



City of Lakewood, WA

Popular Annual Financial Report

For the Year Ended December 31, 2017



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What is the Popular Annual Financial Report?

The report provides an overview of the City's financial position, including sources of revenues and expenditures, as well as economic information about the community. The Popular annual Financial Report (PAFR) of the City of Lakewood is published to increase public awareness regarding the City's financial condition. It is our goal that this report is easy to read and understandable.

The summarized financial activity presented in this report draws its information from the 2017 Comprehensive Annual Financial Report (CAFR). However, only financial data for the governmental activities (activities normally supported by taxes and intergovernmental revenue) is included, and therefore, the City's business-type activities are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by Generally Accepted Account Principles (GAAP) are omitted.

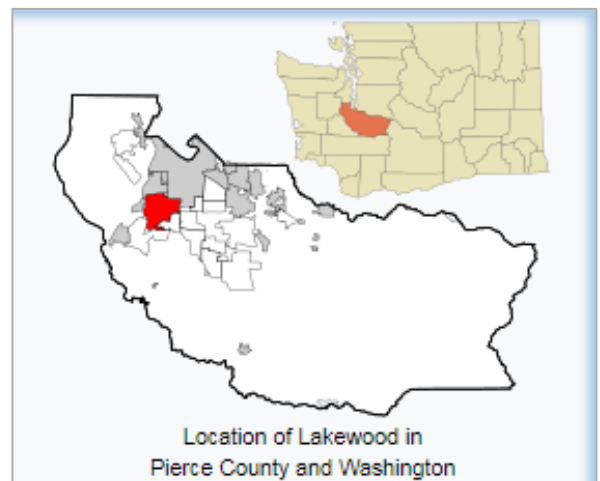
The CAFR was prepared in conformance with GAAP and includes financial statements audited by the Washington State Auditor's Office. The City received an unmodified (clean) opinion that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City.

The PAFR is unaudited and is presented on a non-GAAP basis. The differences between the GAAP basis presentation in the CAFR and the non-GAAP presentation in the PAFR are as follows: the use of prescribed accounting methods and financial statement formats; the presentation of segregated funds; and the disclosure of all material financial and non-financial matters in notes to the financial statements.

Last year's 2016 Popular Annual Financial Report was the first prepared by the City and we were recognized for outstanding achievement by the Government Finance Officers Association (GFOA). Individuals who desire to review the audited GAAP-based, full disclosure financial statements should refer to the City's CAFR, which is available on the City's website at www.cityoflakewood.us, or by contacting the Finance Division at 6000 Main Street, Lakewood, WA 98499, phone (253) 983-7706 or email tkraus@cityoflakewood.us

The City of Lakewood -

Lakewood is an optional code city and Incorporated in 1996. Lakewood is the second-largest city in Pierce County and the 18th-largest in the state of Washington. It is the host community to Joint Base Lewis-McChord, the largest joint base on the West Coast and one of the largest in the U.S. Lakewood is strategically located along the Interstate 5 corridor. It borders JBLM, Camp Murray (home to the Washington National Guard) and Tacoma, and is situated a short drive from Seattle and Olympia. Lakewood also is a hub for activity at the Ports of Tacoma, Olympia and Seattle.



Snapshot of the Community

- 60,000 residents
- 3,500 businesses
- 25,000 jobs
- 24,000 households
- Median age: 36.6
- Average household income: \$65,912
- Lakewood Industrial Park is fourth-largest private, for-profit employer in Pierce County and third-largest industrial business park in Washington.
- Provides a full range of local municipal services, including police, jail and municipal court services; construction and maintenance of streets and traditional municipal infrastructure; stormwater collection and treatment; economic development and public improvements; building, planning and zoning; park and recreational activities; social and senior services; cultural events; and general administrative services.
- Water is provided by the Lakewood Water District and sewer services are provided through Pierce County.
- Fire services are provided by West Pierce Fire and Rescue.
- Garbage and recycling are provided by Waste Connections under contract with the City.
- Tacoma Power, Puget Sound Energy and Lakeview Light and Power provide power to the area.
- Boasts one of the only true "International Districts" in Pierce County, influenced by Korean, Vietnamese, Latino and other ethnic cultures
- Served by:
 - Clover Park School District, an award-winning K-12 public system that has built several new schools recently
 - Pierce College Fort Steilacoom, a community college
 - Clover Park Technical Colleges, one of the most popular technical colleges in the South Sound
- Named one of the nation's "[One Hundred Best Communities for Young People](#)" by America's Promise Alliance six years in a row.
- Encompasses 18.95 square miles, of which 17.17 square miles is land and 1.78 square miles is water.
- Interstate 5 and State Highway 512 pass through Lakewood.
- Pierce Transit and the Sound Transit (ST) systems, with stations adjacent to the I-5 Corridor and the Lakewood Towne Center, serve the community. The combination of services from these agencies provides excellent transportation to the greater Tacoma/Seattle area.
- Lakewood is known for its lakes, natural beauty, and economic potential.



Elected Officials

The City Council is responsible for enacting all legislation and making general policy decisions governing the City. The City Manager, who serves as the chief executive officer of the City, is appointed by, reports directly to, and serves at the pleasure of the City Council. The City Manager implements the policies and goals of the City Council, manages and coordinates the overall operations of the City and provides leadership, coordination, and development of City departments, while ensuring the delivery of quality service and serving the needs of the public. This is accomplished through the expressed direction of the Lakewood City Council.



Don Anderson
Mayor



Jason Whalen
Deputy Mayor



Mary Moss
Councilmember



Marie Barth
Councilmember



Paul Bocchi
Councilmember



John Simpson
Councilmember



Michael D. Brandstetter
Councilmember

City Council Goals

- 1. Fiscal Responsibility** – The City of Lakewood maintains a strong fiscal position providing municipal services
- 2. Public Safety** – The City of Lakewood is one of the safest cities in Washington State.
- 3. Economic Development** – The City of Lakewood supports a dynamic and robust local economy through implementation of an effective economic development strategy.
- 4. Dependable Infrastructure** – The City of Lakewood provides a safe, clean, and well-maintained community and provides preventative maintenance to avoid great replacement costs.
- 5. Transparency** - The City of Lakewood engages the community in City government to include providing timely and accurate information about City services as well as information about City actions and decisions.



City of Lakewood Vision Statement

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

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

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

- Lakewood City Council, Adopted Oct. 19, 2015

Awards

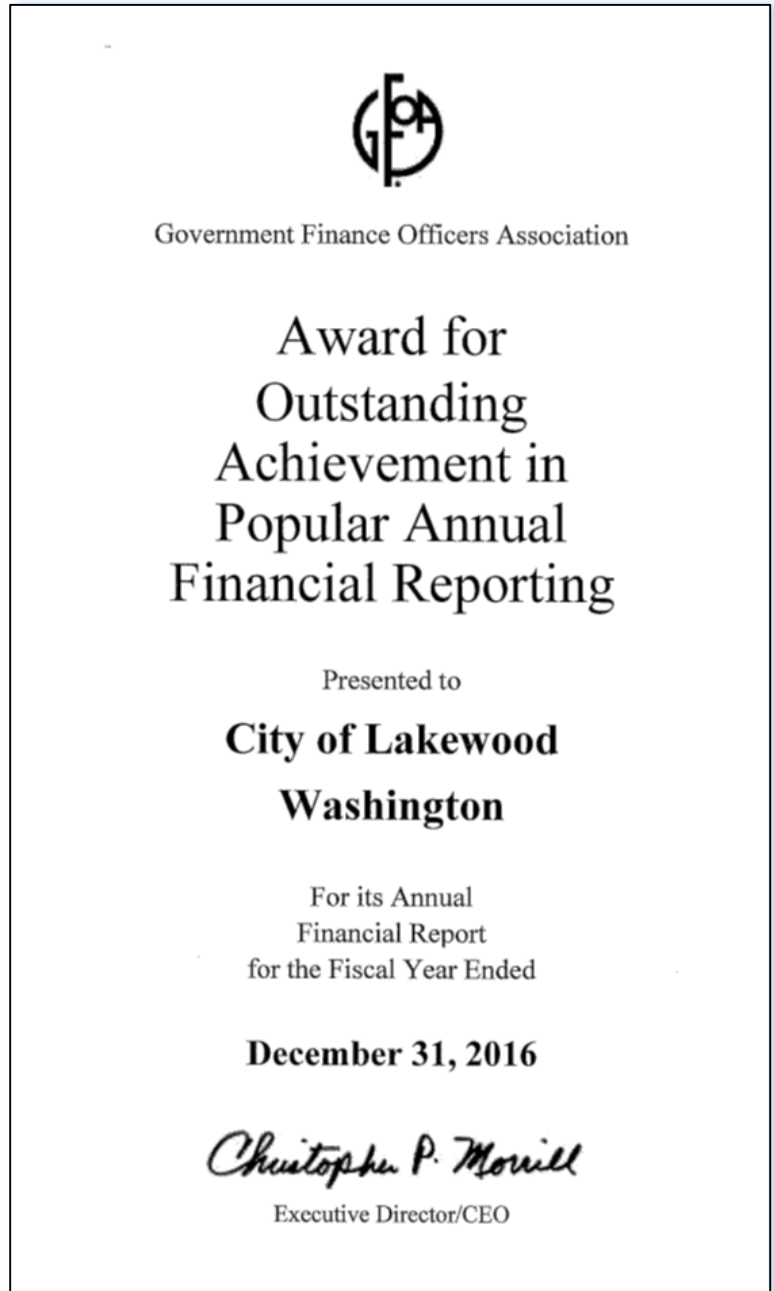
The City of Lakewood's comprehensive annual financial report for the year ended 2016 was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

The City also issued its first Popular Annual Financial Report (PAFR) for the year ended December 31, 2016 and also received recognition from GFOA in the form of its PAFR award. The PAFR is an easy-to-read version of the City's CAFR designed to provide citizens with an overview of the City's finances.

The City of Lakewood received the Government Finance Officers Association Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2017 and 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.



Financial Information

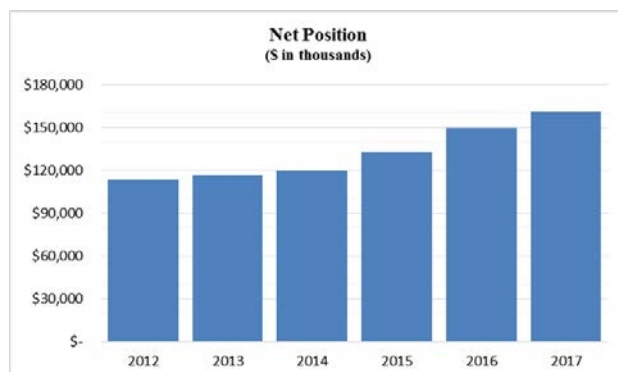
Net Position

Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) may serve as an indicator of a government's financial condition over time. Net investment in capital assets makes up the biggest portion of net position. This amount is associated with the City's equity in its capital assets. Because capital assets are acquired to provide services over several periods or indefinitely, this portion is not available for future spending. Although this portion of net position is calculated net of related debt, the resources needed to pay down the debt must come from other more liquid resources. A smaller portion of net position represents net position that is legally restricted as to use by law or contract, such as bond proceeds for capital construction, resources reserved for debt service, or funds mandated for specific programs. The remaining portion of net position is unrestricted, representing resources that are available for services. The accompanying schedule is intended to demonstrate the difference between the City's assets and the City's liabilities as of December 31, 2017 compared to December 31, 2016.

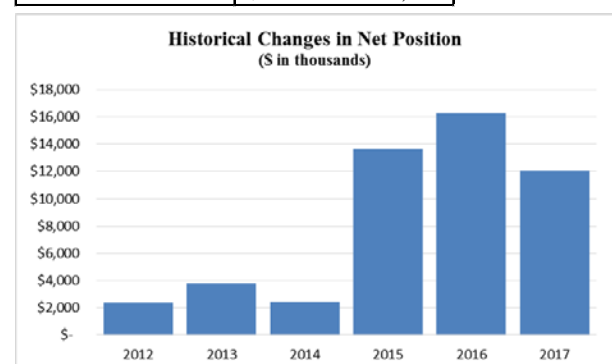
The changes in the net position of the City are the total revenues of the City in excess of the total expenses of the City. This number is important because when revenues exceed expenses, the City's is better off financially. As a demonstration of the City's efforts, since 2012 the City has made a significant effort in improving its financial situation.

CONDENSED STATEMENT OF NET POSITION For the Years Ended December 31, 2017 and 2016		
	Governmental Activities	
	2017	2016
Current and other assets	\$ 34,621,202	\$ 30,757,671
Capital assets and CIP, net of accum. depreciation	142,553,476	132,957,013
Total Assets	150,543,650	163,714,684
Deferred outflows of resources	583,481	1,528,386
Total deferred outflows of resources	583,481	1,528,386
Current liabilities	5,140,096	4,988,162
Long-term liabilities	9,957,703	10,947,617
Total Liabilities	15,097,799	15,935,779
Deferred inflows of resources	1,315,364	-
Total deferred outflows of resources	1,315,364	-
Net Position:		
Net investment in capital assets	133,227,394	122,799,092
Restricted	6,503,131	7,394,971
Unrestricted	21,614,471	19,113,228
Total Net Position	\$ 161,344,996	\$ 149,307,291

Net Position (\$ in thousands)		
2012	\$	113,139
2013	\$	116,947
2014	\$	119,402
2015	\$	133,013
2016	\$	149,307
2017	\$	161,345



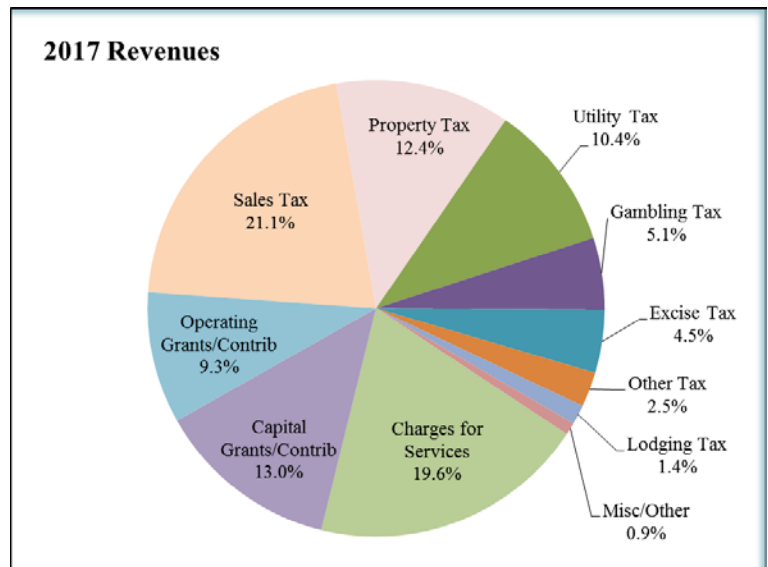
Historical Change In Net Position (\$ in thousands)		
Year	Amount	
2012	\$	2,365
2013	\$	3,808
2014	\$	2,455
2015	\$	13,611
2016	\$	16,294
2017	\$	12,038



Revenues –

Where does the money come from?

Governmental Activities (\$ in thousands)	2017	2016
Sales Tax	\$ 11,629	\$ 10,736
Property Tax	6,844	6,712
Utility Tax	5,744	5,629
Gambling Tax	2,801	2,711
Excise Tax	2,468	2,125
Other Tax	1,362	1,382
Lodging Tax	762	757
Miscellaneous/Other	482	709
Charges for Services	10,798	9,889
Capital Grants & Contributions	7,151	12,519
Operating Grants & Contributions	5,126	5,048
Total Revenues	\$ 55,166	\$ 58,218

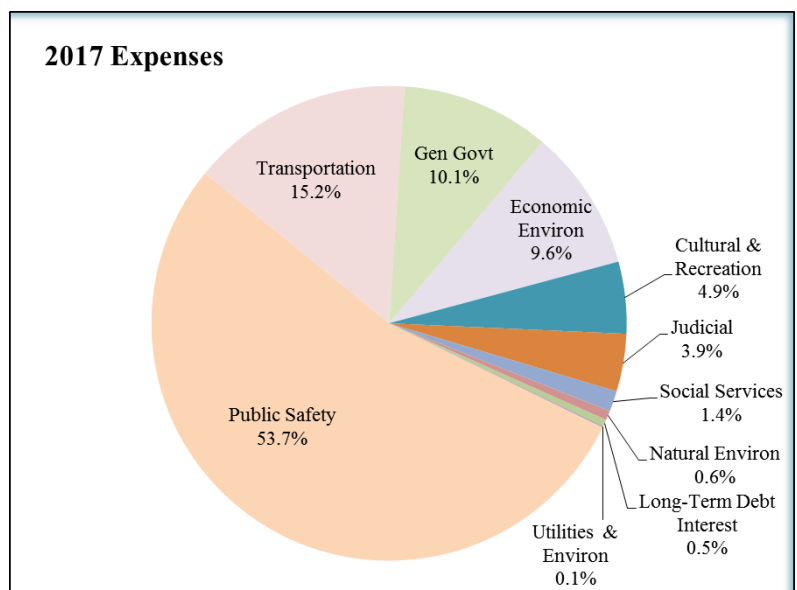


Total revenue decreased by \$2.6M or 4.2% in 2017. The decrease is mainly due to: \$4.9M or 85.5% decrease in transportation capital grants & contributions; \$578K in culture and recreation capital grants. These decreases were offset by increases of \$900K in charges from services from franchise fees, building permits, plan check fees, and extra duty contract revenue and \$1.5M combined increase for property, sales, excise, and hotel/lodging taxes.

Expenses –

Where does the money go?

Governmental Funds (\$ in thousands)	2017	2016
Public Safety	\$ 23,944	\$ 23,471
Transportation	6,763	6,341
General Government	4,520	4,306
Economic Environment	4,306	3,843
Culture and Recreation	2,185	2,088
Judicial	1,750	1,645
Social Services	624	629
Natural Environment	286	249
Interest on Long-Term Debt	211	233
Utilities & Environment	35	28
Total Expenditures	\$ 44,624	\$ 42,833

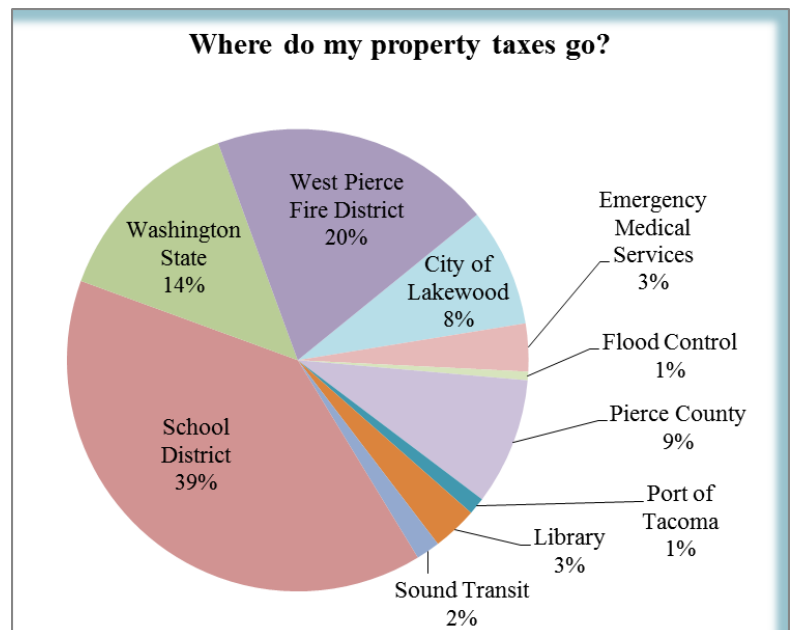


Total expenses for governmental activities increased \$1.7M or 4.2%. The increase is mainly due to a \$470K or 2.0% increase in public safety expenses, \$420K or 6.7% increase in transportation expenses and \$460K increase or 12% in economic environment expenses as well as a combined increase of \$460K in general government, utilities and environment, natural environment, culture and recreation and judicial. These increases were offset by \$27K decreases in social service and interest on long-term debt. Transfers had a net increase of \$84K.

Property Tax

A property tax rate is placed on each piece of property within the City and is used for general governmental purpose. The rate is expressed in “dollars per \$1,000 assessed value (AV), and is a function of the property tax levy permitted by law and adopted by the City Council. In the City of Lakewood, as in other Washington cities, the maximum regular levy cannot exceed \$3.60, which includes the maximum regular levy of \$3.375 plus an additional \$0.225 per \$1,000 AV to provide for the Firemen’s Pension Fund. Property tax is assessed on land, buildings, and residential homes, and on inventory and improvements to commercial property

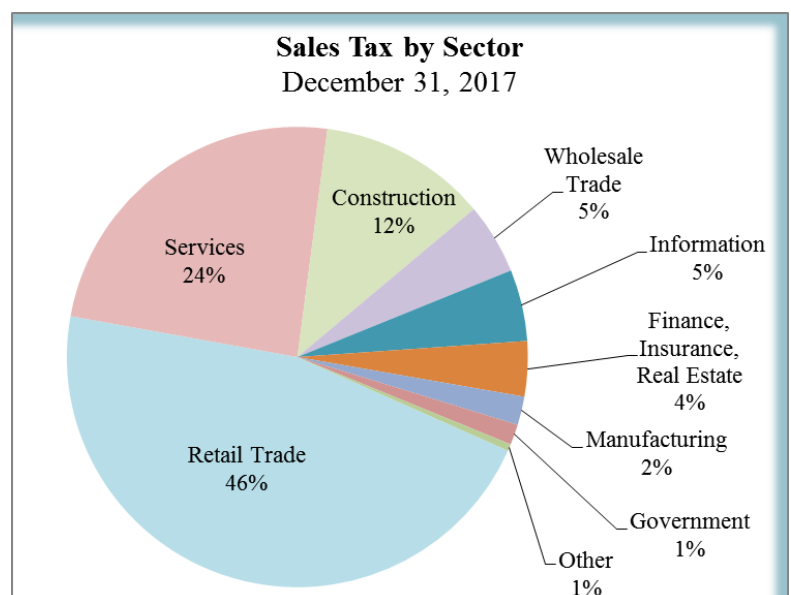
Levy Rate per \$1,000 Assessed Value		
Taxing District	2017	2016
City of Lakewood	\$ 1.24	\$ 1.34
Emergency Medical Services	0.50	0.50
Flood Control	0.09	0.10
Pierce County	1.33	1.43
Port of Tacoma	0.18	0.18
Library	0.47	0.50
Sound Transit	0.25	-
School District	5.88	5.71
Washington State	2.07	2.23
West Pierce Fire District	2.96	3.08
Total	\$14.97	\$15.08



Sales Tax

The City imposes a sales and use tax of 1% to fund general government programs. Of this total, 15% is provided to Pierce County per state law. The City imposes both the basic 0.5% and the optional 0.5% sales and use tax. This tax is imposed on personal and business purchases of tangible property. The retail sales tax is also assessed on some services such as repairs and construction. The City receives 1% of the 9.4% sales tax rate. Of the 1%, the City receives 0.84% (Pierce County receives 15% of the 1% and the State receives 1% of the 1% leaving 0.84% to the City)

Sales Tax by Sector (\$ in thousands)	2017	2016
Retail Trade	\$ 4,599	\$ 4,229
Services	2,414	2,296
Construction	1,175	913
Wholesale Trade	496	396
Information	500	504
Finance, Insurance, Real Estate	386	400
Manufacturing	199	217
Government	143	164
Other	47	59
Total	\$ 9,959	\$ 9,178



Long-term Debt

The City's total governmental activities debt outstanding as of December 31, 2017 is \$9.3M. This is a decrease of \$1M or 10% due primarily to annual principle payments made.

In March 2014 Standard & Poor's Rating Services (S&P) raised the City's credit rating from "A" to "AA-" with respect to the City's General Obligation (GO) Bonds. At the same time, S&P affirmed the "A-" long-term rating on the City's special assessment bonds for Local Improvement District 1101, series 2006. S&P affirmed a stable outlook based on its review of the City's long-term debt. Effective April 2016, the City no longer has GO bond rated debt, therefore, the "AA-" rating is based on the last rated bond (2009 LTGO).

Long-Term Debt Outstanding Governmental Activities As of December 31, 2017 and 2016		
	2017	2016
2009 LTGO	\$ 125,000	\$ 245,000
2016 LTGO (refinanced 2009 LTGO)	1,884,032	1,884,032
2016 LTGO Deferred Charge	(171,382)	-
Local Financing	1,275,000	1,370,000
Local Financing Premium	160,217	177,537
Public Works Trust Fund Loan	4,502,633	4,930,856
Section 108 Loan	141,000	-
Promissory Note (59th Street)	466,638	524,041
Special Assessments	750,667	986,515
Copiers - Capital Lease	20,897	39,940
Total	\$ 9,154,701	\$ 10,157,921

Washington State statutes limit the amount of debt the City may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

Legally Remaining Debt Capacity December 31, 2017	
General Government (no vote required)	\$ 77,405,553
General Government (3/5 majority vote required)	54,104,148
Parks and Open Space (3/5 majority vote required)	135,260,371
Utilities (3/5 majority vote required)	135,260,371
Total Capacity	\$ 402,030,443

By the Numbers

Top 10 Property Taxpayers in 2017			
Taxpayer		Taxable Assessed Value	% of Total City Taxable Assessed Value
Northwest Building LLC	\$	151,720,029	2.53%
Puget Sound Energy/Gas		66,573,800	1.11%
Roc II WA Village at Seeley Lake LLC		50,853,900	0.85%
RPAI Lakewood LLC		48,595,900	0.81%
Beaumont Lakewood Associates LLC		26,788,600	0.45%
Lakha Lakewood Properties		26,042,000	0.43%
Lakewood 231 LLC		20,969,300	0.35%
Morningtree Park LLC		20,558,000	0.34%
Wal-Mart Stores Inc #2403		17,287,500	0.29%
WIG Properties LLC-LKPL		17,059,400	0.28%
Total Top 10 Taxpayer	\$	446,448,429	7.44%
Total City Assessed Value	\$	5,410,414,843	

Crime Statistics		
Category	2017	2016
Offenses:		
Forcible Rape (including attempts)	67	55
Robbery	94	103
Criminal Homicide	5	0
Aggravated Assault	322	375
Vehicle Theft	375	368
Burglary (commercial & residential)	507	616
Larceny	2,052	2,097
Arson	11	15
Citations:		
Traffic	5,023	6,595
Red Light Photo	11,336	7,289
Fixed Speed Photo	6,198	9,749

Top 10 Employers in 2017			
Taxpayer		# of Employees	% of Total City Employment
Western State Hospital			
Public Sector - Mental Health Facility		2,300	6.8%
Clover Park School District			
Public Sector - Education		1,390	4.1%
Pierce College			
Public Sector - Education		1,180	3.5%
Camp Murray			
Military - National Guard		980	2.9%
Pierce Transit			
Public Sector - Transportation		890	2.6%
Aacres WA LLC			
Private Social Services Network		600	1.8%
St. Clare Hospital			
Health Care		590	1.7%
McClane Northwest			
Transportation/Warehousing		440	1.3%
Clover Park Technical College			
Public Sector - Education		387	1.1%
Wal-Mart			
Retail		365	1.1%
		9,122	26.97%

Economic Environment			
Category		2017	2016
Building Permits		1,540	1,207
Estimated Value (in millions)	\$	76	\$ 65