FINANCE & ECONOMIC DEVELOPMENT COMMITTEE MINUTES
MAY 25, 2021
8:30 A.M. – 9:08 A.M.
REMOTE ONLY

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

2021 BUDGET AMENDMENT UPDATE

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Staff presented an update on the 2021 Budget Amendments. The following are significant budget amendments that have been identified since the adoption of the 2021 Budget.

Current Expense Fund (General Fund)

- A late 2020 audit and reconciliation of the City's liability, property, machinery, and auto insurance coverage resulted in an overall $60,820 increase compared to the 2021 Budget projection. This affects multiple budget funds.

- Veterans Services Hub First Floor Tenant Improvements Project - $70,000 The project is funded by $421,852 from the City's Community Development Block Grant and $70,000 from assigned reserves.

- Veteran Affairs Outstation Center Lease Tenant Improvements – additional $35,000.

- Strategic Communications Plan Project – additional $40,000 for completion.

- Community and Economic Development Department – $169,000 for new staff position.

- Two annexations (Steilacoom/Marvin and Capitol City Estates) require a census study to certify the annexation to the Office of Financial Management. The 2021 Adopted Budget did consider one $20,000 census study. To complete both an additional $21,217 is required.

- Staff proposes the budgeted Water Quality Assurance Fee phase-in transfer is eliminated. Due to COVID-19 revenue reductions and according to the preliminary draft of the Water Comprehensive Plan update, the $714,286 transfer is not necessary for the water capital improvement plan.

<u>Capital Equipment Fund (General Fund)</u>

- The adopted 2021 Budget includes $500,000 for Police Station enhancements and the funding for the project is the City Council designated committed reserve for the Police Station project. The updated recommendation is to enhance the Police Department's equipment and technology. It is requested that the original budget appropriation be changed to equipment from building improvements and the funding source be changed to a more appropriate reserve, because equipment and technology does not meet the intent of the Police Station committed reserve.

<u>Arterial Street Fund</u>

- College Street and 7th Avenue (Mid-Town) Pedestrian Crossing preliminary analysis requires $40,000. City Council committed reserves for the project will be transferred into the Arterial Street Fund.

- City staff is evaluating a potential College Street SE property purchase related to right of-way for the future 16th Avenue and College Street SE roundabout project.

<u>Transportation Benefit District Fund</u>

- Lacey Midtown on 10th Avenue SE - $50,000 for sidewalk repairs.

<u>Building Improvement Fund</u>

- City Hall front counter glass structures for additional security and social distancing improvements - $103,490.

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- Well decommissioning, soil cleanup, and the Department of Archaeology and Historic Preservation (DAHP) assessment is required for the Lacey Museum and Cultural Center site (5700 Lacey Blvd) $208,227.

- $25,000 is requested to initiate Lacey Museum and Cultural Center comprehensive exhibit design. Lacey Fire District No. 3 has provided the funding for the costs indicated.

<u>Regional Athletic Complex Capital Fund</u>

- Regional Athletic Complex (RAC) - $74,673 to complete security camera system upgrade project

<u>Water Capital Fund</u>

- Completion of Water Capital Projects:
    - Hawks Prairie Sister Standpipe - $115,000
    - TCOMM911 Radio System Facilities (Hawks Prairie Sister Standpipe) - $50,324
    - 2020 Well Review and Rehabilitation Program - $104,000

The purpose of this update is to inform the Finance and Economic Development Committee of significant proposed amendments. Additional budget amendment reports will be presented as needed. The final approval of the proposed amendments will be considered by the full City Council in September.

2021 FIRST QUARTER FINANCIAL REPORT

STAFF: TROY WOO, FINANCE DIRECTOR
ACTION: INFORMATION ONLY

Staff highlighted the 2021 first quarter financial report.

<u>General Fund Expenditures</u>

As of March 31, 2021, total General Fund Expenditures were $10,742,698 or 19.3 percent of the adopted 2021 Budget. This is a total increase of $413,722 or 4.0 percent compared to the first quarter 2020 total expenditure level. First quarter 2020 expenditures were 18.5 percent of the total 2020 General Fund Budget. The majority of the overall 2021 increase is due to Veterans Services Hub building improvements.

General Fund Revenues

As of March 31, 2021, total General Fund Revenues were $9,816,178 or 17.6 percent of the adopted budget. Last year at this same time, revenues were 18.3 percent of budget. First quarter General Fund revenues decreased $387,881 compared to the previous year.

- Through March 2021, $183,706 of property taxes have been collected. This is equal to 2.5 percent of the annual property tax budget.

- 2021 sales tax receipts totaled $3,504,121 at the end of March. This is $116,334 or 3.4 percent higher than last year. The top 20 sources provide 90.7 percent of all sales tax.

- The General Fund business & occupation (B&O) tax first quarter revenues total $828,066 or 39.5 percent of budget estimate. B&O taxes increased $14,635 or 1.8 percent.

- First Quarter utility tax collections was $42,936 higher than the previous year. Electricity utility tax increased $55,152 during the first quarter. Telephone utility tax declined $53,869 compared to the previous year. The City-owned utilities produced $25,042 more utility tax year-to-date 2021.

- Admissions Tax was $59,415 lower and Gambling Tax was $98,666 lower than first quarter 2020 due to the COVID-19 safety restrictions. These 2021 combined tax sources were projected in the amount of $351,636.

- Non-business license (includes building, mechanical, plumbing, and electrical permits fees) revenues have been collected at 22.3 percent of the budget estimate. Building permits decreased $146,408.

- One positive development indicator is plan checking fees increased $138,686 during the first quarter. This is an indicator of potential future building permit activity.

- Culture and Recreation program fee charges decreased $92,851 due to limited programs as a result of the COVID-19 safety restrictions.

- Interest earnings decreased $33,897 during the first quarter after adjusting for a yearend accounting adjustment (-$282,523) relating to generally accepted accounting principles investment valuation.

Utility Funds

First quarter 2021 operating expenditures for the City's utilities were consistent with projections. The Water Utility Maintenance and Operations Fund expenditures were $4,392 or 0.2 percent higher in 2021. Wastewater Utility Maintenance and Operations Fund expenditures were $64,542 or 1.9 percent higher in 2021. The Stormwater Maintenance and Operations Fund expenditures were $24,089 or 3.9 percent higher than the previous year. Operating revenues for the utilities are meeting projections and consistent with approved rate increases and customer growth. Water revenues were $73,065 or 3.0 percent lower than the first quarter of 2020. Water sales increased $93,196 or 4.2 percent despite a deferral to rate increases. The investment accounting adjustment impacted the water fund by $63,511. Wastewater total revenues were $80,102 or 1.7 percent higher than the previous year. LOTT sales increased $135,454 or 4.5 percent. Stormwater revenues were $4,280 or 0.4 percent higher than 2020.

Staff also reviewed both positive and negative impacts due to COVID-19. Until COVID-19 is eradicated, it will be very challenging trying to develop an accurate financial outlook for the City. It appears the uncertainty will continue as the 2022 Budget development process begins. As always, staff will monitor and evaluate the City's immediate economic condition and indicators and communicate any need to adjust the 2021 Budget and 2022 financial outlook.