

**MINUTES OF THE FINANCE COMMITTEE**  
**November 19, 2018**  
**Auditorium**

**Present:** Councilmembers O'Malley, Bullock, George

**Also Present:** Councilmembers Anderson, Litten, O'Leary, Rader, Finance Director Pae, Budget Manager Jessica Eddy, Mayor Summers, Fire Chief Gilman, Fire Marshall Dunphy, 1 member of the public

**Call to Order:** 6:05 p.m.

**Overview of the 2019 Comprehensive Budget Document**

Chairman O'Malley reviewed the proposed budget hearing schedule from now until December 17<sup>th</sup>. He requested that councilmembers submit questions and topics they would like discussed by directors in advance. Councilmember Bullock suggested that time be spent following up on council budget priorities during budget hearings.

Mayor Summers distributed copies of the City's 2019 strategic objectives, remarking that the budget invests heavily in these objectives and drives progress toward them. He emphasized that the City's first priority is to deliver core services and that those services comprise the majority of the budget. Aspirational improvements are also included.

Director Pae briefly reviewed and summarized the different sections of the comprehensive budget document including:

- Executive summary
- Projected reserves
- Individual departments and divisions
- Capital budget
- Financial policies & guidelines

Director Pae described what the Charter requires of the budget document and how that has been met. She described the basic purpose and function of the budget. The budget deals only with expenditures. The administration separately keeps track of revenues and tries to keep expenditures within revenues. The 2019 budget is \$146 million across all funds.

Director Pae highlighted key topics within the 2019 budget including water and sewer rates, One Lakewood Place, personnel and benefits, revenue highlights and projected reserves and their importance.

**Budget 101**

Director Pae explained that a revised 2018 appropriations ordinance is required to ensure that the books are balanced for 2018. A 2019 appropriations ordinance is also included with the budget ordinances. She distributed handouts depicting the City's revenues and trends.

She explained the significance of the General Fund. It is the largest fund with the most flexibility for appropriations. She discussed and described the City's other funds including:

- Special revenue funds
- Capital funds
- Debt service fund
- Enterprise fund
- Internal services

The City has 55 funds in its budget. Council does not appropriate to the trust in agency funds.

### **General Fund Trends**

Director Pae reviewed a handout showing the General Fund's expenditures, revenues, and fund balances from 1999 to present and discussed the trends. She highlighted the low fund balances that occurred from 2004 to 2007 and explained that the cause was failure to pass structurally balanced budgets whereby the previous year's fund balance was being used to balance the next year's budget. In 2008 Council and the administration pledged to pass structurally balanced budgets and also changed the budget timeline to close at year end. The previous way of operating was no longer sustainable. She noted that the Grow Lakewood group of 2004-2005 recommended this step. In 2008 the City reduced headcount, changed operations, and started putting aside reserves.

Director Pae explained the different reserve accounts and their uses such as covering the cost of separation payouts, saving up for the 27<sup>th</sup> pay, and providing the ability for the City to respond to economic development opportunities. Additionally, 5% of the prior year's revenues go into a budget stabilization account. In response to a Councilmember's question, Director Pae discussed possible uses for the budget stabilization account such as in the case of an economic downturn, sudden downturn in income or property taxes, unexpected healthcare expenses, or a natural disaster. Director Pae drew attention to the number of days of reserves over the years. Sixty days is the recommended industry standard and the City is just about there.

The Committee discussed the encumbrances for 2019 outlined on page 6 of the budget document.

The Committee discussed the ratio of revenues to expenditures for 2018, noting that it is a very narrow margin. Director Pae provided an explanation for this. Furthermore, Mayor Summers explained that the City's goal is to create a break-even budget. Once reserves are adequate, the City should be spending what it takes in. It is not beneficial to residents to create a large fund balance.

It was noted that the City's financial stability and reserves contribute to its favorable bond rating. As a result the City pays less in debt service and saves taxpayer dollars. The Committee discussed the income tax rate in Lakewood compared to rates in neighboring communities. The Mayor expressed a goal of maintaining the income tax rate at 1.5% for the as long as practical.

### **Transfers & Advances**

Director Pae discussed the handout showing historical transfers and advances out of the General Fund. She explained trends in transfers to hospitalization, worker's compensation, Division of Aging, Winterhurst, debt service, and other funds.

### **General Fund Revenue Review**

Director Pae discussed the handout showing trends over time in the City's revenues. She highlighted the loss in property tax revenue that occurred during the recession. The City has been making up for lost ground ever since and is just beginning to approach the level it had expected to be at in 2010.

Director Pae highlighted income tax as the largest revenue in the General Fund and discussed the trends in its growth loss, much of which is explained by changes at the state level.

She briefly discussed revenue trends in the Local Government Fund, the estate tax, and interest earnings.

She summarized the set of 17 ordinances that have been proposed.

- Ordinances 47-18 & 48-18 wrap up the 2018 financial year
- Ordinance 49-18 is the 2019 permanent appropriations ordinance
- Ordinances 53-18 & 54-18 increase the water and sewer rates
- Ordinance 52-18 is the membership ordinance
- The remaining ordinances are related to contracting authority

Director Pae explained the differences between contracting authority and appropriations.

Director Pae explained the differences between Ordinances 50-18 & 51-18. She explained that contracting authority for capital projects is broken down separately by project as a best practice recommended by the bond counsel. These capital contracting projects are paid for with debt and the lenders like to see separate ordinances.

Councilmembers asked additional questions that were addressed by Director Pae.

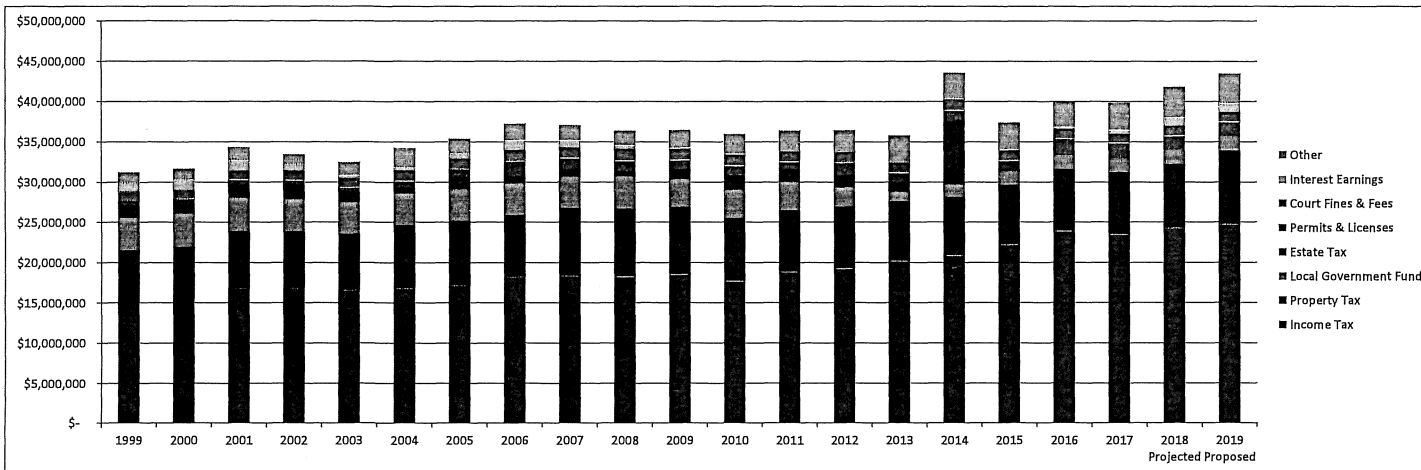
Finance Chair O'Malley announced the next meeting to be held on November 26 at 7:00 to discuss water and sewer rates.

Finance Committee adjourned at 7:30 p.m.

## City of Lakewood General Fund Revenues 1999-2018 projected

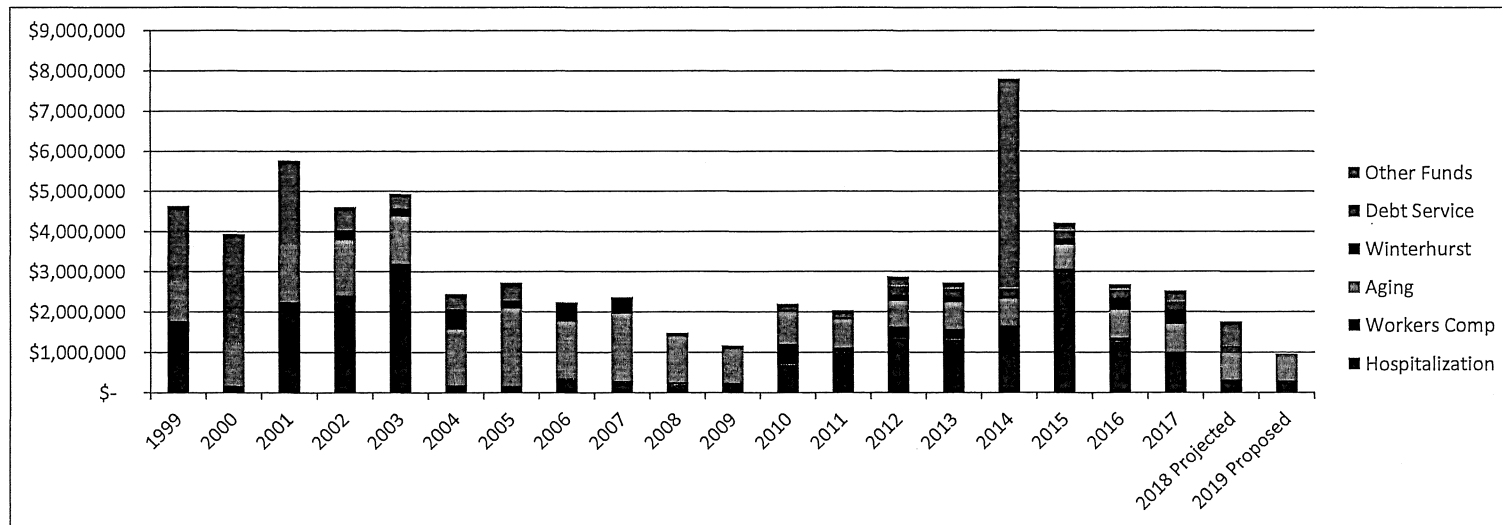
Year	Income Tax	Growth / Loss	Property Tax	Growth / Loss	Local Government Fund	Growth / Loss	Estate Tax	Growth / Loss	Permits & Licenses	Growth / Loss	Court Fines & Fees	Growth / Loss	Interest Earnings	Growth / Loss	Other	Growth / Loss	Total	Growth / Loss
1999	\$ 15,230,142		\$ 6,287,098		\$ 4,064,887		\$ 1,520,799		\$ 591,105		\$ 1,155,789		\$ 1,028,172		\$ 1,391,079		\$ 31,269,071	
2000	\$ 15,618,585	3%	\$ 6,297,873	0%	\$ 4,202,863	3%	\$ 1,217,888	-20%	\$ 586,032	-1%	\$ 1,085,592	-6%	\$ 1,302,147	27%	\$ 1,356,649	-2%	\$ 31,667,629	1%
2001	\$ 16,826,108	8%	\$ 7,000,979	11%	\$ 4,220,828	0%	\$ 1,582,241	30%	\$ 679,039	16%	\$ 1,051,430	-3%	\$ 1,321,093	1%	\$ 1,676,109	24%	\$ 34,357,829	8%
2002	\$ 16,824,669	0%	\$ 7,015,147	0%	\$ 4,014,313	-5%	\$ 1,771,175	12%	\$ 613,280	-10%	\$ 1,146,413	9%	\$ 788,609	-40%	\$ 1,279,557	-24%	\$ 33,453,162	-3%
2003	\$ 16,585,743	-1%	\$ 6,956,318	-1%	\$ 3,930,814	-2%	\$ 1,220,481	-31%	\$ 624,917	2%	\$ 1,184,041	9%	\$ 342,275	-57%	\$ 1,610,934	26%	\$ 32,455,524	-3%
2004	\$ 16,763,579	1%	\$ 7,871,152	13%	\$ 3,961,288	1%	\$ 692,774	-43%	\$ 849,521	36%	\$ 1,291,438	9%	\$ 322,705	-6%	\$ 2,469,735	53%	\$ 34,222,193	5%
2005	\$ 17,139,353	2%	\$ 8,048,101	2%	\$ 3,951,500	0%	\$ 1,413,955	104%	\$ 1,052,603	24%	\$ 1,268,076	-2%	\$ 628,228	95%	\$ 1,898,725	-23%	\$ 35,400,543	3%
2006	\$ 18,191,312	6%	\$ 7,683,920	-5%	\$ 3,956,003	0%	\$ 913,573	-35%	\$ 1,822,052	73%	\$ 1,365,226	8%	\$ 1,255,501	100%	\$ 2,083,696	10%	\$ 37,271,284	5%
2007	\$ 18,300,458	1%	\$ 8,432,617	10%	\$ 3,962,196	0%	\$ 893,753	-2%	\$ 1,403,462	-23%	\$ 1,241,158	-9%	\$ 948,684	-24%	\$ 1,926,797	-8%	\$ 37,109,124	0%
2008	\$ 18,247,704	0%	\$ 8,414,550	0%	\$ 4,066,736	3%	\$ 590,562	-34%	\$ 1,294,424	-8%	\$ 1,476,395	19%	\$ 447,228	-53%	\$ 1,846,137	-4%	\$ 36,383,736	-2%
2009	\$ 18,523,000	2%	\$ 8,373,827	0%	\$ 3,513,011	-14%	\$ 1,162,784	97%	\$ 1,158,923	-10%	\$ 1,335,193	-10%	\$ 186,761	-58%	\$ 2,207,647	20%	\$ 36,461,146	0%
2010	\$ 17,684,600	-5%	\$ 7,822,383	-7%	\$ 3,568,118	2%	\$ 1,700,578	46%	\$ 1,264,104	9%	\$ 1,320,299	-1%	\$ 72,182	-61%	\$ 2,518,639	14%	\$ 35,950,904	-1%
2011	\$ 18,804,460	6%	\$ 7,657,820	-2%	\$ 3,579,068	0%	\$ 1,511,814	-11%	\$ 965,008	-24%	\$ 1,284,189	-3%	\$ 7,785	-89%	\$ 2,579,305	2%	\$ 36,389,448	1%
2012	\$ 19,252,828	2%	\$ 7,640,336	0%	\$ 2,441,256	-32%	\$ 1,506,156	0%	\$ 1,563,636	62%	\$ 1,308,528	2%	\$ 6,085	-22%	\$ 2,713,236	5%	\$ 36,432,060	0%
2013	\$ 20,196,474	5%	\$ 7,389,562	-3%	\$ 1,191,269	-51%	\$ 1,090,432	-28%	\$ 1,301,137	-17%	\$ 1,194,945	-9%	\$ 10,899	79%	\$ 3,434,690	27%	\$ 35,809,407	-2%
2014	\$ 20,857,676	3%	\$ 7,244,550	-2%	\$ 1,613,210	35%	\$ 7,765,222	612%	\$ 1,431,754	10%	\$ 1,316,202	10%	\$ 72,007	561%	\$ 3,274,021	-5%	\$ 43,574,649	22%
2015	\$ 22,212,218	6%	\$ 7,421,143	2%	\$ 1,768,931	10%	\$ 7,923	-100%	\$ 1,200,840	-16%	\$ 1,270,967	-3%	\$ 88,753	23%	\$ 3,451,713	5%	\$ 37,422,487	-14%
2016	\$ 23,866,023	7%	\$ 7,755,290	5%	\$ 1,756,723	-1%	\$ 7,998	1%	\$ 1,989,096	66%	\$ 1,132,082	-11%	\$ 277,250	212%	\$ 3,225,658	-7%	\$ 40,010,121	7%
2017	\$ 23,436,422	-2%	\$ 7,787,210	0%	\$ 1,762,183	0%	\$ 2,784	-65%	\$ 1,882,397	-5%	\$ 1,052,861	-7%	\$ 495,055	79%	\$ 3,454,383	7%	\$ 39,873,294	0%
2018 Projected	\$ 24,240,046	3%	\$ 7,938,310	2%	\$ 1,833,298	4%	\$ 1,426	-49%	\$ 1,728,995	-8%	\$ 1,175,829	12%	\$ 1,094,302	121%	\$ 3,791,307	10%	\$ 41,803,513	5%
2019 Proposed	\$ 24,714,898	2%	\$ 9,129,057	15%	\$ 1,893,786	3%	\$ -	-100%	\$ 1,728,995	0%	\$ 1,175,829	0%	\$ 1,094,302	0%	\$ 3,721,150	-2%	\$ 43,458,016	4%

20 Year Average (1999-2018)	\$ 18,940,070	3%	\$ 7,551,909	1%	\$ 3,167,925	-2%	\$ 1,265,444	25%	\$ 1,200,116	9%	\$ 1,232,833	0%	\$ 534,786	47%	\$ 2,409,501	7%	\$ 36,365,856	2%
10 Year Average (2009-2018 Estimate)	\$ 20,907,375	3%	\$ 7,703,043	-1%	\$ 2,302,707	-5%	\$ 1,475,712	50%	\$ 1,448,589	7%	\$ 1,239,109	-2%	\$ 231,108	84%	\$ 3,065,060	8%	\$ 38,372,703	2%
5 Year Average (2014-2018 Estimate)	\$ 22,922,477	4%	\$ 7,629,301	1%	\$ 1,746,869	10%	\$ 1,557,071	80%	\$ 1,646,616	9%	\$ 1,189,588	0%	\$ 405,473	199%	\$ 3,439,416	2%	\$ 40,536,813	4%
3 Year Average (2016-2018 Estimate)	\$ 23,847,497	3%	\$ 7,826,937	2%	\$ 1,784,068	1%	\$ 4,069	-38%	\$ 1,866,830	17%	\$ 1,120,257	-2%	\$ 622,202	137%	\$ 3,490,449	3%	\$ 40,562,309	4%



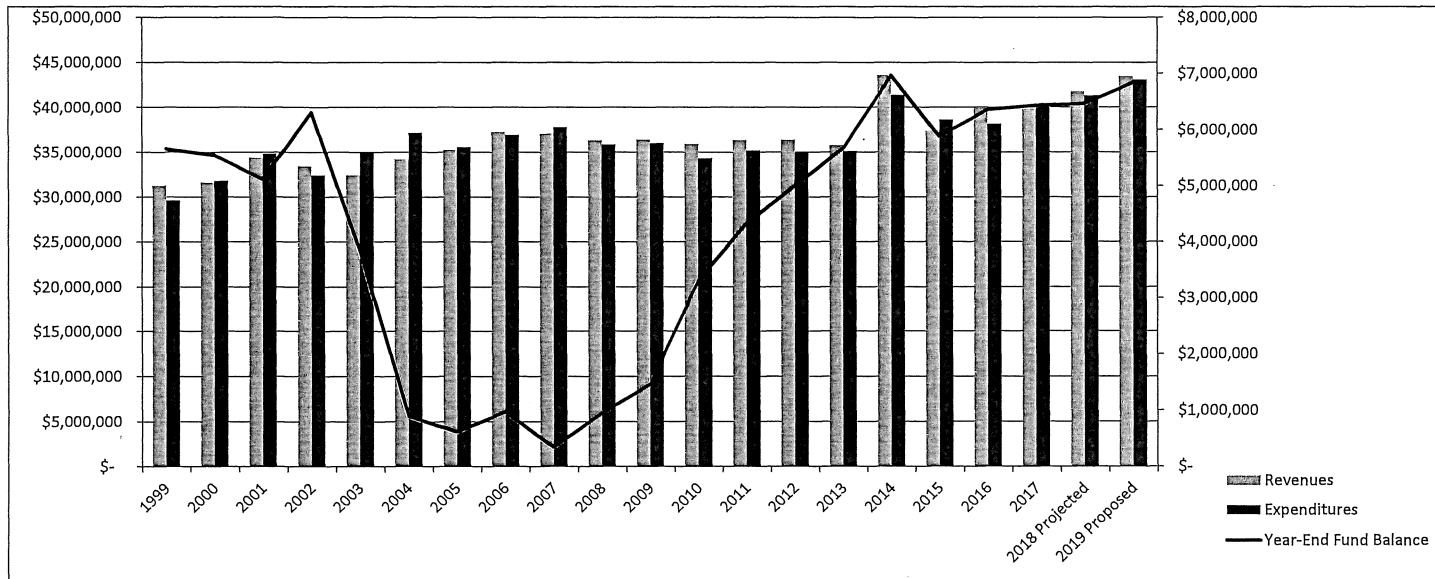
**Types of Transfers 1999 to 2019 Proposed**

	Hospitalization	Workers Comp	Aging	Winterhurst	Debt Service	Other Funds	Total
1999	\$ 1,520,395	\$ 250,820	\$ 1,017,000			\$ 1,847,767	\$ 4,635,982
2000	\$ 142,551	\$ 14,426	\$ 1,075,000			\$ 2,713,772	\$ 3,945,749
2001	\$ 1,955,647	\$ 291,872	\$ 1,450,000			\$ 2,070,402	\$ 5,767,921
2002	\$ 2,252,896	\$ 157,688	\$ 1,375,000	\$ 250,000		\$ 581,311	\$ 4,616,895
2003	\$ 3,033,055	\$ 164,263	\$ 1,180,000	\$ 200,000		\$ 355,000	\$ 4,932,318
2004	\$ 150,381	\$ 17,063	\$ 1,400,000	\$ 500,000		\$ 392,428	\$ 2,459,872
2005	\$ 159,754	\$ -	\$ 1,921,421	\$ 200,000		\$ 448,867	\$ 2,730,042
2006	\$ 336,194	\$ 10,346	\$ 1,410,000	\$ 450,000		\$ 38,243	\$ 2,244,783
2007	\$ 249,999	\$ 23,648	\$ 1,683,100	\$ 400,000		\$ 22,000	\$ 2,378,747
2008	\$ 200,000	\$ 44,000	\$ 1,160,000	\$ 75,000			\$ 1,479,000
2009	\$ 204,000	\$ 15,000	\$ 951,308				\$ 1,170,308
2010	\$ 694,000	\$ 500,000	\$ 804,920	\$ 60,000		\$ 149,272	\$ 2,208,192
2011	\$ 1,000,000	\$ 100,002	\$ 714,230	\$ 44,000		\$ 180,360	\$ 2,038,592
2012	\$ 1,350,000	\$ 270,000	\$ 645,000	\$ 160,000	\$ 220,000	\$ 230,000	\$ 2,875,000
2013	\$ 1,317,649	\$ 237,852	\$ 680,000	\$ 125,000	\$ 220,000	\$ 148,000	\$ 2,728,501
2014	\$ 1,628,080	\$ 11,737	\$ 680,000	\$ 50,000	\$ 220,000	\$ 5,213,000	\$ 7,802,817
2015	\$ 2,950,000	\$ 115,000	\$ 600,000	\$ 155,000	\$ 220,000	\$ 176,000	\$ 4,216,000
2016	\$ 1,265,000	\$ 81,548	\$ 690,000	\$ 300,000	\$ 220,000	\$ 132,000	\$ 2,688,548
2017	\$ 974,999	\$ 16,936	\$ 690,000	\$ 350,000	\$ 220,000	\$ 276,700	\$ 2,528,635
2018 Projected	\$ 285,159	\$ 12,762	\$ 690,000		\$ 165,000	\$ 600,009	\$ 1,752,930
2019 Proposed	\$ 256,724	\$ 17,524	\$ 690,000				\$ 964,248



**City of Lakewood General Fund Revenues & "True Expenditures" i.e. less Transfers to Other Funds from 1999 to 2018 Proposed**

	Revenues	Expenditures	General Fund Transfers & Advances Out	"True Expenditures" i.e. Funds spent on GF Operations	Year-End Fund Balance	Fund Balance as Percent of Expenditures	Day's Reserve	Fund Balance as a Percent of "True Expenditures"	Day's Reserve from "True Expenditures"
1999	\$ 31,269,071	\$ 29,595,234	\$ 4,635,982	\$ 24,959,252	\$ 5,662,928	19%	70	23%	83
2000	\$ 31,667,629	\$ 31,844,901	\$ 3,945,749	\$ 27,899,152	\$ 5,549,909	17%	64	20%	73
2001	\$ 34,396,129	\$ 34,856,957	\$ 5,767,921	\$ 29,089,036	\$ 5,122,853	15%	54	18%	64
2002	\$ 33,453,162	\$ 32,448,511	\$ 4,616,895	\$ 27,831,616	\$ 6,307,680	19%	71	23%	83
2003	\$ 32,455,524	\$ 34,948,217	\$ 4,932,318	\$ 30,015,899	\$ 3,845,305	11%	40	13%	47
2004	\$ 34,222,193	\$ 37,203,926	\$ 2,459,872	\$ 34,744,054	\$ 901,360	2%	9	3%	9
2005	\$ 35,301,002	\$ 35,591,996	\$ 2,730,042	\$ 32,861,954	\$ 615,717	2%	6	2%	7
2006	\$ 37,271,283	\$ 36,960,228	\$ 2,244,783	\$ 34,715,445	\$ 971,745	3%	10	3%	10
2007	\$ 37,078,299	\$ 37,828,925	\$ 2,378,747	\$ 35,450,178	\$ 339,518	1%	3	1%	3
2008	\$ 36,383,736	\$ 35,875,703	\$ 1,479,000	\$ 34,396,703	\$ 950,574	3%	10	3%	10
2009	\$ 36,461,145	\$ 36,070,451	\$ 1,170,308	\$ 34,900,143	\$ 1,456,918	4%	15	4%	15
2010	\$ 35,950,904	\$ 34,318,571	\$ 2,208,192	\$ 32,110,379	\$ 3,301,394	10%	35	10%	38
2011	\$ 36,389,448	\$ 35,211,518	\$ 2,038,592	\$ 33,172,926	\$ 4,328,518	12%	45	13%	48
2012	\$ 36,432,060	\$ 34,926,926	\$ 2,875,000	\$ 32,051,926	\$ 4,997,005	14%	52	16%	57
2013	\$ 35,809,407	\$ 35,131,649	\$ 2,728,501	\$ 32,403,148	\$ 5,670,409	16%	59	17%	64
2014	\$ 43,574,649	\$ 41,414,491	\$ 7,802,817	\$ 33,611,674	\$ 6,965,231	17%	61	21%	76
2015	\$ 37,422,487	\$ 38,635,793	\$ 4,216,000	\$ 34,419,793	\$ 5,885,034	15%	56	17%	62
2016	\$ 40,010,121	\$ 38,175,360	\$ 2,688,548	\$ 35,486,812	\$ 6,359,466	17%	61	18%	65
2017	\$ 39,873,294	\$ 40,450,322	\$ 2,528,635	\$ 37,921,687	\$ 6,437,697	16%	58	17%	62
2018 Projected	\$ 41,803,513	\$ 41,370,279	\$ 1,752,930	\$ 39,617,349	\$ 6,463,423	16%	57	16%	60
2019 Proposed	\$ 43,458,016	\$ 43,089,979	\$ 964,248	\$ 42,125,731	\$ 6,834,401	16%	58	16%	59



**Goals: Vibrant neighborhoods, Economic Development, Safe and Secure, Sound Governance**

1. Remain focused on core service delivery excellence and improvement
  - a. Streets, refuse, water, sewer, parks, police, fire human services
2. Housing Forward 5.0
  - a. Citizen Serve IT platform operational
  - b. Refocus- city wide survey
  - c. Condo licenses
3. Healthiest Community initiative
  - a. Leadership created
  - b. Convene, communicate, collaborate
  - c. Data collection, analysis and sharing
4. Economic development
  - a. Barry Buick site, One Lakewood site, Spitzer site, Trinity Lutheran Site, Cove church, Hilliard Theater site, Phantasy Theater site, Skate House- Lkwd park
5. Resiliency Task force recommendation implementation
  - a. Strategically driven investments
6. IWWIP phase 2 plan completed
  - a. Community discussion
  - b. Regulator presentation/discussion (EPA, DOJ)
  - c. Financial implication discussions
7. Human services investments
  - a. Facility options
  - b. Mobility options/investments
    - i. Assess need, identify trends and solutions
  - c. Create an engaged Youth Council
8. Census 2020 preparation
  - a. Data accuracy
  - b. Team built for follow up
9. Public Safety Data analysis and sharing
  - a. New reporting system capabilities implemented (new citizen portal)
10. Organizational capacity created(knowledge, ability, experience, financial, time)capacity for innovation
  - a. IT data management
  - b. Healthy Lakewood Leadership
  - c. Resiliency implementation
11. Public Works projects:
  - a. Lake Ave water main/resurfacing (Western half)
  - b. Water main replacements: TBD
12. Information Technology
  - i. Staff transition
  - ii. Office 365 migration
  - iii. Data analysis/data sharing
13. Human Capital Development
  - a. Continue/leverage managerial training and development
  - b. Successful labor Union negotiations- 4<sup>th</sup> Qtr
  - c. Healthcare strategies- continued/advanced