



To: Mayor and City Councilmember

From: John J. Caulfield, City Manager *John J. Caulfield*
Tho Kraus, Assistant City Manager/Administrative Services

Date: November 3, 2014

Subject: **Public Hearing for 2015-2016 Biennial Budget & 2015 Property Tax Levy**

2015/2016 BIENNIAL BUDGET

Introduction & Overview

The 2015/2016 Proposed Biennial Budget amounts to \$83.6 million in 2015 and \$74.8 million in 2016. The General Government Budget totals \$50.0 million in 2015 and \$48.7 million in 2016. This budget component also includes \$14.6 million and \$8.4 million in support of transportation improvements in 2015 and 2016, respectively. This is supplemented with \$3.3 million in capital improvements in 2015 and \$2.4 million in capital improvements in 2016. The utility budget, which consists of surface water management totals \$6.4 million in 2015 and \$6.0 million in 2016 and includes both a maintenance operating component and a construction component. The internal service budget, which is comprised of fleet and equipment, property management, information technology and risk management totals \$9.2 million in 2015 and \$9.4 million in 2016. The budget does not include any new taxes or fees.

As the city continues to operate through a tempered economic recovery, we are beginning to see signs that the revenue picture is improving; however, the costs to deliver current services are also growing and in many areas, such as employee compensation, costs are outpacing revenue growth. This budget continues to provide basic services, and maintains the quality standards our residents have come to expect. This balanced and strategic approach results in a spending plan that adapts to the changing needs of our community without compromising our financial future.

It is a balanced budget that does not reduce services; rather it increases services in areas such as streets and parks and reflects our commitment to provide quality services and amenities to our residents while reestablishing our organization's short- and long-term financial viability. Balancing the budget is a simple equation of operating expenditures not exceeding operating revenues; living within our means.

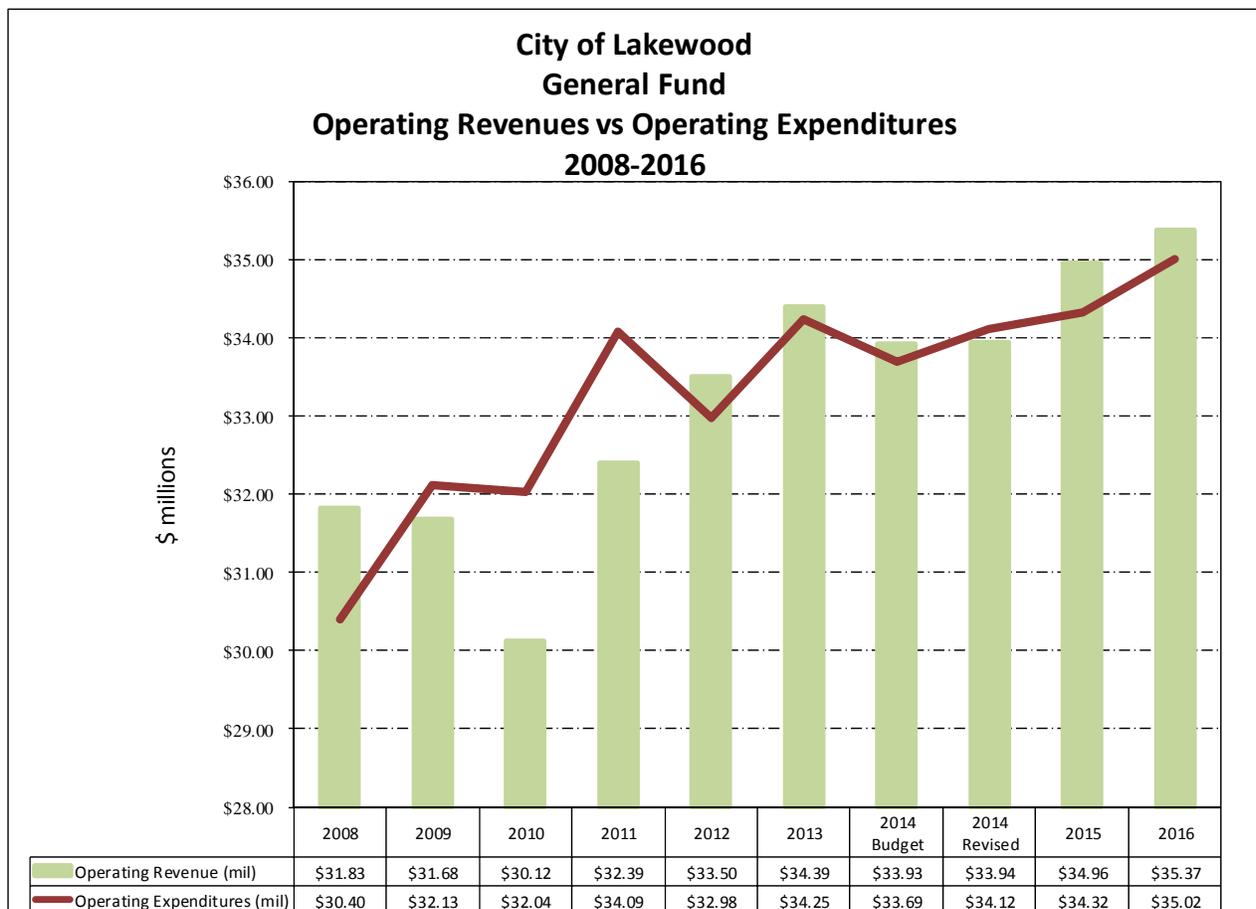
This budget emphasizes health, welfare, and safety obligations followed by legal mandates, ensuring financial stability and integrity, and a focus on implementing City Council goals to include public safety, economic development and increased infrastructure investments.

Financial Integrity

A key component of this budget is that it allocates financial resources to ensure a proper level of reserves are set aside to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations. In this way, the City can expect to be a municipality noted for its responsible fiscal management and ability to deliver projects and programs that will enhance the lives of all those living and working in the community.

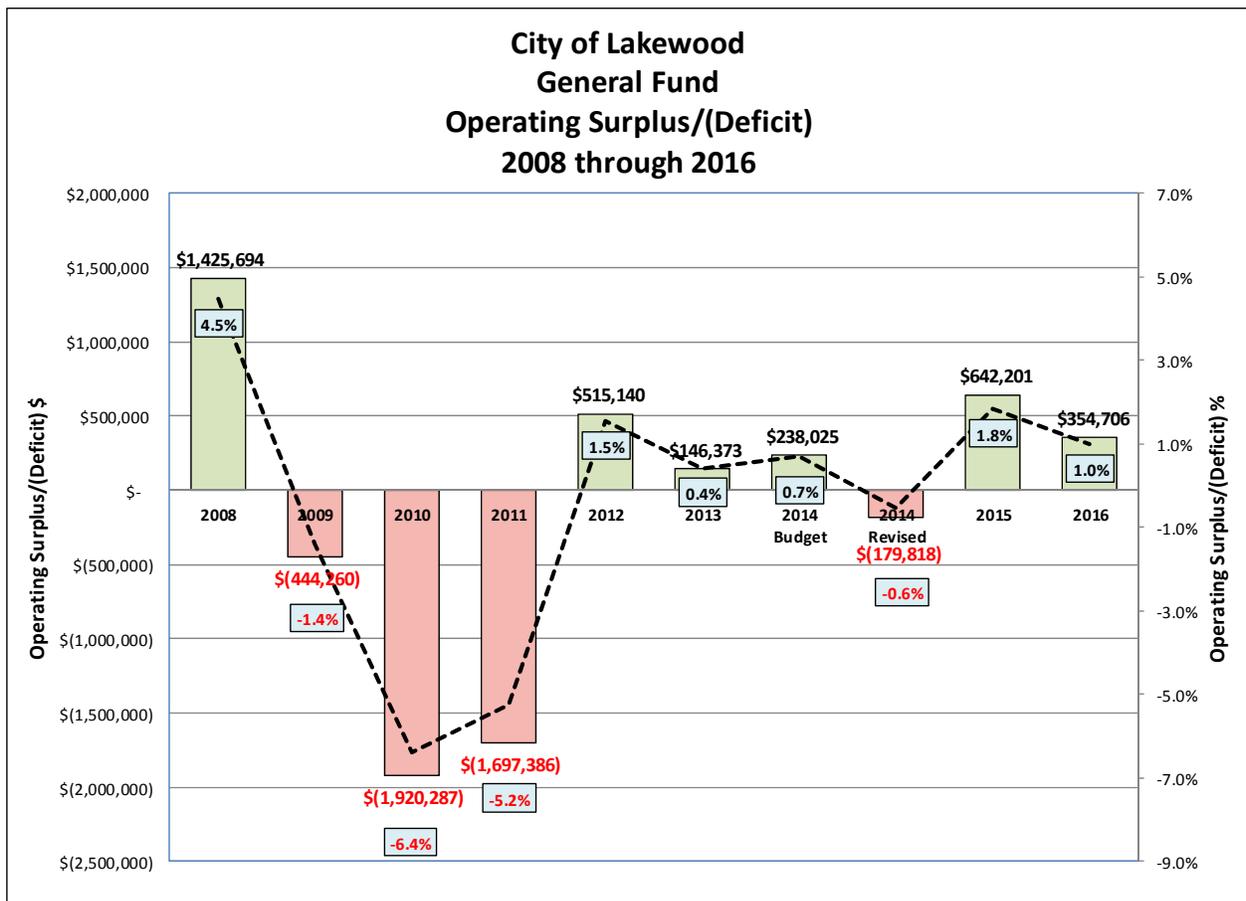
The City Council adopted financial policies that include strong policies on reserve levels for our operating funds. The budget ensures that by the end of 2016, General Fund reserves shall be at least 12% of General and Street O&M funds operating revenues, a significant improvement from where we were earlier this year and in previous years.

Since 2008, the fund balance in the General Fund has declined over \$5.0 million from \$8.5 million to a projected ending fund balance of \$3.4 million as of December 31, 2014 (originally projected to be as low as \$865,000 by the end of 2014), which is 9.9% of General and Street Fund operating revenue. While this is an improvement from the 2010 through 2014-adopted budget time period, it is still well below the adopted policy and best business practice of 12%.



It is important to remember that much of these reserves are established to address dramatic fiscal difficulties. To address such emergencies, the budget includes contingency appropriation to accommodate unexpected operational changes, legislative impacts, or other events affecting the City's operations that could not be anticipated at the time the budget was prepared, as well as reserves to provide financial stability and cash flow followed by reserves to address catastrophic events such as public emergencies and natural disasters.

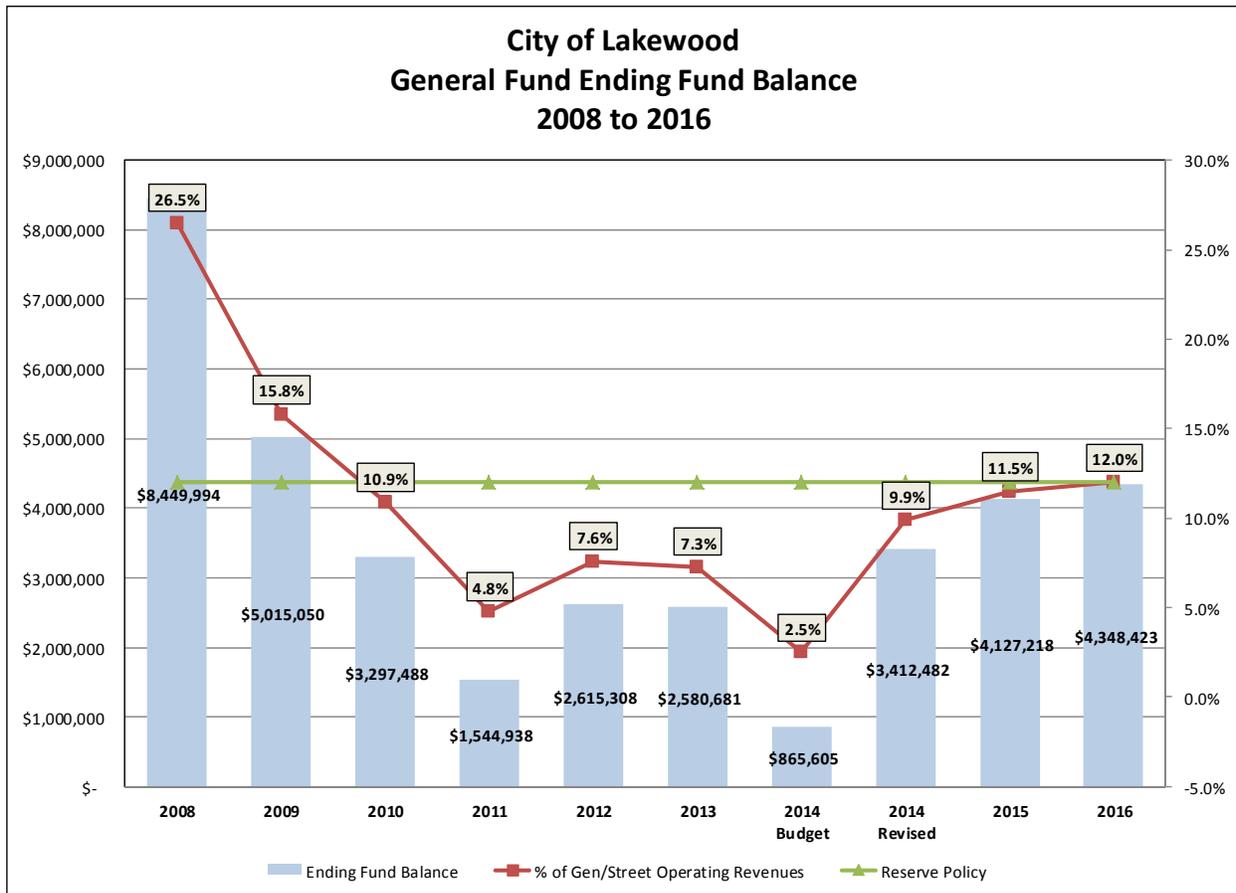
The 2015-2016 budget gradually returns the City to sound financial footing by replenishing General Fund reserves to meet our 12% policy objective over a three year period beginning in 2014 and culminating in 2016.



By the end of 2016, the City's reserves will be fully restored for the first time since 2009 with adequate financial resources set aside to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations.

All ending funds balances are either set aside for reserve requirements to ensure sound financial accounting or are designed for a specific purpose to support our special revenue funds such as capital, tourism, grant related activities, debt service, surface water management purposes, fleet and equipment, information technology and property management.

Using reserves and one-time monies to finance ongoing programs as was the case in recent years only masks and pushes out the financial challenges facing the City. The City currently is at a tipping point where failing to address this issue only further weakens the City's financial position. Thus, the 2015-2016 budget ensures operating expenditures are within the constraints of available operating revenues and does not use reserves to balance the budget.



As a result, the budget is compliant with the city's financial policies.

Budget Highlights

The following are other key highlights and components of the 2015/2016 budget:

- The budget is a results and performance oriented plan that takes both a programmatic and line-item approach to the allocation of city resources. This budget begins to incorporate performance measures which are designed to get every city department thinking about how it can advance the goals set by the City Council and help the City Council determine ways to get the best return on the community's investments in programs and infrastructure.
- The budget implements the goals (fiscal responsibility, public safety, economic development, infrastructure improvements, honest, open and transparent government) and work plan adopted by the City Council in July 2014 for the period 2014 through 2016.

- For the first time in a number of years, this budget provides an increase in resources dedicated to the preservation and maintenance of the City's road system. On September 15, 2014, the Lakewood City Council, acting as the Transportation Benefit District Board, voted to enact a \$20 vehicle license fee that will help finance millions of dollars in much-needed street improvements throughout the community.

The vehicle licensing fee is expected to generate \$4.08 million between 2015 and 2020. The City will also pay \$5.06 million out of its general government funds, combining for a total of \$9.14 million. The 2015-2016 budget includes \$500,000 annually from the General Fund, \$300,000 annually from CDBG and \$200,000 annually from real estate excise tax (REET) to meet this priority need. That revenue, along with revenue generated from existing sources such as the real estate excise tax, motor vehicle fuel tax and grants will provide Lakewood residents nearly \$15.6 million worth of much-needed improvements to City streets and roads between 2015 and 2020 that will begin in 2015.

- Funding is allocated in support of several park improvements projects to include Waughop Lake Trail, expansion of Springbrook Park, replacement of playground equipment and new docks at Harry Todd Park, and trail improvements at the Chambers Creek properties in partnership with the City of University Place and Pierce County.
- This budget provides for the consolidation and realignment of parks maintenance, street and traffic maintenance and facilities maintenance to provide for operational efficiencies and coordination and delivery of services.
- Additional resources are allocated in support of the street landscape maintenance program in the form of part-time seasonal help to further enhance our efforts to improve our gateways, entrances, and high traffic arterial roadways.
- For the past two years, restroom access at City parks was reduced at some sites and eliminated at others. Funding is included to restore these services in the form of year-round restroom service through a combination of fixed facilities (American Lake, Harry Todd, Kiwanis, Fort Steilacoom and Ward's Lake) and use of sanicans (Active, Springbrook and Washington) at park facilities.
- The budget continues 1% funding in support of human services programs.
- This budget realigns and fully integrates our Community Safety Resource Team (CSRT) program, which includes two code enforcement officers and two community service officers with our Neighborhood Police Officers (NPO program) for improved coordination and effectiveness.
- The budget includes a citywide realignment and consolidation of office assistant and administrative assistant positions as well as streamlining of finance, information technology and human resources activities to better accommodate the delivery of internal support services.

- Dangerous building abatement will remain in the Community and Economic Development (CED) Department to provide for increased emphasis and coordination.
- The budget includes funding in support of the City's leadership and contribution to the South Sound Military and Communities Partnership (SSMCP) to continue implementing the Joint Base Lewis-McChord (JBLM) Growth Coordination Plan.
- A Municipal Court services capacity analysis was conducted as required by our respective agreements with the City of University Place and Town of Steilacoom to calculate and validate contract costs paid by these agencies. This analysis reveals a reduced level of staffing needed based upon the level of activity administered by the court to include not only the City of University Place and Town of Steilacoom, but also the City of DuPont who is also interested in contracting with the City for municipal court services beginning in 2015.
- Two new information technology programs are included in the budget. The first is a document management system that will automate the City Council agenda process from start to finish including publication to the City's website as well as the ability to stream online City Council meetings followed by on demand archive. The second is video arraignment between the Municipal Court Department and Nisqually Jail that will significantly reduce court transport costs. These investments build upon deferred information technology projects that were funded in 2014 to include computer, laptop and telephone system replacement.
- The budget includes the development and allocation of resources in support of city facilities, which includes City Hall, Police Station, Parks O&M Facility and Public Works Facility. Funding is allocated in support of HVAC and security system controls at City Hall, slurry seal and restripe of City Hall parking lot, HVAC system upgrades for server room at City Hall, replacement of water (wet) sprinkler system currently installed in City Hall server room, and pave gravel parking lot at Parks O&M Facility.
- The budget includes funding in support of the Landmarks and Heritage Advisory Board (LHAB) and Arts Commission.
- The budget continues the partnership between the City and West Pierce Fire and Rescue (WPFR) in support of shared emergency management services.
- The budget includes a reduction in jail services costs to recognize the use of Nisqually Jail, which provides a lower cost and higher level of service to the City than surrounding facilities.
- The budget includes funds to conduct a community satisfaction survey to assess residents' satisfaction with the delivery of city services and quality of life in the community. The survey will cover areas of public safety, parks and recreation, civic engagement, public trust and more. The results will provide a baseline benchmark from which to measure the results of future surveys and it will be benchmarked to similar cities both locally and nationally.

- This budget includes the creation of three new internal service funds: Property Management, Information Technology and Risk Management as well as the expansion of another, Fleet and Equipment.

The purpose of these funds is to account for all costs associated with operating and maintaining the City's information systems, risk management functions, and vehicles and motorized equipment.

Beginning in 2015, the Fleet and Equipment Fund will include not only the accumulation of replacement reserves, but also the accounting of all maintenance and repair costs citywide.

The benefit of internal service funds is to measure the full cost of the goods or services and to attain greater economy, efficiency, and effectiveness in acquisition and distribution of common goods and services used by the operating departments and to facilitate the equitable sharing of costs among departments served. These costs are then charged back to the department who used the service on a cost reimbursement basis.

- The budget does not include any new general government debt.

As we move into 2015 and 2016, the following programs will undergo a review to provide for more effective delivery of services coupled with identification of funding for those programs currently not funded, similar to the review undertaken in support of the Administrative Services, Municipal Court and City Manager Departments in 2013 and 2014.

- Continue the development of a six-year financial forecast (2015-2020) that includes facts and assumptions to enable an accurate forecast of the financial future of the city to ensure whether adequate resources will be available to maintain current and projected city service levels with a particular focus on the impact of current economic conditions and, if not, develop strategies to address. The forecast will also serve as a tool to examine financial trends and identify opportunities, particularly as new services or programs are evaluated. The financial forecast will serve as the mechanism to ensure these investments, commitments and contractual obligations "pencil" for at least six years.
- The Community and Economic Development (CED) Department will undertake a coordinated effort to review the manner in which development services are provided. The focus is to improve processes and services to customers and identify areas for continuous improvement, including, turnaround times, predictability of plan reviews, consistency of inspections and overall client service and satisfaction. It will also include a review of fees and charges, program recovery ratios, and resource needs. The goal is to have a streamlined, coordinated, and predictable development services program that provides efficient review of project applications in a manner that meets the definition of success for both the City and prospective applicants. This approach is consistent with the policies contained in the city's draft economic development comprehensive plan chapter that will come before City Council later this year.

- The Parks, Recreation and Community Services Department regularly reviews its fee structure for classes, programs and facility use using the cost recovery model included in the Legacy Plan. They will be reviewing the fee structure at the class and program level and develop a cost recovery policy that meets our community's needs. The adoption of a pricing philosophy is crucial to ensure program affordability for the community while maintaining sustainable financing for the Department.
- The Municipal Court will continue its review for process improvements to include implementation of video arraignment and options to implement a paperless system.
- The Administrative Services Department will take the lead in developing financing options to address our short- and long-term needs in support of information technology and property management programs to include the accumulation of replacement reserves.
- The Police Department has initiated the development of a public safety benefit/cost review that will include a comparison of public safety statistics locally, regionally and in other communities nationwide that host a large military installation. This City Council goal will also focus on a review of our policing programs, community and regional partnerships and community safety resource team (CSRT) programs to determine, identify and report on resource allocation, program efficiencies and successes.

Other Issues Affecting the Budget

There are a continuing number of challenges facing the City currently and in the near term which impact fiscal stability, most notably the continued impacts of the economic challenges that began in December 2007 followed by a very tepid economic recovery as compared to previous recoveries. The result of this lack of economic recovery is that local governments such as our City will continue to face economic hardship and uncertainty given there is more of a recovery lag for local governments as compared to other sectors of the economy.

We face the uncertainty and unpredictability in financial and credit markets that still seems to have stymied economic growth locally, regionally and nationally. Our nation continues to face unemployment and under-employment numbers that are some of the highest in decades. We are also face legislative challenges particularly from the state as they look to balance their budgetary shortfalls and court ordered mandates, such as the McCleary decision. In recent years, the state has had a dramatic impact on cities from the loss of state shared revenues, increased public defender costs, and the loss of the public works trust fund loan program. Likewise the fiscal challenges and a myriad of domestic and international issues facing our federal government has resulted in reduced funding to cities and impact of the Affordable Care Act.

The impact of technology such as the explosion of social media means that local governments such as ours must adapt to a new way of community engagement and dialogue. It has also provided us the opportunity to increase transparency and accountability in how we conduct business and deliver services. The world today is much different from where we were two, five and ten years ago. It is much more complex and it is imperative that we change and adapt to these ever changing forces.

Despite all of this and much more, the City continues to address many challenges with respect to meeting service demands and the ability in providing them to our citizens. The financial challenges we face has required us to re-evaluate the paradigms that have been governing our City for a number of years. We have charted a course for achieving long-term financial sustainability by beginning to reinvent the way we deliver services, investing in our employees and making smart infrastructure investments that will create jobs and build our tax base.

We will be looking to economic development, focusing primarily in our commercial areas to generate additional property and sales taxes. Locally, we see nothing but opportunity in our key commercial areas such as the Towne Center, Springbrook, Tillicum, and the Pacific Highway South corridor, which is directly adjacent to I-5 with multiple prime properties ready for redevelopment and revitalization. Areas such as the International District and Woodbrook Industrial Business Park area stand ready and available for new investment to create jobs and opportunity for Lakewood and our region. The generation of new revenues from redevelopment and revitalization in these areas will allow us to meet the growing demand for services. These actions will allow Lakewood to continue to support our community's quality of life while implementing our strategic goals for the future.

Conclusion

In summary, the 2015/2016 biennial budget is a balanced operating budget meaning operating expenditures do not exceed operating revenues and we are no longer using one-time funds for ongoing operations. Reserves, for the first time since 2009 are replenished though over a three-year period between 2014 and 2016. The budget is consistent with our adopted financial policies; sound underlying financial assumptions and policies are in place. The result is that our citizens, those who we serve, will not see any reductions in services. This budget allows us to maintain fiscal integrity and to increase services in City Council priority areas, particularly streets and parks, while maintaining and building upon our investments in public safety and economic development.

Attachments

- Proposed 2015-2016 Biennial Budget Ordinance

ORDINANCE NO.

AN ORDINANCE of the City Council of the City of Lakewood, Washington, adopting the 2015-2016 Biennial Budget.

WHEREAS, the tax estimates and budget for the City of Lakewood, Washington, for the 2015-2016 fiscal biennium have been prepared and filed on October 1, 2014 as provided by Titles 35A.34 and 84.55 of the Revised Code of Washington; and

WHEREAS, the budget was printed for distribution and notice published in the official paper of the City of Lakewood setting the time and place for hearing on the budget and said notice stating copies of the budget can be obtained on-line and at the Office of the City Clerk; and

WHEREAS, the City Council of the City of Lakewood having held a public hearing on November 3, 2014, and having considered the public testimony presented;

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

Section 1. 2015-2016 Biennial Budget. The budget for the 2015-2016 biennium is hereby adopted in the amounts and for the purposes as shown in Exhibit A (“2015-2016 Proposed Biennial Budget”).

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. Copies of the Budget to Be Filed. A complete copy of the final budget as adopted herein shall be transmitted to the Office of the State Auditor, and to the Municipal Research and Services Center of Washington. Copies of the final budget as adopted herein shall be filed with the City Clerk and shall be made available for use by the public.

Section 3: Effective Date. This Ordinance shall be effective January 1, 2015.

ADOPTED by the City Council this 17th day of November, 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
2015-2016 Proposed Biennial Budget
PRELIMINARY

Fund	2015				2016			
	Beginning Fund Balance	Revenue	Expenditure	Ending Fund Balance	Beginning Fund Balance	Revenue	Expenditure	Ending Fund Balance
General Government Funds:	\$ 8,924,025	\$ 41,135,357	\$ 43,126,409	\$ 6,932,973	\$ 6,932,973	\$ 41,725,824	\$ 41,985,226	\$ 6,673,571
001 General Fund	4,034,368	35,216,695	35,123,845	4,127,218	4,127,218	35,797,653	35,576,448	4,348,423
101 Street O&M	-	1,893,850	1,893,850	-	-	1,948,250	1,948,250	-
102 Real Estate Excise Tax	1,647,206	800,000	2,447,206	-	-	800,000	800,000	-
103 Transportation Benefit District	-	572,000	572,000	-	-	685,000	685,000	-
104 Lodging Tax Fund	937,524	500,000	500,000	937,524	937,524	500,000	500,000	937,524
105 Property Abatement	200,000	-	100,000	100,000	100,000	-	100,000	-
106 Public Art	15,000	10,000	2,000	23,000	23,000	10,000	33,000	-
180 Narcotics Seizure	801,701	110,000	318,550	593,151	593,151	110,000	289,750	413,401
181 Felony Seizure	11,958	-	-	11,958	11,958	-	-	11,958
182 Federal Seizure	40,240	-	10,000	30,240	30,240	-	10,000	20,240
190 Grants	1,212	535,000	535,000	1,212	1,212	535,000	535,000	1,212
191 Neighborhood Stabil.Prog	171,345	-	-	171,345	171,345	-	-	171,345
192 OEA Grant	5,393	179,500	179,500	5,393	5,393	179,500	179,500	5,393
195 Public Safety Grants	-	149,810	149,810	-	-	-	-	-
201 GO Bond Debt Service	-	289,183	289,183	-	-	290,158	290,158	-
202 LID Debt Service	149	279,319	279,319	149	149	270,263	270,263	149
204 Sewer Project Debt	666,071	600,000	726,146	539,925	539,925	600,000	497,857	642,068
251 LID Guaranty	391,858	-	-	391,858	391,858	-	270,000	121,858
Capital Project Funds:	\$ 649,318	\$ 17,293,487	\$ 15,352,500	\$ 2,590,305	\$ 2,590,305	\$ 8,218,500	\$ 8,457,950	\$ 2,350,855
301 Parks	10,276	856,450	60,000	806,726	806,726	375,000	1,181,450	276
302 Transportation	-	14,620,037	13,772,500	847,537	847,537	7,541,500	7,276,500	1,112,537
311 Sewer Project	76,208	1,520,000	1,520,000	76,208	76,208	-	-	76,208
312 Sanitary Sewer Connection	562,834	297,000	-	859,834	859,834	302,000	-	1,161,834
Enterprise Fund:	\$ 3,317,526	\$ 3,091,669	\$ 3,158,640	\$ 3,250,555	\$ 3,250,555	\$ 2,702,500	\$ 3,539,060	\$ 2,413,995
401 Surface Water Management	3,317,526	3,091,669	3,158,640	3,250,555	3,250,555	2,702,500	3,539,060	2,413,995
Internal Service Funds:	\$ 4,329,760	\$ 4,838,882	\$ 4,371,200	\$ 4,797,442	\$ 4,797,442	\$ 4,585,970	\$ 3,890,950	\$ 5,492,462
501 Fleet & Equipment	3,936,339	1,987,240	1,429,720	4,493,859	4,493,859	1,987,240	1,242,220	5,238,879
502 Property Management	393,421	742,080	909,080	226,421	226,421	749,800	799,800	176,421
503 Information Technology	-	1,255,812	1,178,650	77,162	77,162	1,069,950	1,069,950	77,162
504 Risk Management	-	853,750	853,750	-	-	778,980	778,980	-
Grand Total All Funds	\$ 17,220,629	\$ 66,359,395	\$ 66,008,749	\$ 17,571,275	\$ 17,571,275	\$ 57,232,794	\$ 57,873,186	\$ 16,930,883

2015 PROPERTY TAX LEVY

Introduction

Washington state law requires cities to hold a public hearing on possible increases in the property tax revenues to be held prior to the time the city levies the taxes. The hearing must be held in November in order to provide the County with the information by November 30. Adoption of the property tax levy ordinance is also scheduled for November 17.

Per state statute, the City is authorized to increase its property tax annually up to the lesser of Implicit Price Deflator (IPD) or one percent (1%). The IPD in 2015 is 1.591% so the maximum the City may increase its property tax levy in 2015 is 1%.

Analysis

The following tables below provides a summary comparison of assessed value, city levy rate and city property tax levy and detailed calculation used for the City's 2015 property tax levy amounts being considered for collection in 2015.

	2014	2015 Estimate	Change	
			\$	%
Assessed Value	\$4,494,673,400	\$4,742,250,220	\$247,576,820	5.5%
City Levy Rate	\$1.4312	\$1.3769	-\$0.0544	-3.8%
City Property Tax Levy *	\$6,432,914	\$6,529,479	\$96,565	1.5%

** The City Property Tax Levy increase of 1.5% includes the 1% increase plus new construction, administrative refunds and increase in state-assessed property.*

According to the Pierce County Assessor-Treasurer's office, the City's total assessed value in 2015 is estimated to be \$4,742,250,220, which represents a 5.5% or \$247,576,820 increase from the City's total assessed in 2014 of \$4,494,673,400.

Tax Calculation Factor	Tax Levy
Highest Regular Tax levy	\$6,367,101
1% Increase	\$63,671
New Construction Estimate	\$26,168
Administrative Refunds	\$70,260
Subtotal	\$6,527,199
Increase from State-Assessed Property Estimate, Based on 2014 Actual	\$2,280
Total Preliminary 2015 Levy	\$6,529,479
2015 Preliminary Assessed Value	\$4,742,250,220
Levy Rate	\$1.3769
Levy Rate Calculation:	
2015 Preliminary Assessed Value	\$4,742,250,220
Divide by \$1,000	\$1,000
2015 AV Per \$1,000	\$4,742,250
2015 Preliminary Levy	\$6,529,479
Divide by 2015 AV Per \$1,000	\$4,742,250
2015 Preliminary Levy Rate per \$1,000	\$1.3769

The following table illustrates the impact of no increase and 1% increase to the average home owner assuming a 5.5% increase in assessed valuation. The assessed valuation of the average home in 2014 of \$212,540 increases by 5.5% to \$224,251.

- Under the no increase scenario, the property tax levy rate of \$1.3634 results in an additional \$1.57 property tax paid to the City.
- Applying the 1% increase property tax levy rate of \$1.3769 results in an additional \$4.58 property tax paid to the City.

	2014	2015 Estimate w/No Increase	Change from 2014		2015 Estimate w/1% Increase	Change from 2014	
			\$	%		\$	%
AV Average Home	\$212,540	\$224,251	\$11,711	5.5%	\$224,251	\$11,711	5.5%
City Levy Rate	\$1.4312	\$1.3634	-\$0.0678	-4.7%	\$1.3769	-\$0.0543	-3.8%
City Property Tax Paid	\$304.19	\$305.75	\$1.57	0.5%	\$308.77	\$4.58	1.5%

Note – The assessed valuation for individual properties may not necessarily increase by 5.5%, rather the assessed valuation for all properties in totality is increased by 5.5%.

City Council Options & Considerations

The options the City Council may take regarding the 2015 property tax levy are:

1. Levy the property taxes without any increase
2. Increase the property tax levy by 1%

The City's 2015 Budget includes an annual property tax increase of 1% as authorized by state statute. A 1% increase in property tax levy generates approximately \$63,671 in additional revenue for city services, or an additional \$3.02 per average homeowner in 2015.

Since 2006 the City has enacted the 1% increase as authorized by state statute. The cumulative impact of not taking the 1% increase in 2015 over the 6-year period (2015 - 2020) is roughly \$390,000.

The details of options 1 and 2 are detailed below.

Factors	2014	2015 - Option 1	2015 - Option 2
Base Levy Amount	\$6,281,033	\$6,367,101	\$6,367,101
1% Increase	\$62,810	\$0	\$63,671
New Construction Estimate	\$20,978	\$26,168	\$26,168
Administrative Refunds	\$65,813	\$70,260	\$70,260
Increase from State-Assessed Property Estimate, Based on 2014 Actual	\$2,280	\$2,280	\$2,280
Total Property Tax Levy	\$6,432,914	\$6,465,809	\$6,529,479
% Increase	2.42%	1.55%	2.55%
2014 Actual Assessed Value / 2015 Preliminary Assessed Value	\$4,494,673,400	\$4,742,250,220	\$4,742,250,220
Levy Rate Per \$1,000 AV	\$1.4312	\$1.3634	\$1.3769
City Tax Paid by Average Home Owner (Assume AV \$224,251)	\$304.19	\$305.75	\$308.77

Next Steps

- Adoption on November 17, 2014

The City will have the opportunity to modify its levy certification in December once it receives the dollar amount of the administrative refunds from the County.

Attachments

- Pierce County Assessor-Treasurer Information on:
 - Preliminary 2014 Assessed Values
 - Preliminary Tax Levy Limit 2014 for 2015
- Proposed 2015 Property Tax Ordinance



Pierce County

Mike Lonergan, Assessor-Treasurer

2401 South 35th Street
Tacoma, WA 98409-7498
(253) 798-6111 FAX (253) 798-3142
ATLAS (253) 798-3333
www.piercecountywa.org/atr

September 12, 2014

OFFICIAL NOTIFICATION TO: **LAKWOOD**

RE: 2014 PRELIMINARY ASSESSED VALUES

FOR REGULAR LEVY

Total Taxable Regular Value	4,742,250,220
Highest lawful regular levy amount since 1985	6,367,100.93
Last year's actual levy amount	6,432,913.55
Additional revenue from current year's NC&I	26,167.54
Additional revenue from annexations (RCW 84.55)	0.00
Additional revenue from administrative refunds (RCW 84.69)	70,259.67
<i>No additional revenue from administrative refunds will be allowed if you are limited by your statutory rate limit.</i>	
Last year's additional revenue from increase in state-assessed property	2,279.78

FOR EXCESS LEVY

Taxable Value	4,687,472,493
Timber Assessed Value	not available
Total Taxable Excess Value	4,687,472,493

2014 New Construction and Improvement Value 18,283,245

*If you need assistance or have any questions regarding this information, please contact Kim Fleshman
253.798.7114 kfleshm@co.pierce.wa.us.*



Pierce County

Mike Lonergan, Assessor-Treasurer

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PRELIMINARY TAX LEVY LIMIT 2014 FOR 2015

**LAKESWOOD
> 10,000**

REGULAR TAX LEVY LIMIT:

	2013
A. <u>Highest regular tax which could have been lawfully levied beginning with the 1985 levy [refund levy not included] times limit factor (as defined in RCW 84.55.005).</u>	6,367,100.93 1.01 6,430,771.94
B. Current year's assessed value of new construction, improvements and wind turbines in original districts before annexation occurred times last year's levy rate (if an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred).	18,283,245 1.431230476056 26,167.54
C. Current year's state assessed property value in original district if annexed less last year's state assessed property value. The remainder to be multiplied by last year's regular levy rate (or the rate that should have been levied).	56,130,716 56,130,716 0.00 1.431230476056 0.00
D. REGULAR PROPERTY TAX LIMIT (A + B + C)	6,456,939.48

ADDITIONAL LEVY LIMIT DUE TO ANNEXATIONS:

E. To find rate to be used in F, take the levy limit as shown in Line D above and divide it by the current assessed value of the district, excluding the annexed area.	6,456,939.48 4,742,250,220 1.361577136844
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00 1.361577136844 0.00
G. NEW LEVY LIMIT FOR ANNEXATION (D + F)	6,456,939.48

LEVY FOR REFUNDS:

H. RCW 84.55.070 provides that the levy limit will not apply to the levy for taxes refunded or to be refunded pursuant to Chapters 84.68 or 84.69 RCW. (D or G + refund if any)	6,456,939.48 70,259.67 6,527,199.15
I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G, or H)	6,527,199.15
J. Amount of levy under statutory rate limitation.	4,742,250,220 1.600000000000 7,587,600.35
K. LESSER OF I OR J	6,527,199.15

ORDINANCE NO. ____

AN ORDINANCE of the City Council of the City of Lakewood, Washington, relating to ad valorem property taxes; establishing the amount to be raised in 2015 by taxation on the assessed valuation of the property of the City; and setting the property tax levy rate for 2015.

WHEREAS, the City Council of the City of Lakewood has met and considered its budget for the budget years 2015 - 2016; and

WHEREAS, the City Council conducted the public hearing on the 2015 property tax levy on November 3, 2014;

WHEREAS, the City Council, after hearing and duly considering all relevant evidence and testimony, determined that it is necessary to meet the expenses and obligations of the City, to increase the regular property tax levy by the 1.0% limit factor as prescribed in RCW 84.55.101;

WHEREAS, the district's actual levy amount from the previous year was \$6,432,913.55; and

WHEREAS, the population of this district is more than 10,000; and

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

SECTION 1. Increase in the Highest Lawful Levy. The highest lawful levy for collection in 2015 is \$6,367,101, plus additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred and administrative refunds. The preliminary levy limit calculation includes: additional revenue from new construction in the amount of \$26,168; administrative refunds in the amount of \$70,260; and an increase from state-assessed property in the amount of \$2,280 for a total preliminary 2015 property tax levy of \$6,529,479.

SECTION 2. Dollar and Percentage Increase from the 2014 Actual Property Tax Levy. The dollar amount of the increase over the actual 2014 levy of \$6,432,914 (which is the regular levy of \$6,367,101 plus administrative refunds of \$65,813) is \$0 and 0 percent. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state-assessed property, any annexations that have occurred and administrative refunds.

SECTION 3. Estimated Tax Levy. The estimated 2015 regular property tax levy is established at the maximum 101 percent limit. The annual amount of property taxes and rates necessary to raise the estimated budget revenue in 2015 is hereby levied upon real and personal

property subject to taxation in the City as follows:

Estimated 2015 Tax Levy

True and Fair Value of Tax Base: \$4,742,250,220
Estimated Levy Rate: \$1.3769

SECTION 4. Maximum Allowable Levy and Certification. The estimated property tax revenues and rates will be subsequently adjusted by the Pierce County Assessor-Treasurer to the maximum allowable amount as specified by state law, including administrative refund, when the property values are finally certified. The levy certifications will then be completed using the final certified figures and forwarded to the Assessor-Treasurer.

SECTION 5. Effective Date. That this Ordinance shall be in full force and effect five (5) days after publication of the Ordinance as required by law.

ADOPTED by the City Council this 17th day of November, 2014.

CITY OF LAKEWOOD

Don Anderson, Mayor

Attest:

Alice M. Bush, MMC, City Clerk

Approved as to Form:

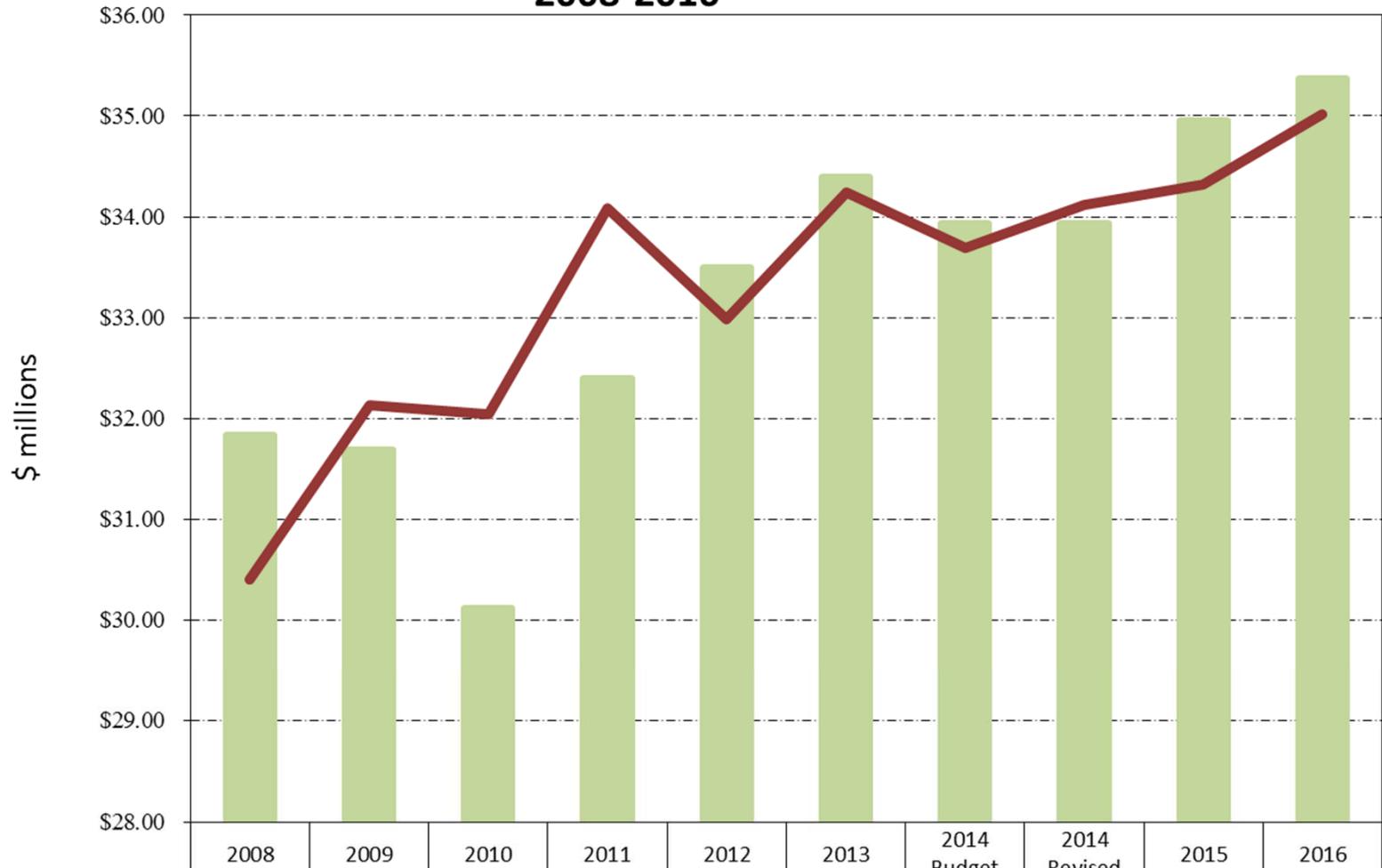
Heidi Ann Wachter, City Attorney



City of Lakewood
**2015-2016 Biennial Budget
& 2015 Property Tax Levy**
Public Hearing

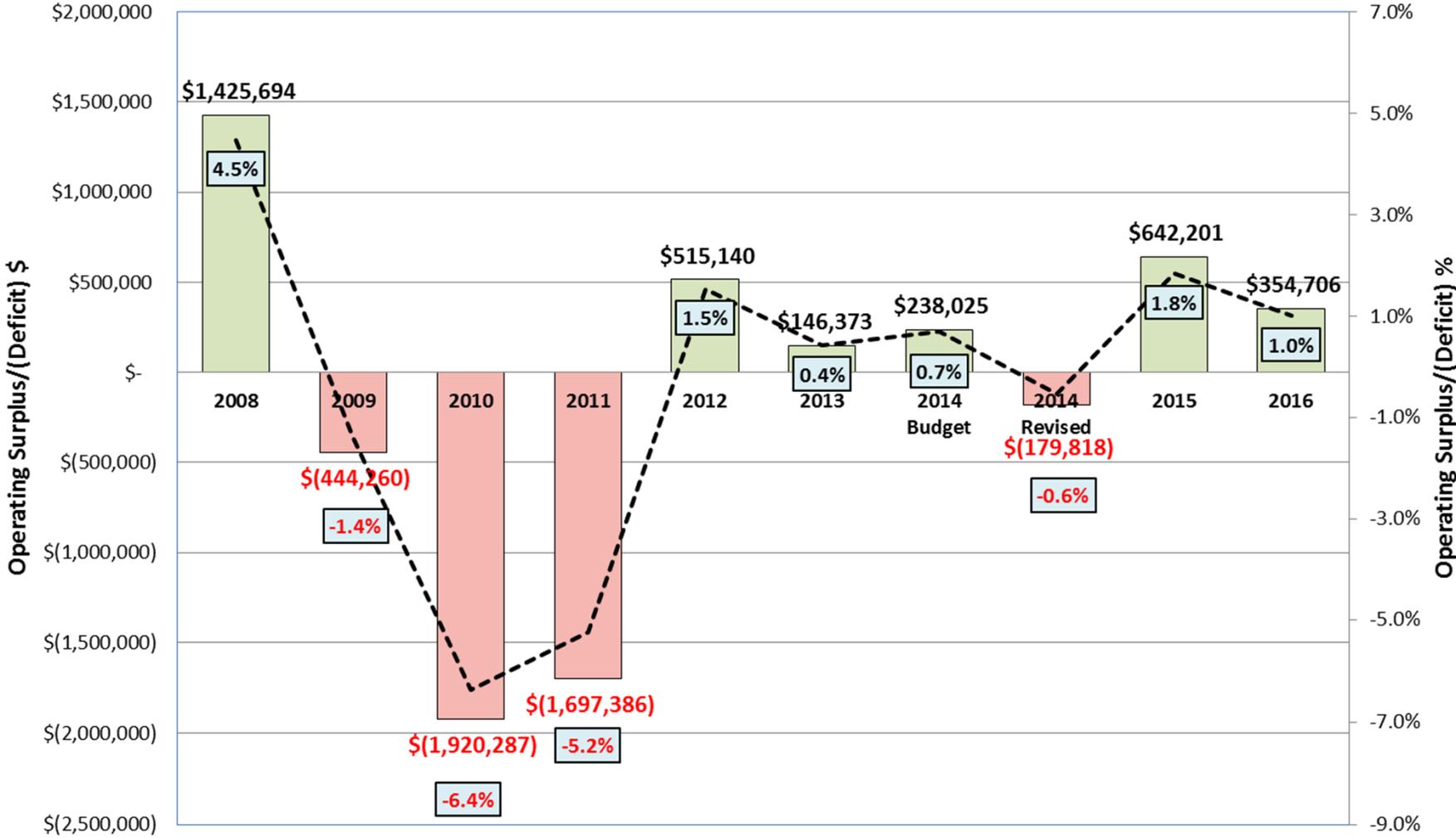
November 3, 2014

City of Lakewood General Fund Operating Revenues vs Operating Expenditures 2008-2016

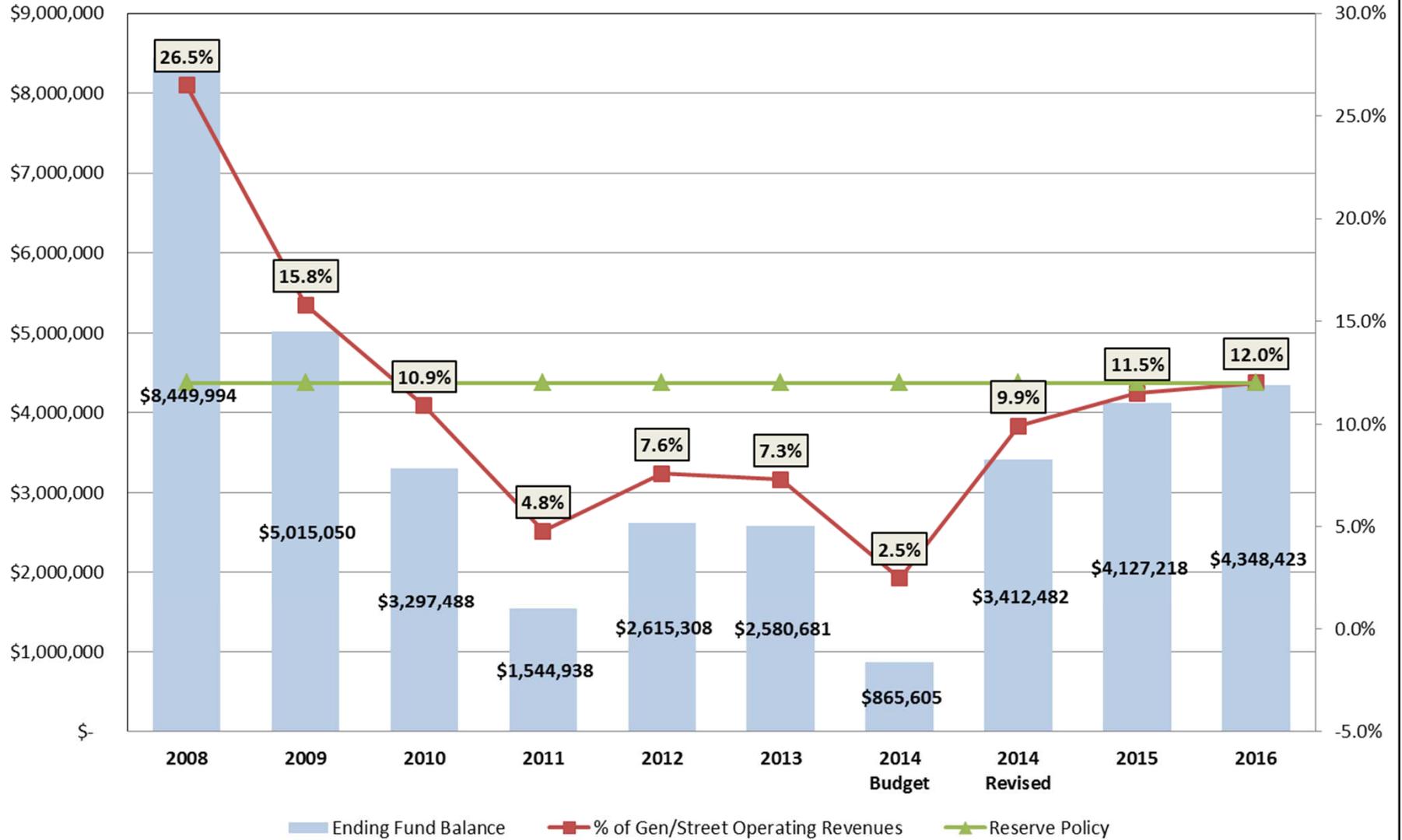


 Operating Revenue (mil)	\$31.83	\$31.68	\$30.12	\$32.39	\$33.50	\$34.39	\$33.93	\$33.94	\$34.96	\$35.37
 Operating Expenditures (mil)	\$30.40	\$32.13	\$32.04	\$34.09	\$32.98	\$34.25	\$33.69	\$34.12	\$34.32	\$35.02

City of Lakewood General Fund Operating Surplus/(Deficit) 2008 through 2016



City of Lakewood General Fund Ending Fund Balance 2008 to 2016



Budget Summary & Highlights

- * Balanced budget that does not include any reductions in services
- * Does not use one-time monies for ongoing programs
- * Operating expenditures do not exceed operating revenues
- * Replenishes reserves
- * Increased road and street investments
- * New park improvements
- * Consolidation and realignment of parks maintenance, street and traffic maintenance and facilities maintenance
- * Increased services in support of street landscape program, city gateways and entrances, and high traffic arterial roadways
- * Restores restroom access at city parks

Budget Summary & Highlights

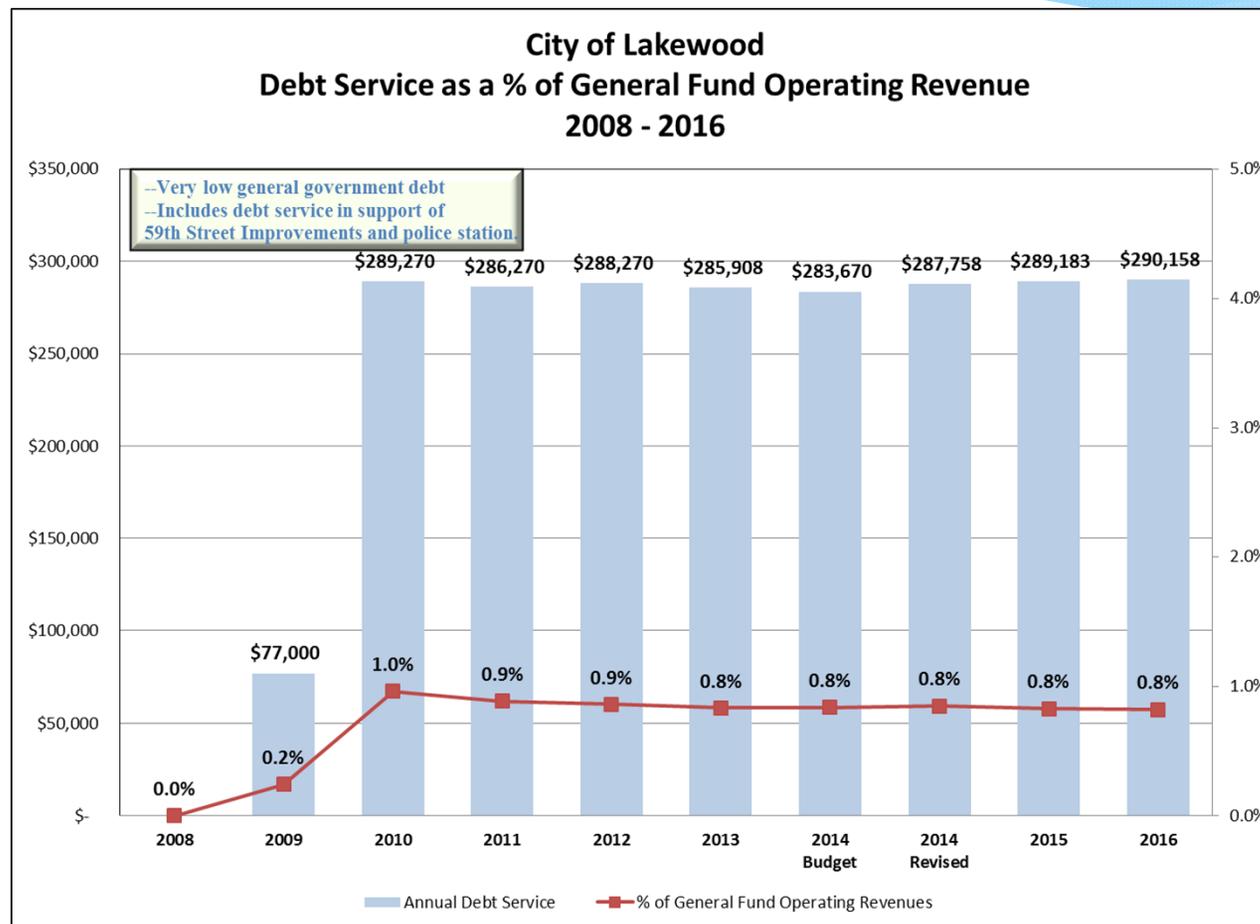
- * Realigns and integrates CSRT to Police Department
- * Increased emphasis on dangerous building abatements
- * Continues city's leadership in support of SSMCP
- * Implements changes and process improvements from Municipal Court capacity analysis
- * Continues providing court services to City of University Place and Town of Steilacoom and adds City of DuPont
- * Provides for information technology investments in support of document management and video arraignment
- * Begins to address property management needs at City Hall, Police Station and Parks O&M Facility

Budget Summary & Highlights

- * Includes funding in support of Landmarks and Heritage Advisory Board (LHAB) and Arts Commission
- * Continues partnership between City and West Pierce Fire and Rescue (WPFR) in support of shared emergency management services
- * Incorporates contractual obligations as outlined in collective bargaining agreements in support of employee compensation
- * Recognizes lower jail costs due to use of Nisqually Jail, which provides a lower cost and higher level of service to the City than surrounding facilities
- * Provides resources to conduct a community satisfaction survey
- * Includes creation of three new internal service funds

Budget Summary & Highlights

- * Budget does not include any new debt



Budget Summary & Highlights

- * Moving forward...
- * Development of six-year financial forecast
- * Continue review of operational efficiencies
 - Development services process to include resource needs and cost recovery analysis
 - Parks and recreation cost recovery analysis
 - Municipal court process to include options to implement paperless system
- * Prioritization of unfunded needs
 - Information technology and property management
- * Public Safety benefit/cost review

Other Issues Affecting the Budget

- * Tepid economic recovery
- * Change, uncertainty and unpredictability of economic conditions
- * Legislative challenges at state and federal level
 - Impact of McCleary decision
 - Loss of state-shared revenues and public works trust fund loan program, increased public defender costs
 - Domestic and international challenges facing federal government
 - Affordable Care Act

Conclusion

- * **Balanced operating budget**
 - * Sound underlying financial assumptions & policies in place
 - * Consistent with adopted financial policies
 - * Not using one-time funds for ongoing operations
 - * Operating expenditures do not exceed operating revenues
 - * Reserves are replenished, albeit over a three year period

- Maintains current level of service in public safety, economic development, recreation, development services, while increasing services in street preservation and park improvements

2015 Property Tax Levy

	2014	2015 Estimate	Change	
			\$	%
Assessed Value	\$4,494,673,400	\$4,742,250,220	\$247,576,820	5.5%
City Levy Rate	\$1.4312	\$1.3769	-\$0.0544	-3.8%
City Property Tax Levy *	\$6,432,914	\$6,529,479	\$96,565	1.5%

** The City Property Tax Levy increase of 1.5% includes the 1% increase plus new construction, administrative refunds and increase in state-assessed property.*

2015 Property Tax Levy

Tax Calculation Factor	Tax Levy
Highest Regular Tax levy	\$6,367,101
1% Increase	\$63,671
New Construction Estimate	\$26,168
Administrative Refunds	\$70,260
Subtotal	\$6,527,199
Increase from State-Assessed Property Estimate, Based on 2014 Actual	\$2,280
Total Preliminary 2015 Levy	\$6,529,479
2015 Preliminary Assessed Value	\$4,742,250,220
Levy Rate	\$1.3769
Levy Rate Calculation:	
2015 Preliminary Assessed Value	\$4,742,250,220
Divide by \$1,000	\$1,000
2015 AV Per \$1,000	\$4,742,250
2015 Preliminary Levy	\$6,529,479
Divide by 2015 AV Per \$1,000	\$4,742,250
2015 Preliminary Levy Rate per \$1,000	\$1.3769

2015 Property Tax Levy

	2014	2015 Estimate w/No Increase	Change from 2014		2015 Estimate w/1% Increase	Change from 2014	
			\$	%		\$	%
AV Average Home	\$212,540	\$224,251	\$11,711	5.5%	\$224,251	\$11,711	5.5%
City Levy Rate	\$1.4312	\$1.3634	-\$0.0678	-4.7%	\$1.3769	-\$0.0543	-3.8%
City Property Tax Paid	\$304.19	\$305.75	\$1.57	0.5%	\$308.77	\$4.58	1.5%

2015 Property Tax Levy

- * City's 2015 Budget includes a property tax increase of 1% as authorized by state statute.
- * Since 2006 the City Council has enacted the 1% increase.
- * If no 1% increase, then cumulative impact over next 6 years (2015 – 2020) is roughly \$390,000 that would not be available for City services.

2015 Property Tax Levy

* Options:

- 1) Levy the property taxes without any increase.
- 2) Increase the property tax levy by 1%.

2015 Property Tax Levy

Impact to Average Homeowner compared to 2014

Option 1: \$1.57

Option 2: \$4.57

Factors	2014	2015 - Option 1	2015 - Option 2
Base Levy Amount	\$6,281,033	\$6,367,101	\$6,367,101
1% Increase	\$62,810	\$0	\$63,671
New Construction Estimate	\$20,978	\$26,168	\$26,168
Administrative Refunds	\$65,813	\$70,260	\$70,260
Increase from State-Assessed Property Estimate, Based on 2014 Actual	\$2,280	\$2,280	\$2,280
Total Property Tax Levy	\$6,432,914	\$6,465,809	\$6,529,479
% Increase	2.42%	1.55%	2.55%
2014 Actual Assessed Value / 2015 Preliminary Assessed Value	\$4,494,673,400	\$4,742,250,220	\$4,742,250,220
Levy Rate Per \$1,000 AV	\$1.4312	\$1.3634	\$1.3769
City Tax Paid by Average Home Owner (Assume AV \$224,251)	\$304.19	\$305.75	\$308.77

Next Steps

- | | |
|-------------|---|
| November 10 | Review of 2015-2016 Proposed Biennial Budget
& Six Year Financial Forecast |
| November 17 | Adoption of 2015-2016 Biennial Budget
Adoption of 2015 Property Tax Levy Ordinance |

Q & A

