



FINANCE & ECONOMIC DEVELOPMENT COMMITTEE
TUESDAY, FEBRUARY 22, 2022
8:30 A.M.
REMOTE ATTENDANCE

The Finance & Economic Development Committee meeting will be conducted remotely. You may view or listen to the meeting by using one of the following platforms:

Live through Zoom: <https://us02web.zoom.us/j/83941578751>

Live or as a recording on YouTube: <https://youtu.be/Jzs5AM37Qb0>

Listen via telephone: (888) 788-0099 or (877) 853-5247 (Webinar ID: 839 4157 8751)

AGENDA

2022 BUDGET AMENDMENT UPDATE

TROY WOO, FINANCE DIRECTOR
(STAFF REPORT)

2021 BUDGET CARRYOVERS

TROY WOO, FINANCE DIRECTOR
(STAFF REPORT)



**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
February 22, 2022

SUBJECT: 2022 Budget Amendments Update

RECOMMENDATION: Review upcoming budget amendments to the 2022 adopted budget.

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

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS:

FISCAL NOTE: As outlined in staff report.

PRIOR REVIEW:

BACKGROUND:

Throughout the year, adjustments to the budget become necessary as a result of City Council actions, activity levels that were not anticipated during budget development, and grant awards (or other receipts of outside funding). Historically, the budget has been amended once per year immediately prior to the development of the next year's proposed budget document. It is staff's practice to communicate significant budget amendments leading up to the annual budget amendment process. The annual budget amendment ordinance adoption is scheduled for September.

The following are significant budget amendments that have been identified since the adoption of the 2022 Budget.

Current Expense Fund (General Fund)

- A limited-term employee Human Resources Specialist was hired to address temporary long-term staffing shortage in the Human Resources Department. The estimate cost per year is \$91,000.
- At the January 27, 2022 City Council Worksession, the City Council endorsed \$100,000 of support for the TOGETHER! Host Homes Program.
- \$22,000 is requested for the Lacey Veteran Services Hub computers and computer lab furniture. The funding will be provided from restricted funds from donations generated from the Mayor's Gala and Toast.
- An additional Payroll/Accounting Services Specialist is vital for the continued success of the City's payroll function. The growth to the City's workforce and a growing level of complexity are the main factors for the needed staffing. For example, the City's overall staffing level has increased 25.7 percent during the last 10 years. The estimated full-year cost for the position is \$108,638.
- To alleviate the workload in the Utility Billing Division and to improve the Finance Department's organizational structure match of the administration of business licensing and business and occupation (B&O) tax, these functions will be shifted to the Accounting Division. To accommodate the additional workload, a Department Assistant position is requested to perform administrative tasks to allow existing staff focus on the higher level required duties. The estimated full-year cost for the position is \$87,041.
- To comply with the 2017 OSHA Arc Flash Labeling requirements, an electrical ARC Flash study is necessary. This labeling is required for any piece of electrical equipment that may need examination, adjustment, service or maintenance while energized, creating the potential for an arc flash incident to occur. The estimated cost of the study is \$493,799 and will be incurred by the General Fund City Facilities, Water, and Wastewater funds. It is estimated the General Fund City Facilities' share is 10 percent of the total cost.
- On January 20, 2022, the City Council authorized the City Manager to execute an interlocal agreement for the implementation of the Regional Climate Mitigation Plan. This Phase 4 will include the preparation of white papers providing information relating to cost, benefits, barriers, and opportunities for the implementation of the plan's top items. Lacey's share for Phase 4 is \$60,662.

Regional Athletic Complex Fund (General Fund)

- During the second half of 2021, it was discovered that a Regional Athletic Complex irrigation meter had not been billed since 2014. The 2015 through mid-2021 billing amounts would have been \$340,325. The 2022 Budget has been adjusted for the

annual difference, but not for the previous balance owed. This will require a transfer of reserves from the Current Expense Fund.

Capital Equipment Fund (General Fund)

- To facilitate the transition to the post-pandemic workplace and the incorporation of approved 2022 workforce enhancements, \$250,000 is requested for technology investments and workspace improvements. The City Council designated a committed reserve for this purpose.

Arterial Street Fund

- City staff again was well positioned to secure additional transportation grant funding.
 - \$216,250 of Surface Transportation Block Grant (STBG) funds were secured for the Roundabout at Willamette Drive and Campus Glen Drive. A 2022 amendment of \$55,000 is requested, which includes the City's 13.5 percent local match.
 - \$1,478,648 of Surface Transportation Block Grant (STBG) funds were secured for the College Street Corridor Improvements Phase 4 (College Street and 29th Avenue). A 2022 amendment of \$125,000 is requested, which includes the City's 13.5 percent local match.

Building Improvement Fund

- On January 20, 2022, the City Council authorized the contract award for the demolition phase of the Lacey Museum and Cultural Center project. The project will bring the site to a pre-development state, which will include building demolition, grading, and other site work. The project estimate is \$379,865. These costs will be reimbursed by the Heritage Capital Projects grant.
- Due to the growth to the department, the Community and Economic Development Department is in need a minor office remodel. \$54,377 is requested for the project.

Parks and Open Space Fund

- At the February 3, 2022 City Council meeting, the City Council directed staff to begin the process to begin the design of Greg Cuoio Park and Greenways Master Plan Phase 1A. The estimated design cost of the \$3.0 million to \$5.0 million Phase 1A project is estimated to be between \$850,000 to \$1,750,000.

Water Operations Fund

- To comply with the 2017 OSHA Arc Flash Labeling requirements, an electrical ARC Flash study is necessary. This labeling is required for any piece of electrical equipment that may need examination, adjustment, service or maintenance while energized, creating the potential for an arc flash incident to occur. The estimated cost of the study is \$493,799 and will be incurred by the Water, Wastewater, and the General Fund City Facilities funds. It is estimated the Water Fund's share is 55 percent of the total cost.
- The City's Utility Billing Division has been challenged by a number of significant issues including, expiration of the Governor's COVID-19 moratorium on utility billing collection enforcement, significant 2021 staff turnover, meter reading equipment failure, and billing system processing challenges. The Utility Billing Division will need a minimum of two years to identify, evaluate, develop, and implement significant and critical business processes to ensure a continued high level of customer service and operational functions. To provide the capacity necessary to complete these important improvements, limited-term employee staffing is requested.
 - To address failing automatic meter reading equipment and long lead times for repair/replacement supplies, three limited-term Automated Meter Infrastructure Technician positions are requested.
 - To address the temporary shift to manual read and anticipated significant repair/replacement volume once the supply challenges end, one limited-term Department Assistant III is requested.

In addition, organizational structure changes will be evaluated, which may result in position classification changes. The estimated full-year cost for the additional limited-term positions is \$363,682. The funding source of this utility expense is the reevaluation and likely delay to the \$6.8 million automated meter system replacement, which is currently programmed for 2023.

- To address meter equipment failures and the end of service (12/31/2022) of the current automatic meter reading system, \$800,000 is requested for meter supplies and system upgrade. During the last 12 months, batteries on the meter reading equipment have been failing at a high rate. Adding to this challenge is the supply chain shortages that have been experienced by many different lines of businesses. The needed meter supplies include complete meters and water meter transmission units (MTU). To attempt to alleviate the supply chain shortage and to potentially expedite the City's order larger quantity orders are to be placed.

Wastewater Operations Fund

- To comply with the 2017 OSHA Arc Flash Labeling requirements, an electrical ARC Flash study is necessary. This labeling is required for any piece of electrical equipment that may need examination, adjustment, service or maintenance while energized, creating the potential for an arc flash incident to occur. The estimated cost

of the study is \$493,799 and will be incurred by the Wastewater, Water, and the General Fund City Facilities funds. It is estimated the Wastewater Fund's share is 35 percent of the total cost.

Joint Animal Services

- The Animal Services 2022 Budget was adopted after the City adopted its 2022 Budget. The Animal Services Board included an increase to Thurston County service levels resulting in a \$307,066 budget increase.

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.



**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
February 22, 2022

SUBJECT: 2021 Budget Encumbrance Carryovers

RECOMMENDATION: Upon review and concurrence, motion to recommend full City Council adoption of ordinance.

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

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS: 1. [Draft Ordinance](#)
2. [Draft Summary for Ordinance](#)

FISCAL NOTE: See attached Ordinance [Exhibit "A"](#)

PRIOR REVIEW: None

BACKGROUND:

Despite all the extensive budget planning and efforts to complete projects and purchases prior to the year-end closing, staff are not always able to complete all of the projects and purchases. The projects and purchases are expected to be completed during 2021, so it becomes necessary to carryover previously approved budget appropriations into the next year. These proposed amendments are limited to carryover encumbrances and capital projects.

This carryover process relieves concerns that authorized budgets will be exceeded when large carryover projects do not have the authorized appropriations until late into the year. It is the City's practice to amend the budget once per year during September. If the City Council approves these appropriations earlier in the year, the risk of exceeding authorized expenditure levels is minimized.

The encumbrance and capital carryover requests are limited to purchase orders that were initiated in the previous year and capital projects that were authorized in the previous year's budget. The outstanding purchase order carryover requests are limited to significant (over \$2,500) unfilled material, equipment, and supply orders. Capital project carryover requests do not have a dollar threshold. The funds requesting the carryovers must have adequate fund balance before the requests can be granted.

Each fund is detailed separately on the proposed carryover amendment list. There are three columns of dollar values. The first column contains the amount currently authorized for that line item in the 2022 budget. The second column is the amount of the proposed adjustment. The last dollar column shows what the new total of that particular line-item account will be if the amendments are adopted. Total lines are included to illustrate the grand total of the fund before and after the amendments. This is important since the budget is adopted by fund total and not by line-item detail. A brief explanation or description is also provided for each line-item of the form.

It is requested that the Finance & Economic Development Committee review the proposed carryover amendment ordinance and recommend full City Council adoption of the proposed ordinance.

ADVANTAGES:

1. The proposed adjustments to the 2022 Budget reflect more accurately the necessary requirements of each fund or adjustments made by City Council action.
2. The proposed adjustments ensure that the proper level of budget appropriations have been authorized to complete prior year projects and purchases.

DISADVANTAGES:

1. There are no significant disadvantages since there must be adequate fund balance to match the proposed carryover expenditure.

ORDINANCE NO. XXXX

CITY OF LACEY

AN ORDINANCE AMENDING THE 2022 FISCAL YEAR BUDGET AND ORDINANCE NO. 1608 ADOPTING SAID BUDGET TO RE-APPROPRIATE 2021 BUDGETED AMOUNTS FOR PROJECTS NOT COMPLETED IN 2021 AND ADOPTING A SUMMARY FOR PUBLICATION.

WHEREAS, at the end of the 2021 fiscal year, certain funds which had been appropriated had not been spent because the programs, improvements, contracts or orders had not, as yet, been completed, and

WHEREAS, in order to complete such programs, projects and orders, and to pay the cost thereof, it is necessary that such funds be re-appropriated in the 2022 budget, NOW, THEREFORE

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, AS FOLLOWS:

Section 1. The 2022 fiscal year budget and Ordinance No. 1608 adopting said budget are hereby amended in the manner set forth on Exhibit A, which is attached hereto and made a part hereof as though fully set forth at length.

Section 2. The City Clerk and the codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener's/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 3. The Summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, on this 3rd day of March, 2022.

CITY COUNCIL

By: _____
Mayor

Approved as to form:

City Attorney

Attest:

City Clerk

DRAFT

SUMMARY FOR PUBLICATION

ORDINANCE NO. XXXX

CITY OF LACEY

The City Council of the City of Lacey, Washington, passed on March 3, 2022, Ordinance No. XXXX entitled **“AN ORDINANCE AMENDING THE 2022 FISCAL YEAR BUDGET AND ORDINANCE NO. 1608 ADOPTING SAID BUDGET TO RE-APPROPRIATE 2021 BUDGETED AMOUNTS FOR PROJECTS NOT COMPLETED IN 2021 AND ADOPTING A SUMMARY FOR PUBLICATION.”**

A section by section summary of this ordinance is as follows:

Section 1 amends the 2022 fiscal year budget and Ordinance No. 1608, adopting said budget by re-appropriating funds from the 2021 fiscal year budget which were not expended because the programs, projects, contracts and orders were not completed in 2021.

Section 2 provides provisions for corrections.

Section 3 approves this summary.

A copy of the full text of this ordinance will be mailed without charge to any person requesting the same from the City of Lacey.

Published: March 7, 2022

2022 Budget Amendments - Ordinance No. XXXX Exhibit "A"

Account Numbers	Account Description	2022 Budget	Budget Amendment	2022 Budget as Amended	Comments
Current Expense Fund					
Revenues					
001-0000-308-0000	Beginning Cash	4,517,454	916,824	5,434,278	Beginning Cash
001-0000-374-6400	Capital Contributions/Dept. of Veterans Affairs	-	179,642	179,642	Veteran Affairs Outstation lease tenant improvements reimbursement (Fed. Veteran Affairs)
Total Current Expense Fund Revenues		48,715,881	1,096,467	49,812,348	
Expenditures					
001-0301-519-4920	Miscellaneous / Special Projects	25,000	8,666	33,666	Commission on Equity strategic plan
001-0302-519-4919	Miscellaneous / Neighborhood Grant Prog	60,000	16,183	76,183	Augment 2022 Neighborhood Grant Program
001-0304-511-4956	Miscellaneous / Youth Council	5,000	3,445	8,445	Youth Council Summit
001-0801-565-5801	Agreements / Affordable and Supportive Housing	110,374	110,374	220,748	Genesis House Project - CAC Support
001-0801-565-5827	Agreements / Senior Services	-	95,000	95,000	Senior Services Home Share Program
001-0805-565-3101	Supplies / Office & Operating Supply	12,942	2,829	15,771	Mayor's Gala - "Vans for Vets" Program (fuel and volunteer recognition)
001-0805-565-3101	Supplies / Office & Operating Supply	15,771	203	15,974	Mayor's Gala - Volunteer Recognition
001-0805-565-6001	Capital Outlays - Equipment	-	2,111	2,111	Mayor's Gala - Training and Meeting Room Equipment
001-0805-594-6502	Veterans Affairs Lease Improvements	-	179,642	179,642	Veteran Affairs Outstation Lease Improvements
001-1401-514-4101	Professional Services / Prof. Svc-Other	34,000	24,000	58,000	Central Square Naviline Training
001-2101-521-4101	Professional Services / Prof. Svc-Other	7,900	4,624	12,524	Police Station Needs Assessment Ph. 2
001-3601-519-4803	Repairs & Maintenance / Rep & Maint-Facilities	220,000	3,500	223,500	Upgrade Dust Collection System (Woodshop)
001-3701-558-4101	Professional Services / Prof. Svc-Other	32,000	68,814	100,814	Market Analysis - Comp Plan
001-3701-558-4920	Special Projects	280,000	25,000	305,000	Special Projects - Food Truck Site Plan
001-3701-558-4920	Special Projects	305,000	40,000	345,000	Special Projects - Incubator/Pub Market Feasibility
001-3701-558-4920	Special Projects	345,000	250,000	595,000	Capital Facilities Plan Update
001-3701-558-7000	Planning & Comm. Devel. / Economic Development	300,000	200,000	500,000	Springboard/Incubation/Entrepreneur
001-7401-574-3101	Supplies / Office & Operating Supply	2,750	15,000	17,750	Woodland Creek Food Forest Irrigation Meter
001-7401-574-4101	Professional Services - Other	123,220	47,075	170,295	Community Outreach and Engagement Specialist
Total Current Expense Fund Expenditures		48,715,881	1,096,467	49,812,348	
Building Improvement Fund					
Revenues					
301-0000-308-0000	Beginning Cash	300,000	3,174,505	3,474,505	Beginning Cash
Total Building Improvement Fund Revenues		2,314,265	3,174,505	5,488,770	
Expenditures					
301-0101-514-6003	Capital Outlays / Capital-Improvements	300,000	100,000	400,000	Electronic Door Hardware (security)
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	-	2,991,477	2,991,477	Land for New Police Station Facility
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	2,991,477	44,493	3,035,970	New Museum A/E
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	3,035,970	31,035	3,067,005	Museum Well Decommissioning
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	3,067,005	7,500	3,074,505	Salmon Safe Environmental Performance
Total Building Improvement Fund Expenditures		2,314,265	3,174,505	5,488,770	

Account Numbers	Account Description	2022 Budget	Budget Amendment	2022 Budget as Amended	Comments
Capital Equipment Fund					
Revenues					
302-0000-308-0000	Beginning Cash	1,180,792	1,302,931	2,483,723	Beginning cash
Total Capital Equipment Fund Revenues		2,073,556	1,302,931	3,376,487	
Expenditures					
302-0102-519-6404	Capital Outlays / Community Relations	-	123,232	123,232	Enterprise Content Management Solution
302-0102-519-6404	Capital Outlays / Community Relations	123,232	114,596	237,828	Enterprise Content Mgmt Implementation
302-0102-519-6404	Capital Outlays / Community Relations	237,828	24,297	262,125	Website Design Review and Upgrades
302-0102-519-6404	Capital Outlays / Community Relations	262,125	25,000	287,125	Veteran's Service HUB signage
302-0102-519-6406	Capital Outlays / Common Facilities	43,692	150,000	193,692	Affordable Housing - Surplus Property - Genesis House
302-0102-519-6406	Capital Outlays / Common Facilities	193,692	4,275	197,967	Furniture and Equipment for UB Supervisor
302-0102-519-6410	Capital Outlays / Police	596,670	211,320	807,990	Police Facility and Equipment Enhancements
302-0102-519-6410	Capital Outlays / Police	807,990	87,182	895,172	Police Position and Startup Officer Equipment
302-0102-519-6410	Capital Outlays / Police	895,172	45,806	940,978	Vehicle Computer Replacement and Outfitting
302-0102-519-6410	Capital Outlays / Police	940,978	13,490	954,468	Upgrade Security Camera Equipment
302-0102-519-6416	Capital Outlays / Parks and Recreation	-	7,024	7,024	Needle Deposit Boxes for Parks Restrooms
302-0102-519-6416	Capital Outlays / Parks and Recreation	7,024	8,000	15,024	Park Rules Signage
302-0102-519-6417	Capital Outlays / Capital-City Streets	29,301	24,675	53,976	Stump Grinder and Pavement Breaker Attachments for Mini Excavator
302-0104-559-6001	Capital Outlays / Economic Development	-	464,034	464,034	Woodland District
Total Capital Equipment Fund Expenditures		2,073,556	1,302,931	3,376,487	
Parks & Open Space Fund					
Revenues					
303-0000-308-0000	Beginning Cash	-	20,450	20,450	Beginning cash
Total Parks & Open Space Revenues		594,316	20,450	614,766	
Expenditures					
303-0106-576-6003	Capital Outlays / Capital Improvements	275,792	20,450	296,242	Greg Cuoio Community Park Master Plan
Total Parks & Open Space Expenditures		594,316	20,450	614,766	
RAC Capital Fund					
Revenues					
307-0000-308-0000	Beginning Cash	1,500,000	507,802	2,007,802	
Total RAC Capital Revenues		3,568,288	507,802	4,076,090	
Expenditures					
307-0106-576-6001	Capital Outlays / Capital Equipment	-	177,705	177,705	RAC Fencing (Softball Fields #1 and #2)
307-0106-576-6003	Capital Outlays / Capital Improvements	-	110,436	110,436	RAC Parking Lot Design
307-0106-576-6003	Capital Outlays / Capital Improvements	110,436	219,661	330,097	Security Camera System
Total RAC Capital Expenditures		3,568,288	507,802	4,076,090	

Account Numbers	Account Description	2022 Budget	Budget Amendment	2022 Budget as Amended	Comments
Wastewater Utility Fund					
Revenues					
402-0000-308-0000	Beginning Cash	-	60,859	60,859	
Total Wastewater Utility Fund Revenues		20,887,094	60,859	20,947,953	
Expenditures					
402-3501-535-6001	Capital Outlays / Capital Outlays - Equipment	-	45,800	45,800	New Vehicle Journey Level Tech (F250 with plow capability)
402-3503-535-3148	Supplies / Repairs and Maintenance	315,990	13,264	329,254	Submersible sewerage pump
402-3503-535-4801	Repairs and Maintenance - Equipment	5,500	1,795	7,295	Labor to install and monitor a new pump in Liftstation #52
Total Wastewater Utility Fund Expenditures		20,887,094	60,859	20,947,953	
Water Construction Fund					
Revenues					
410-0000-308-0000	Beginning Cash - Construction	15,699,943	3,573,254	19,273,197	Beginning cash
Total Water Construction Fund Revenues		24,843,368	3,573,254	28,416,622	
Expenditures					
410-3418-534-9001	Preliminary Engineering	4,293,875	48,374	4,342,249	Carry forward preliminary engineering cost various water construction projects
410-3418-534-9005	Construction Engineering	1,525,125	221,953	1,747,078	Carry forward construction engineering costs various water construction projects
410-3418-534-9013	Construction/Utilities	18,019,000	2,706,600	20,725,600	Carry forward utility construction costs various water construction projects
410-3418-534-9022	Purchase of Land	500,000	596,327	1,096,327	Carry forward utility construction costs various water construction projects
Total Water Construction Fund Expenditures		24,843,368	3,573,254	28,416,622	
Wastewater Construction Fund					
Revenues					
411-0000-308-0000	Beginning Cash - Construction	9,592,390	854,652	10,447,042	Beginning cash
Total Wastewater Construction Fund Revenues		12,145,000	854,652	12,999,652	
Expenditures					
411-3518-535-9001	Preliminary Engineering	2,939,375	10,000	2,949,375	Carry forward preliminary engineering cost various wastewater construction projects
411-3518-535-9005	Construction Engineering	702,000	63,349	765,349	Carry forward construction engineering costs various wastewater construction projects
411-3518-535-9013	Construction/Utilities	8,453,625	781,303	9,234,928	Carry forward utility construction costs various wastewater construction projects
Total Wastewater Construction Fund Expenditures		12,145,000	854,652	12,999,652	

Account Numbers	Account Description	2022 Budget	Budget Amendment	2022 Budget as Amended	Comments
Stormwater Construction Fund					
Revenues					
412-0000-308-0000	Beginning Cash - Construction	2,287	450,026	452,313	Beginning cash
Total Stormwater Construction Fund Revenues		1,477,258	450,026	1,927,284	
Expenditures					
412-4218-542-9001	Preliminary Engineering	387,000	22,506	409,506	Carry forward preliminary engineering cost various stormwater construction projects
412-4218-542-9004	Storm Drainage	908,375	6,189	914,564	Carry forward utility construction costs various stormwater construction projects
412-4218-542-9005	Construction Engineering	74,625	76,331	150,956	Carry forward construction engineering costs various stormwater construction projects
412-4218-542-9017	Purchase of Land	5,000	345,000	350,000	Carry forward construction engineering costs various stormwater construction projects
Total Stormwater Construction Fund Expenditures		1,477,258	450,026	1,927,284	
Equipment Rental					
Revenues					
501-0000-308-0000	Beginning Cash	231,344	129,981	361,325	Beginning cash
Total Equipment Rental Fund Revenues		3,572,885	129,981	3,702,866	
Expenditures					
501-4801-548-6002	Capital Outlays - Replacement	790,407	129,981	920,388	#392 Toro Mower
Total Equipment Rental Fund Expenditures		3,572,885	129,981	3,702,866	