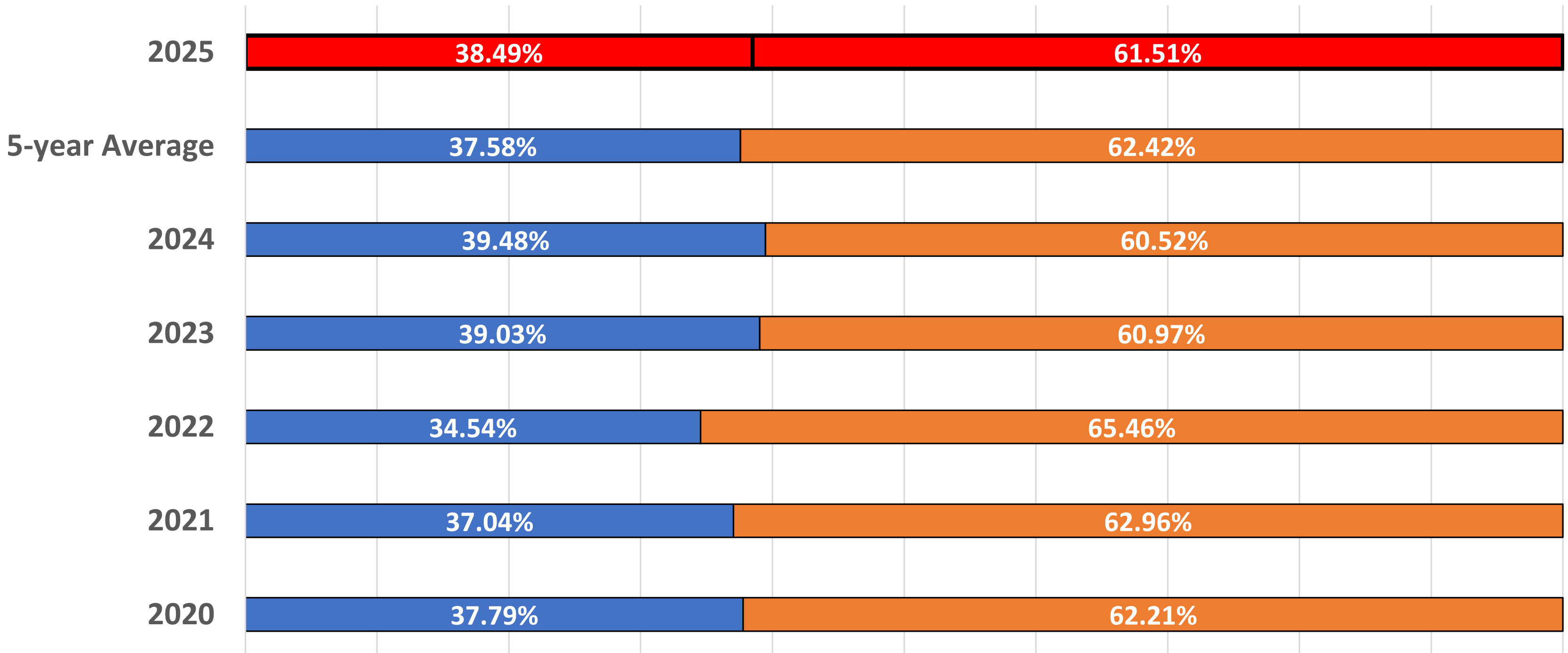
Interest (Current Expense Fund)
First Five Months



General Fund
Salaries & Benefits – First Five Months



Salaries & Benefits
First Five Months % of Budget



2025-2026 Financial Outlook

Significant Financial Model Assumptions

Revenues

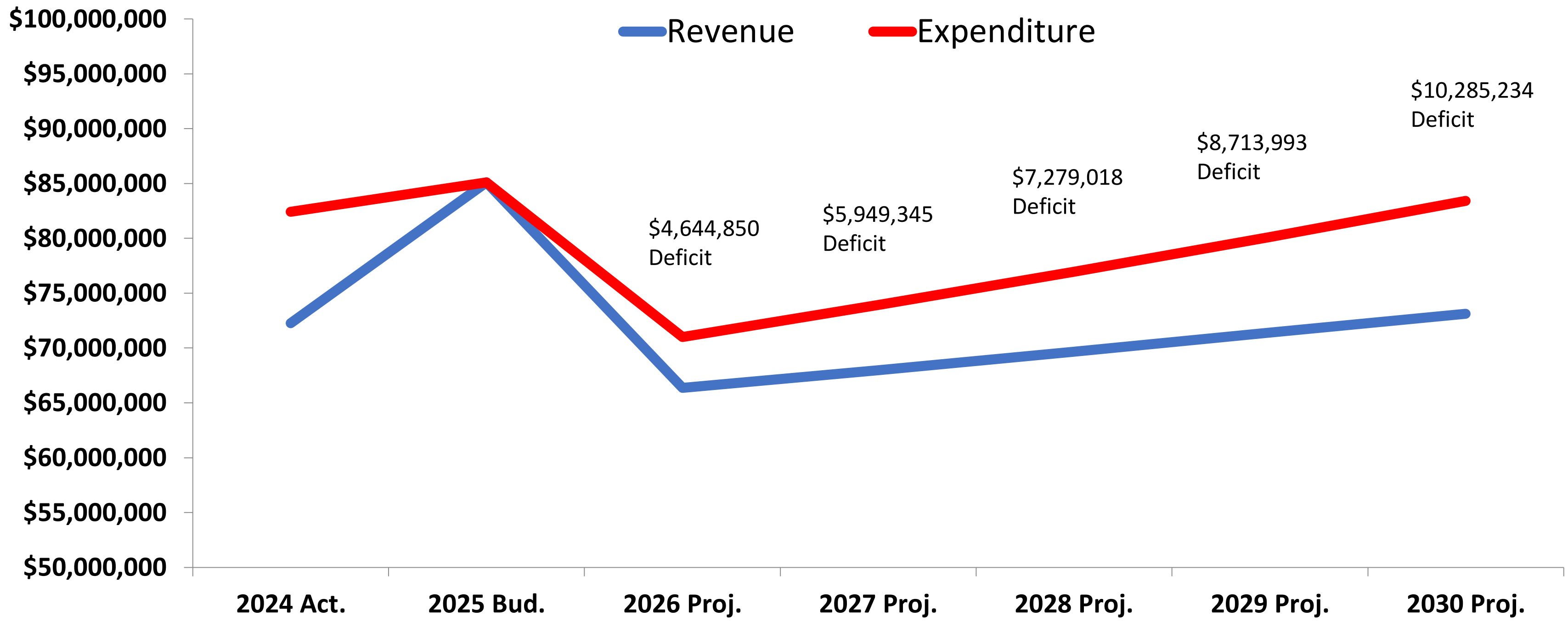
- Sales Tax
  - 2026 +0.0%
  - 2027-2030 +2.0%/year
- Property Tax
  - 2026 New Construction +$150 million
  - 2027-2030 New Construction +$75 million/year
  - Exercise the 1.0% revenue limit
- Utility Tax
  - 2026-2030 +3.0%/year
- Other Taxes (B&O, Admissions, Gambling)
  - 2026-2030 +3.0%/year

Significant Financial Model Assumptions

Expenditures

- Salaries and Benefits
  - Salaries 2026-2030 +4.0%/year
    - 10-year average = +7.2%
    - 2025 YTD = +6.8%
  - Benefits 2026-2030 +6.0%/year
    - 10-year average = +7.0%
    - 2025 YTD = +8.1%
- 100.0% of Authorized Budget Spent
- Other
  - General Inflation +3.0%
  - Utilities +4.0%
  - Internal Service Charges +5.0%

6-Year Financial Model without Obligations

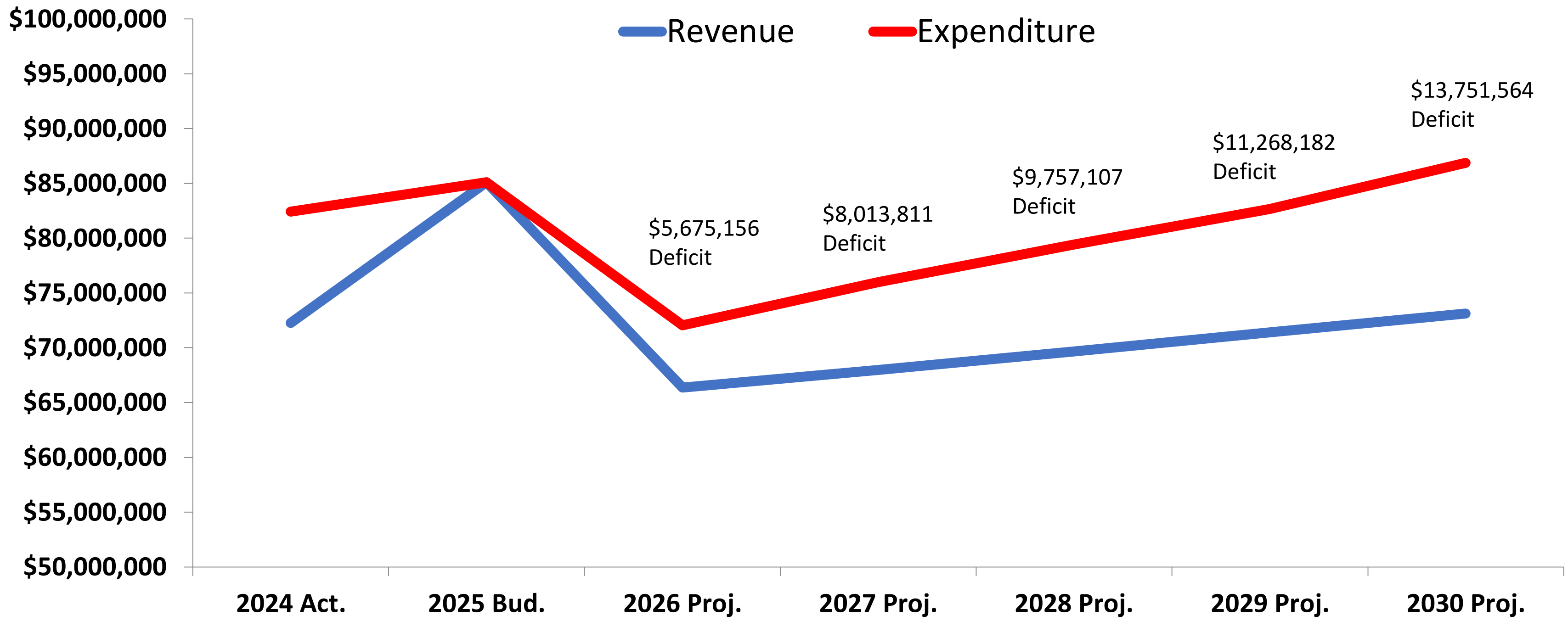


Long-term Considerations

Future Budget Obligations

- 2025 Cuoio Park Phase 1A (+$162,467/year)
- June 9, 2025 Supreme Court Indigent Defense Standard Order
  - 10-year implementation starting January 1, 2026
- 2026 New Police Station & Training Facility Operations & Maintenance (+$500,000/year)
- 2028 RAC Phase 3 (+$350,000/year)

6-Year Financial Model with Obligations



2026 Budget Approach

- Financial Situation
  - Challenging financial situation and anticipated 2026 budget deficit
  - 12 consecutive months of sales tax decline
  - Overall revenues not keeping pace with operational cost growth
  - Lack of substantial tax base growth dating back to 2008
- Budget Focus
  - Commitment to support our existing staff and continuity of core functions
  - The City has faced similar financial issues and did so without layoffs
- Next Steps
  - Work as a team to balance the 2026 Budget and develop strategies to increase revenues
  - New or expanding programs and staffing will only be considered if they have direct funding or provide future revenue opportunities
  - Work with the City Council to align priorities and programs with the current financial situation
  - Communicate updates to keep the City Council and organization informed

Questions