



LAKEWOOD CITY COUNCIL STUDY SESSION AGENDA

Monday, January 11, 2021
City of Lakewood
7:00 P.M.

Residents can virtually attend City Council meetings by watching them live on the city's YouTube channel:

<https://www.youtube.com/user/cityoflakewoodwa>

Those who do not have access to YouTube can call in to listen by telephone via Zoom: Dial +1(253) 215- 8782 and enter participant ID: 868 7263 2373

Page No.

CALL TO ORDER

ITEMS FOR DISCUSSION:

- (3) 1. Review of 2021 citizens' advisory boards, committees and commission Work Plans. – (Workplan)
- (19) 2. Review of Surface Water Management Utility Revenue Bonds. – (Memorandum)
- (51) 3. Review of Camp Murray Annexation Analysis. – (Memorandum)

ITEMS TENTATIVELY SCHEDULED FOR THE JANUARY 19, 2021 REGULAR CITY COUNCIL MEETING:

- 1. 2020 Larry Saunders Service Award Presentation. – *Mr. Bob Warfield, Lakewood Community Foundation Fund*
- 2. Proclamation declaring January as Human Trafficking Awareness and Prevention Month. – *Ms. Christine Gilge, Director and Ms. Kawehi Marshall, Compassion Connect Puget Sound*
- 3. Association of Washington Cities (AWC) Retro Refund Presentation. – *Mr. Peter King, CEO*
- 4. Approving the 2021 citizens' advisory boards, committees and commission work plans. – (Motion – Consent Agenda)
- 5. Authorizing the execution of an interlocal agreement with Pierce College to enhance a baseball field at Fort Steilacoom Park. – (Motion – Consent Agenda)

Persons requesting special accommodations or language interpreters should contact the City Clerk, 253-983-7705, as soon as possible in advance of the Council meeting so that an attempt to provide the special accommodations can be made.

6. Providing for the issuance, sale and deliver of not to exceed \$4,100,000 aggregate principal amount of surface water revenue bonds to provide funds to finance the utility's share of transportation and other capital projects; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bond; and providing for other related matters. – (Ordinance – Regular Agenda)
7. Review applications for appointment to Lakewood City Council Position 5. – (Reports by the City Manager – Regular Agenda)

REPORTS BY THE CITY MANAGER

- (162) Review of Joint City Council and Clover Park School District Board Meeting Agenda.

CITY COUNCIL COMMENTS

ADJOURNMENT

Persons requesting special accommodations or language interpreters should contact the City Clerk, 253-983-7705, as soon as possible in advance of the Council meeting so that an attempt to provide the special accommodations can be made.

AMERICAN LAKE – LAKE MANAGEMENT DISTRICT NO. 1

ADVISORY COMMITTEE

2021 ANNUAL WORK PLAN, BUDGET, AND MEETING SCHEDULE

Members:

Chair: Mark Pfeiffer
 Vice-Chair: Peter Marsh
 David Clouse
 Mary Dodsworth
 Richard Martinez
 Susan Vezeau

City Staff Support:

Paul Bucich, Public Works Engineering Director
 Greg Vigoren, Engineering Services Manager
 Diana Halar, Compliance Inspector

Meeting Schedule:

February 25, May, September, and November

2021 Work Plan & Budget:

1.	Aquatic vegetation surveys	\$4,300
2.	Invasive aquatic vegetation control/treatment	\$12,500
3.	Annual report, treatment permit, meetings	\$2,500
4.	Public education & outreach efforts	\$2,000
5.	Supplies, equipment, annual meeting	\$500
6.	City administrative costs	\$6,600
	Total Estimated Costs	\$28,400

Date	Topic(s)
Jan. 11	2021 work plan, budget, and schedule reviewed by City Council – chair and staff
Feb. 25	Elect Advisory Committee Chair and Vice-Chair for 2021/2022 – committee
March	Prepare member outreach postcard or newsletter – committee and staff
May	Distribute member outreach postcard or newsletter – staff
May	Conduct beginning of season aquatic vegetation survey – contractor
June-Aug	Conduct invasive aquatic vegetation control activities or herbicide treatment – contractor
October	Conduct end of season aquatic vegetation survey – contractor
November	Review control/treatment report – committee
November	Develop 2022 work plan, budget, and schedule based on 2021 activities, LMD needs, and available budget – committee

Special Events:

Date	Event
September	Annual member meeting at American Lake Park

ARTS COMMISSION

2021 ANNUAL WORK PLAN AND MEETING SCHEDULE

Members:

Chair Linda McDermott
 Vice-Chair: Earl Borgert
 Adriana Bayer
 Darryl Owens
 Susan Werner

Lani Neil
 Paige Hansen
 Patti Belle
 Phillip Raschke
 Lua Pritchard

Council Liaison:

Jason Whalen

City Staff Support:

Sally Martinez

Nicolette York

Youth Council Liaison

Angel Lee
 Kayala Purdie

Estaban Panagelinan
 Arianie Esperon

Meeting Schedule:

First Monday of the month, 5:00-6:15 pm, American Lake Room

Note: For 2021 the Arts Commission will have two subcommittees:

1. Public Art: includes, Colonial Plaza Art, Utility Box wraps, Special Events, Rotating art
2. Performing Arts: Includes Film Festival, Special Events, Summer Concert Series

1.	Special Event involvement as it pertains to Public Art & Performing Arts
2.	Recruitment and Retention
3.	Rotating Artists at City Hall (depending on COVID)
4.	Public Art - Colonial Plaza
5.	Public Art Contest/Exhibit for City's 25 th anniversary February & summer 2021
6.	Public Art Signal box wrap creation and installation
7.	Arts Commission Retreat
8.	Film Festival Planning for 2022 implementation
9.	Ongoing Education
10.	Joint Commission Meeting

Date	Topic(s)
1.21	Officer Elections, Committee Formation, committee reports, Work Plan, 25 th anniversary art contest, planning & implementation utility box wraps(wraps), Budget Allocation, Public Art Colonial Plaza
2. 21	Committee reports, 25 th anniversary art contest, utility box wraps, Public Art Colonial Plaza. Ongoing education
3. 21	Committee reports, utility box wraps, Public Art Colonial Plaza
4.21	Committee reports, utility box wraps, Public Art Colonial Plaza, ongoing education
5. 21	Committee reports, utility box wraps, Public Art Colonial Plaza
6. 21	Committee reports, utility box wraps, Public Art Colonial Plaza, Film Festival planning, ongoing education
7. 21	Committee reports, utility box wraps, film festival planning

8. 21	Committee reports, Public Art Colonial Plaza, Lodging Tax Grant for Concert Series and Film Festival, utility box wraps, retreat planning, Film Festival planning
9. 21	Committee reports, Public Art Colonial Plaza, utility box wraps, retreat planning, Joint Commission meeting talking points, Film Festival Planning. Ongoing education
10. 21	Committee reports, Public Art Colonial Plaza, retreat, Joint Commission Meeting, retreat, work program development
11. 21	Committee reports, work program development, Prep for Elections, Film Festival planning, ongoing education
12. 21	Committee reports, Election prep, work program development, Film Festival Planning

2021 Special Events:

Date	Event
January	MLK Event
February	25 th Anniversary Art Contest
May-August (TBD)	25 th Anniversary celebration and art exhibit
July-August	Summer Nights at the Pavilion Outdoor Concert Series
October 3	Arts Commission Retreat
December	Christmas Parade/Judging of Floats
TBD	Colonial Plaza Public Art Unveiling
TBD	Art Focused Special event at Colonial Plaza

COMMUNITY SERVICES ADVISORY BOARD

2021 WORK PLAN

Members:

Chair: Sarah Yamamoto
 Vice-Chair: TBD
 Edith Owen-Wallace
 Elisapeta Scanlan
 DeeAnn Harris

Laurie Maus
 Michael Lacadie
 John Mayfield

City Council Liaison:

Councilmember: Linda Farmer

Youth Council Liaisons:

Yajaira Gonzalez
 Triccie Elizaga

Gloria Araula Ruiz
 Stephanie Sandoval Salazar

City Staff Support:

Brian Humphreys, Human Services Coordinator (HSC)
 Jeff Gumm, CDBG/HOME Program Manager
 Martha Larkin, CDBG/HOME Program Coordinator

Meeting Schedule:

Third Wednesday of the Month, 5:30pm, American Lake Conference Room

Work Plan:

1.	Joint meetings (biennial) with Planning Commission regarding City affordable and attainable housing needs
2.	Approve 5-year Consolidated Plan, Annual Action Plan, and Fair Housing Analysis
3.	2020 human services contract performance
4.	2021-22 human services allocations process and funding recommendations
5.	Approve FY 2019 CAPER
6.	Public hearing on community development, housing and services needs
7.	FY 2021 CDBG/HOME funding strategies

Date	Topic(s)
1/20	<ul style="list-style-type: none"> Elect new Vice-Chair Establish ad hoc committee for reviewing application materials and process
2/17	<ul style="list-style-type: none"> CDBG – Review draft Consolidated Plan and 2021 Action Plan
3/17	<ul style="list-style-type: none"> Review 2020 human services report Develop recommendations for human services funding priorities
4/21	<ul style="list-style-type: none"> Review 2021 contract performance measures
5/19	<ul style="list-style-type: none"> Review draft application materials and rating criteria
6/16	<ul style="list-style-type: none"> Finalize human services funding application and rating criteria
7/15	<ul style="list-style-type: none"> Conduct a virtual workshop for human services applications
9/6	<ul style="list-style-type: none"> Review submitted human services applications and ratings
9/20	<ul style="list-style-type: none"> Conducted virtual interviews with human services applicants CDBG – review and approve CAPER and CDBG/HOME policies and strategies
10/13	<ul style="list-style-type: none"> CDBG – adopt FY 2022 policies and funding strategies Conduct human services funding deliberations
11/17	<ul style="list-style-type: none"> Review City Council feedback about funding recommendations
12/15	<ul style="list-style-type: none"> Review 2022 annual work plan

LAKEWOOD'S PROMISE ADVISORY BOARD

2021 WORK PLAN

Members:

Chair: Ellie Wilson, Community Member & CISL Founder
 Vice-Chair: Dr. Joyce Loveday, Clover Park Technical College
 Ron Banner, Clover Park School District Elise Bodell, Lakewood Library
 Mary Dodsworth, City of Lakewood Leanna Christian, Lakewood YMCA
 Dr. Michele Johnson, Pierce College Beverly Howe, Common Spirit Hospital
 Wanda Elder, Community Member Andie Gernon, Community Member

Council Liaison:

Councilmember: Mary Moss

City Staff Support:

Brian Humphreys

Youth Council Liaisons:

Sarah James Brandon Elliott
 Hank Jones

Meeting Schedule:

First Thursday of the Month, 7:30am, American Lake Conference Room

Work Plan:

1.	Create and execute a plan to collaboratively address the issue of Youth Mental Health
2.	Direct the process of adding a Workforce Development component to the City's work
3.	Create and execute a plan to increase the Lakewood's Promise communications capacity
4.	Coordinate with the Youth Council on a Youth Summit or Mental Health workshop

Accomplishments:

Date	Topic(s)
1/7	<ul style="list-style-type: none"> Elect 2021 officers Discuss plans for the youth summit or mental health workshop Decide next steps for youth mental health and workforce development
2/4	<ul style="list-style-type: none"> Review plans for strategic initiatives (workforce development and youth mental health) Review communications strategies with Youth Council members
3/4	<ul style="list-style-type: none"> Review the status of the strategic initiatives and the Youth Mental Health workshop
4/1	<ul style="list-style-type: none"> Review the schedule for the Youth Mental Health workshop and goals
5/6	<ul style="list-style-type: none"> Review the status of the strategic initiatives and the Youth Mental Health workshop
6/3	<ul style="list-style-type: none"> Review the results of a youth mental health discussion with the Youth Council members
9/2	<ul style="list-style-type: none"> Review the status of the strategic initiatives and plan for the joint session with City Council
10/7	<ul style="list-style-type: none"> Plan for the joint session with the City Council
10/18	<ul style="list-style-type: none"> Joint meeting with City Council
11/4	<ul style="list-style-type: none"> Review feedback from the City Council Review the 2021 work plan and identify strategic goals for 2022 Review 2020 Community Needs Report
12/2	<ul style="list-style-type: none"> Review the 2022 draft work plan Discuss the format for the 2022 community collaboration meetings

**CITY OF LAKEWOOD LANDMARKS AND HERITAGE ADVISORY BOARD (LHAB)
2021 ANNUAL WORK PLAN AND MEETING SCHEDULE**

Members:

Glen Speith
Joan Cooley
Beth Campbell
William “Bill” Elder
(Code allows up to nine members; currently, there are five vacancies)

Council Liaison:

TBD

City Staff Support:

Courtney Brunell, Planning Manager
Ramon Rodriguez, Planner
Karen Devereaux, Administrative Assistant

Meeting Schedule:

Fourth Thursday of each month, 6:00 p.m.

Overview:

The role of the Landmarks & heritage Advisory Board is to:

- Designate, preserve, protect, enhance, and perpetuate those sites, buildings, districts, structures and objects which reflect significant elements of the City’s, county’s, state’s and nation’s cultural, aesthetic, social, economic, political, architectural, ethnic, archaeological, engineering, historic and other heritage;
- Foster civic pride in the beauty and accomplishments of the past;
- Stabilize and improve the economic values and vitality of landmarks;
- Protect and enhance the City’s tourist industry by promoting heritage-related tourism;
- Promote the continued use, exhibition and interpretation of significant sites, districts, buildings, structures, objects, artifacts, materials and records for the education, inspiration and welfare of the people of Lakewood;
- Promote and continue incentives for ownership and utilization of landmarks;
- Assist, encourage and provide incentives to public and private owners for preservation, restoration, rehabilitation and use of landmark buildings, sites, districts, structures and objects;
- Assist, encourage, and provide technical assistance to public agencies, public and private museums, archives and historic preservation associations and other organizations involved in the preservation, exhibition, protection and interpretation of Lakewood’s heritage;
- Work cooperatively to identify, evaluate and protect historic resources in furtherance of the purposes of this chapter.

2021 Landmarks & Heritage Board Work Plan:

NOTE: Much of LHAB’s work was suspended due to COVID-19. The proposed 2021 work plan is a carry-over from 2020.

Work Plan Topic	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Apply for grant funding through the Pierce County Landmarks and Historic Preservation Commission to acquire funding for labor and hardware cost to install the Historic Street Signs which have been purchased with last year’s awarded grant.	X			

Work Plan Topic	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Continue to work with Clover Park School District to incorporate local Lakewood History into the Curriculum.	X			
Develop frequently asked questions (FAQ's) to be included on the LHAB website.	X			
Submit a CLG Grant proposal to the Washington Department of Archeology and Historic Preservation.		X		
Update the Lakewood Touring map to include historic streets identified through the recognition program.		X		
Work with Pretty Gritty Tours to develop a walking tour program for the City of Lakewood.		X		
Explore the use of the Community Landmark designation for the Colonial Center; Western State Hospital; Rhodesleigh House;			X	
Villa Carman (Madera); the Flett House; Little Church on the Prairie; Thornewood Castle; Mueller-Harkins Hangar; Tacoma Country and Golf Club; the "H" barn at Fort Steilacoom Park; and the Alan Liddle House.			X	
Continue to update the LHAB website.			X	
Joint meeting with City Council.				X
Develop 2022 Work Plan.				X
Work on recruitment of new members to serve on the LHAB.	X	X	X	X
Explore designation as Landmark or Community Landmark for selected properties.	X	X	X	X
Actively engage with the City of Lakewood Youth Council.	X	X	X	X
Research grant opportunities to fund additional historic markers throughout the City of Lakewood.	X	X	X	X

**Lodging Tax Advisory Committee (LTAC)
2021 Annual Work Plan and Meeting Schedule**

Members:

Mayor Don Anderson, Chair

Represent Businesses Authorized to Collect

Asuka Ludden, Best Western Lakewood Motor Inn

Jarnail Singh, Comfort Inn & Suites

Jessica Christensen, Holiday Inn

Represent Businesses Authorized to Receive

Phil Raschke, Lakewood Playhouse

Linda K. Smith, Lakewood Chamber of Commerce

Chelene Potvin-Bird, Travel Tacoma + Pierce County, WA

City Council Liaison: Not Applicable

City Staff:

Tho Kraus, Assistant City Manager/Chief Financial Officer

Emmanuel “Manny” Cristobal, Finance Supervisor

Meeting Schedule:

July - Joint Lodging Tax Advisory Committee Meeting.

September - Listen to presentations, rate and make funding recommendations.

November - Present recommendations to the City Council.

2021 Work Plan (tentative dates provided:

- Attend the Joint Lodging Tax Advisory Committee meeting to discuss the LTAC in general, review guidelines, past grants awarded, and potential funding available for 2022 grant awards.
(July 12, 2021)
- Review lodging tax grant applications in advance of day-long presentations. The LTAC shall receive the applications at least 45-days before final action on or passage of proposals by the City Council.
(Mid-September)
- Listen to presentations from potential lodging tax grant recipients. Review, rate, and make funding recommendations that are forwarded to the Lakewood City Council for their deliberations.
(Late September)
- Meet on an as needed basis to review lodging tax grant applications for the next year and provide funding recommendations to the Lakewood City Council for their consideration and deliberations.
- Present recommendations to the Lakewood City Council.
(November 8, 2021)
- Follow up with further review and recommendations as requested by the Lakewood City Council.
- City Council makes decision on LTAC recommendations.
(November 15, 2021)

**CITY OF LAKEWOOD
PLANNING COMMISSION
2021 ANNUAL WORK PLAN AND MEETING SCHEDULE**

Members:

Connie Coleman-Lacadie
Donne Daniels
James Guerrero
Nancy Hudson-Echols
Ryan Pearson
Paul Wagemann

(Code allows up to seven members. Currently, there is one vacancy. A second vacancy is anticipated this spring, Ms. Hudson-Echols.)

City Council Liaison:

Paul Bocchi

City Staff Support:

Dave Bugher, Assistant City Manager for Development Services
Tiffany Speir, Long Range & Strategic Planning Manager
Karen Devereaux, Administrative Assistant

Meeting Schedule:

First and third Wednesdays, 6:30 PM

Overview:

The role of the Planning Commission is to assist the City Council in the following areas:

General Planning Issues:

- Review and provide recommendation to the City Council on the Draft CDBG 5-Year Consolidated Plan (2020-2025) and Annual Action Plan;
- Receipt of Annual Housing Report;
- Assists City personnel in preparing and updating a Comprehensive Plan for the City in accordance with state law to be submitted to the City Council for consideration of adoption;
- Recommends new and amended land use and zoning regulations and other development regulations as deemed necessary and/or appropriate;
- Act as the research and fact finding agency of the City in regard to land uses, housing, capital facilities, utilities, transportation, and in regard to classification of lands as agriculture, forest, mineral lands, critical areas, wetlands and geologically hazardous areas;
- Undertakes surveys, analyses, research and reports as may be generally authorized or requested by the City Council;
- Cooperates with planning agencies of other cities and counties, to include regional planning agencies, in furtherance of such research and planning; and
- Annually provides to the City Council a report on progress made in implementing the goals and requirements of State law and on the status of land use policies and procedures within the city.

Redevelopment:

- Facilitate cooperation and coordination between various business groups and impacted neighborhoods on business issues;
- Facilitate the formation of specific neighborhood commercial business groups to assist in the enhancement of various existing commercial areas, aid in stabilizing and retaining commercial enterprises within these areas to maintain viability as a commercial area, and help in identifying specific needs of businesses within various commercial areas;
- Make recommendations to the City Council and to City staff for programs in which the City could or should participate to enhance commercial development opportunities in the City, which programs may be in cooperation with any appropriate private, public, civic or community agency, group or association of or in the City, county, state or federal government;
- Recommend ways and means of obtaining private, local, county, state or federal funds and other participation for the promotion of business development projects within the City, especially those of an incubator type;
- Work with City of Lakewood staff, City Council, task forces and other City/community based groups, as directed by the City Council, on relevant issues and projects; and
- Assist in data base development for the creation and maintenance of a community profile.

Transportation:

- Facilitate cooperation and coordination with the Public Works Department of the City on street, public works and transportation and infrastructure related projects and plans;
- Identify, evaluate and recommend to the City Council, City Manager and/or City staff policies and projects for the City, annual update of its Six-Year Transportation Plan, and for other transportation and infrastructure planning purpose of the City;
- Recommend ways and means of obtaining private, local county, state or federal funds for promotion of transportation and infrastructure facilities of the City;
- Advise the City Council on acquisition, replacement and maintenance of transportation and infrastructure facilities of the City;
- Advise the City as to the manner that public information on street related projects can best be disseminated, given the nature and/or scope of the projects; and
- Advise the City Council regarding transportation related facilities, needs and programs of the City, as may be referred by the City Council.

2021 Planning Commission Work Plan

Work Plan Topic	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Election of 2021 Chair and Vice-Chair.	X			
Receipt of Annual Housing Report.	X			
Joint meetings (biennial) with the Community Services Advisory Board (CSAB) regarding City affordable and attainable housing needs.	X		X	
Review & recommendation on pending CDBG/HOME Consolidation Plan Amendments. (These amendments are specific to CDBG-CV Phase 3 funds and establishment of a tenant based rental assistance (TBRA) program.)	(X)	(X)		

Work Plan Topic	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
Parentheses represent tentative time periods & tied with City of Tacoma actions.				
Review of implementation process for VISION 2050 policies and actions.	X	X	X	X
Review and develop recommendation on Lakewood Station District Subarea Plan and Hybrid Form-Based Code.	X			
Review and develop recommendation on 2021 Comprehensive Plan Map and Text Amendments. Includes a revised energy and climate change chapter.	X	X		
Comprehensive review of the City's housing policies and programs. Includes: Comprehensive Plan goals, policies and objectives; Title 18A; CDBG/HOME; RHSP, and administrative policies.			X	X → ?
Receipt of 2022 Buildable Lands Report status.	X	X	X	
Review and development of recommendations on the 2022-2027 6-year transportation improvement plan (TIP).		x		
Periodic review of Comprehensive Plan Map and Text items in anticipation of 2024 statutory update.		X	X	X
Review and development of recommendations on annual development regulation amendment package (technical edits to LMC Titles 18A – 18C, etc.).			X	X
Review and development of recommendations on the 2022 Comprehensive Plan docket.			X	X
Review and Development of Recommendation on "Excess" Rights-of-Way (ROW) in City.		X	X	
Review and development of recommendations on design review including landscaping for Commercial Zoning Districts outside of the boundaries of existing/proposed subarea plans.				→
This project would carry over into 2022.				

PARKS AND RECREATION ADVISORY BOARD

2021 ANNUAL WORK PLAN AND MEETING SCHEDULE

Members:

Jason Gerwen, Chair
Vito Iacobazzi, Vice-Chair
Sylvia Allen

Alan Billingsley
Susan Dellinger
Michael Lacadie

Youth Council Liaison:

Arianie Esperon
Micah Kim
Carly Sherman

Council Liaison:

Linda Farmer, Councilmember

City Staff Support:

Mary Dodsworth, Director Parks, Recreation & Community Services
Nikki York, Office Assistant

Meeting Schedule:

Fourth Tuesday of Each Month, 5:30 p.m. American Lake Room, Lakewood City Hall

2021 Work Plan:

1.	Fort Steilacoom Park Boundary Line Adjustment
2.	Parks CIP Update
3.	Diversity, Equity & Inclusion in Parks and Recreation
4.	Outdoor Adventure Programming
5.	25 th Anniversary, Special Events & Recreation Program Update
6.	Park Code Updates (as needed)

Date	Topic(s)
1/26	Elect Chair /Vice-Chair, Review 2021 Work Plan; 25th Anniversary and Special Event Updates, Seeley Lake Master Plan Update
2/23	Outdoor Adventure Programming, Harry Todd Park Update,
3/23	Diversity, Equity & Inclusion , Chambers Creek Canyon Trail Update, Prepare for Parks Appreciation Day, Prepare for Joint Council Meeting
4/27	Joint Meeting with Council
5/25	FSP Turf field update, Springbrook Park Update
6/22	Wards Lake Park Update
7/27	Public Art Policy and Programs
8/24	No Meeting
9/28	Edgewater Park Improvements
10/26	South Sound Wildlife Area Update
11/23	Year End Review, 2022 budget Update
12/28	No Meeting

Special Events:

Date	Event
Jan 14 th	Virtual MLK Jr Celebration
Feb	Virtual 25 th Celebration Event / Art Show
April 24	Parks Appreciation Day
June – Sept	Farmers Market – Thursday at FSP
May – October	Monthly Night Markets at Colonial Plaza
June – August	Drive In Movies – Fridays at FSP
July – August	Summer Nights at the Pavilion – Thursdays at FSP
July 10-12	SummerFEST
August or Sept	25th Celebration at Colonial Plaza
October	Truck and Tractor Day
December	Tree Lighting and Holiday Parade

Public Safety Advisory Committee (PSAC) 2021 ANNUAL WORK PLAN AND MEETING SCHEDULE

Members:

Chair Ken Witkoe
James Hairston
Mark Peila
Alan Hart

Vice Chair Mark Terry
Ray Dotson
Tod Wolf

Council Liaison:

Councilmember Mike Brandstetter

City Staff Support:

Police Chief Michael Zaro
Administrative Assistant Joanna LaVergne

Meeting Schedule:

1st Wednesday of every other month, 5:15 p.m., Lakewood Police Station

2020 Work Plan:

1.	Recruitment
2.	Road Structure/Roundabouts Education Efforts and Updates
3.	Fireworks Ordinance Education Efforts
4.	Railroad Station/Clover Creek Crossing Updates
5.	City Lighting Plan Update with Public Works
6.	

Date	Topic(s)
2/3	Fireworks Ordinance Education Efforts
4/7	Public Works Presentation- City Lighting Update
6/2	Road Structure/Roundabouts Education efforts and updates
8/4	Railroad Station/Clover Park Crossing Updates
10/6	Election and Work Plan for 2021
12/1	Work Plan and Joint Meeting Prep

Special Events:

Date	Event
August 9	City Council/PSAC Joint Study Session
July 10-12	SummerFest
November ?	Fallen Officer Food Drive

Lakewood Youth Council
2020 - 2021 ANNUAL WORK PLAN AND MEETING SCHEDULE

Members:

Abigail White	Denisha Shipps	Micah Kim
Adrianna Bahn	Estaban Panagelinan	Phoenix Schumacher
Anderson Han	Gloria Arauja Ruiz	Sarah James
Angel Lee	Hank Jones	Sarah Wilton
Angela Jimenez	Josaphine Kaiser	Stephanie Sandoval Salazar
Arianie Esperon	Kathleen Julca	Triccie Elizaga
Brandon Elliott	Kayala Purdie	Yajaira Gonzalez
Carly Sherman	Kera Buckmaster	

Council Liaison:

Councilmember, Paul Bocchi

City Staff Support:

Cameron Fairfield, Recreation Coordinator

Meeting Schedule:

First Monday of Each Month, 4:00pm / Present to Council at 7:00pm, Zoom Virtual Meeting
 2nd meeting of the month as needed

2020 / 2021 Work Plan:

2020	
Date	Topic(s)
9/14/20 (2 nd Monday)	First Meeting / Introductions / Purpose of the Board / Meeting Expectations Choose Advisory Board Youth Council Representatives
10/5/20	Board Member Reports School Reports First Report to Council Make-A-Difference Day Planning
10/24/20 Saturday (Cancelled)	Make-A-Difference Day Fort Steilacoom Park
10/16/20 Friday	MLK Virtual Event Recording "Injustice anywhere is a threat to justice everywhere."
10/26/20 Monday	MLK Virtual Event Recording "Injustice anywhere is a threat to justice everywhere."
11/2/20	Sally Martinez Art Project Presentation Board Member Reports School Reports Report to Council
11/23/20	Joint Meeting with Lakewood Council 7:00pm
12/7/20	Board Member Reports School Reports Report to Council
12/12/20	Christmas Tree Lighting and Holiday Parade Handout Holiday Goodie Bags (Lakewood Towne Center)

2021	
Date	Topic(s)
1/11/21 (2 nd Monday)	Park Board Presentation – Parks Capital Projects – Mary Dodsworth Board Member Reports School Reports Report to Council
2/1/21	Lakewood’s Promise Board – Mental Health Discussion Board Member Reports School Reports Report to Council
3/1/21	Youth Citizen’s Academy – Lakewood PD, Mike Zaro Board Member Reports School Reports Report to Council
4/4/21	Senior and Youth Conversations, Elizabeth Scheid Senior Activity Center Board Member Reports School Reports Report to Council
5/3/21	Youth Summit TBD Board Member Reports School Reports Report to Council
6/7/21	End of the year wrap up/celebration Board Member Reports School Reports Final Report to Council

Additional Topics of Interest:
<ul style="list-style-type: none"> - Mental Health/Suicide Prevention - Income Disparities - Black Lives Matter/Social Injustices - Virtual Learning - Environmentalism - Police Accountability - Youth Summit (annual conference) - Importance of Education

Potential Partnerships and Presentations
<ul style="list-style-type: none"> - Lakewood’s CHOICE - New City of Lakewood Equity, Diversity and Inclusion Specialist update - Grant Twyman, Equity, Diversity, Inclusion Specialist: Clover Park School District - Brian Humphreys, Human Services Coordinator: City of Lakewood



To: Mayor and City Councilmembers

From: Tho Kraus, Assistant City Manager/Chief Financial Officer

Through: John J. Caulfield, City Manager *John J. Caulfield*

Date: January 11, 2021

Subject: Surface Water Management Utility Revenue Bonds

Background

The 2021/2022 adopted biennial budget includes funding in support of surface water capital projects and transportation construction projects that contain a storm drainage element.

SWM capital projects total \$1,125,000 and the storm drainage element of transportation construction projects total \$4,575,000 as follows:

SWM Capital Projects:	2021	2022
401.0014 2022 Water Quality Improvements	\$25,000	\$200,000
401.0016 112 th Street Drainage Improvements	\$40,000	\$350,000
401.0020 2022 Drainage Pipe Repair Project	\$35,000	\$315,000
401.0023 Clover Creek Flood Risk Reduction Study	\$125,000	-
401.0025 2023 Drainage Pipe Repair Project	-	\$35,000
Total	\$225,000	\$900,000
	Biennial Total	\$1,125,000

Storm Drainage Element of Transportation Capital Projects:	2021	2022
302.0135 Streets: JBLM – North Access Improvement Project	\$1,500,000	\$3,000,000
302.0137 Streets: Steilacoom Blvd/88 th (Weller to Custer Road)	\$75,000	-
Total	\$1,575,000	\$3,000,000
	Biennial Total	\$4,575,000

Proposed Bond Ordinance

The proposed Bond Ordinance provides for the issuance, sale and delivery of revenue bonds to provide funds to finance the storm drainage element of transportation and other surface water capital projects; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

Key points of the proposed Bond Ordinance are:

- The maximum amount of indebtedness authorized by this ordinance is \$4,100,000 to provide funds necessary to carry out the projects and to pay for the cost of issuance and sale of bonds. The bonds may be issued in one or more series and the aggregate principal amount of the bonds shall not exceed \$4,100,000. One or more interest rates may be fixed for the bonds as long as no rate of interest for any maturity of the bonds exceeds 5.25% while the true interest cost to the City for each series of bonds does not exceed 4.50%. The bonds shall be issued and delivered no later than December 31, 2022 and each series shall mature no later than December 31, 2042.
- The Bond may be sold by competitive sale, negotiated sale or private placement, based on market conditions. The current plan anticipates a public bond sale, but changed market conditions may lead to a different recommendation closer to the time of the bond sale.
- The Bond Ordinance delegates authority to the Assistant City Manager/Chief Financial Officer or City Manager in her absence to determine the manner of bond sale, complete tasks required for the bond sale and make related determinations, subject to parameters contained in the Bond Ordinance.

Next Steps & Anticipated Schedule of Events

- January 19, 2020 Regular Meeting – Adopt Bond Ordinance
- March/April 2021 – Prepare Official Statement
- April/May 2021 – Bond Rating
- June/July 2021 – Bond Sale & Closing

Attachments

- Proposed Bond Ordinance

CITY OF LAKEWOOD, WASHINGTON

ORDINANCE NO. _____

AN ORDINANCE of the City of Lakewood, Washington, providing for the issuance, sale and delivery of not to exceed \$4,100,000 aggregate principal amount of surface water revenue bonds to provide funds to finance the utility's share of transportation and other capital projects; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

Passed January 19, 2021

This document prepared by:

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**The cover page, table of contents and section headings of this ordinance are for convenience of reference only, and shall not be used to resolve any question of interpretation of this ordinance.*

CITY OF LAKEWOOD, WASHINGTON

ORDINANCE NO. _____

AN ORDINANCE of the City of Lakewood, Washington, providing for the issuance, sale and delivery of not to exceed \$4,100,000 aggregate principal amount of surface water revenue bonds to provide funds to finance the utility's share of transportation and other capital projects; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

THE CITY COUNCIL OF THE CITY OF LAKEWOOD, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following capitalized terms shall have the following meanings:

(a) “*Annual Debt Service*” means for any calendar year for the Parity Bonds (or for any series thereof, as applicable), all the interest, plus all the principal (except principal of Term Bonds), plus all the mandatory redemption and sinking fund installments for that year for Term Bonds, less all bond interest expected to be paid from the proceeds of any such Parity Bonds in that year. Annual Debt Service shall be calculated net of any Tax Credit Subsidy Payment reasonably expected to be received in that calendar year. If the interest rate on any Parity Bond is other than a fixed rate, the rate shall be 90% of the average Bond Buyer revenue bond index or comparable index during the calendar quarter preceding the quarter in which the calculation is made; except that, for purposes of determining actual compliance with the Coverage Requirement in any calendar year, the actual amount of interest paid on any issue of variable interest rate Parity Bonds shall be taken into account. For purposes of calculating the Reserve Requirement and the Coverage Requirement, calculations of Annual Debt Service include all Parity Bonds then outstanding, excluding those maturities that have been redeemed or defeased as of the date of the calculation. If the calculation is performed in connection with the issuance of Future Parity Bonds, the issue date of such Future Parity Bonds may be deemed to be the calculation date.

(b) “*Assessment Bonds*” means the principal portion of any issue of Parity Bonds allocated to the financing of improvements within a ULID. The allocation shall be determined as of the issue date of each series of Parity Bonds (and as of any date on which any Parity Bonds are redeemed, defeased or purchased), and the total amount so allocated shall be equal to the principal amount of ULID Assessments on the final assessment roll for that ULID remaining unpaid as of that date. Assessment Bonds shall be allocated pro rata to each maturity within a series of Parity Bonds. (For example, if the then-outstanding assessments equal 70% of the total principal amount of a series of bonds that financed ULID improvements, then 70% of each maturity of that series shall be deemed Assessment Bonds.) Upon redemption, defeasance or purchase of all or a portion of a series of Parity Bonds that includes an allocation of Assessment Bonds, the amount of Assessment Bonds remaining outstanding shall be reduced on a pro rata basis with bonds that are not deemed Assessment Bonds.

(c) “*Authorized Denomination*” means \$5,000 or any integral multiple thereof within a maturity of a Series for those Series of Bonds sold through a negotiated or competitive sale, and in any denomination designated by the Designated Representative for those Bonds sold by private placement.

(d) “*Average Annual Debt Service*” means, as of its date of calculation, the sum of the Annual Debt Service for the current calendar year (if any payments are remaining to be made in that year) and the calendar years remaining to the last scheduled maturity of the applicable series of Parity Bonds, divided by the number of those years.

(e) “*Beneficial Owner*” means, with respect to a Bond, the owner of any beneficial interest in that Bond.

(f) “*Bond*” means each bond issued pursuant to and for the purposes provided in this ordinance.

(g) “*Bond Counsel*” means the firm of Foster Garvey P.C., its successor, or any other attorney or firm of attorneys selected by the City with a nationally recognized standing as bond counsel in the field of municipal finance.

(h) “*Bond Account*” means the account or subaccount known as the Surface Water Bond Account of the City created for the payment of the principal of and interest on the Bonds.

(i) “*Bond Purchase Contract*” means an offer to purchase a Series of the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of those Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the City, if consistent with this ordinance. In the case of a competitive sale, the official notice of sale, the Purchaser’s bid and the award by the City shall constitute the Bond Purchase Contract for purposes of this ordinance.

(j) “*Bond Register*” means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

(k) “*Bond Registrar*” means the Fiscal Agent, or any successor bond registrar selected by the City for any Series of Bonds sold by negotiated or competitive sale, and means the City’s Finance Director or any successor bond registrar selected for any Series of Bonds sold by private placement.

(l) “*City*” means the City of Lakewood, Washington, a municipal corporation duly organized and existing under the laws of the State.

(m) “*City Council*” means the legislative authority of the City, as duly and regularly constituted from time to time.

(n) “*Code*” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(o) “*Contract Resource Obligation*” means an obligation of the City, designated as a Contract Resource Obligation in accordance with Section 18, to make payments for surface water management or any other commodity or service to another person or entity (including without limitation any Separate Utility System).

(p) “*Coverage Requirement*” means, for any calendar year, an amount of Net Revenue at least equal to 1.25 times the Annual Debt Service in that year on all then-outstanding Parity Bonds that are not Assessment Bonds. If any Assessment Bonds are outstanding, the Coverage Requirement shall also mean, in any calendar year, an amount of ULID Assessments at least equal to 1.0 times the Annual Debt Service in that year on all Parity Bonds that are Assessment Bonds.

(q) “*DTC*” means The Depository Trust Company, New York, New York, or its nominee.

(r) “*Designated Representative*” means the officer of the City appointed in Section 4 of this ordinance to serve as the City’s designated representative in accordance with RCW 39.46.040(2).

(s) “*Final Terms*” means the terms and conditions for the sale of a Series of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants.

(t) “*Finance Director*” means the Assistant City Manager/Chief Financial Officer or such other officer of the City who succeeds to substantially all of the responsibilities of that office.

(u) “*Fiscal Agent*” means the fiscal agent of the State, as the same may be designated by the State from time to time.

(v) “*Future Parity Bond Authorizing Ordinance*” means an ordinance of the City authorizing the issuance of Future Parity Bonds.

(w) “*Future Parity Bonds*” means revenue bonds or other obligations of the Surface Water Utility issued or incurred after the Issue Date of the Bonds, the payment of the principal of and interest on which constitutes a lien and charge against the Net Revenue and ULID Assessments equal in rank with the lien and charge securing the payment of the principal of and interest on the Bonds.

(x) “*Government Obligations*” has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

(y) “*Gross Revenue*” means all of the earnings and revenues received by the City from the maintenance and operation of the Surface Water Utility; all earnings from the investment of money in the Bond Account that are deposited in the principal and interest account; connection and capital improvement charges collected for the purpose of defraying the costs of capital facilities of the Surface Water Utility; and withdrawals from the Rate Stabilization Account. Gross Revenue shall not include (1) revenues from City-imposed utility or similar taxes; (2) principal proceeds of Parity Bonds or any other borrowings, or money in a defeasance or escrow fund

created to defease or refund obligations relating to the Surface Water Utility or held in a special account for the purpose of paying a rebate to the United States under the Code; (3) revenue which may not legally be pledged for revenue bond debt service; (4) improvement district assessments (including ULID Assessments); (5) federal or state grants and gifts from any source allocated to capital projects or not available for debt service; (6) payments under bond insurance or any other credit enhancement policy or device; (7) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (8) deposits to the Rate Stabilization Account; or (9) revenue from any Separate Utility System.

(z) “*Independent Utility Consultant*” means an independent consultant experienced with municipal utilities of comparable size and character to the Surface Water Utility and in such areas as are relevant to the purpose for which he or she is being retained. Such a consultant shall be deemed independent if he or she is not an employee or officer of the City.

(aa) “*Issue Date*” means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Purchaser in exchange for the purchase price of that Bond.

(bb) “*Letter of Representations*” means the Blanket Issuer Letter of Representations between the City and DTC, dated December 11, 2006, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(cc) “*MSRB*” means the Municipal Securities Rulemaking Board.

(dd) “*Maximum Annual Debt Service*” means, as of the date of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current calendar year or any future calendar year.

(ee) “*Net Revenue*” means the Gross Revenue less Operating and Maintenance Expenses.

(ff) “*Official Statement*” means an offering document, disclosure document, private placement memorandum or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of a Series of the Bonds in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

(gg) “*Operating and Maintenance Expenses*” means all reasonable expenses incurred by the City in causing the Surface Water Utility to be operated and maintained in good repair, working order and condition, including payments made pursuant to contract for such service to any other municipal corporation or private entity for surface water management, or other utility service, and including budget charges for the City’s overhead expenses allocated to the Surface Water Utility. The term Operating and Maintenance Expense does not include any depreciation or other non-cash expenses or capital additions or capital replacements to the Surface Water Utility and shall not include any utility taxes collected by the City.

(hh) “*Owner*” means, without distinction, the Registered Owner and the Beneficial Owner.

(ii) “*Parity Bond Authorizing Ordinance(s)*” means this ordinance and any Future Parity Bond Authorizing Ordinance.

(jj) “*Parity Bonds*” means the Bonds and any Future Parity Bonds.

(kk) “*Principal and Interest Account*” means the account of that name created in the Bond Account for the payment of the principal of and interest on the Parity Bonds.

(ll) “*Project*” means the City’s Surface Water Utility’s share of transportation and other capital projects, as deemed necessary and advisable by the City. Incidental costs incurred in connection with carrying out and accomplishing the Project, consistent with RCW 39.46.070, may be included as costs of the Project.

(mm) “*Project Fund*” means the fund or account of the City for the purpose of carrying out the Project.

(nn) “*Purchaser*” means the corporation, firm, association, partnership, trust, bank, financial institution or other legal entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement, underwriter or placement agent in a negotiated sale or awarded as the successful bidder in a competitive sale of any Series of the Bonds.

(oo) “*Rate Stabilization Account*” means the account of that name created within the Surface Water Management Fund pursuant to Section 14.

(pp) “*Rating Agency*” means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the City.

(qq) “*Record Date*” means the Bond Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar’s close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 9.

(rr) “*Registered Owner*” means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the City utilizes the book-entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

(ss) “*Reserve Account*” means any account of that name created in the Bond Account for the purpose of securing the payment of the principal of and interest on specific Parity Bonds.

(tt) “*Reserve Requirement*” means that amount, if any, established by (1) the Designated Representative or (2) a Future Parity Bond Authorizing Ordinance for a series of Future Parity Bonds.

(uu) “*Reserve Security*” means any bond insurance, reserve insurance, reserve surety, collateral, security, letter of credit, guaranty, surety bond or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on Parity Bonds, issued by an institution which has been assigned a credit rating by a Rating Agency, at the time

that such Reserve Security is obtained by the City, in one of the three highest rating categories without regard to gradations within those categories (i.e., Aaa, Aa or A). Investments purchased with cash deposited into the Reserve Account shall not constitute Reserve Securities.

(vv) “*Rule 15c2-12*” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

(ww) “*SEC*” means the United States Securities and Exchange Commission.

(xx) “*Securities Depository*” means DTC, any successor thereto, any substitute securities depository selected by the City that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(yy) “*Separate Utility System*” means any water supply or distribution, sewage collection or treatment or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 17.

(zz) “*Series of the Bonds*” or “*Series*” means a series of the Bonds issued pursuant to this ordinance.

(aaa) “*State*” means the State of Washington.

(bbb) “*Subordinate Debt*” means any obligations of the Surface Water Utility that are payable from Net Revenue on a basis that is junior and inferior to the lien and charge on the Net Revenue created by this ordinance in respect of the Parity Bonds.

(ccc) “*Surface Water Management Fund*” means that special fund of the City designated as the Surface Water Management Fund, and consisting of such subfunds or accounts as the Finance Director may deem appropriate, to account for the costs, expenses and revenues of the Utility.

(ddd) “*Tax Credit Subsidy Bond*” means any bond that is designated by the City as a tax credit bond, pursuant to the Code, and with respect to which the City expects to receive a Tax Credit Subsidy Payment.

(eee) “*Tax Credit Subsidy Payment*” means the amounts which the City is eligible to request as a tax credit payable by the United States Treasury to the City under the Code, in respect of any bonds issued as Tax Credit Subsidy Bonds.

(fff) “*Term Bond*” means each Bond designated as a Term Bond and subject to mandatory redemption in the years and amounts set forth in the Bond Purchase Contract.

(ggg) “*ULID*” means any utility local improvement district now existing or hereafter created for the acquisition or construction of additions, extensions or betterments of any portion of the Surface Water Utility, which additions, extensions or betterments are financed through the issuance of Parity Bonds. As used in this ordinance, the term ULID does not include any utility local improvement district created for the financing of additions, extensions or betterments either by methods other than the issuance of Parity Bonds or as part of a Separate Utility System.

(hhh) “*ULID Assessments*” means the assessments levied in any ULID, including installment payments of any assessment as well as the interest and penalties (if any) thereon, less any prepaid assessments permitted by law to be paid into a construction fund or account.

(iii) “*Undertaking*” means the undertaking to provide continuing disclosure entered into pursuant to Section 24 of this ordinance.

(jjj) “*Utility*” or “*Surface Water Utility*” means the surface water utility of the City and all additions thereto and betterments and extensions thereof at any time made, together with any water system, sewer system or garbage and refuse collection and disposal systems hereafter combined with the Utility.

Section 2. Findings and Determinations. The City takes note of the following facts and makes the following findings and determinations:

(a) *Surface Water Utility.* Pursuant to RCW 35A.80.010, the City now owns, operates and maintains the Surface Water Utility, currently consisting of its existing surface water utility, as it now exists, and including any and all additions, extensions and betterments thereto.

(b) *Outstanding Utility Revenue Debt.* The City currently has no outstanding bonds which are secured by Net Revenue.

(c) *Plan of Additions.* The City specifies, adopts and orders the carrying out of the Projects. The aggregate estimated total cost of the Projects is \$5,000,000. The cost of the Projects, including the cost of issuance of the Bonds, shall be paid from the proceeds of the Bonds and from other money available to the Surface Water Utility.

(d) *Sufficiency of Gross Revenue.* The City Council finds that the Gross Revenue and benefits to be derived from the operation and maintenance of the Surface Water Utility at the rates to be charged for services from the Surface Water Utility will be sufficient to meet all Operating and Maintenance Expenses and to permit the setting aside into the Bond Account out of the Gross Revenue of amounts sufficient to pay the principal of and interest on the Bonds when due. The City Council declares that in fixing the amounts to be paid into the Bond Account under this ordinance it has exercised due regard for Operating and Maintenance Expenses and has not obligated the City to set aside and pay into the Bond Account a greater amount of Gross Revenue of the Surface Water Utility than in its judgment will be available over and above such Operating and Maintenance Expenses.

(e) *The Bonds.* For the purpose of providing the funds necessary to carry out the Project, to fund a reserve account if necessary, and to pay the costs of issuance and sale of the Bonds, the City Council finds that it is in the best interests of the City and its taxpayers to issue and sell the Bonds to the Purchaser, pursuant to the terms set forth in the Bond Purchase Contract as approved by the City’s Designated Representative consistent with this ordinance.

Section 3. Authorization of Bonds. The City is authorized to borrow money on the credit of the City and issue negotiable surface water revenue bonds evidencing indebtedness in one or more Series in the aggregate principal amount not to exceed \$4,100,000 to provide funds necessary to carry out the Project, to fund a reserve account if necessary, and to pay the costs of

issuance and sale of the Bonds. The proceeds of the Bonds allocated to paying the cost of the Project shall be deposited as set forth in Section 8 of this ordinance and shall be used to carry out the Project, or a portion of the Project, in such order of time as the City determines is advisable and practicable.

Section 4. Description of Bonds; Appointment of Designated Representative. The City's Finance Director, or the City Manager in her or his absence, is appointed as the Designated Representative of the City and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Final Terms of each Series of the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the following parameters:

- (a) The Bonds may be issued in one or more Series, and the aggregate principal amount of the Bonds shall not exceed \$4,100,000;
- (b) One or more rates of interest may be fixed for the Bonds as long as no rate of interest for any maturity of the Bonds exceeds 5.25%;
- (c) The true interest cost to the City for each Series of Bonds does not exceed 4.50%;
- (d) The aggregate purchase price for each Series of Bonds shall not be less than 95% and not more than 140% of the aggregate stated principal amount of the Bonds, excluding any original issue discount;
- (e) The Bonds may be issued subject to optional and mandatory redemption provisions;
- (f) The Bonds shall be dated as of the date of their delivery, which date and time for the issuance and delivery of the Bonds is not later than December 31, 2022; and
- (g) Each Series shall mature no later than December 31, 2042.

The Designated Representative may determine whether it is in the City's best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as she or he may determine are in the best interests of the City, consistent with this ordinance.

In determining the number of series, the series designations, final principal amounts, date of the Bonds, denominations, interest rates, payment dates, redemption provisions, tax status, and maturity dates for the Bonds, the Designated Representative, in consultation with other City officials and staff and advisors, shall take into account those factors that, in her or his judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable to the Bonds.

Section 5. Bond Registrar; Registration and Transfer of Bonds.

- (a) *Registration of Bonds.* Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

(b) *Bond Registrar; Duties.* The Fiscal Agent is appointed as initial Bond Registrar for any Series of Bonds sold by negotiated or competitive sale. The City's Finance Director will be appointed as the initial Bond Registrar for any Series of Bonds sold by private placement. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) *Bond Register; Transfer and Exchange.* The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

(d) *Securities Depository; Book-Entry Only Form.* If a Bond is to be issued in book-entry form, DTC shall be appointed as initial Securities Depository and each such Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the City; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the City, the City may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the City does not appoint a substitute Securities Depository, or (ii) the City terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this ordinance.

Neither the City nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the City nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 6. Form and Execution of Bonds.

(a) *Form of Bonds; Signatures and Seal.* Each Bond shall be prepared in a form consistent with the provisions of this ordinance and State law. Each Bond shall be signed by the Mayor and the City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on its Issue Date.

(b) *Authentication.* Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate of Authentication. This Bond is one of the fully registered City of Lakewood, Washington, Surface Water Revenue Bonds, 2021 [or other year of issuance], described in the Bond Ordinance." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 7. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Funds and Accounts; Deposit of Proceeds.

(a) *Bond Account.* The Bond Account will be created as a special account of the City for the sole purpose of paying principal of and interest on the Bonds. All amounts allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Account as necessary for the timely payment of amounts due with respect to the Bonds. The principal of and interest on the Bonds shall be paid out of the Bond Account. Until needed for that purpose, the City may invest money in the Bond Account temporarily in any legal investment, and the investment earnings shall be retained in the Bond Account and used for the purposes of that fund.

(b) *Project Fund.* The Project Fund has been or will be created as a fund of the City for the purpose of paying the costs of the Project. Proceeds received from the sale and delivery of the Bonds, after the deposit of any amount necessary to satisfy the Reserve Requirement, shall be deposited into the Project Fund (or any subaccounts within such fund) and used to pay the costs of the Project and costs of issuance of the Bonds. Until needed to pay such costs, the City may invest those proceeds temporarily in any legal investment, and the investment earnings shall be retained in the Project Fund and used for the purposes of that fund, except that earnings subject to a federal tax or rebate requirement (if applicable) may be withdrawn from the Project Fund and used for those tax or rebate purposes.

Section 9. Redemption Provisions and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to redemption, or prepayment, at the option of the City on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Contract, consistent with the parameters set forth in Section 4.

(b) *Mandatory Redemption.* Each Bond that is designated as a Term Bond in the Bond Purchase Contract, consistent with the parameters set forth in Section 4 and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Contract. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the City and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) *Selection of Bonds for Redemption; Partial Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the City shall select the Series and maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity of a Series are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) *Notice of Redemption.* Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when

notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) *Rescission of Optional Redemption Notice.* In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

(f) *Effect of Redemption.* Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Account or in a trust account established to refund or defease the Bond.

(g) *Purchase of Bonds.* The City reserves the right to purchase any or all of the Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Section 10. Failure To Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Account, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 11. Pledge of Net Revenue and Lien Position. The Net Revenue and ULID Assessments are pledged irrevocably to the payment of the amounts required to be paid into the Bond Account for the payment of the Parity Bonds. This pledge shall constitute a lien and charge upon such Net Revenue and ULID Assessments prior and superior to any other charges whatsoever and on a parity with any Future Parity Bonds.

Section 12. Bond Account; Payments to Bond Account. The Bond Account is hereby created in the Surface Water Management Fund, and is divided into two accounts: the Principal and Interest Account and the Reserve Account. The Finance Director may create such accounts and subaccounts in the Bond Account as may be convenient for the payment of the Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the Owners of Parity Bonds.

(a) *Payments into Bond Account.* So long as any Parity Bonds are outstanding, the City shall set aside and pay into the Bond Account all ULID Assessments and, out of the Net Revenue, certain fixed amounts without regard to any fixed proportion, namely:

(1) Into the Principal and Interest Account, on or before each interest payment date, an amount that will be sufficient, together with other money then on deposit therein, to pay the interest on the Parity Bonds then coming due and payable; and

(2) Into the Principal and Interest Account, on or before each principal payment date (including any date on which a mandatory redemption of Term Bonds is required), an amount that will be sufficient, together with other money then on deposit therein, to pay the principal of the Parity Bonds then coming due and payable, including mandatory redemption amounts with respect to Term Bonds; and

(3) Into the Reserve Account or a separate reserve account, an amount necessary to provide for the Reserve Requirement, if any, in the time and manner required under a Future Parity Bond Authorizing Ordinance.

When the total amount in the Bond Account equals the total amount of principal and interest with respect to all outstanding Parity Bonds to the last maturity thereof, no further payment need be made into the Bond Account.

(b) *The Principal and Interest Account.* For so long as any Parity Bonds are outstanding, the City shall maintain the Principal and Interest Account for the payment of the Parity Bonds and shall make deposits therein as set forth in subsection (a). If there is a deficiency in the Principal and Interest Account to make the next upcoming payment of either principal or interest, that deficiency shall be made up from the Reserve Account, if funded, by the withdrawal of amounts necessary for that purpose.

(c) *The Reserve Account; Reserve Requirement.* The City does not expect the Bonds to be secured by the Reserve Account; however, the Designated Representative may determine that the Reserve Account will secure the Bonds and establish a Reserve Requirement for the Bonds. For so long as the Bonds are outstanding, the City shall maintain a balance in the Reserve Account (including the value of all Reserve Securities) equal to the Reserve Requirement, except for withdrawals as authorized in this subsection (c). The Reserve Requirement must be satisfied on the Issue Date of the Bonds and on the issue date of any Future Parity Bonds secured by the Reserve Account by any combination of: (i) a deposit of cash or Parity Bond proceeds; or (ii) the purchase of one or more Reserve Securities in lieu of full funding on the issue date of such Future Parity Bonds. In lieu of full funding on the issue date of such Future Parity Bonds, the City may elect to deposit Net Revenue, ULID Assessments or other legally available money in approximately equal annual installments so that the Reserve Requirement is funded no later than five years after the issue date of such Future Parity Bonds.

On any principal or interest payment date in which there is a deficiency in the Principal and Interest Account, amounts sufficient to make up that deficiency shall be withdrawn from the Reserve Account (or by drawing on a Reserve Security) and transferred to the Principal and Interest Account. If, by reason of such withdrawal, the Reserve Account balance remaining is insufficient to meet the Reserve Requirement, then such deficiency shall then be made up from the next available payments of Net Revenue and ULID Assessments after making necessary provision for the required payments into the Principal and Interest Account.

Except for withdrawals described above, the money in the Reserve Account and its subaccounts otherwise shall be held intact and may be applied against the last outstanding Parity Bonds. However, if at any time the Reserve Account (or any subaccount) is fully funded, money in excess of the Reserve Requirement shall be withdrawn and deposited, first, in any other subaccount having a deficiency in its Reserve Requirement, and second, at the option of the Finance Director, either in the Principal and Interest Account and spent for the purpose of retiring Parity Bonds or in into the Surface Water Management Fund and spent for other lawful system purposes.

(d) *Investment of Money Deposited in Bond Account.* All money in the Bond Account may be kept in cash or invested in Permitted Investments maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Account). Earnings from investments in the Principal and Interest Account shall be deposited in that account. Earnings from any investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirement, and thereafter shall be deposited in the Principal and Interest Account or used for other Surface Water Utility purposes.

Section 13. Flow of Funds. So long as any Parity Bonds are outstanding, the City covenants that all ULID Assessments (if any) shall be paid into the Bond Account, and the Gross Revenue shall be deposited into the Surface Water Management Fund to be used for the following purposes only in the following order of priority:

- (a) To pay the Operating and Maintenance Expenses;
- (b) To make when due the required payments into the Principal and Interest Account in respect of interest on the Parity Bonds;
- (c) To make when due the required payments into the Principal and Interest Account in respect of principal of (and premium on, if any) the Parity Bonds, whether at maturity or pursuant to mandatory redemption prior to maturity.
- (d) To make all payments required to be made into the Reserve Account as well as any separate reserve accounts that may be established in the Bond Account to secure a particular series of Future Parity Bonds;
- (e) To make when due all payments required to be made under any reimbursement agreement with a bond insurer;
- (f) To make when due the required payments to be made into any revenue bond, note, warrant or other revenue obligation redemption fund, debt service account or reserve account created to pay and secure the payment of any Subordinate Debt; and
- (g) For any of the following purposes without priority, to retire by redemption or to purchase in the open market any outstanding obligations of the Surface Water Utility; to make necessary betterments and replacements of or repairs, additions or extensions to the Surface Water Utility; to make deposits into the Rate Stabilization Account; or for any other lawful purpose.

Section 14. Rate Stabilization Account. The Rate Stabilization Account may be created within the Surface Water Management Fund and may be divided into such subaccounts as the Finance Director may deem appropriate. Deposits and withdrawals as described below may be made up to and including the date 90 days after the end of the calendar year for which the deposit or withdrawal will be used in calculating Gross Revenue.

(a) *Deposits to the Rate Stabilization Account.* The City may at any time, as determined by the Finance Director and consistent with Section 13, deposit therein amounts from Gross Revenue and any other money of the Surface Water Utility that is available to be used for that purpose, excluding ULID Assessments and excluding the principal proceeds of any Future Parity Bonds. No deposit of Gross Revenue may be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant calendar year.

(b) *Withdrawals from the Rate Stabilization Account.* The City may withdraw money from the Rate Stabilization Account at any time for inclusion in Gross Revenue for any calendar year of the Surface Water Utility.

(c) *Investment of Money in Rate Stabilization Account.* Earnings from investments in the Rate Stabilization Account shall be retained in that account and shall not be included as Gross Revenue unless and until withdrawn from that account. The City may at any time provide that earnings are to be deposited periodically into the Surface Water Management Fund and are to be included as Gross Revenue in the year of deposit.

Section 15. Additional Covenants. For so long as any of the Bonds are outstanding, the City covenants and agrees as follows:

(a) *Operation and Maintenance.* The City will at all times maintain, preserve and keep the properties of the Surface Water Utility in good repair, working order and condition, will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and extensions thereof, and will at all times operate or cause to be operated the properties of the Surface Water Utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) *Establishment and Collection of Rates and Charges.* The City will establish, maintain and collect fair and nondiscriminatory rates and charges for all services and facilities provided by the Surface Water Utility and will adjust those rates and charges from time to time so that:

(1) Gross Revenue will at all times be sufficient to (i) pay all Operating and Maintenance Expenses, (ii) make all payments into the Bond Account when due, and (iii) pay all taxes (or payments in lieu thereof), assessments or other governmental charges lawfully imposed on the Surface Water Utility and any and all other amounts which the City is obligated to pay from the Gross Revenue; and

(2) Net Revenue in each calendar year will be at least equal to the Coverage Requirement.

The failure to comply with this covenant shall not constitute an Event of Default (as described in Section 21) if the City, before the date 90 days after the end of the calendar year, employs an Independent Utility Consultant to recommend changes in the City's rates and imposes rates at least as high as those recommended by such consultant. The calculation of the Coverage Requirement set forth above, and the City's compliance therewith, may be made solely with reference to this ordinance without regard to future changes in generally accepted accounting principles. If the City has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then the failure to comply with this covenant shall not be considered an Event of Default (as described in Section 21) if the Coverage Requirement ratio would have been complied with had the City continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of this ordinance.

(c) *No Free Service.* Except as permitted by State law, the City will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the Surface Water Utility free of charge to any person, firm or corporation, public or private, other than the City.

(d) *Sale or Disposition of the Surface Water Utility.* The City will not sell or otherwise dispose of the Surface Water Utility in its entirety unless, simultaneously with such sale or other disposition, all then-outstanding Parity Bonds are redeemed or defeased in accordance with this ordinance. The City will not sell, lease, mortgage or in any manner encumber or otherwise dispose of any part of the Surface Water Utility that exceeds 5% of the net utility plant of the Surface Water Utility, unless provision is made for its replacement or for payment into the Bond Account of an amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Account) as the Net Revenue from the portion of the Surface Water Utility to be sold or disposed of bears to the total Net Revenue for the preceding year.

Nothing in the foregoing limits the City's discretion to enter into contracts for the sale of surface water management or to sell or otherwise dispose of any of the works, plant, properties or facilities of the Surface Water Utility (or any real or personal property comprising a part of the same) that is unserviceable, inadequate, obsolete or unfit to be used, or no longer necessary, material to or useful to the operation of the Surface Water Utility without the requirement that the City retire a portion of the Parity Bonds. In no event shall proceeds of any such sale or disposal be treated as Gross Revenue for purposes of this ordinance.

(e) *Books and Accounts.* The City will maintain complete books and records relating to the operation of the Surface Water Utility and its financial affairs, and will cause such books and records to be audited annually, and cause to be prepared an annual financial and operating statement, which shall be provided to any owner of Parity Bonds upon request.

(f) *Insurance.* The City will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the Surface Water Utility as are ordinarily carried on such buildings, equipment, facilities and properties by utilities engaged in the operation of similar utility systems to the full insurable value thereof, and also will carry adequate public liability insurance at all times. The City may self-insure or participate in a joint

intergovernmental insurance pool or similar plan, and the cost of that insurance or self-insurance shall be considered a part of Operating and Maintenance Expense.

(g) *ULID Assessments.* The City will promptly collect all ULID Assessments and deposit such collections into the Bond Account to pay or secure the principal of and interest on any Parity Bonds without those ULID Assessments being particularly allocated to any particular series of Parity Bonds.

Section 16. Provisions for Future Parity Bonds. The City may issue Future Parity Bonds secured by a lien and charge on the Net Revenues and ULID Assessments on a parity with the Bonds if the conditions in this section are met at the time of issuance of those proposed Future Parity Bonds. Nothing contained herein shall prevent the City from issuing revenue bonds that are a charge upon the Gross Revenue of the City subordinate to the lien and charge for the payment of Parity Bonds or from pledging the payment of utility local improvement district assessments into a bond redemption fund created for the payment of the principal of and interest on Subordinate Debt, as long as such utility local improvement district assessments are levied for improvements constructed from the proceeds of that Subordinate Debt. Neither shall anything contained in this ordinance prevent the City from issuing revenue obligations to refund maturing Parity Bonds for the payment of which money is not otherwise available.

(a) *Secured by Bond Account.* The Future Parity Bond Authorizing Ordinance must provide for the payment of the principal thereof and interest thereon out of the Bond Account and must require that all ULID Assessments imposed in connection with those Future Parity Bonds (if any) will be paid directly into the Bond Account.

(b) *No Bond Account Deficiencies; Reserve Requirement Met.* At the time of issuance of such Future Parity Bonds, there may not be any deficiency in the Principal and Interest Account in the Bond Account, and unless a separate reserve is provided for in accordance Section 12(c), the applicable Future Parity Bond Authorizing Ordinance must provide for the deposit into the Reserve Account (if any) of amounts necessary to fully fund the Reserve Requirement in accordance with Section 12.

(c) *Coverage Requirement Met.* At the time of the issuance of such Future Parity Bonds, the City must have on file, either:

(1) A certificate of the Finance Director showing that, in his or her professional opinion, the annual Net Revenue available for debt service on the Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued will, for each year, be at least equal to the Coverage Requirement. In making such certification, the Finance Director may use the Net Revenue for any 12 consecutive calendar months out of the immediately preceding 24 consecutive months. The following adjustments may be made to the historical net operating revenue:

(A) Any rate change that has taken place or been approved may be reflected;

(B) Revenue may be added from customers actually added to the Surface Water Utility subsequent to the 12-month base period; and

(C) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate.

(2) A certificate from an Independent Utility Consultant showing that, in his or her professional opinion, the annual Net Revenue available for debt service on the Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued will, for each year, be at least equal to the Coverage Requirement. In making such certification, the Net Revenue for any 12 consecutive calendar months out of the immediately preceding 24 consecutive months may be used, and the following adjustments may be made to the historical net operating revenue:

(A) Any rate change that has taken place or been approved may be reflected;

(B) Revenue may be added from customers actually added to the Surface Water Utility subsequent to the 12-month base period;

(C) A full year's revenue may be included from any customer being served, but who has not been receiving service for the full period of operation used as a basis for the certificate;

(D) Revenue may be added from customers to be served by the improvements being constructed out of the proceeds of the Future Parity Bonds to be issued; and

(E) Actual or reasonably anticipated changes to the Operating and Maintenance Expenses subsequent to such 12-month period shall be added or deducted, as is applicable.

(d) *No Certificate Required for Certain Issues.* If the sole purpose of the proposed Future Parity Bonds is to refund then-outstanding Parity Bonds (and to pay costs of issuance and to provide for the Reserve Requirement), no coverage certificate is required under subsection (c) if, as result of the issuance of those Future Parity Bonds the Annual Debt Service on the Future Parity Bonds to be issued is not increased by more than \$5,000 over the Annual Debt Service for that year of the bonds being refunded. Furthermore, no coverage certificate is required in connection with the issuance of Future Parity Bonds if the amount of such bonds proposed to be issued does not exceed the ULID Assessments levied in support of such Future Parity Bond issue by more than \$5,000 plus any amount of the proceeds of such Future Parity Bonds deposited in the Reserve Account.

Section 17. Separate Utility Systems. The City may at any time create, acquire, construct, finance, own and operate one or more systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service, which systems are separate from and in addition to the Surface Water Utility. The revenue of that Separate Utility System, and any utility local improvement district assessments payable solely with respect to improvements to a Separate Utility System, shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate Utility System. Neither the Gross Revenue nor the Net

Revenue may be pledged to the payment of any obligations of a Separate Utility System except that the Net Revenue may be pledged on a basis subordinate to the lien of the Parity Bonds.

Section 18. Contract Resource Obligations. The City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed or improved by the use of payments under such Contract Resource Obligations, of surface water management or any other commodity or service relating to the Surface Water Utility, as follows:

(a) The City may agree under a contract containing a Contract Resource Obligation that all payments in respect of that Contract Resource Obligation (including payments prior to the time that surface water management services is being provided, or during a suspension or after termination of supply or service) shall be deemed an Operating and Maintenance Expense, so long as the payments required to be made under the Contract Resource Obligation are not subject to acceleration and the following additional requirements are met at the time such obligation is designated as a Contract Resource Obligation:

(1) No event of default has occurred and is continuing under the terms of any debt obligation of the City in respect of the Surface Water Utility; and

(2) The City has obtained a certificate of an Independent Utility Consultant stating that in its professional opinion: (i) the payments to be made by the City in connection with the Contract Resource Obligation are reasonable for the service rendered; (ii) the source of any new supply, and any facilities to be constructed to provide the supply or transmission, are sound from a supply or planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide service no later than a date set forth in the certification; and (iii) the Net Revenue will be sufficient to meet the Coverage Requirement for each of the five calendar years following the calendar year in which the Contract Resource Obligation is incurred, where the calculation of Net Revenue (A) takes into account the adjustments permitted in connection with a coverage certification given under the conditions for Future Parity Bonds and (B) adjusts the Operating and Maintenance Expenses by the consultant's estimate of the payments to be made in accordance with the Contract Resource Obligation.

(b) Nothing in this section shall prevent the City from entering into agreements for surface water management or other commodity or service relating to the Surface Water Utility from then-existing facilities and from treating those payments as an Operating and Maintenance Expense. Nothing in this section shall prevent the City from entering into other agreements for the acquisition of surface water management or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting Subordinate Obligations until such time as the facilities are placed in service.

Section 19. Tax Covenants.

(a) *Preservation of Tax Exemption for Interest on Bonds.* The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds that will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City

also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds.

(b) *Post-Issuance Compliance.* The Finance Director is authorized and directed to review and update the City's written procedures to facilitate compliance by the City with the covenants in this ordinance and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Bonds from being included in gross income for federal tax purposes.

(c) *Designation of Bonds as "Qualified Tax-Exempt Obligations."* A Series of the Bonds may be designated as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

(1) the Series does not constitute "private activity bonds" within the meaning of Section 141 of the Code;

(2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Series is issued will not exceed \$10,000,000; and

(3) the amount of tax-exempt obligations, including the Series, designated by the City as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Series is issued does not exceed \$10,000,000.

Section 20. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the "defeased Bonds"); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the City sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the City may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

Unless otherwise specified by the City in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or

defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

Section 21. Defaults and Remedies.

(a) *Events of Default.* The following shall constitute “Events of Default” with respect to the Parity Bonds:

(1) If a default is made in the payment of the principal of or interest on any of the Parity Bonds when the same shall become due and payable; or

(2) If the City defaults in the observance and performance of any other of its covenants, conditions and agreements set forth in this ordinance and such default or defaults have continued for a period of six months after the City has received from the registered owners of not less than 25% in outstanding principal amount of Parity Bonds a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six month period, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within 90 days to remedy the default and is diligently pursuing such remedy; or

(3) If the City files a petition in bankruptcy or is placed in receivership under any State or federal bankruptcy or insolvency law.

(b) *Remedies.* Upon the happening of an Event of Default and during the continuation thereof, suits, actions or other proceedings for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, are limited to those provided under State law.

(c) *No Acceleration.* Nothing contained in this section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal of the Parity Bonds. The remedy of acceleration is expressly denied to the owners of the Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

(d) *No Impairment.* No Owner of any Parity Bond shall have any right in any manner whatever by his or her action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective Owners thereof when due.

Section 22. Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds.* The Designated Representative is authorized to sell each Series of the Bonds by negotiated sale or private placement or by competitive sale in accordance with a notice of sale consistent with this ordinance, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate City officials and staff, Bond Counsel and other advisors. In determining the method of sale of a Series and accepting the Final Terms, the Designated Representative shall take into

account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the City.

(b) *Procedure for Negotiated Sale or Private Placement.* If the Designated Representative determines that a Series of the Bonds is to be sold by negotiated sale or private placement, the Designated Representative shall select one or more Purchasers with which to negotiate such sale. The Bond Purchase Contract for each Series of the Bonds shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

(c) *Procedure for Competitive Sale.* If the Designated Representative determines that a Series of the Bonds is to be sold by competitive sale, the Designated Representative shall cause the preparation of an official notice of bond sale setting forth parameters for the Final Terms and any other bid parameters that the Designated Representative deems appropriate consistent with this ordinance. Bids for the purchase of each Series of the Bonds shall be received at such time or place and by such means as the Designated Representative directs. On the date and time established for the receipt of bids, the Designated Representative (or the designee of the Designated Representative) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of the City, the winning bid and accept the winning bidder's offer to purchase that Series of the Bonds, with such adjustments to the aggregate principal amount and principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this ordinance, and such award shall constitute the Bond Purchase Contract. The Designated Representative may reject any or all bids submitted and may waive any formality or irregularity in any bid or in the bidding process if the Designated Representative deems it to be in the City's best interest to do so. If all bids are rejected, that Series of the Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of the City, within the parameters set forth in this ordinance.

(d) *Preparation, Execution and Delivery of the Bonds.* The Bonds will be prepared at City expense and will be delivered to the Purchaser in accordance with the Bond Purchase Contract, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 23. Official Statement.

(a) *Preliminary Official Statement Deemed Final.* The Designated Representative shall review and, if acceptable to her or him, approve the preliminary Official Statement prepared in connection with each sale of a Series of the Bonds to the public or through a Purchaser as a placement agent. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, if applicable, the Designated Representative is authorized to deem that preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to potential purchasers of the Bonds of a preliminary Official Statement that has been approved by the Designated Representative and been deemed final, if applicable, in accordance with this subsection.

(b) *Approval of Final Official Statement.* The City approves the preparation of a final Official Statement for each Series of the Bonds to be sold to the public in the form of the preliminary Official Statement that has been approved and deemed final in accordance with subsection (a), with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Purchaser if required under Rule 15c2-12. The City authorizes and approves the distribution by the Purchaser of the final Official Statement so executed and delivered to purchasers and potential purchasers of a Series of the Bonds.

Section 24. Undertaking to Provide Continuing Disclosure. If necessary to meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds, the City makes the following written undertaking (the “Undertaking”) for the benefit of holders of the Bonds:

(a) *Undertaking to Provide Annual Financial Information and Notice of Listed Events.* The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(1) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in paragraph (b) (“annual financial information”);

(2) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (A) principal and interest payment delinquencies; (B) non-payment related defaults, if material; (C) unscheduled draws on debt service reserves reflecting financial difficulties; (D) unscheduled draws on credit enhancements reflecting financial difficulties; (E) substitution of credit or liquidity providers, or their failure to perform; (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (G) modifications to rights of holders of the Bonds, if material; (H) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (I) defeasances; (J) release, substitution, or sale of property securing repayment of the Bonds, if material; (K) rating changes; (L) bankruptcy, insolvency, receivership or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12; (M) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (N) appointment of a successor or additional trustee or the change of name of a trustee, if material; (O) incurrence of a financial obligation of the City or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or obligated person, any of which affect security holders, if material; and (P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the City or obligated person, any of which reflect financial difficulties. The term “financial obligation” means a (i) debt obligation; (ii) derivative

instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

(3) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in paragraph (a):

(1) Shall consist of (A) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as the City, as such principles may be changed from time to time, which statements may be unaudited, provided, that if and when audited financial statements are prepared and available they will be provided; (B) outstanding debt secured by Net Revenue of the Utility; and (C) debt service coverage ratio for the year;

(2) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City’s fiscal year in which a Series of the Bonds are issued; and

(3) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City’s obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City’s obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with this Undertaking shall constitute an event of default. The sole remedy of any holder of a Bond shall be to take action to compel the City or other obligated person to comply with this Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Director or her designee is the person designated, in accordance with the Bond Ordinance, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

(1) Preparing and filing the annual financial information undertaken to be provided;

(2) Determining whether any event specified in paragraph (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(3) Determining whether any person other than the City is an “obligated person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;

(4) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the City in carrying out this Undertaking; and

(5) Effecting any necessary amendment of this undertaking.

Section 25. Supplemental and Amendatory Ordinances.

(a) The Council from time to time and at any time may pass an ordinance or ordinances supplemental hereto, which ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the City contained in this ordinance other covenants and agreements thereafter to be observed which shall not adversely affect the interests of the owners of any Parity Bonds or to surrender any right or power reserved to or conferred upon the City.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance or any ordinance authorizing Future Parity Bonds in regard to matters or questions arising under such ordinances as the Council may deem necessary or desirable and not inconsistent with such ordinances and which shall not adversely affect the interest of the owners of the Parity Bonds. Any such supplemental ordinance of the City may be passed without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of Subsection (b)

of this section, if the City obtains an opinion of nationally recognized bond counsel to the effect that such supplemental ordinance will not adversely effect the interests of the owners of Parity Bonds.

(b) With the consent of the owners of not less than 50% in aggregate principal amount of the Parity Bonds at the time outstanding, the Council may pass an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall:

(1) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the times of payment of interest thereon from their due dates, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the owner of each bond so affected; or

(2) Reduce the aforesaid percentage of bondowners required to approve any such supplemental ordinance, without the consent of the owners of all of the Parity Bonds then outstanding.

It shall not be necessary for the consent of bondowners under this Subsection (b) to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Upon the passage of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and of all owners of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

Section 26. General Authorization and Ratification. The Mayor, City Manager, City Clerk, Designated Representative and other appropriate officers of the City are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this ordinance, and to do everything necessary for the prompt delivery of each Series of the Bonds to the Purchaser thereof and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this ordinance in furtherance of the purposes described in this ordinance and not inconsistent with the terms of this ordinance are ratified and confirmed in all respects.

Section 27. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all

other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 28. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Lakewood, Washington, at an open public meeting thereof, this 19th day of January, 2021.

Don Anderson, Mayor

ATTEST:

Briana Schumacher, City Clerk

APPROVED AS TO FORM:

Heidi Ann Wachter, City Attorney

CERTIFICATION

I, the undersigned, City Clerk of the City of Lakewood, Washington (the “City”), hereby certify as follows:

1. The attached copy of Ordinance No. ____ (the “Ordinance”) is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on January 19, 2021, as that ordinance appears on the minute book of the City.

2. That said meeting was duly convened and held in all respects in accordance with law (including Proclamation 20-28 made by the Governor of the State of Washington on March 24, 2020, as extended, and acts of the legislative leadership of the State of Washington), and to the extent required by law, due and proper notice of such meeting was given.

3. The Ordinance will be in full force and effect five days after publication in the City’s official newspaper, which publication date is expected to be _____, 2021.

4. A quorum of the members of the City Council was present throughout the meeting and a majority of the members voted in the proper manner for the passage of the Ordinance.

Dated: January 19, 2021.

CITY OF LAKEWOOD, WASHINGTON

Briana Schumacher, City Clerk



TO: Mayor and City Councilmembers

FROM: Shannon Kelley-Fong, Senior Policy Analyst

THROUGH: John J. Caulfield, City Manager *John J. Caulfield*

DATE: January 11, 2021

SUBJECT: Camp Murray Annexation Analysis Memorandum

PURPOSE: The purpose of this memorandum is to provide an overview of the Camp Murray Annexation Analysis Report (“Report”), **Attachment A**, completed in June of 2020. In addition, this memorandum also provides a summary of the City’s last meeting in October 2020 with Camp Murray representative to discuss the findings of the Report.

BACKGROUND: In 2012, the city of Lakewood (“City”) examined the advantages and disadvantages of annexing Camp Murray (“CM”) into Lakewood. At this time, the annexation of CM proved to be infeasible given the fiscal impact on CM. Importantly, given the existing annexation legislation at that time, it was also concluded that enabling legislation from the state of Washington (“state”) would be required for the City to annex CM.

Since this report, on multiple occasions the City and CM representatives have met to discuss the possibility of this annexation. Throughout this process, CM has expressed a willingness to consider annexation by Lakewood if there was no negative financial impact to CM.

In the past legislative session, the state passed a new annexation method that would allow the City to annex CM without the consent of the state.

ANNEXATION ANALYSIS SUMMARY: The following provides a quick overview of the study’s findings.

Benefits of Annexation: Several “pros” of annexation would be applicable in the annexation of CM. However, CM already has a high level of urban services providers and annexation would significantly increase CM’s annual expenditures. The City would benefit from annexation with increased revenues from increase in utility taxes, franchise fees, stormwater management fees, sales tax, and permit fees. For more information on this topic see page 20 of the Report.

Annexation Methods: There are two methods available or the City to annex CM, 60% petition method and new alternative method for annexing unincorporated islands. The petition method requires the state legislature’s approval. The new alternative method does not require the state legislature’s approval, but does require approval from Pierce County. For more information on this topic see page 23 of the Report.

Fiscal Impact: The fiscal analysis in the Report indicates that without mitigation, the City annexing CM would result in significant fiscal impacts (increased expenditures) for the Washington Military Department (WMD); it is estimated that WMD would experience an increase in expenditures of \$280,000 per year. The City would experience increases in revenue of approximately \$342,000 to \$400,000 per year. Importantly, CM has indicated that they are not supportive of annexation if it is not revenue neutral for them. For more information on this topic see page 65 of the Report.

Mitigation Options: Mitigation options exist for a potential annexation of CM, however, several of these options come with significant risk for the City, see **TABLE AZ**. For more detailed information on this topic see page 69 of the Report.

TABLE AZ	
OPTIONS & RISK LEVEL	
Option	Risk level
Option 1: Work with the City’s utility providers to partially or completely waive utility tax fees for CM upon annexation on a temporary or permanent basis. This would require amending most of the existing franchise agreements with the City’s utility providers.	High
Option 2: Provide CM with utility tax relief. Under a utility tax relief program, the City would partially or completely and on a temporary or permanent basis reimburse CM for utility taxes.	High
Option 3: Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM’s street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM’s annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.	Moderate
Option 4: Pursue some other form of mitigation. There may be additional mitigation options available to the City not addressed in the options above.	Unknown
Option 5: Annex CM’s boat launch property(ies) only. The fiscal impact on CM would be negligible; CM would likely decrease expenditures slightly.	Low
Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM’s boat launch property(ies). CM would not be fiscally impacted if the City took over the lease of the boat launch parcels.	Low

Acquiring the boat launch properties could require significant financial resources from the City depending on how it is acquired, i.e., land sale or transfer	
<u>Option 7:</u> <i>Take no action at this time. The City could continue to monitor the annexation of CM without taking any action. The City would not take over the lease or ownership, of the boat launch.</i>	None

Report Recommendation: In the analysis the following recommendations were made:

If the City desires to take action, given the level of risk involved with some of the mitigation options, particularly Option 1, Option 2, it is recommended that the City consider one of the following options:

Option 5: Annex CM boat launch property(ies) only.

-or-

Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies). This does not require annexation.

If the City wishes to move forward with a mitigation option, it is recommended that the City consider Option 3.

Option 3: Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM's street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM's annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.

If the City desires to take no action, **Option7**, it is recommended.

Option 7: Continue to monitor this situation and continue the dialogue with CM on boat launch improvements.

Recommendations were made on page 90 of the Report.

CM MEETING ON REPORT: The City met with representatives of CM on October 8, 2020 to discuss the Annexation Analysis Report. At this meeting, CM indicated again that they are not supportive of annexation unless it is revenue neutral.

CM representatives also indicated that they were in the process of making improvements to the boat launch area. Funding was already approved for improvements to the floating dock (\$400,000 from state). In the upcoming legislative session, CM is seeking funds to improve the boat launch area (\$180,000). CM did indicate that they would be interested in continuing conversations with the City about future boat launch improvements. The representatives also indicated that they wanted to make improvements to the camp site that is located within CM. This site is not available to the general public as it is within the fenced off section of CM.

RECOMMENDATION: After the meeting with CM representatives, it is recommended that the City pursue **Option 7**, which is to continue to monitor this situation and continue the dialogue with CM on boat launch improvements.

ATTACHMENTS:

Attachment A – Camp Murray Annexation Analysis Report

Attachment B – Camp Murray Annexation Analysis Report PowerPoint



TO: Mayor and City Councilmember

THROUGH: John J. Caulfield, City Manager *John J. Caulfield*

FROM: Shannon Kelley-Fong, Senior Policy Analyst

DATE: June 15, 2020

SUBJECT: Camp Murray Annexation Analysis Report

1. EXECUTIVE SUMMARY

The purpose of this memorandum is to (re)examine the impact of annexing Camp Murray (“CM”) into the City of Lakewood’s (“City” or “Lakewood”) corporate limits. A previous report on this subject was performed by Assistant City Manager/Community Economic Development Director, David Bugher, in 2012. This report contains background information on CM and the City, the Growth Management Act (GMA), annexation methods, a fiscal analysis of impacts, mitigation options to lessen the financial burden on CM, and next steps.

For the purposes of this study the fiscal analysis uses historical data to forecast the impact of annexation on CM and the City for 2019. Using this estimate, this study also provides a 10-year forecast of the impact of annexation on CM and the City for 2019 to 2028.

The fiscal analysis indicates that the annexation of CM would involve significant fiscal impacts on the Washington Military Department (WMD), unless the City elected to pursue some form of mitigation to lessen the impact for CM. CM is owned and operated by WMD. For readability of this report, impacts are discussed in terms of impacts on CM, which are impacts on WMD and, ultimately, the state of Washington.

It is also important to note that CM currently receives a high level of urban services from a variety of entities, including Pierce County and Joint Base Lewis-McChord (JBLM). Given CM’s high level of existing urban services, the City is fairly limited in the types of supplementary urban services it could provide CM, if annexed. Simply, the overall benefits of annexation for CM are relatively minor, while the fiscal impact without mitigation would be substantial.

This report contains a discussion on the potential ways the City could mitigate some or all of the fiscal impacts for CM. Mitigation options available for the City to pursue include:

Option 1: Work with the City’s utility providers to partially or completely waive utility tax fees for CM upon annexation on a temporary or permanent basis. This would require amending most of the existing franchise agreements with the City’s utility providers. While this option is theoretically available for the City to pursue, it is not recommended that the City pursue this option due to the high level of risk associated with this option described in more detail in this report.

Option 2: Provide CM with utility tax relief. Under a utility tax relief program, the City would partially or completely and on a temporary or permanent basis reimburse CM for utility taxes. Once again, while this option is theoretically available for the City to pursue, it is not recommended that the City pursue this option due to the high level of risk associated with this option described in more detail in this report.

Option 3: Provide CM with levels of service or capital improvements to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM’s street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM’s annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects. This option also presents a level of risk for the City.

Option 4: Pursue some other form of mitigation. There may be additional mitigation options available to the City not addressed in the options above.

As mentioned above **Option 1**, **Option 2**, and **Option 3**, present risks for the City. For **Option 1** and **Option 2**, the City could be challenged by a party or parties from areas of the City where utility taxes are 1) not waived, or 2) do not receive utility tax relief. The potential challenge would likely be under the uniformity clause of the state constitution, *Article VII, Section 1, Washington State Constitution*, which states “all taxes shall be uniform upon the same class of property.” It is likely that the longer a waiver, reduction, or tax relief is in effect for CM, the greater the risk to Lakewood that it could be successfully challenged. Typically, annexation agreements stipulate that upon the effective date of the annexation, the property annexed will be assessed and taxed at the same rate and on the same basis as all other property within the annexing city. Permanent waivers, reductions, or tax relief seem disproportionate to any benefit of annexation to Lakewood.

Prior to pursuing any of the three options listed above, the City should thoroughly consider the public benefit mitigation would provide. Currently, the City provides tax relief for low-income senior and disabled citizens pursuant to LMC 3.52.200. However, this program is supported by *Article VIII, Section 7, Washington State Constitution*, which states that cities may not provide “any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.” Given the level of risk associated with **Option 1** and **Option 2** it is recommended that the City not pursue them.

For these options, the basis for the mitigation would be that relief serves as an incentive to most efficiently annex the area, thus enabling Lakewood to meet its goal of compliance with the Growth Management Act (GMA).

Option 3 also presents a degree of risk for the City. Central to this risk is the question of whether the City would be receiving an adequate return for the services it would be providing to an area that, while owned by the state of Washington, is not publicly accessible. Even if the CM were to dedicate streets, stormwater facilities, and other infrastructure to the City, this question remains.

Other options available to the City as alternatives to full CM annexation include:

Option 5: Annex CM's boat launch property(ies) only. The fiscal impact on CM would be negligible; CM would likely decrease expenditures slightly.

Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies). CM would not be fiscally impacted if the City took over the lease of the boat launch parcels. Acquiring the boat launch properties could require significant financial resources from the City depending on how it is acquired, i.e., land sale or transfer.

Option 7: Take no action at this time. The City could continue to monitor the annexation of CM without taking any action. The City would not take over the lease or ownership, of the boat launch.

RECOMMENDATION: At this time, if the City desires to take action, given the risks associated with the mitigation options, it is recommended that the City pursue **Option 5** or **Option 6**, both of which are alternatives to full CM annexation.

If the City wishes to pursue a mitigation option, it is recommended that the City move forward with **Option 3**.

If the City desires to take no action, **Option 7**, it is recommended that the City continued to monitor this situation.

NOTE: This analysis was done prior to the Coronavirus (COVID-19) pandemic. All data used was from 2018 and 2019, unless noted otherwise. The fiscal impact of the COVID-19 pandemic, at this time, remains largely unknown.

TABLE AZ	
OPTIONS & RISK LEVEL	
Option	Risk level
<u>Option 1:</u> Work with the City's utility providers to partially or completely waive utility tax fees for CM upon annexation on a temporary or permanent basis. This would require amending most of the existing franchise agreements with the City's utility providers.	High
<u>Option 2:</u> Provide CM with utility tax relief. Under a utility tax relief program, the City would partially or completely and on a temporary or permanent basis reimburse CM for utility taxes.	High
<u>Option 3:</u> Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM's street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM's annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.	Moderate
<u>Option 4:</u> Pursue some other form of mitigation. There may be additional mitigation options available to the City not addressed in the options above.	Unknown
<u>Option 5:</u> Annex CM's boat launch property(ies) only. The fiscal impact on CM would be negligible; CM would likely decrease expenditures slightly.	Low
<u>Option 6:</u> Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies). CM would not be fiscally impacted if the City took over the lease of the boat launch parcels. Acquiring the boat launch properties could require significant financial resources from the City depending on how it is acquired, i.e., land sale or transfer	Low
<u>Option 7:</u> Take no action at this time. The City could continue to monitor the annexation of CM without taking any action. The City would not take over the lease or ownership, of the boat launch.	None

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2. ACRONYMS

AGO	Washington state Attorney General’s Office
BLA	Boundary Line Adjustment
CM	Camp Murray
CITY	City of Lakewood
CPP	Countywide Planning Policies of Pierce County
GMA	Growth Management Act
JBLM	Joint Base Lewis-McChord
LMC	Lakewood Municipal Code
LPD	Lakewood Police Department
MRSC	Municipal Research and Services Center
PAA	Potential Annexation Area
RCW	Revised Code of Washington
SSMCP	South Sound Military and Communities Partnership
UGA	Urban Growth Area
WDFW	Washington State Department of Fish and Wildlife
WMD	Washington Military Department
WPFR	West Pierce Fire and Rescue

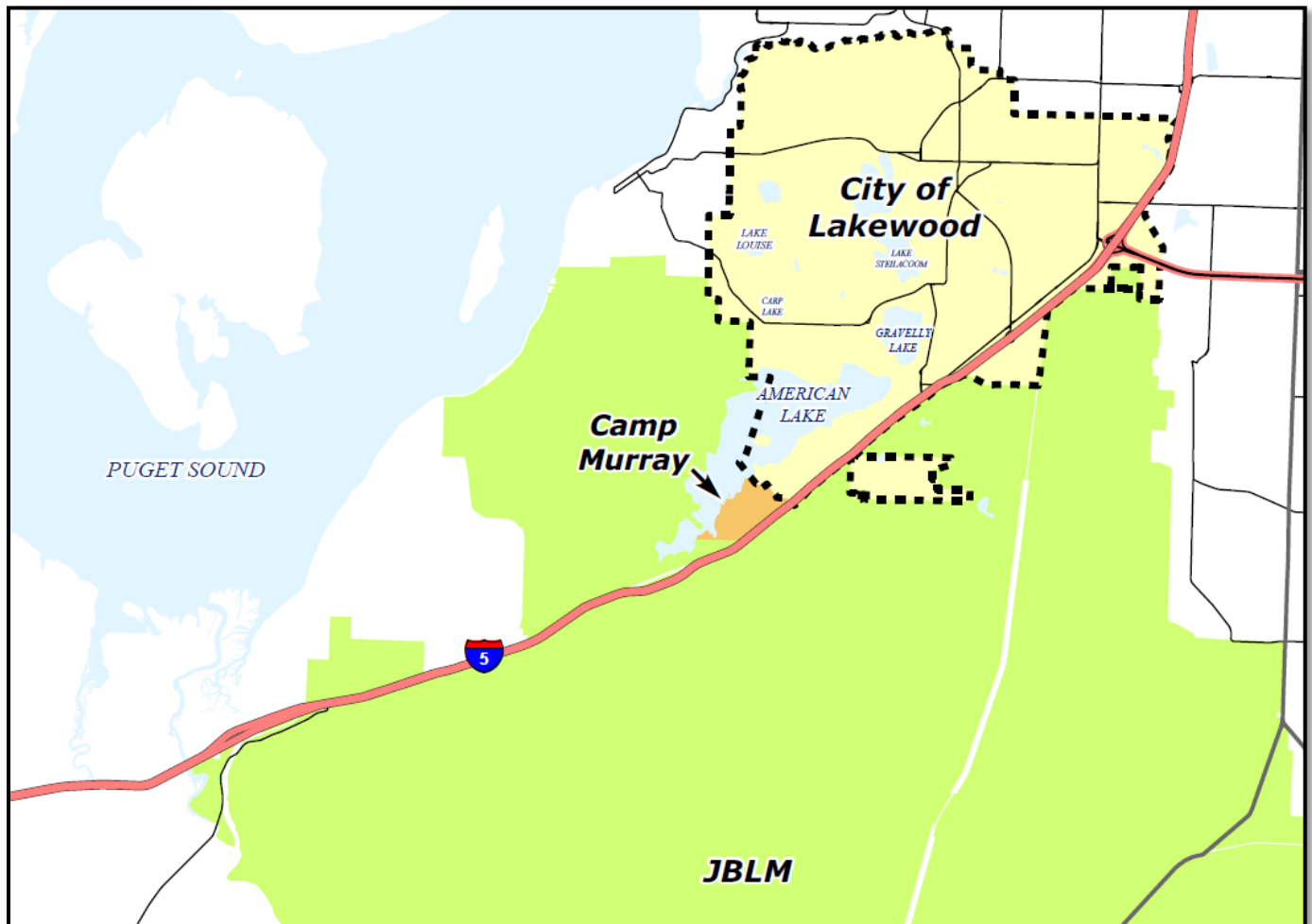
3. BACKGROUND INFORMATION

Camp Murray

Location

Lakewood's existing corporate limits are directly to the north of CM, see **Figure 1**. Lakewood's Tillicum neighborhood is located to the north of CM. To the south of CM lies JBLM. Interstate 5 and American Lake serve as CM's east and west boundaries, respectively.

Figure 1: Map showing City of Lakewood, Camp Murray, and Joint Base Lewis-McChord



CM Ownership

CM is a secure military installation for the Washington state Military Department (WMD). The property ultimately belongs to the state of Washington.

Land Use

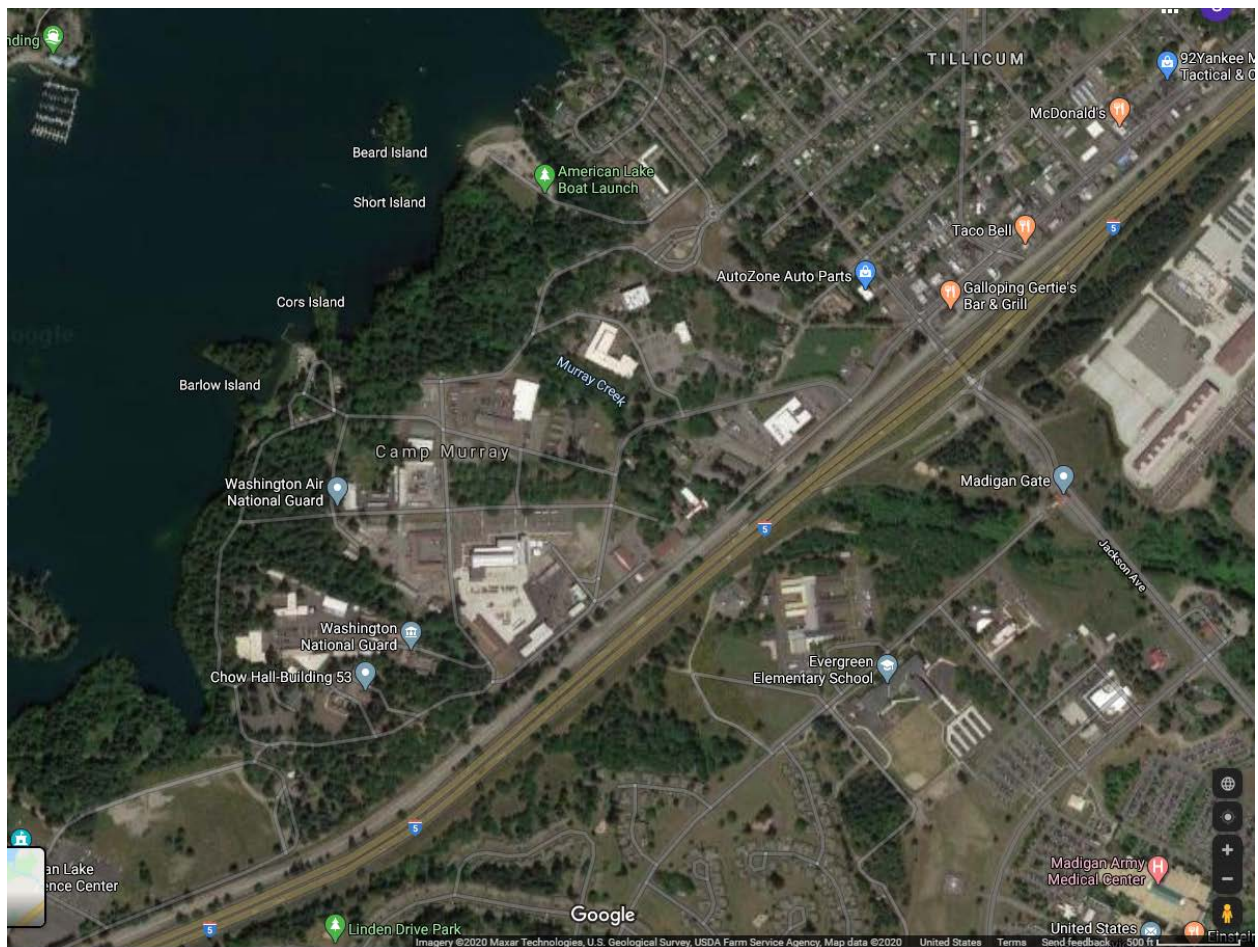
Developed areas encompass about 52 percent of the installation. The built environment provides statewide wheeled vehicle support, storage buildings, administrative offices, classrooms, a heliport, and a drill field.

There are 88 buildings on CM, many of which are over 50 years old, some dating back to 1916.

Recreational amenities include a physical training course, campground, and a boat launch. The remaining portions of the installation consist of undeveloped woodland, wetlands, shoreline, and riparian areas.

CM is the administrative and training hub for the Army and Air National Guards, as well as the Washington State Guard. CM is also home to the WMD Emergency Management Division. The Washington State Emergency Operations Center, which aids local emergency responders in coordinating search and rescue operations, wildfire mobilization, environmental responses, and other emergencies, is located on Camp Murray. It also hosts other emergency management and public safety functions.

Figure 2: Aerial showing Camp Murray (Google Maps)



Existing Leases

- Washington Department of Fish and Wildlife (WDFW) leases a portion of the American Lake shoreline for a boat launch, see: <https://wdfw.wa.gov/places-to-go/water-access-sites/30431>.
- West Pierce Fire and Rescue (WPFR) leases a portion of the American Lake shoreline for a dock and boathouse.
- Lakewood Police Department (LPD) leases a portion of the American Lake shoreline for a boathouse.
- The National Guard Association leases a portion of the American Lake shoreline and adjacent forest for a campground.
- New Cingular Wireless PCS, LLC, leases a portion of land for a cellular communications station.
- American Lake Credit Union leases Building 16 for a branch operation.

Current Utility Providers

- Electric - Puget Sound Energy
- Gas - Puget Sound Energy
- Garbage - Waste Connections
- Cable - Comcast
- Telephone – CenturyLink, other
- Water - JBLM
- Sewer - JBLM

Population

No residential population.

Assessed valuation¹
\$59,395,100

TABLE A				
2019 - CAMP MURRAY PARCELS, ASSESSED VALUATION, & SIZE				
Tax Parcel Number	Assessed Total	Assessed Land	Assessed Improvements	Size (acres)
0219204000	\$ 32,862,200	\$ 19,421,400	\$ 13,440,800	100.76
0219213000	\$ 21,308,600	\$ 21,308,600	\$ -	82.53
0219212000	\$ 2,133,200	\$ 2,133,200	\$ -	15.81
0219201001	\$ 1,117,900	\$ 1,117,900	\$ -	5.8
0219212027	\$ 752,600	\$ 752,600	\$ -	3.9
0219212028	\$ 13,200	\$ 13,200	\$ -	1.81
2200000180	\$ 650,500	\$ 650,500	\$ -	3.37
2200000140	\$ 402,700	\$ 402,700	\$ -	2.09
0219204001	\$ 154,200	\$ 154,200	\$ -	0.8
TOTALS	\$ 59,395,100	\$ 45,954,300	\$ 13,440,800	217*
*Approximately 11 acres not accounted for.				

Size (in acres)
228

Size (in acres) of developed area
130 acres²

Pierce County Zoning Designation
Urban Military Lands

Urban Growth Area
Yes, located in Lakewood's Urban Growth Area (UGA), also a Pierce County approved Potential Annexation Area (PPA), see **Figure 3** and **Figure 4**.

SEPA Requirement
The proposed annexation is exempt from SEPA pursuant to RCW 43.21C.222.

Property Tax
CM parcels are exempt from property tax. Real property on state lands is exempt from property tax per RCW 84.36.010.

¹ 2019 land valuation per Pierce Co. Assessor

² Stormwater Management Program Plan – 2019 Update, Washington State Military Department, <https://mil.wa.gov/asset/5c95327f82e8d>

Utility fees and taxes

Utility taxes are imposed on the utility itself and not upon the individual utility customers. However, utilities often break out the amount of the utility tax on a customer's bill. CM would be subject to utility fee charges from utility providers in Lakewood, not the City.

Sales and Use Tax

Yes, subject to retail sales and use taxes. Sales taxes apply to most retail sales of "tangible personal property" within Washington, as defined in RCW 82.04.050. There are a large number of specific sales tax exemptions listed in chapter 82.08 RCW.

Growth Management Act and Annexation

The state Growth Management Act (GMA), adopted in 1990, sets a framework and direction for coordination and efficient growth of communities. One major goal of the GMA is to reduce urban sprawl by encouraging development in urban areas where adequate public facilities already exist or where such facilities can be more efficiently provided.

Under the GMA, counties establish urban growth areas (UGAs) wherein population and employment are encouraged. UGAs may include incorporated and unincorporated areas, are intended to be provided with urban levels of service and infrastructure, and their level of development is expected to exhibit an urban intensity not shared by rural areas. This concentration of uses and development intensity within UGAs works to ensure protection of the state's natural environment and resource lands by deterring sprawl.

A UGA may include more than a single city, as well as territory that is located outside of a city only if such territory already is characterized by urban growth whether or not the UGA includes a city, or is adjacent to territory already characterized by urban growth, or is a designated new fully contained community as defined by RCW 36.70A.350.

A UGA, pursuant to RCW 36.70A.110(7), may include within its boundaries urban service areas (USAs) or potential annexation areas (PAAs). The Countywide Planning Policies of Pierce County (CPPs) state that PAAs are "an unincorporated area within the designated urban growth area which a city or a town has identified as being appropriate for annexation at some point in the future."³ A PAA designation does not obligate a jurisdiction to annex an area within a defined timeline. However, the County does "encourage cities and towns to annex land within it respective PAAs."⁴ It is the County's authority, in consultation with cities and towns, to adopt the urban growth area(s), and identify individual PAAs.

Per CPP 4.2.1, Cities and towns are allowed to annex territory only within their adopted PAA as identified in the Pierce County Comprehensive Plan. CPP UGA-3 describes the steps to designate PAAs in coordination with Pierce County, and CPP UGA-4 describes the annexation process used by cities and the County.

³ Countywide Planning Policies for Pierce County, Washington, pg. 78 -

<https://www.co.pierce.wa.us/DocumentCenter/View/34524/Current-CWPP-as-amended-2018-15s?bidId=>

⁴ Ibid, pg.79

CM is currently listed as a Lakewood PAA in the Pierce County Comprehensive Plan, see **Figure 4. PAA**.

In 1998, as a consideration in the Pierce County Council’s approval of UGA extensions to include both CM and the urban cantonment areas of JBLM (at that time, Fort Lewis and McChord Air Force Base), Lakewood entered into an interlocal agreement with Pierce County. One finding of the agreement was the following:

“...the City [is] to make the County whole for its lost revenues due to the annexation of the [three areas]...”

Notably, subsequent portions of the agreement assessing revenue reimbursement make it clear that this applies only to the *federal* lands. It is clear that the agreed-upon reimbursement formula does not apply to CM because it:

- 1) relies upon a population basis, which is inapplicable in CM’s case as it has no permanent residential population; and
- 2) CM is state land. This reflects Lakewood’s Resolution No. 1998-26, which predated the interlocal agreement and is scoped to include only the JBLM lands.

Lakewood’s application for the UGA amendment emphasized that annexation was not being proposed at that time but could potentially serve as a next step. In its amendments, Pierce County accurately characterized CM as an urban employment center currently served by urban-scale services which could foster or absorb future job growth, as opposed to a residential area that would be expected to accommodate additional population growth.⁵

The 1998 amendments to the Pierce County Comprehensive Plan (Ordinance 98-86s), Exhibit B, Index to the Findings of Fact, state:

“The County Council finds that proposed UGA Amendment U-3, City of Lakewood, adding Camp Murray, an area of 228 acres, to the CUGA and the City of Lakewood USA is consistent with the County’s Comprehensive Plan and should be approved. The land use designation for the amendment area shall be changed to Employment Center... The Camp Murray area is developed with urban-type military uses and is not open to accommodate general population growth...The inclusion of Camp Murray in the CUGA recognizes the urban character of the site. Urban services which need to be planned for urban growth areas are already being provided to Camp Murray.”⁶

⁵ A UGA may include an area that is not a city only if that area already is characterized by urban growth, is adjacent to an area characterized by urban growth, or is a designated fully-contained community. (emphasis added) [*Bremerton II*, 04-3-0009c, FDO, at 34.]

⁶ Pierce County Ordinance No. 98-86S, [https://online.co.pierce.wa.us/cfapps/council/model/otDocDownload.cfm?id=1369743&fileName=98-86s%20final%20\(SE%20file%201.pdf](https://online.co.pierce.wa.us/cfapps/council/model/otDocDownload.cfm?id=1369743&fileName=98-86s%20final%20(SE%20file%201.pdf)

Figure 3: Lakewood Comprehensive Plan – Lakewood Urban Growth Areas

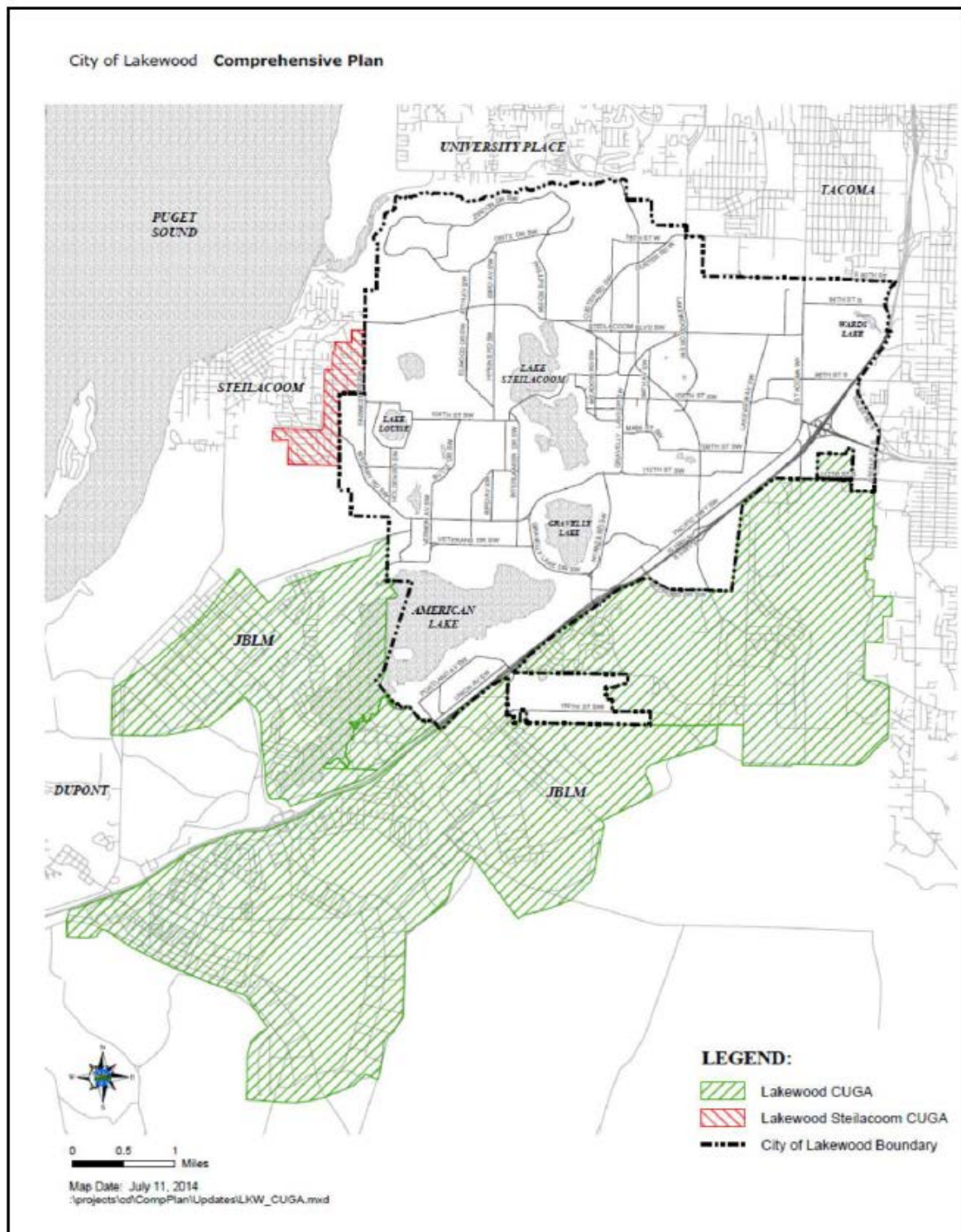


Figure 4: Pierce County's Comprehensive Plan - Potential Annexation Area (PAA) Map

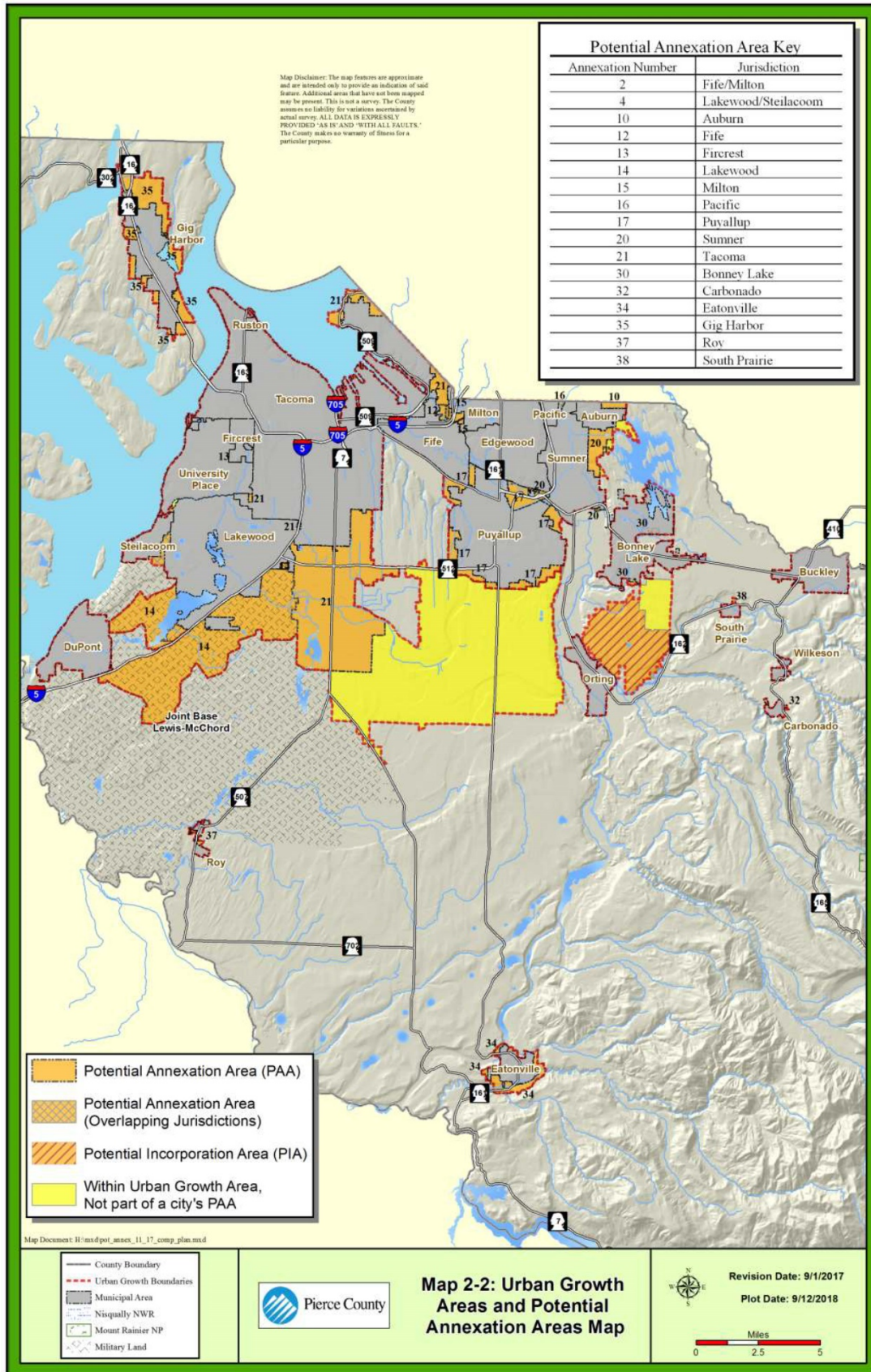


Figure 5: City of Lakewood's Potential Annexation Area (PAA) – Camp Murray Map

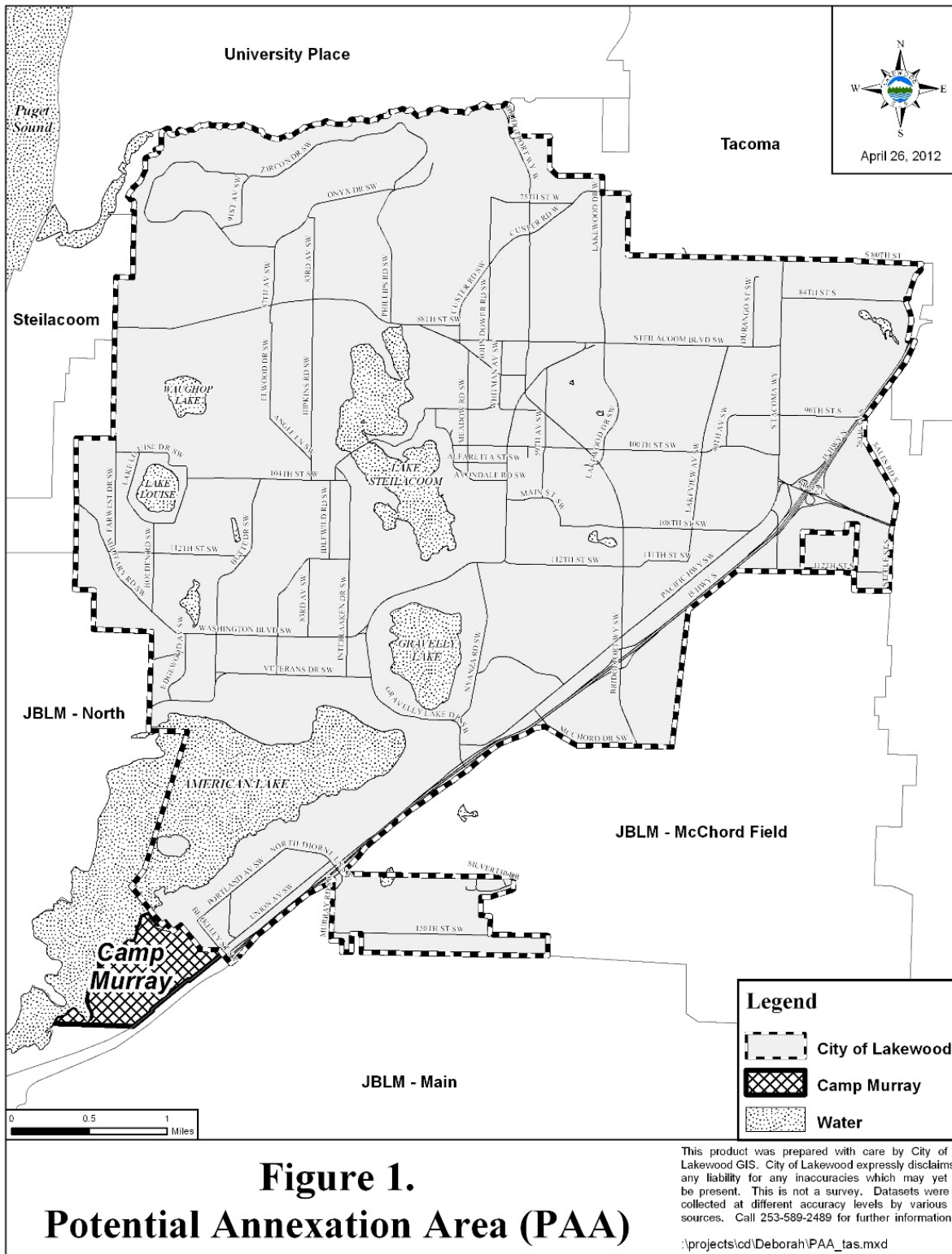
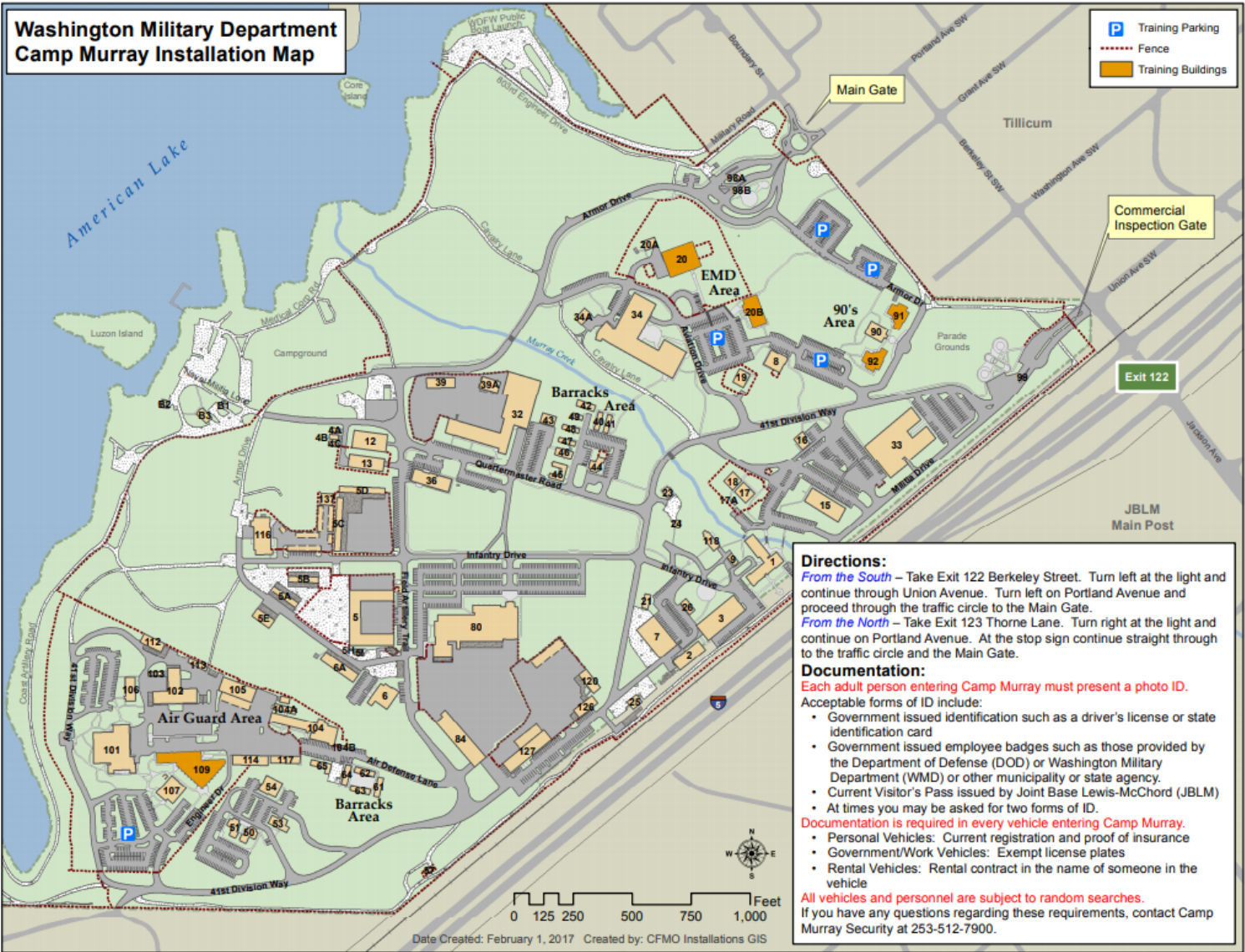


Figure 6: WMD CM Installation Map



Lakewood and Camp Murray Connection

Geographically, Lakewood and CM are directly adjacent. Because of the manner in which roads are laid out and the somewhat landlocked nature of the installation, most access CM via Lakewood streets. Both Lakewood and CM are also neighbors to JBLM. The growth of JBLM over the past ten years has had major impacts on transportation, including affecting Interstate 5, major arterials, and related interchanges adjoining JBLM, Lakewood, and CM.

Lakewood, CM, and JBLM share the shoreline along American Lake, a groundwater fed lake. Lakewood and CM are voting members of the Advisory Committee for American Lake – Lake Management District No.1. JBLM is a non-voting member of this committee. This body was created for the purpose of generating revenue to provide ongoing aquatic vegetation management, public education, and other related projects.

American Lake is 1,125 acres in size and is heavily used for recreation. Camp Murray has a Beach RV Park and Campground. WDFW maintains a lease with CM to operate a boat launch on American Lake. LPD and WPFR, which provides fire and life safety services within Lakewood, provide marine services for the entire lake. WPFR also maintains a lease for a boathouse on CM property, adjacent to the boat launch. The boathouse is used by both WPFR and the LPD. Many local residents use the boat launch, and LPD frequently provides patrol services to this area even though it is not within Lakewood's corporate limits.

A perennial stream, Murray Creek, flows through CM. Murray Creek is within the Chambers-Clover Creek watershed.

CM and Lakewood are members of the South Sound Military and Communities Partnership (SSMCP). Established in 2011, SSMCP provides a single point of contact for military-related activity that affects the region as a whole.

Previous Camp Murray Annexation Efforts

In 2012, Lakewood examined the advantages and disadvantages of annexing CM into Lakewood. This action came about as a result of CM approving a master site development plan which included a proposal to relocate their main gate from Union Avenue SW to Portland Avenue SW. Annexation of CM proved to be infeasible given the fiscal impact on CM. Importantly, at that time, it was concluded that state enabling legislation would be required to annex CM.

In December 2016, Lakewood's Mayor and City Manager met with Camp Murray representatives, including the Adjutant General (TAG) Major General Bret D. Daugherty. CM and TAG expressed a willingness to consider annexation by Lakewood if there was no negative financial impact to CM and the City made improvements, similar to the improvements at American Lake Park, to the public boat launch on CM to improve access.

In August 2019, Lakewood City Manager met with CM representatives including TAG Major General Bret D. Daugherty. Once again, CM and TAG expressed a willingness to consider annexation by Lakewood if it does not result in negative financial impact to CM.

Common Benefits of Annexation

Table B provides a list of the common benefits of annexation from the Municipal Research and Services Center's (MRSC) Annexation Handbook and provides an assessment of the application of these benefits to the annexation of CM by the City.⁷

TABLE B		
MRSC Pros of Annexation applicability to CM annexation		
MRSC Pros of Annexation	Applies to CM	Reason / Comments
1. After annexation, the new territory will obtain its necessary services from city departments that are professionally staffed and experienced. Duplication of services can be avoided. Considerable economies can result from the coordination of services over a larger area.	Yes	City would provide services currently provided by Pierce County. However, CM already has a high level of urban services provided by other entities.
2. When the interrelationship between the city and the fringe area is close, there is need for unified planning and zoning. By means of annexation, a city's zoning ordinances can be extended to adjacent areas in a logical manner, thus helping to assure orderly growth. Coordinated action is much easier to achieve if the fringe community becomes part of the city.	No	CM has no residential population. CM is entirely owned and operated by WMD.
3. Annexation gives suburban residents a voice in the government of the larger community in which they live. County dwellers can be substantially affected by actions of the central city, but they have no participation in its affairs.	No	CM has no residential population. Being entirely owned by the State lessens the interest in local government.
4. Business, professional, and community leaders who live in the fringe area can have a more direct role in community affairs by being elected or appointed to public office in the city.	No	CM has no residential population, thus no new citizens eligible for elective office.
5. Annexation eliminates the need to form a new city government with its attendant "start-up costs," or to continue reliance on costly special districts.	No	CM has no residential population and is already a State department.
6. Annexation leads to a unified community and can prevent the fragmentation of local governmental authority among a large number of special districts. Fragmentation may cause "conflicts of authority and the absence of cooperation, political irresponsibility, a long ballot, duplication of services, inadequate service levels, lack of effective area-wide planning and programming, financial inequities and other problems."	No	CM has no residential population and is charged with coordinating local governments for emergency purposes.

⁷ Annexation by Washington Cities and Towns, MRSC, 2014. <http://mrsc.org/getmedia/f7797a3e-d87b-4875-b70a-229a082d7ef3/Annexation-By-Washington-Cities-And-Towns.pdf.aspx?ext=.pdf>

7. Political boundaries will, after annexation, more nearly reflect the true and existing sociological, economic, cultural, and physical boundaries of the city. The fringe and the city are inextricably bound together.	No	CM has no residential population. CM is an employment center whose primary tie to the City is as an entry point.
8. Annexation increases a city's size and population, and in some instances raises its level of political influence, its prestige, and its ability to attract desirable commercial development. It may also increase its ability to attract grant assistance.	No	While annexation would increase size of Lakewood, CM has no residential population. CM is owned and operated by WMD.
9. Annexation can protect, or enhance, a city's tax base. The increased valuation of the city will result in a greater bonding capacity.	Yes	CM would increase Lakewood's tax base. Absent mitigation, Annexation will increase expenditures for CM.
10. Annexation may force new industry to develop in the city, and thus create additional jobs, revenues, and commercial opportunities.	No	CM is owned and operated by WMD, longstanding fixture in the area. Resulting new industry, to the degree CM generates it, has already occurred.
11. Unified political representation, sound economic development, enhancement of property values, and high service levels at minimum costs can best come from total comprehensive planning that avoids duplication and conflict of authority.	No	CM has no residential population. CM is owned and operated by WMD.
12. City and county boundaries can be squared off and made orderly and logical, eliminating a hodgepodge and resulting confusion as to whether a particular parcel should look to a city or to the county to obtain services. Fire and police departments, in particular, can determine whether calls are within their respective jurisdictions.	Yes	These services will continue as currently provided in the event of annexation. Fire services are currently provided by JBLM. Police services are primarily provided by military police, with LPD support as necessary.
13. Annexation may bring about lower utility rates, since city utility surcharges to unincorporated territory would be lifted. Annexation also often results in lower fire insurance premiums. As more improvements and urban utilities are made available, real estate values and marketability may improve.	Yes	CM will experience a higher utility rate, if annexed.
14. Additional services may become available, such as sewer, water, ambulance, transit, and drainage control.	Yes	CM already has these services provided; many would not change if annexed.

As indicated in items #1 and #14, annexation can bring additional services to newly annexed areas. However, CM is unique in that it already receives a high level of urban services. **Table C** provides a list of common urban services and the current provision of these services for CM.

Upon annexation, Lakewood will assume responsibility for services currently provided by Pierce County, see **Table C**, including:

- police services for non-military incidents;
- development services; and
- surface water management.

The remainder of the urban services will continue to be delivered by current providers. The fiscal analysis section of this memo discusses the financial impact that assuming these urban services will have on the City if CM were annexed.

The City could provide other services to CM, such as street maintenance or snow removal, subject to mutual agreement. Importantly, the provision of these services are not contingent on annexation. The City and CM could enter in to an interlocal agreement or contract agreement to allow the City to provide these services at any time, regardless of annexation status.

TABLE C		
CM – COMMON URBAN SERVICES – CURRENT & ANNEXED		
Urban Services	Currently	If annexed
Police protection	Pierce County	Lakewood
Fire protection	JBLM	JBLM
Emergency medical services	JBLM	JBLM
Street maintenance	WMD	WMD
Snow removal	WMD	WMD
Parks and recreation accessibility	WDFW	Lakewood, potentially
Voting rights and representation on the City's governing body	N/A – no residents	N/A – no residents
Maintenance of public infrastructure	WMD	WMD
Development Services	Pierce County	Lakewood
Water	JBLM	JBLM
Sewer	JBLM	JBLM
Trash/Garbage	Waste Connections	Waste Connections
Surface Water Management	Pierce County	Lakewood
Transit	Pierce Transit	Pierce Transit

Annexation Methods

In order to consider annexation of an area, the area must be included in the Potential Annexation Areas (PAAs) of the County's Comprehensive Plan. This has been done with CM; Lakewood could therefore proceed with pursuing annexation, per CPP UGA-4.

Statutory Annexation Methods Available to Code Cities

Lakewood is a code city under RCW Chapter 35A.14. The chapter identifies the methods available to code cities for annexations. **Table D** provides a list of these methods and their potential application to the annexation of CM.

TABLE D		
RCW 35A.14 – Methods of Annexation in Code Cities		
Annexation Method	Applicable to CM	Comments
1. Election Method, Initialed by 10 Percent Petition	Not applicable	CM has no residential uses and no voters.
2. Election Method, Initiated by Resolution	Not applicable	CM has no residential uses and no voters.
3. Sixty Percent Petition Annexation Method	Applicable	State enabling legislation is required to annex CM. The legislation is the state's method for exercising ownership rights (such as assent to annexation).
4. Alternative Petition Method	Not applicable	CM has no residential uses and no voters.
5. Federal Owned Lands	Not applicable	CM is not federally owned land.
6. Annexation of Unincorporated Islands – less than 175 acres	Not applicable	CM is larger than 175 acres. The City can simultaneously pursue multiple annexations using this method.
7. Annexation of Unincorporated Islands – residential property owners and 80% of boundaries contagious to a code city	Not applicable	CM has no residential property.
8. Alternative Unincorporated Islands – Interlocal Method of Annexation	Not applicable	60% threshold not met. In total CM properties have approximately 15,800 feet of parcel boundary. CM's boundary with Lakewood is approximately 2,400 feet. Based on these estimates, approximately 15.2% of CM is contiguous to Lakewood. The remainder is contiguous with JBLM which is unincorporated Pierce County.

9. Alternative – Interlocal Agreement between City, County & Fire protection district.	Not applicable	CM is not part of a fire protection district as JBLM provides fire services; No fire protection district exists to be included in a interlocal agreement.
10. NEW – Alternative Method - Ability to annex unincorporated areas pursuant to a jointly approved interlocal agreement with the county.	Applicable	The City can annex CM with a joint interlocal agreement with Pierce County. This method does not require state enabling legislation.

Annexation of State-owned lands

State law regarding annexations tends to focus on privately owned properties. There are also provisions in state law for annexations of federal land, RCW 35A.14.310. However, state law does not expressly address annexation in which the entire real property included in the area is owned by the State. As such, the potential annexation of CM is rather unique.

Sixty Percent Petition Annexation Method (see **Table D #3**): Two attorney general opinions (AGO 1947-48 pp.22 and AGO 57-58 No.107) cast doubt on the authority of state officials to *sign annexation petitions* absent specific legislative authorization applicable to the state agency involved. This issue was considered in previous annexation evaluations of CM. In 2008, the Adjutant General, commander of all Washington Army and National Guard forces and Director of the State’s Emergency management, stated that the Adjutant General did not have the legal authority to consent to the annexation of CM and that action by the State legislature is required to annex CM.

If the City were to pursue this method of annexation, it would need to receive consent by the State legislature, as well as Pierce County.

NEW – Alternative Method - Ability to annex unincorporated areas pursuant to a jointly approved interlocal agreement with the county (see **Table D #9**): In 2020, the Washington State Legislature passed Engrossed Substitute Senate Bill (ESSB) 5522 (2019-2020). This bill provides code cities the ability to annex unincorporated areas of a county pursuant to a jointly approved interlocal agreement with their respective county. For Lakewood, the City could annex unincorporated areas pursuant to a jointly approved interlocal agreement with Pierce County.

As an alternative method of annexation, this method of annexation serves as an additional option to the existing petition, election, and other alternative methods of annexation outlined in **Table D**. Simply, Lakewood could use this method in lieu of an election or petition method of annexation. This would relieve the need for the State legislature to authorize the annexation of CM if Lakewood and Pierce County jointly approved an interlocal agreement.

In its entirety, AGO 1947-48 pp.22 states that “Neither the Director of Finance, Budget and Business nor any other state official has authority to sign a petition for the annexation of state land to a municipality, although there is no objection to such annexation if it can be accomplished otherwise under any of the pertinent statutory procedures.”

In AGO opinion 57-58 No.107, the Attorney General's Office (AGO) concluded the following:

“The state, therefore, in this instance is in the same position as a natural person inasmuch as the legislature has specifically provided by chapter 79.44 RCW that state lands are subject to local improvement district assessments. Accordingly, we can see no reason why the state of Washington should not be held to be a person within the terms of RCW 35.27.020, *supra*.”

And, describing the inverse of the question at issue for Lakewood:

“The legislature of the state of Washington has not consented to the attempted annexation, and in absence of specific statutory authority no state official has authority to give that consent... In the absence of consent *where consent is required*, an attempted annexation is void.”

(Emphasis in italics added.)

ESSB 5522 relieves the requirement for private and public property owners, with the exception of the federal lands (a process that is specifically prescribed in RCW 35A.14.310) to consent to annexation. ESSB 5522 provides a mechanism in which CM could be annexed without the consent of the State legislature while the state land maintains equal treatment as a “natural person.” For example, if the City were to use this annexation method for Arrowhead-Partridge Glen, a residential area of unincorporated Pierce County, it would need to come to an agreement with Pierce County, as well as the Town of Steilacoom, Lakewood Water District (LWD), and WPFR. Notably, LWD already provides services for this area as well as the City. Under ESSB 5522, the City *would not* need consent from individual property owners in Arrowhead-Partridge Glen for this annexation.

MRSC's 2014 Annexation by Washington Cities and Towns, page 111, allows for the potential of using alternative annexation methods that do not require a petition to be signed on behalf of the state to annex state land:

“Alternatively, state land *could be annexed by a method that does not require a petition* to be signed on behalf of the state property, such as the election method initiated by resolution, or the petition method where enough signatures are obtained from private property owners to meet the percentage requirement.”⁸

(Emphasis added by author)

ESSB 5522 does not require a petition to be signed on behalf of any property owners, and therefore CM can be annexed by this method without the consent of the State legislature.

The bill was signed by the governor on March 25, 2020 and becomes effective on June 11, 2020.⁹

⁸ MRSC. “Annexation: by Washington Cities and Towns” (2014), found here: <http://mrsc.org/getmedia/f7797a3e-d87b-4875-b70a-229a082d7ef3/Annexation-By-Washington-Cities-And-Towns.pdf.aspx?ext=.pdf>

⁹ <https://app.leg.wa.gov/billsummary?BillNumber=5522&Year=2019>

Notably, having the legal authority to do something does not address the myriad of issues doing so may create, such as:

- Camp Murray may not want to be annexed - annexing them “by force” of sorts jeopardizes any number of benefits the City has with them as a willing partner;
- Pierce County may not be willing to negotiate annexation or may offer terms that are not beneficial to the City; and
- The public perception could be negative with the City taking an unwilling owner.

This list is not exhaustive. Given these potential issues, the City should thoroughly consider the pros and cons of using this method for the annexation of CM.

Applying the ESSB 5522 method of annexation to CM:

The Pierce County Council and the Lakewood City Council will need to jointly initiate an annexation process for CM by adopting an interlocal agreement as provided in chapter 39.34 RCW and ESSB 5522.

The County and the City will need to agree on the following within the interlocal agreement:

- Boundaries of the area to be annexed;
- The effective date of the annexation; and
- A date for a public hearing(s) on the agreement of annexation.

The County and City have wide latitude regarding other items that may be included in this agreement. ESSB 5522 does provide a specific provision that the agreement may include a phased annexation plan, if so desired by both parties.

Importantly, there are no areas in CM currently zoned residential and therefore, the interlocal agreement does not need to address factors that are exclusive to residential zones.

Additionally, if a code city is proposing to annex a territory where the sole access or majority of egress and ingress for the territory proposed for annexation is served by the transportation network of an adjacent city, or that will include areas in a fire protection district under Title 52 RCW, regional fire protection service authority under chapter 52.26 RCW, water-sewer district under Title 57 RCW, or transportation benefit district under chapter 36.73 RCW, then the city must provide written notification to the governing authorities of these entities. This is not the case with CM as the main egress and ingress is provided through Lakewood and CM receives fire, sewer, and water services from JBLM.

For the annexation of CM, the City would not need to provide written notification to any additional parties as:

- 1) Lakewood provides CM the majority of egress and ingress;
- 2) CM receives fire service protection from JBLM. While not requiring written notice, Pierce County and City may want to provide JBLM advance notice of the annexation as a courtesy;
- 3) CM receives water and sewer services from JBLM. JBLM does not meet the criteria of a water-sewer district per Title 57 RCW; and

- 4) CM is not within a transportation benefit district.

Public hearings must be held by each legislative body (i.e., the Lakewood City Council and the Pierce County Council), separately or jointly. Separately or jointly, a notice of availability of the agreement must be published at least once a week for four weeks before the date of the hearing in one or more newspapers of general circulation within the proposed annexed area (CM). Pierce County and Lakewood will also need to provide the availability of the agreement on their respective websites for the same four weeks that the notice is published in the newspaper(s). The notice needs to describe where the public may review the agreement and the area proposed to be annexed.

Following the public hearing(s), the Pierce County Council and Lakewood City Council can take action on the annexation of CM by ordinance. If the annexation ordinance provides for assumption of indebtedness or adoption of a proposed zoning regulation, the notice must include a statement of these requirements. Upon passage of the annexation ordinance, a certified copy must be filed with the Pierce County Council.

RCW 35.14.460 (2) – (4) provide step-by-step procedures to follow for annexation by interlocal agreement, including public noticing requirements, time frames, etc.

If the annexation of CM the were to be pursued using the NEW – Alternative Method - Ability to annex unincorporated areas pursuant to a jointly approved interlocal agreement with the county the following steps would need to occur:

- 1) City and Pierce County would enter into a Interlocal Agreement related to the annexation of CM.
- 2) City and Pierce County would publish a notice of availability of the agreement at least once a week for four weeks before the date of the hearing in one or more newspapers of general circulation within the proposed annexed area (CM). City and Pierce County would provide the availability of the agreement on their respective websites for the same four weeks that the notice is published in the newspaper(s).
- 3) City and Pierce County would hold public hearings (separately or jointly).
- 4) City and Pierce County would take action on the annexation by ordinance.
- 5) Certified copies of the ordinances would be filed with the Pierce County Council.
- 6) City (or County) would file a Notice of Intent to Annex (NOI) with the Pierce County Boundary Review Board (BRB).

Boundary Review Boards

All annexations in Pierce County are subject to review by the Pierce County Boundary Review Board (BRB), with the exception of annexations for municipal purposes.¹⁰ The annexation of CM would be subject to review by the Pierce County BRB.

The Washington State legislature created Boundary Review Boards in 1967 in part to “...provide a method of guiding and controlling the growth of municipalities...” (RCW 36.93.010). The BRB is a quasi-judicial, administrative body empowered to make decisions on such issues as incorporations, annexations, extensions of utilities, etc., by cities, towns, and special purpose districts. It can approve, deny, or modify a proposal. Its decisions are appealable to the Pierce County Superior Court.

Under RCW 36.93.090 (1)(a), the Boundary Review Board (BRB) reviews municipal annexations. If the City were the annexation initiator, the City would need to file a Notice of Intention (NOI) to annex “immediately following the [city’s] first acceptance or approval of the action” pursuant to RCW 36.93.090. In the case of CM, following the City’s approval of the ordinance to annex CM the City would need to file a NOI to annex. Per RCW 36.93.130, the notice must include:

- 1) The nature of the action sought;
- 2) A brief statement of the reasons for the proposed action;
- 3) The legal description of the boundaries proposed to be created, abolished, or changed by such action: PROVIDED, That the legal description may be altered, with concurrence of the initiators of the proposed action, if a person designated by the county legislative authority as one who has expertise in legal descriptions makes a determination that the legal description is erroneous; and
- 4) A county assessor's map on which the boundaries proposed to be created, abolished or changed by such action are designated: PROVIDED, That at the discretion of the boundary review board a map other than the county assessor's map may be accepted.

All initiators of the annexation must pay a filing fee of \$50 with the NOI.

BRB review only occurs when jurisdiction is invoked and this must occur within forty-five (45) days of the filing of the NOI. If BRB jurisdiction is invoked, the person or entity seeking review, except the BRB, need to pay a \$200 fee to the county treasurer. BRB jurisdiction can be invoked through the following means:

- 1) Three members of a five-member BRB or five members of a seven-member BRB file a request for review. However, this method is not available for proposed changes to city boundaries.

¹⁰ Annexation for municipal purpose is when a code city, by majority vote of the council, annexes territory that is owned by the City. This is not applicable with CM.

- 2) Any governmental unit affected by the proposed annexation, including the governmental unit for which the boundary change is proposed, or the county within which the area of the proposed action is located, files a request for review of the specific action;¹¹
- 3) A petition requesting review is filed and is signed by:
 - a. Five percent of the registered voters residing within the area which is being considered for the proposed action (as determined by the boundary review board in its discretion subject to immediate review by writ of certiorari to the superior court); or
 - b. An owner or owners of property consisting of five percent of the assessed valuation within such area;
- 4) The majority of the members of the boundary review board concur with a request for review when a petition requesting the review is filed by five percent of the registered voters who deem themselves affected by the action and reside within one-quarter mile of the proposed action but not within the jurisdiction proposing the action.

¹¹ Per RCW 36.93.020, a “governmental unit” means any incorporated city or town, metropolitan municipal corporation, or any special purpose district as defined in this section. Based on this definition, the state of Washington, and by extension WMD, does not appear to qualify as a governmental unit. A “metropolitan municipal corporation” means a municipal corporation of the state of Washington created pursuant to this chapter, 35 RCW, or a county which has by ordinance or resolution assumed the rights, powers, functions, and obligations of a metropolitan municipal corporation pursuant to the provisions of chapter 36.56 RCW. As such, the state of Washington may not file a request to invoke BRB jurisdiction.

TABLE 1		
BRB Jurisdiction Invoked – Applied to CM		
RCW 36.93.100	Review Initiation methods	Possible Initiating Party(ies) for CM
(1)	Three members of the BRB files a request for review.	Not applicable to CM as members of the BRB “shall not be authorized to file a request for review of the following actions: (a) The incorporation of any special district or change in the boundary of any city, town, or special purpose district”
(2)	Governmental unit affected by the proposed annexation.	City of Lakewood, Pierce County
(3)	5% of registered voters.	Not Applicable to CM annexation as there is no registered voters permanently residing on CM
(4)	Owner or owners of property of 5% assessed valuation.	State of Washington – may require legislative action?
(5)	5% of voters who deem themselves affected within ¼ mile of the proposed action & majority of BRB members.	Tillicum residents and BRB board

If a period of forty-five (45) days elapses without the BRB's jurisdiction having been invoked, the proposed action shall be deemed approved.

If BRB jurisdiction is invoked, the BRB is required to make a finding (approve, modify, disapprove) as prescribed in RCW 36.93.150 within one hundred twenty (120) days of the review filing. After one hundred twenty (120) days, if the BRB has not made a finding then the proposal is deemed approved, unless the board and the initiator agree to an extension of the one hundred twenty (120) day period.

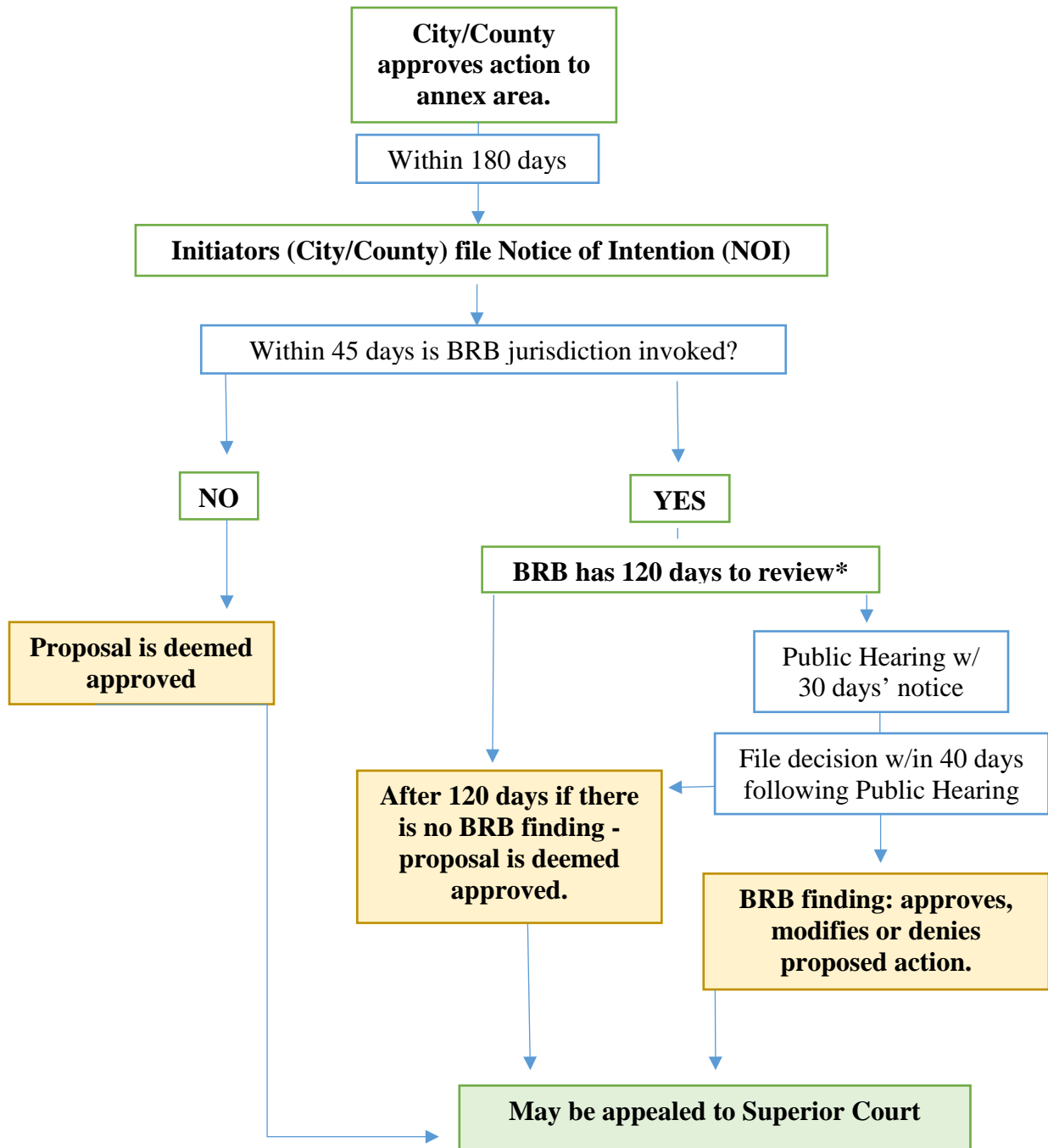
When the jurisdiction of the BRB has been invoked, the board shall set the date, time and place for a public hearing on the proposal. The BRB must give at least thirty days' notice of its hearing. RCW 36.93.160 prescribes the hearing notice process.

Following the hearing, the BRB must issue its written decision within forty days. RCW 36.93.170 provides the criteria the BRB must use when considering annexation applications. This includes but is not limited to:

- Population and territory; population density; land area and land uses; comprehensive plans and zoning, as adopted under chapter 35.63, 35A.63, or 36.70 RCW; comprehensive plans and development regulations adopted under chapter 36.70A RCW; applicable service agreements entered into under chapter 36.115 or 39.34 RCW; applicable interlocal annexation agreements between a county and its cities; per capita assessed valuation; topography, natural boundaries and drainage basins, proximity to other populated areas; the existence and preservation of prime agricultural soils and productive agricultural uses;

the likelihood of significant growth in the area and in adjacent incorporated and unincorporated areas during the next ten years; location and most desirable future location of community facilities;

- Municipal services; need for municipal services; effect of ordinances, governmental codes, regulations and resolutions on existing uses; present cost and adequacy of governmental services and controls in area; prospects of governmental services from other sources; probable future needs for such services and controls; probable effect of proposal or alternative on cost and adequacy of services and controls in area and adjacent area; the effect on the finances, debt structure, and contractual obligations and rights of all affected governmental units; and
- The effect of the proposal or alternative on adjacent areas, on mutual economic and social interests, and on the local governmental structure of the county.



***Review period may be extended additional 120 days by agreement with BRB and initiators submitted proposal**

Under RCW 36.93.150, the BRB can decide to approve, modify or deny (“disapprove”) the annexation application. BRB decisions must be consistent with the GMA. Pursuant to RCW 36.93.150(5), the BRB cannot “not modify or deny a proposed action unless there is evidence on the record to support a conclusion that the action is inconsistent with one or more of the following objectives found in RCW 36.93.180:

- (1) Preservation of natural neighborhoods and communities;
- (2) Use of physical boundaries, including but not limited to bodies of water, highways, and land contours;
- (3) Creation and preservation of logical service areas;
- (4) Prevention of abnormally irregular boundaries;
- (5) Discouragement of multiple incorporations of small cities and encouragement of incorporation of cities in excess of ten thousand population in heavily populated urban areas;
- (6) Dissolution of inactive special purpose districts;
- (7) Adjustment of impractical boundaries;
- (8) Incorporation as cities or towns or annexation to cities or towns of unincorporated areas which are urban in character; and
- (9) Protection of agricultural and rural lands which are designated for long term productive agricultural and resource use by a comprehensive plan adopted by the county legislative authority.

If the BRB decision is unanimous or the majority of the BRB members support the decision, then the decision is not appealable to the BRB. If there is a split BRB decision, an appeal may be made within ten days of issuance to the BRB.

Appeals can be made by to superior court within thirty days of a BRB decision. The BRB decision is then stayed until the superior court decision is made. Judgment is based on the BRB record; no new evidence is allowed on appeal to superior court. Importantly, pursuant to RCW 36.93.160, any governmental unit affected by the BRB decision *or any person owning real property* or residing in the area affected may file an appeal with the superior court. In application to the annexation of CM, State of Washington could file an appeal with superior court.

The superior court may affirm the decision of the BRB or remand the case for further proceedings; or it may reverse the decision if any substantial rights may have been prejudiced because the administrative findings, inferences, conclusions, or decisions are:

- (a) In violation of constitutional provisions, or

- (b) In excess of the statutory authority or jurisdiction of the board, or
- (c) Made upon unlawful procedure, or
- (d) Affected by other error of law, or
- (e) Unsupported by material and substantial evidence in view of the entire record as submitted, or
- (f) Clearly erroneous.

An aggrieved party may seek appellate review of any final judgment of the superior court in the manner provided by law as in other civil cases.

4. FINANCIAL ANALYSIS

Typically, an analysis of this nature takes the approach of considering multiple development scenarios for CM and, based on the range of expectations, evaluates likely public investments and services needed to service the annexation in future years, including a forecast of anticipated personnel and equipment needs for specific city departments as a result of the annexation.

This annexation is unique in two ways that are important to this analysis: First, the area proposed to be annexed is owned by one entity, the WMD, and second, the owner entity is a state department, rather than a private owner. Typical annexations involve multiple private parcel owners. While there are occasional annexations involving single parcels, for that parcel to be state-owned is unique. The result is that the type of service enhancement annexation generally offers in other instances is nothing more than a change in a few select service providers in this instance.

CM currently has a full range of urban services, including water and sewer, provided by JBLM. If annexed to the City, these services would presumably continue to be provided by JBLM. Barring any changes to this, many capital expenditures that are commonly necessary to extend urban services to a newly annexed area are effectively eliminated. Similarly, operating expenses for urban services would not be greatly affected for either party, as increases in the demand for urban services would be minimal. In addition to these services, the state owns and maintains all roadways, stormwater facilities, and other infrastructure on CM. Upon annexation, these facilities would continue to be owned and operated by CM, unless an agreement was reached with the City to maintain these facilities as part of a pre-annexation agreement or through an interlocal agreement.

The following section provides an analysis of the fiscal impact annexation of CM would have on the City and CM. Impacts were forecast for 2019, as well as for a ten-year period from 2019 to 2028.

Overall, the analysis indicates that without mitigation, CM will spend substantially more annexed to Lakewood than not, due largely to utility and sales taxes. This can be mitigated as described in more detail in Section 5, Mitigation.

Underlying assumptions: The fiscal impact analysis assumes the following:

- CM continues to have no residential uses;
- CM continues to be exclusively owned and operated by WMD;
- Annual inflation for revenues and expenditures of 3%;
- Limited staffing changes for the City are required; and
- Sewer and water continue to be provided by JBLM.

Property Taxes

Real property on state lands is exempt from property tax per RCW 84.36.010; thus, annexation of CM would have no fiscal impact from that source to either Lakewood or CM.

TABLE E				
2019 ESTIMATED NET FISCAL IMPACT OF PROPERTY TAX				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Property tax	-	-	-	-
Totals		-		-

Utility Taxes and Franchise Fees

Utility Taxes: The City levies taxes on public utility businesses based on revenues they generate within the City. The rate of taxes for electric, phone, and natural gas utilities are currently limited to 6% without voter approval by simple majority (RCW 35.21.870). Cities that passed a voted utility tax greater than 6% include Tacoma, Federal Way, and Kennewick. There are no limitations on other public utilities, such as solid waste, stormwater, sewer, and water.

Importantly, utility taxes are levied on the gross income earned by private utilities from operations within the City and as such, a utility tax is not directly imposed on individual utility customers. However, utilities often break out the amount of the utility tax on a customer's bill based on the utility's gross income from that customer.

Franchise Fees: Franchise fees are charges levied on private utilities for their use of City streets and other public properties to place utility and infrastructure in City rights-of-way. Cable television franchise fees cannot exceed 5% of gross revenues. RCW 35.21.860 limits electricity, natural gas, and telephone franchises to actual administrative expenses, and as such, these fees are not revenue generators for cities. As Lakewood knows well from past experience (*Lakewood v. Pierce County*, 106 Wn. App. 63 (Wash. Ct. App. 2001)), cities may also impose franchise fees to recover administrative costs on sewer and water. Reasonable franchise fees can be imposed on solid waste providers.

Franchise fees, like utility taxes, are levied on the gross revenue earned by private utilities from operations within the City. Again, these fees are not directly imposed on individual utility customers but utilities often pass this cost on to the customer, similar to utility taxes.

Table F provides a list of Lakewood’s utility tax and franchise rates. Notably, water and sewer are not included since presumably they would continue to be provided by JBLM. Lakewood levies a 6% percent tax on revenues that are generated in Lakewood city limits from the sale of telephone services, including cell phone services, cable television, and solid waste services. Lakewood levies a 5% percent utility tax on the provision of electricity, natural gas, and propane.

TABLE F				
LAKEWOOD UTILITY TAX AND FRANCHISE FEES RATES				
Utility	Type	Utility Tax	Franchise Fee	Non-compete fee
Clover Park School District Cable	Cable	-	-	-
Comcast Phone	Telephone	6%	-	-
Comcast Cable	Cable	6%	5%	-
Integra Telecomm.	Telephone	6%	-	-
Lakeview Light and Power	Electricity	5%	-	-
Lakeview Water District	Water	-	-	6%
Pierce County Sanitary Sewer	Sewer	-	-	6%
Puget Sound Energy	Electricity/Natural Gas	5%	-	-
Rainier Connect*	Cable	6%	5%	-
Waste Connections	Garbage/Recycle	6%	4%	-
TPU Light	Electricity	-	-	6%
TPU Water	Water	-	-	8%
* TPU Click! prior to 2020				

For the purposes of this analysis, utility taxes and franchise fees will collectively be identified as “utility taxes.” By annexing CM, public and private utilities will be subject to the City’s utility tax rates from revenue originating in CM. These taxes will be added to the bill of the customer, in this case CM, by the utility provider.

CM, as part of unincorporated Pierce County, does not currently pay the City’s utility taxes and fees described above. If annexed, CM would be subject to these taxes and fees, unless the City chose to waive or provide relief for these taxes, see **Section 5**.

Lakewood currently provides utility tax reductions for disabled, low-income, and senior citizens (see LMC 3.52.200.) To qualify for this program, a person must be either 62 years of age or older or be permanently disabled, and the person must have an income less than 50% of the median income 50% of the median income level for the Primary Metropolitan Statistical Area (PSMA) per household for the Seattle-Tacoma area as published by the Secretary of Housing and Urban Development (HUD). For 2019, the 50% median income limit for a family of two established by HUD for Lakewood based on the Seattle-Tacoma-Bellevue MSA was \$32,100. Applicants must be a resident of Lakewood and the amount of relief will be prorated on a monthly basis for each month that the customer is a resident of Lakewood. The maximum relief available is \$30 per year. A maximum of \$10 is available for the following utilities:

- Electric;
- Natural gas; and

- Telephone.

Currently, the City does not provide utility relief for:

- Garbage / Recycle; and
- Cable.

Similarly, the City does not provide franchise fee relief for those services. In the past, the City provided a reduction in solid waste service rates; however, this ended in 2016 per Ordinance No. 634. It should be noted that this relief is constitutionally supported as assistance to the poor and infirm. Assistance to CM would be based on an agreement rather than the state constitution.

If CM were annexed, there would be no changes in utility service providers for electricity, gas, cable, internet, telephone, and solid waste collection as the City currently has agreements with these providers in place. Additionally, there would be no changes to CM's sewer or water services currently provided by JBLM. The one utility where there would be a change in service provider is stormwater management, described in more detail in the next section.

Based on 2017-2018 actual costs, **Table G** lists CM's 2019 estimated utility expenditures. Using this estimate, **Table G** also provides an estimate of utility taxes and franchise fees if CM were annexed into Lakewood.

TABLE G			
2019 - ESTIMATED CM EXPENDITURES SUBJECT TO LAKEWOOD UTILITY TAX/FRANCHISE FEES			
	City Rate	CM Expenditures – Utility revenue	CM - New Utility Tax/Fees
Telephone	6%	\$373,968	(\$22,438)
Cable TV	6%	\$43,060	(\$2,583)
Internet/Data Lines	6%	\$720,000	(\$43,200)
Garbage	6%	\$161,339	(\$9,680)
Recycling	6%	\$52,769	(\$3,166)
Electricity	5%	\$2,087,842	(\$104,392)
Natural Gas	5%	\$491,863	(\$24,593)
Propane	5%	\$711	(\$35)
Total Estimated New Utility Taxes and Fees			(\$210,089)

In total, if CM was annexed to Lakewood, CM would experience an increase in expenditures of approximately \$210,000 due to the City's utility taxes for 2019. Without some explanation of equivalent benefit to CM or mitigation of this cost, there is an objective financial disincentive to annexation for CM.

TABLE H				
2019 - ESTIMATED FISCAL IMPACT OF LAKEWOOD UTILITY TAXES ON CM AND LAKEWOOD				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Utility Tax & Franchise Fees	-	(\$210,089)	\$210,089	-
Totals		(\$210,089)		\$210,089
*Does not include Surface Water Management Fees, water, or sewer				

Forecasting this impact over a 10-year period, Lakewood’s general fund would receive approximately \$2.4 million in additional utility tax revenue at the expense of CM (see **Table I.**)

TABLE I				
2019 TO 2028 - ESTIMATED FISCAL IMPACT OF LAKEWOOD UTILITY TAXES ON CM AND LAKEWOOD				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
Year	GAIN	LOSS	GAIN	LOSS
2019	-	(\$210,089)	\$210,089	-
2020	-	(\$216,392)	\$216,392	-
2021	-	(\$222,884)	\$222,884	-
2022	-	(\$229,570)	\$229,570	-
2023	-	(\$236,457)	\$236,457	-
2024	-	(\$243,551)	\$243,551	-
2025	-	(\$250,857)	\$250,857	-
2026	-	(\$258,383)	\$258,383	-
2027	-	(\$266,135)	\$266,135	-
2028	-	(\$274,119)	\$274,119	-
Total	-	(\$2,408,437)	\$2,408,437	-

Surface Water Management (SWM) Fees

As previously noted, the storm water facilities on CM are owned and operated by CM. CM has an adopted stormwater management plan and a National Pollution Discharge Elimination (NPDES) Permit; see <https://mil.wa.gov/asset/5c95327f82e8d>.

As part of unincorporated Pierce County, CM pays an annual storm water management (SWM) fee to Pierce County's stormwater utility for surface water drainage from impervious surfaces. Upon annexation to Lakewood, CM would be subject to Lakewood's stormwater utility and its SWM fee.

Lakewood's stormwater utility manages surface water run-off accounts for the City's only utility operation. The City applies a rate structure as a utility service charge to all parcels within the City, and those incorporated areas are defined by an interlocal drainage agreement as authorized by the City's municipal code. All parcels are subject to a service charge except those specifically exempted:

- a. All parcels consisting of mineral rights only;
- b. All parcels consisting entirely of tidelands, rivers, lakes, creeks, and/or streams;
- c. All vacant/undeveloped parcels; or
- d. All parcels that are (a) used for church, community center, community hall, grange, or community service-oriented purposes, and (b) owned by an organization with nonprofit public benefit status as defined by RCW 24.03.490. A service charge for this parcel will be phased in over a 5-year period beginning in 2019. This exempt status will be phased out by 2023.

Notably, stormwater management fees are a fee for service. The purpose of this charge is to provide resources to plan, manage, design, construct, maintain, revise, and upgrade the storm drainage system and surface water runoff systems within the corporate limits of the City. In 2018, the City performed a SWM Utility Rate Analysis. This study recommended that developed properties should not receive surface water rate credits based solely on the ownership or use of the parcel. Rather, the study concluded that the City's SWM fee structure should proportionately charge customers for their share of the system's cost burden and provide equitable, defensible means of cost recovery. The analysis recommended that the City's SWM fee be apply universally to developed properties based on the estimated increased contribution of runoff, and the associated cost of providing surface water management. On May 21, 2018, the City Council adopted Ordinance 687 amending LMC 3.38, Surface Water Management, which phased out exemptions and credits based on ownership or use of a property by 2023, as indicated above. If the City were to consider a SWM Fee exemption or waiver for CM it would be in complete reversal of this policy and would pose a risk for the City as a waiver of this nature would be based solely on ownership, rather the CM's share of the system's cost burden.

Table J provides a comparison of 2019 SWM fees for Lakewood and Pierce County. The City offers SWM credit for parcels that reduce stormwater run-off by keeping polluted stormwater on or near the site where the rain falls until it can be treated, evaporate, be used, or filter into the ground. The maximum SWM credit is currently forty-three percent (43%) for Lakewood, if it meets the criteria found in Lakewood Municipal Code 3.38.050(C). Pierce County provides a stormwater credit which can reduce SWM fees by up to thirty percent (30%).

TABLE J		
2019 - COMPARISON OF LAKEWOOD AND PIERCE COUNTY SWM CREDITS		
	Lakewood	Pierce County
Maximum Credit	43%	30%

In general, Lakewood's SWM fees for impervious surface and gravel area are 3.5% lower than Pierce County's fees, see **Table K**. In 2019, CM paid \$84,931 for surface water management fees for CM to Pierce County. If annexed to Lakewood, in 2019, CM would likely reduce its SWM fees to around \$81,958, a decrease of \$2,972 for the year, see **Table L**. Unlike Pierce County, Lakewood does not have a state highway and transportation infrastructure impervious surface charge fee. However, it is unlikely that this rate would apply to CM. SWM credits offered by Lakewood may reduce CM's SWM fee further.

TABLE K			
2019 - COMPARISON OF LAKEWOOD AND PIERCE COUNTY SWM FEES			
	Lakewood	Pierce County	Delta
Impervious	\$0.04653	\$0.04823	-3.5%
Gravel	\$0.03490	\$0.03617	-3.5%
Highways/transportation infrastructure - Impervious	-	\$0.00723	
Highways/transportation infrastructure – Gravel	-	\$0.00543	

TABLE L				
2019 - COMPARISON OF LAKEWOOD AND PIERCE COUNTY SWM FEES BASED ON 2019 CM SWM FEES				
	Lakewood	Pierce County	Difference	Delta
CM SWM fees - 2019	\$81,958.46	\$84,931.05	(\$2,972.59)	-3.50%

TABLE M				
2019 - COMPARISON OF LAKEWOOD AND PIERCE COUNTY SWM FEES PER PARCEL BASED ON CM DATA				
Parcels	Lakewood	Pierce County	Difference	Delta
219201001	\$22.69	\$23.51	(\$0.82)	-3.50%
219204001	\$24.33	\$25.21	(\$0.88)	-3.50%
219212027	\$22.69	\$23.51	(\$0.82)	-3.50%
2200000180	\$2,552.59	\$2,645.17	(\$92.58)	-3.50%
219212028	\$366.02	\$379.30	(\$13.28)	-3.50%
2200000140	\$488.97	\$506.70	(\$17.73)	-3.50%
219212000	\$2,255.64	\$2,337.45	(\$81.81)	-3.50%
219204000	\$24,426.12	\$25,312.04	(\$885.92)	-3.50%
219213000	\$51,799.42	\$53,678.16	(\$1,878.74)	-3.50%
TOTAL	\$81,958.46	\$84,931.05	(\$2,972.59)	-3.50%

Based on 2019 stormwater fee data from Pierce County for CM, Lakewood would receive approximately \$82,000 per year in additional SWM fees if CM was annexed to Lakewood and CM would decrease its expenditures on SWM fees by approximately \$3,000, if annexed to the City. Notably, annexing CM to Lakewood would not require the addition of more City personnel for SWM. Stormwater facilities on CM owned and operated by WMD would continue to be owned and operated by WMD, unless other ownership or maintenance provisions are mutually agreed to by CM and the City.

TABLE N				
2019 – ESTIMATED FISCAL IMPACT OF SURFACE WATER MANAGEMENT FEES				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Surface Water Management Fees	\$84,931	(\$81,958)	\$81,958	-
Totals		\$2,973		\$81,958

If CM were annexed, over a 10-year period Lakewood would receive approximately \$940,000 in additional SWM fees from CM. For this same period, it is estimated that CM would decrease its expenditures on SWM fees by approximately \$34,000 if annexed into Lakewood.

TABLE O				
2019 TO 2028 – ESTIMATED FISCAL IMPACT OF SURFACE WATER MANAGEMENT FEES				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
Year	GAIN	LOSS	GAIN	LOSS
2019	\$84,931	(\$81,958)	\$81,958	-
2020	\$87,479	(\$84,417)	\$84,417	-
2021	\$90,103	(\$86,950)	\$86,950	-
2022	\$92,806	(\$89,558)	\$89,558	-
2023	\$95,591	(\$92,245)	\$92,245	-
2024	\$98,458	(\$95,012)	\$95,012	-
2025	\$101,412	(\$97,863)	\$97,863	-
2026	\$104,454	(\$100,799)	\$100,799	-
2027	\$107,588	(\$103,823)	\$103,823	-
2028	\$110,816	(\$106,937)	\$106,937	-
Total	\$973,639	(\$939,562)	\$939,562	-
Net	\$34,077		\$939,562	

Sales Tax

Retail sales tax is calculated as a percentage of the sales price of tangible personal property and many services purchased by consumers. Groceries and medical prescriptions are excluded from sales tax. Beyond its application to tangible personal property, sales tax is also applied to items such as telephone service; the installation, repair, or cleaning of tangible personal property; and to the construction or improvement of new or existing buildings, including the labor and services performed throughout the process.

Retail sales tax revenue originates from several different categories including private vendors, construction activity, contracted services, and residential services that are subject to sales tax. CM is an instrument of the State of Washington and is subject to Washington taxes, except when exempted by state law. CM pays retail sales tax when it purchases equipment, office supplies, and other retail items. The sales tax rate for these purchases is determined by the “point of sale,” the location where sales tax is calculated. In 2008, the State of Washington adopted the “streamlined sales tax” system in which “the point of sale” is considered to be the point of delivery. MRSC’s 2019 Revenue Guide for Washington Cities and Towns provides this example on page 60:

“If you buy office furniture online that is shipped from a warehouse in Auburn and have it delivered to Port Angeles, you will pay the local sales tax rate applicable for the City of Port Angeles. But if you take possession of the merchandise at a retail business location in Auburn, you will pay the local sales tax rate applicable in the City of Auburn.”¹²

Currently, if CM purchases items and CM is the point of delivery, then these items are subject to Pierce County’s sales tax. If annexed to the City, these items would be subject to Lakewood’s sales tax. Items purchased by CM where possession is taken in another jurisdiction would be subject to the sales tax rate of that jurisdiction.

Like civilian businesses operating on federal reservations, any civilian businesses operating on CM is subject to all Washington taxes.

Table P provides a comparison of Pierce County and Lakewood sales and use tax rates. If annexed, CM would experience a net increase in operational costs representing the increase in sales tax of 0.06% that applies to Lakewood.

TABLE P		
Sales Tax Rate – Pierce County and Lakewood		
	Pierce County	Lakewood
Local	2.8%	3.4%
State of Washington	6.5%	6.5%
Total	9.3%	9.9%

Table Q provides a breakdown of Lakewood’s 9.9% sales tax rate that CM would be subject to if annexed to Lakewood. Of the City’s 9.9% sales and use tax, the City receives 0.84% of the City’s 1%, Pierce County receives the other 0.15% and the state receives 0.01%.

¹² MRSC. Revenue Guide for Washington Cities and Towns (2019). <http://mrsc.org/getmedia/d3f7f211-fc63-4b7a-b362-cb17993d5fe5/Revenue-Guide-For-Washington-Cities-and-Towns.pdf.aspx?ext=.pdf>

TABLE Q			
City of Lakewood – Sale Tax Rate Breakdown			
		Pierce County	Lakewood
LOCAL	Pierce County	1.0%	-
	Lakewood - 1% breakdown	-	1%
	Lakewood	-	0.84%
	Pierce County	-	0.15%
	State	-	0.01%
	Total	-	1%
	Pierce Transit	-	0.60%
	Sound Transit	1.40%	1.40%
	Pierce County Juvenile Facilities	0.10%	0.10%
	Zoo/Parks	0.10%	0.10%
	South Sound 911	0.10%	0.10%
	Criminal Justice	0.10%	0.10%
State	State	6.50%	6.50%
Total		9.30%	9.90%

Based on 2019 data, it is estimated that approximately \$11,776,000 of CM's retail expenditures would be subject to the City's sales tax if annexed. As a result, CM would experience a sales tax rate increase of 0.06% on these items increasing CM's expenditures by an estimated \$71,000, see **Table R**.

TABLE R		
CM ESTIMATED 2019 EXPENDITURES SUBJECT TO SALES TAX		
	Pierce County	Lakewood
Sales Tax Rate	9.3%	9.9%
CM expenditures subject to sales tax	\$11,776,000	\$11,776,000
CM sales tax	\$1,095,168	\$1,165,824
Difference in sales tax from PC rate	-	\$(70,656)

The City would receive an estimated \$98,000 in additional sales tax revenue based on the same estimates.

TABLE S	
LAKEWOOD SHARE OF ESTIMATED 2019 CM SALES TAX	
	Lakewood
CM sales tax	\$1,165,824
Lakewood's share (.84% of 9.9%)	\$97,929
County's share (.15% of 9.9%)	\$17,487

TABLE T				
2019 - ESTIMATED FISCAL IMPACT OF LAKEWOOD SALES TAX				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Surface Water Management Fees	-	(\$70,656)	\$97,929	-
Totals		(\$70,656)		\$97,929

Over a 10-year period, CM would experience an increase in expenditures of approximately \$809,992, while Lakewood would receive approximately \$1.1 million in additional sales tax revenue.

TABLE U				
2019 TO 2028 - ESTIMATED FISCAL IMPACT OF LAKEWOOD SALES TAX				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
Year	GAIN	LOSS	GAIN	LOSS
2019	-	(\$70,656)	\$97,929	-
2020	-	(\$72,775)	\$100,867	-
2021	-	(\$74,958)	\$103,893	-
2022	-	(\$77,207)	\$107,010	-
2023	-	(\$79,523)	\$110,220	-
2024	-	(\$81,909)	\$113,527	-
2025	-	(\$84,366)	\$116,933	-
2026	-	(\$86,897)	\$120,441	-
2027	-	(\$89,504)	\$124,054	-
2028	-	(\$92,190)	\$127,775	-
Total	-	(\$809,992)	\$1,122,649	-

State Shared Revenues

State-shared revenue projections are based on estimates of statewide per capita distribution of the liquor tax, liquor profits, gas taxes, and criminal justice revenues. CM annexation would not impact Lakewood's share of state-shared revenues as CM has no residential population, see **Table V**.

TABLE V				
STATE SHARED REVENUES 2019 ESTIMATED FISCAL IMPACT				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
State Shared Revenues	-	-	-	-
Totals		-		-

Development Services Permits

Currently, Pierce County performs review and approval of land use and planning, building and construction-related applications and inspection services for CM. Upon annexation, these functions would be performed by Lakewood, with the addition of historic preservation. As the entity performing the function, Lakewood would receive development services permit revenue. Notably, fee-generating projects are not static from year to year - they would fluctuate and be heavily influenced by the economy, specific projects and size of projects, among other things.

Land Use Fees

For most planning and land use fees, CM would experience a decrease in permit fee costs, see **Table W**. However, it is likely that these types of permits would be fairly infrequent. Permit fees are associated with development; as such, they would have a minimal impact on CM's development services expenditures. Lakewood would experience some degree of increase in land-use fee revenues with the annexation of CM, but it would not be significant.

TABLE W				
COMPARISON OF LAKEWOOD AND PIERCE COUNTY PLANNING AND LAND USE PERMIT FEES - 2019				
	Lakewood	Pierce County	Difference	%
Preliminary Plat	\$4,850	\$6,420	-\$1,570	-24%
Final Plat	\$3,250	\$4,110	-\$860	-21%
Short Plat	\$3,500	\$3,130	\$370	12%
Boundary Line Adjustment	\$600	\$2,180	-\$1,580	-72%
Administrative Use	\$1,500	\$2,430	-\$930	-38%
Conditional Use	\$2,200	\$3,690	-\$1,490	-40%
Temporary Use	\$200	\$200	\$0	0%
Shoreline Substantial Development	\$2,300	\$2,230	\$70	3%
Shoreline CUP	\$3,100	\$2,630	\$470	18%
Shoreline Exemption	\$150	\$400	-\$250	-63%
SEPA checklist	\$480	\$1,900	-\$1,420	-75%
Comprehensive Plan Amendment	\$850	\$3,000	-\$2,150	-72%
Amendment to Development Regulation	\$850	\$3,000	-\$2,150	-72%
Amendment to Shoreline Master Plan	\$1,800			
Site-Specific Rezone	\$850	\$1,600	-\$750	-47%

Building Permit Fees

If annexed, CM would likely experience an increase in building permit fees for projects with project construction valuations of less than \$6 million, see **Table X**. For projects with construction valuations at or over \$6 million, CM would experience a decrease in building permit fees.

Lakewood and Pierce County both base building permit fees on a project's construction valuation. The valuation of a project is determined by the Building Official. For most projects, Lakewood and Pierce County use the "Building Valuation Data" table compiled by the International Code Council as a guide for making valuation determinations. For projects not covered by the table, Lakewood uses construction estimation tools such as Construction Cost Data by R.S. Means or the BNI Construction Cost book may be referenced as a guide. **Table X** provides a comparison of Lakewood and Pierce County Building Permit Fees as determined by project construction valuation.

TABLE X				
COMPARISON OF LAKEWOOD AND PIERCE COUNTY BUILDING PERMIT FEES - 2019				
Building Permit as determined by project construction valuation	Lakewood	Pierce County	Difference	Delta
\$500	\$30.00	\$69.00	-\$39.00	-57%
\$2,000	\$90.00	\$69.00	\$21.00	30%
\$25,000	\$492.50	\$349.83	\$142.67	41%
\$50,000	\$805.00	\$574.75	\$230.25	40%
\$100,000	\$1,255.00	\$887.25	\$367.75	41%
\$500,000	\$4,155.00	\$2,887.75	\$1,267.25	44%
\$1,000,000	\$7,155.00	\$5,012.75	\$2,142.25	43%
\$3,000,000	\$15,155.00	\$13,512.75	\$1,642.25	12%
\$6,000,000	\$26,155.00	\$26,262.75	-\$107.75	0%
\$8,000,000	\$32,155.00	\$42,262.75	-\$10,107.75	-24%

Table Y provides a comparison of Lakewood and Pierce County Plan Review Fees. For each jurisdiction, plan review fees are 65% of the Building Permit Fee.

TABLE Y						
COMPARISON OF LAKEWOOD AND PIERCE COUNTY PLAN REVIEW FEES - 2019						
	Lakewood			Pierce County		
Project Construction Valuation	Building Permit Fee	Plan Review Fee (65% of Building Permit Fee unless noted)	Total Building & Plan Review Fee*	Building Permit Fee	Plan Review Fee	Total Building & Plan Review Fee*
\$500	\$30.00	\$85*	\$115.00	\$69.00	\$44.85	\$113.85
\$2,000	\$90.00	\$58.50	\$148.50	\$69.00	\$44.85	\$113.85
\$25,000	\$492.50	\$320.13	\$812.63	\$349.83	\$227.39	\$577.22
\$50,000	\$805.00	\$523.25	\$1,328.25	\$574.75	\$373.59	\$948.34
\$100,000	\$1,255.00	\$815.75	\$2,070.75	\$887.25	\$576.71	\$1,463.96
\$500,000	\$4,155.00	\$2,700.75	\$6,855.75	\$2,887.75	\$1,877.04	\$4,764.79
\$1,000,000	\$7,155.00	\$4,650.75	\$11,805.75	\$5,012.75	\$3,258.29	\$8,271.04
\$3,000,000	\$15,155.00	\$9,850.75	\$25,005.75	\$13,512.75	\$8,783.29	\$22,296.04
\$6,000,000	\$26,155.00	\$17,000.75	\$43,155.75	\$26,262.75	\$17,070.79	\$43,333.54
\$8,000,000	\$32,155.00	\$20,900.75	\$53,055.75	\$42,262.75	\$27,470.79	\$69,733.54
* Lakewood has a minimum of \$85 for a site review fee.						
** Does not include any fire, mechanical, or plumbing fees.						

The impact of annexation could be fairly significant. CM would experience cost savings for major construction projects with project construction valuations at or over \$6 million. Review of Pierce County permit data for 2017-2019 revealed that most development service permits for CM were for relatively minor construction projects, e.g., minor remodels, minor plumbing and mechanical updates.

The City asked for CM's Master Plan to review upcoming capital projects; however, it was not provided. Per CM representatives, WMD is currently drafting a new Master Plan specific to CM. The current Master Plan covers the whole state and only addresses major projects. **Table X2** lists the proposed capital projects specific to CM found in the 2019-2021 Governor's Proposed budget - 10-year capital plan. WMD's proposed capital projects can be found here: <https://ofm.wa.gov/budget/state-budgets/gov-inslees-proposed-2019-21-budgets/2019-29-capital-plan/10-year-capital-plan-and-expenditures/capital-projects-by-agency/245>

TABLE X2			
Proposed Capital Projects at CM			
Project	Project No.	Est. Cost	Est. Appropriation
Camp Murray Billeting	30000585	\$17,195,000	2023-2029
Camp Murray Building 33 Addition/Alteration	3000586	\$3,000,000	2025-2027
Camp Murray Building 33 Addition/Alteration	3000586	\$1,000,000	2025-2027
Camp Murray Soldiers Memorial Park	40000062	\$600,000	2019-2021

CM would likely reduce its development services review costs for the CM Billeting project if CM was annexed to the City.

Plumbing and Mechanical Fees

Table Z provides a comparison of plumbing and mechanical fee costs. Permit fees between the jurisdictions vary; in some instances, Pierce County has lower fees and in others Lakewood does.

TABLE Z				
COMPARISON OF LAKEWOOD AND PIERCE COUNTY MECHANICAL & PLUMBING FEES - 2019				
Fees	Lakewood	Pierce County	Difference	Delta
Plumbing fees				
Issuing a permit	\$34.00	\$50.00	(\$16.00)	-32%
Each plumbing fixture	\$12.00	\$7.00	\$5.00	71%
Each water heater and vent	\$12.00	\$7.00	\$5.00	71%
Plan Review fee – Project Valuation				
Up to \$5,000	\$85.00			
\$5,000 to \$100,000	\$85.00 for \$5,000 + \$17 for each additional \$1,000			
\$100,000 and up	\$1,700 for \$100,000 + \$12 for each additional \$1,000			
Mechanical fees				
Issuing a permit - mechanical	\$34.00	\$50.00	(\$16.00)	-32%
Each forced-air or gravity-type furnace or burner, including ducts and vents attached to such appliance up to and including 100,000 Btu/h.	\$22.00	\$14.80	\$7.20	49%
Each installation or relocation of each floor furnace, including vent.	\$12.00	\$14.80	(\$2.80)	-19%
Plan Review fee – Project Valuation				
Up to \$5,000	\$85.00			
\$5,000 to \$100,000	\$85.00 for \$5,000 + \$17 for each additional \$1,000			
\$100,000 and up	\$1,700 for \$100,000 + \$12 for each additional \$1,000			

Total Estimated Development Service Fees

From 2017-2019, CM paid about \$12,000 per year in development service permit fees. Based on this data, if annexed, it is likely that CM would experience a slight increase in permit fees to an average of approximately \$15,000 per year. This constitutes an increase of \$3,000 dollars, or around 20%, for CM. Given the low volume of permits generated by CM, Lakewood would not need to add personnel to the Community and Economic Development or the Public Works and

Engineering Departments. Again, the City asked CM for its Master Plan to review upcoming capital projects, however, CM opted not to provide it stating it was currently under development.

TABLE AA				
2019 - ESTIMATED FISCAL IMPACT OF LAKEWOOD DEVELOPMENT SERVICES FEES CM AND LAKEWOOD				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Building Permit Fees	\$12,000	(\$15,000)	\$15,000	-
Totals		(\$3,000)		\$15,000

Over a 10-year period, CM would experience an increase in development fee expenditures of approximately \$34,500, if annexed. This estimate does not include any major capital projects. A major capital project could reduce CM's development service-related expenditures if annexed. Lakewood would receive approximately \$172,000 in development fees from CM over the 10-year period.

TABLE AB				
2019 TO 2028 - ESTIMATED FISCAL IMPACT OF LAKEWOOD DEVELOPMENT SERVICES FEES CM AND LAKEWOOD				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
Year	GAIN	LOSS	GAIN	LOSS
2019	\$12,000	(\$15,000)	\$15,000	-
2020	\$12,360	(\$15,450)	\$15,450	-
2021	\$12,730	(\$15,913)	\$15,913	-
2022	\$13,112	(\$16,390)	\$16,390	-
2023	\$13,506	(\$16,882)	\$16,882	-
2024	\$13,911	(\$17,389)	\$17,389	-
2025	\$14,328	(\$17,910)	\$17,910	-
2026	\$14,758	(\$18,448)	\$18,448	-
2027	\$15,201	(\$19,001)	\$19,001	-
2028	\$15,657	(\$19,571)	\$19,571	-
Total	\$137,566	(\$152,386)	\$171,958	-
Net		(\$34,392)		\$171,958

The following provides an example of an actual project at CM in 2019. A structure on parcel 0219212000 was remodeled. The project valuation was \$298,000. **Table AC** provides the Building Permit and Plan Review Fee for Lakewood and Pierce County. If annexed to the City, CM would pay an additional \$1,341 in building and plan review fees, an increase of forty-three percent (43%).

TABLE AC				
COMPARISON OF LAKEWOOD AND PIERCE COUNTY BUILDING PERMIT CONSTRUCTION FEES FOR PROJECT WITH \$298,000 VALUTATION				
	Lakewood	Pierce County	Difference	Delta
Building Permit Construction Valuation	\$298,000	\$298,000	-	-
Building Permit Fee	\$2,690	\$1,877	\$812	43%
Plan Review Fee (65% of Permit Valuation)	\$1,748	\$1,220	\$528	43%
Total Building & Plan Review Fee*	\$4,439	\$3,098	\$1,341	43%
* Does not include any fire, mechanical, or plumbing fees.				

Capital Facilities Planning

Per CM representatives, WMD is drafting a new Master Plan specific to CM.

Upon annexation, CM would use the City for development services and apply for land use and building permits from Lakewood. As this analysis shows, for large projects with construction valuation assessments over \$6 million, CM would significantly reduce development fees per the City's fee schedule.

Zoning Designation

RCW 35.13.177 and .178 authorize and direct comprehensive planning for areas a city may annex. LMC 18A.20.1020 states:

“All land or territory within the urban growth area hereafter annexed to the City shall be zoned as depicted on the official zoning map of the City. Any area that is not prezoned shall be zoned in conformance to the comprehensive plan.”

“*Prezoning*” means establishing a zoning classification into which a property will fall upon incorporation. The City would need to establish zoning designations for CM and shoreline environment designations for shorelines along American Lake on CM in order to implement annexation.

Shoreline Management Program

If annexed to the City, CM's American Lake shorelines would be regulated by Lakewood's Shoreline Management Plan (SMP) and a shoreline environment designation would need to be determined for CM. Currently, most of American Lake is designated a Shoreline Residential Environment. A few areas are designated Urban Park Environment including: American Lake Park, Harry Todd Park, Lake City Blvd SW street-end, and an isthmus located on Eagle Point Loop Rd.

Historic Preservation

If annexed to the City, CM would be subject to Lakewood Municipal Code (LMC) 2.48, Protection and Preservation of Landmarks. In the city of Lakewood, there are several types of historic designations available to property owners: City, State, and National. Lakewood has approximately 20 buildings listed on one register or another, and many more have been determined eligible for Lakewood's City historic register status. There are two registers for the City of Lakewood: Landmark Register and Community Landmark Register. The Landmark Register status is the higher standard and receives some regulatory protection through design review of any proposed exterior changes.

Properties listed on the Lakewood Landmark Register are eligible for tax incentives. The Lakewood Landmark Register carries the advantage of potential local property tax relief, as well as access to information and guidance for keeping the essential character of historic buildings intact. To qualify as a Lakewood Landmark, a property must be over 50 years old, have maintained its historic appearance and have some historic significance. Properties are added to the Lakewood Landmarks Register by an application that documents how they meet these criteria. Following notification to interested parties, the City's Landmarks & Heritage Advisory Board (LHAB) reviews each application at a public hearing.

Once a property has achieved Landmark historic designation, it becomes a Lakewood Landmark and the owner's responsibility is to maintain the historic appearance of the property. Any renovation or treatment to the property that will change its appearance must be reviewed for historic appropriateness by the City staff, or in the case of major changes, by the LHAB. Property tax relief is potentially available to property owners who substantially invest in the repair and rehabilitation of a designated Lakewood Landmark. The Washington Special Valuation Tax program provides a reduction in property taxes for a period of ten years. Additionally, historically appropriate rehabilitation of properties listed on the National Register can qualify the owner for a one-time Federal Income Tax Credit of 20% of the cost of renovations.

It is unknown whether CM would want any of its building to be designated historical given the limitations such designation has on remodeling, use, etc. of the building.

Business license fees

Businesses on CM are extremely limited. Any business license fees are paid directly by the business - no direct impact to CM. Those businesses that are located on CM, such as the American Lake Credit Union and Vic's Espresso, would be subject to the license fee.

Amusement, admissions, and gambling taxes

Amusement, admissions, and gambling taxes are paid for by business – there would be no impact on CM. Currently, there appear to be no activities that would generate application of this tax on CM.

Business and Occupation taxes

As previously indicated, businesses on CM are extremely limited. Moreover, the City does not assess a B&O tax (other than utility taxes.) As this tax is levied directly on the business, there would be no impact to CM.

Impact fees

Impact fees are one-time charges assessed by a local government to directly address the increased demand that results from a particular development. RCW 82.02.050 authorizes cities planning under GMA to impose impact fees for system improvements and public capital facilities listed in a capital improvement plan that provide services to the greater community. The fee is assessed against the new development project to help pay for needed new or expanded public facilities. Local governments can impose impact fees for:

- 1) public streets and roads;
- 2) publicly owned parks, open space, and recreation facilities;
- 3) school facilities; and/or
- 4) fire protection facilities.

Lakewood assesses no impact fees. Currently, CM is not impacted by any Pierce County impact fees; CM is not within any of the four Pierce County Traffic Impact Fee Service Areas, and the County park impact fee is only levied on new residential dwelling unit developments.

Police Services

CM is currently served by the Pierce County Sheriff's Department (PCSD). PCSD does not dedicate patrol services to CM, but responds to calls when necessary. CM maintains private security whose primary responsibility is to oversee the entry control points. Per the CM Security Supervisor, CM experiences around 4 calls a year for Military Police (military incidents) services. In the past couple of years, CM did not call PCSD for services. If annexed, Lakewood Police Department (LPD) would serve CM for non-military incidents. Given the extremely low volume of calls for non-military enforcement services at CM, if annexed, LPD could meet CM's service load without increasing personnel levels.

During the summer months, the LPD provides patrol service at the existing CM boat launch on an as-needed basis. There are no expected fiscal impacts on Lakewood or CM for police services.

Fire / EMS Services

CM is served by the JBLM Fire Department, and no changes to this service are anticipated as the result of annexation. As such, there would be no resulting fiscal impacts on Lakewood or CM. Even if WPFR were to provide Fire services to CM, as state land, CM does not pay property tax, which is the revenue source for WPFR. Real property on state lands is exempt from property tax per RCW 84.36.010. There could be increases in cost for International Fire Code and Plan Review Permits for CM if WPFR provided Fire/EMS services.

Road Operations and Maintenance

Currently, Pierce County does not maintain or repair roads on CM. The existing road system belongs to CM and as such, the responsibility for maintenance and repair rests with CM, and ultimately the state of Washington. If annexed, the existing road systems would continue to belong to CM. Consequently, the responsibility for maintenance and repair would continue to rest with CM. As a result, if annexed, CM road operations and maintenance would have no impact on Lakewood or CM.

Per the 2019 update to the CM Stormwater Management Program Plan:

“WMD Maintenance division maintains the roads and parking lots at Camp Murray. Maintenance owns and operates street sweeping equipment, used to clean roads and parking lots of trash, debris, and settled dust as needed, and at least quarterly. If pollutant generating materials accumulates on paved surface, WMD contracts for vacuum truck services on an as needed basis.”

Lakewood and WMD can enter into an Interlocal agreement or contract for road maintenance and/or engineering services, such as planning, design work and construction inspection regardless of annexation.

Boat Launch Services

Regardless of annexation, Lakewood can assume the lease for the existing boat launch on CM, to include maintenance and operation, if so desired by both parties. In the past, CM has expressed an interest in a possible long term lease to the City. In a 2011 letter to former Lakewood City Manager Andrew Neiditz, Adjutant General Timothy J. Lowneberg stated:

“First, the Military Department is willing to discuss arrangements for a possible long term lease to the City of the boat launch area located at the north end of our property on American Lake. We are open to discussing ways in which the City could operate the launch area for public benefit with the City being responsible for all operational and capital costs. Any agreements reached would obviously be subject to the execution of lease documents that reflect mutually acceptable terms and conditions.”

Similar sentiments were expressed in 2019 regarding the Boat Launch during a meeting with CM and the City. This arrangement does not require annexation of CM by Lakewood.

In the past, the City has assumed responsibility for the maintenance and operation of public spaces from other public agencies, including assuming Pierce County’s lease with the State of Washington for the maintenance and operation of Fort Steilacoom Park, and assuming maintenance of areas of Pierce College located at Fort Steilacoom Park. Prior to the City’s incorporation in 1996, most parks and open space facilities were owned or leased by Pierce County. After incorporation, the need for outside agencies, like Pierce County, to continue to own and maintain these places made less sense. Lakewood inherited or assumed responsibility for Pierce County’s parks and open space facilities and leases, with some exceptions, e.g., Seeley Lake Park and the Lakewood Activity Center.

Maintenance of the CM boat launch would impact the City's Parks, Recreation and Community Services Department (PRCS) and, to a lesser degree, the City's Administrative Services Department. Taking over this function would not, however, significantly benefit CM as the boat launch is currently leased and maintained by the Washington State Department of Fish and Wildlife (WDFW). The boat launch is currently open to the public year-round to those with a Discovery Pass or Vehicle Access Pass.

While completely functional as a rural boat launch, the site could use significant upgrades to increase accessibility and usability. **Figure 7 and Figure 8** capture the boat launch's current conditions. Existing facilities at the boat launch include a concrete boat launch, restrooms (pits), and a large unpaved parking lot. None of the existing facilities are compliant with the American with Disabilities Act (ADA). Upgrades to this facility would require significant capital investment.

FIGURE 7: Aerial of existing boat launch on CM maintained by WDFW



FIGURE 8: Photo of boat launch on CM maintained by WDFW



For 2019, the estimated annual revenue for the boat launch is \$25,000 if the City assumed operation and maintenance. This estimate is based on revenue generated from the City's existing boat launch at American Lake Park. In 2018, Lakewood collected around \$50,000 in boat launch fees. It is unknown if, or to what degree, adding a boat launch may cut into or augment existing City boat launch revenue. For 2019, the estimated annual maintenance cost for PRCS to operate and maintain the existing boat launch was estimated at \$52,000, see **Table AE**.

TABLE AE	
ESTIMATED MAINTENANCE COSTS FOR CM BOAT LAUNCH	
Item	Cost
Labor	\$23,500
1218 hours (.59FTE), Maintenance worker 1, step 3	\$23,500
Equipment & contracts	\$8,500
Truck	\$4,380
Blower	\$40
Pressure Washer	\$24
Line Trimmer	\$8
Hedge Bar	\$5
Hand Tools	\$921
Leaf Truck Vacuum	\$64
SWM Vault cleaning	\$1,000
Sweeping contract	\$620
Pay Station	\$1,440
Portable Toilet rentals (sanicans)	\$20,000
ADA unit	\$7,000
Regular unit (2x)	\$13,000
TOTAL	\$52,000

In addition to the annual maintenance, the City would need to add a boat launch pay station. The addition of a boat launch pay station is estimated to cost around \$30,000.

TABLE AF	
ESTIMATED ONE-TIME COSTS FOR CM BOAT LAUNCH	
Item	Cost
One-time costs: Pay station and installation	\$30,000

Any revenue collected from this boat launch could be used to offset operating expenses, one-time costs, and possible future capital development costs. **Table AC** lists the estimated fiscal impact if

the City assumed operation and maintenance of the boat launch. Again, assuming the maintenance and operation of the boat launch is not dependent on annexation.

For 2019, the estimated annual maintenance cost and one-time costs for PRCS operate and maintain the boat launch was estimated at \$82,000, see **Table AG**.

TABLE AG				
2019 - ESTIMATED FISCAL IMPACT OF LAKEWOOD ASSUMING THE BOAT LAUNCH				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Boat Launch	-	-	\$25,000	\$(82,000)
Net Total		-		\$(57,000)

Over a 10-year period, by taking over the lease of the boat launch, Lakewood would receive approximately \$285,000 in boat launch fees and expend an estimated \$626,000 on maintenance and limited one-time costs including the boat launch pay station, see **Table AH**. CM does not benefit from the City assuming operation of the boat launch, as the boat launch is currently leased to WDFW. For CM, it would merely be a change in service provider.

TABLE AH				
2019 TO 2028 - ESTIMATED FISCAL IMPACT OF LAKEWOOD ASSUMING THE BOAT LAUNCH				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
Year	GAIN	LOSS	GAIN	LOSS
2019	-	-	\$25,000	\$(82,000)
2020	-	-	\$25,750	\$(53,560)
2021	-	-	\$26,523	\$(55,167)
2022	-	-	\$27,318	\$(56,822)
2023	-	-	\$28,138	\$(58,526)
2024	-	-	\$28,982	\$(60,282)
2025	-	-	\$29,851	\$(62,091)
2026	-	-	\$30,747	\$(63,953)
2027	-	-	\$31,669	\$(65,872)
2028	-	-	\$32,619	\$(67,848)
Total	-	-	\$286,597	\$(596,122)
Net	-	-		\$(339,525)

As previously mentioned, upgrades to this facility would require significant capital resources to bring it up to ADA and city standards for an urban park. It is estimated that capital costs to bring the boat launch up to minimum City park standards is \$752,000, see **Table AH-1**. Notably, this estimate includes portable toilets (sanicans) rather than restrooms connected to sewer. Restroom connected to sewer would cost substantially more. The estimate includes: the addition of a pay station, electrical for the pay station, lighting, and cameras, fencing improvements, boat launch replacements (2), the addition of a dock between the boat launches, paving of the gravel area (asphalt), stormwater improvements, and the demolition of the existing pit toilets.

TABLE AH-1					
Estimated Capital Costs for Boat Launch					
Description	Quantity	Unit	Unit Cost	Cost	Notes
Pay Station	1	Each	\$25,000	\$25,000	Solar powered could be an option
Electrical	1,700	Feet	\$24	\$40,800	For Pay station, security lighting and cameras (would also support the police and fire boathouse security)
Fencing	75	Feet	\$60	\$4,500	To cut the corner in front of the launch, does not affect their perimeter road.
Launch Replacement*	2	Each	\$74,400	\$148,800	Based on ramp section style, current ramps are older than 25 years old. Cost is estimated at \$1,200 per linear foot (48ft) with 672 square feet of matting at \$25 per square feet.
Dock	1	Each	\$50,000	\$50,000	New dock between the two launches
Gravel	1,400	Ton	\$40	\$56,000	Subbase for HMA asphalt
Asphalt	1,800	Ton	\$90	\$162,000	2" HMA asphalt
Stormwater	1	Each	\$250,000	\$250,000	Planter strips with filter vaults for 2 acres
Demo Pit Toilets	2	Each	\$7,500	\$15,000	
TOTAL CAPITAL COST ESTIMATE				\$752,100	

Judicial and Quasi-Judicial Services

This category includes costs associated with judicial and legal expenditures, including hearing examiner and court services. CM has no population and public access to the facility is tightly controlled. Hearing examiner actions may ensue periodically with the City providing development service review. However, overall use would be highly infrequent and irregular. The overall fiscal impact to Lakewood and CM would likely be insignificant.

Administrative Services

It is estimated that the City's Administrative Services (AD) would be impacted by revenue collections and IT services. For the purpose of this analysis, for 2019, it was estimated that the City would experience an increase of \$5,000 in AD expenditures, see **Table AI**. In the event of annexation, the City would likely be able to perform these additional duties without increasing AD personnel levels.

TABLE AI				
2019 - ESTIMATED NET FISCAL IMPACT ADMINISTRATIVE SERVICES				
	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
DESCRIPTION	GAIN	LOSS	GAIN	LOSS
Judicial / Quasi-Judicial	-	-		\$(5,000)
Totals		-		\$(5,000)

Over a 10-year period, Lakewood would experience an estimated increase of \$60,000 in AD costs.

TABLE AJ				
2019 TO 2028 - ESTIMATED NET FISCAL IMPACT ADMINISTRATIVE SERVICES				
Judicial / Quasi-Judicial	MILITARY DEPARTMENT		CITY OF LAKEWOOD	
Year	GAIN	LOSS	GAIN	LOSS
2019	-	-	-	\$(5,000)
2020	-	-	-	\$(5,150)
2021	-	-	-	\$(5,304)
2022	-	-	-	\$(5,463)
2023	-	-	-	\$(5,627)
2024	-	-	-	\$(5,796)
2025	-	-	-	\$(5,970)
2026	-	-	-	\$(6,149)
2027	-	-	-	\$(6,333)
2028	-	-	-	\$(6,523)
Total	-	-		\$(57,319)

Estimated Fiscal Impact for CM and Lakewood with no mitigation

Table AK provides a breakdown of the total estimated fiscal impact the annexation of CM would have on both parties using 2019 data. Without mitigation, the annexation of CM was expected to increase CM's annual expenditures by approximately \$280,000 and increase the city's revenues by approximately \$343,000 in 2019. Notably, this total assumed that the City leased or acquired ownership of the boat launch and no major capital projects were performed at the boat launch other than adding a boat launch meter.

TABLE AK				
2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM WITH BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(210,089)	\$210,089	-
SWM fees	\$84,931	\$(81,958)	\$81,958	-
State shared revenues	-	-	-	-
Sales tax	-	\$(70,656)	\$97,929	-
Building permit fees	\$12,000	\$(15,000)	\$15,000	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$25,000	\$(82,000)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/ leasing of boat launch*	\$96,931	\$(377,704)	\$429,977	\$(87,000)
Net Total – w/ leasing boat launch		\$(280,773)		\$342,977
*Boat launch control does not include any capital projects.				

Taking out the cost of capital projects for the boat launch, the annexation of CM increases annual revenues to the City by approximately \$400,000, see **Table AL**. For CM, the increase in expenditures remains the same at approximately \$280,000.

TABLE AL				
2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM NO BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(210,089)	\$210,089	-
SWM fees	\$84,931	\$(81,958)	\$81,958	-
State shared revenues	-	-	-	-
Sales tax	-	\$(70,656)	\$97,929	-
Building permit fees	\$12,000	\$(15,000)	\$15,000	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	-	-
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/no leasing of boat launch	\$96,931	\$(377,704)	\$404,977	\$(5,000)
Net Total – w/no leasing boat launch		\$(280,773)		\$399,977
*Boat launch control does not include any capital projects				

Table AM provides a breakdown of the fiscal impact the annexation of CM would have on both parties from 2019 to 2028, without mitigation and with the City assuming control of the boat launch without major capital projects at the boat launch other than adding a boat launch meter. Over a ten-year period, the annexation of CM would increase CM's expenditures by approximately \$3.2 million and increase City revenues by approximately \$4.2 million.

TABLE AM				
2019 TO 2028 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM WITH BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(2,408,437)	\$2,408,437	-
SWM fees	\$973,639	(\$939,562)	\$939,562	-
State shared revenues	-	-	-	-
Sales tax	-	\$(809,991)	\$1,122,649	-
Building permit fees	\$137,566	\$(171,958)	\$171,958	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$286,597	\$(626,122)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services				
Administrative Services				\$(57,319)
Subtotal w/ leasing of boat launch*	\$1,111,2026	\$(4,329,949)	\$4,929,203	\$(683,411)
Net Total – w/ leasing boat launch		\$(3,218,743)		\$4,245,762
*Assumes Lakewood controls boat launch, this does not include any capital projects				

If the City did not assume responsibility for the boat launch, for the same period of time, the annexation of CM would increase City revenues by approximately \$4.6 million and increase CM expenditures by approximately \$3.2 million.

TABLE AN				
2019 TO 2028 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM NO BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(2,408,437)	\$2,408,437	-
SWM fees	\$973,639	\$(939,562)	\$939,562	-
State shared revenues	-	-	-	-
Sales tax	-	\$(809,991)	\$1,122,649	-
Building permit fees	\$137,566	\$(171,958)	\$171,958	-
Impact fees	-	-	-	-
Boat launch fees	-	-	-	-
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services				
Administrative Services				\$(57,319)
Subtotal w/no leasing of boat launch	\$1,111,206	\$(4,339,949)	\$4,329,949	\$(57,319)
Net Total – w/no leasing boat launch		\$(3,218,743)		\$4,585,352

5. MITIGATION OF FEES AND TAXES

The major concern at issue is that, by becoming part of the city, CM would incur new costs associated with receiving city services, while not necessarily receiving a discernible benefit. The fiscal analysis in the previous section supports this, as CM would spend more on utility sales taxes, if annexed. Mitigation options available for the City to offset these fiscal impacts on CM include:

Option 1: Work with the City's utility providers to partially or completely waive utility tax fees for CM upon annexation on a temporary or permanent basis. This requires amending most of the existing franchise agreements with the City's utility providers. While this option is theoretically available for the City to pursue, it is not recommended that the City pursue this option at this time due to the high level of risk associated with this option described in more detail below.

Option 2: Provide CM with utility tax relief. Under a utility tax relief program, the City partially or completely, and on a temporary or permanent basis, reimburses CM for utility taxes. While this option is theoretically available for the City to pursue, it is not recommended that the City pursue this option at this time due to the high level of risk associated with this option described in more detail below.

Option 3: Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM's street, ROW, and stormwater infrastructure on a temporary or permanent basis.

Option 4: Pursue some other form of mitigation. There may be additional mitigation options available to the City not addressed in the options above.

Importantly, these options present risks for the City. Under Option 1 and Option 2, the City could be challenged by a party or parties from areas of the City where utility taxes are 1) not waived, or 2) do not receive utility tax relief. For Option 3, the City has rarely, if ever, converted streets from private ownership to City ownership and CM is not open to the general public.

Prior to pursuing any of the three options listed above, the City should thoroughly consider the public benefit such a waiver, tax relief, or transfer of ownership provides.

Option 1: Waive Utility Tax Fees for CM

While this option is theoretically available for the City to pursue, it is not recommended that the City pursue this option at this time due to the high level of risk associated with this option as described in more detail below.

The City could choose to waive taxes in CM to mitigate the fiscal impact annexation would have on CM. The City may do this as Washington state grants Code cities, like Lakewood, broad authority to self-govern.

The legislative body of each code city shall have all powers possible for a city or town to have under the Constitution of this state, *and not specifically denied to code cities by law*. By way of illustration and not in limitation, such powers may be exercised in regard to the acquisition, sale, ownership, improvement, maintenance, protection, restoration, regulation, use, leasing, disposition, vacation, abandonment or beautification of public ways, real property of all kinds, waterways, structures, or any other improvement or use of real or personal property, in regard to all aspects of collective bargaining as provided for and subject to the provisions of chapter 41.56 RCW, as now or hereafter amended, and in the rendering of local social, cultural, recreational, educational, governmental, or corporate services, including operating and supplying of utilities and municipal services commonly or conveniently rendered by cities or towns.

RCW 35A.11.020, emphasis added.

Taxation is among the powers granted to the legislative bodies of Code cities. *Id.* There is no prohibition on taxes being waived in newly incorporated areas. At the same time, there is no statutory authorization that allows a City to waive taxes in newly incorporated areas. *Thus, if the City were to be challenged, the argument would be that there is no prohibition to the City's action, but the challenge may be before a court that expects the City to produce the statutory permission or authorization.* Despite the broad grant of authority granted to Code cities, courts have, with some regularity, followed what is generally known as “Dillon’s Rule,” which requires a specific grant of authority for each thing a city does rather than cities being able to do anything not specifically prohibited.

Taxes and fees can be waived in part or in whole. Importantly, it is likely that the longer a waiver of taxes is in effect, the greater the risk to Lakewood that the waiver will be challenged by a party or parties in areas where the utility tax is not waived. A permanent waiver of taxes seems disproportionate to any benefit of annexation to Lakewood. Guidance suggests that annexed areas be treated like the city as soon as possible, Section 2.5, *Annexation by Washington Cities and Towns*. Defending a challenge to the waiver depends on the basis for the waiver. In this particular case, the basis for the waiver would be that the tax break serves as an incentive to most efficiently annex the area, thus enabling Lakewood to meet its goal of compliance with the GMA.

The mostly likely potential challenge to this waiver would be under the uniformity clause of the state constitution. *Article VII, Section 1, Washington State Constitution*. However, “[u]nless the income tax constitutes a tax on property, the uniformity clause of the state constitution is not violated.” *Culliton v. Chase*, 174 Wash. 363, 25 P.2d 81 (1933). While this is an old and widely

criticized case, it is still good law, and it follows the precise language in the constitution. There is some risk to defending such a case due to the amount of effort routinely made to overturn *Culliton*. From the case law history, it appears that this case will eventually be overturned in the effort to defend an income tax, such as the one recently proposed for the City of Seattle.

To waive utility taxes for CM, the City would need to re-negotiate most existing agreements with its utility providers. The majority of the existing agreements stipulate that any area annexed to the City during the term of the agreement are included as part of the existing agreement and thus subject to the City's respective utility tax rate.

For example, the City's existing franchise agreement with Comcast Cable (Ordinance No. 681) states that the franchise area "means the area within the jurisdictional boundaries of the Grantor, including any areas annexed by the Grantor during the term of this Franchise." Section 3.1 states that "Grantee shall pay as a Franchise Fee to Grantor, throughout the duration of this Franchise, an amount equal to five (5%) percent of Grantee's Gross Revenues associated with Grantee's operation of its System in the Franchise Area."

For existing agreements that are structured like this, the City would need to re-negotiate the terms of the agreement to include a provision for CM. However, the City and each utility would need to mutually agree to re-negotiate the terms of their respective agreements. For example, for Comcast Cable the franchise, Section 17.5, Authority to Amend, states:

"No provision of this Franchise Agreement Shall be amended or otherwise modified, in whole or in part, except by an instrument, in writing, duly executed by the Grantor and the Grantee, which amendment shall be authorized on behalf of the Grantor through the adoption of an appropriate resolution or order by the Grantor, as required by applicable law."

An outlier, the franchise agreement with Waste Connections (WC) allows the City and WC to address an annexed area through a new agreement. Section 2.1.2, Annexation, states:

"Any areas annexed into the City during the term of this Contract shall be addressed outside of this Contract through separate franchise or other arrangement. The City shall have no obligation to offer such annexed areas to be served by the Contractor nor shall the Contractor have an obligation to service such areas.

Any area annexed into the City prior to the term of this Contract shall be subject to the terms and conditions of the controlling franchise applicable to that annexation area at the time of annexation. When the controlling franchise's term for each individual annexation area expires, that annexation area shall then be provided service under the authority, terms and conditions of this Contract."

TABLE AO			
CITY'S EXISTING AGREEMENTS WITH UTILITY PROVIDERS THAT SERVICE CM			
Utility	Type	Re-Negotiate agreement	New Agreement for annexed area
Comcast Phone	Telephone	X	
Comcast Cable	Cable	X	
Puget Sound Energy	Electricity	X	
Rainier Connect*	Cable	X	
Waste Connections	Garbage/Recycle		X
* TPU Click! prior to 2020			

Re-negotiating existing agreements with utility providers presents its own set of challenges for the City; for example, utility providers may not want to open or re-negotiate the existing agreements, or utility providers may want additional changes beyond those desired by the City if re-opened.

The City has one utility, SWM. The City would need to modify its SWM program to provide an exemption for CM parcels to offset the fiscal impact on CM. As previously discussed, stormwater management fees are a fee for service. The purpose of this charge is to provide resources to plan, manage, design, construct, maintain, revise, and upgrade the storm drainage system and surface water runoff systems within the corporate limits of the City. In 2018, the City performed a SWM Utility Rate Analysis. This study recommended that developed properties should not receive surface water rate credits based solely on the ownership or use of the parcel. Rather, the study concluded that the City's SWM fee structure should proportionately charge customers for their share of the system's cost burden and provide equitable, defensible means of cost recovery. The analysis recommended that the City's SWM fee be apply universally to developed properties based on the estimated increased contribution of runoff, and the associated cost of providing surface water management. On May 21, 2018, the City Council adopted Ordinance 687 amending LMC 3.38, Surface Water Management, which phased out exemptions and credits based on ownership or use of a property by 2023, as indicated above. A SWM Fee exemption or credit for CM it would be in complete reversal of this policy and would pose a risk for the City as a waiver of this nature would be based solely on ownership, rather the CM's share of the system's cost burden. Similar to other utility waivers described above, the mostly likely potential challenge to a SWM waiver would be under the uniformity clause of the state constitution.

Option 2: Provide CM with Utility Tax Relief

While this option is theoretically available for the City to pursue, it is not recommended that the City pursue this option at this time due to the high level of risk associated with this option as described in more detail below.

The City could choose to reimburse utility taxes to CM to mitigate the fiscal impact annexation would have on CM through a utility tax relief program. As previously mentioned, while the City's utility taxes are levied on individual utility providers, the costs are ultimately "passed" on to consumers via their utility bills.

LMC Chapter 3.52, Utility Taxes, provides for the City's exercise of license revenue power. Currently, the City offers a customer utility tax relief program to reimburse qualifying low-income seniors and low-income disabled persons for their utility tax payments, see LMC 3.52.200. To qualify a person must be either 62 years of age or older or be permanently disabled, and the person must have an income less than 50% of the median income level for the Primary Metropolitan Statistical Area (PSMA) per household for the Seattle-Tacoma area as published by the Secretary of Housing and Urban Development (HUD). For 2019, the 50% median income limit for a family of two established by HUD for Lakewood based on the Seattle-Tacoma-Bellevue MSA was \$32,100. Applicants must be residents of Lakewood and the amount of relief will be prorated on a monthly basis for each month that the customer has been a resident. Applicants must apply each year for the program. The maximum relief available is \$30 per year (\$10 per utility for electric, natural gas and telephone). Per City Ordinance no.215 (1999), the intent of the utility tax relief program is:

"So as not to unduly burden those residents of the City who meet criteria as low-income senior citizens or low-income disabled citizens with such a new utility business tax, it is appropriate to provide a mechanism whereby relief from the full impacts of such a tax could be available."

Other Washington cities that provide similar utility tax relief programs include: Federal Way, Bellevue, and Bothell, to name a few.

These types of utility tax relief programs are supported by *Article VIII, Section 7, Washington State Constitution*, which states that cities may not provide "any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm."

Like the existing customer utility tax relief program to reimburse qualifying low income seniors and disabled persons, Lakewood could provide some form of a utility tax relief to CM to mitigate the fiscal impacts of annexation on CM. The City could partially or completely reimburse CM for utility taxes on a temporary or permanent basis. However, to provide relief for CM, the City would need to reimburse CM with the majority of its utility fees. Without this, CM is paying for annexation through increased utility tax without commensurate benefit.

As described above with Option 1, the City may provide this type of relief per RCW 35A.11.020.

The legislative body of each code city shall have all powers possible for a city or town to have under the Constitution of this state, *and not specifically denied to code cities by law*. By way of illustration and not in limitation, such powers may be exercised in regard to the acquisition, sale, ownership, improvement, maintenance, protection, restoration, regulation, use, leasing, disposition, vacation, abandonment or beautification of public ways, real property of all kinds, waterways, structures, or any other improvement or use of real or personal property, in regard to all aspects of collective bargaining as provided for and subject to the provisions of chapter 41.56 RCW, as now or hereafter amended, and in the rendering of local social, cultural, recreational, educational, governmental, or corporate services, including operating and supplying of utilities and municipal services commonly or conveniently rendered by cities or towns.

RCW 35A.11.020, emphasis added.

Like Option 1, it is likely that the longer a relief program was in effect for CM, the greater the risk to Lakewood that the relief program would be challenged by a party or parties that do not receive a similar degree of utility tax relief. Again, a permanent relief program seems disproportionate to any benefit of annexation to Lakewood. Guidance suggests that annexed areas be treated like the city as soon as possible, Section 2.5, *Annexation by Washington Cities and Towns*.

Defending a challenge of a tax relief program depends on the basis for the relief. For providing utility tax relief to CM, the basis for the relief would be that relief serves as an incentive to most efficiently annex the area, thus enabling Lakewood to meet its goal of compliance with the GMA.

Mitigation of Fiscal Impacts on CM with Option 1 or Option 2

To make the impacts of annexation fiscally neutral for CM, the City would need to waive or provide relief for 96 to 100 percent of CM's utility taxes and stormwater fees.

Table AP provides an estimate of the net fiscal impact for both parties for 2019 assuming the City waives or provides relief for all utility taxes, as well as SWM fees, and the City leases or acquires ownership of the boat launch. With complete waiver or complete utility tax relief, CM would have had a decrease in annual expenditures by approximately \$11,000 and the City would have had a revenue increase of approximately \$52,000, due largely to increased sales tax, in 2019.

TABLE AP				
2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM – COMPLETE WAIVER / UTILITY TAX RELIEF & SWM FEES WITH BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	-	-	-
SWM fees	\$84,931	-	-	-
State shared revenues	-	-	-	-
Sales tax	-	\$(70,656)	\$97,929	-
Building permit fees	\$12,000	\$(15,000)	\$15,000	-
Impact fees	-	-	-	-
Boat launch fees and costs	-	-	\$25,000	\$(82,000)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/ leasing of boat launch*	\$96,931	\$(85,656)	\$137,929	\$(87,000)
Net Total – w/ leasing boat launch		\$11,275		\$50,929
*Boat launch control does not include any capital projects				

Table AQ provides an estimate of the net fiscal impact for both parties assuming the City waived or provided relief for all utility fees, as well as SWM fees, and the City leased or acquired ownership of the boat launch for a 10-year period from 2019-2028. Over a ten-year period, CM would experience a decrease in expenditures by approximately \$129,000. While CM would experience an increase in sales tax of around \$810,000, this increase would be completely offset by the reduction in SWM fees of about \$974,000. The City would experience an estimated increase in revenues of \$900,000, due largely to the increase in sales tax revenues, but also due to building permit and boat launch fees.

TABLE AQ				
2019 TO 2028 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM COMPLETE UTILITY TAX RELIEF & SWM FEES WITH BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	-	-	-
SWM fees	\$973,639	-	-	-
State shared revenues	-	-	-	-
Sales tax	-	\$(809,991)	\$1,122,649	-
Building permit fees	\$137,566	\$(171,958)	\$171,958	-
Impact fees	-	-	-	-
Boat launch fees	-	-	\$286,597	\$(626,122)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services				
Administrative Services				\$(57,319)
Subtotal w/ leasing of boat launch*	\$1,111,206	\$(981,950)	\$1,581,204	\$(683,411)
Net Total – w/ leasing boat launch	\$129,256		\$897,763	
*Assumes Lakewood controls boat launch, this does not include any capital projects				

Table AR provides an estimate of the net fiscal impact for both parties for 2019 assuming the City waived or provided relief for 96% of utility taxes, as well as SWM fees, and the City leased or acquired ownership of the boat launch.

With 96% waiver or utility tax relief, CM would have experienced a negligible increase in annual expenditures of approximately \$400 in 2019. The City would have experienced an estimated increase in annual revenues of \$63,000 in 2019 due to increases in sales tax, utility taxes, and SWM fees.

TABLE AR				
2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM – 96% WAIVER / UTILITY TAX RELIEF WITH BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(8,404)	\$8,404	-
SWM fees	\$84,931	\$(3,278)	\$3,278	-
State shared revenues	-	-	-	-
Sales tax	-	\$(70,656)	\$97,929	-
Building permit fees	\$12,000	\$(15,000)	\$15,000	-
Impact fees	-	-	-	-
Boat launch fees and costs	-	-	\$25,000	\$(82,000)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/ leasing of boat launch*	\$96,931	\$(97,338)	\$149,611	\$(87,000)
Net Total – w/ leasing boat launch		\$(407)		\$62,611
*Boat launch control does not include any capital projects				

Table AS provides an estimate of the net fiscal impact for both parties assuming the City waived or provides relief for 96% of utility fees, as well as SWM fees, and the City leased or acquired ownership of the boat launch for the 10-year period from 2019-2028. Over a ten-year period, CM would have experienced a decrease in expenditures by approximately \$5,000. The City would have experienced an estimated increase in revenue of \$1,040,000, due largely to the increase in sales tax revenues, but also due to utility taxes, SWM fees, building permit fees, and boat launch fees.

TABLE AS				
2019 TO 2028 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM 96% UTILITY TAX RELIEF WITH BOAT LAUNCH				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(96,337)	\$96,337	-
SWM fees	\$973,639	\$(37,582)	\$37,582	-
State shared revenues	-	-	-	-
Sales tax	-	\$(809,991)	\$1,122,649	-
Building permit fees	\$137,566	\$(171,958)	\$171,958	-
Impact fees	-	-	-	-
Boat launch fees	-	-	\$286,597	\$(626,122)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services				
Administrative Services				\$(57,319)
Subtotal w/ leasing of boat launch*	\$1,111,206	\$(1,115,870)	\$1,715,124	\$(683,411)
Net Total – w/ leasing boat launch		\$(4,664)		\$1,031,683
*Assumes Lakewood controls boat launch, this does not include any capital projects				

Option 3: Provide CM with levels of service to offset increased expenditures

CM (state of Washington) owns and maintains all roadways and storm water facilities on CM. With annexation, these facilities would continue to be owned and operated by CM, unless CM reached an agreement with the City to maintain these facilities as part of a pre-annexation agreement or through an interlocal agreement. This could include CM dedicating streets, stormwater facilities, and other infrastructure to the City.

To offset increased expenditures for CM, the City could provide CM the following services temporarily, in perpetuity, or for special projects:

- Infrastructure engineering;
- Street and ROW maintenance;
- Surface water management;
- Signs maintenance;
- Transportation planning;
- Landscape maintenance;
- Street sweeping; and
- Snow removal.

The City currently provides these services for areas of Lakewood that are owned by the City (i.e., for public streets, public ROW, public parks and open spaces, and other public facilities.)

This list is not exhaustive; other services could be offered to CM by the City. The City does not provide these services for private property owners in Lakewood. For example, private streets in Lakewood are maintained by the owner(s) of the roadway.

The City could contract these services for CM, however it is unknown to what degree this would reduce expenditures for CM; it is unlikely that contracting City services would make CM fiscally net neutral.

CM could also dedicate streets, stormwater facilities, and other infrastructure to the City to provide these types of services as the City does for all other City-owned public infrastructure in Lakewood

Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM's annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.

Currently, the existing state of CM infrastructure is unknown. CM indicated that a Master Plan specific to CM is currently under development. The City and CM will need to further discuss ownership, level of services, service provision, and duration, if this option is pursued further.

Like the previous options, **Option 3** also presents a degree of risk for the City. Central to this risk is the question of whether the City would be receiving an adequate return for the services it would be providing to an area that, while owned by the state of Washington, is not publicly accessible. Even if the CM were to dedicate streets stormwater facilities, and other infrastructure to the City, this question remains.

Similar to Options 1 and 2, the basis for providing CM these services would be as an incentive to most efficiently annex the area, thus enabling Lakewood to meet its goal of compliance with the GMA.

Option 4: Some other form(s) of mitigation

There may be some other form(s) of mitigation not discussed in this analysis that the City could use to offset the fiscal impacts of annexation for CM.

6. ALTERNATIVES TO FULL CM ANNEXATION

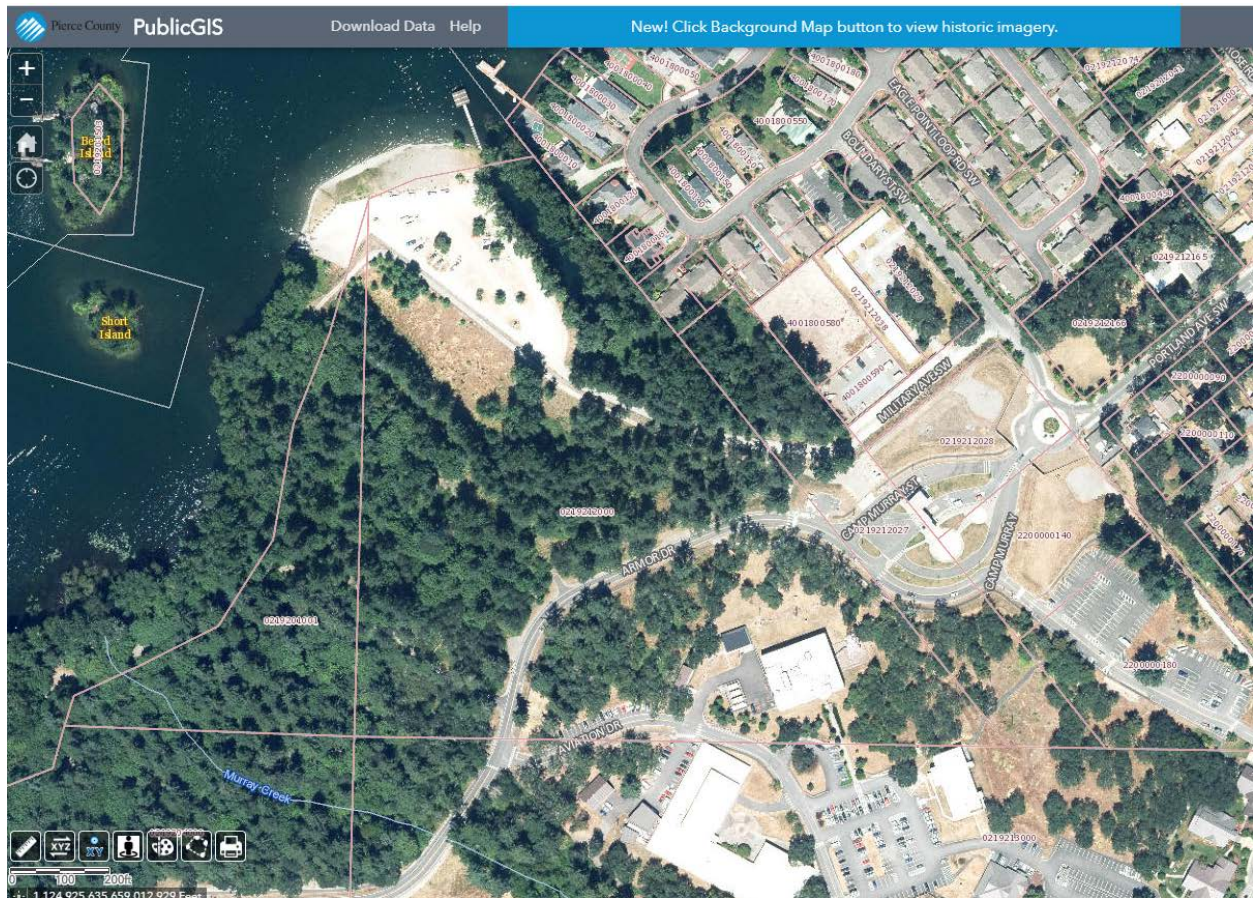
Option 5: Annex CM's boat launch property(ies) only

The City can consider annexing the boat launch properties only. The existing boat launch is located on 2 (or 3) CM parcels, see **Table AT** and **Figure 10**. Parcel 0219201001 may or may not be part of the boat launch based on Pierce County PublicGIS¹³; the parcel lines on this system do not accurately reflect actual parcel lines. The boat launch appears to primarily be located on parcel 0219212000. Parcel 021921027 provides access to the boat launch. A boundary line agreement (BLA) can be pursued by CM to create a parcel that contains just the boat launch area. Parcel 0219212027 can be included in this BLA or a public easement can be pursued.

TABLE AT				
2019 - CAMP MURRAY – PARCELS, ASSESSED VALUATION, SIZE				
Tax Parcel Number	Assessed Total	Assessed Land	Assessed Improvements	Size (acres)
0219212000	\$ 2,133,200	\$ 2,133,200	\$ -	15.81
0219212027	\$ 752,600	\$ 752,600	\$ -	3.9
0219201001	\$ 1,117,900	\$ 1,117,900	\$ -	5.8
TOTALs w/out 001	\$ 2,885,800	\$ 2,885,800		19.71
TOTALS w/ 001	\$ 4,003,700	\$ 4,003,700	\$	25.51

¹³ <https://matterhornwab.co.pierce.wa.us/publicgis/>

FIGURE 10: PublicGIS Boat Launch CM Tax Parcels



The fiscal impact of annexing these parcels is significantly different for each party. The majority of utility taxes and sales taxes are eliminated for CM as these parcels are unimproved. However, these parcels remain subject to SWM fees. That being said, these unimproved parcels currently do not accrue substantial SWM fees given that they do not have significant impervious surfaces, see **Table AU**. As previously highlighted, the City's SWM fees are lower than Pierce County's SWM fees; annexation of these select parcels would marginally decrease CM's total expenditures.

TABLE AU				
2019 - COMPARISON OF LAKEWOOD AND PIERCE COUNTY SWM FEES PER PARCEL BASED ON CM DATA				
Parcels	Lakewood	Pierce County	Difference	Delta
0219201001	\$22.69	\$23.51	\$(0.82)	-3.5%
0219212027	\$22.69	\$23.51	\$(0.82)	-3.5%
0219212000	\$2,255.19	\$2,337.45	\$ (82.26)	-3.5%
TOTAL	\$2,300.57	\$2,384.47	\$ (83.90)	-3.5%

Overall, if only the boat launch parcels on CM were annexed to the City, it is estimated that CM would have experienced a decrease in expenditures of approximately \$84 in 2019 due to the reduction in SWM fee expenditures. It is estimated that the City would experience a net decrease in revenue of approximately \$60,000 per year, assuming the City maintained or acquired ownership of the boat launch and performed no capital projects other than installing a boat launch pay station. The City's SWM revenues would increase by approximately \$2,300.

TABLE AV				
2019 - Estimated Net Fiscal Impact of Annexation of CM – OPTION 5				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	-	-	-
SWM fees	\$2,384	\$(2,300)	\$2,300	-
State shared revenues	-	-	-	-
Sales tax	-	-	-	-
Building permit fees	-	-	-	-
Impact fees	-	-	-	-
Boat launch fees/ costs	-	-	\$25,000	\$(82,000)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/ leasing of boat launch*	\$2,384	\$(2,300)	\$27,300	\$(87,000)
Net Total – w/ leasing boat launch	\$84		\$(59,700)	
*Assumes Lakewood controls boat launch, this does not include any capital projects.				

For a ten-year period, from 2019 to 2028, if only the boat launch parcels on CM were annexed to the City, it is estimated that CM would experience a decrease in expenditures of approximately \$963 due to the reduction in SWM fee expenditures. It is estimated that the City would experience a decrease in expenditures of approximately \$370,000, assuming the City maintained or acquired ownership of the boat launch and performed no capital projects other than installing a boat launch pay station. The City's SWM revenues would increase by approximately \$26,000.

TABLE AW				
2019 - Estimated Net Fiscal Impact of Annexation of CM – OPTION 5				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	-	-	-
SWM fees	\$27,330	\$(26,367)	\$26,367	-
State shared revenues	-	-	-	-
Sales tax	-	-	-	-
Building permit fees	-	-	-	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$286,597	\$(626,122)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(57,319)
Subtotal w/ leasing of boat launch*	\$27,330	\$(26,367)	\$312,964	\$(683,441)
Net Total – w/ leasing boat launch	\$963		\$(370,477)	
*Assumes Lakewood controls boat launch, this does not include any capital projects.				

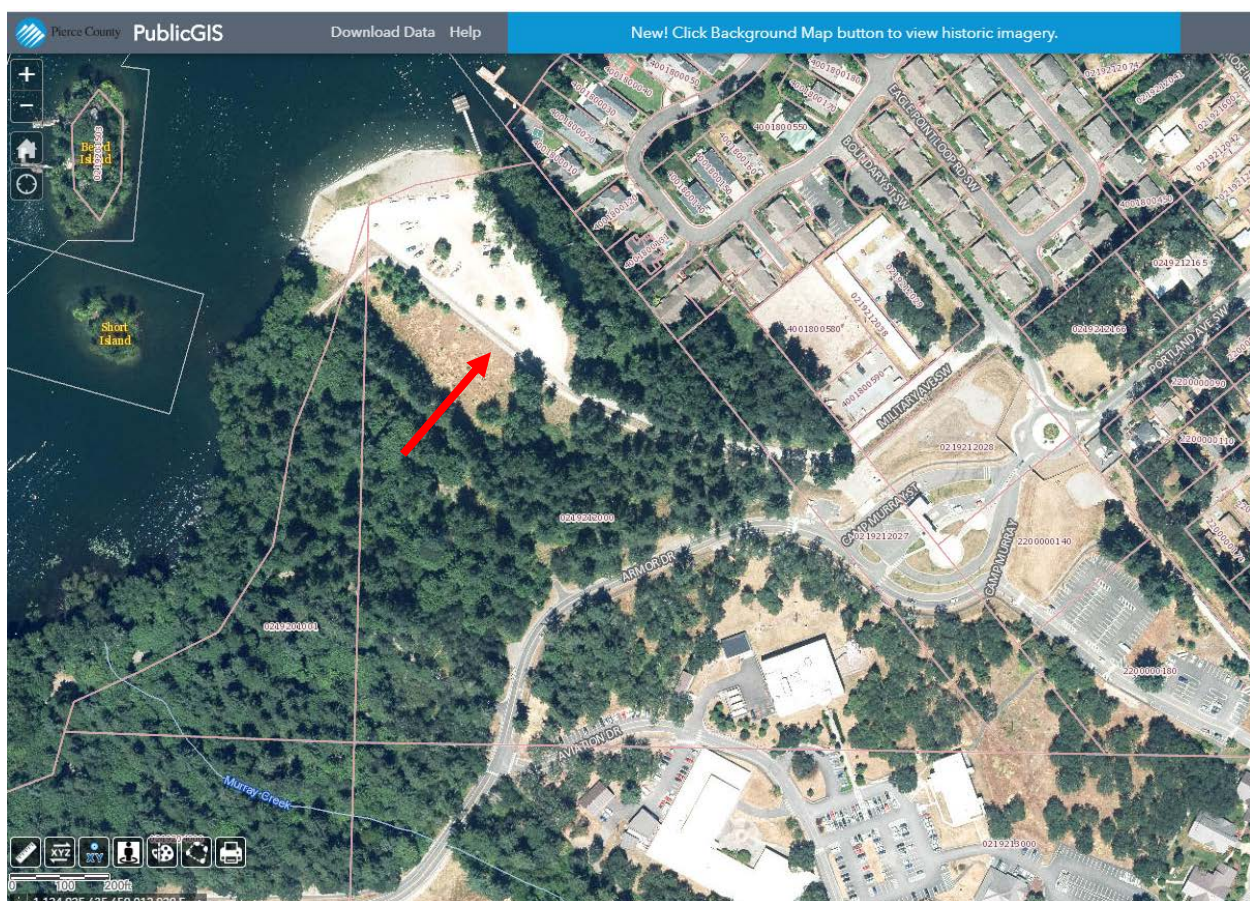
Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies).

Lakewood can, through an interlocal agreement or lease, at any time and not contingent to annexation, assume the maintenance and operation of the existing boat launch on CM. Lakewood could assume the lease of the boat launch on a short or long-term basis. Currently, the boat launch is leased on a yearly basis by WDFW.

The City can also acquire the boat launch parcels from CM. As mentioned previously, the boat launch appears to primarily be located on parcel 0219212000. Parcel 021921027 provides access to the boat launch. A boundary line agreement (BLA) could be pursued by CM to create a parcel that contains just the boat launch area. Parcel 0219212027 could be included in this BLA, or a public easement over the parcel could be pursued.

The following assessment considers if the City were to assume the lease, providing maintenance and operation of the existing boat launch without acquiring the boat launch properties.

Figure 11: PublicGIS Boat Launch CM Tax Parcels with fence highlighted



Under this option, CM would have experienced no fiscal impacts in 2019. CM currently leases the boat launch to WDFW. The City would experience an increase in expenditures of \$62,000 in 2019. This does not include any capital costs other than for installing a boat launch pay station in 2019.

Notably, if the City were to acquire the CM boat launch properties it would be responsible for the annual assessment to the American Lake Management District No. 1. The amount of money to be raised by special assessment to fund the American Lake Management District No.1 is \$237,663 over the next ten (10) years with an annual collection amount of \$23,766. The assessment rate is currently 0.66 per foot of lakefront property. **Table AV1** provides the annual assessment fee for the CM American Lake properties. The boat launch is predominately within parcel 0219212000. If the City were to acquire this parcel it would be responsible for the \$761 annual assessment fee.

TABLE AV1		
ANNUAL ASSESSMENT FEE FOR THE CM AMERICAN LAKE PROPERTIES		
PARCEL	2019	2019-2028*
0219201001	\$1,042.40	\$10,424
0219204000	\$3,866.21	\$38,662
0219212000	\$761.90	\$7,619
Total	\$5,670.50	\$56,705
* Assumes that the assessment is the same each year. The district may adjust the rate or may decide not to collect an assessment for any given year.		

TABLE AX				
2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM – OPTION 6				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	-	-	-
SWM fees	-	-	-	-
State shared revenues	-	-	-	-
Sales tax	-	-	-	-
Building permit fees	-	-	-	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$25,000	\$(82,000)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal*	-	-	\$25,000	\$(87,000)
Net Total**		\$-		\$(62,000)
*Assumes Lakewood controls boat launch, this does not include any capital projects.				
** Does not include annual assessment to the American Lake Management District No. 1 of approximately \$762.				

Option 7: Take no action at this time.

The City can continue to monitor the annexation of CM without taking any action. The City would not take over the lease, or ownership, of the boat launch.

For a 10-year period from 2019 to 2028, under this option, CM would experience no fiscal impacts. The City would experience an increase in expenditures of \$400,000. This does not include any capital costs with the exception of installing a boat launch pay station in 2019.

TABLE AY				
2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM – OPTION 6				
	Military Department		City of Lakewood	
Description	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	-	-	-
SWM fees	-	-	-	-
State shared revenues	-	-	-	-
Sales tax	-	-	-	-
Building permit fees	-	-	-	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$286,597	\$(626,122)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(57,319)
Subtotal*	-	-	\$286,597	\$(683,441)
Net Total	\$-		\$(396,844)	
*Assumes Lakewood controls boat launch, this does not include any capital projects.				

7. PRE-ANNEXATION AGREEMENT

If Lakewood were to annex CM by adopting an annexation ordinance, a pre-annexation agreement between the City and CM should be pursued. RCW 35A.14.310. If annexation were pursued, it is recommended that the City reach clear and unambiguous agreement with CM regarding the following:

1. Mitigation option, mitigation degree, and duration;
2. Existing conditions, which will remain and which will change;
3. New services expected to be provided; and
4. Cost changes associated with the above.

8. CONCLUSION

The annexation of CM without mitigation has significant fiscal impact to CM. For the City, the annexation without mitigation, increases revenues for the City's General Fund and SWM Enterprise Fund. Lakewood could mitigate the impact on CM using any of the options provided in this analysis. However, several of these options come with significant risks, summarized in **Table AZ**.

TABLE AZ	
OPTIONS & RISK LEVEL	
Option	Risk level
Option 1: Work with the City's utility providers to partially or completely waive utility tax fees for CM upon annexation on a temporary or permanent basis. This would require amending most of the existing franchise agreements with the City's utility providers.	High
Option 2: Provide CM with utility tax relief. Under a utility tax relief program, the City would partially or completely and on a temporary or permanent basis reimburse CM for utility taxes.	High
Option 3: Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM's street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM's annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.	Moderate
Option 4: Pursue some other form of mitigation. There may be additional mitigation options available to the City not addressed in the options above.	Unknown
Option 5: Annex CM's boat launch property(ies) only. The fiscal impact on CM would be negligible; CM would likely decrease expenditures slightly.	Low
Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies). CM would not be fiscally impacted if the City took over the lease of the boat launch parcels. Acquiring the boat launch properties could require significant financial resources from the City depending on how it is acquired, i.e., land sale or transfer	Low
Option 7: Take no action at this time. The City could continue to monitor the annexation of CM without taking any action. The City would not take over the lease or ownership, of the boat launch.	None

Overall, operational impacts on the City are minimal if CM is annexed, unless additional duties were agreed to as part of the annexation, for example, under Option 3.

9. NEXT STEPS

The City needs to determine if it wants to continue efforts to annex Camp Murray. If yes, the City should determine the following:

- 1) The annexation method; and
- 2) Mitigation method (e.g., Option 1-4), if desired.
- 3) Mitigation level, if desired.

10. RECOMMENDATIONS

If the City desires to take action, given the level of risk involved with some of the mitigation options, particularly Option 1, Option 2, it is recommended that the City consider one of the following options:

Option 5: Annex CM boat launch property(ies) only.

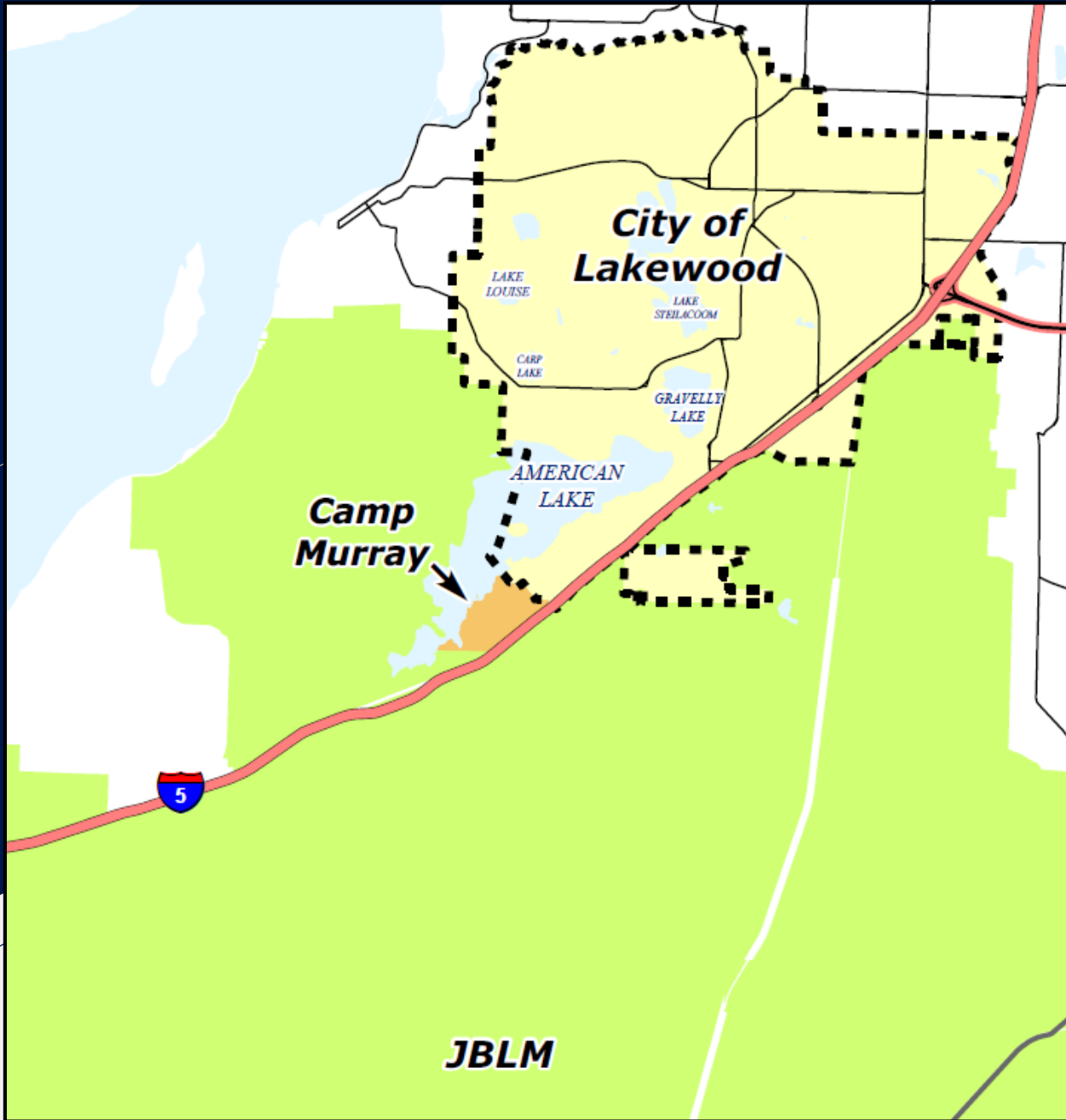
-or-

Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies). This does not require annexation.

-or, if the City wishes to move forward with a mitigation option-

Option 3: Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM's street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM's annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.

If the City desires to take no action, **Option7**, it is recommended that the City continued to monitor this situation.



Camp Murray Annexation Analysis Report

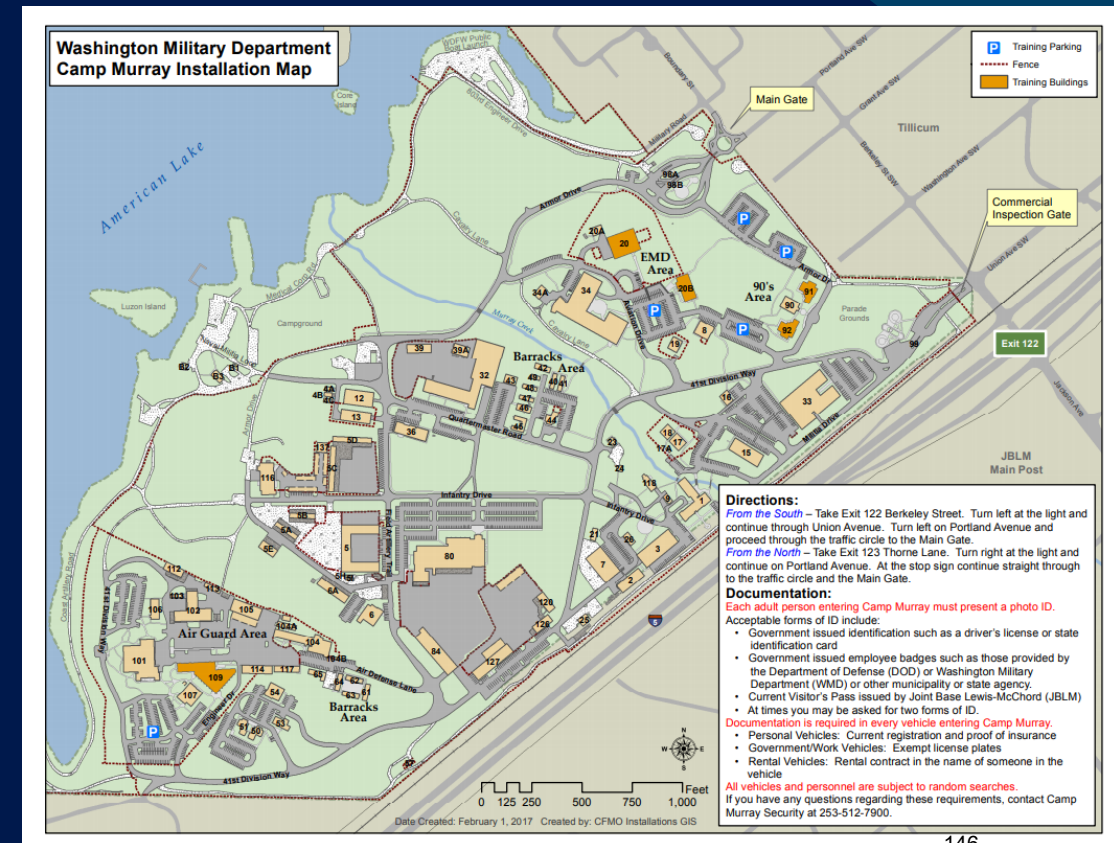
January 11, 2021

Shannon Kelley-Fong

CAMP MURRAY ANNEXATION

About Camp Murray – pg 9

- Washington Military Department (WMD) – state of Washington
- Tax exempt from property tax
- Variety of utility providers
- 228 acres, 9 parcels
- 130 acres (52%) developed – one parcel has assessed improvements, 88 buildings, oldest 1916
 - Administrative
 - Storage
 - Vehicle support
 - Drill field / training course
 - Campground
 - Boat Launch
 - Critical areas – wetlands and riparian areas



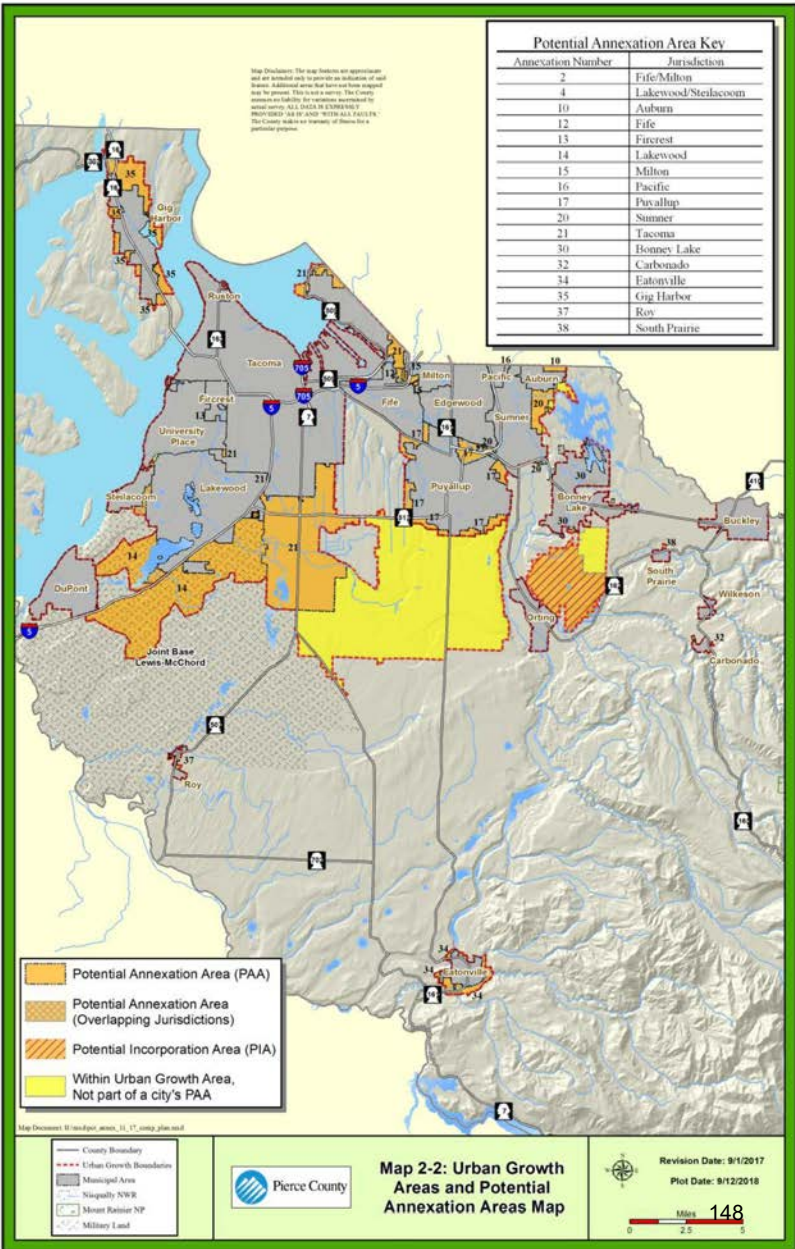
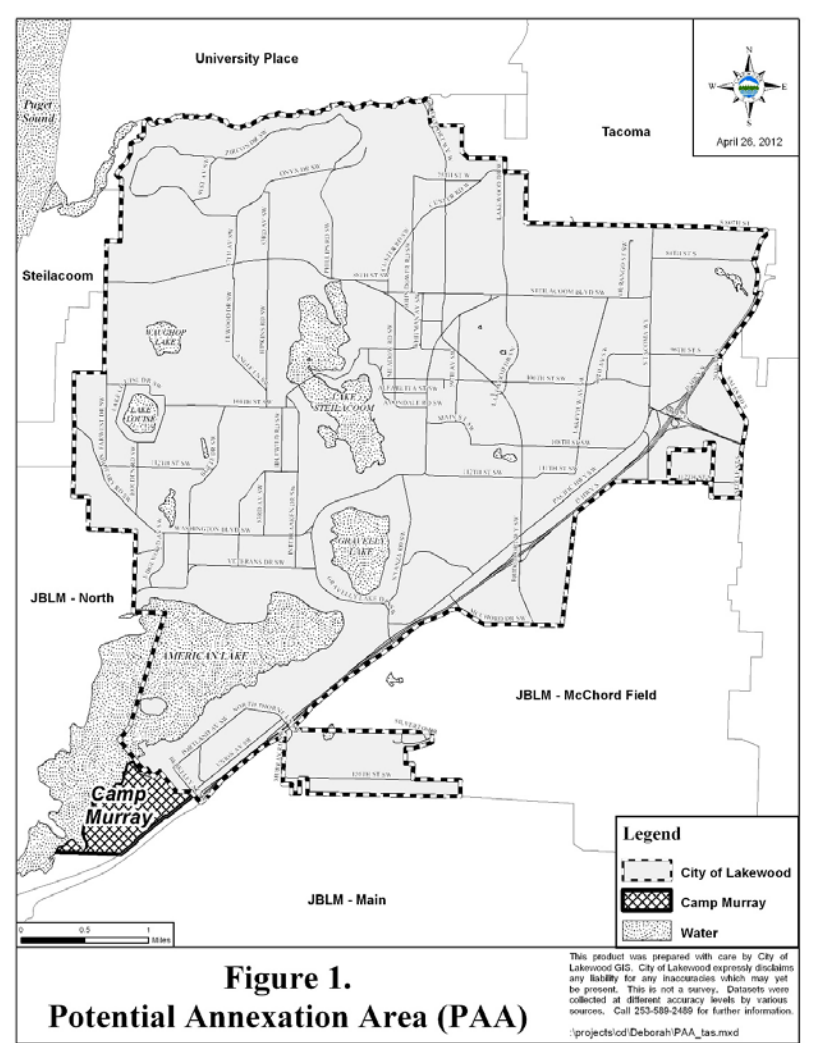
CAMP MURRAY ANNEXATION

Growth Management Act – pg 13

- Reduce sprawl by encouraging development in urban areas with existing public facilities or where facilities can be more efficiently provided
- Urban Growth Areas
 - Est. by counties
 - Countywide Planning Policies of Pierce County also have Potential Annexation Areas (PAAs)
 - PAAs are “an unincorporated area within the designated urban growth area which a city or a town has identified as being appropriate for annexation at some point in the future.”
 - CM is listed as a Lakewood PAA

CAMP MURRAY ANNEXATION

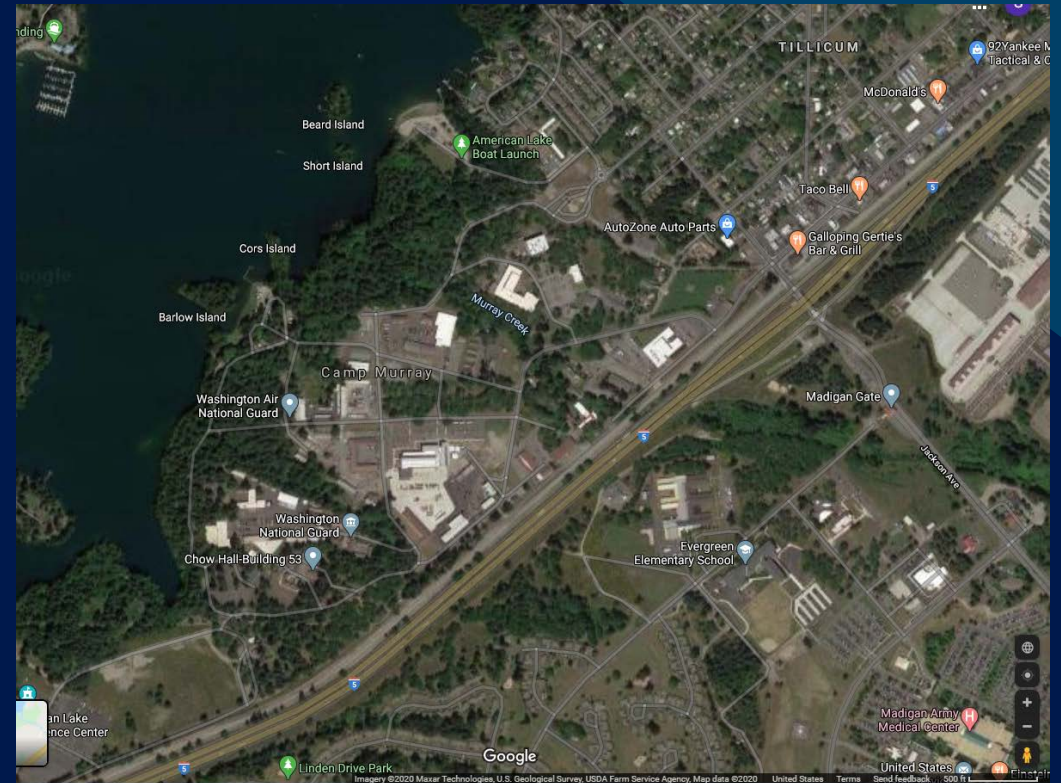
Lakewood Comprehensive Plan



CAMP MURRAY ANNEXATION

History – pg 19

- 2012 - City created annexation report
- 2016 - City & CM met to discuss annexation
 - CM – Must be revenue neutral for CM
 - Required state enabling legislation
- 2019 - City & CM met to discuss annexation
 - June 2020 Report
- October 2020 – City and CM met to discuss the Report
 - CM – Annexation is not desired unless revenue neutral for CM



CAMP MURRAY ANNEXATION

Common Benefits of Annexation – pg 20-21

- Applicable to CM:
 - 1. Services
 - 9. Enhance City's tax base
 - 12. More logical boundaries
 - 13. Higher utility rates for CM
 - 14. Services

TABLE B		
MRSC Pros of Annexation applicability to CM annexation		
MRSC Pros of Annexation	Applies to CM	Reason / Comments
1. After annexation, the new territory will obtain its necessary services from city departments that are professionally staffed and experienced. Duplication of services can be avoided. Considerable economies can result from the coordination of services over a larger area.	Yes	City would provide services currently provided by Pierce County. However, CM already has a high level of urban services provided by other entities.
2. When the interrelationship between the city and the fringe area is close, there is need for unified planning and zoning. By means of annexation, a city's zoning ordinances can be extended to adjacent areas in a logical manner, thus helping to assure orderly growth. Coordinated action is much easier to achieve if the fringe community becomes part of the city.	No	CM has no residential population. CM is entirely owned and operated by WMD.
3. Annexation gives suburban residents a voice in the government of the larger community in which they live. County dwellers can be substantially affected by actions of the central city, but they have no participation in its affairs.	No	CM has no residential population. Being entirely owned by the State lessens the interest in local government.
4. Business, professional, and community leaders who live in the fringe area can have a more direct role in community affairs by being elected or appointed to public office in the city.	No	CM has no residential population, thus no new citizens eligible for elective office.
5. Annexation eliminates the need to form a new city government with its attendant "start-up costs," or to continue reliance on costly special districts.	No	CM has no residential population and is already a State department.
6. Annexation leads to a unified community and can prevent the fragmentation of local	No	CM has no residential population and is charged with coordinating local

CAMP MURRAY

Common Benefits of Annexation – pg 20-21

- Applicable to CM:
 - 1. Services
 - 9. Enhance City's tax base
 - 12. More logical boundaries
 - 13. Higher utility rates for CM
 - 14. Services

7. Political boundaries will, after annexation, more nearly reflect the true and existing sociological, economic, cultural, and physical boundaries of the city. The fringe and the city are inextricably bound together.	No	CM has no residential population. CM is an employment center whose primary tie to the City is as an entry point.
8. Annexation increases a city's size and population, and in some instances raises its level of political influence, its prestige, and its ability to attract desirable commercial development. It may also increase its ability to attract grant assistance.	No	While annexation would increase size of Lakewood, CM has no residential population. CM is owned and operated by WMD.
9. Annexation can protect, or enhance, a city's tax base. The increased valuation of the city will result in a greater bonding capacity.	Yes	CM would increase Lakewood's tax base. Absent mitigation, Annexation will increase expenditures for CM.
10. Annexation may force new industry to develop in the city, and thus create additional jobs, revenues, and commercial opportunities.	No	CM is owned and operated by WMD, longstanding fixture in the area. Resulting new industry, to the degree CM generates it, has already occurred.
11. Unified political representation, sound economic development, enhancement of property values, and high service levels at minimum costs can best come from total comprehensive planning that avoids duplication and conflict of authority.	No	CM has no residential population. CM is owned and operated by WMD.
12. City and county boundaries can be squared off and made orderly and logical, eliminating a hodgepodge and resulting confusion as to whether a particular parcel should look to a city or to the county to obtain services. Fire and police departments, in particular, can determine whether calls are within their respective jurisdictions.	Yes	These services will continue as currently provided in the event of annexation. Fire services are currently provided by JBLM. Police services are primarily provided by military police, with LPD support as necessary.
13. Annexation may bring about lower utility rates, since city utility surcharges to unincorporated territory would be lifted. Annexation also often results in lower fire insurance premiums. As more improvements and urban utilities are made available, real estate values and marketability may improve.	Yes	CM will experience a higher utility rate, if annexed.
14. Additional services may become available, such as sewer, water, ambulance, transit, and drainage control.	Yes	CM already has these services provided; many would not change if annexed. ¹⁵¹

CAMP MURRAY ANNEXATION

Common Benefits of Annexation

- **FINDINGS:** CM already has a high level of urban services providers and annexation would significantly increase CM's annual expenditures.

TABLE C		
CM – COMMON URBAN SERVICES – CURRENT & ANNEXED		
Urban Services	Currently	If annexed
Police protection	Pierce County	Lakewood
Fire protection	JBLM	JBLM
Emergency medical services	JBLM	JBLM
Street maintenance	WMD	WMD
Snow removal	WMD	WMD
Parks and recreation accessibility	WDFW	Lakewood, potentially
Voting rights and representation on the City's governing body	N/A – no residents	N/A – no residents
Maintenance of public infrastructure	WMD	WMD
Development Services	Pierce County	Lakewood
Water	JBLM	JBLM
Sewer	JBLM	JBLM
Trash/Garbage	Waste Connections	Waste Connections
Surface Water Management	Pierce County	Lakewood
Transit	Pierce Transit	Pierce Transit

CAMP MURRAY ANNEXATION

Annexation Methods – pg 23

- **FINDINGS:** CM could be annexed to the City by two methods:
 - **Sixty % Petition Method – would require state enabling legislation**
 - AGO opinion 57-58 No. 107:
 - “The state, therefore, in this instance is in the same position as a natural person...”
 - **New Alternative method:**
 - ESSB 5522 (2019-2020)
 - Relieves the need to consent (except federal land) if mutually agree to by city and county

TABLE D		
RCW 35A.14 – Methods of Annexation in Code Cities		
Annexation Method	Applicable to CM	Comments
1. Election Method, Initialed by 10 Percent Petition	Not applicable	CM has no residential uses and no voters.
2. Election Method, Initiated by Resolution	Not applicable	CM has no residential uses and no voters.
3. Sixty Percent Petition Annexation Method	Applicable	State enabling legislation is required to annex CM. The legislation is the state's method for exercising ownership rights (such as assent to annexation).
4. Alternative Petition Method	Not applicable	CM has no residential uses and no voters.
5. Federal Owned Lands	Not applicable	CM is not federally owned land.
6. Annexation of Unincorporated Islands – less than 175 acres	Not applicable	CM is larger than 175 acres. The City can simultaneously pursue multiple annexations using this method.
7. Annexation of Unincorporated Islands – residential property owners and 80% of boundaries contiguous to a code city	Not applicable	CM has no residential property.
8. Alternative Unincorporated Islands – Interlocal Method of Annexation	Not applicable	60% threshold not met. In total CM properties have approximately 15,800 feet of parcel boundary. CM's boundary with Lakewood is approximately 2,400 feet. Based on these estimates, approximately 15.2% of CM is contiguous to Lakewood. The remainder is contiguous with JBLM which is unincorporated Pierce County.
9. Alternative – Interlocal Agreement between City, County & Fire protection district.	Not applicable	CM is not part of a fire protection district as JBLM provides fire services; No fire protection district exists to be included in a interlocal agreement.
10. NEW – Alternative Method - Ability to annex unincorporated areas pursuant to a jointly approved interlocal agreement with the county.	Applicable	The City can annex CM with a joint interlocal agreement with Pierce County. This method does not require state enabling legislation.

CAMP MURRAY ANNEXATION

Boundary Review Board (BRB) Role – pg 23

- All annexations subject to BRB review
 - BRB review only occurs when jurisdiction is invoked within forty-five (45) days of the filing of the Notice of Intention (NOI).
- Pg. 32 provides flow cart of BRB process
- Pg. 33 outlines when BRB can modify or deny a proposed action

TABLE 1		
BRB Jurisdiction Invoked – Applied to CM		
RCW 36.93.100	Review Initiation methods	Possible Initiating Party(ies) for CM
(1)	Three members of the BRB files a request for review.	Not applicable to CM as members of the BRB “shall not be authorized to file a request for review of the following actions: (a) The incorporation of any special district or change in the boundary of any city, town, or special purpose district”
(2)	Governmental unit affected by the proposed annexation.	City of Lakewood, Pierce County
(3)	5% of registered voters.	Not Applicable to CM annexation as there is no registered voters permanently residing on CM
(4)	Owner or owners of property of 5% assessed valuation.	State of Washington – may require legislative action?
(5)	5% of voters who deem themselves affected within ¼ mile of the proposed action & majority of BRB members.	Tillicum residents and BRB board

CAMP MURRAY ANNEXATION

Fiscal Impact – pg 35

- CM request that annexation have no fiscal impact on WMD
- Underlying assumptions of fiscal analysis:
 - CM continues to have no residential uses
 - CM continues to be exclusively owned and operated by WMD
 - Annual inflation for revenues and expenditures of 3%
 - Limited staffing changes for the City are required
 - Sewer and water continue to be provided by JBLM.

Fiscal Impact – pg 65

- Forecast impacts for 2019 and 10 year period (2019-2028)
- CM continuing to operate Boat Launch v. City assuming operation of boat Launch

FINDING: Annexation of CM without mitigation has significant fiscal impact to CM.

For the City, annexation without mitigation, increases revenues for the City's General Fund and SWM Enterprise Fund

CAMP MURRAY ANNEXATION

TABLE AK

2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM WITH BOAT LAUNCH

Description	Military Department		City of Lakewood	
	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(210,089)	\$210,089	-
SWM fees	\$84,931	\$(81,958)	\$81,958	-
State shared revenues	-	-	-	-
Sales tax	-	\$(70,656)	\$97,929	-
Building permit fees	\$12,000	\$(15,000)	\$15,000	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$25,000	\$(82,000)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/ leasing of boat launch*	\$96,931	\$(377,704)	\$429,977	\$(87,000)
Net Total – w/ leasing boat launch		\$(280,773)		\$342,977

*Boat launch control does not include any capital projects.

TABLE AL

2019 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM NO BOAT LAUNCH

Description	Military Department		City of Lakewood	
	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(210,089)	\$210,089	-
SWM fees	\$84,931	\$(81,958)	\$81,958	-
State shared revenues	-	-	-	-
Sales tax	-	\$(70,656)	\$97,929	-
Building permit fees	\$12,000	\$(15,000)	\$15,000	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	-	-
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services	-	-	-	-
Administrative Services	-	-	-	\$(5,000)
Subtotal w/no leasing of boat launch	\$96,931	\$(377,704)	\$404,977	\$(5,000)
Net Total – w/no leasing boat launch		\$(280,773)		\$399,977

*Boat launch control does not include any capital projects

CAMP MURRAY ANNEXATION

TABLE AM

2019 TO 2028 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM WITH BOAT LAUNCH

Description	Military Department		City of Lakewood	
	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(2,408,437)	\$2,408,437	-
SWM fees	\$973,639	\$(939,562)	\$939,562	-
State shared revenues	-	-	-	-
Sales tax	-	\$(809,991)	\$1,122,649	-
Building permit fees	\$137,566	\$(171,958)	\$171,958	-
Impact fees	-	-	-	-
Boat launch fees / costs	-	-	\$286,597	\$(626,122)
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services				
Administrative Services				\$(57,319)
Subtotal w/ leasing of boat launch*	\$1,111,206	\$(4,329,949)	\$4,929,203	\$(683,411)
Net Total – w/ leasing boat launch		\$(3,218,743)		\$4,245,762

*Assumes Lakewood controls boat launch, this does not include any capital projects

TABLE AN

2019 TO 2028 - ESTIMATED NET FISCAL IMPACT OF ANNEXATION OF CM NO BOAT LAUNCH

Description	Military Department		City of Lakewood	
	Gain	Loss	Gain	Loss
Property tax	-	-	-	-
Utility tax	-	\$(2,408,437)	\$2,408,437	-
SWM fees	\$973,639	\$(939,562)	\$939,562	-
State shared revenues	-	-	-	-
Sales tax	-	\$(809,991)	\$1,122,649	-
Building permit fees	\$137,566	\$(171,958)	\$171,958	-
Impact fees	-	-	-	-
Boat launch fees	-	-	-	-
Police services	-	-	-	-
Fire/EMT services	-	-	-	-
Road maintenance	-	-	-	-
Judicial and Quasi-Judicial services				
Administrative Services				\$(57,319)
Subtotal w/no leasing of boat launch	\$1,111,206	\$(4,339,949)	\$4,329,949	\$(57,319)
Net Total – w/no leasing boat launch		\$(3,218,743)		\$4,585,352

CAMP MURRAY ANNEXATION

Mitigation Options – pg 69 -71

- Number of mitigation options available but several with significant risks
- City has broad authority to self-govern but challenge may come in statutory permission or authorization
- Uniformity Clause of Washington State Constitution (Article III, Section 1)
- Likely the longer a relief program is in effect the greater the risk to the City
- Require renegotiating various utility franchise agreements – pg 70-71

TABLE AZ	
OPTIONS & RISK LEVEL	
Option	Risk level
Option 1: Work with the City's utility providers to partially or completely waive utility tax fees for CM upon annexation on a temporary or permanent basis. This would require amending most of the existing franchise agreements with the City's utility providers.	High
Option 2: Provide CM with utility tax relief. Under a utility tax relief program, the City would partially or completely and on a temporary or permanent basis reimburse CM for utility taxes.	High
Option 3: Provide CM with levels of service to offset increased expenditures. This could include the City taking ownership of, or responsibility for, some or all of CM's street, ROW, and stormwater infrastructure on a temporary or permanent basis. Or, the City could reach an agreement with CM to invest the majority of money collected by the City as a result of CM's annexation in to CM through capital improvements, for example improving the boat launch or street improvement projects.	Moderate
Option 4: Pursue some other form of mitigation. There may be additional mitigation options available to the City not addressed in the options above.	Unknown
Option 5: Annex CM's boat launch property(ies) only. The fiscal impact on CM would be negligible; CM would likely decrease expenditures slightly.	Low
Option 6: Take over the lease of the boat launch at CM or acquire ownership of CM's boat launch property(ies). CM would not be fiscally impacted if the City took over the lease of the boat launch parcels. Acquiring the boat launch properties could require significant financial resources from the City depending on how it is acquired, i.e., land sale or transfer	Low
Option 7: Take no action at this time. The City could continue to monitor the annexation of CM without taking any action. The City would not take over the lease or ownership, of the boat launch.	None

CAMP MURRAY ANNEXATION

Meeting with CM – 10/20

Meeting with CM in October 2020 to discuss draft of the Annexation Report

- CM reiterated given the fiscal impact on WMD they were not supportive of annexation by the City at this time.
- CM agreed to continue to have on-going conversations about the boat launch
 - CM is in the process of making improvements and requesting more funds from the state for additional improvements.

CAMP MURRAY ANNEXATION

Recommendation:

Option7: Continue to monitor this situation.

- In addition, continue dialogue with CM about boat launch improvement.

CAMP MURRAY ANNEXATION

Analysis Report

Questions?



**LAKEWOOD CITY COUNCIL AND
CLOVER PARK SCHOOL DISTRICT BOARD
JOINT MEETING AGENDA**

Monday, January 25, 2021

7:00 P.M.

City of Lakewood



Residents can virtually attend City Council meetings by watching them live on the city's YouTube channel:

<https://www.youtube.com/user/cityoflakewoodwa>

Those who do not have access to YouTube can call in to listen by telephone via Zoom: Dial +1(253) 215- 8782 and enter participant ID: 868 7263 2373

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CALL TO ORDER

ITEMS FOR DISCUSSION

1. Equity.
2. Mental Health Support.
3. Next Steps for the community with respect to COVID-19.

ADJOURNMENT

Persons requesting special accommodations or language interpreters should contact the City Clerk, 253-983-7705, as soon as possible in advance of the Council meeting so that an attempt to provide the special accommodations can be made.