

# City of Lakewood, WA

## Popular Annual Financial Report

For the Year Ended December 31, 2016





# City Profile

The City of Lakewood is an optional code city and incorporated in 1996. Lakewood is the second largest city in Pierce County and is host community to Joint Base Lewis McChord (JBLM), the largest Army military installation in the western United States and the largest single-site employer in Washington State. Our legacy and commitment to each other dates back almost 100 years to World War 1 and the creation of Camp Lewis that then became Fort Lewis followed by the addition of McChord Air Force Base and now JBLM, the sole “Power Projection Platform” on the West Coast. Lakewood has a population of 58,360 and covers an area of 18.95 square miles, of which 17.17 square miles is land and 1.78 square miles is water. Lakewood is known for its lakes, natural beauty, and economic potential.



# Elected Officials

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



From left to right:

*Councilmember  
Michael Brandstetter*

*Councilmember  
John Simpson*

*Councilmember  
Mary Moss*

*Mayor  
Don Anderson,*

*Councilmember  
Marie Barth*

*Councilmember  
Paul Bocchi*

*Deputy Mayor  
Jason Whalen*



# Vision Statement & City Council Goals

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

## Vision Statement

*Adopted by the Lakewood City Council on October 19, 2015*

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

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

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



# City Services

The City provides the following services to residents and businesses: parks and recreation, police, jail, streets and roads, stormwater collection and treatment, economic development, public improvements, building, planning and zoning, social and senior services, municipal court, and general administrative services.

Water is provided by the Lakewood Water District and sewer services are provided through Pierce County. Fire services are provided by the West Pierce Fire and Rescue. Garbage and recycling is provided by Waste Connections under contract with the City. Power is provided by Tacoma Power, Puget Sound Energy, and Lakeview Light and Power. Library services are provided by the Pierce County Library system. K-12 education is provided by Clover Park School District #400 and Steilacoom Historical School District #1. Higher education is provided by Pierce College at Fort Steilacoom Park and Clover Park Technical College. Interstate Highway 5 and State Highway 512 pass through Lakewood. Pierce Transit and the Sound Transit (ST) systems, with stations adjacent to the I-5 Corridor and the Lakewood Towne Center, serve the community. The combination of services from these agencies provides excellent public transportation to the greater Tacoma/Seattle area.



# Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakewood for its comprehensive annual financial report (CAFR) for the year ended December 31, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



# Popular Annual Financial Report

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

The summarized financial activity presented in this report draws its information from the 2016 Comprehensive Annual Financial Report (CAFR). However, only financial data for the governmental activities (activities normally supported by taxes and intergovernmental revenue) is included, and therefore, the City's business-type activities are excluded. Additionally, information is presented in a summarized manner and certain financial statements and note disclosures required by Generally Accepted Account Principles (GAAP) are omitted.

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

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

Individuals who desire to review the audited GAAP-based, full disclosure financial statements should refer to the City's CAFR, which is available on the City's website at [www.cityoflakewood.us](http://www.cityoflakewood.us), or by contacting the Finance Division at 6000 Main Street, Lakewood, WA, 98499, phone (253) 983-7706 or email [tkraus@cityoflakewood.us](mailto:tkraus@cityoflakewood.us).



# Financial Information

## Net Position

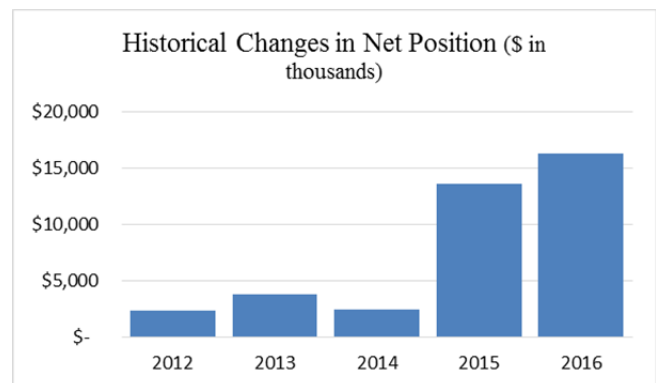
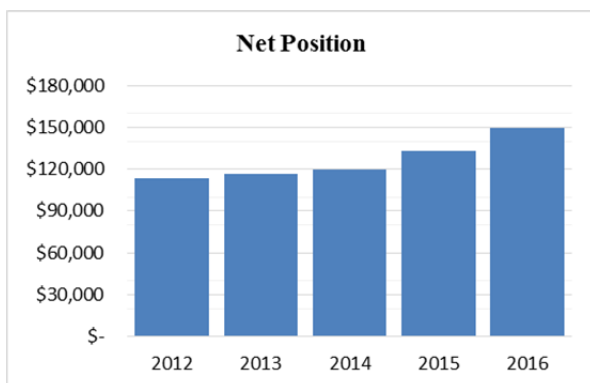
Net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) may serve as an indicator of a government's financial condition over time. Net investment in capital assets makes up the biggest portion of net position. This amount is associated with the City's equity in its capital assets. Because capital assets are acquired to provide services over several periods or indefinitely, this portion is not available for future spending. Although this portion of net position is calculated net of related debt, the resources needed to pay down the debt must come from other more liquid resources. A smaller portion of net position represents net position that is legally restricted as to use by law or contract, such as bond proceeds for capital construction, resources reserved for debt service, or funds mandated for specific programs. The remaining portion of net position is unrestricted, representing resources that are available for services. The following schedule is intended to demonstrate the difference between the City's assets and the City's liabilities as of December 31, 2016 compared to December 31, 2015:

CONDENSED STATEMENT OF NET POSITION For the Years Ended December 31, 2016 and 2015		
	Governmental Activities	
	2016	2015
Current and other assets	\$ 30,757,671	\$ 29,003,642
Capital assets and CIP, net of accum. depreciation	132,957,013	121,540,008
<b>Total Assets</b>	<b>163,714,684</b>	<b>150,543,650</b>
Deferred outflows of resources	1,528,386	632,205
<b>Total deferred outflows of resources</b>	<b>1,528,386</b>	<b>632,205</b>
Current liabilities	4,988,162	5,993,711
Long-term liabilities	10,947,617	11,108,440
<b>Total Liabilities</b>	<b>15,935,779</b>	<b>17,102,151</b>
Deferred inflows of resources	-	1,060,637
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>1,060,637</b>
<b>Net Position:</b>		
Net investment in capital assets	122,799,092	110,660,825
Restricted	7,394,971	5,806,134
Unrestricted	19,113,228	16,546,108
<b>Total Net Position</b>	<b>\$ 149,307,291</b>	<b>\$ 133,013,067</b>

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

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

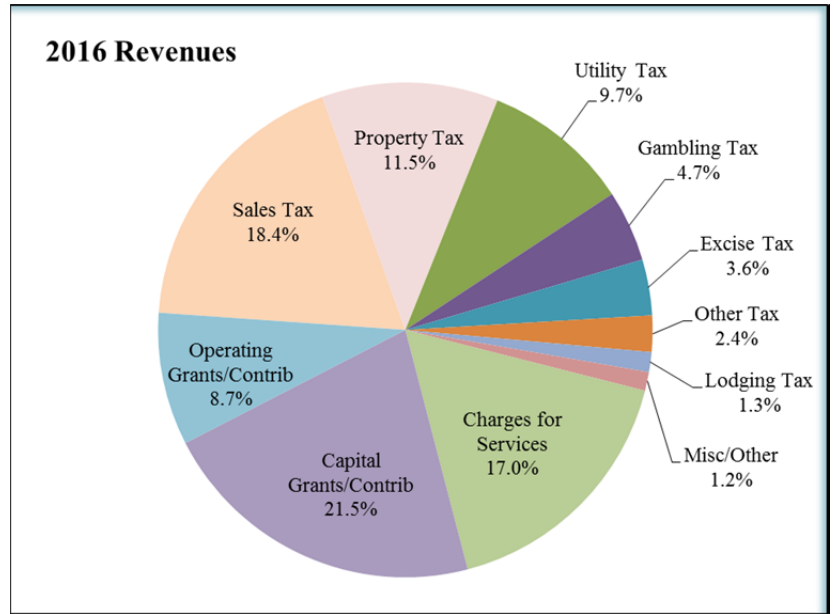
Historical Change In Net Position (\$ in thousands)		
Year	Amount	
2012	\$	2,365
2013	\$	3,808
2014	\$	2,455
2015	\$	13,611
2016	\$	16,294



*Revenues —*

*Where the does the money come from?*

<b>Governmental Funds</b> (\$ in thousands)	<b>2016</b>	<b>2015</b>
Sales Tax	\$ 10,736	\$ 10,184
Property Tax	6,712	6,652
Utility Tax	5,629	5,704
Gambling Tax	2,711	2,772
Excise Tax	2,125	1,509
Other Tax	1,382	1,140
Lodging Tax	757	692
Miscellaneous/Other	709	1,273
Charges for Services	9,889	8,896
Capital Grants & Contributions	12,519	7,361
Operating Grants & Contributions	5,048	4,785
<b>Total Revenues</b>	<b>\$ 58,218</b>	<b>\$ 50,968</b>

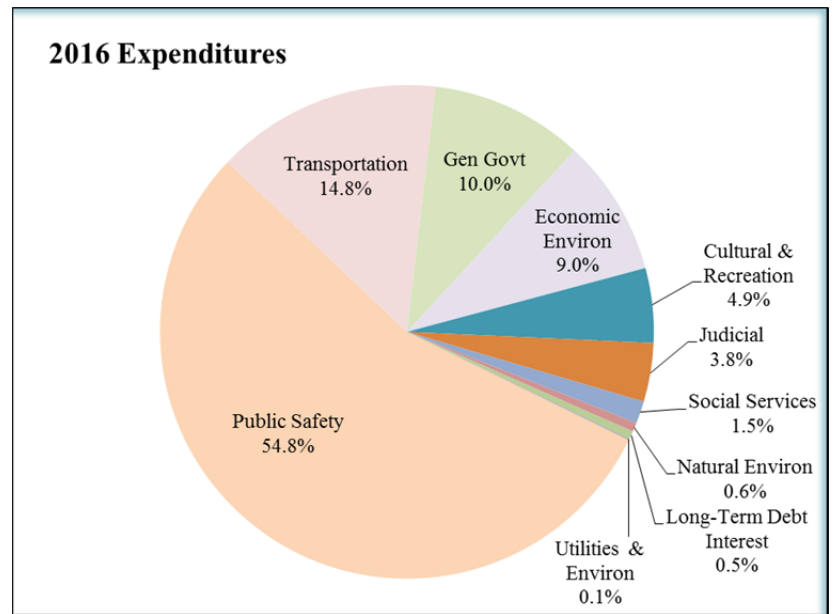


Total revenue increased by \$7.2M or 14.2% in 2016. The increase is mainly due to: \$5.1M or 67.9% increase in transportation capital grants & contributions; \$440K in contributed capital; \$1.1M culture and recreation grants, \$835K combined increase for property, sales, excise, hotel/lodging taxes, other taxes and an increase of \$696K in charges for services from police extra duty contract revenue, gross camera enforcement revenue and franchise fees. These increases were offset by a decrease of \$711K in utility, gambling and miscellaneous revenue.

*Expenditures —*

*Where does the money go?*

<b>Governmental Funds</b> (\$ in thousands)	<b>2016</b>	<b>2015</b>
Public Safety	\$ 23,471	\$ 22,000
Transportation	6,341	6,097
General Government	4,306	4,360
Economic Environment	3,843	3,687
Culture and Recreation	2,088	2,030
Judicial	1,645	1,537
Social Services	629	585
Natural Environment	249	298
Interest on Long-Term Debt	233	269
Utilities & Environment	28	20
<b>Total Expenditures</b>	<b>\$ 42,833</b>	<b>\$ 40,884</b>

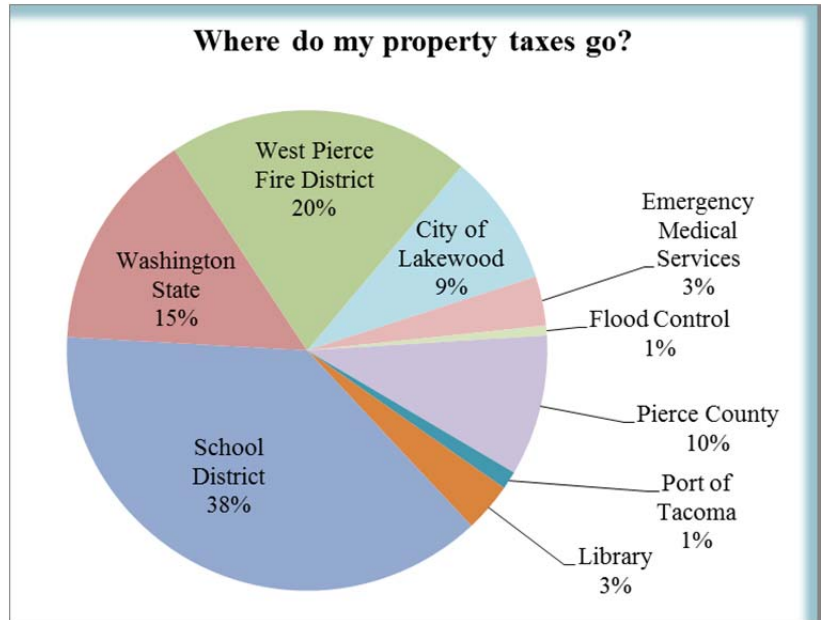


Total expenses for governmental activities increased \$1.9M or 4.7%. The increase is mainly due to a \$1.4M or 6.7% increase in public safety expenses as well as a combined increase of \$611K in utilities and environment, transportation, social services, economic environment, culture and recreation and judicial. These increases were offset by \$139K in general government, natural environment and interest on long-term debt. Transfers had a net decrease of \$ 131K.

# Property Tax

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

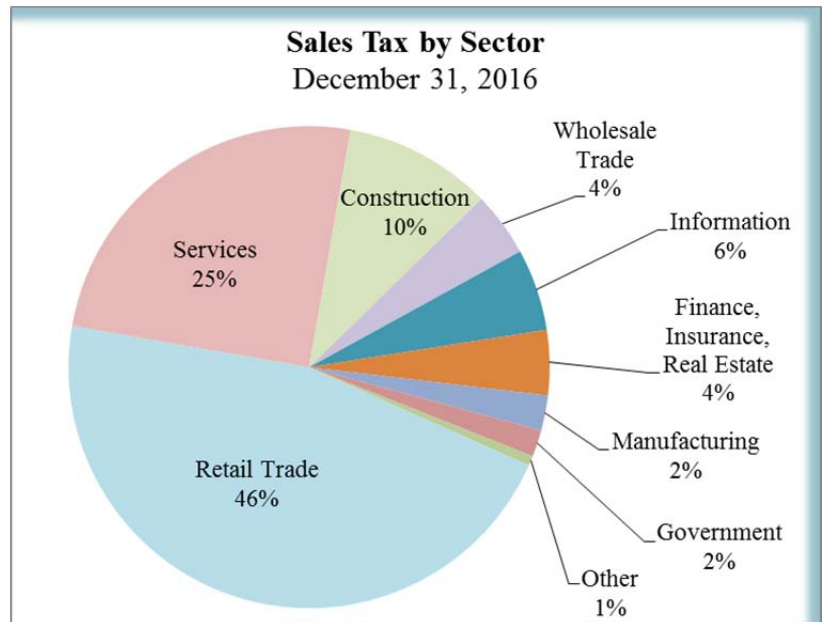
Levy Rate per \$1,000 Assessed Value		
Taxing District	2016	2015
<b>City of Lakewood</b>	<b>\$1.34</b>	<b>\$1.38</b>
Emergency Medical Services	0.50	0.50
Flood Control	0.10	0.10
Pierce County	1.43	1.48
Port of Tacoma	0.18	0.18
Library	0.50	0.50
School District	5.71	5.77
Washington State	2.23	2.39
West Pierce Fire District	3.08	3.17
<b>Total</b>	<b>\$15.08</b>	<b>\$15.47</b>



# Sales Tax

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

Sales Tax by Sector (\$ in thousands)	2016	2015
Retail Trade	\$ 4,229	\$ 4,156
Services	2,296	2,126
Construction	913	884
Wholesale Trade	396	398
Information	504	502
Finance, Insurance, Real Estate	400	344
Manufacturing	217	158
Government	164	80
Other	59	60
<b>Total</b>	<b>\$ 9,178</b>	<b>\$ 8,708</b>





# Long-term Debt

The City's total governmental activities debt outstanding as of December 31, 2016 is \$10.16M. This is a decrease of \$721K or 7% due primarily to annual principle payments made.

In 2016, the City issued \$1.88M of GO refunding bonds to provide resources to refinance 2009 LTGO bonds of \$1.63M. As a result the 2009 refunded bonds are considered to be defeased and the liability has been removed. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by approximately \$141K.

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

<b>Long-Term Debt Outstanding Governmental Activities As of December 31, 2016 and 2015</b>		
	<b>2016</b>	<b>2015</b>
2009 LTGO	\$ 245,000	\$ 1,995,000
2009 LTGO Premium	-	31,160
2016 LTGO (refinanced 2009 LTGO)	1,884,032	-
Local Financing	1,370,000	1,460,000
Local Financing Premium	177,537	194,858
Public Works Trust Fund Loan	4,930,856	5,038,375
Promissory Note (59th Street)	524,041	579,374
Special Assessments	986,515	1,523,121
Copiers - Capital Lease	39,940	57,295
<b>Total</b>	<b>\$ 10,157,921</b>	<b>\$ 10,879,183</b>

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

<b>Legally Remaining Debt Capacity December 31, 2016</b>	
General Government (no vote required)	\$ 70,124,075
General Government (3/5 majority vote required)	49,431,432
Parks and Open Space (3/5 majority vote required)	123,578,580
Utilities (3/5 majority vote required)	123,578,580
<b>Total Capacity</b>	<b>\$ 366,712,667</b>

# By the Numbers

Top 10 Property Taxpayers in 2016		
Taxpayer	Taxable Assessed Value	% of Total City Taxable Assessed Value
Northwest Building LLC	\$ 137,470,024	2.78%
Roc II WA Village at Seeley Lake LLC	46,239,000	0.94%
RPAI Lakewood LLC	45,561,500	0.92%
Puget Sound Energy/Gas	24,823,502	0.50%
Lakha Lakewood Properties	24,460,300	0.49%
Beaumont Lakewood Associates LLC	24,353,200	0.49%
Lakewood 231 LLC	19,063,000	0.39%
Morningtree Park LLC	18,689,100	0.38%
Wal-Mart Stores Inc #2403	17,521,000	0.35%
Wig Properties LLC-LKPL	17,275,300	0.35%
<b>Total Top 10 Taxpayer</b>	<b>\$ 375,455,926</b>	<b>7.60%</b>
<b>Total City Assessed Value</b>	<b>\$ 4,943,143,201</b>	

Top 10 Employers in 2016		
Taxpayer	# of Employees	% of Total City Employment
Western State Hospital		
Public Sector - Mental Health Facility	1,750	6.7%
Clover Park School District		
Public Sector - Education	1,318	5.1%
Pierce College		
Public Sector - Education	1,131	4.4%
Camp Murray		
Military - National Guard	980	3.8%
Pierce Transit		
Public Sector - Transportation	863	3.3%
St. Clare Hospital		
HealthCare	528	2.0%
McClane Northwest		
Transportation/Warehousing	425	1.6%
Wal-Mart		
Retail	355	1.4%
Aacres WA LLC		
Private Social Services Network	349	1.3%
Clover Park Technical College		
Public Sector - Education	324	1.2%
	<b>8,023</b>	<b>30.86%</b>

Crime Statistics		
Category	2015	2016
Offenses:		
Forcible Rape (including attempts)	58	55
Robbery	93	103
Criminal Homicide	2	0
Aggravated Assault	339	375
Vehicle Theft	260	368
Burglary (commercial & residential)	566	616
Larceny	1,991	2,097
Arson	13	15
Citations:		
Traffic	8,202	6,595
Red Light Photo	10,586	7,289
Fixed Speed Photo	3,384	9,749