



To: Mayor and City Councilmembers
From: Tho Kraus, Assistant City Manager/Finance & Administrative Services
Through: John J. Caulfield, City Manager
Date: June 16, 2014
Subject: 2014 Miscellaneous Budget Adjustment

BACKGROUND

The proposed budget adjustment makes the following types of modifications to the current biennium:

- Revise the 2014 beginning balance due to additional entries posted in 2013;
- Various housekeeping adjustments;
- Appropriate projects funded by grants/contributions; and
- New allocations.

PROPOSED BUDGET ADJUSTMENT SUMMARY

The proposed budget adjustment:

- Increases total beginning fund balance for all funds by \$408K, resulting in a total revised beginning fund balance estimate of \$19.95M;
- Increases total revenues for all funds by \$438K, resulting in a total revised revenue estimate of \$76.52M;
- Increases total expenditures for all funds by \$1.86M, resulting in a total revised expenditure estimate of \$79.37M; and
- Decreases total ending fund balance for all funds by \$1.02M, resulting in a total revised ending fund balance estimate of \$17.10M.

The table below provides a breakout of the proposed 2014 budget adjustment totals by fund group.

Fund Group	Beginning Fund Balance			Revenue			Expenditure			Ending Fund Balance		
	Current Budget	Proposed Adjustment	Proposed Revised Budget	Current Budget	Proposed Adjustment	Proposed Revised Budget	Current Budget	Proposed Adjustment	Proposed Revised Budget	Current Budget	Proposed Adjustment	Proposed Revised Budget
Total Year 2014	\$ 19,542,083	\$ 407,687	\$ 19,949,770	\$ 76,084,705	\$ 438,130	\$ 76,522,835	\$ 77,508,323	\$ 1,862,506	\$ 79,370,829	\$ 18,118,464	\$ (1,016,688)	\$ 17,101,776
General	2,110,352	470,328	2,580,679	35,368,004	1,002,000	36,370,004	34,935,996	602,206	35,538,202	2,542,360	870,122	3,412,481
Special Revenue	4,070,980	0	4,070,980	33,750,611	137,000	33,887,611	33,890,463	137,000	34,027,463	3,931,127	1	3,931,128
Debt Service	900,257	-	900,257	1,116,228	-	1,116,228	1,034,663	-	1,034,663	981,822	-	981,822
Capital Projects	646,295	0	646,295	558,180	-	558,180	277,120	-	277,120	927,355	0	927,355
Enterprise	6,267,610	(62,641)	6,204,969	3,367,841	-	3,367,841	6,237,284	-	6,237,284	3,398,167	(62,641)	3,335,526
Replace Reserves	5,546,590	-	5,546,590	1,923,840	(700,870)	1,222,970	1,132,796	1,123,300	2,256,096	6,337,634	(1,824,170)	4,513,464

PROPOSED BUDGET ADJUSTMENT HIGHLIGHTS

The narrative below provides detailed information on the proposed adjustments. A summary list is included as an attachment.

Fund 001 – General

Beginning Balance:

- *Increase Beginning Fund Balance \$470,328, 1-Time* – Increase 2014 beginning balance by \$470,328 due to additional entries posted to 2013 revenues, resulting in a higher 2013 ending fund balance than previously reported (rolls over to 2014 beginning fund balance.) The additional revenue posted is \$407,687 in franchise fees and \$62,641 in surface water management utility tax. The additional revenue was discovered as a result of review and change in process for accounting for revenues.

Transfer-In:

- *Transfer In from Fund 501 Fleet & Equipment \$1,000,000, 1-Time* – Return excess General Fund contributions to the fleet & equipment replacement reserves back to the General Fund. The fleet & equipment accumulated replacement reserves balance at the end of 2014 as calculated is \$3.94M. The accumulated replacement reserves balance after the \$1,000,000 transfer to the General Fund is \$4.07M.

City Manager:

- *Personnel Cost Decrease (\$50,579), Ongoing* – Reduce salaries and benefits due to restructuring of the Community/Governmental Relations Director position to Communications Manager.

- *Consultant Study of Finance & Administrative Services Department \$18,000, 1-Time* – Consultant retained to provide an organizational assessment of the City’s finance, information technology and human resources functions.

Finance & Administrative Services:

- *IT Strategic Plan: Phone System Replacement \$240,000, 1-Time* – The City’s NEC phone system was purchased at the time City Hall was constructed. It is at capacity which has resulted in some remote city sites using direct CenturyLink lines rather than the City’s system. More importantly, the current system is no longer manufactured and the availability of spare replacement parts is questionable. System failure could leave the City without phone service. This is a high priority project that should be completed no later than first quarter of 2015. Further, work should begin now completing a needs analysis, potential feature set review (voicemail features, email compatibility, presence, etc.), and crafting of project specifications and bid documents. Putting the project out for bid during 2014 for installation during the first quarter of 2015 will have the City better prepared should a failure occur. A component of this upgrade should also be the reservation of an additional block of phone numbers for future city use.
- *IT Strategic Plan: Messaging (E-mail) System Refresh \$35,000, 1-Time* – The City’s email system uses Microsoft Exchange 2007 and runs on a server utilizing Microsoft Window Server 2003. This operating system goes end-of-life in May of 2015. The Exchange software is now two versions behind. Due to the potential integration of the email system and phone system, the recommendation is this update project occurs during the third quarter of 2014. This will provide sufficient time to have a current, stable email system prior to upgrading and integrating the City’s replacement phone system.
- *IT Strategic Plan: Fiber Optic Connection to Senior Center & Fort Steilacoom Parks O&M Facility \$30,000, 1-Time* – Two facilities, the Senior Center and Parks, are both located relatively close to existing city fiber optic cabling runs. Both of these facilities suffer from poor internet performance and are not on the City’s phone system. It is recommended that a partnership with public works to install micro-fiber cabling using trenchless technology during 2014 so that both facilities can enjoy the benefits of the new city phone system as well as reducing staff frustration with performance of the recreation reservation system due to slow internet performance. This change may result in less than a two year return on investment based on the cost of phone service and internet service provider cost.
- *IT Strategic Plan: Council Chambers Technology Update/Records Management, Phase 1 \$10,000, 1-Time* – The technology used in the chambers is over 13 years old and was purchased when City Hall was built. This technology is past end-of-life and does not meet contemporary standards for broadcast or streaming of council meetings. This project has three main elements: Phase 1, broadcast or streaming of; Phase 2, updating of electronic; and Phase 3, implementation of automated council packet/records management systems. The funding requested is for Phase 1, to provide for basic streaming of council meeting using existing cameras. This will help staff know when they are required during a council meeting without having to sit through items not relevant to their business and provide citizens with live viewing of the meetings over the internet. Phase 2 takes place in 2015 and replaces all of the technology in the chambers, excluding the newly installed council work session screen and projector. Cameras will be updated to digital technology and the projector will be replaced with a high resolution digital unit. Dais monitors will be updated as well. Phase 3 implements an automated agenda bill tracking system and an

integrated records management application. Both of these applications will positively impact staff productivity and allow the City to move to electronic records management. The move to electronic records management will ease access to city records, improve compliance with the City's records retention policies, and free the City from increasing paper storage requirements.

- *IT Strategic Plan: City Hall Paging System \$15,000, 1-Time* – A paging system in public corridors was installed during City Hall construction. The system is not tied to the phone system and has never been placed into service. Paging is currently accomplished through the phone system using system handsets. Integrating the system such that phone system handsets can be utilized to access the system will be evaluated as part of the phone system upgrade.
- *IT Strategic Plan: Web Site Update/Redesign \$10,000, 1-Time* - Work on this project has already begun. A partnership between Information technology, Economic Development and the City Manager Departments is underway to update and modernize the City's web site. This effort will involve city staff, constituents, and local business seeking out ways to get information from and give information to the City.
- *IT Strategic Plan: Implement Two Factor Authentication for Police System Access \$20,000, 1-Time* – This project is in response to security requirements imposed by the Criminal Justice Information System (CJIS) standards required by the FBI and audited by the Washington State Patrol increasing security for computers accessing the criminal justice system in unsecured areas. This means having something you know, a password, and something you have, a token as an example. The system is to be installed on the appropriate police computers and supported by South Sound 911. The implementation date requirement is September of 2014 to maintain CJIS compliance.
- *IT Strategic Plan: Disaster Recovery Plan \$10,000, 1-Time* – Disaster planning should be undertaken as a city-wide initiative. Assembling this plan will involve all of the City's business units in determining what systems, programs and data have the highest priority for recovery, secondary sighting of mission critical technology at a stand-by site and the level of investment that is appropriate to support the plan.
- *Information Technology Consultant \$8,890, 1-Time* – Consultant retained to perform an assessment of the information technology function in the City and facilitate the development of a six-year information technology plan.
- *Scanners for Electronic Records Management \$4,000, 1-Time* – Currently, the City does not have dedicated equipment or work area where scanning occurs without interruption. While the proposed two new scanners would be located on the first and second floor for the primary purpose of scanning business licenses, vouchers and other financial documents, departments city-wide will also have access to use the equipment and work area. This request is in line with electronic records management element of the Information Technology Strategic Plan.
- *Fleet Consultant \$6,772, 1-Time* – Consultant retained to evaluate the City's fleet replacement plan, replacement reserve funding, review of fleet maintenance and operations, and potentially consultation on vehicle costing for budget purposes.

Municipal Court:

- *Personnel Cost Increase \$36,856, Ongoing* – Increase in salaries & benefits due to increasing the municipal court judge position from 0.80 FTE to 1.0 FTE.
- *Court Remittance Audit \$32,344, 1-Time* – Amount due to the State as a result of the Administrative Office of the Courts (AOC) initiated audit for years 2007 through 2013. On a monthly basis, the Municipal Court remits the money collected in the Court's system to the Finance Division for deposit into the City's accounts. A portion of the money is considered City revenue and retained by the City; however, two other portions are to be remitted to the State or County. Those portions have specific account codes that are utilized to differentiate the money when entered into the City's financial system. Finance reviews the accounts on a monthly basis to determine the amount of money that should be remitted to the State and County. The problem arose when the State changed the account numbers that were to be utilized and Finance was not aware of the changes. The preliminary audit liability is as follows: \$6,770 for 2013; \$11,506 for 2012; \$2,097 for 2011; and \$11,971 for 2008. Processes have been reviewed and changes have been put into place to ensure that this type of error does not occur in the future.

Legal:

- *Personnel Cost Decrease (\$61,341), 1-Time* – Reduce salaries & benefits due to vacant office technician position through the remainder of 2014.

Community & Economic Development:

- *Professional Services \$40,000, 1-Time* – Professional services for a comprehensive plan and fiscal analysis as it relates to economic development activities.
- *Oak Prairie Management & Restoration Program \$2,000, 1-Time* – Interlocal agreement with Pierce College for tree restoration program in the amount of \$2,000 per year for the Oak Prairie habitat at Pierce College and Fort Steilacoom Park. Funding source is oak tree mitigations funds the City has received. The adjustment is considered 1-time in nature due to the source of funds.

Parks, Recreation & Community Services

- *Fort Steilacoom Barn Removal \$30,000, 1-Time* – Remove the debris pile created when the barn blew over as a result of the February 2014 wind storm. The barns are the property of the State and recorded as "buildings of significance" on the National Historic Registry. It has taken some time to determine who would take the lead on what to do with the debris. The State wanted to the City to go through the pile and reclaim and store any salvageable material for future restoration projects on the remaining barns. The public also expressed interest in salvaging old barn boards. The City checked with its insurance carrier (WCIA) and had the building tested for lead and asbestos. The results are that the building is highly contaminated and none of the materials are safe to be salvaged and should be removed and disposed of in accordance with applicable laws and rules for disposal of contaminated material. The material cannot be burned and must be removed by a licensed company and disposed of properly. The recommendation is to phase the scope of the work to require the contractor to stop once they have determined the mass pounds per million (ppm). If the lead mass is 5 ppm or less, the City may dispose the debris as construction waste and reduce the overall cost by utilizing City resources. The City will be contacting the State to find out how they will pay or reimburse the City for removal costs.

- *Bridgeport Gateway Project \$100,000, 1-Time* – Site improvement costs. In February, 2014 a planning team was assembled to look at City gateways and to focus design efforts on the Bridgeport and Pacific Avenue gateway. A community gateway vision was created. The process was transparent and included community participation. After five planning meetings a preferred alternative was selected for various reasons, including the ability to change the scale and be replicated at other city gateways. The estimated cost assumes the City will provide site preparation, installation and construction support with internal services.

Police:

- *Add 3 Months Funding for Police Officer 1.0 FTE \$30,264, Ongoing* – The 2013/2014 Biennial Budget includes 101 sworn positions from an FTE count perspective; however, funding was budgeted for 100. In discussions with the Finance & Administrative Service and Police Departments, it is unclear why the budget did not include ongoing funding for all 101 sworn positions. The position is currently vacant and once hired, the estimated start date would be during the fourth quarter.

Public Works:

- *Transfer Out to Fund 101 Street O&M \$35,000, 1-Time* – General Fund contribution for street striping.

Fund 101 – Street Operations & Maintenance

- *ROW Tree Replacement \$2,000, 1-Time* – Replacement of trees in the public right-of-way adjacent to the former Colonial Motel property on Pacific Highway South due to vehicular hit and run. Funding source is the Oak Tree Mitigation funds.
- *Street Striping \$35,000, 1-Time* – Restripe sections throughout the City where the existing street striping (i.e. center line, lane lines, bike lane lines, edge line, crosswalks, stop bars, etc.) have either worn away entirely or has deteriorated enough to not be readily distinguishable by the travelling public. Revenues associated with the street operations & maintenance has been stagnant or falling over the years resulting in the necessity to cut the funding street striping. This appropriation would enable the O&M Division to address some pressing striping issues.

Fund 102 - Street Capital

- *Pavement Patching \$100,000, 1-Time* – Patch potholes with hot asphalt mix throughout the City, funded by additional real estate excise tax projected as a funding source for the fund as a whole. The annual pavement preservation program budget in the 2013/2014 budget was \$15,000 annually for materials. In 2013, due to the severity and/or extent of some of the potholes which couldn't be ignored an outside contractor had to be hired to do the work. As a result, a total of \$100,000 was spent on patching last year which between some one-time funding and additional monies transferred in from the street capital fund. In 2012, roughly \$100,000 was spent on pavement patching, which was funded by one-time transfer street capital fund. The proposed budget request will ensure that the street O&M fund has the funding to address its street patching needs in order to plan accordingly on how to accomplish same in the most efficient and effective manner to get the most bang for the buck versus hoping and guessing as to whether there will be any money available to do the work.

Fund 401 – Surface Water Management

- *Decrease Beginning Fund Balance (\$62,641), 1-Time* – Decrease 2014 beginning balance by \$62,641 due to an additional entry posted to 2013 expenditures, resulting in a lower 2013 ending fund balance than previously reported (rolls over to 2014 beginning fund balance.) The additional expenditure posted is for surface water management utility tax. The additional expenditure was discovered as a result of review and change in process for accounting for revenues.

Fund 501 – Equipment Replacement

- *Replace Public Works 5 Yard Dump Truck Bed \$49,000, 1-Time* – The salt for snow and ice fighting as eaten up the bed so much that the salt spreader can no longer be used. Without the ability to spread salt or sand while plowing makes the process a less efficient and effective effort. Funding source is excess replacement reserves accumulated in the Fleet & Equipment Fund.
- *Replace Police Motorcycle \$27,000, 1-Time* – Replace 2007 Honda ST1300 motorcycle that was damaged during training and cost to repair is high. The vehicle was purchased in 2007 and has accumulated enough reserves to replace in 2014. Funding source is replacement reserves.
- *Replace Police Refurbished Vehicle \$41,000, 1-Time* – Replace 2005 Crown Victoria due to aging of vehicle and the rising maintenance cost. The vehicle was purchased at the end of 2004 and has accumulated enough reserves to replace in 2014. Funding source is replacement reserves.
- *Ordinance Correction to Revenues (\$700,870, 1-Time)*: Correct the adopted budget ordinance for revenues which was overstated.
- *Transfer Out to Fund 001 General \$1,000,000, 1-Time* – Return excess General Fund contributions to the fleet & equipment replacement reserves back to the General Fund. The fleet & equipment accumulated replacement reserves balance at the end of 2014 as calculated is \$3.94M. The accumulated replacement reserves balance after the \$1,000,000 transfer to the General Fund is \$4.07M.

Fund 502 – City Hall Services

- *City Hall Space Planning Consultant \$6,300, 1-Time* – Consultant retained to provide two space studies (low impact and higher impact schemes) of City Hall. The consultant will evaluate the City's delivery of service, locations of departments and optimization of building space.

ENDING FUND BALANCE

The proposed budget adjustment results in a revised 2014 General/Street O&M Funds ending fund balance of \$3.49M, which equates to roughly 10.0% of General/Street O&M Funds operating revenues.

In support of the City's financial integrity, the following fund balance reserves, totaling 12% of General/Street O&M Funds operating revenues equating to \$4.2M, will be proposed as part of the financial policies discussion scheduled to occur in July 2014. An additional \$700K or 2.0% in ending fund balance is needed to meet the 12% reserve target. The goal date for meeting this target is no later than 2016, as part of the 2015-2016 Biennial Budget process.

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. A 2% reserve fund based on the General/Street O&M Funds operating revenues equates to roughly \$700K.
- *5% General Fund Ending Fund Balance Reserves:* The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to roughly \$1.74M.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events. A 5% reserve fund based on the General/Street O&M Funds operating revenues equates to roughly \$1.74M.

PENDING ITEMS

The following are pending items that may be presented to Council during the year-end budget adjustment:

- *Fund 502 City Hall Service* – A review of facility maintenance needs is currently in progress to determine the both the near-term and long-term facility maintenance needs of City Hall, Police Station, and Fort Steilacoom Parks O&M Facility. The results of that analysis will be incorporated in the year-end budget adjustment (if impacting 2014) and the 6-year financial forecast (years 2015 – 2020).
- *AFSCME Contract* – Incorporate the financial impacts on four year contract (January 1, 2013 – December 31, 2016) on June 9, 2014 once approved by AFSCME and City Council.

NEXT STEPS

The following are upcoming financial documents currently under development and will be presented to Council in the near future:

- 1st Quarter, 2014 Financial Report (June 2014)
- Fleet & Equipment Plan (July 2014)
- Transportation Benefit District Funding Options (July 2014)
- Financial Policies (/July/August/September 2014)
- 6-Year Financial Forecast (August 2014)

ATTACHMENTS

- Summary of Proposed Adjustments
- Draft Budget Ordinance & Related Exhibits
 - Exhibit A(1) – Current Revised Budget By Fund- Year 2014
 - Exhibit A(2) – Proposed Revised Budget By Fund- Year 2014

**2014 Miscellaneous Budget Adjustment
Summary of Proposed Requests**

	Year 2014	
	Revenue	Expenditure
Grand Total - All Funds	\$ 438,130	\$ 1,862,506
Grand Total - Fund 001 General	\$ 1,002,000	\$ 602,206
Transfer In From 501 Fleet & Equipment Excess Reserves, 1-Time	1,000,000	-
Subtotal - Non-Departmental	\$ 1,000,000	\$ -
Personnel Cost Difference - Communications Manager, Ongoing	-	(50,579)
Consultant Study of Finance & Administrative Services Department, 1-Time	-	18,000
Subtotal - City Manager	\$ -	\$ (32,579)
IT Strategic Plan - Phone System , 1-Time	-	240,000
IT Strategic Plan - Messaging (E-mail) System Refresh, 1-Time	-	35,000
IT Strategic Plan - Fiber Optic Connection to Senior Center & Fort Steilacoom Parks O&M Facility, 1-Time	-	30,000
IT Strategic Plan - Council Chambers Technology Update/Records Management, 1-Time	-	10,000
IT Strategic Plan - City Hall Paging System, 1-Time	-	15,000
IT Strategic Plan - Web Site Update/Redesign, 1-Time	-	10,000
IT Strategic Plan - Implement Two Factor Authentication for Police System Access, 1-Time	-	20,000
IT Strategic Plan -Disaster Recovery Plan, 1-Time	-	10,000
Information Technology Consultant (For a Total of \$10,000), 1-Time	-	8,890
Two (2) Scanner for Electronic Records Management - 1st & 2nd Floor/Shared, 1-Time	-	4,000
Fleet Consultant (For a Total of \$7,500), 1-Time	-	6,772
Subtotal - Finance & Administrative Services	\$ -	\$ 389,662
Personnel Cost Difference - From Part-Time to Full Time Judge, Ongoing	-	36,856
Court Remittance Audit, Years 2007 through 2012, 1-Time	-	32,344
Subtotal - Municipal Court	\$ -	\$ 69,200
Reduce Personnel Cost due to Vacant Office Technician 1.0 FTE , 1-Time	-	(61,341)
Subtotal - Legal	\$ -	\$ (61,341)
Professional Svcs - Comprehensive Plan & Fiscal Analysis for Economic Development Opportunities, 1-Time	-	40,000
Oak Prairie Management & Restoration Program (Pierce College ILA), Funded by Oak Tree Mitigation, 1-	2,000	2,000
Subtotal - Community & Economic Development	\$ 2,000	\$ 42,000
Fort Steilacoom Barn Removal, 1-Time	-	30,000
Bridgeport Gateway Project, 1-Time	-	100,000
Subtotal - Parks	\$ -	\$ 130,000
Adopted Budget Correction - Add Funding for Police Officer 1.0 FTE (3 Months Personnel Cost), Ongoing	-	30,264
Subtotal - Police	\$ -	\$ 30,264
Transfer to Fund 101 Street O&M for Street Striping, 1-Time	-	35,000
Subtotal - Public Works / Property Management	\$ -	\$ 35,000
Grand Total - Special Revenue Funds	\$ 137,000	\$ 137,000
Total - Fund 101 Street Operations & Maintenance	\$ 37,000	\$ 37,000
ROW Tree Replacement - Funded Fund 001 General Oak Tree Mitigation, 1-Time	2,000	2,000
Street Striping - Funded by Transfer In From Fund 001 General, 1-Time	35,000	35,000
Total - Fund 102 Street Capital	\$ 100,000	\$ 100,000
Pavement Patching - Funded by Additional Real Estate Excise Tax, 1-Time	100,000	100,000
Grand Total - Replacement Funds	\$ (700,870)	\$ 1,123,300
Total - Fund 501 Equipment Replacement	\$ (700,870)	\$ 1,117,000
Replace Public Works 5 Yard Dump Truck Bed, Funded by Excess Replacement Reserves, 1-Time	-	49,000
Replace Police 2007 Motorcycle, Funded by Replacement Reserves, 1-Time	-	27,000
Replace Police 2005 Refurbished Vehicle, Funded by Replacement Reserves, 1-Time	-	41,000
Ordinance Correction - Adopted Revenue Budget Overstated, 1-Time	(700,870)	-
Transfer Excess Fleet & Equipment Reserves to General Fund, 1-Time	-	1,000,000
Total - Fund 502 City Hall Services	\$ -	\$ 6,300
City Hall Space Planning Consultant Study, 1-Time	-	6,300

ORDINANCE NO.

AN ORDINANCE of the City Council of the City of Lakewood, Washington, amending the 2013-2014 Budget.

WHEREAS, pursuant to Chapter 35A.34 RCW, the City of Lakewood has created an biennial budget with the most recent budget having commenced on January 1, 2013;

WHEREAS, the City of Lakewood adopted Ordinance 556 on November 26, 2012 implementing the 2013 and 2014 Budget;

WHEREAS, the City of Lakewood adopted Ordinance 559 on March 4, 2013 to amend the original adopted to reflect the receipt of the additional grants and to make adjustments necessary to accurately reflect the revenues and the expenditures for 2013 and 2014 within Fund 102 Street Capital Improvement;

WHEREAS, the City of Lakewood adopted ordinance 575 on December 16, 2013 as the result of the mid-biennial review;

WHEREAS, the City of Lakewood adopted ordinance 582 on May 5, 2014 as the result of the carry forward budget adjustment to adjust the 2014 beginning fund balance from the estimated amount to actual as fiscal year 2013 activities are concluded; continue existing projects by appropriating projects that were budgeted in the prior year, but not yet completed and will continue during the current year; appropriate projects funded by grants and contributions; and on an exception basis, new allocations.; and

WHEREAS, the City of Lakewood finds it necessary to revise the 2013-2014 Biennial Budget to adjust the 2014 beginning fund balance due to additional entries posted in 2013; appropriate projects funded by grants/contributions; incorporate housekeeping items; and new allocations.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKEWOOD, WASHINGTON DO ORDAIN as follows:

Section 1. Budget Amendment. The 2013-2014 Budget, as originally set forth in Ordinance 556, Section 2, and as amended by Ordinance 559, Ordinance 575, and Ordinance 582 is amended to adopt the revised budget for the 2013-2014 biennium in the amounts and for the purposes as shown on the attached Exhibits A(1) and A(2) 2014 Budget By Fund.

Section 2. Severability. If any section, sentence, clause or phrase of this Ordinance shall be held to be invalid or unconstitutional by a court of competent jurisdiction, or its application held inapplicable to any person, property or circumstance, such invalidity or unconstitutionality or inapplicability shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this Ordinance or its application to any other person, property or circumstance.

Section 3: Effective Date. This Ordinance shall be in full force and effect for the fiscal year 2014 and five (5) days after publication as required by law.

ADOPTED by the City Council this ____day of July, 2014.

CITY OF LAKEWOOD

Don Anderson, Mayor

Attest:

Alice M. Bush, MMC, City Clerk

Approved as to Form:

Heidi Ann Wachter, City Attorney

EXHIBIT A(1)
CURRENT REVISED BUDGET BY FUND - YEAR 2014

Fund	Beginning Fund Balance			Revenue			Expenditure			Ending Fund Balance
	Prior Amount	Adjustment	Revised	Prior Amount	Adjustment	Revised	Prior Amount	Adjustment	Revised	
General Fund (001)	\$ 1,737,359	\$372,993	\$ 2,110,352	\$ 34,247,355	\$ 1,120,649	\$ 35,368,004	\$ 34,702,730	\$ 233,266	\$ 34,935,996	\$ 2,542,360
Special Revenue Funds:										
101 Street Operations & Maintenance	155,892	(72,923)	82,969	2,220,930	(163,716)	2,057,214	2,220,930	(154,452)	2,066,478	73,705
102 Street Capital Projects	638,575	202,548	841,124	11,354,570	15,554,220	26,908,790	11,237,810	14,754,328	25,992,138	1,757,776
103 Transportation Benefit District	-	-	-	-	-	-	-	-	-	-
104 Hotel/Motel Lodging Tax	870,097	65,278	935,374	430,000	-	430,000	499,000	(1,150)	497,850	867,524
105 Property Abatement	219,927	18,244	238,171	50,000	-	50,000	100,000	-	100,000	188,171
106 Public Art	5,000	7,001	12,001	5,000	-	5,000	5,000	2,000	7,000	10,001
180 Narcotics Seizure	223,457	554,717	778,173	325,000	41,966	366,966	250,000	93,440	343,440	801,699
181 Felony Seizure	97,319	4,342	101,662	10,000	(10,000)	-	20,000	67,601	87,601	14,061
182 Federal Seizure	-	40,239	40,239	69,520	-	69,520	69,520	-	69,520	40,239
190 CDBG	2,703,892	(1,862,624)	841,268	689,000	2,069,382	2,758,382	1,773,390	1,825,049	3,598,439	1,211
191 Neighborhood Stabilization Program	171,344	1	171,345	-	254,580	254,580	-	254,580	254,580	171,346
192 Office of Economic Adj (OEA) Grant	12,517	16,135	28,652	660,363	(9,086)	651,277	660,363	14,173	674,536	5,393
193 Police ARRA Grant	300	(300)	-	-	-	-	300	(300)	-	-
195 Public Safety Grants	5,934	(5,934)	-	278,200	(79,318)	198,882	277,140	(78,258)	198,882	-
Debt Service Funds:										
201 Debt Service - General Obligation Bond	-	-	-	-	287,758	287,758	-	287,758	287,758	-
202 Debt Service - LID	3,995	(3,846)	149	288,470	-	288,470	288,470	-	288,470	149
204 Debt Service - Sewer Project	408,457	99,793	508,250	540,000	-	540,000	458,435	-	458,435	589,815
251 Debt Service - LID Guaranty	390,783	1,075	391,858	-	-	-	-	-	-	391,858
Capital Project Funds:										
301 General Government CIP	-	276	276	-	-	-	-	-	-	276
311 Sewer Project CIP	190,972	(64,764)	126,208	185,650	-	185,650	184,830	-	184,830	127,028
312 Sanitary Sewer Connection	360,949	158,862	519,811	372,530	-	372,530	92,290	-	92,290	800,051
Enterprise Fund:										
401 Surface Water Management	4,053,266	2,214,343	6,267,610	2,981,640	386,201	3,367,841	4,407,540	1,829,744	6,237,284	3,398,167
Replacement Reserve Funds:										
501 Equipment Replacement	4,628,523	465,225	5,093,748	1,849,840	74,000	1,923,840	1,223,230	(90,434)	1,132,796	5,884,792
502 City Hall Service	452,120	722	452,842	-	-	-	-	-	-	452,842
Total All Funds	\$ 17,330,678	\$ 2,211,405	\$19,542,082	\$ 56,558,068	\$ 19,526,637	\$76,084,705	\$ 58,470,978	\$ 19,037,345	\$77,508,323	\$ 18,118,464

EXHIBIT A(2)
PROPOSED REVISED BUDGET BY FUND - YEAR 2014

Fund	Beginning Fund Balance			Revenue			Expenditure			Ending Fund Balance
	Prior Amount	Adjustment	Revised	Prior Amount	Adjustment	Revised	Prior Amount	Adjustment	Revised	
General Fund (001)	\$ 2,110,352	470,328	\$ 2,580,679	\$ 35,368,004	\$ 1,002,000	\$ 36,370,004	\$ 34,935,996	\$ 602,206	\$ 35,538,202	\$ 3,412,481
Special Revenue Funds:										
101 Street Operations & Maintenance	82,969	-	82,969	2,057,214	37,000	2,094,214	2,066,478	37,000	2,103,478	73,705
102 Street Capital Projects	841,124	-	841,124	26,908,790	100,000	27,008,790	25,992,138	100,000	26,092,138	1,757,776
103 Transportation Benefit District	-	-	-	-	-	-	-	-	-	-
104 Hotel/Motel Lodging Tax	935,374	-	935,374	430,000	-	430,000	497,850	-	497,850	867,524
105 Property Abatement	238,171	-	238,171	50,000	-	50,000	100,000	-	100,000	188,171
106 Public Art	12,001	-	12,001	5,000	-	5,000	7,000	-	7,000	10,001
180 Narcotics Seizure	778,173	-	778,173	366,966	-	366,966	343,440	-	343,440	801,699
181 Felony Seizure	101,662	-	101,662	-	-	-	87,601	-	87,601	14,061
182 Federal Seizure	40,240	0	40,240	69,520	-	69,520	69,520	-	69,520	40,240
190 CDBG	841,268	-	841,268	2,758,382	-	2,758,382	3,598,439	-	3,598,439	1,211
191 Neighborhood Stabilization Program	171,345	-	171,345	254,580	-	254,580	254,580	-	254,580	171,346
192 Office of Economic Adj (OEA) Grant	28,652	-	28,652	651,277	-	651,277	674,536	-	674,536	5,393
193 Police ARRA Grant	-	-	-	-	-	-	-	-	-	-
195 Public Safety Grants	-	-	-	198,882	-	198,882	198,882	-	198,882	-
Debt Service Funds:										
201 Debt Service - General Obligation Bond	-	-	-	287,758	-	287,758	287,758	-	287,758	-
202 Debt Service - LID	149	-	149	288,470	-	288,470	288,470	-	288,470	149
204 Debt Service - Sewer Project	508,250	-	508,250	540,000	-	540,000	458,435	-	458,435	589,815
251 Debt Service - LID Guaranty	391,858	-	391,858	-	-	-	-	-	-	391,858
Capital Project Funds:										
301 General Government CIP	276	0	276	-	-	-	-	-	-	276
311 Sewer Project CIP	126,208	-	126,208	185,650	-	185,650	184,830	-	184,830	127,028
312 Sanitary Sewer Connection	519,811	-	519,811	372,530	-	372,530	92,290	-	92,290	800,051
Enterprise Fund:										
401 Surface Water Management	6,267,610	(62,641)	6,204,969	3,367,841	-	3,367,841	6,237,284	-	6,237,284	3,335,526
Replacement Reserve Funds:										
501 Equipment Replacement	5,093,748	-	5,093,748	1,923,840	(700,870)	1,222,970	1,132,796	1,117,000	2,249,796	4,066,922
502 City Hall Service	452,842	-	452,842	-	-	-	-	6,300	6,300	446,542
Total All Funds	\$19,542,083	\$ 407,687	\$19,949,770	\$ 76,084,705	\$ 438,130	\$76,522,835	\$ 77,508,323	\$ 1,862,506	\$79,370,829	\$ 17,101,776

2014 Miscellaneous Budget Adjustment

City Council
Public Hearing
June 16, 2014



Council Packet Information

- Staff Memo
- Summary of Proposed Requests
- Ordinance & Exhibits

Purpose of Budget Adjustments

- Update 2014 beginning fund balance
- Various housekeeping adjustments
- Appropriate projects funded by grants and contributions
- New allocations

Total Adjustments for All Funds

- Increase beginning balance by \$408K for a total budget of \$19.95M
- Increase revenues by \$438K for a total budget of \$76.52M
- Increase expenditures by \$1.86M for a total budget of \$79.37M
- Decrease ending balance by \$1.02M for a total budget of \$17.10M

Highlights - Fund 001 General

- Increase Beginning Balance \$470,328, 1-Time
- Transfer In from Fleet & Equipment Excess Reserves \$1,000,000 , 1-Time

Highlights - Fund 001 General

- City Manager Department
 - Personnel Cost Decrease (\$50,579), Ongoing
 - Consultant Study of Finance & Admin Services Dept \$18,000, 1-Time

Highlights - Fund 001 General

- Finance & Administrative Service Department
 - IT Strategic Plan, 1-Time
 - Phone System Replacement \$240,000
 - Messaging (E-Mail) System Refresh \$35,000
 - Fiber Optic Connection to Senior Center & Parks O&M Facility \$30,000
 - Council Chambers Technology Update/Records Management Phase I \$10,000
 - City Hall Paging System \$15,000
 - Web Site Update/Redesign \$10,000
 - Two Factor Authentication for Police System Access \$20,000
 - Disaster Recover Plan \$10,000
 - IT Consultant \$8,890
 - Scanners for Electronic Records Management \$4,000
 - Fleet Consultant \$6,772, 1-Time

Highlights - Fund 001 General

- Municipal Court Department
 - Personnel Cost Increase \$36,856, Ongoing
 - Court Remittance Audit \$32,344, 1-Time
- Legal Department
 - Personnel Cost Decrease (\$61,341), 1-Time
- Community & Economic Development
 - Professional Services \$40,000, 1-Time
 - Oak Prairie Management & Restoration Program \$2,000, 1-Time

Highlights - Fund 001 General

- Parks, Recreation & Community Services Department
 - Fort Steilacoom Barn Removal \$30,000, 1-Time
 - Bridgeport Gateway Project \$100,000, 1-Time
- Police Department
 - Police Officer, 3 Months Funding \$30,264, Ongoing
- Public Works Department
 - General Fund Contribution for Street Striping \$35,000, 1-Time

Highlights - Fund 101 Street O&M

- ROW Tree Replacement \$2,000, 1-Time
- Street Striping \$35,000, 1-Time

Highlights - Fund 102 Street Capital

- Pavement Patching \$100,000, 1-Time

Highlights - Fund 401 Surface Water Management

- Decrease Beginning Fund Balance (\$62,641), 1-Time

Highlights - Fund 501 Equipment Replacement

- Replace PW 5 Yard Dump Truck Bed \$49,000, 1-Time
- Replace Police Motorcycle \$27,000, 1-Time
- Replace Police Refurbished Vehicle \$41,000, 1-Time
- Ordinance Correction to Revenues (\$700,870) , 1-Time
- Transfer Out to Fund 001 General \$1,000,000, 1-Time

Highlights - Fund 502 City Hall Services

- Space Planning Consultant \$6,300, 1-Time

Reserve Funds – Goal 12%

2% Contingency Reserves = \$700K

To accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared.

5% General Fund Reserves = \$1.74M

To provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.

5% Strategic Reserves = \$1.74M

To provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events.

Reserve Funds – Where We Are

If proposed budget adjustment is adopted:

- Combined General & Street Fund Ending Fund Balance = \$3.49M or 10%
- Short by \$700K or 2.0%
- Goal date for meeting target is no later than 2016

Pending Items

- Fund 502 City Hall Services
- AFSCME Contract

Budget Adjustment Schedule

- City Council Study Session on June 9, 2014
- Public Hearing on June 16, 2014
- Adoption of Ordinance scheduled for July 7, 2014

Next Steps – Information to Council

- 1st Quarter 2014 Financial Report (June 2014)
- Fleet & Equipment Plan (July 2014)
- Transportation Benefit District Funding Options (July 2014)
- Financial Policies (July/August/September 2014)
- 6-Year Financial Forecast (August 2014)