FINANCE & ECONOMIC DEVELOPMENT COMMITTEE MINUTES
JUNE 23, 2020
8:30 A.M. – 9:29 A.M.
REMOTE ONLY

COUNCIL PRESENT: MAYOR RYDER (CHAIR), DEPUTY MAYOR PRATT, COUNCILMEMBER GREENSTEIN

STAFF PRESENT: SCOTT SPENCE, SCOTT EGGER, TROY WOO, KRISTY WOLF, PERI EDMONDS

Mayor Ryder requested moving the *Correspondence from Hawks Prairie Casino to Finance Director* to the first item on the agenda.

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

CORRESPONDENCE FROM HAWKS PRAIRIE CASINO TO FINANCE DIRECTOR

STAFF:	TROY WOO, FINANCE DIRECTOR
ACTION:	INFORMATION ONLY
STATUS:	FORWARD TO THE FULL COUNCIL FOR CONSIDERATION

The Hawks Prairie Casino submitted a request to reduce the gambling tax rate for card rooms and pull-tabs by 50% for the remainder of 2020, and by 25% for 2021.

In 2006, the casino received a 5-year temporary tax reduction years. In 2014, the Committee received a request from the casino, similar to the current request. In 2015, Council took action and reduced the tax from 10% to 7.5%.

The casino provided the following projections if the tax was reduced:

- $20,000 per quarter for the remainder of 2020
- $47,000 per quarter for 2021.
- Reduction in 2020, including a full first quarter and the projections for the remainder of the year, would be about $130,000.

Staff noted that when Council took action relating to the impacts of COVID-19, the City's budget was reduced by $170,000. The casino's projection is a reduction of $210,000, which is $40,000 more. Total annual reduction for 2021 would be about $151,000, with a 2-year annual reduction of about $360,000.

Committee members directed staff to provide a comparison of current gambling tax rates in other cities.

The Finance & Economic Development Committee agreed to forward to the full Council for consideration.

2020 FIRST QUARTER FINANCIAL REPORT

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

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. 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.

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 were collected, and 2020 sales tax receipts totaled $3,387,787 at the end of March.

The first quarter 2020 operating expenditures for the City's utilities increased and were consistent with projections. Operating revenues for utilities also increased. They are meeting projections and consistent with approved rate increases and customer growth.

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.

Precautionary measures taken in response to the COVID-19 virus have already had a financial and operational impact on the City of Lacey. 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. 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 next budget development process normally begins in May/June. 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.

2021 Budget Calendar

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

The 2020 budget year's economy began by displaying the same strength as the three previously, but the COVID-19 public health emergency very abruptly changed the economic environment. On March 19, 2020, the City Council adopted Resolution No. 1085 declaring a state of emergency due to the COVID-19 emergency. On April 23, the City Council extended the provisions of the state of emergency.

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 2021 Budget will not be one of expansion. Only essential requests necessary for the continuity of operations will be considered.

An overview of the 2021 Budget schedule was presented. The City Council budget workshop will be held October 1, 2020, with the budget presentation scheduled for October 22. Adoption of the 2021 Budget is scheduled for December 3.

Council directed staff to coordinate a budget workshop for the public, to be held prior to the Council budget workshop.

2021 UTILITY RATE PROPOSALS

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Given the financial challenges both the City and community are facing, staff recommends Council consideration of zero rate increases for water, sewer, and stormwater, and continue to support multi-year rate schedules.

The Water Comprehensive Plan is currently being developed, with completion anticipated by the end of 2020. There is time for the consultant to consider a zero rate increase for 2021, and review the impact on how to make that up in years 2022 through 2025.

The Wastewater Comprehensive Plan is similar to Water, but is due 2022 or 2023. Staff requested the consultant review the septic-to-sewer fee. This was postponed until this year. The consultant is reviewing a 2-year rate.

The Stormwater Comprehensive Plan is complete with a 5-year rate recommendation for 2021 through 2025. The recommendation is for a 4.5% percent increase for the 5-year period. In order to find relief for ratepayers, staff asked the consultant to do a cash balance analysis of what it would look like if we recommended a zero percent rate increase for 2021.

The consultant provided two options:

1) Zero percent increase for 2021, and a 5.5% increase for 2022-2025
2) Zero percent increase for 2021, and a 6.5% increase for 2022-2025

The 5.5% recommendation decreases the cash balance at the end of 2025 by $600,000. The 6.5% recommendation is approximately the same position if we had a 4.5% for a 5-year period.

Staff recommends the 5.5% option, which meets all reserve policies and has the least impact on the ratepayers.

No action is needed at this time since rate proposals are considered in November during the normal budget process. However, staff recommends taking action on the stormwater rate earlier than the normal process to allow businesses to plan accordingly.

Council directed staff to provide additional data to reflect the reality of the current situation, and provide a comparison of the 2019 and 2020 utility revenue.

BUILDING PERMIT SYSTEM UPGRADE – CREDIT CARD PAYMENTS

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY
STATUS: FORWARD TO FULL COUNCIL FOR FURTHER DISCUSSION

The new building permit system update will allow customers to pay permit fees online, however, there are additional fees assessed to the City. A convenience fee could be charged to online customers only, or incorporated into the permit fees regardless of the payment type.

Staff recommends increasing the permit fees regardless of the payment type.

Staff will forward to Council for further discussion.