



To: Mayor and City Councilmembers
From: Tho Kraus, Assistant City Manager/Administrative Services
Through: John J. Caulfield, City Manager
Date: September 14, 2015
Subject: Municipal Finance 101 (DRAFT)

Introduction

The purpose of this memo is to provide citizens with the fundamentals of municipal finance in a Q&A format. This is the first time the City has prepared such a document. There is additional information that could have been included; however, that information is currently not available for the adjusted budget. This document will continue to be updated to incorporate items that are currently underway and/or slated to be developed as part of the upcoming 2017/2018 biennial budget process.

City Goals & Challenges

Q1: What are the City Council's goals and priorities?

The 2014-2016 City Council goals as adopted by the City Council on July 7, 2014 are:

- 1) Our City is fiscally responsible.
- 2) Our City provides first-rate public safety services.
- 3) Our City promotes economic development.
- 4) Our City is dedicated to maintaining and improving public infrastructure and facilities.
- 5) Our City is committed to honest, open, and transparent government.

Additionally, the City Council identified the following as key objectives to pursue:

- Infrastructure Improvements
- Fiscal Responsibility
- Focus on "Low Hanging Fruit" (i.e., promote positive image and attributes of Lakewood, continue to move forward with current infrastructure improvements and develop implementation strategy for unfunded infrastructure improvements, CSRT, economic development opportunities, gateway improvements, etc.)
- Public Safety Cost/Benefit Analysis

Appendix A provides details of the City Council goals and priorities including policy objectives, action strategies, work plan items, tasks, and priority projects.

Q2: What has the City done or is currently doing to achieve those goals?

The City Manager working with department directors has implemented a work plan to develop key objectives to meeting the City Council goals. These work plans are reviewed and updated periodically with timelines in order to stay on task.

Some examples of items completed and/or is in progress to achieve these goals include:

1) Fiscal Responsibility

- Received a two-step increase bond rating from Standard & Poors, from A to AA- in March 2014
- Developed the City's first set of financial policies which the City Council adopted in September 2014
- Developed City's the first 6-Year financial forecast and revenue manual in 2014 as part of the 2015/2016 budget process
- Developed the City's first in-depth, comprehensive quarterly financial reporting beginning with third quarter 2013
- Prepared the City's Comprehensive Annual Financial Report (CAFR) for FY2013 and achieved the Excellence in Financial Reporting Award from Government Finance Officers Association (first CAFR since FY2005)
- Developed the City's first in-depth, comprehensive, and transparent budget document for the 2015/2016 biennium

2) First Rate Public Safety Services

- Reduced total crime by 3.47% in 2014 compare to 2013
- Reduced persons crimes by 6.84% in 2014 compared to 2013
- Reduced property crimes by 4.58% in 2014 compared to 2013
- Received accreditation through Washington Association of Sheriffs & Police Chiefs (WASPC)
- Continue development of emergency preparedness and disaster recovery to include emergency management training, Incident Command system (ICS), Comprehensive Emergency Management Response Team (CERT) training, Pierce County (PC) Alert, and Emergency Coordination Center (ECC)
- Developed Imbedded Mental Health Program (MHP) to address mentally ill and homelessness; partnered with Greater Lakes Mental Health and imbed a mental health professional with the neighborhood policing program
- Practice proactive and regular public safety reporting
- Continue Community Safety Resource Team (CSRT) Program

3) Promote Economic Development

- Prepared and executed housing forums
- Published economic development newsletters and economic indicator reports
- Continued business showcase programs
- Prepared analysis of vacant and underutilized lands in Lakewood
- Performed local business asset mapping
- Secured new national and regional tenants with estimated future revenue of \$400K+/year in Lakewood
- Secured first section 108 client with estimated future revenue of \$80K in Lakewood

- Implemented online permits system
- 4) Public Infrastructure & Facilities
- Developed scope and planning level estimates for the Lakewood Transportation Benefit District and funding options
 - Implemented \$20 vehicle licensing for the Lakewood Transportation Benefit District
 - Developed the City's 6-Year Capital Improvement Plan for Transportation
 - Developed the City's first 6-Year Property Management Plan
 - Developed the City's first 6-Year Information Technology Strategic Plan
 - Retrofitted streetlights to LED; continue with more conversions
 - Successful in securing transportation funding during the recent legislative session
- 5) Open, Honest, Transparent Government
- Redeveloped the City's website
 - Developed Municipal Finances 101 presentation
 - Developed performance measures
 - Developed the City's quarterly Connections Magazine (formerly the Connections Newsletter)
 - Continue with City Manager's weekly bulletin made available to the public via the City's website
 - Received the City's first National Association of Government Communicators Blue Pencil & Gold Screen Award for its #IamLakewood community imaging campaign

Q3: What are some of the challenges the City is facing?

Some challenges are:

- Continuing change and uncertainty of economic conditions
- Legislative changes and initiatives
- Rising employee health care costs
- Growing demand for services
- Aging infrastructure
- Unfunded transportation capital improvement needs
- Unfunded parks capital improvement needs
- Unfunded information technology needs
- Unfunded facility deferred maintenance needs

Budget

Q4: What is the City's fiscal year?

The City's fiscal year is based on the calendar year; January 1 – December 31. The City's biennial budget periods are from January 1 of an odd numbered year to December 31 of the next succeeding even-numbered year.

Q5: What is the difference between a City's budget and that of a private business?

In a private business, they are a plan which often times can be an aggressive plan that may or may not be achieved. In government, the expenditure side of the budget is called "appropriation", and is the legal authority to provide a given level of service. It is illegal to spend more than the fund's budget appropriation. The budget appropriation is not a forecast of the amount the City expects to spend necessarily; it is the maximum amount that may be spent.

Q6: What is the budget process and when does the City develop the budget?

The budget process begins with a review of the City Council’s goals and objectives which typically occurs during the first quarter of the year.

	Major Steps in Budget Preparation	State Law Time Limitations	Actual 2014 Date
1.	Finance Director request department directors to prepare detailed estimates of revenues and expenditures for the next fiscal year. Finance Director prepares debt service estimates and all other estimates not prepared by department directors.	By 2 nd Monday in September.	September 8
2.	Department directors must file revenue and expenditure estimates with the Finance Director.	By 4 th Monday in September.	September 22
3.	Finance Director must submit to City Manager the proposed preliminary budget.	On or before the 1 st business day in the 3 rd month prior to beginning of fiscal year.	October 1
4.	City Manager provides the City Council with current information on estimates of revenues from all sources as adopted in the budget for the current year and the proposed preliminary budget.	No later than the 1 st Monday in October.	October 6
5.	City Council must hold a public hearing on revenue sources for the coming year’s budget, including consideration of possible increases in property tax revenues.	Before City Council votes on property tax levy. Deadlines for levy setting are in item 8 below.	See Item 8.
6.	City Manager prepares preliminary budget and budget message and files with the City Council and city clerk.	At least 60 days before the ensuing fiscal year.	October 31
7.	City clerk publishes notice that preliminary budget has been filed and publishes notice of public hearing on final budget once a week for two consecutive weeks.	No later than the 1 st two weeks in November.	November 3 through November 14
8.	Set property tax levies.	November 30	November 28
9.	City Council must schedule hearings on the budget.	Prior to final hearing	November 3 – 28 (suggested)
10.	Copies of the preliminary budget made available to the public.	No later than 6 weeks before January 1.	November 20
11.	Final hearing on the proposed budget.	On or before 1 st Monday in December, and may continue from	
12.	City Council adopts the budget.	Following the public hearing and prior to beginning of the ensuing fiscal year.	Day of final public hearing through December 31
13.	Transmit final budget to the State Auditor’s Office and to MRSC.		After adoption

Cities on a biennial budget have an additional budget step – mid-biennial review/modification.

Additional Biennial Budget Step	State Law Time Limitations	Actual 2015 Date
The City Council shall provide for a mid-biennial review and modification by ordinance. City Manager shall prepare proposed budget modification and provide public of notice of public hearings on same.	No sooner than 8 months after the start of the fiscal biennial period, nor later than the end of the first year of the biennium.	September 1 through December 31
Copies of the biennial budget document and budget modification to be transmitted to the State Auditor’s Office and to MRSC.		After adoption.

Q7: Is the budget document available to the public?

Yes. Information is made available to the public throughout the budget process, including the proposed budget and any other materials such as property tax levies, presentations, and follow-up materials. The public can view the physical copies of the document at City Hall and electronic copies via the internet <https://www.cityoflakewood.us/finance/budget>.

Q8: Does the City look beyond the current year to determine if there's enough money in the future to keep City operations going?

Yes. In late 2014, the City began developing a preliminary six-year financial forecast as part of the 2015/2016 biennial budget. With each future budget process, the City will update expenditure and revenue projections for the next six years. Projections will include estimated operating costs for capital improvements that are included in the capital budget. This budget data will be 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 shall be included in the biennial budget document and updated at least annually as part of the adopted budget process in the even years and the mid-biennial review in the odd years.

Q9: Does the City have financial policies to guide it through the budget development process?

Yes. The City Council, in September 2014, adopted a set of comprehensive financial policies that provides a vital framework for future governance and decision-making especially in regard to those issues that substantively impact the City's budget. These financial policies are the foundation for the City's recovery to a more sustainable financial future because 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, and financial reporting. With the adoption of these financial policies, the City Council committed itself to follow them.

The benefits of sound financial policies include: help the City Council, City Manager and leadership manage the City's finances; save time and add clarity when discussing financial matters; increase public confidence and credibility with investors and bond rating agencies; provide continuity as civic leadership change over time; and provides a means for dealing with fiscal emergencies.

These financial policies will help the City manage its money responsibly and deliver projects and programs that will enhance the lives of city residents.

Some key elements of the financial policies are:

- The City will adopt a balanced budget for all funds – ongoing revenues must be enough to cover ongoing operating costs.
- The City shall not utilize one-time revenues for recurring operating expenditures.
- Excess cash may be used to fund one-time or non-recurring costs.
- The City shall maintain ending fund balance reserve in the General Fund equating to 12% of the combined General and Street O&M operating reserves to:

- 2% General Fund Contingency Reserves to accommodate unexpected operational changes, legislative impact, or other economic events affecting the City’s operations which could not have been reasonably anticipated at the time the original budget was prepared.
- 5% General Fund Ending Fund Balance Reserves to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.
- 5% Strategic Reserves to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major unanticipated events.
- The City shall establish replacement reserves for information technology related equipment and property management related to facilities no later than 2020.

The complete set of financial policies is provided in Appendix B.

Q10: How does the City monitor the budget and is that information available to the public?

The City prepares detailed, comprehensive quarterly financial reports that are presented at the City Council Study Sessions on a quarterly basis. The report focuses primarily on the General and Street Operations & Maintenance funds as these are the City’s two primary operating funds but also provides income statements for all other funds. Reporting includes: revenue sources such as property tax, sales & use tax, utility tax, gambling tax, admissions tax, franchise fees, photo infraction, animal license, business license, fines & forfeitures, development services permits & fees, parks & recreation fees, real estate excise tax, Transportation Benefit vehicle licensing fees, and hotel/motel lodging tax; ending fund balance and cash balance; grants; capital projects; and debt service & other liabilities.

Per the City’s financial policies regarding financial reporting, the City will strive to continue to make improvements in its financial reporting scheme so that information is available to the City Council, City Manager, departments and public is the best available for sound financial decisions. As such, the reports will continue to evolve.

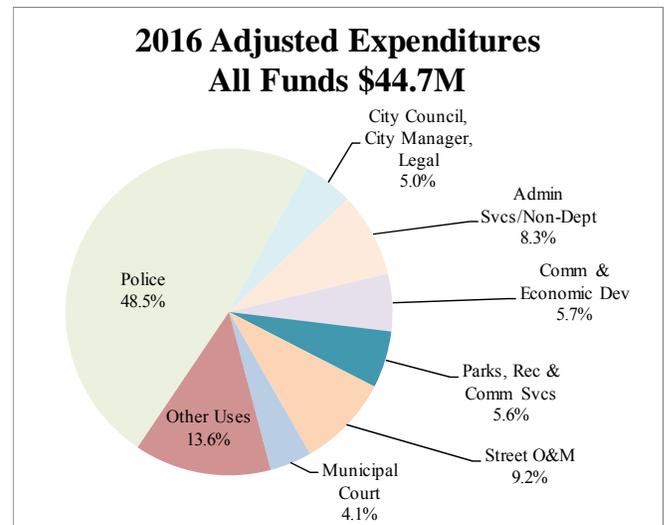
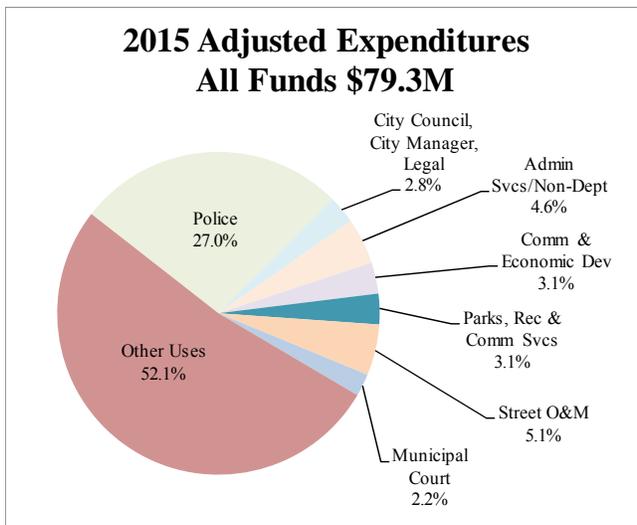
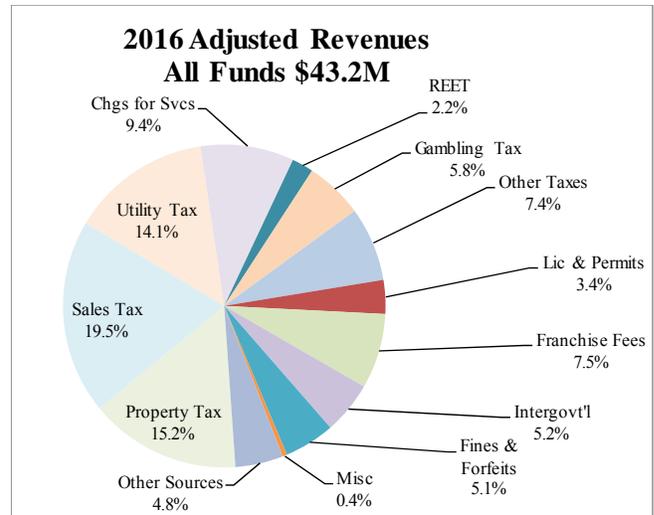
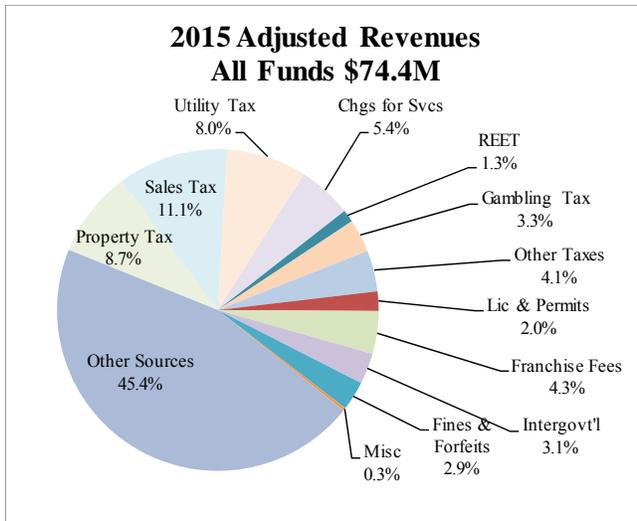
The reports are available to the public via the online City Council agenda packets as well as the finance webpage <https://www.cityoflakewood.us/finance/financial-reports>.

Q11: What is the City’s current budget?

The current budget for all funds (include general fund, special revenue funds, debt service funds, capital projects, enterprise, internal service funds and interfund transfers) is as follows:

	2015	2016
Beginning Fund Balance	\$21.1M	\$17.5M
Revenues	\$87.6M	\$52.0M
Expenditures	\$91.1M	\$52.3M
Ending Fund Balance	\$17.5M	\$17.2M

A breakdown of the revenues and expenditures (excluding internal service charges and interfund transfers) are provided in the following charts.



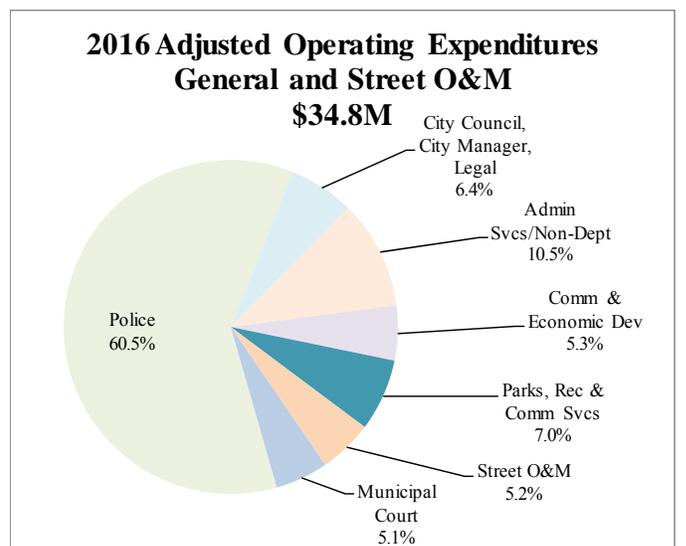
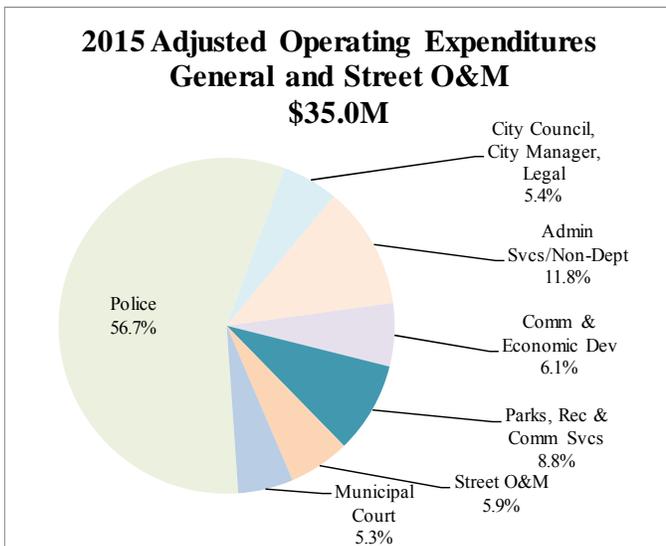
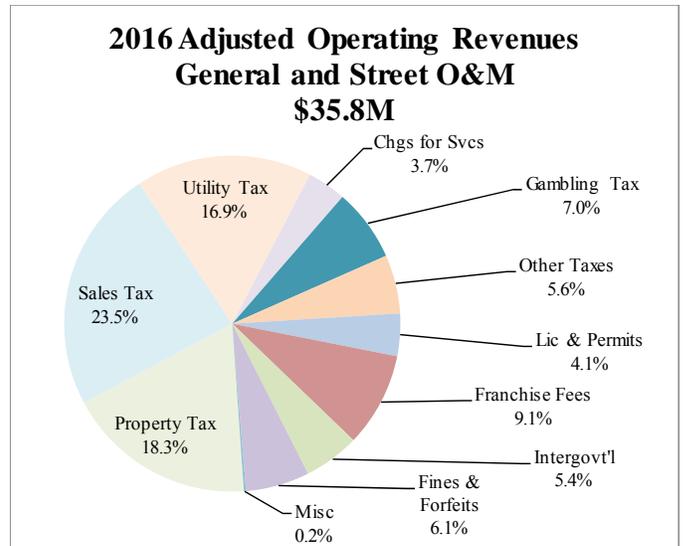
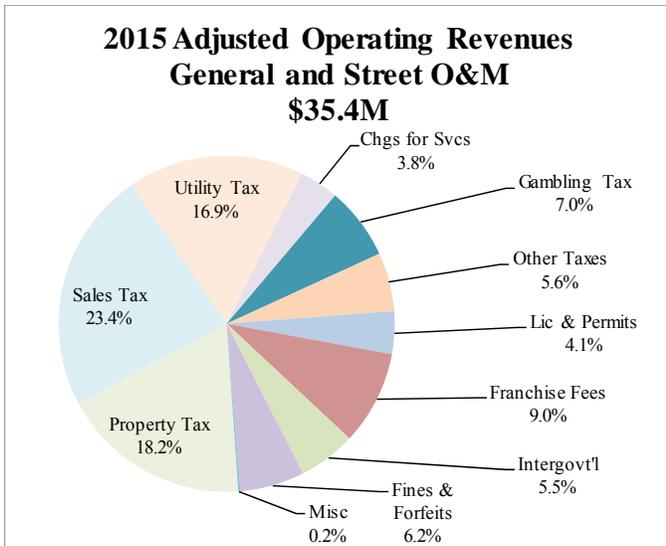
Note: Expenditures by type (personnel cost, supplies, charges for services, intergovernmental, etc.) is currently not available for the current adjusted budget. It will be included as part of the 2017/2018 budget process.

Q12: What is the City's current General & Street Fund budget?

The current budget for the General & Street Fund including interfund transfers is as follows:

	2015	2016
Beginning Fund Balance	\$4.5M	\$4.0M
Revenues	\$37.0M	\$37.5M
Expenditures	\$37.6M	\$37.1M
Ending Fund Balance	\$4.0M	\$4.3M

A breakdown of the revenues and expenditures (excluding grants and interfund transfers) are provided in the following charts.



Note: Expenditures by type (personnel cost, supplies, charges for services, intergovernmental, etc.) is currently not available for the current adjusted budget. It will be included as part of the 2017/2018 budget process.

Q13: Are there any restrictions on how revenues can be spend and what type of expenditures does the City have?

The City has expenditures that are legally mandated, contractual obligations, important and discretionary. The breakdown of expenditures by these categories and a restricted revenue analysis is currently not available, but is slated as a future item, perhaps for the 2017/2018 budget.

Q14: What services are provided by the City and how are those services delivered?

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 Community Service Resource Team (CSRT); Community & Economic Development, which includes Community Development Block Grant (CDBG) and South Sound Military & Community Partnership (SSMCP) programs; Public Works, which includes storm water collection and treatment; 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 & Rescue (WPFR) provides 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, and Puyallup 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 District No. 1 serving a small portion of the community.

Q15: What are funds?

Governments utilize fund accounting system which emphasizes accountability rather than profitability. In this system, a fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

Q16: What types of funds does the City have?

The City utilized three fund types as follows:

1) Governmental Fund Types:

- *General Fund* – to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* – to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- *Debt Service Funds* – to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.
- *Capital Project Funds* – to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.)

2) Proprietary Funds:

- *Enterprise Funds* – to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
- *Internal Service Funds* – to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

3) Fiduciary Funds:

- *Agency Funds* – to account for resources held by the reporting government in a purely custodial capacity.

Q17: How many funds does the City have and what is the purpose of each of the funds?

The City maintains 28 funds. Appendix C provides a complete listing of the City's funds and their purpose.

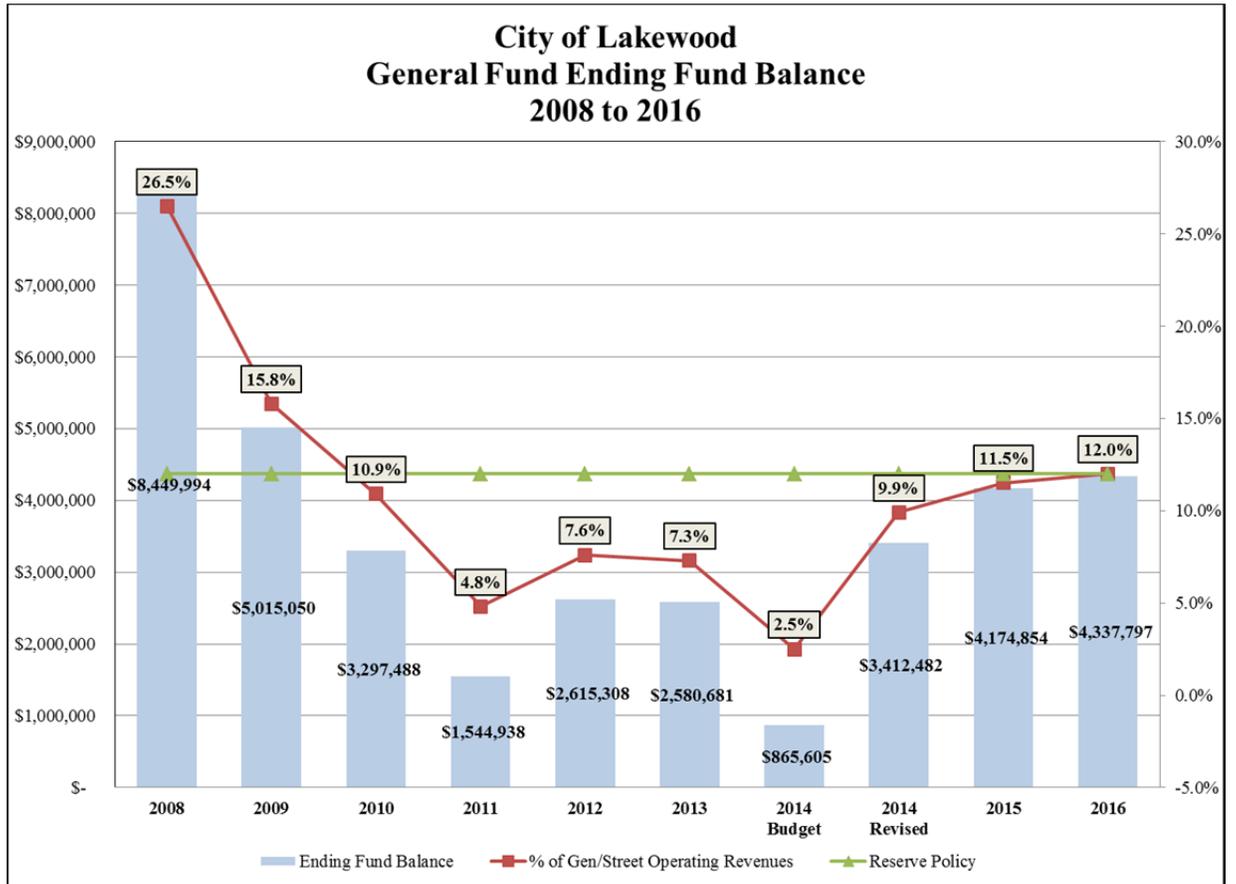
Q18: What are the legal restraints specific to City finances?

- The ***General Fund*** is the City's main operating fund and accounts for all activities not required to be accounted for in some other fund. Primary expenditures in the General Fund are made for police, jail, economic development, building, planning and zoning, social, human and senior services, municipal court, and general administrative services. Additionally, the General Fund subsidizes street operations and maintenance.
- ***Special Revenue Funds*** account for the proceeds of specific revenue sources (other than trust funds or for major capital projects) that are legally restricted to expenditures for specific purposes.
- ***Capital improvements Funds*** account for the acquisition, construction or improvements of major capital facilities except for those financed by proprietary and trust funds. They also establish and cover multi-year expenditures of major capital projects and expenditures for General Government programs.
- ***Debt Service Funds*** account for the accumulation of resources for, and the payment of principal and interest on the City's bonds issued in support of governmental activities.
- ***Utility Funds*** are self-supporting through user rates and charges. The City maintains one utility fund – the Surface Water Management Fund – which maintains, operates and administers the City's natural and developed storm and surface water conveyance system.

Q19: How did the City respond to the Great Recession?

The City's response to the Great Recession was to use the General Fund fund balance to balance the budget, essentially depleting it. With a new leadership team on board late in 2013, the City's financial health was immediately assessed and work began on addressing the issue. The 2015/2016 adopted biennial budget right sized the ship, however, efforts continue to bring the City to financial sustainability.

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



The following table illustrates first the number of regular full-time equivalents (FTEs) that were employed by the City between 2008 and 2016 followed by those positions that were eliminated beginning in 2015.

Full-Time Equivalent Employees by Department	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government									
City Manager	3.60	3.60	4.00	4.00	3.00	3.00	3.00	3.00	3.00
Municipal Court	14.75	14.75	15.75	16.00	16.75	16.75	17.00	12.50	12.50
Finance, Information Technology & Human Resources	23.90	23.70	24.30	24.50	20.85	20.85	20.85	16.00	16.00
Legal & City Clerk	20.15	12.74	14.00	12.75	11.98	11.98	11.98	12.50	12.50
Subtotal General Government	62.40	54.79	58.05	57.25	52.58	52.58	52.83	44.00	44.00
Community & Economic Development	22.50	22.50	24.50	25.00	23.00	22.00	22.00	16.00	16.00
Parks, Recreation & Cultural Services	12.95	12.95	13.10	12.75	15.50	15.50	15.50	14.75	14.75
Police *	131.00	129.00	123.00	123.00	118.00	118.00	118.00	116.00	116.00
Public Works **	22.75	22.75	22.71	35.50	34.00	34.00	33.00	29.50	27.50
Total	251.60	241.99	241.36	253.50	243.08	242.08	241.33	220.25	218.25

* There are two limited term positions in Transportation Capital that end December 31, 2015.

** There are three (3) authorized, unfunded positions in the Police Department:

1.0 FTE Lieutenant, 1.0 FTE Community Service Officer, and 1.0 FTE Code Enforcement Officer.

Position Eliminated	FTE	Group	Notes
Accounting Technician	(1.00)	AFSCME	Vacant
Administrative Assistant	(1.00)	Non-Rep	
Administrative Assistant	(2.50)	AFSCME	
Code Enforcement Officer *	(1.00)	AFSCME	
Community Services Officer *	(1.00)	Teamsters	
Court Clerk I	(0.50)	AFSCME	
Court Supervisor	(1.00)	Non-Rep	Vacant
CSRT Lieutenant *	(1.00)	LMPG	Retirement
Economic Development Specialist	(1.00)	AFSCME	Vacant
Facilities Maintenance Supervisor	(1.00)	Non-Rep	
Financial Analyst	(1.00)	AFSCME	
Fiscal & Grant Specialist	(1.00)	AFSCME	
In-House Custodian	(0.50)	AFSCME	
IT Engineer	(2.00)	AFSCME	
Office Assistant	(1.25)	AFSCME	
Paralegal	(0.25)	AFSCME	
Probation Counselor	(1.00)	AFSCME	
Public Works Operations Manager	(1.00)	Non-Rep	
Senior Office Assistant	(1.00)	Non-Rep	
Senior Office Assistant	(1.00)	AFSCME	Vacant
Total	(21.00)		

* Maintain as authorized positions.

Debt Management

Q20: How much debt does the City have?

The City's outstanding debt as of June 30, 2015 is \$11.1M and is comprised of: \$2.7M in general obligation debt (Police Station and 59th Avenue); \$5.3M from public works trust fund loans (sewers); \$1.6M in LIDs (street improvements); and \$1.5M from local option capital asset lending (LED street light retrofit).

Q21: What is the City’s bond rating?

The City’s current bond rating is AA-. This is a two – step increase from the previous A rating which was raised by Standard and Poor (S&P) in March 2014. Additionally, S&P assigned the City a stable outlook. The highest rating issued by S&P is AAA. The grades AAA, AA, and A are considered high quality. The City’s goal is to increase the rating to AA during the next review.

Q22: What is the importance of a bond rating?

The bond rating offers insight into the City’s financial strength. A good bond rating indicates that the City is strong enough to pay its obligations so the cost of borrowing will be cheaper for the City.

Unfunded Liability

Q23: Does the City have other liabilities?

While the City has limited service requirements, there is one area that will deserve some attention in the coming year - 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 when an employee leaves the City. The calculation is made on an annual basis. As of December 31, 2014, this unfunded liability totals \$2.2M.

The following table summarizes the liability by non-represented and collective bargaining groups.

Legacy Cost December 31, 2014		
Group	FTE	Total Liability
Non Rep	33.00	\$ 305,990
AFSCME	92.93	615,618
LPMG	5.00	98,533
LPIG	93.00	1,192,564
Teamsters	5.00	16,421
Total	228.93	\$ 2,229,126

Audit & Annual Financial Report

Q24: Does the City get audited?

Under state law, all county and local government entities are required to undergo an annual audited performed by the State of Washington Auditors Office. Additionally, the State Auditor’s Office conducts three types of investigations – citizen hotline, fraud program, and whistleblower program - that begin with a tip or a lead reported by a citizen or an employee of a local or state government entity.

Additionally information is available on their website:

<http://www.sao.wa.gov/investigations/Pages/default.aspx#.VbJ5tUZsmzc>

Q25: How can I find results of the audits?

Audit reports are available through the state auditor's website:
<http://portal.sao.wa.gov/ReportSearch>

Q26: What is a CAFR and does the City prepare one?

The Comprehensive Annual Financial Report (CAFR) is a report that that the City had prepared annually through fiscal year 2005 and recently began preparing again beginning in fiscal year 2013. It provides a thorough and detailed presentation of the City's financial condition above and beyond what is required by the State Auditor's Office.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes the transmittal letter, the City's organizational chart and a list of City officials. The financial section includes the independent auditor's report, management discussion and analysis, the basic financial statements, the combining and individual fund statement, and debt service requirement schedules. The statistical section includes selected financial and demographic information presented on a multi-year basis.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its 2013 CAFR. This marks the City's first CAFR award since 2005. This award is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read it.

The City's CAFR is available on the Finance Division's web page:
https://www.cityoflakewood.us/documents/finance/financial_reports/2014_CAFR_GFOA.pdf

Property Tax

Q27: My property tax is higher this year while my neighbor's bill is lower – why is that?

The City's property tax levy (the total amount of property tax authorized to collect) is limited by state law.

To provide some history:

- In 1973 the legislature capped property tax growth to 6% in response to citizen concerns that property tax was rising to fast.
- In November 1997, voters approved Referendum 47 which limited levy increases to the lesser of 6% or inflation.
- In November 2001, voters approved Initiative 747 which further limited levy increases to the lesser of 1% of inflation.

The 1% limit applies to the overall property tax revenue the City collects. The 1% limit does not apply to the amount of property tax a homeowner pays as it really depends on the change in a home's assessed valuation.

Below are scenarios illustrating how the 1% limit works on the City's regular property tax levy:

$$1) \quad \begin{matrix} 1\% \uparrow & 0\% & 1\% \uparrow \\ AV/\$1,000 \times \text{tax rate} = \text{tax levy} \end{matrix}$$

If the total assessed value of all properties within the city limits increases by 1%, then there is no change to the current tax levy rate. The tax levy (the amount the City can expect to receive) increases by the maximum 1%.

$$2) \quad \begin{matrix} 0\% & 1\% \uparrow & 1\% \uparrow \\ AV/\$1,000 \times \text{tax rate} = \text{tax levy} \end{matrix}$$

If there is no increase in the total assessed value of all properties within the city limits, then the property tax levy rate can increase by 1% but it cannot exceed the maximum statutory limit of \$1.60.

$$3) \quad \begin{matrix} .06\% \uparrow & .04\% \uparrow & 1\% \uparrow \\ AV/\$1,000 \times \text{tax rate} = \text{tax levy} \end{matrix}$$

If the total assessed value of all properties within the city limits increases by 0.6%, then the tax levy rate can increase by 0.4% so that the total combined increase is 1.0%. The tax levy rate can only increase by 0.4% as long as it does not put the tax levy rate over the maximum statutory limit of \$1.60.

$$4) \quad \begin{matrix} 8\% \uparrow & 7\% \downarrow & 1\% \uparrow \\ AV/\$1,000 \times \text{tax rate} = \text{tax levy} \end{matrix}$$

If the total assessed value of all properties within the city limits increases by 8%, then the tax levy rate must decrease by 1.0% so that the combination of the increase and decrease yield a net maximum increase of 1%.

$$5) \quad \begin{matrix} -2\% \downarrow & 3\% \uparrow & 1\% \uparrow \\ AV/\$1,000 \times \text{tax rate} = \text{tax levy} \end{matrix}$$

If the total assessed value of all properties within the city limits decreases by 2%, then the tax levy rate increases by 1.0% so that the combination of the increase and decrease yield a net maximum increase of 1%, as long as it does not put the tax levy rate over the maximum statutory limit of \$1.60.

Q28: If the City needs more money to pay for City services/programs, can it increase the property tax levy rate?

Levy Lid Lift

The City may increase the property tax levy rate if the tax levy rate is under the maximum statutory limit of \$1.60. It will, however, require the City to ask the voters to “lift” the levy lid by increasing the tax rate to some amount equal to or less than the statutory maximum rate of \$1.60. A simple majority vote is required (50% + 1).

There are two types of levy lid lifts:

	Option 1: “Original Flavor” (“Single-Year”, “One-Year”, “Basic”)	Option 2: Multiple/Multi-Year Lid Lift
Authorization	RCW 84.55.050(1)	RCW 84.55.050(2)
Vote Requirement	Simple Majority (50% + 1)	Simple Majority (50% + 1)
Levy Rate Limit	Statutory maximum levy rate of \$1.60.	Statutory maximum levy rate of \$1.60.
Purpose	For any purpose. Purpose not required to be stated in title of ballot.	For any limited purpose. Purpose must be stated in title of ballot.
Length of Time of Lid Lift	Can be for any amount of time, unless the proceeds will be used for debt service on bonds then the maximum period is 9 years. Making it permanent means funds can be used for ongoing operating expenditures without having to go back to the voters. To make permanent requires language in the ballot title expressly stating that future levies will increase as allowed by RCW 84.55. If not made permanent, at the end of the time period specified in the ballot title, future levies will revert to what the dollar amount of the levy would have been if no lift had ever been done.	Lid may be “bumped up” each year for up to six years. At the end of the specified period, the levy in the final period may be designated as the base amount for calculation of all future levy increases (made permanent) if expressly stated in the ballot title.
	Option 1: “Original Flavor” (“Single-Year”, “One-Year”, “Basic”)	Option 2: Multiple/Multi-Year Lid Lift
Subsequent Levies	After the initial “lift” in the first year, the City’s levy in future years is subject to the lesser of 1% or inflation. This is the maximum it can increase without returning to the voters for another lid lift.	“Lift” for the first year must state the new tax rate for that year. For ensuing years, the lift may be a dollar amount, a percentage increase tied to an index such as the CPI, or percentage amount set by some other method (cannot specify a specific levy rate in the ensuing years). The amounts do not need to be the same each year. However, the ballot title may only have 75 words.
Election Date	May occur at any election date.	Must be the August primary or November general election.

Excess Levies for General Government Purposes – One Year Levy

Cities that are currently levying their statutory maximum (\$1.60 for the City) can ask the voters at any special election date to raise their rate for one year. Many cities refer to this levy as an operations and maintenance (O&M) levy. A supermajority vote is required.

The voter approval scenarios are as follows:

- If at least 60% of the voters vote “yes” with a voter turnout of more than 40% of the number of people voting in the last general election, the measure is passed.
- However, if the voter turnout is 40% or less of the number voting in the last election, all is not lost. In this case, as long as the number of “yes” votes is equal to 60% times 40% of the number of people voting in the last general election, the measure will pass.

For example: 1,000 people voted in the last general election, as long as at least at least 240 (1,000 x 40% = 400; 400x 60% = 240) people vote “yes” it will pass even if the number voting is less than 400 (40% of those voting in the last general election).

As with the levy lid lift, the purpose for which the money will be used does not need to be specified. However, it is not fiscally prudent to build a budget that assumes the voters will renew the levy authority each year. A good use of these funds would be for one-time expenditures.

Q29: Where does my property tax payment go?

Most properties in Lakewood are taxed at \$15.47 per \$1000 AV in 2015, of which the City receives approximately 9% or \$1.38 per \$1000 AV to provide local services.

Therefore, for each \$1 property tax paid, less than 9¢ is available for City services. The remaining goes to the Clover Park School District (37.30¢), Fire District (20.48¢), Pierce County (9.58¢) for regional service, State (15.43¢), the library, port, and flood control districts (5.08¢ combined), and Emergency Medical Services (3.23¢).



Q30: What is the property tax rate and how is my property tax bill calculated?

The current property tax rate is \$15.47 per \$1,000 assessed value (AV).

The property tax bill for the average home owner is calculated as follows:

$$\text{Assessed Value} \div \$1,000 \times \text{Levy Rate} = \text{Property Tax}$$

$$\text{Assessed Value } \$212,540 \div \$1,000 \times \$15.4684 \text{ Total Levy Rate} = \$3,288 \text{ Total Property Tax}$$

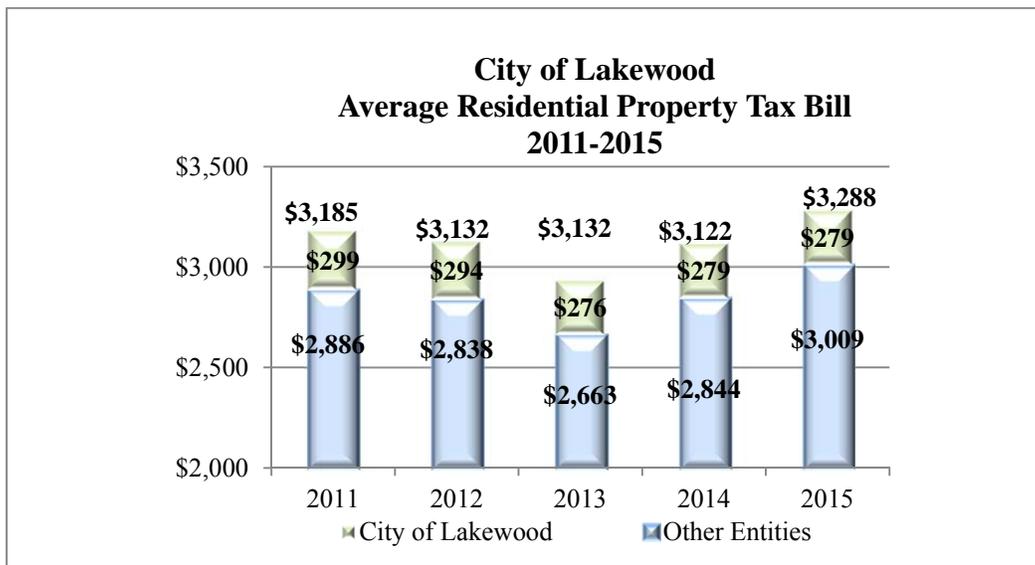
$$\text{Assessed Value } \$212,540 \div \$1,000 \times \$1.3766 \text{ City Levy Rate} = \$279 \text{ Property Tax, City Portion}$$

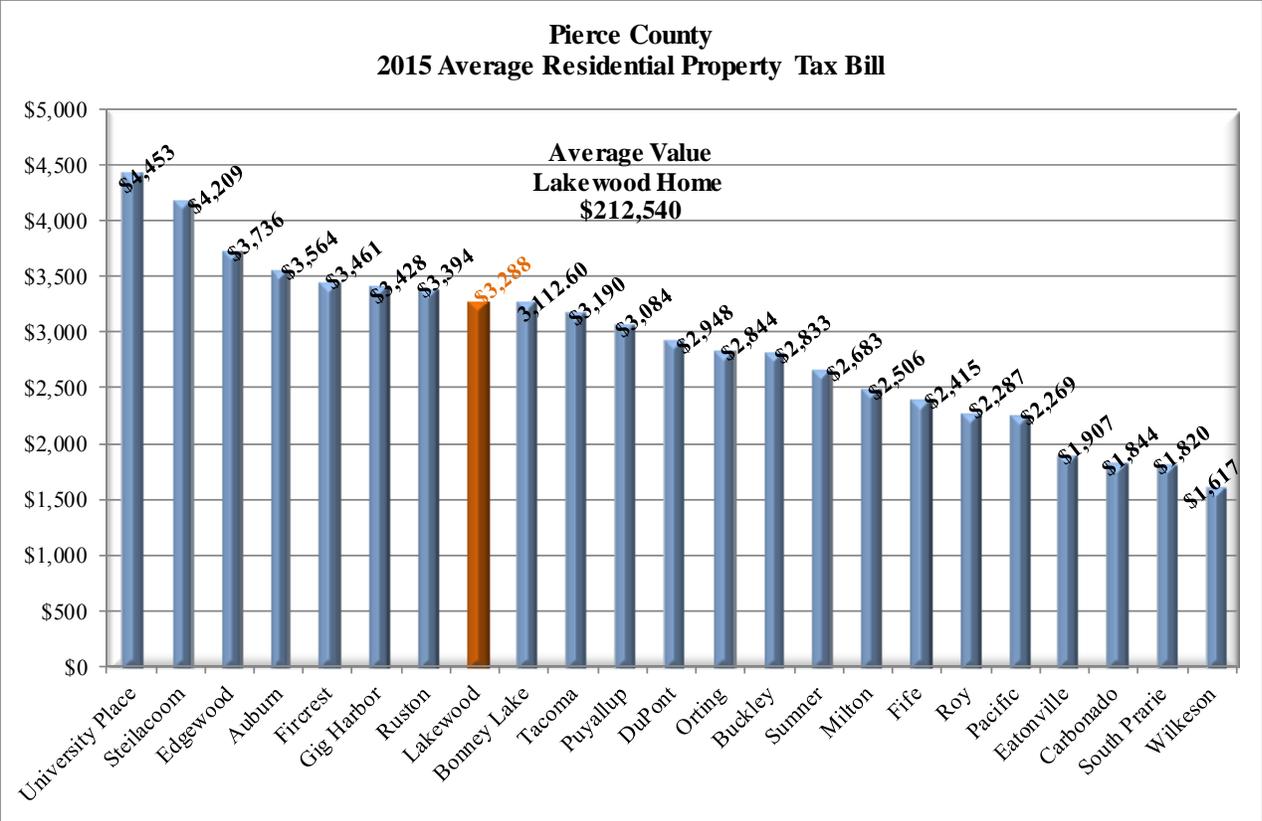
The table below provides the current and historical rates by taxing jurisdiction.

Taxing District	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Clover Park School District	\$ 3.87	\$ 4.22	\$ 3.82	\$ 3.86	\$ 4.33	\$ 4.79	\$ 5.11	\$ 5.34	\$ 5.98	\$ 5.77
West Pierce Fire District	2.89	2.28	2.65	2.56	2.69	2.77	2.82	3.03	3.26	3.17
State of Washington	2.64	2.29	2.07	2.02	2.07	2.27	2.41	2.63	2.53	2.38
Pierce County	1.38	1.18	1.08	1.08	1.16	1.29	1.42	1.58	1.56	1.48
<i>City of Lakewood</i>	<i>1.28</i>	<i>1.10</i>	<i>1.01</i>	<i>1.00</i>	<i>1.06</i>	<i>1.16</i>	<i>1.28</i>	<i>1.44</i>	<i>1.43</i>	<i>1.38</i>
Library	0.40	0.48	0.44	0.44	0.47	0.50	0.50	0.50	0.50	0.50
Emergency Mgmt Services	0.42	0.36	0.50	0.49	0.50	0.50	0.50	0.50	0.50	0.50
Port of Tacoma	0.19	0.19	0.19	0.18	0.18	0.18	0.18	0.18	0.18	0.18
Flood Control	-	-	-	-	-	-	-	0.10	0.10	0.10
Total Levy Rate	\$ 13.07	\$ 12.10	\$ 11.76	\$ 11.63	\$ 12.46	\$ 13.46	\$ 14.22	\$ 15.30	\$ 16.04	\$ 15.47
AV (in billions)	\$ 4.333	\$ 5.147	\$ 5.748	\$ 5.948	\$ 5.693	\$ 5.316	\$ 4.884	\$ 4.420	\$ 4.495	\$ 4.748

Q31: How much does the average homeowner pay in property tax?

The property tax paid by the average residential homeowner in 2015 is \$3,288. Of this amount, \$279 goes to the City of Lakewood and the remaining \$3,009 goes to other taxing jurisdictions. The charts below provide the average homeowner’s current and historical property tax payments and comparison to payments by other Pierce County residents.





Q32: There is a line item on my property tax bill called Surface Water Management Principal – what is this?

The City applies a rate structure as a utility service charge to all parcels within the City and those incorporated areas defined by an interlocal drainage agreement as authorized by the City’s municipal code. The purpose of this charge is to provide resources to plan, manage, design, construct, maintain, revise, and upgrade the storm drainage and surface water runoff systems within the corporate limits of the City of Lakewood. This authority is invoked to minimize the property damage, promote and protect public health, safety, and welfare, minimize water quality degradation by preventing siltation, contamination and erosion of the City’s waterways, protect aquifers, insure the safety of City streets, and rights-of-way, assure compliance with federal and state storm drainage, surface water management, and water quality regulations and legislation, increase educational and recreational opportunities, encourage the preservation of natural drainage systems, and foster other beneficial public uses.

All parcels are subject to a service charge with some exceptions. The following parcels are exempt from paying the utility service charge: all parcels consisting of mineral rights only; all parcels consisting of entirely tidelands, rivers, lakes, creeks and/or streams; all vacant/undeveloped parcels less than two-tenths (2/10ths) of an acre (8,712 square feet) in total area; all parcels within national parks due to minuscule amount of impervious area compared to the pristine nature of total acreage protected for future generations; all parcels that are used for church, community center, community hall, grange or community service-oriented purposes as well as those owned by an organization with nonprofit benefit as defined by state statute.

Low income senior citizens and disabled persons receiving relief under RCW 84.36.381 receive the following partial exemption from surface water service charges and surcharge as defined in the City's municipal code.

The annual service charge is \$77.40 for residential. Fees for other types are listed in the City's municipal code. The annual service charge is included incorporated on the Pierce County Real Property Tax Statement and is due at the same time as the time property tax payments.

Q33: What are state shared revenues?

State shared revenues are state-collected revenues that are shared with all cities and are derived from liquor receipts (profits and taxes) and motor vehicle fuel taxes. Cities as a group receive a fixed percentage of these sources, and the funds are then allocated to individual jurisdictions on a per capita basis. Population figures, determined annually as of April 1 by the state demographer in the Office of Financial Management, are used as the basis for the per capita distribution of these funds.

Other state shared revenues include sales tax mitigation, criminal justice (population, violent crimes, innovative programs, contracted programs, DUI assistance, high crime and leasehold tax.

All state shared revenues provide a funding source to the General and Street O&M funds, with the exception of the motor vehicle excise tax distribution which also provides a funding source for transportation capital projects (29% or roughly \$340K/year).

Q34: How does the City pay for capital projects?

In progress.

Q35: If the City does not have money to pay for a capital project, can the City finance the project?

In progress.

APPENDIX A

2014-2016 CITY COUNCIL GOALS & PRIORITIES

As adopted by the City Council on July 7, 2014

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. The goal setting process also builds consensus on policies and projects that impact City residents, businesses and the community as a whole.

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 2015-2016 biennial budget. Each adopted goal also includes specific action strategies and a work plan outlining priority projects be 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.

The City Manager uses the City Council vision and goals to set priorities, direct work activities, and allocate personnel and financial resources.

The Lakewood City Council held a retreat on Saturday, May 10, 2014 as a continuation of a December 14, 2013 retreat to develop goals and priorities for the next three-year period (2014-2016) and beyond. An additional review occurred as part of City Council's June 23, 2014 study session with adoption occurring as part of City Council's July 7, 2014 regular meeting.

The following goals emerged:



In addition, the City Council identified the following as the key objectives to pursue:

- Infrastructure Improvements
- Fiscal Responsibility
- Focus on “Low Hanging Fruit” (i.e., promote positive image and attributes of Lakewood, continue to move forward with current infrastructure improvements and develop implementation strategy for unfunded infrastructure improvements, CSRT, economic development opportunities, gateway improvements, etc.)
- Public Safety Cost/Benefit Analysis

Goal 1: Our City is Fiscally Responsible

Policy Objectives & Action Strategies

- a) Support a stronger, more prosperous community by making smart investments that accomplish lasting, tangible returns
- b) Adjust to changes in the service requirements of the community, maximizing resources and creating meaningful performance measures for programs and services
- c) 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
- d) Continuously evaluate city revenues and expenditures with a view of maintaining a strong fiscal position while providing quality municipal services
- e) Perform organizational structure review for economic efficiencies and effectiveness, including contract services and vendors
- f) 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
- g) Use performance measures and benchmark key community characteristics (e.g., Comparing Lakewood)

Work Plan items, Tasks, and Priority Projects

- Review 2013-2014 Revised Budget
- Prepare 2015-2016 Biennial Budget, to include performance measures
- Prepare annual Comprehensive Annual Financial Report (CAFR)
- Develop Quarterly Finance Report
 - Review and update internal finance controls (i.e., review of claims and vouchers, cash management, purchasing, fund structure, banking services agreement, grant accounting, records management, fixed assets, credit cards, etc.)
 - Financial Analyses (i.e., fleet & equipment, historical revenue and expenditure trends, revenue and program fees & charges vs. program expenditures, position inventory, debt schedules, interfund transfers, interfund loans, overtime, travel & training, memberships & dues, contracts, use and priorities of seizure funds, lodging tax balances, impacts of Affordable Care Act, fire services contract, fleet & equipment, etc.)
 - Taxes and Fees in Lakewood to include context of other applicable taxes and fees as compared to neighboring communities, as relates to service levels
- Develop Six Year Financial Forecast 2015 to 2020
 - Develop and implement comprehensive financial policies (i.e., financial reporting, six-year financial report, revenue & expenditure assumptions, fund balance/working capital, reserves, cost recovery for fee supported activities, investments with a focus on safety, liquidity and yield, capital investment, use of debt, creation of internal service funds and replacement reserves in support of risk management, IT, fleet & equipment and facilities, etc.)
 - Capital Improvement Program (CIP) and Transportation Improvement Program (TIP)
 - Funding options for streets and sidewalks to include pay-as-you-go financing options for capital investment opportunities (i.e., Transportation Benefit District, grants, etc.)
 - Funding options for parks to include pay-as-you-go financing options for capital investment opportunities
 - Develop and implement a Six Year Information Technology Plan 2015 to 2020
 - City Finances 101 Presentation (i.e., legal mandates, restricted versus unrestricted revenues, discretionary services, etc.)
 - Continue proactive approach to seek and obtain grants across all city disciplines
 - Develop organizational chart
 - Develop comparison of various economic, social and demographic indicators between Lakewood, surrounding cities and similar sized cities (e.g., benchmarking analysis)
 - Ensure community has adequate resources to ensure health, welfare, and safety of our community (i.e., parks and recreation, public safety, community & economic development, public works, community outreach, capital infrastructure to include streets, sidewalks and parks, etc.)
- Implement Risk Management Program to include Worker's Compensation and Safety Program

Goal 2: Our City Provides First-Rate Public Safety Services

Policy Objectives & Action Strategies

- a) The City of Lakewood is safe
- b) Residents and visitors will experience a sense of safety in all neighborhoods and in all activities in the City of Lakewood
- c) The City of Lakewood will be one of the safest cities based on approved metrics; bring benchmark metrics back to City Council for approval and tracking
- d) Ensure adequate resources are available to maintain and ensure health, welfare, and safety of community
- e) Enhance community safety through expanded public awareness and educational programs

Work Plan items, Tasks, and Priority Projects

- Public safety cost/benefit analysis
- Proactive and regular public safety reporting
- CSRT program (e.g., visual survey to identify code enforcement violations, initiate a “gateway” enforcement program, initiate a Lakeview/100th St enhancement program)
- Impact of homelessness and mental illness to include options and alternatives (local versus regional options/approach)
- Emergency Preparedness and Disaster Recovery
 - Emergency Management Training/Incident Command System (ICS) (e.g., Comprehensive Emergency Management Plan, Emergency Coordination Center Plan)
 - Emergency Management Program/Plan/Training/Exercises (e.g., neighborhood and business outreach, Community Emergency Response Team [CERT] training, PC Alert)
 - Emergency Coordination Center (ECC) location(s)
- Public Defender contract options
- Streamline municipal court operations to include shared efficiencies with primary stakeholders such as police, legal, public defender and jails (e.g., video arraignment, paperless system)
- Additional municipal court partnerships

Goal 3: Our City Promotes Economic Development

Policy Objectives & Action Strategies

- a) 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
- b) Provide leadership and strategic guidance concerning economic development, including coordination with various stakeholders
- c) 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
- d) 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
- e) Attract new housing development to accommodate military and all segments of population
- f) 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)

- g) 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.
- h) 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
- i) If feasible, pursue annexation of selected areas within the City's Urban Growth Area (UGA)

Work Plan items, Tasks, and Priority Projects

- Community Visioning process to solicit input from citizens regarding the policy direction of the city
- Foster redevelopment and revitalization opportunities for:
 - Central Business District (CBD) to include Towne Center
 - Springbrook Neighborhood
 - Pacific Highway corridor to include WSDOT property and adjoining parcels
 - South Tacoma Way/International District corridor
 - Woodbrook Business Park
 - Tillicum Neighborhood
- Towne Center Green, private-public partnership to create a park/plaza complex that connects Towne Center with City Hall (evaluate use of lodging tax funds and other city resources)
- Develop community-marketing materials to promote and attract investment opportunities
- Marketing "phrase or slogan" to establish community identity/image (e.g., #IamLakewood)
- Demographic snapshot/profile of Lakewood community and economic development incentives offered by the City
- Leverage available economic development and financing options (i.e., capital improvement program, EB5, Section 108, lodging tax, urban renewal areas, etc.)
- Builder and developer forum (e.g., commercial development opportunities and housing development opportunities in Lakewood)
- Coordinate with Pierce County Library District to evaluate a new Lakewood Library
- Review city codes and regulations to identify updates and efficiencies as well as updates to encourage and support development and redevelopment and improve quality of life
 - Comprehensive Plan
 - Shoreline Master Plan (SMP)
 - Communal housing regulations
 - Subdivision code amendments
 - LTAC Guidelines
 - Title 9 change; move LID Chapter
 - Nuisance Chapter 8.16 code update
 - Rental licensing inspection Chapter 5.60 update
 - Utility tax refund code Chapter 3.52 code amendments
 - Hearings Examiner code amendments
 - Joint Land Use Study (JLUS)
 - Marijuana Sales, Processing and Production Update
 - Way finding/informational signs/Gateway/City entrance signage
 - Feather Signage
 - Shopping cart ordinance
 - Underground utilities policy for new construction
- Review and update franchise agreements (e.g., TPU-Water, TPU-Electric, TPU-Click! Network, Comcast, Waste Connections, Lakewood Water District, Pierce County Sewer, Puget Sound Energy, Lakeview Light & Power, Integra)
- Identify and prioritize CDBG program and infrastructure opportunities (e.g., street lights, sidewalks)
- Annexation opportunities
 - Arrowhead & Partridge Glen
 - American Lake VA Hospital and Golf Course
 - Camp Murray and American Lake access
- Continue to streamline development services (permitting) process

Goal 4: Our City is Dedicated to Maintaining and Improving Public Infrastructure and Facilities

Policy Objectives & Action Strategies

- a) 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
- b) Identify, review and prioritize capital infrastructure projects
- c) 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.)
- d) 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
- e) Develop and implement a vision for parks and public spaces to improve quality of life and attract residents

Work Plan items, Tasks, and Priority Projects

- Develop and implement a multi-modal transportation plan including streets, sidewalks, bike paths, signal improvements, and other system improvements resulting in a funding priority list (from CIP/TIP and Non-motorized Transportation Plan)
 - Street and sidewalk improvements (street reconstruction, sidewalk improvements, overlays, chip seal, pavement restoration, crack sealing, pot holes)
 - Street Preventative Maintenance Plan/Pavement Restoration Plan
 - Street Lights
- Develop and implement six year Capital Improvement Plan (2015-2020)
- Develop and implement six year Transportation Plan (2014-2019, 2015-2020)
- Evaluate existing revenue streams to maximize capital investment through pay-as-you-go and debt financing opportunities and reflect those financial options as part of city budgets and longer term financial strategies
- Explore feasibility of a voter-approved referendum now or in future years
- Continue to pursue local, state and federal grant opportunities
- I-5/JBLM Corridor Improvements
- Park Projects
 - Wards Lake property purchase and evaluation of three residential units (single family and duplex unit)
 - Fort Steilacoom Park
 - Lease update with state and evaluate property transfer from state
 - Amphitheater proposal (Rotary Club of Lakewood financial contribution, state & federal grants, and evaluate use of lodging tax funds)
 - Waughop Lake Trail (Partnership for Parks financial contribution, state & federal grants, and evaluate use of lodging tax funds)
 - Water (fire hydrants) & sewer lines extensions into park
 - Springbrook Park house demolition and other park improvements
 - Restrooms in parks
 - 2015 US Championship Open (parking at Fort Steilacoom Park, community volunteer opportunities)
 - Options for additional waterfront access and fishing areas to include prioritization of street ends (14)
 - ADA access to all parks and areas
 - Gateway Improvements
- Storm Water & Sewer Services
 - Sewer Availability Analysis to include cost/benefit analysis and environmental impacts
 - Pierce County Sewer Grant in support of sewer extensions in Woodbrook neighborhood
 - Flood Control Zone – Identify local eligible projects in Flood Control Zone
- City Facilities
 - Public Works O&M Shop
 - Sound Transit Light Rail Station - contract for services
 - Public right-of-way (ROW) maintenance of WSDOT Interchanges and entrances to City
 - Public right-of-way (ROW) beautification
 - Public right-of-way (ROW) striping to include crosswalks
 - Public right-of-way (ROW) sign inventory
 - Energy Efficiency Audits -- (e.g., upgrade street lights to LEDs)
 - Replacement reserves in support of city facilities

Goal 5: Our City is Committed to Honest, Open, and Transparent Government

Policy Objectives & Action Strategies

- a) Enhance and promote the community's image – “#IamLakewood”
- b) 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
- c) 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
- d) Ensure transparency between the City as an organization and the community to encourage and promote citizen and civic engagement
- e) Actively participate in local and regional issues that impact the Lakewood community to include coordination and partnerships with military partners and educational institutions
- f) 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.
- g) Promote the interests and needs of Lakewood in local, state, and national affairs
- h) Support human services for the benefit of residents of all ages
- i) Continue to promote and partner with various volunteer groups

Work Plan items, Tasks, and Priority Projects

- Organizational
 - Bring in City Council early
 - Calendar and list of Lakewood Community & Special Events
 - City Council assignments - permanent or rotating
 - I-Pads for City Council email, calendar, packets
 - Organizational teamwork
 - Review roles and responsibilities of City Council appointed Boards & Commissions to optimize their effectiveness to include development of work plans
 - Talking Points for City Councilmembers
- Enhance engagement with the public
 - Celebrate successes
 - Community beautification -- recognition of well-maintained properties and banners
 - Foster community and support neighborhood vitality to include support opportunities for citizens to participate and to know each other within their neighborhoods and across the city (e.g., neighborhood associations)
 - Promotion of economic development initiatives
 - Improve public access to City information
 - Outreach to faith-based organizations
 - Promote "Lakes"
 - Promote and market positive community image
 - Promote community identity
 - Volunteer appreciation
- Community Outreach
 - Communications Plan
 - City Talk
 - City website (redesign)
 - Coffee with the Mayor
 - Community Connections newsletter to include sharing of partners successes (i.e., CPSD, Pierce College, CPTC, economic development, military, community partners, neighborhood meetings, Lake Steilacoom Improvement Club, etc.)
 - Community education (e.g., municipal finances, transportation needs)
 - Conduct a statistically valid survey to measure quality of life, community perception, and service level in Lakewood
 - JBLM community connector

- E-government
- Public hearings
- Email communications
- Media, business and community outreach
- Meetings and presentations
- News releases
- Park Appreciation Day/Park Cleanup Day(s)
- Proactive media relations
- Public information brochures
- Community Partnerships
 - AARP
 - Alaska Gardens
 - American Lake Veterans Hospital
 - Association of Washington Cities
 - Boy and Girl Scouts of America
 - Bridgeport Place
 - Caring for Kids
 - Catholic Community Services
 - Centerforce
 - Christ Lutheran Church
 - City of Tacoma
 - City of University Place
 - Clover Park School District
 - Clover Park Technical College
 - Coffee with the Mayor
 - Communities in Schools of Lakewood
 - Diabetes Association of Pierce County
 - Emergency Food Network (EFN)
 - Federal Legislators (10th Congressional District)
 - First Baptist Church of Lakewood
 - FISH Food Bank
 - Grave Concerns
 - Habitat for Humanity
 - HeartWarming Care
 - Integrity Hearing
 - Joint Base Lewis-McChord (JBLM)
 - Keep Lakewood Beautiful
 - Kiwanis Club of Clover Park
 - Korean Women's Association
 - Lake City Neighborhood
 - Lake Steilacoom Improvement Club
 - Lakewold Gardens (MayFest)
 - Lakewood Baseball Club
 - Lakewood Boys and Girls Club
 - Lakewood Chamber of Commerce
 - Lakewood Community Foundation
 - Lakewood First Lions
 - Lakewood Historical Society
 - Lakewood Industrial Park
 - Lakewood Playhouse
 - Lakewood Soccer Club
 - Lakewood Towne Center
 - Lakewood United
 - Lakewood Water District
 - Lakewood YMCA
 - Little Church on the Prairie
 - Living Access Support Alliance
 - MultiCare Health System
 - Narrows Glen
 - Quarterly reports (e.g., public safety, finance, economic development, development services)
 - #IamLakewood social media campaign
 - Social Media to include newer applications
 - Weekly InfoBullets
 - Weekly Police Department Report
 - You Tube, public education videos
 - Nisqually Tribe
 - North East Neighborhood
 - Pacific Lutheran University
 - Pacific Neighborhood
 - Partners for Parks
 - Pierce College
 - Pierce County
 - Pierce County Cities & Towns
 - Pierce County Housing Authority
 - Pierce County Library District
 - Pierce County Regional Council (PCRC)
 - Pierce Transit
 - Point Defiance Village
 - Protect Our Pets
 - Puget Sound Energy (PSE)
 - Puget Sound Regional Council (PSRC)
 - Rebuilding South Sound Together
 - Regional Access Mobility Partnership (RAMP)
 - Rotary Club of Clover Park
 - Rotary Club of Lakewood
 - Senior Footcare
 - Senior Housing Assistance Group – Lakewood Meadows
 - Statewide Health Insurance Benefits Advisors
 - Sound Transit
 - Soundview Medical
 - South Sound Military Communities Partnership (SSMCP)
 - South Sound Outreach Services
 - South Sound Sports Commission
 - St. Clare Hospital – Franciscan Health System
 - Tacoma Area Coalition of Individuals with Disabilities (TACID)
 - Tacoma Housing Authority
 - Tacoma-Pierce County Economic Development Board
 - Tacoma-Pierce County Health Department
 - Tacoma-Pierce County Chamber of Commerce
 - Tacoma-Pierce County Association of Realtors
 - The Church of Jesus Christ of Latter-day Saints
 - The Footwear Place
 - The Weatherly Inn
 - Tillicum/Woodbrook Neighborhood
 - Trinity Baptist Church

- Town of Steilacoom
 - United Way
 - Visiting Angels
 - Walmart
 - Washington Recreation and Park Association
 - Washington State Association of Senior Centers
 - Washington State Department of Transportation (WSDOT)
- Community Events
 - Christmas Tree Lighting
 - City Incorporation 20 Year Anniversary (2016)
 - Farmer's Market
 - Jingle Bell Rock 5K Run
 - National Night Out
 - Military Partnerships
 - 2-2 Stryker "Lancer" Brigade
 - Camp Murray
 - Continued collaboration with JBLM
 - Local, Regional & National Participation
 - Association of Washington Cities (AWC)
 - Local and regional business organizations (e.g., Chamber, EDB)
 - Monthly Mayor's Meeting
 - Pierce County Cities & Towns
 - Pierce County Regional Council (PCRC)
 - Pierce Transit
 - Puget Sound Regional Council (PSRC)
 - Regional Access Mobility Partnership (RAMP)
 - Sound Transit
- Washington State Legislators (28th & 29th Districts)
 - Washington State SAIL Task Force
 - West Pierce Fire and Rescue
 - Western State Hospital
 - World Vision
 - WSDOT
 - YWCA
- Nisqually Grant application (healthy start after school programs)
 - Parks Appreciation Day
 - Police Department 10 year Anniversary (2014)
 - Summer FEST & Triathlon
- South Sound Military and Communities Partnership (SSMCP)
 - Joint land Use Study (JLUS)
- State Legislative Agenda
 - Transportation Funding: I-5 JBLM Corridor Improvements
 - Public Safety Improvements: Point Defiance Bypass
 - Capital Funding Request: Towne Green
 - Maintain Funding for Western State Hospital Community Policing Program
 - Transfer of Fort Steilacoom Park ownership from State to City (future)
 - Federal Legislative Agenda
 - Transportation Funding: I-5 JBLM Corridor Improvements
 - Public Safety Improvements: Point Defiance Bypass
 - Lakewood Amtrak Station
 - EB5 Program
 - CDBG Program
 - JBLM Air Corridor

APPENDIX B

FINANCIAL POLICIES

Adopted by the City Council on September 15, 2014

OPERATING BUDGET

The objective of the operating budget policy is to ensure the appropriate levels of City services at reasonable costs.

Biennial Budget Document. The budget should be a performance, financing and spending plan agreed to by the City Council, City Manager and Department Directors. It should contain information and data regarding expected revenues, expected expenditures and expected performance. The budget should be developed using a performance based, results oriented approach that incorporates line items, zero-based, programs, and priorities of governments.

- As a comprehensive business plan, the budget should provide the following critical elements recommended by the Government Finance Officers Association: public policies, financial plan, operations guide, and communications device.
- The City's budget presentation should display the City's service delivery/performance plan in a City Council/constituent-friendly format. Therefore, the City will use a program budgeting format to convey the policies for and purposes of City operations. The City will also prepare the line-item format materials for those who wish to review that information.

Goals to Guide Preparation. The City will prepare and annually refine written policies and goals to guide the preparation of performance, financing and spending plans for the City budget. Adopted budgets will comply with the adopted budget policies and City Council priorities.

Long Range Forecast. With each budget, the City will update expenditure and revenue projections for the next six years. Projections will include estimated operating costs for capital improvements that are included in the capital budget. This budget data will be 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 shall be included in the biennial budget document and updated at least annually as part of the adopted budget process in the even years and the mid-biennial review in the odd years.

Capital Projects. Decision making for capital improvements will be coordinated with the operating budget to make effective use of the City's limited resources for operating and maintaining facilities.

Balanced Budget. The City will adopt a balanced budget for all funds. Balanced budget for operating funds means ongoing operating program costs do not exceed the amount of ongoing revenues to finance those costs. The ongoing revenue will be identified along with new program costs including impact from new capital projects. Any available carryover balance will only be used to offset one-time or non-recurring costs. Balanced budget for non-operating funds means total resources equal to or exceed total uses.

Excess Cash Balances. Cash balances in excess of the amount required to maintain General and Street Operations & Maintenance Fund reserves may be used to fund one-time or non-recurring costs.

Department Director Responsibility. All Department Directors will participate in the responsibility of meeting policy goals and ensuring long-term financial health. Under the City Manager's direction, Department Directors have primary responsibility for: formulating budget proposals in line with City Council priority and direction; and implementing those proposals once they are approved.

Citizen Involvement. Citizen involvement shall be encouraged in the budget decision making process through public hearings and study sessions.

Nonprofit Organizations. Funding decisions regarding nonprofit organizations shall be based on policy guidelines and priorities determined by the City Council and availability of funds.

Budgetary Controls. Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriation amount. Any unexpended appropriation balances for annually budgeted funds lapse at the end of the year. Appropriations for other special purpose funds that are non-operating in nature are adopted on a "project-length" basis and, therefore, are carried forward from year to year without re-appropriation until authorized amounts are fully expended or the designated purpose of the fund has been accomplished.

Quarterly Financial Reports. The budget will be produced so that it can be directly compared to the actual results of the fiscal year and presented in a timely quarterly report. All budget amendments, both revenues and expenditures, will be noted in the quarterly financial report.

FUND BALANCE

The objective of the fund balance policy is to provide adequate working capital for cash flow and contingency purposes.

General Fund. The General Fund ending fund balance reserves shall be 12% of the combined General and Street Operations & Maintenance Funds operating revenues. These reserves are as follows:

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. The City Council will determine how the Contingency Reserves are spent.
- *5% General Fund Ending Fund Balance Reserves:* The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events.

Enterprise Funds. The City shall maintain a minimum cash balance in its enterprise funds equal to 17% of operating expenses (equivalent to two months of operating expenses). This balance shall be maintained to ensure adequate maintenance reserves and cash flow. Balances in excess of 17% may be utilized for capital projects.

Internal Service Funds. The City shall maintain a balance equivalent to the accumulated replacement reserves at year-end for those internal service funds that collect replacement reserves. Replacement reserves based on estimated replacement value will be established for fleet and equipment when the need will continue beyond the estimated useful life, regardless of whether the vehicle or equipment is acquired via lease, gift, grant or purchase. An equal amount will be included in the service charges paid by the user department to the Fleet and Equipment Fund during the expected life of the asset.

The City shall maintain separate internal service funds to account for the activities of Fleet and Equipment, Property Management, Information Technology, and Risk Management. The City shall establish replacement reserves for information technology related equipment and property management related to facilities no later than year 2020.

All Other Funds. The appropriate balances shall be the amount needed to maintain positive cash balances throughout the year.

Use of Fund Balances. Fund balance is the cumulative years' excess or deficit of all revenues and expense. Available fund balances shall not be used for ongoing operating expenditures, unless a determination has been made that available balances are in excess of required guidelines and plans have been established to address any future operating budget shortfalls. Emphasis shall be placed on one-time uses that achieve future operating cost reductions and/or service level efficiencies.

Timeline. The timeline to achieve the target reserves is no later than December 31, 2016.

Replenishing General Fund Balance. The fund balance shall be replenished within one to two years depending on the reserve fund. The 2% General Fund Contingency Reserves and 5% General Fund Ending Fund Balance Reserves shall be replenished within one year while the 5% Strategic Reserves shall be replenished within 2 years. The sources for replenishment shall be via expenditure control, expenditure savings, one-time revenues and/or excess revenues.

REVENUE

The objective of the revenues policy is to ensure that funding is derived from fair, equitable, defensible, and adequate resource base, while minimizing tax burdens.

Revenue Estimates. Revenues shall be estimated conservatively so as not to introduce regular shortfalls in individual revenue accounts. Revenue estimates shall not assume excess growth rates. Real growth that occurs will be recognized through budgetary adjustments only after it takes place. This practice imposes short term constraint on the level of public goods or services. However, in the event that revenues are less than expected, it minimizes the likelihood of severe cutback actions which may be profoundly disruptive to the goal of providing a consistent level of quality services.

Revenue Diversification. The City shall maintain a stable and diverse revenue system to shelter programs and services from short-term fluctuations in any single source of revenue. Services that have a city-wide benefit shall be financed by revenue sources generated from a broad source such as property tax, utility tax and sales tax. Services where the customer determines the use shall be financed by a combination of broad-based revenues as well as user fees and charges.

Fees. Fees shall be phased toward covering 100% of the cost of service delivery, unless such amount prevents an individual from obtaining an essential service. Fees or service charges should not be established to generate money in excess of the cost of providing service. Fees may be less than 100% if other factors (e.g. market forces, competitive position, etc.) need to be recognized.

User Charges. User charges for enterprise services such as the Surface Water management Fund shall be set at rates sufficient to finance all direct and indirect operating, capital, reserve/working capital, and debt service. Overhead expenses and general government services provided to the enterprise activities shall be included as indirect costs. Rates shall be set such that the enterprise fund maintains a positive cash position throughout the year and provide for sufficient reserves as determined by the fund balance policy.

Use of One-Time/Unpredictable Revenues. The City shall not utilize one-time revenues for recurring operating expenditures. One-time revenues include, but are not limited to: proceeds from the sale of land or surplus equipment, legal settlements, or revenue windfalls.

Investment Income. Investment income earned through the City's investment pool shall be budgeted based upon the allocation methodology, i.e. the projected average monthly balance of each participating fund.

Grants. Grant applications to fund new services/programs will be reviewed by the City as they become available, with due consideration being given to whether locally generated revenues will be required to support these programs when outside funding is no longer available.

EXPENDITURES

The objective of the expenditure policy is to prioritize services, establish appropriate levels of service, and administer the resources to ensure that fiscal stability is attained and that services are delivered in an effective and efficient manner.

Operating Funding Basis. Operating expenditures shall be budgeted and controlled to not exceed operating revenues.

Operating Deficits. Immediate corrective action should be taken if at any time during a fiscal year expenditures are projected to be greater than projected revenues at year-end. Corrective actions could include, but are not limited to expenditure reductions, fee increases, or new revenues.

Capital Asset. Capitalization of assets shall occur with assets that have a useful life of at least two years following the date of acquisition with a historical or market value at time of acquisition equal to or greater than \$5,000. The threshold is applied to individual items rather than to groups of similar items unless the effect of doing so would eliminate a significant portion of total capital assets.

INTERFUND LOANS

The objective of the interfund loans policy is to provide guidelines regarding the establishment, management and repayment of interfund loans.

Definition. Interfund loans are loans from one City fund to another City fund for a specific purpose with a requirement for repayment.

Purpose. Interfund loans should be considered temporary or short-term borrowing of cash and may be made for the following reasons: to offset timing differences in cash flow; to offset timing differences between expenditures and reimbursements, typically associated with grant fund. The use of interfund loans for other purposes should be carefully evaluated. Interfund loans should not be used to solve ongoing structural budget problems.

Term. The term of the interfund loan may continue over a period of more than one year, but must be “temporary” in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. Additionally, interfund loans should not hinder the accomplishment of any function or project for which the lending fund was established.

DEBT MANAGEMENT

The objective of the debt management policy is to articulate the guiding principles for City debt issuance and management before consideration of specific actions. This policy set forth certain equally important objectives for the City and establishes overall parameters for responsibly issuing and administering the City’s debt.

- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve and maintain highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with state and federal laws and regulations

Debt Capacity. A long-term debt capacity will be completed on an annual basis as a means for ensuring that the City does not exceed the debt limits within the limits of applicable laws and regulations.

Bond Rating. The City will seek to maintain, and if possible, improve its current bond rating(s) in order to minimize borrowing cost and preserve access to credit.

Minimize Debt. Whenever possible, the City shall identify alternative sources of funding and shall examine the availability of those sources in order to minimize the level of debt.

New Issues and Refinancing. New issues, and refinancing of existing debt, must be analyzed for compatibility within the City’s overall financial planning. The review shall include, but not limited to: cash flow analysis; potential for unexpected revenue changes; and the maintenance of the City’s bond ratings. Annual debt service shall not produce an inordinate impact upon future operations.

- *Long-term Debt.* Long-term debt may be used to finance the acquisition or improvement of land, infrastructure, facilities, or equipment for which it is appropriate to spread costs over more than one budget year. Long-term debt may also be used to fund capitalized interest, cost of issuance, required reserves, any other financing-related costs that may be legally capitalized. Long-term debt shall not be used to fund City operating cost.

- *Short-term Debt.* Short-term debt will be considered as an interim source of funding in anticipation of long-term debt. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. Short-term debt is also appropriate to address legitimate short-term cash flow requirements during a given fiscal year to fund operating costs of the City to provide necessary public services. The City will not engage in short-term borrowing solely for the purpose of generating investment returns.
- *Refunding.* Periodic reviews of outstanding debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints) when there is a net economic benefit of the refunding. Noneconomic refundings may be undertaken to achieve City objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer, or the debt service profile, etc. When contemplating a refunding, the City shall have a minimum of 3.0% economic savings, as expressed on a net present value basis, as a benchmark to proceed with a refunding. The City may purchase its bonds in the open market for the purpose of retiring the obligation when the purchase is cost effective.

Financing Period. The City shall structure its debt issues so that the maturity of the debt service does not exceed the economic or useful life of the capital project to be financed.

Method of Sale. The City may use either a competitive bidding or negotiated process in the sale of debt due to market timing requirements, or a unique pledge of debt or debt structure.

Bond Counsel. The City will use the services of a legally certified and credible bond counsel in the preparation of all bond representations.

Underwriter(s). An underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The underwriter(s) is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

Fiscal Agent. A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders.

Debt Administration. The Assistant City Manager/ Finance & Administrative Services shall maintain written procedures outlining required actions to ensure compliance with local, state, and federal regulations. Such procedures shall include: continuing disclosure, arbitrage rebate, and other requirements.

CAPITAL IMPROVEMENT

The objective of the capital improvement policy is to forecast and match projected revenues and capital needs. Long range capital planning is an important management tool that strengthens the linkages between infrastructure needs and the financial capacity of the City.

Capital Project Proposals. Capital project proposals should include as complete, reliable, and attainable cost estimates as possible. Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. Project cost estimates for the 6-Year City Capital Improvement Plan will vary in reliability depending on whether they are to be undertaken in the first, second or 3rd biennium years of the plan.

- *Resource Plan.* Capital proposals should include a comprehensive resource plan. This plan should include the amount and type of resources required, and the funding and financing strategies to be employed. The specific fund and timing should be outlined. The plan should indicate resources needed to complete any given phase of a project in addition to the total project.
- *Expenditure Plan.* All proposals for the expenditure of capital funds shall be formulated and presented to the City Council within the framework of a general capital budget and, except in exceptional circumstances of an emergency nature, no consideration will be given to the commitment of any capital funds, including reserve funds, in isolation from a general review of all capital budget requirements.

- *Changes in Project Estimates.* Changes in project estimates for the comprehensive resource plan should be fully reported to the City Council for review and approval.
- *M&O Impact.* Project proposals should indicate the project's impact on the operating budget, including, but not limited to, long-term maintenance costs necessary to support the improvement.
- *Biennial Budget.* The biennial capital budget shall include only those projects which can reasonably be accomplished in the time frame indicated. The detail sheet for each budgeted capital project should include a projected schedule.
- *Carry Over.* Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year except as reported to and subsequently approved by the City Council. All re-budgeted capital projects should be so noted in the adopted capital budget. Similarly, multi-year projects with unencumbered or unexpended funds will be carried over to the subsequent year(s).
- *Revenue Expectation.* Capital projects will not be budgeted unless there are reasonable expectations that revenues will be available to pay for them.
- *Negative Impact from Project.* If a proposed project will cause a direct negative impact on other publicly-owned facilities, improvements to the other facilities will be required as part of the new project and become a part of the new project's comprehensive costs.

Capital Improvement Plan

The purpose of the Capital Improvement Plan is to forecast and match projected revenues and capital needs over a 6-Year period. Long range capital planning is an important management tool that strengthens the linkages between infrastructure needs and the financial capacity of the City. The City's Capital Improvement Plan includes transportation, parks, storm water and sewer improvement projects.

Citizen Participation and City Council Review. Citizen participation in the Capital Improvement Program is a priority for the City. Among the activities which shall be conducted to address this need are the following:

- *Timing.* The 6-Year Capital Improvement Plan shall be provided to the City Council in a timely manner to allow time for the City Council members to review the proposal with constituents before it is considered for adoption.
- *Public Meeting Notice.* The City Council study sessions on the Capital Improvement Plan shall be open to the public and advertised sufficiently in advance of the meetings to allow for the attendance of interested citizens.
- *Public Hearing.* Prior to the adoption of the Capital Improvement Plan, the City Council shall hold noticed public hearings to provide opportunities for citizens to express their opinions on the proposed plan.
- *Committee, Boards and Commission Review.* The appropriate committee, board and/or commission shall review the proposed Capital Improvement Plan and provide its comments on the Plan's contents before the City Council considers the Plan for adoption.

Capital Improvement Plan in Relation to the Comprehensive Plan. All projects included in the Capital Improvement Plan shall be consistent with the City's Comprehensive Plan. The goals and policies for services, facilities, and transportation should be followed in the development of the City Improvement Plan. The Comprehensive Plan service level goals should be called out in the Capital Improvement Plan.

Financing. Capital projects shall be financed to the greatest extent possible through user fees and benefit districts when direct benefit to users results from construction of the project. Refer to Debt Management policy for further detail.

Intergovernmental Cooperation. Projects that involve intergovernmental cooperation in planning and funding should be established by an agreement that sets forth the basic responsibilities of the parties involved.

Project Criteria Factors. The City Council will annually review and establish criteria against which capital proposals should be measured. Included among the factors which will be considered for priority-ranking are the following:

- Projects which have a positive impact on the operating budget (reduced expenditures, increased revenues);
- Projects which are programmed in the 6-Year Operating Budget Forecast;
- Projects which can be completed or significantly advanced during the 6-Year Capital Improvement Plan;
- Projects which can be realistically accomplished during the year they are scheduled;
- Projects which implement previous City Council-adopted reports and strategies.

CASH MANAGEMENT AND INVESTMENTS

The objective of a cash management and investment policy is to help balance the day-to-day need for revenues while achieving the highest rate of interest that is reasonable and within the City's acceptable level of investment risk.

Funds will be invested in only those investments permitted by Federal and State law as it relates to public funds. All of the City's funds will be invested with the following objectives (listed in order of priority):

- *Safety.* Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. Specifically, the City will: (a) seek to avoid realizing any loss through the sale or disposal of an investment; and (b) seek to mitigate the risk of unrealized losses due to a decline in value of investments held in the portfolio.
- *Liquidity.* The investment portfolio will remain sufficiently liquid to meet all cash requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio in the following manner: (a) the City will purchase investments scheduled to mature in accordance with its anticipated cash needs, in order to minimize the need to sell investments prior to maturity; (b) a portion of City funds will be maintained in cash equivalents, including money market fund, investment pools and overnight securities, which may be easily liquidated without a loss of principal should an unexpected need for cash arise; and (c) the portfolio will consist largely of investments with active secondary markets.
- *Yield.* The City's investments will be designed with the objective of maximizing a fair rate of return consistent with the safety and liquidity noted above.

FINANCIAL REPORTING

Reporting Frequency. Departments will be provided monthly budget and actual reports and comprehensive quarterly reports will be presented to the City Council.

Reporting Improvements. The City will strive to continue to make improvements in its financial reporting scheme so that information is available to the City Council, City Manager, departments and public is the best available for sound financial decisions.

Comprehensive Annual Financial Report (CAFR). The City will produce the CAFR within 150 days and submit to the GFOA's award program for Excellence in Financial Reporting.

Transparency. All financial reports will be posted to the City's website in a timely manner.

APPENDIX C

LIST OF CITY FUNDS & THEIR PURPOSE

Fund 001 General

The **General Fund** is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. These include the costs of legislative and executive departments, municipal court services, finance and information technology departments, legal department, community development services, human resources; parks, recreation, and human services; economic development, police and animal control; and city hall maintenance. Major sources of revenue reported for the General Fund include property tax, sales and use tax, utility tax, other taxes, franchise fees, licenses and permits, fines and forfeitures, charges for services, state shared revenues and other intergovernmental.

Within the General Fund are the following ending fund balance reserves:

- *2% General Fund Contingency Reserves:* The purpose of this reserve is to accommodate unexpected operational changes, legislative impacts, or other economic events affecting the City's operations which could not have been reasonably anticipated at the time the original budget was prepared. The City Council will determine how the Contingency Reserves are spent.
- *5% General Fund Ending Fund Balance Reserves:* The purpose of this reserve is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.
- *5% Strategic Reserves:* The purpose of this reserve is to provide some fiscal means for the City to respond to potential adversities such as public emergencies, natural disasters or similarly major, unanticipated events.

Special Revenue Funds

Fund 101 Street Operations and Maintenance is used to account for the receipts and disbursements associated with City planning, establishing, repairing and maintaining City streets, sidewalks, and appurtenances, including pedestrian and bicycle paths, lanes and routes. The fund is supported primarily by an interfund transfer from the General Fund, motor vehicle fuel tax and permits to a much lesser degree. Primary areas of service are transportation planning, traffic operations and maintenance, neighborhood traffic services, snow and ice response, and street maintenance.

Fund 102 Real Estate Excise Tax accounts for the receipt and disbursement of the first and second 0.25 percent real estate excise tax and other revenue sources that may be authorized by the City Council. The first 0.25 percent real estate excise tax authorized by RCW 82.46.010, and dedicated for the capital purposes defined in RCW 35.43.040. Such expenditures include public buildings and facilities, parks, and debt service associated with such capital-oriented projects. The second 0.25 percent real estate excise tax authorized by the Growth Management Act RCW 82.46.035. These revenues are restricted to financing capital project specified in a capital facilities plan.

Fund 103 Transportation Benefit District accounts for the \$20 annual vehicle licensing fee (VLF) revenues used to fund specific transportation project. Proceeds from the VLF are transferred to Fund 302 Transportation Capital Projects to provide funding of those specific projects.

Fund 104 Hotel/Motel Lodging Tax is used to account for the hotel/motel lodging tax revenues and associated disbursements. RCW 67.28 authorizes a transient rental tax of up to two percent for lodging at hotels, motels, private campgrounds, RV parks and similar facilities. RCW 67.28 also authorizes a five

percent special hotel/motel tax on the same base. The expenditures from this fund must adhere to the governing state statutes, which limit the expenditures to those costs related to tourism promotion, and acquisition and/or operation of tourism-related facilities.

Fund 105 Property Abatement accounts for projects that the City has identified and processed through the abatement program. All revenues from the rightful recovery of those project expenses, along with all revenues from fees, fines, and interest, and other rightful recoveries from those projects are deposited into the fund for the purpose of funding additional abatement projects.

Fund 106 Public Art's sole purpose is to account for the revenue from the fees charged for the rental of the McGavick Center by the City and expenditure of that revenue for approved public art activities.

Fund 180 Narcotics Seizure was established for the purposes of tracking assets seized as a result of involvement with the illegal sale, possession, or distribution of drugs or controlled substances, and for the purchase of controlled substances or drugs by law enforcement officers or agents, as well as for such other expenses the City determines to be reasonably connected with public safety activity.

Fund 181 Felony Seizure accounts for assets seized by the police department under RCW 10.105.101 and the related expenditures. The statute authorizes the seizure of assets that have been or was actually employed as an instrumentality in the commission of, or in aiding or abetting in the commission of any felony, or which was furnished or was intended to be furnished by any person in the commission of, as a result of, or as compensation for the commission of, any felony, or which was acquired in whole or in part with proceeds traceable to the commission of a felony. Funds are to be used exclusively by the City for the expansion and improvement of law enforcement activity; however, they may not be used to supplant preexisting funding sources.

Fund 182 Federal Seizure was established to track the revenues associated with assets seized as a result of the police department working in conjunction with federal law enforcement. The fund also accounts for public safety expenditures funded by those revenues.

Fund 190 Community Development Block Grant was established to account for revenues and expenditures associated with Community Development Block Grants (CDBG), HOME Investment Partnership Act grants. Revenue and other resources reported in the Grant Fund include direct and indirect federal grants, state grants, and intergovernmental service revenues.

Fund 191 Neighborhood Stabilization Program accounts for the revenues and expenditures associated with the Federal Neighborhood Stabilization Program Grant. The NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. The NSP1 program provides funds to purchase and redevelop foreclosed and abandoned homes and residential properties. The NSP3 program provides a third round of neighborhood stabilization grants to all states and select governments on a formula basis.

Fund 192 Office of Economic Adjustment Grant accounts for the revenues and expenditures associated with the Federal Office of Economic Adjustment Grant Program, which provides grants to assist communities with the alleviation of socioeconomic effects that may result from military base closures and realignments. This fund also accounts for all activity associated with the South Sound Military Communities Partnership (SSMCP).

Fund 195 Public Safety Grant accounts for the revenues and expenditures related to police department grants and local revenues.

Debt Service Funds

Fund 201 General Obligation Bond Debt Service accounts for the debt service on the City Council approved general obligation (G.O.) debt. Included in the costs charged to this fund are the scheduled

principal and interest payments, debt issue costs, fiscal agent fees, and any other debt related costs. Debt service currently scheduled for payment from this fund includes the 59th Street and police station debt service. Debt service payments in 2012 and 2013 were made from the General Fund. The funding source for payment of the debt service is transfers in from the General Fund.

Fund 202 Local Improvement District (LID) Debt Service was established to account for both the payment of special assessment bonds, as well as the collection of assessments from property owners within the local improvement district (LID). The assessment payments are the revenue source for the debt payments.

Fund 204 Sewer Project Debt Service accounts for the Public Works Trust Fund Loans (PWTFLL) that the City secured to fund both sewer main construction and the side sewer construction loan program. The City completed construction of the sewer main and donated it to Pierce County in 2012. A 4.75% surcharge on all of the county sewer service charges within the City limits provides the funding for the debt service.

Fund 251 Local Improvement District (LID) Guaranty Debt Service was created in conjunction with establishing the permanent financing of CLID 1101-1103. It also accounts for the guaranty funds connected with LID 1108. The source of funding was the LID bonds and underlying that, the assessment payments from the property owners. Per RCW 35.54.095, a city that maintains a local improvement guaranty fund, upon certification by the city treasurer that the local improvement guaranty fund has sufficient funds currently on hand to meet all valid outstanding obligations of the fund and all other obligations of the fund reasonably expected to be incurred in the near future, may by ordinance transfer assets to its general fund. The net cash of the local improvement guaranty fund may be reduced to an amount not less than ten percent (10%) of the outstanding obligations guaranteed by the fund.

Capital Project Funds

Fund 301 Parks Capital Project accounts for the receipts and disbursements related to the acquisition or construction of major park capital facilities with the exception of those facilities financed by proprietary and trust funds.

Fund 302 Transportation Capital Projects accounts for receipts and disbursements related to acquisition, design, construction and any other related street capital project expenditures. Revenues supporting this fund's activities include: motor vehicle fuel tax; direct and indirect federal grants; state grants; transfers in from the Real Estate Excise Tax Fund; contribution from General Fund, Community Development Block Grant, and the councilmanic \$20 vehicle licensing fees from the Transportation Benefit District Fund.

Fund 311 Sewer Capital Project

Fund 312 Sanitary Sewer Connection Capital Project accounts for the revenues generated from the sewer availability charges (presently limited to those properties fronting on the sanitary sewer system funded and build by the City within the Woodbrook/Tillicum area), expenditures and transfers that are legally allowable for sewer availability charge fees, and for administrative expenses to maintain and operate the fund. Legally allowable expenses would include public sanitary sewer improvement projects and based on Council's declaration under Resolution # 2006-31 side sewer service connections on private property which assures minimum flows within the Woodbrook/Tillicum sanitary sewer system are achieved and maintained.

Enterprise Funds

Fund 401 Surface Water Management accounts for activities that provide storm water collection and disposal services to the City. Activities include administration, engineering, construction, operation, maintenance, and repairs, which are primarily supported by user fees. The fees are billed along with Pierce County's semi-annual property taxes, and remitted by the County to the City.

Internal Service Funds

Fund 501 Fleet & Equipment accounts for all costs associated with operating, maintaining and replacing the City's vehicles and other motorized equipment. This fund owns and depreciates all non-proprietary fund assets of this nature. Fleet and equipment user charges are allocated to the operating funds based on operations and maintenance costs, including gasoline usage, and repairs and maintenance.

Fund 502 Property Management accounts for all costs associated with the maintenance and operations of City Hall, Police Station, Parking/Light Rail Facility. Maintenance and operating costs are charged to this fund which is funded primarily through user fees allocated to the operating funds based upon the number of staff assigned to the facility.

Fund 503 Information Technology accounts for all costs and services associated with the City's Information Technology needs. This fund is used to support all internal systems such as the City's Geographical Information Systems (GIS) needs, Internal & External Web Resources (WWW, Intranet & FTP), E-Mail Systems, business continuity needs, infrastructure resources, applications and overall support. In addition, the fund is also used to leverage emerging technologies to reduce cost, limit growth in the workforce, and improve services to citizens and employees; and to provide the most innovative and cost effective technology services for managing the City of Lakewood. Information technology costs are allocated to departments and/or programs based on usage.

Fund 504 Risk Management accounts for the financial administration of the City's comprehensive risk management program. The Fund assures that the revenues and assets of the City are protected through an established risk control and risk finance program including risk management goals and objectives, a formalized risk assessment process and methodology for reviewing and monitoring of the effectiveness of the risk management program. Risk management functions include property, casualty and general liability and similar functions. Risk management provides departments with information and assistance about recommended insurance requirements for various City contracts. Through the safety program, information and training is provided on how to reduce the risk of injury to employees, the general public and the City owned and leased property. This fund is funded primarily through user charges allocated to the departments based upon the number of budgeted staff, auto and property assessments.

Agency Funds

Fund 601 Investment Control accounts for investment transactions. It is used to record the amount of pooled monies invested from all City funds.