

FINANCE & ECONOMIC DEVELOPMENT COMMITTEE MINUTES
AUGUST 24, 2021
8:30 A.M. – 9:30 A.M.
REMOTE ONLY

COUNCIL PRESENT: MAYOR RYDER (CHAIR), DEPUTY MAYOR PRATT, COUNCILMEMBER GREENSTEIN (JOINED MEETING AT 9:04)

STAFF PRESENT: SCOTT SPENCE, RICK WALK, TROY WOO, WESLEY NGUYEN, BRANDON CARTER, PERI EDMONDS

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

FINAL 2021 BUDGET AMENDMENT ORDINANCE BRIEFING

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: FORWARD THE PROPOSED BUDGET AMENDMENTS TO THE FULL COUNCIL FOR APPROVAL.
MOTION: MOTION MADE AND SECONDED BY DEPUTY MAYOR PRATT AND MAYOR RYDER. MOTION CARRIED.

Adjustments to the City budget become necessary throughout the year for unanticipated changes. Historically, the budget is amended once per year immediately prior to the development of the next year's proposed budget document. Staff communicate significant budget amendments leading up to the annual budget amendment process. The annual budget amendment ordinance adoption is scheduled for September.

Staff highlighted the following significant budget amendments:

- Community Workgroup on Homelessness Facilitation Services Contract - \$71,685.
- Olympic Behavioral Health Mobile Outreach Team Agreement - \$176,463.
- Homeless Rapid Response Cleanup Team - \$67,061.
- Veterans Services Hub First Floor Tenant Improvements project - Childcare Center Repairs - \$53,440.
- Police Station Enhancements - \$500,000.
- Homeless Rapid Response Cleanup Team - \$52,700.

- Lacey Museum & Cultural Center well decommissioning, soil cleanup, and the Department of Archaeology and Historic Preservation (DAHP) assessment - \$208,227
- Lacey Museum and Cultural Center Comprehensive Exhibit Design - \$25,000.
- Future Police Station to facilitate land acquisition - \$45,000.
- Purchase of land for future police station - \$3.0 million.
- Water Meter Inventory and Transmission Unites - \$400,000.

Staff requests that the Finance & Economic Development Committee review the proposed budget amendments and recommend full City Council adoption of the proposed budget amendment ordinance.

2021 MID-YEAR FINANCIAL REPORT

STAFF: TROY WOO, FINANCE DIRECTOR

ACTION: INFORMATION ONLY

The 2021 Mid-Year Financial Report, focusing on the General Fund, was presented.

General Fund Expenditures

As of June 30, 2021, total General Fund Expenditures were \$24,996,640, or 44.8 percent, of the amended 2021 Budget, a decrease of \$2,521,151 or 9.2 percent compared to the mid-year 2020 total expenditure level. Expenditures at June 30, 2020, were 49.7 percent of the Budget. The majority of the 2021 decrease is related to the timing of one-time transfers and one-time 2020 COVID-19 community economic support. The decrease related to one-time transfers are offset by inflationary increases and rising labor costs. This variance was anticipated by the amended 2021 Budget.

General Fund Revenues

As of June 30, 2021, total General Fund Revenues were \$31,444,319, or 56.4 percent, of the amended 2021 budget. Revenues at June 30, 2020 were at 50.1 percent of budget. Mid-year General Fund revenues increased \$2,975,475 compared to the previous year. The Current Expense Fund revenues increased \$5,006,652. The primary reason for the increase is the first half payment from the American Rescue Plan Act (\$3,428,462). Consumption-based taxes were also stronger than expected.

Utility Funds

Mid-year 2021 operating expenditures for the City's utilities are consistent with projections. The Water Utility Maintenance and Operations Fund expenditures were \$398,071 or 4.3 percent lower in 2021. The decrease is due to a \$613,846 lower

capital improvement program transfer. Wastewater Utility Maintenance and Operations Fund expenditures were \$393,900 or 4.9 percent higher in 2021. The majority of the increase is due to a \$466,725 higher LOTT transfers. The Stormwater Maintenance and Operations Fund expenditures were \$703,645 or 36.8 percent higher than the previous year. The annual Stormwater capital improvement program transfer increased \$676,311 in 2021.

With the exception of the timing of the water fireflow utility tax transfer (budgeted for \$844,949), operating revenues for the utilities are meeting projections and consistent with approved rate increases and customer growth. Total water revenues were \$463,621 or 7.1 percent lower than the mid-year of 2020. Wastewater total revenues were \$442,166 or 4.9 percent higher than the previous year. Wastewater sales increased \$100,943 or 3.3 percent and LOTT sales increased \$378,683 or 6.3 percent. Stormwater revenues were \$76,246 or 3.7 percent higher than 2020, which is consistent with the Stormwater rate increase projection.

Conclusion And Forecast

While the COVID-19 public health emergency continued into 2021, Washington State fully reopened its economy on June 30 and the local economy expanded in alignment with the U.S. economy. The U.S. economy grew 6.3 percent in the first quarter and 6.5 percent during the second quarter. This is in comparison to the 2020 first quarter 5.0 percent contraction, which ended the 128-month record post-war economic recovery period, and 2020 second quarter 31.4 percent contraction.

Despite the ongoing public health emergency, the City is experiencing a stronger than anticipated financial start to the year. There are revenue categories that continue to be negatively impacted, but the Federal stimulus, Federal financial support, moratorium on evictions and utilities, safety protocols restricting travel outside of the area have all likely had impact on the improving revenue generation.

CED DEVELOPMENT REPORT

STAFF: RICK WALK, COMMUNITY & ECONOMIC DEVELOPMENT DIRECTOR

ACTION: INFORMATION ONLY

In 2020, the Community & Economic Development Department issued 3885 permits. There were 327 residential units approved, and 250 of which were multi-family. A total of 828,037 sq. ft. of industrial space was created. In response to Covid, the Community & Economic Development department worked with Business Grants, Thurston Strong, and Household Assistance.

In 2021 YTD, the Community & Economic Development department issued 2077 permits. 245 residential units have been approved, 182 of which are multi-family. 340,000 sq. ft. of commercial space has been created., 868 residential units are actively being built, with 1210 units waiting to be built. 1,040 new jobs have been created in Lacey so far.

Current northeast area projects include:

- Northpoint, a light industrial area with three warehouse buildings.
- Olympia Behavioral Health, a secured behavioral health hospital.
- Bridge Development, along Hogum Bay road, including an additional three warehouses.
- WSDOT HQ, a new regional HQ located in the City.
- Tec-Equipment, a semi-truck dealership and service center.
- Martin Way East, a mixed-use commercial/residential building.

Current mid-town area projects include:

- 6th Avenue Apartments
- 4 story apartment building with 151 units and commercial space on the bottom floor.
- Serenity Apartments, an apartment complex with 181 units and ground floor commercial/restaurant space.
- Lacey MakerSpace improvements.

FOOD TRUCK STATUS UPDATE

STAFF: WESLEY NGUYEN, ECONOMIC DEVELOPMENT COORDINATOR

ACTION: INFORMATION ONLY

Due to the time, the Committee moved this item to the General Government & Public Safety Committee meeting, which was scheduled immediately following this meeting.