



To: Mayor and City Councilmembers
From: John J. Caulfield, City Manager
Tho Kraus, Assistant City Manager/Administrative Services
Date: November 7, 2016
Subject: Public Hearing on 2017-2018 Biennial Budget and Property Tax

INTRODUCTION & OVERVIEW

The 2017/2018 Proposed Biennial Budget amounts to \$78,857,023 in 2017 and \$90,079,932 in 2018. The General Government Budget totals \$51,437,562 in 2017 and \$51,094,503 in 2018. This budget also includes \$11,210,442 and \$23,621,343 in support of capital improvements in 2017 and 2018, 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.

	2017 Proposed	2018 Proposed
General Government Funds	\$ 51,437,562	\$ 51,094,503
Capital Improvement Funds	11,210,442	23,621,343
Utility Fund	5,792,185	5,154,596
Internal Service Funds	10,416,834	10,209,490
Total	\$ 78,857,023	\$ 90,079,932

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 \$51,437,562 and \$51,094,503 in 2017 and 2018, respectively.

GENERAL GOVERNMENT FUNDS	2017 Proposed	2018 Proposed
Beginning Fund Balances	\$ 7,740,617	\$ 6,876,970
Operating Revenues		
Property Tax	6,711,734	6,812,400
Sales Tax	8,925,000	9,182,800
Utility Tax	5,644,000	5,644,000
Other Taxes	4,772,300	4,849,400
Franchise Fees	3,634,900	3,743,900
Licenses & Permits	577,500	577,500
Development Permits/Fees	1,304,214	1,354,391
State-Shared Revenues	2,082,936	2,083,000
Charges for Services	978,500	980,500
Other Intergovernmental	483,366	468,026
Fines & Forfeitures	1,982,219	1,982,219
Misc/Interest/Other	48,650	48,650
Interfund	1,314,361	1,299,378
Total Operating Revenues	38,459,680	39,026,164
Other Financing Sources	5,237,265	5,191,368
Total Revenues & Sources	\$ 51,437,562	\$ 51,094,502

Where the Money Comes From

The City expects to receive \$38,459,680 and \$39,026,164 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 \$6,876,970 in 2018 as well as other financing sources, including interfund transfers between different funds for a general government budget totaling \$51,437,562 in 2017 and \$51,094,502 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 & permits and charges for services.

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 \$6,876,971 in 2017 and \$6,484,145 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 \$51,437,562 in 2017 and \$51,094,502 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.

	2017	2018
GENERAL GOVERNMENT FUNDS	Proposed	Proposed
Operating Expenditures		
City Council/City Manager	746,468	755,049
Municipal Court	1,996,463	2,053,330
Administrative Services	1,616,401	1,655,784
Non-Departmental	131,720	131,720
Legal	1,718,200	1,688,739
Community & Economic Development	1,871,780	1,926,371
Parks, Recreation & Community Services	2,630,206	2,641,869
Police	23,173,274	24,122,464
Interfund Transfers	1,539,731	1,525,313
Street O & M	1,996,689	1,981,678
Total Operating Expenditures	37,420,932	38,482,317
<i>Operating Surplus/(Deficit)</i>	<i>1,038,748</i>	<i>543,847</i>
Other Financing Uses	7,139,659	6,128,040
Ending Fund Balances		
Contingency (2% of GF/ST Oper Rev)	748,600	760,430
Reserves (5% of GF/ST Oper Rev)	1,871,501	1,901,074
Strategic Reserve (5% of GF/ST Oper Rev)	1,871,501	1,901,074
Designated/Reserved:		
Real Estate Excise Tax	319,249	105,784
Transportation Benefit District	4,000	8,000
Hotel/Motel Lodging Tax	469,290	419,290
Property Abatement/Rental Housing Safety Program	-	80,319
Public Art	19,074	27,074
Seizure Funds	150,632	120,732
Neighborhood Stabilization Program	676	-
Office of Economic Adj/South Sound Military Partnership	-	-
Debt Service	913,822	1,061,060
Subtotal Designated/Reserved	1,876,743	1,822,259
Designated/Reserved (one-time)	508,626	99,308
Total Ending Fund Balances	\$ 6,876,971	\$ 6,484,145
Total Expenditures and Uses	\$ 51,437,562	\$ 51,094,502

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 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.

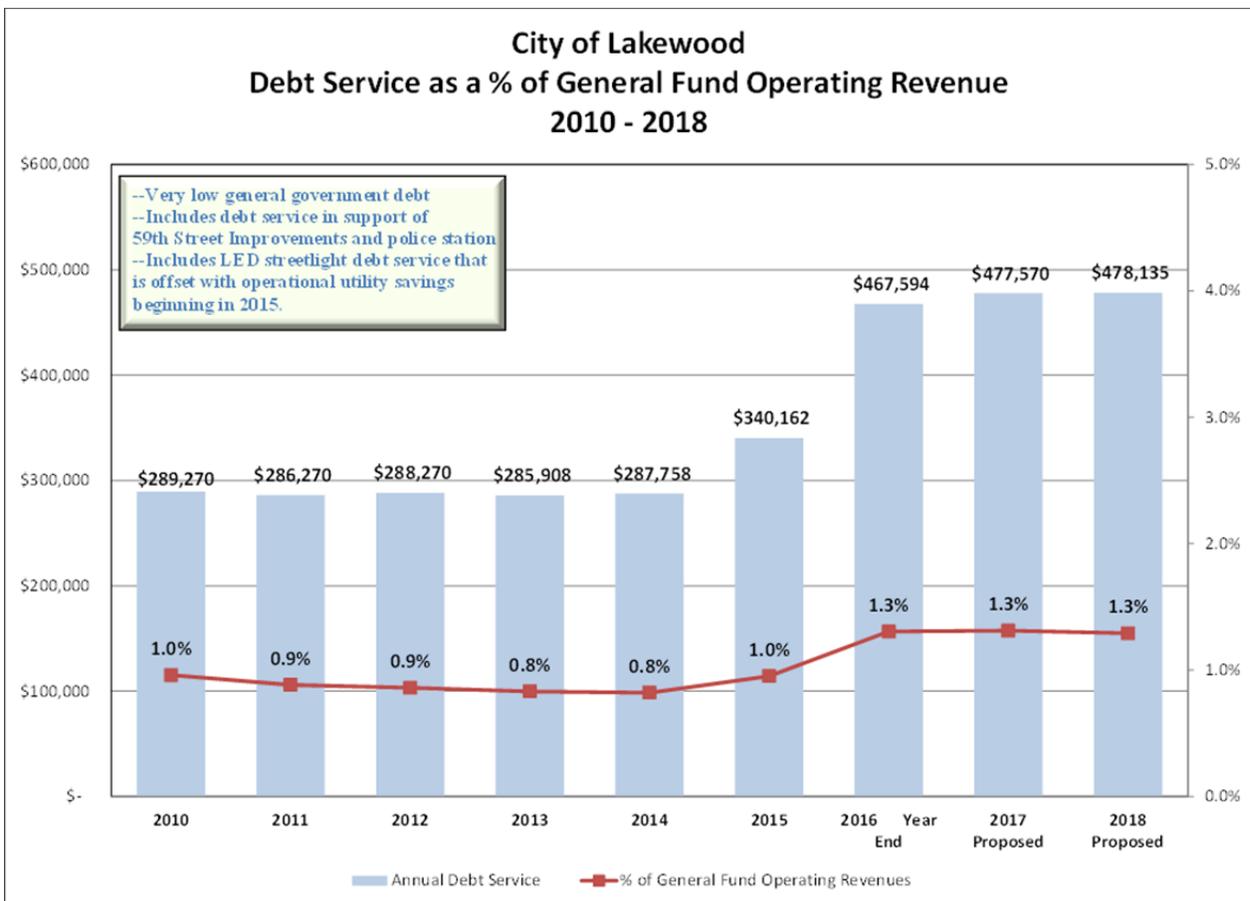
The second change is that three full-time equivalent positions are eliminated from the municipal court and legal departments to reflect current workload coupled with the implementation of new technology such as transitioning to a paperless system to further streamline operations.

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.

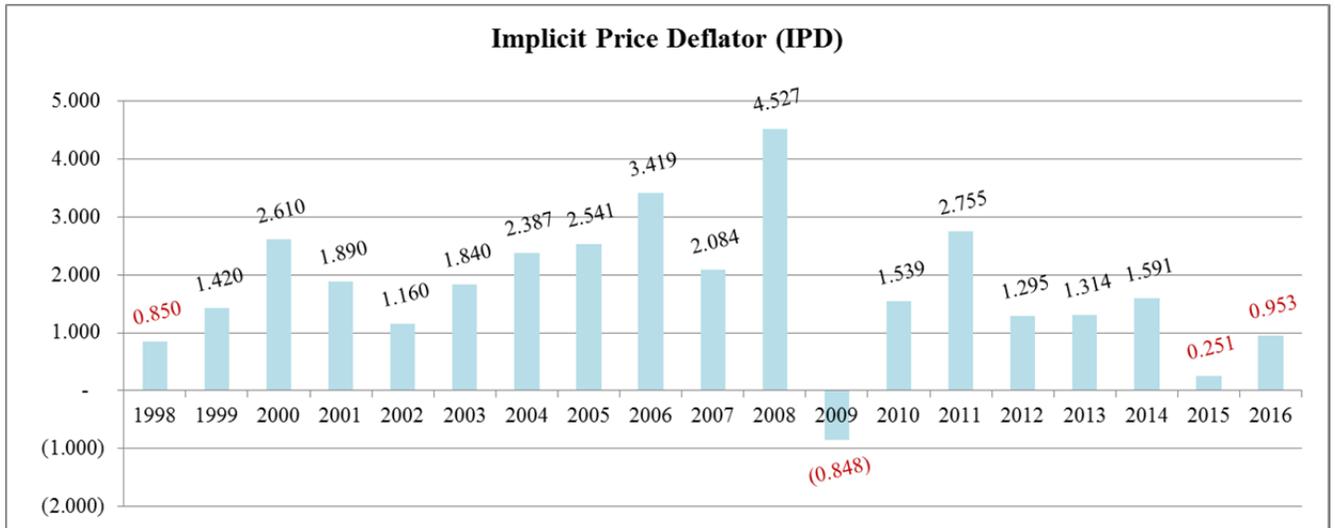
Despite all of this and much more, the Lakewood City Council in partnership with the community has identified a long-term vision and goals that will move our community forward. We have taken steps to ensure long-term financial sustainability and have developed and implemented a service delivery model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

PROPERTY TAX

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. A public hearing has been scheduled for November 7 for this purpose. Adoption of the property tax levy ordinance is also scheduled for November 21.

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 2016 IPD for the 2017 property tax levy is 0.953%. If the City Council wishes to adopt a 1% property tax levy increase, it must also adopt a Declaration of Substantial Needs Ordinance. This is the fourth time and second year in a row since 1998 that the inflation rate has fallen below 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 2017 property tax levy amounts being considered for collection in 2017.

	2016	2017 Estimate (1% Increase)	Change	
			\$	%
Assessed Value	\$4,943,143,201	\$5,419,721,591	\$476,578,390	9.6%
City Levy Rate	\$1.3442	\$1.2409	-\$0.1033	-7.7%
City Property Tax Levy *	\$6,644,635	\$6,725,488	\$80,853	1.2%

** The City Property Tax Levy increase of 1.2% 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 for 2017 property tax collection is estimated to be \$5,419,721,591, which represents a 9.6% or \$476,578,390 increase from the City’s total assessed value for 2016 property tax collection of \$4,943,143,614.

Tax Calculation Factor	Tax Levy
Highest Regular Tax levy	\$6,582,983
1% Increase	\$65,830
New Construction Estimate	\$48,067
Administrative Refunds	\$14,854
Subtotal	\$6,711,734
Increase from State-Assessed Property (2017 Estimate Based on 2016 Actual)	\$13,754
Total Preliminary 2017 Levy	\$6,725,488
2016 Preliminary Assessed Value for 2017 Levy	\$5,419,721,591
2016 Preliminary Levy Rate (Assumes 1% Increase)	\$1.2409
Levy Rate Calculation:	
2016 Preliminary Assessed Value	\$5,419,721,591
Divide by \$1,000	\$1,000
2016 AV Per \$1,000	\$5,419,722
2017 Preliminary Levy	\$6,725,488
Divide by 2016 AV Per \$1,000	\$5,419,722
2017 Preliminary Levy Rate per \$1,000 (Assumes 1% Increase)	\$1.2409

The table below illustrates the impact of no increase and 1% increase to the average homeowner assuming a 9.6% increase in assessed valuation as provided for by the County. The 2015 assessed valuation of the average home for 2016 property tax collection of \$223,456 increases by 9.6% to \$245,000.

- No Increase Scenario: The property tax levy rate of \$1.2288 results in an additional \$0.68 property tax paid to the City, which is an increase of \$0.68 or .02%.
- IPD 0.953% Increase Scenario: The property tax levy rate of \$1.2404 results in an additional \$3.52 property tax paid to the City, which is an increase of \$3.52 or 1.2%.
- 1% Increase Scenario: The property tax levy rate of \$1.2409 results in an additional \$3.65 property tax paid to the City, which is an increase of \$3.65 or 1.2%.

	2016	2017 Est	Change from 2016		2017 Est	Change from 2016		2017 Est	Change from 2016	
	1% Increase	No Increase	\$	%	0.953%	\$	%	1% Increase	\$	%
AV Average Home	\$223,456	\$245,000	\$21,544	9.6%	\$245,000	\$21,544	9.6%	\$245,000	\$21,544	9.6%
City Levy Rate	\$1.3442	\$1.2288	-\$0.1154	-8.6%	\$1.2404	-\$0.1039	-7.7%	\$1.2409	-\$0.1033	-7.7%
City Property Tax Paid	\$300.37	\$301.05	\$0.68	0.2%	\$303.89	\$3.52	1.2%	\$304.03	\$3.65	1.2%
Additional property tax paid by average homeowner with 1% increase compared to 0% increase =									\$2.98	

Note: The assessed valuation for individual properties may not necessarily increase by 9.6%, rather the assessed valuation for all properties in totality is increased by 9.6%.

CITY COUNCIL OPTIONS & CONSIDERATIONS FOR PROPERTY TAX

The options the City Council may take regarding the 2017 property tax levy are:

- Option 1: Levy the property taxes without any increase.
- Option 2: Increase the property tax levy by the IPD of 0.953%.
- Option 3: Increase the property tax levy by 1% commensurate with the 2017/2018 proposed biennial budget estimates, provided the City Council adopts a Declaration of Substantial Need Ordinance. - RECOMMENDED

The City's 2017 proposed budget includes an annual property tax increase of 1% as authorized by state statute. A 1% increase in property tax levy generates approximately \$65,830 in additional revenue for city services, or an additional \$3.65 per average homeowner in 2017.

The preliminary 2017 property tax revenue estimate is \$6,711,734 and is based on the preliminary figures provided by Pierce County excluding administrative refunds since these values are based on the 2016 amounts (2017 values currently not available).

Since 2006, the City has enacted the 1% increase as authorized by state statute. The cumulative impact of not taking the 1% increase in 2016 over the 6-year period (2017 - 2022) is roughly \$405,000.

The details of options 1, 2 and 3 are provided below.

Factors	2016 (1% increase)	2017 - Option 1 (no increase)	2017 - Option 2 (IPD 0.953%)	2017 - Option 3 (1% increase)
Base Levy Amount	\$6,466,347	\$6,582,983	\$6,582,983	\$6,582,983
Increase	\$64,663	\$0	\$62,736	\$65,830
New Construction Estimate	\$38,220	\$48,067	\$48,067	\$48,067
Administrative Refunds	\$61,651	\$14,854	\$14,854	\$14,854
Increase from State-Assessed Property (2017 Estimate Based on 2016 Actual)	\$13,754	\$13,754	\$13,754	\$13,754
Total Property Tax Levy	\$6,644,635	\$6,659,658	\$6,722,394	\$6,725,488
Total Property Tax Levy % Increase from Base Levy Amount	2.76%	1.16%	2.12%	2.16%
Assessed Value	\$4,943,143,201	\$5,419,721,591	\$5,419,721,591	\$5,419,721,591
Levy Rate Per \$1,000 AV	\$1.3442	\$1.2288	\$1.2404	\$1.2409
City Tax Paid by Average Home Owner 2015 Home Value for 2016 Property Tax = \$223,456 Assumed 2016 Home Value for 2017 Property Tax = \$245,000	\$300.37	\$301.05	\$303.89	\$304.03
City Tax Paid by Average Home Owner, \$ Change from 2016	n/a	\$0.68	\$3.52	\$3.65
City Tax Paid by Average Home Owner, % Change from 2016	n/a	0.2%	1.2%	1.2%

NEXT STEPS

November 21, 2016 – Adoption of the 2017-2018 Biennial Budget and 2017 Property Tax Ordinance

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

- 1) 2017-2018 Proposed Biennial Budget Ordinance
- 2) Property Tax:
 - Additional Information – Administrative Refunds
 - Additional Information – State Assessed Property
 - Pierce County Assessor-Treasurer Information on Preliminary 2016 Assessed Values
 - Pierce County Assessor-Treasurer Information on Preliminary Tax Levy Limit 2016 for 2017
 - Draft 2017 Property Tax Ordinance
 - Draft Declaration of Substantial Need Ordinance

ORDINANCE NO.

AN ORDINANCE of the City Council of the City of Lakewood, Washington, adopting the 2017-2018 Biennial Budget.

WHEREAS, the tax estimates and budget for the City of Lakewood, Washington, for the 2017-2018 fiscal biennium have been prepared and filed on October 3, 2016 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 7, 2016, and having considered the public testimony presented; and

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

Section 1. 2017-2018 Biennial Budget. The budget for the 2017-2018 biennium is hereby adopted in the amounts and for the purposes as shown in Exhibit A (“2017-2018 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, the Association of Washington Cities 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 4. Effective Date. This Ordinance shall be effective January 1, 2017.

ADOPTED by the City Council this 21st day of November, 2016.

CITY OF LAKEWOOD

Don Anderson, Mayor

Attest:

Alice M. Bush, MMC, City Clerk

Approved as to Form:

Heidi Ann Wachter, City Attorney

DRAFT

Exhibit A
2017-2018 Proposed Biennial Budget

Fund	2017				2018			
	Beginning Fund Balance	Revenue	Expenditure	Ending Fund Balance	Beginning Fund Balance	Revenue	Expenditure	Ending Fund Balance
General Government Funds:	\$ 7,740,617	\$ 43,696,945	\$ 44,560,592	\$ 6,876,970	\$ 6,876,970	\$ 44,217,532	\$ 44,610,358	\$ 6,484,145
001 General Fund	5,315,430	36,628,791	36,943,994	5,000,227	5,000,227	37,140,236	37,478,578	4,661,886
101 Street	-	\$2,155,612	2,155,612	-	-	\$2,023,711	2,023,711	-
102 Real Estate Excise Tax	210,249	1,300,000	1,191,000	319,249	319,249	1,300,000	1,513,465	105,784
103 Transportation Benefit District	-	689,000	685,000	4,000	4,000	689,000	685,000	8,000
104 Hotel/Motel Lodging Tax	969,290	600,000	1,100,000	469,290	469,290	600,000	650,000	419,290
Property Abatement & 105 Rental Housing Safety Program	-	125,000	125,000	-	-	205,319	125,000	80,319
106 Public Art	11,074	10,000	2,000	19,074	19,074	10,000	2,000	27,074
180 Narcotics Seizure	532	75,000	75,000	532	532	75,000	75,000	532
181 Felony Seizure	-	-	-	-	-	-	-	-
182 Federal Seizure	180,000	75,000	104,900	150,100	150,100	75,000	104,900	120,200
190 CDBG	-	445,000	445,000	-	-	423,000	423,000	-
191 Neighborhood Stabilization Prog	676	-	-	676	676	94,716	95,392	-
192 OEA Grant/SSMCP	79,867	226,805	306,672	-	-	226,805	226,805	-
195 Public Safety Grants	-	-	-	-	-	-	-	-
201 GO Bond Debt Service	-	477,570	477,570	-	-	478,135	478,135	-
202 LID Debt Service	7,319	204,438	204,438	7,319	7,319	191,881	191,881	7,319
204 Sewer Project Debt	841,679	684,729	744,406	782,002	782,002	684,729	537,491	929,240
251 LID Guaranty	124,501	-	-	124,501	124,501	-	-	124,501
Capital Project Funds:	\$ 875,606	\$ 10,334,836	\$ 9,903,000	\$ 1,307,442	\$ 1,307,442	\$ 22,313,901	\$ 21,938,600	\$ 1,682,743
301 Parks	-	1,500,000	1,500,000	-	-	1,860,000	1,860,000	-
302 Transportation	271,951	8,228,836	8,113,000	387,787	387,787	20,022,901	19,958,600	452,088
311 Sewer Project	39,173	290,000	290,000	39,173	39,173	85,000	85,000	39,173
312 Sanitary Sewer Connection	564,482	316,000	-	880,482	880,482	346,000	35,000	1,191,482
Enterprise Fund:	\$ 3,032,184	\$ 2,760,000	\$ 3,395,589	\$ 2,396,596	\$ 2,396,596	\$ 2,758,000	\$ 4,399,538	\$ 755,058
401 Surface Water Management	3,032,184	2,760,000	3,395,589	2,396,596	2,396,596	2,758,000	4,399,538	755,058
Internal Service Funds:	\$ 4,637,695	\$ 5,779,139	\$ 5,551,800	\$ 4,865,034	\$ 4,865,034	\$ 5,344,456	\$ 4,673,630	\$ 5,535,860
501 Fleet & Equipment	4,380,428	1,727,109	1,513,270	4,594,267	4,594,267	1,689,046	1,065,720	5,217,593
502 Property Management	234,767	690,060	699,060	225,767	225,767	691,390	666,390	250,767
503 Information Technology	22,500	2,110,998	2,088,498	45,000	45,000	1,713,048	1,690,548	67,500
504 Risk Management	-	1,250,972	1,250,972	-	-	1,250,972	1,250,972	-
Grand Total - All Funds	\$ 16,286,102	\$ 62,570,920	\$ 63,410,981	\$ 15,446,042	\$ 15,446,042	\$ 74,633,889	\$ 75,622,126	\$ 14,457,806
			Total Budget	\$ 78,857,023			Total Budget	\$ 90,079,932

ADDITIONAL INFORMATION – ADMINISTRATIVE REFUNDS

Administrative refunds are taxes that had been levied in previous years on properties that have had their taxes abated or cancelled. The following is an outline defining administrative refunds and what they consist of – there are 16 of them:

1. Paid more than once.
2. Paid as a result of manifest error in description.
3. Paid as a result of a clerical error in extending the tax rolls.
4. Paid as a result of other clerical errors in listing property.
5. Paid with respect to improvements which did not exist on assessment date.
6. Paid under levies or statutes adjudicated to be illegal or unconstitutional.
7. Paid as a result of mistake, inadvertence, or lack of knowledge by any person exempted or partially exempted from paying real property taxes.
8. Paid or overpaid as a result of mistake, inadvertence, or lack of knowledge by either a public official or employee or by any person paying the same with respect to real property in which the person paying the same has no legal interest.
9. Paid on the basis of an assessed valuation which was appealed to the county board of equalization and ordered reduced by the board.
10. Paid on the basis of an assessed valuation which was appealed to the state board of tax appeals and ordered reduced by the board. PROVIDED, That the amount refunded under subsections (9) and (10) shall only be for the difference between the tax paid on the basis of the appealed valuation and the tax payable on the valuation adjusted in accordance with the board's order.
11. Paid as a state property tax levied upon property, the assessed value of which has been established by the state board of tax appeals for the year of such levy: PROVIDED, HOWEVER, That the amount refunded shall only be for the difference between the state property tax paid and the amount of state property tax that would, when added to all other property taxes within the 1 percent limitation of the state constitution equal 1 percent of the assessed value established by the board.
12. Paid on the basis of an assessed valuation which was adjudicated to be unlawful or excessive: PROVIDED, That the amount refunded shall be for the difference between the amount of tax payable on the basis of the assessed valuation determined as a result of the preceding.
13. Paid on property acquired under a tax lien. (RCW 84.69.020)
14. Paid on the basis of an assessed valuation that was reduced under RCW 84.48.065.
15. Paid on the basis of an assessed valuation that was reduced under RCW 84.40.039.
16. Abated under RCW 84.70.010

ADDITIONAL INFORMATION – STATE ASSESSED PROPERTY

Utility and transportation companies that are defined in RCW 84.12 whose operations are in more than one county or state are assessed by the Department of Revenues' (DOR) Property Tax Division. These companies include airlines, railroads, electric companies who produce or distribute electricity on the retail or wholesale market, gas pipeline companies who distribute or sell gas on the retail or wholesale market, and telecommunications companies including landline local and long distance phone and wireless companies. Telecommunications also includes cable companies who have assets in Washington that are used for providing telephone service in more than one county or state. In addition to these companies, DOR also assessed private railcars. These private railcars are most often owned by companies who are not a railroad that pay the railroad companies to transport their cars from place to place, including chemical companies, grain import and export companies, and several companies who are in the business to lease railcars to railroads and others.

The appraised value of state assessed property is, by law, valued at 100% of market value. State, and in part, federal law require state assessed utilities be valued at the same level of assessment as other property in the same taxing jurisdiction. As a result, it is an equalized value of state assessed utilities that is allocated (apportioned) to all the taxing districts in the state; this includes real and personal property. The real and personal property ratio of each county is applied to the respective real and personal property appraised value of each company that is state assessed, and those values are apportioned to each county by tax code area (TCA).

Utility property appraisal is based on the unit method, property is valued as one thing. As a result, there is no specific value determined for any specific asset that makes up the operating unit. Hence, apportioned value does not directly relate to the value of assets in the TCA to which the assets value has been set. Apportionment is a process of assigning value based on certain metrics which generally consist of historical or original cost, length and size of pipes, miles of rail, etc., tied to the actual location of company assets. If one percent of a company's historical cost, length of pipe, or miles of main railroad track, then 1% is apportioned to all the TCAs in which the company has assets.



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

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SEP 14 2016

CITY OF LAKEWOOD
City Clerk's Office

September 9, 2016

OFFICIAL NOTIFICATION TO: LAKWOOD

RE: 2016 PRELIMINARY ASSESSED VALUES

FOR REGULAR LEVY

Total Taxable Regular Value	5,419,721,591
Highest lawful regular levy amount since 1985	6,582,983.44
Last year's actual levy amount	6,644,634.44
Additional revenue from current year's NC&I	48,066.60
Additional revenue from annexations (RCW 84.55)	0.00
Additional revenue from administrative refunds (RCW 84.69)	14,854.37
<i>No additional revenue from administrative refunds will be allowed if you are limited by your statutory rate limit.</i>	
Additional revenue from increase in state-assessed property	0.00

FOR EXCESS LEVY

Taxable Value	5,291,437,965
Timber Assessed Value	
Total Taxable Excess Value	5,291,437,965

2016 New Construction and Improvement Value 35,758,189

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



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TAX LEVY LIMIT 2016 FOR 2017

LAKEWOOD
 > 10,000

REGULAR TAX LEVY LIMIT:

	2015
A. <u>Highest regular tax which could have been lawfully levied beginning with the 1985 levy</u> [refund levy not included] times limit factor (as defined in RCW 84.55.005).	6,582,983.44 1.01000 6,648,813.27
B. Current year's assessed value of new construction, improvements and wind turbines in original districts before annexation occurred time 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).	35,758,189 1.344212410973 48,066.60
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).	71,760,315 71,760,315 0.00 1.344212410973 0.00
D. REGULAR PROPERTY TAX LIMIT (A + B + C)	6,696,879.88

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.	6,696,879.88 5,419,721,591 1.235650164571
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00 1.235650164571 0.00
G. NEW LEVY LIMIT FOR ANNEXATION (D + F)	6,696,879.88

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)	6,696,879.88 14,854.37 6,711,734.25
I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)	6,711,734.25
J. Amount of levy under statutory rate limitation.	5,419,721,591 1.600000000000 8,671,554.55
K. LESSER OF I OR J	6,711,734.25



Pierce County
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 OCT - 3 2016
 CITY OF LAKEWOOD
 City Clerk's Office

TAX LEVY LIMIT 2016 FOR 2017

LAKEWOOD
 > 10,000

REGULAR TAX LEVY LIMIT:

	2015
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>	6,582,983.44
	1.00953
	6,645,719.27
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).	35,758,189
	1.344212410973
	48,066.60
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).	71,760,315
	71,760,315
	0.00
	1.344212410973
	0.00
D. REGULAR PROPERTY TAX LIMIT (A + B + C)	6,693,785.87

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.	6,693,785.87
	5,419,721,591
	1.235079286129
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00
	1.235079286129
	0.00
G. NEW LEVY LIMIT FOR ANNEXATION (D + F)	6,693,785.87

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)	6,693,785.87
	14,854.37
	6,708,640.24
I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)	6,708,640.24
J. Amount of levy under statutory rate limitation.	5,419,721,591
	1.600000000000
	8,671,554.55
K. LESSER OF I OR J	6,708,640.24

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 2017 by taxation on the assessed valuation of the property of the City; and setting the property tax levy rate for 2017.

WHEREAS, the City Council of the City of Lakewood has met and considered its budget for the budget years 2017 - 2018; and

WHEREAS, the City Council conducted the public hearing on the 2017 property tax levy on November 7, 2016;

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 84.55.0101;

WHEREAS, the district's actual levy amount from the previous year was \$6,644,634; 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 2016 is \$6,582,983, 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 \$48,067; administrative refunds in the amount of \$14,854; and an increase from state-assessed property in the amount of \$13,754 for a total preliminary 2017 property tax levy of \$6,725,488.

SECTION 2. Dollar and Percentage Increase from the 2016 Actual Property Tax Levy. The dollar amount of the increase over the actual 2016 levy of \$6,644,634 (which is the regular levy of \$6,582,983 plus administrative refunds of \$61,651) is \$4,178.83 and 0.0629 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 2017 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 2017 is hereby levied upon real and personal

property subject to taxation in the City as follows:

Estimated 2017 Tax Levy

True and Fair Value of Tax Base: \$5,419,721,591
Estimated Levy Rate: \$1.2409

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 21st day of November, 2016.

CITY OF LAKEWOOD

Don Anderson, Mayor

Attest:

Alice M. Bush, MMC, City Clerk

Approved as to Form:

Heidi Ann Wachter, City Attorney

ORDINANCE NO.

AN ORDINANCE of the City Council of the City of Lakewood, Washington, making a declaration of substantial need for purposes of setting the limit factor for the property tax levy for 2017.

WHEREAS, RCW 84.55.010 provides that a taxing jurisdiction may levy taxes in an amount no more than the limit factor multiplied by the highest lawful levy plus additional amounts resulting from new construction and improvements to property, newly constructed wind turbines, and any increase in the value of state-assessed utility property;

WHEREAS, under RCW 84.55.005(2)(C), the limit factor for a taxing jurisdiction with a population of 10,000 or over is the lesser of 101 percent or 100 percent plus inflation;

WHEREAS, RCW 84.55.005(1) defines “inflation” as the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce in September of the year before the taxes are payable;

WHEREAS, “inflation” for July 2016 is 0.953% and the limit factor is 1%, meaning that the taxes levied in the City of Lakewood in 2016 for collection in 2017 will decrease except for the amount resulting from new construction and improvements to property, newly constructed wind turbines, and any increase in the value of state-assessed utility property;

WHEREAS, RCW 84.55.0101 provides for use of a limit factor of 101 percent or less with a finding of substantial need by a majority plus one councilmembers;

WHEREAS, the City Council adopted financial policies that include strong policies on reserve levels for the City’s operating funds; the proposed budget ensures that by the end of 2018, General Fund reserves shall be at least 12% of General and Street operating revenues, a significant improvement from previous years’ ending fund balances. The 2017-2018 proposed budget continues the City’s sound financial footing by maintaining General Fund reserves at the 12% policy objective at the end of 2018. Using reserves and one-time monies to finance ongoing programs as was the case in previous years only masks and pushes out the financial challenges facing the City. The 2017-2018 proposed 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 proposed budget is compliant with the City’s financial policies. Additionally, the City has one labor contract that expire at the end of 2016. The City has started the process; however the financial impact will not be known until the agreement is in place. Labor costs have and are expected to continue to increase above 1%. Annual step increases range from 4% to 6% on top of cost of living adjustments (COLA) depending on the labor group.

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

SECTION 1. A finding is made of substantial need under RCW 84.55.0101, which authorizes the use of a limit factor of 101 percent for the property tax levy for 2017.

SECTION 2. Severability. The provisions of this ordinance are declared separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance or the invalidity of the application thereof to any person or circumstance, shall not affect the validity of the remainder of this ordinance, or the validity of its application to other persons or circumstances.

SECTION 3. Corrections. The City Clerk and the codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener/clerical errors, references, ordinance number, section/subsection numbers and any references thereto.

SECTION 4. 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 21st day of November, 2016.

CITY OF LAKEWOOD

Don Anderson, Mayor

Attest:

Alice M. Bush, MMC, City Clerk

Approved as to Form:

Heidi Ann Wachter, City Attorney

2017-2018 PROPOSED BIENNIAL BUDGET & 2017 PROPERTY TAX LEVY

Public Hearing

City Council

November 7, 2016

Budget Summary & Highlights

	2017 Proposed		2018 Proposed	
General Government Funds	\$	51,437,562	\$	51,094,503
Capital Improvement Funds		11,210,442		23,621,343
Utility Fund		5,792,185		5,154,596
Internal Service Funds		10,416,834		10,209,490
Total	\$	78,857,023	\$	90,079,932

Budget Summary & Highlights

- Compliant with financial policies
 - Balanced budget that does not include reduction in services
 - Does not use one-time moneys for ongoing programs
 - Operating expenditures do not exceed operating revenues
 - Maintains reserves

General Government Sources

Where the Money Comes From

GENERAL GOVERNMENT FUNDS	2017 Proposed	2018 Proposed
Beginning Fund Balances	\$ 7,740,617	\$ 6,876,970
Operating Revenues		
Property Tax	6,711,734	6,812,400
Sales Tax	8,925,000	9,182,800
Utility Tax	5,644,000	5,644,000
Other Taxes	4,772,300	4,849,400
Franchise Fees	3,634,900	3,743,900
Licenses & Permits	577,500	577,500
Development Permits/Fees	1,304,214	1,354,391
State-Shared Revenues	2,082,936	2,083,000
Charges for Services	978,500	980,500
Other Intergovernmental	483,366	468,026
Fines & Forfeitures	1,982,219	1,982,219
Misc/Interest/Other	48,650	48,650
Interfund	1,314,361	1,299,378
Total Operating Revenues	38,459,680	39,026,164
Other Financing Sources	5,237,265	5,191,368
Total Revenues & Sources	\$ 51,437,562	\$ 51,094,502

General Government Uses Where the Money Goes

	2017	2018
GENERAL GOVERNMENT FUNDS	Proposed	Proposed
Operating Expenditures		
City Council/City Manager	746,468	755,049
Municipal Court	1,996,463	2,053,330
Administrative Services	1,616,401	1,655,784
Non-Departmental	131,720	131,720
Legal	1,718,200	1,688,739
Community & Economic Development	1,871,780	1,926,371
Parks, Recreation & Community Services	2,630,206	2,641,869
Police	23,173,274	24,122,464
Interfund Transfers	1,539,731	1,525,313
Street O & M	1,996,689	1,981,678
Total Operating Expenditures	37,420,932	38,482,317
<i>Operating Surplus/(Deficit)</i>	<i>1,038,748</i>	<i>543,847</i>
Other Financing Uses	7,139,659	6,128,040

Reserves/Ending Fund Balances

	2017	2018
GENERAL GOVERNMENT FUNDS	Proposed	Proposed
Ending Fund Balances		
Contingency (2% of GF/ST Oper Rev)	748,600	760,430
Reserves (5% of GF/ST Oper Rev)	1,871,501	1,901,074
Strategic Reserve (5% of GF/ST Oper Rev)	1,871,501	1,901,074
Designated/Reserved:		
Real Estate Excise Tax	319,249	105,784
Transportation Benefit District	4,000	8,000
Hotel/Motel Lodging Tax	469,290	419,290
Property Abatement/Rental Housing Safety Program	-	80,319
Public Art	19,074	27,074
Seizure Funds	150,632	120,732
Neighborhood Stabilization Program	676	-
Office of Economic Adj/South Sound Military Partnership	-	-
Debt Service	913,822	1,061,060
Subtotal Designated/Reserved	1,876,743	1,822,259
Designated/Reserved (one-time)	508,626	99,308
Total Ending Fund Balances	\$ 6,876,971	\$ 6,484,145
Total Expenditures and Uses	\$ 51,437,562	\$ 51,094,502

Budget Summary

- 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
- 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;

Budget Summary

- **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;**
- 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);

Budget Summary

- 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;

Budget Summary

- **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**.

Budget Summary – Parks Capital

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.			

Budget Summary: Transportation Capital

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

Budget Summary: Transportation Capital

Proposed Transportation Projects		2017	2018
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.			

Budget Summary: Utility Projects

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

Budget Summary: Fleet & Equipment

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

Budget Summary: Property Management

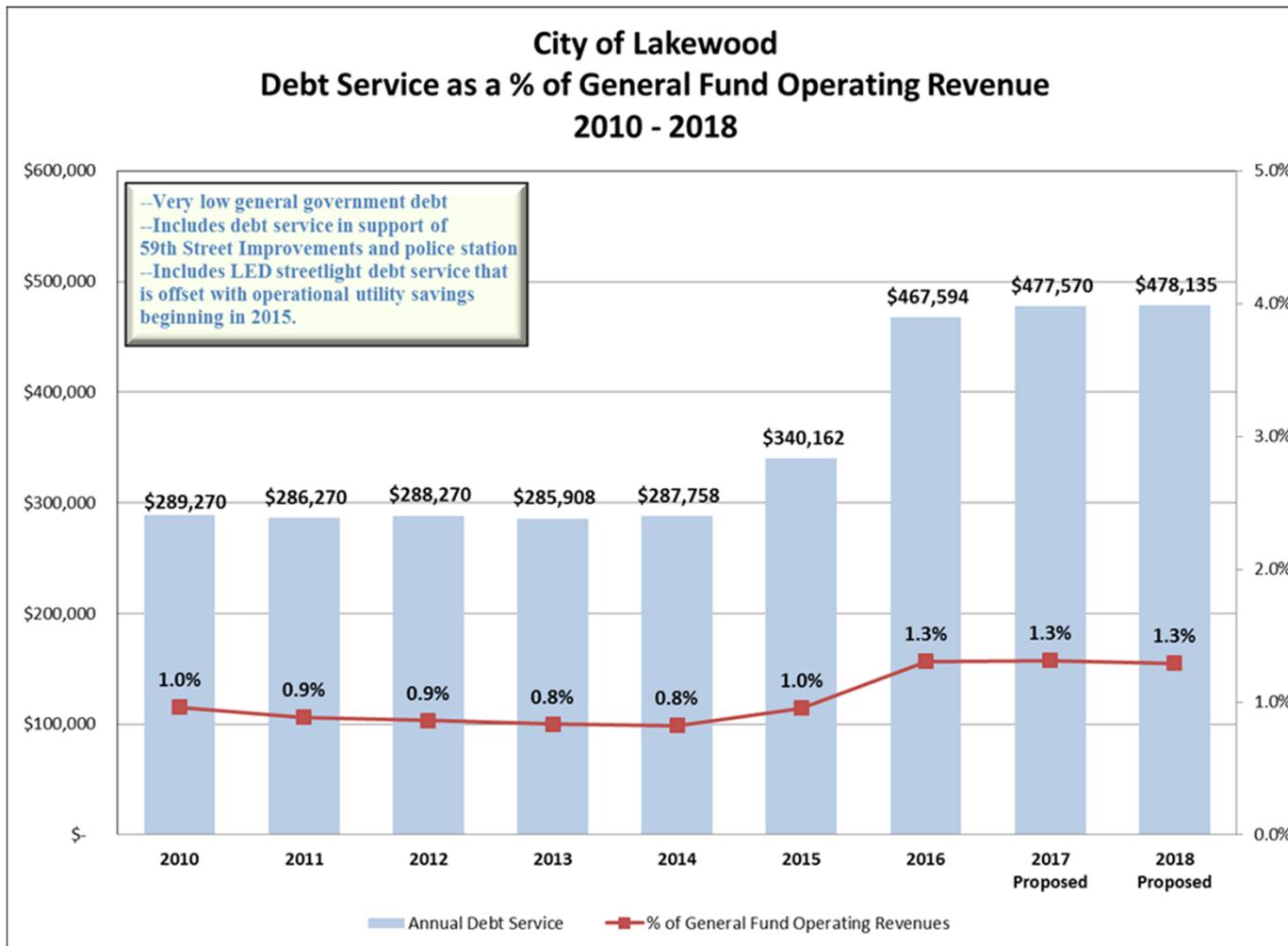
Proposed Property Management Projects		2017	2018
1	City Hall: Exterior Beam Painting	\$ -	\$ 75,000
2	City Hall: Boiler Repair & Replacement	18,000	-
3	Police Station: Wall in Fuel Island	20,000	-
4	Police Station: Sprinkler System in Server Room	39,000	-
5	Park O&M Facility: HVAC Replacement	12,000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

Budget Summary: Information Technology

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

Debt Management

- Budget does not include any new debt



Other Issues Affecting the Budget

- Uncertainty of economic conditions
- Struggle to align operating revenues with operating expenditures
- Infrastructure and service demands
- Competition among local & regional governments for “property tax pie”
- Legislative challenges at state and federal level
- Focus will be growing and creating opportunities for Lakewood

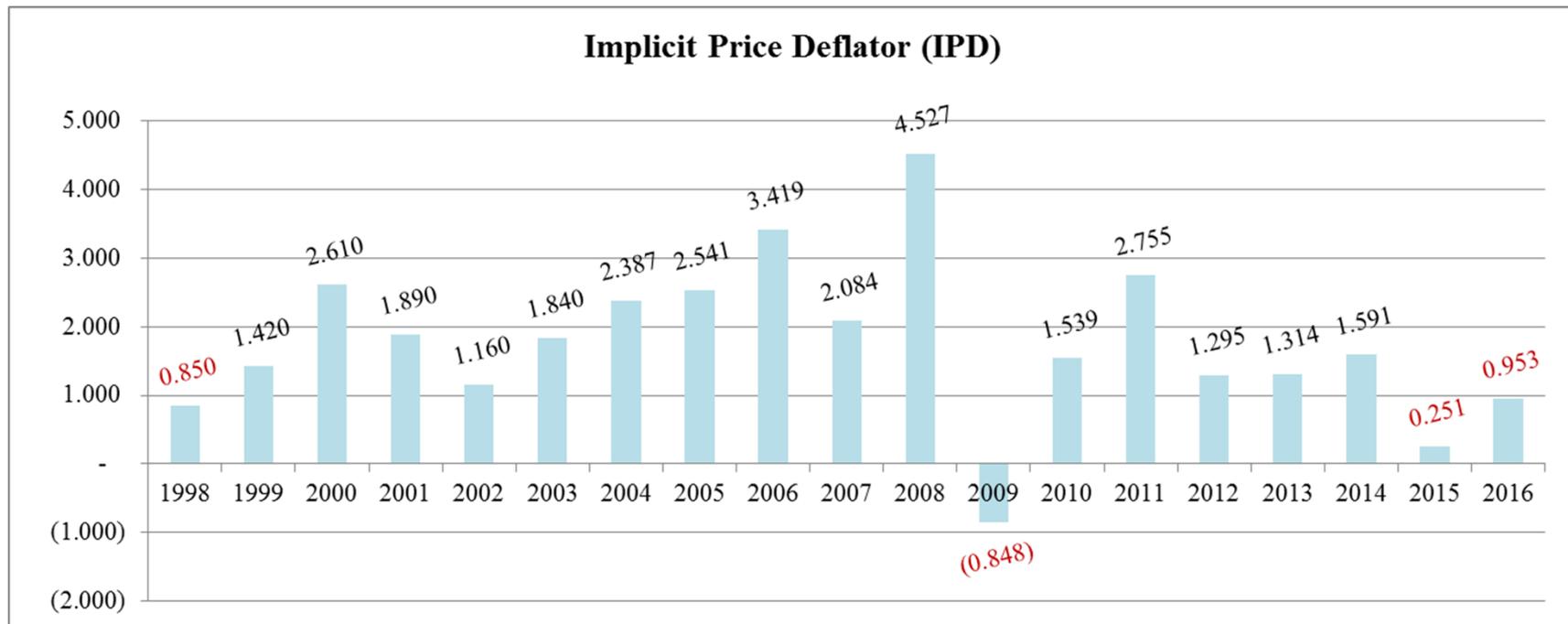
Conclusion

- **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 and park improvements

Property Tax Levy Limit

- Increase limited to the lesser of IPD or 1%
- IPD is 0.953%
- Declaration of Substantial Need Ordinance needed for 1%
- 4th time since 1998 that inflation rate has fallen below 1%

IPD History



Assessed Value, Levy Rate and Levy

	2016	2017 Estimate (1% Increase)	Change	
			\$	%
Assessed Value	\$4,943,143,201	\$5,419,721,591	\$476,578,390	9.6%
City Levy Rate	\$1.3442	\$1.2409	-\$0.1033	-7.7%
City Property Tax Levy *	\$6,644,635	\$6,725,488	\$80,853	1.2%

** The City Property Tax Levy increase of 1.2% includes the 1% increase plus new construction, administrative refunds and increase in state-assessed property.*

Tax Calculator Factor

Tax Calculation Factor	Tax Levy
Highest Regular Tax levy	\$6,582,983
1% Increase	\$65,830
New Construction Estimate	\$48,067
Administrative Refunds	\$14,854
Subtotal	\$6,711,734
Increase from State-Assessed Property (2017 Estimate Based on 2016 Actual)	\$13,754
Total Preliminary 2016 Levy	\$6,725,488
2015 Preliminary Assessed Value for 2016 Levy	\$5,419,721,591
2016 Preliminary Levy Rate (Assumes 1% Increase)	\$1.2409
Levy Rate Calculation:	
2016 Preliminary Assessed Value	\$5,419,721,591
Divide by \$1,000	\$1,000
2016 AV Per \$1,000	\$5,419,722
2017 Preliminary Levy	\$6,725,488
Divide by 2016 AV Per \$1,000	\$5,419,722
2017 Preliminary Levy Rate per \$1,000 (Assumes 1% Increase)	\$1.2409

Increase Scenarios: 0%, 0.953% and 1%

	2016	2017 Est	Change from 2016		2017 Est	Change from 2016		2017 Est	Change from 2016	
	1% Increase	No Increase	\$	%	0.953%	\$	%	1% Increase	\$	%
AV Average Home	\$223,456	\$245,000	\$21,544	9.6%	\$245,000	\$21,544	9.6%	\$245,000	\$21,544	9.6%
City Levy Rate	\$1.3442	\$1.2288	-\$0.1154	-8.6%	\$1.2404	-\$0.1039	-7.7%	\$1.2409	-\$0.1033	-7.7%
City Property Tax Paid	\$300.37	\$301.05	\$0.68	0.2%	\$303.89	\$3.52	1.2%	\$304.03	\$3.65	1.2%
Additional property tax paid by average homeowner with 1% increase compared to 0% increase =									\$2.98	

Note: The assessed valuation for individual properties may not necessarily increase by 9.6%, rather the assessed valuation for all properties in totality is increased by 9.6%.

- **No Increase Scenario:** The property tax levy rate of \$1.2288 results in an additional \$0.68 property tax paid to the City, which is an increase of \$0.68 or .02%.
- **IPD 0.953% Increase Scenario:** The property tax levy rate of \$1.2404 results in an additional \$3.52 property tax paid to the City, which is an increase of \$3.52 or 1.2%.
- **1% Increase Scenario:** The property tax levy rate of \$1.2409 results in an additional \$3.65 property tax paid to the City, which is an increase of \$3.65 or 1.2%.

2017 Property Tax Revenue Estimate

- Since 2006 the City Council has enacted the 1% increase as authorized by state statute.
- The cumulative impact of not taking the 1% increase in 2017 over the 6-year period (2017 - 2022) is roughly \$405,000.

Preliminary Levy per County = \$6,711,734

City Council Options & Considerations for Property Tax

Option 1

Levy the property taxes without any increase.

Option 2

Increase the property tax levy by the IPD of 0.953%.

Option 3 (RECOMMENDED)

Increase the property tax levy by 1% commensurate with the 2017/2018 proposed biennial budget estimates, provided the City Council adopts a Declaration of Substantial Need Ordinance.

Details of Options

Factors	2016 (1% increase)	2017 - Option 1 (no increase)	2017 - Option 2 (IPD 0.953%)	2017 - Option 3 (1% increase)
Base Levy Amount	\$6,466,347	\$6,582,983	\$6,582,983	\$6,582,983
Increase	\$64,663	\$0	\$62,736	\$65,830
New Construction Estimate	\$38,220	\$48,067	\$48,067	\$48,067
Administrative Refunds	\$61,651	\$14,854	\$14,854	\$14,854
Increase from State-Assessed Property (2017 Estimate Based on 2016 Actual)	\$13,754	\$13,754	\$13,754	\$13,754
Total Property Tax Levy	\$6,644,635	\$6,659,658	\$6,722,394	\$6,725,488
Total Property Tax Levy % Increase from Base Levy Amount	2.76%	1.16%	2.12%	2.16%
Assessed Value	\$4,943,143,201	\$5,419,721,591	\$5,419,721,591	\$5,419,721,591
Levy Rate Per \$1,000 AV	\$1.3442	\$1.2288	\$1.2404	\$1.2409
City Tax Paid by Average Home Owner 2015 Home Value for 2016 Property Tax = \$223,456 Assumed 2016 Home Value for 2017 Property Tax = \$245,000	\$300.37	\$301.05	\$303.89	\$304.03
City Tax Paid by Average Home Owner, \$ Change from 2016	n/a	\$0.68	\$3.52	\$3.65
City Tax Paid by Average Home Owner, % Change from 2016	n/a	0.2%	1.2%	1.2%

Declaration of Substantial Need Ordinance

Financial Policies:

- Ensures General Fund Reserves of at least 12% of General and Street operating revenues
- The 2017-2018 proposed budget continues the City's sound financial footing by maintaining General Fund reserves at the 12% policy objective at the end of 2018.
- Ongoing expenditures must be supported by ongoing revenues
- 2017/2018 proposed budget compliant with financial policies

Declaration of Substantial Need Ordinance

Labor Costs:

- 1 contract expires at the end of 2016
- Financial impact will not be known until agreements are in place
- Labor costs have and are expected to continue to increase above 1%
- Annual step increases range from 4% to 6% on top of cost of living adjustments (COLA) depending on the labor group

Next Steps

November 14

- Review of 2017-2018 Proposed Biennial Budget
- Review of human services funding
- Review of lodging tax funding

November 21

- Adoption of 2017-2018 Biennial Budget
- Adoption of 2017 Property Tax Levy Ordinance
- Adoption of 2017 Property Tax Declaration of Substantial Need
- Adoption of 2016 budget adjustments
- Adoption of fee schedule
- Adoption of human services funding
- Adoption of lodging tax funding