



FINANCE & ECONOMIC DEVELOPMENT COMMITTEE
TUESDAY, FEBRUARY 25, 2020
8:30 A.M.
COUNCIL CHAMBERS

2019 ENCUMBRANCE CARRYOVER BUDGET AMENDMENT

TROY WOO, DIRECTOR OF FINANCE
(STAFF REPORT)

2020 BUDGET AMENDMENT UPDATE

TROY WOO, DIRECTOR OF FINANCE
(STAFF REPORTS)

B&O TAX LACEY MUNICIPAL CODE UPDATE

TROY WOO, DIRECTOR OF FINANCE
(STAFF REPORT)

2020 PROPERTY TAX REPORT

TROY WOO, DIRECTOR OF FINANCE
(STAFF REPORT)



**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
February 25, 2020

SUBJECT: 2019 Budget Encumbrance Carryovers

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

STAFF CONTACT: Scott Spence, City Manager ^{SS}
Troy Woo, Finance Director ^{TW}

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 is not always able to complete all of the projects and purchases. The projects and purchases are expected to be completed during 2020, 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 2020 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 and 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 2020 Budget reflects 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 2020 FISCAL YEAR BUDGET AND ORDINANCE NO. 1558 ADOPTING SAID BUDGET TO RE-APPROPRIATE 2019 BUDGETED AMOUNTS FOR PROJECTS NOT COMPLETED IN 2019 AND ADOPTING A SUMMARY FOR PUBLICATION.

WHEREAS, at the end of the 2019 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 2020 budget, NOW, THEREFORE

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

Section 1. The 2020 fiscal year budget and Ordinance No. 1558 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 12th day of March, 2020.

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 12, 2020, Ordinance No. XXXX entitled **“AN ORDINANCE AMENDING THE 2020 FISCAL YEAR BUDGET AND ORDINANCE NO. 1558 ADOPTING SAID BUDGET TO RE-APPROPRIATE 2019 BUDGETED AMOUNTS FOR PROJECTS NOT COMPLETED IN 2019 AND ADOPTING A SUMMARY FOR PUBLICATION.”**

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

Section 1 amends the 2020 fiscal year budget and Ordinance No. 1558, adopting said budget by re-appropriating funds from the 2019 fiscal year budget which were not expended because the programs, projects, contracts and orders were not completed in 2019.

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.

City Clerk

Published: March 16, 2020

2020 Budget Amendments - Ordinance No. XXXX Exhibit "A"

Account Numbers	Account Description	2020 Budget	Budget Amendment	2020 Budget as Amended	Comments
Current Expense Fund					
Revenues					
001-0000-308-0000	Beginning Cash	1,253,505	115,594	1,369,099	Beginning Cash
001-0000-362-5020	Rents/Leases - Facilities	25,000	500,000	525,000	Veteran Affairs Outstation lease tenant improvements reimbursement (Fed. Veteran Affairs)
001-0000-367-1001	Contributions - General	-	2,000,000	2,000,000	Lacey Veterans Services Hub enhancements reimbursement (State Capital Budget)
Total Current Expense Fund Revenues		43,195,848	2,615,594	45,811,442	
Expenditures					
001-0401-511-5821	Inter-Governmental	100,000	16,482	116,482	Regional Climate Mitigation Plan
001-0401-511-5821	Inter-Governmental	116,482	9,463	125,945	Comcast Franchise Renewal
001-0805-565-3101	Supplies / Office & Operating Supply	3,267	4,932	8,199	Mayor's Gala - "Vans for Vets" Program (fuel and volunteer recognition)
001-0805-565-3101	Supplies / Office & Operating Supply	8,199	3,775	11,974	Mayor's Gala - Emergency Vouchers Program
001-0805-565-3101	Supplies / Office & Operating Supply	11,974	1,654	13,628	Mayor's Gala - Volunteer Recognition
001-0805-565-4801	Repairs & Maintenance / Rep & Maint-Equipment	2,000	825	2,825	Mayor's Gala - "Vans for Vets" Program
001-0805-565-6001	Capital Outlays - Equipment	-	6,463	6,463	Mayor's Gala - Training and Meeting Room Equipment
001-0805-594-6501	Veterans Services HUB	-	2,000,000	2,000,000	Veterans Services Hub Enhancements
001-0805-594-6502	Veterans Affairs Lease Improvements	-	500,000	500,000	Veteran Affairs Outstation Lease Improvements
001-3301-576-6001	Capital Outlays / Capital Outlays - Equipment	-	500	500	Planning/Design for Office Space
001-3701-558-4920	Special Projects	20,000	25,000	45,000	Special Projects - Food Truck Site Plan
001-3701-558-4920	Special Projects	45,000	4,000	49,000	Special Projects - IEDC Certification
001-3701-558-4920	Special Projects	49,000	40,000	89,000	Special Projects - Incubator/Pub Market Feasibility
001-3701-558-4920	Special Projects	89,000	2,500	91,500	Business Recruitment Marketing Materials
Total Current Expense Fund Expenditures		43,195,848	2,615,594	45,811,442	
Community Buildings Fund					
Revenues					
005-0000-308-0000	Beginning Cash	-	14,000	14,000	Beginning Cash
Total Community Buildings Fund Revenues		603,211	14,000	617,211	
Expenditures					
005-7611-575-4803	Repair and Repairs - Facilities	4,750	14,000	18,750	Community Center Exterior Siding and Trim Repair
Total Community Buildings Fund Expenditures		603,211	14,000	617,211	
Street Fund					
Revenues					
101-0000-308-0000	Beginning Cash	104,757	30,397	135,154	Beginning Cash
Total Street Fund Revenues		4,065,440	30,397	4,095,837	
Expenditures					
101-4201-543-6001	Capital Outlays / Capital Outlays - Equipment	-	1,000	1,000	Planning/Design for Office Space
101-4204-542-3201	Electrical Supplies	269,500	29,397	298,897	LED Streetlight Replacement Program
Total Street Fund Expenditures		4,065,440	30,397	4,095,837	

Account Numbers	Account Description	2020 Budget	Budget Amendment	2020 Budget as Amended	Comments
Building Improvement Fund					
Revenues					
301-0000-308-0000	Beginning Cash	595,975	463,779	1,059,754	Beginning Cash
Total Building Improvement Fund Revenues		1,460,888	463,779	1,924,667	
Expenditures					
301-0101-514-6003	Capital Outlays / Capital Improvements	195,975	107,387	303,362	Phase 3 City Hall Security Fencing Project
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	1,175,000	299,100	1,474,100	Lacey Museum-5700 Pacific (Trail Amenity)
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	1,474,100	50,000	1,524,100	New Museum Design & Architectural
301-0101-514-6004	Capital Outlays / Capital Outlays - Buildings	1,524,100	7,292	1,531,392	Master Plan for Museum/5700 Pacific
Total Building Improvement Fund Expenditures		1,460,888	463,779	1,924,667	
Capital Equipment Fund					
Revenues					
302-0000-308-0000	Beginning Cash	718,547	1,676,014	2,394,561	Beginning cash
Total Capital Equipment Fund Revenues		1,473,814	1,676,014	3,149,828	
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	137,733	260,965	Enterprise Content Mgmt Implementation
302-0102-519-6404	Capital Outlays / Community Relations	260,965	50,000	310,965	Website Design Review and Upgrades
302-0102-519-6406	Capital Outlays / Common Facilities	150,000	150,000	300,000	Affordable Housing - Surplus Property
302-0102-519-6406	Capital Outlays / Common Facilities	300,000	250,000	550,000	NTPS Family Resource Center
302-0102-519-6406	Capital Outlays / Common Facilities	550,000	25,000	575,000	Veteran's Service HUB signage
302-0102-519-6412	Capital Outlays / Public Works Parks Maintenance	129,386	39,635	169,021	Homann Park Chain-link Fence
302-0102-519-6415	Capital Outlays / Community Development	-	215,880	215,880	Building Permit System Upgrade
302-0102-519-6416	Capital Outlays / Parks and Recreation	54,900	8,000	62,900	Park Rules Signage
302-0104-559-6001	Capital Outlays / Economic Development	100,000	212,500	312,500	Port of Olympia MOU
302-0104-559-6001	Capital Outlays / Economic Development	312,500	464,034	776,534	Woodland District
Total Capital Equipment Fund Expenditures		1,473,814	1,676,014	3,149,828	
Parks & Open Space Fund					
Revenues					
303-0000-308-0000	Beginning Cash	304,192	359,370	663,562	Beginning cash
Total Parks & Open Space Revenues		784,198	359,370	1,143,568	
Expenditures					
303-0106-576-6003	Capital Outlays / Capital Improvements	453,500	300,000	753,500	Greg Cuoio Community Park Master Plan
303-0106-576-6003	Capital Outlays / Capital Improvements	753,500	28,095	781,595	Museum & Civic Center Playground Equip
303-0106-576-6003	Capital Outlays / Capital Improvements	781,595		781,595	
303-0106-576-6004	Capital Outlays / Buildings	-	31,275	31,275	Lacey Museum at the Depot
Total Parks & Open Space Expenditures		784,198	359,370	1,143,568	

Account Numbers	Account Description	2020 Budget	Budget Amendment	2020 Budget as Amended	Comments
RAC Capital Fund					
Revenues					
307-0000-308-0000	Beginning Cash	805,316	263,147	1,068,463	
Total RAC Capital Revenues		2,102,355	263,147	2,365,502	
Expenditures					
307-0106-576-6001	Capital Outlays / Capital Equipment	1,500	63,247	64,747	RAC Fencing (Softball Fields #1 and #2)
307-0106-576-6003	Capital Outlays / Capital Improvements	909,086	113,147	1,022,233	Baseball Netting
307-0106-576-6003	Capital Outlays / Capital Improvements	1,022,233	150,000	1,172,233	Security Camera System
				-	
Total RAC Capital Expenditures		2,102,355	263,147	2,365,502	

Water Utility Fund					
Revenues					
401-0000-308-0000	Beginning Cash	-	12,974	12,974	
Total Water Utility Fund Revenues		14,341,614	12,974	14,354,588	
Expenditures					
401-3401-534-6001	Capital Outlays / Capital Outlays - Equipment	50,891	3,000	53,891	Planning/Design for Office Space
401-3404-534-6001	Capital Outlays / Capital Outlays - Equipment	-	9,974	9,974	DryBox Pipe Storage
Total Water Utility Fund Expenditures		14,341,614	12,974	14,354,588	

Wastewater Utility Fund					
Revenues					
402-0000-308-0000	Beginning Cash	-	2,000	2,000	
Total Wastewater Utility Fund Revenues		18,107,622	2,000	18,109,622	
Expenditures					
402-3501-535-6001	Capital Outlays / Capital Outlays - Equipment	-	2,000	2,000	Planning/Design for Office Space
Total Wastewater Utility Fund Expenditures		18,107,622	2,000	18,109,622	

Stormwater Utility Fund					
Revenues					
403-0000-308-0000	Beginning Cash	-	1,500	1,500	
Total Stormwater Utility Fund Revenues		3,862,760	1,500	3,864,260	
Expenditures					
403-4201-538-6001	Capital Outlays / Capital Outlays - Equipment	4,280	1,500	5,780	Planning/Design for Office Space
Total Stormwater Utility Fund Expenditures		3,862,760	1,500	3,864,260	

Account Numbers	Account Description	2020 Budget	Budget Amendment	2020 Budget as Amended	Comments
Water Construction Fund					
Revenues					
410-0000-308-0000	Beginning Cash - Construction	9,553,743	3,336,605	12,890,348	Beginning cash
Total Water Construction Fund Revenues		19,099,640	3,336,605	22,436,245	
Expenditures					
410-3418-534-9001	Preliminary Engineering	6,578,850	1,988,337	8,567,187	Carry forward preliminary engineering cost various water construction projects
410-3418-534-9005	Construction Engineering	878,175	103,273	981,448	Carry forward construction engineering costs various water construction projects
410-3418-534-9013	Construction/Utilities	10,140,075	1,244,995	11,385,070	Carry forward utility construction costs various water construction projects
Total Water Construction Fund Expenditures		19,099,640	3,336,605	22,436,245	

Wastewater Construction Fund					
Revenues					
411-0000-308-0000	Beginning Cash - Construction	12,199,748	1,343,306	13,543,054	Beginning cash
Total Wastewater Construction Fund Revenues		15,127,700	1,343,306	16,471,006	
Expenditures					
411-3518-535-9001	Preliminary Engineering	1,489,075	88,639	1,577,714	Carry forward preliminary engineering cost various wastewater construction projects
411-3518-535-9005	Construction Engineering	1,054,425	99,710	1,154,135	Carry forward construction engineering costs various wastewater construction projects
411-3518-535-9013	Construction/Utilities	12,524,200	1,154,957	13,679,157	Carry forward utility construction costs various wastewater construction projects
Total Wastewater Construction Fund Expenditures		15,127,700	1,343,306	16,471,006	

Stormwater Construction Fund					
Revenues					
412-0000-308-0000	Beginning Cash - Construction	8,096	181,869	189,965	Beginning cash
Total Stormwater Construction Fund Revenues		756,886	181,869	938,755	
Expenditures					
412-4218-542-9001	Preliminary Engineering	327,700	137,618	465,318	Carry forward preliminary engineering cost various stormwater construction projects
412-4218-542-9004	Storm Drainage	301,250	3,319	304,569	Carry forward utility construction costs various stormwater construction projects
412-4218-542-9005	Construction Engineering	26,250	40,932	67,182	Carry forward construction engineering costs various stormwater construction projects
Total Stormwater Construction Fund Expenditures		756,886	181,869	938,755	



**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
February 25, 2020

SUBJECT: Future 2020 Budget Amendments

RECOMMENDATION: Review future budget amendments to the 2020 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 2020 Budget.

Current Expense Fund (General Fund)

- \$110,374 is requested for the Affordable and Supportive Housing State Shared Tax (SHB 1406). The amount is the maximum that will be received. The shared tax will be determined by actual retail sales activity. Distributions of new revenue resources to begin in April 2020.
- \$60,000 is requested for facilitation services related to a community driven process to inform the City's homeless response strategies.
- \$127,575 is requested for salaries and benefits for the new Assistant City Manager position.
- The Department of Commerce awarded a joint regional housing plan grant to the Cities of Olympia, Tumwater, and Lacey. Half of Lacey's \$100,000 grant award will be used for joint planning and will include Thurston Regional Planning Council (TRPC). The remaining half will be used for Lacey housing including identifying new housing development and redevelopment sites within Lacey and assess suitability for types of housing, supporting infrastructure, and market constraints. The funds will also support the review and valuation of the City's existing housing element and development codes to align with public and data analysis developed by TRPC.
- At the November 7, 2019, Revenue Hearing for the 2020 Budget, the City Council directed staff to delay the implementation of a utility Water Quality Assurance Fee to allow for more analysis and incorporation into the Water Comprehensive Plan update. To help maintain the financial condition of the water and sewer utilities, it was suggested that the first year phase-in revenues be funded with General Fund reserves. A seven-year phase-in of the targeted \$2.5 million per year capital program is equal to \$357,143.

Community Buildings Fund (General Fund)

- The Community Center's HVAC system is failing. City staff is proposing to use the State's Energy Service Company program. The estimated cost for the repair/upgrade is \$750,000.

Capital Equipment Fund (General Fund)

- The City website upgrade project requires an additional \$50,000.
- \$199,461 is requested for the replacement of three retained Ford Crown Victoria Interceptors. This will help expedite the phase out of the Ford Crown Victoria Interceptors, which have been used beyond their expected useful lives.

- An amendment in the amount of \$72,000 for the purchase of computer equipment for 2020 police vehicle replacements and purchases is requested. Eight specialized vehicle computers are needed.
- A \$100,000 amendment for the purchase of furniture and computer equipment is needed for the new Police Department positions appropriated in the adopted 2020 Budget.
- \$50,000 is requested for additional and upgraded security cameras for the City Hall rear parking lot.
- The City Council authorized and committed \$350,000 to support the operations of the Lacey MakerSpace for the year 2020 and 2022. An amendment of \$175,000 is required for 2020. The funding source for the amendment is the City Council committed reserve for Strategic Economic Investments.

Building Improvement Fund

- The City Council has placed a priority on the development of a Military Memorial at the Lacey Civic Plaza. There are public art reserves available. The estimated cost of the Military Memorial is \$25,000.
- The Museum project requires a \$81,234 amendment. Approximately \$50,000 will be reimbursed from the Heritage Grant received by the City, which realizes the funds not included within the 2019 budget. The remainder relates to site cleanup related to preliminary work outside of the Heritage Grant's scope of work.

Parks and Open Space Fund

- The Train Depot Playground Project needs an amendment. A total amendment in the amount of \$96,308 is requested. At the time of budget development, it was not known how the \$50,000 Lacey Rotary contribution would be accounted for. The City will contract for the full amount, so the budget requires an additional \$50,000. The remaining amendment request are related to adjusted project costs.

Water Capital Fund

- Budget amendments are needed for the completion of the following Water capital projects:
 - Emergency Repairs Well Source 3 - \$118,873
 - Emergency Repairs Well Source 7 - \$293,810 (WA19S7)
 - College Street and 22nd Avenue Roundabout Watermain Improvements - \$324,208

Equipment Rental Fund

- Late 2019, a police vehicle was totaled in an accident. The City's property insurance will pay for the full replacement of the vehicle. The vehicle has full replacement funds that may be used on another vehicle. To expedite the phase out of the Ford Crown Victoria Interceptors, staff recommends using the replacement funding to purchase an additional Police vehicle during 2020. The estimated increase needed for 2020 is \$66,487.

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 25, 2020

SUBJECT: Amend Lacey Municipal Code Title 3.02, Business and Occupation Taxes.

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

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

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS:

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

FISCAL NOTE:

PRIOR REVIEW: Finance & Economic Development Committee on November 26, 2019, and full City Council on December 5, 2019

BACKGROUND:

On December 5, 2019, the City Council adopted Ordinance No. 1560, which adopted the provisions of the business and occupation (B&O) tax model ordinance as required by State law (RCW 35.102). This was a result of a long and collaborative effort by the State, business community, and cities to simplify taxes and licensing.

Upon final review of the adopted ordinance before codification in the Lacey Municipal Code (LMC), it was discovered a section of the previous B&O tax ordinance was not repealed as intended. A new LMC section 3.02.077 relating to B&O tax apportionment was adopted in accordance with the B&O tax model ordinance. The adopted ordinance failed to repeal the old LMC section 3.02.080 also relating to B&O tax apportionment, so there are conflicting sections relating to apportionment.

The proposed ordinance repeals LMC section 3.02.080 to be consistent with the B&O tax model ordinance.

It is requested that the Finance and Economic Development Committee review the proposed ordinance and recommend full City Council adoption of the proposed ordinance amending the City's Business and Occupation tax code.

ADVANTAGES:

1. Updating the B&O tax chapter of the Lacey Municipal Code will bring the City into compliance with State mandates.

DISADVANTAGES:

1. None identified.

ORDINANCE NO. _____

CITY OF LACEY

AN ORDINANCE RELATED TO BUSINESS AND OCCUPATION TAXES, REPEALING SECTION 3.02.080 OF THE LACEY MUNICIPAL CODE, PROVIDING AN EFFECTIVE DATE AND APPROVING A SUMMARY FOR PUBLICATION.

WHEREAS, on December 5, 2019, the City Council adopted Ordinance 1560; and

WHEREAS, Ordinance 1560 included adoption of Section 3.02.077 of the Lacey Municipal Code; and

WHEREAS, with the adoption of Section 3.02.077 of the Lacey Municipal Code, Section 3.02.080 became redundant and should be repealed.

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

Section 1. Section 3.02.080 of the Lacey Municipal Code is hereby repealed.

Section 2. SEVERABILITY. If any section, sentence, clause or phrase of this ordinance should be held to be invalid by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 3. CORRECTIONS. 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 4. The Summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY,
WASHINGTON, at a regularly-called meeting thereof, held this _____ day of ____
_____, 2020.

CITY COUNCIL

By: _____
Mayor

Approved as to form:

City Attorney

Attest:

City Clerk

SUMMARY FOR PUBLICATION

ORDINANCE NO _____

CITY OF LACEY

The City Council of the City of Lacey, Washington, passed on _____, 2020,
“AN ORDINANCE RELATED TO BUSINESS AND OCCUPATION TAXES,
REPEALING SECION 3.02.080 OF THE LACEY MUNICIPAL CODE, PROVIDING AN
EFFECTIVE DATE AND APPROVING A SUMMARY FOR PUBLICATION.”

The main points of the Ordinance are described as follows:

1. The Ordinance repeals section 3.02.080 of the Lacey Municipal Code.
2. The Ordinance approves this Summary for Publication.

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: _____, 2020.



**FINANCE & ECONOMIC
DEVELOPMENT COMMITTEE**
February 25, 2020

SUBJECT: 2019 for 2020 Property Tax Levy Summary Report

RECOMMENDATION: Review Property Tax Levies, Receipts, and Assessed Valuation Analysis.

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

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS: [10-Year Property Tax History Graphic](#)

FISCAL NOTE:

PRIOR REVIEW:

BACKGROUND:

We have received data from the Thurston County Assessor’s Office advising us of Lacey’s 2019 for 2020 assessed valuation, property tax totals, and the levy rates. Below is a comparison of the 2018 for 2019 data and the 2019 for 2020 data:

City of Lacey Property Tax Levies	2018 for 2019 Levies	2019 for 2020 Levies	% Change 2019-2020
Assessed Value	6,381,577,858	7,268,934,236	13.9%
General Levy Rate/\$1,000 AV	1.0651	0.9830	-7.7%
General Levy Receipts	6,797,100	7,145,693	5.1%
Fire Safety Bond Levy Rate/\$1,000 AV	0.0723	0.0632	-12.6%
Fire Safety Bond Levy Receipts	455,800	454,600	-0.3%
Parks Imp. Bond Levy Rate/\$1,000 AV	0.01069	0.0945	-11.6%
Parks Imp. Bond Levy Receipts	675,350	681,700	0.9%
Total City Levy/\$1,000 AV	1.2443	1.1407	-8.3%

The total of the City of Lacey's property tax levies has decreased \$0.1036/\$1,000 of assessed valuation over the previous year. Three main factors have caused the General Levy rate to change:

1. The addition of \$250.9 million of new construction valuation to the assessment rolls.
2. The City Council exercising its revenue limit authority due to increasing expenditure levels.
3. Overall assessed valuation within Lacey's city limits increased 9.97 percent.

The two GO Bond levies have decreased in 2020. The GO Bond levies are impacted by the addition of new construction, overall assessed valuation changes, and the predetermined debt repayment schedules.

The Lacey property owner total property tax levy increased \$1.0882/\$1,000 of assessed valuation. The total property tax levy includes levies from the following jurisdictions: Medic One, North Thurston School District #3, Port of Olympia, PUD #1, State of Washington, Thurston County, Timberland Library District, Lacey Fire District #3, and the City of Lacey. The 2019 Levy for collection in 2020 is \$11.9922/\$1,000 of assessed valuation. The 2018 Levy for collection in 2019 was \$10.9039/\$1,000 of assessed valuation.

Property Tax Levy	2020	2019	Change
City of Lacey	1.2443	1.1408	-8.3%
Medic One	0.3169	0.2994	-5.4%
N. Thurston Public Schools	3.4870	4.4261	26.9%
Port of Olympia	0.1842	0.1763	-4.3%
PUD #1	0.0083	0.0079	-5.5%
State of Washington	2.5398	2.9267	15.2%
Thurston County	1.2565	1.2000	-4.5%
Timberland Library	0.3621	0.3405	-6.0%
Lacey Fire District 3	1.5048	1.4747	-2.0%
Total Levy	\$10.9039	\$11.9922	10.0%

The typical Lacey homeowner whose home was valued in \$300,000 in 2019 and now is valued \$329,921 (9.97 percent average increase) will be paying \$685.31 more total property tax in 2020. The following table compares the 2020 and 2019 property taxes paid if the typical 2019 Lacey homeowner's \$300,000 valued home is now valued at \$329,921.

Property Tax Levy	2020	2019	Change	% Change
City of Lacey	\$376.37	\$373.29	\$3.07	0.82%
Medic One	98.76	95.07	3.69	3.88%
N. Thurston Public Schools	1,460.26	1,046.11	414.15	39.59%
Port of Olympia	58.17	55.26	2.91	5.27%
PUD #1	2.59	2.49	0.10	3.94%
State of Washington	965.57	761.93	203.64	26.73%
Thurston County	395.91	376.96	18.94	5.03%

Timberland Library	112.33	108.64	3.69	3.40%
Lacey Fire District 3	486.54	451.43	35.11	7.78%
Total Levy	\$3,956.49	\$3,271.18	\$685.31	20.95%

It is worth noting the City of Lacey levies increase is limited to \$3.07 or 0.82 percent.

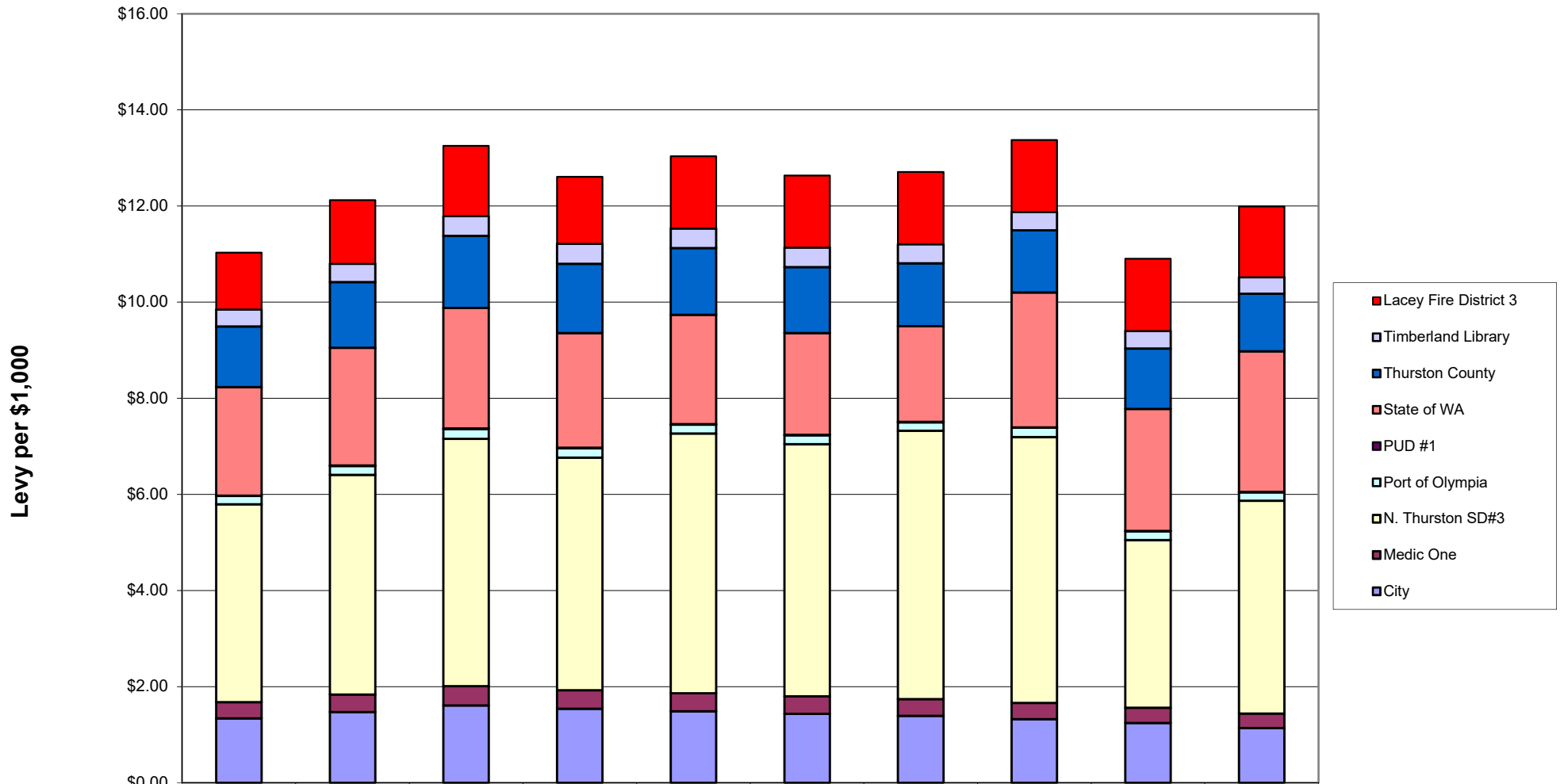
The 10-year total property tax history is illustrated on the attached graphic.

Property tax growth has been limited by I-747 and subsequent legislation, which incorporated the provisions of I-747 into law when I-747 was ruled unconstitutional. The statutory limitations on property tax growth results in slow growing property tax collections for jurisdictions except the State of Washington's levy for public schools. Property tax growth is limited to 1.0 percent or the implicit price deflator, whichever is less. Taxpayers can vote to approve increases exceeding the limitations.

The impact of the 1.0 revenue limit to property taxes is great. Property taxes are a significant source of revenue within the General Fund. The General Fund provides basic services such as police protection, fire protection, parks, recreation programs, planning, engineering, finance, and administration to its citizens. While one of its largest source of revenue's growth has been limited to 1.0 percent, its largest expenditure, the cost of labor, has been growing faster than the rate of inflation.

Lacey like many cities has been enjoying strong construction levels, which has allowed property taxes to grow faster than 1.0 percent. The property taxes generated from new construction is exempt from the property revenue limit. While construction is very strong currently, the growth is not considered sustainable long-term. It could be difficult for the City of Lacey to address its expenditure growth challenges in the near future.

Lacey Property Tax Levy History



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Lacey Fire District 3	\$1.1833	\$1.3235	\$1.4587	\$1.3935	\$1.5000	\$1.5000	\$1.5000	\$1.4979	\$1.5048	\$1.4747
Timberland Library	\$0.3569	\$0.3830	\$0.4150	\$0.4157	\$0.4107	\$0.4095	\$0.3993	\$0.3822	\$0.3621	\$0.3405
Thurston County	\$1.2589	\$1.3654	\$1.4978	\$1.4409	\$1.3864	\$1.3700	\$1.3082	\$1.2946	\$1.2565	\$1.2000
State of WA	\$2.2575	\$2.4503	\$2.5100	\$2.3845	\$2.2756	\$2.1186	\$1.9897	\$2.8052	\$2.5398	\$2.9267
PUD #1	\$0.0088	\$0.0096	\$0.0105	\$0.0101	\$0.0097	\$0.0096	\$0.0092	\$0.0088	\$0.0083	\$0.0079
Port of Olympia	\$0.1721	\$0.1845	\$0.2043	\$0.1957	\$0.1866	\$0.1822	\$0.1731	\$0.1939	\$0.1842	\$0.1763
N. Thurston SD#3	\$4.1197	\$4.5708	\$5.1482	\$4.8412	\$5.4054	\$5.2481	\$5.5856	\$5.5334	\$3.4870	\$4.4261
Medic One	\$0.3365	\$0.3651	\$0.4007	\$0.3855	\$0.3709	\$0.3665	\$0.3501	\$0.3339	\$0.3169	\$0.2994
City	\$1.3387	\$1.4711	\$1.6064	\$1.5403	\$1.4885	\$1.4320	\$1.3914	\$1.3252	\$1.2443	\$1.1408

Note: Levies include all authorized excess levies.