



To: Mayor and City Councilmembers
 From: Tho Kraus, Deputy City Manager
 Through: John J. Caulfield, City Manager
 Date: November 7, 2022
 Subject: Public Hearing - 2022 YND Budget Adjustment

BACKGROUND

The proposed budget adjustment makes the following types of modification to the current biennium:

- Adjustments to incorporate items previously approved by the City Council;
- Appropriate projects funded by grants and contributions; and
- New allocations.

PROPOSED BUDGET ADJUSTMENT SUMMARY

Year 2022:

- No change to beginning fund balance, revised estimate remains at \$58.93M;
- Increases revenues by \$7.72M, resulting in a revised estimate of \$133.73M;
- Increases expenditures by \$7.77M, resulting in a revised estimate of \$158.99M; and
- Decreases ending fund balance by \$0.55M, resulting in a revised estimate of \$33.67M.

The table below provides a breakdown of the proposed budget adjustment (\$ in millions):

Fund Group	Beginning Fund Balance			Revenue			Expenditure			Ending Fund Balance		
	Current Budget	Proposed Adj	Proposed Revised Budget	Current Budget	Proposed Adj	Proposed Revised Budget	Current Budget	Proposed Adj	Proposed Revised Budget	Current Budget	Proposed Adj	Proposed Revised Budget
Total	\$ 58.93	\$ -	\$ 58.93	\$ 126.01	\$ 7.72	\$ 133.73	\$ 151.22	\$ 7.77	\$ 158.99	\$ 33.72	\$ (0.05)	\$ 33.67
General	17.75	-	17.75	43.21	0.23	43.43	47.07	0.28	47.34	13.89	(0.05)	13.84
Special Revenue	6.85	-	6.85	24.54	7.35	31.90	28.89	7.35	36.24	2.51	-	2.51
Debt Service	0.99	-	0.99	2.77	-	2.77	2.58	-	2.58	1.17	-	1.17
Capital Projects	16.98	-	16.98	43.40	-	43.40	54.24	-	54.24	6.14	-	6.14
Enterprise	10.98	-	10.98	4.62	-	4.62	11.20	-	11.20	4.39	-	4.39
Internal Service	5.38	-	5.38	7.48	0.14	7.62	7.24	0.14	7.38	5.62	-	5.62

GENERAL FUND ENDING FUND BALANCE

In support of the City's financial integrity, the City Council adopted on September 15, 2014, a set of financial policies including fund balance reserves totaling 12% of General/Street O&M Funds operating revenues.

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

Additionally, on November 15, 2021 the City Council via Ordinance 764 established an Economic Development Opportunity Fund within the General Fund ending fund balance for the purpose of accumulating excess funds from the General Fund and other funds that are eligible to provide funding for economic development opportunity related expenditures. The set aside amount as approved in the 2021/2022 mid-biennium budget adjustment is \$1,000,000 in each year of 2021 and 2022 for a total of \$2,000,000. The City shall appropriate and use the funds as approved by the City Council.

With this proposed budget adjustment, 2022 estimated General/Street O&M Funds ending fund balance of \$13.84M equates to 32% of General/Street O&M Funds operating revenues. The proposed revised operating revenues & expenditures and ending fund balance reserves is in alignment with the City's adopted financial policies.

PROPOSED BUDGET ADJUSTMENT DETAILS

The narrative below provides detailed information on the proposed budget adjustments. A summarized list is included as an attachment to this memo.

Fund 001 General

CD – Department of Commerce 2024 Comprehensive Plan, Grant/1-Time

Add \$175,000 in grant revenue and expenditures for the preparation of the 2024 Periodic Comprehensive Plan update in two disbursements: July 2022 and July 2023. The remaining available balance at year-end will be carried over into 2023.

CD - Department of Commerce – Early Implementation Climate Planning, Grant/1-Time

Add \$50,000 in grant revenue and expenditures for the purpose of incorporating climate action elements in the city's periodic update. This funding is valid beginning July 1, 2022 and must be completed by June 2023. The remaining available balance at year-end will be carried over into 2023.

Transfer to SSMCP, New/1-Time

Transfer \$30,000 to SSMCP for City's share of due diligence costs for future North Clear Zone property purchases. See Fund 192 SSMCP for additional information.

Transfer to Street M&O, New/1-Time

Transfer \$20,000 to Street M&O Fund for the purchase of cones and delineators. See Fund 101 Street M&O for additional information.

Fund 101 Streets O&M

PRCS – Purchase of 500 new Cones and Delineators, New/1-Time

Add \$20,000 in revenue (General Fund subsidy) and expenditures to purchase 500 new cones and delineators instead of renting them for \$4,500 per session. Participation at City events (SummerFEST, Farmers Market, and Street Festivals) has grown and there are more and more large and small park and street projects where this equipment is needed. The City is always working on logistic and needing to find ways to set up areas, route and reroute traffic and people, block off spaces or open up areas for safety. This equipment will also support Public Works Engineering and Police for incidents and accidents. The equipment works well to hold up signs on a post without having to dig a hole or pound into the ground.

Fund 180 Narcotics Seizure Fund

Narcotics Seizure Qualified Programs, New/1-Time

Add \$106,730 in narcotics seizure related revenue and add \$106,730 for qualified expenditures (\$24,500 to replace vehicle for Special Operations Unit and the remaining \$82,230 for other seizure expenditures). The purpose of this fund is to track assets seized because of involvement with the illegal sale, possession, or distribution of drugs or controlled substances. The fund also provides for the purchase of controlled substances or drugs by law enforcement officers or agents, as well as other expenses to enhance and improve law enforcement activities having a close and demonstrable relationship to enforcement of controlled substances. These funds may not be used to supplant existing funding sources.

Drug Enforcement Agency Tacoma Regional Task Force, Grant/1-Time

Add \$19,372 of revenues and expenditures for officer task force overtime. This cooperative agreement is between the U.S. Department of Justice Drug Enforcement Agency, the Tacoma Regional Task Force, and the City of Lakewood.

Fund 181 Felony Seizure Fund

Felony Seizure Qualified Programs, New/1-Time

Add \$26,960 in felony seizure related revenue and add \$26,960 for qualified expenditures. The purpose of this fund is for tracking assets seized under RCW 10.105.101 and the related expenditures. The state statute authorizes the seizure of assets that have been or was actually employed as an instrumentality in the commission or in the aiding or abetting in the commission of any felony, or which was furnished or was intended to be furnished by any person in the commission of, as a result of, or as a compensation for the commission of, any felony, or which was acquired in whole or in part with the proceeds traceable to the commission of a felony. Funds shall be used exclusively by the City in the expansion and improvement of law enforcement activity; however may not be used to supplant existing funding sources.

The Federal Equity Sharing Guidelines lists the following (funds shall be used to increase or supplement and not be used to replace or supplant):

Permissible Uses: law enforcement investigations; law enforcement training, law enforcement and detention facilities; law enforcement equipment; law enforcement travel and transportation; law enforcement awards and memorials; drug and gang education awareness programs; matching fund for grants; pro rata funding of the law enforcement agency's percentage of costs associated with supporting multi-agency items or facilities; asset accounting and tracking of expenditures of federally shared funds; language assistance services in connection with law enforcement activity; transfers of cash to other law enforcement agencies; support of community-based programs (cash transfers to community-based programs are not permitted); and windfall situations to provide additional support to community –based programs.

Impermissible Uses: Salaries and benefits of permanent law enforcement personnel, except in limited circumstances (i.e. express statutory authorization, overtime of officers and investigators, new positions and temporary or not-to-exceed one year appointments and salary of an officer hired to replace an officer assigned to a task force, specialized programs that generally to not involve traditional law enforcement functions); use of forfeited property by non-law enforcement personnel; payment of education-related costs; uses contrary to the laws of the state or local jurisdiction; non-official government use of shared assets; purchase of food and beverage (except for conference and meals during local operations); extravagant expenditures extravagant expenditures or wasteful expenditures and entertainment; cash on hand, secondary accounts, and stored value cards (such as prepaid credit cards); transfers to other law enforcement agencies; purchase of items for other law enforcement agencies; costs related to lawsuits; loans; and money laundering operations.

Fund 182 Federal Seizure Fund

Federal Seizure Qualified Programs, New/1-Time

Add \$20,100 in federal seizure related revenue and add \$26,960 for qualified expenditures. The Federal Equity Sharing Guidelines lists the following (funds shall be used to increase or supplement and not be used to replace or supplant):

Permissible Uses: law enforcement investigations; law enforcement training, law enforcement and detention facilities; law enforcement equipment; law enforcement travel and transportation; law enforcement awards and memorials; drug and gang education awareness programs; matching fund for grants; pro rata funding of the law enforcement agency's percentage of costs associated with supporting multi-agency items or facilities; asset accounting and tracking of expenditures of federally shared funds; language assistance services in connection with law enforcement activity; transfers of cash to other law enforcement agencies; support of community-based programs (cash transfers to community-based programs are not permitted); and windfall situations to provide additional support to community –based programs.

Impermissible Uses: Salaries and benefits of permanent law enforcement personnel, except in limited circumstances (i.e. express statutory authorization, overtime of officers and investigators, new positions and temporary or not-to-exceed one year appointments and salary of an officer hired to replace an officer assigned to a task force, specialized programs that generally to not involve traditional law enforcement functions); use of forfeited property by non-law

enforcement personnel; payment of education-related costs; uses contrary to the laws of the state or local jurisdiction; non-official government use of shared assets; purchase of food and beverage (except for conference and meals during local operations); extravagant expenditures or wasteful expenditures and entertainment; cash on hand, secondary accounts, and stored value cards (such as prepaid credit cards); transfers to other law enforcement agencies; purchase of items for other law enforcement agencies; costs related to lawsuits; loans; and money laundering operations.

Fund 192 South Sound Military Communities Partnership

SSMCP – NCZ Due Diligence, New/1-Time

Add \$30,000 in revenue and expenditures for due diligence costs associated with the next North Clear Zone property purchase. The City submitted the DCCA application for state funding in September 2022 for the purchase of Puget Paving parcels. The application required the City to identify the share of its cost as part of the cost share agreement between the City and State. The amount requested is for the City's share of due diligence with the Army Cooperative Agreement and includes estimated costs for appraisals, boundary survey, ESA, legal fees, and title search.

Fund 195 Public Safety Grants

Washington Traffic Safety Commission – Impaired Driving Emphasis, Grant/1-Time

Add a total of \$4,375 in grant revenue and expenditures to bring grant total to \$12,752 for WTSC Impaired Driving Emphasis grant. No local match is required. The grant provides funding for overtime wages and related benefits for law enforcement personnel to participate in scheduled local and multi-jurisdictional DUI patrols. The grant period is October 2021 – September 2022.

Washington Traffic Safety Commission – Seatbelts, Grant/1-Time

Add \$3,687 in grant revenue and expenditures to bring total grant allocation to \$6,187 for grant period. No local match is required. The grant provides funding for overtime wages and related benefits for law enforcement personnel to participate in scheduled local seatbelt patrols. The grant period is October 2021 – September 2022.

Emergency Management Performance (EMPG), Grant/1-Time

Add \$62,565 in grant revenues and expenditures for partial reimbursement of the Emergency Management Coordinator's position shared with the West Pierce Emergency Management Coalition. The coalition is comprised of the Cities of Lakewood and University Place, Town of Steilacoom and West Pierce Fire and Rescue. This grant requires a match of local funds of \$82,434 which is provided by the balance of the Coordinator's salary paid by the coalition. The coalition's apportionment is calculated as follows: Coordinator's position cost less the EMPG grant; remaining balance is allocated 40% West Pierce Fire District and 60% allocated to the cities of Lakewood, University Place, Town of Steilacoom based on population as provided by Washington State Office of Fiscal Management (OFM). The City's portion of the local match is included in the existing General Fund budget. The grant-funding period is June 1, 2022-August 31, 2023. The remaining available balance at year-end will be carried over into 2023.

Bulletproof Vest Partnership, Grant/1-Time

Add \$14,800 in grant revenue and expenditures for FY-2022 new award for vests purchased from April 1, 2022 through August 31, 2024. This funding is for armored vests that meet the National Institute of Justice applicable ballistic and stab resistant standards for officers. There is a 50% local match required. This match is already budgeted in the General Fund. The remaining available balance at year-end will be carried over into 2023.

Pierce County STOP Violence against Women Training Grant/1-Time

Add \$5,073 in grant revenue and expenditures. The purpose of this grant is to provide funding for training of two police officers to attend the annual Sexual Victims of Assault training conference held in Dallas, Texas in May 2022. The training encompasses responding effectively, identifying and responding to violent crimes that include crimes of sexual assault, domestic violence, stalking, and dating violence against victims eleven years of age or older. The grant period is January 2022 – December 2022.

Washington State Patrol- Mobile Impaired Driving Unit (MIDU), Grant/1-Time

Add \$15,000 in grant revenue and expenditures for mobile impaired driving unit grant. These funds are for providing a certified Medical Assistant Phlebotomist to work in conjunction with the WSP various locations around the State of Washington. The contract period is June 2022 – September 2022.

WTSC – PC Regional Phlebotomy, Grant/1-Time

Add \$98,400 in grant revenue and expenditures. This grant provides funding for the Pierce County Regional Phlebotomy 2022 Traffic Safety Grant Project. The program is aimed at training 20 law enforcement officers within Pierce County Region 5 to receive training to become licensed Washington State Phlebotomists. The funding provides wages for police officer regular time to attend classes, tuition, fees, books, physician oversight, supplies and recertification fees. The grant period is from March 25, 2022 through June 30, 2023. The remaining available balance at year-end will be carried over into 2023.

US DOJ Justice Assistance Grant – Helmets and Exterior Vests, Grant/1-Time

Add \$41,486 in grant revenue and expenditures. This grant is for the purpose of purchasing helmets and exterior vest public safety equipment for the Lakewood Police Department. The grant period is from October 2022-September 2025. The remaining available balance at year-end will be carried over into 2023.

Fund 501 Fleet & Equipment

PD – Replace 2013 Ford interceptor #40711, New/1-Time

Add \$50,000 in revenues and expenditures for replacement of police vehicle #40711 that was involved in a collision and declared a total loss. The revenue is a transfer in of insurance proceeds received and accounted for in the Risk Management Fund.

MC – Additional Funds for Municipal Court Transit Van, New/1-Time

Add \$16,000 for the replacement of Municipal Court transit van (from \$54,000 to \$70,000). Due to materials supply shortages, Ford was unable to fill the City's original order. As a result, Ford offered the City priority for the 2023 transit van at a significantly higher price due to inflation, material cost increase and supply chain demands. Source is General Fund savings.

PK – New Mower for Street Landscape Program, New/1-Time

Add \$12,000 for the purchase of a new 48" Z Track Mower to support the Street Landscape program. Currently there are 1.75 FTEs assigned to street landscaping. This team provides maintenance to all city buildings, traffic islands, gateways, Sounder Station and along city streets and right-of-ways. There is one mower assigned to the team. The additional Z Track Mower would allow the team to complete more work in those areas. Besides mowing, this equipment allows them to pick up trash along the streets in advance of mowing, providing more efficient use of limited resources. Source is General Fund savings.

PK – Safety Lighting & Radio Installation on Two Trucks, New/1-Time

Add \$15,000 to add safety lighting to the rears of two work trucks so they can be clearly seen by trailing vehicles and install city owned/provided radios for employee communication and safety. The existing safety lighting cannot be seen from the rear of the vehicles and the radios were not installed with the initial build of the vehicles. Source is General Fund savings.

504 Risk Management

PD – Transfer of Insurance Proceeds for Vehicle Claim #40711, New/1-Time

Add \$50,000 transfer of insurance proceeds to Fleet & Equipment Fund for the replacement of police vehicle #40711.

NEXT STEPS

- Adoption on November 21, 2022

ATTACHMENTS

- Summary of Proposed Adjustments
- Draft Budget Adjustment Ordinance

**2022 Year End Budget Adjustment
Summary of Proposed Requests**

	Adjustment Ongoing/		Year 2022	
	Type	1-Time	Revenue	Expenditure
Grand Total - All Funds			\$7,720,666	\$ 7,770,666
Total - Fund 001 General			\$ 225,000	\$ 275,000
CD - 2024 Comprehensive Plan Grant	Grant	1-Time	175,000	175,000
CD - Dept of Commerce Climate Plan Grant	Grant	1-Time	50,000	50,000
Transfer to SSMCP for Future North Clear Zone Due Diligence	New	1-Time	-	30,000
General/Street Fund Subsidy - Cones & Delineators	New	1-Time	-	20,000
Total - Special Revenue Funds			\$ 7,352,666	\$ 7,352,666
Total - Fund 101 Street O&M			\$ 20,000	\$ 20,000
Cones & Delineators	New	1-Time	20,000	20,000
Total - Fund 180 Narcotics Seizure	-	-	\$ 126,102	\$ 126,102
Replace Special Operations Unit Vehicle & Narcotics Seizure Qualified Programs	New	1-Time	106,730	106,730
Drug Enforcement Agency Tacoma Regional Task Force	Grant	1-Time	19,372	19,372
Total - Fund 181 Felony Seizure	-	-	\$ 26,960	\$ 26,960
Qualified Seizure Programs	New	1-Time	26,960	26,960
Total - Fund 182 Federal Seizure	-	-	\$ 20,100	\$ 20,100
Qualified Seizure Programs	New	1-Time	20,100	20,100
Total - Fund 192 SSMCP			\$ 30,000	\$ 30,000
Due Diligence for Future North Clear Zone Property Purchases	New	1-Time	30,000	30,000
Total - Fund 195 Police Grants			\$ 246,386	\$ 246,386
WA Traffic Safety Commission - Impaired Driving	Grant	1-Time	4,375	4,375
WA Traffic Safety Commission - Seatbelts	Grant	1-Time	3,687	3,687
Emergency Management Performance - West Pierce Coalition	Grant	1-Time	62,565	62,565
Bulletproof Vest Partnership	Grant	1-Time	14,800	14,800
Pierce County STOP Violence Against Women	Grant	1-Time	5,073	5,073
WA State Patrol - Mobile Impaired Driving Unit	Grant	1-Time	15,000	15,000
WA Traffic Safety Commission - Pierce Co. Regional Phlebotomy	Grant	1-Time	98,400	98,400
US Department of Justice Assistance Grant - Helmets and Vests	Grant	1-Time	42,486	42,486
Total - Fund 196 ARPA			\$ 6,883,118	\$ 6,883,118
ARPA Second Distribution	Grant	1-Time	6,883,118	6,883,118
Total - Internal Service Funds			\$ 143,000	\$ 143,000
Total - Fund 501 Fleet & Equipment			\$ 93,000	\$ 93,000
PD - Replace Totaled Vehicle #40711	New	1-Time	50,000	50,000
MC - Additional Funds for Vehicle 42161	New	1-Time	16,000	16,000
PK - New Mower for Street Landscape Program	New	1-Time	12,000	12,000
PK - Safety Lighting & Radio Installation on Two Trucks	New	1-Time	15,000	15,000
Total - Fund 504 Risk Management			\$ 50,000	\$ 50,000
Transfer Insurance Recovery to Fleet & Equipment Fund	New	1-Time	50,000	50,000

