FINANCE & ECONOMIC DEVELOPMENT COMMITTEE MINUTES
SEPTEMBER 22, 2020
8:33 A.M. – 9:33 A.M.
REMOTE ONLY

COUNCIL PRESENT: MAYOR RYDER (CHAIR), DEPUTY MAYOR PRATT (8:37 A.M.), COUNCILMEMBER GREENSTEIN

STAFF PRESENT: SCOTT SPENCE, TROY WOO, PERI EDMONDS

ACTION: APPROVE FINANCE & ECONOMIC DEVELOPMENT COMMITTEE AGENDA
MOTION: MOTION MADE, SECONDED, AND CARRIED BY COUNCILMEMBER GREENSTEIN AND MAYOR RYDER

REVENUES AND EXPENDITURES ESTIMATE

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Staff presented the annual preliminary revenue and expenditure estimates for the 2021 Budget. The budget message delivered in June was not one of expansion and only essential requests necessary for continuity of operations would be considered. It was anticipated the COVID-19 public emergency would have a severe impact on the Lacey area.

Since the June message, additional data received indicates the budget has not been as impacted as originally anticipated. However, the tone of the budget message should still be one of caution since the financial impact due to the public emergency will be more of a long-term impact.

The 2020 sales tax is still above the 2019 sales tax collection rate, but there is a $786,000 decrease compared to the adopted 2020 Budget. There continues to be strength within new construction and it is projected to continue through 2020 and 2021. It is estimated the utility tax will have a $409,000 decrease.

The 2021 estimated expenditures will be impacted by increased labor costs. Reductions in the 2020 budget due to COVID-19 will be unrestored in 2021. These include the Neighborhood Grant Program, City Manager Intern Program, replacement reserves for equipment and facilities, and certain line item reductions will be brought to historical levels.

The Council Budget Workshop is scheduled for the October 1, 2020, Worksession. The City Manager will present the proposed 2021 Budget at the October 22 Council meeting, followed by a public hearing on November 5 and 19. The final 2021 Budget is scheduled for adoption at the December 3, 2020, Council meeting.

2021 UTILITY RATES DISCUSSION

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Staff provided the following three options for 2021 utility rates related to financial relief to those impacted by COVID-19:

1. No 2021 rate increases
   - Maximum financial relief for customers
   - Balance budget with reserves
   - Larger or catch-up rate increases in the future

2. 2021 Rate Increase
   - Move forward as if COVID-19 has not happened 3% water, 3% sewer, 4.5% stormwater
   - No financial relief for customers
   - Fully maintains utility financial condition

3. Delayed 2021 rate increases
   - July 1 implementation

Staff recommends Option 3, which would delay the 2021 utility rate increase until July 1, 2021. The 2021 utility rate proposed increases for residential accounts would be as follows:

- Water - $1.04/month increase proposed
  - Assumes 3.0% increase effective July 2021
  - Six-month delay = $186,966

- Sewer - $0.66/month increase proposed
  - Assumes 3.0% increase effective July 2021
  - Six-month delay = $91,503

- Stormwater - $0.53/month increase proposed
  - Assumes 4.5% increase effective July 2021
  - Six-month delay = $93,619
  - Multi-year rate schedule is completed

- LOTT - $1.23/month approved rate increase

Advantages for the mid-year 2021 rate increase would provide financial relief for accounts impacted by the COVID-19 public health emergency, minimal impact to the financial condition of the utilities, and maintains long-term financial policies of the utilities without the need for larger future rate increases.

Disadvantages include the use of reserves to balance the 2021 Budget, does not address water quality/septic to sewer program, and would coincide with the high irrigation usage.

This item will be discussed at the October 1, 2020, Budget Workshop.

ANIMAL SERVICES – JURISDICTIONAL ASSESSMENTS

STAFF:	SCOTT SPENCE, CITY MANAGER
ACTION:	INFORMATION ONLY

The projected 2021 Animal Services Budget is $2.3 - $2.4 million. A $1.6 - $1.7 million gap needs to be covered for expenses. The following are estimated jurisdictional assessments:

Thurston County:	$800,000
City of Olympia:	$355,000
City of Lacey:	$353,000
City of Tumwater:	$167,000

Reserves have been subsidizing the budget for approximately 10 years to offset the assessments. Council directed staff to bring this back for further discussion at a future Committee meeting.