



## FINANCE & ECONOMIC DEVELOPMENT COMMITTEE TUESDAY, JUNE 23, 2020 8:30 A.M.

### REMOTE ATTENDANCE

To comply with Governor Inslee's Proclamation 20-28, the Finance Committee Meeting will be conducted remotely, not in-person. However, you may view the meeting by watching live through Zoom:

Link:

<https://us02web.zoom.us/j/86332135822?pwd=UFZPbld2WTBoS1lKzFvemRUL2FKUT09>

Password: 912249

The public may also listen to the meeting via telephone by dialing toll-free:

**(888) 788-0099 or (877) 853-5247** - when prompted enter Webinar ID **863 3213 5822**  
**press # (participant ID not required)**

---

### **2020 FIRST QUARTER FINANCIAL REPORT**

*TROY WOO, FINANCE DIRECTOR*  
(STAFF REPORT)

### **2021 BUDGET CALENDAR**

*SCOTT SPENCE, CITY MANAGER*  
*TROY WOO, FINANCE DIRECTOR*  
(BRIEFING)

### **2021 UTILITY RATE PROPOSALS**

*TROY WOO, FINANCE DIRECTOR*  
(BRIEFING)

**BUILDING PERMIT SYSTEM UPGRADE – CREDIT CARD PAYMENTS**

*TROY WOO, FINANCE DIRECTOR*

*(BRIEFING)*

**CORRESPONDENCE FROM HAWKS PRAIRIE CASINO TO FINANCE  
DIRECTOR**

*TROY WOO, FINANCE DIRECTOR*

*(BRIEFING)*



**FINANCE & ECONOMIC  
DEVELOPMENT COMMITTEE**  
June 23, 2020

**SUBJECT:** 2020 First Quarter Financial Report

---

**RECOMMENDATION:** Review First Quarter Financial Report

---

**STAFF CONTACT:** Scott Spence, City Manager   
Troy Woo, Finance Director 

**ORIGINATED BY:** Troy Woo, Finance Department

**ATTACHMENTS:** 1. [Expenditure Report for the Quarter Ending March 31, 2020](#)  
2. [Revenue Report for the Quarter Ending March 31, 2020](#)

**FISCAL NOTE:**

**PRIOR REVIEW:**

---

**BACKGROUND**

The 2020 first quarter financial report has been completed. This report focuses on the General Fund. The revenue and expenditure summaries are attached.

**GENERAL FUND EXPENDITURES**

As of March 31, 2020, total General Fund Expenditures were \$10,328,976 or 18.5 percent of the adopted 2020 Budget. This is a total increase of \$687,774 or 7.1 percent compared to the first quarter 2019 total expenditure level. Expenditures at March 31, 2019, were 19.5 percent of the total 2019 General Fund Budget. The majority of the 2020 increase is due to inflationary increases and rising labor force expenditures. This variance was anticipated by the adopted 2020 Budget.

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

- Expenditures within the Contracted Services Department increased \$186,807 compared to 2019. The increase is attributed to timing differences compared to 2019 most notably, Thurston County District Court services of \$179,343.
- The restructuring of Administrative Services Department, which separated the Human Resources and Public Affairs/City Clerk Departments resulted in a first quarter \$240,969 decrease in the Human Resources Department and \$214,458 increase in the Public Affairs/City Clerk Department.
- An increase of \$246,925 occurred in the Police Department during the first quarter. This is attributed to inflationary increases to labor costs, equipment rental costs, and professional services relating to the police station needs analysis.
- The Public Works – Engineering Department increased \$103,811 compared to the previous year due to inflationary increases to labor costs.

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

### **GENERAL FUND REVENUES**

As of March 31, 2020, total General Fund Revenues were \$10,204,060 or 18.3 percent of the adopted budget. Last year at this same time, revenues were 17.0 percent of budget. First quarter General Fund revenues increased \$839,425 compared to the previous year.

- Through March 2020, \$162,609 of property taxes have been collected. This is equal to 2.4 percent of the annual property tax budget. Low collection rates are expected during the first quarter. Property taxes are due twice per year on April 30 and October 31, so the majority of property taxes will be collected near these dates.
- 2020 sales tax receipts totaled \$3,387,787 at the end of March. This is \$135,761 or 4.2 percent higher than last year. Please note that sales tax receipts from two of the three months collected will be accrued back to 2019 when the sales activity actually took place. The following table shows the year-to-date receipts of the City's top 20 sales tax sources.

|                                                      | Year-To-Date        |                     |              | Last 12 Months       |
|------------------------------------------------------|---------------------|---------------------|--------------|----------------------|
|                                                      | <u>This Year</u>    | <u>Last Year</u>    | <u>% Chg</u> |                      |
| General Merchandise Stores                           | \$ 607,350          | \$ 599,136          | 1.4          | \$ 2,146,534         |
| Construction of Buildings                            | 526,081             | 518,135             | 1.5          | 2,056,845            |
| Food Services and Drinking Places                    | 297,206             | 291,627             | 1.9          | 1,215,316            |
| Building Material and Garden Equipment and Supplies  | 177,484             | 170,865             | 3.9          | 807,435              |
| Miscellaneous Store Retailers                        | 200,881             | 184,879             | 8.7          | 763,476              |
| Specialty Trade Contractors                          | 185,446             | 173,246             | 7.0          | 748,150              |
| Merchant Wholesalers, Durable Goods                  | 115,052             | 106,899             | 7.6          | 528,732              |
| Motor Vehicle and Parts Dealers                      | 90,031              | 84,159              | 7.0          | 472,924              |
| Sporting Goods, Hobby, Musical Instrument, and Books | 111,499             | 118,152             | (5.6)        | 391,542              |
| Electronics and Appliance Stores                     | 100,416             | 90,065              | 11.5         | 346,297              |
| Administrative and Support Services                  | 92,565              | 68,886              | 34.4         | 322,180              |
| Repair and Maintenance                               | 70,269              | 69,505              | 1.1          | 314,306              |
| Clothing and Clothing Accessories Stores             | 93,421              | 89,385              | 4.5          | 300,022              |
| Professional, Scientific, and Technical Services     | 67,453              | 56,598              | 19.2         | 279,408              |
| Telecommunications                                   | 71,992              | 86,883              | (17.1)       | 276,277              |
| Food and Beverage Stores                             | 63,731              | 60,312              | 5.7          | 258,456              |
| Health and Personal Care Stores                      | 64,777              | 86,511              | (25.1)       | 237,081              |
| Heavy and Civil Engineering Construction             | 47,739              | 33,781              | 41.3         | 234,840              |
| Furniture and Home Furnishings Stores                | 51,737              | 55,975              | (7.6)        | 198,941              |
| Rental and Leasing Services                          | 51,695              | 43,032              | 20.1         | 192,409              |
|                                                      | <b>\$ 3,086,825</b> | <b>\$ 2,988,031</b> |              | <b>\$ 12,091,167</b> |

The top 20 sources provide 91.2 percent of all sales tax. The largest sales tax category, “General Merchandise Stores”, experienced a first quarter 1.4 percent increase compared to 2019. The “Construction of Buildings” category continues to experience collections significantly higher than historical levels. Sales tax is the General Fund’s largest source of revenue and construction activity is highly cyclical, so close monitoring of sales tax collections will continue.

- The General Fund business & occupation (B&O) tax first quarter revenues total \$813,431 or 31.1 percent of budget estimate. B&O taxes increased \$35,880 or 4.6 percent. B&O tax collections have the same basis as sales tax, so B&O taxes are likely to be following the same positive trend curve.
- Overall, utility tax collections for the first quarter were \$28,321 higher than the previous year. Natural gas utility tax increased \$47,171 during the first quarter. Solid Waste utility tax reported a \$27,837 decrease. Telephone utility tax declined \$37,306 compared to the previous year. This decline is consistent with the multi-year downward trend. It is assumed that households continue to eliminate landline phones due to broader use of cellular phones, which reduces overall consumption. In addition, larger portions of cell phone bills are related to data, which is exempt from local utility taxes. The City-owned utilities produced \$51,103 more utility tax year-to-date 2020. This increase is consistent with the adopted utility rate increases.
- Non-business license (includes building, mechanical, plumbing, and electrical permits fees) revenues have been collected at 38.0 percent of the budget estimate. Building permits increased \$131,112. First quarter single-family residential permits are 61.3

percent higher than this year. Building permit activity can be an indicator of future one-time sales tax increases, ongoing property, and utility tax increases.

## **UTILITY FUNDS**

First quarter 2020 operating expenditures for the City's utilities were consistent with projections. The Water Utility Maintenance and Operations Fund expenditures were \$239,958 or 10.6 percent higher in 2020. The increase is due to emergency well rehabilitation and timing differences of electricity expenses. Wastewater Utility Maintenance and Operations Fund expenditures were \$386,158 or 13.1 percent higher in 2020. The majority of the increase is due the 2020 implementation of the General Fund indirect cost recovery charges (\$127,785) and LOTT revenue remittance (\$124,631). The Stormwater Maintenance and Operations Fund expenditures were \$106,429 or 20.6 percent higher than the previous year. The majority of the Stormwater utility increase is due the 2020 implementation of the General Fund indirect cost recovery charges (\$42,999) and equipment rental charges (\$28,002).

Operating revenues for the utilities are meeting projections and consistent with approved rate increases and customer growth. Water revenues were \$217,925 or 9.7 percent higher than the first quarter of 2019. Water sales increased \$215,684 or 10.7 percent. Water general facilities charges were \$369,847 higher than the previous year and the sale of water meters increased \$19,836, which are indicators of local development activity. Wastewater total revenues were \$290,530 or 6.7 percent higher than the previous year. Wastewater sales increased \$94,019 or 6.6 percent and LOTT sales increased \$176,595 or 6.3 percent. Stormwater revenues were \$108,577 or 11.5 percent higher than 2019.

## **CONCLUSION AND FORECAST**

The questions and discussions regarding how long the recent record economic expansion would continue have come to an extremely abrupt end. The end was so abrupt most of the aforementioned first quarter financial data is not relevant looking forward.

The precautionary measures taken in response to the COVID-19 virus have already had a financial and operational impact on the City of Lacey. Immediately following the announcement that local schools were closing and the Governor's "Stay Home, Stay Healthy" orders were issued, the following actions were implemented in anticipation of severe impacts to City revenues.

- All City travel suspended
- Vacant position recruitments suspended unless classified as essential positions
- Cancellation of one-time capital projects
- Most part-time staff furloughed
- Identified two-month operating reserve as replacement funding during the short-term
- Suspension of one-time capital equipment purchases

On May 14, the City Council amended the City budget to address the projected \$6.7 million revenue reduction. This projection is based on the event having a severe impact to the economy for a three-month period. The amendment included reductions to General Fund salaries, benefits, contracted services, operating supplies and services, capital equipment, and capital projects. While the reductions are significant, they are not expected to hamper the City's ability to provide the same level of service its citizens have come to appreciate and expect.

The situation continues to evolve and the extent of the future impact is currently unknown and potentially more significant than projected. The already backwards looking economic data will be delayed even further due to deadline extensions to help distressed taxpayers.

The next budget development process normally begins in May/June timeframe. Despite the unknown impacts of the public health emergency and challenges identifying the beginning, length, and strength of the economic recovery, the 2021 Budget development will begin on schedule.

Staff will continue to monitor the City's immediate economic condition and indicators and recommend further adjustments to the 2020 Budget if necessary.

**City of Lacey**  
**Monthly Expenditure Summary**  
**March 2020**

| <b>Expenditures:<br/>General Fund</b>  | <b>2019<br/>Amended<br/>Budget</b> | <b>YTD<br/>3/31/2019<br/>Actual</b> | <b>2019<br/>YTD % of<br/>Budget</b> | <b>2020<br/>Amended<br/>Budget</b> | <b>YTD<br/>3/31/2020<br/>Actual</b> | <b>2020<br/>YTD % of<br/>Budget</b> | <b>2020-2019<br/>YTD<br/>Variance</b> |
|----------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| City Council                           | \$ 517,228                         | \$ 157,390                          | 30.4%                               | \$ 502,877                         | \$ 147,850                          | 29.4%                               | \$ (9,540)                            |
| Contracted Services                    | 2,889,106                          | 436,346                             | 15.1%                               | 2,916,649                          | 623,154                             | 21.4%                               | 186,807                               |
| City Manager                           | 556,444                            | 123,933                             | 22.3%                               | 569,776                            | 97,269                              | 17.1%                               | (26,665)                              |
| Human Resources                        | 2,309,997                          | 487,701                             | 21.1%                               | 1,405,738                          | 246,733                             | 17.6%                               | (240,969)                             |
| Social Services                        | -                                  | -                                   |                                     | 3,398,421                          | 115,941                             | 3.4%                                | 115,941                               |
| Public Affairs/City Clerk              | -                                  | -                                   |                                     | 992,176                            | 214,458                             | 21.6%                               | 214,458                               |
| Finance                                | 1,259,984                          | 279,549                             | 22.2%                               | 1,416,440                          | 305,952                             | 21.6%                               | 26,403                                |
| Legal & Judicial                       | 624,994                            | 157,962                             | 25.3%                               | 673,087                            | 164,965                             | 24.5%                               | 7,003                                 |
| Common Facilities Overhead             | 1,654,256                          | 647,304                             | 39.1%                               | 1,598,659                          | 613,436                             | 38.4%                               | (33,868)                              |
| Police                                 | 9,900,178                          | 2,586,232                           | 26.1%                               | 11,721,552                         | 2,833,157                           | 24.2%                               | 246,925                               |
| Public Works - Support SVC             | 111,912                            | 25,403                              | 22.7%                               | 126,739                            | 27,222                              | 21.5%                               | 1,818                                 |
| Public Works - Engineering             | 3,522,577                          | 818,181                             | 23.2%                               | 3,832,054                          | 921,992                             | 24.1%                               | 103,811                               |
| Public Works - Parks Maint.            | 2,998,329                          | 578,211                             | 19.3%                               | 3,087,481                          | 610,713                             | 19.8%                               | 32,503                                |
| Public Works - Facilities Maint.       | 591,242                            | 107,494                             | 18.2%                               | 682,786                            | 102,163                             | 15.0%                               | (5,331)                               |
| Planning & Community Dev.              | 2,727,566                          | 592,144                             | 21.7%                               | 2,911,255                          | 643,090                             | 22.1%                               | 50,946                                |
| Public Works - Water Resources         | 1,612,241                          | 320,495                             | 19.9%                               | 1,661,124                          | 378,916                             | 22.8%                               | 58,421                                |
| Parks & Recreation                     | 2,792,373                          | 558,046                             | 20.0%                               | 3,181,215                          | 603,524                             | 19.0%                               | 45,479                                |
| Transfers Out                          | 6,295,712                          | -                                   | 0.0%                                | 5,133,413                          | -                                   | 0.0%                                | -                                     |
| <b>Total Current Expense Fund:</b>     | <b>\$ 40,364,139</b>               | <b>\$ 7,876,391</b>                 | <b>19.51%</b>                       | <b>\$45,811,442</b>                | <b>\$ 8,650,534</b>                 | <b>18.88%</b>                       | <b>\$ 774,143</b>                     |
| Criminal Justice Fund                  | \$ 928,012                         | \$ 226,108                          | 24.4%                               | \$ 1,015,555                       | \$ 241,319                          | 23.8%                               | \$ 15,211                             |
| Community Buildings Fund               | 597,117                            | 136,877                             | 22.9%                               | 617,211                            | 137,839                             | 22.3%                               | 962                                   |
| Regional Athletic Complex              | 1,157,789                          | 246,976                             | 21.3%                               | 1,202,001                          | 255,817                             | 21.3%                               | 8,841                                 |
| Street Fund                            | 4,170,390                          | 834,955                             | 20.0%                               | 4,095,837                          | 862,150                             | 21.0%                               | 27,195                                |
| Capital Equipment Fund                 | 2,294,337                          | 319,895                             | 13.9%                               | 3,149,828                          | 181,317                             | 5.8%                                | (138,578)                             |
| <b>Total General Fund Expenditures</b> | <b>\$ 49,511,784</b>               | <b>\$ 9,641,202</b>                 | <b>19.47%</b>                       | <b>\$ 55,891,874</b>               | <b>\$ 10,328,976</b>                | <b>18.48%</b>                       | <b>\$ 687,774</b>                     |
| <b>Expenditures:<br/>Other Funds</b>   |                                    |                                     |                                     |                                    |                                     |                                     |                                       |
| Arterial Street Fund                   | \$ 6,235,992                       | \$ 128,883                          | 2.1%                                | \$ 10,136,027                      | \$ 436,509                          | 4.3%                                | \$ 307,627                            |
| Transportation Improvement             | 6,513,926                          | 67,709                              | 1.0%                                | 2,989,152                          | 111,630                             | 3.7%                                | 43,921                                |
| Lodging Tax                            | 592,000                            | 37,804                              | 6.4%                                | 596,250                            | 43,016                              | 7.2%                                | 5,212                                 |
| Community Block Grant                  | 263                                | -                                   | 0.0%                                | 267                                | -                                   | 0.0%                                | -                                     |
| Hicks Lake Management District         | 52,023                             | -                                   | 0.0%                                | 47,136                             | -                                   | 0.0%                                | -                                     |
| General Obligation Bond                | 1,705,678                          | -                                   | 0.0%                                | 1,712,639                          | -                                   | 0.0%                                | -                                     |
| LID Debt                               | 108,804                            | -                                   | 0.0%                                | 102,629                            | -                                   | 0.0%                                | -                                     |
| Building Improvement                   | 567,901                            | 66                                  | 0.0%                                | 1,935,267                          | 243,645                             | 12.6%                               | 243,579                               |
| Parks & Open Space                     | 1,169,865                          | 2,686                               | 0.2%                                | 1,143,568                          | 69,281                              | 6.1%                                | 66,595                                |
| Regional Athletic Complex Capital      | 1,569,223                          | 10,505                              | 0.7%                                | 2,428,749                          | 6,412                               | 0.3%                                | (4,093)                               |
| Water Utility                          | 13,209,546                         | 2,264,664                           | 17.1%                               | 14,354,588                         | 2,504,623                           | 17.4%                               | 239,958                               |
| Wastewater Utility                     | 17,252,238                         | 2,945,620                           | 17.1%                               | 18,109,622                         | 3,331,778                           | 18.4%                               | 386,158                               |
| Stormwater Utility                     | 4,176,700                          | 517,226                             | 12.4%                               | 3,864,260                          | 623,656                             | 16.1%                               | 106,429                               |
| Reclaimed Water                        | 1,294                              | -                                   | 0.0%                                | 1,313                              | -                                   | 0.0%                                | -                                     |
| Water Capital                          | 11,232,204                         | 358,240                             | 3.2%                                | 22,436,245                         | 815,030                             | 3.6%                                | 456,790                               |
| Wastewater Capital                     | 13,549,000                         | 514,784                             | 3.8%                                | 16,471,006                         | 427,769                             | 2.6%                                | (87,015)                              |
| Stormwater Capital                     | 1,471,504                          | 19,857                              | 1.3%                                | 938,755                            | 21,057                              | 2.2%                                | 1,201                                 |
| Reclaimed Water Capital                | 25,152                             | -                                   | 0.0%                                | 25,510                             | -                                   | 0.0%                                | -                                     |
| Water Debt Service                     | 4,033,819                          | -                                   | 0.0%                                | 4,034,285                          | -                                   | 0.0%                                | -                                     |
| Wastewater Debt Service                | 2,494,031                          | 105,181                             | 4.2%                                | 2,494,812                          | 29,286                              | 1.2%                                | (75,894)                              |
| Stormwater Debt Service                | 1,752,599                          | -                                   | 0.0%                                | 1,752,286                          | -                                   | 0.0%                                | -                                     |
| Equipment Rental                       | 3,019,707                          | 402,930                             | 13.3%                               | 3,298,351                          | 529,719                             | 16.1%                               | 126,789                               |
| Information Management                 | 1,990,452                          | 485,822                             | 24.4%                               | 2,020,632                          | 415,494                             | 20.6%                               | (70,328)                              |
| <b>Total Expenditures</b>              | <b>\$ 142,235,705</b>              | <b>\$ 17,503,178</b>                | <b>12.31%</b>                       | <b>\$ 166,785,223</b>              | <b>\$ 19,937,880</b>                | <b>11.95%</b>                       | <b>\$ 2,434,701</b>                   |

**City of Lacey**  
**Monthly Revenue Summary**  
**March 2020**

| <b>Revenues:</b>                           | <b>2019<br/>Amended<br/>Budget</b> | <b>YTD<br/>3/31/2019<br/>YTD Actual</b> | <b>2019<br/>YTD % of<br/>Budget</b> | <b>2020<br/>Amended<br/>Budget</b> | <b>YTD<br/>3/31/2020<br/>YTD Actual</b> | <b>2020<br/>YTD % of<br/>Budget</b> | <b>2020-2019<br/>YTD<br/>Variance</b> |
|--------------------------------------------|------------------------------------|-----------------------------------------|-------------------------------------|------------------------------------|-----------------------------------------|-------------------------------------|---------------------------------------|
| <b><u>General Fund</u></b>                 |                                    |                                         |                                     |                                    |                                         |                                     |                                       |
| <b><u>Taxes:</u></b>                       |                                    |                                         |                                     |                                    |                                         |                                     |                                       |
| Property                                   | \$ 6,831,956                       | \$ 143,344                              | 2.1%                                | \$ 6,831,956                       | \$ 162,609                              | 2.4%                                | \$ 19,265                             |
| Sales                                      | 11,646,181                         | 3,252,026                               | 27.9%                               | 11,646,181                         | 3,387,787                               | 29.1%                               | 135,761                               |
| Business & Occupation                      | 2,615,602                          | 777,551                                 | 29.7%                               | 2,615,602                          | 813,431                                 | 31.1%                               | 35,880                                |
| Admissions                                 | 225,000                            | 52,592                                  | 23.4%                               | 225,000                            | 59,415                                  | 26.4%                               | 6,823                                 |
| Utility - Electric                         | 2,314,531                          | 647,454                                 | 28.0%                               | 2,314,531                          | 642,644                                 | 27.8%                               | (4,810)                               |
| Utility - Natural Gas                      | 664,116                            | 246,430                                 | 37.1%                               | 664,116                            | 293,601                                 | 44.2%                               | 47,171                                |
| Utility - Solid Waste                      | 534,683                            | 138,919                                 | 26.0%                               | 534,683                            | 111,082                                 | 20.8%                               | (27,837)                              |
| Utility - Telephone                        | 848,053                            | 234,232                                 | 27.6%                               | 848,053                            | 196,926                                 | 23.2%                               | (37,306)                              |
| Utility - Water/Sewer/Storm                | 3,396,016                          | 600,835                                 | 17.7%                               | 3,396,016                          | 651,937                                 | 19.2%                               | 51,103                                |
| Excise - Forest/Leasehold                  | 25,000                             | 3,712                                   | 14.8%                               | 25,000                             | 4,333                                   | 17.3%                               | 620                                   |
| Gambling                                   | 390,100                            | 112,821                                 | 28.9%                               | 390,100                            | 100,736                                 | 25.8%                               | (12,085)                              |
| <b>Total Taxes</b>                         | <b>\$ 29,491,238</b>               | <b>\$ 6,209,915</b>                     | <b>21.06%</b>                       | <b>\$ 29,491,238</b>               | <b>\$ 6,424,502</b>                     | <b>21.78%</b>                       | <b>\$ 214,587</b>                     |
| Penalties & Interest                       | \$ 250                             | \$ -                                    |                                     | \$ 250                             | \$ 847                                  | 338.8%                              | \$ 847                                |
| Franchises                                 | 616,044                            | 174,326                                 | 28.3%                               | 616,044                            | 171,719                                 | 27.9%                               | (2,607)                               |
| Licenses & Permits                         | 1,478,703                          | 370,136                                 | 25.0%                               | 1,478,703                          | 551,876                                 | 37.3%                               | 181,740                               |
| <b><u>Inter-Governmental:</u></b>          |                                    |                                         |                                     |                                    |                                         |                                     |                                       |
| Criminal Justice                           | \$ -                               | \$ -                                    |                                     | \$ -                               | \$ -                                    |                                     | \$ -                                  |
| Traffic Safety                             | 5,000                              | -                                       |                                     | 5,000                              | -                                       |                                     | -                                     |
| Liquor Excise                              | 286,599                            | 62,040                                  | 21.6%                               | 286,599                            | 170,905                                 | 59.6%                               | 108,865                               |
| Liquor Profits                             | 388,114                            | -                                       |                                     | 388,114                            | -                                       |                                     | -                                     |
| Other State Entitlements                   | 57,935                             | -                                       |                                     | 57,935                             | 19,594                                  | 33.8%                               | 19,594                                |
| Inter-Gov. Service Charges                 | 266,055                            | 23,979                                  | 9.0%                                | 266,055                            | 31,515                                  | 11.8%                               | 7,536                                 |
| Other Grants                               | 2,031,000                          | -                                       |                                     | 2,031,000                          | 10,499                                  | 0.5%                                | 10,499                                |
| <b>Total Inter-Governmental</b>            | <b>\$ 3,034,703</b>                | <b>\$ 86,019</b>                        | <b>2.83%</b>                        | <b>\$ 3,034,703</b>                | <b>\$ 232,513</b>                       | <b>7.66%</b>                        | <b>\$ 146,494</b>                     |
| <b><u>Service Charges:</u></b>             |                                    |                                         |                                     |                                    |                                         |                                     |                                       |
| General Government                         | \$ 52,100                          | \$ 18,513                               | 35.5%                               | \$ 52,100                          | \$ 12,926                               | 24.8%                               | \$ (5,588)                            |
| Security of Persons/Property               | 5,500                              | 681                                     | 12.4%                               | 5,500                              | 35,184                                  | 639.7%                              | 34,502                                |
| Economic Environment/Plan Checking         | 314,500                            | 290,811                                 | 92.5%                               | 314,500                            | 136,023                                 | 43.3%                               | (154,788)                             |
| Culture and Recreation                     | 1,050,225                          | 153,452                                 | 14.6%                               | 1,050,225                          | 156,901                                 | 14.9%                               | 3,448                                 |
| <b>Total Service Charges</b>               | <b>\$ 1,422,325</b>                | <b>\$ 463,458</b>                       | <b>32.58%</b>                       | <b>\$ 1,422,325</b>                | <b>\$ 341,033</b>                       | <b>23.98%</b>                       | <b>\$ (122,425)</b>                   |
| <b><u>Interfund Charges:</u></b>           |                                    |                                         |                                     |                                    |                                         |                                     |                                       |
| Engineering Services                       | \$ 3,146,045                       | \$ 594,185                              | 18.9%                               | \$ 3,146,045                       | \$ 691,536                              | 22.0%                               | \$ 97,351                             |
| Park Maintenance                           | 469,049                            | 90,573                                  | 19.3%                               | 469,049                            | 87,285                                  | 18.6%                               | (3,288)                               |
| Water Resources                            | 2,149,628                          | 401,490                                 | 18.7%                               | 2,149,628                          | 470,204                                 | 21.9%                               | 68,714                                |
| Other Interfund Charges                    | 1,234,455                          | 119,703                                 | 9.7%                                | 1,234,455                          | 308,613                                 | 25.0%                               | 188,910                               |
| <b>Total Interfund Charges</b>             | <b>\$ 6,999,177</b>                | <b>\$ 1,205,951</b>                     | <b>17.23%</b>                       | <b>\$ 6,999,177</b>                | <b>\$ 1,557,638</b>                     | <b>22.25%</b>                       | <b>\$ 351,687</b>                     |
| Violations                                 | \$ 250,000                         | \$ 55,000                               | 22.0%                               | \$ 250,000                         | \$ 55,280                               | 22.1%                               | \$ 280                                |
| Interest Earnings                          | 508,353                            | 188,702                                 | 37.1%                               | 508,353                            | 125,117                                 | 24.6%                               | (63,585)                              |
| Other Miscellaneous                        | 37,050                             | 12,439                                  | 33.6%                               | 37,050                             | 38,235                                  | 103.2%                              | 25,796                                |
| Contributions                              | 556,000                            | 28,982                                  | 5.2%                                | 556,000                            | 14,101                                  | 2.5%                                | (14,882)                              |
| Financing                                  | -                                  | -                                       |                                     | -                                  | -                                       |                                     | -                                     |
| Transfers                                  | 48,500                             | -                                       |                                     | 48,500                             | -                                       |                                     | -                                     |
| Beginning Cash                             | 1,369,099                          | -                                       |                                     | 1,369,099                          | -                                       |                                     | -                                     |
| <b>Total Current Expense Fund Revenues</b> | <b>\$ 45,811,442</b>               | <b>\$ 8,794,928</b>                     | <b>19.20%</b>                       | <b>\$ 45,811,442</b>               | <b>\$ 9,512,860</b>                     | <b>20.77%</b>                       | <b>\$ 717,932</b>                     |
| Criminal Justice Fund                      | \$ 928,012                         | \$ 195,963                              | 21.1%                               | \$ 1,015,555                       | \$ 288,982                              | 28.5%                               | \$ 93,019                             |
| Community Buildings Fund                   | 597,117                            | 58,589                                  | 9.8%                                | 617,211                            | 37,763                                  | 6.1%                                | (20,825)                              |
| Regional Athletic Complex Fund             | 1,157,789                          | 143,468                                 | 12.4%                               | 1,202,001                          | 111,570                                 | 9.3%                                | (31,899)                              |
| Street Fund                                | 4,170,390                          | 132,872                                 | 3.2%                                | 4,095,837                          | 224,606                                 | 5.5%                                | 91,734                                |
| Capital Equipment Fund                     | 2,294,337                          | 38,814                                  | 1.7%                                | 3,149,828                          | 28,279                                  | 0.9%                                | (10,535)                              |
| <b>Total General Fund Revenues</b>         | <b>\$ 54,959,087</b>               | <b>\$ 9,364,634</b>                     | <b>17.04%</b>                       | <b>\$ 55,891,874</b>               | <b>\$ 10,204,060</b>                    | <b>18.26%</b>                       | <b>\$ 839,425</b>                     |

| <b>Revenues:</b>                  | <b>2019</b>           | <b>YTD</b>               | <b>2019</b>            | <b>2020</b>           | <b>YTD</b>               | <b>2020</b>            | <b>2020-2019</b>       |
|-----------------------------------|-----------------------|--------------------------|------------------------|-----------------------|--------------------------|------------------------|------------------------|
| <b><u>Other Funds</u></b>         | <b><u>Amended</u></b> | <b><u>3/31/2019</u></b>  | <b><u>YTD % of</u></b> | <b><u>Amended</u></b> | <b><u>3/31/2020</u></b>  | <b><u>YTD % of</u></b> | <b><u>YTD</u></b>      |
|                                   | <b><u>Budget</u></b>  | <b><u>YTD Actual</u></b> | <b><u>Budget</u></b>   | <b><u>Budget</u></b>  | <b><u>YTD Actual</u></b> | <b><u>Budget</u></b>   | <b><u>Variance</u></b> |
| Arterial Street Fund              | \$ 6,235,992          | \$ 1,554,588             | 24.9%                  | \$ 10,136,027         | \$ 1,896,245             | 18.7%                  | \$ 341,657             |
| Transportation Improvement Fund   | 6,513,926             | 599,082                  | 9.2%                   | 2,989,152             | 805,012                  | 26.9%                  | 205,930                |
| Lodging Tax                       | 592,000               | 63,019                   | 10.6%                  | 596,250               | 102,611                  | 17.2%                  | 39,592                 |
| Community Block Grant             | 263                   | 103                      | 39.0%                  | 267                   | 10,248                   | 3838.1%                | 10,145                 |
| Hicks Lake Management District    | 52,023                | 5,000                    | 9.6%                   | 47,136                | 2,035                    | 4.3%                   | (2,965)                |
| General Obligation Bond           | 1,705,678             | 25,238                   | 1.5%                   | 1,712,639             | 26,184                   | 1.5%                   | 946                    |
| LID Debt                          | 108,804               | 17,255                   | 15.9%                  | 102,629               | 10,325                   | 10.1%                  | (6,930)                |
| Building Improvement              | 567,901               | 30,000                   | 5.3%                   | 1,935,267             | 88,070                   | 4.6%                   | 58,070                 |
| Parks & Open Space                | 1,169,865             | 15,517                   | 1.3%                   | 1,143,568             | 10,214                   | 0.9%                   | (5,302)                |
| Regional Athletic Complex Capital | 1,569,223             | 300,178                  | 19.1%                  | 2,428,749             | 329,863                  | 13.6%                  | 29,685                 |
| Water Utility                     | 13,209,546            | 2,252,493                | 17.1%                  | 14,354,588            | 2,470,418                | 17.2%                  | 217,925                |
| Wastewater Utility                | 17,252,238            | 4,321,801                | 25.1%                  | 18,109,622            | 4,612,331                | 25.5%                  | 290,530                |
| Stormwater Utility                | 4,176,700             | 943,765                  | 22.6%                  | 3,864,260             | 1,052,341                | 27.2%                  | 108,577                |
| Reclaimed Water                   | 1,294                 | 505                      | 39.0%                  | 1,313                 | 297                      | 22.6%                  | (208)                  |
| Water Capital                     | 11,232,204            | 1,006,959                | 9.0%                   | 22,436,245            | 1,364,901                | 6.1%                   | 357,942                |
| Wastewater Capital                | 13,549,000            | 477,751                  | 3.5%                   | 16,471,006            | 470,875                  | 2.9%                   | (6,876)                |
| Stormwater Capital                | 1,471,504             | 42,300                   | 2.9%                   | 938,755               | 180,922                  | 19.3%                  | 138,622                |
| Reclaimed Water Capital           | 25,152                | 9,806                    | 39.0%                  | 25,510                | 5,767                    | 22.6%                  | (4,039)                |
| Water Debt Service                | 4,033,819             | 4,099                    | 0.1%                   | 4,034,285             | 2,415                    | 0.1%                   | (1,684)                |
| Wastewater Debt Service           | 2,494,031             | 1,055                    | 0.0%                   | 2,494,812             | 840                      | 0.0%                   | (215)                  |
| Stormwater Debt Service           | 1,752,599             | 185                      | 0.0%                   | 1,752,286             | 110                      | 0.0%                   | (75)                   |
| Equipment Rental                  | 3,019,707             | 718,738                  | 23.8%                  | 3,298,351             | 846,322                  | 25.7%                  | 127,584                |
| Information Management            | 1,990,452             | 469,694                  | 23.6%                  | 2,020,632             | 471,828                  | 23.4%                  | 2,134                  |
| <b>Total Revenues</b>             | <b>\$ 147,683,008</b> | <b>\$ 22,223,764</b>     | <b>15.05%</b>          | <b>\$ 166,785,223</b> | <b>\$ 24,964,233</b>     | <b>14.97%</b>          | <b>\$ 2,740,469</b>    |

# Memo

**Date:** June 19, 2020

**To:** Department Directors, Managers, and Supervisors

**From:** Scott Spence, City Manager   
Troy Woo, Finance Director 

**Subject:** Budget Call, Instructions, and Schedule for 2021 Budget Development

---

The 2020 budget year's economy began by displaying the same strength as the three previous years. As a result, the 2017-2020 Budgets included additional resources that have allowed enhancements to improve service delivery to Lacey citizens. The COVID-19 public health emergency very abruptly changed the economic environment. Governor Inslee declared a statewide state of emergency on February 29, 2020, and issued a "Stay Home, Stay Healthy" order on March 23, 2020. On March 19, 2020, the City Council adopted Resolution No. 1085 declaring a state of emergency due to the COVID-19 public health emergency (affirmed the Mayoral declaration of emergency on March 13, 2020). On April 23, 2020, the City Council extended the provisions of the state of emergency.

Governor Inslee's "Stay Home, Stay Healthy" order banned all non-essential activity and social gatherings and ordered all businesses to close unless they are designated as an essential business. On May 4, Governor Inslee signed the "Safe Start" COVID-19 order, which outlines a phased approach to re-starting the State's economy. The month of July will be the earliest that counties will be able to reach the final phase of the Governor's Plan, provided the data and metrics support moving through the phases without setbacks. It should also be noted that without a vaccine, masks and physical distancing will be a notable condition even at the State moves in to the final phase of reopening.

While the aforementioned sacrifices are necessary for the safety of the public, the business closures are having significant impacts to City revenues in the short-term. This revenue impact has already required a \$6.7 million reduction to the City's General Fund budget. The General Fund reduction was based on a three-month scenario of severe decline to revenues from mid-March to mid-June. The scenario assumes a shorter-term event with a relatively quick recovery. If the emergency lasts longer than three months, the revenue impacts will be greater and the possibility of a slower recovery

increases. A longer emergency and slower recovery may require additional budget reductions, so additional reductions are not being ruled out.

The severity of the economic impact is unknown. Sales tax receipts are two months in arrears, so the March (only partially impacted by the COVID-19 public health emergency) sales tax activity will not be known until the end of May at the earliest. Also, the Department of Revenue has extended due dates to June 25 to assist distressed businesses, so some data will not be available until late July or early August. Known data includes never seen before levels of unemployment claims and projected unemployment rates not seen since the Great Depression. There is a presumed recession although economists will not know the magnitude until there are two consecutive quarters of retraction, which will not be verified until late October. Much of the development of the 2021 Budget will be without detailed economic data.

### Summary and Direction

The 2021 Budget will likely contend with more uncertainty than anyone in the organization has seen during their local government careers. The known general economic information is bleak at best.

- In two emergency moves, the Federal Reserve lowered the Federal funds rate to 0.50 percent on March 3 and 0.00 percent on March 16. The Federal Reserve is already without any further rate decreases to help stimulate the economy. The rate was lowered to 2.00 percent in August 2019 and lowered by 0.25 percent in September and October.
- The U.S. Department of Labor reports the nation lost 20.5 million jobs during April (33 million total as of May 7) and the jobless rate reached 14.7 percent, which is the highest level since the Great Depression. The next highest monthly job loss was 2.0 million during 1945. The worst monthly job loss during the Great Recession was 800,000. The U.S. unemployment rate was 3.5 percent in February and the number of unemployed was 5.8 million. The unemployment rate is expected to reach 20 percent.
- National retail sales dropped 8.7 percent during March. This is easily the largest decline since the data has been tracked, which is almost 30 years. The April decrease could be worse, because most states did not shut down nonessential businesses until late March or early April.

It is expected safety restrictions will remain in place at some level until the COVID-19 virus is eradicated with vaccinations, effective treatment, and contact tracing. It is anticipated that the City's consumption based revenues will be negatively impacted throughout the unknown and unpredictable recovery period. The City's consumption based revenues include sales tax, business and occupation (B&O) tax, utility tax, admissions tax, gambling tax, and some State-shared revenues such as fuel and liquor taxes. These taxes represent a significant portion of the General Fund's revenues.

### Budget Directive:

**The 2021 Budget will not be one of expansion. There is an increasing likelihood further decreases will be necessary to sustain the financial integrity of the organization. It is unlikely**

**nonessential budget requests will be considered without offsetting reductions in other areas or an identified revenue source.**

**Only essential requests necessary for the continuity of operations will be considered. Additionally, departmental service levels may have to be reexamined to meet competing priorities.**

**Everyone's understanding of the City's current and future financial condition is needed as we prepare for the 2021 City Budget.**

**Budget Calendar:**

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

|                       |                                                                                                                                                                         |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Friday, June 19:      | Finance Director issues 2021 Budget "Call".                                                                                                                             |
| Monday, June 29:      | Budget System will be open for use. Note: any minor increases must be accompanied with an offsetting reduction.                                                         |
| Monday, July 27:      | Budget proposals are due. <b><u>Note: only essential requests will be considered.</u></b>                                                                               |
| Friday, August 7:     | Estimates presented to City Manager for modifications, revisions, or additions.                                                                                         |
| Tuesday, August 25:   | Finance and Economic Development Committee - Final 2020 Budget Amendment Ordinance briefing.                                                                            |
| Aug 17 – Aug 28:      | Departmental Budget Reviews ( <i>if necessary</i> ).                                                                                                                    |
| Thursday, Sept. 10:   | Final 2020 Budget Amendment Ordinance.                                                                                                                                  |
| Monday, Sep. 21:      | City Manager balances proposed 2021 Budget.                                                                                                                             |
| Tuesday, Sept. 22:    | Finance and Economic Development Committee Budget Discussion – provide current information on estimates of revenues and preliminary expenditure requests by department. |
| Thursday, October 1:  | 2021 Budget Workshop                                                                                                                                                    |
| Friday, October 16:   | Proposed 2021 Budget and Budget Message are filed with City Clerk and City Council. Copies of 2021 Budget made available to the public.                                 |
| Monday, October 19:   | City Clerk publishes notice of filing of proposed budget.                                                                                                               |
| Thursday, October 22: | 2021 Budget Presentation to City Council.                                                                                                                               |

- Monday, October 26: City Clerk publishes first notice of November 5 public hearing on revenue sources.
- City Clerk publishes first notice of November 5 public budget hearing
- Tuesday, Oct. 27: Finance and Economic Development Committee - Budget Discussion (if necessary).
- Finance and Economic Development Committee - Property Tax.
- Monday, November 2: City Clerk publishes second notice of November 5 public hearing on revenue sources.
- City Clerk publishes second notice of November 5 public budget hearing.
- Thursday, November 5: City Council to conduct public hearing on 2021 revenue sources, including consideration of possible increases in property tax revenues.
- Conduct Proposed 2021 Budget Hearing: Provide overview of total budget, review expenditure requests for Administration/Finance, Police, Public Works, Community Development, Parks and Recreation, and miscellaneous funds.
- Monday, November 9: City Clerk publishes first notice of November 19 public budget hearing.
- Monday, November 16: City Clerk publishes second notice of November 19 public budget hearing.
- Thursday, November 19: Conduct Proposed 2021 Budget Hearing: Provide overview of total budget, review expenditure requests for Administration/Finance, Police, Public Works, Community Development, Parks and Recreation, and miscellaneous funds.
- City Council sets the 2021 Property Tax Levy by ordinance.
- City Council sets Water rates by ordinance.
- City Council sets Wastewater rates by ordinance.
- City Council sets Stormwater rates by ordinance.
- Thursday, December 3: City Council to adopt 2021 Budget.

Troy Woo, City of Lacey Director of Finance

Troy, I want to share some information about the Hawks Prairie Casinos impact on the City of Lacey.

We employ 130 people and pay \$2.8 million a year in wages much of which is spent right here in the city of Lacey. Even the few employees who live in cities outside of Lacey shop here at Costco, Walmart, Home Depot and Safeway because these businesses are within a couple blocks of the casino and are much closer than if they shopped the same stores near their homes.

Our dealers, food servers and bartenders make up just under 85% of our employees and combined they average \$16 an hour in tips which is over \$2 million a year more in addition to their wages that potentially goes in to the Lacey economy. The casino is required to pay Social Security taxes on their earned tips.

From 2017 to 2020 the minimum wage has increased of over 62% causing erosion of the Card Rooms bottom lines and causing some of them to close their doors. We can't raise our prices on the casino floor like other businesses can do and the restaurant is a very small percentage of our revenue. There were at one time 102 Card Room licenses, there are now 47 of them left and we don't know if all of them will re-open when allowed to.

We are also required by the governor's office to open and operate at less than full capacity on our tables, his Phase 2 limits us to 25% capacity which also means 25% of our normal revenue with no indication of when or if we can reach full capacity in 2020.

Last year the Hawks Prairie Casino paid the city of Lacey \$350,425 in taxes. The average per year net profit for the business in our 18 year history is \$321,619.

It is our understanding that the Hawks Prairie Casino pays 5 to 7 times the tax rate of other businesses in Lacey for our table games and we are asking for our rate to be reduced temporarily by 50% through third and fourth quarter 2020 and by 25% of the current rate in 2021 so that we can try to recover the hundreds of thousands that we have lost this year to date and keep the business from having to close.

Current rate table games 7.5% reduced to 3.75% for 3rd and 4th quarter 2020 and reduced to 5.625% for all of 2021.

Current rate Pull Tabs 4% reduced to 2% for 3rd and 4th quarter 2020 and reduced to 3% for all of 2021.

Current food and non-alcoholic beverages rate 2% reduced to 1% for 3rd and 4th quarter 2020 and reduced to 1.5% for all of 2021.

Thank you for your consideration

David Magee  
General Manager  
Hawks Prairie Casino  
360-528-8888  
dmagee@hawksprairiecasino.com