



CITY OF LAKEWOOD

2017/2018 PROPOSED BIENNIAL BUDGET

For the Biennium
January 1, 2017 through December 31, 2018



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Lakewood

Washington

For the Biennium Beginning

January 1, 2015

A handwritten signature in black ink, reading "Jeffrey R. Erwin".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation Award to the City of Lakewood for its biennial budget for the biennium beginning January 1, 2015. This is the City's first budget award since 2007. The award represents a significant achievement. It reflects the commitment of the governing body and staff to meeting the highest principles in governmental budgeting. In order to receive the budget award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of two years only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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Budget Message

October 3, 2016

Honorable Mayor, Deputy Mayor and City Council People of the City of Lakewood

Dear Mayor, Deputy Mayor, Councilmembers, and Fellow Residents:

I am pleased to present to you the City's 2017/2018 Proposed Biennial Budget, a financial roadmap for the City of Lakewood that totals \$78,791,357 in 2017 and \$89,976,039 in 2018. This represents a balanced budget for the coming biennium and provides the highest level of service to the community within existing financial resources.

This budget emphasizes health, safety, and welfare obligations followed by legal mandates, ensuring financial stability and integrity, with a focus on implementing City Council goals and achieving the community's vision to include public safety, economic development and increased infrastructure investment. Available resources are still constrained by very difficult economic conditions that began in late 2007 and will continue for the foreseeable future. This budget is the means for allocating the resources of the City to a variety of programs necessary to move our community toward its achievement of goals. With this proposed budget our organization remains focused on our key strategic goals while meeting the challenge of limited funding with the innovative service delivery that our citizens have come to expect.

This financial roadmap is essential to the future of Lakewood. This policy document represents our continued commitment to prudent fiscal management, effective service delivery and providing our citizens with the highest quality of life.

In September 2014, the City Council adopted a set of comprehensive financial policies that provides a vital framework for governance and decision-making especially in regard to those issues that substantively impact the City's budget. The financial policies have subsequently been reviewed and updated accordingly. These financial policies are the foundation for the City's recovery to a more sustainable financial future. They provide broad policy guidance related to the operating budget, fund balance and reserves, revenue and expenditure assumptions, interfund loans, debt management, capital investments, cash management and investments, financial reporting and the development of a six-year financial forecast. With the adoption of these financial policies, the City Council committed itself to follow them.

The City also began the development of a six-year financial forecast in 2014 to help provide more consistent delivery of services over time. The City continued to develop the financial forecast in 2015 and 2016 to include facts, assumptions, and details regarding current and projected economic conditions. This information ensures an accurate forecast of the City's financial future and strategizes how to address changes, which may impact service delivery.

This forecast also serves as a tool to examine financial trends and identify opportunities, particularly as new services or programs are evaluated.

The financial forecast serves as the mechanism to ensure investments, commitments, and contractual obligations “pencil” for at least six years. With each budget, the City updates expenditure and revenue projections for the next six years. Projections also include estimated operating costs for capital improvements that are included in the capital budget. This budget data is presented to the City Council in a form that will facilitate budget decisions, based on a multi-year perspective. This forecast is intended to be an internal planning tool and is included in the biennial budget document and updated annually as part of the adopted budget process in and the mid-biennial review.

In compliance with the Growth Management Act (GMA) legislation within the State of Washington, the City prepares a 6-Year Capital Improvement Plan which includes an inventory of existing facilities, a forecast of future needs, proposed locations, capacities for new or expanded facilities, and a financing plan. The financing plan outlines the costs, revenues, and time schedule for each capital improvement project. Capital project proposals include complete, reliable and attainable cost estimates, based on a thorough analysis of the projects and are expected to be as reliable as the level of detail known about a project. Project cost estimates will vary in reliability depending on whether they are to be undertaken in the first, second, or third biennium of the plan.

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.

Once adopted by the City Council, the budget establishes the direction for all City government programs and services for the coming biennium. It represents the synthesis of City Council direction and employee recommendations on how to best accomplish City Council Goals and respond to community needs in accordance with available resources, established policies as well as, sound financial and business practices. With this in mind, the review and adoption of the budget is one of the City Council's most important roles.

The Lakewood Community

The City of Lakewood is an optional code city and incorporated in 1996 with a current population of 58,800. Lakewood is the second largest city in Pierce County and the eighteenth largest in the State of Washington, covering over 19 square miles. Lakewood, with its abundant natural beauty, is the gateway to Mount Rainier National Park and Puget Sound waterways and islands is strategically located between Sea-Tac International Airport and Olympia, the State's Capital, and is a host community to both Joint Base Lewis McChord (JBLM) and Camp Murray, two major military installations.

JBLM is the largest Army military installation in the Western United States, the largest single-site employer in Washington State, and the State's second-largest employer behind only The Boeing Company. Our legacy and commitment to each other dates back almost 100 years to World War I and the creation of Camp Lewis which then became Fort Lewis followed by the

addition of McChord Air Force Base and now JBLM, the sole “Power Projection Platform” on the West Coast.

JBLM is a vital asset to our region and contributes tremendously to our local, regional and State-wide economy, employing thousands of service members as well as hundreds of contractors. Those military members have families who work, attend school, shop, eat, play and live in Lakewood and other surrounding communities.

Lakewood’s community is both residential and commercial, with the populace employed locally at JBLM and in the neighboring jurisdictions such as Tacoma, University Place, Steilacoom and unincorporated Pierce County. In 2014, there were 27,066 housing units in Lakewood, an increase of less than 0.5% over 2013. Of these units, 51% were single family homes, 45% multi-family units, and 4% mobile homes and trailers.

Lakewood is known for its lakes, natural beauty, and economic potential making development and redevelopment in the community very attractive. Interstate Highway 5 and State Highway 512 pass through Lakewood. The community is served by Pierce Transit and the Sound Transit systems, which have stations adjacent to the I-5 Corridor and the Towne Center. The combination of services from these agencies provides excellent public transportation to the greater Tacoma and Seattle areas.

Lakewood is home to over 3,500 businesses, and three retail trade areas including: Towne Center; 2.5 miles of Interstate 5 freeway frontage along Pacific Highway South; and our own thriving International District, influenced by Korean, Vietnamese, Latino and other ethnic cultures. Lakewood is also home to the Lakewood Industrial Park, which is fourth-largest private, for-profit employer in Pierce County and third-largest industrial business park in Washington State. Retail vacancy rates have decreased from 8.2% in 2013 to 5.8% in February 2016.

Total employment in Lakewood in 2015 is estimated at 24,243 (Bureau of Labor Statistics), which is an increase of 1,181 or 5% between 2012 and 2015. Additional jobs in construction, manufacturing, wholesale trade, professional/scientific & technology, healthcare, and food services are consistently being introduced to the community. Retail trade jobs have remained relatively flat, although the City has seen gains in retail sales tax.

Major employers are the Western State Hospital, Clover Park School District, Pierce College, Pierce Transit, Camp Murray, St. Clare Hospital, Aacres WA LLC, Walmart, Clover Park Technical College, and McClane Northwest.

Future Development in Lakewood

In 2015, the State Legislature adopted Connecting Washington, which is a \$16 billion transportation investment package to be implemented over the next 16 years. To many members of our Community, this package addresses the most pressing needs of Lakewood, JBLM, Camp Murray, and the rest of the South Sound region: fixing an aging and outdated infrastructure system along the Interstate 5/JBLM corridor between Lakewood and DuPont. This 7-mile stretch of I-5 is one of the State’s most congested points. This section of I-5 has not been improved or expanded since it was first built in the 1950’s. Its current design is not capable of

sustaining the traffic volumes it encounters today. The congestion is a result of the tremendous population growth that has occurred in the South Sound region the past 50 years and independent of JBLM.

The State Legislature authorized \$494.4 million in I-5/JBLM corridor improvements to include: addition of a fourth lane - north and south - along the corridor; a local connector road between Gravelly Lake Drive and North Thorne Lane, essentially opening up the Tillicum neighborhood to the rest of Lakewood for the first time since the interstate was constructed; and interchanges at North Thorne Lane, Berkeley Street and Steilacoom-DuPont Road will be rebuilt to include grade separation for rail trains. Construction is scheduled to begin in 2018.

Lakewood Cityhood

This year, the City of Lakewood celebrated its 20th anniversary of incorporation. Even though the City is only 20 years old, the Lakewood community has a rich and long history starting with the Nisqually, Steilacoom and Puyallup Tribes. This was followed by the Hudson Bay Company that settled in 1883 in what is now Lakewood, which even predates the incorporation of our neighbor, the Town of Steilacoom, the State's oldest incorporated municipality (1854), by 21 years.

Primary reasons for establishing Cityhood were to ensure local control on issues of public safety, land use, and parks and recreation. Citizens desired controlled, quality growth and community identity. Community members were also dedicated to improving Lakewood's image and addressing blight that had gone unabated for many years, as well as, maintaining fiscal responsibility and keeping local taxes for local services.

One of Lakewood's most amazing attributes, and a reason for its success, is the tremendous sense of civic pride and engagement which is evident by the level of community involvement and volunteerism that exists. Lakewood is strong because of the many citizens, residents, businesses and community and neighborhood groups that partner with the City to make improvements and address issues.

In the last 20 years empirical evidence supports that Lakewood has certainly delivered on its promises of incorporation. Today, Lakewood is a beautiful community marked by an abundance of parks, open spaces, and attractive, landscaped corridors. Lakewood has preserved its existing single-family neighborhoods while creating an urban center that supports a variety of residential and commercial uses in planned areas with high levels of public services. Since incorporation, crime is down almost 50%, while significant infrastructure improvements have been made in areas such as streets, sidewalks, and sewers, coupled with increased services and community amenities that did not exist prior to cityhood. These investments and much more such as public safety, economic development, fiscal responsibility, and high-quality municipal services will continue as top priorities as is outlined in the Proposed 2017/2018 Biennial Budget.

Lakewood Governance and Municipal Services

The City of Lakewood is governed by a seven member City Council that serves under a Council-Manager form of government. The City Council elects the Mayor and Deputy Mayor from among its members. The City Manager, who serves as the chief executive officer, is responsible for implementing the policies and goals of the City Council and provides leadership, coordination and development of City departments. The City Manager is appointed by, reports directly to, and serves at the pleasure of the City Council.

City services are provided through a combination of City employees, public and private contracts, and a number of partnerships to include community volunteerism and participation. The eight City departments are: City Manager, which includes community and intergovernmental relations; Legal, which includes prosecuting attorney, city clerk, and election services; Administrative Services, which includes finance, human resources and information technology; Municipal Court, which includes the provision of court services to the City of University Place, Town of Steilacoom and City of DuPont; Police, which includes jail services, dispatch services, animal control, and CSRT; Community and Economic Development, which includes CDBG and South Sound Military & Community Partnership (SSMCP) programs; Public Works, which includes storm water collection and treatment; and Parks, Recreation & Community Services, which includes senior services and human services.

Lakewood Water District provides water services and Pierce County Public Works and Utilities provide sewer services. Garbage and limited recycling is provided by Waste Connections under contract with the City. West Pierce Fire and Rescue (WPFR) provide fire protection and emergency medical services to the Lakewood community. The City contracts with Nisqually Corrections, Pierce County Sheriff's Office, and the cities of Fife, Puyallup and Wapato for jail services. Tacoma Power, Puget Sound Energy, and Lakeview Light and Power deliver electric services. Puget Sound Energy is the primary purveyor of gas services. Pierce Transit and Sound Transit supply public transportation services. The Pierce County Library System engages City residents through its library and reference services. Clover Park School District No. 400 provides educational programs for kindergarten through high school students throughout most of Lakewood with Steilacoom Historical School District No. 1 serving a small portion of the community.

Lakewood Vision Statement & Goals

The primary purpose of the City's budget process is to develop, adopt, and implement a fiscally sound and sustainable plan for accomplishing established citywide goals for the upcoming biennium; consistent with the City's Vision Statement and adopted goals of the City Council.

The City Council sets the vision for our City and adopts goals to reflect that vision and guide decision-making at all levels of City government. These goals will direct our community toward positive change and will serve as the policy direction for City government as well as the policy guide for developing and implementing the City's Proposed 2017/2018 Biennial Budget.

The vision statement is a working document that focuses on aligning departmental and organizational resources with the strategic priorities as identified by the City Council. These

priorities, along with the input derived from a comprehensive citizen satisfaction survey are reflected in the Proposed 2017/2018 Biennial Budget.

Vision Statement

On October 19, 2015, the City Council adopted the following Vision Statement (Resolution No. 2015-30) formalizing what Lakewood envisions looking like 30 years after incorporation. This Vision Statement replaces an earlier version, which came about in 1996 in response to some of the issues facing Lakewood just after incorporation. Since that time, many of the City's goals and objectives have been accomplished, and, thus, there was a need to update the vision statement. The new vision statement, which included significant public input via online community surveys, meetings with community groups and an open community interactive workshop, addresses community attitudes concerning current and anticipated issues affecting the City.

Our VISION for Lakewood is a thriving, urban, South Puget Sound City, possessing the core values of family, community, education, and economic prosperity. We will advance these values by recognizing our past, taking action in the present, and pursuing a dynamic future.

The City Council's VISION for Lakewood at its 30 Year Anniversary is a community:

- Inspired by its own sense of history and progress;
- Known for its safe and attractive neighborhoods, vibrant downtown, active arts and cultural communities;
- Sustained by robust economic growth and job creation;
- Recognized for the excellence of its public and private schools, and its community and technical colleges;
- Characterized by the beauty of its lakes, parks and natural environment;
- Acknowledged for excellence in the delivery of municipal services;
- Leveraging and embracing of our diversity; and,
- Supportive of Joint Base Lewis McChord (JBLM), Camp Murray, service members and their families.

Next steps, which is included as part of the Proposed 2017/2018 Biennial Budget, involve developing a strategic action plan to initiate actions and activities that support the community values identified in the Vision Statement.

Goals

The following five goals originally adopted by the City Council in July 2014, reaffirmed and modified in April 2016 by the City Council, provide overall policy guidance for the budget, and serve as a basis for decisions and recommendations for the next three-year period (2016-2018) and beyond.

The purpose of the goals are to guide the allocation of resources through the budget and capital improvement program to assure that organizational work plans and projects are developed that incrementally move the community toward positive change and the stated goals.

Goal 1: Fiscal Responsibility

The City of Lakewood maintains a strong fiscal position providing quality municipal services

Policy Objectives & Action Strategies

- Support a stronger, more prosperous community by making smart investments that accomplish lasting, tangible returns
- Adjust to changes in the service requirements of the community, maximizing resources and creating meaningful performance measures for programs and services
- Focus on total financial picture of the City rather than single-issue areas and promote long-term financial forecasting in support of day-to-day operations
- Continuously evaluate City revenues and expenditures with a view of maintaining a strong fiscal position while providing quality municipal services
- Perform organizational structure review for economic efficiencies and effectiveness, including contract services and vendors
- Do not balance the operating budget with one-time monies and/or reserves; one-time monies should be used for one-time projects, not ongoing or reoccurring programs
- Use performance measures and benchmark key community characteristics

Goal 2: Public Safety

The City of Lakewood is one of the safest cities in Washington State.

Policy Objectives & Action Strategies

- The City of Lakewood is safe
- Residents and visitors will experience a sense of safety in all neighborhoods and in all activities in the City of Lakewood
- Ensure adequate resources are available to maintain and ensure health, welfare, and safety of community
- Enhance community safety through expanded public awareness and educational programs

Goal 3: Economic Development

The City of Lakewood supports a dynamic and robust local economy through implementation of an effective economic development strategy.

Policy Objectives & Action Strategies

- Lakewood will support a dynamic and robust local economy with balanced and sustainable growth by implementing an economic development strategy that will create jobs and improve the tax base in the community with a particular focus on the community's commercial corridors
- Provide leadership and strategic guidance concerning economic development, including coordination with various stakeholders
- Create collaborative and effective working partnerships with the business community, and other key organizations to effectively manage the City's regulatory environment while accomplishing economic development goals
- Update and implement the Comprehensive Plan, Community Vision and key development regulations and other policies such as housing and capital facilities plan (CFP) in partnership with residents, neighborhoods and businesses
- Attract new housing development to accommodate military and all segments of population
- Explore ways the City can effectively stimulate economic development with our economic partners to address community-wide economic development issues (e.g., assistance to

existing businesses, business recognition, business retention and expansion strategies, business attraction strategies, community marketing)

- Promote an attractive Lakewood image to include a positive message about doing business in the City and leverage existing competitive advantages such as location, access, military, lakes, parks, golf courses, civic and community involvement, transit options, and wide variety of retail, restaurant and cultural activities.
- Promote better access (e.g., I-5, Bridgeport, Gravelly Lake Dr, 100th, 108th) and increase visibility to Towne Center and other commercial centers to take advantage of proximity to I-5 and six freeway exits
- If feasible, pursue annexation of selected areas within the City's Urban Growth Area (UGA)

Goal 4: Dependable Infrastructure

The City of Lakewood provides a safe, clean, and well-maintained community and provides preventative maintenance to avoid greater replacement costs.

Policy Objectives & Action Strategies

- Implement a capital improvement program that provides a safe, clean, and well-maintained community for the enjoyment of all residents and to provide preventive maintenance to avoid greater replacement costs
- Identify, review and prioritize capital infrastructure projects for transportation and parks
- Explore, identify and develop long-term funding strategies to maintain the City's infrastructure assets (i.e., Transportation Benefit District, voter-approved initiative, grants, etc.)
- Enhance curb appeal with ramp beautification, well maintained properties on major thoroughfares, right of way maintenance, and beautification plan for all entry points to the City
- Develop and implement a vision for parks and public spaces to improve quality of life and attract residents

Goal 5: Transparency

The City of Lakewood engages the community in City government to include providing timely and accurate information about City services as well as information about City actions and decisions.

Policy Objectives & Action Strategies

- Enhance and promote the community's image – "#IamLakewood"
- Develop and implement a coordinated communication and engagement plan that will better allow the City to share information about the good work the City is doing, as well as obtain feedback from those the City serves about community priorities and public services
- Engage the community in City government to include providing timely and accurate information about City services and openly share information about City actions and decisions
- Ensure transparency between the City as an organization and the community to encourage and promote citizen and civic engagement
- Actively participate in local and regional issues that impact the Lakewood community to include coordination and partnerships with military partners and educational institutions
- Committed to developing and maintaining a professional, highly qualified, well-trained, and service-oriented City workforce that utilizes sound business practices rooted in

accountability, ethical behavior, efficiency, technology, effectiveness, and responsiveness in the delivery of city services

- Promote the interests and needs of Lakewood in local, state, and national affairs
- Support human services for the benefit of residents of all ages
- Continue to promote and partner with various volunteer groups

In addition to the adopted Vision Statement and City Council goals, there are operational values that guide how the City's organization works toward goal achievement:

- Regional Partnerships -- Lakewood encourages and participates in regional approaches to service delivery to the extent that a regional model produces efficiencies and cost savings, and ultimately improves service to our citizens;
- Efficiency -- Lakewood is committed to providing public services in the most efficient manner possible and maximizing the public's return on their investment;
- Accountability -- The City of Lakewood is accountable to the community for the achievement of goals. To that end, meaningful performance measures will be developed for each goal area to track our progress toward the stated goals; and
- Proactive Focus -- Lakewood proactively focuses on the total condition of the City and promotes long-term financial and strategic forecasting and planning.

Each adopted goal also includes specific policy objectives and action strategies as well as a work plan outlining priority projects identified to implement each goal. These latter items and projects are not inclusive of all activities and services provided or undertaken by City departments, though they represent the leading priorities.

Organization of the Proposed 2017/2018 Biennial Budget

This budget message is intended to provide the City Council and community with a broad overview of the proposed budget, key changes and identified issues.

This document is separated into six sections:

1. The Introduction provides an overview of the City's organizational structure, City Council goals and priorities, budget process, and financial policies.
2. The Executive Summary includes a detailed analysis of revenues, expenditures, and statistical information concerning the City and related local economy.
3. The Operating Budget, which is mostly part of the General Fund, receives the greatest attention during the budget review process inasmuch as this fund provides the essential core services to the citizenry and is the largest of any City fund that is potentially subject to unexpected revenue fluctuations. The operating budget is composed of the following sub-sections:

- City Council
- City Manager
- Administrative Services
- Community & Economic Development
- Parks, Recreation & Community Services
- Public Works
- Legal
- Municipal Court
- Police

4. The Budget by Fund section offers a detailed analysis of revenues, expenditures, and changes in fund balance for each of the following funds:

General Fund

Special Revenue Funds

- Street
- Real Estate Excise Tax
- Transportation Benefit District (TBD)
- Hotel/Motel Lodging
- Property Abatement/Rental Housing Safety Program
- Public Art
- Narcotics Seizure
- Felony Seizure
- Federal Seizure Grant
- Community Development Block Grant (CDBG)
- Neighborhood Stabilization Program (NSP)
- Office of Economic Adjustment Grant (SSMCP)
- Public Safety Grants

Debt Service Funds

- General Obligation Bond Debt Service
- Local Improvement District Debt Service
- Sewer Project Debt Service
- Local Improvement District Guaranty

Capital Improvement Funds

- Parks Capital
- Transportation Capital
- Sewer Capital
- Sanitary Sewer Connection Capital

Utility Fund

- Surface Water Management

Internal Service Funds

- Fleet and Equipment
- Property Management
- Information Technology
- Risk Management

5. The Capital budget, which focuses on transportation improvements, surface water management systems, parks systems, information technology, and property management.
6. The Appendix section, which includes salary schedules, fee schedule, fleet and equipment schedule, glossary, acronym list, statistical section and line-item detail.

Linking the Budget with City Council Goals and Budgeting for Outcomes and Results

The key purpose of a municipal budget is to provide a link between City Council goals and the government programs that are measured to ensure those goals are being reached. The City must be receptive to the needs of the community and proactive in the management of development and revitalization in order to promote a safe and vibrant environment throughout the community.

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 continues the incorporation of 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 investment for programs and infrastructure.

Likewise, we are constantly seeking to improve our operations and services. By ensuring accountability and establishing a link between resources and results, performance measurement is one of the tools City employees use to guarantee continuous improvement.

Budget Summary and Highlights

The 2017/2018 Proposed Biennial Budget amounts to \$78,791,357 in 2017 and \$89,976,039 in 2018. The General Government Budget totals \$51,371,896 in 2017 and \$50,990,610 in 2018. This budget also includes \$11,210,442 and \$23,621,343 in support of capital improvements in 2015 and 2016, respectively. The utility budget, which consists of surface water management totals \$5,792,184 in 2017 and \$5,154,596 in 2018 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 \$10,416,834 in 2017 and \$10,209,490 in 2018.

	2016	2017	2018
	Year-End	Proposed	Proposed
General Government Funds	\$ 58,033,627	\$ 51,371,896	\$ 50,990,610
Capital Improvement Funds	32,871,847	11,210,442	23,621,343
Utility Fund	8,851,398	5,792,184	5,154,596
Internal Service Funds	8,442,922	10,416,834	10,209,490
Total	\$108,199,794	\$ 78,791,357	\$ 89,976,039

General Government Funds

The 2017 and 2018 General Government Operating Budget, includes Municipal Services: police, jail, dispatch services, animal control, CSRT, court, streets, traffic, parks, recreation, human services, land use and zoning, planning, development services, economic development, debt service, as well as, General Administration: finance, information services, human resources, community outreach and information. The Operating Budget amounts to \$51,371,896 and \$50,990,610 in 2017 and 2018, respectively.

Where the Money Comes From

The City expects to receive \$38,394,014 and \$38,997,938 in General Government operating revenue (General and Street O & M Funds) in 2017 and 2018, respectively. This operating revenue is supplemented with available fund balances of \$7,740,617 in 2017 and \$6,807,304 in 2018 as well as other financing sources, including interfund transfers between different funds for a general government budget totaling \$51,371,896 in 2017 and \$50,990,610 in 2018. Major operating revenues include sales tax, property tax, utility taxes, and other taxes such as gambling and admissions taxes. The balance of operating revenue is comprised of fines and forfeitures, State-shared revenue such as motor fuel tax, franchise fees, licenses and permits and charges for services.

	2016	2017	2018
GENERAL GOVERNMENT FUNDS	Year-End	Proposed	Proposed
Beginning Fund Balances	\$ 10,233,867	\$ 7,740,617	\$ 6,807,304
Operating Revenues			
Property Tax	6,644,634	6,711,734	6,812,400
Sales Tax	8,750,000	8,925,000	9,192,800
Utility Tax	5,644,000	5,644,000	5,644,000
Other Taxes	4,711,000	4,772,300	4,849,400
Franchise Fees	3,529,000	3,634,900	3,743,900
Licenses & Permits	535,500	577,500	577,500
Development Permits/Fees	1,190,370	1,304,214	1,354,391
State-Shared Revenues	2,070,919	2,082,936	2,083,000
Charges for Services	975,000	978,500	980,500
Other Intergovernmental	406,025	417,700	429,800
Fines & Forfeitures	1,982,219	1,982,219	1,982,219
Misc/Interest/Other	70,150	48,650	48,650
Interfund	1,491,185	1,314,361	1,299,378
Total Operating Revenues	38,000,002	38,394,014	38,997,938
Other Financing Sources	9,799,758	5,237,265	5,185,368
Total Revenues & Sources	\$ 58,033,627	\$ 51,371,896	\$ 50,990,610

Where the Money Goes

The 2017 and 2018 Operating Budget (General and Street O & M Funds) amounts to \$37,420,932 and \$38,482,317, respectively. These expenditures are supplemented with ending fund balances of \$6,811,305 in 2017 and \$6,380,253 in 2018, as well as, other financing uses, which account for investments in a number of special revenue funds and interfund transfers between different funds for a General Government budget totaling \$51,371,896 in 2017 and \$50,990,610 in 2018.

Public safety, which includes: police, jail, CSRT, dispatch services, animal control, and Municipal Court Services, which includes the provision of court services to the City of University Place, Town of Steilacoom and City of DuPont, comprise the largest component of the Operating Budget, representing 68% of total operating expenditures. The remainder of the Operating Budget includes: Community and Economic Development, composed of development services and permit review, economic development, CDBG and South Sound Military & Community Partnership (SSMCP) programs; Legal, which includes prosecuting attorney, City clerk, and election services; Parks, Recreation & Community Services, which consists of senior services and human services; Public Works, which contains street and traffic signal maintenance; Administrative Services, which includes finance, human resources and information technology; and City Manager, which includes community and intergovernmental relations.

	2016	2017	2018
GENERAL GOVERNMENT FUNDS	Year-End	Proposed	Proposed
Operating Expenditures			
City Council/City Manager	727,122	746,468	755,049
Municipal Court	2,128,783	1,996,463	2,053,330
Administrative Services	1,623,004	1,616,401	1,655,784
Non-Departmental	131,290	131,720	131,720
Legal	1,690,990	1,718,200	1,688,739
Community & Economic Development	1,935,268	1,871,780	1,926,371
Parks, Recreation & Community Services	2,677,682	2,630,206	2,641,869
Police	22,925,545	23,173,274	24,122,464
Interfund Transfers	1,728,029	1,539,731	1,525,313
Street O & M	2,172,804	1,996,689	1,981,678
Total Operating Expenditures	37,740,517	37,420,932	38,482,317
<i>Operating Surplus/(Deficit)</i>	<i>259,485</i>	<i>973,082</i>	<i>515,621</i>
Other Financing Uses	12,552,493	7,139,659	6,128,040
Ending Fund Balances			
Contingency (2% of GF Oper Rev)	735,870	747,287	759,665
Reserves (5% of GF Oper Rev)	1,839,676	1,868,218	1,899,163
Strategic Reserve (5% of GF Oper Rev)	1,839,676	1,868,218	1,899,163
Designated/Reserved:			
Real Estate Excise Tax	210,249	319,249	105,784
Transportation Benefit District	-	4,000	8,000
Hotel/Motel-Tourism	969,290	469,290	419,290
Property Abatement/Rental Housing Safety	-	-	80,319
Public Art	11,074	19,074	27,074
Seizure Funds	180,532	150,632	120,732
NSP	676	676	-
OEA/SSMCP	79,867	-	-
Debt Service	973,499	913,822	1,061,060
Subtotal Designated/Reserved	2,425,187	1,876,743	1,822,259
Designated/Reserved (one-time)	900,208	450,839	3
Total Ending Fund Balances	\$ 7,740,617	\$ 6,811,305	\$ 6,380,253
	-	-	-
Total Expenditures and Uses	\$ 58,033,627	\$ 51,371,896	\$ 50,990,610

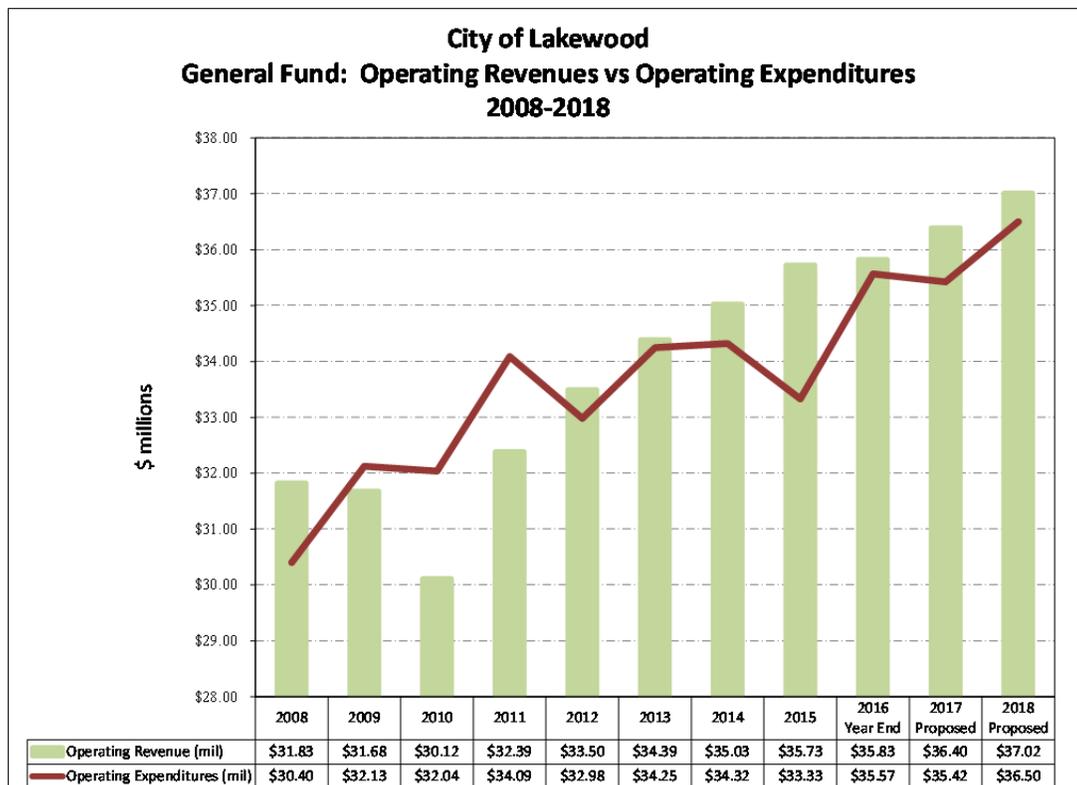
Key Financial Highlights

The following highlights are included in the 2017-2018 Proposed Biennial Budget.

General Fund operating revenues are projected to grow 1.6% in 2017 and another 1.7% in 2018, which is on par with historical trends between 2009 and 2016, which averaged growth totaling 1.5% per year. General Fund operating expenditures are projected to decrease -0.4% in 2017 followed by 3.0% growth in 2018 reflecting the continued cost containment changes needed to align operating revenues with operating expenditures short, medium and long-term. Overall, these projections are in line with historical trends between 2009 and 2016, which averaged growth totaling 2.1% per year.

General Fund		
Year	Operating Revenue	Operating Expenditures
2009	-0.5%	5.7%
2010	-4.9%	-0.3%
2011	7.5%	6.4%
2012	3.4%	-3.2%
2013	2.7%	3.8%
2014	1.9%	0.2%
2015	2.0%	-2.9%
2016 Year End	0.3%	6.7%
Average ('09-'16)	1.5%	2.1%
2017 Proposed	1.6%	-0.4%
2018 Proposed	1.7%	3.0%
Average ('09-'18)	1.6%	1.9%

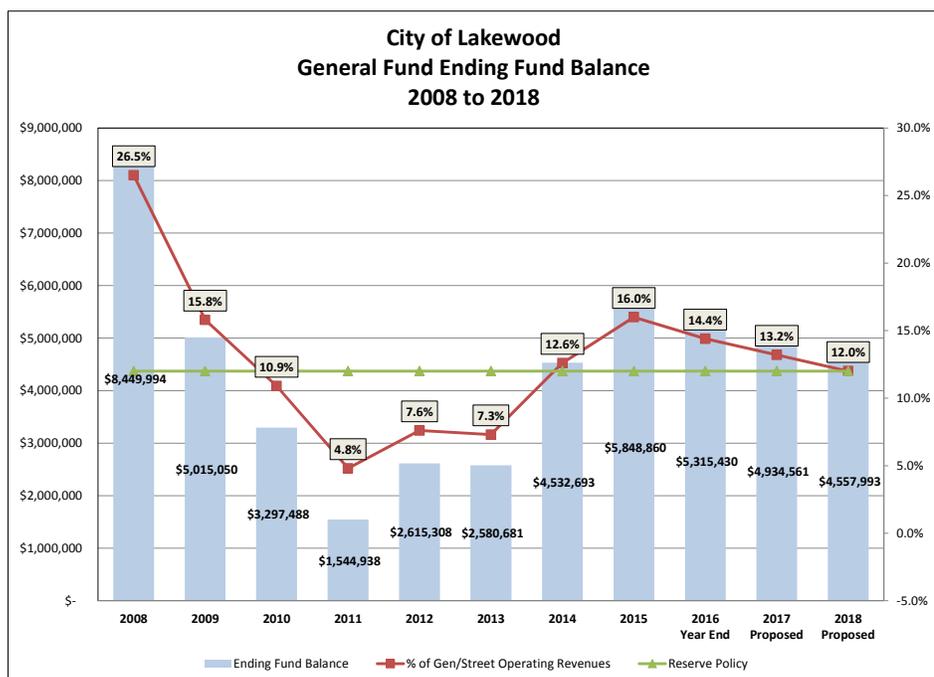
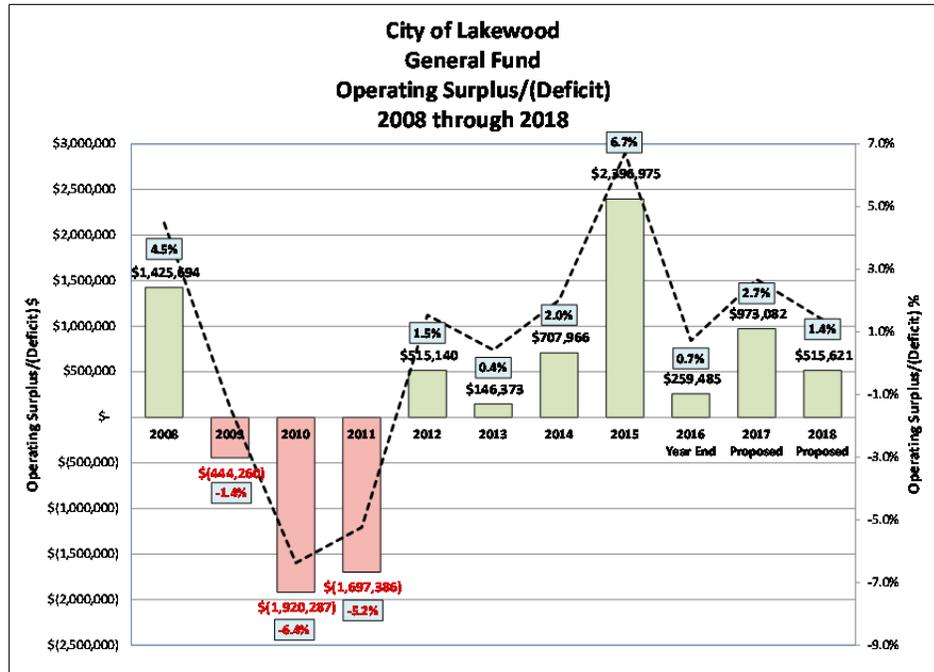
Over the next two years the General Fund will be balanced and operating expenditures will not exceed operating revenues, resulting in a small but positive operating margin in both 2017 and 2018, though challenges still do exist as we look out beyond the biennium. We remain mindful of escalating operating expenditures and challenges in the years to come.



The City Council’s adopted financial policies include strong policies regarding the reserve levels for the City’s operating funds. Specifically, this budget continues to meet the expectation that reserves shall be at least 12% of total General Fund and O&M Fund revenues.

Following the recent economic downturn, the City was able to restore its reserves by the end of 2014, which was well in advance of the projected 2016 target date. It is important to remember that much of the reserves are established to address dramatic fiscal difficulties. To address such emergencies, the budget also 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.

All other ending fund 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.



Budget Summary

The budget includes funds in support of the following:

- Conduct a community satisfaction survey as a follow up to the 2015 survey to again 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 and compare the results of past and future surveys and it will be benchmarked to similar cities both locally and nationally;
- Continues with a proactive State and Federal legislative agenda that promotes and protects the interests and needs of the Lakewood community;
- Funding allocated in support of Landmarks and Heritage Advisory Board (LHAB) and Arts Commission consistent with previous years. Also, additional funding totaling \$27,074 is projected to be available in the Public Art Fund by the end of 2018;
- Internal resources to work with the Pierce County Library System to construct a new Lakewood Library and Tillicum Library;
- Strong and transparent financial reporting to include the preparation of a Popular Annual Financial Report (PAFR); six-year financial report; Municipal Finances 101; performance measures; debt manual; purchasing policies; enhancement of the City's volunteer and internship programs; and revenue audits, specifically admissions taxes and utility taxes.
- Targeted economic development with a specific focus on the Central Business District/Towne Center and subarea plan, I-5 retail frontage along Pacific Highway South, Woodbrook Industrial Business Park, International District, Springbrook and Tillicum;
- Preparation of Community Visioning Strategic Action Plan and facilitate Comprehensive Plan update process along with various code updates to include LMC 18A (food trucks, sign code), international fire code (sprinkler system), aggressive begging, and unmanned aircraft system (UAS) rules and regulations;
- Implement rental housing safety program (standalone recommendation as part of Community & Economic Development Department);
- Continue proactive abatement program;
- 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 and begin implementing recently completed Joint Land Use Study (JLUS) with a continued focus on protecting JBLM from urban encroachment by addressing land use issues, transportation and finding solutions to address the North Clear Zone (NCZ);
- Prepare Legacy Plan report card;

- The consolidation and realignment of parks maintenance, street and traffic maintenance and facilities maintenance that began in 2015 to provide for operational efficiencies and coordination and delivery of services is complete. Next steps are to expand street maintenance services such as vegetation management, crack sealing, striping and pothole response;
- Additional marketing in support of City sponsored events coupled with expanding Adopt-a-Street and Adopt-a-Park/Spot programs;
- Continue commitment to setting aside 1% of General Fund for human and social services to include homelessness and mental illness;
- Contracted services to provide municipal court services to the City of DuPont, City of University Place and Town of Steilacoom;
- Implementation of Veteran's Court, evaluate video hearings opportunities with Pierce County Jail, and review indigent screening program;
- Crime reduction will continue to be a top priority for our City's Police Department;
- Resources to expand in-car camera program for Police Department as well as continued use of Pred-Pol (Predictive Policing) and to determine its effectiveness on property crime reduction;
- Continue imbedded mental health professional (MHP) with police patrol coupled with continued efforts to mitigate the impacts of homelessness in our community; and
- Continues the partnership between the City and West Pierce Fire and Rescue (WPFR) in support of shared emergency management services.

Capital Improvement Funds and Utility Fund

As the City continues to recover from the economic downturn, it is critical that adequate funding be dedicated to maintain aging infrastructure. The 2017 and 2018 capital budget, which includes parks, transportation, and sewers, amounts to \$11,210,442 and \$23,621,343, respectively. It is a reflection of an allocation of resources into streets, sidewalks, and parks projects that have been identified as a high priority goal by the City Council.

Funding in support of parks and transportation is primarily grants, which are projected to total over \$22 million for the 2017/2018 biennium. Other funding sources include dedicated capital revenue such as fuel taxes, transportation benefit district funds, real estate excise taxes (REET), community development block grant (CDBG), and storm water fees (SWM). The budget also proposes \$550,000 in lodging tax funds to help finance a Park Pavilion at Fort Steilacoom Park along with two new gateways.

This budget continues a General Fund contribution that totals \$500,000 for both 2017 and 2018 in support of transportation projects and provides another \$230,000 in support of parks projects. These monies coupled with other dedicated monies provide the critical leverage needed to effectively compete and be awarded millions in grant funds for much needed infrastructure improvements.

As outlined in the following table, funding totaling \$3,360,000 is allocated in support of 16 park improvements projects for 2017 and 2018. Projects include: continued improvements at Fort Steilacoom Park, the continuation to install entrance signs at City gateways, first phase of improvements at Harry Todd Park, next expansion of Springbrook Park, improvements at Wards Lake, and trail improvements at the Chambers Creek properties in partnership with the City of University Place and Pierce County. This budget also includes funding to replace banners and brackets along Main Street, replacement of playground equipment, needed playground resurfacing, and funding to help support the large number of projects being implemented.

Proposed Park Projects		2017	2018
1	Chamber Creek Trail **	\$ -	\$ 100,000
2	Edgewater Dock **	-	100,000
3	Fort Steilacoom Park Pavilion **	800,000	-
4	Fort Steilacoom Park Roadway & Utility Improvements **	-	100,000
5	Fort Steilacoom Park Angle Lane Parking & Elwood Fencing	-	130,000
6	Gateway: Farwest Drive & Steilacoom Blvd	-	50,000
7	Gateway: Lakewood Drive & 74th	50,000	-
8	Gateway: Northgate & Nottingham **	-	50,000
9	Gateway: Old Military Road & Natalie Lane **	50,000	-
10	Harry Todd Park Ph I (ADA, dock access, bulkhead, shoreline, open space) **	-	1,150,000
11	Main Street Banners & Brackets	10,000	-
12	Park Equipment Replacement	20,000	20,000
13	Park Playground Resurfacing: -- various parks	20,000	10,000
14	Project Support	50,000	50,000
15	Springbrook Park Acquisition Phase III **	500,000	-
16	Wards Lake Improvements	-	100,000
Total		\$ 1,500,000	\$ 1,860,000

** Funding contingent upon anticipated grants & state capital budget.

For the six year period, 2017 to 2022, the City is currently expected to invest over \$56.5 million in 43 transportation projects, including pavement preservation, street and sidewalk improvements, traffic signals, neighborhood safety, and LED streetlights.

The following table illustrates this commitment. This budget includes funding in support of 30 transportation improvement projects totaling \$8,113,000 for 2017 and \$19,958,600 in 2018.

Proposed Transportation Projects		2017	2018
1	Chip Seal Program: Local Access Roads	\$ 330,000	\$ 330,000
2	Overlay: 59th -- Main Street to 100th	-	496,000
3	Overlay: 88th -- Steilacoom Blvd to Custer	60,000	215,000
4	Overlay: Lakewood Dr -- Steilacoom Blvd. to North City Limits	1,210,000	-
5	Overlay: Steilacoom Blvd/88th Street (Weller to Custer)	11,500	1,010,500
6	Street: 123rd St -- Bridgeport to 47th	-	333,000
7	Street: Oakbrook Dr (87th to 89th)	-	407,000
8	Street: Roadway Safety Improvements on 40th & 96th	777,500	-
9	Street: Steilacoom Blvd -- Farwest to Philips	88,000	78,000
10	Street: Lakewood Dr -- Steilacoom Blvd. to North City Limits **	376,000	3,794,100
11	Street: Northgate Rd/Edgewood Ave from JBLM to Washington Blvd **	200,000	1,932,000
12	Street: Steilacoom Blvd (Philips to Farwest) ROW Phase I (Weller to Philips) & Phase II (Weller to Farwest) **	702,000	-
13	Street: Steilacoom Blvd (Weller to 88th St) **	-	304,000
14	Street: Washington Blvd Sidewalks (Edgewood to Vernon) **	150,000	1,155,000
15	Street: Washington Blvd Sidewalks (Vernon to Gravelly Lake Dr) **	650,000	4,200,000
16	Sidewalk: Gravelly Lake Dr Phase I (59th to Steilacoom Blvd) and Phase II (Bridgeport to 59th) **	70,000	630,000
17	Traffic Signal: Durango & Steilacoom (LID option)	-	220,000
18	Traffic Signal: Safety Improvements at Military & 112th	675,000	-
19	Traffic Signal: Signal Project	-	60,000
20	Streetlights: New LED Lights	160,000	165,000
21	Minor Capital	-	50,000
22	Street Striping/Pavement Patching/Marking	200,000	200,000
23	Safety: Neighborhood Traffic Safety/Traffic Calming	25,000	25,000
24	Safety: Safe Routes to Schools -- John Dower Road Sidewalks	700,000	-
25	Safety: Safe Routes to Schools -- Steilacoom Blvd (Weller to Phillips)	-	652,000
26	Safety: Phillips Rd Sidewalk & Bike Lanes Phases I -II (Steilacoom to Onyx) **	650,000	120,000
27	Safety: Safety Projects (2)	450,000	-
28	Non-Motorized Trail: Gravelly Lake Dr Phase I -- Washington Blvd to 112th (Nyanza North)	150,000	2,840,000
29	Complete Streets: Motor Ave Complete Streets **	-	250,000
30	Personnel, Engineering & Professional Services	478,000	492,000
Total		\$ 8,113,000	\$19,958,600
** Funding contingent upon anticipated grants & state capital budget.			

The six year Capital Improvement Plan (2017-2022) includes six transportation projects that were previously unfunded: 1) Motor Avenue complete street (2018/2019), 2) fencing/ROW improvements along 100th between Bridgeport and Lakeview (part of 100th Street overlap project in 2020/2021); 3) 123rd St connection between Bridgeport and 47th Ave (2018 to 2020); 4) Oakbrook – Onyx Dr. between 87th and 89th (2018); 5) Oakbrook – Onyx between Garnet and Phillips (2021/2022); and 6) Veteran’s Dr. between Gravelly Lake Dr. and Alameda (2021/2022). Project timing is based upon available revenue stream.

The six year capital improvement plan (2017-2022) also carries forward eight other prioritized unfunded projects that total \$25.2 million.

The 2017 and 2018 Surface Water Management (SWM) Utility Fund amounts to \$5,792,184 and \$5,154,596, respectively, and includes both a maintenance operating and construction component. This budget continues to implement a storm water management program that meets the requirements of the NPDES Phase II permit, which includes for example, the development of a long-term management plan for Waughop Lake.

As illustrated in the table below, the SWM Utility Fund also provides funding in support of park and transportation construction projects with a storm water element. This capital funding totals \$443,650 in 2017 and \$1,572,000 in 2018, which is consistent with SWM investments in recent years. The good news is that the City has been able to make significant SWM improvements as part of both recent transportation and park construction projects, however, the challenge is that these one-time monies, which accumulated over a number of years, will no longer be available in the future at the level consistent with current trends. Similarly, SWM maintenance expenses are projected to exceed SWM revenues that are collected specifically to finance this program.

To address this, the 2017/2018 budget includes \$50,000 to conduct a storm water rate analysis to ensure utility revenue is sufficient in meeting both maintenance and construction needs beyond the current biennium. The budget also recommends a review of the City’s sewer services program to include the development of a strategy and prioritization process to invest the accumulation of sewer charges that will total \$929,240 by the end of 2018 in the Sewer Project Debt Service Fund (204), the accumulation of funds that will total \$39,173 by the end of 2018 in the Sewer Capital Project Fund (311) and the accumulation sewer availability charges that will total \$1,191,482 by the end of 2018 in the Sanitary Sewer Connection Capital Fund (312). In the meantime, the budget includes funding in support of side sewer connections, 150th Street extension and design for North Thorne Lane sewer extension.

Proposed Storm Water Utility Projects		2017	2018
1	Storm Water Rate Analysis & Sewer Services Review	\$ 50,000	\$ -
2	Transfer to Fund 301 Parks CIP	50,000	200,000
3	Transfer to Fund 302 Transportation Capital	493,650	1,372,000
Total		\$ 593,650	\$ 1,572,000

Proposed Sewer Utility Projects		2017	2018
1	Side Sewer Capital	\$ 50,000	\$ 50,000
2	150th Street Sewer Extension	240,000	-
3	North Thorne Lane Sewer Extension	-	35,000
Total		\$ 290,000	\$ 85,000

Internal Service Funds

The 2017 and 2018 Internal Service Funds amounts to \$10,416,834 and \$10,209,490, respectively. This budget includes four internal service funds: Fleet & Equipment, Property Management, Information Technology and Risk Management. The purpose of these funds is to account for all costs associated with operating and maintaining the City’s vehicles, equipment, City owned facilities, information systems, and risk management functions.

The benefits of internal service funds include: measuring the full cost of the goods or services in order to attain greater economy, efficiency, and effectiveness during the acquisition and distribution of common goods and services used by the operating departments, as well as, facilitating the equitable sharing of costs among departments served. In order to achieve these benefits, costs are charged back to the departments that use services on a cost reimbursement basis.

The following is a summary of the vehicle and equipment replacements in the 2017/2018 proposed budget. This budget also includes the acquisition of a street paint striper, propane infrared burner and crack sealer in support of street and facility maintenance services. Acquisition costs are offset by the costs needed to, for example, stripe 12 City owned parking lots with a street paint striper, and costs to rent a crack sealer each year.

Proposed Fleet & Equipment Acquisitions		2017	2018
1	Replace police vehicles (6)	\$ 265,000	\$ -
2	Replace police vehicles (5)	-	208,000
3	Replace park vehicles (2)	56,000	-
4	Replace parks equipment (2)	260,000	-
5	Replace park vehicles (2)	-	68,000
6	Replace parks equipment (2)	-	18,000
7	Purchase New Street Paint Striper	9,000	-
8	Purchase New Propane Infrared Burner	8,500	-
9	Purchase New Crack Sealer	63,000	-
Total		\$ 661,500	\$ 294,000

This table outlines the projects that are included in the 2017/2018 property management budget. These improvements are consistent with the six-year property management plan developed in mid-2016 and ensure the preservation and maintenance of City-owned facilities.

Proposed Property Management Projects		2017	2018
1	City Hall: Exterior Beam Painting	\$ -	\$ 75,000
2	City Hall: Boiler Repair & Replacement	18,000	-
3	Police Station: Wall in Fuel Island	20,000	-
4	Police Station: Sprinkler System in Server Room	39,000	-
5	Park O&M Facility: HVAC Replacement	12,000	-
6	Park O&M Facility: LED Lighting	10,000	-
7	Park O&M Facility: Fuel Storage Shed	10,000	-
Total		\$ 109,000	\$ 75,000

As outlined in the following table, new information technology programs and system upgrades are also included in the budget. These items are consistent with the *Information Technology Plan*. First, is the continuation of replacing and updating the City’s information technology hardware and software systems. The budget also includes funds to replace the City Council

Chambers technology, which was installed when City Hall was first constructed over 14 years ago, and is past its end-of-life. The system does not meet standards for public broadcast of streaming of City Council meetings. In addition to broadcasting City Council meetings, the new system will provide an added benefit for many City events, such as, the Farmer’s Market, Christmas Tree Lighting and 9/11 Remembrance Ceremony, and will be used in the area outside and adjacent to the chambers. The budget also includes funding for a document management system and workflow system that will manage all City documents electronically to support the City transitioning to paperless. These investments also build upon deferred information technology projects that were funded beginning in 2014 and include computer, laptop and telephone system replacement.

Proposed Information Technology Investments		2017	2018
1	Primary & Secondary Data Center	\$ -	\$ -
	a) Network Switches & Routers	160,000	-
	b) Server/Hardware Upgrades	30,000	-
	c) Disaster Recovery Co-Location Implementation (Police Station)	48,000	17,300
	d) Firewall & Intrusion Detection Systems	-	50,000
2	City Council Chambers Technology	126,000	15,000
3	Computer Replacement	138,750	138,750
4	Document Management, Work Flow & Paperless System	-	-
	a) Municipal Court Workflow System	50,000	9,700
	b) Legal Workflow System	50,000	4,870
	c) Document Management System -- Electronic Records	150,000	150,000
5	Web Site Enhancement	15,000	-
6	Redesign the City's Permit Process/Eden Web Extensions	-	-
7	Vulnerability & Penetration Testing	35,000	18,500
8	Wireless Access Points (Wi-Fi)	10,000	-
Total		\$ 812,750	\$ 404,120

Since personnel costs comprise over 62% of General Fund expenditures, the following table illustrates the underlying assumptions associated with employee compensation included in the 2017/2018 proposed biennial budget.

Employee Compensation Assumptions	2017	2018
Employee Salaries		
Non-represented employees (1)		
Salary range adjustment	3%	3%
Cost of living adjustment (COLA)	0%	0%
Step increase	0%	0%
Represented employees		
AFSCME (2)		
Cost of living adjustment (COLA)	n/a	n/a
Step increase	n/a	n/a
LMPG (Police Lieutenants) (3)		
Cost of living adjustment (COLA)	2.5%	2.5%
Step increase	4.8%	Max step
LPIG (Police Officers, Detectives, Sergeants) (4)		
Cost of living adjustment (COLA)	2%	3%
Step increase	3.5%	3.5%
Teamsters (5)		
Cost of living adjustment (COLA)	2%	2%
Merit	1%	1%
Step increase	0%	0%
Employee Benefits		
Healthcare		
Medical	7%	6%
Dental	3%	4%
Vision	3%	3%
Medicare	1%	1%
Unemployment	2%	2%
Long Term Disability		
Commissioned police officers	0%	0%
All other city employees	0%	0%
(1) Salary increases are based solely on merit and performance.		
(2) AFSCME, Collective Bargaining Agreement expires 12/31/2016, negotiations underway		
(3) LMPG, 3-Year Collective Bargaining Agreement (2016 to 2019)		
(4) LPIG, 5-Year Collective Bargaining Agreement (2016 to 2020)		
(5) Teamsters, 3-Year Collective Bargaining Agreement (2016 to 2018)		

The following tables illustrates first the number of regular full-time equivalents (FTEs) that were employed by the City between 2014 and 2016 coupled with those positions that are included as part of the 2017/2018 budget.

Full-Time Equivalent Employees by Department	2014	2015	2016-Adp	2017-Prop	2018-Prop
General Government					
City Manager	3.00	3.00	3.00	3.00	3.00
Municipal Court	16.00	12.50	12.50	11.00	11.00
Finance, Information Systems & HR	20.85	16.00	16.00	16.00	16.00
Legal & City Clerk	11.98	12.50	12.50	11.00	11.00
Subtotal General Government	51.83	44.00	44.00	41.00	41.00
Community & Economic Development					
	19.00	16.00	16.00	17.50	17.50
Parks, Recreation and Cultural Services					
	22.70	18.25	18.25	24.25	24.25
Police					
	121.00	116.00	116.00	116.00	116.00
Public Works *					
	27.90	26.00	24.00	20.50	19.50
Total	242.43	220.25	218.25	219.25	218.25
* There are four limited term positions (three new in 2017) in Transportation Capital; one ends on 8/15/2017 and three end 12/31/2018.					

The level of staffing had averaged approximately 245 FTEs per year between 2008 and 2014. As we moved forward in 2015, the impacts of the economic conditions required us to transform to a leaner and more productive organization through downsizing and realignment of resources.

This continues with the 2017/2018 proposed budget. For example, we continue the use of cross-functional teams from multiple departments to address and collaborate on service delivery enhancements and problem solving. This has proven successful and is an example of how our City employees have proven themselves to be dedicated public servants. Recent accomplishments include the development of our Capital Improvement Plan, rental housing safety program, continued pursuit of economic development initiatives, 20th anniversary celebration, and State and Federal legislative priorities. In 2017, the number of employees will increase by one to 219.25 from 218.25 in 2016. The following table outlines the changes.

FTE Change: 2016 Adopted vs 2017 Proposed	FTE	Department	Group	Status
Positions Added				
Permit Coordinator	1.00	CED	AFSCME	Filled
Associate Engineering Technician (limited term)	2.00	PW	AFSCME	Filled
Construction Inspector (limited term)	1.00	PW	AFSCME	Filled
Positions Eliminated				
Court Specialist I	(1.00)	Muni Court	AFSCME	Filled
Court Specialist II	(0.50)	Muni Court	AFSCME	Vacant
Paralegal	(1.00)	Legal	AFSCME	Vacant
Senior Office Assistant	(0.50)	Legal	AFSCME	Vacant
Total Change	1.00			
Note: Limited term positions in support of Transportation Capital increased to four in 2017.				

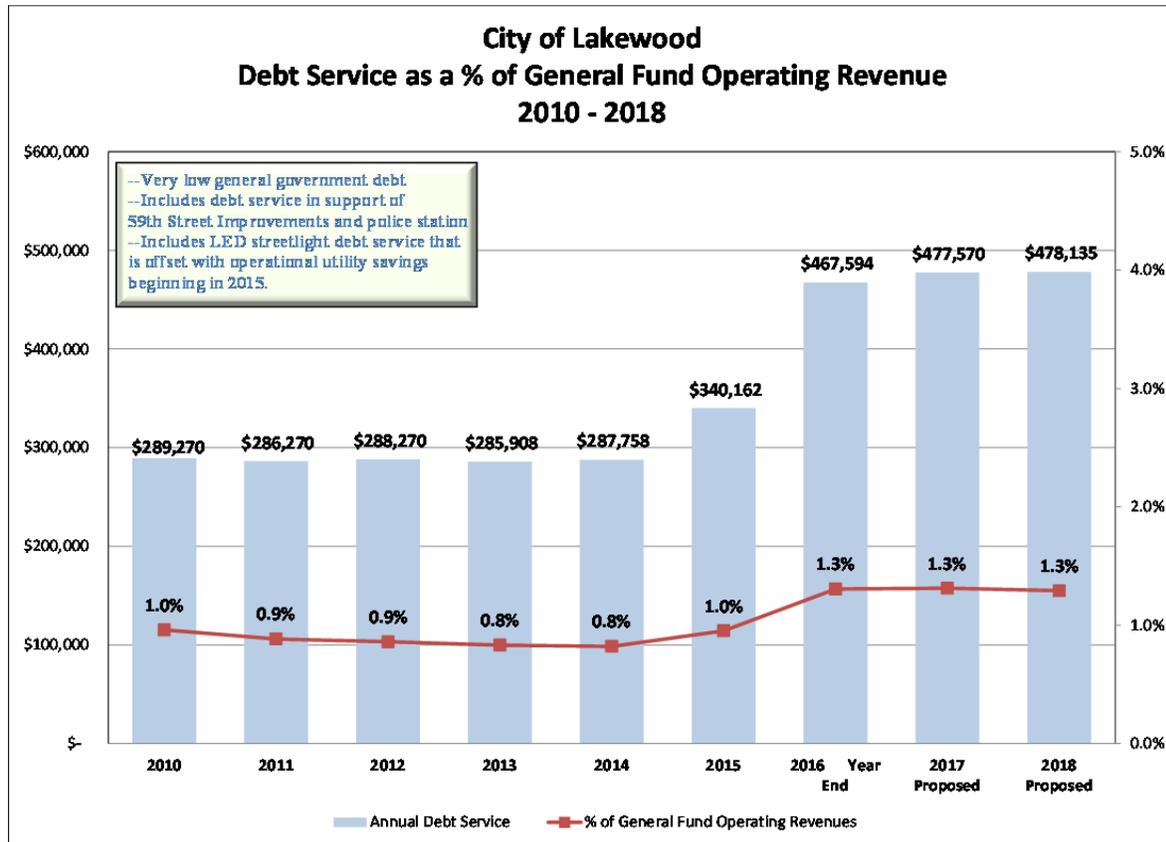
The first change from the previous adopted biennial budget is that a Permit Coordinator position is added to the Community Development Department after introducing the position in early 2016. The budget also includes four limited term positions to include three new full-time equivalent positions in 2017 in support of transportation projects given the success of the Public Works Department to secure a number of new grants, while the 2018 budget includes three limited term positions that in turn results in a decrease of positions to 218.25 in 2018, which is equal to the number allocated in 2016.

The second change is that three full-time equivalent positions are eliminated from the municipal court and legal departments to reflect current workload coupled with the implementation of new technology such as transitioning to a paperless system to further streamline operations.

The result, as in previous years, is that our citizens, those who we serve, will not see any reductions in services. The changes will allow us to maintain fiscal integrity and increase services in City Council priority areas, particularly capital projects, while maintaining and building upon our investments in public safety and economic development.

Debt Management

The budget does not propose any new General Government debt. Existing General Government debt service is comprised of a promissory note issued in 2005 in support of 59th Street roadway improvements, councilmanic GO bonds issued in 2009 in support of constructing a new police station, and LOCAL funding for the City’s LED streetlight retrofit program. Annual General Fund supported debt service payments will total \$467,594 in 2017 and \$477,570 in 2018, which is a mere 1.3% of general fund operating revenue.



The City does have other debt, specifically four outstanding public works trust fund loans (PWTFL) in support of sewer extensions into the Tillicum and Woodbrook neighborhoods that are financed with an assessment on all Lakewood sewer accounts. In addition, the City has two outstanding local improvement districts (LIDs) that were established to help finance street improvements; these debt obligations are repaid through the collection of assessments from adjacent property owners.

Debt Service				
Description	Issue Date	2017	2018	Final Maturity
59th Street	4/30/2005	\$ 77,000	\$ 77,000	4/30/2024
Police Station	3/31/2009	208,598	209,038	6/1/2019
Police Station-Refunding	4/19/2016	36,947	36,947	4/19/2028
LOCAL LED Streetlight Retrofit	3/24/2015	155,025	155,150	6/1/2027
Subtotal General Government		477,570	478,135	
LID's 1101/1103 (street improvements)	12/1/2006	130,601	120,816	12/1/2026
LID's 1108 (street improvements)	1/1/2008	73,837	73,837	12/1/2027
Subtotal LID's		204,438	194,653	
Sewers-PWTFL (PW-04-691-PRE-132)	7/7/2005	32,092	31,795	7/7/2024
Sewers-PWTFL (PW-06-962-022)	9/18/2006	309,206	307,734	9/18/2026
Sewers-PWTFL (PW-08-951-025)	3/1/2008	110,268	109,748	7/1/2028
Sewers-PWTFL (PW-12-851-025)	6/1/2012	2,840	38,214	6/1/2031
Subtotal Sewers-PWTFL		454,406	487,491	
Total Debt Service		\$ 1,136,414	\$ 1,160,279	

While the City has limited debt service requirements, there is one area that will deserve some attention in the coming years, compensated absences. Compensated absences are an unfunded liability comprised of all outstanding vacation pay and accrued compensatory time that is recorded as an expenditure when paid. This occurs when an employee uses vacation or compensatory time or when an employee leaves the City. The calculation is made on an annual basis. As of December 31, 2015, this unfunded liability totals \$2,353,370.

In March 2014 Standard & Poor's Ratings Services (S&P) raised the City's credit rating from "A" to "AA-" with respect to the City's General Obligation Bonds. At the same time, Standard & Poor's affirmed the "A-" long-term rating on the City's Special Assessment Bonds for Local Improvement District No. 1101, Series 2006. S&P affirmed a stable outlook based on its review of the City's long-term debt.

	FTE	Total Liability
Non Rep	34.00	\$ 355,420
AFSCME	84.43	506,632
LPMG	4.00	91,183
LPIG	93.00	1,378,671
Teamsters	4.00	21,464
Total	219.43	\$ 2,353,370

Other Issues Affecting the Budget

There continues to be a number of factors that challenge local governments including ours. One is the continued uncertainty of economic conditions, which now extend not just locally and regionally, but nationally and internationally. The world today is not what it was even a year ago; and more change is expected.

Economic recovery the past few years has been at best very uninteresting, with only a few regions in our State experiencing the type of growth expected following the economic recessions from the first decade of the 21st century. The fact is that economic recoveries experienced after past recessions are now the exception and not the norm. Our economy and our citizens will continue to struggle with unemployment and under-employment numbers that are some of the highest in decades.

The result is that cities such as ours will continue to struggle with aligning operating revenues with operating expenditures. Revenue trends will continue to lag significantly behind costs, thus our proactive focus must be on cost containment and economic development.

Local governments are challenged to meet the demands of infrastructure and its associated costs, thus our focus on infrastructure investment in areas such as transportation, parks and sewers. We are also challenged with increased service demands including the issues surrounding homelessness and mental illness, which are not core responsibilities of local government, but are being responded to by local governments.

Another issue we need to recognize is the competition among local and regional governments for a portion of the “property tax pie”. A recent example of this is Sound Transit’s proposal for the voters to begin collecting property taxes in support of its ST3 initiative. Property taxes are the primary source of revenue for municipalities and special districts, such as, school districts, library districts, and fire districts. Increased property taxes imposed by Sound Transit could have an adverse impact on the ability of local special service districts access funds in support of new schools, library services and fire services.

Local governments also have to deal with the potential costs of unfunded State and Federal mandates. The recent recession and State Supreme Court rulings such as the McCleary decision have left the State with significant budgetary challenges that in turn could negatively impact local governments. Likewise the fiscal challenges and a myriad of domestic and international issues facing our Federal Government have created its own set of challenges.

Despite all of this and much more, the Lakewood City Council in partnership with the community has identified a long-term vision and goals that will move our community forward. We have taken steps to ensure long-term financial sustainability and have developed and implemented a service delivery model that ensures our citizens and businesses can expect excellence in the delivery of City services.

We continue to emphasize economic development, focusing on our commercial areas to create new jobs and build our tax base, which will generate additional property and sales tax. This in turn will allow the City to meet the growing demand for services. Our targeted approach in our key commercial areas such as the Towne Center, Springbrook, Tillicum, and the Pacific Highway South, which is directly adjacent to I-5 with multiple prime properties ready for

redevelopment and revitalization, is beginning to show dividends. Areas such as the International District and Woodbrook Industrial Business Park (WIBP) stand ready and available for new investment to create jobs and increased opportunity for Lakewood and our region. These actions will allow Lakewood to continue to support our community's quality of life while implementing our strategic goals for the future.

Acknowledgements

In closing, I wish to thank our Mayor and City Council for their guidance and support throughout the development of this proposed budget. In addition, a special note of thanks and appreciation to our Department Directors and all of our employees for their commitment and exemplary service, innovation, and professionalism as we continue along the path to financial recovery coupled with continuing to provide top-notch municipal services that our community has come to expect.

I would also like to thank the many citizens who have contributed to our success, whether you serve on an advisory board or commission, volunteer in support of the many community activities, attend public meetings or just call occasionally with an issue or an idea, you are what makes our community strong.

We must express our personal appreciation to Assistant City Manager/Administrative Services Tho Kraus for her tremendous leadership and skill in coordinating the development of this budget and the members of the Administrative Services Department for its excellent performance in gathering, analyzing, and presenting information clearly and accurately.

We are confident that the programs and investments included in this budget reflect the policies and direction of the City Council and provide the financial plan for another successful two years.

Respectfully submitted,



John J. Caulfield, ICMA-CM
City Manager
City of Lakewood